

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE
REVISION OF RATES FILED BY
MIDDLESEX WATER COMPANY
BPU DOCKET NO. WR2305 _____

PREFILED TESTIMONY

OF

ROBERT J. CAPKO
CORPORATE CONTROLLER
AND
PRINCIPAL ACCOUNTING OFFICER

MAY 2023

**MIDDLESEX WATER COMPANY
PETITION FOR APPROVAL OF AN INCREASE IN RATES FOR WATER
SERVICE AND OTHER TARIFF CHANGES
MAY 2023
DIRECT TESTIMONY OF ROBERT J. CAPKO**

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

2 **A.** Robert J. Capko, 485C Route 1 South, Suite 400, Iselin, New Jersey 08830.

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

4 **A.** I am a Certified Public Accountant and Corporate Controller of Middlesex Water
5 Company (“Middlesex”). On March 28, 2023, I was appointed Principal Accounting
6 Officer of Middlesex. I have been employed with Middlesex since 2009. Prior to 2009,
7 I was an Audit Senior Manager at Deloitte & Touche LLP in their Energy and Public
8 Utilities Group, with a focus on publicly traded regulated utilities, which included several
9 regulated public utilities clients subject to the jurisdiction of the New Jersey Board of
10 Public Utilities (the “Board” or “NJBPU”). My overall responsibilities include
11 accounting, taxes, payroll, internal and external financial reporting, external audit
12 coordination, and financial enterprise resource planning system management,
13 implementation and upgrade. My responsibilities also include assisting with Middlesex’s
14 cash management, budget and forecasting, financing programs, and regulatory and rate
15 case filings.

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

18 **A.** Yes. I submitted testimony and supporting exhibits in the Middlesex 2021 base rate
19 proceeding before the Board in BPU Docket Number WR21050813. I have also
20 previously submitted testimony on behalf of Middlesex’s subsidiary regulated water and
21 wastewater utilities for their base rate proceedings and have participated in Distribution

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1 System Improvement Charge filings, Purchased Water Adjustment Clause filings and
2 various equity and long-term debt securities filings made by Middlesex and its
3 subsidiaries to the NJBPU.

4 **Q. Have you prepared exhibits to the Petition containing balance sheets and**
5 **statements of income for the Company?**

6 **A.** Yes. Exhibits to the Petition entitled Balance Sheets as of December 31, 2022, 2021 and
7 2020 (Exhibit C), Statements of Income for the Years Ended December 31, 2022, 2021
8 and 2020 (Exhibit D) and Balance Sheet as of March 31, 2023 (Exhibit E) were prepared
9 under my supervision, direction and control. The Balance Sheets as of December 31,
10 2022, 2021 and 2020 have also been identified as Exhibit P-3 to my testimony and the
11 Statements of Income for the Years Ended December 31, 2022, 2021 and 2020 as Exhibit
12 P-4. As noted in Mr. O'Connor's testimony, generally, the accounting/financial
13 statements are the responsibility of Mr. O'Connor, Ms. Tilley and myself so while we
14 have specific responsibilities for any particular statement inquired about, they are
15 intended to be viewed as a consistent whole.

16 **Q. Were these exhibits prepared in accordance with generally accepted accounting**
17 **principles and the uniform system of accounts prescribed by the NJBPU for a**
18 **Class A Water Utility?**

19 **A.** Yes.

20 **Q. Is the financial information contained in these exhibits true and correct to the**
21 **best of your knowledge and belief?**

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1 **A.** Yes.

2 **Q.** **Have you prepared a pro forma income statement for the Twelve Months Ended**
3 **September 30, 2023?**

4 **A.** Yes. An Exhibit entitled “Statement of Income for the Twelve Months Ended September
5 30, 2023,” which includes with adjustments at present and proposed rates, designated as
6 Exhibit F to the Petition, was prepared under my direct supervision. Exhibit F has also
7 been designated as Exhibit P-5 to my testimony.

8 **Q.** **Can you describe Exhibit P-5?**

9 **A.** Exhibit P-5 is a pro forma income statement reflecting operating income at present and
10 proposed rates, including adjustments the Company deems appropriate to more
11 accurately reflect revenues and expenses during the Test Year. It also includes a
12 calculation showing the Company’s proposed rate of return on rate base. For a detailed
13 discussion on Exhibit P-5, see the pre-filed direct testimony sponsored by Mr.
14 O’Connor.

15 **Q.** **Which Test Year Adjustment schedules of Exhibit P-5 are you testifying to?**

16 **A.** I plan to describe the bad debt expense adjustment (page 8), the retirement plans
17 adjustments (page 9 and 10), the new Senior Financial Analyst, Information Technology
18 Security Manager and the Energy/Water Benchmarking Assistant positions (page 11) and
19 the rate of return calculation (page 19). Testimony for the remaining adjustment
20 schedules of Exhibit P-5 will be sponsored by either Mr. O’Connor or Ms. Tilley in their
21 respective pre-filed direct testimony

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1 **Q. Why are you proposing to adjust the allowance for bad debt expense?**

2 **A.** There are two Test Year adjustments that are shown on Exhibit P-5, page 8 Customer
3 Accounts.

4 1) The first adjustment is formulaic and is linked to the proposed overall increase in the
5 revenue requirement utilizing a normalized bad debt expense.

6 2) The second adjustment is necessary in order to normalize that bad debt expense. In
7 Test Year months October 2022 through December 2022, Middlesex did not record
8 bad debt expense based on management’s assessment that for the period October
9 2022 through December 2022, Middlesex’s allowance for doubtful accounts reserve
10 was appropriate in relation to its Accounts Receivable balance greater than 90 days.
11 This assessment was based on several factors including the historical percentage of
12 allowance for doubtful accounts as compared to Accounts Receivable balance greater
13 than 90 days as well as historical write-offs. This adjustment normalizes Test Year
14 bad debt expense to account for what will be our projected annual bad debt expense
15 (\$360,000 per year).

16 **Q. How did the company arrive at the Defined Benefit Pension (“DB”) and Post-
17 Retirement Health Benefit Plan (“FAS 106”) Plans’ costs?**

18 **A.** DB and FAS 106 benefit costs are based on actuarial valuations that must be prepared
19 using variable assumptions, including discount rate, asset values, participant life
20 expectancy and health care cost trends, in place on January 1st of each year. The January

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1 1, 2023 actuary valuations for the DB and FAS 106 are the basis for the adjusted Test
2 Year costs, shown in Exhibit P-5, pages 9 and 10.

3 **Q. What are the causes for the increase in the DB and FAS 106 plans' costs?**

4 **A.** The main reason for the cost increase is increased interest rates and lower expected returns
5 on assets held in the DB and FAS 106 Plans' trust accounts partially offset by increases
6 in discount rates used in the DB and FAS106 plans' actuarial valuations.

7 **Q. What is the Pension Benefit Guaranty Corp premium?**

8 **A.** This is a Federal statutory annual payment required by pension plan sponsors to fund a
9 program that is designed to protect retiree pensions. This amount has been calculated
10 using the 2022 government-determined rates per participant.

