

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 (SEWERAGE) TREATMENT ADJUSTMENT CLAUSE

B.P.U. Docket No. WR1311_____

O.A.L. Docket No. PUC_____

Direct Testimony of

Dante M. DeStefano

Exhibit PT-1

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 **1. Q. Please state your name and business address.**

2 A. My name is Dante M. DeStefano, and my business address is 1025 Laurel Oak Road,
3 Voorhees, New Jersey 08043.

4 **2. Q. By whom are you employed and in what capacity?**

5 A. I am employed by American Water Service Company (hereinafter referred to as the
6 “Company”) as a Financial Analyst III.

7 **3. Q. What are your responsibilities in this position and what entities do you address in this
8 testimony?**

9 A. My duties consist of preparing and assisting in regulatory filings and related activities for the
10 Northeast Division of American Water (the “Division”), including New Jersey American Water
11 (“NJAWC”). My responsibilities include the preparation of work papers, exhibits, and prefiled
12 testimony in support of rate applications and other regulatory filings for the Division.

13 **4. Q. Please describe your educational background.**

14 A. I am a 2006 graduate of Rutgers University-Camden with a Bachelor of Science Degree,
15 completing a dual-major in Accounting and Management with a minor in Marketing. I am a
16 licensed Certified Public Accountant in the State of New Jersey, obtaining certification in
17 February 2007.

18 **5. Q. What has been your business experience?**

19 A. From December 2005 to June 2007 I was employed by Bowman & Company LLP as a Staff
20 Accountant. From July 2007 to February 2008 I held the position of Senior Accountant. At
21 Bowman & Company, I participated in, and later supervised, audits of various municipalities,
22 authorities, non-profits, and school districts. I began my employment with American Water
23 Service Company’s Shared Services Center in February 2008 as a Senior Accountant in the
24 General Accounting department. With the Shared Services Center, my duties included account
25 reconciliations, adjusting journal entries, participating in the month-end close process, and

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 completing quarterly and annual financial statements and disclosures for various subsidiaries. I
2 entered into the Financial Analyst II position with New Jersey American Water in September
3 2010. In January 2013, I obtained my current role of Financial Analyst III for American Water
4 Service Company.

5 **6. Q. Have you previously testified before regulatory bodies?**

6 A. Yes. I have filed testimony and exhibits in support of the Company's Purchased Water
7 Adjustment Clause ("PWAC") and the Purchased Wastewater (Sewerage) Treatment
8 Adjustment Clause ("PSTAC") under BPU Docket Numbers WR11030131, WR12050390, and
9 WR12111019. I also participated in the NJAWC filing under BPU Docket Number
10 WR11070460. Under this docket I submitted testimony, workpapers, and exhibits for the
11 topics of Sewer Waste Disposal, Lobbying Expenses, Charitable Contributions, Contract
12 Services – Sewer, Property Sales, Property Taxes, and Management Audit Expense.

13 **7. Q. What is the purpose of your testimony in this proceeding?**

14 A. I will discuss the true-up that reconciles the actual costs of the Company's purchased water and
15 wastewater treatment for the PWAC/PSTAC years ending 3/31/13 and 3/31/14 with the actual
16 revenues from the PWAC and PSTAC charges that were in effect for the same period. I will
17 also support the historical water volumes purchased during the PWAC year ending 3/31/14 and
18 support the historical cost of purchased water subject to the PWAC, for the PWAC year ending
19 3/31/14, and will do the same with regard to purchased wastewater treatment. Furthermore, I
20 will discuss the pro forma charges for the upcoming PWAC/PSTAC year ending 3/31/15 and
21 how these charges were derived. Finally, I will discuss the efforts the Company has made to
22 control the costs incurred under its purchased water and wastewater treatment agreements.

23 **8. Q. Please explain the effect of the Board order, Docket No. WR06030257, on the manner in**
24 **which the Company would recover purchased water costs and wastewater ("sewerage")**
25 **treatment and disposal costs.**

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 A. In NJAWC's rate proceeding, BPU Docket No. WR06030257, the Board authorized the
2 Company for the first time to: (1) recover its purchased water costs and wastewater treatment
3 and disposal costs in their entirety through the PWAC and PSTAC Tariff schedules,
4 respectively; and (2) submit thereafter annual PWAC and PSTAC rate filings. Accordingly,
5 100% of its then Board-authorized levels for these costs were included for rate recovery under
6 its PWAC and PSTAC Rate Schedules, while simultaneously being eliminated from base rate
7 recovery through the Company's Base Rate Tariff.

8 **9. Q. As a result of the Board's order in BPU Docket No. WR06030257, how did the Company**
9 **treat the recovery of its purchased water costs and wastewater treatment and disposal**
10 **costs and the associated revenues in its most recent Base Rate Case proceeding, BPU**
11 **Docket No. WR11070460?**

12 A. As a result of the rate treatment established by the Board in BPU Docket No. WR06030257,
13 with respect to purchased water and wastewater treatment costs, the Company excluded from
14 its pro forma statements in its base rate case proceeding, BPU Docket. No. WR11070460, all
15 purchased water costs and purchased wastewater treatment and disposal costs, as well as the
16 revenues generated through the application of the associated PWAC and PSTAC Rate
17 Schedules. A copy of the BPU Order from this proceeding is attached to the Petition as
18 Schedule DMD-13. The Company filed its last PWAC/PSTAC petition on November 15,
19 2012, BPU Docket No. WR12111019. A copy of the BPU Order from this proceeding is also
20 attached to the Petition as Schedule DMD-14.

21 With the instant filing, the Company has filed with the Board its seventh consolidated
22 annual PWAC and PSTAC rate filing. This filing includes 100% of the Company's projected
23 purchased water and wastewater treatment and disposal costs and its projected PWAC and
24 PSTAC revenues for the PWAC/PSTAC Year ending 3/31/15. The filing also includes a true-

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 up between the actual costs and actual revenues experienced by the Company for the
2 PWAC/PSTAC Year ended 3/31/14 (*i.e.*, for the reconciliation period).

3
4 **PWAC**

5 **10. Q. With regard to the PWAC, what were the Company's actual costs of purchased water for**
6 **the previous PWAC year ending March 31, 2014?**

7 A. The Company's actual cost of purchased water totaled \$29,820,053 and is depicted on Schedule
8 DMD-1 (Ln. 46). The schedule depicts the actual vouchers received and paid during this
9 PWAC Year and other accounting activity including accruals that resulted in the total expense
10 incurred (Ln. 30). For this filing, that expense level (Ln. 30) was thereafter adjusted to
11 eliminate all accruals (Ln. 34). Line 46 therefore reflects the adjusted actual purchased water
12 expense for the PWAC Year. This amount is carried to the true-up Schedule DMD-2, line 21.

13 **11. Q. What was the total volume of water purchased by the Company during the PWAC Year**
14 **ended March 31, 2014, which is associated with the expense on Schedule DMD-1?**

15 A. The associated purchased water volumes are detailed on Schedule DMD-1a.

16 **12. Q. Do these volumes represent the normal level of purchased water going forward?**

17 A. Actual purchases will vary depending upon system demands. Please refer to the testimony of
18 Robert R. Schaefer for a discussion of the Company's pro forma purchased water volumes and
19 cost, for the PWAC Year ending 3/31/15.

20 **13. Q. Please explain the true-up that reconciles the difference between the actual PWAC costs**
21 **for the year ended 3/31/14 and the estimated costs and revenues that were authorized by**
22 **the Board in Docket No. WR12111019.**

23 A. Schedule DMD-2 reflects the reconciliation between the PWAC revenues billed and recovered
24 during the PWAC year ending 3/31/14, and the actual purchased water expense incurred during
25 the PWAC year ending 3/31/14. The schedule depicts a cumulative PWAC under-recovery of

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1 \$2,144,956 (Ln. 38). As shown, billed PWAC revenues for the PWAC year ending 3/31/14 are
2 estimated at \$33,045,458 (Ln. 4). Net of Gross Receipts and Franchise Tax (“GRFT”), PWAC
3 revenues were \$29,436,657 (Ln. 9); net of other cost recoveries authorized in the previous
4 PWAC filing (BPU Docket No. WR12111019) as detailed within Schedule DMD-2, total
5 PWAC revenues for the PWAC Year ended 3/31/14 were \$27,675,097 (Ln. 19), versus
6 purchased water expenses of \$29,820,053 (Ln. 21). As discussed previously, the purchased
7 water costs (Ln. 21) are detailed on Schedule DMD-1. Where estimates were used, the data
8 will be updated for actuals once this information is available.

9 **14. Q. Please explain the true-up shown on Schedule DMD-2a.**

10 A. Schedule DMD-2a reflects the reconciliation between the PWAC revenues billed and recovered
11 during the PWAC year ending 3/31/13, and the actual purchased water expense incurred during
12 the PWAC year ending 3/31/13. As the previous PWAC filing was effective 4/1/13, it was not
13 feasible to compile actual expenses and revenues for the true-up period ending 3/31/13.
14 Therefore, Schedule DMD-2a shows the final calculations for this true-up period, in order to
15 bring forward the cumulative under-recovery of \$1,528,380 utilized in Schedule DMD-2 (Ln.
16 38).

17 **15. Q. What are the Company’s pro forma purchased water charges for the upcoming PWAC**
18 **Year – that is, the twelve-months ending 3/31/15?**

19 A. The Company’s pro forma costs are depicted on Schedule RRS-1 and reflect total purchased
20 water costs of \$31,227,569. This schedule is discussed within the testimony of Robert R.
21 Schaefer.

22 **16. Q. Please explain Schedule DMD-3.**

23 A. Schedule DMD-3 depicts the calculation (“Regular Calc”) of the PWAC rate associated with
24 the new PWAC Year, 4/1/14-3/31/15. The total cost of \$33,635,014 (column 2, Ln. 10)
25 incorporates the pro forma purchased water costs from Schedule RRS-1, the true-up amount for

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1 PWAC Year 4/2013-3/2014 from Schedule DMD-2, and 50% of total estimate (see Schedule
2 DMD-12) of costs associated with the processing of this filing. The sum of these costs is
3 grossed-up to reflect additional incremental expenses associated with revenue assessments
4 (BPU and Rate Counsel) and uncollectibles. The combined amount (Ln. 10) is divided by
5 estimated total annual water sales subject to the PWAC (Ln. 12) to arrive at the new PWAC
6 rate (exempt) for the 4/1/14-3/31/15 PWAC Year (Ln. 14). The non-exempt PWAC rate (Ln.
7 16) reflects the exempt rate as calculated above, grossed-up for GRFT. The estimated water
8 sales volumes utilized in this calculation are based on the Company's average actual water sales
9 from 2011, 2012 and 2013, including necessary usage adjustments. Footnote 3 on Schedule
10 DMD-3 details those water sales volumes.

11 **17. Q. What is the basis for the usage adjustments made on Schedule DMD-3?**

12 A. The Company completed a merger with Applied Wastewater Management ("AWWM") under
13 Docket Number WM09110890 which increased the water customer base in Service Areas 1 and
14 2 ("SA1" and "SA2"), effective 9/1/10. As the AWWM usage on record begins at this effective
15 date, the Company needs to adjust the 3 year average of 2011-2013 to account for AWWM
16 activity. The utilized average annual usage of 21,097 thousand gallons is supported in Docket
17 Number WR11070460, SIR-14, Workpaper 5, page 9 of 15. All applicable PWAC usage
18 identified in 2010 through 2012 for AWWM was removed to avoid double-counting.

19 The Company completed an acquisition of Jensen's Deep Run Community
20 ("Jensen's") under Docket Number WE10070453 which increased the water customer base in
21 Service Area 3 ("SA3") effective 1/1/2011. However, completion of the installation of water
22 meters for these customers was not completed until October 2011. As the Jensen's usage on
23 record begins at this effective date, the Company needs to adjust the 3 year average of 2011-
24 2013 to account for Jensen's activity. The utilized average annual usage of 15,302 thousand
25 gallons is supported in Docket Number WR11070460, SIR-15, Workpaper 6, page 2 of 3. All

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 applicable PWAC usage identified in 2011 through 2013 for Jensen's was removed to avoid
2 double-counting.

3 **18. Q. Has the Company compressed the PWAC rates?**

4 A. No, there is no compression in the rates. The effective date for this filing is anticipated to be
5 4/1/14, the beginning of the pro-forma PWAC/PSTAC year. However, the actual effective date
6 may occur later. Should the actual effective date of the PWAC and PSTAC rates change (that
7 is, it will be a date other than 4/1/14), the Company will determine the compression calculation
8 accordingly. The updated PWAC Tariff pages are attached to my direct testimony as Schedule
9 DMD-A.

