



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF NEW)
JERSEY-AMERICAN WATER COMPANY, INC. FOR)
DEFERRAL ACCOUNTING AUTHORITY FOR THE)
FINANCIAL IMPACT OF DAMAGE RELATED TO)
HURRICANE SANDY)
ORDER APPROVING)
DEFERRED ACCOUNTING)

DOCKET NO. WO12121079)

Parties of Record:

Robert J. Brabston, Esq., on behalf of Petitioner, New Jersey American Water Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

BACKGROUND AND PROCEDURAL HISTORY

On December 17, 2012, New Jersey-American Water Company¹ (NJAW, Company or Petitioner) a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities, filed a petition, pursuant to N.J.S.A. 48:2-16, N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-23, seeking authorization for deferred accounting treatment of actually incurred uninsured incremental storm costs associated with Superstorm Sandy that are not otherwise recovered through the Company's currently approved base rates². The Company proposed that the appropriate amortization period for such deferred costs be addressed in its next base rate case.

In its petition, NJAW asserted that the storm related incremental expenses that the Company seeks to defer are actual, were prudently incurred and were associated with the impact of Superstorm Sandy, on NJAW's water distribution and waste water collection systems. The costs that the Company seeks to defer include overtime, outside contractor costs, fuel, generator rental and transport, rental of equipment, including living expenses, meals, and other directly related expenses resulting from storm damage mitigation, assessment, repair, clean up, and restoration activities in the affected NJAW service areas. The Company also stated that it had voluntarily suspended billing for public fire hydrants and water service in the most severely

¹ New Jersey-American Water Company serves approximately 635,000 water and approximately 35,000 wastewater customers in certain portions of Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Middlesex, Mercer, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren Counties, New Jersey.

² NJAW's current base rates became effective on May 1, 2012 (In the Matter of New-Jersey American Water Company, Docket No. WR11070460, May 1, 2012).

affected areas of its service territory. The Company further stated that no ongoing, routine non-emergency expenses will be included in the requested deferral accounts established for costs associated with Superstorm Sandy storm damages.

By letter dated, February 7, 2012, the Division of Rate Counsel (Rate Counsel) submitted comments regarding NJAW's request. Rate Counsel's stated that it did not object to the Company's request to defer on its books and records, for accounting purposes only, the actual incurred uninsured incremental storms costs associated with Superstorm Sandy that are not otherwise recovered through its currently approved base rates. Rate Counsel went on to request that the Board's Order addressing the Company's request include language noting that said Order did not in any way limit the authority of the Board or the State in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting NJAW. Rate Counsel also requested that the Board order the Company to file a petition for a base rate case, within two years from the date of the Board's Order, so that the prudence and recoverability of actually incurred storm costs can be determined.

After reviewing the petition, the Board **FINDS** that the Petitioner's request is reasonable, in the public interest, and in accordance with the law. The Board **HEREBY AUTHORIZES** NJAW to defer on its books, for accounting purposes only, actually incurred prudent otherwise unreimbursed, incremental storm restoration costs not otherwise recoverable through base rates or insurance.

With regard to Rate Counsel's request that NJAW be ordered to file a petition for a base rate case within two years, while the Board **FINDS** that it is within its discretion to order NJAW to file a time-specific base rate case as a condition to authorizing NJAW to defer actually incurred, prudent, unreimbursed, incremental storm restoration costs, the Board has determined not to impose this condition at this time. In so doing, the Board notes that consistent with the approval of NJAW's Distribution System Improvement Charge (DSIC) foundational filing, NJAW will file a rate case on or before October 23, 2015.³ In the Matter of New Jersey American Water Company (Docket No. WR12070669, October 23, 2012)

Further, the Board will initiate a new generic proceeding to evaluate the prudence of extraordinary, storm-related costs incurred by all the regulated utilities as a result of the natural disasters New Jersey experienced in 2011 and 2012, thereby satisfying the Board's concern that delayed review of extraordinary costs be avoided. In this proceeding, the Board will determine the manner in which such prudent costs shall be recovered.

The Board **ORDERS** that the prudence and recovery of any deferred uninsured Superstorm Sandy related expenses will be reviewed in a future proceeding. Additionally, the Board **HEREBY ORDERS** that, as a condition for approval of the right to defer unreimbursed storm related costs on its books and records for accounting purposes only and without interest, NJAW shall cooperate with staff as the Board reviews the prudence of storm-related costs and in the proceeding and shall provide requested information including, but not limited to the following:

- 1) An estimate of the total of actually incurred unreimbursed, uninsured, incremental storm restoration costs;

³ The Stipulation that was adopted by the Board in New Jersey American's last base rate case (In the Matter of New Jersey American Water Company, BPU Docket No. WR11070460, May 1, 2012) contained a provision which stated in pertinent part: "Once the rates emanating from this proceeding have been made effective, the Company may not increase its base rates for two years from the effective date."

- 2) For each cost identified, information as to the eligibility for, and probability of cost recovery from insurance, any governmental program or any other third party;
- 3) The costs and ratemaking treatment for those costs for which the company continues to request deferred accounting;
- 4) The tax treatment expected for each storm-related cost; and
- 5) How the company intends to report storm related costs for GAAP purposes.

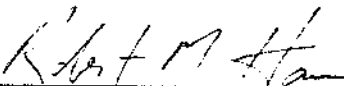
This Order is subject to the following additional conditions:

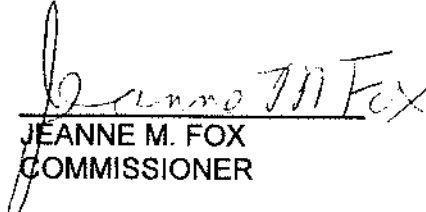
1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets not owned or hereafter to be owned by Petitioner.
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting New Jersey-American Water Company.
3. Approval of this deferred accounting treatment request constitutes approval for accounting purposes only and does not constitute approval for ratemaking purposes; any determination of the appropriateness or reasonableness of the costs and expenses shall be made in an appropriate subsequent proceeding.

This Order shall be effective on March 1, 2013.

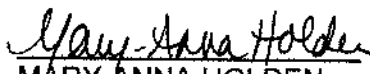
DATED: 2/25/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT

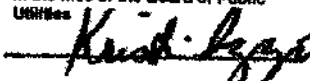

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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FOR DEFERRAL ACCOUNTING AUTHORITY FOR THE FINANCIAL IMPACT
OF DAMAGE RELATED TO HURRICANE SANDY
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