11 **Q. Why is the Company proposing to add the three employee positions shown on
12 Exhibit P-5, page 11?**

13 **A.** Each of the three positions has been created in response to the ever increasing
14 regulatory related laws and directives, both specific to utilities and as well as to
15 businesses in general.

16 • **Senior Financial Analyst** – This position is being created to meet the
17 increasing volume and workload associated with the Company's regulatory
18 financial compliance filings with State utility commissions and the United
19 States Securities and Exchange Commission. For example, in order to comply
20 with the New Jersey Lead Service Line Replacement Law, water utilities are

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1 required by law to identify and replace customer-owned lead service lines
2 within ten years. For Middlesex, this replacement program is therefore
3 expected to take place over the next nine years requiring multiple semi-annual
4 and annual compliance filings for the proper and rightful recoupment of costs
5 incurred as a result of this legally required program. Another example of work
6 volume challenges is the increasing complexity of maintaining the program
7 for the repair expenditures on tangible property (“TPR”), which is more fully
8 described in the testimony of Mr. O’Connor. As the replacement of the
9 Company’s aging utility infrastructure is required to increase, particularly to
10 the water mains in the distribution system in connection with New Jersey’s
11 Water Quality Accountability Act (“WQAA”), additional analyses and
12 tracking are required to ensure that the customer rate benefits of the TPR
13 program are accurately captured. Since the conclusion of the last Middlesex
14 base rate in late 2021, one third of the Accounting Department personnel has
15 retired. Their replacements are skilled accountants, but with minimal utility
16 accounting experience. An additional professional accountant is needed to
17 address this increased workload as well as to provide sufficient succession
18 and coverage planning in order that valuable and critical institutional
19 knowledge is timely transferred by existing personnel. Similar to the trends
20 discussed in Mr. Fullagar’s testimony, the accounting department is not
21 immune from the trends Middlesex is seeing in its entire workforce. As

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1 shown on Exhibit P-5, page 11, a portion of costs associated with this position
2 have been allocated to Middlesex subsidiaries.

- 3 • **Information Technology Security Manager** – Cyber criminals and other
4 bad actors have caused a surge in the focus of public and private stakeholders
5 on protecting utility infrastructure and utility customers. This position is
6 essential to ensure Middlesex’s compliance with the cyber security
7 requirements of the American Water Infrastructure Act, the WQAA, the
8 NJBPU Cyber Security Order and the cyber security requirements of the
9 United States Environmental Protection Agency (“USEPA”). The
10 responsibilities of this role will be to maintain Middlesex’s cyber security
11 program, oversee adherence to internal and external cyber security
12 regulations, policies, and procedure and update and/or develop policies and
13 procedures as needed to minimize cyber risk and comply with new
14 regulations.

- 15 • **Energy/Water Benchmarking Assistant** – Legislation commonly referred
16 to as The Clean Energy Act of 2018 (P.L.2018,c.17 (C.48:3-87.8 et al.)
17 became law in New Jersey on May 23, 2018, and requires that no later than
18 five years after its enactment, that the owner or operator of each commercial
19 building over 25,000 square feet in the State of New Jersey is required to
20 benchmark energy and water use for the prior calendar year using the USEPA

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1 Portfolio Manager tool. By an Order issued on September 7, 2022, the
2 NJBPU directed utilities such as Middlesex to provide data access services
3 using the Benchmarking Portfolio Manager Spreadsheet Template beginning
4 on August 1, 2023 for the First Reporting Year¹. After participating in various
5 stakeholder meetings with the NJBPU and presentations by the USEPA, the
6 Company has determined that the level of effort to develop, build and
7 maintain the required data will require a full-time additional position. Job
8 responsibilities assigned to the proposed position include but are not limited
9 to 1) facilitating the processing of request for information from our public
10 facing website and providing information to the requestor in a safe and
11 expeditious manner, 2) ensuring the receipt of approval forms, 3) aggregating
12 data, 4) validating the accuracy of the information, 5) ensuring that meter
13 related issues such as fast meters and new/replaced meters do not skew results
14 and 6) managing the customer move in/out process to ensure appropriate
15 forms are received from new occupants.

16 **Q. Did you provide the information for the rate of return calculation found on page**
17 **19 of Exhibit P-5?**

18 **A.** The Company information for the rate of return calculation was prepared under my direct
19 supervision and provided to the Company's witness, Dylan D'Ascendis, whose pre-filed

¹ *In The Matter of the Implementation of P.L.2018, C.17 – Energy and Water Benchmarking of Commercial Buildings* BPU Docket No. QO21071023.

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1 testimony and exhibits support the Fair Rate of Return that the Company should be
2 authorized the opportunity to earn. I direct you to Schedule DWD-1 of the exhibits to Mr.
3 D’Ascendis’s direct testimony for the particulars of the information found in the table on
4 page 19 of Exhibit P-5.

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

6 **A. Yes.**

MIDDLESEX WATER COMPANY
BALANCE SHEETS
DECEMBER 2020, 2021 AND 2022

	DECEMBER 2020	DECEMBER 2021	DECEMBER 2022
Utility Plant			
Utility Plant In Service	\$ 593,090,215	\$ 712,008,815	\$ 751,794,491
Acquisition Adjustment	164,428	160,988	157,548
Construction Work In Progress	73,597,920	14,292,443	38,704,346
TOTAL	<u>666,852,562</u>	<u>726,462,247</u>	<u>790,656,385</u>
Less: Accumulated Depreciation	<u>144,611,229</u>	<u>155,461,775</u>	<u>169,314,501</u>
Utility Plant - Net	<u>522,241,333</u>	<u>571,000,472</u>	<u>621,341,883</u>
Non-utility Property - Net	45,018	45,467	45,166
Other	3,952,415	4,088,160	3,687,216
Investment in Subsidiary	86,162,019	94,188,375	94,465,256
Current Assets			
Cash and Cash Equivalents	5,627	(103,348)	1,490,338
Accounts Receivable:			
Customer	9,387,485	11,103,879	12,208,723
Subsidiaries	7,830,694	292,256	1,897,411
Other	1,343,991	1,282,236	1,174,147
Accumulated Provision for Uncollectible Accounts	(1,531,379)	(1,971,242)	(1,833,121)
Materials and Supplies (at average cost)	4,477,405	4,755,967	5,601,894
Prepayments	2,170,510	2,579,940	2,014,356
Notes Receivable - Intercompany	22,850,002	6,399,414	7,210,598
Accrued Unbilled Revenues	4,818,580	4,937,914	6,395,851
Total Current Assets	<u>51,352,914</u>	<u>29,277,016</u>	<u>36,160,198</u>
Deferred Charges And Other Assets			
Unamortized Debt Expense	4,104,709	4,874,737	5,246,216
Lease Assets	5,208,637	4,502,714	3,826,243
Regulatory Asset - FAS 109	18,477,299	17,701,229	16,336,656
Regulatory Asset - FAS 158	45,418,424	24,926,343	9,214,078
Regulatory Asset - Deferred Debits	50,678,869	54,651,767	60,650,425
Preliminary Survey & Investigation Charges	3,876,815	2,895,317	2,249,912
Other Deferred Debits	66,279	64,458	47,793
Restricted Cash	5,913,431	-	-
Total Deferred Debits	<u>133,744,462</u>	<u>109,616,566</u>	<u>97,571,322</u>
Total Assets	<u>\$ 797,498,162</u>	<u>\$ 808,216,055</u>	<u>\$ 853,271,041</u>