10 **19. Q. Are you proposing any exceptions to the statement above?**

11 A. No.

12 **20. Q. With regard to the proposed PWAC for the Company's water utility operations, do the**
13 **Company's purchased water costs exceed ten percent of its total operating and**
14 **maintenance expenses?**

15 A. Yes.

16 **PSTAC**

17 **21. Q. With regard to the PSTAC, what were the Company's actual costs of purchased**
18 **wastewater treatment for the previous PSTAC Year ended 3/31/14?**

19 A. The actual costs of purchased wastewater treatment totaled \$14,225,550 for the Company's
20 three sewer service Tariff areas. This cost is detailed on Schedules DMD-4 (Ln. 23), DMD-6
21 (Ln. 22) and DMD-8 (Ln. 19).

22 **22. Q. Please explain the true-up that reconciles the difference between the actual purchased**
23 **wastewater treatment costs for the year ended 3/31/14 and the actual PSTAC revenues for**
24 **the reconciliation period.**

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1 A. Separate schedules have been prepared for each of the three sewer service Tariff areas.
2 Schedules DMD-4, DMD-6 and DMD-8 are the Statements of Actual Purchased Wastewater
3 Treatment operating expense as-adjusted for the PSTAC Year ending 3/31/14 for the Lakewood
4 Sewer, Adelphia Sewer and Ocean City Sewer Tariff areas, respectively, while Schedules
5 DMD-5, DMD-7 and DMD-9 are the PSTAC true-up schedules for these respective Tariff
6 areas. The true-up schedules reflect the reconciliation between the PSTAC revenues billed and
7 recovered during the PSTAC year ending 3/31/14, and the estimated purchased wastewater
8 treatment costs incurred during the PSTAC year ending 3/31/14.

9 Schedule DMD-5, the true-up for Lakewood Sewer, reflects a net cumulative PSTAC
10 over-recovery of (\$464,244) (Ln. 38). As shown therein, total billed revenues for the PSTAC
11 year ending 3/31/14 were estimated at \$4,600,434 (Ln. 4). When adjusted for the recovery of
12 other costs provided for in the Lakewood Sewer PSTAC charge for the PSTAC year 4/1/13-
13 3/31/14, that is (i) Uncollectibles and BPU/Rate Counsel Expenses (Ln. 8); and (ii) the PSTAC
14 true-up over-recovery from the PSTAC year 4/1/12-3/31/13 (Ln. 12), the total PSTAC revenue
15 net of these cost recoveries is \$5,433,693 (Ln. 17), versus purchased wastewater treatment costs
16 of \$5,031,606 (Ln. 19). Also included in the net cumulative PSTAC over-recovery (Ln. 38) is
17 interest accumulated on true-up balances over-recovered of (\$62,157) (Ln. 35). The purchased
18 wastewater treatment costs (Ln. 19) are detailed on Schedule DMD-4, as previously indicated.

19 Schedule DMD-7, the true-up for Adelphia Sewer, reflects a net cumulative PSTAC
20 under-recovery of \$27,206 (Ln. 36). As shown therein, total billed PSTAC revenues for the
21 PSTAC year ending 3/31/14 were estimated at \$1,047,534 (Ln. 4). When adjusted for the
22 recovery of other costs provided for in the Adelphia Sewer PSTAC charge for the PSTAC year
23 4/1/13-3/31/14, that is (i) Uncollectibles and BPU/Rate Counsel Expenses (Ln. 8); the PSTAC
24 true-up under-recovery from the PSTAC year 4/1/12-3/31/13 (Ln. 12), the total PSTAC
25 revenue net of these cost recoveries is \$1,005,118 (Ln. 15), versus purchased wastewater

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1 treatment costs of \$1,032,824 (Ln. 17). The purchased wastewater treatment costs (Ln. 17) are
2 detailed on Schedule DMD-6, as previously indicated.

3 Schedule DMD-9, the true-up for Ocean City Sewer, reflects a net cumulative PSTAC
4 under-recovery of \$370,922 (Ln. 36). As shown therein, total billed PSTAC revenues for the
5 PSTAC year ending 3/31/14 were estimated at \$8,390,170 (Ln. 4). When adjusted for the
6 recovery of other costs provided for in the Ocean City Sewer PSTAC charge for the PSTAC
7 year 4/1/13-3/31/14, that is (i) Uncollectibles and BPU/Rate Counsel Expenses (Ln. 8); (ii) the
8 PSTAC true-up over-recovery from the PSTAC year 4/1/12-3/31/13 (Ln. 11), the total PSTAC
9 revenue net of these cost recoveries is \$7,790,198 (Ln. 15), versus purchased wastewater
10 treatment costs of \$8,161,120 (Ln. 17). The purchased wastewater treatment costs (Ln. 17) are
11 detailed on Schedule DMD-8, as previously indicated.

12 **23. Q. Please explain the true-ups shown on Schedules DMD-5a, DMD-7a, and DMD-9a.**

13 A. Schedules DMD-5a, DMD-7a, and DMD-9a reflect the reconciliation between the PSTAC
14 revenues billed and recovered during the PSTAC year ending 3/31/13, and the actual purchased
15 sewage treatment expense incurred during the PSTAC year ending 3/31/13. As the previous
16 PSTAC filing was effective 4/1/13, it was not feasible to compile actual expenses and revenues
17 for the true-up period ending 3/31/13. Therefore, the aforementioned three schedules show the
18 final calculations for this true-up period, in order to bring forward their respective cumulative
19 under/over-recoveries utilized in Schedules DMD-5, DMD-7, and DMD-9 respectively.

20 **24. Q. What are the Company's pro forma purchased wastewater treatment costs for the**
21 **upcoming PSTAC Year – that is, the twelve months ending 3/31/15?**

22 A. The Company's pro forma costs are depicted on Schedule DMD-10 and reflect total purchased
23 wastewater treatment costs of \$14,818,423 (Ln. 36).

24 **25. Q. Please explain how these pro forma charges were derived.**

NEW JERSEY-AMERICAN WATER COMPANY, INC.

1 A. As depicted thereon, the pro forma costs represent 9/12ths of the estimated annual charges for
2 calendar year 2014 as levied by the entities providing wastewater treatment and disposal
3 services to the Company, and 3/12ths of estimated calendar year 2015 charges. The Company
4 has estimated the 2015 increases at 5.82%, 2.22%, and 2.39% from Howell Township
5 (Adelphia Sewer service), the Ocean County Utilities Authority "OCUA" (Lakewood Sewer
6 service) and the Cape May County Municipal Utilities Authority "CMCMUA" (Ocean City
7 Sewer service), respectively. The Company's estimate for Adelphia Sewer Service are
8 consistent with the actual 2013 expenses increased by the percentage increase depicted in
9 Schedule DMD-10 in Docket Number WR12111019. The Company's estimate for Lakewood
10 Sewer service is consistent with actual 2013 expenses increased by the percentage increase
11 depicted in Schedule DMD-10 in Docket Number WR12050390 for the per million gallon rate,
12 while increasing billed usage from 1,300 million gallons to 1,350 million gallons. The
13 Company's Ocean City Sewer Service 2014 estimate is based on the projected 2014 increase of
14 2.21% per the 2013 User Charge Rate Setting Report. These 2014 estimates will be updated to
15 actuals when available. The CMCMUA's User Charge Rate Setting Report for Fiscal Year
16 2013 included an estimated Overall Users increase of 2.39% effective 1/1/15. The actual 2015
17 increase for CMCMUA will be provided in the CMCMUA's Fiscal Year 2015 Rate Setting
18 Report that will be issued in November 2014. In addition, a 2014 deficiency credit is
19 anticipated in the amount of (\$115,181) (Sch. DMD-10, Ln. 29). As it pertains to the OCUA
20 charge that is applicable to Lakewood Sewer service, the Company has assumed a 2.22%
21 increase effective 1/1/15. This estimated increase is derived from the average annual charge
22 increases for the years 2011 through 2013. In addition, a 2014 deficiency credit is anticipated
23 in the amount of (\$32,954) (Sch. DMD-10, Ln. 18).

24 For the Company's Adelphia Sewer service customers, the Company is reflecting a
25 5.82% increase effective 1/1/15 for wastewater treatment costs payable to Howell Township.

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1 This estimated increase reflects the average increase in total expenses for the calendar years
2 2011, 2012, and 2013. The annual charge from Howell Township is actually an aggregated
3 charge consisting primarily of the OCUA's charge for the actual wastewater treatment and
4 disposal service, the Manasquan River Regional Sewage Authority's charge for transmission
5 service, and an administrative charge levied by Howell Township.

6 **26. Q. Please discuss the calculation of the updated PSTAC rates as detailed on Schedule**
7 **DMD-11.**

8 A. Schedule 11, page 1, depicts the calculation of the PSTAC rates associated with the new
9 PSTAC year, 4/1/14-3/31/15. Individually, for each of the sewer service Tariff areas, the pro
10 forma purchased wastewater treatment from Schedule DMD-10 is combined with prior PSTAC
11 year true-up amounts from Schedules DMD-5, DMD-7 and DMD-9 respectively. The
12 combined cost is grossed-up to reflect additional incremental expenses associated with revenue
13 assessments (BPU and Rate Counsel) and uncollectibles. The grossed-up cost (Lns. 5, 12 and
14 19, respectively) is divided by the estimated total sewer service sales subject to the PSTAC
15 (Lns. 6, 13 and 20, respectively) to arrive at the new PSTAC rates for the 4/1/14-3/31/15
16 PSTAC year. The estimated sewer service sales volumes utilized in these calculations for
17 Adelphia are based on the Company's average sales for the calendar years 2011, 2012 and 2013
18 (see Schedule DMD-11, page 2, Note 2). The estimated sewer service sales volumes utilized in
19 these calculations for Ocean City are based on the Company's average summer consumption
20 over the months of July through September for the calendar years 2011, 2012 and 2013 (see
21 Schedule DMD-11, page 2, Note 3). The estimated sewer service sales volumes utilized in
22 these calculations for Lakewood are based on the Company's average winter quarter sales,
23 annualized, for the years 2011, 2012 and 2013 (see Schedule DMD-11, page 2, Note 1). The
24 Company has added to the aforementioned Lakewood average sales an estimated average
25 annual usage to account for Lakewood's minimum usage charge, as authorized in Docket

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1 Number WR10040260, effective 1/1/2011. The utilized average annual usage of 18,963
2 thousand gallons is supported in Docket Number WR11070460, SIR-14, Workpaper 5S, page 2
3 of 9.

4 **27. Q. Has the Company calculated the PSTAC rates for the three sewer districts on a**
5 **compressed basis?**

6 A. No, there is no compression in the rates. The effective date for this filing is anticipated to be
7 4/1/14, the beginning of the pro-forma PWAC/PSTAC year. However, the actual effective date
8 may occur later. Should the actual effective date of the PWAC and PSTAC rates change (that
9 is, it will be a date other than 4/1/14), the Company will determine the compression calculation
10 accordingly.

11 **28. Q. Has the Company worked to control the costs it incurs under its purchased wastewater**
12 **treatment agreements?**

13 A. Yes, the Company annually reviews the wastewater authorities' rate proposals. Each year, the
14 wastewater authorities adopt new rates for their upcoming fiscal year, which are effective on
15 January 1. Their rate proposals reflect their projected operating budgets, including operation
16 and maintenance expenses, debt service, funding data and interest income and flow data. From
17 that data they propose any necessary rate changes. The Company obtains and reviews the
18 authorities' operating budgets and analyzes the budgets relative to recent budgets and prior
19 actual operating results. Additionally, the Company's review encompasses the authorities'
20 annual reports and discussions with authority personnel. Based on its review, interrogatories
21 are prepared and submitted. Follow-up questions are submitted if necessary. The authorities
22 conduct a Public Hearing wherein a formal record of the budget and rate proposal takes place.
23 Based on its review, a statement is developed and provided by the Company for the record
24 during the public hearing. The formal adoption of the authorities' budget and rate proposals by
25 the Authorities Commissioners generally takes place at the hearing or shortly thereafter.

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1 **29. Q. With regard to the proposed PSTAC for the Company wastewater utility operations, do**
2 **the Company's purchased wastewater treatment costs exceed ten percent of the sewer**
3 **service Tariff area's operating and maintenance expenses?**

4 A. Yes.

5 **30. Q. Have you attached a copy of the proposed Tariff pages to implement the proposed**
6 **PSTAC charges?**

7 A. Yes, they are attached as Schedule DMD-B.

8 **31. Q. Based on your above testimony, what is the overall increase you are proposing in this**
9 **petition?**

10 A. The proposed rates in this petition will increase annual revenues by \$4,483,878 or 0.69%.

11 **32. Q. Does this conclude your testimony?**

12 A. Yes.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
B.P.U. No. 8 – Water

Eleventh Revised Sheet: No. 65
Superseding Tenth Revised Sheet: No. 65

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RATE SCHEDULE O-1
PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)

APPLICABILITY

Applicable to all Metered Water Customer classes served by the Company in all service areas for water service, except for Manasquan Uninterruptible Service. The PWAC charge, as defined under the Standard Terms and Conditions of this tariff, is designed to recover the cost of purchased water associated with the normal operations of the Company and allow the Company to achieve a zero or near-zero deferred balance each April 1st on its purchased water costs.

