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BOARD OF PUBLIC UTILITIES
TRENTON, NJ



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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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State of New Jersey
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November 12, 2019

Honorable Jacob S. Gertsman, ALJ
Office of Administrative Law
P.O. Box 049
Trenton, NJ 08625-0049
Fax: 609-689-4100

Re: 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, Changes in Depreciation Rates and Other Tariff Modifications – Acquisition Adjustment Remand

OAL Docket No. PUC 16279-2018S
BPU Docket No. WRI7090985

Dear Judge Gertsman:

This office represents the New Jersey Board of Public Utilities (“NJBPU”) in the above captioned matter. During a conference call on July 29, 2019, the parties agreed to collaborate on a joint stipulation of facts.

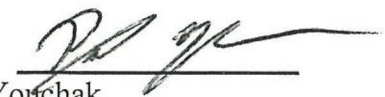
Rate Counsel and NJBPU agreed to the attached statement of facts. Rate Counsel and NJBPU’s statement includes facts relating to the New York investigation and the errors in fire protection revenues that were discovered after the numbers were certified to by NJAWC. These facts form an important part of the record. Rate Counsel and NJBPU request that Your Honor accept the attached statement of facts.

Case Memo
S. Fatmeh, Esq.
M. Kammer

Respectfully Submitted,

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY

cc Service List: Christine Juarez, Esq.; Jay L. Kooper, Esq.;
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By: 
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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, Changes in Depreciation Rates and Other Tariff Modifications – Acquisition Adjustment Remand

OAL Docket No. PUC 16279-2018S; BPU Docket No. WRI7090985

Rate Counsel and NJBPU's Joint Statement of Facts

1. On September 14, 2017, New Jersey American Water Company (“NJAWC”) filed a petition with the Board of Public Utilities (the “Board”) seeking an increase in operating revenues of \$129.3 million, or approximately 17.54% over projected pro-forma rate revenues. The matter was assigned Docket No. WR 17090985.
2. NJAWC serves approximately 631,000 water and fire service customers and approximately 41,000 sewer service customers.
3. On September 27, 2017, the Board transmitted this matter to the Office of Administrative Law (“OAL”).
4. OAL assigned the matter OAL DOCKET NO. PUC 14251-2017S and designated the Honorable Administrative Law Judge (“ALJ”) Jacob S. Gertsman to preside over this matter.
5. The following parties filed motions to intervene: Rutgers, the State University; Princeton University; Phillips 66 Company; Johanna Foods Inc. and Cogen Technologies Linden Venture L.P. (collectively “OIW”); Middlesex Water Company; Mount Laurel Township Municipal Utilities Authority; Aqua New Jersey Inc.; and the City of Elizabeth. All of these parties were granted intervenor status.
6. On May 31, 2018, AARP filed a motion to participate, which was subsequently granted on June 8, 2018.
7. The New Jersey Utility Shareholders Association (“NJUSA”) filed a motion to participate on July 2, 2018, which was granted by Order dated August 1, 2018.
8. Four public hearings were held on the petition: one public hearing was held on January 8, 2018 in Westfield New Jersey; two public hearings were held on January 10, 2018 in Ocean City, New Jersey and Howell Township, New Jersey respectively; and one public hearing was held on January 16, 2018 in Haddonfield, New Jersey.
9. A representative of NJUSA attended and spoke at the Haddonfield hearing.
10. Several members of the public attended and spoke at the Howell hearing.
11. No members of the public attended the Westfield or Ocean City hearings.
12. The Board also received over 100 written comments in opposition to the petition.
13. On April 13, 2018, the New Jersey Division of Rate Counsel (“Rate Counsel”) and certain intervenors filed direct testimony.
14. On May 11, 2018, NJAWC filed rebuttal testimony.

