

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

KEVIN KEANE

Exhibit PT-12

NEW JERSEY-AMERICAN WATER COMPANY, INC.

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

2 A. My name is Kevin Keane, and my business address is 661 Shrewsbury Avenue,
3 Shrewsbury, NJ 07702.

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

5 A. I am currently employed by New Jersey-American Water Company, Inc. (hereinafter
6 referred to as "NJAWC" or the "Company") as Senior Director of Coastal Operations.

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

8 A. I have operational oversight of all NJAWC regulated operations within our Coastal
9 Region, which encompasses the Company's service areas in Atlantic, Cape May,
10 Monmouth and Ocean Counties. I am responsible for the operation and maintenance
11 of the transmission and distribution infrastructure, production facilities, meters, new
12 construction, customer relations, safety of employees, financial results and growth
13 within the Coastal Operations of New Jersey American Water.

14 **4. Q. Please describe your educational background.**

15 A. I graduated in 1989 from Fairleigh Dickinson University with a Bachelor of Science
16 degree in Business Management. In 1999, I received a Masters of Business
17 Administration degree from Monmouth University. In addition, I have completed
18 several classes as required by the New Jersey Department of Environmental Protection
19 in order to sit for Water and Waste Water licensing examination. I currently hold a
20 W-4 Distribution license, T-3 Water Treatment license and a C-1 Sewer Collection
21 license.

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

2 A. Prior to joining NJAWC in 1989, I worked in the residential housing construction
3 industry as a construction supervisor. My first role with NJAWC was as a
4 Construction\Distribution Supervisor. In the mid 1990's, I accepted the roles of both
5 Assistant Production Superintendent, managing the day to day operations of a 30 MGD
6 treatment Plant, and then advancing to Production Superintendent with oversight of all
7 Production Operations within the Company's Monmouth County Operations. From
8 2000 to the present, I have progressed through various operational management roles
9 within our Monmouth and Ocean County operations. In June of 2016, I was promoted
10 to Senior Director of Coastal Operations.

11 **6. Q. What is the purpose of your testimony?**

12 A. My testimony will review the various operational benefits and customer service
13 enhancements that have been and will be gained from the integration of the Shorelands
14 Water Company ("Shorelands") System (PWSID 1339001) into NJAWC's Coastal
15 North system (PWSID 1345001).

16 **7. Q. Please describe the operational benefits of the acquisition and merger of the**
17 **Shorelands system.**

18 A. There are numerous benefits resulting from this acquisition. The integration of the
19 Shorelands system will create overall lower operating pressures in the combined
20 systems, which translates into lower energy consumption, fewer main breaks and
21 overall greater operational savings. For example, the current Aberdeen low pressure

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1 gradient is part of the NJAWC system and pressure is regulated into this gradient by
2 four (4) separate pressure reducing stations (“PRVs”). While these PRVs do regulate
3 the pressure to a much more manageable level, prior to the acquisition, there was no
4 tank storage to provide a cushion for water “hammers”¹ that can occur within this
5 gradient. Such events lead to increased water main breaks. The acquisition of the
6 Shorelands system and merger of its 185’ HGL gradient into the NJAWC system will
7 also allow for the integration of the Shorelands system storage tanks. The integration
8 of these elevated storage tanks will provide for system dampening, which is anticipated
9 to result in lower main break frequencies. For example, the average number of main
10 breaks in the Aberdeen System is currently 24 per year, or 0.66 main breaks per mile.
11 The average number of main breaks in NJAWC Middletown System, which has several
12 storage tanks, is 52 per year or 0.13 breaks per mile. While there are several factors
13 that can contribute to main breaks, we estimate a reduction of main breaks within the
14 Aberdeen system could be as high as 40%. This reduction in main breaks will also have
15 a direct result in reducing customer complaints that are associated with such events.

16 Furthermore, combining the NJAWC and Shorelands systems will have the benefit of
17 fully utilizing the elevated storage in both systems and should also have a positive
18 impact on power savings, potentially resulting in less pump run time during peak
19 demands as well as not having to operate additional pumps to maintain or recover
20 system pressures due to main break events.

¹ A water hammer is a pressure surge that is caused when water in motion is forced to stop or change direction suddenly.

NEW JERSEY-AMERICAN WATER COMPANY, INC.**8. Q. Why will water supply in this region of the state be improved by this acquisition?**

A. Currently, NJAWC's Monmouth distribution system (PWSID # 1345001) has no direct pipeline to our Union Beach system. As a result, our Union Beach system purchased water from Shorelands through two interconnects. For most of the year, this water is produced at NJAWC's treatment facilities, but was metered and sold to Shorelands and then NJAWC purchased it back to supply Union Beach. This acquisition has eliminated this repurchase cost. In addition, NJAWC anticipates that the ground water diversion from the Shorelands system wells will be optimized during peak production periods thus, creating a larger, more diverse water supply portfolio, because the combined assets of the two companies are utilized. NJAWC will also have the ability to optimize its surface water withdrawal from the New Jersey Water Supply Authority by leveraging the combined withdrawal limits of the two companies. The anticipated result will be less purchased water costs, from the Marlboro MUA and/or the New Jersey Water Supply Authority during peak periods. A full hydraulic review of the system merger will validate these key optimization assumptions. Furthermore, water quality can be managed in a more holistic and efficient manner in the Coastal North Region, rather than on an isolated, system-by-system basis, and customer complaints about water quality are reduced as a result.

