

BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF
NEW JERSEY-AMERICAN WATER COMPANY, INC.
FOR APPROVAL OF INCREASED TARIFF RATES AND
CHARGES FOR WATER AND WASTEWATER SERVICE,
CHANGE IN DEPRECIATION RATES, AND
OTHER TARIFF MODIFICATIONS

BPU Docket No. WR2401_____

Direct Testimony of

Mark K. McDonough

January 19, 2024

Exhibit P-3

NEW JERSEY-AMERICAN WATER COMPANY, INC.

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NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **I. INTRODUCTION, SUMMARY AND PRESENTATION OF WITNESSES**

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

3 A. My name is Mark McDonough and my business address is 1 Water Street, Camden,
4 New Jersey 08102.

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

6 A. I am the President of New Jersey-American Water Company, Inc. (“New Jersey-
7 American Water,” “NJAWC” or the “Company”).

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

9 A. As President of NJAWC, I am responsible for all aspects of its business, including
10 financial, operations, production, distribution, customer service, engineering and
11 capital investment planning, employee relations, environmental, and regulatory affairs.
12 I lead a team of dedicated professionals who are devoted to providing safe and reliable
13 service to approximately 668,000 water and fire service customers and 64,200
14 wastewater service customers in about 200 communities in 18 counties throughout the
15 State of New Jersey. My goal is to ensure that all activities of the Company are carried
16 out in compliance with all local, state and federal laws and regulations, and standards
17 of good business practice.

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

19 A. I hold a Bachelor of Science degree from the University of Delaware, a Master of
20 Science degree from the American University and a Juris Doctor from the Antonin

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1 Scalia Law School of George Mason University. I am admitted to practice law in the
2 States of New Jersey and Maine.

3 I have over 18 years of experience in the water industry. I joined American Water as
4 a Corporate Counsel for American Water Enterprises Group in 2005 working with the
5 Military Services Group on federal contracts for the provision of water and wastewater
6 services to the United States Department of Defense. I have also served as the Deputy
7 General Counsel and Division General Counsel to American Water Enterprises. In
8 2016, I was appointed the Chief Compliance Officer for American Water and oversaw
9 the compliance and ethics program enterprise-wide. In 2018, I was named President
10 of the Military and Contract Services Group, where I was responsible for all water and
11 wastewater services contracts with the United States Department of Defense and
12 various municipal clients, including the Cities of Camden and North Brunswick, New
13 Jersey. I held that position until April of 2021, when I was named President of New
14 Jersey-American Water Company. Prior to coming to American Water, I worked as a
15 trial attorney in private practice in Maine and New Jersey from 1998 to 2005. Between
16 1988 and 1996, I worked as a Special Agent with the Office of Inspector General at the
17 United States General Services Administration, the National Railroad Passenger
18 Corporation, and the United States Department of Energy. My focus was on complex
19 fraud investigations and environmental and financial crime.

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

2 A. Yes, I submitted testimony in the Company's 2022 rate case in BPU Docket No.
3 WR22010019.

4 **6. Q. What is the purpose of your testimony in this proceeding?**

5 A. The purpose of my testimony in this proceeding is to describe the reasons why the
6 Company is seeking the relief requested in this filing, including the request to increase
7 base rates and implement other regulatory tariff changes. Specifically, I will explain
8 the primary reasons for the proposed revenue increase, the Company's regulatory
9 proposals and how our cost recovery proposals in this case will support the efficient
10 use of water and investment in our system. I believe that it is important that the Board
11 of Public Utilities ("Board" or "BPU") and all our stakeholders understand the
12 Company's contributions to the State of New Jersey in providing water and wastewater
13 service -- critical services that are vital to our health, welfare and economic well-being.

14 **7. Q. Please identify NJAWC's witnesses in this case and a provide brief summary of**
15 **their testimonies.**

16 A. In addition to my Direct Testimony, the following witnesses provide testimony in
17 support of the Company's Request:

18 Thomas Shroba: will testify on the Company's operations, its commitment
19 to water quality, environmental compliance, safety,
20 improving water efficiency, as well as the Company's
21 proposed staffing levels and compensation philosophy.

