

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**

**GARY L. AKMENTINS**

**Exhibit PT-9**



NEW JERSEY-AMERICAN WATER COMPANY, INC.

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

2       A. My Name is Gary L. Akmentins, and my business address is 1025 Laurel Oak Road,  
3           Voorhees, New Jersey 08043

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

5       A. I am employed by the American Water Works Service Company, Inc. (hereinafter  
6           referred to as “AWWSC” or the “Service Company”) as Senior Manager of Rates &  
7           Regulation for The Eastern Division supporting the following Regulated  
8           Subsidiaries; Virginia- American Water Company, Inc., Maryland-American Water  
9           Company, Inc., New Jersey-American Water Company, Inc. (“NJAWC” or the  
10          “Company”) and New York American Water Company, Inc.

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

12       A. My present responsibilities include providing rate and regulatory support for the  
13           Eastern Division. Until recently, my focus has been on managing the rates and  
14           regulatory issues for Virginia-American Water and Maryland-American Water,  
15           including planning, forecasting, monitoring and implementation. As Senior Manager  
16           of Rates and Regulation, I am also a member of the Senior Management Team at  
17           Virginia-American Water and Maryland-American Water, and participate in all  
18           functional areas of the Company from a strategic focus and planning perspective. My  
19           role now includes providing support to the regulatory function for the Eastern  
20           Division, including NJAWC.

21

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

2 A. In 1984, I graduated with a Bachelor of Science degree in Accounting from Rider  
3 University, Lawrenceville, New Jersey. In 1997, I received a Master's of Business  
4 Administration degree from Monmouth University, West Long Branch, New Jersey.

5 **5. Q. What has been your business experience?**

6 A. In January 1984, I was hired as an Internal Auditor by Western Union Telegraph  
7 Company ("Western Union"), Upper Saddle River, New Jersey, where I performed  
8 operational audits at regional customer and accounting centers and local telegraph  
9 agencies. In 1985, I joined Western Union's Cherry Hill regional customer and  
10 accounting center as a Supervisor of Bookkeeping. In June 1987, I began my  
11 employment with a subsidiary of American Water, as Budget Director and later  
12 Office Supervisor for NJAWC and the former Monmouth Consolidated Water  
13 Company. In October 1994, I transferred to New Jersey-American Water Company's  
14 corporate accounting office as a Senior Accountant in the property department. In  
15 September 2001, I was promoted to Manager of Fixed Assets for AWWSC Shared  
16 Services Center ("SSC") in Mt. Laurel, New Jersey. In July 2007, I joined the  
17 AWWSC Rates and Regulatory function as a Financial Analyst in the SSC rates  
18 department. In January 2011, my responsibilities expanded to provide exhibits and  
19 direct testimony as a rate case witness before the Iowa Utilities Board. In June 2011,  
20 I assumed the lead role in the Iowa-American Water rate case which included:  
21 providing support for interim rates, coordination of all responses to interrogatories,  
22 tariff filings, preparation of the rebuttal rate case and testimony, testifying as a

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1 witness before the Iowa Utilities Board, and filing of that company's brief(s) and  
2 exhibits. In September 2011, I was promoted to role of Manager of Rates and  
3 Regulation for Iowa-American Water and Maryland-American Water. In March  
4 2012, I accepted a role as Manager of Rates and Regulation for Maryland-American  
5 Water and Virginia-American Water. In this role, I have prepared and filed rate  
6 filings and applications with the Virginia State Corporation Commission and  
7 Maryland Public Service Commission. In March 2017, I joined the Eastern Division  
8 Rates group and was promoted to Senior Manager of Rates and Regulation.

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

10 A. Yes. I have submitted direct and rebuttal written testimony and appeared as a  
11 company witness in hearings before the Virginia State Corporation Commission,  
12 Iowa Utilities Board and Maryland Public Service Commission. In addition, my  
13 previous roles have included preparing rate case workpapers and schedules in the  
14 other states in which American Water regulated subsidiaries provide service.

