

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. WR1709_____

DIRECT TESTIMONY OF

ROBERT G. MacLEAN

Exhibit PT-1

NEW JERSEY-AMERICAN WATER COMPANY, INC.

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

2 A. My name is Robert G. MacLean, and my business address is 1025 Laurel Oak Road,
3 Voorhees, NJ 08043.

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

5 A. I am employed by American Water Works Service Company, Inc. as President of
6 New Jersey-American Water Company, Inc. (“NJAWC” or the “Company”) and as
7 Senior Vice President, Eastern Division.

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

9 A. As President of NJAWC, my continuing responsibility is to drive performance,
10 advance comprehensive and consistent best practices, and ensure that the Company
11 has open and effective relationships with key external stakeholders including
12 customers, regulators and other governmental stakeholders within New Jersey. I
13 have executive-level authority for all NJAWC business activities. As the Company’s
14 President, I am ultimately responsible for assuring that we meet our customers’
15 needs. That means I am responsible for the general operations of the regulated water
16 and wastewater activities of NJAWC. Additionally, I am responsible for maintaining
17 the Company’s financial health; providing a safe workplace environment for our
18 employees; enhancing the operating efficiency and reliability of the Company; and
19 for assuring that all functions of the Company are performed in compliance with all
20 applicable laws and regulations and standards of good business practice.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **4. Q. Please describe your educational background and professional associations.**

2 A. I received a Bachelor of Engineering Degree in Chemical Engineering from McGill
3 University and a Master's of Applied Science degree in Civil Engineering from
4 University Polytechnique of Montreal. In 2014, I attended Stanford University's
5 Graduate School of Business Executive Program, commonly referred to as the
6 Stanford Executive Program. I am an active member of the American Water Works
7 Association and I have completed a National Association of Regulatory Utility
8 Commissioners sponsored course in utility regulation. I am a licensed Professional
9 Engineer in Ontario, Canada. I co-chair the board of the National Utilities Diversity
10 Council, a national nonprofit organization focusing on the growth of diversity in the
11 utilities industry. I served as a board member of the California Chamber of
12 Commerce and was previously co-chair of the chamber's Water Committee. I also
13 serve on the board of the Health Transformation Alliance, an organization
14 representing close to 40 of the nation's leading corporations dedicated to providing
15 better health care outcomes for six million Americans.

16 Since transitioning back to NJAWC earlier this year, I have joined the Board of
17 Directors for Cooper's Ferry Partnership, a non-profit that drives sustainable
18 economic revitalization and promotes Camden as a place in which to live, to work,
19 to visit and to invest. I have also joined the Board of Directors for Choose New
20 Jersey, an economic development organization with a mission to encourage and
21 nurture economic growth throughout New Jersey, with a focus on our urban centers.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **5. Q. What has been your business experience?**

2 A. For over twenty years, I have worked in the water industry. I have experience
3 working at various levels in the fields of research, treatment, and operations and
4 management of both drinking water and wastewater services. Before being appointed
5 Senior Vice President of the Eastern Division of American Water Works Company,
6 Inc. (“AWW” or “American Water”) and President of NJAWC effective March 1,
7 2017, I was President of California American Water since April 2009 and President
8 of Hawaii American Water since 2011. In these roles I was responsible for
9 overseeing the management and operation of the companies, with California
10 American providing water and wastewater services to approximately 630,000 people
11 in fifty communities in the Northern, Central and Southern parts of California and
12 Hawaii American Water providing wastewater service to more than 30,000
13 Hawaiians.

14 Before being named President of California American Water, I was the Senior
15 Director of Field Operations of New Jersey American Water Company, where I
16 managed four operating centers in northern New Jersey. My responsibilities included
17 distribution and transmission networks, customer field services (meter reading and
18 field services), fleet services and meter testing. Prior to that, I was the Director of
19 Transmission and Distribution for American Water Service Company’s Northeast
20 Region. In that position, I was responsible for the operation and maintenance of the
21 region’s transmission and distribution and wastewater collection systems and
22 managed approximately 300 employees in New Jersey and New York. Before that,

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1 I held various positions within American Water’s non-regulated operations. These
2 included Vice President, Operations and Maintenance, for American Water’s non-
3 regulated Product and Service Group, where I managed the company’s contract
4 operations division, including design-build projects, and Vice President for the
5 Northeast Region for American Water Services (now, American Water Enterprises),
6 where I was responsible for the overall management of more than 50 non-regulated
7 water and wastewater facilities.