MIDDLESEX WATER COMPANY
BALANCE SHEETS
DECEMBER 2020, 2021 AND 2022

	DECEMBER 2020	DECEMBER 2021	DECEMBER 2022
Capitalization			
Common Equity			
Common Stock, No Par Value	\$ 217,450,804	\$ 221,919,278	\$ 233,053,518
Cumulative Preferred Stock, No Par Value			
Nonredeemable, \$7.00 Series	78,400	78,400	78,400
Nonredeemable, \$4.75	1,000,000	1,000,000	1,000,000
Convertible, \$7.00 Series	1,005,165	1,005,165	1,005,165
Convertible, \$8.00 Series	-	-	-
Retained Earnings	128,756,601	145,805,340	167,274,249
Total Equity Capital	<u>348,290,970</u>	<u>369,808,183</u>	<u>402,411,332</u>
Long Term Debt			
Long-term Debt	242,531,667	260,162,813	245,248,792
Total Capitalization	<u>590,822,637</u>	<u>629,970,996</u>	<u>647,660,124</u>
Current Liabilities			
Current Portion of Long-term Debt	3,350,193	3,131,856	13,894,753
Notes Payable to Affiliates	-	2,100,000	-
Accounts Payable Trade	24,998,987	11,886,621	16,909,254
Notes Payable	-	12,000,000	41,500,000
Customer Deposits	79,254	84,591	79,418
Accrued Taxes	10,045,687	10,153,411	12,061,537
Accrued Interest	1,929,489	1,743,335	2,180,887
Dividends Declared	29,999	30,000	30,000
Other Current Liabilities	2,410,685	2,519,710	2,732,287
Total Current Liabilities	<u>42,844,293</u>	<u>43,649,524</u>	<u>89,388,135</u>
Deferred Credits & Other Liabilities			
Customer Advances for Construction	2,767,552	2,528,875	1,815,543
Lease Obligations	5,041,925	4,366,635	3,706,174
Accumulated Deferred Investment Tax Credits	444,617	372,528	304,157
Accumulated Deferred State Income Taxes	(99,354)	(99,354)	(99,354)
Accumulated Deferred Federal Income Taxes	60,634,156	65,298,464	73,887,218
Postretirement Costs	7,883,975	(1,272,413)	(11,120,242)
Employee Pension Benefits	26,541,925	12,561,493	2,430,790
Regulatory Liabilities	40,180,029	30,055,284	23,876,916
Other Deferred Credits	910,300	896,048	738,684
Total Deferred Credits	<u>144,305,125</u>	<u>114,707,561</u>	<u>95,539,886</u>
Injuries & Damages Reserve	46,982	40,325	40,296
Contributions In Aid of Construction	19,479,124	19,847,649	20,642,600
Total Capitalization & Liabilities	<u>\$ 797,498,162</u>	<u>\$ 808,216,055</u>	<u>\$ 853,271,041</u>

MIDDLESEX WATER COMPANY
STATEMENT OF INCOME
FOR TWELVE MONTH ENDED DECEMBER 31, 2020, 2021 AND 2022

	DECEMBER 2020	DECEMBER 2021	DECEMBER 2022
Operating Revenues	\$ 84,181,704	\$ 83,825,715	\$ 105,393,187
Operating Expenses			
Operations & Maintenance	41,271,493	41,735,103	45,085,784
Depreciation and Amortization	13,233,277	15,738,863	17,222,958
Taxes, other than Income Taxes	13,271,428	13,451,536	16,328,833
Federal & State Income Taxes	(9,315,920)	(11,420,239)	(1,716,298)
Amortization of ITC	(75,127)	(72,089)	(68,371)
Total Operating Expense	<u>58,385,152</u>	<u>59,433,174</u>	<u>76,852,906</u>
Operating Income	<u>25,796,552</u>	<u>24,392,541</u>	<u>28,540,281</u>
Other Income (Expense)			
AFUDC - Equity	2,207,524	1,351,553	964,703
Interest Income	624,433	425,640	365,088
Other Income	52,943	77,702	5,310,856
Income From Subsidiaries Operations	14,592,907	15,479,221	13,427,110
Other Equity Investments	39,197	97,203	43,319
Other Expense	(950,623)	(57,573)	(38,007)
Income Before Interest Charges	<u>42,362,934</u>	<u>41,766,287</u>	<u>48,613,349</u>
Interest Charges			
Interest on Long-term Debt	5,337,005	6,177,453	6,514,661
Amortization of Debt Expense	(186,606)	(192,321)	(156,477)
AFUDC - Debt	(1,353,728)	(931,140)	(632,076)
Other Interest Charges	141,137	170,901	458,911
Total Interest Charges	<u>3,937,808</u>	<u>5,224,893</u>	<u>6,185,018</u>
Net Income	<u>38,425,126</u>	<u>36,541,394</u>	<u>42,428,332</u>
Preferred Stock Dividend Requirements	120,000	120,000	120,000
Earnings Applicable to Common Stock	<u>\$ 38,305,126</u>	<u>\$ 36,421,394</u>	<u>\$ 42,308,332</u>

MIDDLESEX WATER COMPANY
STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDED
SEPTEMBER 30, 2023
(5 Months Actual / 7 Months Budget)
BPU Docket No. WR2305XXXX

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR	31.23% PROPOSED ADJUSTMENT	AT PROPOSED RATES
MWC OPERATING REVENUES	\$ 109,251,774	\$ (801,947)	108,449,827	33,863,769	\$ 142,313,596
TOTAL OPERATING REVENUES	\$ 109,251,774	\$ (801,947)	\$ 108,449,827	\$ 33,863,769	\$ 142,313,596
OPERATING EXPENSES:					
SOURCE OF SUPPLY	8,872,615	(1,516,548)	7,356,067		7,356,067
PUMPING EXPENSE	3,270,210	1,320,980	4,591,190		4,591,190
WATER TREATMENT EXPENSE	6,243,560	386,049	6,629,609		6,629,609
TRANSMISSION & DISTRIBUTION	3,011,881	0	3,011,881		3,011,881
CUSTOMER ACCOUNTS	656,512	87,358	743,869	111,585	855,454
ADMINISTRATION & GENERAL	13,361,352	1,274,067	14,635,419		14,635,419
DEPREC & AMORTIZATION	18,107,867	1,636,680	19,744,547		19,744,547
SALARIES & WAGES	14,501,269	1,104,395	15,605,665		15,605,665
SUB TOTAL	68,025,266	4,292,981	72,318,247	111,585	72,429,832
TAXES OTHER THAN INCOME TAXES:					
PAYROLL	1,317,655	79,699	1,397,354		1,397,354
GRAFT	14,009,150	(108,237)	13,900,913	4,358,662	18,259,575
OTHER	1,555,712	292,135	1,847,847	89,156	1,937,003
TOTAL TAXES OTHER	16,882,517	263,597	17,146,114	4,447,818	21,593,932
TOTAL OPERATING EXPENSES	84,907,783	4,556,578	89,464,361	4,559,403	94,023,764
DEFERRED COVID-19 COSTS - RECOVERY	-	498,752	498,752		498,752
DEFERRED PFAS COSTS - RECOVERY	-	403,026	403,026		403,026
TOTAL DEFFERED COSTS - RECOVERY	-	901,778	901,778	-	901,778
OPERATING INCOME BEFORE FIT	24,343,991	(6,260,303)	18,083,689	29,304,366	47,388,055
INCOME TAXES	(1,994,213)	(1,084,503)	(3,078,716)	6,153,917	3,075,201
NET OPERATING INCOME	\$ 26,338,204	\$ (5,175,800)	\$ 21,162,404	\$ 23,150,449	\$ 44,312,853
RATE BASE	\$ 625,005,009		\$ 625,005,009		\$ 625,005,009
RATE OF RETURN	4.21%		3.39%		7.09%