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

16 A. My testimony will support the Company's petition for increased rates. Specifically,  
17 I will address Schedules 17 (Power), 18 (Chemicals), 20 (Waste Disposal – Water),  
18 45 (Sewer Treatment and Disposal Costs), 38 (Contract Services – Sewer  
19 Operations), 23 (Insurance Other Than Group), and 37 (Phone and Cell Phone). The  
20 exhibits and schedules that I support with my direct testimony were prepared by me  
21 or under my supervision and direction. Applicable work papers are contained in the  
22 Company's SIR responses.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **8. Q. What is the source of these exhibits?**

2 A. The exhibits have been prepared utilizing the general books and records of the  
3 Company and other supporting data for the test year ended March, 31 2018. Since  
4 the purpose of rate making is to set rates to be applied in the future, base year data  
5 (i.e., the actual twelve months ended March 31, 2017) has been adjusted on a  
6 pro forma basis, where appropriate, to reflect known and measurable changes in  
7 operating conditions that were not fully reflected in the base year results and that will  
8 continue to impact operations in the future. In most cases the adjustments have been  
9 made through September 30, 2018, six months beyond the test year. These  
10 adjustments will be explained below.

11 **POWER**12 **9. Q. Would you please explain Exhibit P-2, Schedule 17 “Power”?**

13 A. This schedule presents the Company’s pro forma natural gas, electricity and diesel  
14 expenses (hereinafter referred to as “Power”), for its water and wastewater  
15 operations. Power is necessary to operate pumps, treatment facilities for the delivery  
16 of water and collection of wastewater prior to treatment. Line 3 sets forth total pro  
17 forma power expense. Line 5 represents the actual base year expense. The last line  
18 on the exhibit is the adjustment between the pro forma power expense and actual base  
19 year expense.

20 **10. Q. How are the costs for Power projected in the pro forma?**

21 A. Included in the schedule are several adjustments representing the Company’s cost for  
22 Power. Pro forma Power includes costs based on base year kilowatt hour (“kWh”)

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1 (electricity) or therms (natural gas) of Power used at the Company's facilities based  
2 on existing Power contracts for delivery and generation.

3 **11. Q. How many facilities does the Company have?**

4 A. The Company has over 500 production facilities with costs recorded to power  
5 expense. Please refer to the direct testimony of Company Witness Kirwan, PT-2, for  
6 a discussion on NJAWC operations and facilities.

7 **12. Q. Can you describe a typical NJAWC facility?**

8 A. There is no "typical" facility. The facilities discussed above exist in a wide range of  
9 different service applications of varying capacity and operating parameters that  
10 consume varying amounts of energy to provide their intended service. Such facilities  
11 include seven (7) surface water treatment plants, over 140 groundwater production  
12 and treatment facilities, approximately 180 pumping stations, approximately 200  
13 storage facilities, interconnections, distribution centers and other facilities. As such,  
14 there is no "typical" facility and each facility will incur differing power costs.  
15 Notwithstanding these differences, NJAWC employs common practices and  
16 processes to the greatest extent possible to reduce Power costs when and where it has  
17 the ability to do so. Please refer to the direct testimony of Mr. Kevin Kirwan, PT-2,  
18 for additional discussion of the benefits derived from operational efficiencies utilized  
19 to deliver safe and reliable water and wastewater service.

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1 **13. Q. Please explain how pro forma power cost for the NJAWC facilities is determined**  
2 **taking into consideration generation and distribution costs from multiple Power**  
3 **providers?**

4 Electricity generation is contracted through an energy supplier and distribution is  
5 provided by the local energy supplier such as PSE&G, Atlantic City Electric, JCP&L,  
6 and Rockland Electric. Costs for each component of Power is identified by supplier  
7 for each operation center or location within the Company's workpapers. Power  
8 workpapers are filed under a protective order due to the confidential and trade secret  
9 information. To compute pro forma power charges, first base year billed charges  
10 were downloaded from our power bill processor – ECOVA. Any monthly credit  
11 balances were removed, and power accounts with less than 12 annual bills were  
12 investigated. Those that did not contain a full 12 months of charges were adjusted to  
13 an annual amount. Activity for any accounts that closed during the period was  
14 removed from the pro forma. Rate changes that occurred during the base year were  
15 annualized to cover a full 12 months of the pro forma period. In addition, any known  
16 future rate changes were also annualized to cover a full 12 months of the pro forma  
17 period. Natural gas supply for the Raritan Millstone and Canal Road Operation in  
18 Somerset County is purchased through a contract.. This supply charge is based on  
19 base year therms and is multiplied by the contracted rate. The natural gas distribution  
20 charge is the base year distribution charge from the local distribution company,  
21 PSE&G, and adjusted for any rate increases. Natural gas used at other locations is  
22 both supplied and distributed by the local gas utility. The diesel fuel charge is

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1 included at actual historical base year amounts. After calculating the normalized base  
2 year power expense, this is divided by the base year system delivery to arrive at a  
3 cost per 1,000 gallons of delivered water. This amount is then multiplied by the pro  
4 forma system delivery to arrive at the pro forma power expense.