8 Earlier, I was part of the Operations and Maintenance Division where I led the startup
9 of a newly constructed 120 million gallons per day water treatment plant in Seattle
10 and led the American Water bid team and transition team for the 126 million gallon
11 per day Southeast Water Purification Plant contract operation with the City of
12 Houston. Before joining American Water, I was the General Manager of Azurix
13 North America’s activated carbon service division and had acted as a Product
14 Specialist responsible for potable water for PICA USA in Columbus, Ohio.

15 **6. Q. Have you previously testified in regulatory proceedings?**

16 A. Yes. I submitted testimony for NJAWC before the State of New Jersey Board of
17 Public Utilities (“BPU” or the “Board”). I have also previously testified before the
18 California Public Utilities Commission.

19 **7. Q. What is the purpose of your testimony in this proceeding?**

20 A. There are several purposes to the testimony I am offering in this case. I will provide
21 some general information about the Company and this rate filing. Specifically, I will

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1 explain about the Company's overall management philosophy, summarize the
2 principal reasons that NJAWC is seeking rate relief at this time, and provide a high-
3 level quantitative summary of the factors responsible for NJAWC's revenue
4 deficiency.

5 **NJAWC's Management Philosophy**

6 **8. Q. What is the Company's management philosophy?**

7 A. It is a fundamental principle of the Company to balance the interests of its customers,
8 its employees, and its investors in all the functions the Company performs:

- 9 • The Company believes that customers are entitled to safe, reliable, high-quality
10 water and wastewater service that is provided at a reasonable price.
- 11 • The Company believes – and market forces demand – that its employees are
12 provided safe working conditions, opportunities for career development, and
13 competitive compensation packages – including appropriately designed
14 incentives to improve performance and promote efficiency. These efficiencies
15 and enhanced performance directly benefit the customer.
- 16 • The Company believes that its investors are entitled to earn a fair return on their
17 investment because NJAWC is competing with other companies and industries
18 in the marketplace for capital and is competing with its peers within the AWW
19 system for discretionary allocations of AWW's investment and financing
20 capacity.

21 The Company's commitment to reliable service is reflected in the capital investments
22 that it has made and continues to make in developing and maintaining adequate

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1 sources of supply, treatment, pumping, transmission, distribution and collection
2 facilities. It is also reflected in the investments it has made and continues to make to
3 comply with the stringent requirements of the Safe Drinking Water Act, the Clean
4 Water Act, and other applicable federal and state environmental laws and regulations.

5 Another of the Company's fundamental management principles is transparency with
6 regulators and other stakeholders. This is a personal commitment on the part of senior
7 management, and one that has been embraced by the Company at all levels of our
8 organization. Our vision is to be our water customers' trusted water resource
9 company and our wastewater customers' safe and reliable collection and treatment
10 company that is dedicated to delivering innovative, high-quality solutions at a fair
11 and reasonable cost.

12 The Company firmly believes that human capital is central to accomplishing its
13 mission and, therefore, employee training and development is an essential contributor
14 to the Company's success. Company employees who work directly with customers
15 are trained to respond safely, efficiently, effectively and courteously to customers'
16 inquiries and requests. Company management personnel receive formal training in
17 Company procedures and effective customer service and participate in relevant
18 industry meetings and seminar presentations about specific water and wastewater
19 utility issues. In fact, every non-union employee has a mandatory minimum training
20 requirement of twenty hours per year. These and other practices aid the Company in
21 meeting its obligations as a public utility and furnishing its customers the high quality
22 service they have come to expect from NJAWC.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **9. Q. Please describe the Company's focus on safety.**

2 A. NJAWC is committed to creating a safe work environment for all of its employees,
3 both in the field and in office settings. To that end, as part of American Water's
4 company-wide safety initiative, the Company has established a Safety Program
5 tasked with developing and implementing recommendations to reinforce the
6 Company's commitment to safety with the goal of reducing injuries and near miss
7 incidents. As part of its Safety Program, NJAWC has implemented the following
8 with great success: a Near Miss Reporting Program to further reduce workplace
9 hazards and lower exposures that may result in injury, and a Certified Safe Worker
10 program, which offers a way for both field and office employees to confirm their
11 commitment and active participation in safety and health activities. Please see
12 Company Witness Kirwan's testimony for additional information about the
13 Company's Safety Program.

