



June 21, 2023

Via Email

Hon. Sherri L. Golden, Secretary
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

**Re: In the Matter of The New Jersey Board of Public Utilities' Response to the
Covid-19 Pandemic
BPU Docket No. AO20060471**

**In The Matter of the Petition of New Jersey-American Water Company, Inc.
for Recovery of Regulatory Asset Established for Incremental Covid-19
Related Expenses, and for Establishment of an Uncollectible Adjustment
Clause
BPU Docket No. WR23050275**

Dear Secretary Golden:

On behalf of New Jersey-American Water Company, Inc., enclosed please find an Amended and Restated Petition, Testimony and Schedules for filing in the above-referenced matters in accordance with the Board's June 7, 2023 Order establishing mandatory filing requirements in Board Docket No. AO20060471.

Very truly yours,


Christopher M. Arfaa

CMA:dlc
Enc.

c: Service list (via email, w/enc.)

In the Matter of the New Jersey Board of Public Utilities' Response to the Covid-19 Pandemic
BPU Docket No. AO20060471

In the Matter of the Petition of New Jersey-American Water Company, Inc. for Recovery of
Regulatory Asset Established for Incremental Covid-19 Related Expenses, and for
Establishment of an Uncollectible Adjustment Clause
BPU Docket No. WR23050275

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In the Matter of the New Jersey Board of Public Utilities' Response to the Covid-19 Pandemic
BPU Docket No. AO20060471

In the Matter of the Petition of New Jersey-American Water Company, Inc. for Recovery of
Regulatory Asset Established for Incremental Covid-19 Related Expenses, and for
Establishment of an Uncollectible Adjustment Clause
BPU Docket No. WR23050275

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**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF
THE PETITION OF NEW JERSEY-
AMERICAN WATER COMPANY, INC. FOR
RECOVERY OF REGULATORY ASSET
ESTABLISHED FOR INCREMENTAL
COVID-19 RELATED EXPENSES, AND
FOR ESTABLISHMENT OF AN
UNCOLLECTIBLE ADJUSTMENT CLAUSE

BPU Docket No. WR23050275

AMENDED AND RESTATED
PETITION

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, New Jersey-American Water Company, Inc. (“NJAWC,” New Jersey-American Water,” or the “Company”), a public utility corporation of the State of New Jersey, with its principal office at 1 Water Street, Camden, New Jersey 08102, hereby petitions the Board of Public Utilities (“Board” or “BPU”) of the State of New Jersey, pursuant to N.J.S.A. §§ 48:2-21, 48:2-21.1 and N.J.A.C. § 14:1-5.12, and such statutes, regulations and Board orders that may be deemed by the Board to be applicable, for approval to recover those regulatory assets which have been deferred for recovery pursuant to the Board’s July 2, 2020, Order Establishing COVID-19 Regulatory Asset and its December 21, 2022 Order Extending the Regulatory Asset Period in Board Docket No. AO20060471. The Company also requests the establishment of an uncollectible adjustment clause. In support of this Petition, NJAWC states as follows:

PROCEDURAL HISTORY

1. NJAWC is a regulated public utility corporation engaged in the production, treatment and distribution of water, and collection and treatment of wastewater within its defined service territory within the State of New Jersey. Said service territory includes

portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren. As of December 31, 2022, NJAWC provides service to approximately 662,000 water and fire service customers and 53,200 wastewater service customers in 190 municipalities.

2. On April 28, 2023, NJAWC filed a “Petition for Recovery of Regulatory Asset Established for Incremental Covid-19 Related Expenses, and for Establishment of an Uncollectible Adjustment Clause” (the “Petition”), docketed as the above-captioned matter.

3. The Petition sought BPU authority to recover those regulatory assets which have been deferred for recovery pursuant to the Board’s July 2, 2020 “Order Establishing COVID-19 Regulatory Asset and December 21, 2022 Order Denying in Part PSE&G Motion to Extend COVID Deferral Period” in Board Docket No. AO20060471 through a flat rate Special Program Charge on customers’ bills.

4. At its regularly scheduled Board Agenda Meeting on June 7, 2023, the BPU established minimum filing requirements for all such recovery filings, including a proposed “rate design that applies a volumetric rate(s) to all applicable customer classes”.¹

5. Because the Petition pre-dated the Board’s June 7 Order, the Company hereby submits this Amended and Restated Petition (“Amended Petition”) in order to be compliant with the June 7 Order and for consideration by the Commission.

¹ *I/M/O the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic*, Docket No. AO20060471 (June 7, 2023), p. 4 (“June 7 Order”).

COVID-19 REGULATORY ASSET—SPECIAL PROGRAM CHARGE

6. On July 2, 2020, the Board issued an Order Authorizing Establishment of a Regulatory Asset for Incremental COVID-19 Related Expenses in Docket No. AO20060471, which, in relevant part, authorized each of the state’s regulated utilities to create a COVID-19 related regulatory asset by deferring their prudently incurred incremental costs related to COVID-19. By an order dated September 14, 2021, the Board set the regulatory asset deferral period to expire on December 31, 2022. On December 21, 2022, also in Docket No. AO20060471, the Board entered an Order Extending the Regulatory Asset Period, which extended the regulatory asset period to March 15, 2023, and set the deadline for filing COVID-19 cost recovery petitions at 60 days from the close of the extended regulatory asset period, *i.e.*, May 14, 2023.

7. Since March 2020, the Company has experienced increased costs attributable to COVID-19, including increased uncollectible expense, incremental operations and maintenance (“O&M”) expenses, and costs related to financing activity to ensure adequate liquidity during the public health emergency. In addition, through a series of executive orders issued by Governor Murphy, and regulatory and legislative actions beginning on March 9, 2020,² a moratorium was enacted on service disconnections for unpaid bills.³ Late fees were, moreover, waived for non-residential customers. As a result of the moratorium and waiver, and the associated pause in terminations and collections for past due bills, the

² See Executive Order No. 190 (Mar. 9, 2020).

³ On June 14, 2021, Governor Murphy issued Executive Order 246 which declared that the moratorium would end as of June 30, 2021, subject to a “grace period” that will preclude utility service terminations through December 31, 2021.

Company experienced significantly higher levels of uncollectible accounts expense and lower levels of late fees due to the public health emergency.

8. Throughout the COVID-19 deferral period, the Board has been consistently apprised of the level and content of the costs being deferred by New Jersey-American Water arising from the COVID-19 emergency. Pursuant to the Board's order dated July 2, 2020, in Docket No. AO20060471, the Company has been submitting quarterly reports to the Board regarding its COVID-19 deferred costs. The Company's most recent quarterly report was for the period ended March 31, 2023.

9. As described in detail in the Amended Direct Testimony of Jamie Hawn, filed herewith as Exhibit P-1 and incorporated by this reference, the Company deferred increased costs attributable to COVID-19 from March 20, 2020 through February 28, 2023, which, net of cost savings and Low Income Household Water Assistance Program ("LIHWAP") and other state and county funds received to help customers defray past due bills, total \$16,218,084.⁴

10. As Ms. Hawn's Amended Direct Testimony demonstrates, the costs incurred by the Company were just, reasonable, and prudently incurred. Reliable water and wastewater service is essential for health and safety. The Company was a good corporate citizen during the public health emergency, working with the state and the Board to help ensure that the safety, security, and reliability of these vital services were maintained during the entirety of the public health emergency. The Company worked diligently to maintain

⁴ As Ms. Hawn explains, these net deferred costs include costs both for NJAWC and its wholly-owned subsidiary, Environmental Disposal Corp. ("EDC"). On March 17, 2023, NJAWC and EDC filed a petition for merger seeking authority to merge EDC with and into NJAWC, with NJAWC as the surviving entity (Docket No. WM23030145).

water and wastewater service to help ensure the health and safety of its customers and employees, while counseling customers on arrearages and billing questions. New Jersey-American Water was a good partner with the state in combatting the impact of the pandemic, and the Company should not be harmed as a result. The actions that New Jersey-American took were customer-driven and geared toward the health and safety of its customers and the employees who serve them.

11. The Company seeks to recover its COVID-19 related net deferred costs over a three-year period through an annual Special Program Charge of \$5,406,028, representing one-third of the total deferred amount. New Jersey-American Water proposes to collect this annual amount from all water customers, including private and public fire, and all wastewater customers through a volumetric charge for General Metered Service (“GMS”) customers of \$0.37 per month⁵ and a fixed per customer charge for non-GMS customers of \$1.23 per month, which will be reconciled annually.⁶

UNCOLLECTIBLE ADJUSTMENT CLAUSE

12. The Company also proposes the establishment of an Uncollectible Adjustment Clause (“UAC”) to account for future fluctuations in uncollectible expense. Under the UAC, the Company would defer the difference between the amount of uncollectible expense authorized in the Company’s most recent general rate case and the actual uncollectible

⁵ GMS impact using the average monthly customer usage of 5,520 gallons at the rate of \$0.0673.

