



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 AUTHORIZATION TO CHANGE THE LEVELS OF ITS PURCHASED WATER ADJUSTMENT CLAUSE AND PURCHASED WASTEWATER (SEWERAGE) TREATMENT ADJUSTMENT CLAUSE) ORDER ADOPTING INITIAL) DECISION/STIPULATION))) BPU DOCKET NO. WR12111019) OAL DOCKET NO. PUC 16171-2012S

Parties of Record:

Robert J. Brabston, Esq., on behalf of New Jersey American Water Company, Inc., Petitioner
Stefanie A. Brand, Esq., Director, on behalf of the Division of Rate Counsel
Kenneth J. Quinn, Esq., on behalf of Middlesex Water Company, Intervener

BY THE BOARD:

On November 15, 2012, New Jersey American Water Company, Inc. ("Petitioner" or "Company"), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1 et seq. and 14:9-8.1 et seq., for approval to change the levels of its existing Purchased Water Adjustment Clause ("PWAC") charge and Purchased Wastewater (sewerage) Treatment Adjustment Clause ("PSTAC") charges, with respect to decreased purchased water expense and increased purchased wastewater treatment expense. The total amount originally requested was an overall increase of \$2,616,998 or 0.40% above total Company revenues of \$652,950,863. As a result of settlement discussions, the Petitioner, the Division of Rate Counsel ("Rate Counsel") Board Staff ("Staff") (collectively the "Signatory Parties") have agreed to a total overall stipulated increase of \$1,774,134 or 0.27% above total Company revenues of \$652,927,360¹.

Petitioner services approximately 614,000 general metered water customers and approximately 34,000 sewer customers in all or part of 189 municipalities in 18 of the State's 21 counties.

¹ In the stipulation, the parties updated total company revenues to include 11 months of actual revenues and 1 month of estimated revenues.

Petitioner purchases water on a routine basis from twelve separate entities and purchases wastewater treatment services from three separate entities, each of which adjusts its rates for service, and, in the case of wastewater treatment service providers, issues sewerage deficit/credit adjustments, at different times throughout the year. The twelve water purveyors are: Passaic Valley Water Commission; Morris County Municipal Utilities Authority; Montclair Water Bureau; Shorelands Water Company; New Jersey Water Supply Authority; Atlantic City Municipal Utilities Authority; City of Wildwood; Borough of Seaside Heights; City of Newark; Township of Maple Shade; East Windsor Municipal Utilities Authority; and Marlboro Township Municipal Utilities Authority. The three sewerage treatment purveyors are: Cape May County Municipal Utilities Authority for the Petitioner's Ocean City Sewer tariff group; Ocean County Utilities Authority for the Petitioner's Lakewood Sewer tariff group; and Howell Township for the Petitioner's Adelpia Sewer tariff group.

In In the Matter of New Jersey American Water Company, Elizabethtown Water Company, and Mount Holly Water Company (Docket No. WR06030257, April 2, 2007), the Board ordered that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the PWAC and PSTAC as applicable. In the petition filed within the instant proceeding, Petitioner proposed to decrease its PWAC rate in PWAC Rate Schedule O-1 from \$0.4528 per thousand gallons of water to \$0.4420 per thousand gallons of water for Non-Exempt customers. Petitioner proposed to decrease its PWAC rate from \$0.3905 per thousand gallons of water to \$0.3812 per thousand gallons for Exempt customers. It also proposed to address its PSTAC charges as follows:

For customers in Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter water quarter usage (January, February and March meter readings) as reflected in PSTAC Rate Schedule 2-B, would increase from \$4.4273 per thousand gallons to \$4.4342 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected in PSTAC Rate Schedule 1-B, would increase from \$22.4508 per thousand gallons to \$22.9357 per thousand gallons.

For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected in PSTAC Rate Schedule 3-B, would increase from \$6.0167 per thousand gallons to \$6.2470 per thousand gallons.