14 **NJAWC's Need for Rate Relief and the Factors Responsible for its Revenue Deficiency**15 **10. Q. When were NJAWC's current rates approved?**

16 A. The Board approved NJAWC's current base rates (except for the distribution system
17 improvement charge ("DSIC") and purchased water adjustment clause and purchased
18 sewage treatment adjustment clause ("PWAC/PSTAC")) by its Order issued
19 September 11, 2015 in BPU Docket No. WR15010035. Those base rates were based
20 on a test year ending 7/31/2015. In contrast, the test year in this case is the 12-months
21 ending 3/31/2018 – nearly 3 years distant from the test year used to set the prior base
22 rates.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **11. Q. What level of rate relief is the Company seeking in this proceeding?**

2 A. In the testimony and schedules submitted in this proceeding, the Company is seeking
3 a base rate increase to produce additional revenues of \$129.3 million per year, or a
4 17.54% increase over existing revenues. We are seeking a rate of return on common
5 equity of 10.80%. If approved as requested, the new rates would result in an increase
6 of approximately 36 cents per day for the average residential water customer. At this
7 cost, customers will pay approximately one (1) penny a gallon for high-quality,
8 reliable, 24-hour water and wastewater service, which remains among the most
9 affordable of all household utility bills.

10 **12. Q. Mr. MacLean, why is the Company seeking this level of rate relief?**

11 A. Since NJAWC's current rates went into effect in September 2015, NJAWC has made,
12 and must continue to make, substantial investments in new and replacement facilities
13 in order to replace aging infrastructure, comply with mandates imposed by federal
14 and state laws and regulations, and meet customers' demands for water and
15 wastewater service. Since the Company's last rate case through the end of the post-
16 test year period in the case, the Company will have invested \$868 million (over
17 \$1,000 per customer), and the overwhelming majority of this investment is in source
18 of supply, treatment, distribution and collection assets. Additionally, in order to
19 continue providing improved water and wastewater service, it is essential for the
20 Company to invest in new technology. These investments will be described in
21 various testimonies submitted in this proceeding. It is not possible to meet our service
22 obligations properly without timely recovery of these necessary expenditures. To

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1 address these capital needs, NJAWC must raise substantial amounts of debt and
2 equity capital and, in the process, must demonstrate its ability to provide a reasonable
3 return in order to convince investors to commit their funds for its use.

4 NJAWC has continued to provide safe, adequate and proper service to our customers.
5 The rate increase requested in this proceeding takes into account the substantial
6 capital investments made in this system. Absent rate relief, the return on common
7 equity is anticipated to be 6.39%, which is clearly far less than the Board-approved
8 rate of return on common equity of 9.75%. NJAWC's efforts to slow and mitigate
9 cost increases have been very successful. We have been able to do so, in part, by
10 making prudent, timely investments that permit us to work more efficiently without
11 sacrificing safety or quality.

12 **13. Q. Has the Company taken steps to control its operating expenses?**

13 A. Yes. In this case the Company is requesting recovery of \$211.6 million in operating
14 and maintenance expenses ("O&M"), excluding depreciation. O&M expenses have
15 remained relatively flat through test year end (3/31/18), even though the Company's
16 current rates have been in effect since September 2015. Expenses have remained
17 steady even though the Company has expanded its water and wastewater service
18 footprint with the acquisition of the Haddonfield systems and Shorelands Water
19 Company. This is attributable to the Company's prudent management of operating
20 expenses. Operating expenses are discussed in more detail within the direct
21 testimonies of Company Witnesses Kirwan, Exhibit PT-2, Simpson, Exhibit PT-4,
22 DeStefano, Exhibit PT-5, Grace, Exhibit PT-6, Cephias, Exhibit PT-7, Weber, Exhibit

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1 PT-8, Akmentins, Exhibit PT-9, Shroba, Exhibit PT-11, Keane, Exhibit PT-12,
2 Forcinito, Exhibit PT-13, and Moul, Exhibit PT-16. Every dollar of avoided O&M
3 costs translates into approximately seven dollars of capital improvements, providing
4 greater opportunity for NJAWC to increase investment in additional capital projects
5 with no adverse impact to customer rates. Although we have effectively controlled
6 expenses, that achievement has not overcome the revenue increase necessitated by
7 plant investment and declining use per customer.

