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January 16, 2014

Via Hand Delivery

Honorable Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: Petition of Aqua New Jersey, Inc. for Approval of an
Increase in Rates for Water Service and Other Tariff Changes
BPU Docket No. WR14010019

Dear Secretary Izzo:

Enclosed for filing please find an original and ten (10) copies, plus one additional copy, of a Petition submitted on behalf of Petitioner, Aqua New Jersey, Inc., initiating the above-referenced matter. Kindly stamp the additional copy "filed" and return it in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this filing, please contact me. Thank you for your attention to this matter.

CMS M. Masser
Beslow(2) M. Beyer
DAG J. Ford-Williams
RPA
M. MORAN
M. KAMMER
WATER

Respectfully submitted,

Stephen B. Genzer

SBG/jg
Enclosures
cc: Service List (w/encl.)

SERVICE LIST

**Petition of Aqua New Jersey, Inc.
For Approval of an Increase in Rates for Water Service
And Other Tariff Changes
BPU Docket No. WR1401 _____**

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

PETITION OF AQUA NEW JERSEY, INC.:
FOR APPROVAL OF AN INCREASE : **BPU DKT NO. WR1401** _____
IN RATES FOR WATER SERVICE :
AND OTHER TARIFF CHANGES :
:

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Petitioner, Aqua New Jersey, Inc. (hereinafter "Petitioner," "Aqua" or the "Company"), respectfully submits this Petition pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:1-5.12, N.J.A.C. 14:9-10.1 et seq. and N.J.A.C. 14:9-7.1 et seq. and shows that:

1. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities (the "Board"). Petitioner's principal business office is located at 10 Black Forest Road, Hamilton, New Jersey 08691.

2. Petitioner is engaged in the business of collecting, treating and distributing water for retail service to approximately 51,300 customers.¹ The Company's customers are located in several municipalities in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Ocean, Sussex and Gloucester Counties, New Jersey. The Company has organized its business by the following Divisions: Northern Division (based in Phillipsburg), Central Division (based in Hamilton), Eastern Division (based in Berkeley) and the Southern Division (based in Blackwood).

3. The primary purpose of this Petition is to seek an increase in base rates for water service. The Company's request is driven by several factors including: continuing increases in

¹ Petitioner is also engaged in the wastewater collection, treatment and transmission business and currently serves approximately 5,600 wastewater customers. Rates for wastewater service are not the subject of this Petition.

operating expenses, and the significant capital expenditures required to continue to provide safe, adequate and proper water service and to comply with state and federal regulations. As will be discussed in greater detail in the testimony supporting this Petition, increased expenses, coupled with increased capital expenditures and declines in revenues, have reduced the Company's earnings. Consequently, Petitioner's present rates for water service are inadequate to meet those increased expenses, support the required capital improvement programs, and provide Petitioner with a reasonable return on its investment in utility plant.

4. Petitioner proposes to increase rates for the purpose of producing additional revenues of approximately \$3,899,014 or approximately 11.16% above the adjusted annual level of revenues for the test year ending April 30, 2014. The additional revenues requested herein are required to enable the Company to maintain a satisfactory credit position, preserve its financial integrity, permit proper maintenance and improvement of the utility plant required to furnish safe, adequate and proper service to its customers, encourage continued good management and provide an incentive for efficiency, prevent confiscation or diminution of its property, and to earn a reasonable return upon the fair value of its property used and useful in the public service.

5. In addition to the proposed increase in rates, Petitioner also seeks the Board's approval of the following requests:

- a. To update its existing Distribution System Improvement Charge foundational filing;
- b. To authorize an acquisition adjustment associated with the Company's acquisition of a small water system;
- c. To mitigate the impact of increased charges for public and private fire protection services;

- d. To make the baseline findings necessary to implement a Purchased Water Adjustment Clause; and
- e. To revise the Company's tariffs to reflect the above requests.

Distribution System Improvement Charge

6. Pursuant to N.J.A.C. 14:9-10.1 et seq., the Company previously obtained the Board's approval of a foundational filing (in BPU Dkt. No. WR12070685), which approval authorized Aqua to institute a Distribution System Improvement Charge ("DSIC") to recover certain costs related to investments in DSIC-eligible plant. On July 1, 2013, the Company implemented a DSIC surcharge for plant additions made during the November 1, 2012 through April 30, 2013 DSIC Recovery Period. On November 15, 2013, the Company made a second filing to permit it to increase the DSIC surcharge to reflect plant additions made during the May 1, 2013 through October 31, 2013 DSIC Recovery Period. The Company's DSIC surcharge related to these investments became effective on, or about, January 1, 2014.

7. Consistent with N.J.A.C. 14:9-10.4(b)(6), the Company intends to use this base rate proceeding to update its existing foundational filing to reflect planned investments and projects to be completed over the next several years. The Company will supplement this Petition with the updated DSIC foundational filing once that plan has been finalized. In order to avoid a "gap" in the recognition of DSIC-eligible plant, and insure the timely recovery of related DSIC costs, the Company requests that its updated foundational filing be made effective as of the last day of the DSIC Recovery Period for which a DSIC surcharge has been implemented at the time this base rate proceeding is concluded.

8. The Company notes that by the completion of this base rate proceeding, it will have implemented at least two interim DSIC surcharge increases. Consistent with the DSIC

regulations, the Company requests that any DSIC projects presently being recovered via the DSIC surcharge be included, and reflected, in rate base, and that a new DSIC cap be set at the conclusion of this proceeding.