BACKGROUND/PROCEDURAL HISTORY

This matter was transmitted to the Office of Administrative Law ("OAL") on December 7, 2012, as a contested case and was assigned to Administrative Law Judge ("ALJ") Elia A. Pelios. A telephonic prehearing conference was held on January 11, 2013, with ALJ Pelios during which, among other things, the ALJ directed that public hearings be held on this matter.

On January 16, 2013, Middlesex Water Company (Middlesex) filed a motion to intervene in the instant proceeding. On February 20, 2013, the motion was granted by ALJ Pelios. After proper notice, four public hearings were held in following locations in Petitioner's service area: in Linwood on February 12, 2013 at 2 p.m., in Westampton on February 12, 2013 at 6 p.m.; in Howell on February 13, 2013 at 2 p.m.; and in Maplewood on February 13, 2013 at 6 p.m. No

member of the public appeared at either the Linwood or the Westampton public hearing. At the Howell hearing, one member of the public spoke in opposition to the increase. At the Maplewood hearing a member of the public had questions unrelated to this proceeding.

Subsequent to the public hearings, the Petitioner, Rate Counsel Staff and Middlesex engaged in settlement negotiations. On February 26, 2013, the Signatory Parties entered into a Stipulation of Settlement ("Stipulation"). The intervener, Middlesex, submitted a letter to ALJ Pelios, on March 1, 2013, stating that it had no objection to the Stipulation.

On March 6, 2013, ALJ Pelios issued his Initial Decision recommending adoption of the Stipulation executed by the Signatory Parties, finding that they had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law.

DISCUSSIONS AND FINDINGS²

The Signatory Parties recommend that the Board approve a change to Petitioner's PWAC rate on PWAC Rate Schedule O-1 from \$0.4528 per thousand gallons of water for Non-Exempt customers to \$0.4368 per thousand gallons of water for Non-Exempt customers and from \$0.3905 per thousand gallons of water for Exempt customers to \$0.3767 per thousand gallons of water for Exempt customers.

The Signatory Parties further recommend that the Board permit Petitioner to change its effective PSTAC charges as follows (including the effects of rate compression):

For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B will decrease from \$4.4273 per thousand gallons to \$3.7037 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, will increase from \$22.4508 per thousand gallons to \$24.2983 per thousand gallons.

For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, will increase from \$6.0167 per thousand gallons to \$6.0933 per thousand gallons.

The effective PWAC rate change, reflecting the effects of rate compression, would result in a decrease in the annual bill of an average residential customer utilizing 6,500 gallons per month as follows:

² Although described in this Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

| | <u>Present Monthly Bill</u> | <u>Proposed Per month</u> | <u>Amount Decrease</u> | <u>Percentage Decrease</u> |
|--------------------|---------------------------------|-------------------------------|----------------------------|--------------------------------|
| SA-1 | \$52.16 | \$52.05 | (\$0.11) | (0.21%) |
| SA-1B Pennsgrove | \$38.39 | \$38.28 | (\$0.11) | (0.29%) |
| SA-1D | \$45.69 | \$45.58 | (\$0.11) | (0.24%) |
| SA-2, SA-3 & SA-1A | \$49.51 | \$49.40 | (\$0.11) | (0.22%) |
| SA-2 Manville | \$45.08 | \$45.98 | (\$0.10) | (0.22%) |
| SA-3 Southampton | \$42.67 | \$42.57 | (\$0.10) | (0.23%) |

The PSTAC rate changes, including the effects of rate compression, will result in: (a) a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter of (\$4.34) per month or (6.99%); (b) an increase to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water per year of \$3.08 per month or 4.91%; and (c) an increase to an average sewer service customer in the Adelphia section of Howell Township, Monmouth County utilizing 48,000 gallons of water per year, of \$0.30 per month or 0.58%.

These PWAC and PSTAC rates are calculated as being effective April 1, 2013.