8 **14. Q. Are you saying that this case is really about investment in infrastructure?**

9 A. Yes, that is exactly what I am saying, well over 90% of the request. The
10 documentation submitted in support of our request for rate relief demonstrates that
11 our efforts to decelerate and mitigate cost increases have been very successful. We
12 have been able to do so, in part, by managing costs and making prudent investments
13 that permit us to work smartly and more efficiently. At the same time, we need to
14 upgrade and replace our systems and infrastructure that are at the end of their useful
15 lives, which requires significant capital expenditures in order to provide the level of
16 safe, adequate and proper service that our customers have come to expect of us.
17 Additionally, as will be discussed in the testimony of Company Witness Shields,
18 Exhibit PT-3, since the DSIC was approved after our last base rate case, the Company
19 has effectively used its DSIC program to rehabilitate and/or replace aging
20 infrastructure; however, as I will summarize later in my testimony (and as discussed
21 by Company Witness Shields), much more work needs to be done.

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1 In less than three years, we will have invested more than \$868 million in
2 infrastructure upgrades and replacements, including more than 200 miles (over one
3 million feet) of water main. At the same time, we have kept our operating costs
4 relatively flat and continued to deliver outstanding service to customers.

5 Several critical infrastructure projects are included in this rate request, including the
6 following:

- 7 - Expansion of the Oak Glen Water Treatment Facility to serve the Company's
8 Coastal North Operations in Monmouth County;
- 9 - A flood protection project at the Raritan-Millstone Water Treatment Facility to
10 safeguard the water supply for more than 1 million in seven counties in central
11 New Jersey from natural disaster;
- 12 - Conversion from chlorine gas to an on-site sodium hypochlorite generation
13 system at the Delaware River Regional Water Treatment Plant to improve
14 safety;
- 15 - Replacement or upgrades to dozens of wells, pumping stations and wastewater
16 lift stations and other critical facilities serving customers in service areas
17 throughout the state; and
- 18 - Wastewater system upgrades throughout the company's statewide service areas
19 including wastewater mains, lift stations and other infrastructure.

20 In addition to these major projects, New Jersey American Water's investment in
21 rehabilitating and replacing aging water mains is also included in this rate request.
22 The Company replaces aging water mains on an approximate 90- to 100-year
23 replacement cycle, which is consistent with both current industry standards (as
24 recommended by the American Water Works Association and the investment level

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1 specified by the State of New Jersey's newly-approved Water Quality and
2 Accountability Act.¹

3 **15. Q. What are the major drivers of the Company's need for rate relief?**

4 A. In his direct testimony, Company Witness Simpson, Senior Director of Rates and
5 Regulatory, describes two major drivers of the Company's need for rate relief:
6 revenue loss arising from declining usage and regulatory lag associated with ongoing
7 capital investment. As shown in the direct testimonies of Company Witnesses
8 Simpson and DeStefano, the Company has failed to collect the Commission-
9 approved revenue requirement established in Case No. WR15010035. In fact, as
10 Company Witness DeStefano discusses in his testimony, but for extraordinary
11 weather conditions, the Company would have failed to achieve the approved revenue
12 requirement in 8 of the last 10 calendar years, and that trend is expect to continue
13 through the test year in this case (March 31, 2018).

14 **16. Q. You mentioned that the Company is currently failing to achieve its authorized**
15 **revenue and will continue to do so unless the Board takes appropriate action in**
16 **this case. Is it appropriate to expect the Company to operate in an environment**
17 **where it does not have a realistic opportunity to recover authorized revenues?**

18 A. No, it is not. As explained in the direct testimony of Company Witness DeStefano,
19 most of NJAWC's costs are fixed, while most revenue is variable, collected through

¹ On July 21, 2017 Governor Chris Christie signed the Water Quality Accountability Act (WQAA) into law. The WQAA sets new operational standards for water utilities across New Jersey and imposes new requirements in areas such as water cyber security, asset management, water quality reporting, notice of violation remediation, and hydrant and valve maintenance.

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1 volumetric rates charged on a per gallon basis. NJAWC is operating in a declining
2 sales, rising costs environment. As a result, the Company's ability to invest in
3 replacing necessary infrastructure proactively and improving efficiency has been
4 constrained because NJAWC has not been provided with a realistic opportunity to
5 collect its revenue requirement.