CHARACTER OF SERVICE

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

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGE

In addition to all other charges for metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased water costs not included in the Water Charge or any other Charge:

	Gallons Per Month	Gallons Per Quarter	Rate Per 100 Gallons	Rate Per 1,000 Gallons
Non-Exempt	All	All	\$0.04 <u>810</u>	\$0. <u>4810</u>
Exempt	All	All	\$0.04 <u>148</u>	\$0. <u>4148</u>
	Cubic Feet Per Month	Cubic Feet Per Quarter	Rate Per 10 Cubic Feet	Rate Per 100 Cubic Feet
Non -Exempt	All	All	\$0. <u>035979</u>	\$0. <u>35979</u>
Exempt	All	All	\$0. <u>31027</u>	\$0. <u>31027</u>

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

FILING

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

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

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

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

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

(Continued)

Deleted: April 1, 2013

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Deleted: David K. Baker

Deleted: WR12111019

Deleted: March 20, 2013

Issued: _____ Effective: _____

By: William M. Varley, President
1025 Laurel Oak Road, Voorhees, New Jersey 08043
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR13 dated _____.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
B.P.U. No. 8 – Wastewater

Tenth Revised Sheet: No. 81
Superseding Ninth Revised Sheet: No. 81

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RATE SCHEDULE 1-A
GENERAL METERED SERVICE

APPLICABILITY

Applicable for general residential, commercial, industrial and municipal wastewater service in the City of Ocean City. The charge for wastewater service shall consist of the total of the Minimum Service Charge, the Sewer Usage Charge and the Purchased Wastewater Treatment Adjustment Clause (PSTAC) Charge, as defined under the Standard Terms and Conditions in this tariff. The PSTAC charge is included within the Minimum Service Charge rates reflected below.

CHARACTER OF SERVICE

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

MINIMUM SERVICE CHARGE

All wastewater service customers shall pay a Minimum Service Charge in addition to the Sewer Usage Charge, if any, of ~~\$27.41146~~ times the number of CCF (hundred cubic feet) or ~~\$36.6463~~ times the number of thousand gallons of water usage at that property during the prior summer quarter, but in no case less than ~~\$274.11~~ for non-exempt customers. Exempt charges are ~~\$26.30143~~ per CCF or ~~\$35.1623~~ per thousand gallons, but in no case less than ~~\$263.01~~. Included within the Minimum Service Charges are ~~\$19.10585~~ per CCF or ~~\$25.5426~~ per thousand gallons for the PSTAC. On a percentage basis, the PSTAC represents ~~69.700%~~ (~~\$25.5426 / \$36.6463~~) non-exempt or ~~72.642%~~ (~~\$25.5426 / \$35.1623~~) exempt, of the Minimum Service Charge. Summer quarter consumption shall be determined based on an initial meter reading taken in June with the concluding meter reading taken approximately 90 days thereafter in September.

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SEWER USAGE CHARGE

The volume of sewer use is assumed to equal water meter registration. Charges shall be based on water consumption as indicated by water meter readings on a monthly or quarterly basis at the option of the Company.

	Gallons Per Month	Gallons Per Quarter	Rate Per 100 Gallons	Rate Per 1,000 Gallons
Non-Exempt	All	All	\$0.18698	\$1.8698
Exempt	All	All	\$0.16199	\$1.6199

	Cubic Feet Per Month	Cubic Feet Per Quarter	Rate Per 10 Cubic Feet	Rate Per 100 Cubic Feet
Non -Exempt	All	All	\$0.139861	\$1.39861
Exempt	All	All	\$0.121169	\$1.21169

TERMS OF PAYMENT

The following plan for payment of the Minimum Service Charge is offered as a convenience to our customers and does not relieve the customer of the liability to pay the entire Minimum Service Charge if wastewater service is rendered for only a portion of the year.

For monthly billed customers, one-twelfth of the Minimum Service Charge shall be due and payable upon receipt of the regular bill for wastewater service. For quarterly billed customers, one-third of the Minimum Service Charge shall be due and payable upon receipt of the March billing, the June billing and the September billing for wastewater service.

If the Company determines by application of the following criteria that the customer's past record of payments does not warrant application of this payment plan, the Company may require payment of the entire service charge at one time rather than in installments.

1. If a customer has been terminated at least once in the past two years for non-payment of a bill for wastewater service; or,
2. If a customer receives three (3) Final Reminder Notices during a twelve month period.

In addition, in the case of a reactivated account, the customer will be required to pay any installment(s) which would have been billed if the account had been active as of January 1. A new account will be required to pay a pro-rata share of the Minimum Service Charge based on the period of service to be rendered during that year.

Usage charges based upon meter readings shall be billed in monthly in arrears (or quarterly at the option of the Company).

Valid bills for service furnished under this schedule are due fifteen (15) days from the date of the postmark on the envelope in which the bill was transmitted. All bills shall list a due date.

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Issued: _____ Effective: _____

By: William M. Varley, President
1025 Laurel Oak Road, Voorhees, New Jersey 08043
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR13 dated _____.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
B.P.U. No. 8 – Wastewater

Ninth Revised Sheet: No. 82
Superseding Eighth Revised Sheet: No. 82

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RATE SCHEDULE 1-B
PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC)

APPLICABILITY

Applicable to all Wastewater Service customer classes including general residential, commercial, industrial and municipal wastewater service in the City of Ocean City. The PSTAC charge, as defined under the Standard Terms and Conditions in this tariff, is designed to recover the cost of purchased wastewater treatment and disposal costs associated with the normal operations of the Company, and allow the Company to achieve a zero or near-zero deferred balance each April 1st on its purchased wastewater treatment and disposal costs. The PSTAC charges detailed below are included on Rate Schedule 1-A within the Minimum Service Charges and are provided herein only for informational purposes. The customer will not be separately invoiced for the PSTAC charge.

CHARACTER OF SERVICE

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

PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC) CHARGE

The following are the PSTAC charges per one hundred gallons, per one thousand gallons, per 10 cubic feet, and per 100 cubic feet that are included within the Minimum Service Charge rates as set forth in Wastewater-Rate Schedule 1-A to recover purchased wastewater treatment and disposal costs.

Non Exempt and Exempt	<u>Gallons</u> <u>Per Month</u>	<u>Gallons</u> <u>Per Quarter</u>	<u>Rate</u> <u>Per 100 Gallons</u>	<u>Rate</u> <u>Per 1000 Gallons</u>
	All	All	<u>\$2.55426</u>	<u>\$25.5426</u>
Non Exempt and Exempt	<u>Cubic Feet</u> <u>Per Month</u>	<u>Cubic Feet</u> <u>Per Quarter</u>	<u>Rate</u> <u>Per 10 Cubic Feet</u>	<u>Rate</u> <u>Per 100 Cubic Feet</u>
	All	All	<u>\$1.910585</u>	<u>\$19.10585</u>

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FILING

The Company shall endeavor to make an annual PSTAC filing no later than December 1st of each year, proposing a PSTAC rate or percentage to be effective on or about the following April 1st.

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

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

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

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

TERMS OF PAYMENT

See Rate Schedule 1-A for applicable customer classes.

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Issued: _____ Effective: _____

By: William M. Varley, President
1025 Laurel Oak Road, Voorhees, New Jersey 08043
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR13 _____ dated _____.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
B.P.U. No. 8 – Wastewater

~~Eighth Revised Sheet: No. 86~~
Superseding ~~Seventh Revised Sheet: No. 86~~

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RATE SCHEDULE 2-B
PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC)

APPLICABILITY

Applicable to all Wastewater Service customer classes including general residential, commercial, industrial and municipal wastewater service in Lakewood Township. The PSTAC charge, as defined under the Standard Terms and Conditions in this tariff, is designed to recover the cost of purchased wastewater treatment and disposal costs associated with the normal operations of the Company, and allow the Company to achieve a zero or near-zero deferred balance each April 1st on its purchased wastewater treatment and disposal costs.

CHARACTER OF SERVICE

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

PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC) CHARGE

In addition to all other charges for general metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased wastewater treatment and disposal costs not included in the Sewer Usage Charge or any other Charge as set forth in Rate Schedule 2-A of the current Tariff:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non Exempt and Exempt	All	All	\$ 0.40035	\$4.0035
	<u>Cubic Feet Per Month</u>	<u>Cubic Feet Per Quarter</u>	<u>Rate Per 10 Cubic Feet</u>	<u>Rate Per 100 Cubic Feet</u>
Non Exempt and Exempt	All	All	\$ 0.299463	\$2.99463

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FILING

The Company shall endeavor to make an annual PSTAC filing no later than December 1st of each year, proposing a PSTAC rate or percentage to be effective on or about the following April 1st.

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

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

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

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

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Issued: _____ Effective: _____

By: William M. Varley, President
1025 Laurel Oak Road, Voorhees, New Jersey 08043
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR13 dated _____.

NEW JERSEY-AMERICAN WATER COMPANY, INC.
B.P.U. No. 8 – Wastewater

Ninth Revised Sheet: No. 89
Superseding Eighth Revised Sheet: No. 89

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RATE SCHEDULE 3-B
PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC)

APPLICABILITY

Applicable to all Wastewater Service customer classes including general residential, commercial, industrial and municipal wastewater service customers provided service by the Company's Adelphia System (service area of the former Adelphia Sewer Company) in the Township of Howell in Monmouth County. The PSTAC charge, as defined under the Standard Terms and Conditions in this tariff, is designed to recover the cost of purchased wastewater treatment and disposal associated with the normal operations of the Company, and allow the Company to achieve a zero or near-zero deferred balance each April 1st on its purchased wastewater treatment and disposal costs.

CHARACTER OF SERVICE

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

PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC) CHARGE

In addition to all other charges for general metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased wastewater treatment and disposal costs not included in the Sewer Usage Charge or any other Charge as set forth in Rate Schedule 3-A of the current Tariff:

	Gallons Per Month	Gallons Per Quarter	Rate Per 100 Gallons	Rate Per 1,000 Gallons
Non-Exempt and Exempt	All	All	\$0.67920	\$6.7920

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FILING

The Company shall endeavor to make an annual PSTAC filing no later than December 1st of each year, proposing a PSTAC rate to be effective on or about the following April 1st.

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

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

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

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

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Issued: _____ Effective: _____

By: William M. Varley, President
1025 Laurel Oak Road, Voorhees, New Jersey 08043
Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR13 dated _____.

