

SAUL EWING

LLP

Courtney L. Schultz
Phone: (215) 972-7717
Fax: (215) 972-1839
Courtney.Schultz@saul.com
www.saul.com

January 16, 2024

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 July 1, 2023 through December 31, 2023 DSIC Recovery Period.

Please note that the Tariff No. 18 – Water Supplement First Revised Sheet No. 21 will remain in effect as of March 1, 2024, 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

Karriemah Graham
Program Specialist 3
Office of Case Management
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, NJ 08625-0350
karriemah.graham@bpu.nj.gov

Michael Kammer, Director
Division of Water & Energy
Board of Public Utilities
44 South Clinton Ave., Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
mike.kammer@bpu.nj.gov

Kyle Felton
Board of Public Utilities
44 South Clinton Ave., Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
kyle.felton@bpu.nj.gov

Benjamin Witherell
Board of Public Utilities
44 South Clinton Ave., Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
benjamin.witherell@bpu.nj.gov

Meliha Arnautovic
Public Utilities Section
25 Market Street
P.O. Box 112
Trenton, NJ 08625
Meliha.arnautovic@law.njoag.gov

Daren Eppley, DAG
Division of Law
25 Market Street
P.O. Box 112
Trenton, NJ 08625
daren.eppley@law.njoag.gov

Pamela Owen, DAG
Division of Law
25 Market Street
P.O. Box 112
Trenton, NJ 08625
pamela.owen@law.njoag.gov

Brian O. Lipman, Director
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
blipman@rpa.nj.gov

Susan E. McClure, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
smcclure@rpa.nj.gov

Christine M. Juarez, Esq.
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
cjuarez@rpa.nj.gov

Emily Smithman, Esquire
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
esmithman@rpa.nj.gov

Marylin Silva
Division of Rate Counsel
140 East Front Street, 4th Fl.
P.O. Box 003
Trenton, NJ 08625
msilva@rpa.nj.gov

Mark H. McKoy
Interim President
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691
MHMcKoy@aquaamerica.com

Dawn Peslak
Controller
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691
DPeslak@aquaamerica.com

Adam Burger
Director of Operations
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691
ABurger@aquaamerica.com

Kimberly A. Joyce, Esq.
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010
KAJoyce@essential.co

Howard Woods, Jr. P.E.
49 Overhill Road
East Brunswick, NJ 08816
howard@howardwoods.com

Colleen A. Foley, Esq.
Saul Ewing Arnstein & Lehr LLP
One Riverfront Plaza, Suite 1520
1037 Raymond Blvd.
Newark, NJ 07102
colleen.foley@saul.com

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

DSIC Recovery Period: July 1, 2023 to December 31, 2023

	Jan 2023 - June 2023	Total 12 months ending Dec 2023	
Eligible Investment (Qualified DSIC Additions to UPIS During DSIC Period)	\$ 16,488,971	\$ 19,439,884	(A)
Less: Accumulated Depreciation	\$ (111,334)	\$ (242,593)	(B)
Less: Deferred Tax	\$ (11,247)	\$ (13,259)	(C)
Eligible Net Investment (Net DSIC Additions to UPIS During DSIC Period)	\$ 16,366,390	\$ 19,184,031	
Times Pre-Tax Rate of Return	8.63%	8.63%	(D)
Pre-Tax Return on Investment	\$ 1,412,535	\$ 1,655,717	
Add Depreciation	\$ 445,337	\$ 525,036	
Under/(Over) Recovery	\$ -	\$ 6,893	(G)
Revenue Recovery	\$ 1,857,872	\$ 2,180,754	
Revenue Factor	\$ 1.1721348	\$ 1.1721348	(E)
Current DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,177,677	\$ 2,556,137	
DSIC Rate Calculated	5.01%	5.88%	
Actual/Max DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,173,362	\$ 2,173,362	(F)
Max DSIC Rate To Be Applied	5.00%	5.00%	
Effective Date of New DSIC Charge	8/28/2023	3/1/2024	

	Plant Balances as of 12/31/2022	Depreciation Rate	DSIC Base Spending Requirement	DSIC Base Spending Jan 2023 - June 2023	DSIC Base Spending July 2023 - Dec 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	\$ 0

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	July 2023 - Dec 2023	Total 12 months ending Dec 2023
(A) - Includes six months actual DSIC eligible projects closed to UPIS during DSIC Period	\$ 16,488,971	\$ 2,950,913	\$ 19,439,884 (A)