6 **17. Q. Please explain the consequences of operating under these constraints.**

7 A. NJAWC faces significant revenue-recognition lag under its current ratemaking
8 structure, and as a result, has not received funding levels that best serve the long-term
9 interests of its customers. Despite these constraints, NJAWC always makes sure that
10 necessary funding is available to ensure the safety and integrity of the systems for the
11 protection of its customers, employees and operations. We continue to maintain
12 adequate sources of supply, treatment, pumping, transmission and distribution
13 facilities, as well as comply with applicable laws and regulations – that is our public
14 service obligation. However, the necessary funding level to ensure the safety and
15 integrity of the systems is not the same as the funding levels that best serve the long-
16 term interests of our customers. From the perspective of long-term, sustainable
17 customer service and pricing, the Company's goal is to continue providing high
18 quality water and wastewater service in the most cost-effective way through the
19 replacement, operation, maintenance, and rehabilitation of assets for present and
20 future customers.

21 **18. Q. Does NJAWC's ratemaking proposal address the constraints within the existing**
22 **ratemaking structure?**

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1 A. Yes, it does. As discussed in the direct testimony of Company Witness DeStefano,
2 the Company is requesting approval of a revenue stabilization mechanism (“RSM”).
3 The RSM will provide the Company a realistic opportunity to collect its authorized
4 revenue requirement.

5 **19. Q. Are there any other notable matters submitted in this rate proceeding?**

6 A. Yes, on November 4, 2014, voters in Haddonfield approved the sale of the town’s
7 municipal water and wastewater systems to NJAWC. We are pleased and proud of
8 this achievement. The municipal consent to serve the Borough of Haddonfield was
9 approved by the Board by order dated May 19, 2015 under Board Docket No.
10 WE15010073.

11 Additionally, on April 3, 2017, American Water closed on the acquisition of
12 Shorelands Water Company, Inc. which transaction was approved by Board Order
13 dated March 24, 2017 under Board Docket No. WM16101036.

14 The addition of these two systems to NJAWC’s footprint has benefitted the Company
15 and its customers in various ways, including through increased capacity to serve
16 while avoiding imminent capital investments that would have otherwise been
17 required. These benefits are explained in detail in the direct testimony of Company
18 Witnesses Shields, Simpson, Keane, and Forcinito, Exhibits PT-3, PT-4, PT-12 and
19 PT-13, respectively.

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1 **20. Q. What regulatory treatment are you requesting for the Haddonfield and**
2 **Shorelands acquisitions in this proceeding?**

3 A. The Company is requesting that the revenues, expenses and capital invested in the
4 Borough of Haddonfield's water and wastewater systems be included and fully
5 recovered in this base rate case proceeding. Please also see the testimonies of
6 Company Witnesses Forcinito, Keane and Shields, as well as the testimonies of
7 Company Witnesses Simpson and DeStefano for further information.

8 **IMPROVING WATER EFFICIENCY**

9 **21. Q. Please explain the concept of water efficiency.**

10 A. Water efficiency means using improved practices and technologies to deliver water
11 service in a way that minimizes the amount of water used. NJAWC's water
12 efficiency efforts include supply-side practices, such as more accurate meter reading
13 and leak detection, main replacement and repair programs, as well as demand-side
14 strategies, such as our public education programs to encourage the wise use of water.
15 Improving water efficiency saves customers money in the long run, enhances the
16 economy, and protects the environment. In his direct testimony, Exhibit PT-2,
17 Company Witness Kirwan discusses how practicing water efficiency provides these
18 benefits in detail.

19 **22. Q. How is the concept of water efficiency relevant to this case?**

20 A. Water efficiency runs throughout the entire fabric of this case. NJAWC continually
21 strives to develop and implement water efficiency measures that deliver steady or

