

**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

**IN THE MATTER OF THE PETITION OF)
NEW JERSEY-AMERICAN WATER COMPANY)
INC. FOR APPROVAL OF INCREASED) BPU DKT. NO. WR11070460
TARIFF RATES AND CHARGES FOR WATER) OAL DKT. NO. PUC 09799-2011N
AND WASTEWATER SERVICE, CHANGE IN)
DEPRECIATION RATES AND OTHER)
TARIFF MODIFICATIONS)**

**DIRECT TESTIMONY OF BRIAN KALCIC
ON BEHALF OF THE
NEW JERSEY DIVISION OF RATE COUNSEL**

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SCHEDULES BK-1 THROUGH BK-9

APPENDIX – Qualifications of Brian Kalcic

1

I. QUALIFICATIONS AND OVERVIEW

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

3 A. Brian Kalcic, 225 S. Meramec Avenue, Suite 720, St. Louis, Missouri 63105.

4

5 **Q. What is your occupation?**

6 A. I am an economist and consultant in the field of public utility regulation, and
7 principal of Excel Consulting. My qualifications are described in the Appendix to
8 this testimony.

9

10 **Q. On whose behalf are you testifying in this case?**

11 A. I am testifying on behalf of the New Jersey Division of Rate Counsel (“Rate
12 Counsel”).

13

14 **Q. What is the subject of your testimony?**

15 A. Rate Counsel requested that I review various rate structure proposals submitted on
16 behalf of New Jersey-American Water Company, Inc. (“NJAWC” or “Company”)
17 and develop an appropriate rate design that reflects Rate Counsel witness Robert J.
18 Henkes’ recommended revenue requirement decrease of \$45.884 million.

19

In addition, I will address NJAWC’s proposed Water Efficiency Tracker
20 revenue adjustment mechanism.

21

22 **Q. How is your testimony organized?**

Direct Testimony of Brian Kalcic

1 A. My direct testimony is organized as follows. Section I of my testimony contains my
2 qualifications and an overview of my testimony. Section II reviews the Company's
3 cost-of-service study. Section III presents my recommended class revenue
4 allocation and rate design. Finally, Section IV critiques NJAWC's proposed Water
5 Efficiency Tracker ("WET").

6

7 **Q. Please summarize your recommendations.**

8 A. Based upon my review of the Company filing and interrogatory responses, I
9 recommend that Your Honor and the New Jersey Board of Public Utilities ("Board"
10 or "BPU"):

11

- 12 • adopt my recommended class revenue allocation, which includes non-
13 uniform decreases to the Company's water service rate classes;
- 14
- 15 • implement my recommended rate design, which incorporates an appropriate
16 balance with respect to traditional cost of service, gradualism and rate
17 equalization considerations; and
- 18
- 19 • reject the Company's proposed Water Efficiency Tracker.

20

21 The specific details associated with my recommendations are discussed below.

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II. COST-OF-SERVICE STUDY

Q. Mr. Kalcic, what type of cost-of-service study did NJAWC perform for this proceeding?

A. Company witness Paul R. Herbert sponsored a class cost-of-service analysis (included in Exhibit PT-16) for the Company’s consolidation water operations utilizing the Base Extra-Capacity (“BEC”) cost methodology.

Q. Please summarize the major components of the BEC cost methodology.

A. In general, the BEC methodology consists of two major steps. First, the utility’s system-wide revenue requirement is *classified* into functional cost categories (i.e., base, extra capacity, customer and fire protection). Second, each functional cost category is *allocated* to rate classes in accordance with a factor that reflects relative cost responsibility.

The BEC classification and allocation steps combine to produce a measure of total cost of service, by rate class. By comparing allocated cost responsibility to actual revenue levels, one can determine whether a given rate class is contributing above or below its cost-of-service indications.

Q. What rate classes are included in the Company’s cost study?

Direct Testimony of Brian Kalcic

1 A. The study allocates functionalized costs to following rate classes: a) General
2 Metered Service (“GMS”); b) Manasquan Resale Service; c) Optional Industrial
3 Wholesale (“OIW”) Service; d) Sales for Resale – Commodity Demand (“CD”)
4 Service;¹ e) Sales for Resale – Service to Other Systems (“SOS”) Service; f) Private
5 Fire Protection Service; and g) Public Fire Protection Service.

6

7 **Q. Is NJAWC’s cost-of-service methodology consistent with that employed in the**
8 **Company’s most recent base rate proceeding (i.e. BPU Docket No.**
9 **WR10040260)?**

10 A. Yes, except for the fact that the cost study submitted in this proceeding separates the
11 general Sales for Resale class into: a) Sales for Resale – CD, and b) Sales for
12 Resale – SOS (for cost-of-service purposes).²

13

14 **Q. Mr. Kalcic, based upon your review of the cost-of-service study submitted in**
15 **this proceeding, do you recommend that any changes be incorporated in the**
16 **Company’s BEC cost methodology at this time?**

17 A. No, I do not.

18

19 **Q. What does the Company’s cost study indicate with respect to the relative**
20 **contribution toward allocated costs of its existing rate classes?**

¹ The Sales for Resale - CD class includes customers taking service under the Company’s Commodity-Demand and Off-Peak rate schedules.

² See the Company’s response to RCR-RD-2.

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1 A. Schedule BK-1 provides a summary of the Company's cost-of-service study results.
2 Column 1 of Schedule BK-1 shows present revenues, by rate class. Column 3
3 shows the revenue levels that are needed for each rate class to provide a system
4 average rate of return of 8.74%.³ Columns 5-7 indicate the cost-based increases that
5 would be required of each class.

6 As shown in column 6, the Sales for Resale – CD, Private Fire Protection and
7 Public Fire Protection classes would require rate increases of -0.2%, -1.9% and -
8 5.4%, respectively, in order to move to full cost of service (at the Company's
9 requested revenue level). These rate adjustments are significantly less than the
10 Company's requested system average increase of 17.4% shown on line 8. The
11 Manasquan class would require an increase of 11.5%, which is approximately 66%
12 of the system average. On the other hand, column 6 indicates that the GMS, OIW
13 and Sales for Resale – SOS rate classes would require increases in excess of the
14 system average in order to move to full cost of service.

15 From the above, one may generally conclude that the Manasquan, Sales for
16 Resale –CD, Private Fire Protection, and Public Fire Protection classes are (to
17 various degrees) over-contributing, while the GMS, OIW and Sales for Resale –
18 SOS classes are currently under-contributing on NJAWC's system. Such results
19 suggest that it would be appropriate to assign Manasquan, Sales for Resale –CD,
20 Private Fire Protection, and Public Fire Protection classes a greater-than-system-
21 average decrease in this proceeding. Correspondingly, Schedule BK-1 suggests that

³ The Company's cost study reflects its original (i.e., filed) revenue requirement level with an overall requested rate of return of 8.74%.

1 the GMS, OIW and Sales for Resale – SOS rate classes should be assigned a less-
2 than-system-average decrease in this case.

3
4 **Q. Have you utilized the Company’s class cost of service results when preparing**
5 **your recommended class revenue allocation and rate design?**

6 A. Yes. I have used the results as a general guide in preparing my rate structure
7 recommendations, which are discussed in the next section of my testimony.

8
9 **III. REVENUE ALLOCATION & RATE DESIGN**

10
11 **Q. Mr. Kalcic, how does NJAWC propose to recover its requested revenue**
12 **increase in this proceeding?**

13 A. Schedule BK-2 summarizes the Company’s proposed revenue allocation.⁴ As
14 shown on lines 1-7 of Schedule BK-2, the Company’s proposed water revenue
15 increases range from 0.0% (for Public Fire) to 21.8% (for Sales for Resale—SOS).
16 The overall proposed increase in water rate revenues is 17.5% (per line 8).

17 Lines 11-19 of Schedule BK-2 summarize the Company’s proposed
18 allocation of its requested sewer service increase. As shown on lines 11-16,
19 NJAWC is proposing sewer service increases ranging from 0.0% (for Adelphia and
20 Lakewood) to 11.7% (for Statewide Volumetric). The overall proposed increase in
21 sewer service rate revenues is 6.0% (per line 17).

1 **Q. How did Mr. Herbert arrive at the proposed revenue allocation shown in**
2 **Schedule BK-2?**

3 A. On page 9 of his direct testimony, Mr. Herbert indicates that the Company's
4 revenue allocation and rate design proposals reflect the following considerations: 1)
5 class cost of service indications; 2) the present status of several rate schedules; 3)
6 the goal of rate equalization; 4) the nature of existing contracts; and 5) the relative
7 level of the NJAWC's fixed charge revenue.

8
9 **Q. Have you prepared a recommended class revenue allocation, similar to that**
10 **shown in Schedule BK-2?**

11 A. Yes, I have. My recommended class revenue allocation is shown in Schedule BK-3.
12

13 **Q. How did you derive the revenue allocation shown in Schedule BK-3?**

14 A. Mr. Henkes is recommending an overall revenue decrease of \$45.884 million,
15 which equates to a system average decrease of 7.84%, per line 20 of Schedule BK-
16 3, page 1 of 2. My individual class revenue adjustments, shown in lines 1-19 of
17 Schedule BK-3, are designed to be consistent with the results of the Company's
18 class cost of service study, subject to the condition that no rate class receive a base
19 rate increase in this proceeding.

20 To develop my revenue allocation proposal, I first apportioned Mr. Henkes'
21 overall recommended decrease between NJAWC's aggregate water and sewer
22 service classes in proportion to the Company's total proposed water and sewer

⁴ Note that the Company's proposed revenue allocation was not updated in its 9+3 Update.

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1 service revenue requirements that are shown on lines 8 and 17 of Schedule BK-2.
2 Next, I assigned a recommended revenue decrease of 15.8% (or 2.0 times the water
3 system average) to the Sales for Resale – CD (line 4) and Private Fire Protection
4 (line 6) classes, in recognition of the fact that these classes are currently over-
5 contributing. Next, I assigned revenue decreases of 11.9% and 13.8%, respectively,
6 to the Manasquan (line 2) and Public Fire Protection classes (line 7), which are
7 consistent with their (relative) cost-based increases reported in Schedule BK-1, lines
8 2 and 7.⁵ In a similar fashion, I assigned a decrease of 0.85 times the system
9 average or 6.7% to the OIW class and a decrease of 0.25 times the system average
10 or 2.0% to the Sales for Resale – SOS class, which are consistent with their
11 (relative) cost-based increases reported in Schedule BK-1, lines 3 and 5. Finally, I
12 assigned the residual decrease of 7.3% to the GMS class (line 1).⁶

13
14 **Q. How did you arrive at your recommended decreases to NJAWC's sewer**
15 **service rate areas, as shown on lines 11-17 of Schedule BK-3, page 1 of 2?**

16 A. Since Mr. Henkes did not calculate a separate revenue requirement pertaining to the
17 Company's sewer service assets, I have no direct evidence concerning how much of
18 Rate Counsel's overall recommended decrease should be assigned to the
19 Company's sewer service rates. Therefore, I assigned a proportionate decrease of
20 7.5% to the sewer service classes (per line 17 of Schedule BK-3, page 1 of 2), based

⁵ The Company's cost study shows that the Manasquan and Public Fire Protection classes require *below average increases*, which translate into *above average decreases* in Schedule BK-3.