New Jersey American Water Company
Statement of Actual Purchased Water Operating Expense - PWAC Water Service
Prior PWAC Year 4/1/13 - 3/31/14

New Jersey American Water Company
BPU Docket No. WR1311
Witness Responsible: Dante M. DeStefano

Schedule DMD 1
PWAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

Purchased Water	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
Vendor/Voucher													
Atlantic City Municipal Utility Authority	\$ 110,677	\$ 121,953	\$ 117,037	\$ 121,524	\$ 157,640	\$ 200,159	\$ 189,719	\$ 182,307	\$ 153,004	\$ 149,172	\$ 120,735	\$ 113,522	\$1,737,449
Borough Florham Park	0	0	30	0	0	30	30	0	0	30	0	0	\$120
Township of Maple Shade	9,718	0	0	0	0	12,176	0	14,678	0	10,624	0	0	\$47,195
Morris County Municipal Utilities Authority	37,894	36,394	45,938	50,633	68,524	72,157	53,617	44,768	33,431	37,426	38,582	34,793	\$554,155
Montclair Water Bureau	12,554	6,620	6,163	12,214	5,507	5,901	20,603	20,402	21,651	25,470	91,557	98,722	\$327,365
City of Newark - Shaw/Selvage	25	32	0	32	399	0	34	23	17	26	43	22	\$652
NJWSA - Water - Manasquan	0	0	1,220,513	0	0	1,220,513	0	0	1,220,513	0	0	1,220,513	\$4,882,053
NJWSA - Overdrafts - Manasquan	0	0	0	0	0	0	0	0	0	0	0	0	\$0
NJWSA - Power Component - Manasquan	0	41,251	10,453	15,561	40,954	18,508	22,404	14,702	17,883	36,858	0	15,481	\$234,054
Passaic Valley Water Commission - Water	0	1,476,508	762,856	108,736	1,981,483	494,693	1,416,429	733,408	497,019	586,458	627,359	631,325	\$9,316,273
Passaic Valley Water Comm.- Power Component	0	100,702	42,711	0	0	0	253,374	93,946	91,673	60,332	40,115	46,160	\$729,013
Sea Isle City	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Seaside Heights Borough	0	0	0	28,427	0	0	116,219	0	0	0	64,253	34,867	\$243,766
Shorelands Water Company	25,382	26,460	34,996	118,031	40,239	33,915	37,277	35,030	31,558	32,595	32,808	30,580	\$478,871
City of Wildwood	0	0	0	0	0	0	103,384	0	0	0	0	0	\$103,384
Pemberton Borough	0	0	0	0	0	0	0	0	0	1,226	0	0	\$1,226
Other - Vouchers	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Marlboro Municipal Utilities Authority	0	0	0	0	0	204,054	30,176	31,324	28,833	31,503	31,926	28,604	\$386,420
NJWSA - Water - Raritan	923,274	894,030	923,274	692,910	923,274	923,274	894,030	923,274	894,030	923,274	923,274	835,541	10,673,460
NJWSA - Water - Raritan - Credit (1)	0	0	0	0	0	0	0	0	0	0	0	0	0
NJWSA - Overdraft - Raritan	0	0	0	0	0	0	0	0	0	0	0	0	0
City of Newark - Summit	0	11	0	0	12,838	9,518	20,056	12,239	24,801	7,590	7,479	7,344	101,876
East Windsor Municipal Utility	0	0	0	641	0	411	0	0	0	828	0	840	2,719
Total of Vouchers (2)	\$1,119,523	\$2,703,959	\$3,163,971	\$1,148,709	\$3,230,858	\$3,195,309	\$3,157,354	\$2,106,101	\$3,014,412	\$1,903,411	\$1,978,131	\$3,098,315	\$29,820,051
Journal Entries													
Accruals for Account 510100	468,245	512,416	(661,544)	1,237,389	55,744	(677,395)	0	0	0	0	0	0	934,855
Total Balance of Account 510100 (Purch. Wtr)	\$1,587,768	\$3,216,375	\$2,502,427	\$2,386,098	\$3,286,602	\$2,517,914	\$3,157,354	\$2,106,101	\$3,014,412	\$1,903,411	\$1,978,131	\$3,098,315	\$30,754,906
Adjustments													
Eliminations													
Eliminate Accruals for Account 510100	(\$468,245)	(\$512,416)	\$661,544	(\$1,237,389)	(\$55,744)	\$677,395	\$0	\$0	\$0	\$0	\$0	\$0	(\$934,855)
Total of Eliminations	(\$468,245)	(\$512,416)	\$661,544	(\$1,237,389)	(\$55,744)	\$677,395	\$0	\$0	\$0	\$0	\$0	\$0	(\$934,855)
Additions													
No Additions	0	0	0	0	0	0	0	0	0	0	0	0	0
Total of Additions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Purchased Water Expense As Adjusted	\$1,119,523	\$2,703,959	\$3,163,971	\$1,148,709	\$3,230,858	\$3,195,309	\$3,157,354	\$2,106,101	\$3,014,412	\$1,903,411	\$1,978,131	\$3,098,315	\$29,820,053

Notes:

- (1) Reflects credit against prior period debt service payments.
- (2) Purchased Water expense reflects actuals except for estimates utilized for October 2013 through March 2014 activity. The estimated activity is based on a 3-year average usage of year ended 3/31/11, 3/31/12, and 3/31/13 for that invoiced month, multiplied by the applicable effective rate. The exceptions to this estimate process are NJWSA-Manasquan and NJWSA-Raritan (utilize the contract usage and rate as of 7/1/13).

New Jersey American Water Company
Statement of Actual Purchased Water Volumes (1000 Gallons) Associated with Actual Purchased Water Expense - PWAC Water Service
Prior PWAC Year 4/1/13 - 3/31/14 (1)

New Jersey American Water Company
 BPU Docket No. WR1311____
 Witness Responsible: Dante M. DeStefano

Schedule DMD 1a
 PWAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Water	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1														
2														
3	Vendor/Vendor (1,000 gallons)													
4	Atlantic City Municipal Utility Authority	35,447	39,328	37,636	35,537	51,613	66,249	59,626	57,297	48,087	46,883	37,945	35,678	551,326
5	Borough of Florham Park	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Township of Maple Shade	1,279	0	0	0	0	1,669	0	2,190	0	1,492	0	0	6,630
7	Morris County Municipal Utilities Authority	15,989	15,356	19,383	21,364	28,913	30,446	22,623	18,889	14,106	15,792	15,805	14,253	232,919
8	Montclair Water Bureau	7,223	3,809	3,546	7,027	3,169	3,395	11,854	11,739	12,481	14,655	13,084	14,053	106,035
9	City of Newark - Shaw/Selvage	7	10	0	10	134	0	11	7	5	8	13	7	212
10	NJWSA - Water - Manasquan	0	0	1,140,625	0	0	1,140,625	0	0	1,140,625	0	0	1,140,625	4,562,500
11	NJWSA - Overdrafts - Manasquan	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Passaic Valley Water Commission - Water	0	674,870	348,680	49,700	905,680	226,110	647,410	335,220	227,173	268,053	273,093	274,820	4,230,809
13	Sea Isle City	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Seaside Heights	0	0	0	10,335	0	0	42,245	0	0	0	23,083	12,677	88,340
15	Shorelands Water Company	10,331	10,694	13,227	52,036	15,529	13,596	15,013	14,531	13,099	13,560	13,665	12,700	197,980
16	City of Wildwood	0	0	0	0	0	0	41,189	0	0	0	0	0	41,189
17	Pemberton Borough	0	0	0	0	0	0	0	0	0	336	0	0	336
18	Other Vendors	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Marlboro Municipal Utilities Authority	0	0	0	0	0	50,818	7,526	7,812	7,191	7,857	7,962	7,134	96,301
20	NJWSA - Water - Raritan	3,924,600	3,798,000	3,924,600	3,798,000	3,924,600	3,924,600	3,798,000	3,924,600	3,798,000	3,924,599	3,924,600	3,544,800	46,208,999
21	NJWSA- Water - Raritan Legislative Grant	87,300	87,300	87,300	87,300	87,300	87,300	87,300	87,300	87,300	87,300	87,300	87,300	1,047,600
22	NJWSA - Overdraft - Raritan	0	0	0	0	0	0	0	0	0	0	0	0	0
23	City of Newark - Summit	0	4	0	0	4,471	3,743	8,278	4,865	10,232	3,247	3,057	2,998	40,895
24	East Windsor Municipal Utility	0	0	0	243	0	138	0	0	0	419	0	390	1,190
25	Total Volume Assoc. with PW Expense as Adjusted	4,082,176	4,629,371	5,574,997	4,061,552	5,021,409	5,548,689	4,741,074	4,464,450	5,358,299	4,384,200	4,399,608	5,147,435	57,413,260

26
 27 (1) Purchased Water usage reflects actuals except for estimates utilized for October 2013 through March 2014 activity. The estimated activity is based on a 3-year average usage of year ended 3/31/11, 3/31/12, and 3/31/13 for that invoiced
 28 month. The exceptions to this estimate process are NJWSA-Manasquan and NJWSA-Raritan (utilize the contract usage as of 7/1/13).
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New Jersey American Water Company
Statement of PWAC True Up Schedule - Revenue and Operating Expense - PWAC Water Service
Prior PWAC Year 4/1/13 - 3/31/14

Schedule DMD 2
PWAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

New Jersey American Water Company
BPU Docket No. WR1311
Witness Responsible: Dante M. DeStefano

Line No.	Purchased Water	Note (1) Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1															
2	Total Billed PWAC Revenue (non-expt. & exempt) (2)		\$2,606,662	\$2,826,870	\$3,086,056	\$3,283,148	\$3,627,684	\$3,287,542	\$2,585,418	\$2,547,199	\$2,619,548	\$2,573,622	\$2,551,443	\$2,388,519	\$33,983,711
3	Less: Exempt PWAC Revenue (from In. 49)		83,243	80,714	77,615	73,079	83,115	77,653	72,216	72,695	79,394	78,508	83,729	76,292	938,253
4	Non-Exempt PWAC Revenue		\$2,523,419	\$2,746,156	\$3,008,441	\$3,210,069	\$3,544,569	\$3,209,889	\$2,513,202	\$2,474,504	\$2,540,154	\$2,495,114	\$2,467,714	\$2,312,227	\$33,045,458
5															
6	GRFT tax rate (3)		13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%
7	PWAC Non-exempt. Rev. net of GRFT(In.4 * (100% -In.6)		\$2,176,197	\$2,368,285	\$2,594,480	\$2,768,364	\$3,056,836	\$2,768,208	\$2,167,385	\$2,134,012	\$2,190,629	\$2,151,786	\$2,128,157	\$1,994,065	\$28,498,404
8	Add Back: Exempt PWAC Revenue (In. 3)		83,243	80,714	77,615	73,079	83,115	77,653	72,216	72,695	79,394	78,508	83,729	76,292	938,253
9	PWAC Revenue net of GRFT		\$2,259,440	\$2,448,999	\$2,672,095	\$2,841,443	\$3,139,951	\$2,845,861	\$2,239,601	\$2,206,707	\$2,270,023	\$2,230,294	\$2,211,886	\$2,070,357	\$29,436,657
10															
11	Less: Uncollectibles & BPU/ Div. Rate Counsel Exp. Factor (3)		0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923
12	PWAC Rev. net of GRFT, Uncoll.,BPU/DRC exp. (In.9*11)		\$2,242,042	\$2,430,142	\$2,651,520	\$2,819,564	\$3,115,773	\$2,823,948	\$2,222,356	\$2,189,715	\$2,252,544	\$2,213,121	\$2,194,854	\$2,054,415	\$29,209,994
13															
14	Less: PWAC True-up Under-recovery of \$1,528,380														
15	from PWAC Year 4/12-3/13 divided by 12 mos. (1)		127,365	127,365	127,365	127,365	127,365	127,365	127,365	127,365	127,365	127,365	127,365	127,365	1,528,380
16															
17	Less: PWAC Filing Cost Authorized (4)		544	543	543	543	543	543	543	543	543	543	543	543	6,517
18															
19	Total PWAC Revenues net of Cost recoveries detailed above		\$2,114,133	\$2,302,234	\$2,523,612	\$2,691,656	\$2,987,865	\$2,696,040	\$2,094,448	\$2,061,807	\$2,124,636	\$2,085,213	\$2,066,946	\$1,926,507	\$27,675,097
20															
21	Total Purchased Water Exp. as Adjusted -(per Sch. DMD-1, In.48)		1,119,524	2,703,959	3,163,971	1,148,709	3,230,858	3,195,309	3,157,354	2,106,101	3,014,412	1,903,411	1,978,131	3,098,315	29,820,053
22															
23	Total PWAC True-Up Balance														
24	(Over-Recovered) / Under-Recovered (In. 21- 19)		(\$994,609)	\$401,725	\$640,359	(\$1,542,947)	\$242,993	\$499,269	\$1,062,906	\$44,294	\$889,776	(\$181,802)	(\$88,815)	\$1,171,808	\$2,144,956
25															
26	Interest Calculation														
27	Total PWAC Cumulative True-up Balance														
28	(Over-Recov.) / Under-Recov. (5)	\$1,528,380	\$406,406	\$680,766	\$1,193,760	(\$476,552)	(\$360,924)	\$10,979	\$946,520	\$863,449	\$1,625,860	\$1,316,693	\$1,100,513	\$2,144,956	
29															
30	Average of the Current & Prior months Cumulative		727,239	543,586	937,263	358,604	(418,738)	(174,972)	478,750	904,985	1,244,655	1,471,277	1,208,603	1,622,734	
31	True-up Balances (Over rec.) / Under rec.														
32															
33															
34	Overall ROR Per Docket BPU#WR11070460 (6)		8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	
35	Monthly Overall Rate of Return		0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	
36	Interest on True-up Balances - (Over) / Under		\$4,873	\$3,642	\$6,280	\$2,403	(\$2,806)	(\$1,172)	\$3,208	\$6,063	\$8,339	\$9,858	\$8,098	\$10,872	\$59,658
37															
38	Total PWAC (Over-Recov.) / Under-Recov. including Interest														\$2,144,956
39															
40	Exempt (from GRFT) Customers Actual Water Sales (1000 gals): (7)														
41	Cogen (Bayway) -- OIW		90,875	89,562	80,425	70,114	86,349	75,432	70,287	69,891	88,201	81,149	96,768	84,045	983,097
42	Aqua NJ Water Co. -- SFR-CD		22,680	22,434	20,650	20,599	20,327	21,038	18,439	19,257	18,753	19,256	19,657	18,472	241,561
43	Lawrenceville Water Co. -- SFR-SOS		16,328	15,350	15,895	15,024	15,275	15,423	15,249	15,218	15,423	15,945	15,752	14,584	185,466
44	Middlesex Water Co. -- SFR SOS		90,031	85,634	87,565	86,736	96,704	92,671	86,573	87,860	87,354	91,166	89,299	84,723	1,066,316
45	Roxiticus Water Co. -- SFR Reg. GMS		1,066	1,285	1,505	1,525	1,985	1,575	1,159	753	1,032	893	794	705	14,278
46	Total Exempt Customer Actual Water Sales		220,980	214,265	206,040	193,998	220,640	206,139	191,707	192,979	210,762	208,410	222,270	202,528	2,490,717
47															
48	Exempt PWAC Rate per 1000 gals. (8)		\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767	\$0.3767
49	Exempt PWAC Revenue		\$83,243	\$80,714	\$77,615	\$73,079	\$83,115	\$77,653	\$72,216	\$72,695	\$79,394	\$78,508	\$83,729	\$76,292	\$938,253

