

SAUL EWING

LLP

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July 14, 2023

VIA E-Filing and E-Mail

Honorable Sherri Golden
New Jersey Board of Public Utilities
44 South Clinton Avenue, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
sherri.golden@bpu.nj.gov
board.secretary@bpu.nj.gov

RE: In the Matter of Aqua New Jersey, Inc.'s
2022 Distribution System Improvement Charge Foundational Filing
BPU Docket No. WR22050360

Dear Secretary Golden:

Aqua New Jersey, Inc. ("Aqua NJ") submitted a Foundational Filing in the above-referenced docket, which was approved by the New Jersey Board of Public Utilities ("Board") by Order dated December 21, 2022, effective December 28, 2022.

In accordance with the Board's Order and N.J.A.C. 14:9-10.5(b), enclosed please find Aqua NJ's Distribution System Improvement Charge ("DSIC") calculation for the January 1, 2023 through June 30, 2023 DSIC Recovery Period.

Please note that the enclosed Tariff No. 18 – Water Supplement First Revised Sheet No. 21 will be effective August 28, 2023, pursuant to N.J.A.C. 14:9-10.5.

Should you have any questions, please feel free to contact me. Thank you for your attention to this matter.

Sincerely,


Courtney L. Schultz

Encl.
Cc: Service List

SERVICE LIST

In the Matter of Aqua New Jersey Inc.'s
2022 Distribution System Improvement Charge Foundational Filing
BPU Docket No. WR22050360

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Aqua New Jersey, Inc.
Distribution System Improvement Charge Calculation - 6 Month DSIC Filing
Docket No. WR22050360

DSIC Recovery Period: January 1, 2023 to June 30, 2023

	Jan 2023 - June 2023
Eligible Investment (Qualified DSIC Additions to UPIS During DSIC Period)	\$ 16,533,935 (A)
Less: Accumulated Depreciation	\$ (111,638) (B)
Less: Deferred Tax	\$ (11,277) (C)
Eligible Net Investment (Net DSIC Additions to UPIS During DSIC Period)	\$ 16,411,020
Times Pre-Tax Rate of Return	8.63% (D)
Pre-Tax Return on Investment	\$ 1,416,387
Add Depreciation	\$ 446,552
Under/(Over) Recovery	\$ - (G)
Revenue Recovery	\$ 1,862,939
Revenue Factor	\$ 1.1721348 (E)
Current DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,183,615
DSIC Rate Calculated	5.02%
Actual/Max DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,173,362 (F)
Max DSIC Rate To Be Applied	5.00%
Effective Date of New DSIC Charge	8/28/2023

	Plant Balances as of 12/31/2022	Depreciation Rate	DSIC Base Spending Requirement	DSIC Base Spending Jan 2023 - June 2023	Remaining DSIC Base Spending Requirement
Account #343: Mains	\$ 171,580,178	2.15%	\$ 3,688,974		
Account #345: Services	\$ 55,992,929	3.87%	\$ 2,166,926		
Account #348: Hydrants	\$ 11,400,432	3.00%	\$ 342,013		
	\$ 238,973,539		\$ 6,197,913		
CIAC & CAC Mains	\$ (58,796,256)	2.23%	\$ (1,311,157)		
CIAC & CAC Services	\$ (1,102,068)	4.55%	\$ (50,144)		
CIAC & CAC Hydrants	\$ (38,240)	3.00%	\$ (1,147)		
	\$ (59,936,563)		\$ (1,362,448)		
Base Spending Requirement			\$ 4,835,465	\$ 3,000,000	\$ 1,835,465

Date of Foundational Filing Submission 5/31/2022

Date of Most Recent BPU Annual Report at the time the Foundational Filing was Submitted 12/31/2021

Date of BPU Report Used for the Base Spending Calculation Above as per the Company's last Base Rate Case* 12/31/2022

Note: The above amounts agree to Aqua New Jersey Inc.'s 2022 Annual report to the BPU. The depreciation rates utilized were approved in Docket No. WR18121351

	Jan 2023 - June 2023		Total 13 Months Ending June 2023
(A) - Includes six months actual DSIC eligible projects closed to UPIS during DSIC Period	\$ 16,533,935		\$ 16,533,935 (A)

