



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE PETITION OF )	ORDER ADOPTING INITIAL
NEW JERSEY AMERICAN WATER COMPANY, )	DECISION/STIPULATION
INC. FOR APPROVAL OF INCREASED TARIFF )	
RATES AND CHANGES FOR WATER AND )	
SEWER SERVICE; CHANGE IN DEPRECIATION )	BPU DOCKET NO. WR11070460
RATES AND OTHER TARIFF MODIFICATIONS )	OAL DOCKET NO. PUC 09799-2011N

**Parties of Record:**

**Ira G. Megdal, Esq.**, Counsel 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.**, Intervenor, on behalf of Middlesex Water Company  
**Steven B. Genzer, Esq.**, Intervenor, on behalf of Aqua New Jersey, Inc. and the Lawrenceville  
Water Company  
**Bradford M. Stern, Esq.**, Intervenor, on behalf of ConocoPhillips Company, Cogen  
Technologies Linden Venture L.P., Johanna Foods, Inc., Princeton University and Rutgers, The  
State University of New Jersey  
**Anthony R. Francioso, Esq.**, Intervenor, on behalf of the Mount Laurel Township Municipal  
Utilities Authority (MLTMUA)  
**Walter G. Reinhard, Esq.**, Intervenor, on behalf of the Manasquan Customer Group  
**Richard A. Gantner, Esq.**, Participatory Party, on behalf of Local 423 of the Utility Workers  
Union of America, AFL-CIO

**BY THE BOARD:**

On July 29, 2011, New Jersey American Water Company ("Company" or "Petitioner"), a public utility of the State of New Jersey filed with the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-18, N.J.S.A. 48:2-21, N.J.S.A. 48:2-21.1<sup>1</sup>, N.J.A.C. 14:1-5.7 and N.J.A.C. 14:1-5.12, a petition ("Petition") seeking to increase rates for water and wastewater service. The combined proposed rates would increase the Company's annual revenues by \$95.5 million or approximately 15.5% over pro-forma present rate revenues of \$565 million. The Company also

<sup>1</sup>The Board notes that although the petition cites N.J.S.A. 48:2-21.1, the petition does not include a request for an adjustment of rates during the pendency of the hearing.

proposed to implement a multi-faceted Conservation Program; Water Efficiency and Conservation Plan (Decoupling Mechanism) Trackers; Water Stewardship and Green Energy Initiatives; a Water Storage Tank Reinvestment Program; Deferred Accounting of costs associated with One Call Customer Side Markouts; and to update a component of its Depreciation Rates (Net Salvage Value).

The following parties were granted intervention status - Middlesex Water Company ("Middlesex") (by Order dated September 6, 2011); Aqua New Jersey and Lawrenceville Water Company ("Aqua") (by Order dated November 16, 2011); ConocoPhillips Company, Cogen Technologies Linden Venture L.P., Johanna Foods, Inc., Princeton University and Rutgers, The State University of New Jersey (collectively "the OIW Group") (by Order dated November 16, 2011); Manasquan Customer Group ("MCG") (by Order dated November 21, 2011); and the Mount Laurel Township Municipal Utilities Authority ("MLTMUA") (by Order dated December 28, 2011). The Utility Workers of America, Local 423 ("Local 423") filed a Motion to Intervene which was opposed by the Company. By letter dated December 7, 2011, Local 423 requested that its Motion be modified to request permission for participant status only, which request was granted by Order dated December 17, 2011.

By this Order, the Board considers the Initial Decision recommending adoption of the Stipulation of Settlement ("Stipulation") executed by the Company, the Division of Rate Counsel, the OIW Group, MCG and Board Staff (collectively the "Signatory Parties"), agreeing to an overall increase in revenues in the amount of \$30,009,522 representing a 5.23% increase<sup>2</sup> over Company revenues totaling \$573,969,770. The Parties propose that these rates will be effective on May 1, 2012. The remaining parties, namely Middlesex, Aqua and the MLTMUA all submitted letters not objecting to the Settlement.

## **BACKGROUND/PROCEDURAL HISTORY**

Petitioner serves approximately 649,122 water and wastewater customers in all or part of 189 municipalities in 18 of the State's 21 counties. The increase in rates was proposed to become effective on August 29, 2011<sup>3</sup>. By Order dated September 22, 2011, with an effective date of October 1, 2011, the Board suspended the Company's proposed rate increase until December 29, 2011, and by Order dated November 30, 2011, with an effective date of December 10, 2011, the Board further suspended the Company's proposed rate increase until April 29, 2012<sup>4</sup>. The Petitioner did not seek interim rate relief pending final determination on the petition.

According to the petition, the rate increase is required to enable the Petitioner to establish an income level that will permit the Company to finance essential and continuing plant investment; to permit the Company to earn a fair and adequate rate of return on its net investment in used and useful property; to establish rates which will be sufficient to enable the Company to

---

<sup>2</sup>The overall percentage increase of 5.23% excludes the impact of the PWAC/PSTAC. As set forth in the stipulation, the percentage increase including the PWAC/PSATC would be 4.82%.

<sup>3</sup>On August 25, 2011, the Company filed a letter with the Board revising the effective date from August 29, 2011 to October 1, 2011. The Company further stated that although it revised its initial effective date from August 29, 2011 to October 1, 2011, the four (4) month suspension period will still run from August 29, 2011 through December 29, 2011.

<sup>4</sup>By letter dated April 25, 2012, the Company stated that it would not seek to implement rates prior to May 1, 2012.

maintain and support its financial integrity; to offset increases in operating expenses; to provide earnings sufficient to attract investors and provide sufficient cash flow to fund the Company's operations; and to enable the Company to provide safe, adequate and proper service to its customers.

This matter was transmitted to the Office of Administrative Law ("OAL") on August 1, 2011, and was assigned to Administrative Law Judge ("ALJ") Leland S. McGee. ALJ McGee conducted a pre-hearing conference on September 4, 2011, and on October 26, 2011, ALJ McGee issued a pre-hearing Order establishing procedures, as well as evidentiary and public hearing dates for the conduct of this case.

Four public hearings were held in this matter. Two public hearings were held on December 6, 2011, one at 2:00 pm in Ocean City, NJ, and one at 7:00 pm in Westampton, NJ. Two public hearings were held on December 14, 2011, one at 2:00 pm in Howell Township, NJ and one at 7:00 pm in Westfield, NJ. No members of the public appeared at the Ocean City public hearing. Several members of the public appeared and spoke at the remaining three (3) public hearings - Westampton, Howell Township and Westfield, NJ. The comments focused mainly on the adverse economic impact and financial hardships that any increase would have on the average New Jersey American Water Company ratepayer, particularly those on a fixed income.

Subsequent to the public hearings, the Parties to the proceeding engaged in settlement negotiations. As a result of these discussions and extensive discovery, the Signatory Parties reached a Stipulation on all issues. On April 2, 2012, Aqua, Middlesex and the MLTMUA all submitted letters neither opposing nor adopting the Stipulation among the Signatory Parties.