**MIDDLESEX WATER COMPANY
REVENUES**

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 109,251,774	\$ (801,947)	\$ 108,449,827
<u>ADJUSTMENTS</u>			
CONSUMPTION REVENUE - ANNUALIZATION OF 1/1/2023 BASE RATE INCREASE			\$1,480,742
FACILITY CHARGE REVENUE - ANNUALIZATION OF 1/1/2023 BASE RATE INCREASE & CURRENT CUSTOMER COUNT			360,929
LESS: PWAC REVENUE IN TEST YEAR			(2,372,365)
LESS: CITY OF RAHWAY REVENUE (BASE RATE) IN TEST YEAR			(316,234)
<u>ADD: CUSTOMER GROWTH</u>			
		<u>CONSUMPTION REVENUE</u>	
	55	CUSTOMER GROWTH	
AVERAGE ANNUAL CONSUMPTION/CUSTOMER (CFT)	8,659	476,245	
		\$ 0.0664541	
BASE RATE PER TCF (W/O \$0.01 PER TG PUBLIC COMMUNITY WATER SYSTEM TAX)		\$	31,648
		<u>FACILITY CHARGES</u>	
	55	CUSTOMER GROWTH	
5/8" METER SIZE CURRENT BASE RATE -QUARTERLY	\$ 60.60		
		\$	13,332
TOTAL REVENUES - NEW ACCOUNTS			44,980
		PRO FORMA ADJUSTMENT	
			<u>\$ (801,947)</u>

MIDDLESEX WATER COMPANY
SOURCE OF SUPPLY

PURCHASED WATER

	TEST YEAR		ADJUSTED	
	SEPTEMBER 30, 2023	ADJUSTMENTS	TEST	
	\$	\$	YEAR	
<u>ADJUSTMENTS</u>	8,872,615	(1,516,548)	7,356,067	
NEW JERSEY AMERICAN WATER COMPANY - BASE RATE:				
MILLION GALLONS PER DAY (MGD)			3.00	
NUMBER OF DAYS			365	
NJAW TARIFF - RATE SCHEDULE G (BPU DOCKET NO. 22010019)			\$2,699.20	\$2,955,624
NEW JERSEY AMERICAN WATER COMPANY - PWAC:				
MILLION GALLONS PER DAY (MGD)			3.00	
NUMBER OF DAYS			365	
PWAC RATE SCHEDULE O-1 (BPU DOCKET NO. WR22110693)			\$473.10	\$518,045
NEW JERSEY AMERICAN WATER COMPANY - LSLRC:				
NUMBER OF MONTHS			12.00	
LSLRC RATE SCHEDULE O-2 (BPU DOCKET NO. WR22010017)			\$12.02	\$144
NEW JERSEY AMERICAN WATER COMPANY - ADDITIONAL PURCHASES:				
MILLION GALLONS (MG)			20.16	
BASE RATE		\$2,699		
PWAC RATE		473.10		
			\$3,172.30	\$ 63,944
NEW JERSEY WATER SUPPLY AUTHORITY:				
BASE CONTRACT MINIMUM WATER PURCHASES				
MILLION GALLONS PER DAY (MGD)			27.0	
NUMBER OF DAYS			365	
RATE PER MILLION GALLONS (EFFECTIVE 7/1/17) (MG)			\$336.00	
RATE PER MILLION GALLONS % INCREASE (EFFECTIVE 7/1/23)			8.63%	
RATE PER MILLION GALLONS WITH INCREASE (MG)			\$365.00	\$ 3,597,075

MIDDLESEX WATER COMPANY
SOURCE OF SUPPLY

PURCHASED WATER - CONTINUED

DEFERRED PURCHASE WATER COSTS

NEW JERSEY AMERICAN WATER COMPANY

PWAC RATE EFFECTIVE 4/26/2023 (BPU DOCKET NO. WR22110693)	\$473.10	per MG	
PWAC RATE EFFECTIVE 4/1/2022 (BPU DOCKET NO. WR21111220)	397.80	per MG	
INCREASE IN PWAC RATE EFFECTIVE 4/12/2023	\$75.30	per MG	

MILLION GALLONS PER DAY	3.0		
NUMBER OF DAYS (4/12/2023 TO 1/14/2024)	265		
		\$	59,864

NEW JERSEY AMERICAN WATER COMPANY

LSLRC RATE - (BPU DOCKET NO. WR22010017)	\$12.02	per Month	
PREVIOUS LSLRC	-		
INCREASE IN LSLRC RATE EFFECTIVE DATE 2/13/2023	\$12.02		
NUMBER OF MONTHS (2/13/2023 TO 1/14/2024)	11		
		\$	132

NEW JERSEY WATER SUPPLY AUTHORITY

NJWSA RATE EFFECTIVE 7/1/2023	\$365.00	per MG	
NJWSA RATE EFFECTIVE 7/1/2017	\$336.00	per MG	
INCREASE IN NJWSA RATE EFFECTIVE 7/1/2023	\$29.00	per MG	
MILLION GALLONS PER DAY	27.0		
NUMBER OF DAYS (7/1/2023 TO 1/14/2024)	198		
		\$	155,034

DEFERRED PURCHASE WATER COSTS	215,030		
24 MTHS AMORTIZATION PERIOD	50%		
			\$107,515

PRO FORMA EXPENSE	\$	7,242,347
LESS TEST YEAR		(8,758,895)
TOTAL PRO FORMA ADJUSTMENTS - PURCHASED WATER	\$	<u>(1,516,548)</u>

MIDDLESEX WATER COMPANY
PUMPING

PURCHASED POWER

TEST YEAR		ADJUSTMENTS	ADJUSTED TEST YEAR
SEPTEMBER 30, 2023			
\$	3,270,210	\$ 1,320,980	\$ 4,591,190

ADJUSTMENTS

	AVG PUMPAGE (MGD)	COST PER MG	TOTAL COST	
CJO TREATMENT PLANT	26.730	\$170.01	\$1,658,694	
CJO INTAKE STATION *	27.086	43.41	429,168	
CJO BOOSTER STATION *	1.349	269.19	132,545	
WELLS	8.000	487.55	1,423,646	
ALL OTHER	0.017		57,556	
NJAWC PURCHASED WATER	3.000		-	
TOTAL	37.747	\$268.67	\$3,701,609	
LESS TEST YEAR			(2,381,585)	
PRO FORMA ADJUSTMENT				\$ 1,320,024

