



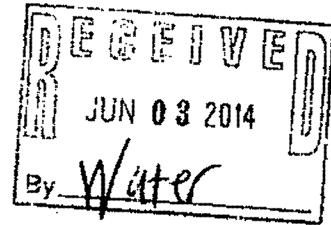
MIDDLESEX
WATER COMPANY

REC'D
2014 MAY 30 PM 1 51
NJ BPU
CASE MANAGEMENT

May 29, 2014
(Via Federal Express)

Honorable Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue
9th Floor, PO Box 350
Trenton, NJ 08625-0350

Re: In the Matter of the Petition of Middlesex Water Company
for Approval of a Foundational Filing for Establishing a
Distribution System Improvement Charge.
BPU Docket No.: WR14050508



Dear Secretary Izzo:

Enclosed herewith for filing please find the original and eleven (11) copies of Middlesex Water Company's Petition and Foundational Filing in the above-referenced matter.

Two copies of this Petition and Foundational Filing have this day been sent via Federal Express to the Department of Law and Public Safety and the Director of the Division of Rate Counsel and, by first class mail, upon the clerks of the various municipalities comprising the Petitioner's service territory as set forth on Service List B.

The Company respectfully submits this Petition and Foundational Filing pursuant to N.J.A.C. 14:9-10.1 et seq. to enable the implementation of a Distribution System Improvement Charge ("DSIC").

Kindly stamp "filed" on the extra copy of the Petition enclosed herewith and please return it to us in the enclosed, stamped, self-addressed envelope.

Very truly yours,

Jay Kooper

Jay L. Kooper
Vice President, General Counsel & Secretary

CMS
Legal (2)
DAG
RPA
Water/M. Moran (6)
Cust. Asst.

JLK:rk
Enclosures

cc: Service List B

Board of Public Utilities Memorandum

To: The Board

From: Maria L. Moran, Director
Division of Water

Date: August 4, 2014

Re: In the Matter of the Petition of Middlesex Water Company
For Approval of a Foundational Filing for Establishing
A Distribution System Improvement Charge
BPU Docket No. WR14050508

Executive Summary

- On May 30, 2014, Middlesex Water Company, Inc. (Company or Petitioner), a public utility corporation of the State of New Jersey, filed a petition (the Foundational Filing) pursuant to N.J.A.C. 14:9-10.1 *et seq.* seeking to enable the implementation of a Distribution System Improvement Charge (DSIC). Specifically, the Company requested that the Board of Public Utilities (Board) approve the Company's Foundational Filing pursuant to N.J.A.C. 14:9-10.4(b) to recover costs associated with DSIC-eligible projects through an approved DSIC rate.

Background/Procedural History

- The Company's initial DSIC Foundational Filing was approved by the Board on February 21, 2013 in BPU Docket No. WR12111021. In its November, 2013 base rate filing, BPU Docket No. WR13111059, the Company reserved Exhibit K to be used for its updated DSIC Foundational Filing. However, the Company, in the Stipulation, withdrew its request to approve a new DSIC Foundational Filing as part of the base rate case. The base rate increase incorporated the entirety of the Company's first DSIC recovery period (March 1, 2013 through August 31, 2013) and second DSIC recovery period (September 1, 2013 through February 28, 2014). The base rate increase also incorporated the entirety of the DSIC-eligible projects from March 1 through March 31, 2014 which, absent a base rate case, would otherwise have been eligible for recovery during a third DSIC recovery period concluding on August 31, 2014.
- The Petitioner ultimately filed its second Foundational Filing on May 30, 2014, as a separately docketed matter from the base rate case. The Company, the Division of Rate Counsel, and the Staff of the Board of Public Utilities (collectively, the Parties) convened a telephone scheduling conference and agreed to a procedural schedule, which would permit this matter to be acted upon by the Board within the ninety (90) day period specified in N.J.A.C. 14:9-10.4(c). The Petitioner responded to discovery requested from all Parties.