The Parties have agreed on a methodology for calculating the amount of interest to be applied to over-recoveries within the PWAC. This method is described as follows: Total PWAC True-up balance (Over)/Under-recovered (which is the adjusted total purchased water expense minus total PWAC revenues net of cost recoveries for the current month) of the current month, plus the total PWAC cumulative true-up balance (Over)/under recovery) of the prior month, minus the amortization of the PWAC true-up from the previous PWAC year of the current month. The Parties agree to review this methodology and adjust it as necessary and appropriate in future PWAC proceedings.

Having reviewed the Initial Decision and the Stipulation of Settlement, the Board **HEREBY FINDS** that the Signatory Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board **FURTHER FINDS** the Initial Decision, which adopts the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation, attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein, subject to the following:

In accordance with the provisions of N.J.A.C. 14:9-7.3 (c) and 14:9-8.3 (c), the Petitioner shall file with the Board, no later than 45 days after the adjustment clause has been in effect for one year, a PWAC true-up schedule in connection with this proceeding. Copies of the true-up schedule shall be served upon all parties to the present proceeding.

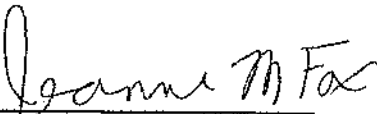
The Board **HEREBY ACCEPTS** the tariff pages attached to the Stipulation as filed with the Board, to be effective on April 1, 2013.


The effective date of this Order is March 30, 2013.

DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
BY:

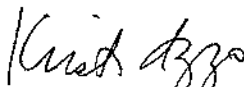

ROBERT M. HANNA
PRESIDENT


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



In the Matter of the Petition of New Jersey American Water Company, Inc.
For Authorization to Change the Levels of its Purchased Water Adjustment Clause and
Purchased Wastewater (Sewerage) Treatment Adjustment Clause
BPU Docket No. WR12111019
OAL Docket No. PUC 16171-2012S

SERVICE LIST

Robert J. Brabston, Esq.
New Jersey American Water Company, Inc.
167 J.F. Kennedy Parkway
Short Hills, NJ 07078

Kenneth J. Quinn, Esq.
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08850

Stefanie A. Brand Esq., Director
Debra Robinson, Esq.
Christine Juarez, Esq.
Susan McClure, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
Post Office Box 46005
Newark, NJ 07102

Geoffrey Gersten, DAG
Alex Moreau, DAG
Jennifer Hsia, DAG
Department of Law and Public Safety
Division of Law
124 Halsey Street, 5th Floor
Post Office Box 45029
Newark, NJ 07101

Maria Moran, Director
Michael Kammer, Bureau Chief
Justin Cederberg, Administrative Analyst II
Matthew Koczur, Administrative Analyst II
State of New Jersey
Board of Public Utilities
Division of Water
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Handwritten:
3/12/13

REC'D



2013 MAR 12 PM 1 06

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

CASE MANAGEMENT

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 16171-12

AGENCY DKT. NO. WR12111019

**I/M/O NEW JERSEY AMERICAN WATER
COMPANY, INC. FOR AUTHORIZATION
TO CHANGE THE LEVELS OF ITS
PURCHASED WATER ADJUSTMENTS
CLAUSE ("PWAC") AND PURCHASED
SEWERAGE TREATMENT ADJUSTMENT
CLAUSE ("PSTAC").**

Robert J. Brabston, Esq., for petitioner (New Jersey American Water Company, Inc.)