22 Donald C. Shields: will testify on the Company's capital investment planning
23 process, the need to recover capital expenditures incurred
24 since the Company's last rate case, the plan for the
25 engineered coating of steel structures, and some of the

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1 risks and challenges for water and wastewater utilities
2 associated with increased identification and regulation of
3 contaminants and with increased climate variability.

4 Michael B. McKeever: will testify on the Company's compensation and benefits,
5 Service Company expenses, other operations and
6 maintenance ("O&M"), general and income taxes and
7 deferral requests for pension and other post-employment
8 benefits expenses, and for production costs.

9 Jamie D. Hawn: will testify on the Company's revenue requirement, rate
10 base, capital structure, acquisitions, depreciation and
11 amortization, and proposed tariff modifications.

12 Charles B. Rea: will testify on NJAWC's affordability analyses for water
13 and wastewater service, the Company's proposal to offer a
14 universal affordability tariff, the Company's analysis of
15 residential, commercial, and public authority customers'
16 water consumption and long-term trends in water usage,
17 and the proposed Revenue Decoupling Mechanism.

18 Heath J. Brooks: will testify on NJAWC's cost of service study, the
19 proposed rate design for both water and wastewater service
20 and the determination of Post-Test Year revenues at
21 present and proposed rates.

22 Ann E. Bulkley: will testify on the reasonableness of the Company's cost of
23 equity and its capital structure.

24 Patrick L. Baryenbruch: will testify on the reasonableness of Service Company
25 costs.

26 Robert V. Mustich will testify on the reasonableness of the Company's
27 compensation program and benchmarks the Company's
28 compensation expense against national and regional peer
29 groups.

30 Harold Walker, III will testify on the Company's cash working capital and the
31 lead/lag study.

32 Larry E. Kennedy: will present the Company's depreciation studies for water
33 and wastewater.

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1 **II. REASONS FOR RELIEF REQUESTED**

2 **8. Q. When were NJAWC's current rates approved?**

3 A. The Board approved NJAWC's base rates in its Order effective August 24, 2022, in
4 Docket No. WR22010019. Those rates were based on a test year ended June 30, 2022.
5 The test year in this case is the 12 months ending June 30, 2024.

6 **9. Q. What amount of rate relief is the Company seeking in this case?**

7 A. NJAWC is seeking an increase of \$161.7 million in annual revenue over present rates.
8 The proposed increase will provide the Company with an opportunity to recover its
9 cost of service and earn a reasonable return on the capital invested in the system.
10 NJAWC is fully committed to continued investment in the Company's operations at
11 the level and in the manner necessary to continue to provide safe and reliable service
12 for our customers over the long term and is simply seeking the revenues to support
13 doing so.

14 **10. Q. Why is the Company filing this rate case?**

15 A. New Jersey-American Water has provided service to our customers for over 130 years.
16 Our customers rely on the Company to provide them with safe and reliable water and
17 wastewater services. Providing these services, however, requires us to make ongoing,
18 significant capital investments, as well as to incur a substantial amount of O&M
19 expenses. This filing is primarily driven by the capital investment required to maintain
20 and improve our infrastructure. As Company witness Mr. Donald Shields explains, the
21 Company's investments in water and wastewater utility plant and equipment since the
22 last base rate case through the end of the test year in this case, 12 months ending June

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1 30, 2024 (“Test Year”) and the six months post-test year ending December 31, 2024
2 (“Post-Test Year” or “PTY”), total over \$1.3 billion.

3 **11. Q. The basis of this case, then, is fundamentally about investment in New Jersey**
4 **infrastructure, is that correct?**

5 A. Yes. As with our previous rate filings, the Company’s proposed revenue increase is
6 driven by investment in New Jersey’s infrastructure, making up approximately 68% of
7 the request in this case. NJAWC has managed its operations responsibly and
8 effectively and will continue to uphold its commitment to make the investments needed
9 to provide safe and reliable water and wastewater services to our customers at
10 reasonable rates. The benefits of our infrastructure investment are not only vital to the
11 health and welfare of our customers and the state, but they improve our economy and
12 provide much needed jobs because every \$1 million we spend in capital is expected to
13 create or sustain approximately 16 jobs in New Jersey.¹ These investments include
14 improving the resiliency of the Company’s distribution system and treatment plants,
15 treatment changes to maintain regulatory compliance, technology investments that will
16 integrate with existing systems to enhance service to customers, and management of
17 source of supply and system demands. As noted, the Company will have invested over
18 \$1.3 billion in capital improvements since the effective date of rates in the Company’s
19 last rate case. By doing so, the Company has created or sustained over 20,000 jobs
20 during that time period.

