



November 15, 2021

Via Electronic Filing

Hon. Aida Camacho-Welch
Secretary
Board of Public Utilities
44 South Clinton Ave, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: New Jersey-American Water Company, Inc. Distribution System Improvement Charge
("DSIC") – Second Surcharge Filing
BPU Docket No. WR20030256

Dear Secretary Camacho-Welch:

Enclosed for filing on behalf of New Jersey-American Water Company, Inc. (the "Company" or "NJAWC") in the above-referenced matter (the "Fourth DSIC Foundational Filing"), please find the Company's Distribution System Improvement Charge ("DSIC") calculation for the May 1, 2021 through October 31, 2021 DSIC Recovery Period, as well as the Company's Eleventh Revised Tariff Sheet No. 37, effective December 30, 2021.

The filing consists of Schedule A, the calculation of the second surcharge under the Fourth DSIC Foundational Filing; Schedule B, the DSIC surcharge bill impact and the proof of revenue; Schedule B1, the DSIC surcharge reconciliation calculation for the prior period; Schedule C, the detailed main replacement and rehabilitation list; and Schedule D, the breakdown of blanket valves, hydrants and services, unscheduled main replacements, and the plant comprising the base spending for the first full DSIC year under the Company's Fourth DSIC Foundational Filing. Schedule E, the Company's confidential Earnings Test for the twelve months ended October 31, 2021, is being provided in redacted form. The confidential version will be filed separately, along with a request for confidential treatment of this information.

Please do not hesitate to contact me if you have any questions or require any additional information regarding this filing.

Respectfully submitted,

A handwritten signature in blue ink that reads "Christopher M. Arfaa".

Christopher M. Arfaa

CMA:dlc
Enc.

cc: Service list (w/enc., via e-mail)

RATE SCHEDULE K
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Applicable to all general metered service and sales for resale customers throughout the entire territory served.

CHARACTER

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

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to all other charges for general metered service (GMS) and sales for resale customers throughout the entire territory served, the following charges will be assessed on a fixed, per meter basis for each monthly bill, commencing December 30, 2021.

RATE

This charge is in addition to Rate Schedules A-1 through A-16, C, D, E, F, H, I and J.

<u>Size of Meter</u>	<u>Non-Exempt Per Month</u>	<u>Exempt Per Month</u>
5/8"	\$2.44	\$2.11
3/4"	3.67	3.17
1"	6.11	5.28
1 1/2"	12.22	10.55
2"	19.55	16.89
3"	36.66	31.66
4"	61.10	52.77
6"	122.20	105.54
8"	195.52	168.87
10"	244.39	211.08
12"	305.49	263.85
16"	488.79	422.16

FILING

The DSIC is authorized pursuant to N.J.A.C. 14:9-10.1 et seq. and the procedures for filing, reviewing, approving and implementing the DSIC are set forth therein. The DSIC is based on the Company's Foundational Filing, which was reviewed and approved by the Board of Public Utilities on October 28, 2020. The approval process included public notice and four public hearings. The notice included proposed surcharge amounts, which were estimated based on projected construction schedules, costs and other factors. Pursuant to the approved Foundational Filing, the Company shall endeavor to make semi-annual DSIC filings at approximately six-month intervals. The DSIC is subject to a maximum amount and other limitations in N.J.A.C. 14:9-10.1 et seq.

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.

SPECIAL PROVISION

*Non-Exempt consumption charges reflect a water tax of \$.01 per 1,000 gallons of water consumed pursuant to N.J.S.A. 58:12A-21(a). Exempt consumption charges reflect a water tax of \$.01 multiplied by 0.8636945 per 1,000 gallons. This water tax is not applicable for sales for resale service.

Issued: November 15, 2021

Effective: December 30, 2021

By: Mark K. McDonough, President
One Water Street, Camden, NJ 08102
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR20030256 dated October 28, 2020.