Alex Moreau, Deputy Attorney General, for respondent (Jeffrey S. Chiesa, Attorney General of New Jersey, attorney)

Stefanie A. Brand, Director, for Division of Rate Counsel, appearing pursuant to N.J.A.C. 1:1-5.4(a)2

Kenneth J. Quinn, Esq., for intervenor, Middlesex Water Company

Record Closed: March 1, 2013

Decided: March 6, 2013

BEFORE ELIA A. PELIOS, ALJ:

This proceeding involves a petition by New Jersey American Water Company, Inc., for approval of a purchased water adjustment clause and purchased sewerage treatment adjustment clause. The petition was transmitted to the Office of Administrative Law on December 7, 2012, for determination as a contested case. Duly noticed public hearings were held in Linwood, New Jersey, and Westampton Township, New Jersey on February 12, 2013, and Howell, New Jersey, and Maplewood, New Jersey, on February 13, 2013. Two members of the public appeared on February 13, 2013, in Howell, with one member of the public offering comment. One member of the public appeared in Maplewood on February 13, 2013, and offered comment. No members of the public appeared in Linwood or Westampton. No written comments were submitted by the public.

The parties filed on March 1, 2013, a Stipulation of Settlement (J-1) which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by all parties, indicates the terms of settlement, and is attached and fully incorporated herein.

A motion to intervene was filed on behalf of Middlesex Water Company on January 16, 2013. No opposition was filed and the motion was granted on February 20, 2013. Middlesex Water Company has conveyed that it does not object to the stipulation (I-1).

I have reviewed the terms of settlement and I **FIND:**

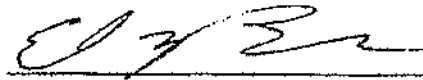
1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 6, 2013

DATE



ELIA A. PELIOS, ALJ

Date Received at Agency:

Date Mailed to Parties:

3/7/13

/mel

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

Submitted by Middlesex Water Company

I-1 Letter Expressing Lack of Objection to J-1



Robert J. Brabston
Corporate Counsel
167 J.F. Kennedy Parkway
Short Hills, NJ 07078
Robert.Brabston@amwater.com

P 973.564.5716

F 973.564.5708

March 1, 2013

Via Facsimile and Regular Mail

Hon. Elia A. Pelios, ALJ
Office of Administrative Law
9 Quakerbridge Plaza
P.O. Box 049
Trenton, New Jersey 08625-0049

**Re: I/M/O the Petition of New Jersey American Water Company, Inc. To Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater (Sewerage) Treatment Adjustment Clause
BPU Docket No. WR12111019
OAL DOCKET NO. PUC 16171-2012S**

Dear Judge Pelios:

Enclosed herewith is a fully executed stipulation of settlement in the referenced matter. Original signatures have been mailed to New Jersey American Water Company by the other parties, and will be supplied to the BPU by the Company directly upon receipt.

Please do not hesitate to contact me should you have any questions.

Very truly yours,

/s/ Robert J. Brabston

Robert J. Brabston

RJB:dlc
Enclosures

cc: Service list (via e-mail)

**I/M/O the Petition of New Jersey American Water Company, Inc. to
Change the Levels of its Purchased Water Adjustment Clause and
Purchased Wastewater (Sewerage) Treatment Adjustment Clause
BPU Docket No. WR12111019
OAL Docket No. PUC 16171-2012S**

Service List

Valerie Haynes, Chief
Bureau of Information Mgmt.
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

James P. Kane, Esq.
Legal Specialist
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Maria Moran, Director
Division of Water and Wastewater
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Jennifer Hsia, DAG
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Matthew J. Koczur
Board of Public Utilities
Division of Water and Wastewater
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Alex Moreau, DAG
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Mike Kammer
Division of Water and Wastewater
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870

Marco Valdivia
Board of Public Utilities
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Stefanie A. Brand, Director
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Justin Cederberg
Board of Public Utilities
Division of Water and Wastewater
44 South Clinton Avenue, 9th Fl.
PO Box 350
Trenton, NJ 08625

Debra F. Robinson, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
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**I/M/O the Petition of New Jersey American Water Company, Inc. to
Change the Levels of its Purchased Water Adjustment Clause and
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BPU Docket No. WR12111019
OAL Docket No. PUC 16171-2012S**

Service List

Christine Juarez, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Kenneth J. Quinn, Esq.
General Counsel
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830