On April 3, 2012, 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. Following the issuance of the Initial Decision, Board Staff has received over one hundred phone calls and/or emails highlighting previous NJAW rate increases and objecting to the economic impact any rate increase will have. They further assert that NJAW does not need a rate increase. None of the parties who provided these additional comments were intervenors in the proceeding. Notwithstanding these comments, no party to the case filed any exceptions to the Initial Decision.

## **DISCUSSION AND FINDINGS**

Among the provisions of the Stipulation<sup>5</sup>, the Signatory Parties recommend that the Company's base rates should be increased by \$30,009,522 representing a 5.23% increase over Company revenues totaling \$573,969,770. The Signatory Parties further recommend a rate base of \$1.92 billion, with a test year ending January 31, 2012, adjusted for known and measurable changes, and that the Company be authorized a return on equity of 10.15%, a preferred stock cost rate of 4.7365% and a cost of debt rate of 5.7543%, for an overall rate of return of 8.0398%. The overall rate of return is calculated by using the Company's current capital structure consisting of 52.00% common equity, 0.03% preferred stock and 47.97% long-termed debt ratios.

---

<sup>5</sup>Although described in the 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.

The Signatory Parties also further recommend the following:

- The expenses associated with incremental One Call markouts arising from the modifications to N.J.A.C. 14:2-1.1 et. seq. effective October 15, 2007, be deferred by the Company if such expenses arise;
- The Company continues offering the Low Income Conservation Program that was approved under BPU Docket No. WR10040260;
- The Company uses its best efforts to increase the rate of direct billing of American Water Service Company ("Service Company") expenses and submit to the Board, for approval, the agreement between the Company and the Service Company dated January 1, 1989, on or before May 1, 2013;
- The rate increase set forth in this Stipulation reflects the updating of the Company's previously approved depreciation rates to adjust the 3-year average net salvage allowance component as stipulated to in Docket No. WR08010020. The updated depreciation rates for water property only, reflect the average of the actually experienced net salvage for the three year period ending December 31, 2010, the most recent calendar years (2008-2010) available at the time of filing.
- 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. Specifically excluded from this Stipulation provision are the Company's Purchased Wastewater Treatment Adjustment Clause ("PSTAC") and Purchased Water Adjustment Clause ("PWAC") rates, and Distribution System Improvement Charge ("DSIC") rates, should a DSIC be adopted by the Board.

Pursuant to the Stipulation, the water service customer revenue rate impacts are as follows:

**Class Revenue Increases:**

The parties stipulate that General Metered Service ("GMS") rates for a typical residential customer using 6,500 gallons per month for Service Area-1 ("SA-1") shall increase by \$2.15 per month; for SA-2, SA-3 Main, SA-1A Harrison, and Jensen's Deep Run by \$3.46 per month; for SA-2 Manville by \$3.67 per month; for SA-3 Southampton by \$3.44; for SA-3 Homestead by \$2.15; for SA-1B Pennsgrove by \$3.30; and for SA-1D by \$3.93. Rates of commodity-demand and off peak service customers shall increase 0.54% overall and by 0.59% overall, respectively. Rates for the OIW customers will increase 5.90% overall. Rates for the Manasquan customers shall increase approximately 3.6% overall. Rates for the Sales to Other Systems ("SOS") customers will increase 6.91% overall.

**Private Fire Protection Service:**

The overall revenue increase for Private Fire Protection Service is 2.64%. The rate increases will vary within the rate classification depending upon the rate schedules and the type of service contracted for.

**Public Fire Protection Service:**

The overall revenue increase for Public Fire Protection Service is 0.56%. The rate increases will vary within the rate classification depending upon the rate schedules and the type of service contracted for.

**Customer Charges (Fixed Service Charges):**

The monthly customer charges for all service areas except SA-1B and SA-1D will be set at \$10.60 per month (non-exempt) for a 5/8 inch meter. The customer charge for SA-1B and SA-1D will be set at \$9.00 per month (non-exempt) for a 5/8 inch meter. Meter capacity ratios are utilized to establish rates for larger size meters.

Pursuant to the Stipulation, the wastewater service customer revenue rate impacts are as follows:

**Sewer Service Revenue Increases:**

The Parties stipulate that sewer service revenues will increase for the Company's Ocean City Service Area on an across-the-board basis by 3.05%. The Parties stipulate that Pottersville rates for a typical residential customer using 6,000 gallons per month will increase \$26.03 per month or 16.38%, while a Pottersville-Flat Rate, residential customer will increase \$26.43 per month or 16.48%. Jensen's Deep Run wastewater service customers will be converted from a flat rate to a volumetric rate, with the average residential customer using 5,000 gallons per month to see an increase of \$2.36 per month or 4.50%.

**Applied Community On-Site Wastewater Systems:**

The average overall increase for Applied Community On-Site Wastewater Systems is 4.51%. The rate increases may and/or will vary within the rate classification depending upon the rate schedules, class and size of dwelling.

The parties stipulate that sewer service revenues will increase for the Company's Non-Residential General Metered Wastewater Service Customers applicable to the Applied System by 5.74% and for the Other Contract Wastewater Service Customers in the Applied System by 2.95%.

The Board is mindful of the impact any rate increase has on its customers. However, having reviewed the record in this matter, including ALJ McGee's Initial Decision and the Stipulation, and letters from the Non-Signatory Parties indicating that they do not oppose the Stipulation, 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. In reaching this decision, the Board must balance the needs of the ratepayer to receive safe, adequate and proper service at reasonable rates, while allowing the utility the opportunity to earn a fair rate of return. See FPC v. Hope Natural Gas, 320 U.S. 591 (1944); N.J.S.A. 48:2-21 and N.J.S.A. 48:3-1. Therefore, 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:

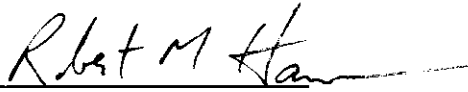
- a. On April 6, 2012, the Board Secretary received a letter from the Petitioner containing the proposed "Tariff for Water and Wastewater Service" consistent with the terms of the Stipulation. The Board HEREBY ACCEPTS the tariff as filed and makes it effective with this Order.
- b. The stipulated increase and the tariff design allocations for each customer classification are HEREBY ACCEPTED.

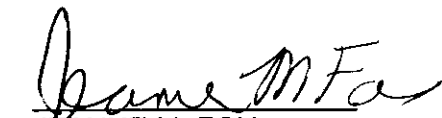
Based upon the forgoing, the Board HEREBY APPROVES an overall increase in revenues in the amount of \$30,009,522 representing a 5.23% increase over Company revenues totaling \$573,969,770.