* PUMPAGE EXCLUDED FROM TOTAL

ADD: CUSTOMER GROWTH

PUMPAGE (MG)	COST PER MG	
3.56	\$ 268.67	\$ 956
		\$ 956

TOTAL PRO FORMA ADJUSTMENTS- PURCHASED POWER \$ 1,320,980

MIDDLESEX WATER COMPANY
WATER TREATMENT

TEST YEAR	ADJUSTMENTS	ADJUSTED TEST YEAR
SEPTEMBER 30, 2023		
\$ 6,243,560	\$ 386,049	\$ 6,629,609

ADJUSTMENTS

CHEMICALS

	AVG PUMPAGE (MGD)	COST PER MG	TOTAL COST	
CJO TREATMENT PLANT	26.730	\$ 131.43	\$ 1,282,290	
CJO INTAKE STATION *	27.086	140.40	1,388,049	
WELLS / OTHER	8.017	82.06	240,124	
NJAWC PURCHASED WATER	3.000		-	
CHEMICAL COSTS TEST YEAR	37.747	\$211.25	\$ 2,910,463	
PRO FORMA ADJUSTMENT			<u>(2,939,208)</u>	\$ (28,745)

* PUMPAGE EXCLUDED FROM TOTAL

	<u>PUMPAGE (MG)</u>	<u>COST PER MG</u>		
<u>ADD: CUSTOMER GROWTH</u>	3.56	\$211.25	\$ 752	\$ 752
TOTAL PRO FORMA ADJUSTMENTS - WATER TREATMENT (CHEMICALS)			<u>\$</u>	<u>(27,993)</u>

MIDDLESEX WATER COMPANY
WATER TREATMENT

RESIDUALS REMOVAL

<u>RESIDUALS REMOVAL</u>			
CJO TREATMENT PLANT - AVERAGE PUMPAGE (MGD)	26.730		
TOWNSHIP OF EDISON SEWER RATE PER MG	\$ 246.19		
NUMBER OF DAYS	365		
		\$ 2,401,932	
PARK AVE WELL FIELD - AVERAGE PUMPAGE (MGD)	8.000		
TOWNSHIP OF SOUTH PLAINFIELD SEWER RATE PER MG	\$ 4.25		
NUMBER OF DAYS	365		
		12,408	
		\$ 2,414,340	
LESS TEST YEAR		(2,601,174)	
PRO FORMA ADJUSTMENT			\$ (186,834)
<u>CUSTOMER GROWTH</u>	<u>PUMPAGE (MG)</u>	<u>COST PER MG</u>	
	3.56	\$ 246.19	\$ 876
			\$ 876
TOTAL PRO FORMA ADJUSTMENTS - WATER TREATMENT (RESIDUALS)			\$ (185,958)

WATER TREATMENT STRUCTURES & IMPROVEMENTS

<u>GRANULAR ACTIVATED CARBON (GAC) MEDIA REPLACEMENT</u>			
GRANULAR ACTIVATED CARBON (GAC) MEDIA REPLACEMENT		\$ 600,000	
LESS TEST YEAR		-	
PRO FORMA ADJUSTMENT			600,000
TOTAL PRO FORMA ADJUSTMENTS - WATER TREATMENT			<u>\$ 386,049</u>

MIDDLESEX WATER COMPANY

CUSTOMER ACCOUNTS

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 656,512	\$ 87,358	\$ 743,869

ADJUSTMENTS

	TEST YEAR UNADJUSTED	ADJUSTED TEST YEAR ADJUSTMENT	PROPOSED RATES ADJUSTMENT
REVENUE	\$ 109,251,774	\$ (801,947)	\$ 33,863,769
NORMALIZED BAD DEBT	360,000		
BAD DEBT % OF REVENUE	0.32951%	0.32951%	0.32951%
		\$ (2,642)	\$ 111,585

NORMALIZED BAD DEBT	360,000	
LESS: TEST YEAR	(270,000)	
PRO FORMA ADJUSTMENT		90,000
PRO FORMA ADJUSTMENT		\$ 87,358

**MIDDLESEX WATER COMPANY
ADMINISTRATIVE & GENERAL EXPENSES**

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 13,361,352	\$ 1,274,067	\$ 14,635,419

ADJUSTMENTS

REGULATORY COMMISSION EXPENSES

CURRENT RATE CASE EXPENDITURES	\$	703,000	
24 MONTH AMORTIZATION PERIOD		50.00%	
		351,500	
LESS TEST YEAR		(122,554)	
PROFORMA ADJUSTMENT			228,946

EMPLOYEE BENEFITS

MEDICAL, PRESCRIPTION & DENTAL PLANS (Net of Contributions)	\$	3,680,187	
LESS: RETIREE COSTS		(680,326)	
INSURANCE PREMIUM FOR ACTIVE EMPLOYEES		2,999,861	
LESS: CAPITALIZED	-14.20%	(426,058)	
		\$ 2,573,803	
PLUS: RETIREE COSTS		680,326	
NET MEDICAL, PRESCRIPTION & DENTAL PLANS EXPENSE		3,254,129	
LESS: TEST YEAR		(3,151,580)	
PRO FORMA ADJUSTMENT MEDICAL, PRESCRIPTION & DENTAL PLANS			102,549

EMPLOYEE BENEFITS (Net of Contributions) FOR 8 PROPOSED POSITIONS			
MEDICAL		146,148	
DENTAL		6,348	
PRO FORMA ADJUSTMENT MEDICAL, PRESCRIPTION & DENTAL PLANS		152,496	
LESS: CAPITALIZED	-11.50%	(17,544)	
		\$ 134,952	
401K RETIREMENT PLAN		36,851	
EMPLOYEE BENEFITS FOR PROPOSED POSITIONS (Net of Contributions)			171,803

NONPENSION RETIREMENT PLAN VALUATION (FAS No. 106)	\$	(912,286)	
LESS: EXPECTED BENEFIT PAYMENTS (PAY AS YOU GO)		(697,700)	
TOTAL FAS NO. 106 EXPENSE		(1,609,986)	
LESS: CAPITALIZED	-14.20%	228,660	
NET FAS NO. 106 EXPENSE		\$ (1,381,326)	
LESS TEST YEAR		1,662,687	
PRO FORMA ADJUSTMENT			281,361

**MIDDLESEX WATER COMPANY
ADMINISTRATIVE & GENERAL EXPENSES**

EMPLOYEE BENEFITS - CONTINUED

<u>PENSION PLAN VALUATION</u>	\$	(213,563)	
PLUS: PENSION BENEFIT GUARANTY CORP ANNUAL PREMIUM		<u>19,552</u>	
		(194,011)	
LESS: CAPITALIZED	-14.20%	<u>27,555</u>	
	\$	(166,457)	
PLUS: SERP VALUATION		<u>621,411</u>	
NET PENSION PLAN EXPENSE		454,954	
LESS TEST YEAR		<u>(345,576)</u>	
PRO FORMA ADJUSTMENT			109,379