9. Q. How will the reduction in overall operational expenses be achieved?

A. As discussed below, this acquisition also provides benefits in the following areas: production costs; operational equipment; employees and storage.

NEW JERSEY-AMERICAN WATER COMPANY, INC.1 Production Expenses and Operational Supplies

2 Due to its size and affiliate relationship to its parent, American Water Works Company,
3 Inc. (“American Water”), NJAWC is able to leverage its greater buying power to
4 competitively seek the best cost for goods and services. Items such as chemicals, power
5 and operational supplies, such as meters, hydrants and pipe, are competitively bid on a
6 statewide level and on a company-wide, national level as well where appropriate and
7 feasible, to get the most competitive pricing. Some examples of these anticipated
8 Production savings are listed below:

- 9 • Chemical pricing utilizing American Water agreements will reduce chemical
10 expense for the Shorelands production facilities. Please refer to the testimony
11 of Mr. Akmentins for additional information.
- 12 • Electrical KW savings for the power Shorelands has contracted for is 35%
13 higher in cost than American Water’s current purchase price. Please refer to the
14 testimony of Mr. Akmentins as he supports the pro forma adjustment to reflect
15 these annual cost savings of approximately \$110,000.
- 16 • Material can and will be purchased at a much lower cost through American
17 Water’s purchasing power.
- 18 • The per customer-cost of state-mandated water sampling requirements is
19 reduced because these costs can now be spread over a larger customer base.

20 Employees

21 The acquisition and merger will not only strengthen NJAWC’s operational expertise,
22 but will also result in expense savings. Succession planning is key to continued success
23 of running our operations. With the merger of the two companies, the Company has
24 on-boarded fourteen (14) knowledgeable employees who will be integrated into the
25 overall business over the next few months. Eight of these employees have treatment

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1 experience and almost all maintain some level of NJDEP “W” (Distribution) or “T”
2 (Treatment) licensing. Three additional employees have working field experience. All
3 this experience is critical for the Company to be successful as long-term, experienced
4 employees leave the organization through retirement. Hiring new, non-experienced
5 employees requires significant training time and actual “seat time” in order to obtain
6 NJDEP licensing, which is critical to our succession plans. So, the Company has
7 avoided significant expense by hiring and retaining the Shorelands employees.
8 Additionally, the operational employees’ maintenance skills can be fully utilized
9 during the non-production season to assist in maintaining NJAWC remote facilities,
10 which will reduce outsourced maintenance cost. Lastly, additional cost savings will
11 result from utilizing a current NJAWC internal Safety Specialist to conduct annual
12 OSHA compliance training as opposed to outsourcing all required training. Please note
13 that as of December 31, 2016, Shorelands had twenty-five (25) employees, all of whom
14 were offered positions with NJAWC as a result of the merger. Since December 31,
15 2016, NJAWC has absorbed without replacement the departure of eleven (11) former
16 Shorelands employees, some due to retirement, and others exploring new opportunities.
17 This reduction in employees that is being absorbed into the existing operations of
18 NJAWC is a benefit and cost savings to our customers.

More Efficient Storage Location

19 Finally, NJAWC does not own a storage yard near our Aberdeen or Union Beach
20 distribution systems. Utilizing the Shorelands’ Hazlet location as an additional storage
21 yard will allow us to limit the driving time to transport material and equipment to these
22

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1 parts of our system for repair work. The reduction of drive time will have a positive
2 impact on work efficiency and emergency repair response time. NJAWC also rents
3 remote garage space for storage of critical equipment and supplies. Shifting this
4 storage to the Shorelands facility would result in savings.

5 **10. Q. In addition to the benefits discussed above, please describe what additional**
6 **benefits our new, former Shorelands customers will obtain from the acquisition**
7 **of Shorelands.**

8 A. In August 2017, we fully converted the Shorelands customer data over to NJAWC's
9 customer relationship management (CRM) system. This conversion allows Shorelands
10 customers to have access to American Water's Call Center, which provides for 24 hours
11 per day, 7 days a week coverage for emergency requests, and Monday through Friday,
12 7 am to 7 pm coverage for routine inquiries, which is a great expansion of coverage
13 from what these customers had prior to the acquisition. In addition, the former
14 Shorelands customers have access to the Company's automated Interactive Voice
15 Response system as well as a variety of on-line services that assist them in managing
16 their accounts. These customers will also benefit from access to other American Water
17 resources, such as its quality control and testing laboratory in Bellville, Illinois and
18 American Water's security department, which oversees and advises on the protection
19 of the Company's physical assets and electronic data, including customer information.
20 Finally, these new customers will benefit from NJAWC's vast resource base that can
21 quickly respond to any significant failure or emergency in a rapid fashion statewide.
22 NJAWC maintains an inventory of emergency response equipment as well as the

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1 expertise of American Water engineering, water quality and operational resources to
2 respond to such events, as demonstrated during Super Storm Sandy.

3 **11. Q. Does this conclude your testimony at this time?**

4 A. Yes, it does.