¹ For every \$1 million spent, 15.5 jobs are created (6.1 direct jobs and 9.4 indirect jobs).
https://uswateralliance.org/wp-content/uploads/2023/09/Economic-Impact-of-Investing-in-Water-Infrastructure_VOW_FINAL_pages_0.pdf

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1 **12. Q. Are there other factors contributing to the requested rate relief in this case?**

2 A. Yes, there are, but none approaches the magnitude of our capital investment program
3 as a driver to file this case. In addition to O&M expenses driven by recent high levels
4 of inflation and supply chain disruptions, the Company's cost of capital has increased
5 due, as Ms. Bulkley explains, to the rise in interest rates driven by the Federal Reserve
6 Board's anti-inflation campaign which has increased the cost of debt and equity.
7 Unfortunately, the high inflation we've seen and supply chain disruptions recently
8 experienced have adversely affected all businesses and the Company is no exception.
9 Nevertheless, as Messrs. Shields and Shroba testify, our smart investments have helped
10 to contain costs and, as Mr. Rea explains, kept our services affordable. Furthermore,
11 although the Company is seeking an increase in O&M expenses, as Company witness
12 Hawn explains, New Jersey-American Water's O&M expense per customer is not much
13 higher than it was more than a decade ago. In 2014, the O&M expense per customer
14 was \$298. If that cost were increased at the rate of inflation, it would be \$401 per
15 customer in this proceeding rather than the proposed \$358 per customer, or over \$31
16 million more of annual O&M expense than that proposed by the Company in this case.
17 More importantly, given that generally each dollar of O&M expense that is avoided
18 permits NJAWC to invest approximately \$8 in plant, the O&M savings that the
19 Company has been able achieve over inflation over that 10-year period translates into
20 over \$1.5 billion of investment with no additional rate impact on customers. This is a
21 testament to the Company's expert planning and prudent stewardship of financial
22 resources.

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1 **13. Q. Please describe the importance of the Company’s capital investment program.**

2 A. As Mr. Shields explains in his testimony, the Company’s capital investment plan can
3 be divided into two distinct areas: recurring projects (“RPs” or “RP”) and investment
4 projects (“IPs” or “IP”). IPs represent investments made to meet environmental or
5 water quality regulations, infrastructure resiliency, capacity expansion or
6 rehabilitation, or replacement of aging facilities. These projects allow the Company to
7 meet the service demands of the community, maintain regulatory compliance and
8 reduce asset failure. Moreover, as Mr. Shields further explains, many of New Jersey-
9 American Water’s capital projects are necessary to anticipate and meet the needs of
10 new environmental, health and safety regulations and to address the effects of climate
11 variability. There are a host of emerging compounds that must be addressed, including
12 perfluorooctanoic acid (“PFOA”), 1,4-dioxane, and hexavalent chromium (chromium
13 (VI)). Mr. Shields estimates that these new requirements will require investments of
14 over \$500 million before the end of 2027. These investments are not negotiable
15 because our customers rely on New Jersey-American Water to keep current with
16 investment needs so that we can anticipate and treat water to achieve ever-tightening
17 water quality standards and to anticipate situations that might disrupt water or
18 wastewater service reliability. Similarly, we must also address the effect of climate
19 variability on our system and its reliability, as revisions to the Safe Drinking Water Act
20 now require all water systems serving populations greater than 3,300 people to
21 complete Risk & Resiliency Assessments for affected systems in accordance with