**I/M/O the Petition of New Jersey-American Water Company, Inc. for Authorization to
Implement a Tariff Supplement Establishing a Distribution System Improvement Charge
BPU Docket No. WR20030256
Service List**

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**I/M/O the Petition of New Jersey-American Water Company, Inc. for Authorization to
Implement a Tariff Supplement Establishing a Distribution System Improvement Charge
BPU Docket No. WR20030256
Service List**

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	DSIC Surcharge Filing #1		DSIC Surcharge Filing #2		Total
	7/1/2020 to 4/30/2021		5/1/2021 to 10/31/2021		
Total Proposed DSIC Additions	\$	141,560,088	\$	131,592,568	\$ 273,152,656
Less: Base Expenditures		(18,331,883)		(22,910,577)	(41,242,460)
Eligible Investment (Qualified DSIC Additions to UPIS During DSIC Period)		123,228,205		108,681,991	231,910,196 (A)
Less: Accum Depr		(798,416)		(1,380,601)	(2,179,017) (B)
Less: Deferred Tax		(263,631)		(455,865)	(719,496) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)		122,166,158		106,845,526	229,011,683
Times Pre-Tax ROR	X	8.4152%		8.4152%	8.4152% (D)
Pre-Tax Return on Investment		10,280,526		8,991,265	19,271,791
Add: Depreciation		1,916,199		1,690,005	3,606,204
Revenue Recovery		12,196,725		10,681,270	22,877,995
Revenue Factor		\$1.167243		\$1.167243	\$1.167243 (E)
DSIC Revenue Requirement Recovery Amount - Annual		14,236,536		12,467,632	26,704,168
Deduct: over-collection from prior DSIC period (Sch. B1)		(\$466,130)		(60,229)	(526,359)
Total DSIC Surcharge Recovery Amount - Annual		13,770,406		12,407,403	26,177,809

DSIC Revenue Requirement Recovery Amount - Monthly

\$2,181,484

UPIS ADDITIONS SUMMARY

(A) - Includes actual DSIC eligible projects closed to UPIS during DSIC Period

Asset Category
Main Replacements & Rehab
Blanket Hydrant & Valve Replacements
Blanket Service Replacements
Unscheduled Main Replacements
Base Spend
Subtotal

	7/1/2020 to 4/30/2021	5/1/2021 to 10/31/2021	Schedule
Main Replacements & Rehab	75,950,499	57,050,378	Schedule C
Blanket Hydrant & Valve Replacements	14,000,871	7,651,825	Schedule D
Blanket Service Replacements	24,262,524	24,262,524	Schedule D
Unscheduled Main Replacements	9,014,311	19,717,264	Schedule D
Base Spend	18,331,883	22,910,577	Schedule D
Subtotal	\$141,560,088	131,592,568	

(B) - Accumulated Depreciation:

DSIC Eligible projects closed to UPIS
 Composite Depreciation rate
 Annual Depreciation Expense
 Cumulative Depreciation Expense

	7/1/2020 to 4/30/2021	5/1/2021 to 10/31/2021
DSIC Eligible projects closed to UPIS	\$123,228,205	\$108,681,991
Composite Depreciation rate	1.555%	1.555%
Annual Depreciation Expense	1,916,199	1,690,005
Cumulative Depreciation Expense	798,416	1,380,601

(C) - Deferred Taxes:

DSIC Eligible projects closed to UPIS
 MACRS Rate
 Annual Tax Depreciation
 Cumulative Tax Depreciation
 Less: Book Depreciation
 Tax Depr Greater than Book
 Deferred Taxes at 21%

	7/1/2020 to 4/30/2021	5/1/2021 to 10/31/2021
DSIC Eligible projects closed to UPIS	\$123,228,205	\$108,681,991
MACRS Rate	4.00%	4.00%
Annual Tax Depreciation	4,929,128	4,347,280
Cumulative Tax Depreciation	2,053,803	3,551,384
Less: Book Depreciation	798,416	1,380,601
Tax Depr Greater than Book	1,255,387	2,170,783
Deferred Taxes at 21%	\$263,631	\$455,865

(D) - Pre-Tax Rate of Return:

	Ratios	Cost Rate	Weighted Average Cost of Capital	Pre-Tax ROR
Long Term Debt ¹	45.44%	3.93%	1.7851%	1.7851%
Common Equity	54.56%	9.60%	5.2378%	6.6301%
Subtotal Return on Rate Base	100.00%		7.0229%	8.4152%