5 **14. Q. Are there any charges not based on the latest contract costs and tariff rates?**

6 A. Yes, the last piece of the power pro forma is power for the Shorelands acquisition.  
7 Pro forma Power cost recorded by Shorelands is adjusted to reflect pricing available  
8 to NJAWC when the existing power contracts, inherited from Shorelands, expire in  
9 September 2018. Synergies from this acquisition will deliver an annualized cost  
10 savings of 35% and reduced power cost of approximately \$110,000, as detailed in  
11 my workpapers. Cost savings, a direct result of synergies from this acquisition, are  
12 further discussed in the direct testimony of Company Witnesses Keane, Exhibit PT-  
13 12, and Simpson, Exhibit PT-4.

14 **15. Q. Did you incorporate any pro forma reductions of purchased power?**

15 A. Yes. A credit to reduce the total purchased power expense is included in the pro forma  
16 power expense. New Jersey Clean Energy provides a credit for customers who are  
17 able to demonstrate efficient use of energy. The amount of credit is dependent on  
18 whether a capital investment project capable of delivering energy savings is selected  
19 and timing of the project, the estimated energy savings from a project, and results of  
20 testing for prior and post energy usage used to calculate energy reduction. All these  
21 factors support a pro forma credit of \$353,491 using a three-year average,

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1 **16. Q. Why is the pro forma per unit cost applied to pro forma system delivery?**

2 A. The largest factor of determining power costs is the volume of water produced. If  
3 during the rate case the pro forma system delivery is adjusted up or down, the pro  
4 forma power costs should be adjusted accordingly.

5 **CHEMICALS**

6 **17. Q. Please explain Exhibit P-2, Schedule 18, “Chemicals”.**

7 A. This Schedule presents the Company’s pro forma chemical expense for its water and  
8 wastewater operations. Line 3 sets forth total pro forma chemical expense by water  
9 and wastewater operations. Line 5 represents the actual base year expense. The last  
10 line on the exhibit is the adjustment between the pro forma chemical expense and  
11 actual base year expense.

12 **18. Q. Describe your development of pro forma chemical costs.**

13 A. The development of pro forma chemical expense begins with a review and analysis  
14 of three-years of chemicals used in production for the twelve (12) months ended  
15 March 2015, March 2016 and March 2017. Operations, equipped with chemical  
16 usage data, validates or adjusts the three-year average chemical usage by adding new  
17 chemicals or removing chemicals no longer utilized.

18 **19. Q. Are there any exceptions to the average pounds of chemicals used in production**  
19 **for this exhibit?**

20 A. To reflect more accurate usage in Coastal Operations in Monmouth County and  
21 Central Operations in Somerset County, per discussions with operations, pro forma

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1 usage was adjusted for each of these service areas to reflect actual and projected  
2 usage, which is currently and expected to remain below the three-year average.

3 **20. Q. Once the pro forma chemical poundage was determined, how did you determine**  
4 **the pro forma chemical expense?**

5 A. First, the 2017 contract pricing per pound cost for each chemical is applied to the  
6 total pro forma chemical poundage to give the cost for each chemical. Next, the sum  
7 of all chemical costs is then divided by system delivery to determine a per thousand  
8 gallons cost. Finally, this cost per thousand gallons is applied to the pro forma system  
9 delivery, resulting in the pro forma chemical expense. Any changes to pro forma  
10 system delivery will adjust pro forma chemical expense up or down based on the per  
11 thousand-gallon cost.

12 **21. Q. How were the prices used in the pro forma calculation determined?**

13 A. The prices are based on 2017 contract rates, which were determined in the fourth  
14 quarter of 2016.

15 **22. Q. Will the Company update its exhibit when 2018 chemical pricing is known?**

16 A. Final contract prices for 2018 will become available during the fourth quarter of  
17 2017. The Company will update its chemical pricing for the new contract rates once  
18 the 2018 contract rates become available.