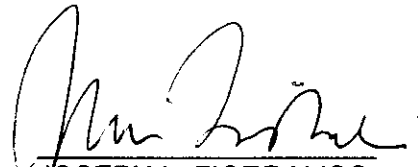
This Order shall be effective on May 1, 2012.

DATED: 5/1/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

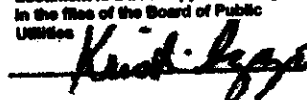
  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
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 Approval of  
Increased Tariff Rates and Charges for Water and Wastewater Service, Change in Depreciation  
Rates and Other Tariff Modifications  
BPU Docket No. WR11070460  
OAL Docket No. PUC 09799-2011N

**SERVICE LIST**

Suzana Duby, Esq.  
Associate Corporate Counsel  
New Jersey American Water Co., Inc.  
167 J.F. Kennedy Parkway  
Short Hills, NJ 07078

Ira G. Megdal, Esq.  
Cozen O' Conner  
457 Haddonfield Road, Suite 300  
P.O. Box 5459  
Cherry Hill, NJ 08002

Bradford M. Stern, Esq.  
Law Offices  
22 Lakeview Hollow  
Cherry Hill, NJ 08003

Walter G. Reinhard, Esq.  
Norris, McLaughlin & Marcus, P.A.  
Attorneys At Law  
721 Route 202-206, Suite 200  
Bridgewater, NJ 08807-5933

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

Steven B. Genzer, Esq.  
Colleen A. Foley, Esq.  
Saul Ewing, LLP  
One Riverfront Plaza, Suite 1520  
Newark, NJ 07102-5426

Anthony Francioso, Esq.  
Fornaro Francioso, LLC  
Golden Crest Corporate Center  
2277 State Highway 33, Suite 408  
Hamilton, NJ 08690

Richard A. Gantner, Esq.  
Nee, Beacham and Gantner  
722 Courtyard Drive  
Hillsborough, NJ 08844

Lloyd M. Berko, Esq.  
Davis & Ferber, LLP  
1345 Motor Parkway  
Islandia, NY 11749

Stefanie A. Brand, Director  
Debra Robinson, Esq.  
Susan E. McClure, Esq.  
Christine Juarez, Esq.  
Division of Rate Counsel  
31 Clinton Street  
P.O. Box 46005  
Newark, NJ 07102

Geoffrey Gersten, DAG  
Caroline Vachier, DAG  
Alex Moreau, DAG  
Jennifer Hsia, DAG  
Caroline McIntosh, DAG  
Department of Law & Public Safety  
Division of Law  
124 Halsey Street, 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, NJ 07101

CMS  
Kane  
DAG  
Vachier  
RPA  
Haynes  
Lee  
Moran

2012 APR -5 PM 3:58  
BOARD OF PUBLIC UTILITIES  
TREASURY  
NEWARK, N.J.



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

Rec'd 4/13/12

BPU MAILROOM

APR 5 2012

RECEIVING

**INITIAL DECISION**

**SETTLEMENT**

OAL DOCKET NO. PUC 09799-11N

BPU DOCKET NO. WR11070460

**IN THE MATTER OF THE PETITION OF  
NEW JERSEY AMERICAN WATER  
COMPANY, INC. FOR APPROVAL OF  
INCREASED TARIFF RATES AND  
CHARGES FOR WATER AND  
WASTEWATER SERVICE, CHANGE IN  
DEPRECIATION RATES AND OTHER  
TARIFF MODIFICATIONS**

---

**Ira G. Megdal, Esq., Cozen O'Connor, and Suzana DUBY, Esq., Corporate  
Counsel, Counsel for Petitioner, New Jersey American Water Company,  
Inc.**

**Debra F. Robinson, Esq., Deputy Rate Counsel, Susan E. McClure, Esq.,  
Assistant Deputy Rate Counsel, and Christine Juarez, Esq., Assistant  
Deputy Rate Counsel, for the New Jersey Division of Rate Counsel  
(Stefanie A. Brand, Esq., Director)**

**Alex Moreau, Deputy Attorney General, Jennifer Hsia, Deputy Attorney General  
and Carolyn McIntosh, Deputy Attorney General, for the Staff of the  
New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General  
of New Jersey)**



**Stephen B. Genzer, Esq.**, Saul Ewing, LLP, Counsel for Intervenors, Aqua New Jersey, Inc. and Lawrenceville Water Company

**Bradford M. Stern, Esq.**, Law Offices of Bradford M. Stern LLC, Counsel for Intervenors Cogen Technologies Linden Venture, L.P., ConocoPhillips Company, Johanna Foods, Inc., Princeton University, and Rutgers, the State University of New Jersey

**Anthony R. Francioso, Esq.**, Fornaro Francioso, Counsel for Intervenor the Mount Laurel Township Municipal Utilities Authority **Walter G. Reinhard, Esq.**, Norris McLaughlin & Marcus, P.A., Counsel for Intervenor Manasquan Customer Group

**Kenneth J. Quinn, Esq.**, Middlesex Water Company, Counsel for Intervenor Middlesex Water Company

Record Closed: April 2, 2012

Decided: April 3, 2012

**BEFORE LELAND S. McGEE, ALJ**

On July 29, 2011, New Jersey American Water Company, ("Petitioner" or "Company") filed with the New Jersey Board of Public Utilities ("Board") a Petition requesting an increase in operating revenues of approximately \$95.5 million or a 15.5% increase in its rates.

On August 1, 2011, the Board transmitted the matter to the Office of Administrative Law ("OAL") for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 through 15 and N.J.S.A. 52:14F-1 through 13. On September 4, 2011, a prehearing conference was held and a prehearing order was issued on October 26, 2011.

The parties to this matter are the Petitioner, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board ("Staff"). Motions to Intervene were filed and granted to: the Mount Laurel Township Municipal Utilities Authority, the Manasquan Customer Group; Rutgers, the State University of New Jersey; Princeton University; ConocoPhillips Company; Johanna Foods, Inc.; Cogen Technologies Linden Venture, L.P.; Middlesex Water Company; Aqua New Jersey, Inc.; and Lawrenceville Water Company by Orders dated September 6, 2011, November 16, 2011 and December 28, 2011.

Additionally, the Utility Workers Union of America ("UWUA"), Local 42 (the "Local") filed a Motion to Intervene in this proceeding. The Motion was opposed by NJAWC. By letter dated December 7, 2011, the Local requested that its Motion be modified to request permission for participant status only, which request was granted by Order dated December 16, 2011.

Pursuant to statute, Petitioner published in newspapers of general circulation within its service territory a notice of the public hearings which were held in Ocean City, Westampton, Howell Township, and Westfield on December 6, 2011 and December 14, 2011.

As part of the case, the parties exchanged discovery consisting of over 1,000 discovery requests, attended numerous meetings and settlement conferences.

Evidentiary hearings were scheduled for April 2012. Prior to the commencement of such hearings, the parties entered into a Stipulation of Settlement which is appended to this Initial Decision.