OTHER

<u>BUSINESS INSURANCE</u>	\$	2,720,763	
LESS: TEST YEAR		<u>(2,291,821)</u>	
PRO FORMA ADJUSTMENT			428,942

<u>GENERAL (SHARED) OVERHEAD CHARGED TO AFFILIATES</u>	\$	(1,439,004)	
LESS: TEST YEAR		<u>1,354,625</u>	
PRO FORMA ADJUSTMENT			(84,379)

<u>ERP SYSTEM SUPPORT CHARGE TO TIDEWATER</u>	\$	(719,378)	
LESS: TEST YEAR		<u>757,645</u>	
PRO FORMA ADJUSTMENT			38,266

<u>ANTENNA REVENUE (a/c 472)</u>	\$	(85,130)	
LESS: TEST YEAR		<u>82,283</u>	
PRO FORMA ADJUSTMENT			(2,847)

<u>INTEREST ON CUSTOMER ACCOUNTS</u>			46
TOTAL PRO FORMA ADJUSTMENTS - ADMINISTRATIVE & GENERAL	\$	<u>1,274,067</u>	

MIDDLESEX WATER COMPANY
SALARIES AND WAGES
PAYROLL ADJUSTMENT

TEST YEAR	ADJUSTMENTS	ADJUSTED TEST YEAR
SEPTEMBER 30, 2023		
\$ 14,501,269	\$ 1,104,395	\$ 15,605,665

ADJUSTMENTS

BASE LABOR

ANNUAL SALARIES AT 6/30/24 FOR PROGRESSION SCHEDULE EMPLOYEES	\$	1,676,733	A	
ANNUAL SALARIES AS OF 4/11/23 FOR PROGRESSION SCHEDULE EMPLOYEES		(1,534,853)		
SCHEDULED PROGRESSION INCREASES THROUGH 6/30/24				141,881

ANNUAL SALARIES FOR 4/11/23 ROSTER AT 9/30/23 - ALL OTHER EMPLOYEES	\$	16,896,665		
MARCH 23, 2024 ANNUAL WAGE INCREASE @ 3.5%		3.50%		
PROJECTED ANNUAL SALARIES @ 3/23/24 - ALL OTHER EMPLOYEES		17,488,049	A	
LESS: TEST YEAR		(16,720,010)		
PRO FORMA ADJUSTMENT				768,038

OVERTIME

TEST YEAR ANNUAL OVERTIME		1,438,676	A	
MARCH 23, 2024 ANNUAL WAGE INCREASE @ 3.5%		3.50%		
PROJECTED ANNUAL OVERTIME		1,489,030		
LESS: TEST YEAR		(1,438,676)		
PRO FORMA ADJUSTMENT			A	50,354

CAPITALIZED LABOR & SUBSIDIARY ALLOCATION

CAPITALIZED LABOR	Total Labor = Sum of A	\$ 20,653,812		
SUBSIDIARY/TRANSPORTATION LABOR ALLOCATION	Rate	-14.20%	\$ (2,933,377)	
LESS: TEST YEAR AMOUNT	Rate	-15.94%	(3,291,471)	
			5,935,432	(289,416)

PROJECTED NEW POSITIONS (Net of Capitalized/Subsidiary Allocations)

	<u>Salary</u>		<u>Capitalized/Subsidiary Allocation</u>	
1. CAPITAL PROJECT ACCOUNTANT	\$ 75,000	-80.0%	\$ 15,000	
2. INFORMATION TECHNOLOGY SECURITY MANAGER	130,000	0.0%	130,000	
3. INSTRUMENTATION WATER QUALITY TECHNICIAN	48,693	0.0%	48,693	
4. (2) ASSISTANT PLANT OPERATORS	97,386	0.0%	97,386	
5. WATER QUALITY TECHNICIAN III	50,461	0.0%	50,461	
6. ENERGY/WATER BENCHMARKING ASSISTANT	40,000	0.0%	40,000	
7. SENIOR FINANCIAL ANALYST	80,000	-35.0%	52,000	
			433,539	

PRO FORMA ADJUSTMENT

\$ 1,104,395

**MIDDLESEX WATER COMPANY
DEPRECIATION AND AMORTIZATION EXPENSE**

	TEST YEAR		ADJUSTMENTS	ADJUSTED TEST YEAR	
	SEPTEMBER 30, 2023				YEAR
DEPRECIATION EXPENSE	\$ 18,104,427	\$	1,636,680	\$	19,741,107
BAYVIEW ACQUISITION ADJUSTMENT	3,440		0		3,440
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	\$ 18,107,867	\$	1,636,680	\$	19,744,547
PRO FORMA/ADJUSTED TEST YEAR DEPRECIATION EXPENSE					19,741,107
LESS: TEST YEAR DEPRECIATION EXPENSE					(18,104,427)
PRO FORMA ADJUSTMENT					<u>\$ 1,636,680</u>

DEPRECIATION EXPENSE

DEPRECIABLE PLANT (NET OF CIAC & CAC)

