



Agenda Date: 3/30/11

Agenda Item: 5A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center, Suite 801**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

WATER

IN THE MATTER OF THE PETITION OF ) ORDER ADOPTING INITIAL  
LAWRENCEVILLE WATER COMPANY FOR ) DECISION/STIPULATION  
APPROVAL TO IMPLEMENT A PURCHASED WATER )  
ADJUSTMENT CLAUSE ) BPU DKT. NO. WR10060420  
) OAL DKT. NO. PUC 07479-2010N

Colleen A. Foley, Esq., Saul Ewing LLP, One Riverfront Plaza, Newark, NJ for Lawrenceville Water Company

BY THE BOARD:

On June 23, 2010, Lawrenceville Water Company ("Petitioner"), a public utility of the State of New Jersey filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1 et seq., for approval to implement an initial purchased water adjustment clause ("PWAC").

Petitioner purchases water from New Jersey American Water Company ("NJAWC"). At the time of Lawrenceville's last base rate case, BPU Docket No. WR07010062, Order dated July 12, 2007, the Board adopted factual findings regarding the cost of water purchased from NJAWC and in that Order base line data was established. Since 2007, the cost of the water Petitioner purchases from NJAWC has increased.

Petitioner is a public utility of the State of New Jersey and is engaged in the business of treating and distributing water for retail service to approximately 2,600 customers located in Lawrence Township, Mercer County, New Jersey. In 2009, Petitioner was acquired by Aqua America, Inc.

After extensive settlement discussions, an increase of \$126,746 in purchased water costs, representing a 9.55% increase in Petitioner's revenues was agreed to by the Petitioner, Rate Counsel and Board Staff (the "Parties").

**PROCEDURAL HISTORY**

On July 8, 2010, the matter was transmitted to the Office of Administrative Law, and ultimately assigned to Administrative Law Judge ("ALJ") Leland S. McGee.

On March 1, 2011 at 5:30 p.m. a public hearing was held in the Petitioner's service territory at the Lawrence Township Municipal Building, Lawrence New Jersey. No members of the public appeared to provide comments on the proposed PWAC, and no written comments were submitted.

On March 10, 2011, the Parties engaged in settlement negotiations. As a result of these discussions and extensive discovery, the Parties reached a stipulation of settlement on all issues ("Stipulation").

On March 22, 2011, ALJ McGee issued his Initial Decision in this matter recommending adoption of the Stipulation executed by the Parties, finding that the parties had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law. No exceptions to the Initial Decision have been received by the Board.

### **DISCUSSIONS AND FINDINGS**

As more fully discussed in the attached Stipulation, the Parties agreed that the following increases are reasonable and appropriate to allow the Petitioner to recover increased purchased water expenses.

An increase of \$126,746 in purchased water costs, representing a 9.55% increase in Petitioner's revenues was agreed to in the Stipulation. An initial Purchase Water Adjustment Clause Rate of \$.6841 per thousand gallons is contemplated in the Stipulation. Therefore, the average bill for a residential customer using 15,000 gallons of water per quarter with a 3/4" meter will increase from \$94.41 to \$104.67 or an increase of 10.87%.

The Board is satisfied that Petitioner has met the requirements of N.J.A.C. 14:9-7.3(a). The Board notes that the NJAWC PWAC case BPU Docket No. WR10020149, I/M/O the Petition of New Jersey American Water Company for Approval to Change the Level of its Purchased Water Adjustment Clause and Purchased Wastewater (Sewerage) Treatment Adjustment Clause which was pending at the time of Petitioner's filing and the Board's subsequent August 4, 2010 Order in that case represent just cause to allow Petitioner to seek a PWAC beyond the 45 days from the date of receiving notice of an increase set forth in N.J.A.C. 14:9-7.3(b).