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1 compliance deadlines.² Mr. Shields describes some of these projects in his testimony.
2 I would simply point out their importance in recent years when the record-producing
3 flood resulting from Hurricane Ida was held back by the recently completed flood wall
4 at our Raritan-Millstone Water Treatment Plant, and our newly installed backup
5 generators worked to maintain power at several of our facilities during widespread
6 power grid failures after Tropical Storm Isaias. These carefully planned investments
7 kept millions of people in the region with safe drinking water and reliable sanitation.
8 Even as recently as this December when a nor'easter dumped several inches of rain on
9 the state and our waterways surged, the investments we made enabled our teams to
10 prepare our critical facilities for the worst, with the goal of sustaining operations for
11 the millions of people who rely on us. This is a responsibility we take seriously, and
12 it's the investments we are committed to making that help us continue to keep the water
13 flowing for the people we serve. We must also constantly work to modernize our
14 system. Nationwide, water system pipeline replacement rates are in the range of 0.45%
15 per year, which translates to a replacement cycle of approximately 200 years. Mr.
16 Shields describes how through heightened focus on this issue, we have significantly
17 improved our pipeline replacement rate over the last few years, from near industry
18 average levels in 2011 to a five-year average rate of 0.85% from 2018-2022 (latest full
19 year available). In this regard, RPs are critical investments for both the Company and
20 our customers as these investments support the backbone of NJAWC's water and
21 wastewater systems by increasing both system resiliency and reliability.

² See <https://www.epa.gov/waterresilience/awia-section-2013>

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1 **14. Q. You mentioned that investments made also help the Company's employees to**
2 **work more efficiently and productively. Please explain.**

3 A. Mr. Shroba's testimony chronicles the many ways our investments have allowed us to
4 work smarter and more efficiently. In the following section involving Water
5 Efficiency, I will explain some of the ways capital spending is employed to allow our
6 people to work smarter and more efficiently and discuss the various programs and
7 initiatives we follow to maintain a safe and productive workplace.

8 **15. Q. Is the Company seeking to recover its full employee compensation costs?**

9 A. Yes, we are. There is approximately \$13 million of the Company's market-based total
10 compensation costs that historically has not been recognized in rates even though this
11 practice is now well established in both the utility industry and other industries as well.
12 Nevertheless, the Company must pay these costs to remain competitive in the job
13 market in order to attract and retain skilled employees. The testimony of Messrs.
14 Mustich and Shroba establish that New Jersey-American Water's market-based
15 compensation is designed to keep the organization focused on delivering clean, safe,
16 reliable and affordable service while increasing efficiency, decreasing waste, and
17 boosting overall productivity. It is not appropriate to ignore the market based total
18 compensation paid by the Company to its employees, which is in line with industry
19 norms and is at, or below, the median for companies and utilities of similar size in the
20 region with which NJAWC must compete to attract and retain a talented workforce.
21 The Company's market-based total compensation is a manifestly just, reasonable and

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1 prudent expense required to operate our business and it should be reflected fully in
2 rates.

3 **16. Q. Is the attraction and retention of dedicated and talented employees important to**
4 **the Company's customers?**

5 A. Yes, it is of critical importance. New Jersey-American Water has consistently been
6 ranked by J.D. Power as being either the number one or number two highest rated in
7 residential customer satisfaction for large Northeast water utilities.³ Such an
8 achievement is not possible without the efforts of dedicated and talented employees
9 who focus on providing exceptional service and reliability to our customers. Instilling
10 the drive for excellence exhibited by this recognition is a key objective of the
11 Company's performance compensation philosophy and it translates directly into
12 benefits to our customers.

13 **17. Q. Is the Company requesting recovery for all its post-test year capital additions?**

14 A. Yes. As demonstrated by Mr. Shields, the Company has a track record of delivering
15 its planned capital investment consistently and in line with projections on a year-to-
16 year basis. All these capital additions are important components of continuing to
17 provide safe and reliable service to our customers. Because these investments will be
18 completed by the time new rates go into effect or shortly thereafter, the Company
19 should have the ability to recover its costs for these investments.

<https://www.jdpower.com/business/press-releases/2023-us-water-utility-residential-customer-satisfaction-study>. New Jersey-American Water ranked only slightly below the municipally-owned New York City system.

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1 **18. Q. Is New Jersey-American Water proposing a Revenue Decoupling Mechanism**
2 **(“RDM”) in this case?**

3 A. Yes, we are. Mr. Rea describes in his testimony the need for a revenue decoupling
4 mechanism that will harmonize revenue actually collected with the revenue
5 requirement and associated fixed costs approved by the Board in this case. Because
6 approximately 67% of the Company’s water service revenues will be collected through
7 volumetric charges while approximately 95% of the Company's costs are fixed costs,
8 which do not vary depending on how much water our customers use, if water sales are
9 less than the levels used to set rates, the Company's revenues will be less than the
10 authorized level in this proceeding. As a result, the Company's ability to recover the
11 costs that the Board determines to be prudent will be diminished. The proposed RDM
12 will improve the likelihood that the Company collects the revenue necessary to operate
13 our system and make the investments needed to continue to provide safe and adequate
14 service.