⁶ The residual decrease is the decrease necessary to attain Mr. Henkes' overall recommended revenue requirement, given my previously assigned water and sewer service decreases.

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1 on the relative size of the Company's proposed water and sewer service revenue
2 requirements.

3 With respect to my individual sewer rate area revenue adjustments shown on
4 lines 11-16 of Schedule BK-3, I first assigned a revenue decrease of 14.9% or 2.0
5 times the system average sewer decrease to the Adelphia (line 11) and Lakewood
6 rate areas (line 12), which is consistent with their (relative) cost-based increases
7 reported in Schedule BK-2. Next, I assigned a revenue decrease of 1.9% or 0.25
8 times the system average sewer decrease to the Statewide Volumetric rate area (line
9 14), since this rate area is below cost of service. Finally, I assigned the residual
10 (sewer) decrease of 2.9% to the Ocean City, Statewide Fixed and Other Contract
11 rate areas, which is consistent with their (relative) cost-based increases reported in
12 Schedule BK-2.

13
14 **Q. What information is provided in Schedule BK-3, page 2 of 2?**

15 A. Schedule BK-3, page 2 of 2 provides a more detailed summary of my overall
16 recommended GMS revenue allocation. As I discuss below, the recommended
17 GMS decreases shown in Schedule BK-3, page 2 of 2, are the result of: a) assigning
18 Rate Counsel's overall recommended GMS decrease to the SA-1 rate area
19 consumption charge; and then b) consolidating certain SA-2, SA-3, SA-1A and SA-
20 1D GMS consumption charges with my recommended GMS consumption charge.

21

1 **Q. Why does the SA-1 service area receive the largest percentage decrease in**
2 **Schedule BK-3, page 2 of 2?**

3 A. That outcome is simply a by-product of the rate consolidation process. Since the
4 current SA-1 GMS consumption charge of \$5.7025 per thousand gallons is the
5 highest on NJAWC's system, the SA-1 rate area receives the largest consumption
6 charge reduction when rates are consolidated with other rate areas.

7

8 A. SA-1 and Sewer Service Rate Design

9

10 **Q. Mr. Kalcic, please provide a brief description of the Company's SA-1 rate**
11 **design proposals.**

12 A. For GMS customers, the Company proposes to increase all fixed charges by 20.0%,
13 and to increase the consumption charge by 15.3%. NJAWC would also implement
14 a three-step inclining block consumption charge for all residential customers. For
15 its Commodity-Demand and Off-Peak resale classes, NJAWC is proposing to
16 increase the consumption charges by approximately 6.5%. Their proposed increase
17 to the demand charge paid by SA-1 resale customers would be 0.0%. The Company
18 would increase the Manasquan consumption charge by approximately 11.0%,
19 consistent with the class' cost-of-service indications.

20

21

22

With respect to fire protection service, the Company's Private Fire
Protection rate schedules would be increased approximately 15%, in order to move
the rates toward cost of service. Finally, the Company proposes to leave all existing

1 Public Fire Protection hydrant changes (including those in the SA-1 rate zone)
2 unchanged, in “consideration of the difficulty facing municipalities with meeting
3 their budgets.”⁷
4

5 **Q. Mr. Kalcic, please discuss your recommended SA-1 rate design.**

6 A. Schedule BK-4 presents my recommended rate design and proof of revenue for
7 NJAWC’s SA-1 rate classes. Present class rate revenue is derived in column 3 from
8 the class billing determinants and present rates shown in columns 1 and 2,
9 respectively. My recommended class billing determinants reflect the applicable pro
10 forma revenue adjustments shown in Mr. Henkes’ Schedules RJH-9 through RJH-
11 15, and produce total pro forma water operating revenues at present rates of \$334.6
12 million, as shown on Schedule BK-4, page 8 of 8.

13 My recommended rates are shown in column 4. Column 5 shows the annual
14 class revenue produced by the recommended rates. Finally, column 6 shows my
15 recommended percentage increases to individual tariff components and class
16 revenue levels.
17

18 **Q. What general principles did you rely upon in preparing your recommended**
19 **rate design?**

20 A. My recommended rate design reflects many of the same considerations identified by
21 Mr. Herbert, such as cost of service and rate consolidation. However, given that

⁷ See Exhibit PT-16 at page 10.

1 Rate Counsel is recommending an overall decrease in this proceeding, the
2 underlying weight given to the various considerations undoubtedly differs.

3
4 **Q. Please discuss your specific rate design recommendations, beginning with**
5 **NJAWC's GMS rate schedule.**

6 A. My recommended rates for SA-1 GMS service are shown on Schedule BK-4, page 1
7 of 8. Because the Company's SA-1 (statewide) GMS consumption charge is higher
8 than the Company's non-statewide GMS rate levels, I assigned 100% of my
9 recommended GMS decrease to the SA-1 GMS consumption charge, subject to the
10 impact of the consolidation of other rate areas with SA-1.

11
12 **Q. Why have you assigned no decrease to the Company's SA-1 GMS customer**
13 **charges?**

14 A. I limited my recommended decrease to the GMS consumption charge because
15 NJAWC's current SA-1 GMS customer charges are below cost of service.

16
17 **Q. Does Rate Counsel agree with the Company's proposed inverted block rate**
18 **design for residential customers?**

19 A. In part. Rate Counsel does not object to NJAWC going forward with the new rate
20 design, which is intended promote conservation during the seasonal period May
21 through September.⁸ However, as I discuss later in my testimony, Rate Counsel

⁸ See Exhibit PT-16 at page 16..

1 does object to NJAWC's request to implement its WET revenue adjustment
2 mechanism, which would apply to residential customers.

3
4 **Q. How would the consumption charge applicable to residential customers differ**
5 **from the Company's current GMS consumption charge?**

6 A. Under the Company's existing rate structure, SA-1 GMS customers pay a flat rate
7 of \$5.7025 per thousand gallons of usage. Under the proposed inverted block rate
8 structure, residential customers would pay a separate rate during the summer
9 months for: a) the first 4,000 gallons of usage, per month; b) (up to) the next 6,000
10 gallons of usage; and c) all usage over 10,000 gallons per month. Moreover, the
11 unit rate or price per thousand gallons would increase over each of these
12 consumption blocks. Residential customers would pay a flat-rate consumption
13 charge (equal to the rate paid by non-residential GMS customers) for non-summer
14 usage.

15
16 **Q. Does the Company propose to implement a similar inclining-block**
17 **consumption charge for residential customers that reside in non-SA-1 rate**
18 **areas?**

19 A. Yes. The only difference is that the inclining-block rate levels that are implemented
20 in a given rate area would be tied to level of the flat-rate GMS consumption charge
21 that is otherwise applicable in that rate area.

22

1 **Q. Have you developed recommended inclining-block consumption charges for**
2 **the Company's residential customers?**

3 A. Yes. In the event that the Board approves NJAWC's proposed conservation-
4 oriented rate structure, I have developed recommended inclining-block consumption
5 charges, by rate area, that would apply to residential customers during the summer
6 months.

7

8 **Q. Please explain how you derived your recommended inclining-block**
9 **consumption charges.**

10 A. In general, I followed the same rate design approach suggested by the Company.
11 First, I set the residential consumption charge for the first rate block between 90%
12 and 95% of the non-seasonal consumption charge. Next, I set the consumption
13 charge for the second rate block at 105% of the non-seasonal consumption charge.
14 Finally, I set the third rate block at the residual level necessary to leave total
15 residential seasonal consumption revenues unchanged, compared to the case where
16 residential customers were billed at Rate Counsel's applicable recommended flat-
17 rate GMS consumption charge.

18 In general, my recommended residential rate design produces a third block
19 rate that is approximately 120% of the first block rate, for all GMS rate areas. For
20 example, my recommended third block consumption charge in SA-1 is \$5.4019 per
21 thousand gallons. My recommended first block SA-1 consumption charge is
22 \$4.4884 per thousand gallons. The ratio of these charges is 1.20.

1

2 **Q. What consumption charge should apply to residential customers in the event**
3 **that the Board rejects the Company's proposed inverted block rate design?**

4 A. In that event, the residential consumption charge should revert to my recommended
5 non-seasonal consumption charge, by rate area. In all cases, my recommended
6 inclining-block rates are designed to produce the same total revenue as would be
7 produced if the applicable non-seasonal rate were applied to all seasonal
8 consumption (i.e., my recommended rates are revenue neutral).

9

10 **Q. Mr. Kalcic, please continue your rate design discussion by explaining how you**
11 **developed your recommended rates for Commodity-Demand Resale and Off-**
12 **Peak Sales for Resale service.**

13 A. I implemented my recommended Sales for Resale – CD decrease via an across-the-
14 board usage and demand charge decrease of 15.9%, as shown on Schedule BK-4,
15 page 1 of 8.

16

17 **Q. How did you develop your recommended rates for Manasquan?**

18 A. I implemented my recommended Manasquan decrease via an across-the-board
19 reduction to the Manasquan usage charges (excluding interruptible), as shown on
20 Schedule BK-4, page 2 of 8.⁹

21

⁹ As in NJAWC's current tariff, the Manasquan interruptible usage charge is set at the same level as the SA-1 Regular Sales for Resale usage rate.

1 **Q. Please explain how you developed your recommended rates for SA-1 Regular**
2 **Sales for Resale customers.**

3 A. Since the Company's Regular Sales for Resale rates are the same as its SA-1 GMS
4 rates, except for certain taxes, I set my recommended Regular Sales for Resale
5 usage charge proportional to my recommended non-seasonal SA-1 GMS
6 consumption charge, as shown on Schedule BK-4, page 2 of 8.

7

8 **Q. How did you develop your recommended SA-1 Public Fire Protection rates?**

9 A. Since the Company's SA-1 public hydrant rates are generally below the statewide
10 average hydrant rate, I left all such rates unchanged except for Rate M-1, which I set
11 equal to \$500 per year (to reflect the consolidation in SA-2 public hydrant rates
12 shown on Schedule BK-5, page 2 of 3).