Having reviewed the Initial Decision and the Stipulation, the Board FINDS that the 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 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:

1. In accordance with the provisions of N.J.A.C. 14:9-7.4 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 as of the date of this Order, subject to the following:

2. Petitioner shall file a new tariff with the Board, with copies to the Parties, in conformity with the Stipulation.


The effective date of this Order is as dated below:

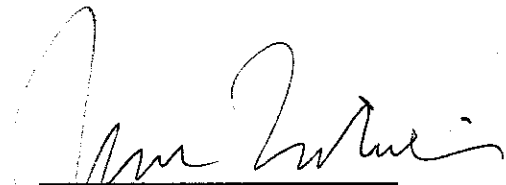
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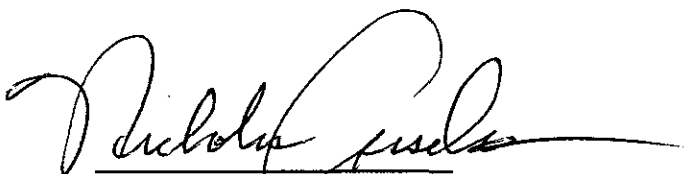
3/30/11

BOARD OF PUBLIC UTILITIES  
BY:

  
\_\_\_\_\_  
LEE A. SOLOMON  
PRESIDENT

  
\_\_\_\_\_  
JEANNE M. FOX  
COMMISSIONER

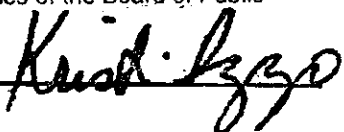
  
\_\_\_\_\_  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
\_\_\_\_\_  
NICHOLAS ASSELTA  
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

  
\_\_\_\_\_  
KRISTI IZZO

IN THE MATTER OF THE PETITION OF LAWRENCEVILLE WATER COMPANY  
FOR APPROVAL TO IMPLEMENT A PURCHASED WATER ADJUSTMENT CLAUSE  
BPU DOCKET NO. WR10060420  
OAL DOCKET NO. PUC 07479-2010N

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**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 07479-10

AGENCY DKT. NO. WR10060420

**I/M/O THE PETITION OF LAWRENCEVILLE  
WATER COMPANY, INC. FOR APPROVAL  
OF ITS INITIAL PURCHASED WATER  
ADJUSTMENT CLAUSE PURSUANT TO  
N.J.A.C. 14:71, ET SEQ.**

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**Colleen A. Foley, Esq.**, on behalf of Lawrenceville Water Company, Inc.,  
Petitioner (Saul Ewing, attorneys)

**Anne Marie Shatto**, Deputy Attorney General, for respondent New Jersey Board  
of Public Utilities (Paula T. Dow, Attorney General of New Jersey,  
attorneys)

**Susan McClure**, Deputy Rate Counsel, for respondent Division of Rate Counsel  
(Stefanie A. Brand, Director, Division of Rate Counsel)

Record Closed: March 21, 2011

Decided: March 22, 2011

**BEFORE LELAND S. MCGEE, ALJ:**

**STATEMENT OF THE CASE**

On June 23 2010, petitioner, Lawrenceville Water Company("Petitioner"), filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:9-7.1, et seq., and 14:9-8.1 seeking approval of an initial Purchased Water Adjustment Clause ("PWAC").

On July 8, 2010, the Board transmitted the matter to the Office of Administrative Law ("OAL") for a hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13. On January 18, 2011, a prehearing tele-conference was held during which, among other things, petitioner was directed to hold public hearings in this matter. A Pre-hearing Order was issued on January 25, 2011.

On March 1, 2011, a duly noticed public comment hearing was held in the Petitioner's service territory at the Lawrence Township Municipal Building. No members of the public appeared to provide comments on the proposed PWAC, and no written comments were submitted.

As a result of the discovery and settlement conferences, the Parties reached an agreement in this matter and prepared a Stipulation of Settlement, which is attached hereto, and incorporated by reference as a part of this Initial Decision.

After reviewing the record and the settlement, I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
2. The settlement fully disposes of all issues in controversy and is consistent with the law and is in the public interest.
3. The Stipulation of Settlement has been signed by all parties.

Therefore, I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and should be approved. It is **ORDERED** that the parties comply with the settlement terms and that this proceeding be and is hereby concluded.