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

1. The parties to the Stipulation have voluntarily agreed to a settlement evidenced by their signatures.
2. The Stipulation of Settlement has been executed by all parties of record, excluding some Interveners and Participants. The Interveners to this case that have not signed the Stipulation have submitted letters stating they do not object to the Stipulation.

**ORDER**

It is therefore, **ORDERED** that the parties comply with the terms of the settlement and this proceeding is now concluded.

I hereby **FILE** my Initial Decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

The 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.

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.

April 3, 2012

DATE

  
LELAND S. MCGEE, ALJ

Date Received at Agency:

\_\_\_\_\_

Date Mailed to Parties:

\_\_\_\_\_

LSM/sej

Attachment

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES  
OFFICE OF ADMINISTRATIVE LAW**

IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. WR11070460  
NEW JERSEY AMERICAN WATER : OAL DOCKET NO. PUC09799-11N  
COMPANY, INC. FOR APPROVAL OF :  
INCREASED TARIFF RATES AND : **STIPULATION OF SETTLEMENT**  
CHARGES FOR WATER AND :  
WASTEWATER SERVICE, CHANGE IN :  
DEPRECIATION RATES AND OTHER :  
TARIFF MODIFICATIONS :

**APPEARANCES:**

**Ira G. Megdal, Esq., Cozen O'Connor, and Suzana Duby, Esq.,** Corporate Counsel, Counsel for Petitioner, New Jersey American Water Company, Inc.;

**Debra F. Robinson, Esq., Deputy Rate Counsel, Susan E. McClure, Esq., Assistant Deputy Rate Counsel, and Christine Juarez, Esq., Assistant Deputy Rate Counsel,** for the New Jersey Division of Rate Counsel (**Stefanie A. Brand, Esq., Director**);

**Alex Moreau, Deputy Attorney General, Jennifer Hsia, Deputy Attorney General and Carolyn McIntosh, Deputy Attorney General,** for the Staff of the New Jersey Board of Public Utilities (**Jeffrey S. Chiesa, Attorney General of New Jersey**);

**Stephen B. Genzer, Esq., Saul Ewing, LLP, Counsel for Intervenors, Aqua New Jersey, Inc. and Lawrenceville Water Company;**

**Bradford M. Stern, Esq., Law Offices of Bradford M. Stern LLC, Counsel for Intervenors Cogen Technologies Linden Venture, L.P., ConocoPhillips Company, Johanna Foods, Inc., Princeton University, and Rutgers, the State University of New Jersey;**

**Anthony R. Francioso, Esq., Fornaro Francioso, Counsel for Intervenor the Mount Laurel Township Municipal Utilities Authority**

**Walter G. Reinhard, Esq., Norris McLaughlin & Marcus, P.A., Counsel for Intervenor Manasquan Customer Group; and**

**Kenneth J. Quinn, Esq., Middlesex Water Company, Counsel for Intervenor Middlesex Water Company**

**TO: THE HONORABLE LELAND S. MCGEE, ALJ**

### BACKGROUND

On July 29, 2011, New Jersey American Water Company ("NJAWC", "Petitioner", or "Company") filed with the New Jersey Board of Public Utilities ("Board") a Petition, Testimony and Exhibits (the "Petition") requesting an increase in operating revenues of approximately \$95.5 million or approximately 15.5% over projected test year operating revenues.

In the Petition, NJAWC proposed a test-year ending January 31, 2012. The Petition as originally filed was based upon five (5) months of actual and seven (7) months of estimated data. As the case progressed, the estimated data were replaced by actual data, and on November 11, 2011, the Company filed its update consisting of nine months of actual data. The Company filed an additional update consisting of twelve months of actual data on February 15, 2012.

On August 1, 2011, this proceeding was transmitted by the Board to the Office of Administrative Law ("OAL") as a contested case. The matter was assigned to Administrative Law Judge Leland S. McGee. On September 4, 2011, a prehearing conference was conducted by Judge McGee and on October 26, 2011, Judge McGee issued a prehearing order establishing procedures and hearing dates for the conduct of this case.

The signatory parties to this case include Petitioner, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board ("Staff"). Motions to intervene filed by the following parties were unopposed: the Mount Laurel Township Municipal Utilities Authority ("MTLMUA") (filed September 19, 2011); the Manasquan Customer Group ("MCG") (filed September 30, 2011); Rutgers, the State University of New Jersey (filed October 3, 2011), Princeton University (filed September 28, 2011), ConocoPhillips Company (filed September 16, 2011); Johanna Foods, Inc. (filed September 23, 2011), and Cogen Technologies Linden Venture, L.P. (filed September 16, 2011) (collectively, the Optional Industrial Wholesale Customer Coalition or "OIW"); Middlesex Water Company ("Middlesex") (filed August 5,

2011); Aqua New Jersey, Inc. ("Aqua") and Lawrenceville Water Company ("Lawrenceville") (filed September 1, 2011). These motions were granted by orders dated September 6, 2011 (as to Middlesex), November 16, 2011 (as to OIW, Aqua and Lawrenceville), November 21, 2011 (as to MCG) and December 28, 2011 (as to MTLMUA). On November 18, 2011, the Utility Workers Union of America ("UWUA"), Local 423 (the "Local") filed a Motion to Intervene in this proceeding. The motion was opposed by NJAWC. By letter dated December 7, 2011, the Local requested that its Motion be modified to request permission for participant status only, which request was granted by Order dated December 16, 2011.

Pursuant to appropriate notice in newspapers of general circulation within the Company's service territory, and the serving of notice upon affected municipalities and counties within the Company's service area, four public hearings were held. Two public hearings were held on Tuesday, December 6, 2011 at 2:00 PM in Ocean City, New Jersey and at 7:00 PM in Westampton, New Jersey; and two public hearings were held on Wednesday December 14, 2011 at 2:00 PM in Howell Township, New Jersey and at 7:00 PM in Westfield, New Jersey. Members of the public spoke at the public hearings, and the comments generally involved opposition to rate increases.

Discovery involving over 1,000 requests, many with multiple parts, was answered by the Company.

The Company filed initial direct and supplemental direct testimony on July 29, 2011, and November 11, 2011, respectively. Rate Counsel, Middlesex Water Company and OIW filed direct testimony on January 13, 2012. The Company filed its rebuttal testimony on February 23, 2012.