⁶ Any franchise area excluded based on terms of a purchase agreement that limits rate increases for a stated number of years following the closing on the acquisition of that BPU-approved franchise (the “rate stabilization period”) will automatically be subject to the SPC and UAC at the conclusion of the rate stabilization period. These franchise areas are Bound Brook wastewater, Egg Harbor City water and wastewater (including Mullica water and wastewater and Galloway wastewater), Long Hill water and wastewater, and Mount Ephraim wastewater.

expense incurred after March 31, 2023. The Company would defer such difference on a calendar year period and collect or remit the difference through the UAC during the subsequent year, with any difference reconciled through a subsequent UAC filing. The operation of the proposed UAC is described in further detail in the Amended Direct Testimony of Jamie Hawn, which is attached hereto as Exhibit P-1 and incorporated by reference.

13. As explained by Ms. Hawn's Amended Direct Testimony, the Company is proposing the UAC to address fluctuations in bad debt expense on a going forward basis to protect both our customers and the Company. Generally, the Company uses the most recent three-year average of write-offs to estimate pro-forma uncollectible expense in its general rate case filings. In the Company's last general rate case, NJAWC did not use a recent three-year average as that average would have included 2020 which was not representative of the Company's historical or projected activity for write-off activity. This was due to the suspension of disconnections starting in 2020 which continued into 2021 and 2022. In addition, in 2022, the Company began participating for the first time in the "Winter Termination Program" that disallows winter terminations for non-payment and the Company suspended terminations in 2022 for a period to implement the regulations that now require a customer "door knock" before a shutoff can be made. The Company believes these changes to pre-pandemic collection activities, coupled with the lingering effects of COVID-19 and the continued application of LIHWAP funds, will likely cause uncertainty in its level of uncollectible expense for the foreseeable future. Because of this uncertainty, the Company proposes the UAC to protect both customers and the Company from unknown but expected fluctuations in this expense going forward. The UAC will reconcile actual incurred

uncollectible expense to the base level established in the Company's most recent general rate case, with any variance recovered from (or credited to) customers over a subsequent period.

14. New Jersey-American Water notes that the collection of variances in uncollectible accounts expense is not a new concept in New Jersey. The Board has approved the inclusion of the electric utilities' uncollectible costs as component of the Societal Benefits Charge ("SBC"), which is an adjustment clause similar to the adjustment clause proposed herein.

TARIFF

15. The Company is proposing the addition of Rate Schedule O-3, the Societal Programs rider, to its tariff which, as described in Ms. Hawn's Amended Direct testimony, includes components for either surcharges or credits relating to the recovery of different types of incremental costs. The first component is the "Special Program" charge which at this time will be used to recover the deferred COVID-19 incremental costs; the second component is the UAC, which will be a charge or credit as related to the Company's uncollectible expense.

NOTICE

16. Notice of this filing, and the effect thereof, will be served by mail upon the clerks of municipalities within NJAWC's service area, upon the Clerks of the Boards of Chosen Freeholders within NJAWC's service area, and upon the County Executives within NJAWC's service area, at least 20 days prior to the date set for public hearing, which notice shall include and specify the time and place of said hearing. A copy of the proposed form of Notice is attached to this Amended Petition as Exhibit A.

17. Customers will be notified of this filing and the effect thereof as well as the time and place of the public hearing by publication of Exhibit A, at least 20 days prior to the date set for the public hearing, in newspapers of general circulation within NJAWC's service territory.

18. Additionally, the Amended Petition and applicable attachments as well as the Public Hearing Notice for this proceeding can be viewed on NJAWC's website at www.newjerseyamwater.com by first selecting Customer Service and then Your Water and Wastewater Rates.

19. Notice of this filing and a copy of the Amended Petition has been served upon the Director, Division of Rate Counsel, via email as permitted by the Board in Docket No. EO20030254.

20. Notice of this filing and a copy of the Amended Petition has been served upon the Department of Law & Public Safety via email as permitted by the Board in Docket No. EO20030254.

21. Proof of Service of the Notice as previously referred to herein will be filed with the Board.

22. NJAWC respectfully submits that the rates requested by it herein are just and reasonable in all respects.


WHEREFORE, Petitioner New Jersey-American Water Company, Inc. respectfully requests that the Board find and determine as follows:

1. That NJAWC's proposed recovery of the regulatory asset established for incremental COVID-19 related expenses is just and reasonable;

2. That NJAWC's proposed uncollectible adjustment clause is just and reasonable;
3. That NJAWC is authorized to recover the regulatory asset established for incremental COVID-19 related expenses through its proposed Special Program Charge;
4. That NJAWC is authorized to implement its proposed Uncollectible Adjustment Clause;
5. That NJAWC's proposed Rate Schedule O-3, Societal Programs, is hereby approved; and
6. That NJAWC is entitled to such other and further relief as the Board may deem reasonable and proper under the circumstances represented to it in this case.

Respectfully submitted,

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: 
Christopher M. Arfaa
Counsel for New Jersey-American Water Company, Inc.

Dated: June 21, 2023

Notice to Petitioner
in this case should be sent to:

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NEW JERSEY-AMERICAN WATER COMPANY, INC.

NOTICE OF FILING AND PUBLIC HEARING

**NEW JERSEY-AMERICAN WATER COMPANY, INC. NOTICE OF FILING OF
PETITION FOR RECOVERY OF REGULATORY ASSET ESTABLISHED FOR
INCREMENTAL COVID-19 RELATED EXPENSES AND
ESTABLISHMENT OF AN UNCOLLECTIBLE ADJUSTMENT CLAUSE**

BPU Docket No. WR23050275

TO OUR CUSTOMERS:

PLEASE TAKE NOTICE that on April 28, 2023, New Jersey-American Water Company, Inc. (“New Jersey-American Water” or the “Company”) filed with the New Jersey Board of Public Utilities (“Board”), pursuant to N.J.S.A. §§ 48:2-21, 48:2-21.1 and N.J.A.C. § 14:1-5.12, and such statutes, regulations and Board orders that may be deemed by the Board to be applicable, for approval to recover those regulatory assets which have been deferred for recovery pursuant to the Board’s July 2, 2020 Order Establishing COVID-19 Regulatory Asset and December 21, 2022 Order Denying in Part PSE&G Motion to Extend COVID Deferral Period in Board Docket No. AO20060471. On June 21, 2023, the Company filed an amended and restated petition to comply with the mandatory filing requirements established by the Board by Order dated June 7, 2023 in Board Docket No. AO20060471 (the “Amended and Restated Petition”).

The proposed changes in rates provide no profits to the Company. The proposed Special Program Charge (“SPC”) permits the recovery of the Company’s COVID-19 incremental costs incurred during the pandemic and Board’s approved deferral period. The proposed SPC is further described in this Notice after the information regarding public comments.

PLEASE TAKE FURTHER NOTICE that virtual public comment hearings on the Amended and Restated Petition have been scheduled as follows:

_____, 2023

4:30 P.M.

Dial in to **1-862-294-2638** and enter conference ID: ___#, or join by video conference at **[link]** via the Internet.

5:30 P.M.

Dial in to **1-862-294-2638** and enter conference ID: ___#, or join by video conference at **[link]** via the Internet.

The virtual public comment hearings will be presided over by a hearing officer designated by the Board. Representatives of the Company, Board Staff and the New Jersey Division of Rate Counsel will participate in the virtual public hearings.

Whether or not you attend the virtual public hearings, written comments may be submitted to the Board. While all comments will be given equal consideration and will be made part of the final record of this proceeding, the preferred method of transmittal is via the Board's [Public Document Search](#) tool. Search for the docket number WR23050275, and post by utilizing the "Post Comments" button. Comments may also be emailed to the Secretary of the Board, in pdf or Word format, at board.secretary@bpu.nj.gov. Written comments may also be mailed to the attention of the Honorable Sherri Golden, Secretary at the Board of Public Utilities, 44 South Clinton Avenue, 1st Floor, P.O. Box 350, Trenton, NJ 08625-0350. Persons submitting written comments should include Docket No. WR23050275 in their submissions.

Notice of the Amended and Restated Petition was served on the clerk, executive or administrator of each municipality and county within the Company's service area. Such notice has also been served, together with the Amended and Restated Petition and all exhibits, upon the Director of the Division of Rate Counsel, who will represent the interests of ratepayers in this

proceeding. Copies of the Company's Amended and Restated Petition are available for inspection at the offices of New Jersey-American Water located at 1 Water Street, Camden, New Jersey 08102, or on New Jersey-American Water's website at www.newjerseyamwater.com by first selecting Customer Service and Billing and then Your Water and Wastewater Rates. Copies may also be obtained by calling Denise Free, Sr. Director of Communications and External Affairs, New Jersey-American Water, 856-955-4874. Further information and copies of the Amended and Restated Petition may also be obtained at the Board's Offices located at 44 South Clinton Avenue, 1st Floor, Trenton, NJ 08625. Any members of the public who wish to inspect the Amended and Restated Petition at the Board should contact the Board's Division of Case Management at 609-292-0806 or board.secretary@bpu.nj.gov.