- On June 30, 2014, the Parties convened a telephone scheduling conference and agreed to a procedural schedule which would permit this matter to be acted upon by the Board within the ninety (90) day period specified in N.J.A.C. 14:9-10.4(c).
- After proper notice, a public hearing was held at the Woodbridge Community Center on July 28, 2014, at 5:30 pm, located in Woodbridge, NJ. No members of the public appeared at the hearing to provide comments. The public comment hearing was transcribed and made a part of the record.
- As a result of an analysis of the Petitioner's Foundational Filing, discovery and a public hearing held in the service territory, the Parties have come to an agreement on this matter. On August 4, 2014, the Parties executed a Stipulation of Settlement (Stipulation). The Stipulation is attached to the Order and contains the terms of the settlement. In part, the Stipulation recommends that the Board approve the Company's Foundational Filing that requires an annual "base spending" amount of \$2,923,000 and a maximum amount (5%) of annual DSIC revenues that may be collected of \$3,561,951.
- **Customers and Constituencies Affected:** The Petitioner services approximately 59,100 retail customers in the Townships of Edison and Woodbridge, the Boroughs of South Plainfield, Metuchen and Carteret and the City of South Amboy in Middlesex County, and the Township of Clark in Union County. On a contract basis, the Company serves part of the Township of Edison, the Boroughs of Highland Park and Sayreville, the Old Bridge Municipal Utilities Authority, the Marlboro Township Municipal Utilities Authority and the City of Rahway. The Company also serves, under a special contract for water treatment and pumping services, the Township of East Brunswick.
- **Rate Impact:** The maximum monthly DSIC rate for a typical 5/8" metered water customer, over the life of the DSIC, as noticed by the Company, under the requirements of N.J.A.C. 14:9-10.4(b)(3), would be \$2.23.
- **Environmental Concerns:** None
- **Legislative Interest:** See attached
- **Newsworthy:** This item is not newsworthy.
- **Recommendation:** Staff recommends that the Board adopt the Stipulation of the Parties in this matter becoming effective on August 30, 2014.

Prepared by: Magdy Mekhaeil
 Reviewed by: Mona Mosser

Legislative Interest
Middlesex Water Company

District 13

Senator Joseph M. Kyrillos, Jr. – Republican
Assemblywoman Amy H. Handlin – Republican
Assemblyman Declan J. O'Scanlon, Jr. – Republican

District 18

Senator Peter J. Barnes, III – Democrat
Assemblyman Patrick J. Diegnan, Jr. – Democrat
Assemblywoman Nancy J. Pinkin – Democrat

District 19

Senator Joseph F. Vitale – Democrat
Assemblyman Craig J. Coughlin – Democrat
Assemblyman John S. Wisniewski – Democrat

District 22

Senator Nicholas P. Scutari – Democrat
Assemblyman Jerry Green – Democrat
Assemblywoman Linda Stender – Democrat

The Petitioner ultimately filed its second Foundational Filing on May 30, 2014, as a separately docketed matter from the base rate case. The Company, the Division of Rate Counsel, and the Staff of the Board of Public Utilities (collectively, "the Parties") convened a telephone scheduling conference and agreed to a procedural schedule, which would permit this matter to be acted upon by the Board within the ninety (90) day period specified in N.J.A.C. 14:9-10.4(c). The Petitioner responded to discovery requested from all Parties.

After proper notice, a public hearing was held at the Woodbridge Community Center on July 28, 2014, at 5:30 pm, located in Woodbridge, NJ. No members of the public appeared at the hearing to provide comments nor were any written comments received. The public comment hearing was transcribed and made a part of the record.

DISCUSSIONS AND FINDINGS

As a result of an analysis of the Petitioner's Foundational Filing, which included a review of the discovery that was responded to by the Petitioner, and a public hearing held in the service territory, the Parties have come to an agreement on this matter. On August 6, 2014, the Parties executed a Stipulation of Settlement ("Stipulation")¹. Specifically, the Stipulation stated:

1. The Parties agreed that the Company concluded a base rate proceeding and implemented new base rates pursuant to an Order of the Board effective June 28, 2014 in BPU Docket No. WR13111059 ("Middlesex Base Rate Order"). Therefore the Company has met the requirement specified in N.J.A.C. 14:9-10.4(c) regarding the setting of new base rates.
2. The Parties recommended that the Board find that the Company's Foundational Filing satisfies all of the requirements specified in N.J.A.C. 14:9-10.4(b).
3. The Parties stipulated that the engineering evaluation conducted for the next Foundational Filing will include a specific assessment of the effects of external corrosion and pressure transients on the number of main failures along with strategies to address these. Furthermore, the Parties stipulated that the Company will develop a more formal risk-based method of prioritizing project schedules and include a description of the risk-based ranking system in its next Foundational Filing.
4. The Parties agreed that the projects contained in Exhibit B of the Foundational Filing² have been reviewed. The Parties further agree that the projects in Exhibit B that begin construction after the Board's approval of this Foundational Filing are DSIC-eligible projects, as defined at N.J.A.C. 14:9-10.2 with the exception of projects classified in Exhibit B as "Base Only" projects. "Base Only" projects may be used to satisfy the Company's Base Spending obligation but these projects are not DSIC-rate eligible. The Parties further agreed that none of the projects contained in Exhibit B commenced during the Foundational Filing approved by the Board on March 1, 2013, denoting that only DSIC-eligible projects commenced and placed into service after the effective date of this Foundational Filing will be eligible for recovery under this Foundational Filing.

