



Agenda Date: 10/12/22  
Agenda Item: 5A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 1<sup>st</sup> Floor  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE PETITION OF NEW )  
JERSEY-AMERICAN WATER COMPANY INC. FOR )  
APPROVAL OF PROPOSED COST RECOVERY OF )  
LEAD SERVICE REPLACEMENT PLAN ) DOCKET NO. WR22010017

**Parties of Record:**

**Brian O. Lipman, Esq., Director**, New Jersey Division of Rate Counsel  
**Christopher M. Arfaa, Esq., Director, Corporate Counsel**, New Jersey-American Water Company, Inc.  
**Martin C. Rothfelder, Esq., Rothfelder Stern, LLC**, on behalf of the Optional Industrial Wholesale Coalition

BY THE BOARD: <sup>1</sup>

On January 14, 2022, New Jersey-American Water Company, Inc. (“NJAWC” or “Company”), a public utility corporation engaged in the production, treatment and distribution of water, and collection and treatment of wastewater doing business within the State of New Jersey, including portions of the counties of Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren; filed a petition with the Board of Public Utilities (“BPU” or “Board”), seeking the Board’s approval for its cost recovery plan for the replacement of the Company and customer side lead service lines, pursuant to N.J.S.A. 48:2-13, 48:2-16, 48:2-21, and 58:12A-45 and N.J.A.C. 14:1-5.12 (“Petition”).<sup>2</sup> By its Petition, NJAWC requested expedited treatment of this matter.

**BACKGROUND AND PROCEDURAL HISTORY**

On July 22, 2021, Governor Phil Murphy signed Assembly bill No 5343 into Law (P.L. 2021, Chapter 183) (N.J.S, A. 58:12A-40, et seq.) (“LSLR Law”). The LSLR Law found as follows:

[T]he presence of lead in drinking water represents a threat to the public health, especially the health and development of New Jersey’s children; that pipes containing lead that connect water mains to homes and other buildings, often called lead service lines,

<sup>1</sup> Commissioner Christodoulou has recused himself from this matter.

<sup>2</sup> Petition, p. 1.

are a primary source of lead in drinking water; and that, due in part to the age of New Jersey's housing, there does not exist a full and complete inventory of all lead service lines in the State.

The Legislature therefore declares that public water systems should fully inventory all service lines and gradually replace all lead service lines, portions of which may exist on private property; and that, given the risk to public health and the resulting social costs that lead exposure imposes upon society as a whole, it is in the public interest that each public water system be obligated to replace lead service lines, including those that exist on private property, and be authorized to recoup the costs of lead service line replacements from all subscribers of the public water system.

[N.J.S.A. 58:12-40.]

The LSLR Law requires that "[i]n order to recoup the costs of lead service line replacements from its customers . . . an investor-owned public community water system shall submit to the board, for approval at its next general rate case proceeding, a petition that includes a proposal for cost recoupment." N.J.S.A. 58:12A-45 (b).

As part of the Petition, NJAWC included a plan to replace lead service lines in its service territory and for associated cost recovery ("LSLR Plan" or "LSLR Proposal"). The LSLR Plan included the replacement of customer-owned lead service lines including goosenecks and galvanized as required by the LSLR Law (together, "LSLs") in conjunction with main replacement and relocation projects using the Company's prioritization model previously reviewed in prior filings with the Board, as well as through other means as the replacement program progresses over the next 10 years.

The LSLR Plan includes the following elements required by the LSLR Law:

- Estimated total cost to replace both Company-owned and customer-owned sides of LSLs;
- Availability of grants or low interest loans;
- Proposed rate treatment of replacement costs;
- How replacements of LSLs will be accomplished;
- Estimated savings; and
- Communication with customers and documentation of consent.

Additionally, in compliance with the LSLR Law, the Company also filed a base rate at the same time as the Petition.<sup>3</sup> The base rate case was transmitted to the Office of Administrative Law ("OAL"), for consideration as a contested case, pursuant to N.J.A.C. 1:1-3.2(a) and 1:14-8.1.

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<sup>3</sup> In re the Petition of New-Jersey American Water Company, Inc., for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service, and Other Tariff Modifications, BPU Docket No. WR22010019, OAL Docket No. PUC 00808-22 ("NJAWC Base Rate Case").