SPECIAL PROGRAM CHARGE (SPC)

New Jersey-American Water's Amended and Restated Petition seeks to recover the total net amount of the COVID-19 costs incurred from March of 2020 through February of 2023. The total amount to be recovered through the SPC will apply to customer's bills monthly over the next three years starting on the effective date of Board approval.

The proposed monthly surcharge to be collected from all water customers, including private and public fire, and all eligible wastewater customers through a volumetric charge for General Metered Service ("GMS") customers of \$0.37 per month and a fixed per customer charge for non-GMS customers of \$1.23 per month, which will be reconciled annually. The monthly SPC will be applicable to the following rate schedules: Rate Schedules A-1 through A-18 ("GMS"); and Rate Schedules C and D – Commodity Demand, Rate Schedule F- OIW, Rate Schedules E, H, I, J, Rate Schedule G- SOS, Rate Schedules L-1 through L-13 – Private Fire Service, Rate Schedules M-1 through M-12- Public Fire Service, and Rate Schedules 1-A through 19-A – Wastewater Service (collectively, "non-GMS").

Any relief determined by the Board of Public Utilities to be just and reasonable may be applied by the Board of Public Utilities in such manner as it may deem appropriate.

IN ORDER TO ENCOURAGE FULL PARTICIPATION IN THIS OPPORTUNITY FOR PUBLIC COMMENT, PLEASE SUBMIT ANY REQUESTS FOR NEEDED ACCOMMODATIONS AT LEAST 72 HOURS PRIOR TO THE HEARING TO DENISE FREE, SR. DIRECTOR OF COMMUNICATIONS AND EXTERNAL AFFAIRS, New Jersey-American Water, 856-955-4874, DENISE.FREE@AMWATER.COM.

BY: MARK K. McDONOUGH
President

NEW JERSEY-AMERICAN WATER COMPANY, INC
1 Water Street
Camden, NJ 08102

BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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

IN THE MATTER OF
THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC.
FOR RECOVERY OF REGULATORY ASSET ESTABLISHED FOR
INCREMENTAL COVID-19 RELATED EXPENSES AND
ESTABLISHMENT OF AN UNCOLLECTIBLE ADJUSTMENT CLAUSE

BPU Docket No. AO20060471

BPU Docket No. WR23050275

Amended Direct Testimony of

JAMIE D. HAWN

June 21, 2023

Exhibit P-1A

NEW JERSEY-AMERICAN WATER COMPANY, INC.

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NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **1. Q. Please state your name and business address.**

2 A. My name is Jamie D. Hawn, and my business address is 1 Water Street, Camden,
3 New Jersey 08102.

4 **2. Q. By whom are you employed and in what capacity?**

5 A. I am employed by American Water Works Service Company, Inc. (“Service
6 Company”) as Senior Manager of Rates and Regulatory for New Jersey-American
7 Water Company, Inc. (“New Jersey-American Water” or the “Company”).

8 **3. Q. What are your responsibilities in this position?**

9 A. My responsibilities as Senior Manager of Rates and Regulatory include: 1) leading
10 rates and regulatory activity for the Company, including coordinating with finance,
11 engineering, and legal; 2) supporting the Company in regulatory proceedings, such
12 as rate change applications; 3) preparing rate analyses and studies to evaluate the
13 effect of proposed rates on the revenues, rate of return, and tariff structures;
14 4) executing the implementation of rate orders, including development of the
15 revised tariff pricing necessary to produce the authorized revenue level;
16 5) overseeing the preparation of revenue and capital requirements analyses;
17 6) providing support for financial analyses, including preparing applicable
18 regulatory commission filings; and 7) ensuring compliance with Generally
19 Accepted Accounting Principles (“GAAP”), regulatory requirements, and
20 Company policies.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **4. Q. Please describe your educational background and business experience.**

2 A. Please refer to Appendix A for a summary of my educational background and
3 business experience.

4 **5. Q. Have you previously testified in regulatory proceedings?**

5 A. Yes. I have testified before the New Jersey Board of Public Utilities (“BPU” or the
6 “Board”) in New Jersey-American Water’s previous rate cases, BPU Docket No.
7 WR19121516 and WR22010019. I also testified in BPU Docket Nos.
8 WR19110465, WR20110719, WR21111220 and WR22110693 regarding New
9 Jersey-American Water’s Purchased Water Adjustment Clause (“PWAC”) and the
10 Purchased Wastewater Treatment Adjustment Clause (“PSTAC”). I have also
11 testified before the utility regulatory commissions in New York, Pennsylvania, and
12 West Virginia.

13 **6. Q. Are you the same Jamie D. Hawn who provided Direct Testimony in this**
14 **proceeding on April 28, 2023?**

15 A. Yes, I am.

16 **7. Q. What is the purpose of your amended testimony in this proceeding?**

17 A. I will discuss the Company’s regulatory asset for its incremental costs associated
18 with the COVID-19 public health emergency and the Company’s proposed
19 mechanism to collect those costs in light of the directive provided by the BPU at it
20 is June 7, 2023 agenda meeting as memorialized in an Order issued that same date

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 in BPU Docket No. AO20060471, I/M/O the New Jersey Board of Public Utilities”
2 Response to the COVID-19 Pandemic. Additionally, I will discuss the Company’s
3 proposed tariff modifications, including an Uncollectible Adjustment Clause
4 (“UAC”).

5 **I. COVID-19 REGULATORY ASSET**

6 **8. Q. Has the Board addressed the deferral of COVID-19 related costs for utilities?**

7 A. Yes. On July 2, 2020, the Board issued its Order Authorizing Establishment of a
8 Regulatory Asset for Incremental COVID-19 Related Expenses which, in relevant
9 part, authorized each of the state’s regulated utilities to create a COVID-19 related
10 regulatory asset by deferring their prudently incurred incremental costs related to
11 COVID-19. Pursuant to the Board’s order issued on September 14, 2021, in Docket
12 No. AO20060471, the regulatory asset deferral period was set to expire on
13 December 31, 2022.¹ Pursuant to the Board’s order issued on December 21, 2022,
14 also in Docket No. AO20060471, the regulatory asset deferral period was extended
15 to March 15, 2023 and the filing deadline for COVID-19 cost recovery filings was
16 extended to 60 days from the close of the extended regulatory asset period.

17 **9. Q. Has the Board been kept apprised of the Company’s costs that have been**
18 **accrued pursuant to the July 2, 2020 order?**

¹ See Order, *In the Matter of the New Jersey Board of Public Utilities’ Response to the COVID-19 Pandemic*, Docket No. AO20060471 (Sept. 14, 2021).

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 A. Yes. Pursuant to the Board’s order dated July 2, 2020, in Docket No. AO20060471,
2 the Company has been submitting quarterly reports with the Board regarding its
3 COVID-19 deferred costs. The Company’s most recent quarterly report for the
4 period ended March 31, 2023, is attached as Schedule JDH-1.

5 **10. Q. Has the Company stopped deferring COVID-19 related costs in accordance**
6 **with the Board’s order?**

7 A. Yes, as of February 28, 2023, the Company has stopped deferring COVID-19
8 related costs on its books and records.

9 **11. Q. Please summarize the Company’s incremental costs due to the COVID-19**
10 **public health emergency.**

11 A. Since March 2020, the Company has experienced increased costs attributable to
12 COVID-19, including increased uncollectible expense, incremental operations and
13 maintenance (“O&M”) expenses, and costs related to financing activity to ensure
14 adequate liquidity during the public health emergency, as discussed in greater detail
15 below.

16 In addition, through a series of regulatory and legislative actions beginning on
17 March 9, 2020,² a moratorium was enacted on service disconnections for unpaid
18 bills.³ Moreover, late fees were waived for non-residential customers. As a result

² See Executive Order No. 190 (Mar. 9, 2020).

³ On June 14, 2021, Governor Murphy issued Executive Order 246 which declared that the moratorium would end as of June 30, 2021, subject to a “grace period” that will preclude utility service terminations through December 31, 2021.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 of the moratorium and waiver, and the associated pause in terminations and
2 collections for past due bills, the Company experienced significantly higher levels
3 of uncollected late fees due to the public health emergency.