13

14 **Q. How did you determine your recommended Private Fire Protection rates?**

15 A. All of the Company's SA-1 private fire rates, except for sprinkler connections
16 greater than 6", are below the statewide average. Therefore, I left all such (below
17 cost) rates unchanged (per Schedule BK-4, page 3 of 8). In addition, I set the
18 charges for sprinkler connections greater than 6" equal to my recommended Private
19 Fire SA-2 rates (discussed below).

20

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1 **Q. Please discuss how you determined your recommended rates for sewer service.**

2 A. I implemented my recommended sewer rate decreases, by rate area, via an
3 applicable across-the-board reduction to existing sewer charges, as shown on
4 Schedule BK-4, pages 5-7.

5

1 B. SA-2 Rate Design

2
3 **Q. Mr. Kalcic, please provide a brief description of the Company's SA-2 rate**
4 **design proposals.**

5 A. For GMS customers, the Company proposes to set all fixed charges at its proposed
6 statewide (SA-1) levels, and to move the non-Manville consumption charge
7 approximately 25% of the way toward the statewide rate. The Manville
8 consumption charge would be increased by the same dollar amount as the statewide
9 rate. For the OIW class, NJAWC is proposing to set rates so as to move the class
10 approximately one-half of the way toward its indicated cost of service. For the
11 Sales for Resale – SOS class, NJAWC is proposing to increase the consumption
12 charge by approximately 22.0%, so as to move the class toward its indicated cost of
13 service. All Private Fire sprinkler charges (except 10" and 12") would remain
14 unchanged, while private hydrant charge would increase by 15%. Finally, the
15 Company proposes to leave all Public Fire Protection hydrant rates in SA-2
16 unchanged.

17
18 **Q. Have you developed a recommended SA-2 rate design for this proceeding?**

19 A. Yes, I have. My recommended SA-2 rate design and proof of revenue is shown in
20 Schedule BK-5. As in the case of SA-1, my recommended SA-2 class billing
21 determinants reflect the applicable pro forma revenue adjustments shown in Mr.
22 Henkes' Schedules RJH-9 through RJH-15. Such adjustments produce total pro

1 forma water operating revenues at present rates of \$216.0 million, as shown on
2 Schedule BK-5, page 2 of 3.

3
4 **Q. Please discuss your specific rate design recommendations for the Company's**
5 **SA-2 GMS rate schedules.**

6 A. The SA-2 service area currently contains two (2) separate rate zones. These rate
7 zones exhibit a common set of fixed charges (which are the same as SA-1) but
8 different consumption charges. Both SA-2 GMS usage charges are currently below
9 the statewide rate. However, the non-Manville GMS usage charge was high enough
10 to be otherwise consolidated with (i.e., set at the same lower rate level as) SA-1 at
11 \$4.9596 per thousand gallons. My recommended Manville consumption charge is
12 unchanged at \$4.5340 per thousand gallons, as shown on Schedule BK-5, page 1 of
13 3.

14
15 **Q. How did you determine your recommended OIW usage charge?**

16 A. Since my recommended SA-2 customer charges are unchanged, I set the OIW
17 consumption charge at the level necessary to attain the target class decrease of 6.7%
18 shown on Schedule BK-3, page 1 of 2.

19
20 **Q. Please explain how you determined your recommended Sales for Resale – SOS**
21 **usage charge?**

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1 A. Since my recommended SA-2 customer charges are unchanged, I reduced the
2 existing Sales for Resale – SOS consumption charges proportionately to attain the
3 target class decrease of 2.0% shown on Schedule BK-3, page 1 of 2.

4

5 **Q. How did you develop your recommended SA-2 Public Fire Protection rates?**

6 A. Since the SA-2 public hydrants rates are the highest on NJAWC's system, I initially
7 assigned 100% of my recommended decrease to the Public Fire Protection class
8 (shown on Schedule BK-3, page 1 of 2) to the SA-2 service area, i.e., to those SA-2
9 hydrant charges that currently exceed \$500 per year, and then adjusted my
10 recommended SA-2 rates slightly to accommodate the consolidation/setting of the
11 Rate M-1 public hydrant charge at \$500.00 per year. My recommended SA-2 public
12 fire rate design is shown on Schedule BK-5, page 2 of 3.

13

14 **Q. Finally, please explain how you developed your recommended SA-2 Private**
15 **Fire Protection charges.**

16 A. The Company's Rate L-3 hydrant and connection charges are currently above cost
17 of service. Consequently, I assigned an across-the-board decrease of approximately
18 30.9% to all hydrant and connection charges in order to move the rates toward cost.

19

1 C. SA-3 Rate Design

2
3 **Q. Mr. Kalcic, please provide a brief description of the Company's SA-3 rate**
4 **design proposals.**

5 A. For GMS customers, the Company proposes to set all customer charges at its
6 proposed SA-1 levels, and to move the consumption charge various degrees toward
7 the statewide rate, depending on the level of the existing SA-3 consumption
8 charge.¹⁰ Private Fire Protection charges would increase by 15%. Once again, the
9 Company proposes to leave its existing Public Fire Protection hydrant charges
10 unchanged.

11
12 **Q. Please discuss your recommended SA-3 rate design.**

13 A. Schedule BK-6 presents my recommended rate design and proof of revenue for
14 NJAWC's SA-3 rate classes. Note that my recommended class billing determinants
15 reflect the applicable pro forma revenue adjustments shown in Mr. Henkes'
16 Schedules RJH-9 through RJH-15, and produce total pro forma water operating
17 revenues at present rates of \$10.5 million, as shown on Schedule BK-6, page 2 of 2.

18
19 **Q. How did you derive your recommended SA-3 GMS rates?**

¹⁰ The SA-3 service area presently contains three (3) separate GMS rates applicable to Mount Holly, Southampton and Jenson's Deep Run customers.

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1 A. The SA-3 service area currently contains three (3) separate rate zones: Mount
2 Holly, Southampton and Jensen's Deep Run. The Mount Holly and Southampton
3 rate zones exhibit a common set of fixed charges (equal to the statewide charges)
4 but different consumption charges. The current charges for Jensen's Deep Run are
5 the same as those in Mt. Holly.

6 Since the Southampton consumption charge is below the statewide rate
7 level, I left that charge unchanged, as shown on Schedule BK-6, page 1 of 2. I set
8 the Mt. Holly and Jensen's Deep Run non-seasonal consumption charge at my
9 recommended statewide level of \$4.9596 per thousand gallons.

10

11 **Q. How did you develop your recommended SA-3 Public Fire Protection rates?**

12 A. All SA-3 public hydrant rates are below the statewide average. As such, I left all
13 such hydrant rates unchanged, as shown on Schedule BK-6, page 1 of 2.

14

15 **Q. Finally, please explain how you developed your recommended SA-3 Private
16 Fire Protection charges.**

17 A. The Company's SA-3 private fire charges are generally below statewide levels.
18 Accordingly, I left all such charges at their current levels, except for the sprinkler
19 connections greater than 4", which were set equal to their corresponding SA-2 rate
20 levels.

21

1 D. SA-1A Rate Design

2
3 **Q. Mr. Kalcic, please provide a brief description of the Company's SA-1A rate**
4 **design proposals.**

5 A. For GMS customers, the Company proposes to set all fixed charges at its proposed
6 SA-1 levels, and to move the consumption charge approximately 25% of the way
7 toward the statewide rate. All Private Fire charges would be set equal to the
8 corresponding charges in SA-1. No increase is proposed for the Harrison Public
9 Fire hydrant rate.

10
11 **Q. Please discuss your recommended SA-1A rate design.**

12 A. Schedule BK-7 presents my recommended rate design and proof of revenue for
13 NJAWC's SA-1A rate classes. As before, my recommended class billing
14 determinants reflect the applicable pro forma revenue adjustments shown in Mr.
15 Henkes' Schedules RJH-9 through RJH-15, and produce total pro forma water
16 operating revenues at present rates of \$2.45 million, as shown on Schedule BK-7,
17 page 1 of 1.

18
19 **Q. How did you derive your recommended SA-1A GMS rates?**

20 A. I set the Harrison non-seasonal consumption charge at my recommended statewide
21 level of \$4.9596 per thousand gallons,, as shown on Schedule BK-7, page 1 of 1.

1 **Q. How did you develop your recommended SA-1A Public Fire Protection rate?**

2 A The SA-1A hydrant rate is below the statewide average, so I left the SA-1A public
3 hydrant rate unchanged, per Schedule BK-7, page 1 of 1.

4

5 **Q. Please explain how you developed your recommended SA-1A Private Fire
6 Protection charges.**

7 A. The Company's SA-1A sprinkler charges for 2" and 3" connections are below cost
8 of service, so I left those charges at their current levels. All sprinkler connections
9 greater than 3" were set equal (reduced) to their corresponding SA-2 rate levels.

10

11 E. SA-1B Rate Design

12

13 **Q. Mr. Kalcic, please describe the Company's SA-1B rate design proposals.**

14 A. For GMS customers, the Company proposes to increase its Pennsgrove fixed
15 charges approximately 16.1%, and to increase the consumption charge the same
16 (absolute) amount as the increase to the statewide rate. All Private Fire sprinkler
17 charges would remain unchanged, while private hydrant charge would increase by
18 15.0%. In addition, the Company proposes to leave the SA-1B Public Fire hydrant
19 rate unchanged.

20

21 **Q. Please discuss your recommended SA-1B rate design.**

Direct Testimony of Brian Kalcic

1 A. Schedule BK-8 presents my recommended rate design and proof of revenue for
2 NJAWC's SA-1B rate classes. My recommended class billing determinants reflect
3 the applicable pro forma revenue adjustments shown in Mr. Henkes' Schedules
4 RJH-9 through RJH-15, and produce total pro forma water operating revenues at
5 present rates of \$2.45 million, as shown on Schedule BK-8, page 1 of 1.

6

7 **Q. How did you derive your recommended SA-1B GMS rates?**

8 A. Since the existing Pennsgrove GMS consumption charge of \$3.7522 per thousand
9 gallons is below the statewide rate level, I left the non-seasonal SA-1B GMS
10 consumption charge unchanged.

11

12 **Q. How did you develop your recommended SA-1B Public Fire Protection rates?**

13 A. Since the Company's SA-1B public hydrant rate is below the statewide average, I
14 left the SA-1B public hydrant rate unchanged, as shown on Schedule BK-8, page 1
15 of 1.