9. The Company is aware of the Board's recent decision in I/M/O the Petition of United Water New Jersey Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes, BPU Dkt. No. WR13030210, Order (dated November 22, 2013), and that a Motion for Clarification is pending in that matter. Aqua reserves its right to amend this request to address any final determinations which may be made by the Board in that proceeding.

Cost Recovery Related to Acquisitions

10. Since its last base rate case, Aqua has acquired the assets of the Tranquility Springs Water Company. In this proceeding, the Company seeks to reflect an acquisition adjustment as well as the organizational costs associated with this acquisition, just as the Company has done with prior small water providers. Prior to its acquisition by Aqua, Tranquility Springs Water Company had reached a point at which it was no longer economically viable. By acquiring the system and making needed capital, technical and managerial investments, Aqua is helping to insure that the customers of the system will receive safe, adequate and proper utility service. Therefore, Aqua believes it is appropriate to reflect on its books the full cost of this acquisition. This issue is discussed in additional detail in the testimony of Mr. Packer and Mr. Barbato.

Public and Private Fire Charges

11. Over its last several rate cases, the Company has taken steps to recognize, and mitigate to the extent possible, increases in charges for fire protection services. In particular, the Company has attempted to mitigate increases to public fire charges in recognition of the impact

of these charges on the municipalities and fire districts the Company serves. In this proceeding, the Company proposes to increase fire charges by approximately 4.21%. As discussed in greater detail in Mr. Packers' testimony, the Company believes that the modest impact of this proposal on other rate classes will not create undue hardship, will assist Aqua's municipalities and fire districts, and will better align its rates to the customers benefitting from the services they receive.

Purchased Water Adjustment Clause

12. Petitioner also seeks to make the findings necessary to identify the baseline data required to implement a Purchased Water Adjustment Clause ("PWAC") and will supplement this Petition as appropriate to meet the requirements contained in N.J.A.C. 14:9-7.1 et seq.

13. Petitioner hereby notifies the Board that, for the reasons stated above, it seeks approval to increase its rates for water service, as provided in the proposed tariffs in Exhibit P-5 attached hereto, for service rendered on and after February 21, 2014, which date is at least thirty (30) days after the filing of this Petition. The Petitioner also notifies the Board that it intends to implement the proposed rates on October 18, 2014, on an interim basis pursuant to law, if the Board has suspended the effective date of the new rates pursuant to N.J.S.A. 48:2-21, but has not finally determined a just and reasonable tariff schedule prior to that date.

14. Annexed hereto and made a part hereof as if fully set forth herein are the following exhibits:

Exhibit P-4 - Present Tariffs.

Exhibit P-5 - Proposed Revised Tariffs including Rate Schedules.

Exhibit P-6 - Proposed Form of Notice.

Exhibit P-7 - Balance Sheet Assets.

Exhibit P-8 - Balance Sheet Liabilities.

Exhibit P-9 - Income Statement

Exhibit P-10 - Detail of O&M Expenses.

Exhibit P-11 - Most Recent Balance Sheet.

Exhibit P-12 - Most Recent Income Statement.

Exhibit P-13 - Income Statement under Present and Proposed Rates.

Exhibit P-14 - Calculation of Cost of Capital and Rate of Return.

Exhibit P-15 - Rate Increase Calculation.

Exhibit P-17 – Metered Sales, Summary and Detail.²

Exhibit P-20 - Summary of Operations and Maintenance Expenses

Exhibit P-21 – Summary of Taxes Other Than Income

Exhibit P-22 - Federal Income Tax Calculation

Exhibit P-23 – Amortization Adjustments

Exhibit P-25 - Interest Expense

Exhibit P-26 - Rate Base Summary and Rate of Return.

Testimonies:

PT-1 Packer

PT-2 Barbato

PT-3 Hildabrant

PT-4 Ahern

PT-5 Franceski

15. The Company has provided the direct testimony of the following individuals: William C. Packer, Jr., James Barbato, John Hildabrant, Pauline M. Ahern, and Daniel Franceski. The Company intends to supplement this Petition as needed and will furnish such

other and additional information and testimony as may be required by the Board or by the processing of this application.

16. In addition to the Secretary of the Board, notices of this filing and all annexed exhibits are being served upon the State of New Jersey, Division of Rate Counsel and the Office of the Attorney General. Notice of the filing will be furnished to Petitioner's customers by placing a line on customers' bills including a website address at which customers may access copies of this filing, by prominently posting this filing on the Company's website, and by a notice placed in newspapers published and circulated in Petitioner's service areas pursuant to the rules of the Board after the Parties have concurred on its substance. Proof of service of the notices referred to herein will be filed with the Board in accordance with the Board's regulations. Copies of an approved form of Notice and the proposed tariffs will be served upon the respective municipalities and counties pursuant to the Board's regulations.

17. Correspondence in this matter should be addressed to the following:

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² Please note that the following Exhibit numbers will not be used in this filing: P-16, P-18, P-19, and P-24.

WHEREFORE, Petitioner, Aqua New Jersey, Inc., respectfully requests that the proposed increase in rates be approved pursuant to N.J.S.A. 48:2-21, and that the additional relief requested be granted pursuant to N.J.A.C. 14:1-5.12, N.J.A.C. 14:9-10.1 et seq., and N.J.A.C. 14:9-7.1 et seq., and that such other relief as described herein be granted by the Board.

Respectfully submitted,

By: 

Stephen B. Genzer
Saul Ewing LLP
Attorneys for Aqua New Jersey, Inc.

Dated: January 16, 2014