51 Notes: (1) March 2013 represents Total PWAC True-up balance per Schedule DMD-2a.
52 (2) Billed PWAC water revenues are based on actuals, except estimates utilized for October 2013 through March 2014. Estimates are based on prior year, same month revenues, adjusted by the rate change effective 04/01/13 per Docket #WR12111019.
53 (3) GRFT rate and Uncollectible/BPU/Rate Counsel expense factor utilized herein is per Settlement, BPU Docket #WR12111019.
54 (4) Amount per the 2013 PWAC Rate Filing BPU Docket #WR12111019, Schedule DMD-12 - Per Settlement.
55 (5) Line 24 of the current month plus line 28 of the prior month less line 15 of the current month.
56 (6) The ROR utilized for the period 4/1/13 - 3/31/14 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR11070460.
57 (7) Water sales for all entities were based upon actual monthly water sales, except estimates utilized for October 2013 through March 2014. Estimates are based on a 3-year average of 2011, 2012, and 2013 usage for the same month.
58 (8) For Settlement - exempt rate reflects \$0.3767 effective 4/1/13 per BPU Docket #WR12111019.
59
60
61

New Jersey American Water Company
Statement of PWAC True Up Schedule - Revenue and Operating Expense - PWAC Water Service
Prior PWAC Year 4/1/12 - 3/31/13

New Jersey American Water Company
 BPU Docket No. WR1311
 Witness Responsible: Dante M. DeStefano

Schedule DMD 2a
 PWAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Water	Note (1)												Total	
		Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13		Mar-13
1															
2	Total Billed PWAC Revenue (non-expt. & exempt) (2)		\$2,408,142	\$2,690,314	\$2,986,713	\$3,574,127	\$3,609,942	\$3,221,156	\$2,680,022	\$2,640,405	\$2,715,402	\$2,573,622	\$2,551,443	\$2,388,519	\$34,039,807
3	Less: Exempt PWAC Revenue (from In. 49)		70,645	71,237	70,902	69,515	82,700	71,486	69,039	77,057	86,754	79,746	86,764	80,662	916,507
4	Non-Exempt PWAC Revenue		\$2,337,497	\$2,619,077	\$2,915,811	\$3,504,612	\$3,527,242	\$3,149,670	\$2,610,983	\$2,563,348	\$2,628,648	\$2,493,876	\$2,464,679	\$2,307,857	\$33,123,300
5															
6	GRFT tax rate (3)		13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%	13.76%
7	PWAC Non-exempt. Rev. net of GRFT(In.4 *(100% -In.6)		\$2,015,858	\$2,258,692	\$2,514,596	\$3,022,377	\$3,041,893	\$2,716,275	\$2,251,712	\$2,210,632	\$2,266,946	\$2,150,719	\$2,125,539	\$1,990,296	\$28,565,535
8	Add Back: Exempt PWAC Revenue (In. 3)		70,645	71,237	70,902	69,515	82,700	71,486	69,039	77,057	86,754	79,746	86,764	80,662	916,507
9	PWAC Revenue net of GRFT		\$2,086,503	\$2,329,929	\$2,585,498	\$3,091,892	\$3,124,593	\$2,787,761	\$2,320,751	\$2,287,689	\$2,353,700	\$2,230,465	\$2,212,303	\$2,070,958	\$29,482,042
10															
11	Less: Uncollectibles & BPU/ Div. Rate Counsel Exp. Factor (3)		0.9916	0.9916	0.9916	0.9916	0.9916	0.9916	0.9919	0.9925	0.9925	0.9925	0.9925	0.9925	0.9920
12	PWAC Rev. net of GRFT, Uncoll.,BPU/DRC exp. (In.9*11)		\$2,068,976	\$2,310,358	\$2,563,780	\$3,065,920	\$3,098,346	\$2,764,344	\$2,301,863	\$2,270,531	\$2,336,047	\$2,213,737	\$2,195,711	\$2,055,426	\$29,245,039
13															
14	Less: PWAC True-up Under-recovery of \$814,864														
15	from PWAC Year 4/11-3/12 divided by 12 mos. (4)		67,909	67,905	67,905	67,905	67,905	67,905	67,905	67,905	67,905	67,905	67,905	67,905	814,864
16															
17	Less: PWAC Filing Cost Authorized (4)		2,089	2,087	2,087	2,087	2,087	2,087	2,087	2,087	2,087	2,087	2,087	2,087	25,046
18															
19	Total PWAC Revenues net of Cost recoveries detailed above		\$1,998,978	\$2,240,366	\$2,493,788	\$2,995,928	\$3,028,354	\$2,694,352	\$2,231,871	\$2,200,539	\$2,266,055	\$2,143,745	\$2,125,719	\$1,985,434	\$28,405,129
20															
21	Total Purchased Water Exp. as Adjusted -(per Sch. DMD-1, In.48)		1,159,757	1,828,683	3,137,438	2,737,799	1,334,055	4,732,419	2,527,248	1,394,951	4,168,366	2,038,509	2,019,614	3,091,226	30,170,065
22															
23	Total PWAC True-Up Balance														
24	(Over-Recovered) / Under-Recovered (In. 21- 19)		(\$839,221)	(\$411,683)	\$643,650	(\$258,129)	(\$1,694,299)	\$2,038,067	\$295,377	(\$805,588)	\$1,902,311	(\$185,841)	(\$186,017)	\$1,030,984	\$1,529,611
25															
26	Interest Calculation														
27	Total PWAC Cumulative True-up Balance														
28	(Over-Recov.) / Under-Recov. (5)		\$814,864	(\$92,266)	(\$571,855)	\$3,890	(\$322,143)	(\$2,084,347)	(\$114,185)	\$113,287	(\$760,206)	\$1,074,200	\$820,454	\$566,533	\$1,529,611
29															
30	Average of the Current & Prior months Cumulative		361,299	(332,060)	(283,982)	(159,126)	(1,203,245)	(1,099,266)	(449)	(323,460)	156,997	947,327	693,493	1,048,072	
31	True-up Balances (Over rec.) / Under rec.														
32															
33	Overall ROR Per Docket BPU#WR10040260 (6)		8.3248%												
34	Overall ROR Per Docket BPU#WR11070460 (7)			8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%
35	Monthly Overall Rate of Return		0.69%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
36	Interest on True-up Balances - (Over) / Under		\$2,493	(\$2,225)	(\$1,903)	(\$1,066)	(\$8,062)	(\$7,365)	(\$3)	(\$2,167)	\$1,052	\$6,347	\$4,646	\$7,022	(\$1,231)
37															
38	Total PWAC (Over-Recov.) / Under-Recov. including Interest														\$1,528,380
39															
40	Exempt (from GRFT) Customers Actual Water Sales (1000 gals): (8)														
41	Cogen (Bayway) -- OIW		74,650	74,647	76,401	75,219	105,767	75,174	69,089	70,338	100,337	77,998	98,539	89,710	987,869
42	Aqua NJ Water Co. -- SFR-CD		21,181	20,572	21,528	20,694	21,546	21,517	20,546	21,530	20,903	21,227	16,996	15,905	244,145
43	Lawrenceville Water Co. -- SFR-SOS		15,463	15,613	14,926	14,943	15,208	15,551	14,925	15,856	15,719	16,327	15,310	14,280	184,121
44	Middlesex Water Co. -- SFR SOS		91,464	93,317	90,198	87,849	93,086	92,190	86,015	88,875	83,888	87,622	90,573	85,955	1,071,033
45	Roxitex Water Co. -- SFR Reg. GMS		890	1,205	1,335	1,685	2,790	1,640	1,435	730	1,315	1,040	768	710	15,543
46	Total Exempt Customer Actual Water Sales		203,648	205,354	204,388	200,390	238,397	206,072	192,010	197,329	222,162	204,214	222,187	206,560	2,502,710
47															
48	Exempt PWAC Rate per 1000 gals. (9)		\$0.3469	\$0.3469	\$0.3469	\$0.3469	\$0.3469	\$0.3469	\$0.3596	\$0.3905	\$0.3905	\$0.3905	\$0.3905	\$0.3905	\$0.3662
49	Exempt PWAC Revenue		\$70,645	\$71,237	\$70,902	\$69,515	\$82,700	\$71,486	\$69,039	\$77,057	\$86,754	\$79,746	\$86,764	\$80,662	\$916,507

51 Notes: (1) March 2012 represents Total PWAC True-up balance per Schedule DMD-3 - Per Settlement, line 3, 2012 PWAC Rate Filing BPU Docket #WR12050390.
 52 (2) Billed PWAC water revenues are based on actuals.
 53 (3) GRFT rate and Uncollectible/BPU/Rate Counsel expense factor utilized herein is per Settlement, BPU Docket #WR12050390.
 54 (4) Amount per the 2012 PWAC Rate Filing BPU Docket #WR12050390, Schedule DMD-3 - Per Settlement (lines 3 and 4).
 55 (5) Line 24 of the current month plus line 28 of the prior month less line 15 of the current month.
 56 (6) The ROR utilized for the period 4/1/12 - 4/30/12 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR10040260.
 57 (7) The ROR utilized for the period 5/1/12 - 3/31/13 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR11070460.
 58 (8) Water sales for all entities were based upon actual monthly water sales.
 59 (9) For Settlement - prorated exempt rate reflects 22 days of the PWAC rate of \$0.3469 effective 8/28/11 per BPU Docket #WR11030131 and 9 days of the PWAC rate of \$0.3905 effective 10/23/12 per BPU Docket #WR11050390.
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New Jersey American Water Company
Statement of Pro Forma PWAC
PWAC Year 4/1/2013-3/31/2014

New Jersey American Water Company
BPU Docket No. WR1311____
Witness Responsible: Dante M. DeStefano

Schedule DMD 3
PWAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

Line	(1)	(2) Regular Calc.
1	CALCULATION of PWAC Rates for Year 4/1/2013-3/31/2014 Without Compression (regular calc.)	
2	Pro forma Purchased Water Exp.- PWAC Year 4/01/14-3/31/15 (Schd. RRS-1)	\$31,227,569
3	PWAC True-up from PWAC Year 4/01/13-3/31/14 (Schedule DMD-2)	2,144,956
4	Pro forma filing costs @ 50% (Schedule. DMD-12)	3,500
5		
6	sub-total (lines 2+3+4)	\$33,376,025
7		
8	Gross-up factor for Uncollect. Exp. & Actual 2013 BPU / Div. Rate Counsel Assessments (1)	0.9923
9		
10	PWAC for Recovery 4/1/14-3/31/15 pre-GRFT (line 6 / 8)	\$33,635,014
11		
12	Total Projected Water Sales subject to PWAC (1000 gallons) (line 51) (3)	81,096,295
13		
14	PWAC Exempt Rate per 1000 gallons (line 10 / 12)	<u>\$0.4148</u>
15		
16	PWAC Non-Exempt Rate per 1000 gals. (line 14 / grossed up for GRFT @ 13.76%) (2)	<u>\$0.4810</u>
17		
18		
19		
20	Pricing	
21	<u>Exempt Sales</u>	
22	Projected Exempt Water Sales subject to PWAC (1000 gallons) (line 50) (3)	2,480,184
23	PWAC Exempt Rate per 1000 gallons (line 14)	\$0.4148
24	PWAC Exempt Revenue	<u>\$1,028,780</u>
25		
26	<u>Non-Exempt Sales</u>	
27	Non-Exempt PWAC recovery pre-GRFT (line 10 - 24)	\$32,606,234
28	Non-Exempt PWAC recovery grossed-up for GRFT (line 27 / (100% - 13.76%))	<u>\$37,808,713</u>
29		
30	Projected Non-exempt Water Sales subject to PWAC (1000 gallons) (line 50) (3)	78,616,111
31	PWAC Non-Exempt Rate per 1000 gallons (line 16)	\$0.4810
32	PWAC Non-Exempt Revenue	<u>\$37,814,349</u>
33		
34	Total PWAC Revenue (ln. 24 + 32)	<u>\$38,843,129</u>
35		
36		

Notes:

(1) Uncollectible rate @ 0.53% per NJAWC 2011 Base Rate Case (BPU Docket # WR11070460) as Authorized and 2013 Actual Assessment Rates @ 0.235972307595% (combined) (BPU = 0.196248703337% for 2013, Rate Counsel = 0.039723604257514% for 2013). Gross-up factor (100% - (0.53% + 0.235972307595%)) or 99.23%.

