



January 31, 2022

Via Email

Hon. Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Ave, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

**RE: I/M/O The New Jersey Board of Public Utilities' Response to the COVID-19
Pandemic - Establishment of a Regulatory Asset for Incremental COVID-19
Related Expenses
BPU Docket No. AO20060471**

Dear Secretary Camacho-Welch:

Pursuant to the Board's Order dated July 2, 2020 and effective July 12, 2020 in the above-referenced matter authorizing each of New Jersey's regulated utilities to create a COVID-19-related regulatory asset, New Jersey-American Water Company, Inc. hereby submits its Quarterly Report, including additional data as required by the Board's Order effective September 21, 2021 in this matter, together with a verification of John S. Tomac, Senior Director, Rates and Regulatory.

Respectfully submitted,

A handwritten signature in blue ink that reads "Christopher M. Arfaa".

Christopher M. Arfaa
Director, Corporate Counsel

CMA:dlc

cc: Service list (via email)

New Jersey-American Water Company, Inc.
Quarterly Report of COVID-19 Regulatory Asset
January 31, 2022

I. Background

Starting with New Jersey’s first confirmed case on March 4, 2020, New Jersey has taken aggressive public health actions to combat the spread of COVID-19 and to protect the health, safety, and welfare of its residents. On March 9, 2020, Governor Murphy declared a state of emergency and public health emergency in the state. Beginning on March 16, 2020, the Governor announced aggressive social distancing measures to mitigate the further spread of COVID-19 in New Jersey. Schools were closed as well as many businesses. On March 21, 2020, Governor Murphy directed all residents to stay at home until further notice and further mandated the closure of all non-essential retail businesses. New Jersey-American Water Company, Inc. (“NJAWC”) and Environmental Disposal Corp. (“EDC”), a wholly-owned subsidiary of NJAWC, (together, the “Company”), have adapted their operations and practices to ensure the safety of their employees and customers.

Since the COVID-19 public health emergency was declared, the Company has implemented the following temporary measures to provide additional protection to our customers:

- March 12, 2020: Stopped service disconnections for non-payment
- March 12, 2020: Stopped sending notices of disconnection
- March 13, 2020: Began reconnecting all customers who had previously been disconnected for non-payment
- March 13, 2020: Began waiving reconnection fees
- March 16, 2020: Stopped applying late fees and interest penalties to past-due accounts
- March 18, 2020: Began sending courtesy letters, and making courtesy phone calls, to customers with past-due balances to inform them of the amount of their past due balances, but making no mention of disconnection or late fees and interest penalties

NJAWC also temporarily waived certain eligibility requirements for its low-income payment and H2O programs to help those customers that have been economically impacted by COVID-19.

On July 2, 2020, the New Jersey Board of Public Utilities (“BPU” or “Board”) issued the Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses (“Order”) in Docket No. AO20060471. The Order authorized each regulated utility to create a COVID-19 related regulatory asset by deferring on its books and records the prudently incurred incremental costs related to COVID-19 beginning on March 9, 2020 and through September 30, 2021, or 60 days after Governor Murphy ends the public health emergency is no longer in effect, or in the absence of such an order, declaration, proclamation or similar announcement, 60 days from the time the public health emergency automatically terminates pursuant to N.J.S.A. 26:13-3(b), whichever is later. Additionally, the Order required that all deferred incremental COVID-19 related costs be offset by any federal or state assistance that the utility may receive as a direct result of the COVID-19 public health emergency. The Board also ordered all affected utilities to maintain detailed records of all deferred costs and savings during the public health emergency. The Board required each utility to file quarterly reports of the COVID-19 related costs incurred

and offsets verified by an authorized representative with the first report due by August 1, 2020, for the period ending June 30, 2020.

Under the Order, all affected utilities must file a petition with the Board by December 31, 2021, or within 60 days of the close of the regulatory asset period, whichever is later. Any potential rate recovery must be addressed in this proceeding, or in the alternative, a utility's future base rate case.

On June 4, 2021, the Governor signed legislation ending the New Jersey public health emergency but maintaining the state of emergency previously declared by the Governor.¹

On June 14, 2021, the Governor announced that the moratorium on utility shut-offs would end on June 30, 2021. However, the Governor's Executive Order No. 246 establishes a six-month grace period, through December 31, 2021, during which no water or wastewater utility may discontinue service to New Jersey residents, which includes all residential accounts and any accounts primarily serving residential customers, due to nonpayment. On December 21, 2021, Governor Phil Murphy signed Senate Bill 4081, extending the utility shutoff grace period established under Executive Order No. 246 from December 31, 2021, to March 15, 2022, for all water, municipal electric, and sewer customers. The Company continues to comply with this directive.

