

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE
PROPOSED COST RECOVERY OF LEAD SERVICE LINE
REPLACEMENT PLAN
FILED BY MIDDLESEX WATER COMPANY
BPU DOCKET NO. WR2305_____

PREFILED TESTIMONY

OF

MICHELE L. TILLEY
DIRECTOR – BUDGETS & RATES

MAY 2023

**MIDDLESEX WATER COMPANY
PETITION FOR APPROVAL OF PROPOSED COST RECOVERY OF LEAD
SERVICE LINE REPLACEMENT PLAN
MAY 2023
DIRECT TESTIMONY OF MICHELE L. TILLEY**

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

2 A. Michele L. Tilley, 485C Route One South, Suite 400, Iselin, New Jersey 08830.

3 Q. **Please state your professional qualifications and experience.**

4 A. I am the Director of Budget and Rates for Middlesex Water Company
5 (“Middlesex”, “MWC” or “the Company”). I have been employed with Middlesex
6 since July 2007. My present duties consist of preparing and assisting in all
7 regulatory and rate case planning related activities for Middlesex and its regulated
8 water and wastewater utilities. My responsibilities include the preparation and
9 review of financial statements, work papers, exhibits, pre-filed testimony and other
10 activities in support of regulatory rate filing activities and I have participated in
11 every rate matter for Middlesex and its subsidiaries since my employment began in
12 2007. My responsibilities also include managing the budget process and income tax
13 compliance filings for Middlesex and its subsidiaries. Prior to 2007, I held various
14 financial positions in publicly traded companies, primarily within the retail
15 industry. I earned a Bachelor of Science Degree in Accounting from Rutgers
16 University in 1989.

17 Q. **Have you ever testified before or submitted testimony to the New Jersey
18 Board of Public Utilities (“NJBPU” or “Board”)?**

19 A. Yes. I submitted testimony and supporting exhibits in the Middlesex 2013, 2015,
20 2017 and 2021 base rate proceedings before the Board in BPU Docket Numbers
21 WR13111059, WR15030391, WR17101049 and WR21050813, the Pinelands

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1 Water Company 2019 and 2022 base rate proceedings before the Board in BPU
2 Docket Numbers WR19030417 and WR22090555, the Pinelands Wastewater
3 Company 2019 and 2022 base rate proceeding before the Board in BPU Docket
4 Numbers WR19030418 and WR22090556. I also submitted testimony and
5 supporting exhibits in Middlesex’s Purchased Water Adjustment Clause (“PWAC”)
6 proceedings before the Board in BPU Docket Numbers WR16040306,
7 WR17050524, WR18080948, WR19111463, WR20110722 and WR22030138.

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to support Middlesex’s Petition seeking Board approval
10 of its proposed cost recovery plan of lead service line (“LSL”) costs. Specifically to
11 provide the average monthly residential bill impact of the proposed rate treatment of
12 customer-owned LSL replacement costs as required under N.J.S.A. 58:12A-
13 45.6.b(3)(d).

14 **Q. What costs are included in the calculation of the average monthly residential
15 surcharge for customer-owned LSL replacement costs?**

16 A. In its surcharge filings, the Company will only seek cost recovery of the actual
17 project and customer communication costs incurred in connection with the
18 replacement of customer-owned LSL along with the approved carrying costs based
19 on the Company’s last authorized embedded cost of debt, which is currently 2.68%

20 **Q. How is the Company proposing to recoup customer-owned LSL replacement
21 costs?**

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1 A. Similar to the method employed in the Distribution System Improvement Charge
 2 (“DSIC”) to collect the DSIC revenue requirement, the LSL revenue requirement
 3 recovery amount will be divided by the number of meter equivalents, weighted by
 4 meter capacity ratio to arrive at the LSL surcharge by meter size.

5 **Q. What would the monthly LSL surcharge be for an average residential customer
 6 based on the Company’s proposed cost recovery plan?**

7 A. The following table sets forth the monthly LSL surcharge for an average residential
 8 customer with a 5/8” meter based on Company’s proposed rate treatment for the
 9 recoupment of customer-owned LSL replacement costs.

| | Low Range Estimate | | High Range Estimate | |
|--------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Total Estimated Annual Cost (1) | Average Monthly Bill Impact (2) | Total Estimated Annual Cost (1) | Average Monthly Bill Impact (2) |
| Year 1 | \$4,057,302 | \$2.39 | \$6,762,169 | \$3.98 |
| Year 2 | \$4,737,675 | \$2.79 | \$7,900,961 | \$4.65 |
| Year 3 | \$4,879,805 | \$2.87 | \$8,137,990 | \$4.79 |
| Year 4 | \$5,026,193 | \$2.96 | \$8,382,120 | \$4.93 |
| Year 5 | \$5,176,983 | \$3.05 | \$8,633,591 | \$5.08 |
| Year 6 | \$5,332,300 | \$3.14 | \$8,892,610 | \$5.23 |
| Year 7 | \$5,492,273 | \$3.23 | \$9,159,396 | \$5.39 |
| Year 8 | \$5,657,037 | \$3.33 | \$9,434,170 | \$5.55 |
| Year 9 | \$5,826,748 | \$3.43 | \$9,717,196 | \$5.72 |

(1) Exhibit A, Table 3-3 – Nine Year LSLR Program
 (2) Average residential customer with 5/8" meter.

10

11 **Q. Does this conclude your testimony?**

12 A. Yes.