¹ Cost Rate of Long Term Debt as of 10/31/2021

(E) - Revenue Factor:

Dollar of Revenue
 Less: GRT Tax
 Less: Bad Debts & Reg Assessments
 Less: BPU Assessment
 Less: DRC Assessment
 Revenue remaining after taxes, bad debts, and assessments

Dollar of Revenue	\$1.000000
Less: GRT Tax	(0.136306)
Less: Bad Debts & Reg Assessments	(0.004285)
Less: BPU Assessment	(0.002154) From latest bill
Less: DRC Assessment	(0.000535) From latest bill
Revenue remaining after taxes, bad debts, and assessments	0.856720

Revenue [Gross-up] Factor

\$1.167243

(F) - Revenue Requirement:

Please note that the revenue requirement is limited by the DSIC-cap. For example if the Company's annual revenues established in their last base rate case were \$100,000,000, then the DSIC-cap would be calculated as follows:

Total annual revenues from most recent base rate case of \$100,000,000 X 5.00% = \$5,000,000
 The Company's revenue requirement in the above example can not be greater than \$5,000,000 per year

Monthly cost per 5/8th Inch Meter - Typical Residential Customer -
 DSIC Revenue as a % of total Water Revenue \$764,877,189

\$2.44
1.80%

DSIC Surcharge Bill Impact

New Jersey-American Water									
Basis for Allocating Meter Costs to Customer Classifications									
Meter Size	5/8" Equivalent	GMS		Resale		Exempt		Total	
		Number of Meters*	Weighting	Number of Meters*	Weighting	Number of Meters*	Weighting**	Number of Meters*	Weighting
5/8	1.0	566,278	566,278	2	2	10	9	566,290	566,289
3/4	1.5	17,887	26,831	0	0	2	3	17,889	26,834
1	2.5	45,213	113,033	2	5	4	9	45,219	113,047
1-1/2	5.0	4,421	22,105	0	0	0	0	4,421	22,105
2	8.0	12,689	101,512	3	24	6	41	12,698	101,577
3	15.0	954	14,310	5	75	2	26	961	14,411
4	25.0	910	22,750	18	450	8	173	936	23,373
6	50.0	211	10,550	26	1,300	1	43	238	11,893
8	80.0	87	6,960	14	1,120	2	138	103	8,218
10	100.0	36	3,600	2	200	4	345	42	4,145
12	125.0	3	375	1	125	2	216	6	716
16	200.0	0	0	0	0	0	0	0	0
Total		648,689	888,304	73	3,301	41	1,003	648,803	892,608

(c)

*Meter Count as of 10/31/2021
 **Weighting deducts impact of GRAFT of .8636939

Proof of Revenue (Monthly Charge)									
Annual Revenue		\$26,177,809	(a)						
Monthly Revenue		2,181,484	(b)=(a)/12						
Weighted No of Meters		892,608	(c)						
5/8" Meter Monthly Charge		\$2.44	(d)=(b)/(c)						
Meter Size	5/8" Equivalent	GMS		Resale		Exempt		Total Revenue	
		Charge	Charge x Meters	Charge	Charge x Meters	Charge	Charge x Meters		
5/8	1.0	\$2.44	\$1,383,951.81	\$2.44	\$4.89	\$2.11	\$21.10	\$1,383,977.80	
3/4	1.5	3.67	65,572.24	3.67	0.00	3.17	6.34	65,578.58	
1	2.5	6.11	276,245.12	6.11	12.22	5.28	21.12	276,278.46	
1-1/2	5.0	12.22	54,023.39	12.22	0.00	10.55	0.00	54,023.39	
2	8.0	19.55	248,089.66	19.55	58.65	16.89	101.34	248,249.65	
3	15.0	36.66	34,972.84	36.66	183.30	31.66	63.32	35,219.46	
4	25.0	61.10	55,599.73	61.10	1,099.77	52.77	422.16	57,121.66	
6	50.0	122.20	25,783.61	122.20	3,177.13	105.54	105.54	29,066.28	
8	80.0	195.52	17,009.85	195.52	2,737.22	168.87	337.74	20,084.81	
10	100.0	244.39	8,798.20	244.39	488.79	211.08	844.32	10,131.31	
12	125.0	305.49	916.48	305.49	305.49	263.85	527.70	1,749.67	
16	200.0	488.79	0.00	488.79	0.00	422.16	0.00	0.00	
Total			\$2,170,962.93		\$8,067.46		\$2,450.68	\$2,181,481.07	