	Jan 2023 - June 2023	July 2023 - Dec 2023	
(B) - Accumulated Depreciation:			
DSIC Eligible projects closed to UPIS	\$ 16,488,971	\$ 2,950,913	
Composite Depreciation rate	2.70%	2.70%	
Annual Depreciation Expense	\$ 445,337	\$ 79,699	
1/2 Year Convention (for first 6 months)	\$ 111,334	\$ 19,925	
Running Accumulated Depreciation Total	\$ 111,334	\$ 242,593	(B)

	Jan 2023 - June 2023	July 2023 - Dec 2023	
(C) - Deferred Taxes:			
DSIC-eligible projects closed to UPIS	\$ 16,488,971	\$ 2,950,913	
MACRS rate for 1st year water plant	4.00%	4.00%	
Tax Depreciation 1st year	\$ 164,890	\$ 29,509	
Book Depreciation	\$ 111,334	\$ 19,925	
Tax Depreciation Greater than Book	\$ 53,555	\$ 9,584	
Deferred Taxes at 21%	\$ 11,247	\$ 2,013	
Running Accumulated Deferred Taxes at 21% Total	\$ 11,247	\$ 13,259	(C)

	Ratios	Cost Rate	Weighted AVG Cost of Capital	Pre-Tax Rate of Return (Pre Tax Reform)	Pre-Tax Rate of Return (Post Tax Reform)
(D) - Pre-Tax Rate of Return:					
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

	Jan 2023 - June 2023	July 2023 - Dec 2023	
(F) - Revenue Requirement Recovery Amount:			
Total Annual Revenues Established in Last Base Rate Case	\$ 43,467,248	\$ 43,467,248	
DSIC Cap Percentage	5.00%	5.00%	
DSIC Revenue Requirement Recovery Amount Cap	\$ 2,173,362	\$ 2,173,362	
Current DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,177,677	\$ 2,556,137	
Actual/Max DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,173,362	\$ 2,173,362	(F)

(G) - (Over)/Under Recovery Amount:	
Allowed DSIC Revenue Requirement Recovery Amount - Annual	\$ 2,173,362
Allowed DSIC Revenue Requirement Recovery Amount - Monthly	\$ 181,114
Allowed DSIC Revenue Requirement Recovery Amount - Daily	\$ 5,954
Allowed DSIC Revenue Requirement Recovery Amount	\$ 744,302
Actual DSIC Revenue Requirement Recovery Amount Received	\$ 737,461
(Over)/Under Recovery Amount	\$ 6,841
(Over)/Under Recovery Amount including WACC Interest at 7.48% on (Over) Recovery Only	\$ 6,893 (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 31, 2023 to June 30, 2023

DSIC Spend									
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	\$	-
Blanket Renewal Services - Regular	N/A	N/A	2023	\$ 3,975,000	Various	Blanket Renewal Services - Regular	Monthly	\$	198,691
Blanket Replaced/Relocated Hydrants	N/A	N/A	2023	\$ 297,500	Various	Blanket Replaced/Relocated Hydrants	Monthly	\$	193,235
Blanket Valve Replacements	N/A	N/A	2023	\$ 340,000	Various	Blanket Valve Replacements	Monthly	\$	146,053
Hydraulic Improvement Project List	100000088	Hughes Drive, Applegate	2023	\$ 1,056,644	100000088	WMR Hughes Drive, Applegate	September-23	\$	1,031,937
Hydraulic Improvement Project List	100000079	WMR Church St Bloomsbury	2023	\$ 306,140	100000079	WMR WMR Church St Bloomsbury	April-23	\$	422,405
Hydraulic Improvement Project List	100000077	WMR Lyndale St	2023	\$ 314,894	100000077	WMR WMR Lyndale St	April-23	\$	516,866
Hydraulic Improvement Project List	100000078	WMR Reese Ct	2023	\$ 284,493	100000078	WMR WMR Reese Ct	March-23	\$	441,726
Total DSIC Spend								\$	2,950,913

Base Spend									
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	\$	1,208,570
Blanket Renewal Services - Regular	N/A	N/A	2023	\$ 3,975,000	Various	Blanket Renewal Services - Regular	Monthly	\$	626,895
Total Base Spend								\$	1,835,465