(2) NJAWC Authorized GRFT rate is 13.76% per Docket #WR11070460.

(3) Projected water sales are an average of calendar years 2011, 2012 and 2013 actual water usage, as detailed below. October through December 2013 activity is estimated utilizing a 3-year average on 2010, 2011, and 2012 usage for the same month.

Water Sales (1000 gals.)

Area	Exempt	Non-Exempt	Total
SA1, SA-1A & SA-1B	258,663	43,481,556	43,740,219 (3a)
SA2	2,221,521	33,567,000	35,788,521 (3a)
SA3		1,567,555	1,567,555 (3b)
NJAWC Total Authorized Water Sales	2,480,184	78,616,111	81,096,295
Less: Manasquan			0 Removed from SA-1
Pro Forma Water Sales subject to PWAC	<u>2,480,184</u>	<u>78,616,111</u>	<u>81,096,295</u>

(3a) Water sales for former AWWM customers were added to the non-exempt column for SA1 and SA2. These additions equate to the 4-year average shown in SIR-14, workpaper 5, page 9 of 15 filed in Docket #WR11070460.

(3b) Water sales for former Jensens Run customers were added to the non-exempt column for SA3. These additions equate to the 5-year average shown in SIR-15, workpaper 6, page 2 of 3 filed in Docket #WR11070460.

New Jersey American Water Company
Statement of Lakewood Sewer Service Actual Purchased Wastewater Treatment Operating Expense - PSTAC Sewer Service
Prior PSTAC Year 4/1/13 - 3/31/14

New Jersey American Water Company
BPU Docket No. WR1311____
Witness Responsible: Dante M. DeStefano

Schedule DMD-4
PSTAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

Line No.	Purchased Wastewater Treatment	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1														
2														
3	Lakewood Sewer Service													
4														
5	<u>Journal Entries</u>													
6	Entries/Accruals (1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7	Total Bal. Purch. Wastewater Treat. A/C 511100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8														
9	<u>Adjustments</u>													
10	<u>Additions/Vouchers</u>													
11	Ocean County Utilities Authority (OCUA) Vouchers (2)	\$0	\$0	\$1,261,650	\$1,261,650	\$0	\$0	\$0	\$0	\$1,261,650	\$0	\$1,289,659	\$0	\$5,074,609
12	OCUA - 2013 Deficiency Charge Voucher (2)												(43,003)	(43,003)
13														0
14														0
15	Total of Additions	\$0	\$0	\$1,261,650	\$1,261,650	\$0	\$0	\$0	\$0	\$1,261,650	\$0	\$1,289,659	(\$43,003)	\$5,031,606
16														
17														
18	<u>Eliminations</u>													
19	Eliminate Accruals for Account	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20														0
21	Total of Eliminations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22														
23	Total Purch. Wastewater Treat. Exp. As Adjusted	\$0	\$0	\$1,261,650	\$1,261,650	\$0	\$0	\$0	\$0	\$1,261,650	\$0	\$1,289,659	(\$43,003)	\$5,031,606

26 Notes:
27 (1) Journal Entries/accruals are based on actuals.
28 (2) February 2014 invoice and March 2014 Deficiency Credit estimated per DMD-10 in Docket #WR1211019.
29
30

New Jersey American Water Company
Statement of Lakewood Sewer Service PSTAC True Up Schedule - Revenue and Operating Expense - PSTAC Sewer Service
Prior PSTAC Year 4/1/13 - 3/31/14

New Jersey American Water Company
 BPU Docket No. WR1311
 Witness Responsible: Dante M. DeStefano

Schedule DMD-5
 PSTAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Wastewater Treatment	Note (1) Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1															
2	Lakewood Sewer Service														
3															
4	Total Billed PSTAC Revenue (2)		\$431,711	\$386,931	\$387,060	\$388,727	\$387,354	\$388,097	\$369,492	\$369,492	\$369,492	\$374,026	\$374,026	\$374,026	\$4,600,434
5	GRFT tax rate (N/A) (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Billed PSTAC Revenues net of GRFT		\$431,711	\$386,931	\$387,060	\$388,727	\$387,354	\$388,097	\$369,492	\$369,492	\$369,492	\$374,026	\$374,026	\$374,026	\$4,600,434
7															
8	Less: Uncollectibles & BPU/Div. Rate Counsel Exp. Factor (3)		0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923
9	PSTAC Rev. net of GRFT, Uncoll., BPU/DRC exp. (line 6*8)		\$428,387	\$383,952	\$384,080	\$385,734	\$384,371	\$385,109	\$366,647	\$366,647	\$366,647	\$371,146	\$371,146	\$371,146	\$4,565,012
10															
11															
12	Less: PSTAC True-up Over-recovery of (\$868,681)		(72,391)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(72,390)	(868,681)
13	from PSTAC Year 4/12-3/13 divided by 12 mos. (1)														
16															
17	Total PSTAC Revenue net of Cost recoveries detailed above		\$500,778	\$456,342	\$456,470	\$458,124	\$456,761	\$457,499	\$439,037	\$439,037	\$439,037	\$443,536	\$443,536	\$443,536	\$5,433,693
18															
19	Total Purch. Wastewater Treat. Exp. As Adjusted -		0	0	1,261,650	1,261,650	0	0	0	0	1,261,650	0	1,289,659	(43,003)	5,031,606
20	(per Schedule DMD-4, In. 23)														
21															
22	Total PSTAC True-up Balance														
23	(Over-Recovered) / Under-Recovered (In. 19 - 17)		(\$500,778)	(\$456,342)	\$805,180	\$803,526	(\$456,761)	(\$457,499)	(\$439,037)	(\$439,037)	\$822,613	(\$443,536)	\$846,123	(\$486,539)	(\$402,087)
24															
25	Interest Calculation														
26	Total PSTAC Cumulative True-up Balance														
27	(Over-Recov.) / Under-Recov. (4)	(\$868,681)	(\$1,297,068)	(\$1,681,020)	(\$803,450)	\$72,466	(\$311,905)	(\$697,014)	(\$1,063,661)	(\$1,430,308)	(\$535,305)	(\$906,451)	\$12,061	(\$402,087)	
28															
29	Average of the Current & Prior months Cumulative		(1,082,875)	(1,489,044)	(1,242,235)	(365,492)	(119,720)	(504,460)	(880,338)	(1,246,985)	(982,807)	(720,878)	(447,195)	(195,013)	
30	True-up Balances														
31															
32															
33	Overall ROR Per Docket BPU#WR11070460 (5)		8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%
34	Monthly Overall Rate of Return		0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
35	Interest on True-up Balances - (Over) / Under		(\$7,255)	(\$9,977)	(\$8,323)	(\$2,449)	(\$802)	(\$3,380)	(\$5,898)	(\$8,355)	(\$6,585)	(\$4,830)	(\$2,996)	(\$1,307)	(\$62,157)
36															
37															
38	Total PSTAC (Over-Recov.) / Under-Recov. including Interest														(\$464,244)

Notes:
 (1) March 2013 represents the Total PSTAC True-up balance for Lakewood Sewer per Schedule DMD-5a.
 (2) Billed PSTAC revenues are based on actuals, except estimates utilized for October 2013 through March 2014.
 (3) October 2013 through March 2014 monthly revenue estimates are based on a 3-year average of 2011, 2012, and 2013 winter quarter usage multiplied by the rate effective 04/01/13 per Docket #WR12111019.
 (4) The GRFT rate (not applicable to wastewater treatment costs) and the Uncollectible/BPU/Rate Council expense factor utilized herein is per Schedule DMD-11 - Per Settlement, BPU Docket #WR12111019.
 (5) The ROR utilized for the period 4/1/13 - 3/31/14 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR11070460.

New Jersey American Water Company
Statement of Adelpia Sewer Service Actual Purchased Wastewater Treatment Operating Expense - PSTAC Sewer Service
Prior PSTAC Year 4/1/13 - 3/31/14

Schedule DMD-6

PSTAC Filing Year: 4/1/2013 - 3/31/2014

Page 1

New Jersey American Water Company
BPU Docket No. WR1311____
Witness Responsible: Dante M. DeStefano

Line No.	Purchased Wastewater Treatment	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1														
2														
3	Adelpia Sewer Service													
4														
5	Accruals (2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Bal. Purch. Wastewater Treat. A/C 511100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7														
8														
9	Adjustments													
10	Additions/Vouchers													
11	Howell Twp - Vouchers Paid in PSTAC Year (1)	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$1,016,802
12	Howell - Adjustment (3)												\$16,022	16,022
13														0
14	Total of Additions	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$16,022	\$1,032,824
15														
16														
17	Eliminations													
18	Eliminate Accruals for Account	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19														
20	Total of Eliminations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21														
22	Total Purch. Wastewater Treat. Exp. As Adjusted	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$0	\$254,201	\$0	\$16,022	\$1,032,824

25 Notes:

26 (1) The 1/2014 quarterly payment of \$270,222 is estimated based upon last year's payments. The actual quarterly payment is updated in March 2014, see Note 3.

27 (2) Journal Entries/accruals are based on actuals.

28 (3) True-up payment in March 2014 for the January 2014 billing.

29

New Jersey American Water Company
 Statement of Ocean City Sewer Service Actual Purchased Wastewater Treatment Operating Expense - PSTAC Sewer Service
 Prior PSTAC Year 4/1/13 - 3/31/14

New Jersey American Water Company
 BPU Docket No. WR1311
 Witness Responsible: Dante M. DeStefano

Schedule DMD-8
 PSTAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Wastewater Treatment	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1														
2	Ocean City Sewer Service													
3														
4	Accruals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Total Bal. Purch. Wastewater Treat. A/C 511100	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
6														
7														
8	Adjustments													
9	Additions/Vouchers													
10	Cape May County Municipal Utilities Authority - Vouchers (1)	\$0	\$2,062,601	\$0	\$0	\$2,062,601	\$0	\$0	\$2,062,601	\$0	\$0	\$0	\$2,108,184	\$8,295,987
11	CMCMUA - 2013 Deficiency Charge Voucher (1)												(134,868)	(134,868)
12	Total of Additions	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,973,317</u>	<u>\$8,161,120</u>
13														
14														
15	Eliminations													
16	Eliminate Accruals for Account	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17	Total of Elimination	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
18														
19	Total Purch. Wastewater Treat. Exp. As Adjusted	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,062,601</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,973,317</u>	<u>\$8,161,120</u>

23 Notes:
 24 (1) March 2014 Deficiency Charge estimated per DMD-10 in Docket #WR12111019. 1st Quarter 2014 invoice estimated per CMCMUA 2013 User Charge Rate Setting Report (2.21% 2014 increase).
 25

New Jersey American Water Company
Statement of Ocean City Sewer Service PSTAC True Up Schedule - Revenue and Operating Expense - PSTAC Sewer Service
Prior PSTAC Year 4/1/13 - 3/31/14

New Jersey American Water Company
 BPU Docket No. WR1311 _____
 Witness Responsible: Dante M. DeStefano