(B) - Accumulated Depreciation:	Jan 2023 - June 2023		
DSIC Eligible projects closed to UPIS	\$ 16,533,935		
Composite Depreciation rate	2.70%		
Annual Depreciation Expense	\$ 446,552		
1/2 Year Convention (for first 6 months)	\$ 111,638		
Running Accumulated Depreciation Total	\$ 111,638		(B)

(C) - Deferred Taxes:	Jan 2023 - June 2023		
DSIC-eligible projects closed to UPIS	\$ 16,533,935		
MACRS rate for 1st year water plant	4.00%		
Tax Depreciation 1st year	\$ 165,339		
Book Depreciation	\$ 111,638		
Tax Depreciation Greater than Book	\$ 53,701		
Deferred Taxes at 21%	\$ 11,277		
Running Accumulated Deferred Taxes at 21% Total	\$ 11,277		(C)

(D) - Pre-Tax Rate of Return:						
	Ratios	Cost Rate	Weighted AVG Cost of Capital	Pre-Tax Rate of Return (Pre Tax Reform)	Pre-Tax Rate of Return (Post Tax Reform)	
Long Term Debt	47.00%	4.66%	2.19%	2.19%	2.19%	
Common Equity	53.00%	9.60%	5.09%	7.83%	6.44%	
Subtotal Return on Rate Base	100.00%		7.28%	10.02%	8.63%	(D)

(E) - Revenue (Gross-up Factor)	\$ 1.1721348 (E)
Dollar of Revenue	\$ 1.0000000
Less: GRT Tax	(0.1406250) (per most recent assessment)
Less: Bad Debts	(0.0035980) (per most recent base rate case)
Less: BPU Assessment	(0.0021304) (per most recent assessment)
Less: DRC Assessment	(0.0005023) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	\$ 0.8531442

(F) - Revenue Requirement Recovery Amount:	Jan 2023 - June 2023		
Total Annual Revenues Established in Last Base Rate Case	\$ 43,467,248		
DSIC Cap Percentage	5.00%		
DSIC Revenue Requirement Recovery Amount Cap	\$ 2,173,362		
Current DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,183,615		
Actual/Max DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,173,362		(F)

(G) - (Over)/Under Recovery Amount:		
Allowed DSIC Revenue Requirement Recovery Amount - Annual	\$ -	
Allowed DSIC Revenue Requirement Recovery Amount - Monthly	\$ -	
Allowed DSIC Revenue Requirement Recovery Amount - Daily	\$ -	
Allowed DSIC Revenue Requirement Recovery Amount	\$ -	
Actual DSIC Revenue Requirement Recovery Amount Received	\$ -	
(Over)/Under Recovery Amount	\$ -	
(Over)/Under Recovery Amount including WACC Interest at 7.48% on (Over) Recovery Only	\$ -	(G)

Aqua New Jersey, Inc.
Monthly DSIC Revenue Surcharge at
Jan 2023 - June 2023
Docket No. WR22050360

Applicable to General Metered Service and Private Fire Sprinkler Connections noted below:

DSIC Eligible Revenues	\$43,467,248 *
Annual DSIC Revenue Surcharge at 5.00%	\$2,173,362
Annual Assessment per Meter Equivalent at 5.00%	\$31.42
Monthly Assessment per Meter Equivalent at 5.00%	\$2.62

