

September 16, 2022

VIA EMAIL ONLY

Hon. Carmen Diaz, Acting Secretary
New Jersey Board of Public Utilities
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Re: In the Matter of the New Jersey Board of Public Utilities' Response to
the COVID-19 Pandemic
BPU Docket No. AO20060471

Dear Acting Secretary Diaz:

On behalf of Aqua New Jersey, Inc. (“Aqua” or the “Company”), please accept this letter including the Company’s responses to the thirteen questions posed in the Order issued by President Fiordaliso, dated July 20, 2022, in the above-referenced proceeding.¹

Introduction

Aqua welcomes this opportunity to provide comments to the Board of Public Utilities (the “Board”) as it moves to consider how best to address some of the financial consequences of the global pandemic. In addition to responding to the Board’s questions below, Aqua respectfully suggests that the Board consider the following criteria when adopting an approach to cost-recovery. First, the process should be expedited and administratively straightforward. In partnering with the Board throughout the pandemic, New Jersey public utilities have responded promptly and acted in the best interests of customers—at a cost to public utilities and their investors. Having now waited in excess of two years to recover pandemic-related costs, fundamental fairness requires that the Board devise a process that is simple, allows for prompt implementation of cost-recovery, and avoids protracted and time-consuming proceedings. Second, the cost-recovery mechanism should be subject to true-up to insure costs are fully

¹ President Fiordaliso’s Order was dated July 20, 2022 and directed that Comments be filed within sixty days of the Order’s date (i.e., September 18, 2022).

recovered. The true-up process should also be simple and straightforward in order to save time and resources for both utilities and the Board. Third, the cost-recovery mechanism should be sufficiently flexible to avoid a one-size-fits-all approach to issues such as authorized amortization periods. Instead, the Board should establish parameters that recognize that small and medium-sized utilities may face different challenges than large utilities, and that the water industry differs from the energy industry. By considering these criteria, Aqua believes the Board will be well-positioned to establish a cost-recovery mechanism that is simple, fair and easy to administer.

Questions Posed by the Board

1. Has the utility received any insurance payments or any Federal funding or State funding that can be used to offset the deferred expenses? Should the uncollectibles/arrearages be treated differently from costs such as Personal Protective Equipment, etc.?

Response: As of the date of this filing, Aqua has not received any insurance payments or any Federal or State funding that can be used to offset the deferred expenses. Aqua has received a small amount (currently one payment) from the Low Income Household Water Assistance Program (“LIHWAP”) related to specific customer arrearages.

With respect to the treatment of pandemic-related costs, Aqua considers uncollectibles/arrearages to be very different from the incremental costs Aqua incurred to respond to the pandemic, such as Personal Protective Equipment (“PPE”). Thus, Aqua is of the view that uncollectibles/arrearages should be treated differently from other pandemic-related costs. Aqua has identified and can support its claims for recovery of incremental expenses such as PPE. Uncollectible/arrearages, however, are still evolving in that customers are only beginning to make deferred payment arrangements. Over time, some customers will pay all amounts in arrears, while others may only pay a portion. As a result, the true extent of the Company’s arrearages continues to develop. Thus, Aqua recommends that the time period for quantifying arrearages be extended to permit utilities to have greater clarity into customer payment experience.

2. Should customer arrearages be treated differently from other expenses?

Response: Yes. As explained above, separate treatment is appropriate.

3. Should the deferred expenses be recovered in rates and amortized? If yes, how long should that amortization period be for? Should the amortization period vary and be dependent on the type of utility, size and its financial situation?

Response: Yes, deferred expenses should be recovered in rates. Aqua suggests recovering deferred expenses (i.e., PPE costs etc., excluding arrearages) via a monthly surcharge that is capped at \$3 per month, with the amortization period determined based on the amortization period required to recover costs but not exceed the \$3 monthly cap.

4. Should the unamortized balance be subject to carrying charges?

Response: Yes. Aqua views this as a matter of fundamental fairness. The Company has worked under truly extraordinary circumstances to meet the needs of customers—including providing service for years to some customers without payment. This impacts Aqua’s investors and that impact should be recognized by subjecting unamortized balances to carrying charges.

5. Currently, the EDCs recover uncollectibles via the Societal Benefits Charge ("SBC"). Should gas and water utilities be permitted to recover uncollectibles through a SBC-type recovery mechanism?

Response: Yes, an SBC seems like a viable option.

6. Should the SBC-type recovery mechanism be limited to COVID-related arrearages, or should it include all arrearages?

Response: If the Board implements an SBC-type mechanism, Aqua believes it makes sense to include all arrearages in such mechanism, particularly as COVID-related arrearages will develop over time.

7. Should the deferred COVID related expenses, including the arrearages, be shared between shareholders and ratepayers? If yes, what would the accounting treatment be?

Response: No, Aqua strongly opposes this suggestion. The financial burden of pandemic-related measures, such as the disconnection moratorium and accompanying customer arrearages, has been placed solely on public utilities and their shareholders. Any further “sharing” would be fundamentally unfair.

8. Should the COVID-related deferral be recovered in base rates or in a special purpose rider? Should the recovery mechanism be case specific dependent on the type of utility, size and its financial situation?

Response: Aqua believes an SBC or special purpose rider is a sensible approach to recovering these costs, but also believes that implementation of such mechanism needs to recognize the different challenges faced by utilities of different types and size.

9. Should a utility carry the COVID-related expenses and arrearages into a subsequent Rate Case or file a separate petition to recover through a clause?

Response: Aqua believes that a separate petition, subject to expedited review, should be used to establish a clause or similar mechanism to recover COVID-related expenses and arrearages. While this is Aqua’s preferred approach, the Board may wish to allow utilities to use either approach in order to permit utilities to act in a manner best suited to their individual circumstances.

10. When filing for relief should the utility provide proof that it did not receive any COVID-related financial support, either in the form of Federal or State grants, insurance payouts, and/or customer repayment invoices?

Response: The Company is unsure how we document lack of payment in the form of grants or insurance payouts. In addition, as noted above, LIHWAP have been slow in coming—even where customers have promptly applied for assistance. Thus, there are timing concerns with how/when arrearages are calculated.

11. Does there need to be a true-up of the COVID arrearages, due to pay downs, Federal funds received, State funds received, Insurance funds received, etc.?

Response: Aqua is unclear about this question as it seems to presuppose that arrearages will be quantified and recovered while they are still being paid by individual customers and are potentially subject to various assistance programs. Aqua believes that amounts that are still being paid by customers are not uncollectibles.

12. If a shareholder contribution were approved for the COVID-related uncollectibles, what should the appropriate sharing be for ratepayers and shareholders?

Response: No shareholder contribution is appropriate for Aqua. In addition to the reasons noted in Question 7, Aqua has already agreed to adjust its uncollectible amount down by \$150,000 in connection with a separate Board-approved matter.

13. Should there be a true-up of the COVID arrearages?

Response: Yes, once arrearages are quantified and approved for cost-recovery, they should be subject to true-up to insure all costs are fully recovered.

In closing, this letter filing represents the Company's current response to the questions posed. As utilities and the Board continue to collaborate on this issue, Aqua may have additional comments. Finally, Aqua appreciates the Board's attention to this critical issue and looks forward to working collaboratively with the Board in these unprecedented times.

Respectfully submitted,



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Cc: Email service list

I/M/O the New Jersey Board of Public Utilities Response to the COVID-19 Pandemic for a
Temporary Waiver of Requirements for Certain Non-Essential Obligations
BPU Docket No. AO20060471

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