4 **12. Q. Were the costs incurred by the Company just, reasonable, and prudently**
5 **incurred?**

6 A. Yes, they were. Reliable water and wastewater service is essential for health and
7 safety. The Company was a good corporate citizen during the public health
8 emergency, working with the state and the Board to help ensure that the safety,
9 security, and reliability of these vital services were maintained during the entirety
10 of the public health emergency. The Company worked diligently to maintain water
11 and wastewater service while counseling customers on arrearages, billing
12 questions, and other important matters. New Jersey-American Water was a good
13 partner with the state in combatting the impact of the pandemic, and the Company
14 should not be harmed as a result. The actions that New Jersey-American Water
15 took were customer-driven and geared toward the health and safety of our
16 customers and our employees who serve them.

17 **13. Q. Can you please provide the amounts for the components discussed above?**

18 A. Yes. Please see Schedule JDH-2 attached to this testimony for the summary listing
19 of the COVID-19 related net deferred costs totaling \$16,218,084. As noted above,
20 the Company stopped deferring costs as of February 28, 2023. Moreover, as will
21 be explained in further detail below, the Company received funding in March of

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1 2023 of which the Company applied \$981,802 in funds against the uncollectible
2 deferred balance, reducing the amount New Jersey-American Water is seeking to
3 recover at the end of the deferral period. The net deferred amount of \$16,218,084
4 reflects that reduction.

5 **14. Q. Do the net deferred costs include costs for both New Jersey-American Water**
6 **and its subsidiary, Environmental Disposal Corp. (“EDC”)?**

7 A. Yes. Due to the timing of the proposed merger application that has been filed with
8 the BPU, and for bookkeeping purposes, the Company believes it is appropriate
9 and efficient to include costs for both New Jersey-American Water and EDC.
10 Therefore, the COVID-19 incremental costs listed in detail below include the
11 amounts for both New Jersey-American Water and EDC.

12 **15. Q. How does the Company propose to recover its deferred costs associated with**
13 **the COVID-19 public health emergency?**

14 A. The Company seeks to recover this amount over a three-year-period through an
15 annual Special Program Charge (“SPC”) of \$5,406,028, representing one-third of
16 the total amount. New Jersey-American Water proposes to collect this annual
17 amount through a volumetric charge for General Metered Service⁴ (“GMS”)
18 customers at a rate of \$0.0673 per thousand gallons. This amounts to \$0.37 per

⁴ Rate Schedules A-1 through A-18 (“GMS”); and Rate Schedules C and D – Commodity Demand; Rate Schedule F – OIW; Rate Schedule G – SOS; Rate Schedules E, H, I, J; Rate Schedules L-1 through L-13 – Private Fire; Rate Schedules M-1 through M-12 – Public Fire; and Rate Schedules 1-A through 19-A-Wastewater (collectively, “non-GMS”).

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1 month for the average customer using 5,520 gallons per month. The Company
2 proposes to collect a fixed per customer charge for non-GMS customers of \$1.23
3 per month. This rate design is consistent with the Company’s collection of
4 customer-owned lead service line cost. The SPC will be reconciled annually.⁵ The
5 proposed tariff changes to implement this Special Program Charge are discussed
6 further below.

7 **16. Q. Will the SPC be applicable to all rate schedules?**

8 A. There are certain franchise areas that will be excluded from the SPC and UAC
9 based on terms of purchase agreements that limit rate increases for a stated number
10 of years following the closing on the acquisition of that BPU-approved franchise
11 (the “rate stabilization period”). The franchise areas are Bound Brook wastewater,
12 Egg Harbor City water and wastewater (including Mullica water and wastewater
13 and Galloway wastewater), Long Hill wastewater, and Mount Ephraim wastewater,
14 Rate Schedules 18-A, 19-A, A-17, A-18, 16-A, 17-A, 14-A, 15-A and 13-A,
15 respectively. These rate schedules will be subject to the SPC and UAC at the
16 conclusion of their respective rate stabilization periods.

⁵ Any franchise area excluded based on terms of a purchase agreement that limits rate increases for a stated number of years following the closing on the acquisition of that BPU-approved franchise (the “rate stabilization period”) will automatically be subject to the SPC and UAC at the conclusion of the rate stabilization period. These franchise areas are Bound Brook wastewater, Egg Harbor City water and wastewater (including Mullica water and wastewater and Galloway wastewater), Long Hill water and wastewater, and Mount Ephraim wastewater.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **17. Q. Please explain the proposed rate design associated with the SPC.**

2 A. Revenue responsibility for the SPC shall be assigned to GMS customers on a
3 volumetric basis in the same proportion as total revenue requirements were
4 assigned to GMS in the Company's most recently concluded base rate case at
5 Docket No. WR22010019. The balance of the revenue responsibility shall be
6 assigned to non-GMS as a fixed per customer surcharge based on the aggregate
7 customer count of non-GMS customers.

8 The non-GMS customer count and GMS volumetric usage are calculated as of
9 February 28, 2023, and with respect to the twelve months usage ended February
10 28, 2023, respectively. Please see Schedule JDH-3 for the calculation of the SPC.
11 The Company will update the non-GMS customer count to reflect the count at the
12 end of the month prior to the surcharge effective date and the GMS usage to reflect
13 the actual usage for the most recent twelve months prior to the surcharge effective
14 date, if appropriate.

15 GMS and non-GMS SPC annual reconciliation will follow the same methodology
16 for any over- or under-collection. Additionally, in accordance with the Board's
17 order requirement, a carrying cost will be applied to any over- or under-collection
18 amount.

19 **18. Q. Please explain the calculation or proposed carrying cost for any over- or**
20 **under-collection of the SPC.**

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1 A. The Company proposes to calculate the carrying cost for any over- or under-
2 collection of the SPC using the simple interest rate per *N.J.A.C.* 14:3-3.5(d):

3 A utility shall pay the customer simple interest on any deposit
4 established under this chapter at a rate equal to the average yields
5 on new six-month Treasury Bills for the 12-month period ending
6 each September 30. Said rate shall become effective on January
7 1 of the year following the 12-month period.

8 As provided by BPU Notice of Applicable Interest Rates on Customer Deposits
9 Effective for Calendar Year 2023 on November 30, 2022, the simple interest rate
10 is 1.40 percent on and after January 1, 2023. The Company would apply the rate to
11 the balance of the over- or under-collected annual reconciliation amount.

12 **19. Q. Please further describe the costs the Company has deferred in relation to the**
13 **COVID-19 public health emergency listed in Schedule JDH-2.**

14 A. Schedule JDH-2 sets forth the following costs deferred in conjunction with the
15 COVID-19 public health emergency. In addition, as noted above, the Company has
16 included Schedule JDH-1, the Company's most recent quarterly report for the
17 period ended March 31, 2023, which explains the basis of the deferred costs.

18 **Reconnection and Late Fees**

19 **20. Q. One component of these costs is reconnection fees and late fees. Is it reasonable**
20 **to allow the Company to recover uncollected late and reconnection fees?**

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1 A. Yes. Such fees are part of the Company's Board-approved rates and charges. If
2 not for the moratorium on disconnections for non-payment and waiver of late fees,
3 customers would have incurred reconnection fees and non-residential customers
4 would have incurred late fees under the Company's Board-approved tariff. The
5 Company further notes that late fees and reconnection fees are a component of New
6 Jersey-American Water's currently authorized revenue requirement. It should be
7 noted that the Company is only seeking to recover the late fees and reconnection
8 fees not collected because of the COVID-19 moratorium, which amount to
9 \$1,287,902 and \$1,792 respectively, as of February 28, 2023.

10 **Uncollectible Expense**

11 **21. Q. Did the Company also experience increased levels of uncollectible expense**
12 **during the deferral period?**

13 A. Yes. The Company has experienced an increase in uncollectible expense, which
14 is not surprising given the adverse effect of the pandemic on the economy and the
15 Executive Orders that effectively suspended collections and terminations activity.
16 As of February 28, 2023, the Company's deferred uncollectible expense was
17 \$13,613,340. In March, the Company received funding (discussed below) of which
18 \$981,802 was related to the deferred amount. Thus \$981,802 was applied against
19 the deferred uncollectible amount to reduce that amount to \$12,631,538.

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1 **Direct Costs**

2 **22. Q. In addition to foregone revenue and higher uncollectible expense, did the**
3 **Company incur any direct expenses due to the COVID-19 emergency?**

4 A. Yes, New Jersey-American Water also incurred direct expenses related to the
5 pandemic as identified below.

6 **23. Q. How has the Company determined the incremental expenses it has incurred**
7 **due to the COVID-19 emergency?**

8 A. Specific tracking numbers were created to capture certain increased O&M expenses
9 related to the public health emergency, such as facility preparedness, personal
10 protective equipment, sanitizers, signage, rental equipment, enhanced cleaning in
11 areas where positive COVID-19 cases were confirmed, etc. This ensures that only
12 incremental costs were included in the Company's deferral and that these costs
13 were not reflected in the accounts used to establish new rates in New Jersey-
14 American Water's most recent base rate case proceeding. These direct costs total⁶
15 \$2,363,487 as of February 28, 2023.

