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July 12, 2019

Aida Camacho-Welch, Secretary  
State of New Jersey  
Board of Public of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625

**In the Matter of the Proposed amendment to N.J.A.C. 14:9 Adoption by Reference of the Uniform System of Accounts for Water Utilities Docket No. WX19050612**

**In the Matter of the Proposed amendment to N.J.A.C. 14:9 Adoption by Reference of the Uniform System of Accounts for Wastewater (Sewer) Utilities Docket No. WX19050613**

Dear Secretary Camacho-Welch:

SUEZ would first like to thank the Board for looking into this issue and updating the approved Uniform System of Accounts from the currently approved 1959 version for water utilities and 1957 version for wastewater utilities. In response to Board Staff's invitation, SUEZ Water New Jersey Inc. (SWNJ) offers the followings comments.

Much has changed since 1959 particularly around the use of technology. Computerized billing and accounting systems, SCADA systems, and electronic meter reading systems are the norm. Even the most recent 1996 version of the National Association of Regulatory Utility Commissioners Uniform System of Accounts is somewhat lacking in details surrounding such technological advancements to be recorded in Plant in Service as much has also changed since its publication. Given the pace of technological advancements, any system of accounts should have adequate flexibility to reflect such advancements. The regulatory commissions of certain utility affiliates of SWNJ (Pennsylvania, Idaho, and Rhode Island) have been utilizing the 1996 version to good effect in this area.

While the Company has not had the opportunity to perform a detailed analysis of potential changes to the annual BPU report, it appears that, with some level of summarization, changes to the annual report to the BPU would mainly be to reflect changes in account numbering and labeling. At first look, these changes would mainly impacting the financial statement portions of the report.

Finally, in order to fully utilize the 1996 USOA, changes to a company's accounting processes, controls, and systems may be required. If such changes are required, ample time should be allowed to assess and implement those changes and the cost should be allowed to be deferred for future rate treatment.

SUEZ does not object to the adoption of the 1996 USOA at this time and looks forward to participating in the stakeholder process to determine if certain specific changes to the 1996 version are appropriate for New Jersey.

Best regards,

A handwritten signature in black ink, appearing to read "James C. Cagle", written over a large, scribbled-out area.

James C. Cagle  
Vice President – Rates and Regulatory Affairs



MOVING WATER FORWARD

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www.nawc.org

July 12, 2019

**VIA E-Mail and Overnight Mail**

The Honorable Aida Camacho-Welch  
Secretary of the Board  
New Jersey Board of Public Utilities  
44 South Clinton Avenue  
Trenton, NJ 08625  
[Board.secretary@bpu.nj.gov](mailto:Board.secretary@bpu.nj.gov)

Re: BPU Docket No. WX19050612 – In the Matter of the Proposed Amendment to N.J.A.C. 14:9 Adoption by Reference of the Uniform System of Accounts for Water Utilities.

BPU Docket No. WX19050613 – In the Matter of the Proposed Amendment to N.J.A.C. 14:9 Adoption by Reference of the Uniform System of Accounts for Wastewater (Sewer) Utilities.

Dear Secretary Camacho-Welch:

The National Association of Water Companies – New Jersey Chapter (“NAWC-NJ”)<sup>1</sup> submits these comments in response to the Notice issued in the above-referenced dockets on June 20, 2019. In this Notice, Board Staff invites all interested parties to comment on the 1996 Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners (NARUC) and whether this model should be utilized in New Jersey to develop uniform accounting records and maintain consistent application for investor-owned water and wastewater (sewer) companies.