On February 23, 2022, the Board issued an Order retaining the Petition for hearing and among other things, designated the Honorable Mary-Anna Holden, BPU Commissioner, as the presiding officer. Additionally, the February 2022 Order directed any entities seeking to intervene in the docket to do so on before March 25, 2022.<sup>4</sup>

On May 27, 2022, Commissioner Holden issued a Prehearing Order, which granted intervention to the members of the Optional Industrial Wholesale (“OIW”) Customer Coalition, set the procedural schedule for the docket, and set forth the following issues to be resolved in this case:<sup>5</sup>

1. How should the costs of the lead service LSLR Proposal be recovered from customers consistent with the legislation; and
2. Did the company comply with all the requirements of the recently enacted lead service line replacement law applicable to this proceeding.

On July 6, 2022, Commissioner Holden issued a modified Prehearing Order, which modified the procedural schedule in this matter and denied the OIW Customer Coalition’s request to amend the Prehearing Order.<sup>6</sup>

On July 25, 2022, the Company submitted a stipulation of settlement in the NJAWC Base Rate Case matter and on August 4, 2022, the OAL issued an Initial Decision recommending approval of the settlement. By Order dated August 17, 2022, the Board adopted the Initial Decision recommending adoption of the stipulation to the settlement in the NJAWC Base Rate Case.

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<sup>4</sup> In re the Petition of New Jersey-American Water Company, Inc. for Approval of Proposed Cost Recovery of Lead Service Replacement Plan, BPU Docket No WR22010017, Order dated February 28, 2022 (“February 2022 Order”).

<sup>5</sup> In re the Petition of New-Jersey American Water Company, Inc. for Approval of Proposed Cost Recovery of Lead Service Replacement Plan, BPU Docket No WR22010017, Order dated February 28, 2022 (“May 2022 Order”). The OIW Customer Coalition consists of Rutgers University Phillips 66, Cogen Technologies Linden Venture, LP Johanna Foods, Inc., Princeton University and Merck & Co.

<sup>6</sup> In re the Petition of New-Jersey American Water Company, Inc. for Approval of Proposed Cost Recovery of Lead Service Replacement Plan, BPU Docket No WR22010017, Order dated July 6, 2022.

## **SETTLEMENT AGREEMENT**

The Company, Board Staff (“Staff”), the New Jersey Division of Rate Counsel (“Rate Counsel”), and the OIW Customer Coalition (collectively, “Parties”) held several comprehensive settlement discussions. As a result of these discussions, the Parties reached a stipulation of settlement (“Stipulation”) resolving all issues in this matter, which provides for the following.<sup>7</sup>

### **A. Recovery of LSLR Costs**

- 1 The Parties agree that NJAWC’s proposed cost recovery for its LSLR plan, as modified in the Stipulation, is consistent with the LSLR Law and should be approved by the Board:
  - a. The costs of property-owner side (as defined in LSLR Law) LSLRs shall be recovered from the following rate schedules: Rate Schedules A-1 through A-16 (“GMS”); and Rate Schedule F-OIW; Rate schedules E, H, I, J; Rate Schedules C and D - Commodity Demand; Rate Schedule G-SOS; and Rate Schedules L-1 through L12 – Private Fire (collectively, “non-GMS”). The GMS and non-GMS LSLR revenue requirement allocation percentages will be updated following each base rate proceeding during the LSLR recovery period.
  - b. The revenue requirement for property-owner side LSLRs shall be allocated to the rate schedules as follows: For each surcharge period, revenue responsibility shall be assigned to GMS in the same proportion as total revenue requirements were assigned to GMS in NJAWC’s most recently concluded base rate case. Then the balance of the revenue responsibility shall be assigned to non-GMS.
  - c. The portion of the surcharge revenue requirement allocated to GMS customers shall be collected on a volumetric basis. The portion of the surcharge revenue requirement allocated to non-GMS customers shall be collected as a fixed per customer surcharge based on the aggregate customer count of the non-GMS.
  - d. An example of how this methodology would apply is attached as Exhibit A to the Stipulation.
  - e. The non-GMS customer count and GMS volumetric usage will be updated with each surcharge filing. The non-GMS customer count will be updated to reflect the count at the end of the month prior to each surcharge filing. The GMS usage will be updated to reflect the actual usage from the six-month period during which the costs were incurred.
  - f. The Company agrees to provide notice of each surcharge filing to Staff, Rate Counsel and OIW counsel of record. The Parties agree to extend the 30-day period included in the LSLR Plan to 45 days, which the Parties agree may include an opportunity for discovery and comments.