16 **24. Q. Did New Jersey-American Water realize any savings arising from the**
17 **pandemic?**

18 A. Yes, there were some cost areas where savings did occur. The Company proposes
19 to offset incremental expenses with the cost savings the Company experienced due

⁶ Direct costs include both the Company and Service Company costs that would have been charged to the Company.

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1 to decreased travel and conference costs during the COVID-19 emergency, which
2 amounted to \$1,409,909 as of February 28, 2023.⁷

3 **Liquidity Availability Costs**

4 **25. Q. Has the Company deferred any other costs relating to the COVID-19 public**
5 **health emergency for which it seeks recovery as part of this proceeding?**

6 A. Yes. On March 20, 2020, American Water Capital Corp. (“AWCC”) entered into
7 a \$750,000,000 364-day term loan credit facility (the “Term Loan”) and
8 immediately executed a \$500,000,000 draw to ensure adequate liquidity for its
9 regulated operating utilities by retaining that amount in cash. The Company
10 recorded a receivable of \$102,143,810 of the \$500,000,000 loan amount,
11 representing the Company’s share of total American Water regulated customers as
12 of March 31, 2020.

13 **26. Q. Regarding the Term Loan, what does the Company seek to recover in this**
14 **proceeding?**

15 A. The Company seeks to recover its allocated portion of the interest expense related
16 to the Term Loan, which was paid off effective March 19, 2021. The total principal
17 amount of the loan – \$500,000,000 – carried an interest rate of London Interbank
18 Offered Rate (“LIBOR”) plus 80 basis points, or approximately 1.752% for the first
19 six months of the loan and carried a rate ranging between approximately 0.918%

⁷ Travel and conference savings include both the Company expenses and Service Company costs that would have been charged to the Company.

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1 and 0.976% for the remaining months. The monthly interest was allocated based
2 upon the Company's share of total American Water customers as of March 31,
3 2020. Total allocated interest charges amounted to \$1,343,274, which were
4 deferred to the COVID-19 regulatory asset account.

5 **27. Q. Why did American Water enter into the Term Loan?**

6 A. American Water determined that, based on its operating cash flow needs, enhanced
7 liquidity in the amount of \$500 million was necessary in the event other sources of
8 financing, particularly commercial paper and AWCC's credit facility of \$2.25
9 billion, were not available at reasonable rates or in sufficient quantity to meet the
10 operating needs of the business. To put this figure into perspective, in 2020
11 American Water invested approximately \$1.6 billion in capital investments for its
12 regulated utilities. The execution of a term loan during this emergency period was
13 an approach utilized by other utilities and was viewed favorably by rating agencies
14 in 2020 to address the uncertainty and market risk.⁸ The reasonableness of the
15 Company's approach was further supported by recent comments by Treasury
16 Secretary Yellin. In her remarks before the National Association for Business
17 Economics 39th Annual Economic Policy Conference on March 20, 2023, Secretary
18 Yellin noted how dire the liquidity situation was at the beginning of the pandemic:

19 The biggest test came in March 2020 – just shy of a decade
20 after the passage of Dodd-Frank. As the coronavirus spread
21 rapidly across the world and governments issued stay-at-
22 home orders, economic uncertainty and financial panic set

⁸ COVID-19: While Most of the U.S. Is Shut Down, Utilities are Open for Business (S&P Global, May 4, 2020).

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1 in. What followed were historic selloffs in a broad range of
2 financial assets – from equities to corporate and municipal
3 bonds. Treasury yields rose as investors sought cash in this
4 highly uncertain moment. The S&P 500 painted a clear
5 picture of the panic. It tripped three circuit-breakers in the
6 span of a week as the stock market recorded historic drops.⁹

7 **28. Q. Why is the interest expense associated with the Term Loan appropriate for**
8 **deferral as a COVID-19 related expense?**

9 A. The enhanced liquidity obtained through this term loan was akin to an insurance
10 policy to protect the Company in the event the COVID-19 public health emergency
11 created an inability to access funds, or access them at a reasonable cost, when they
12 were needed to continue to provide safe and reliable service to our customers in
13 New Jersey. The interest expense on the Term Loan is equivalent to insurance
14 premiums (or to an availability fee), which are paid to mitigate risk and are
15 reasonable whether a claim is ever made.

16 **29. Q. Is the Company requesting recovery of carrying costs associated with the**
17 **deferred COVID-19 related costs?**

18 A. If the Company's proposals, including its three-year recovery through a separate
19 surcharge, are approved, then New Jersey-American Water is willing to forego
20 carrying costs on the already deferred amounts. Moreover, in light of the recent
21 order, the Company does propose recovery of carrying costs associated with any
22 over- or under-collection of the SPC.

⁹ <https://home.treasury.gov/news/press-releases/jy1376>

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1 **30. Q. Will the Company continue to defer COVID-19 related costs beyond February**
2 **28, 2023?**

3 A. No, it will not. However, the Company is requesting to continue to defer its
4 uncollectible expenses, as discussed in greater detail below. The Company has been
5 working and will continue to work with the Department of Community Affairs
6 (“DCA”) to obtain payment assistance for eligible customers through the Low-
7 Income Household Water Assistance Program (“LIHWAP”). LIHWAP is a
8 federally funded program that provides emergency assistance to families
9 experiencing hardship with their water and wastewater bills. LIHWAP will be able
10 to assist our customers who are behind on their drinking water and wastewater bills
11 to help keep their water and wastewater service active.

12 **31. Q. How have the LIHWAP funds received helped reduce arrearages and the**
13 **deferred uncollectible balance?**

14 A. LIHWAP funds received through February 28, 2023, have been applied to
15 customer accounts as directed by the DCA. When arrearages are reduced,
16 uncollectible expense is reduced. When uncollectible expense is reduced, and that
17 amount is compared to the amount in base rates monthly, the deferred amount will
18 be lower. This is the basis of the calculation for the accumulation of the deferred
19 uncollectible amount from March of 2020 to February of 2023.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **32. Q. Has the Company received LIHWAP funds beyond February 28, 2023?**

2 A. Yes. In March, the Company received approximately \$2.5 million in LIHWAP
3 funds for eligible water and wastewater service customers. The most recent check
4 was received on March 29, 2023, for approximately \$2.1 million, to benefit about
5 899 of New Jersey-American Water's customers. The Company has applied the
6 funds received to the eligible accounts consistent with DCA's direction. The
7 Company, however, recognized that approximately \$982,000 of the \$2.1 million
8 received is related to customers with prior past due balances over 150 days, thus
9 the Company applied this portion against the deferred amount.

10 **33. Q How does the Company propose to collect the COVID-19 emergency costs that**
11 **are deferred on its books?**

12 A. As stated above, the Company has requested recovery of COVID-19 related net
13 deferred costs totaling \$16,218,084. The Company proposes to recover this amount
14 through an annual special program surcharge of \$5,406,028 over the next three
15 years. The bill impact would be a proposed fixed per customer charge of \$0.62 per
16 month, which will be reconciled annually.

17 **II. UNCOLLECTIBLE ADJUSTMENT CLAUSE**

18 **34. Q. Is the Company seeking a mechanism to address future uncollectible (or bad**
19 **debt) expense in this proceeding?**

20 A. As discussed in greater detail below, the Company proposes to account for future
21 fluctuations in uncollectible expense through an Uncollectible Adjustment Clause

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1 (“UAC”). Under the UAC, the Company proposes to defer the difference between
2 the amount of uncollectible expense authorized in the Company’s most recent
3 general rate case and the actual uncollectible expense incurred after March 31,
4 2023¹⁰. The Company would defer such difference on a calendar period. Annually,
5 any difference would be reconciled through a subsequent UAC filing.

6 **35. Q. Why is the Company seeking a mechanism to address future uncollectibles (or**
7 **bad debt) expense in this proceeding?**

8 A. The Company is seeking the UAC to address fluctuations in bad debt expense on a
9 going forward basis to protect both our customers and the Company. Generally, in
10 our rate case filing, the Company uses the most recent three-year average of write-
11 offs to estimate pro-forma uncollectible expense. In the Company’s last general rate
12 case, we did not use a recent three-year average as that average would have included
13 2020 which was not representative of the Company’s historical or projected activity
14 for write-off activity. This was due to the suspension of disconnections starting in
15 2020 which continued into 2021 and 2022. In addition, in 2022, the Company
16 began participating for the first time in the “Winter Termination Program” that
17 disallows winter terminations for non-payment and the Company suspended
18 terminations in 2022 for a period to implement the regulations that now require a
19 customer door knock before a shutoff can be made. The Company believes these

¹⁰ As previously noted in this direct testimony, the Company ceased deferring costs as of February 28, 2023. Moreover, the Company did apply subsequent LIHWAP funds through the end of March 2023, therefore future deferred uncollectible costs would start with April 1, 2023.