16

17 **Q. Please explain how you developed your recommended SA-1B Private Fire
18 Protection charges.**

19 A. The Company's SA-1B private fire connection charges are generally above cost of
20 service. As such, I set such charges equal to their corresponding SA-2 rate levels,
21 as shown on Schedule BK-8, page 1 of 1.

22

1 F. SA-1D Rate Design

2

3 **Q. Mr. Kalcic, please describe the Company's SA-1D rate design proposals.**

4 A. For GMS customers, the Company proposes to leave its Applied fixed charges
5 unchanged, and to increase the consumption charge the same (absolute) amount as
6 the increase to the statewide rate. The Company is proposing to increase to its SA-
7 1D private hydrant charge by 15%, and to leave its public hydrant charge
8 unchanged.

9

10 **Q. Please discuss your recommended SA-1D rate design.**

11 A. Schedule BK-9 presents my recommended rate design and proof of revenue for
12 NJAWC's SA-1D rate classes. My recommended class billing determinants reflect
13 the applicable pro forma revenue adjustments shown in Mr. Henkes' Schedules
14 RJH-9 through RJH-15, and produce total pro forma water operating revenues at
15 present rates of \$0.23 million, as shown on Schedule BK-9, page 1 of 1.

16

17 **Q. How did you derive your recommended SA-1D GMS rates?**

18 A. I set the Applied non-seasonal consumption charge at my recommended statewide
19 level of \$4.9596 per thousand gallons.

20

21 **Q. How did you develop your recommended SA-1D Public Fire Protection rates?**

1 A. Since the Company's SA-1D public hydrant rate is below the statewide average, I
2 left the SA-1D public hydrant rate unchanged, as shown on Schedule BK-9, page 1
3 of 1.

4

5 **Q. Please explain how you developed your recommended SA-1D Private Fire**
6 **Protection charges.**

7 A. Since the Applied private hydrant rate is below the statewide average, I also left the
8 existing SA-1D private hydrant rate unchanged.

9

10 **IV. WATER EFFICIENCY TRACKER ("WET")**

11

12 **Q. Please describe the Company's WET proposal.**

13 A. The proposed WET mechanism is designed to recover NJAWC's actual variance in
14 revenues per customer that arise from changes in usage per customer, after rates are
15 established in this case. Under its proposal, the Company would establish a base-
16 year average residential monthly consumption level per customer, for each month of
17 the year, using the customer usage levels approved in this proceeding. For each
18 month after the Company's conservation rate design goes into effect, the Company
19 would multiply the base-year usage times the number of customers times the
20 applicable GMS consumption charge, to determine the level of consumption
21 revenue that would have been collected had usage per customer remained at
22 baseline levels. These monthly base-line revenues would then be compared to

1 actual residential consumption revenues each month, with the difference recorded in
2 a WET tracking account.

3 At the end of twelve months, the WET balance would be recovered from or
4 refunded to residential customers, as appropriate, after making an allowance for any
5 (variable) production cost savings associated with a reduction in water deliveries.
6

7 **Q. Mr. Kalcic, is the Company's proposed WET a revenue decoupling**
8 **mechanism?**

9 A. Yes, it is. Such mechanisms are intended to decouple utility revenues from unit
10 sales, and thereby remove the disincentive on the part of utilities to promote
11 conservation.

12 NJAWC is proposing to include the WET mechanism in its proposed Rider
13 B – Conservation Rider, in connection with the implementation of its proposed
14 Conservation Plan.
15

16 **Q. Does Rate Counsel agree with the Company's proposed Conservation Plan?**

17 A. No. As discussed in the testimony of Howard J. Woods, Jr., Rate Counsel
18 recommends that the Board reject it in its entirety.
19

20 **Q. Do you have any general comment on revenue decoupling mechanisms?**

21 A. Yes. As a general matter, revenue decoupling mechanisms greatly reduce a utility's
22 business risk, since revenues are no longer tied to consumption levels. However,

1 unless this reduced business risk is reflected in a reduction in the utility's allowed
2 return on equity, ratepayers are shortchanged.

3 In addition, a large part of the hypothetical savings that ratepayers as a
4 whole would receive from a reduction in water consumption is, in fact, temporary in
5 nature because such savings often equate to lost margins (which are subject to
6 recovery from ratepayers in a subsequent period).

7
8 **Q. Do you have any specific comment on the Company's WET proposal?**

9 A. Yes. Since the WET would utilize a pre-program customer consumption baseline to
10 measure changes in revenue, the WET *will automatically attribute any and all*
11 *decreases in consumption as due to conservation*, rather than, say, abnormal
12 weather. This outcome would be biased against ratepayers since it would
13 compensate the Company for all lost consumption revenues, not just those
14 stemming from the Company's proposed conservation initiatives.

15
16 **Q. On pages 36-37 of Exhibit PT-21, NJAWC suggests that its proposed WET is**
17 **consistent with the Conservation Incentive Plans ("CIP") approved by the**
18 **Board for South Jersey Gas Company ("SJG") and New Jersey Natural Gas**
19 **Company ("NJNG"). Do you agree with that assessment?**

20 A. No, I do not. While the proposed WET may appear to operate the same way as the
21 approved CIP programs, there is a fundamental difference between the WET and
22 CIP proposals.

Direct Testimony of Brian Kalcic

1 Under the approved CIP programs, the total amount of non-weather related
2 margin revenue losses that may be recovered by SJG and NJNG are limited to the
3 level of gas supply cost savings achieved. As a result, ratepayers as a whole cannot
4 be worse off under the approved CIP programs (since lost margins recovered
5 through CIP surcharges must be less than or equal to gas supply cost savings).
6 However, there is no equivalent provision under the Company's WET proposal.

7 While the WET mechanism would credit ratepayers for any avoided
8 production/supply costs associated with reduced consumption, such savings would,
9 by definition, represent just a fraction of the Company's total lost revenue margins
10 (since such savings are limited to NJAWC's variable cost of production). As a
11 result, the total amount of lost margins recovered via the WET may be expected to
12 exceed the aggregate level of ratepayer savings from reduced production and supply
13 costs due to reduced consumption.

14
15 **Q. What is your recommendation with respect to the Company's proposed WET?**

16 A. For the reasons discussed above, I recommend that the Board reject it.

17
18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

SCHEDULES BK-1 THROUGH BK-9

NEW JERSEY-AMERICAN WATER COMPANY
 Comparison of Present Water Revenues to Class Cost of Service
 Basis: NJAWC Cost-of-Service Study

Line Class	Present		Claimed Cost of Service 1/		Cost-Based Increase		Relative (7)
	Rate Revenue (1)	Percent of Total (2)	Rate Revenue (3)	Percent of Total (4)	Amount (5)=(3)-(1)	Percent (6)=(5)/(1)	
1 General Metered 2/	\$442,847,281	81.90%	\$526,152,680	82.86%	\$83,305,399	18.8%	108
2 Manasquan	\$2,945,079	0.54%	\$3,282,942	0.52%	\$337,863	11.5%	66
3 OIW	\$10,702,483	1.98%	\$13,035,785	2.05%	\$2,333,302	21.8%	125
4 Sales for Resale - CD	\$12,538,019	2.32%	\$12,511,596	1.97%	(\$26,423)	-0.2%	-1
5 Sales for Resale - SOS	\$24,063,046	4.45%	\$31,331,413	4.93%	\$7,268,367	30.2%	173
6 Private Fire Prot.	\$21,889,187	4.05%	\$21,483,517	3.38%	(\$405,670)	-1.9%	-11
7 Public Fire Prot.	<u>\$25,763,801</u>	4.76%	<u>\$27,157,122</u>	4.28%	<u>\$1,393,321</u>	5.4%	31
8 Total Rate Revenue	\$540,748,896	100.00%	\$634,955,055	100.00%	\$94,206,159	17.4%	100

Source: Exh. No. PT-16,
Sch. PRH-2

Exh. No. PT-16,
Sch. PRH-2

Notes:

- 1/ Rate revenue necessary to produce a 8.74% rate of return.
- 2/ Includes Regular Sales for Resale.

NEW JERSEY-AMERICAN WATER COMPANY
Summary of Company Proposed Allocation of its
Requested Increase in Total Revenue
(As Filed)

Line	Description	Present Revenue (1)	Proposed Increase		
			Amount (2)	Percent (3)	Relative (4)
	<u>Water</u>				
1	General Metered *	\$442,847,281	\$84,695,304	19.1%	110
2	Manasquan	\$2,945,079	\$337,866	11.5%	66
3	OIW	\$10,702,483	\$2,114,527	19.8%	113
4	Sales for Resale - CD	\$12,538,019	\$184,409	1.5%	8
5	Sales for Resale - SOS	\$24,063,046	\$5,256,021	21.8%	125
6	Private Fire Prot.	\$21,889,187	\$1,858,273	8.5%	49
7	Public Fire Prot.	<u>\$25,763,801</u>	<u>\$0</u>	0.0%	0
8	Subtotal	\$540,748,896	\$94,446,400	17.5%	100
9	Other Revenue	<u>\$5,093,897</u>	<u>(\$150,000)</u>	-2.9%	
10	Total Water	\$545,842,793	\$94,296,400	17.3%	
	<u>Sewer</u>				
11	Adelphia	\$1,283,066	\$0	0.0%	
12	Lakewood	\$6,450,623	\$0	0.0%	
13	Ocean City	\$5,460,151	\$537,948	9.9%	
14	Statewide Volumetric	\$3,839,754	\$448,610	11.7%	
15	Statewide Fixed	\$2,152,778	\$160,015	7.4%	
16	Other Contract Services	<u>\$243,420</u>	<u>\$22,963</u>	9.4%	
17	Subtotal	\$19,429,792	\$1,169,536	6.0%	
18	Other Revenue	<u>\$12,451</u>	<u>\$28</u>	0.2%	
19	Total Sewer	\$19,442,243	\$1,169,564	6.0%	
20	Total Company	<u>\$565,285,036</u>	<u>\$95,465,964</u>	16.9%	

Source: Exh. No. PT-16,
Sch. PRH-2;
Exh. No. P-2,
Sch. 5

* Includes Regular Sales for Resale

NEW JERSEY-AMERICAN WATER COMPANY
Summary of Rate Counsel Allocation of its
Recommended Increase in Total Revenue