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<sup>7</sup>Although summarized in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

- g. The Parties agree that for the first surcharge filing, NJAWC will include a proposed form of public notice and hold a public hearing consistent with the requirements in N.J.A.C. 14:1-5.12, which shall include estimated rate information for the first five (5) years of the program.
- h. The Parties further agree that after the initial five (5) years of the program, NJAWC will hold a second public hearing, consistent with the requirements of N.J.A.C. 14:1-5.12, which shall include estimated rate information for the remainder of the program.
- i. The surcharge filings that include public notice and hearing as set forth in subsections g and h above shall be implemented within 75 days instead of the 45-day period applicable to all other surcharge filings.
- j. To ensure that customers are surcharged the proper amount, the Company will reconcile any over- or under-collections on an annual basis as part of its surcharge filings.

B. **Compliance with LSLR LAW:**

The Parties agree that the Company has complied with all of the requirements of the LSLR Law applicable to this proceeding and subject to the Boards jurisdiction, and the LSLR Plan as modified in the Stipulation, should be approved by the Board.

**DISCUSSION AND FINDINGS**

The presence of lead in drinking water represents a grave threat to public health, especially to the development of children in the State of New Jersey, and prevents Companies from providing safe drinking water to the citizens of New Jersey. One of the more pressing issues facing the companies in removing the presence of lead in drinking water is the removal of all lead service lines, with the removal of customer-owned lead service lines being the most difficult to replace. The LSLR Law represents an attempted solution and enables the companies to recoup some of the costs associated with replacing customer owned lead service lines and thereby remove one of the main sources of lead contaminated drinking water that is facing the Citizens of New Jersey.

The Board **NOTES** that, as a result of the Stipulation, there is no immediate impact on customer rates. The anticipated average monthly bill impact for the proposed rate treatment for the replacement of customer-owned lead service lines will vary depending on the actual amount of expense incurred during the replacement period. In the Petition, the Company estimated that average monthly impact for a residential customer could range from a low of \$0.29259 per customer per month to a high of \$3.31597 per month.

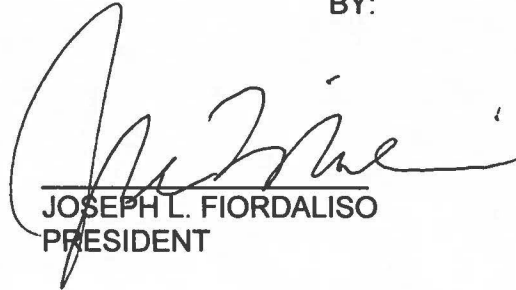
Therefore, having reviewed the record in this matter including the Stipulation and the terms of settlement in the Stipulation, the Board **FINDS** that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and it is consistent with the LSLR Law. In reaching this decision, the Board must balance the needs of the ratepayer to receive safe, adequate and proper service at reasonable rates, while allowing the utility the opportunity to earn a fair rate of return.

The Board **FINDS** the Stipulation to be reasonable, in the public interest and in accordance with the Law. Therefore, the Board **HEREBY ADOPTS** the terms of the Stipulation.

The effective date of this Order is October 19, 2022.

DATED: October 12, 2022

BOARD OF PUBLIC UTILITIES  
BY:



JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:   
CARMEN D. DIAZ  
ACTING SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public Utilities.

IN THE MATTER OF THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC.  
FOR APPROVAL OF PROPOSED COST RECOVERY OF LEAD SERVICE REPLACEMENT  
PLAN

DOCKET NO. WR22010017

SERVICE LIST

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. WR22010017**  
**NEW JERSEY-AMERICAN WATER :**  
**COMPANY, INC. FOR APPROVAL OF :**  
**PROPOSED COST RECOVERY OF LEAD :**  
**SERVICE REPLACEMENT PLAN : STIPULATION OF SETTLEMENT**

**APPEARANCES:**

**Christopher M. Arfaa, Esq.**, Corporate Counsel, New Jersey-American Water Company, Inc.

**Pamela Owen, Esq., Meliha Arnautovic, Esq.**, Deputy Attorneys General for Staff of the New Jersey Board of Public Utilities (**Matthew J. Platkin**, Acting Attorney General of New Jersey)

**Susan McClure, Esq.**, Managing Attorney, **Christine Juarez, Esq.**, Assistant Deputy Rate Counsel, **Emily Smithman, Esq.**, Assistant Deputy Rate Counsel, for the Division of Rate Counsel (**Brian O. Lipman, Esq.**, Director)

**Martin C. Rothfelder, Esq., Bradford M. Stern, Esq.**, Rothfelder Stern, L.L.C., for Rutgers University, Philips 66, Cogen Technologies Linden Venture, L.P., Johanna Foods, Inc., Princeton University, and Merck & Co., Inc.

