



REC'D State of New Jersey

DIVISION OF RATE COUNSEL

140 EAST FRONT STREET, 4<sup>TH</sup> FL

P. O. BOX 003

TRENTON, NEW JERSEY 08625

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CASE MANAGEMENT

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CHRIS CHRISTIE  
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STEFANIE A. BRAND  
Director

July 2, 2014

**VIA HAND DELIVERY**

Honorable Kristi Izzo, Secretary  
State of New Jersey, Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625

**Re: I/M/O the Petition of Aqua New Jersey, Inc. for Approval of Municipal Consents to Provide Water and Wastewater Service to Areas of the Township of North Hanover and the Borough of Wrightstown, and Other Required Approvals  
BPU Docket No.: WE13121186**

Dear Secretary Izzo:

Please accept for filing an original and eleven copies of the Division of Rate Counsel's ("Rate Counsel") comments regarding the above referenced matter. Please date stamp the additional copy as "filed" and return it in the enclosed, self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

**Background**

On or about December 18, 2013, Aqua New Jersey, Inc. ("Aqua" or "Company") filed a Petition with the Board requesting the Board's approval of two separate municipal consents ("Municipal Consent") adopted by two separate townships – North Hanover Township and the Borough of Wrightstown, both located in Burlington County, New Jersey.<sup>1</sup> These municipal consents would expand the Company's water and wastewater franchise area to serve a mobile

<sup>1</sup> Petition, paragraphs 2 & 4.

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home community of approximately 221 residents known as Spartan Village.<sup>2</sup> While the Spartan Village is located in both Wrightstown and North Hanover, all water and sewer facilities are located in North Hanover only.<sup>3</sup> Pursuant to Asset Purchase Agreements, the Company has agreed to purchase the assets of the Spartan Village water and wastewater systems for one dollar.<sup>4</sup> Moreover, the owners of Spartan Village have agreed to place \$300,000 in escrow to fund necessary capital improvements to the water and wastewater systems after Aqua purchases the systems.<sup>5</sup> Among the intended improvements will be the installation of customer meters.<sup>6</sup>

The Company's petition proposes to charge Spartan Village customers rates for water and wastewater services according to its tariffs already on file with the Board after the customer meters are installed. The filed tariff for wastewater is a flat rate and charges consistent with that tariff can be initiated on closing. The filed water tariff is composed of a fixed service charge and a volumetric rate. As a result, the new meters must be in service before the filed water tariff can be implemented. Because of this, the Company proposed an interim flat rate for water. The calculation of the flat rate was amended during the course of this proceeding and the current proposal is to charge water customers a flat monthly rate of \$25.00. At the average anticipated use of 3,000 gallons per month, the proposed flat rate bill will be 90% of the bill that the average customer will receive once the meter installation project is complete. Customers will not pay a DSIC charge during this interim period. Pursuant to the Company's Board-approved sewer tariff, customers will pay a flat rate of \$51.98 per month.<sup>7</sup> This rate will increase to \$61.40 per month effective March 1, 2015. The owners of Spartan Village have agreed to reduce the lot

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<sup>2</sup> Petition, para. 3.

<sup>3</sup> RCR-9.

<sup>4</sup> Petition, para. 6.

<sup>5</sup> Id.

<sup>6</sup> Petition, para. 8.

<sup>7</sup> RCR-4.

rental fee by \$70 per month following the sale in recognition of the fact that customers will now separately pay for water and wastewater utilities that previously had been included in their lot fees.<sup>8</sup>

The term of the franchise granted by North Hanover Township is limited to a period of fifty years.<sup>9</sup> The term of the franchise granted by Wrightstown Borough is limited to a period of three years, and automatically renews for nine additional three-year terms. However, either party may give notice to the other party to terminate the franchise at the end of the expiration of the then current term.<sup>10</sup>

A public hearing was held on the Petition on June 12, 2014 at the offices of the BPU in Trenton. There were no members of the public in attendance.

### **Recommendation**

Rate Counsel has no objection to approval of these proposed municipal consents. The Company currently provides water and wastewater service to the nearby area and it has extensive experience providing water service in numerous communities in New Jersey.<sup>11</sup> The Company has the necessary expertise to provide water service in the franchise area. Additionally, the Company has access to managerial, technical and financial resources to support its operations in a safe, adequate and proper manner.

Approval of the Petition should not include authorization to include in rate base the specific assets that will be constructed as a result of approval of this Petition. The determination of any assets to be included in rate base and the ratemaking impact of serving these new customers should be addressed in a future base rate proceeding.

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<sup>8</sup> RCR-3.

<sup>9</sup> Petition, Exhibit A.

<sup>10</sup> Petition, Exhibit B.

<sup>11</sup> RCR-7.


Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

These provisions will satisfy the concerns of Rate Counsel that the Company complies with the proper statutory framework, that BPU approval is limited to the Municipal Consent, and that there is no authorization to include any specific assets or amounts in rate base, nor authorization for any other ratemaking treatment. If the Board adopts these conditions, Rate Counsel is not opposed to approval of the Petition.

Respectfully submitted,

STEFANIE A. BRAND, ESQ.  
Director, Division of Rate Counsel

By:   
Christine M. Juarez, Esq.  
Assistant Deputy Rate Counsel

CMJ/dn

cc: Service List *via regular mail*

In the Matter of the Petition of Aqua New Jersey, Inc., for Approval Of Municipal Consents to Provide Water and Wastewater Service to Areas of the Township of North Hanover and the Borough of Wrightstown, And Other Required Approvals

BPU Docket No.: WE13121186

Hon. Kristi Izzo, Secretary  
NJ Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Stefanie A. Brand, Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Debra R. Robinson, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Christine M. Juarez, Esq.  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
P.O. Box 003  
Trenton, NJ 08625

Maria L. Moran, Director  
Division of Water  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Michael Kammer  
Division of Water  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Mark Beyer  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Mona Mosser  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, NJ 08625-0350

Carolyn Vachier, DAG  
Division of Law  
Dept. of Law & Public Safety  
124 Halsey Street, 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, NJ 07101

Scott H. Mitchell  
Director, Corporate Development  
Aqua New Jersey, Inc.  
10 Black Forest Road  
Hamilton, NJ 08691

Colleen A. Foley, Esq.  
Saul Ewing, LLP  
One Riverfront Plaza, 15<sup>th</sup> Floor  
1037 Raymond Blvd.  
Newark, NJ 07102