

Agenda Date: 03/29/19

Agenda Item: 5B

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

		WATER
IN THE MATTER OF THE PETITION OF NEW)	DECISION AND ORDER
JERSEY-AMERICAN WATER COMPANY, INC. FOR)	APPROVING INITIAL DECISION
AUTHORIZATION TO CHANGE THE LEVEL OF ITS)	AND STIPULATION
PURCHASED WATER ADJUSTMENT CLAUSE AND	ý	
PURCHASED WASTEWATER TREATMENT)	BPU DOCKET NO. WR18111241
ADJUSTMENT CLAUSE	j	OAL DOCKET NO. PUC 16622-20188

Parties of Record:

Christine Soares, Esq., New Jersey-American Water Company, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Jay L. Kooper, Esq., Vice President, General Counsel and Secretary, Middlesex Water
Company

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities ("Board") considers an Initial Decision executed by the Administrative Law Judge Jacob S. Gertsman ("ALJ") and Stipulation of Settlement ("Stipulation") executed by New Jersey-American Water Company, Inc. ("Petitioner" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, the "Signatory Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND/PROCEDURAL HISTORY

By Order dated April 2, 2007 in Myter Company, and Mount Holly Water Company, Docket No. WR06030257, the Board required that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the Purchased Water Adjustment Clause ("PWAC") and Purchased Wastewater (sewerage) Treatment Adjustment Clause ("PSTAC") as applicable. On November 15, 2018, Petitioner, a public utility of the State of New Jersey, filed a petition with the Board pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:9-7.1 et seq., and N.J.A.C. 14:9-8.1 et seq., for authorization to change the levels of its existing PWAC and PSTAC charges, with respect to increased purchased water expense and increased purchased wastewater treatment expense.

On January 25, 2019, the Company filed an amended petition. The total amount requested in the amended petition was an increase of annual revenues by \$1,946,639 or 0.29% above estimated total Company revenues of \$676,800,000.

The Petitioner services approximately 631,000 general metered water customers and approximately 41,000 sewer customers in all or part of 188 municipalities in 18 of the State's 21 counties.

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

In this petition, Petitioner proposed to increase its PWAC rate in PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water to \$0.5145 per thousand gallons of water for Non-Exempt customers. Petitioner proposed to increase its PWAC rate from \$0.4154 per thousand gallons of water to \$0.4453 per thousand gallons for exempt customers. It also proposed to address its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings), as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.7362 per thousand gallons to \$4.6587 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings), as reflected upon PSTAC Rate Schedule 1-B, would change from \$25.6889 per thousand gallons to \$23.8574 per thousand gallons.

For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water, as reflected upon PSTAC Rate Schedule 3-B, would change from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.

This matter was transmitted to the Office of Administrative Law ("OAL") on November 16, 2018, as a contested case and was assigned to Administrative Law Judge ("ALJ") Jacob S. Gertsman. A telephonic prehearing conference was held on December 12, 2018, with ALJ Gertsman, during which the ALJ directed that public hearings be held on this matter.

On November 26, 2018, Middlesex Water Company ("Middlesex Water") filed a motion to intervene in the instant proceeding, and no party opposed the motion. After proper notice, a public hearing was held on February 28, 2019 in Howell Township at 5:30 p.m. No members of the public attended the public hearing and no written comments were received.

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STIPULATION1

As a result of settlement discussions, the Signatory Parties agreed to the amount requested in the amended petition and executed the Stipulation on March 15, 2019. Based upon and subject to the terms and conditions set forth in the Stipulation, the Signatory Parties stipulated and agreed as follows:

The Signatory Parties recommended that the Board approve a change to Petitioner's PWAC rate on PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water for Non-Exempt customers to \$0.5145 per thousand gallons of water for Non-Exempt customers and from 0.4154 per thousand gallons of water for Exempt customers to \$0.4453 per thousand gallons of water for Exempt customers.

The Signatory Parties further recommended that the Board permit Petitioner to change its effective PSTAC charges as follows:

- For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B from \$4.7362 per thousand gallons to \$4.6587 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, from \$25.6889 per thousand gallons to \$23.8574 per thousand gallons.
- For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.

The effective PWAC rate change would result in an increase in the annual bill of an average residential customer utilizing 6,000 gallons per month as follows:

·	Present Per Month	Proposed Per Month	Amount Increase	Percentage Increase
Statewide - GMS	\$56.34	\$56.54	\$0.20	0.35%
Statewide - SFR	\$56.04	\$56.24	\$0.20	0.36%
SA1-B, SA1-C	\$51.54	\$51.74	\$0.20	0.39%
SA-1E	\$47.57	\$50.66	\$3.09	6.50%

The PSTAC rate changes will result in: a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, of \$0.47 per month or 0.73%; a decrease to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water annually, of \$3.06 per month or 4.46%; and a decrease to an average sewer

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.

service customer in the Adelphia section of Howell Township, Monmouth County utilizing 48,000 gallons of water annually, of \$0.43 per month or 0.79%.