19 **23. Q. Are there any charges not based on the latest contract costs?**

20 A. Yes, the last piece of the chemical pro forma is for the Shorelands acquisition.  
21 Shorelands was acquired in April of 2017 and is not a component of NJAWC's actual

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1 base year chemical expense. However, for purposes of this proceeding, the  
2 Shorelands chemical expenses, as well as all the other O&M expenses, were added  
3 to NJAWC's base year. Actual chemical expense for Shorelands will be updated  
4 during this proceeding. Cost savings, a direct result of synergies from this  
5 acquisition, are further discussed in the direct testimony of Company Witness Keane,  
6 Exhibit PT-12. NJAWC is unable to project cost savings for chemical expense in the  
7 former Shorelands system as of the filing date and cost savings, if any, will be  
8 identified when 2018 chemical prices become available and pro forma chemical  
9 expense is updated by the Company later in 2017 or early 2018.

10 **24. Q. Does the Company include any costs in the pro forma chemicals calculation for**  
11 **lease or rental of chemical storage tanks?**

12 A. Yes, there are 2 locations that include tank lease or rental charges in their chemical  
13 pro forma expense. The expense is included for the Delran (Chlorine) and Canoe  
14 Brook (Oxygen) water treatment plants located in Southwest and Northern  
15 Operations, respectively, at current contracted rates.

16 **25. Q. Why is the pro forma per unit cost applied to pro forma system delivery?**

17 A. The largest factor of chemical costs is the volume of water produced. The basis of  
18 the thousand-gallon rate is the system delivery average of twelve (12) months ended  
19 March 31, 2015, 2016, and 2017. If, during the rate case, the pro forma system  
20 delivery is adjusted up or down, the pro forma chemical costs should be adjusted  
21 accordingly.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **WASTE DISPOSAL – WATER OPERATION**2 **26. Q. Please explain Exhibit P-2, Schedule 20, “Waste Disposal – Water Operation”.**3 A. Schedule 20 presents the Company’s pro forma waste disposal expense for its water  
4 operation.5 **27. Q. How are the costs for Waste Disposal – Water Operation projected in the pro**  
6 **forma?**7 A. Included in Exhibit P-2, Schedule 20, are several adjustments comprising the  
8 Company’s cost of waste disposal for water operations. Pro forma waste disposal for  
9 NJAWC includes projected costs based on the invoices paid for the processing and  
10 disposal of water residuals at the Company’s water treatment plants, in addition to  
11 sewer billings from municipalities and authorities for the release of water treatment  
12 waste residuals into the local sewer systems.13 **28. Q. Do all of NJAWC’s water treatment facilities incur the same residual processing**  
14 **costs?**15 A. No, the steps involved in residual processing and disposal vary at each water  
16 treatment location. The charges included in the Company’s pro forma expense are  
17 representative of the amount of effort required to remove and dispose of the residuals  
18 created during water treatment process at multiple NJAWC locations. For a more  
19 detailed description of the various processes and steps used during water waste  
20 residual processing and disposal, please refer to the direct testimony of Company  
21 Witness Kirwan filed as Exhibit PT-2.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 **29. Q. What areas are included in the water operation?**

2 A. There are several areas as shown on SIR-28: Southwestern Operations (1813 -  
3 Burlington, Camden and Gloucester Counties), Coastal Operations (1812 - Atlantic  
4 and Cape May Counties), Coastal Operations (1818 - Shrewsbury in Monmouth  
5 County and 1819 - Lakewood Water in Ocean County), Northern Operations (1815  
6 Essex and Passaic Counties), Central Operations (1825-Somerset and Mercer  
7 Counties, and 1826-Union and Middlesex Counties), Haddonfield, and Shorelands.

8 **30. Q. Please describe how your pro forma was determined for the various service**  
9 **territories in NJAWC.**

10 A. In the Southwest Operations, the residual disposal contract for the Delaware River  
11 Regional Water Treatment Plant, well sites, and Mt Holly plant is based upon the  
12 current price per ton of residuals hauled. The well stations are based upon the current  
13 price per gallon of residuals hauled. Mount Holly is based upon the current price per  
14 gallon of residuals along with other miscellaneous charges for labor hours, equipment  
15 and water filtration sand material. These quantities use the base year amounts at the  
16 current rate. Delran accrues for basin sludge removal and is included at the base year  
17 level.

18 Residuals generated in NJAWC's Coastal Operations - Atlantic County/Cape  
19 May are discharged directly to the local sewer system and billed by their respective  
20 sewer utility. The pro forma charges related to Galloway Township Sewerage  
21 Authority are actual annual charges booked during the base year, with no projected  
22 increase for the pro forma year. The pro forma charges for the Egg Harbor Municipal

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1 Utility Authority are calculated by multiplying the base year usage by current usage  
2 rates, and using the most current quarterly fee per site.