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1 improved levels of service to consumers while mitigating cost increases. Our efforts
2 to improve water efficiency are demonstrated by investments in new metering and
3 data collection technologies, and by improved business processes that help us work
4 smarter and more efficiently and, by extension, contribute to our cost control efforts.
5 As discussed in the direct testimony of Company Witnesses Shields and Kirwan, and
6 with respect to NJAWC's efforts to reduce non-revenue water, Company Witness
7 Shroba, the investments we are making to better serve our customers are primarily in
8 non-revenue producing investments – replacing aging infrastructure, compliance
9 with environmental regulations, and water efficiency investments. As we plan our
10 investments, however, we know how important it is to balance the need for system
11 improvements with what our customers pay for water service. Consequently, the
12 Company continually strives to find more efficient and cost effective ways to operate
13 and maintain its business. Company Witness Kirwan provides more details of these
14 cost control measures in his direct testimony, Exhibit PT-2. Our intense focus on
15 controlling expenses produces direct benefits to our customers. For example, we
16 know that for every \$1 of O&M expenses we save, we can invest almost \$7 of capital
17 with no cost increase to our customers. Our ability to maintain O&M levels in this
18 case proves the effectiveness of our efforts and the resulting cost benefit to our
19 customers. The details of our proposed O&M levels are discussed in more detail in
20 the testimonies of Company Witnesses Weber, Grace, Cephas, Akmentins, Simpson,
21 and DeStefano.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **23. Q. Can regulation support NJAWC's efforts to improve water efficiency?**

2 A. Yes, it can. Our ratemaking proposals are intended to support efforts to improve
3 water efficiency. As explained in the direct testimony of Company Witness
4 DeStefano, the Company's proposed RSM is a ratemaking tool that supports the more
5 efficient use of water, more effective maintenance of our system, and more efficient
6 investment in our system. Company Witness DeStefano explains the customer
7 benefits of an RSM in his direct testimony. As Company Witness DeStefano notes,
8 had an RSM such as that been in place for the 2016 calendar year, for example,
9 customers would have received a one-time credit of \$38.52. Ultimately, it is our
10 customers who will benefit because these ratemaking tools will provide NJAWC with
11 a consistent revenue level that the Company feels is necessary to continue to attract
12 capital at a reasonable cost; properly match cost incurrence with cost recovery; and
13 support more consistent planning and deployment of resources in the most efficient,
14 economical way feasible. Removing barriers to improving efficiency and needed
15 investment is also in our customers' interest because, over time, it reduces the cost
16 of providing water service to our customers and promotes the sustainability of our
17 natural resources.

18 **24. Q. What is the Company's ultimate goal?**

19 A. Ultimately, our goal is to provide quality water and wastewater services as efficiently
20 and economically as possible, and by doing so, to increase the value of the services
21 that we provide to our customers.

NEW JERSEY-AMERICAN WATER COMPANY, INC.**VALUE OF WATER AND AFFORDABILITY****25. Q. Do the Company's customers receive good value for the water service the Company provides?**

A. Yes, without question, they do. That value, however, may not be apparent because of the following issues:

- Americans are not largely aware of the true cost of treating and reliably delivering clean, safe water to their taps. Americans pay less for water – about a penny per gallon on average – than do residents of most other developed nations. Water is also typically the least costly utility expense incurred per household: less than gas, oil, telephone, cable, and electricity; and,
- The historic undervaluing of water service is due largely to a perception that water is “free” – a fundamental human need supplied by the earth itself. No one is charged for taking a bucket of water from a stream or other natural source of supply. That water, however, is not safe to drink. The vast infrastructure and supplies required to collect, treat and deliver that water safely, and in an aesthetically pleasing manner to where it is needed, however, is far from free.

When customers appreciate the true value of water, it not only helps water utilities continue to provide customers with safe and clean water, but has the added benefit of encouraging more conservative use, ensuring a sustainable supply for future generations. American Water has joined other water resource companies and organizations in an industry-wide initiative to enhance customer awareness of what is involved in providing high quality, reliable water service and the relative value of

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1 that service, as part of the Value of Water Coalition. The Coalition's aim is to educate
 2 the public on the importance of clean, safe, and reliable water to and from every home
 3 and community, and to ensure quality water service for future generations.

4 **26. Q. How does the price of water compare to those of other commodities?**

5 A. For many Americans, bottled water is perceived to have a greater value than tap water
 6 – a result of successful marketing strategies and a price tag that, depending on the
 7 brand, is equivalent to the cost of gasoline, and 250 to 10,000 times more expensive
 8 than tap water. Sales of bottled water tripled from the 1990s to the 2000s, despite the
 9 reality that the source of 25 to 40 percent of bottled water sold in the U.S. is tap water.
 10 What's more, the 60 to 75 percent of bottled water that is not sourced from tap has a
 11 potentially bigger downside: FDA standards regulating bottled water are far less
 12 rigorous than those set by the EPA, which governs tap water. Moreover, because
 13 bottled water is typically packaged in plastic containers, it has a deleterious effect on
 14 the environment; an effect that we do not create.