Evidentiary hearings were scheduled for March and April 2012. Prior to the commencement of such hearings, the parties conducted meetings to discuss settlement, and as a

result, this Stipulation of Settlement was agreed upon by the parties. As a result of those settlement conferences, the undersigned parties **AGREE AND STIPULATE AS FOLLOWS:**

**REVENUE REQUIREMENTS**

1. The parties agree to recommend to the Board that Petitioner's revenues from base rates should be increased by \$30.010 million, effective for service rendered on and after May 1, 2012, or as soon thereafter as the Board deems appropriate.
2. The parties stipulate that the 12-month period ending January 31, 2012, as adjusted for known and measurable changes, shall be the test year in this case.
3. The parties stipulate that pro forma present rate revenues are \$573.970 million. As a result, rates emanating from this proceeding will be designed to yield total base rate revenues of \$603.980 million. Present rate revenues including PWAC/PSTAC are \$621.979 million.<sup>1</sup> The rate increase is 4.82% based upon total present rate revenues (including PWAC/PSTAC). See Schedule A.
4. The parties stipulate that the Company's rate base for use in this proceeding is set at \$1.92 billion.
5. The parties to this Stipulation agree that the revenue increase set forth earlier in this Stipulation of Settlement reflects an adjustment to rate base due to the filing of a consolidated federal income tax return.

---

<sup>1</sup> Total PWAC/PSTAC revenues are \$48.009 million per BPU Order in Docket No. WR11030131.



6. Rate of Return. The parties agree to the following rate of return for use in this case:

	<u>Ratios</u>	<u>Cost Rates</u>	<u>Weighted Cost Rates</u>
1. Long-Term Debt	47.97%	5.7543%	2.7603%
2. Preferred Stock	0.03%	4.7365%	0.0014%
3. Common Equity	52.00%	10.1500%	5.2780%
4. Total	<u>100.00%</u>		<u>8.0398%</u>

7. Amortizations. The parties agree that the rate increase set forth earlier in this

Stipulation reflects an amortization of unamortized balance sheet accounts, in accordance with the following schedule:

<u>Account</u>	<u>Balance at 1/31/2012</u>	<u>Monthly Amortization</u>	<u>Amortization Start / Revised Date</u>	<u>Amortization Ending Date</u>
Deferred Pension Expense	\$5,711,570.30	\$39,390.14	3/1/2004	2/28/2024
FAS 106 (SA-1) (Revised Amount)	\$618,170.40	19,317.83	5/1/2012	4/30/2014
FAS 106 (SA-2/SA-3) (Revised Amount)	\$228,479.35	6,923.62	5/1/2012	4/30/2014
FAS 109 (SA-1)	\$11,241,931.00	\$48,878.00	Various	3/31/2031
FAS 109 (SA-2)	\$7,278,034.96	\$38,105.00	Various	12/31/2027
FAS 109 (SA-3)	\$45,409.00	\$346.00	Various	12/31/2022
FAS 112	\$170,907.50	\$2,084.25	12/1/2008	11/30/2018
Gain on Land Sales (Revised Amount)	(194,459.69)	(\$7,255.60)	5/1/2012	4/30/2014
Acquisition Adjustments	\$4,453,473.21	20,893.68	Various	Various
South Jersey Services	\$4,352,661.30	\$9,847.65	12/1/2008	11/30/2048
Mt Ephraim	\$54,357.16	\$122.98	12/1/2008	11/30/2048
Pelican Island	\$6,846.58	\$15.49	12/1/2008	11/30/2048
Sick Bank Amortization - 2008	\$1,518,643.28	\$18,520.04	12/1/2008	11/30/2018
Sick Bank Amortization - 2010	\$203,864.96	\$1,905.28	1/1/2011	12/31/2020
BPU Management Audit (Revised Amount)	\$926,719.21	\$18,074.31	5/1/2012	4/30/2016
Concentric Study - 2010 Rate Case (Revised Amount)	\$179,718.60	\$3,823.80	1/1/2011	12/31/2015
Concentric Study - 2011 Rate Case	\$108,000.00	\$2,250.00	5/1/2012	4/30/2016
Pre 1971 Investment Credit	(\$493,626.33)	(\$2,987.52)	Various	Various
Regulatory Liability/Asset for Excess/Deficit Deferred Income Taxes	(\$3,466,090.00)	(\$13,321.00)	Various	Various
MTBE	(\$6,859,658.49)	(\$14,688.78)	1/1/2011	12/31/2050
Pottersville Operating Deferral	\$147,830.25	3,145.75	1/1/2011	12/31/2015
Residuals Amortization	1,733,021.29	43,504.37	5/1/2012	6/30/2015
Refund of COR	(\$44,200,000.00)	(\$100,000.00)	12/1/2008	11/30/2048

Notes:

- (a) Monthly amortization derived from Apr, 2012 balance divided into 24 months/2 years  
 (b) Monthly amortization derived from Apr, 2012 balance divided into 48 months/4 years  
 (c) Monthly amortization derived from Apr, 2012 balance divided into 38 months

8. Normalization of Regulatory Commission Expense. The parties stipulate that the Company incurred rate case expenses for this proceeding. Said rate case expense will be shared 50/50 between the Company and ratepayers, and normalized over two years.

9. One Call Markout Expenses. It is agreed that the expenses associated with the incremental One Call markouts arising from the modifications to *N.J.A.C. 14:2-1.1 et seq.* effective October 15, 2007 may be deferred by NJAWC if such expenses arise. The Company may recover same with interest at the rate shown in the Federal Reserve statistical release closest to January 1 of each year for seven (7) year constant maturity treasuries plus sixty (60) basis points. The interest rate shall remain in effect for a one-year period. At such time as the Company seeks recovery of these expenses, any party may challenge the prudence of the level of such costs.

10. Low Income Conservation Program. The Company agrees to continue offering the Low Income Conservation Program that was approved under BPU Docket No. WR10040260. The Company will not at this time implement any other aspect of the conservation program proposed in its Petition, nor at this time will the Company implement the associated Conservation Plan Tracker or Water Efficiency Tracker. The Company will also continue to offer its other existing H2O Help To Others Programs, the LIPP Assistance and LIPP Discount programs.

11. Service Company. The Company will use best efforts to increase the rate of direct billing of American Water Service Company ("Service Company") expenses. The Company agrees to submit to the BPU for approval the Agreement between the Company and Service Company dated January 1, 1989 on or before May 1, 2013.

12. Depreciation Expense. The parties agree that the rate increase set forth in this Stipulation reflects the updating of the Company's previously approved depreciation rates to adjust the 3-year average net salvage allowance component as stipulated to in Docket No. WR08010020. The updated depreciation rates for water property only, reflect the average of the actually experienced net salvage for the three year period ending December 31, 2010, the most recent calendar years (2008 - 2010) available at the time of filing. The newly adjusted depreciation rates for water, and the previously approved and unadjusted sewer depreciation rates are attached as Schedule B to this Stipulation.

13. Next Rates Effective Date. Once the rates emanating from this proceeding have been made effective, Petitioner may not increase its base rates for two years from the effective date. Specifically excluded from this Stipulation provision are Petitioner's Purchased Wastewater Treatment Adjustment Clause ("PSTAC") and Purchased Water Adjustment Clause ("PWAC") rates, and Distribution System Improvement Charge ("DSIC") rates, should a DSIC be adopted by the Board.