**TO THE NEW JERSEY BOARD OF PUBLIC UTILITIES :**

**BACKGROUND**

On July 22, 2021, Governor Phil Murphy signed Assembly Bill No. 5343 into law (P.L. 2021, Chapter 183) (N.J.S.A. 58:12A-40, et seq.) (“LSLR Law”), requiring, in pertinent part, that “In order to recoup the costs of lead service line replacements from its customers . . . an investor-owned public community water system shall submit to the board, for approval at its next general rate case proceeding, a petition that includes a proposal for cost recoupment.”

On January 14, 2022, New Jersey-American Water Company, Inc. (“NJAWC” or “Company”), a public utility corporation engaged in the production, treatment and distribution of water, and collection and treatment of wastewater doing business in portions of the following

counties within the State of New Jersey: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren, filed the above-captioned petition with the New Jersey Board of Public Utilities (“BPU” or “Board”), seeking approval of its cost recovery plan for the replacement of Company and customer side lead service lines, pursuant to N.J.S.A. 48:2-13, 48:2-16, 48:2-21, and 58:12A-45 and N.J.A.C. 14:1-5.12 (“Petition”).

As part of the Petition, NJAWC included a plan to replace lead service lines in its service territory and for associated cost recovery (“LSLR Plan” or “LSR Proposal”). The LSLR Plan includes replacement of customer-owned lead service lines, including goosenecks and galvanized as required by the LSLR Law (together, “LSLs”) in conjunction with main replacement and relocation projects using the Company’s prioritization model previously reviewed in prior filings with the Board, as well as through other means as the replacement program progresses over the next 10 years.

The LSLR Plan includes the following elements required by the LSLR Law:

- Estimated total cost to replace both Company-owned and customer-owned sides of LSLs;
- Availability of grants or low interest loans;
- Proposed rate treatment of replacement costs;
- How replacement of LSLs will be accomplished;
- Estimated savings; and
- Communication with customers and documentation of consent.

The Company also filed a base rate case at the same time as this matter in order to comply with the LSLR Law.<sup>1</sup> The base rate case was transmitted to the Office of Administrative Law (“OAL”), for consideration as a contested case, pursuant to N.J.A.C. 1:1-3.2(a) and 1:14-8.1.

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<sup>1</sup> *In re the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service, and Other Tariff Modifications*, BPU Docket No. WR22010019.

On February 23, 2022, the Board issued an order retaining the Petition for hearing and, among other things, designating the Honorable Mary-Anna Holden, BPU Commissioner, as the presiding officer.<sup>2</sup> Additionally, the February 2022 Order directed any entities seeking to intervene in the docket to do so on or before March 25, 2022.

On May 27, 2022, Commissioner Holden issued a Pre-Hearing Order granting intervention to the members of the Optional Industrial Wholesale (“OIW”) Customer Coalition, setting the procedural schedule for the docket, and setting forth the following issues to be resolved in this case:<sup>3</sup>

1. How should the costs of the lead service LSR Proposal be recovered from customers consistent with the legislation; and
2. Did the Company comply with all of the requirements of the recently enacted lead service line replacement law applicable to this proceeding.

On June 1, 2022, the OIW Customer Coalition filed a letter with the Board seeking to modify the procedural schedule found in the May 2022 Order to move the requirement that the OIW Customer Coalition file its testimony and shift all other dates accordingly. On June 1, 2022, Rate Counsel and NJAWC responded via email that they did not oppose the extension provided that the rest of the schedule was moved accordingly.

On June 7, 2022, the OIW Customer Coalition filed a letter with the Board seeking to amend the issues to be resolved section of the May 2022 Order (“OIW Customer Coalition Letter

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<sup>2</sup> *In re the Petition of New Jersey-American Water Company, Inc. for Approval of Proposed Cost Recovery of Lead Service Replacement Plan*, BPU Docket No. WR22010017, Order dated February 23, 2022 (“February 2022 Order”).