15 **III. IMPROVING WATER EFFICIENCY**

16 **19. Q. Please explain the concept of water efficiency.**

17 A. Water efficiency means using improved practices and technologies to deliver safe,
18 reliable and adequate water service more effectively. The Company’s water efficiency
19 efforts include supply-side practices, such as reducing non-revenue water losses, using
20 more efficient motors and pumps, pursuing purchasing economies and employing GIS
21 technology, as well as demand-side strategies, such as rate design and public education
22 programs. For example, the leak detection programs described in detail by Mr. Shroba

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1 can reduce the amount of water, pressure, and energy required to deliver the same
2 amount of water to consumers and the more efficient pumps and motors he describes
3 reduce power costs; the expanded use of technology helps our crews to be more
4 efficient in locating water and wastewater facilities and quickly access system and
5 customer information on a real-time basis. Improving efficiency saves customers
6 money in the long run, enhances the economy, and protects the environment.

7 **20. Q. How is the concept of water efficiency relevant to this case?**

8 A. Improving water efficiency requires achieving a cost-effective mix of prudent
9 investments and improved operations and maintenance management capabilities
10 targeting safety, customer satisfaction, environmental compliance, sustainability, asset
11 performance and operational efficiency. New Jersey-American Water continually
12 strives to develop and implement efficiency measures that deliver steady or improved
13 levels of service to consumers while mitigating cost increases. As discussed in the
14 Direct Testimony of witnesses Messrs. Shields and Shroba, the investments we are
15 making to better serve our customers are primarily in non-revenue producing
16 investments – replacing aging infrastructure, compliance with environmental
17 regulations, and efficiency investments. Mr. Shields, for example, discusses how
18 replacing inefficient equipment can reduce our energy costs. Mr. Shroba notes how the
19 Company's use of GIS technology and MapCall makes our employees more efficient,
20 also helping to contain costs and improve customer satisfaction. As we plan our
21 investments, however, we know how important it is to balance the need for system
22 improvements with what our customers pay for water and wastewater service.

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1 Consequently, the Company continually strives to find more efficient and cost-
2 effective ways to operate and maintain its business. Our intense focus on controlling
3 expenses produces direct benefits to our customers.

4 **21. Q. Can regulation support New Jersey-American Water's efforts to improve water**
5 **efficiency?**

6 A. Yes, it can. Our ratemaking proposals are intended to support efforts to improve water
7 efficiency. As mentioned above and explained in the Direct Testimonies of Company
8 Witnesses Shroba and Shields, NJAWC is requesting approval of new rates that reflect
9 the Company's total market-based employee compensation costs and the recognition
10 of its capital investment through the post test-year period. The Company's ratemaking
11 proposals support the more efficient use of water, more effective maintenance of our
12 system, and more efficient investment in our system.

13 Ultimately, it is our customers who will benefit because these ratemaking tools will:
14 allow New Jersey-American Water to anticipate and plan for a consistency in
15 regulatory oversight necessary to attract capital; properly match cost incurrence with
16 cost recovery; support the Company's continued efforts to use market-based total
17 compensation to drive efficiencies and improve our service to customers; and support
18 more consistent planning and deployment of the most efficient resources. Removing
19 barriers to improving efficiency and needed investment is also in our customers'
20 interests because, over time, it reduces the cost of providing water and wastewater
21 service to customers and promotes the sustainability of our natural resources.

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1 **22. Q. What is the Company's ultimate goal with regard to water efficiency?**

2 A. Our goal is to provide quality water and wastewater services as efficiently as possible,
3 and by doing so, to increase the value of the services that we provide our customers.