15

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1 NJAWC delivers up to a ton (240 gallons) of water to a family of four each day.
2 When one considers that even our proposed average residential rate is less than the
3 average amount that Americans spend on just soft drinks and other beverages, the
4 value of our water service is an outstanding bargain. In addition, water and
5 wastewater service is typically the lowest percentage utility cost per household; of
6 the total utility charges, water and wastewater together are, on average, only 12
7 percent of a household's utility budget, compared to gas/oil at 18 percent, telephone
8 at 33 percent and electricity at 37 percent.

9 **27. Q. How does NJAWC maintain the affordability of its water and wastewater**
10 **services?**

11 A. Our water and wastewater services are critical, and we know how important it is for
12 those services to remain affordable. As discussed above, NJAWC's water service is
13 quite affordable when one considers that all of a customer's needs for drinking,
14 cooking, cleaning and washing are provided at a very affordable rate. One key way
15 in which we maintain affordability is by continuously seeking to improve our
16 business processes and making investments that improve operational efficiencies.
17 And we have been very successful in doing so.

18 **28. Q. What else is NJAWC doing to maintain the affordability of its services for its**
19 **customers?**

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1 A. NJAWC offers targeted customer assistance programs² to help our most vulnerable
2 customers.

3 **29. Q. Please describe some of NJAWC's targeted customer assistance programs.**

4 A. We also support community low-income customers through NJAWC's Low Income
5 Payment Program (LIPP) and Help to Others (H2O) Fund.³ The H2O program is an
6 emergency bill-paying assistance program funded by NJAWC and customers who
7 want to help other customers in need. Customers who qualify may receive grants of
8 up to \$500 every three years toward their NJAWC bill. This emergency assistance
9 program is administered by NJ Shares. NJAWC created this customer assistance
10 program in 2004. Customers who qualify may also receive a 100 percent discount on
11 their monthly fixed service charge for water. Additionally, customers who receive
12 Social Security benefits or Medicare coverage, who qualify for the service charge
13 discount, are also eligible to receive a discount off the monthly DSIC charge, which
14 is based on meter size.

15 **COMMUNITY INVOLVEMENT**

16 **30. Q. Please describe NJAWC's outreach efforts in the communities that it serves.**

17 A. New Jersey American Water is a responsible corporate citizen, and is known for its
18 community involvement and volunteerism. Our management team encourages our
19 employees and their families to be active volunteers in the communities we serve.

² In its 2016 report, *Drinking Water and Wastewater Utility Customer Assistance Program*, EPA conducted a survey of 795 utilities, finding that 30% had some form of targeted customer assistance programs.

³ To qualify for the H2O program, the customer must have annual income at or below 300 percent of the Federal Poverty guidelines. Customers must also fulfill at least 50 percent of the payment terms.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 What follows is an overview of the activities the Company and its employees support.
2 Company Witness Kirwan provides additional details within his direct testimony.

3 We focus our community investments in four key areas: water and the environment,
4 water and healthy living, environmental education and community sustainability. We
5 give back to the community by supporting innovative, environmental grant programs
6 that improve, protect or restore drinking water supplies and surrounding watersheds.
7 We believe in investing in innovative programs that align with our core business of
8 water and wastewater service, and are committed to working with community
9 partners to develop sustainable solutions to local environmental issues.

10 **31. Q. In what other activities has NJAWC partnered?**

11 A. Being a good neighbor is part of our mission at New Jersey American Water. The
12 employees of NJAWC play an active role in the communities we serve by getting
13 involved in a variety of environmental and educational activities related to water –
14 everything from watershed clean-up efforts to school programs focused on drinking
15 water and source water protection. We work with a number of community-based
16 partners throughout our service areas to positively impact the overall quality of life
17 where our employees and customers live and work. It takes more than a one-time
18 grant or volunteer effort to make a lasting difference, so we seek out and support
19 organizations that understand how to best meet the needs of the community.

20 **32. Q. Does this conclude your direct testimony?**

21 A. Yes, it does.