



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)	ORDER ADOPTING INITIAL
NEW JERSEY - AMERICAN WATER)	DECISION/STIPULATION
COMPANY, INC FOR APPROVAL TO CHANGE)	
THE LEVEL OF ITS PURCHASED WATER)	
ADJUSTMENT CLAUSE AND PURCHASED)	
WASTEWATER (SEWERAGE) TREATMENT)	BPU DOCKET NO. WR11030131
ADJUSTMENT CLAUSE)	OAL DOCKET NO. PUC 03286-2011N

Parties of Record:

Robert J. Brabston, Esq., on behalf of New Jersey-American Water Company, Inc., Petitioner;
Debra F. Robinson, Deputy Rate Counsel, on behalf of the Division of Rate Counsel; and
Kenneth J. Quinn, Esq., on behalf of Middlesex Water Company, Intervener

(SERVICE LIST ATTACHED)

BY THE BOARD:

On March 11, 2011, New Jersey-American Water Company ("Company" or "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 to recover increased purchased water expenses and increased purchased wastewater treatment expenses. The total revenue requirement increase requested was \$464,259 or 0.07% above total Company revenues of \$624,564,133.

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.

Petitioner obtains water from thirteen separate entities and purchases sewerage treatment services from three separate entities. Each provider has adjusted its rates for service, and in the case of wastewater treatment service providers, has issued sewerage deficiency/credit adjustments at different times throughout the year.

In its update to the Petition filed within the instant proceeding, OAL Docket No. PUC-03286-2011N, BPU Docket No. WR11030131, Petitioner proposed to decrease its PWAC rate upon PWAC Rate Schedule O-1 from \$0.4043 per thousand gallons of water to \$0.4022 per thousand

gallons of water for Non-Exempt customers. Petitioner proposed to decrease its PWAC rate from \$0.3487 per thousand gallons of water to \$0.3469 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 upon PSTAC Rate Schedule 2-B, would decrease from \$5.1072 per thousand gallons to \$4.2060 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 decrease from \$24.4755 per thousand gallons to \$18.4508 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, would increase from \$4.8373 per thousand gallons to \$6.4907 per thousand gallons.

PROCEDURAL HISTORY

This matter was transmitted to the Office of Administrative Law ("OAL") on March 14, 2011, and was assigned to Administrative Law Judge ("ALJ") Gail M. Cookson. ALJ Cookson conducted a pre-hearing conference on April 13, 2011, and issued a pre-hearing Order on April 18, 2011, which among other things, directed that public hearings be held on this matter. Subsequently, Middlesex Water Company ("Middlesex") filed a Motion for Intervention in this matter which was granted by ALJ Cookson on April 18, 2011.

After proper notice, four (4) public hearings within the Company's service territory were held. On June 14, 2011, hearings were held in Howell, New Jersey at 2:00 pm and Ocean City at 7:00 pm. On June 15, 2011, hearings were held in Westfield, New Jersey at 2:00 pm and Westampton, New Jersey at 7:00 pm. At the first public hearing in Howell, New Jersey, approximately ten (10) members of the public appeared to provide comments in opposition of the proposed PWAC/PSTAC rate filing for economic reasons. No members of the public appeared at any of the other three public hearings to provide comments on the proposed PWAC/PSTAC rate filing.

Subsequent to the public hearings, the Petitioner, the Division of the Rate Counsel ("Rate Counsel"), and Board Staff (collectively, the "Signatory Parties") engaged in settlement negotiations. As a result of these discussions and extensive discovery, the Signatory Parties reached a Stipulation of Settlement on all issues ("Stipulation"). The Intervener, Middlesex, submitted a letter not opposing the Stipulation.

The total combined revenue requirement is stipulated to be a decrease in PWAC/PSTAC revenues of (\$1,305,923) or (0.21%) below total annual Company revenues of \$624,564,113. The total PWAC/PSTAC combined revenue requirement decrease consists of the following; a decrease in total PWAC revenues of (\$1,103,441) and a decrease in total PSTAC revenues of (\$202,482).

On August 2, 2011, ALJ Cookson issued her Initial Decision recommending adoption of the Stipulation executed by the Signature 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.

DISCUSSION AND FINDINGS

As more fully discussed in the attached Stipulation¹, the Signatory Parties agreed that the following rates are reasonable and appropriate to allow the Petitioner to recover increased purchased water expenses:

The Parties recommend that the Board approve a change to Petitioner's PWAC rate on PWAC Rate Schedule O-1 from \$0.4043 per thousand gallons of water for Non-Exempt customers to \$0.4022 per thousand gallons of water for Non-Exempt customers and from \$0.3487 per thousand gallons of water for Exempt customers to \$0.3469 per thousand gallons of water for Exempt customers.

The Parties further recommend that the Board permit Petitioner to change 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 within PSTAC Rate Schedule 2-B will change from \$5.1072 per thousand gallons to \$4.2060 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 \$24.4755 per thousand gallons to \$18.4508 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 \$4.8373 per thousand gallons to \$6.4907 per thousand gallons.

As a result of this settlement, a residential customer with a 5/8" meter using 84,000 of water annually would see the following PWAC decrease in his water bill:

<u>Customer Classes</u>	<u>Annual Present Rate</u>	<u>Annual Proposed Rate</u>	<u>Total Annual Decrease</u>	<u>Total Annual Percentage Decrease</u>
SA-1 - Statewide	\$633.00	\$632.76	(\$0.24)	(0.04%)
SA-1A	\$581.88	\$581.64	(\$0.24)	(0.04%)
SA-1B - Pennsgrove	\$442.20	\$441.96	(\$0.24)	(0.05%)
SA-2 & SA-3 Main	\$581.88	\$581.64	(\$0.24)	(0.04%)
SA-2 Manville	\$534.84	\$534.60	(\$0.24)	(0.04%)
SA-3 Southampton	\$493.68	\$493.56	(\$0.12)	(0.02%)

- o The PSTAC rate decrease to an average residential sewer customer in Lakewood Township, Ocean County, New Jersey utilizing 18,000 gallons of water in the winter quarter, would be \$64.80 per year or (8.16%).