4 **IV. VALUE OF WATER AND AFFORDABILITY**

5 **23. Q. In general, why is NJAWC's proposed rate increase reasonable and appropriate?**

6 A. NJAWC's proposed rate increase is reasonable and appropriate because, as I previously
7 discussed, it is driven primarily by the need to make the investments necessary to keep
8 our water and wastewater service safe and reliable. Such investments cannot be
9 avoided indefinitely and are in the long-term best interests of our customers. If such
10 investment is not made, our customers will be adversely impacted in the long run as
11 costs will increase even more. For example, when mains are not replaced in a timely
12 fashion, or equipment neglected, our costs rise, as unanticipated main breaks create
13 water quality issues, unexpected expenses, and disruption to our communities.
14 Similarly, equipment in need of replacement makes workers less efficient and can
15 create safety issues.

16 **24. Q. Have you evaluated the impact of your proposed rate increase on customers?**

17 A. Yes, we have. As Ms. Hawn explains, under our proposal the water bill for the average
18 customer using 5,640 gallons per month, would increase \$11.30 from the current charge
19 of \$70.70 to \$82.00, an increase of \$0.38 per day. Even at the proposed rates, the cost
20 for our water service remains a good value. Proposed water costs would approximate
21 \$2.73 per day, or only \$.0145 per gallon for an average customer.

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1 **25. Q. Has the Company performed a more in-depth analysis of the affordability of**
2 **service under the proposed rates?**

3 A. Yes. Mr. Rea has conducted a detailed analysis of the affordability of our historical and
4 proposed rates demonstrating that the proposed rate increase has not adversely affected
5 the range of affordability of our service over the past decade. Mr. Rea relates the
6 median household income (“MHI”) in our service territory to our utility bills over time.
7 Even with the rate increases necessitated to continue to provide safe, reliable and
8 efficient service over the long term, Mr. Rea demonstrates that our water and
9 wastewater service remains affordable to the vast majority of our customers. His
10 testimony demonstrates that, even with the proposed increase, New Jersey-American
11 Water’s services are, and remain, affordable for most of our customers as our water
12 rates have held steady in the bill to income (“BTI”) range of 0.6%-0.8% of MHI since
13 2012 and are expected to be 0.71% under the Company’s proposed rates. The BTI
14 percentage under our rate proposal is well below the 2.0-2.5% range of a BTI ratio that
15 is generally considered “affordable.” The data similarly shows that the BTI Ratios for
16 the Company’s wastewater customers have come down from 2021 levels and have held
17 steady from 2019 to 2023 between 0.7% and 0.8% of MHI. The BTI Ratio at the
18 median income level is expected to be 0.77% under the Company’s proposed rates in
19 this case.

20 **26. Q. Is this trend in affordability reflective of the value of service that NJAWC’s**
21 **customers enjoy from the Company?**

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1 A. Yes. This trend in affordability is a result of the long-term investment and management
2 practices of the Company and is a positive reflection of the fact that the investment
3 strategies the Company has undertaken over time and the way that the Company has
4 proactively managed the system is in the long-term best interests of our customers. As
5 Mr. Shields explains, the Company has or will invest over \$1.3 billion since its last
6 base rate case. Nevertheless, the Company's service has remained affordable, largely
7 due to the Company's ability to manage its O&M expense and its targeted and timely
8 infrastructure investments. . The combination of proactive investment, steady O&M,
9 and strong and improving affordability demonstrates that the Company's management
10 of the business and investment in the business delivers a high-value service to
11 customers at affordable rates, which is in the long-term best interest of our customers.

12 **27. Q. How does New Jersey-American Water maintain the affordability of its water and**
13 **wastewater services?**

14 A. An important way that we maintain affordability is by continuously seeking to improve
15 our business processes and making investments that improve operational efficiencies,
16 and we have been very successful in doing so, as witnessed by the cost containment in
17 O&M expenses discussed previously. As Mr. Shields and Mr. Shroba explain in their
18 testimony, we use targeted investments to permit us to work smarter and more
19 efficiently and leverage the power of our organization both to share learning on best
20 practices and to purchase equipment and supplies at advantageous terms. All of these
21 help us manage and contain cost increases.