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 22, 2011

DATE

\_\_\_\_\_  
**LELAND S. MCGEE, ALJ**

Date Received at Agency:

March 22, 2011

Date Mailed to Parties:

\_\_\_\_\_

LSM/lr  
attachment

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

<b>IN THE MATTER OF THE PETITION OF LAWRENCEVILLE WATER COMPANY FOR APPROVAL TO IMPLEMENT A PURCHASED WATER ADJUSTMENT CLAUSE</b>	: : : : : : : : : :	<b>STIPULATION OF SETTLEMENT</b>  <b>BPU DOCKET NO. WR10060420 OAL DOCKET NO. PUC 07479-2010N</b>
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**APPEARANCES:**

Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of the Petitioner, the Lawrenceville Water Company

Susan McClure, Esq., Assistant Deputy Rate Counsel on behalf of the Division of Rate Counsel

Anne Marie Shatto, Deputy Attorney General (Paula T. Dow, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

**TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:**

The Parties that have participated in this proceeding are as follows: the Lawrenceville Water Company ("LWC," "Company," or "Petitioner"), the Division of Rate Counsel ("Rate Counsel") and the Staff of the Board of Public Utilities ("Staff") (collectively, the "Parties"). There were no intervenors in this proceeding. As a result of an analysis of the Company's Petition and exhibits, discovery conducted by Rate Counsel and the Staff, conferences, and negotiations, the Parties to this proceeding have come to the within agreement. The Parties hereto agree and stipulate as follows:

1. Petitioner is engaged in the business of treating and distributing water for retail service to approximately 2,600 customers located in Lawrence Township, Mercer County, New



Jersey. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (the "Board").

2. On June 23, 2010, pursuant to N.J.A.C. 14:9-7.1 et seq., the Company filed the above-captioned Petition with the Board, which was later assigned Docket No. WR10060420, for approval to implement an initial purchased water adjustment clause ("PWAC").

3. On July 8, 2010, the matter was transmitted to the Office of Administrative Law, and ultimately assigned to Administrative Law Judge Leland S. McGee (OAL Docket No. PUC 07479-2010N). A telephone pre-hearing conference was conducted by Judge McGee on January 18, 2011, and a Pre-hearing Order issued on January 25, 2011.

4. On March 1, 2011, a duly noticed public comment hearing was held in the Petitioner's service territory at the Lawrence Township Municipal Building under the auspices of Judge McGee. No members of the public appeared to provide comments on the proposed PWAC, and no written comments were submitted.

5. Petitioner's current rates reflect the recovery of a portion of the costs of water purchased pursuant to a long-term agreement between the Company and New Jersey American Water Company (the "NJAWC Contract"). Petitioner's current rates were approved by the Board in a base rate proceeding in BPU Docket No. WR07010062, Order dated July 12, 2007. In that proceeding, the Board found that the baseline NJAWC Contract cost consisted of two components: a Base Rate<sup>1</sup> of \$1,550.30 plus a PWAC Rate of \$299.80 (for a total rate of \$1,850.10 per million gallons). The Board also found that the baseline contract volume was 500,000 gallons per day.

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<sup>1</sup> Service to LWC is provided by NJAWC pursuant to Rate Schedule G-Sales for Resale-Service to Other Systems (Sheet No. 45), and Rate Schedule O-1 Purchased Water Adjustment Clause (Sheet Nos. 65 & 66).

6. Since the Board made these findings, NJAWC has requested and received various rate increases, with the most recent increase effective January 1, 2011. As a result of these increases, the cost per million gallons of the NJAWC Contract is currently \$2,489.80.

7. In this proceeding, the Parties have examined the Company's actual NJAWC Contract expenses, as well as the costs of this proceeding. Based on the foregoing, the Parties have determined that the initial PWAC rate should be set to recover an additional \$126,746 in revenues. The PWAC rate was calculated based on the following components:

- a. a projected under-recovery of actual purchased water costs of approximately \$116,746 for the calendar year ending December 31, 2011 (See Exhibit A), and
- b. the total costs of this proceeding are \$20,000 (See Exhibit A). These costs will be shared 50/50 between ratepayers and shareholders, resulting in a cost to customers of \$10,000 (See Exhibit A).

8. Based on the foregoing, the Parties have agreed that Petitioner's initial PWAC rate should be set at \$0.6841 per thousand gallons (See Exhibit B-Proposed Tariff). For the average residential customer with a 3/4" meter and usage of 15,000 gallons per quarter, the total quarterly bill for water service will increase from approximately \$94.41 to \$104.67, an increase of \$10.26 per quarter, or approximately 10.87%.

9. The Parties have engaged in full discovery. The Parties agree that the within Stipulation reflects a mutual balancing of various issues and positions, and that it is being entered into in the spirit of compromise and to avoid protracted and costly litigation.