3 Pro forma waste disposal expenses at NJAWC's **Coastal Operations - Ocean**  
4 **County** include base year charges incurred from the Township of Howell, and  
5 surcharges from the Ocean County Utilities Authority. Also included is an  
6 inter-company billing, representing an expense billed to the Lakewood-Water  
7 operation, from the Lakewood-Wastewater operation. The expense is based on the  
8 volume of wastewater which is annually discharged into the sewerage system and,  
9 ultimately, to the Ocean County Utilities Authority by the Lakewood-Water  
10 operation. The calculation of pro forma expense to the Lakewood-Water operation is  
11 included as revenue to the Lakewood-Wastewater operation and is shown on Exhibit  
12 P-2, Schedule 5, Page 4 of 4, Column 10, on the line entitled "Other Operating  
13 Revenues - Lakewood." The intercompany expense is not included in the waste  
14 disposal pro-forma because it is recovered in the PSTAC mechanism.

15 Waste disposal costs for the **Coastal Operations - Monmouth County** are based on  
16 the application of the current rate charged by a residual dewatering contractor at base  
17 year level to the quantity of residuals dewatered during the base year. The current  
18 contract ends July 2018. The pro forma cost for trucking, blending, and disposal  
19 service is based on the base year tons of residuals processed at the current contracted  
20 rate per ton. Other miscellaneous fees are also included at their base year amounts.

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1 NJAWC's **North Operations** is accruing waste disposal expense while the process  
2 and procedure for the Canoe Brook WTP project is realized. Operations personnel  
3 anticipate that the method for disposing of residuals at Canoe Brook will be based  
4 upon dewatering and hauling of dried residuals. The pro forma estimate for the cost  
5 of residual disposal is based on this methodology. The new process will become  
6 operational during the pendency of this rate case. NJAWC will update pro forma  
7 expense resulting from actual experience and processes used to remove residuals  
8 during the test year ending March 31, 2018.

9 In NJAWC's **Central Operations – Somerset County**, the dewatering contractor  
10 (D2) processes the residuals to ultimately be hauled away from the Raritan- Millstone  
11 Facility, which also collects residuals from the Canal Road facility. The base year  
12 quantities are used for pro forma purposes. The per ton cost of the residuals  
13 processing is included at the current contract rate. The current contract with D2  
14 terminates December 2018. The hauling of the residuals, a service provided by Cedar  
15 Hill Contractors, is based upon base year tons of residuals and the current rate per  
16 ton, increased an estimated two percent for the new contract beginning July 2018.  
17 Our best estimate of a two percent increase will be updated prior to the start of this  
18 new contract. The Plainfield operation is included at the base year expense.

19 **WASTE DISPOSAL – SEWER OPERATION (SEWAGE TREATMENT AND**  
20 **DISPOSAL)**

21 **31. Q. Please explain Schedule 45, “Waste Disposal – Sewer Operation”.**

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1 A. The wastewater (sewer) operation expenses are those associated with the Statewide  
2 Sewer operation, which includes both Consumption based (NJAWC provides  
3 metered water for these customers) and Fixed operation (NJAWC does not provide  
4 metered water service for these customers), Pottersville operation, and Elk Township  
5 operation. The sewer outflows for these districts are handled and disposed by Russell  
6 Reid Inc. The waste disposal expenses are for handling and disposing, including  
7 hauling and permitting. The pro forma expense is annualized for current prices  
8 incurred within the base year. The wastewater Volumetric and wastewater Fixed  
9 operations, as well as Pottersville, and Elk Township, will experience new contract  
10 pricing (Russell Reid) during the rate case. The Company will update to actual costs  
11 as new contract pricing is incurred during this proceeding.

12  
13 Waste Disposal Costs for Ocean City Sewer, Lakewood Sewer and Adelpia Sewer  
14 are recovered by NJAWC through a surcharge (“PSTAC”), and therefore, while the  
15 expense is included in the base year on Schedule 45, these costs are zeroed out for  
16 the pro forma. Because the Company will request recovery of these costs in its next  
17 Purchased Sewerage Treatment Adjustment Clause (“PSTAC”) filing, these are not  
18 included in the pro forma numbers for this schedule.