	DEPRECIABLE PLANT 12/31/22	NET PLANT ADDITIONS PER P-2	TOTAL DEPRECIABLE PLANT	DEPRECIATION RATE	TEST YEAR DEPRECIATION EXPENSE
310 LAND & LAND RIGHTS	\$ 299,719		\$ 299,719	0.00%	\$ -
311 STRUCTURES & IMPROVEMENTS	1,307,308		1,307,308	2.97%	38,827
313 LAKES, RIVERS & OTHER INTAKES	381,429		381,429	2.46%	9,383
314 WELLS & SPRINGS	647,494		647,494	3.44%	22,274
316 SUPPLY MAINS	11,916,827	1,656,522	13,573,349	1.15%	156,094
TOTAL SOURCE OF SUPPLY+B58	<u>14,552,777</u>	<u>1,656,522</u>	<u>16,209,299</u>		<u>226,578</u>
320 LAND & LAND RIGHTS	92,189		92,189.0	0.00%	-
321 STRUCTURES & IMPROVEMENTS	11,070,829	489,520	11,560,349	3.12%	360,683
323 OTHER POWER PRODUCTION EQUIPMENT	4,272,780		4,272,780	2.94%	125,620
325 ELECTRIC PUMPING EQUIPMENT	19,119,538	238,917	19,358,455	2.87%	555,588
328 OTHER PUMPING EQUIPMENT	792,505		792,505	5.04%	39,942
TOTAL PUMPING	<u>35,347,840</u>	<u>728,437</u>	<u>36,076,277</u>		<u>1,081,833</u>
330 LAND & LAND RIGHTS	143,861		143,861.5	0.00%	-
331 STRUCTURES & IMPROVEMENTS	75,797,065	19,981,445	95,778,510	2.71%	2,595,598
332 WATER TREATMENT PLANT	50,607,107	22,499,706	73,106,813	2.72%	1,988,505
332 CHEMICAL TREATMENT EQUIPMENT	255,774		255,774	7.09%	18,134
TOTAL WATER TREATMENT	<u>126,803,808</u>	<u>42,481,150</u>	<u>169,284,959</u>		<u>4,602,237</u>
340 LAND & LAND RIGHTS	865,884		865,884	0.00%	-
342 DISTR RESERVOIRS & STANDPIPES	4,049,912		4,049,912	1.93%	78,163
343 MAINS - 4" & UNDER	2,160,136		2,160,136	3.13%	67,612
343 MAINS - 6" TO 8"	142,178,278	9,551,994	151,730,272	1.27%	1,926,974
343 MAINS - 10" TO 16"	49,471,506	5,544,243	55,015,749	1.26%	693,198
343 MAINS - 18" TO 24"	16,824,113	3,848,098	20,672,211	1.13%	233,596
343 MAINS - 30" AND OVER	77,784,643	7,746,333	85,530,976	1.10%	940,841
343 RIVER CROSSINGS	1,346,308		1,346,308	1.26%	16,963
343 RAILROAD CROSSINGS	1,539,592		1,539,592	1.29%	19,861
343 STATION DISCHARGE PIPE	9,425		9,425	2.42%	228
343 METER VAULTS, ETC	2,680,859		2,680,859	3.90%	104,554
345 SERVICES	77,812,999	5,067,030	82,880,029	2.81%	2,328,929
346 METERS	20,842,941	2,261,494	23,104,436	3.35%	773,999
347 METER INSTALLATIONS	49,222,670	4,961,789	54,184,459	2.33%	1,262,498
348 HYDRANTS	25,911,024	1,762,134	27,673,158	2.23%	617,111
349 OTHER T. & D. EQUIPMENT	1,304,650		1,304,650	4.24%	55,317
TOTAL TRANS. & DISTRIB.	<u>474,004,939</u>	<u>40,743,114</u>	<u>514,748,053</u>		<u>9,119,844</u>
389 LAND & LAND RIGHTS	1,121,028		1,121,028	0.00%	-
390 STRUCTURES & IMPROVEMENTS	17,932,973	517,505	18,450,478	2.27%	418,826
391 OFFICE FURNITURE & EQUIP	1,837,295		1,837,295	0.00%	-
391 OFFICE FURNITURE & EQUIP	17,029,191	(1,035,579)	15,993,612	11.91%	1,904,839
391 COMPUTER EQUIPMENT - ERP	23,922,596	(6,080,167)	17,842,429	4.00%	713,697
392 TRANSPORTATION EQUIP.	3,183,864		3,183,864	0.00%	-
392 TRANSPORTATION EQUIP.	5,624,477	1,428,886	7,053,363	17.84%	1,258,320
393 STORES EQUIPMENT	63,850		63,850	0.00%	-
394 TOOLS, SHOP & GARAGE EQUIP.	2,805,664	313,841	3,119,506	4.15%	129,459
395 LABORATORY EQUIPMENT	990,968		990,968	0.00%	-
395 LABORATORY EQUIPMENT	422,829		422,829	7.66%	32,389
396 POWER OPERATED EQUIP.	424,370		424,370	0.00%	-
396 POWER OPERATED EQUIP.	4,261		4,261	6.09%	259
397 COMMUNICATION EQUIPMENT	3,203,687	485,223	3,688,910	6.84%	252,321
398 MISCELLANEOUS EQUIP.	298,696		298,696	0.00%	-
398 MISCELLANEOUS EQUIP.	7,870		7,870	6.42%	505
TOTAL GENERAL PLANT	<u>78,873,619</u>	<u>(4,370,290)</u>	<u>74,503,329</u>		<u>4,710,615</u>
CAC GROSS-UP (NON-DEPRECIABLE)	(246,635)		(246,635)	0.00%	-
	<u>\$ 729,336,349</u>	<u>\$ 81,238,933</u>	<u>\$ 810,575,282</u>		<u>\$ 19,741,107</u>

**MIDDLESEX WATER COMPANY
TAXES OTHER THAN INCOME TAXES**

PAYROLL TAXES

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 1,317,655	\$ 79,699	\$ 1,397,354

ADJUSTMENTS

	SOCIAL SECURITY	MEDICARE	
NET PAYROLL INCREASE	\$ 1,104,395	\$ 1,104,395	
LESS: AMTS. IN EXCESS OF SOCIAL SECURITY LIMIT OF \$160,200.	(77,210)	-	
INCREASE SUBJECT TO TAX	\$ 1,027,185	\$ 1,104,395	
			<u>TOTAL</u>
TAX RATE	6.20%	1.45%	7.65%
PRO FORMA ADJUSTMENT	\$ 63,685	\$ 16,014	\$ 79,699

**MIDDLESEX WATER COMPANY
TAXES OTHER THAN INCOME TAXES**

GROSS RECEIPTS & FRANCHISE TAXES

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 14,009,150	\$ (108,237)	\$ 13,900,913

ADJUSTMENTS

	PRESENT RATES ADJUSTMENT TO REVENUES	PROPOSED RATES ADJUSTMENT TO REVENUES
OPERATING REVENUES ADJUSTMENT	\$ (801,947)	\$ 33,863,769
PORTION OF MAINS IN PUBLIC RIGHT OF WAYS	89.943690%	89.943690%
TAXABLE BASE	\$ (721,301)	\$ 30,458,323
FRANCHISE EXCISE TAX: TAXABLE BASE * TAX RATE (.625%)	\$ (4,508)	\$ 181,541
GROSS RECEIPTS EXCISE TAX: OPERATING REVENUES ADJUSTMENT * TAX RATE (.9375%)	\$ (7,518)	\$ 302,756
FRANCHISE TAX: TAXABLE BASE * TAX RATE (5.0%)	\$ (36,065)	\$ 1,452,320
GROSS RECEIPTS TAX: OPERATING REVENUES ADJUSTMENT * TAX RATE (7.5%)	\$ (60,146)	\$ 2,422,045
TOTAL GROSS RECEIPTS AND FRANCHISE TAXES	\$ (108,237)	\$ 4,358,662

**MIDDLESEX WATER COMPANY
TAXES OTHER THAN INCOME TAXES**

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ 1,555,712	\$ 292,135	\$ 1,847,847

ADJUSTMENTS

REAL ESTATE TAXES

REAL ESTATE TAXES		\$ 1,268,828	
LESS: TEST YEAR		(1,295,503)	
PRO FORMA ADJUSTMENT			\$ (26,675)

REAL ESTATE TAXES - INCREASE DUE TO CJO PROPERTY REASSESSMENT			
FAIRVIEW AVENUE: BLOCK 888 - LOT 01			
PROJECT'S ASSESSED VALUE	\$ 14,057,300		
PRE-EXISTING ASSESSED VALUE	8,951,900		
CHANGE IN ASSESSED VALUE		\$ 5,105,400	
2022 TAX RATE PER \$100		5.923	
PRO FORMA ADJUSTMENT			\$ 302,393