Line	Class	Present Revenue (1)	Recommended Increase		
			Amount (2)	Percent (3)	Relative (4)
<u>Water</u>					
1	General Metered *	\$462,899,079	(\$33,723,650)	-7.29%	92
2	Manasquan	\$2,945,080	(\$348,845)	-11.85%	150
3	OIW	\$10,702,485	(\$718,364)	-6.71%	85
4	Sales for Resale - CD	\$12,916,419	(\$2,039,516)	-15.79%	200
5	Sales for Resale - SOS	\$24,063,046	(\$474,976)	-1.97%	25
6	Private Fire Prot.	\$21,757,492	(\$3,434,599)	-15.79%	200
7	Public Fire Prot.	<u>\$25,727,289</u>	<u>(\$3,554,658)</u>	-13.82%	175
8	Subtotal	\$561,010,890	(\$44,294,609)	-7.90%	100
9	Other Revenue	<u>\$5,183,526</u>	<u>(\$150,000)</u>	-2.89%	
10	Total Water	\$566,194,416	(\$44,444,609)	-7.85%	
<u>Sewer</u>					
11	Adelphia	\$1,274,271	(\$190,174)	-14.92%	
12	Lakewood	\$6,365,831	(\$950,320)	-14.93%	
13	Ocean City	\$5,521,887	(\$160,974)	-2.92%	
14	Statewide Volumetric	\$3,786,220	(\$70,762)	-1.87%	
15	Statewide Fixed	\$2,124,722	(\$61,938)	-2.92%	
16	Other Contract Services	<u>\$244,151</u>	<u>(\$7,117)</u>	-2.91%	
17	Subtotal	\$19,317,082	(\$1,441,285)	-7.46%	
18	Other Revenue	<u>\$12,451</u>	<u>\$0</u>	0.00%	
19	Total Sewer	\$19,329,533	(\$1,441,285)	-7.46%	
20	Total Company	<u>\$585,523,949</u>	<u>(\$45,885,894)</u>	-7.84%	

(\$45,884,225) Target
(\$1,669) Rounding

Source: Schs. BK-4,
BK-5, BK-6, BK-7,
BK-8 & BK-9

* Includes Regular Sales for Resale

NEW JERSEY-AMERICAN WATER COMPANY
Summary of Rate Counsel Recommended GMS Revenues,
by Service Area

Line	Service Area	Present Revenue (1)	Recommended			Source:
			Revenues (2)	Increase (3)	Percent (4)	
1	Statewide SA-1*	\$290,346,207	\$260,025,737	(\$30,320,470)	-10.44%	Sch. BK-4
2	General SA-2*	\$156,351,090	\$153,153,227	(\$3,197,863)	-2.05%	Sch. BK-5
3	Manville SA-2	\$1,845,314	\$1,845,314	\$0	0.00%	Sch. BK-5
4	Mount Holly SA-3	\$9,315,303	\$9,136,713	(\$178,590)	-1.92%	Sch. BK-6
5	Southampton SA-3	\$197,859	\$197,859	\$0	0.00%	Sch. BK-6
6	Jensen's D.R. SA-3	\$107,462	\$105,478	(\$1,984)	-1.85%	Sch. BK-6
7	Harrison SA-1A	\$2,254,775	\$2,230,791	(\$23,984)	-1.06%	Sch. BK-7
8	Pennsgrove SA-1B	\$2,255,252	\$2,255,252	\$0	0.00%	Sch. BK-8
9	Applied SA-1D	<u>\$225,817</u>	<u>\$225,058</u>	<u>(\$759)</u>	-0.34%	Sch. BK-9
10	Total GMS	\$462,899,079	\$429,175,428	(\$33,723,650)	-7.29%	

* Includes Regular Sales for Resale

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Metered Service						
Statewide SA-1						
Facility Charge		\$57,749,675		\$57,749,675	0.00%	
Usage	39,962,643	\$5.7025	\$227,886,972			
Non-seasonal	25,998,795			\$4.9596	\$128,943,625	-13.03%
1st 4,000	5,946,063			\$4.4884	\$26,688,307	
Next 6,000	4,018,486			\$5.2076	\$20,926,665	
Over 10,000	3,999,300			\$5.4019	\$21,603,817	
EDP Rider	5,475	\$2.8513	\$15,611	\$2.4798	\$13,577	
Exempt Credit	3,516	(\$0.7847)	(\$2,759)	(\$0.6825)	(\$2,400)	
Growth Adj.			\$272,122		\$243,804	-10.41%
subt GMS			\$285,921,621		\$256,167,071	-10.41%
Commodity/Dem.						
Facilities		\$83,160		\$83,160	0.00%	
Usage	3,966,455	\$0.5138	\$2,037,965	\$0.4320	\$1,713,429	-15.92%
Demand	10,867	\$62.49	\$8,148,946	\$52.54	\$6,851,296	-15.92%
subt			\$10,270,071		\$8,647,885	-15.80%
Exempt						
Facility		\$2,587		\$2,587	0.00%	
Usage	251,850	\$0.4431	\$111,595	\$0.3725	\$93,824	-15.92%
Demand	690	\$53.90	\$446,292	\$45.32	\$375,225	-15.92%
subt			\$560,474		\$471,636	-15.85%
Off-Peak						
Facilities		\$23,093		\$23,093	0.00%	
Usage	814,053	\$0.5138	\$418,260	\$0.4320	\$351,655	-15.92%
Demand	4,088	\$57.47	\$1,644,521	\$48.32	\$1,382,634	-15.92%
subt			\$2,085,874		\$1,757,382	-15.75%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Manasquan						
<u>Uninterruptible</u>						
Facilities		\$53,520		\$53,520	0.00%	
Usage	636,180	\$1.7840	\$1,134,945	\$1.5629	\$994,286	-12.39%
<u>Interruptible</u>						
Usage	16,366	\$5.6525	\$92,509	\$5.2062	\$85,205	-7.90%
Sales for Resale						
<u>Exempt</u>						
Facilities		\$43,465		\$43,465	0.00%	
Usage	1,053,390	\$1.5385	<u>\$1,620,641</u>	\$1.3478	<u>\$1,419,759</u>	-12.40%
subt Manasquan			\$2,945,080		\$2,596,235	-11.85%
<u>Reg. Sale for Resale</u>						
Facilities		\$61,500		\$61,500	0.00%	
Usage	736,192	\$5.6525	\$4,161,325	\$4.9161	\$3,619,193	-13.03%
<u>Exempt</u>						
Facility Charge		\$19,145		\$19,145	0.00%	
Usage	37,462	\$4.8747	<u>\$182,616</u>	\$4.2397	<u>\$158,828</u>	-13.03%
subt Reg. Resale			\$4,424,586		\$3,858,666	-12.79%
TOTAL METERED SERVICE			<u>\$306,207,706</u>		<u>\$273,498,875</u>	-10.68%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Public Fire						
ANNUAL RATES						
Rate M-1	23,661	\$518.04	\$12,257,344	\$500.00	\$11,830,500	-3.48%
Rate M-2	282	\$342.48	\$96,579	\$342.48	\$96,579	0.00%
Rate M-3	152	\$464.88	<u>\$70,662</u>	\$464.88	<u>\$70,662</u>	0.00%
Total Public Fire	24,095		\$12,424,585		\$11,997,741	-3.44%
Private Fire						
<u>Rate L-1</u>						
2"	181	\$218.52	\$39,552	\$218.52	\$39,552	0.00%
4"	1,248	\$873.96	\$1,090,702	\$873.96	\$1,090,702	0.00%
6"	2,629	\$1,966.44	\$5,169,771	\$1,970.23	\$5,179,735	0.19%
8"	779	\$3,496.08	\$2,723,446	\$3,365.10	\$2,621,413	-3.75%
10"	22	\$5,462.52	\$120,175	\$3,999.96	\$87,999	-26.77%
12"	31	\$7,866.12	<u>\$243,850</u>	\$5,841.75	\$181,094	-25.74%
subt			\$9,387,496		\$9,200,495	-1.99%
<u>Rate L-2</u>						
Sprinkler	129,058	\$10.20	\$1,316,392	\$10.20	\$1,316,392	0.00%
Hydrant	238	\$264.24	<u>\$62,889</u>	\$231.95	<u>\$55,204</u>	-12.22%
subt			\$1,379,281		\$1,371,596	
Total Private Fire			\$10,766,777		\$10,572,091	-1.81%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Fixed Charge Detail						
Statewide SA-1						
5/8"	4,066,121	\$10.00	\$40,661,205	\$10.00	\$40,661,205	0.00%
3/4"	43,158	\$15.00	\$647,370	\$15.00	\$647,370	0.00%
1"	300,709	\$25.00	\$7,517,720	\$25.00	\$7,517,720	0.00%
1-1/2"	18,286	\$50.00	\$914,310	\$50.00	\$914,310	0.00%
2"	85,395	\$80.00	\$6,831,600	\$80.00	\$6,831,600	0.00%
3"	797	\$150.00	\$119,520	\$150.00	\$119,520	0.00%
4"	1,628	\$250.00	\$407,050	\$250.00	\$407,050	0.00%
6"	917	\$500.00	\$458,500	\$500.00	\$458,500	0.00%
8"	151	\$800.00	\$120,400	\$800.00	\$120,400	0.00%
10"	72	\$1,000.00	\$72,000	\$1,000.00	\$72,000	0.00%
12"	0	\$1,250.00	\$0	\$1,250.00	\$0	0.00%
Subtotal			\$57,749,675		\$57,749,675	0.00%
Commodity/Demand						
2"	12	\$80.00	\$960	\$80.00	\$960	0.00%
3"	24	\$150.00	\$3,600	\$150.00	\$3,600	0.00%
4"	156	\$250.00	\$39,000	\$250.00	\$39,000	0.00%
6"	60	\$500.00	\$30,000	\$500.00	\$30,000	0.00%
8"	12	\$800.00	\$9,600	\$800.00	\$9,600	0.00%
Subtotal			\$83,160		\$83,160	0.00%
Exempt						
4"	12	\$215.60	\$2,587	\$215.60	\$2,587	0.00%
Subtotal			\$2,587		\$2,587	0.00%
Off-Peak						
4"	14	\$250.00	\$3,493	\$250.00	\$3,493	0.00%
6"	28	\$500.00	\$14,000	\$500.00	\$14,000	0.00%
8"	7	\$800.00	\$5,600	\$800.00	\$5,600	0.00%
Subtotal			\$23,093		\$23,093	0.00%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Manasquan						
<u>Uninterruptible</u>						
1"	24	\$25.00	\$600	\$25.00	\$600	0.00%
2"	24	\$80.00	\$1,920	\$80.00	\$1,920	0.00%
3"	12	\$150.00	\$1,800	\$150.00	\$1,800	0.00%
4"	24	\$250.00	\$6,000	\$250.00	\$6,000	0.00%
6"	48	\$500.00	\$24,000	\$500.00	\$24,000	0.00%
8"	24	\$800.00	<u>\$19,200</u>	\$800.00	<u>\$19,200</u>	0.00%
Subtotal			\$53,520	\$53,520	0.00%	
<u>Exempt</u>						
6"	24	\$431.20	\$10,349	\$431.20	\$10,349	0.00%
8"	48	\$689.92	<u>\$33,116</u>	\$689.92	<u>\$33,116</u>	0.00%
Subtotal			\$43,465	\$43,465	0.00%	
Sale for Resale						
5/8"	0	\$10.00	\$0	\$10.00	\$0	0.00%
1"	12	\$25.00	\$300	\$25.00	\$300	0.00%
2"	0	\$80.00	\$0	\$80.00	\$0	0.00%
4"	0	\$250.00	\$0	\$250.00	\$0	0.00%
6"	84	\$500.00	\$42,000	\$500.00	\$42,000	0.00%
8"	24	\$800.00	<u>\$19,200</u>	\$800.00	<u>\$19,200</u>	0.00%
Subtotal			\$61,500	\$61,500	0.00%	
<u>Exempt</u>						
4"	12	\$215.60	\$2,587	\$215.60	\$2,587	0.00%
8"	24	\$689.92	<u>\$16,558</u>	\$689.92	<u>\$16,558</u>	0.00%
Subtotal			\$19,145	\$19,145	0.00%	
Sewer Service						
<u>Adelphia</u>						
Fixed						
5/8"	42,441	\$5.69	\$241,488	\$4.84	\$205,413	-14.94%
3/4"	73	\$8.54	\$626	\$7.27	\$533	-14.92%
1"	2,998	\$14.23	\$42,660	\$12.11	\$36,305	-14.90%
1-1/2"	35	\$28.45	\$999	\$24.20	\$849	-14.94%
2"	24	\$45.52	\$1,092	\$38.73	\$930	-14.84%
3"	0	\$85.35	\$0	\$72.61	\$0	-14.93%
4"	12	\$142.25	\$1,644	\$121.02	\$1,399	-14.92%
6"	0	\$284.50	\$0	\$242.05	\$0	-14.92%
Usage	180,150	\$5.5060	\$991,906	\$4.6844	\$843,895	-14.92%
Growth Adj.			<u>(\$6,144)</u>		<u>(\$5,227)</u>	-14.93%
subtotal			\$1,274,271		\$1,084,097	-14.92%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
<u>Lakewood</u>						
Fixed Residential	118,994	\$15.06	\$1,792,051	\$12.81	\$1,524,314	-14.94%
Commercial	10,715	\$15.06	\$161,372	\$12.81	\$137,263	-14.94%
Other	443	\$15.06	\$6,666	\$12.81	\$5,670	-14.94%
Usage-W. Annual.	1,220,431	\$3.4102	\$4,161,914	\$2.9013	\$3,540,836	-14.92%
Growth Adj. subtotal			\$243,828	\$207,428		-14.93%
			\$6,365,831	\$5,415,511		-14.93%
<u>Ocean City</u>						
Summer Usage Residential	251,580	\$10.7750	\$2,710,775	\$10.4609	\$2,631,753	-2.92%
Commercial	123,718	\$10.7750	\$1,333,061	\$10.4609	\$1,294,202	-2.92%
Other	6,480	\$10.7750	\$69,822	\$10.4609	\$67,787	-2.91%
Usage - Annual	757,765	\$1.8144	\$1,374,889	\$1.7615	\$1,334,803	-2.92%
Growth Adj. subtotal			\$33,340	\$32,368		-2.92%
			\$5,521,887	\$5,360,913		-2.92%
Statewide Volumetric						
<u>Pottersville</u>						
Fixed (GMS)	1,284	\$110.96	\$142,473	\$108.89	\$139,815	-1.87%
Usage - Annual	8,064	\$8.00	\$64,512	\$7.85	\$63,302	-1.88%
Growth Adj. subtotal			\$1,934	\$1,898		-1.86%
			\$208,919	\$205,015		-1.87%
<u>Jenson's Deep Run</u>						
Fixed	2,952	\$52.50	\$154,980	\$51.52	\$152,087	-1.87%
Usage - Annual	15,302	\$0.00	\$0	\$0.00	\$0	-
Growth Adj. subtotal			\$0	\$0		-
			\$154,980	\$152,087		-1.87%
<u>Applied (Volumetric)</u>						
<u>Residential</u>						
Fixed #1	14,640	\$79.17	\$1,159,049	\$77.69	\$1,137,382	-1.87%
Fixed #2	108	\$90.38	\$9,761	\$88.69	\$9,579	-1.86%
Fixed #3	4,644	\$92.04	\$427,434	\$90.32	\$419,446	-1.87%
Fixed #4	3,876	\$94.80	\$367,445	\$93.03	\$360,584	-1.87%
Fixed #5	11,652	\$119.88	\$1,396,842	\$117.64	\$1,370,741	-1.87%
Usage - Annual	149,749	\$0.00	\$0	\$0.00	\$0	-
Growth Adj. subtotal			\$0	\$0		-
			\$3,360,531	\$3,297,732		-1.87%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
<i>Non-Residential</i>						
5/8"	120	\$30.08	\$3,610	\$29.52	\$3,542	-1.88%
1"	24	\$75.19	\$1,805	\$73.79	\$1,771	-1.88%
2"	48	\$240.60	\$11,549	\$236.11	\$11,333	-1.87%
Usage - Annual	4,562	\$9.8260	<u>\$44,826</u>	\$9.64	<u>\$43,978</u>	-1.89%
subtotal			\$61,790		\$60,624	-1.89%
Total Statewide Vol.			\$3,786,220		\$3,715,458	
Statewide Fixed						
<u>Pottersville</u>						
Fixed	24	\$160.34	\$3,848	\$155.67	\$3,736	-2.91%
<u>Applied (Fixed)</u>						
Fixed #1	12	\$90.38	\$1,085	\$87.75	\$1,053	-2.95%
Fixed #2	4,608	\$92.04	\$424,120	\$89.36	\$411,757	-2.91%
Fixed #3	1,200	\$94.80	\$113,760	\$92.04	\$110,444	-2.91%
Fixed #4	12,828	\$119.88	\$1,537,821	\$116.39	\$1,492,991	
Growth Adj.			<u>\$44,088</u>		<u>\$42,803</u>	-2.91%
subtotal			\$2,120,874		\$2,059,048	-2.92%
Total Statewide Fixed			\$2,124,722		\$2,062,784	
Other Contracts	2,145	\$113.85	\$244,151	\$110.53	\$237,034	-2.91%
Total Sewer Service			\$19,317,082		\$17,872,061	-7.48%
Other Revenues			<u>\$12,451</u>		<u>\$12,451</u>	0.00%
Total Sewer Revenues			<u>\$19,329,533</u>		<u>\$17,884,512</u>	-7.48%