### **TARIFF AND RATE DESIGN**

14. Class Revenue Increases. The parties stipulate that GMS rates for a typical residential customer using 6,500 gallons per month for Service Area-1 ("SA-1") shall increase by \$2.15 per month; for SA-2, SA-3 Main, SA-1A Harrison, and Jensen's Deep Run by \$3.46 per month; for SA-2 Manville by \$3.67 per month; for SA-3 Southampton by \$3.44; for SA-3 Homestead by \$2.15; for SA-1B Pennsgrove by \$3.30; and for SA-1D by \$3.93. Rates of commodity-demand and off peak service customers shall increase 0.54% overall and by 0.59% overall, respectively. Rates of the OIW customers will increase 5.90% overall. Rates of the

Manasquan customers shall increase approximately 3.6% overall. Rates of the SOS customers will increase 6.91% overall. For private fire protection service, rates will increase for each group overall as follows: for SA-1, 4.5%; for SA-1B, 2.98%; for SA-1 Rate Schedule L-2, 4.05%; for SA-2, 0.7%; for SA-3, 4.8%; and for SA-1D Hydrants 15.0%, while the connection charges have been established equivalent to SA-1 (Rate Schedule L-1) rates. For SA-1A, private fire protection service rates will decrease 8.95%. For public fire protection service, rates will increase overall as follows: for SA-1, 1.0%; for SA-1A, 1.0%; for SA-1B, 1.0%; for SA-2, 0.09%; for SA-3, 1.0%; and for SA-1D 0.98%.

15. Customer Charges (Fixed Service Charges). The monthly customer charges for all service areas except SA-1B and SA-1D will increase from \$10.00 to \$10.60 per month (non-exempt) for a 3/4 inch meter. The customer charge for SA-1B will increase from \$7.75 to \$9.00 per month (non-exempt) and SA-1D will remain at \$9.00 for a 3/4 inch meter. Meter capacity ratios are utilized to establish rates for larger size meters.

16. Sewer Service Revenue Increases. The Parties stipulate that sewer service revenues will increase for the Company's Ocean City Service Area on an across-the-board basis by 3.05%. The parties stipulate that Pottersville rates for a typical residential customer using 6,000 gallons of water per month will increase \$26.03 per month or 16.38%, while a Pottersville-Flat Rate, residential customer will increase \$26.43 per month or 16.48%, Jensen's Deep Run wastewater service customers will be converted from a flat rate to a volumetric rate, with the average residential customer using 5,000 gallons per month to see an increase of \$2.36 per month or 4.50%.

17. Applied Community On-Site Wastewater Systems. Sewer service customers in the APPLIED COMMUNITY ON-SITE WASTEWATER SYSTEMS ("Applied COWS"), formerly

served by Applied Wastewater Management, Inc. ("Applied System") for residential customers, are either: 1) customers who are currently water service customers of NJAWC and will be converted to a combination of usage (volumetric rate) and Fixed Service Charges; or 2) customers who are not water service customers of NJAWC will continue to be billed under the current flat rate system. Residential wastewater service customers being billed under the flat rate system will see the following monthly increases:

		CURRENT FLAT RATE PER MONTH	PROPOSED FLAT RATE PER MONTH	PERCENTAGE CHANGE
CLASS A	4 BEDROOM AGE RESTRICTED 3 BEDROOM AGE RESTRICTED 2 BEDROOM TOWNHOUSE 3 BEDROOM TOWNHOUSE AGE RESTRICTED	\$94.80	\$97.00	2.32%
	2 BEDROOM AGE RESTRICTED	92.04	94.18	2.33%
	1 BEDROOM TOWNHOUSE	90.38	92.48	2.32%
CLASS B	DETACHED SINGLE FAMILY 3 BEDROOM TOWNHOUSE	119.88	122.66	2.32%

Residential wastewater service customers converting to a combination of the Fixed Service Charge and a Sewer Usage Charge shall pay the following monthly Fixed Service Charge:

		CURRENT FLAT RATE PER MONTH	PROPOSED FIXED SERVICE CHARGE PER MONTH
CLASS A	4 BEDROOM AGE RESTRICTED 3 BEDROOM AGE RESTRICTED 2 BEDROOM TOWNHOUSE 3 BEDROOM TOWNHOUSE AGE RESTRICTED	\$94.80	\$60.44
	2 BEDROOM AGE RESTRICTED	92.04	
	1 BEDROOM TOWNHOUSE	90.38	

<b>CLASS B</b>	<b>DETACHED SINGLE FAMILY 3 BEDROOM TOWNHOUSE</b>	<b>119.88</b>	<b>77.96</b>
----------------	-------------------------------------------------------	---------------	--------------

In addition to the above Fixed Service Charge, the Sewer Usage Charge for these General Metered Residential Wastewater Service Customers is at the non-exempt rate of \$9.3000 per thousand gallons and the volume of wastewater use is assumed to equal water meter registration. The average Applied COWS metered residential Class-A Customer Consuming 4,000 gallons of water per month would pay \$97.64 per month under proposed rates with increases ranging from \$2.84 to \$7.26. The average APPLIED COWS residential metered Class-B Customer consuming 6,000 gallons of water per month would pay \$133.76 per month under proposed rates, an increase of \$13.88.

The parties stipulate that the sewer service revenues in the Applied HOMESTEAD wastewater system, formerly served by Applied Wastewater Management, Inc. ("Applied System") are as follows for residential customers: the customers who are currently water service customers of NJAWC will be converted to a combination of usage (volumetric rate) and Fixed Service Charges. These general metered residential wastewater service customers shall pay the following Fixed Service Charge and Sewer Usage Charge which will replace the current flat rate charge per month as follows:

	<b>CURRENT FLAT RATE PER MONTH</b>	<b>PROPOSED FIXED SERVICE CHARGE PER MONTH</b>
<b>2 BEDROOM AGE RESTRICTED DETACHED SINGLE FAMILY</b>	<b>\$79.17</b>	<b>\$48.35</b>

In addition to the above Fixed Service Charge the parties stipulate that the Sewer Usage Charge for these General Metered Residential Wastewater Service Customers is at the non-exempt rate of \$9.3000 per thousand gallons and that the volume of wastewater use is assumed to equal water meter registration. The average APPLIED HOMESTEAD residential metered customer consuming 4,000 Gallons of water per month would pay \$85.55 per month under proposed rates.

The parties stipulate that sewer service revenues will increase for the Company's Non-Residential General Metered Wastewater Service Customers applicable to the Applied System by 5.74% and for the Other Contract Wastewater Service Customers in the Applied System by 2.95%.

18. Trend in SA-1/SA-2 Residential and Commercial Consumption Decline. The parties acknowledge that the rate relief set out in this stipulation recognizes the near-term change in the Petitioner's revenue caused by a continuing, declining trend in base consumption per customer.