On July 21, 2021, the Company filed a letter motion that requests that the Board: 1) extend the regulatory asset period authorized under the Order to allow the Company to properly include all of its COVID-19 financial impacts, including those due to the shutoff moratorium disconnection grace period; and 2) adjust the deadline for submitting a recovery petition associated with such deferred regulatory asset to a date no later than 60 days after the close of the extended regulatory asset period.

On September 14, 2021, the BPU ordered that the Regulatory Asset Period be extended from September 30, 2021 to December 31, 2022, and that a petition for recovery of these assets be filed within 60 days of this new date. Additionally, the September 14th BPU order required utility companies regulated by the Board to file a formal plan by October 1, 2021, outlining how the additional time afforded by the order "will be used in meeting the Regulatory Asset Period deadline." The order further required regulated utilities file, as part of their quarterly reports, data regarding the number of Deferred Payment Arrangements created each month, Fresh Start Recipients, funds received through existing state and federal programs, new hires related to addressing COVID-19 arrearages, the number of field collection visits, and the number of disconnections and reconnections by zip code or city.

On October 1, 2021, the Company filed its formal plan with the BPU in accordance with the September 14th Board order.

II. Costs Incurred and Savings Realized

The Company has incurred and recorded as a regulatory asset an amount totaling \$16,218,748 as of December 31, 2021, associated with the COVID-19 public health emergency. The amount includes the following:

¹ L. 2021, c.103, https://www.njleg.state.nj.us/2020/Bills/PL21/103_.HTM

a) Reconnection and Late Fees

The lost revenue associated with reconnection fees during the moratorium period was calculated by multiplying the number of reconnects that were performed during the period by the \$28 reconnection fee. Since NJAWC began waiving the reconnection fee, it reconnected 64 customers. NJAWC has foregone the collection of \$1,792 in reconnection fees.

The lost revenue associated with the foregone late charges that were not billed was calculated based on the Company's late fee policy as it would have been applied to past due invoices during the moratorium period. During the moratorium period of March 2020 through the end of the reporting period, NJAWC and EDC have foregone the collection of \$1,116,457 and \$3,412, respectively in late fees for a total of \$1,119,869.

b) Uncollectible Expense

The incremental uncollectible expense was calculated by first taking the actual uncollectible expense for the public health emergency period, March 2020 to the end of the reporting period, and comparing it to the last authorized uncollectible expense for the same time period, resulting in the deferral of \$12,899,367 and \$100,096 for NJAWC and EDC, respectively, for the total of \$12,999,463.

c) Additional Debt Carrying Costs

In March 2020, American Water Capital Corporation ("AWCC") secured a \$750 million term loan facility and borrowed \$500 million under the loan to ensure adequate liquidity to American Water operating subsidiaries. The associated interest related to the portion of the term loan provided to the Company and deferred as a regulatory asset in total is \$1,343,273 through September 2021. NJAWC reflects \$1,332,930 and EDC reflects \$10,343 of the total balance at September 2021. The term loan was paid-off in March 2021.

d) Other Additional Costs

The Company has created a specific tracking number in order to capture certain Company and Service Company increased costs related to COVID-19, such as facility preparedness, PPE, sanitizers, signage, rental equipment, etc. The costs associated with these other additional costs for NJAWC and EDC are \$2,079,174 and \$2,661 respectively, for a total of \$2,081,835.

e) Costs Savings

The Company has identified cost savings related to travel and conferences for both Company direct charges and for Service Company charges related to travel and conferences that would have been allocated to the Company. For the period March 2020 through the end of the reporting period, the Company has calculated savings of \$1,327,484. Of these savings, 99.38% pertain to NJAWC with the remaining 0.62% to EDC.

III. Revenue Demand

Beginning April 2020, the Company began experiencing a decrease in non-residential water usage as mitigation measures were put in place, including the closure of businesses and schools, to stop the spread of COVID-19. At the same time, the Company experienced an increase in residential water usage as a result of the stay-at-home and work-from-home mandates. The increase in residential usage partially offset the decrease in non-residential usage in April 2020 and May 2020. Beginning in late June 2020 and early July 2020, as some businesses began to re-open, the Company experienced an increase in non-residential water usage. During Q4 of 2021, non-residential usage maintained recovery toward pre-pandemic levels while residential usage has trended towards normal usage patterns. The Company continues to monitor customer usage as customers return to normal activities.