New Jersey-American Water Company
Rate Counsel Recommended SA-1 / Other Revenues / Sewer Rates
and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase
(1)	(2)	(3)	(4)	(5)	(6)

Summary - Water Service

<u>Class</u>				
GMS		\$285,921,621	\$256,167,071	-10.41%
Commodity Demand		\$10,830,545	\$9,119,521	-15.80%
Off-Peak		\$2,085,874	\$1,757,382	-15.75%
Manasquan		\$2,945,080	\$2,596,235	-11.85%
Reg. Sales for Resale		\$4,424,586	\$3,858,666	-12.79%
Public Fire		\$12,424,585	\$11,997,741	-3.44%
Private Fire		\$10,766,777	\$10,572,091	-1.81%
Subtotal		\$329,399,068	\$296,068,707	-10.12%

Other Revenues

NSF Check Charges		\$90,939	\$90,939	0.00%
Reconnection Charges		\$1,083,666	\$1,083,666	0.00%
Rental Fees / Antenna Lease		\$4,009,833	\$4,009,833	0.00%
Late Payment Charges		\$70,204	\$70,204	0.00%
Miscellaneous Revenues		\$678,884	\$678,884	0.00%
Low Income Program		<u>(\$750,000)</u>	<u>(\$900,000)</u>	20.00%
Subtotal		\$5,183,526	\$5,033,526	-2.89%
Total SA-1 Water & Other Revenues		\$334,582,594	\$301,102,233	-10.01%

Summary - Sewer Service

Adelphia		\$1,274,271	\$1,084,097	-14.92%
Lakewood		\$6,365,831	\$5,415,511	-14.93%
Ocean City		\$5,521,887	\$5,360,913	-2.92%
Statewide Volumetric		\$3,786,220	\$205,015	-94.59%
Statewide Fixed		\$2,124,722	\$152,087	-92.84%
Other Contracts		<u>\$244,151</u>	<u>\$5,654,438</u>	2215.96%
Subtotal		\$19,317,082	\$17,872,061	-7.48%
Other Revenues		<u>\$12,451</u>	<u>\$12,451</u>	0.00%
Total Sewer Revenues		\$19,329,533	\$17,884,512	-7.48%
TOTAL OPERATING REVENUES		<u>\$353,912,127</u>	<u>\$318,986,745</u>	-9.87%

New Jersey-American Water Company
Rate Counsel Recommended SA-2 Rates and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase
(1)	(2)	(3)	(4)	(5)	(6)
GMS SA-2					
Facility Charge		\$34,354,910		\$34,354,910	0.00%
Usage	23,817,681	\$5.0936	\$121,317,740		
Non-seasonal	15,728,670		\$4.9596	\$78,007,912	-2.63%
1st 4,000	3,470,994		\$4.4884	\$15,579,210	
Next 6,000	2,046,115		\$5.2076	\$10,655,348	
Over 10,000	2,571,902		\$5.4019	\$13,893,157	
Exempt Credit	201,161	(\$0.7009)	(\$140,994)	(\$140,994)	
Growth Adj.			\$191,737	\$187,814	-2.05%
subt		\$155,723,393		\$152,537,357	-2.05%
Manville					
Facility Charge		\$541,118		\$541,118	0.00%
Usage	287,648	\$4.5340	\$1,304,196		
Non-seasonal	165,720		\$4.5340	\$751,372	0.00%
1st 4,000	73,139		\$4.3073	\$315,033	
Next 6,000	34,414		\$4.7607	\$163,836	
Over 10,000	14,375		\$5.1447	\$73,954	
subt		\$1,845,314		\$1,845,314	0.00%
OIW					
Facility Charge		\$404,381		\$404,381	0.00%
Usage	2,314,077	\$3.1733	\$7,343,261	\$6,829,998	-6.99%
Exempt Facilities		\$20,698		\$20,698	0.00%
Usage	1,072,147	\$2.7367	\$2,934,145	\$2,729,043	-6.99%
Subtotal OIW		\$10,702,485		\$9,984,120	-6.71%
SOS					
Non-Exempt	8,590,563	\$2.4827	\$21,327,791	\$20,906,853	-1.97%
Exempt	1,277,500	\$2.1411	\$2,735,255	\$2,681,217	-1.98%
SOS at GMS Rates					
Facilities	12	\$250.00	\$3,000	\$3,000	0.00%
	24	\$500.00	\$12,000	\$12,000	0.00%
	36	\$800.00	\$28,800	\$28,800	0.00%
Peaking Usage	16,515	\$8.1264	\$134,207	\$134,207	0.00%
	89,067	\$5.0489	\$449,690	\$437,862	-2.63%
Subtotal SOS		\$24,690,743		\$24,203,940	-1.97%