19. Service of Board Order. The Parties agree to accept as service delivery by courier ("hand delivery") of the BPU Order approving this Stipulation, in whole or in part (the "Order"). The Parties agree that such method of hand delivery shall be sufficient service of the Order. The Signatory Parties further acknowledge that any increase or resolution of any issue agreed to in this Stipulation shall become effective upon service of the Board Order on all parties of record unless a later date is indicated in the Order.

20. The undersigned parties hereby agree that this Settlement has been made exclusively for the purpose of this proceeding and that this Settlement, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of the Settlement.

21. The undersigned parties agree that this Settlement contains a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and

approved in its entirety. In any event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, or modified by the Board, each party that is adversely affected by the modification can either accept the modification or declare this Settlement to be null and void, and the parties shall be placed in the same position that they were in immediately prior to its execution.

22. It is the intent of the undersigned parties that the provisions hereof be approved by the Board as being in the public interest. The undersigned parties further agree that they consider the Settlement to be binding on them for all purposes herein.

23. It is specifically understood and agreed that this Settlement represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the undersigned parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The undersigned parties further agree that this Settlement is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement.

24. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, and each such counterpart shall be considered an original; however all such counterparts will constitute one and the same instrument.

25. **WHEREFORE**, the undersigned parties respectfully submit this Settlement to the Presiding Administrative Law Judge and Board of Public Utilities and request (1) the Presiding Administrative Law Judge issue an Initial Decision approving this Stipulation of Settlement in its entirety in accordance with the terms contained herein, and (2) the Board approve this Stipulation of Settlement in its entirety in accordance with the terms contained herein.



**NEW JERSEY AMERICAN WATER  
COMPANY, INC.**

By: \_\_\_\_\_  
Ira G. Megdal, Esq.

**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By: \_\_\_\_\_  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

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

By: \_\_\_\_\_  
Jennifer Hsia, DAG

**Cogen Technologies Linden Venture, L.P.,  
ConocoPhillips Company, Johanna Foods,  
Inc., Princeton University, and Rutgers, the  
State University of New Jersey**

By: \_\_\_\_\_  
Bradford M. Stern, Esq.

**Manasquan Customer Group**

By: \_\_\_\_\_  
Walter G. Reinhard, Esq.

**NEW JERSEY AMERICAN WATER  
COMPANY, INC.**

By: Ira G. Megdal  
Ira G. Megdal, Esq.

**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By: Stefanie A. Brand  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

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

By: \_\_\_\_\_  
Jennifer Hsia, DAG

**Cogen Technologies Linden Venture, L.P.,  
ConocoPhillips Company, Johanna Foods,  
Inc., Princeton University, and Rutgers, the  
State University of New Jersey**

By: \_\_\_\_\_  
Bradford M. Stern, Esq.

**Manasquan Customer Group**

By: \_\_\_\_\_  
Walter G. Reinhard, Esq.

**NEW JERSEY AMERICAN WATER  
COMPANY, INC.**

By: \_\_\_\_\_  
Ira G. Megdal, Esq.

**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By: \_\_\_\_\_  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

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

By:  \_\_\_\_\_  
Jennifer Hsia, DAG

**Cogen Technologies Linden Venture, L.P.,  
ConocoPhillips Company, Johanna Foods,  
Inc., Princeton University, and Rutgers, the  
State University of New Jersey**

By: \_\_\_\_\_  
Bradford M. Stern, Esq.

**Manasquan Customer Group**

By: \_\_\_\_\_  
Walter G. Reinhard, Esq.

**NEW JERSEY AMERICAN WATER  
COMPANY, INC.**

By: \_\_\_\_\_  
Ira G. Megdal, Esq.


**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By: \_\_\_\_\_  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

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

By: \_\_\_\_\_  
Jennifer Hsia, DAG

**Cogen Technologies Linden Venture, L.P.,  
ConocoPhillips Company, Johanna Foods,  
Inc., Princeton University, and Rutgers, the  
State University of New Jersey**

By:   
Bradford M. Stern, Esq.

**Manasquan Customer Group**

By: \_\_\_\_\_  
Walter G. Reinhard, Esq.

**NEW JERSEY AMERICAN WATER  
COMPANY, INC.**

By: \_\_\_\_\_  
Ira G. Megdal, Esq.

**STEFANIE A. BRAND, ESQ., DIRECTOR,  
DIVISION OF RATE COUNSEL**

By: \_\_\_\_\_  
Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel


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

By: \_\_\_\_\_  
Jennifer Hsia, DAG

**Cogen Technologies Linden Venture, L.P.,  
ConocoPhillips Company, Johanna Foods,  
Inc., Princeton University, and Rutgers, the  
State University of New Jersey**

By: \_\_\_\_\_  
Bradford M. Stern, Esq.

**Manasquan Customer Group**

By:  \_\_\_\_\_  
Walter G. Reinhard, Esq.

**Schedule A**  
**Page 1 of 1****New Jersey American Water Company**  
**Calculation of Revenue Deficiency**

	<u>Per Stipulation</u>
Rate Base	\$1,920,300,000
Rate of Return	<u>8.0398%</u>
Operating Income Requirement	154,388,279
Pro Forma Operating Income	<u>137,684,121</u>
Income Deficiency	16,704,159
Revenue Conversion Factor	<u>1.796530</u>
Revenue Deficiency	<u><u>\$30,009,522</u></u>

**New Jersey-American Water Company  
Depreciation Rates - All Water Service Areas**

**SCHEDULE B  
Page 1 of 2**

NARUC Account No.	Description	Total Deprec Rates
<b>Source of Supply</b>		
311.00	SS Structures & Improvements	3.14%
312.00	Collecting & Impounding Res.	0.91%
313.00	Lakes, River & Other Intakes	2.30%
314.00	Wells & Springs	3.09%
315.00	Infiltration Galleries and Tunnels	2.73%
316.00	Supply Mains	1.60%
317.00	Other Water Source Plant	2.62%
<b>Pumping Plant</b>		
321.00	Pumping Structures & Improvements	3.12%
323.00	Power Generation Equipment	2.60%
322.00	Boiler Plant Equipment	0.59%
323.00	Other Power Production Equip	74.27%
325.00	Electric Pumping Eq.	2.85%
326.00	Diesel Pumping Eq.	2.81%
327.00	Hydraulic Pumping Equipment	0.82%
328.00	Other Pumping Eq.	5.75%
<b>Water Treatment Plant</b>		
331.00	WT Structures & Improvements	2.69%
332.10	Treatment Plant Equipment	3.52%
332.20	Chemical Equipment	0.24%
<b>Transmission &amp; Distribution Plant</b>		
341.00	TD Structures & Improvements	4.47%
342.00	Distr. Reservoirs & Standpipes	2.14%
343.00	Mains	0.92%
343.10	Mains-All Material Types - 4 in & Under	2.23%
343.20	Mains-All Material Types - 6 in - 8 in	1.36%
343.30	Mains-All Material Types - 10 in - 16 in	0.95%
343.40	Mains - All Material Types 18" & Over	0.68%