These PWAC and PSTAC rates are calculated with an effective date of April 1, 2019.

NJAWC plans to file its next PWAC/PSTAC petition on or before November 15, 2019.

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

The PWAC/PSTAC rates established in the Stipulation will increase annual revenues by \$1,946,639 or 0.29%.

On March 15, 2019, Middlesex Water submitted a letter indicating it did not object to the Stipulation. On March 20, 2019, ALJ Gertsman issued his Initial Decision/Settlement recommending adoption of the Stipulation executed by the Signatory Parties, finding that they had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law. In addition, by letter dated March 14, 2019, the Company requested an expedited Board Order to become effective on April 1, 2019, to allow the subject rates to become effective to avoid any compression of the resulting rates.

DISCUSSIONS AND FINDINGS

Having reviewed the record in this matter, including the Initial Decision and the Stipulation, the Board <u>HEREBY FINDS</u> 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 <u>FURTHER FINDS</u> the Initial Decision, which adopts the Stipulation, to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board <u>HEREBY ADOPTS</u> the Initial Decision and the Stipulation, attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein, subject to the following:

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

The Board <u>HEREBY DIRECTS</u> the Company to file tariff pages conforming to the terms and conditions of the Initial Decision, which adopts the Stipulation, and this Order within 10 days from the effective date of this Order.

The effective date of this Order is March 29, 2019 with rates to become effective on April 1, 2019.

DATED: 3/29/19

BOARD OF PUBLIC UTILITIES BY:

JOSÉPH L. FIORDALISO

PRESIDENT

MARY-ANNA HOLDEN COMMISSIONER DIANNE SOLOMON COMMISSIONER

UPENDRA J. CHIVUKULA

COMMISSIONER

ROBERT M. GORDON COMMISSIONER

ATTEST:

AIDA CAMACHO-WELCH

SECRETARY

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

IN THE MATTER OF THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC. FOR AUTHORIZATION TO CHANGE THE LEVEL OF ITS PURCHASED WATER ADJUSTMENT CLAUSE AND PURCHASED WASTEWATER (SEWERAGE) TREATMENT ADJUSTMENT CLAUSE

BPU DOCKET NO. WR18111241 OAL DOCKET NO. PUC 16622-2018S

SERVICE LIST

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Agenda Date: 03/29/19

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One Water Street
Camden, NJ 08102

P 856.955.4879

March 15, 2019

Via Facsimile and Regular Mail

Hon. Jacob S. Gertsman, ALJ Office of Administrative Law P.O. Box 049 Trenton, New Jersey 08625-0049

Re:

I/M/O the Petition of New Jersey American Water Company, Inc. to Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater Treatment Adjustment Clause OAL DOCKET NO. PUC 16622-2018S

Dear Judge Gertsman:

Attached to this letter is a signed stipulation, representing the parties' settlement of the above-captioned matter. Staff of the Board of Public Utilities (the "BPU") has represented that the settlement is on the BPU's agenda for the March 29, 2019 Board Meeting, on an expedited basis. An original stipulation with wet signatures will follow via first class, regular mail.

It is our understanding that Middlesex Water Company will be submitting a letter indicating they have no objection to this matter proceeding by way of the attached settlement.

Thank you for your attention to and handling of this matter. Please do not hesitate to contact me should you have any questions.

Respectfully submitted,

Christine Soares

CS:dlc Enc.

c: Service list (via email, w/enc.)

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I/M/O the Petition of New Jersey American Water Company, Inc. to Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater Treatment Adjustment Clause BPU Docket No. WR18111241 OAL Docket No. PUC 16622-18

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I/M/O the Petition of New Jersey American Water Company, Inc. to Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater Treatment Adjustment Clause BPU Docket No. WR18111241 OAL Docket No. PUC 16622-18

Service List

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Bruce O'Connor Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830

TRANSMISSION OK

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March 15, 2019

FAX

TO: Hon. Jacob Gertaman, ALJ	FROM: Christine Soares
COMPANY: Office of Admin. Law	PHONE: (856) 955-4879
FAX: (609) 689-4100	FAX:
PAGES (Including gover): 13	•
SUBJECT:	
Market Control of the	

STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF
NEW JERSEY-AMERICAN WATER
COMPANY, INC. FOR AUTHORIZATION
TO CHANGE THE LEVEL OF ITS
PURCHASED WATER ADJUSTMENT
CLAUSE AND PURCHASED
WASTEWATER TREATMENT

BPU Docket No. WR18111241 OAL Docket No. 16622-2018S

STIPULATION OF SETTLEMENT

APPEARANCES:

ADJUSTMENT CLAUSE

Christine Soares, Esq., on behalf of New Jersey-American Water Company, Inc., Petitioner;

Andrew Kuntz, Peter Van Brunt, and Emma Xiao, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey);

Susan McClure, Assistant Deputy Rate Counsel, on behalf of the Division of the Rate Counsel; and

Jay Kooper, Esq., on behalf of Middlesex Water Company.

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

On November 15, 2018, New Jersey-American Water Company, Inc. ("New Jersey-American Water" or "Company"), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 et seq. and other relevant statutes and regulations, for approval to change the levels of its existing purchased water adjustment clause ("PWAC") charge and purchased wastewater (sewerage) treatment adjustment clause ("PSTAC") charges, with respect to increased purchased water expenses and increased purchased wastewater treatment expenses. On January 25, 2019, the Company filed an amended petition ("Amended Petition"). The total amount requested in the Amended Petition was an increase of annual revenues by \$1,946,639 or 0.29% above total

Company revenues of approximately \$676,800,000. As a result of settlement discussions, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Staff of the Board ("Board Staff") (collectively, "Signatory Parties") have agreed to the amount requested in the Amended Petition.

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

New Jersey-American Water serves approximately 631,000 general-metered water customers and approximately 41,000 sewer customers.

On April 2, 2007, the Board ordered that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the PWAC and PSTAC as applicable. In the Matter of the Joint Petition of New Jersey American Water Company, Inc., Elizabethtown Water Company, and the Mount Holly Water Company for Approval of Increased Tariff Rates and Charges for Water and Sewer Services and other Tariff Revisions, BPU Docket No. WR06030257 (April 2, 2007). The Board last adjusted the Company's base rates

effective October 29, 2018. In the Matter of New Jersey American Water Company for Approval of Increased Tariff Rates and Charges for Water and Sewer Service, Change in Depreciation Rates and Other Tariff Modifications, Order Adopting Initial Decision/Stipulation, BPU Docket No. WR17090985 (October 29, 2018). The Company's base rates do not include PWAC or PSTAC pass-through charges to customers.

In the Amended Petition, New Jersey-American Water proposed to increase its PWAC rate upon PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water to \$0.5145 per thousand gallons of water for Non-Exempt customers. The Company proposed to increase its PWAC rate from \$0.4154 per thousand gallons of water to \$0.4453 per thousand gallons for Exempt customers. It also proposed to address its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings), as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.7362 per thousand gallons to \$4.6587 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings), as reflected upon PSTAC Rate Schedule 1-B, would change from \$25.6889 per thousand gallons to \$23.8574 per thousand gallons.

For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water, as reflected upon PSTAC Rate Schedule 3-B, would change from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.

The Board transmitted this matter to the Office of Administrative Law ("OAL") for hearing as a contested case on November 16, 2018. A telephonic prehearing conference was held on December 12, 2018, with the Honorable Jacob S. Gertsman, Administrative Law Judge. On

November 26, 2018, Middlesex Water Company ("Middlesex") filed a motion to intervene, which was not opposed by any party. Middlesex has been included on the service list, received all discovery, and participated in all conferences and meetings. A public hearing was held on February 28, 2019 in Howell Township at 5:30 p.m. with no public attendees. No written comments were received.

Rate Counsel and Board Staff served interrogatories on New Jersey-American Water, which were responded to in full by the Company. During the proceeding, the Company received updated information from the various water and wastewater service purveyors whose costs comprise the Company's requested relief. This information was provided to all parties on a timely basis. The Company, Board Staff, Rate Counsel and Middlesex participated in a discovery/settlement conference on March 1, 2019. As a result of the Company's Amended Petition, discovery responses and negotiations, the Signatory Parties have reached an agreement, the provisions of which are set forth below.