(a) Per Schedule A, DSIC Revenue Requirement Recovery Amount - Annual

DSIC Surcharge Reconciliation Calculation - Prior Period

Effective Date	DSIC Surcharge	Approved Amount ¹	Monthly Amount	Months in Place	Allowed Revenues
6/28/2021	Filing #1	\$14,208,872	\$1,184,073	6	\$7,104,436
Total Allowed Revenue					\$7,104,436
Over-Collection Prior DSIC Period		(\$466,130)	(\$38,844)	6	(\$233,065)
Total Billed - 7/1/21 through 12/31/21 ²					\$6,929,545
Total DSIC Shortfall / (Overage)					(\$58,174)
		<u>Annual</u>		<u>Daily</u>	
Weighted Average Cost of Capital		7.0229%		0.0192%	
Interest per day				(\$11)	
Total Interest for period July 1, 2021 through December 31, 2021					(\$2,055)
Total DSIC (Overage) with Interest - Credit against Surcharge					(\$60,229)

¹ Approved Amount excludes any reconciliation amounts

² November & December estimated by using October billed amount.

FF= Foundational Filing

Project ID	Project Title	Project Type	Actual Length (feet)	Actual Dia. (inches)	Actual Pipe Material	Decade Installed	Existing Dia. (inches)	Existing Pipe Material	Accelerated Investment Category	Secondary Asset Investment Category	In Service	DSIC#1 Actual		Paving Included	FF Comparison Date	FF		
												Cost	Actual Cost			Comparison Cost	FF Approval	
9512	Cornell Place, Union	Replace	675	8	DIP	1930	6	CI	System Flows and Pressure	Water Quality	2/25/2021	152,630	604	-	Q4 2021	141,900	WR19121516	
10024	Faitoute Ave Phase 1, Roselle Park Borough	Replace	1300	12	DIP	1920	10	CI	System Flows and Pressure	Water Quality	10/30/2021	328,742	604	60,486	Q4 2022	400,000	WR20030256	
9329	Amsterdam Ave, Roselle Park Borough	Replace	960	8	DIP	1920	6	CI	System Flows and Pressure	Water Quality	8/27/2021	270,337	270,337	32,775	Q4 2021	154,370	WR20030256	
10026	W Colfax Ave (1), Roselle Park Borough	Replace	1500	12	DIP	1940	10	CI	System Flows and Pressure	Water Quality	10/19/2021	484,568	484,568	73,584	Q4 2022	480,000	WR20030256	
10027	W Colfax Avenue (2), Roselle Park Borough	Replace	1300	12	DIP	1930	10	CI	System Flows and Pressure	Water Quality	10/1/2021	693,353	693,353	74,575	Q4 2022	4,980,000	WR20030256	
7030	W Colfax Ave (3), Roselle Park Boro	Replace	2900	8 AND 12	DIP	1930	6	CI	System Flows and Pressure	Water Quality	8/16/2021	1,719,268	1,719,268	130,050	Q4 2022	543,800	WR15060724	
10025	Faitoute Ave Phase 2, Roselle Park Borough	Replace	1350	12	DIP	1920	10	CI	System Flows and Pressure	Water Quality	10/25/2021	361,537	361,537	64,062	Q4 2022	340,000	WR20030256	
10021	Roosevelt St, Roselle Park Borough	Replace	550	8	DIP	1920	6	CI	System Flows and Pressure	Water Quality	10/15/2021	154,196	154,196	21,010	Q4 2022	150,000	WR20030256	
Total Main Spend												\$78,950,499	\$57,050,378					