Schedule DMD-9
 PSTAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Wastewater Treatment	Note (1) Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
1															
2	Ocean City Sewer Service														
3															
4	Total Billed PSTAC Revenue (2)		\$716,359	\$713,853	\$697,979	\$711,014	\$710,370	\$720,533	\$702,061	\$702,061	\$702,061	\$671,293	\$671,293	\$671,293	\$8,390,170
5	GRFT tax rate (N/A) (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Billed PSTAC Revenues net of GRFT		\$716,359	\$713,853	\$697,979	\$711,014	\$710,370	\$720,533	\$702,061	\$702,061	\$702,061	\$671,293	\$671,293	\$671,293	\$8,390,170
7															
8	Less: Uncollectibles & BPU/Div. Rate Counsel Exp. Factor (3)		0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923	0.9923
9	PSTAC Rev. net of GRFT, Uncoll., BPU/DRC exp. (line 6*8)		\$710,843	\$708,356	\$692,605	\$705,539	\$704,900	\$714,985	\$696,655	\$696,655	\$696,655	\$666,124	\$666,124	\$666,124	\$8,325,565
10															
11	Less: PSTAC True-up Under-recovery of \$535,367 from PSTAC Year 4/12-3/13 divided by 12 mos. (1)		44,613	44,614	44,614	44,614	44,614	44,614	44,614	44,614	44,614	44,614	44,614	44,614	535,367
12															
13															
14															
15	Total PSTAC Revenue net of Cost recoveries detailed above		666,230	663,742	647,991	660,925	660,286	670,371	652,041	652,041	652,041	621,510	621,510	621,510	7,790,198
16															
17	Total Purch. Wastewater Treat. Exp. As Adjusted - (per Schedule DMD-8, In. 19)		0	2,062,601	0	0	2,062,601	0	0	2,062,601	0	0	0	1,973,317	8,161,120
18															
19															
20	Total PSTAC True-up Balance														
21	(Over-Recovered) / Under-Recovered (In. 17 - 15)		(\$666,230)	\$1,398,859	(\$647,991)	(\$660,925)	\$1,402,315	(\$670,371)	(\$652,041)	\$1,410,560	(\$652,041)	(\$621,510)	(\$621,510)	\$1,351,807	\$370,922
22															
23	Interest Calculation														
24	Total PSTAC Cumulative True-up Balance (Over-Recov.) / Under-Recov. (4)	\$535,367	(\$175,476)	\$1,178,769	\$486,164	(\$219,375)	\$1,138,326	\$423,341	(\$273,314)	\$1,092,632	\$395,977	(\$270,147)	(\$936,271)	\$370,922	
25															
26															
27	Average of the Current & Prior months Cumulative True-up Balances		179,946	501,647	832,466	133,394	459,475	780,833	75,013	409,659	744,304	62,915	(603,209)	(282,675)	
28															
29															
30															
31	Overall ROR Per Docket BPU#WR11070460 (5)		8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	
32	Monthly Overall Rate of Return		0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	
33	Interest on True-up Balances - (Over) / Under		\$1,206	\$3,361	\$5,578	\$894	\$3,078	\$5,232	\$503	\$2,745	\$4,987	\$422	(\$4,042)	(\$1,894)	\$22,070
34															
35															
36	Total PSTAC (Over-Recov.) / Under-Recov. including Interest														\$370,922
37															

Notes:
 (1) March 2013 represents the Total PSTAC True-up balance for Ocean city Sewer per Schedule DMD-9a.
 (2) Billed PSTAC revenues are based on actuals, except estimates utilized for October 2013 through March 2014. Monthly revenue estimates are based on 2013 summer quarter usage multiplied by the applicable rate.
 (3) The GRFT rate (not applicable to wastewater treatment costs) and the Uncollectible/BPU/Rate Council expense factor utilized herein is per Schedule DMD-11 - Per Settlement, BPU Docket #WR12111019.
 (4) Line 21 of the current month plus line 25 of the prior month less line 12 of the current month.
 (5) The ROR utilized for the period 5/1/12 - 3/31/13 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR11070460.

New Jersey American Water Company
Statement of Ocean City Sewer Service PSTAC True Up Schedule - Revenue and Operating Expense - PSTAC Sewer Service
Prior PSTAC Year 4/1/12 - 3/31/13

New Jersey American Water Company
 BPU Docket No. WR1311
 Witness Responsible: Dante M. DeStefano

Schedule DMD-9a
 PSTAC Filing Year: 4/1/2013 - 3/31/2014
 Page 1

Line No.	Purchased Wastewater Treatment	Note (1) Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total
1															
2	Ocean City Sewer Service														
3															
4	Total Billed PSTAC Revenue (2)		\$558,056	\$541,079	\$553,313	\$560,818	\$554,087	\$560,134	\$606,464	\$674,146	\$663,185	\$674,604	\$660,082	\$664,040	\$7,270,008
5	GRFT tax rate (N/A) (3)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	Billed PSTAC Revenues net of GRFT		\$558,056	\$541,079	\$553,313	\$560,818	\$554,087	\$560,134	\$606,464	\$674,146	\$663,185	\$674,604	\$660,082	\$664,040	\$7,270,008
7															
8	Less: Uncollectibles & BPU/Div. Rate Counsel Exp. Factor (3)		0.9916	0.9916	0.9916	0.9916	0.9916	0.9916	0.9919	0.9925	0.9925	0.9925	0.9925	0.9925	0.9920
9	PSTAC Rev. net of GRFT, Uncoll., BPU/DRC exp. (line 6*8)		\$553,368	\$536,534	\$548,665	\$556,107	\$549,433	\$555,429	\$601,528	\$669,090	\$658,211	\$669,544	\$655,131	\$659,060	\$7,212,100
10															
11	Less: PSTAC True-up Over-recovery of (\$402,353) from PSTAC Year 4/11-3/12 divided by 12 mos. (4)		(33,534)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(33,529)	(402,353)
12															
13															
14	Plus: Discretionary Adjustment from PSTAC year 4/11-3/12 (5)		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
15	Total PSTAC Revenue net of Cost recoveries detailed above		566,902	550,063	562,194	569,636	562,962	568,958	615,057	682,619	671,740	683,073	668,660	672,589	7,374,453
16															
17	Total Purch. Wastewater Treat. Exp. As Adjusted - (per Schedule DMD-8, In. 19)		0	2,032,822	0	0	2,032,822	0	0	2,032,822	0	0	0	1,811,355	7,909,820
18															
19															
20	Total PSTAC True-up Balance														
21	(Over-Recovered) / Under-Recovered (In. 17 - 15)		(\$566,902)	\$1,482,759	(\$562,194)	(\$569,636)	\$1,469,860	(\$568,958)	(\$615,057)	\$1,350,203	(\$671,740)	(\$683,073)	(\$668,660)	\$1,138,766	\$535,367
22															
23	Interest Calculation														
24	Total PSTAC Cumulative True-up Balance (Over-Recov.) / Under-Recov. (5)	(\$402,353)	(\$935,721)	\$580,567	\$51,902	(\$484,205)	\$1,019,184	\$483,755	(\$97,774)	\$1,285,958	\$647,747	(\$1,797)	(\$636,928)	\$535,367	
25															
26	Average of the Current & Prior months Cumulative True-up Balances		(669,037)	(177,577)	316,234	(216,152)	267,489	751,469	192,991	594,092	966,853	322,975	(319,362)	(50,780)	
27															
28															
29															
30	Overall Rate Of Return Per Docket BPU#WR10040260 (6)		8.3248%												
31	Overall ROR Per Docket BPU#WR11070460 (7)			8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	8.0398%	
32	Monthly Overall Rate of Return		0.69%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	
33	Interest on True-up Balances - (Over) / Under		(\$4,643)	(\$1,190)	\$2,119	(\$1,448)	\$1,792	\$5,035	\$1,293	\$3,980	\$6,478	\$2,164	(\$2,140)	(\$340)	\$13,100
34															
35															
36	Total PSTAC (Over-Recov.) / Under-Recov. including Interest														\$535,367
37															

Notes:
 (1) March 2012 represents the Total PSTAC True-up balance for Ocean City Sewer per Schedule DMD-11 - Per Settlement, line 16, 2012 PSTAC Rate Filing BPU Docket #WR12050390.
 (2) Billed PSTAC revenues are based on actuals.
 (3) The GRFT rate (not applicable to wastewater treatment costs) and the Uncollectible/BPU/Rate Council expense factor utilized herein is per Schedule DMD-11 - Per Settlement, BPU Docket #WR12050390.
 (4) Amount per the 2012 PSTAC Rate Filing BPU Docket #WR12050390, Schedule DMD-11- Per Settlement line 16.
 (5) Line 21 of the current month plus line 25 of the prior month less line 12 of the current month.
 (6) The ROR utilized for the period 4/1/12 - 4/30/12 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR10040260.
 (7) The ROR utilized for the period 5/1/12 - 3/31/13 is based upon the ROR per Board Order in the Base Rate Case BPU Docket #WR11070460.

New Jersey American Water Company
Summary Statement of Pro Forma Purchased Wastewater Treatment Expense
PSTAC Year 4/1/2013-3/31/2014

New Jersey American Water Company
BPU Docket No. WR1311 _____
Witness Responsible: Dante M. DeStefano

Schedule DMD-10
PSTAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

Line No.	Sewer Service Tariff Area / Vendor	Calendar Year 2014 Annual Charge	Projected Increase Effective 1/1/2015	Projected Calendar Year 2015 Annual Charge	Pro Forma PSTAC Year 4/1/14-3/31/15 Expense
	(1)	(2)	(3)	(4)	(5)
1	<u>Adelphia Sewer Service</u>				
2	Howell Township	\$1,080,890 (1)	5.82% (1a)	\$1,143,797	
3	<u>Annual Charge:</u>				
4	@ 9/12ths	810,667			
5	@ 3/12ths			285,949	
6	Pro forma Annual Cost PSTAC Yr. 4/1/2014-3/31/2015				\$1,096,616
7					
8					
9	Total Pro forma Costs PSTAC Yr. 4/1/2014-3/31/2015				<u>\$1,096,616</u>
10					
11	<u>Lakewood Sewer Service</u>				
12	Ocean County Utilities Authority	\$5,357,044 (2)	2.22% (2a)	\$5,476,148	
13					
14	<u>Annual Charge:</u>				
15	@ 9/12ths	4,017,783			
16	@ 3/12ths			1,369,037	
17	Pro forma Annual Cost PSTAC Yr. 4/1/2014-3/31/2015				\$5,386,820
18	OCUA's 2014 Estimated True-Up Deficiency Chg.				(32,954) (3)
19					
20					
21	Total Pro forma Costs PSTAC Yr. 4/1/2014-3/31/2015				<u>\$5,353,866</u>
22					
23	<u>Ocean City Sewer Service</u>				
24	Cape May County Municipal Utilities Authority	\$8,432,737 (4)	2.39% (4a)	\$8,634,279	
25	<u>Annual Charge:</u>				
26	@ 9/12ths	6,324,553			
27	@ 3/12ths			2,158,570	
28	Pro forma Annual Cost PSTAC Yr. 4/1/2014-3/31/2015				\$8,483,123
29	OCUA's 2014 Estimated True-Up Deficiency Chg.				(115,181) (5)
30					
31					
32	Total Pro forma Costs PSTAC Yr. 4/1/2014-3/31/2015				<u>\$8,367,942</u>
33					
34					
35					
36	Total PSTAC Costs for PSTAC Year 4/1/2014-3/31/2015				<u><u>\$14,818,423</u></u>

Notes:
(1) Actual 2013 expenses increased by percentage increase on DMD-10 per Docket #WR12111019.
(1a) Reflects 3-year average of increases in total expenses for 2011, 2012, and 2013.
(2) Actual 2013 expenses increased by percentage on DMD-10 per Docket #WR12111019 on MG rate, and increase in billed usage from 1,300 MG to 1,350 MG.
(2a) Reflects 3-year average of increases in total expenses for 2011, 2012, and 2013.
(3) Estimate based on actual deficiency charges/credits for the three calendar years 2011 through 2013. 2013 is estimated to equal DMD-10 per Docket #WR12111019.
(4) CMCMA's estimated 2014 annual charge per the 2013 User Charge System Rate Setting Report.
(4a) CMCMA's estimated 2015 increase per the 2013 User Charge System Rate Setting Report.
(5) Estimate based on actual deficiency charges/credits for the three calendar years 2011 through 2013. 2013 is estimated to equal DMD-10 per Docket #WR12111019.

New Jersey American Water Company
Pro Forma PSTAC-Supporting Sewer Service Sales Worksheet
PSTAC Year 4/1/2013-3/31/2014

New Jersey American Water Company
BPU Docket No. WR1311____
Witness Responsible: Dante M. DeStefano

Schedule DMD-11
PSTAC Filing Year: 4/1/2013 - 3/31/2014
Page 2

Pro forma Lakewood Sewer Service Sales:

Total Sales Lakewood	1,230,807 (1)
	1,230,807

Pro forma Adelphia Sewer Service Sales:

Total Sales Adelphia	166,820 (2)
	166,820

Pro forma Ocean City Sewer Service Sales:

Total Sales Ocean City	344,784 (3)
	344,784

Notes:

- (1) Source: Average of customers' 2011, 2012 & 2013 actual wastewater consumption during the winter quarter, annualized. Also included is a usage adjustment to account for Lakewood minimum usage charges, which began 1/1/2011 as approved in Docket #WR10040260. This usage adjustment is consistent with that exhibited in SIR-14, Workpaper 5S, page 2 of 9 in Docket #WR11070460.
- (2) Source: Average of customers' 2011, 2012 & 2013 actual wastewater consumption.
- (3) Source: Average of 2011, 2012 and 2013 actual summer wastewater consumption.