NARUC Account No.	Description	Total Deprec Rates
<b>Transmission &amp; Distribution Plant</b>		
344.00	Fire Mains	1.69%
346.00	Services	2.10%
346.00	Meters	12.34%
347.00	Meter Installations	2.27%
348.00	Hydrants	2.99%
349.00	Other Trans. & Distr. Equip.	30.31%
369.00	Other P/E - CPS	20.00%
<b>General Plant</b>		
390.00	Adm & Gen Structures & Improvements	3.52%
390.10	Office Structures & Improvements	4.14%
390.20	Stores, Shop & Garage Structures	1.90%
390.30	Misc. Structures & Improvements	3.20%
391.00	Office Furniture & Equipment	2.73%
391.20	Personal Computer Eq.	7.87%
391.21	Mainframe Computer Equipment	-1.13%
391.30	Computer Software	8.26%
391.40	Data Handling Equipment	7.89%
391.50	Other Office Equipment	7.41%
392.00	Transportation Equipment	0.00%
392.10	Trans. Equip. - Light Trucks	13.28%
392.20	Trans. Equip. - Heavy Trucks	4.12%
392.30	Trans. Equip. - Cars	7.18%
392.40	Trans. Equip. - Other	5.01%
393.00	Stores Equipment	4.01%
394.00	Tools, Shop & Garage Equipment	3.21%
395.00	Laboratory Equipment	4.41%
396.00	Power Operated Equipment	4.92%
397.00	Communication Equipment	11.70%
398.00	Miscellaneous Equipment	4.05%
399.00	Other Tangible Plant	6.86%

**New Jersey-American Water Company**  
**Depreciation Rates - All Sewer Service Areas**

**SCHEDULE B**  
**Page 2 of 2**

NARUC Account No.	Description	Total Deprec Rates
320.00	Services Sewer	2.60%
321.00	Collecting Mains	2.01%
322.00	Collecting Mains - Other	1.86%
323.00	Collection Sewers Forced	2.28%
324.00	Collection Structures & Improvements	3.36%
325.00	Receiving Wells	5.42%
330.00	Structures & Improvements - SPP	3.26%
331.00	Pump Equipment Electric	6.61%
332.00	Other Pumping Equipment	5.90%
340.00	Structures & Improvements	3.26%
349.00	Outfall Sewer Lines	5.42%
381.00	Plant Sewers	5.42%
389.00	Other Plant Equipment	5.42%
391.00	Office Furniture & Equipment	6.97%
392.00	Transportation Equipment	16.12%
394.00	Tools, Shop & Garage Equipment	11.12%
396.00	Power Operated Equipment	5.88%
398.00	Other Depreciable Property	8.27%
399.10	Other P/E - CPS	20.00%





Via Facsimile & Regular Mail  
(973) 648-2358

April 2, 2012

Honorable Leland S. McGee, A.L.J.  
State of New Jersey  
Office of Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

**RE: I/M/O the Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Wastewater Service; Change in Depreciation Rates and Other Tariffs Modifications  
BPU Docket No. WR11070460  
OAL Docket No. PUC09799-11N**

Dear Judge McGee:

Please be advised that Intervenor, Middlesex Water Company, has reviewed the terms of the proposed final Stipulation of Settlement in the above case provided to us today. Although Middlesex Water Company will not be a signatory to the Stipulation of Settlement, it has no objection to the same.

Respectfully,

A handwritten signature in black ink, appearing to read 'Kenneth J. Quinn', is written over a faint, larger version of the same signature.

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

KJQ:rk

cc: Service List Attached (via email)



**FORNARO FRANCIOSO LLC**  
COUNSELLORS AT LAW

GOLDEN CREST CORPORATE CENTER  
2277 STATE HIGHWAY 33, SUITE 408 • HAMILTON, NEW JERSEY 08690  
TELEPHONE: 609-584-6104 • TELEFAX: 609-584-2709

RICHARD D. FORNARO\*  
ANTHONY R. FRANCIOSO\*

*Of Counsel*  
KATHLEEN A. FRANCIOSO\*

\*MEMBERS OF THE NEW JERSEY & PENNSYLVANIA BAR

April 2, 2012

The Honorable Leland S. McGee  
Administrative Law Judge  
Office of the Administrative Law  
33 Washington Street  
Newark, New Jersey 07102

RE: I/M/O The Petition of New Jersey American Water Company, Inc., for Approval of Increased  
Tariff Rates and Charges for Water and Wastewater Service, Change in Depreciation Rates and  
Other Tariff Provisions  
BPU Docket No. WR11070460  
OAL Docket No. 09799-11

Dear Judge McGee:

FORNARO FRANCIOSO LLC represents the Mount Laurel Township Municipal Utility Authority in  
the above captioned matter. With respect to the settlement being submitted to Your Honor for approval,  
may this letter serve as notice that the Mount Laurel Township Municipal Utility Authority will not be a  
signatory to the Stipulation, however does not oppose same.

Thank you for Your Honor's acceptance of the foregoing.

Very truly yours,  
FORNARO FRANCIOSO LLC  
Anthony R. Francioso, Esq.

ARF/id

c: Service List (Via Electronic Mail)  
Pam Carolan, Executive Director, MTLMUA



Stephen B. Genzer  
Phone: (973) 286-6712  
Fax: (973) 286-6812  
sgenzer@saul.com  
www.saul.com

April 2, 2012

The Honorable Leland S. McGee  
Administrative Law Judge  
Office of the Administrative Law  
33 Washington Street  
Newark, NJ 07102

Re: In the Matter of the Petition of New Jersey American Water Company, Inc.  
for Approval of Increased Tariff Rates and Charges For Water And Wastewater  
Service; Change in Depreciation Rates and Other Tariff Modifications  
BPU Docket No. WR11070460  
OAL Docket No. PUC 9799-11

Dear Judge McGee:

Please be advised that this firm represents Aqua New Jersey, Inc. and the Lawrenceville Water Company, Intervenor in the above-referenced matter. With respect to the stipulation of several of the parties being submitted to Your Honor for approval, please consider this letter as a formal indication that Aqua New Jersey, Inc. and the Lawrenceville Water Company do not oppose the stipulation.

Thank you for Your Honor's acceptance of the foregoing.

Very truly yours,

Stephen B. Genzer

SBG/gd  
cc: Service List (Via Electronic Mail)

One Riverfront Plaza, Suite 1520 • Newark, NJ 07102-5426 • Phone: (973) 286-6700 • Fax: (973) 286-6800  
Stephen B. Genzer • Newark Managing Partner

DELAWARE MARYLAND MASSACHUSETTS NEW JERSEY NEW YORK PENNSYLVANIA WASHINGTON, DC  
A DELAWARE LIMITED LIABILITY PARTNERSHIP