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1 activities coupled with the lingering effects of COVID-19 *and the continued*
2 *application of LIHWAP funds* will likely cause uncertainty in its level of
3 uncollectible expense for the foreseeable future. Because of this uncertainty, the
4 Company proposes the UAC to protect both customers and the Company from
5 unknown but expected fluctuations in this expense going forward. The UAC will
6 reconcile actual incurred uncollectible expense to the base level established in the
7 Company's most recent general rate case, with any variance recovered from (or
8 credited to) customers over a subsequent period.

9 **36. Q. How does the application of LIHWAP funds cause uncertainty for**
10 **uncollectible expense in the near term?**

11 A. The manner in which the LIWHAP funds are being distributed to customers, as
12 directed by DCA, complicates the ultimate impact to the Company's uncollectible
13 expense. The Company has been instructed to apply the funds to customers both
14 with and without overdue balances. For example, approximately 27% of the 899
15 eligible customers included in the most recent payment carried a past due balance
16 of over 31 days as of February 28, 2023. That leaves the remaining 73% of the 899
17 eligible customers with a current (less than 30 days) or zero balance as February
18 28, 2023. Therefore, those customers who receive additional LIHWAP funds will
19 have a credit balance on their account. According to DCA, this credit is to remain
20 on the customer's account until future water and wastewater bills absorb that credit
21 balance. In the near term, as these credit balances exist, uncollectible expense

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1 should be reduced as these customers will not be subject to any write-offs. Without
2 a UAC, and because the deferral period has ended, customers will not benefit from
3 receipt of these funds until a lower uncollectible expense is established.

4 **37. Q. Please provide an example of how the UAC will operate, starting with the**
5 **initial filing.**

6 A. The UAC will be a historical mechanism, with any deviation from the authorized
7 base level for the prior twelve-month calendar period included in the mechanism to
8 be collected (or credited) over the subsequent nine-month period. The amount to
9 be collected (or credited) would be charged or credited using the same methodology
10 explained above for the SPC.¹¹ The initial filing of the UAC will represent less than
11 a full year with the start of the UAC period retroactive to April 1, 2023. As such,
12 the initial UAC filing would be made with the BPU on January 15, 2024. The filing
13 would reconcile actual uncollectible expense for the period of April 1, 2023,
14 through December 31, 2023, against the level authorized in the Company's last
15 general rate proceeding. The amount of uncollectible expense included in base rates
16 in the last general rate proceeding, BPU Docket No. WR22010019, amounts to
17 \$3,443,757. Due to a period of less than one year of new base rates, the authorized
18 level of uncollectible expense will be prorated by month.

¹¹ As shown in Rate Schedule O-3, this includes a volumetric based charge for the Company's General Metered Service customers, and a fixed charge for the remainder of the Company's customers.

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1 Once filed with the Board and after its 60-day review, the UAC would be
2 implemented no later than April 1, 2024, collecting the difference, or passing a
3 credit, between the actual and authorized expense for April 1, 2023, through
4 December 31, 2023, over a nine-month period (April 1, 2024, through December
5 31, 2024).

6 On January 15, 2025, the Company would make its second UAC filing, with rates
7 effective no later than April 1, 2025. This filing will include: 1) the difference
8 between the actual uncollectible expense activity for calendar year 2024 against the
9 level authorized, and 2) a true up of the actual amount collected from customers
10 versus the amount authorized in the first UAC filing, for the period April 1, 2023,
11 through December 31, 2023.

12 **38. Q. Have any other New Jersey utilities been authorized a similar mechanism?**

13 A. Yes. The Board has approved the inclusion of the electric utilities' uncollectible
14 costs as component of the Societal Benefits Charge ("SBC").

15 **39. Q. Have any of New Jersey-American Water's affiliates implemented a similar
16 mechanism?**

17 A. Yes. Illinois-American Water Company implemented a Bad Debt Expense
18 ("BDE") Rider, effective April 1, 2021. The BDE Rider was initially approved
19 under a two-year pilot, as a direct result of the COVID-19 emergency, with
20 agreement to extend through calendar year 2023.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **III. PROPOSED TARIFF CHANGES – EXHIBIT P-2**

2 **40. Q. Please explain Exhibit P-2A attached to the Amended and Restated Petition**
3 **related to the Company’s proposed tariff as a result of this filing.**

4 A. A clean copy of the proposed new Rate Schedule reflecting the Company’s
5 proposed changes as a result of this filing are attached to the Amended and Restated
6 Petition as Exhibit P-2A.

7 **41. Q. Please explain the proposed new Rate Schedule.**

8 A. As mentioned above, the Company, as a result of this filing, is seeking recovery
9 through a Special Program Charge and approval of the UAC. Thus, the Company
10 is adding Rate Schedule O-3, Societal Programs. This Rate Schedule will include
11 multiple components for either surcharges or credits relating to the recovery of
12 different types of incremental costs. The first component will be the “Special
13 Program Charge” or a surcharge which at this time will be used to recover the
14 deferred COVID-19 incremental costs. The second component will be a charge or
15 credit as related to the adjustment of the Company’s uncollectible costs through the
16 UAC. As I have discussed above in my testimony, Rate Schedule O-3 will maintain
17 the specific rates, fixed or volumetric or both, for each component within the Rate
18 Schedule.

19 **42. Q. Does this conclude your Direct Testimony?**

20 A. Yes, it does.

NEW JERSEY-AMERICAN WATER COMPANY, INC.**Appendix A****1 1. Q. Please describe your educational background and professional associations.**

2 A. I am a 2001 graduate of Rowan University where I earned a Bachelor of Science Degree
3 in Business Administration with a specialization in accounting. I have also attended
4 the Utility Rate School sponsored by the National Association of Regulatory Utility
5 Commissioners (“NARUC”).

6 2. Q. What has been your business experience?

7 A. Prior to my employment with Service Company, my work history included an
8 accounting internship with Alloy, Silverstein, Shapiro, Adams, Mulford & Co. in
9 Cherry Hill, New Jersey, an audit position with M.D. Oppenheim & Co., PC, in Cherry
10 Hill, New Jersey, and a staff accountant position with A.C. Moore Arts and Crafts, Inc.
11 in Berlin, New Jersey. I began my employment with the Service Company in
12 September 2006 as a General Tax accountant in the General Tax Department. My
13 duties included developing, preparing, and maintaining the general tax account
14 reconciliations for all American Water affiliates, developing general tax Sarbanes-
15 Oxley practices and policies, and making monthly closing journal entries. In June
16 2007, I transferred to the role of Accountant in the General Accounting/Financial
17 Reporting Department. My duties included preparing quarterly and annual financial
18 reports, monthly closing financials, and monthly account reconciliations for multiple
19 regulated companies of American Water and Service Company. My responsibilities
20 also included external audit coordination and internal controls task management. In
21 October 2010, I transferred to the role of Supervisor in the Accounts Payable

NEW JERSEY-AMERICAN WATER COMPANY, INC.**Appendix A**

1 Department and was responsible for overseeing the end-to-end operations and
2 transaction processing of accounts payable for multiple regulated companies of
3 American Water. In October 2011, I transferred to the position of Financial Analyst II
4 in Rates and Regulation. In July 2013, I was promoted to Financial Analyst III. In
5 January 2017, I was promoted to Senior Manager in Regulatory Services where I
6 supported rate applications and other regulatory filings for American Water's West
7 Virginia and Pennsylvania operating companies. Effective August 2018, I became the
8 Senior Manager of Rates and Regulatory for New Jersey-American Water.

New Jersey-American Water Company, Inc.
Quarterly Report of COVID-19 Regulatory Asset
April 30, 2023

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.

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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

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On December 21, 2022, the BPU issued an order authorizing an extension of the regulatory asset period from December 31, 2022, to March 15, 2023 (“December 2022 Order”). The December 2022 Order also included the requirement for “utility companies regulated by the Board to file a formal plan within 15 days from the effective date of... [the] Order² outlining how the additional time afforded by ...[the] Order will be used to obtain appropriate federal funds and to work with customers to reduce arrearages and avoid disconnections.”³ The Company submitted its plan on January 12, 2023.

As of March 15, 2023, the Company has stopped deferring incremental costs related to the COVID-19 public health emergency. The Company will file a petition with the Board requesting recovery of the deferred costs no later than 60 days from the end of the deferral period in accordance with the December 2022 Order. Since the deferral period terminated on March 15, 2023, in conjunction with the end of the Winter Termination Program (“WTP”), this will be the Company’s final quarterly report to the Board regarding the deferred regulatory asset. The Company will continue to provide the required reporting on the customer data in accordance with P.L. 2022, c.107, which includes the information provided in Section IV of this report.