¹ 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.

- o The PSTAC rate decrease to an average sewer customer in Ocean City, Cape May County, New Jersey utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water per year, would be \$120.49 per year or (15.35%).

The PSTAC rate increase to an average sewer customer in the Adelphia section of Howell Township, Monmouth County, New Jersey utilizing 48,000 gallons of water per year, would be \$79.32 per year or 14.05%.

These PWAC and PSTAC rates have been compressed assuming a rate-effective date of August 28, 2011. Compression will avoid a large under-recovery.

Having reviewed the Initial Decision and the Stipulation of Settlement, the Board 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 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), 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 effective date stated below.

The effective date of this Order is August 28, 2011.

DATED: 8/18/11

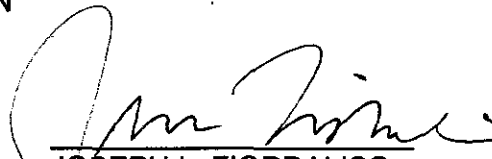
BOARD OF PUBLIC UTILITIES
BY:



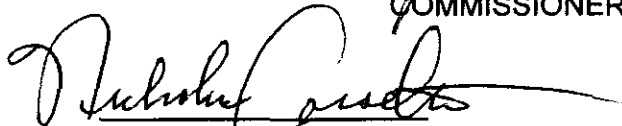
LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER

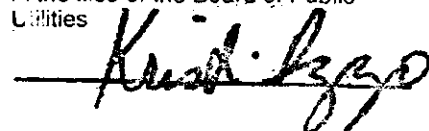


JOSEPH L. FIORDALISO
COMMISSIONER



NICHOLAS ASSELTA
COMMISSIONER

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



ATTEST:



CARMEN DIAZ
ACTING SECRETARY

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. WR11030131
OAL Docket No. PUC 3286-2011N

SERVICE LIST

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
 33 Washington Street
 Newark, New Jersey 07102
FAX TRANSMITTAL

DATE: 8/9/11
 TIME: 10:00 a.m.

TELECOPIED TO:

FAX NO:

Donna Carney
Robert Braubston, Esq.
I.D. Settlement PUC 3286-11
FIM/D N.J. American Water Co.

973-564-5708

FROM: Jd. Cookson/id

Office of Administrative Law: Newark, Trenton, Atlantic City
OFFICE (CIRCLE ONE)

973-648-6018
TELEPHONE NUMBER

FAX TELEPHONE NUMBER: (Circle One)

(Newark) 973-648-6124 or 973-648-6058
 (Trenton) 609-588-3730 or 609-588-6536
 (Atlantic City) 609-441-3824

THERE ARE 3 PAGES TO FOLLOW. IF YOU DO NOT RECEIVE ALL OF THE PAGES, PLEASE CALL THE SENDER AT THE TELEPHONE NUMBER LISTED ABOVE. THANK YOU.



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 03286-11
AGENCY DKT. NO. WR11030131

**IN/VO PETITION OF NEW JERSEY AMERICAN
WATER COMPANY, INC. FOR APPROVAL
TO CHANGE THE LEVELS OF ITS PURCHASED
WATER ADJUSTMENT CLAUSE AND
PURCHASED WASTERWATER (SEWERAGE)
TREATMENT ADJUSTMENT CLAUSE.**

**Robert J. Brabston, Esq., Corporate Counsel, for petitioner New Jersey
American Water Company, Inc.**

**Alex Moreau, Deputy Attorney General, for the Staff of the Board of Public Utilities
(Paula T. Dow, Attorney General of New Jersey, attorney)**

**Debra F. Robinson, Deputy Rate Counsel, for Division of Rate Counsel (Stefanie
A. Brand, Director, attorney)**

Record Closed: August 2, 2011

Decided: August 2, 2011

BEFORE GAIL M. COOKSON, ALJ:

On March 11, 2011, New Jersey American Water Company, Inc. (Company) filed a petition with the Board of Public Utilities (Board) for approval to change the level of its purchased water adjustment clause (PWAC) and the level of its purchased wastewater treatment adjustment clause (PSTAC). The file was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1

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to-15 and N.J.S.A. 52:14F-1 to- 13, on July 15, 2010. A prehearing conference was convened telephonically on April 13, 2011, and a Prehearing Order was entered on April 18, 2011. The Company provided public notice of its filing and the opportunity for the public to be heard on the level of these clauses was held on June 14, 2011, in Howell Township and Ocean City, New Jersey, and on June 15, 2011, in Westfield and Westhampton, New Jersey.

Plenary hearings for the presentation of the pre-filed direct testimony and cross-examination of the witnesses were set down for July 18 and 20, 2011. Prior to the dates set for the evidentiary hearings, the parties reported that they were in the process of resolving the issues in dispute. On August 2, 2011, I received electronically a fully-executed Stipulation of all parties to this matter with a request that I enter an Initial Decision Settlement and transmit same to the Board. That agreement more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of the Company. In addition, I am in receipt of a statement from Intervenor Middlesex County Water Company that it does not object to the Stipulation.

I have reviewed the record and terms of the Stipulation and **FIND:**

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

I **CONCLUDE** that the Stipulation of Settlement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the matter be deemed dismissed with prejudice and that these proceedings be and are 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 (45) 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.

August 2, 2011
DATE


GAIL M. COOKSON, ALJ

Date Received at Agency: _____

Date Mailed to Parties: _____

id