



May 3, 2022

Via Email

Hon. Carmen Diaz, Acting 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 Acting Secretary Diaz:

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". The signature is written in a cursive style and is positioned above a horizontal line.

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
April 30, 2022

I. Background

Starting with the State’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 a 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 who have been economically impacted by COVID-19.

On July 2, 2020, the New Jersey Board of Public Utilities (“BPU” or “Board”) issued its Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses in Docket No. AO20060471 (“Order”). 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, 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 were required to 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 is required to 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 declared on March 9, 2020.¹

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 established 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 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 requested 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 to 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.

On March 15, 2022, the moratorium was lifted with exceptions, based on NJ legislation (S2356) signed into law by Governor Murphy. Consistent therewith, for residential customers who have applied to the State for utility assistance, New Jersey American Water will not discontinue service to customers with known pending applications, or who have completed their application within 60 days from its submission until the date after a decision of eligibility has been made on the completed application by the State agency. This termination protection applies only if the customer has submitted their application to the State agency before June 15, 2022.

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

II. Costs Incurred and Savings Realized

The Company has incurred and recorded as a regulatory asset an amount totaling \$21,159,302 as of March 31, 2022, associated with the COVID-19 public health emergency. The amount includes the following:

a) Reconnection and Late Fees

The lost revenue associated with reconnection fees during the moratorium period was calculated by multiplying the number of reconnections 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 \$1,195,992 and \$3,655 in late fees, respectively, for a total of \$1,199,647.

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 \$17,523,814 and \$135,981 for NJAWC and EDC, respectively, for a total of \$17,659,795.

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 March 2022. NJAWC reflects \$1,332,930 and EDC reflects \$10,343 of the total balance at March 2022. 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 \$2,362,043 and \$2,661, respectively, for a total of \$2,364,704. With the Company's workforce now reintegrated, the Company has returned to pre-pandemic operations. Therefore, the Company has not recognized incremental costs as part of the deferral beyond February 1, 2022.

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 \$1,409,909. Of these savings, 99.38% pertain to NJAWC with the

remaining 0.62% to EDC. With the Company’s workforce now reintegrated, the Company has returned to pre-pandemic operations. Therefore, the Company has not recognized incremental costs as part of the deferral beyond February 1, 2022.

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 the first quarter of 2022, non-residential usage continued toward recovery to 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
1/31/2022	480
2/28/2022	425
3/31/2022	2,630

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 received \$1,149 in funding from the Mercer County Board of Social Services which was applied to customer accounts. 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”). 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. The 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 as the grace period ended on March 15, 2022, with exceptions, and the Company began sending notices thereafter.

V. Unanticipated Impacts

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

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

Period: January 1, 2022 to March 31, 2022

City	Zip Code	Disconnections		Reconnections	
		Commercial	Industrial	Commercial	Industrial
Kenilworth	07033	5	0	2	0
Linden	07036	8	2	5	1
Millburn	07041	1	0	1	0
North Plainfield	07060	4	2	1	2
Plainfield	07062	3	0	2	0
Plainfield	07063	1	0	1	0
Watchung	07069	1	0	1	0
South Plainfield	07080	0	1	0	0
Union	07083	4	1	0	1
Westfield	07090	1	0	0	0
Mountainside	07092	1	0	0	0
Irvington	07111	2	3	2	2
Roselle	07203	1	1	1	1
Roselle Park	07204	1	0	0	0
Hillside	07205	3	1	1	0
Farmingdale	07727	1	0	1	0
Howell	07731	1	0	0	0
Long Branch	07740	3	0	3	0
Middletown	07748	1	0	0	0
Neptune	07753	1	0	0	0
Summit	07901	1	0	0	0
Ship Bottom	08008	0	1	0	1
Beverly	08010	2	0	3	0
Glendora	08029	0	0	0	0
Cherry Hill	08034	1	0	0	0
Hainesport Township	08036	0	0	0	0
Mount Laurel	08054	0	0	0	0
Mount Holly	08060	1	0	0	0
Mullica Hill	08062	0	0	0	0
Palmyra	08065	0	0	0	0
Carneys Point	08069	0	0	0	0
Riverside	08075	0	0	0	0
Cinnaminson	08077	0	0	0	0
Runnemede	08078	0	0	1	0
Camden	08105	5	0	5	0
Audubon	08106	0	0	0	0
West Collingswood Heights	08107	0	0	0	0
Pennsauken	08109	0	0	0	0
Camden	08110	0	0	0	0
Galloway	08205	0	0	0	0
Middle Twp	08210	0	0	0	0
Linwood	08221	0	0	0	0
Northfield	08225	1	0	1	0
Ocean City	08226	0	0	1	0
Pleasantville	08232	4	0	4	0
Egg Harbor Township	08234	1	0	1	0
Somers Point	08244	1	0	1	0
Cranbury	08512	0	0	0	0
Plainsboro	08536	1	0	0	0
Princeton	08540	0	0	0	0
Lakewood	08701	7	0	3	0

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Section IV. (f)

Period: January 1, 2022 to March 31, 2022

City	Zip Code	<u>Disconnections</u>		<u>Reconnections</u>	
		Commercial	Industrial	Commercial	Industrial
Green Brook	08812	0	0	0	0
Edison	08820	1	0	1	0
Jamesburg	08831	1	0	0	0
Hillsborough Twp	08844	0	0	0	0
Middlesex	08846	2	1	2	0
Piscataway	08854	0	1	0	0
Somerville	08876	0	0	0	0
Whitehouse Station	08889	0	0	0	0
Total		72	14	44	8

VERIFICATION

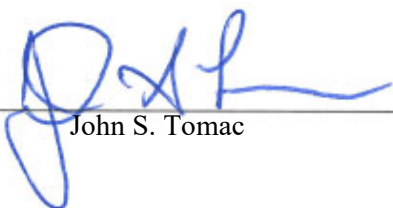
STATE OF NEW JERSEY : SS

COUNTY OF MONMOUTH:

John S. Tomac, of full age, being duly sworn, according to law, deposes and says:

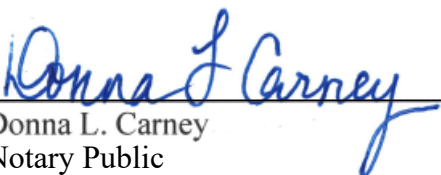
1. I am the Senior Director, Rates and Regulatory for New Jersey-American Water Company, Inc. and authorized to make this Verification on behalf of that Company.

2. I have reviewed the within Quarterly Report, and the information contained therein is true according to the best of my knowledge, information and belief.



John S. Tomac

Sworn to and subscribed this
3rd day of May, 2022



Donna L. Carney
Notary Public



Donna Carney
Notary Public
State of New Jersey
My Commission Expires May 24, 2023

**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**

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