SETTLEMENT AGREEMENT

- 1. The Signatory Parties recommend that the Board approve a change to the Company's PWAC rate on PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water for Non-Exempt customers to \$0.5145 per thousand gallons of water for Non-Exempt customers and from \$0.4154 per thousand gallons of water for Exempt customers to \$0.4453 per thousand gallons of water for Exempt customers.
- 2. The Signatory Parties further recommend that the Board permit the Company to change its effective PSTAC charges as follows:
 - For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B from \$4.7362 per thousand gallons to \$4.6587 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, from \$25.6889 per thousand gallons to \$23.8574 per thousand gallons.
- For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.
- 3. The effective PWAC rate change would result in an increase in the annual bill of an average residential customer utilizing 6,000 gallons per month as follows:

• •	Present Per Month	Proposed Per Month	Amount Increase	Percentage Increase
Statewide - GMS	\$56.34	\$56.54	\$0.20	0.35%
Statewide - SFR	\$56.04	\$56.24	\$0.20	0.36%
SA1-B, SA1-C	\$51.54	\$51.74	\$0.20	0.39%
SA-1E	\$47.57	\$50.66	\$3.09	6.50%

- 4. The PSTAC rate changes will result in: a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, of \$0.47 per month or 0.73%; a decrease to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water annually, of \$3.06 per month or 4.46%; and a decrease to an average sewer service customer in the Adelphia section of Howell Township, Monmouth County utilizing 48,000 gallons of water annually, of \$0.43 per month or 0.79%.
 - 5. These PWAC and PSTAC rates are calculated with an effective date of April 1, 2019.
 - 6. NJAWC plans to file its next PWAC/PSTAC petition on or before November 15, 2019.
- 7. Within this Stipulation, the Signatory Parties have agreed on a methodology for calculating the amount of interest to be applied to over-recoveries within the PWAC. This method is described as follows: Total PWAC True-up Balance (Over)/Under-recovered of the current month (which is the adjusted total purchased water expense minus total PWAC revenues net of

cost recoveries for the current month), plus the total PWAC Cumulative True-Up Balance (Over)/Under-recovery) of the prior month, minus the amortization of the PWAC True-Up from the previous PWAC year of the current month. The Signatory Parties agree to review this methodology and adjust it as necessary and appropriate in future PWAC proceedings.

- 8. The PWAC/PSTAC rates established herein will increase annual revenues by \$1,946,639 or 0.29%.
- 9. In accordance with the provisions of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon Board Staff and Rate Counsel.
- 10. This Stipulation shall be binding on the Signatory Parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the Signatory Parties in this matter only and shall not be considered precedential in any other proceeding involving the Signatory Parties hereto.
- 11. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the Signatory Parties hereto is entitled to certain procedures in the event of such occurrence.
- 12. If any modification is made to the terms of this Stipulation, the Signatory Parties must be given the right to be placed in the position in which each Signatory Party was before this Stipulation was executed. It is essential that each Signatory Party be given the option to modify

its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached.

- 13. The Signatory Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.
- 14. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.
- 15. The Signatory Parties understand that Middlesex will file a letter with the OAL indicating that it does not object to the terms of the Stipulation.

[SPACE INTENTIONALLY LEFT BLANK]

STEFANIE A. BRAND, DIRECTOR DIVISION OF RATE COUNSEL

By:
Susan McClure Assistant Deputy Rate Counsel
Dated:
NEW JERSEY-AMERICAN WATER COMPANY, INC.
By: Christine Soares Christine Soares Corporate Counsel
Dated: 3/14/19
GURBIR S. GREWAL ATTORNEY GENERAL OF NEW JERSEY Attorney for the Staff of the Board of Public Utilitie
By: Andrew Kuntz Deputy Attorney General
Dated:

STEFANIE A. BRAND, DIRECTOR DIVISION OF RATE COUNSEL

Ву: _	Susan McClure
•	Assistant Deputy Rate Counsel
Dated	l :
NEW	JERSEY-AMERICAN WATER
COM	PANY, INC.

By: Christine Soares

Christine Soares

Corporate Counsel

Dated: 3/14

GURBIR S. GREWAL ATTORNEY GENERAL OF NEW JERSEY Attorney for the Staff of the Board of Public Utilities

By: Andrew Kuntz

Deputy Attorney General

Dated: 3/15/19

STEFANIE A. BRAND, DIRECTOR DIVISION OF RATE COUNSEL

By:

Susan McClure

Assistant Deputy Rate Counsel

Dated:

3/15/19

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: Christine Soares

Christine Soares
Corporate Counsel

Dated:

3/14/19

GURBIR S. GREWAL

ATTORNEY GENERAL OF NEW JERSEY

Attorney for the Staff of the Board of Public Utilities

By:

Andrew Kuntz

Deputy Attorney General

Dated:

5/15/19



Via Facsimile and E-Mail March 15, 2019

Honorable Jacob S. Gertsman, ALJ New Jersey Office of Administrative Law P.O. Box 049 Trenton, NJ 08625-0049