New Jersey-American Water Company
Rate Counsel Recommended SA-2 Rates and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Public Fire SA-2						
hydrant zone						
	Annual					
2A	74	\$450.36	\$33,327	\$450.36	\$33,327	0.00%
2C	499	\$523.44	\$261,197	\$500.00	\$249,500	-4.48%
2D	1,297	\$549.96	\$713,298	\$500.00	\$648,500	-9.08%
2E	141	\$591.12	\$83,348	\$500.00	\$70,500	-15.41%
2F	1,738	\$645.00	\$1,121,010	\$500.00	\$869,000	-22.48%
2G	2,463	\$698.76	\$1,721,046	\$500.00	\$1,231,500	-28.44%
2H	4,086	\$750.00	\$3,064,500	\$547.42	\$2,236,758	-27.01%
2I	1,153	\$800.04	\$922,446	\$583.95	\$673,294	-27.01%
2J	3,230	\$850.08	\$2,745,758	\$620.47	\$2,004,118	-27.01%
2K	562	\$900.00	\$505,800	\$656.91	\$369,183	-27.01%
2L	1,332	\$949.92	\$1,265,293	\$693.34	\$923,529	-27.01%
Growth Adj.			\$0	\$0	-	
Subt. Public	16,575		\$12,437,023	\$9,309,209	-25.15%	
Private Fire SA-2						
	Rate L-3					
Hydrants	1,713	\$335.88	\$575,362	\$231.95	\$397,330	-30.94%
Usage	42,440	\$5.0936	\$216,172	\$4.9596	\$210,485	-2.63%
2"	62	\$485.64	\$30,110	\$335.37	\$20,793	-30.94%
3"	115	\$953.76	\$109,682	\$658.65	\$75,745	-30.94%
4"	1,114	\$1,538.16	\$1,713,510	\$1,062.23	\$1,183,324	-30.94%
6"	1,552	\$2,853.00	\$4,427,856	\$1,970.23	\$3,057,797	-30.94%
8"	628	\$4,872.84	\$3,060,144	\$3,365.10	\$2,113,283	-30.94%
10"	70	\$5,792.16	\$405,451	\$3,999.96	\$279,997	-30.94%
12"	4	\$8,459.16	\$33,837	\$5,841.75	\$23,367	-30.94%
Grandfathered Adj.			(\$9,574)	(\$4,251)		
Subt. Private			\$10,562,550	\$7,357,871	-30.34%	
Tot. Rate Revenues			\$215,961,508	\$203,392,497	-5.82%	

Summary	Present Revenue	Recommended Revenue	% Increase
GMS	\$157,568,707	\$154,382,671	-2.02%
OIW	\$10,702,485	\$9,984,120	-6.71%
SOS	\$24,690,743	\$24,203,940	-1.97%
Public Fire Prot.	\$12,437,023	\$9,309,209	-25.15%
Private Fire Prot.	\$10,562,550	\$7,357,871	-30.34%
Total Revenue	\$215,961,508	\$205,237,811	-4.97%

New Jersey-American Water Company
Rate Counsel Recommended SA-2 Rates and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
Facilities Charge Detail						
GMS SA-2						
5/8"	2,050,165	\$10.00	\$20,501,650	\$10.00	\$20,501,650	0.00%
3/4"	156,756	\$15.00	\$2,351,340	\$15.00	\$2,351,340	0.00%
1"	129,416	\$25.00	\$3,235,400	\$25.00	\$3,235,400	0.00%
1-1/2"	26,113	\$50.00	\$1,305,650	\$50.00	\$1,305,650	0.00%
2"	41,219	\$80.00	\$3,297,520	\$80.00	\$3,297,520	0.00%
3"	9,032	\$150.00	\$1,354,800	\$150.00	\$1,354,800	0.00%
4"	5,077	\$250.00	\$1,269,250	\$250.00	\$1,269,250	0.00%
6"	1,169	\$500.00	\$584,500	\$500.00	\$584,500	0.00%
8"	441	\$800.00	\$352,800	\$800.00	\$352,800	0.00%
10"	48	\$1,000.00	\$48,000	\$1,000.00	\$48,000	0.00%
12"	24	\$1,250.00	\$30,000	\$1,250.00	\$30,000	0.00%
16"	12	\$2,000.00	\$24,000	\$2,000.00	\$24,000	0.00%
Subtotal			\$34,354,910		\$34,354,910	0.00%
Marville						
5/8"	49,241	\$10.00	\$492,414	\$10.00	\$492,414	0.00%
3/4"	390	\$15.00	\$5,856	\$15.00	\$5,856	0.00%
1"	275	\$25.00	\$6,883	\$25.00	\$6,883	0.00%
1-1/2"	109	\$50.00	\$5,430	\$50.00	\$5,430	0.00%
2"	122	\$80.00	\$9,760	\$80.00	\$9,760	0.00%
3"	24	\$150.00	\$3,600	\$150.00	\$3,600	0.00%
4"	30	\$250.00	\$7,575	\$250.00	\$7,575	0.00%
6"	0	\$500.00	\$0	\$500.00	\$0	0.00%
8"	12	\$800.00	\$9,600	\$800.00	\$9,600	0.00%
10"	0	\$1,000.00	\$0	\$1,000.00	\$0	0.00%
12"	0	\$1,250.00	\$0	\$1,250.00	\$0	0.00%
Subtotal			\$541,118		\$541,118	0.00%
OIW						
5/8"	115	\$10.00	\$1,146	\$10.00	\$1,146	0.00%
3/4"	60	\$15.00	\$893	\$15.00	\$893	0.00%
1"	48	\$25.00	\$1,188	\$25.00	\$1,188	0.00%
1-1/2"	136	\$50.00	\$6,780	\$50.00	\$6,780	0.00%
2"	779	\$80.00	\$62,304	\$80.00	\$62,304	0.00%
3"	399	\$150.00	\$59,835	\$150.00	\$59,835	0.00%
4"	369	\$250.00	\$92,175	\$250.00	\$92,175	0.00%
6"	120	\$500.00	\$59,900	\$500.00	\$59,900	0.00%
8"	38	\$800.00	\$30,160	\$800.00	\$30,160	0.00%
10"	60	\$1,000.00	\$60,000	\$1,000.00	\$60,000	0.00%
12"	24	\$1,250.00	\$30,000	\$1,250.00	\$30,000	0.00%
Subtotal			\$404,381		\$404,381	0.00%
Exempt						
10"	24	\$862.40	\$20,698	\$862.40	\$20,698	0.00%
Subtotal			\$20,698		\$20,698	0.00%
Tot. Facilities Revenue			\$35,321,107		\$35,321,107	0.00%

New Jersey-American Water Company
Rate Counsel Recommended SA-3 Rates and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase	
(1)	(2)	(3)	(4)	(5)	(6)	
GMS SA-3						
<u>Mt. Holly</u>						
Facilities Charge		\$2,362,114		\$2,362,114	0.00%	
Usage	1,374,632	\$5.0936				
Non-seasonal	797,041		\$4.9596	\$3,953,006	-2.63%	
1st 4,000	244,119		\$4.4884	\$1,095,703		
Next 6,000	143,011		\$5.2076	\$744,745		
Over 10,000	190,461		\$5.4019	\$1,028,850		
Growth Adj.						
subt		<u>(\$48,636)</u>		<u>(\$47,704)</u>	-1.92%	
		\$9,315,303		\$9,136,713	-1.92%	
<u>Southampton</u>						
Facilities Charge		\$68,778		\$68,778	0.00%	
Usage	32,456	\$4.0444				
Non-seasonal	19,307		\$4.0444	\$78,085		
1st 4,000	7,539		\$3.8017	\$28,659		
Next 6,000	3,307		\$4.2466	\$14,042		
Over 10,000	2,304		\$4.5484	\$10,478		
Growth Adj.						
subt		<u>(\$2,182)</u>		<u>(\$2,182)</u>	0.00%	
		\$197,859		\$197,859	0.00%	
<u>Jensen's Deep Run</u>						
Facilities Charge		\$29,520		\$29,520	0.00%	
Usage	15,302	\$5.0936				
Non-seasonal	7,125		\$4.9596	\$35,337	-2.63%	
1st 4,000	3,456		\$4.4884	\$15,512		
Next 6,000	2,025		\$5.2076	\$10,545		
Over 10,000	2,696		\$5.4019	\$14,564		
subt						
		\$107,462		\$105,478	-1.85%	
Public Fire SA-3						
Annual						
<u>hydrant zone</u>						
3A	141	\$261.84	\$36,919	\$261.84	\$36,919	0.00%
3B	75	\$314.16	\$23,562	\$314.16	\$23,562	0.00%
3C	106	\$366.48	\$38,847	\$366.48	\$38,847	0.00%
3D	243	\$418.92	\$101,798	\$418.92	\$101,798	0.00%
3G	784	\$497.40	\$389,962	\$497.40	\$389,962	0.00%
subt	1,349		\$591,088		\$591,088	0.00%
Private Fire SA-3						
<u>Rate L-7</u>						
2"	8	\$218.52	\$1,748	\$218.52	\$1,748	0.00%
3"	5	\$491.64	\$2,458	\$491.64	\$2,458	0.00%
4"	36	\$873.96	\$31,463	\$873.96	\$31,463	0.00%
6"	76	\$1,966.44	\$149,449	\$1,970.23	\$149,737	0.19%
8"	31	\$3,496.08	\$108,378	\$3,365.10	\$104,318	-3.75%
12"	1	\$7,866.12	\$7,866	\$5,841.75	\$5,842	-25.73%
Hydrants	92	\$94.440	\$8,688	\$94.44	\$8,688	0.00%
subt			\$310,050		\$304,254	-1.87%
Total Rate Revenues			\$10,521,762		\$10,335,392	-1.77%

