By this Petition, New Jersey-American Water Company, Inc. (“NJAWC” or the “Company”) proposes to increase its base tariff rates and implement certain other tariff revisions as detailed further in its Petition and supporting Exhibits.

This filing is primarily driven by the significant capital investments that the Company has made since its last base rate proceeding. In total, the Company will have invested approximately $1.008 billion in capital improvements since the end of the test year in the Company’s last rate case (Docket No. WR17090985, effective October 29, 2018) (the “2017 Rate Case”). Specifically, the Company has invested or plans to invest over $785 million through June 30, 2020, and projects that an additional $222 million will be added to its plant in service balance by December 31, 2020. Of that amount, $349 million is or will be recovered through the DSIC. The Company has made and will continue to make these capital investments in order to continue to provide safe, reliable and adequate water and wastewater service to its customers.

The Company also seeks $218.9 million in operating and maintenance (“O&M”) expenses. Although these O&M expenses are higher than the Company’s late rate case, the requested increase is mitigated by the Company’s efforts to keep O&M expenses low and to reduce its debt costs through lower-cost financing. For a period of 10 years, O&M expenses have remained relatively flat and have decreased on a per customer basis by over $25 per customer, from $335
per customer in 2010 to $309 through March 31, 2021. Additionally, the Company’s overall cost of debt proposed in this filing of 4.0574% is 90 basis points lower than the cost of debt of 4.9540% authorized in the 2017 Rate Case. These efficiencies are a testament to the Company’s commitment to manage costs as efficiently as possible to provide a more cost-effective level of service for our customers over the long term.

The Company requests an increase in base rates because its existing rates do not afford NJAWC the opportunity to earn a reasonable and fair return on its investments or to recover its reasonable operating costs.

Additionally, the Company requests certain other relief to serve the long-term interests of its customers while allowing the Company to continue to provide safe, reliable and adequate service. Those include recognition of an acquisition adjustment for the Company’s purchase of the Roxbury Water Company resulting in avoided capital costs; adoption of the Company’s proposal to replace customer-owned lead service lines in connection with its main replacement program; and implementation of a revenue stabilization mechanism and a tracking mechanism for its expenses related to pensions and other post-employment benefits, both of which will provide benefits to customers and the Company.

As shown in the Petition and Exhibits, the Company’s projected operating revenues for the twelve-month period ending June 30, 2020 total $802 million. The rates proposed in this filing would yield additional total operating revenues of $87.8 million, representing an increase of 12.3%. The impact of the proposed increase on the bill of an average residential customers using 5,400 gallons of water per month would be $6.46 or 11.55%. The actual percentage increase applicable to specific customers will vary according to the pertinent rate schedule and the level of each customer’s usage.
The Company’s seeks the requested rate relief to enable it to recover its investments to continue to provide safe, adequate and reliable service to existing and new customers of Petitioner, as well as the opportunity to earn its requested return on equity on those investments.