By way of background, the Board’s current Uniform System of Accounts for Wastewater (Sewer) Utilities was adopted effective April 1, 1957 and the Board’s Uniform System of Accounts for Water Utilities was adopted effective January 1, 1960. To say the world has significantly changed since 1957 and 1960, respectively, would be an understatement. With

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<sup>1</sup> The NAWC-NJ Chapter is comprised of the following member water utility companies: Aqua New Jersey, Gordon’s Comer Water Company, Middlesex Water Company, New Jersey American Water Company and Suez Water New Jersey, Inc.

technological advances, the universe of utility plant today is vastly different than it was in 1957 and 1960. Gone, for example, is the widespread use of carbon paper, typewriters and even to a certain extent basic copiers and fax machines. In their place we have computers, e-mail, pdf scanners and other forms of communication not requiring as much use of paper as in the 1950s and 1960s. Likewise, there now exists modernized utility plant such as SCADA systems and computerized accounting systems that were not in existence 50 to 60 years ago.

Given these technological advances alone, a Uniform System of Accounts that more precisely captures this more advanced utility plant is both appropriate and long overdue. NAWC-NJ therefore supports an update of the current rules codified in N.J.A.C. 14:9 to, at minimum, adopt the 1996 Uniform System of Accounts adopted by NARUC.

It should be noted that significant time has passed between 1996, when NARUC last adopted a Uniform System of Accounts, and present-day 2019. In addition, different states have adopted and implemented the 1996 Uniform System of Accounts as a whole or variants of the 1996 Uniform System of Accounts with updates to certain plant as time has passed and more technological advance has occurred. Individual members of NAWC-NJ have water and/or wastewater operations across several states throughout the country and can report to the stakeholders variants that have worked well and others that have been less efficient. It is NAWC-NJ's hope over the course of the stakeholder process that these different state models be explored to determine what might work well for New Jersey and what variants might be improved upon to work well in New Jersey.

Additionally, NAWC-NJ requests that if the rulemaking process cannot be completed by the end of the third quarter of 2019, that the Board consider a January 1, 2021 effective date for any new rule implementing an updated Uniform System of Accounts. A January 1, 2021 effective date will ensure that the water and wastewater companies will have sufficient time to update their accounting systems, that the water and wastewater companies' 2021 books and records will reflect the 1996 Uniform System of Accounts for the filing of their 2022 Annual Reports, and that the Board's Annual Report template can be updated. As part of the process to update the Annual Report template, the NAWC-NJ members stand ready to assist the Board.

With these observations, it is NAWC-NJ's position that as a minimum baseline, the Board amend N.J.A.C. 14:9 to adopt the 1996 Uniform System of Accounts adopted by NARUC with flexibility to explore and implement any improvements on top of the 1996 Uniform System of Accounts that have worked well in other states. We look forward to working with the Board and all stakeholders in this process.

Respectfully,



Jay L. Kooper

Chairman

National Association of Water Companies – New Jersey Chapter



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BOARD OF PUBLIC UTILITIES  
 TRENTON, NJ

STEFANIE A. BRAND  
 Director

PHIL MURPHY  
 Governor

SHEILA OLIVER  
 Lt. Governor

July 12, 2019 BOARD OF PUBLIC UTILITIES

via Hand Delivery

Aida Camacho-Welch, Secretary  
 New Jersey Board of Public Utilities  
 44 South Clinton Ave., 10<sup>th</sup> Floor  
 P.O. Box 350  
 Trenton, New Jersey 08625-0350

JUL 15 2019

DIVISION OF WATER

Re: I/M/O Proposed Amendments to N.J.A.C. 14-9 – Adoption by Reference of the Uniform System of Accounts for Water Utilities  
 BPU Docket No. WX19050612  
I/M/O Proposed Amendments to N.J.A.C. 14:9 – Adoption by Reference of the Uniform System of Accounts for Wastewater (Sewer) Utilities  
 BPU Docket No. WX19050613

Dear Secretary Camacho-Welch:

By notice dated June 5, 2019, the Staff of the Board of Public Utilities (“Board Staff”) initiated a stakeholder process to discuss proposed modifications to several aspects of the Board’s water and wastewater regulations. Board Staff subsequently held a stakeholder meeting on June 13, 2019. Among other things, Board Staff seeks to update the Board’s current Uniform System of Accounts for Wastewater (Sewer) utilities, which dates to April 1, 1957, and the Board’s Uniform System of Accounts for Water Utilities, which dates to January 1, 1960. Specifically, Board Staff seeks comment on the 1996 Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners (“NARUC”), and whether it should be used as the model to update New Jersey’s current uniform systems of accounts.