19 CONTRACT SERVICES - SEWER

20 **32. Q. Please explain Exhibit P-2, Schedule 38, “Contract Services - Sewer”.**

21 A. Contract Services – Sewer is related to the small sewer systems that NJAWC owns  
22 and for which the Company utilizes a contractor to run the day-to-day operations of

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1 the system. The Company has contracted with Natural Systems Utilities (“NSU”), a  
2 third party contractor, for the operation and maintenance of its 20 wastewater systems  
3 servicing approximately 5,000 customers. NJAWC anticipates extending its current  
4 contract with NSU, which is set to expire in August 2017. During the extension  
5 period, NJAWC will seek to enter into a new agreement to replace the current  
6 agreement which is in its fifth renewal term. Pro forma expense includes a 2%  
7 increase, based on previous increases under the existing agreement, until a new  
8 agreement is negotiated. The Company will update to actual costs as new contract  
9 pricing is incurred during this proceeding. NJAWC anticipates a new contract to be  
10 negotiated by December 31, 2017.

11 **33. Q. Please describe how pro forma expense was developed?**

12 A. Pro forma expense begins with applying a 2% increase to the existing contract rates,  
13 including lab testing. Next, costs are allocated for non-contract maintenance services,  
14 at the same level as occurred in base year rates. These services are provided by an  
15 outside contractor (Pan Metro) and by NSU for additional maintenance services not  
16 included in contract rates. Total pro forma expense reflects a 2% increase in contract  
17 rates as well as the additional services provided at the base year level.

18 **INSURANCE OTHER THAN GROUP**

19 **34. Q. Please describe insurance other than group and how the Company’s costs are**  
20 **determined, as shown on Exhibit P-2, Schedule 23.**

21 A. NJAWC obtains several types of insurance, including Auto Liability, General  
22 Liability, Worker’s Compensation and Property. The insurance costs are collectively

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1 known as insurance other than group (“IOTG”). The Company’s General Liability,  
2 Auto Liability and Workers Compensation premium is based upon a combination of  
3 loss experience (50%) and exposure (50% estimated annual revenue and payroll).  
4 Exposure for Auto Liability uses estimated annual revenue, payroll and number of  
5 vehicles. This is consistent with the commercial insurance market underwriting  
6 practice. Other insurances included on Schedule 23 reflect the Company’s  
7 directors’/officers’ liability, employed lawyers, pollution, consultation fee, executive  
8 risk, information technology policies, flood and environmental policies.

9 **35. Q. Please describe the IOTG pro-forma adjustment to operating expenses.**

10 A. The majority of the Company’s IOTG premiums renew on January 1 of each year  
11 and other insurance premiums renew each April. Development of the pro forma  
12 expense begins with the annual IOTG premiums for 2017, which are approximately  
13 \$63,000 lower than the IOTG premiums paid in 2016. Pro forma IOTG expense  
14 further adjusted by reducing worker’s compensation premiums using the capitalized  
15 labor percentage as presented in the workpapers supporting NJAWC’s labor  
16 adjustment. Actual 2018 premiums will be available January and April of 2018. As  
17 the new premiums become available, the pro forma will be updated to reflect actual  
18 costs.

19 **PHONE AND MOBILE PHONE**

20 **36. Q. Please explain Exhibit P-2, Schedule 37, “Phone and Cell Phone”**

21 A. Exhibit P-2, Schedule 37, presents the Company’s pro forma phone and cell phone  
22 expense. Line 3 sets forth total pro forma phone and cell phone expense by water and

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1 wastewater operations. Actual base year expense is shown on line 5. The last line on  
2 the exhibit is the adjustment between the pro forma expense and actual base year  
3 expense.

4 **37. Q. How did you develop the pro forma expense shown on line 3?**

5 A. The pro forma phone and cell phone expense is a base year level of expense adjusted  
6 to remove \$6,821 of Environmental Disposal Corporation (“EDC”) expense not  
7 included in NJAWC’s base rate request. Amounts recorded during the base year, as  
8 adjusted, best reflect current pricing and usage of communications equipment, which  
9 can vary with the organization structure and staffing levels.

10 **38. Q. How did you allocate phone and cell phone costs among the Company’s tariff**  
11 **districts?**

12 A. Phone and cell phone costs were allocated based on the number of the Company’s  
13 water customers as of March 31, 2017.

14 **39. Q. Does this conclude your direct testimony?**

15 A. Yes, it does.