II. Costs Incurred and Savings Realized

The Company has incurred and recorded as a regulatory asset an amount totaling \$16,218,084 as of March 31, 2023, 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 \$1,283,978 and \$3,924 in late fees, respectively, for a total of \$1,287,902.

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 period, resulting in the deferral of \$12,534,275 and \$97,263 for NJAWC and EDC, respectively, for a total of \$12,631,538.

c) Additional Debt Carrying Costs

² Fifteen days from the effective date of December 28, 2022 is January 12, 2023.

³ December 2022 Order at 8.

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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 \$1,343,274 as of March 2021 when the term loan was paid off and deferral ceased. NJAWC reflects \$1,332,930 and EDC reflects \$10,344 of the total balance.

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 \$2,360,836 and \$2,651, respectively, for a total of \$2,363,487. 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 toward normal usage patterns.

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

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
1/31/2023	1,932
2/28/2023	2,357
3/31/2023	1,923

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 a total of \$32,576 in funding from various municipal and county programs: the Monmouth County Emergency Rental Assistance Program (ERAP) provided \$32,064, and the Mercer County Board of Social Service provided \$512 which were 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 received and applied four LIHWAP payments in the amount of \$2,875,456 to the eligible customer accounts during this reporting period. In addition, the Company continues to work with state, county, and municipal authorities where eligible customers have applied for assistance programs 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 collection of its customer arrearages. While the Company does not anticipate hiring any new employees, it may incur contractor expenses related to the changes in the law for the disconnection process.

e) Number of Field Collection Visits

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

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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 residential, 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 residential, commercial, and industrial customers.

V. Unanticipated Impacts

The Company has stopped deferring incremental costs.

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Period: January 1, 2023 to March 31, 2023

City	Zip Code	Disconnections			Reconnections		
		Residential	Commercial	Industrial	Residential	Commercial	Industrial
Blank	Blank	0	0	0	0	0	0
Cranford	07016	5	4	0	5	1	0
Fanwood	07023	0	1	0	0	0	0
Garwood	07027	3	1	0	3	0	0
Kenilworth	07033	0	4	1	0	2	0
Linden	07036	116	7	4	90	4	1
Livingston	07039	0	0	0	0	0	0
Maplewood	07040	0	0	0	0	0	0
Millburn	07041	1	1	0	0	1	0
West Orange	07052	0	0	0	0	0	0
Warren	07059	0	0	0	0	0	0
North Plainfield	07060	11	4	0	9	3	0
North Plainfield	07062	3	1	0	1	1	0
North Plainfield	07063	2	0	0	2	0	0
Clark	07066	1	0	0	1	0	0
Watchung	07069	4	0	0	4	0	0
Scotch Plains	07076	7	2	0	3	0	0
Short Hills	07078	1	1	0	0	1	0
South Plainfield	07080	0	0	0	0	0	0
Springfield	07081	1	1	0	1	1	0
Union	07083	33	7	0	26	4	0
Vauxhall	07088	0	0	0	0	0	0
Westfield	07090	0	0	0	0	0	0
Mountainside	07092	0	0	0	0	0	0
Irvington	07111	66	39	0	45	27	0
Roselle	07203	14	1	0	9	0	0
Roselle Park	07204	0	1	0	0	1	0
Hillside	07205	77	4	1	57	3	0
Franklin	07416	1	0	0	1	0	0
Little Falls	07424	0	0	0	0	1	0
Middletown	07701	0	0	0	0	0	0
Shrewsbury	07702	3	1	0	2	0	0
Fair Haven	07704	7	1	0	6	0	0
Allenhurst	07711	1	0	0	0	0	0
Asbury Park	07712	47	2	0	32	2	0
Atlantic Highlands	07716	4	2	0	4	1	0
Belford	07718	22	1	0	20	1	0
Bradley Beach	07720	0	1	0	0	1	0
Deal	07723	8	0	0	2	0	0
Eatontown	07724	27	2	0	15	2	0
Farmingdale	07727	1	0	0	1	0	0
Freehold	07728	2	0	0	2	0	0
Hazlet	07730	35	1	0	27	1	0
Howell	07731	25	1	0	15	0	0
Highlands	07732	21	1	0	15	1	0
Holmdel	07733	19	1	0	17	1	0
Hazlet Township	07734	12	0	0	9	0	0
Union Beach	07735	27	0	0	19	0	0
Leonardo	07737	17	0	0	13	0	0
Lincroft	07738	3	0	0	3	0	0
Little Silver	07739	8	0	0	7	0	0
Long Branch	07740	0	0	0	0	0	0
Aberdeen	07747	11	0	0	10	0	0
Middletown	07748	58	1	0	49	1	0
Monmouth Beach	07750	1	0	0	0	0	0
Navesink	07752	2	0	0	2	0	0
Neptune	07753	43	1	0	29	0	0
Oakhurst	07755	0	0	0	0	0	0
Ocean Grove	07756	0	1	0	0	1	0
Oceanport	07757	0	0	0	0	0	0
Port Monmouth	07758	17	1	0	9	0	0
Rumson	07760	1	2	0	0	0	0
West Long Branch	07764	0	0	0	0	0	0
Washington Twp	07822	0	0	0	0	0	0
Belvidere	07823	12	0	0	10	0	0
Budd Lake	07828	3	0	0	2	0	0
Kenil	07847	1	0	0	1	0	0
Ledgewood	07852	1	0	0	1	0	0

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City	Zip Code	Disconnections			Reconnections		
		Residential	Commercial	Industrial	Residential	Commercial	Industrial
Oxford	07863	3	0	0	2	0	0
Port Murray	07865	4	0	0	3	0	0
SUCCASUNNA	07876	6	1	0	4	0	0
Washington	07882	51	2	0	44	2	0
Spotswood	07884	2	0	0	1	0	0
Summit	07901	0	0	0	0	0	0
Basking Ridge	07920	0	0	0	0	0	0
Bedminster	07921	0	0	0	0	0	0
Berkeley Heights	07922	0	0	0	0	0	0
Bernardsville	07924	0	0	0	0	0	0
Brookside	07926	0	0	0	0	0	0
Chatham	07928	0	0	0	0	0	0
Chester	07930	0	0	0	0	0	0
Far Hills	07931	0	0	0	0	0	0
Florham Park	07932	0	0	0	0	0	0
Gillette	07933	0	0	0	0	0	0
Gladstone	07934	0	0	0	0	0	0
Liberty Corner	07938	0	0	0	0	0	0
MENDHAM	07945	0	0	0	0	0	0
Millington	07946	0	0	0	0	0	0
Murray Hill	07974	0	0	0	0	0	0
Tewksbury Township	07979	0	0	0	0	0	0
Stirling	07980	0	0	0	0	0	0
Cherry Hill	08002	19	0	0	12	1	0
Cherry Hill	08003	24	1	0	15	0	0
Barrington	08007	17	2	0	11	0	0
Beverly	08010	4	1	0	2	1	0
Blackwood	08012	22	1	0	17	0	0
Logan Township	08014	4	0	0	2	0	0
Burlington	08016	0	0	0	0	0	0
GLOUCESTER	08021	48	1	0	35	0	0
MANSFIELD	08022	0	0	0	0	0	0
Gibbsboro	08026	3	0	0	1	0	0
Elk Township	08028	0	0	0	0	0	0
Glendora	08029	3	0	0	3	0	0
Bellmawr	08031	13	0	0	11	0	0
Haddonfield	08033	8	3	0	6	1	0
Cherry Hill	08034	17	0	0	8	0	0
Haddon Heights	08035	3	0	0	2	0	0
Hainesport Township	08036	7	0	0	6	0	0
Kirkwood	08043	29	2	0	19	0	0
Lawnside	08045	13	1	0	9	0	0
Lumberton Township	08048	16	0	0	14	0	0
Magnolia	08049	3	0	0	2	0	0
Maple Shade	08052	0	0	0	0	0	0
Mount Laurel	08054	0	0	0	0	0	0
Moorestown	08057	0	0	0	0	0	0
MOUNT EPHRAIM	08059	15	0	0	6	0	0
Eastampton Township	08060	29	0	0	22	0	0
Mullica Hill	08062	12	1	0	12	1	0
Palmyra	08065	22	3	0	15	1	0
Pedricktown	08067	5	0	0	3	0	0
Pemberton	08068	0	0	0	0	0	0
Carneys Point	08069	88	4	0	53	1	0
Delanco	08075	79	8	0	53	6	0
Cinnaminson	08077	28	2	0	23	0	0
Runnemede	08078	3	3	0	2	1	0
GLOUCESTER	08083	3	2	0	2	1	0
Stratford	08084	15	2	0	12	0	0
Swedesboro	08085	7	0	0	5	0	0
Vincentown	08088	0	0	0	0	0	0
Camden	08102	1	0	0	0	0	0
Camden	08105	137	6	0	88	5	0
Audubon	08106	18	1	0	10	1	0
Oaklyn	08107	10	0	0	5	0	0
Pennsauken	08109	3	0	0	1	0	0
Camden	08110	27	3	0	22	2	0
Absecon	08201	7	1	0	5	1	0

