

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

IN THE MATTER OF THE PETITION OF : BPU Docket No. WR1311_____
NEW JERSEY-AMERICAN WATER :
COMPANY, INC. FOR AUTHORIZATION :
TO CHANGE THE LEVEL OF ITS : PETITION
PURCHASED WATER ADJUSTMENT :
CLAUSE AND PURCHASED :
WASTEWATER (SEWERAGE) :
TREATMENT ADJUSTMENT CLAUSE :

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, New Jersey-American Water Company, Inc. (“NJAWC” or “Company”), a duly organized and existing public utility corporation of the State of New Jersey, with its principal office at 1025 Laurel Oak Road, Voorhees, New Jersey 08043, hereby petitions the Board of Public Utilities (“Board”) of the State of New Jersey, pursuant to pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 et seq., and such statutes, regulations and Board orders that may be deemed by the Board to be applicable, for approval to change the levels of its existing purchased water adjustment charges and purchased wastewater (sewerage) treatment adjustment charges. The proposed rates in this Petition would increase annual revenues by \$4,483,878 or 0.69%. In support of this Petition, NJAWC states as follows:

1. NJAWC is a regulated public utility corporation engaged in the production, treatment and distribution of water, and collection and treatment¹ of wastewater within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties: Atlantic; Burlington; Camden; Cape May; Essex; Gloucester; Hunterdon; Middlesex; Mercer; Monmouth; Morris; Ocean; Passaic; Salem;

¹ Currently, NJAWC treats wastewater at its Pottersville, Deep Run, and former AWWM facilities.

Somerset; Union; and Warren. As of December 31, 2012, NJAWC serves approximately 605,000 metered water and 35,500 sewer service customers in 188 municipalities.

2. At the present time, NJAWC 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 wastewater 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 wastewater treatment purveyors are: Cape May County Municipal Utilities Authority (“CMCMUA”) for the Company’s Ocean City Sewer tariff group; Ocean County Utilities Authority (“OCUA”) for the Company’s Lakewood Sewer tariff group; and Howell Township for the Company’s Adelphia Sewer tariff group. The aforementioned agreements are annexed to the Petition as Appendix A.

3. In BPU Docket No. WR06030257, the Board ordered that all purchased water adjustment costs and purchased wastewater treatment costs be removed from base rates and recovered through the Purchased Water Adjustment Clause (“PWAC”) and Purchased Wastewater (Sewerage) Treatment Adjustment Clause (“PSTAC”) as applicable.

4. In that same docket, the Board ordered that these clauses will be subject to deferred accounting, pursuant to N.J.A.C. 14:9-7.1 et seq., and that all purchased water

adjustment costs and all purchased wastewater treatment adjustment costs will be recovered through these clauses, as is appropriate.

5. In that same docket, the Board ordered that NJAWC will make annual filings for the recovery of these costs in accordance with the Board's rules and regulations pursuant to N.J.A.C. 14:9-7.1, et seq.

6. The present Petition is filed in accordance with N.J.A.C. 14:9-7.1, et seq.

7. NJAWC's current PWAC and PSTAC rates were established in BPU Docket No. WR12111019, by an Order dated March 20, 2013 and effective April 1, 2013. By virtue of that Order, NJAWC's PWAC rate was established at \$0.4368 per thousand gallons of water as reflected in the Company's Tariff BPU No. 8, on PWAC Rate Schedule O-1.

8. The PWAC is not applicable to customers receiving private or public fire protection, since these customers do not receive metered water consumption services, nor to Sales for Resale—Uninterruptible Manasquan Service.

9. By that same Order, the Company's PSTAC rates were addressed as follows:

- For customers in Lakewood Township, Ocean County, the rate per thousand gallons of monthly usage (based upon winter usage - January, February and March meter readings) reflected on PSTAC Rate Schedule 2-B, was set at \$3.7037 per thousand gallons, as established within BPU Dkt. No. WR06030257.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer quarter water usage (July, August and September meter readings) reflected in the Company's PSTAC Rate Schedule 1-B, was set at \$24.2983 per thousand gallons.
- For customers in the Adelpia system in Howell Township, Monmouth County, the rate per thousand gallons of monthly water usage, reflected in PSTAC Rate Schedule 3-B, was set at \$6.0933 per thousand gallons.

10. By the present Petition, NJAWC proposes an increase to its PWAC rate of \$0.4368 per thousand gallons of water to a new PWAC rate of \$0.4810 per thousand gallons of water, as set forth within its present PWAC Rate Schedule O-1. The Company proposes to address its PSTAC charges as follows:

- For Lakewood Township, Ocean County, the rate per thousand gallons as reflected within PSTAC Rate Schedule 2-B will change from \$3.7037 per thousand gallons to \$4.0035 per thousand gallons.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, will change from \$24.2983 per thousand gallons to \$25.5426 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 \$6.0933 per thousand gallons to \$6.7920 per thousand gallons.

11. If implemented as proposed, the PWAC rate of a typical residential customer utilizing 78,000 gallons of water per year would result in a \$0.29 increase in the average monthly bill.

The PSTAC rate increase for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, would result in an increase in the average monthly bill of \$1.80 or 3.12 %; the PSTAC rate increase for a typical residential sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons of water in the summer quarter and 44,000 gallons of water per year, would result in an increase in the average monthly bill of \$2.07 or 3.14%; the PSTAC rate increase for a typical residential sewer service customer in the Adelpia section of Howell

Township, Monmouth County utilizing 48,000 gallons of water per year, would result in an increase in the average monthly bill of \$2.80 or 5.38%.