RE: IN THE MATTER OF THE PETITION OF NEW JERSEY AMERICAN WATER COMPANY, INC. FOR APPROVAL TO CHANGE THE LEVELS OF ITS PURCHASED WATER ADJUSTMENT CLAUSE AND PURCHASED WASTEWATER (SEWERAGE) TREATMENT ADJUSTMENT CLAUSE

BPU Docket No.: WR18111241
OAL Docket No.: PUC 16622-2018S

Dear Judge Gertsman:

Middlesex Water Company ("Middlesex"), an Intervenor in the above-referenced matter, has reviewed the proposed Stipulation of Settlement ("Stipulation") that has been executed by the signatory parties and forwarded to Your Honor. Please be advised that Middlesex does not object to the Stipulation.

Respectfully submitted,

Jay L. Kooper

Vice President, General Counsel & Secretary

JLK:sm

cc: Service List (via e-mail only)

Updated: 03/15/19

In the Matter of the Petition of New Jersey American Water Company to Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater (Sewerage) Treatment Adjustment Clause BPU Docket No. WR18111241 OAL Docket No. PUC 16622-2018S ~ Service List ~

MIDDLESEX WATER COMPANY

Jay L. Kooper	A. Bruce O'Connor
Middlesex Water Company	Middlesex Water Company
485C Route 1 South	485C Route 1 South
Suite 400	Suite 400
Iselin, NJ 08830	Iselin, NJ 08830
jkooper@middlesexwater.com	aboconnor@middlesexwater.com

BOARD OF PUBLIC UTILITIES

Peter Van Brunt Division of Law Board of Public Utilities 124 Halsey Street, 5 th Floor	Emma Xiao, DAG Division of Law Board of Public Utilities 124 Halsey Street, 5 th Floor	Andrew Kuntz Division of Law Board of Public Utilities 124 Halsey Street, 5th Floor
Newark, NJ 07102 Peter.VanBrunt@law.njoag.gov	Newark, NJ 07102 Emma.Xiao@law.njoag.gov	Newark, NJ 07102 Andrew.Kuntz@law.njoag.gov
Michael Kammer Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 Mike.kammer@bpu.nj.gov	Benjamin Witherell Board of Public Utilities 44 South Clinton Avenue, 9 th Floor Trenton, NJ 08625 benjamin.witherell@bpu.nj.gov	Suzanne Patnaude Board of Public Utilities Division of Water 44 South Clinton Avenue, 9th Floor Trenton, NJ 08625 Suzanne patnaude@bpu.nj.gov
Christine Lin Board of Public Utilities 44 South Clinton Avenue, 9th Floor Trenton, NJ 08625 Christine.Lin@bpu.nj.gov	Kyle Felton Board of Public Utilities 44 South Clinton Avenue, 9 th Floor Trenton, NJ 08625 Kyle Felton@bpu.nj.gov	Megan Lupo Board of Public Utilities 44 South Clinton Avenue, 9th Floor Trenton, NJ 08625 megan.lupo@bpu.nj.gov

DIVISION OF RATE COUNSEL

David Peterson Chesapeake Regulatory Consultants, Inc. 10351 Southern Maryland Boulevard Suite 202 Dunkirk, MD 20754-9500 davep@chesapeake.net	Susan McClure, Esq. Assistant Deputy Rate Counsel Division of Rate Counsel 140 East Front Street - 4th Floor Trenton, NJ 08625 smcclure@rpa.nj.gov	Debra F. Robinson, Esq. Managing Attorney Division of Rate Counsel 140 East Front Street – 4 th Floor Trenton, NJ 08625 drobinsoc@rpa.nj.gov
Brian Lipman Litigation Manager Division of Rate Counsel 140 East Front Streets, 4 th Floor P.O. Box 003 Trenton, NJ 08625 blipman@rpa.nj.gov	Kathryn A. Hart Legal Assistant Division of Rate Counsel 140 East Front Streets, 4th Floor P.O. Box 003 Trenton, NJ 08625 blipman@rpa.nj.gov	

Updated: 03/15/19

In the Matter of the Petition of New Jersey American Water Company to Change the Levels of its Purchased Water Adjustment Clause and Purchased Wastewater (Sewerage) Treatment Adjustment Clause BPU Docket No. WR18111241 OAL Docket No. PUC 16622-2018S ~ Service List ~

NEW JERSEY AMERICAN WATER COMPANY

Robert Schaefer
New Jersey American Water Company
I Water Street
Camden, NJ 08102
Bob Schaefer@amwater.com
Christine Soares
New Jersey American Water Company
I Water Street
Camden, NJ 08102
Christine Soares@amwater.com

Camacho, Aida

From:

Lupo, Megan

Sent:

Tuesday, March 19, 2019 3:55 PM

To:

Camacho, Aida

Subject:

FW: NJAW Request for Expedited Order - BPU Docket WR18111241 - NJAW

PWAC/PSTAC

Attachments:

New Jersey American Water Co Inc PWAC-PSTAC Board Order BPU DKt No

WR18111241 ML edits (2).docx

Sorry I just added the date.