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1 **28. Q. What else is New Jersey-American Water doing to maintain the affordability of**
2 **its services for its customers?**

3 A. In addition to delivering our services in the most efficient, cost-effective ways to
4 benefit all of our customers, New Jersey-American Water also offers several targeted
5 customer assistance programs to help our most vulnerable customers. As Mr. Rea
6 discusses in his Direct Testimony, the Company currently has a low-income discount
7 tariff for water and wastewater service. Through this program, the Company provides
8 a discount to the customer's monthly bill which is set equal to the customer's applicable
9 water Fixed Service Charge. If the customer is also provided wastewater service by
10 the Company, the customer is also eligible for a wastewater service discount equal to
11 the water service discount amount, in an amount not to exceed the wastewater service
12 charge. In this filing, the Company is proposing a Universal Affordability Tariff for
13 water service that includes multiple tiers of discounts based on different levels of
14 household income stated as multiples of the federal poverty level ("FPL"). The tariff
15 offers discounts on both the basic 5/8" meter charge and the volumetric charges for
16 water service and would offer discounts on fixed and volumetric charges for
17 wastewater service. As explained by Mr. Rea, the Company's proposed tiered
18 discounts under this tariff will provide customers at each interval of FPL the
19 opportunity to have "basic water and/or wastewater service" (i.e., service that is
20 necessary and reasonable to meet basic household needs for drinking, cooking,
21 cleaning, sanitation, and general health requirements and that does not include seasonal
22 discretionary water use) under 2% of household income.

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1 The Company also makes programs available to customers that attenuate the impact of
2 rate increases on them, contributing to the affordability of our rates. NJAWC's
3 residential customers have the option of paying bills under the Company's budget
4 billing plan, and the Company offers its customers flexible payment arrangements
5 through installment agreements if they are financially unable to pay a past due water
6 service bill. NJAWC also assists customers who are experiencing financial hardship
7 through the Company's Help to Others ("H2O") Program. The H2O Program is
8 available to customers with an annual income at or below 300% of the federal poverty
9 guidelines and is composed of two main components: grants and a discount on the
10 service charge. The grant component is an emergency bill-paying assistance program
11 funded by NJAWC's shareholders and donations from customers who want to help
12 other customers in need. The service charge discount component, funded through rates,
13 provides eligible customers up to a 100% discount on their monthly fixed service
14 charge for water and is also available for our wastewater customers.

15 **V. CUSTOMER COMMITMENT AND COMMUNITY INVOLVEMENT**

16 **29. Q. Please describe the Company's commitment to its customers.**

17 A. Customers are a top priority for the Company. As I mentioned previously, our focus
18 on customers is validated as New Jersey-American Water is consistently named
19 Number One or Number Two in residential customer satisfaction for large, Northeast
20 water utilities by J.D. Power. Whether it's helping to ensure their health and safety
21 through the work we do and how we do it, striving to provide service in the most cost-
22 effective manner possible over the long term, or undertaking key initiatives to better

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1 serve them, customers are and will continue to be our key focus. This is evidenced
2 throughout the testimony provided in this case.

3 **30. Q. Does New Jersey-American Water play an active role in the communities that it**
4 **serves?**

5 A. Yes. New Jersey-American Water is a responsible corporate citizen and is known for
6 its community involvement and volunteerism. Our management team encourages our
7 employees and their families to be active volunteers in the communities we serve.

8 NJAWC believes that community investment starts with our employees. NJAWC
9 values community service and we encourage our employees to be equally invested in
10 the communities we serve through various charitable endeavors and volunteer
11 activities. NJAWC gives back to the community by supporting innovative,
12 environmental grant programs that improve, protect or restore drinking water supplies
13 and surrounding watersheds. We believe in investing in innovative programs that align
14 with our core business of water and wastewater service and are committed to working
15 with community partners to develop sustainable solutions to local environmental
16 issues. As an organization, NJAWC focuses community giving in four key areas: (1)
17 water and the environment; (2) water and healthy living; (3) environmental education;
18 and (4) community sustainability. In 2022,⁴ we provided more than \$1.52 million to
19 communities through general charitable contributions, grants, sponsorships and

⁴ 2022 is the most recent year for which the Company has a full year's information on the generosity of our employees. Information for 2023 will not be available until early Spring 2024.