NEW JERSEY BOARD OF PUBLIC UTILITIES AND DIVISION OF RATE COUNSEL REGULATORY ASSESSMENTS

		ASSESSMENT RATE	
NJBPU ASSESSMENT (Present Rates + Adjustment to Revenue)	\$ 108,449,827	0.002130447316830	231,047
RC ASSESSMENT (Present Rates + Adjustment to Revenue)	\$ 108,449,827	0.000502343617755	54,479
			285,526
LESS: TEST YEAR			(269,109)
			\$ 16,417

TOTAL PRO FORMA ADJUSTMENTS - OTHER TAXES \$ 292,135

		ASSESSMENT RATE	
NJBPU & RC ASSESSMENT (Proposed Revenue Adjustment)	\$ 33,863,769	0.00263279093458500	\$ 89,156
TOTAL PROPOSED RATE ADJUSTMENT - OTHER TAXES			<u>\$ 89,156</u>

**MIDDLESEX WATER COMPANY
DEFERRED COVID-19 COSTS**

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ -	\$ 498,752	\$ 498,752

ADJUSTMENTS

DEFERRED COVID-19 COSTS - BPU DOCKET NO. AO20060471

DEFERRED COVID-19 COSTS - 3/9/2020 - 12/31/2022

COSTS

WATER SERVICE TURN ON/OFF FEES	\$ 77,113	
PERSONAL PROTECTIVE EQUIPMENT	58,182	
JANITORIAL & CLEANING SUPPLIES	39,788	
WATER SAMPLING STATIONS	32,036	
CUSTOMER AND EMPLOYEE COVID-19 COMMUNICATIONS	96,196	
UNCOLLECTIBLE CUSTOMER RECEIVABLES - BAD DEBT EXPENSE	649,601	
CUSTOMER BILL OF RIGHTS PRINTING & POSTAGE	337,536	
OTHER	39,300	
TOTAL COSTS		\$ 1,329,752

SAVINGS

TRAINING/CONFERENCES/SEMINARS	\$ (209,452)	
TOTAL SAVINGS		(209,452)

NET COVID-19 RELATED COSTS		\$ 1,120,300
2 YEAR COST RECOVERY PERIOD		50.00%
		560,150
LESS TEST YEAR		(61,398)
PROFORMA ADJUSTMENT		\$ 498,752

**MIDDLESEX WATER COMPANY
DEFERRED PRODUCTION PFAS COSTS**

TEST YEAR	ADJUSTMENTS	ADJUSTED TEST YEAR
SEPTEMBER 30, 2023		
\$ -	\$ 403,026	\$ 403,026

ADJUSTMENTS

DEFERRED PRODUCTION COSTS - PFAS MITIGATION - BPU DOCKET NO.WR22010009

DEFERRED PRODUCTION COSTS - PFAS MITIGATION

PURCHASED POWER	\$ (268,832)	
CHEMICALS	439,127	
RESIDUALS	750,287	
LAB TESTING & SUPPLIES	108,058	
PUBLIC NOTICES & CUSTOMER COMMUNICATIONS	244,173	
ENGINEERING COSTS	36,654	
LEGAL	53,738	
TOTAL COSTS		\$ 1,363,204
2 YEAR COST RECOVERY PERIOD		50.00%
		681,602
LESS TEST YEAR		(278,576)
PROFORMA ADJUSTMENT		\$ 403,026

MIDDLESEX WATER COMPANY

FEDERAL INCOME TAXES

	TEST YEAR SEPTEMBER 30, 2023	ADJUSTMENTS	ADJUSTED TEST YEAR
	\$ (1,994,213)	\$ (1,084,503)	\$ (3,078,716)
	TEST YEAR SEPTEMBER 30, 2023	ADJUSTED TEST YEAR	ADJUSTED AT PROPOSED RATES
OPERATING INCOME BEFORE FEDERAL INCOME TAX	\$ 24,343,991	\$ 18,083,689	\$ 47,388,055
DEDUCTIONS:			
TPR FLOW THRU TAX DEDUCTION	26,902,702	26,902,702	26,902,702
INTEREST EXPENSE	9,250,074	9,250,074	9,250,074
PREFERRED DIVIDEND DEDUCTION	6,800	6,800	6,800
TOTAL DEDUCTIONS	\$36,159,576	\$36,159,576	\$36,159,576
TAXABLE INCOME	\$ (11,815,585)	\$ (18,075,888)	\$11,228,479
FEDERAL INCOME TAX	\$ (2,481,273)	\$ (3,795,936)	2,357,980
PRE SEPT-2021 TPR DEDUCTIONS	1,087,413	1,087,413	1,087,413
AMORT. OF POST SEPT-2021 TPR DEDUCTIONS	0	229,117	229,117
AMORT. OF 2017 TCJA REGULATORY LIABILITY	(535,114)	(535,114)	(535,114)
AMORT. OF ITC	(65,239)	(64,195)	(64,195)
TOTAL INCOME TAXES	\$ (1,994,213)	\$ (3,078,716)	\$ 3,075,201
	21.0000%	21.0000%	21.0000%

MIDDLESEX WATER COMPANY

RATE OF RETURN CALCULATION

	PRO FORMA CAPITAL RATIOS	COST RATE	WEIGHTED COST RATE
LONG TERM DEBT	46.12%	3.20%	1.48%
PREFERRED STOCK	0.28%	5.01%	0.01%
COMMON EQUITY	<u>53.60%</u>	10.45%	<u>5.60%</u>
	<u>100.00%</u>		<u>7.09%</u>

MIDDLESEX WATER COMPANY

TAX GROSS UP CALC

		All Customers			
Public/Private		89.943690%			
		Tax Rates	Adjusted		
Franchise - Excise		0.6250%	0.5361%		
Franchise		5.0000%	4.2887%		
Gross Receipts		0.9375%	0.8940%		
Gross Receipts - Excise		7.5000%	7.1523%		
Total GRAFT Rate		<u>14.0625%</u>	<u>12.8712%</u>		
NJBPU/RC ASSESSMENT		0.2633%	0.2633%		
Bad Debt		0.3295%	0.3295%		
Total			<u>13.4639%</u>		
				<u>East Brunswick</u>	
				100%	100%
				-13.4639%	-13.4639%
				<u>86.5361%</u>	<u>86.5361%</u>
	Federal Income Tax Rate		21.000%		21.000%
	Federal Income Tax (FIT)		18.173%		18.173%
	Net Income		68.3635%		68.3635%
	Gross Up Factor (1/FIT)		146.2769%		146.2769%
			95.3643%		4.6357%
			1.39495957	0.067809729	1.46276930
5,027,418	East Brunswick Revenues				
108,449,827	Adjusted Test Year Revenue				
4.6357%	% East Brunswick to Total				

MIDDLESEX WATER COMPANY

PROPOSED REVENUE INCREASE CALCULATION

RATE BASE	625,005,009
RATE OF RETURN	7.0900%
INCOME REQUIREMENT	<u>44,312,855</u>
PROFORMA OPERATING INCOME	21,162,404
DEFICIENCY	<u>23,150,451</u>
REVENUE FACTOR	1.462769
PROPOSED REVENUE INCREASE	<u><u>33,863,769</u></u>