Bernard Smalls, Legal Associate
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

A. Bruce O'Connor
Chief Financial Officer
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08830

Robert J. Brabston, Esq.
New Jersey-American Water Company
167 J.F. Kennedy Parkway
Short Hills, NJ 07078

Frank X. Simpson
Director of Rates & Regulation
New Jersey-American Water Company
1025 Laurel Oak Road
Voorhees, NJ 08043

Dante DeStefano
Financial Analyst
New Jersey-American Water Company
1025 Laurel Oak Road
Voorhees, NJ 08043

Robert R. Schaefer, PE
Sr. Director, Production
New Jersey American Water
P.O. Box 102
Bound Brook, NJ 08805

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

| | | |
|-----------------------------------|---|----------------------------------|
| IN THE MATTER OF THE PETITION OF | : | BPU DOCKET NO. WR12111019 |
| NEW JERSEY-AMERICAN WATER | : | |
| COMPANY, INC. FOR APPROVAL TO | : | OAL DOCKET NO. PUC 16171-2012S |
| CHANGE THE LEVEL OF ITS PURCHASED | : | |
| WATER ADJUSTMENT CLAUSE AND | : | |
| PURCHASED WASTEWATER (SEWERAGE) | : | |
| TREATMENT ADJUSTMENT CLAUSE | : | STIPULATION OF SETTLEMENT |

APPEARANCES:

Robert J. Brabston, Esq., on behalf of New Jersey-American Water Company, Inc.,
Petitioner;

Alex Moreau and Jennifer Hsia, Deputy Attorneys General, on behalf of the Staff of the
Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey);

Debra F. Robinson, Deputy Rate Counsel, Christine M. Juarez, Assistant Deputy Rate
Counsel, and Susan E. McClure, Assistant Deputy Rate Counsel, on behalf of the
Division of Rate Counsel; and

Kenneth J. Quinn, Esq., on behalf of Middlesex Water Company, Intervenor

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

On November 15, 2012, New Jersey-American Water Company, Inc. ("Petitioner"), a public utility of the State of New Jersey, filed a Petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1 et seq. and 14:9-8.1 et seq., for approval to change the levels of its existing purchased water adjustment clause ("PWAC") charge and purchased wastewater (sewerage) treatment adjustment clause ("PSTAC") charges, with respect to increased purchased water expense and increased purchased wastewater treatment expense. The total amount originally requested was an increase of \$2,616,998 or 0.40% above total Company revenues of \$652,950,863. As a result of settlement discussions, the Parties have agreed to a total

overall stipulated increase of \$1,774,134 or 0.27% above total Company revenues of \$652,927,360.

Petitioner purchases water on a routine basis from twelve separate entities and purchases wastewater treatment services from three separate entities, each of which adjusts its rates for service, and, in the case of wastewater treatment service providers, issues sewerage deficit/credit adjustments, at different times throughout the year. The twelve water purveyors are: Passaic Valley Water Commission ("PVWC"); Morris County Municipal Utilities Authority; Montclair Water Bureau; Shorelands Water Company; New Jersey Water Supply Authority ("NJWSA"); Atlantic City Municipal Utilities Authority ("ACMUA"); City of Wildwood; Borough of Seaside Heights; City of Newark; Township of Maple Shade; East Windsor Municipal Utilities Authority; and Marlboro Township Municipal Utilities Authority ("MTMUA"). The three sewerage treatment purveyors are: Cape May County Municipal Utilities Authority ("CMCMUA") for the Petitioner's Ocean City Sewer tariff group; Ocean County Utilities Authority ("OCUA") for the Petitioner's Lakewood Sewer tariff group; and Howell Township for the Petitioner's Adelpia Sewer tariff group.