From: Lupo, Megan

Sent: Friday, March 15, 2019 2:07 PM

To: Camacho, Aida

Cc: Patricia Krogman (Patricia.Krogman@law.njoag.gov); Kammer, Mike

Subject: RE: NJAW Request for Expedited Order - BPU Docket WR18111241 - NJAW PWAC/PSTAC

We just received Middlesex's non-objection letter, so I added the date to the Order.

From: Lupo, Megan

Sent: Friday, March 15, 2019 12:41 PM

To: Camacho, Aida

Cc: Patricia Krogman (Patricia.Krogman@law.njoaq.gov); Kammer, Mike

Subject: RE: NJAW Request for Expedited Order - BPU Docket WR18111241 - NJAW PWAC/PSTAC

Aida – Attached are Tricia's edits to this Order. I also fixed the service list. Tricia has signed off.

Thanks,

Megan Lupo (609) 292-2422

From: Camacho, Aida

Sent: Friday, March 15, 2019 8:59 AM

To: Kammer, Mike: Lupo, Megan

Subject: FW: NJAW Request for Expedited Order - BPU Docket WR18111241 - NJAW PWAC/PSTAC

From: Donna L Carney [mailto:Donna.Carney@amwater.com]

Sent: Thursday, March 14, 2019 11:18 AM

To: Secretary, Board

Cc: Andrew Kuntz; Witherell, Benjamin; Robert R Schaefer; Lipman, Brian; Bruce O'Connor; Lin, Christine; Christine Soares; David Peterson (davep@chesapeake.net); Donna L Carney; Robinson, Debra; Emma Xiao; Felton, Kyle; Jamie D Hawn: Jay L. Kooper (jkooper@middlesexwater.com); John S Tomac; Hart, Kathryn; Lupo, Megan; Kammer, Mike; Peter Van Brunt (Peter. Van Brunt@law.njoaq.gov); Brand, Stefanie; McClure, Susan

Subject: [EXTERNAL] NJAW Request for Expedited Order - BPU Docket WR18111241 - NJAW PWAC/PSTAC

Dear Secretary Camacho,

Attached is the referenced request on behalf of New Jersey American Water.

Respectfully submitted,

Donna Carney Paralegal, Eastern Division American Water 7-212-8301

P 848.222.8301 F 973.564.5708 New Jersey American Water 149 Yellowbrook Road, Suite 109 Farmingdale, NJ 07727

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INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 16622-18 AGENCY DKT. NO. WR18111241

IN THE MATTER OF THE PETITION OF
NEW JERSEY AMERICAN WATER COMPANY, INC.,
FOR APPROVAL TO CHANGE THE LEVELS
OF ITS PURCHASED WATER ADJUSTMENT
CLAUSE AND PURCHASED WASTEWATER
TREATMENT ADJUSTMENT CLAUSE.

Christine Soares, Esq., for petitioner, New Jersey American Water Company, Inc.

Alex Moreau and Andrew Kuntz, Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Debra F. Robinson and Susan E. McClure, Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Jay L. Kooper, Vice President, General Counsel and Secretary, for intervenor Middlesex Water Company

Record Closed: March 18, 2019 Decided: March 19, 2019

2/14

OAL DKT, NO. PUC 16622-18

BEFORE JACOB S. GERTSMAN, ALJ t/a:

This proceeding involves a petition by New Jersey American Water (Company), pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 et seq., seeking approval to change the levels of its existing Purchase Water Adjustment Clause (PWAC) and Purchased Wastewater (Sewerage) Treatment Adjustment Clause (PSTAC) charges.

The petition was transmitted to the Office of Administrative Law (OAL) on November 21, 2018, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on December 12, 2018. A duly-noticed public hearing was held in Howell, New Jersey, on February 28, 2019. No members of the public appeared at the hearing to provide comments and no written comments were received.

A motion to intervene was filed by Middlesex Water Company (Middlesex) on November 28, 2018. Middlesex was granted intervention by order dated March 19, 2019.