Class	Size	Customers	Meter Equivalents	Monthly DSIC Assessment \$	Weighted Meter Equivalents	Monthly DSIC Assessment Revenues at 5.00%
Residential						
	5/8x3/4"	45,072	1.0	\$2.62	45,072	\$118,089
	3/4"	5,579	1.5	\$3.93	8,369	\$21,925
	1"	918	2.5	\$6.55	2,295	\$6,013
	1-1/2"	144	5.0	\$13.10	720	\$1,886
	2"	153	8.0	\$20.96	1,224	\$3,207
	3"	5	15.0	\$39.30	75	\$197
	6"	1	50.0	\$131.00	50	\$131
	8"	1	80.0	\$209.60	80	\$210
	Total Base RES	51,873			57,885	\$151,657
Commercial						
	5/8x3/4"	1,294	1.0	\$2.62	1,294	\$3,390
	3/4"	159	1.5	\$3.93	239	\$625
	1"	351	2.5	\$6.55	878	\$2,299
	1-1/2"	179	5.0	\$13.10	895	\$2,345
	2"	494	8.0	\$20.96	3,952	\$10,354
	3"	40	15.0	\$39.30	600	\$1,572
	4"	21	25.0	\$65.50	525	\$1,376
	6"	5	50.0	\$131.00	250	\$655
	8"	10	80.0	\$209.60	800	\$2,096
	Total Base COM	2,553			9,433	\$24,712
Industrial						
	5/8x3/4"	10	1.0	\$2.62	10	\$26
	3/4"	1	1.5	\$3.93	2	\$4
	1"	1	2.5	\$6.55	3	\$7
	1-1/2"	3	5.0	\$13.10	15	\$39
	2"	14	8.0	\$20.96	112	\$293
	3"	0	15.0	\$39.30	0	\$0
	4"	7	25.0	\$65.50	175	\$459
	6"	2	50.0	\$131.00	100	\$262
	8"	1	80.0	\$209.60	80	\$210
	10"	0	115.0	\$301.30	0	\$0
	Total Base IND	39			497	\$1,300
Public Authority						
	5/8x3/4"	20	1.0	\$2.62	20	\$52
	3/4"	0	1.5	\$3.93	0	\$0
	1"	3	2.5	\$6.55	8	\$20
	1-1/2"	10	5.0	\$13.10	50	\$131
	2"	56	8.0	\$20.96	448	\$1,174
	3"	4	15.0	\$39.30	60	\$157
	4"	3	25.0	\$65.50	75	\$197
	6"	9	50.0	\$131.00	450	\$1,179
	8"	3	80.0	\$209.60	240	\$629
	Total Base PUB	108			1,351	\$3,538
Totals						
		54,573			69,166	\$181,207
						\$ 2,174,485

* Note: DSIC Eligible Revenues as settled in the Company's last base rate case stipulation. Docket No. WR18121351

Aqua New Jersey, Inc.
Detailed Project Listing - DSIC Eligible Spend and Base Spend Requirement
DSIC Recovery Period: January 1, 2023 to June 30, 2023

DSIC Spend					Actuals			
Foundational Filing Information					Actuals			
Category	Project Number	Project Description	Construction Year	Estimated Costs	Project Number	Project Description	In Service Date	Costs Placed in Service Jan 2023 - June 2023
Lead Service Line Renewal Services	N/A	N/A	2022/2023		Various	Lead Service Line Renewal Services	Monthly	\$ 14,244,105
Blanket Renewal Services - Regular	N/A	N/A	2023	\$ 3,975,000	Various	Blanket Renewal Services - Regular	Monthly	\$ 1,176,958
Blanket Replaced/Relocated Hydrants	N/A	N/A	2023	\$ 297,500	Various	Blanket Replaced/Relocated Hydrants	Monthly	\$ 88,778
Blanket Valve Replacements	N/A	N/A	2023	\$ 340,000	Various	Blanket Valve Replacements	Monthly	\$ 292,359
Hydraulic Improvement Project List	100000085	Imperial Drive	2023	\$ 75,000	100000085	WMR Imperial Drive	December-22	\$ 136,518 Additional expenses
Hydraulic Improvement Project List	100000087	Coleman Rd and Denise Rd	2023	\$ 250,000	100000087	WMR Coleman Rd and Denise Rd	December-22	\$ 550,253
Hydraulic Improvement Project List	100000086	Matthew Dr	2023	\$ 500,000	100000086	WMR Matthew Dr	December-22	\$ 44,964 Additional expenses
Total DSIC Spend								\$ 16,533,935

Base Spend					Actuals			
Foundational Filing Information					Actuals			
Category	Project Number	Project Description	Construction Year	Estimated Costs	Project Number	Project Description	In Service Date	Costs Placed in Service Jan 2023 - June 2023
Lead Service Line Renewal Services	N/A	N/A	2022/2023		Various	Lead Service Line Renewal Services	Monthly	\$ 3,000,000
Unreimbursed Highway Expenses								
Hydraulic Improvement Project List								
Hydraulic Improvement Project List								
Total Base Spend								\$ 3,000,000