In Docket No. WR06030257, (April 2, 2007) the Board ordered that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the PWAC and PSTAC as applicable. In the Petition filed within the instant proceeding, Petitioner proposed to decrease its PWAC rate upon PWAC Rate Schedule O-1 from \$0.4528 per thousand gallons of water to \$0.4420 per thousand gallons of water for Non-Exempt customers. Petitioner proposed to decrease its PWAC rate from \$0.3905 per thousand gallons of water to \$0.3812 per thousand gallons for Exempt customers. It also proposed to address its PSTAC charges as follows:

- For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings) as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.4273 per thousand gallons to \$4.4342 per thousand gallons.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, would change from \$22.4508 per thousand gallons to \$22.9357 per thousand gallons.
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The Board transmitted this matter to the Office of Administrative Law (the "OAL") as a contested case. A telephonic prehearing conference was held with ALJ Elia Pelios during which, among other things, the Judge directed that public hearings be held on this matter.

On January 16, 2013, Middlesex Water Company ("Middlesex") filed a motion to intervene in the instant proceeding. On February 20, 2013, the motion was granted by ALJ Pelios. Four public hearings were held in Petitioner's service area: in Howell Township on February 13 at 2 p.m. (2 public attendees); Linwood on February 12 at 2 p.m. (no public attendees); Maplewood on February 13 at 6 p.m. (one public attendee); and Westampton on February 12 at 6 p.m. (no public attendees). The Howell Township and Maplewood hearings each had one member of the public enter testimony on the record.

The Division of Rate Counsel ("Rate Counsel") and Board Staff served interrogatories on Petitioner, which were responded to in full by Petitioner. Petitioner, Board Staff and Rate Counsel, ("Signatory Parties") and Middlesex participated in a discovery/settlement conference on February 19, 2013, after the public hearings had been held and public comment received into the record for consideration by all parties. As a result of discovery conducted and of the

negotiations, the Signatory Parties have been able to reach agreement on this matter, the provisions of which are set forth below.

SETTLEMENT AGREEMENT

1. The Parties recommend that the Board approve a change to Petitioner's PWAC rate on PWAC Rate Schedule O-1 from \$0.4528 per thousand gallons of water for Non-Exempt customers to \$0.4368 per thousand gallons of water for Non-Exempt customers and from \$0.3905 per thousand gallons of water for Exempt customers to \$0.3767 per thousand gallons of water for Exempt customers.

2. The Parties further recommend that the Board permit Petitioner to change its effective PSTAC charges as follows:

- For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B will change from \$4.4273 per thousand gallons to \$3.7037 per thousand gallons.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, will change from \$22.4508 per thousand gallons to \$24.2983 per thousand gallons.
- For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, will change from \$6.0167 per thousand gallons to \$6.0933 per thousand gallons.

3. The effective PWAC rate change would result in a decrease in the annual bill of an average residential customer utilizing 6,500 gallons per month as follows:

| | <u>Present Monthly Bill</u> | <u>Proposed Per month</u> | <u>Amount Decrease</u> | <u>Percentage Decrease</u> |
|-------------------|---------------------------------|-------------------------------|----------------------------|--------------------------------|
| SA-1 | \$52.16 | \$52.05 | (\$0.11) | (0.21%) |
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| SA-2, SA-3 & SA1A | \$49.51 | \$49.40 | (\$0.11) | (0.22%) |
| SA-2 Manville | \$46.08 | \$45.98 | (\$0.10) | (0.22%) |
| SA-3 Southampton | \$42.67 | \$42.57 | (\$0.10) | (0.23%) |

4. The PSTAC rate changes, will result in: a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, of (\$4.34) per month or (6.99%); an increase to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water per year, of \$3.08 per month or 4.91%; and an increase to an average sewer service customer in the Adelpia section of Howell Township, Monmouth County utilizing 48,000 gallons of water per year, of \$0.30 per month or 0.58%.