Total Closed during DSIC Recovery Period: \$ 4,786,378

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 July 1, 2023 - December 31, 2023	Base Spending Placed in Service July 1, 2023 - December 31, 2023
Service Replacements	Northern (Including all Townships)	3/4" - 2"	Various	Various	18000	1" - 2"	Copper	July 2023-Dec 2023	300,000	Replacements	Various	\$ 52,357	\$ 626,895
Lead Service Replacements	Northern (Including all Townships)	3/4" - 2"	Various	Various		1" - 2"	Copper	July 2023-Dec 2023	1,200,000	Replacements	Various	\$ -	\$ 789,666
Service Replacements	Central (Including all Townships)	3/4" - 2"	Various	Various	15000	1" - 2"	Copper	July 2023-Dec 2023	300,000	Replacements	Various	\$ (65,413)	
Lead Service Replacements	Central (Including all Townships)	3/4" - 2"	Various	Various		1" - 2"	Copper	July 2023-Dec 2023	300,000	Replacements	Various	\$ -	\$ 418,904
Service Replacements	Southern (Including all Townships)	3/4" - 2"	Various	Various	15000	1" - 2"	Copper	July 2023-Dec 2023	500,000	Replacements	Various	\$ 167,159	
Service Replacements	Eastern (Including all Townships)	3/4" - 2"	Various	Various	5000	1" - 2"	Copper	July 2023-Dec 2023	50,000	Replacements	Various	\$ 44,588	
2023 Subtotal												\$ 198,691	\$ 1,835,465

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 July 1, 2023 - December 31, 2023	Base Spending Placed in Service July 1, 2023 - December 31, 2023
Hydrant Replacements	Northern (Including all Townships)	Standard	Various	Various	25	6"	Mueller	July 2023-Dec 2023	110,000	Replacements	Various	\$ 129,776	
Hydrant Replacements	Central (Including all Townships)	Standard	Various	Various	25	6"	Mueller	July 2023-Dec 2023	55,000	Replacements	Various	\$ 29,798	
Hydrant Replacements	Southern (Including all Townships)	Standard	Various	Various	25	6"	Mueller	July 2023-Dec 2023	55,000	Replacements	Various	\$ 28,911	
Hydrant Replacements	Eastern (Including all Townships)	Standard	Various	Various	10	6"	Mueller	July 2023-Dec 2023	45,000	Replacements	Various	\$ 4,750	
2023 Subtotal												\$ 193,235	\$ -
<p>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.</p>													

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 July 1, 2023 - December 31, 2023	Base Spending Placed in Service July 1, 2023 - December 31, 2023
Valve Replacements	Northern (Including all Townships)	Various	Various	Various	25	Various	Mueller	July 2023-Dec 2023	200,000	Replacements	Various	\$ 115,305	
Valve Replacements	Central (Including all Townships)	Various	Various	Various	25	Various	Mueller	July 2023-Dec 2023	100,000	Replacements	Various	\$ 29,053	
Valve Replacements	Southern (Including all Townships)	Various	Various	Various	25	Various	Mueller	July 2023-Dec 2023	50,000	Replacements	Various	\$ 1,695	
Valve Replacements	Eastern (Including all Townships)	Various	Various	Various	10	Various	Mueller	July 2023-Dec 2023	20,000	Replacements	Various		
2023 Subtotal												\$ 146,053	\$ -

Central Division includes Hamilton, Hamilton Square Chesterfield, Robbinsville, Lawrenceville, Lawrence, Wrightstown Upper Freehold and North Hanover Townships.
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 Eastern Division includes Berkeley Township.

Aqua New Jersey, Inc. Earnings Description - Docket No. WR22050360 Trailing Twelve Months Ending December 31, 2023

	<u>Pre-Tax</u>
Rate Base December 31, 2022	213,821,573
Add, Eligible Net Investment, DSIC Filing	19,439,884
Subtotal (Rate Base + DSIC)	<u>233,261,457</u>
Allowed Rate of Return	7.28%
Allowed Utility Operating Income	16,981,434
Cost Rate Base Including Corporate allocations	233,261,457
Actual Utility Operating Income 12 Months Ended December 2022	14,124,309
Adjustment: Annualize DSIC Revenue	2,173,362
Adjustment: Annualize Depreciation on DSIC Eligible Additions	<u>(526,518)</u>
Adjusted Utility Operating Income 12 Months Ended December 2022	<u>15,771,153</u>
(Under)/Over Earnings on Rate of Return	(1,210,281)
Actual Rate of Return	6.76%
(Under)/Over Rate of Return	-0.52%
Allowed Return on Equity	9.60%
Allowed Utility Net Income	11,868,343
Total Common Equity	123,628,572
Actual Utility Net Income 12 Months Ended December 2022	9,960,892
Adjustment: Annualize DSIC Revenue	2,173,362
Adjustment: Annualize Depreciation on DSIC Eligible Additions	<u>(526,518)</u>
Adjusted Utility Net Income 12 Months Ended December 2022	<u>11,607,736</u>
(Under)/Over Earnings Return on Equity	(260,607)
Actual Return on Equity	9.39%
(Under)/Over Return on Equity	-0.21%