New Jersey American Water Company
Statement of Pro Forma Filing Costs
PWAC Year 4/1/2013-3/31/2014

New Jersey American Water Company
BPU Docket No. WR1311____
Witness Responsible: Dante M. DeStefano

Schedule DMD-12
PSTAC Filing Year: 4/1/2013 - 3/31/2014
Page 1

Line
No.

	Estimated
	Pro Forma
	Filing Costs (2)
1	
2	
3	
4	
5	Legal \$0
6	Public Noticing 5,000
7	Court Reporting 2,000
8	
9	Total Pro Forma Filing Costs <u>\$7,000 (1)</u>
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	

(1) These costs carry to Schedule DMD - 3 for inclusion in PWAC recovery at 50%.

(2) Costs shown are equal to the PWAC filing costs for the year ended 3/13.

Agenda Date: 5/1/12
Agenda Item: 5A



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF)	ORDER ADOPTING INITIAL
NEW JERSEY AMERICAN WATER 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. 48:2-21.1¹, 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

¹The 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% increase² 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, 2011³. 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, 2012⁴. 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

²The 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%.

³On 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.

⁴By 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 Stipulation⁵, 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.

⁵Although 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:

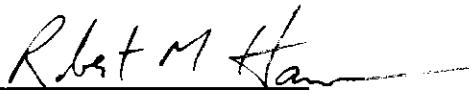
- a. On April 6, 2012, the Board Secretary received a letter from the Petitioner containing the proposed "Tariff for Water and Wastewater Service" consistent with the terms of the Stipulation. The Board HEREBY ACCEPTS the tariff as filed and makes it effective with this Order.
- b. The stipulated increase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

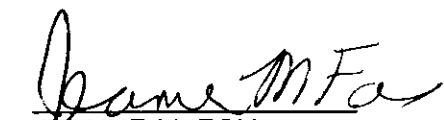
Based upon the forgoing, the Board HEREBY APPROVES an overall increase in revenues in the amount of \$30,009,522 representing a 5.23% increase over Company revenues totaling \$573,969,770.

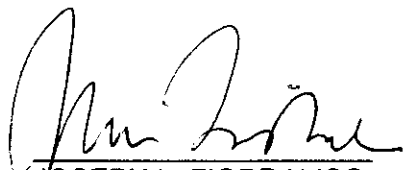
This Order shall be effective on May 1, 2012.

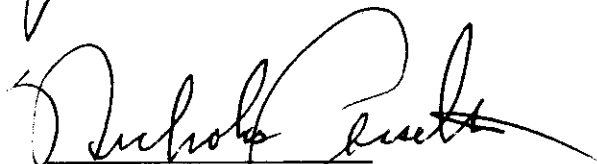
DATED: 5/1/12

BOARD OF PUBLIC UTILITIES
BY:



ROBERT M. HANNA
PRESIDENT

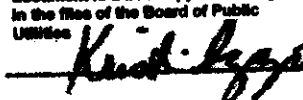

JEANNE M. FOX
COMMISSIONER


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


Rec'd 4/13/12

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

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)**

OAL DKT. NO. PUC 03268-10

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

OAL DKT. NO. PUC 03268-10

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.

OAL DKT. NO. PUC 03268-10

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

OAL DKT. NO. PUC 03268-10

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

04/02/2012 MON 15:55 FAX

010/036

**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.¹ 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.

¹ 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	(a)
FAS 106 (SA-2/SA-3) (Revised Amount)	\$228,479.35	6,923.62	5/1/2012	4/30/2014	(a)
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	(a)
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	(b)
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	(c)
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	

CLASS B	DETACHED SINGLE FAMILY 3 BEDROOM TOWNHOUSE	119.88	77.96
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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:

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

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.

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**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.
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Manasquan Customer Group

By: _____
Walter G. Reinhard, Esq.

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

By: _____
Ira G. Megdal, Esq.

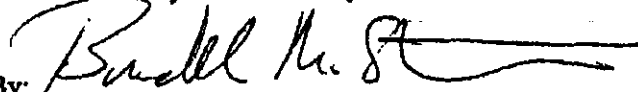
**STEFANIE A. BRAND, ESQ., DIRECTOR,
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By: _____
Bradford M. Stern, Esq.

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	16,704,158
Revenue Conversion Factor	<u>1.796530</u>
Revenue Deficiency	<u><u>\$30,009,522</u></u>

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

**SCHEDULE B
Page 1 of 2**

NARUC Account No.	Description	Total Deprec Rates
Source of Supply		
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	3.00%
315.00	Infiltration Galleries and Tunnels	2.73%
316.00	Supply Mains	1.60%
317.00	Other Water Source Plant	2.62%
Pumping Plant		
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%
Water Treatment Plant		
331.00	WT Structures & Improvements	2.69%
332.10	Treatment Plant Equipment	3.52%
332.20	Chemical Equipment	0.24%
Transmission & Distribution Plant		
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	0.69%

NARUC Account No.	Description	Total Deprec Rates
Transmission & Distribution Plant		
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%
General Plant		
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	13.29%
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%

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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	2.80%
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	5.80%
340.00	Structures & Improvements	3.26%
348.00	Outfall Sewer Lines	5.42%
381.00	Plant Sewers	5.42%
389.00	Other Plant Equipment	5.42%
381.00	Office Furniture & Equipment	6.97%
382.00	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%
389.10	Other P/E - CPS	20.00%

04/02/2012 MON 16:00 FAX

034/036



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)

04/02/2012 MON 16:00 FAX

035/036



FORNARO FRANCIOSO LLC
COUNSELLORS AT LAW

GOLDEN CREST CORPORATE CENTER
2277 STATE HIGHWAY 33, SUITE 408 • HAMILTON, NEW JERSEY 08690
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RICHARD D. FORNARO*
ANTHONY R. FRANCIOSO*

Of Counsel
KATHLEEN A. FRANCIOSO*

*MEMBERS OF THE NEW JERSEY & PENNSYLVANIA BARS

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



Saul Ewing
LLP

Stephen B. Genzer

Phone: (973) 286-6712

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sgenzer@saul.com

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April 2, 2012

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

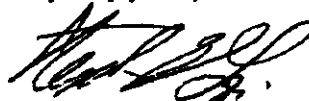
Re: In the Matter of the Petition of New Jersey American Water Company, Inc.
for Approval of Increased Tariff Rates and Charges For Water And Wastewater
Service; Change in Depreciation Rates and Other Tariff Modifications
BPU Docket No. WR11070460
OAL Docket No. PUC 9799-11

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

Agenda Date: 03/20/13
Agenda Item: 5A



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF NEW)
JERSEY AMERICAN WATER COMPANY, INC. FOR) ORDER ADOPTING INITIAL
AUTHORIZATION TO CHANGE THE LEVELS OF) DECISION/STIPULATION
ITS PURCHASED WATER ADJUSTMENT CLAUSE)
AND PURCHASED WASTEWATER (SEWERAGE)) BPU DOCKET NO. WR12111019
TREATMENT ADJUSTMENT CLAUSE) OAL DOCKET NO. PUC 16171-2012S

Parties of Record:

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

BY THE BOARD:

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

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

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

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

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

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

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

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

BACKGROUND/PROCEDURAL HISTORY

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

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

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

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

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

DISCUSSIONS AND FINDINGS²

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

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

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

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

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

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

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

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

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

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

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

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

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

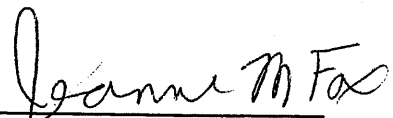
The Board **HEREBY ACCEPTS** the tariff pages attached to the Stipulation as filed with the Board, to be effective on April 1, 2013.


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

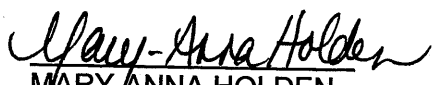
DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT



JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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


Handwritten:
3/12/13

REC'D

2013 MAR 12 PM 1 05

NJ OAJ
CASE MANAGEMENT



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 16171-12

AGENCY DKT. NO. WR12111019

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

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

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

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

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

Record Closed: March 1, 2013

Decided: March 6, 2013

OAL DKT. NO. PUC 16171-12

BEFORE ELIA A. PELIOS, ALJ:

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

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

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

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

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

OAL DKT. NO. PUC 16171-12

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

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

March 6, 2013

DATE



ELIA A. PELIOS, ALJ

Date Received at Agency:

Date Mailed to Parties:

3/9/13

/mel

OAL DKT. NO. PUC 16171-12

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

Submitted by Middlesex Water Company

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



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

P 973.564.5716
F 973.564.5708

March 1, 2013

Via Facsimile and Regular Mail

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

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

Dear Judge Pelios:

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

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

Very truly yours,

/s/ Robert J. Brabston

Robert J. Brabston

RJB:dlc
Enclosures

cc: Service list (via e-mail)

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

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

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

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Robert R. Schaefer, PE
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New Jersey American Water
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Bound Brook, NJ 08805

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

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

APPEARANCES:

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

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

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

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

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

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

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

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

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

- For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings) as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.4273 per thousand gallons to \$4.4342 per thousand gallons.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, would change from \$22.4508 per thousand gallons to \$22.9357 per thousand gallons.
- 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 \$6.0167 per thousand gallons to \$6.2470 per thousand gallons.

The Board transmitted this matter to the Office of Administrative Law (the "OAL") as a contested case. A telephonic prehearing conference was held with ALJ Elia Pelios during which, among other things, the Judge directed that public hearings be held on this matter.

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

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

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

SETTLEMENT AGREEMENT

1. The Parties recommend that the Board approve a change to Petitioner's PWAC rate on PWAC Rate Schedule O-1 from \$0.4528 per thousand gallons of water for Non-Exempt customers to \$0.4368 per thousand gallons of water for Non-Exempt customers and from \$0.3905 per thousand gallons of water for Exempt customers to \$0.3767 per thousand gallons of water for Exempt customers.
2. The Parties further recommend that the Board permit Petitioner to change its effective PSTAC charges as follows:
 - For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B will change from \$4.4273 per thousand gallons to \$3.7037 per thousand gallons.
 - For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, will change from \$22.4508 per thousand gallons to \$24.2983 per thousand gallons.
 - For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, will change from \$6.0167 per thousand gallons to \$6.0933 per thousand gallons.
3. The effective PWAC rate change would result in a decrease in the annual bill of an average residential customer utilizing 6,500 gallons per month as follows:

	<u>Present Monthly Bill</u>	<u>Proposed Per month</u>	<u>Amount Decrease</u>	<u>Percentage Decrease</u>
SA-1	\$52.16	\$52.05	(\$0.11)	(0.21%)
SA-1B Pennsgrove	\$38.39	\$38.28	(\$0.11)	(0.29%)
SA-1D	\$45.69	\$45.58	(\$0.11)	(0.24%)
SA-2, SA-3 & SA1A	\$49.51	\$49.40	(\$0.11)	(0.22%)
SA-2 Manville	\$46.08	\$45.98	(\$0.10)	(0.22%)
SA-3 Southampton	\$42.67	\$42.57	(\$0.10)	(0.23%)

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

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

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

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

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

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

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

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

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

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

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


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

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: _____
Christine M. Juarez
Assistant Deputy Rate Counsel

Dated:

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By:  _____
Robert J. Brabston
Corporate Counsel

Dated:

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

By: _____
Alex Moreau
Deputy Attorney General

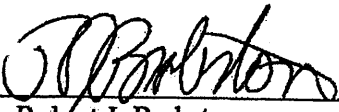
Dated:

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: _____
Christine M. Juarez
Assistant Deputy Rate Counsel


Dated:

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COMPANY, INC.

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Corporate Counsel

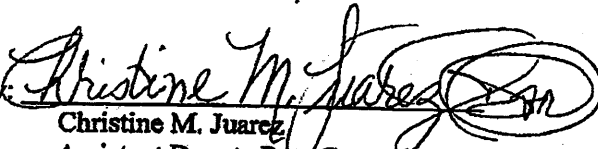
Dated:

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

By:  _____
Alex Moreau
Deputy Attorney General


Dated: 02/26/2013

STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: 
Christine M. Juarez
Assistant Deputy Rate Counsel


Dated:

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By: 
Robert J. Brabston
Corporate Counsel

Dated:

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

By: 
Alex Moreau
Deputy Attorney General

Dated: 02/26/2013



Via Facsimile & Overnight Mail
(609) 689-4100

March 1, 2013

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

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

Dear Judge Pelios:

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

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

Should you have any questions, please contact me.

Respectfully,



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

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