12. Attached hereto and incorporated herein is the following testimony:

- Prepared Direct Testimony of Dante M. DeStefano, Financial Analyst III, New Jersey-American Water Company, Inc., Exhibit PT-1
- Prepared Direct Testimony of Robert R. Schaefer, Senior Director, Production, New Jersey-American Water Company, Inc., Exhibit PT-2

13. Mr. DeStefano's testimony addresses, *inter alia*, historic water supply purchases and historic purchased water costs incurred by the Company, and historic PWAC revenue recovered by the Company during the PWAC year ending March 31, 2014. It also addresses historic purchased wastewater treatment costs and historic PSTAC revenue recovered by the Company during the PSTAC year ending March 31, 2014. It also addresses efforts the Company has made and is making to control its purchased wastewater treatment costs. It also addresses projected PWAC and PSTAC costs and revenues for the PWAC and PSTAC years ending March 31, 2015. It also addresses a true up reconciliation of actual purchased water and purchased wastewater treatment costs, versus PWAC and PSTAC revenues for the PWAC and PSTAC years ending March 31, 2014, and the calculation of interest thereon, as applicable. It also provides a rate calculation for the PWAC and PSTAC rates for the PWAC and PSTAC years ending March 31, 2015. Finally, Mr. DeStefano appends proposed PWAC and PSTAC tariffs to his testimony.

14. Mr. Schaefer's testimony addresses projected PWAC volumes and cost recoveries for the PWAC year ending March 31, 2015. Mr. Schaefer also addresses the numerous efforts that the Company has made to control its purchased water costs.

15. With respect to N.J.A.C. 14:9-7.3(a), the Company's total purchased water expense for the PWAC year ending March 31, 2014 amount to \$29,820,051 and its

purchased wastewater treatment expense for the same period amount to \$14,225,550, whereas the total Company operating and maintenance expense for the 2012 calendar year was \$260,844,642. Accordingly, NJAWC's total purchased water and wastewater treatment cost exceeds 10% of the total amount of its operating and maintenance expense.

16. In accordance with the provisions of N.J.A.C. 14:9-7.6(b)(1), attached to this Petition as Appendix A and incorporated into the prepared direct testimony of Mr. DeStefano are the contracts for the purchase of wastewater treatment and the contracts for the purchase of water. The contracts for the purchase of water are also incorporated into the prepared direct testimony of Mr. Schaefer.

17. In accordance with the provisions of N.J.A.C. 14:9-7.6(b)(3), as of the conclusion of NJAWC's most recent base rate proceeding, BPU Docket No. WR11070460, NJAWC served approximately 615,000 water service customers in seven classes and 35,500 sewer service customers in four classes. The Order in that case was issued on May 1, 2012.

18. In accordance with N.J.A.C. 14:9-7.6(b)(4), the total actual volume of water (MGY) and purchased wastewater treatment (MGY) contained within and that underlie the Company's current PWAC and PSTAC rates in the Company's most recent PWAC/PSTAC filing, BPU Docket No. WR12111019, were 57,763.0 MGY and 2,633.4 MGY, respectively. For calendar year 2012, the volumes are 57,527.1 MGY and 2,629.9 MGY, respectively.

19. In accordance with N.J.A.C. 14:9-7.6(b)(6) and N.J.A.C. 14:1-5.12, copies of the proposed PWAC and PSTAC tariff sheets are annexed to the testimony of Dante DeStefano as Schedule DMD-A and Schedule DMD-B, respectively.

20. In accordance with N.J.A.C. 14:9-7.6(b)(7), a copy of the most recent Board Orders approving base rates and PWAC/PSTAC rates for the Company are appended to the testimony of Mr. DeStefano.

21. In accordance with N.J.A.C. 14:9-7.6(b)(8), there is a description of the Company's efforts to investigate and negotiate with purveyors, to ensure that charges are such that they will not hamper the Company's efforts to ensure that its rates are just and reasonable, are set forth in the testimonies of Mr. Schaefer and Mr. DeStefano.

22. In accordance with N.J.A.C. 14:9-7.6(b)(9), attached to the pre-filed direct testimony of Mr. DeStefano is a schedule of expenses anticipated in connection with this proceeding.

23. Notice of this filing, and the effect thereof, will be served by mail upon the clerks of municipalities within the Petitioner's service area, upon the Clerks of the Boards of Chosen Freeholders within Petitioner's service area, and upon the County Executives within Petitioner's service area, at least twenty (20) days prior to the date set for the public hearing, which notice shall include and specify the time and place of said hearing. A copy of the proposed form of Notice is attached to this Petition as Exhibit A.

24. Customers will be notified of this filing and the effect thereof as well as the time and place of the public hearing by publication of Exhibit A, at least twenty (20) days prior to the date set for the public hearing, in newspapers of general circulation within Petitioner's service territory.

25. Additionally, the Petition and applicable attachments as well as the Public Hearing Notice for this proceeding can be viewed on the Company's website at

www.newjerseyamwater.com by first selecting Customer Service and then Rates Information.

26. Notice of this filing and three (3) copies thereof have been served upon the Director, Division of Rate Counsel, 140 East Front Street 4th Floor, P.O. Box 003, Trenton, New Jersey 08625.

27. Notice of this filing and two (2) copies of the filing have been served upon the Department of Law & Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07101.

28. Proof of Service of the Notice as previously referred to herein will be filed with the Board.

29. Petitioner respectfully submits that the rates requested by it herein are just and reasonable in all respects.

WHEREFORE, Petitioner respectfully requests that the Board find and determine as follows:

1. That the proposed PWAC and PSTAC rates set forth in this Petition are just and reasonable; and
2. That Petitioner has such other and further relief as the Board may deem reasonable and proper under the circumstances represented to it in this case.

Respectfully submitted,

NEW JERSEY-AMERICAN
WATER COMPANY, INC.



By: Robert J. Brabston

Dated: November 1, 2013

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