The parties filed on March 15, 2019, a Stipulation of Settlement (J-1) which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by petitioner, Staff of the Board of Public Utilities and Division of Rate Counsel. It indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I FIND:

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

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

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OAL DKT. NO. PUC 16622-18

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 19, 2019	Jally
DATE	JACOB S. GERTSMAN, ALJ t/a
Date Received at Agency:	3-20.19
Date Mailed to Parties:	
JSG/nd ·	

4/14

OAL DKT. NO. PUC 16622-18

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

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

IN THE MATTER OF THE PETITION OF NEW JERSEY-AMERICAN WATER COMPANY, INC. FOR AUTHORIZATION TO CHANGE THE LEVEL OF ITS PURCHASED WATER ADJUSTMENT CLAUSE AND PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE

BPU Docket No. WR18111241 OAL Docket No. 16622-2018S

STIPULATION OF SETTLEMENT

APPEARANCES:

Christine Soares, Esq., on behalf of New Jersey-American Water Company, Inc., Petitioner;

Andrew Kuntz, Peter Van Brunt, and Emma Xiao, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey);

Susan McClure, Assistant Deputy Rate Counsel, on behalf of the Division of the Rate Counsel: and

Jay Kooper, Esq., on behalf of Middlesex Water Company. TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

On November 15, 2018, New Jersey-American Water Company, Inc. ("New Jersey-American Water" or "Company"), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 et seq. and other relevant statutes and regulations, for approval to change the levels of its existing purchased water adjustment clause ("PWAC") charge and purchased wastewater (sewerage) treatment adjustment clause ("PSTAC") charges, with respect to increased purchased water expenses and increased purchased wastewater treatment expenses. On January 25, 2019, the Company filed an amended polition ("Amended Petition"). The total amount requested in the Amended Petition was an increase of annual revenues by \$1,946,639 or 0.29% above total

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> Company revenues of approximately \$676,800,000. As a result of settlement discussions, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Staff of the Board ("Board Staff") (collectively, "Signatory Parties") have agreed to the amount requested in the Amended Petition,

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

New Jersey-American Water serves approximately 631,000 general-metered water customers and approximately 41,000 sewer customers.

On April 2, 2007, the Board ordered that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the PWAC and PSTAC as applicable. In the Matter of the Joint Petition of New Jersey American Water Company, Inc., Elizabethiown Water Company, and the Mount Holly Water Company for Approval of Increased Tariff Rales and Charges for Water and Sewer Services and other Tariff Revisions, BPU Docket No. WR06030257 (April 2, 2007). The Board last adjusted the Company's base rates

elTective October 29, 2018. In the Matter of New Jersey American Water Company for Approval of Increased Tariff Rates and Charges for Water and Sewer Service, Change in Depreciation Rates and Other Tariff Modifications, Order Adopting Initial Decision/Stipulation, BPU Docket No. WR17090985 (October 29, 2018). The Company's base rates do not include PWAC or PSTAC pass-through charges to customers.

In the Amended Petition, New Jersey-American Water proposed to increase its PWAC rate upon PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water to \$0.5145 per thousand gallons of water for Non-Exempt customers. The Company proposed to increase its PWAC rate from \$0.4154 per thousand gallons of water to \$0.4453 per thousand gallons for Exempt customers. It also proposed to address its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings), as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.7362 per thousand gallons to \$4.6587 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings), as reflected upon PSTAC Rate Schedule 1-B, would change from \$25.6889 per thousand gallons to \$23.8574 per thousand gallons.

For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water, as reflected upon PSTAC Rate Schedule 3-B, would change from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.

The Board transmitted this matter to the Office of Administrative Law ("OAL") for hearing as a contested case on November 16, 2018. A telephonic prehearing conference was held on December 12, 2018, with the Honorable Jacob S. Gertsman, Administrative Law Judge. On November 26, 2018, Middlesex Water Company ("Middlesex") filed a motion to intervene, which was not opposed by any party. Middlesex has been included on the service list, received all discovery, and participated in all conferences and meetings. A public hearing was held on February 28, 2019 in Howell Township at 5:30 p.m. with no public attendees. No written comments were received.

Rate Counsel and Board Staff served interrogatories on New Jersey-American Water, which were responded to in full by the Company. During the proceeding, the Company received updated information from the various water and wastewater service purveyors whose costs comprise the Company's requested relief. This information was provided to all parties on a timely basis. The Company, Board Staff, Rate Counsel and Middlesex participated in a discovery/settlement conference on March 1, 2019. As a result of the Company's Amended Petition, discovery responses and negotiations, the Signatory Parties have reached an agreement, the provisions of which are set forth below.

