

Case Study:

New Jersey American Water Company Conservation Program Design



Overview

Conservation is critical to New Jersey American Water Company's ("NJAWC" or the "Company") ability to provide reliable and sustainable water service in a manner that is both environmentally friendly and maximizes the affordability of that service for its customers. Subject to approval by the New Jersey Board of Public Utilities ("NJBPU"), NJAWC proposed a broad array of conservation programs which are designed to encourage the efficient use of water, including:

1. Conservation and water efficiency programs targeting both routine indoor water uses and outdoor irrigation, combined with appropriate ratemaking treatment, available to all residential customers;
2. Additional conservation programs targeting sustainable water efficiency for eligible low-income customers;
3. A customer education and communications plan designed to both educate customers and encourage them to use water more efficiently and to support NJAWC's other conservation programs; and
4. A conservation-oriented rate design pilot program targeting customers in the Coastal North System to test the effectiveness of price on water use behavior.

Concentric's Role

NJAWC retained Concentric to assist in developing its conservation strategy and to sponsor expert testimony regarding conservation plans and programs in the Company's rate proceeding. Concentric worked with the Company to develop specific conservation programs targeting residential customers, including programs designed to support customers participating in the Company's low income programs. Concentric also provided extensive industry research and context for the Company's conservation plans, including block seasonally differentiated rate tariff pilot program, and conservation cost recovery mechanisms. Finally, Concentric worked with the Company to enhance and develop communications and education programs to support its conservation strategy.

Recommendations

In April 2010, the Company filed a general rate case with the NJBPU. John Reed sponsored expert testimony in support of the Company's conservation strategy and programs. Concentric recommended that the Board support NJAWC's efforts and specifically approve the following:

- Conservation rebate programs which will encourage residential customers to install or replace less efficient plumbing fixtures, appliances and devices with high-efficiency water-saving models;
- Low Income conservation program, which offers additional financial support to enable low income customers to achieve sustainable water efficiency;
- Customer education and communications programs, including the Water Efficiency Resource Center which will provide customers with various on-line tools and other outreach efforts and initiatives;
- Tariff pilot, which will test the impact of a conservation-oriented inclining block, seasonally-differentiated rate structure; and
- Rate-making treatment which includes a Conservation Rider designed to (1) capture costs related to the delivery of conservation programs through a Conservation Plan Tracker, and (2) delink revenue recovery of fixed costs from the volume of water sold per customer through a Water Efficiency Tracker.

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