Total Closed during DSIC Recovery Period: \$ 19,533,935

Aqua New Jersey
Service/Valve, Hydrant Renewal and Main Break List

Project Type	Township	Original Size	Original Material	Age/Era	Length	Proposed Size	Proposed Material	Estimated In Service Date	Estimated Cost	Performance Criteria	In Service Date	DSIC Costs Placed in Service January 1, 2023 - June 30, 2023	Base Spending Placed in Service January 1, 2023 - June 30, 2023
Service Replacements	Northern (Including all Townships)	3/4" - 2"	Various	Various	18000	1" - 2"	Copper	Jan-June 2023	300,000	Replacements	Various	\$ 402,657	
Lead Service Replacements	Northern (Including all Townships)	3/4" - 2"	Various	Various		1" - 2"	Copper	May 2022-June 2023	1,200,000	Replacements	Various	\$ 7,658,872	\$ 3,000,000
Service Replacements	Central (Including all Townships)	3/4" - 2"	Various	Various	15000	1" - 2"	Copper	Jan-June 2023	300,000	Replacements	Various	\$ 398,414	
Lead Service Replacements	Central (Including all Townships)	3/4" - 2"	Various	Various		1" - 2"	Copper	May 2022-June 2023	300,000	Replacements	Various	\$ 6,585,233	
Service Replacements	Southern (Including all Townships)	3/4" - 2"	Various	Various	15000	1" - 2"	Copper	Jan-June 2023	500,000	Replacements	Various	\$ 289,786	
Service Replacements	Eastern (Including all Townships)	3/4" - 2"	Various	Various	5000	1" - 2"	Copper	Jan-June 2023	50,000	Replacements	Various	\$ 86,101	
2022/2023 Subtotal												\$ 15,421,063	\$ 3,000,000

Central Division includes Hamilton, Hamilton Square Chesterfield, Robbinsville, Lawrenceville, Lawrence, Wrightstown Upper Freehold and North Hanover Townships.
Northern Division includes Phillipsburg, Lopatcong, Pohatcong, Greenwich, Bloomsbury, Stewartsville, Harmony, Califon, Vernon, Hardyston, Green, Gredon, Holland, Washington, Fredon and Lebanon Townships.
Southern Division Includes Gloucester, Laurel Springs, Woolwich, and Egg Harbor Townships.
Eastern Division includes Berkeley Township.

Aqua New Jersey
Service/Valve, Hydrant Renewal and Main Break List

Project Type	Township	Original Size	Original Material	Age/Era	Length	Proposed Size	Proposed Material	Estimated In Service Date	Estimated Cost	Performance Criteria	In Service Date	DSIC Costs Placed in Service January 1, 2023 - June 30, 2023	Base Spending Placed in Service January 1, 2023 - June 30, 2023
Hydrant Replacements	Northern (Including all Townships)	Standard	Various	Various	25	6"	Mueller	Jan-June 2023	110,000	Replacements	Various	\$ 80,036	
Hydrant Replacements	Central (Including all Townships)	Standard	Various	Various	25	6"	Mueller	Jan-June 2023	55,000	Replacements	Various	\$ 5,875	
Hydrant Replacements	Southern (Including all Townships)	Standard	Various	Various	25	6"	Mueller	Jan-June 2023	55,000	Replacements	Various	\$ 2,867	
Hydrant Replacements	Eastern (Including all Townships)	Standard	Various	Various	10	6"	Mueller	Jan-June 2023	45,000	Replacements	Various		
2022/2023 Subtotal												\$ 88,778	\$ -

Central Division includes Hamilton, Hamilton Square Chesterfield, Robbinsville, Lawrenceville, Lawrence, Wrightstown Upper Freehold and North Hanover Townships.
Northern Division includes Phillipsburg, Lopatcong, Pohatcong, Greenwich, Bloomsbury, Stewartville, Harmony, Califon, Vernon, Hardyston, Green, Gredon, Holland, Washington, Fredon and Lebanon Townships.
Southern Division Includes Gloucester, Laurel Springs, Woolwich, and Egg Harbor Townships.
Eastern Division includes Berkeley Township.