SETTLEMENT AGREEMENT

- The Signatory Parties recommend that the Board approve a change to the Company's PWAC rate on PWAC Rate Schedule O-1 from \$0.4817 per thousand gallons of water for Non-Exempt customers to \$0.5145 per thousand gallons of water for Non-Exempt customers and from \$0.4154 per thousand gallons of water for Exempt customers to \$0.4453 per thousand gallons of water for Exempt customers.
- 2. The Signatory Parties further recommend that the Board permit the Company to change its effective PSTAC charges as follows:
 - For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B from \$4.7362 per thousand gallons to \$4.6587 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 Soptember motor readings) as reflected upon PSTAC Rate Schedule 1-B, from \$25.6889 por thousand gallons to \$23.8574 per thousand gallons.
- For customers in the Adelphia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, from \$6.9369 per thousand gallons to \$6.8309 per thousand gallons.
- 3. The effective PWAC rate change would result in an increase in the annual bill of an average residential customer utilizing 6,000 gallons per month as follows:

,	Present Per Month	Proposed Per Month	Amount Increase	Percentage Increase
Statewide - GMS	\$56.34	\$56.54	\$0,20	0.35%
Statewide - SFR	\$56.04	\$56,24	\$0.20	0.36%
SA1-B, SA1-C	\$51.54	\$51.74	\$0.20	0.39%
SA-IE	\$47.57	\$50.66	\$3.09	6.50%

- 4. The PSTAC rate changes will result in: a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, of \$0.47 per month or 0.73%; a decrease to an average sower service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water annually, of \$3.06 per month or 4.46%; and a decrease to an average sewer service customer in the Adelphia section of Howell Township, Monmouth County utilizing 48,000 gallons of water annually, of \$0.43 per month or 0.79%.
 - 5. These PWAC and PSTAC rates are calculated with an effective date of April 1, 2019.
 - NJAWC plans to file its next PWAC/PSTAC petition on or before November 15, 2019.
- 7. Within this Stipulation, the Signatory Parties have agreed on a methodology for calculating the amount of interest to be applied to over-recoveries within the PWAC. This method is described as follows: Total PWAC True-up Balance (Over)/Under-recovered of the current month (which is the adjusted total purchased water expense minus total PWAC revenues net of

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cost recoveries for the current month), plus the total PWAC Cumulative True-Up Balance (Over)/Under-recovery) of the prior month, minus the amortization of the PWAC True-Up from the previous PWAC year of the current month. The Signatory Parties agree to review this methodology and adjust it as necessary and appropriate in future PWAC proceedings.

- 8. The PWAC/PSTAC rates established herein will increase annual revenues by \$1,946,639 or 0.29%.
- 9. In accordance with the provisions of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon Board Staff and Rate Counsel.
- 10. This Stipulation shall be binding on the Signatory Parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the Signatory Parties in this matter only and shall not be considered precedential in any other proceeding involving the Signatory Parties hereto.
- 11. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the Signatory Parties hereto is entitled to certain procedures in the event of such occurrence.
- 12. If any modification is made to the terms of this Stipulation, the Signatory Parties must be given the right to be placed in the position in which each Signatory Party was before this Stipulation was executed. It is essential that each Signatory Party be given the option to modify

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its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached.

- 13. The Signatory Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.
- 14. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.
- 15. The Signatory Parties understand that Middlesex will file a letter with the OAL indicating that it does not object to the terms of the Stipulation.

[SPACE INTENTIONALLY LEFT BLANK]

STEFANIE A. BRAND, DIRECTOR DIVISION OF RATE COUNSEL

Ву:	Susan McClure
Dated:	Assistant Deputy Rate Counsel

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Christine Soares Corporate Counsel

Dated:

GURBIR S. GREWAL ATTORNEY GENERAL OF NEW JERSEY Attorney for the Staff of the Board of Public Utilities

By: Andrew Kuntz Deputy Attorney General

Dated:

STEFANIE A. BRAND, DIRECTOR DIVISION OF RATE COUNSEL

By: _

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Susan McCluro Assistant Deputy Rate Counsel

Dated:

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Christine Soares

Corporate Counsel

Dated:

GURBIR S. GREWAL

ATTORNEY GENERAL OF NEW JERSEY

Attorney for the Staff of the Board of Public Utilities

Andrew Kymiz

Deputy Attorney General

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

Susan McClure

Assistant Deputy Rate Counsel

NEW JERSEY-AMERICAN WATER COMPANY, INC.

Corporate Counsel

Dated:

OURBIR S. GREWAL

ATTORNEY GENERAL OF NEW JERSEY

Attorney for the Stuff of the Board of Public Utilities

Andrew Kuntz

Deputy Attorney General

Dated: 5/15/19.