15. NJAWC filed its 12+0 Test Year update on April 23, 2018.
16. Rate Counsel filed a motion requesting the Board reject the Company's proposed provisional rates on May 18, 2018.
17. The Board denied Rate Counsel's motion on June 22, 2018.
18. The Company implemented a \$75 million interim rate increase on June 15, 2018.
19. Evidentiary hearings took place before ALJ Gertsman on June 11, 13, 14, 18, 25, and August 1, 2018.
20. An additional hearing was conducted on September 25, 2018 at which time the report issued by PriceWaterhouseCoopers was admitted into evidence after it was verified.
21. On July 3, 2018, Rate Counsel submitted a letter to ALJ Gertsman informing him of a report that the Staff of the New York Public Service Commission ("PSC"), Department of Public Service had issued regarding certain oral testimony and discovery responses submitted to the PSC in connection with a base rate case of New York-American Water Company.
22. Certain company witnesses mentioned in the report were also testifying witnesses in the present base rate case.
23. Accordingly, NJAWC agreed to verify the accuracy of the evidentiary record in the present case.
24. NJAWC hired PriceWaterhouseCoopers to assist in verifying the portion of the record that could be traced to the original books and records of NJAWC.
25. A limited-purpose hearing was held on August 1, 2018, during which NJAWC submitted into evidence the certifications of numerous company witnesses.
26. With the exception of the acquisition adjustment issue, this matter was resolved by partial stipulation approved by the Board on October 29, 2018.
27. The Board's Order adopted ALJ Gertsman's Order to Bifurcate Partial Initial Decision Settlement, and remanded the acquisition adjustment issue to the OAL.
28. OAL re-docketed the matter as Docket No.: PUC 16279-2018S and designated ALJ Gertsman to preside over the remanded matter.
29. The parties to the proceeding on remand are NJAWC, Rate Counsel, the Staff of Board of Public Utilities, Middlesex Water Company, and New Jersey Utility Shareholders Association.
30. On remand, all parties filed their initial briefs on January 18, 2019 with ALJ Gertsman on the limited issue of whether the Company should receive acquisition adjustments for its purchases of the Shorelands and Haddonfield systems.
31. Reply briefs on the acquisition adjustment issue were filed on February 25, 2019.
32. Schedule DMD-RT-4 was a schedule attached to the rebuttal testimony of NJAWC witness Dante DeStefano and later adopted by John Tomac.

33. Schedule DMD-RT-4 purported to show, among other things, the stand-alone revenue requirement for Shorelands Water Company.
34. Following the filing of reply briefs, NJAWC informed Rate Counsel that it believed Schedule DMD-RT-4 contained errors.
35. Specifically, NJAWC told Rate Counsel that it believed Schedule DMD-RT-4 inadvertently contained the public and private fire revenues from Pennsgrove rather than Shorelands.
36. NJAWC provided Rate Counsel with a schedule updated with the new public and private fire revenues.
37. During a subsequent conference call, Rate Counsel informed NJAWC that it agreed the public and private fire revenues had been improperly stated. Rate Counsel also informed NJAWC it believed the schedule omitted certain costs.
38. On May 6, 2019, NJAWC filed a motion to re-open the evidentiary record to admit the supplemental testimony and schedule of John S. Tomac. The purpose of the motion was to correct an error in Schedule DMD-RT-4.
39. On May 31, 2019, Rate Counsel filed its reply to NJAWC's motion, including accompanying supplemental rebuttal testimony and exhibits of Howard Woods.
40. On June 17, 2019, NJAWC filed a letter response to Rate Counsel's reply, including surrebuttal testimony of John S. Tomac.
41. In connection with the Haddonfield water and sewer acquisition, NJAWC recorded Haddonfield's original cost less depreciation ("OCLD") of \$26,911,089 on its books.
42. The purchase price of the Haddonfield system was \$28,500,000.
43. The Board approved the Haddonfield Municipal Consent on May 19, 2015.
44. NJAWC is seeking an acquisition adjustment of \$1,798,369 for the Haddonfield water system.
45. Before the acquisition, only two interconnections (one bulk sale and one emergency) existed between the NJAWC and Haddonfield systems.
46. After the acquisition, NJAWC installed 10 additional connections.
47. Five dead-end water mains in Haddonfield and two dead-end mains in NJAWC's existing system were eliminated after the merger.
48. After the acquisition, NJAWC decommissioned the Cottage Avenue standpipe, a Haddonfield asset and utilized existing storage facilities in the surrounding area to meet Haddonfield's storage needs.
49. NJAWC also constructed the Atlantic Ave Lift Station for the benefit of its newly acquired Haddonfield sewer customers.
50. After the Haddonfield acquisition, the New Jersey Department of Environmental Protection approved the transfer of Haddonfield allocation limits to an existing NJAWC permit.
51. The OCLD of the Shorelands system is \$24,540,203.
52. The purchase price of the Shorelands system was \$51,468,661.
53. Shortly thereafter, Shorelands merged into NJAWC.
54. The Board approved the acquisition on March 24, 2017.
55. In connection with the transaction, NJAWC recorded the OCLD of Shorelands' assets on its books in the amount of \$24,540,203.

56. NJAWC is seeking an acquisition adjustment of \$26,738,000 for the Shorelands system.



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OAL Docket. No.: PUC 16279-2018 S

Agency Ref. No.: BPU Dkt# WR17090985

Transmitting Agency: Board of Public Utilities

Judge: Jacob Gertsman

Judge Phone No. (609) 689-4052

NJ American Water Co. Inc.

SERVICE LIST
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