New Jersey-American Water Company
Rate Counsel Recommended SA-3 Rates and Proof of Revenue

Facilities Charge Detail	Number of Accounts (1)	Present Rate (2)	Present Revenue (3)	Recomm. Rate (4)	Recomm. Revenue (5)	% Increase (6)
Mt. Holly District						
5/8"	133,383	\$10.00	\$1,333,825	\$10.00	\$1,333,825	0.00%
3/4"	1,176	\$15.00	\$17,640	\$15.00	\$17,640	0.00%
1"	22,395	\$25.00	\$559,870	\$25.00	\$559,870	0.00%
1 1/2"	1,184	\$50.00	\$59,180	\$50.00	\$59,180	0.00%
2"	2,464	\$80.00	\$197,104	\$80.00	\$197,104	0.00%
3"	445	\$150.00	\$66,750	\$150.00	\$66,750	0.00%
4"	384	\$250.00	\$95,925	\$250.00	\$95,925	0.00%
6"	45	\$500.00	\$22,300	\$500.00	\$22,300	0.00%
8"	12	\$800.00	\$9,520	\$800.00	\$9,520	0.00%
10"	0	\$1,000.00	\$0	\$1,000.00	\$0	0.00%
subt	161,486		\$2,362,114		\$2,362,114	0.00%
Southampton						
5/8"	5,259	\$10.00	\$52,592	\$10.00	\$52,592	0.00%
3/4"	49	\$15.00	\$732	\$15.00	\$732	0.00%
1"	286	\$25.00	\$7,150	\$25.00	\$7,150	0.00%
1 1/2"	32	\$50.00	\$1,600	\$50.00	\$1,600	0.00%
2"	39	\$80.00	\$3,104	\$80.00	\$3,104	0.00%
3"	24	\$150.00	\$3,600	\$150.00	\$3,600	0.00%
subt	5,689		\$68,778		\$68,778	0.00%
Jensen's Deep Run						
5/8"	2,952	\$10.00	\$29,520	\$10.00	\$29,520	0.00%
subt			\$29,520		\$29,520	0.00%
Total Facilities Revenue			\$2,460,412		\$2,460,412	0.00%

Summary	Present Revenue	Recommended Revenue	% Increase
GMS	\$9,620,624	\$9,440,050	-1.88%
Public Fire	\$591,088	\$591,088	0.00%
Private Fire	\$310,050	\$304,254	-1.87%
TOTAL	\$10,521,762	\$10,335,392	-1.77%

New Jersey-American Water Company
Rate Counsel Recommended SA-1A Rates and Proof of Revenue

	Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase
	(1)	(2)	(3)	(4)	(5)	(6)
GMS SA-1A						
<u>Harrison</u>						
Facilities Charge			\$477,348		\$477,348	0.00%
Usage	338,137	\$5.0936	\$1,722,332			
Non-seasonal	173,347			\$4.9596	\$859,732	-2.63%
1st 4,000	47,015			\$4.4884	\$211,020	
Next 6,000	41,312			\$5.2076	\$215,138	
Over 10,000	76,463			\$5.4019	\$413,044	
Growth Adj.			\$55,095		\$54,509	-1.06%
subt			\$2,254,775		\$2,230,791	-1.06%
Public Fire SA-1A						
<u>Harrison</u>						
Hydrants	410	\$363.12	\$148,879	\$363.12	\$148,879	0.00%
subt			\$148,879		\$148,879	0.00%
Private Fire SA-1A						
<u>Harrison</u>						
	<u>Rate L-8</u>					
2"	1	\$239.40	\$239	\$239.40	\$239	0.00%
3"	1	\$538.80	\$539	\$538.80	\$539	0.00%
4"	5	\$1,436.04	\$7,180	\$1,062.23	\$5,311	-26.03%
6"	14	\$2,155.32	\$30,174	\$1,970.23	\$27,583	-8.59%
8"	1	\$3,830.28	\$3,830	\$3,365.10	\$3,365	-12.14%
Hydrants	29	\$54.48	\$1,580	\$54.48	\$1,580	0.00%
subt			\$43,542		\$38,617	-11.31%
Total Rate Revenues			\$2,447,196		\$2,418,287	-1.18%
Facilities Charge Detail						
<u>Harrison District</u>						
5/8"	26,481	\$10.00	\$264,805	\$10.00	\$264,805	0.00%
3/4"	0	\$15.00	\$0	\$15.00	\$0	0.00%
1"	6,628	\$25.00	\$165,688	\$25.00	\$165,688	0.00%
1 1/2"	94	\$50.00	\$4,685	\$50.00	\$4,685	0.00%
2"	384	\$80.00	\$30,720	\$80.00	\$30,720	0.00%
3"	36	\$150.00	\$5,400	\$150.00	\$5,400	0.00%
4"	0	\$250.00	\$0	\$250.00	\$0	0.00%
6"	12	\$500.00	\$6,050	\$500.00	\$6,050	0.00%
Total	33,634		\$477,348		\$477,348	0.00%

Summary	Present Revenue	Recommended Revenue	% Increase
GMS	\$2,254,775	\$2,230,791	-1.06%
Public Fire	\$148,879	\$148,879	0.00%
Private Fire	\$43,542	\$38,617	-11.31%
TOTAL	\$2,447,196	\$2,418,287	-1.18%

New Jersey-American Water Company
Rate Counsel Recommended SA-1B Rates and Proof of Revenue

	Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase
	(1)	(2)	(3)	(4)	(5)	(6)
GMS SA-1B						
<u>Pennsgrove</u>						
Facilities Charge			\$542,198		\$542,198	0.00%
Usage	464,131	\$3.7522	\$1,741,512			
Non-seasonal	330,090			\$3.7522	\$1,238,565	-28.88%
1st 4,000	64,333			\$3.4520	\$222,077	
Next 6,000	33,457			\$3.9398	\$131,813	
Over 10,000	36,251			\$4.1118	\$149,057	
Growth Adj.			(\$28,458)		(\$28,458)	0.00%
subt			\$2,255,252		\$2,255,252	0.00%
Public Fire SA-1B						
<u>Pennsgrove</u>						
Hydrants	415	\$285.60	\$118,524	\$285.60	\$118,524	0.00%
subt			\$118,524		\$118,524	0.00%
Private Fire SA-1B						
<u>Pennsgrove</u> <u>Rate L-9</u>						
2"	1	\$330.12	\$330	\$330.12	\$330	0.00%
3"	1	\$742.68	\$743	\$658.65	\$659	-11.31%
4"	2	\$1,320.36	\$2,641	\$1,062.23	\$2,124	-19.58%
6"	8	\$2,971.68	\$23,773	\$1,970.23	\$15,762	-33.70%
8"	2	\$5,281.44	\$10,563	\$3,365.10	\$6,730	-36.29%
10"	1	\$8,252.28	\$8,252	\$3,999.96	\$4,000	-51.53%
12"	1	\$11,883.36	\$11,883	\$5,841.75	\$5,842	-50.84%
Hydrants	55	\$264.24	\$14,533	\$231.95	\$12,757	-12.22%
subt			\$72,718		\$48,204	-33.71%
Total Rate Revenues			\$2,446,494		\$2,421,980	-1.00%
Facilities Charge Detail						
<u>Pennsgrove District</u>						
5/8"	50,300	\$7.75	\$389,826	\$7.75	\$389,826	0.00%
3/4"	0	\$11.63	\$0	\$11.63	\$0	0.00%
1"	1,426	\$19.38	\$27,630	\$19.38	\$27,630	0.00%
1 1/2"	845	\$38.75	\$32,724	\$38.75	\$32,724	0.00%
2"	847	\$62.00	\$52,489	\$62.00	\$52,489	0.00%
3"	84	\$116.25	\$9,730	\$116.25	\$9,730	0.00%
4"	95	\$193.75	\$18,484	\$193.75	\$18,484	0.00%
6"	10	\$387.50	\$3,875	\$387.50	\$3,875	0.00%
8"	12	\$620.00	\$7,440	\$620.00	\$7,440	0.00%
Total	53,596		\$542,198		\$542,198	0.00%

Summary	Present Revenue	Recommended Revenue	% Increase
GMS	\$2,255,252	\$2,255,252	0.00%
Public Fire	\$118,524	\$118,524	0.00%
Private Fire	\$72,718	\$48,204	-33.71%
TOTAL	\$2,446,494	\$2,421,980	-1.00%

New Jersey-American Water Company
Rate Counsel Recommended SA-1D Rates and Proof of Revenue

Billing Determinants	Present Rate	Present Revenue	Recomm. Rate	Recomm. Revenue	% Increase
(1)	(2)	(3)	(4)	(5)	(6)
GMS SA-1D					
Applied					
Facilities Charge		\$47,142		\$47,142	0.00%
Usage	21,097	\$4.9889			
Non-seasonal	10,768		\$4.9596	\$53,405	-0.59%
1st 4,000	4,432		\$4.4884	\$19,893	
Next 6,000	2,613		\$5.2076	\$13,607	
Over 10,000	3,284		\$5.4019	\$17,740	
Usage-Irrigation	4,092	\$6.8034	\$6.8034	\$27,840	0.00%
Growth Adj.		\$45,584		\$45,431	-0.34%
subt		\$225,817		\$225,058	-0.34%
Public Fire SA-1D					
Applied					
Hydrants	31	\$231.92	\$231.92	\$7,190	0.00%
subt		\$7,190		\$7,190	0.00%
Private Fire SA-1D					
Applied					
Hydrants	8	\$231.84	\$231.95	\$1,856	0.05%
subt		\$1,855		\$1,856	0.05%
Total Rate Revenues		\$234,862		\$234,104	-0.32%
Facilities Charge Detail					
Applied District					
5/8"	3,504	\$9.00	\$9.00	\$31,536	0.00%
3/4"	900	\$13.50	\$13.50	\$12,150	0.00%
1"	0	\$22.50	\$22.50	\$0	0.00%
1 1/2"	0	\$45.00	\$45.00	\$0	0.00%
2"	48	\$72.00	\$72.00	\$3,456	0.00%
3"	0	\$135.00	\$135.00	\$0	0.00%
4"	0	\$225.00	\$225.00	\$0	0.00%
6"	0	\$450.00	\$450.00	\$0	0.00%
Total	4,452			\$47,142	0.00%

Summary

GMS
Public Fire
Private Fire
TOTAL

Present Revenue

\$225,817
\$7,190
\$1,855
\$234,862

Recommended Revenue

\$225,058
\$7,190
\$1,856
\$234,104

% Increase

-0.34%
0.00%
0.05%
-0.32%

APPENDIX

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.