<sup>3</sup> *In re the Petition of New Jersey-American Water Company, Inc. for Approval of Proposed Cost Recovery of Lead Service Replacement Plan*, BPU Docket No. WR22010017, Order dated May 27 2022 (“May 2022 Order”). The OIW Customer Coalition consists of Rutgers University, Phillips 66, Cogen Technologies Linden Venture, LP., Johanna Foods, Inc., Princeton University and Merck & Co.

to Amend"). On that same day, NJAWC filed a letter objecting to the OIW Customer Coalition Letter to Amend, and on June 9, 2022, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted a letter agreeing with NJAWC's objections.

On June 14, 2022, the OIW Customer Coalition responded to NJAWC's and Rate Counsel's objections to the OIW Customer Coalition's request for additional issues to be resolved in this docket.

On July 6, 2022, Commissioner Holden issued an order granting the Motion to Amend the Procedural Schedule and denying the OIW Customer Coalition request to amend the May 2022 Order.

On July 25, 2022, the Company submitted a Stipulation of Settlement of its base rate case in BPU Docket No. WR22010019, OAL Docket No, PUC 00808-22. On August 4, 2022, the OAL issued an Initial Decision recommending approval of the settlement in that case. On August 17, 2022, the Board approved the Stipulation of Settlement in that case.<sup>4</sup>

NJAWC, Board Staff ("Staff"), the New Jersey Division of Rate Counsel ("Rate Counsel") and the OIW Customer Coalition (collectively, "Stipulating Parties") engaged in discovery, and comprehensive settlement discussions were held. As a result of these discussions, the Stipulating Parties have reached this stipulation of settlement ("Stipulation") resolving all issues in this proceeding subject to the terms and conditions stated herein.

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<sup>4</sup> *In re the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service, and Other Tariff Modifications*, BPU Docket No. WR22010019, Order Adopting Initial Decision/Settlement (August 17, 2022).

## SETTLEMENT AGREEMENT

### **A. Recovery of LSLR Costs**

1. The Stipulating Parties agree that NJAWC's proposed cost recovery for its LSLR Plan, as modified below, is consistent with the LSLR Law and should be approved by the Board:
  - a. The costs of property-owner side (as defined in LSLR Law) LSLRs shall be recovered from the following rate schedules: Rate Schedules A-1 through A-16 ("GMS"); and Rate Schedule F – OIW; Rate Schedules E, H, I, J; Rate Schedules C and D – Commodity Demand; Rate Schedule G – SOS; and Rate Schedule L-1 through L12 – Private Fire (collectively, "non-GMS"). The GMS and non-GMS LSLR revenue requirement allocation percentages will be updated following each base rate proceeding during the LSLR recovery period.
  - b. The revenue requirement for property-owner side LSLRs shall be allocated to the rate schedules as follows: For each surcharge period, revenue responsibility shall be assigned to GMS in the same proportion as total revenue requirements were assigned to GMS in NJAWC's most recently concluded base rate case. Then the balance of the revenue responsibility shall be assigned to non-GMS.
  - c. The portion of the surcharge revenue requirement allocated to GMS customers shall be collected on a volumetric basis. The portion of the surcharge revenue requirement allocated to non-GMS customers shall be collected as a fixed per customer surcharge based on the aggregate customer count of the non-GMS.
  - d. An example of how this methodology would apply is attached as Exhibit A to this Stipulation.

- e. The non-GMS customer count and GMS volumetric usage will be updated with each surcharge filing. The non-GMS customer count will be updated to reflect the count at the end of the month prior to each surcharge filing. The GMS usage will be updated to reflect the actual usage from the six-month period during which the costs were incurred.
- f. The Company agrees to provide notice of each surcharge filing to Staff, Rate Counsel and OIW counsel of record. The Parties agree to extend the 30-day period included in the LSLR Plan to 45 days, which the Parties agree may include an opportunity for discovery and comments.
- g. The Stipulating Parties agree that for the first surcharge filing, NJAWC will include a proposed form of public notice and hold a public hearing consistent with the requirements in N.J.A.C. 14:1-5.12, which shall include estimated rate information for the first five (5) years of the program.
- h. The Stipulating Parties further agree that after the initial five (5) years of the program, NJAWC will hold a second public hearing, consistent with the requirements of N.J.A.C. 14:1-5.12, which shall include estimated rate information for the remainder of the program.
- i. The surcharge filings that include public notice and hearing as set forth in subsections g and h above shall be implemented within 75 days instead of the 45-day period applicable to all other surcharge filings.
- j. To ensure that customers are surcharged the proper amount, the Company will reconcile any over- or under-collections on an annual basis as part of its surcharge filings.