10. This Stipulation is the product of negotiations by the Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Parties to this Stipulation

that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Parties have stipulated herein.

11. The Parties agree that each term within this Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Party hereto materially affected thereby shall not be bound to proceed under this Stipulation.

12. The Parties further agree that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Parties shall be prohibited from, or prejudiced in, arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

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

LAWRENCEVILLE WATER COMPANY

March 14, 2011  
Date

By: Colleen A. Foley  
Saul Ewing LLP  
Colleen A. Foley, Esq.  
Attorney for Petitioner

PAULA T. DOW,  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Anne Marie Shatto  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR – RATE COUNSEL

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

**Aqua New Jersey, Inc.**  
**Lawrenceville PWAC 2011**

**EXHIBIT A**

Annual Gallons of Water Purchased (Take or Pay) from NJ-American 500,000 gallons a day X 365 days	<u>Amount</u> 182,500,000
Annual Cost per Lawrenceville Water Rate Case Docket No. WR07010062 dated July 11, 2007	\$337,643
Annual Cost of Water Purchased (NJAWC rates effective January 1, 2011)	\$454,389
Increase for Intial PWAC Recovery	\$116,746
PWAC Filing Expense \$20,000 for filing to be split 50/50	\$10,000
<b><u>Total Increase for Intial PWAC Recovery</u></b>	<b><u>\$126,746</u></b>
Total Number of Gallons Sold in 2010	185,274,000
<b><u>Total PWAC Charge per 1.000 gallons</u></b>	<b><u>\$0.6841</u></b>

LAWRENCEVILLE WATER COMPANY  
B.P.U. No. 17 – Water

Original Sheet No. 29

**RATE SCHEDULE**

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)

APPLICABILITY

Applicable to all Metered Water Customer classes served by the Company in the Lawrenceville service area. The PWAC charge is designed to recover the cost of purchased water associated with the normal operations of the Company.

CHARACTER OF SERVICE

Continuous, except as limited by the "Standard Terms and Conditions."

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGE

In addition to all other charges for metered service, the following charges per one hundred gallons or per one thousand gallons for all sales will be made to recover purchased water costs not included in the Water Charge or any other Charge:

	Gallons Per Month	Gallons Per Quarter	Rate Per 100 Gallons	Rate Per 1,000 Gallons
Non-exempt	All	All	\$.06841	\$.6841

The PWAC Charge is also applicable to any difference between the quantity of water actually purchased by the customer and any applicable take-or-pay commitment.

FILING

The Company shall endeavor to make an annual PWAC filing no later than September 1<sup>st</sup> of each year proposing a PWAC rate to be effective on or about the following April 1<sup>st</sup>.

The notice of filing and of public hearing in the annual PWAC proceedings shall include the specific rate change proposed to be implemented on April 1<sup>st</sup>. The notice shall also include the impact of such potential increases on a benchmark bill.

The annual PWAC filing shall contain, but not be limited to, the following:

1. A reconciliation of actual versus estimated costs and revenues from the last Board approved PWAC charge for purchased water;
2. Projected rates supported by volumes, revenues, and projected purchased water costs;
3. Any deferred balances and the timeframe over which they are proposed to be collected or returned;
4. A written explanation of the circumstances that caused the deferred balances in (3) above, if any;
5. A written explanation of any significant activities or trends which may effect costs for the prospective period; and
6. Updated tariff sheets to reflect any change to the PWAC rate.

The benchmark bill shall be the average residential water customer bill for a twelve-month period.

Issued: \_\_\_\_\_, 2011

Effective Date: \_\_\_\_\_, 2011

By: William B. Davis, President  
10 Black Forest Road  
Hamilton, NJ 08691

Filed pursuant to a decision and order of the Board of Public Utilities dated \_\_\_\_\_, 2011, in Docket No. WR10060420.

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

LAWRENCEVILLE WATER COMPANY

March 14, 2011  
Date

By: Colleen A. Foley  
Saul Ewing LLP  
Colleen A. Foley, Esq.  
Attorney for Petitioner

PAULA T. DOW,  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

March 14, 2011  
Date

By: Anne Marie Shatto  
Anne Marie Shatto  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR - RATE COUNSEL

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

**Aqua New Jersey, Inc.**  
**Lawrenceville PWAC 2011**

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