IV. Additional Quarterly Reporting Requirements – Per September 14, 2021 Board Order

a) Deferred Payment Arrangements (DPAs)

The Company provides the number of DPAs created each month to the BPU as required on the Monthly Data reports, which are posted to the BPU’s website. The monthly numbers of new DPAs accepted for the reporting period are reported in the table below:

| Month Ended | # Of New DPAs Accepted |
|-------------|------------------------|
| 10/31/2021 | 306 |
| 11/30/2021 | 280 |
| 12/31/2021 | 515 |

b) Number of Fresh Start recipients

The Fresh Start Program is not applicable to the Company or available to its customers.

c) Funds received through existing state and federal programs

For the reporting period, the Company has not received state or federal funds for any of its customer arrearages. The Company continues to work with the BPU and the New Jersey Department of Community Affairs (“DCA”) to implement the Low Income Household Water Assistance Program (“LIHWAP”). Additionally, the Company is in the process of working with specific Counties where eligible customers have applied for the Rental Assistance Program to help with utility arrearages.

d) New hires related to addressing COVID-19 arrearages

For the reporting period, the Company has not hired any new employees related to the collection of its customer arrearages.

e) Number of field collection visits

For the reporting period, the Company has not performed field visits related to the collection of its customer arrearages. The Company has been promoting its H2O programs and payment assistance programs and will continue to do so through the end of the grace period.

f) Number of disconnections and reconnection by zip code or city

For the reporting period, the Company has processed disconnections for non-payment with its commercial and industrial customers. Effective October 2021, the Company started reporting this data on its monthly reporting to the BPU. Therefore, Company has attached to this report the total breakdown of the disconnections and reconnections by zip code associated with the commercial and industrial customers. No residential disconnections have occurred since the grace period is still in effect through December 31, 2021 or the end of this reporting period.

V. Unanticipated Impacts

The Company will continue to track and identify the financial impacts of the COVID-19 public health emergency that the Company must incur to continue to provide safe, reliable and adequate water and wastewater service to its customers during this time. The Company believes that the full scope of incremental COVID-19 costs cannot be known with complete certainty at this time and will continue to update its deferral as more data and information becomes available.

New Jersey-American Water Company, Inc.
Quarterly Report of COVID-19 Regulatory Asset
Section IV. (f)