5. These PWAC and PSTAC rates are calculated as being effective April 1, 2013.

6. NJAWC plans to file its 2014 PWAC/PSTAC petition on or before November 15, 2013.

7. Within this Stipulation, the Parties have agreed on a methodology for calculating the amount of interest to be applied to over-recoveries within the PWAC. This method is described as follows: Total PWAC True-up balance (Over)/Under-recovered (which is the adjusted total purchased water expense minus total PWAC revenues net of cost recoveries for the current month) of the current month, plus the total PWAC cumulative true-up balance (Over)/under recovery) of the prior month, minus the amortization of the PWAC true-up from the previous PWAC year of the current month. By way of example of this methodology, see Note 5,

Schedule DMD-2, attached to this Stipulation. The Parties agree to review this methodology and adjust it as necessary and appropriate in future PWAC proceedings.

8. The PWAC/PSTAC rates established herein will increase annual revenues by \$1,774,134 or 0.27%.

9. In accordance with the provisions of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Petitioner shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon all Parties to the present proceeding.

10. This Stipulation shall be binding on the Parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the Parties in this matter only and shall not be considered precedent in any other proceeding involving the Parties hereto.

11. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the signatory Parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the Parties hereto is entitled to certain procedures in the event of such occurrence.

12. If any modification is made to the terms of this Stipulation, the signatory Parties must be given the right to be placed in the position in which each Party was before this Stipulation was executed. It is essential that each party be given the option either to modify its own position, to accept the proposed change(s) or to resume the proceeding as if no agreement had been reached.

13. The Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.


14. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: _____
Christine M. Juarez
Assistant Deputy Rate Counsel

Dated:

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By:  _____
Robert J. Brabston
Corporate Counsel

Dated:

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: _____
Alex Moreau
Deputy Attorney General


Dated:

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: _____
Christine M. Juarez
Assistant Deputy Rate Counsel

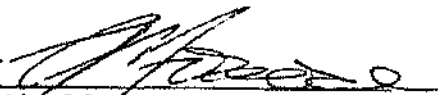
Dated:

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By:  _____
Robert J. Brabston
Corporate Counsel

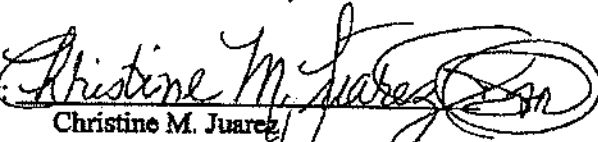
Dated:

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By:  _____
Alex Moreau
Deputy Attorney General

Dated: 02/26/2013

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: 
Christine M. Juarez
Assistant Deputy Rate Counsel


Dated:

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By: 
Robert J. Brabston
Corporate Counsel

Dated:

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the Board of Public Utilities

By: 
Alex Moreau
Deputy Attorney General

Dated: 02/26/2013



MIDDLESEX
WATER COMPANY

Via Facsimile & Overnight Mail

(609) 689-4100

March 1, 2013

Honorable Elia A. Pelios, ALJ
Office of Administrative Law
9 Quakerbridge Plaza
P.O. Box 049
Trenton, NJ 08625-0049

**RE: I/M/O the Petition of New Jersey American Water Company, Inc. for Approval to
Change The Levels of its Purchased Water Adjustment Clause and Purchased
Wastewater (Sewerage) Treatment Adjustment Clause
BPU Docket No.: WR12111019
OAL Docket No: PUC 16171-2012S**

Dear Judge Pelios:

Middlesex Water Company ("Middlesex"), an Intervenor in the above matter, has reviewed the proposed Stipulation of Settlement ("Stipulation") in the above-referenced matter which has been executed by the signatory parties and forwarded to Your Honor today.

Please be advised that Middlesex does not object to the Stipulation.

Should you have any questions, please contact me.

Respectfully,

A handwritten signature in black ink, appearing to read 'Kenneth J. Quinn'. The signature is fluid and cursive, with a large 'K' and 'Q'.

Kenneth J. Quinn
Vice President, General Counsel,
Secretary and Treasurer

cc: Attached Service List
(via e-mail only)