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City	Zip Code	Disconnections			Reconnections		
		Residential	Commercial	Industrial	Residential	Commercial	Industrial
Galloway	08205	81	0	0	63	0	0
Cape May Court House	08210	9	0	0	6	0	0
Cologne	08213	2	0	0	2	0	0
Galloway	08215	1	0	0	0	0	0
Linwood	08221	13	1	0	7	0	0
Northfield	08225	7	2	0	4	0	0
Ocean City	08226	22	9	0	8	4	0
Upper Township	08230	0	0	0	0	0	0
Egg Harbor Township	08232	51	4	0	34	3	0
Egg Harbor Township	08234	49	5	0	37	3	0
Pomona	08240	1	0	0	0	0	0
Rio Grande	08242	0	0	0	0	0	0
Somers Point	08244	15	1	0	6	0	0
Strathmere	08248	0	0	0	0	0	0
Whitesboro	08252	4	0	0	3	0	0
MONTGOMERY	08502	6	0	0	6	0	0
Cranbury	08512	2	0	0	2	0	0
Cream Ridge	08514	0	0	0	0	0	0
Kingston	08528	1	0	0	0	0	0
New Egypt	08533	0	1	0	0	0	0
Plainsboro	08536	5	0	0	2	0	0
Princeton	08540	15	4	0	7	0	0
Princeton	08542	2	0	0	1	0	0
Princeton Junction	08550	7	0	0	3	0	0
MONTGOMERY	08558	0	0	0	0	0	0
Lawrence Township	08648	26	0	0	14	0	0
Lakewood	08701	93	10	0	66	8	0
Brick	08724	1	0	0	1	0	0
Lavallette	08735	4	0	0	3	0	0
Brick	08738	4	1	0	3	1	0
Mantoloking	08739	1	0	0	0	0	0
Bay Head	08742	1	0	0	1	0	0
Ortley Beach	08751	2	0	0	2	0	0
Bound Brook	08805	30	2	0	23	1	0
Bridgewater	08807	20	1	0	12	0	0
Dunellen	08812	19	0	0	17	0	0
Edison	08820	0	0	0	0	0	0
Flemington	08822	4	2	0	3	1	0
Frenchtown	08825	1	0	0	0	0	0
Jamesburg	08831	13	1	0	6	1	0
Manville	08835	38	1	0	23	1	0
Martinsville	08836	1	0	0	1	0	0
Hillsborough Twp	08844	22	1	0	17	1	0
Middlesex	08846	8	0	0	8	0	0
MONTGOMERY	08853	2	0	0	1	1	0
Piscataway	08854	16	0	1	13	1	0
Piscataway	08855	0	0	0	0	0	0
RARITAN	08869	6	1	0	3	1	0
Franklin Township	08873	2	0	0	1	0	0
Branchburg	08876	27	0	0	12	0	0
South Bound Brook	08880	7	0	0	4	0	0
Stewartsville	08886	3	0	0	2	0	0
Whitehouse Station	08889	3	0	0	2	0	0
Total		2260	197	7	1576	114	1

New Jersey-American Water Company, Inc.
COVID Regulatory Asset Deferral
As of March 2023

	Actual Activity - through Mar-23
1 Incremental Expenses	
2 State	\$ 2,135,534
3 Service Company	\$ 227,953
4 <u>Total Incremental Expenses</u>	<u>\$ 2,363,487</u>
5 Uncollectible Expense	
6 Total	\$ 22,601,316
7 <u>Less: Authorized Base Level</u>	<u>\$ 9,969,778</u>
8 Net Incremental	\$ 12,631,538
9 Lost Revenues	
10 Reconnect Fees	\$ 1,792
11 Late Fees - Foregone (Water/WasteWater)	\$ 1,287,902
12 Cost Savings	
13 NJAWC Actual Travel and Conferences	\$ 721,119
14 <u>2019 Baseline Travel and Conferences</u>	<u>\$ 1,105,844</u>
15 Incremental Savings - NJAWC	\$ (384,726)
16 Service Company Actual Travel and Conferences	\$ 126,827
17 <u>2019 Baseline Travel and Conferences</u>	<u>\$ 1,152,010</u>
18 Incremental Savings - Service Company	\$ (1,025,183)
19 Total Incremental Savings	\$ (1,409,909)
20 <u>Term Loan Interest Expense</u>	<u>\$ 1,343,274</u>
21 <u>Total Deferral Activity</u>	<u>\$ 16,218,084</u>

New Jersey-American Water Company, Inc.
Special Program Charge ("SPC")
Annual Recovery Calculation

Schedule JDH-3

Line No.	Deferred Costs Description	Total Surcharge Amount
1		
2	COVID-19 Regulatory Asset Cost, net	\$16,218,084
3	Recovery Period - in years	<u>3</u>
4	Total Annual Recovery Amount	\$5,406,028

Line No.	Classification	Total Revenue	Percent
9	<u>Docket No. WR22010019 - Revenue Allocation</u>		
10			
11			
12	Rate Schedule - GMS	\$682,957,134	80.52%
13	Rate Schedule - Non-GMS	<u>165,193,885</u>	<u>19.48%</u>
14	Total	\$848,151,019	100.00%

Line No.	Classification	Customer Count at 2/28/2023	Usage(TG) - 12 months ²	Semi- Annual Surcharge Amount	Annual Rate per Customer ³	Monthly Surcharge Rate	Monthly Impact ⁴
18	<u>Rate Design - Surcharge per classification</u>						
19							
20							
21	Rate Schedules - GMS		64,676,521	\$4,353,099	\$0.0673	\$0.0673	\$0.37
22	Rate Schedule - Non-GMS	71,622		<u>1,052,929</u>	\$14.70	\$1.23	\$1.23
23				\$5,406,028			

25 ² Usage for the twelve-months ended February 28, 2023.

26 ³ GMS is the rate per 1,000 gallons. Non-GMS is the cost per customer.

27 ⁴ GMS impact using the average monthly customer usage of 5,520 gallons.

28
29
30

**RATE SCHEDULE O-3
SOCIETAL PROGRAMS**

APPLICABILITY

Applicable to all water and wastewater customer classes served by the Company in all service areas taking water service under Rate Schedules A-1 through A-18 (GMS) and C, D, E, F, G, H, I, J, L-1 through L12, M-1 through M-12, and wastewater service under Rate Schedules 1-A through 19-A (non-GMS).

CHARACTER

Continuous, except as limited by the "Standard Terms and Conditions".

RATE

The recovery of the Societal Programs costs will be shown as separate line items on each customer's bill.

SPECIAL PROGRAM CHARGE (SPC)

In addition to all other charges for GMS and non-GMS water and wastewater service, an SPC charge will apply from _____ through _____ as follows:

<u>GMS</u> <u>Rate Per 1,000 Gallons</u>	<u>Non-GMS</u> <u>Fixed Charge Per Month</u>
\$0.0673	\$1.23

UNCOLLECTIBLE ADJUSTMENT CLAUSE (UAC)

In addition to all other charges for GMS and non-GMS water and wastewater service, the UAC will apply commencing _____ as follows:

<u>GMS</u> <u>Rate Per 1,000 Gallons</u>	<u>Non-GMS</u> <u>Fixed Charge Per Month</u>
\$0.000	\$00.00

The actual amount of uncollectible expense will be tracked and compared to the authorized amount of uncollectible expense. The Company shall file with the BPU on or before January 15 of each year, the UAC calculation and support for any annual adjustments to be effective under this tariff. The BPU will have 60 days to review the filing. Any under- or over-collection will be recovered or passed back through a surcharge or credit, respectively, from April 1 through December 31.

Revenue responsibility for the SPC and UAC shall be assigned to GMS customers on a volumetric basis in the same proportion as total revenue requirements were assigned to GMS in the Company's most recently concluded base rate case. The balance of the revenue responsibility shall be assigned to non-GMS as a fixed per customer surcharge or credit based on the aggregate customer count of non-GMS customers.

The non-GMS customer count and GMS volumetric usage will be updated with each surcharge filing. The non-GMS customer count will be updated to reflect the count at the end of the month prior to each surcharge filing. The GMS usage will be updated to reflect the actual usage from the period during which the costs were incurred.

GMS and non-GMS SPC and UAC revenue requirement allocation percentages will be updated following each base rate proceeding during the recovery period.

TERMS OF PAYMENT

See Rate Schedules for applicable customer classes.

CONDITIONS

Subject to the "Standard Terms and Conditions" except as otherwise set forth in this Schedule.

Issued:

Effective:

By: Mark K. McDonough, President
1 Water Street, Camden, NJ 08102

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. _____ dated _____.