Period: October 1, 2021 to December 31, 2021

| City | Zip Code | Disconnections | | Reconnections | |
|---------------------|----------|----------------|------------|---------------|------------|
| | | Commercial | Industrial | Commercial | Industrial |
| Allenhurst | 07711 | 2 | 0 | 2 | 0 |
| Asbury Park | 07712 | 8 | 0 | 4 | 0 |
| Audubon | 08106 | 2 | 0 | 1 | 0 |
| Basking Ridge | 07920 | 1 | 0 | 0 | 0 |
| Berkeley Heights | 07922 | 2 | 0 | 2 | 0 |
| Beverly | 08010 | 1 | 0 | 1 | 0 |
| Camden | 08105 | 4 | 0 | 5 | 0 |
| Camden | 08110 | 1 | 0 | 1 | 0 |
| Carneys Point | 08069 | 1 | 0 | 1 | 0 |
| Cherry Hill | 08003 | 1 | 0 | 0 | 0 |
| Cherry Hill | 08034 | 1 | 0 | 0 | 0 |
| Cinnaminson | 08077 | 2 | 0 | 0 | 0 |
| Cranbury | 08512 | 1 | 0 | 1 | 0 |
| Cranford | 07016 | 1 | 0 | 0 | 0 |
| Eatontown | 07724 | 1 | 0 | 0 | 0 |
| Egg Harbor Township | 08234 | 2 | 0 | 1 | 0 |
| Farmingdale | 07727 | 1 | 0 | 0 | 0 |
| Florham Park | 07932 | 1 | 0 | 1 | 0 |
| Galloway | 08205 | 1 | 0 | 0 | 0 |
| Glendora | 08029 | 1 | 0 | 1 | 0 |
| Green Brook | 08812 | 3 | 0 | 3 | 0 |
| Hainesport Township | 08036 | 1 | 0 | 0 | 0 |
| Hazlet | 07730 | 1 | 0 | 0 | 0 |
| Hillsborough Twp | 08844 | 1 | 0 | 0 | 0 |
| Hillside | 07205 | 2 | 0 | 1 | 0 |
| Howell | 07731 | 2 | 0 | 1 | 0 |
| Irvington | 07111 | 8 | 0 | 4 | 0 |
| Jamesburg | 08831 | 1 | 0 | 0 | 0 |
| Kenilworth | 07033 | 4 | 1 | 2 | 0 |
| Lakewood | 08701 | 16 | 0 | 12 | 0 |
| Linden | 07036 | 8 | 2 | 3 | 1 |
| Lindenwold | 08021 | 2 | 0 | 1 | 0 |
| Linwood | 08221 | 1 | 0 | 0 | 0 |
| Little Falls | 07424 | 5 | 0 | 2 | 0 |
| Long Branch | 07740 | 2 | 0 | 1 | 0 |
| Maplewood | 07040 | 3 | 0 | 1 | 0 |
| Middle Twp | 08210 | 1 | 0 | 1 | 0 |
| Middlesex | 08846 | 4 | 0 | 2 | 0 |
| Middletown | 07748 | 4 | 0 | 4 | 0 |
| Millburn | 07041 | 1 | 0 | 0 | 0 |
| Mount Holly | 08060 | 1 | 0 | 2 | 0 |
| Mount Laurel | 08054 | 1 | 0 | 1 | 0 |
| Mullica Hill | 08062 | 1 | 0 | 1 | 0 |
| Neptune | 07753 | 2 | 0 | 1 | 0 |
| North Plainfield | 07060 | 1 | 1 | 5 | 1 |
| Northfield | 08225 | 4 | 0 | 2 | 0 |
| Oakhurst | 07755 | 1 | 0 | 1 | 0 |
| Ocean City | 08226 | 1 | 0 | 0 | 0 |
| Palmyra | 08065 | 1 | 0 | 1 | 0 |
| Pennsauken | 08109 | 3 | 0 | 0 | 0 |
| Piscataway | 08854 | 2 | 0 | 2 | 0 |

New Jersey-American Water Company, Inc.
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Section IV. (f)

Period: October 1, 2021 to December 31, 2021

| City | Zip Code | Disconnections | | Reconnections | |
|---------------------------|----------|----------------|------------|---------------|------------|
| | | Commercial | Industrial | Commercial | Industrial |
| Plainfield | 07062 | 1 | 0 | 1 | 0 |
| Plainfield | 07063 | 0 | 0 | 0 | 0 |
| Plainsboro | 08536 | 1 | 0 | 1 | 0 |
| Pleasantville | 08232 | 2 | 0 | 1 | 0 |
| Princeton | 08540 | 2 | 0 | 2 | 0 |
| Riverside | 08075 | 1 | 0 | 2 | 0 |
| Roselle | 07203 | 3 | 0 | 1 | 0 |
| Roselle Park | 07204 | 1 | 0 | 0 | 0 |
| Runnemede | 08078 | 2 | 0 | 1 | 0 |
| Somerville | 08876 | 1 | 0 | 0 | 0 |
| South Plainfield | 07080 | 1 | 0 | 1 | 0 |
| Springfield | 07081 | 1 | 0 | 1 | 0 |
| Summit | 07901 | 4 | 0 | 2 | 0 |
| Union | 07083 | 7 | 0 | 6 | 0 |
| Vauxhall | 07088 | 0 | 0 | 1 | 0 |
| Warren | 07059 | 1 | 0 | 1 | 0 |
| Washington | 07882 | 3 | 0 | 1 | 0 |
| West Collingswood Heights | 08107 | 1 | 0 | 1 | 0 |
| West Orange | 07052 | 2 | 0 | 0 | 0 |
| Westfield | 07090 | 2 | 0 | 0 | 0 |
| Whitehouse Station | 08889 | 2 | 0 | 1 | 0 |
| Total | | 161 | 4 | 99 | 2 |

**IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' RESPONSE TO
THE COVID-19 PANDEMIC**

DOCKET NO. AO20060471

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**IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' RESPONSE TO
THE COVID-19 PANDEMIC**

DOCKET NO. AO20060471

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