Accordingly, the Division of Rate Counsel (“Rate Counsel”) offers the following initial comments. To date, Rate Counsel has been unable to secure a copy of any of the 1996 Uniform Systems of Accounts (“USoA”) for Water or the 1996 USoA for Sewer. Until Rate Counsel is able to obtain and review these documents, Rate Counsel can only offer preliminary comments, and reserves its right to offer more specific comments at a future date.

#### Comment 1

The adoption of a new USoA should provide conformity across all regulated water and wastewater utilities operating in New Jersey. The adoption should maintain consistency and compliance with utility accounting requirements.

#### Comment 2

The adoption of a new USoA for water and wastewater utilities operating in New Jersey should be used as a basis to prepare and develop the financial reporting requirements for all required BPU filings.

#### Comment 3

The definitions of the transactions that are used to record accounting information under the amended USoA should be meaningful and specific.

#### Comment 4

The USoA should provide and account for the results of the operations above the line – Net Operating Income, and below the line – received from shareholders.

#### Comment 5

The adoption of the USoA for water and wastewater utilities should provide for the Generally Accepted Accounting Principles (GAAP) fulfillment requirements and for the proper classification and treatment of financial transactions: classified and recorded as Assets, Liabilities, Equity, Revenues, costs and expenses, and whether the adoption provides for flexibility in the interpretations.

#### Comment 6

The adoption of the USoA should allow for audit capabilities, provide for the examination, audit, review and compilation of all accounting records in the manner as prescribed by the NJ BPU.

#### Comment 7

The adoption of the USoA should provide for the classifications (Class A, B, C, etc.) which should be based upon annual revenues (less than \$50,000, \$50,000-250,000, etc.).

#### Comment 8

The adoption of the USoA should allow for accounting and recognition relating to the Tax Cuts and Jobs Act of 2017. The adoptions should also allow for any future changes to the Federal Income Tax Code, i.e. as it relates to Excess Deferred Income Taxes, Federal Income Tax Expense-flow back and the amortization of such accounts.

Comment 9

The adoption of the USoA should allow for the accounting and recognition of Extraordinary Items (i.e. weather-related issues, storm hardening, capital and operating expenses of maintaining water and wastewater infrastructure).

Comment 10

The adoption of the USoA should allow for the accounting and recognition of pass-through revenues, charges and refunds pertaining to tracker mechanisms such as, DSICs, PWACs and PSTACs.

Comment 11

To the extent it intends to require use by the water/wastewater utilities, the Board and its Staff should make available to the public the most recent revisions to the NARUC 1996 USoA for Class A, B, and C water and wastewater utilities. Also, Board Staff should make available the current BPU USoA dated April 1, 1957 (wastewater) and the current BPU USoA dated January 1, 1960 (water) so that comparisons and contrasts can be performed between and among these various documents.


Conclusion

Rate Counsel thanks the Board for the opportunity to provide these comments. As noted above, we reserve our right to offer additional, more specific comments at a future date. We ask the Board to make all parties' comments publicly available, and to set a future date for the filing of a second round of comments in the Fall.

Respectfully submitted,

STEFANIE A. BRAND  
Director, Division of Rate Counsel

By:

  
Christine M. Juárez  
Assistant Deputy Rate Counsel

cc: Brian Lipman, Litigation Manager  
Debra F. Robinson, Managing Attorney – Water/Wastewater  
Michael Kammer – Board of Public Utilities  
Megan Lupo – Board of Public Utilities