**B. Compliance with LSLR Law**

The Stipulating Parties agree that the Company has complied with all of the requirements of LSLR Law applicable to this proceeding and subject to the Board's jurisdiction, and the LSLR Plan, as modified above, should be approved by the Board.

**C. Effective Date**

2. The Stipulating Parties agree that the Board Order approving this Stipulation shall be effective upon the service of said Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

**D. Miscellaneous**

3. The Stipulating Parties agree that this Stipulation has been made exclusively for the purpose of this proceeding and that this Stipulation, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation.

4. The Stipulating Parties agree that this Stipulation contains a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, or modified by the Board, each party that is adversely affected by the modification can either accept the modification or declare this Stipulation to be null and void, and the Stipulating Parties shall be placed in the same position that they were in immediately prior to its execution.

5. It is the intent of the Stipulating Parties that the provisions hereof be approved by the Board as being in the public interest. The Stipulating Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

6. The Stipulating Parties agree that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Stipulating Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Stipulating Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

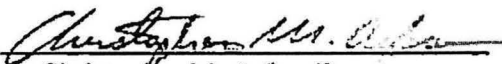
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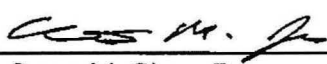


7. This Stipulation may be executed in as many counterparts as there are Stipulating Parties of this Stipulation, and each such counterpart shall be considered an original; however, all such counterparts will constitute one and the same instrument.

**NEW JERSEY-AMERICAN WATER  
COMPANY, INC.**

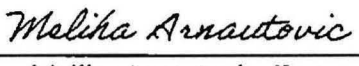
**BRIAN O. LIPMAN, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

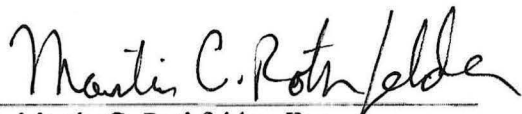
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COGEN TECHNOLOGIES LINDEN  
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INC., PRINCETON UNIVERSITY, AND  
MERCK & CO., INC.**

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DATED: September 29, 2022

## EXHIBIT A

### BPU Docket No. WR22010017

#### Sample Initial Surcharge Calculation:

The allocation among rate classes based on the Company's last concluded base rate case (Docket No. WR19121516) is as follows:

| Classification           | Total Revenue Amount | Percent |
|--------------------------|----------------------|---------|
| Rate Schedules - GMS     | \$605,397,122        | 87.32%  |
| Rate Schedules – Non-GMS | 87,876,510           | 12.68%  |
| Total Water Revenues     | \$693,273,632        | 100.00% |

Assuming an initial surcharge amount of \$4,692,792,<sup>1\*</sup> the allocation of the surcharge amount among GMS and Non-GMS customers will be as follows:

| Classification          | Total Revenue Amount | Percent |
|-------------------------|----------------------|---------|
| Rate Schedule - GMS     | \$4,097,953          | 87.32%  |
| Rate Schedule - Non-GMS | 594,839              | 12.68%  |
|                         | \$4,692,792          | 100.00% |

This results in estimated initial surcharge amounts for GMS and Non-GMS customers as follows:

| Classification          | Customer Count at 12/31/2021 | Usage(TG) - 6 months <sup>1</sup> | Semi-Annual Surcharge | Rate per Customer <sup>2</sup> | Monthly Charge <sup>3</sup> |
|-------------------------|------------------------------|-----------------------------------|-----------------------|--------------------------------|-----------------------------|
| Rate Schedules - GMS    |                              | 30,128,032                        | \$4,097,953           | \$0.1360                       | \$0.73                      |
| Rate Schedule - Non-GMS | 12,463                       |                                   | \$594,839             | \$47.73                        | \$7.95                      |

<sup>1</sup> Semi-Annual GMS usage from Docket No. WR19121516

<sup>2</sup> GMS is the rate per 1,000 gallons. Non GMS is the semi-annual cost per customer.

<sup>3</sup> GMS using the average customer usage of 5,400 gallons per month x the rate per 1,000 gallons.  
Non GMS is the semi-annual surcharge divide by six (6) months.

<sup>1\*</sup> The initial surcharge amount is an estimate based on the high range of the total estimated annual cost of customer-side LSLRs for the period July 1, 2020 through June 30, 2022 set forth in Table 5 of the Company's LSLR Plan.