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1 programming support to more than 80 organizations. The following is an overview of
2 the activities the Company and its employees' support:

- 3 • Each September, our employees participate in our AmerICANs in Action
4 Month of Service – helping neighbors, participating in different community
5 volunteer projects and providing hours of volunteer service to local
6 community-based organizations in need of assistance. In 2022, our employees
7 spent 2,780 hours volunteering their time with local community
8 organizations, not just in September, but throughout the year.
- 9 • Through the American Water Charitable Foundation (the “Foundation”),
10 NJAWC and American Water support employees in their own charitable
11 endeavors, provide support for targeted disaster relief efforts and provide
12 funding for higher level initiatives related to clean water, conservation,
13 education and sustainability. The Foundation donated more than \$260,000
14 through the Employee Volunteer and Matching Gift and Building Better
15 Communities programs in 2022 – and continues to make a difference every
16 day. Since 2012, the American Water Charitable Foundation has matched
17 over \$2.1 million to public charities that are important to our employees. This
18 includes more than 46,000 hours of volunteer time; and
- 19 • During the last ten years, American Water and its employees have donated \$4
20 million to United Way efforts across the country.

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1 **31. Q. How else does the Company help support the communities it serves?**

2 A. In 2021, New Jersey-American Water piloted a new workforce development program
3 in partnership with the Camden non-profit Hopeworks. The concept of the new Water
4 Utility Pipeline (“Water UP!”) training program is to connect individuals from
5 underserved communities we serve with transformative career opportunities in the
6 water industry. We launched this 11-week program in Camden with eight young adults
7 who learned job skills training through hands-on experiences with our employees in
8 the field, as well as other business essentials. Since then, we have hosted two additional
9 Water UP! Cohorts – one in Plainfield in 2022 and one in Lawnside in 2023. The most
10 recent program was held in partnership with Rowan College of South Jersey and funded
11 by a grant from the New Jersey Governor’s Office of Climate Action, the Green
12 Economy & the New Jersey Department of Environmental Protection’s the Building
13 our Resilient, Inclusive, and Diverse Green Economy (BRIDGE) Initiative.

14 The goal is to create a career path for the participants to qualify for entry level utility
15 jobs, with the potential of career placement at the end of the program either within New
16 Jersey-American Water, another American Water subsidiary, or with another company
17 that does business in the utility space. To date, 30 adults have graduated from the
18 program. We plan to continue hosting this training program, as well as others, in
19 additional communities where we operate, to continue to create opportunities for young
20 people and to help build a future pipeline of water utility workers.

21 **32. Q. In what other activities has New Jersey-American Water partnered with the**
22 **communities it serves?**

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1 A. Through community giving, in-kind donations, partnerships and volunteering, NJAWC
2 demonstrates our commitment to programs that address community-specific needs. We
3 work with a number of community-based partners throughout our service areas to
4 positively impact the overall quality of life where our employees, customers and
5 neighbors live and work. It takes more than a one-time grant or volunteer effort to make
6 a lasting difference – so we seek out and support organizations that understand how to
7 best meet the needs of the community.

8 A few examples of how we take an active part in the communities we serve include:

- 9 • Environmental Grant Program: Providing grants of \$1,000 to \$10,000 for
10 community-based projects that improve, restore and protect our source water
11 and surrounding watersheds.
- 12 • Speakers' Bureau: Offering our water industry experts to speak at conferences,
13 industry events, organizations and schools, with presentations on the water and
14 wastewater treatment process, source water protection, conservation, and
15 careers in the water and wastewater industry, which can be tailored for
16 audiences of all ages. Our education outreach also includes tours of our
17 treatment facilities for middle and high school students in our service areas, to
18 educate them about the science of water treatment and careers in the industry.
- 19 • First Responder Grant Program: Providing grants of up to \$2,000 each to assist
20 volunteer emergency service organizations in our service areas with the
21 purchase of protective gear, lifesaving equipment, tools, training and related

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1 activities/materials to support volunteer firefighter and emergency responder
2 operations.

3 • Community Events: Contributing to community events, activities and
4 organizations that benefit the growth, sustainability, and protection of our
5 service areas, either through small sponsorships or monetary donations, a visit
6 from our H2O On the Go Water Education Van, and/or hosting a table with
7 information for customers.

8 • Inclusion, Diversity & Equity Grant Program: Offered for the first time in 2023,
9 the ID&E Grant Program provides funding of \$2,500 to nonprofit organizations
10 seeking to develop and implement programs, training and community-related
11 projects that aim to promote and foster inclusion and diversity in communities
12 we serve. This program is funded by the American Water Charitable
13 Foundation as part of its State Strategic Grant Program.

14 **33. Q. Does this conclude your Direct Testimony?**

15 A. Yes, it does.