Aqua New Jersey
Service/Valve, Hydrant Renewal and Main Break List

Project Type	Township	Original Size	Original Material	Age/Era	Length	Proposed Size	Proposed Material	Estimated In Service Date	Estimated Cost	Performance Criteria	In Service Date	DSIC Costs Placed in Service January 1, 2023 - June 30, 2023	Base Spending Placed in Service January 1, 2023 - June 30, 2023
Valve Replacements	Northern (Including all Townships)	Various	Various	Various	25	Various	Mueller	Jan-June 2023	200,000	Replacements	Various	\$ 242,151	
Valve Replacements	Central (Including all Townships)	Various	Various	Various	25	Various	Mueller	Jan-June 2023	100,000	Replacements	Various	\$ 50,208	
Valve Replacements	Southern (Including all Townships)	Various	Various	Various	25	Various	Mueller	Jan-June 2023	50,000	Replacements	Various		
Valve Replacements	Eastern (Including all Townships)	Various	Various	Various	10	Various	Mueller	Jan-June 2023	20,000	Replacements	Various		
2022/2023 Subtotal												\$ 292,359	\$ -

Central Division includes Hamilton, Hamilton Square Chesterfield, Robbinsville, Lawrenceville, Lawrence, Wrightstown Upper Freehold and North Hanover Townships.
 Northern Division includes Phillipsburg, Lopatcong, Pohatcong, Greenwich, Bloomsbury, Stewartsville, Harmony, Califon, Vernon, Hardyston, Green, Gredon, Holland, Washington, Fredon and Lebanon Townships.
 Southern Division Includes Gloucester, Laurel Springs, Woolwich, and Egg Harbor Townships.
 Eastern Division includes Berkeley Township.

Aqua New Jersey, Inc. Earnings Description - Docket No. WR22050360 Trailing Twelve Months Ending December 31, 2022

	<u>Pre-Tax</u>
Rate Base December 31, 2022	213,821,573
Add, Eligible Net Investment, DSIC Filing	-
Subtotal (Rate Base + DSIC)	213,821,573
Allowed Rate of Return	7.28%
Allowed Utility Operating Income	15,566,211
Cost Rate Base Including Corporate allocations	213,821,573
Actual Utility Operating Income 12 Months Ended December 2022	14,124,309
Adjustment: Annualize DSIC Revenue	
Adjustment: Annualize Depreciation on DSIC Eligible Additions	
Adjusted Utility Operating Income 12 Months Ended December 2022	14,124,309
(Under)/Over Earnings on Rate of Return	(1,441,902)
Actual Rate of Return	6.61%
(Under)/Over Rate of Return	-0.67%
Allowed Return on Equity	9.60%
Allowed Utility Net Income	10,879,242
Total Common Equity	113,325,434
Actual Utility Net Income 12 Months Ended December 2022	9,960,892
Adjustment: Annualize DSIC Revenue	
Adjustment: Annualize Depreciation on DSIC Eligible Additions	
Adjusted Utility Net Income 12 Months Ended December 2022	9,960,892
(Under)/Over Earnings Return on Equity	(918,350)
Actual Return on Equity	8.79%
(Under)/Over Return on Equity	-0.81%

RATE SCHEDULE NO. 2
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
GENERAL METERED SERVICE

APPLICABILITY:

Applicable to the use of water supplied through meters to all Customers served by the Company.

CHARACTER OF SERVICE:

Continuous

RATE:

<u>Size of Meter</u>	<u>DSIC</u> <u>Amount Per Month</u>
5/8"	\$ 2.62
3/4"	3.93
1"	6.55
1 1/2"	13.10
2"	20.96
3"	39.30
4"	65.50
6"	131.00
8"	209.60
10"	301.30
12"	563.30

TERMS OF PAYMENT

PAYMENT FOR ALL BILLS RENDERED IS DUE FIFTEEN (15) DAYS AFTER THE ORIGINAL POSTMARK DATE OF THE BILL. The DSIC is assessed monthly for metered service, and is reflected on the Customer's bill rendered at the close of the billing period.

Issued: July 14, 2023

Effective Date: August 28, 2023

By: Lawrence R. Carson, President
10 Black Forest Road
Hamilton, NJ 08691

Filed pursuant to decision and order of the Board of Public Utilities dated December 21, 2022, in Docket No. WR22050360.