Valve & Hydrant Replacements				
Project	District	UPIS	# Valves	# Hydrants
R18-01F2	Large Valves	\$870,285	6	-
R18-12F1	Atlantic / Cape May	615,787	34	45
R18-13F1	Burlington / Camden	780,588	41	32
R18-15F1	Essex / Passiac	2,184,747	7	34
R18-17F1	Hunterdon / Warren	149,723	-	1
R18-18F1	Monmouth	1,004,185	11	47
R18-19F1	Ocean / Middlesex	71,495	-	5
R18-25F1	Somerset/ Mercer	537,451	24	18
R18-26F1	Union	1,437,562	12	67
Total Valve & Hydrants Replacements		\$7,651,825	135	249

Service Replacements			
Project	District	UPIS	# Services
I18-260120	Central (Hillside) LSL Replacements - Ph 1	\$4,562,593	700
R18-12H1	Atlantic / Cape May	490,362	306
R18-13H1	Burlington / Camden	453,524	203
R18-15H1	Essex / Passiac	3,705,221	335
R18-17H1	Hunterdon / Warren	254,240	49
R18-18H1	Monmouth	1,399,099	1,140
R18-19H1	Ocean / Middlesex	358,558	21
R18-25H1	Somerset/ Mercer	608,472	31
R18-26H1	Union	5,658,068	247
R18-33H1	Shorelands	432	48
Total Service Replacements		\$17,490,569	3,080

Unscheduled Main Replacements			
Project	District	UPIS	Feet of Main
R18-12C1	Atlantic / Cape May	354,679	1,407
R18-13C1	Burlington / Camden	374,948	665
R18-15C1	Essex / Passiac	5,315,679	11,405
R18-17C1	Hunterdon / Warren	957,898	4,380
R18-18C1	Monmouth	2,317,693	4,209
R18-19C1	Ocean / Middlesex	262,254	928
R18-25C1	Somerset/ Mercer	2,681,401	6,300
R18-26C1	Union	7,452,712	13,390
Total Unscheduled Main Replacements		\$19,717,264	42,684

"Base" Utility Plant in Service		
Project / ID #	District	UPIS
R18-12A1	Atlantic / Cape May	\$561,778
R18-15A1	Essex / Passiac	5,518,575
R18-18A1	Monmouth	730,599
R18-19A1	Ocean / Middlesex	1,989,711
R18-25A1	Somerset/ Mercer	698,522
R18-26A1	Union	3,550,212
I18-190047	Lakewood MUA Interconnection	155,521
I18-180067	Glendola RW Main	4,199,284
I18-190046	Howell-to-Lakewood Trans Ph 2	23,284,202
R18-19B1.20-P-0049	Bay Head - Woodlawn & Grove	26,573
10659	Toby Drive, Roxbury Ph1	527,484
Subtotal Base UPIS Spend		\$41,242,460
Less: Filing #1 Base Spend		(18,331,883)
Total Filing #2 Base Spend		22,910,577

PUBLIC VERSION

New Jersey-American Water Company, Inc.
 4th Foundational Filing - WR2003025
 Distribution System Improvement Charge (DSIC)
 Earnings Test - 12 Months Ended 10/31/2021

Schedule E

Operating Revenues*	\$	[REDACTED]
Operation and Maintenance Expense		[REDACTED]
Depreciation and Amortization Expense*		[REDACTED]
Taxes, Other		[REDACTED]
Gain/Loss on sale		[REDACTED]
Operating Income Before Income Taxes	\$	[REDACTED]
Federal Income Taxes		[REDACTED] (A)
Total Utility Operating Income	\$	[REDACTED] (B)
Rate of Return (B/C)		[REDACTED]
Authorized Rate of Return per WR19121516		7.0306%
Current UOI at Authorized ROR	\$	[REDACTED]

(A) Federal Income Tax Calculation:

Operating Income Before Income Taxes Above		\$	[REDACTED]
Less Interest Expense:			
Rate Base @ 10/31/2021	\$	[REDACTED]	
Add DSIC Additions*		[REDACTED]	
Adjusted Rate Base	\$	[REDACTED] (C)	
Times Weighted Cost of Debt @ 7/31/2021		[REDACTED] (D)	
Interest Expense (Cx D)		[REDACTED]	
Taxable Income		[REDACTED]	
Times Income Tax Rate		[REDACTED]	
Federal Income Tax	\$	[REDACTED] (A)	

* Adjusted to include annualized DSIC amounts per filing