¹ 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.

² Exhibit B of the Foundational Filing was revised pursuant to a subsequent filing made to the parties on July 11, 2014.

5. The Parties agreed that the revenue requirement associated with the actual costs of the approved projects, attached to the Stipulation as Exhibits C and B, respectively, be recovered through future "DSIC filings" made during the "DSIC period" as those terms are defined in N.J.A.C. 14:9-10.2.
6. The Parties agree that the Company's base spending requirement is \$2,923,000 as calculated in the revised Exhibit B of the Foundational Filing.
7. The Parties agreed that the Petitioner's maximum amount of annual DSIC revenues that may be collected is \$3,561,951 as calculated in Exhibit C of the Foundational Filing. Exhibit C was revised on July 30, 2014. The Signatory Parties further agree that the maximum DSIC surcharge cannot exceed the rates set forth in the petition, for which notice was published.
8. The Parties agree that actual DSIC charges will be levied on General Metered Service customers billed in accordance with Rate Schedule No. 1 and Private Fire Service customers billed in accordance with Rate Schedule No. 2 and that the rate will be calculated in a manner consistent with N.J.A.C. 14:9-10.8(a)(3).
9. The Parties agree and recommend to the Board that the Company's Foundational Filing be approved at the Board's August 20, 2014, agenda meeting.

Based upon the information presented in the petition and agreed to by the Parties in the Stipulation, the Board **HEREBY FINDS** that the Company's 2014 overall revenue for DSIC purposes is \$71,239,027. The Board **FURTHER FINDS** that the Petitioner's maximum amount of annual DSIC revenues that may be collected is \$3,561,951. The Board **FURTHER FINDS** that the stipulated maximum monthly DSIC surcharge noticed by the Company and included in the Foundational Filing satisfies the requirements of N.J.A.C. 14:9-10.4(b)(3) and represents the maximum monthly DSIC surcharge which Petitioner may charge. As an example, an average residential customer with a 5/8 inch meter will be subjected to a maximum monthly DSIC surcharge of \$2.23.³

The Board **HEREBY ORDERS** that in accordance with N.J.A.C. 14:9-10.5(b) Petitioner shall make DSIC filings on a semi-annual basis, commencing approximately six months after the effective date of the Foundational Filing. Petitioner must submit its semi-annual DSIC filing within 15 days of the end of the DSIC recovery period. DSIC filings shall be reviewed by Board Staff and the Division of Rate Counsel. Petitioner may recover the interim surcharge associated with the DSIC-eligible projects closed during the DSIC recovery period not objected to by Board Staff or the Division of Rate Counsel beginning 60 days after the end of the DSIC recovery period, subject to refund at the Board's discretion. It is **FURTHER ORDERED** that Petitioner must comply with the base spending requirements set forth in this Order. Failure to comply will result in a reduction and refund, where appropriate, of the DSIC surcharge. Petitioner's DSIC surcharge is interim, subject to refund, and shall not exceed the maximum DSIC rate set forth in this Order.

³ The maximum surcharge is 5%, implemented in semi-annual increments as approved projects are placed into service.

The Board **FURTHER ORDERS**, that in accordance with N.J.A.C. 14:9-10.4(e), if within three years after the effective date of this Order Petitioner has not filed a petition in accordance with the Board's rules for the setting of its base rates, all interim charges collected under the DSIC shall be deemed an over-recovery, and shall be credited to customers in accordance with the Board's rules. The Board **FURTHER ORDERS**, that as of the July 18, 2014 rate effective date of the Middlesex Base Rate Order, Docket Number WR13111059, the prior foundational filing (dated October 23, 2012) was concluded and no additional DSIC filings or DSIC rates may be collected, made or implemented pursuant thereto.


Having reviewed the Foundational Filing and the Stipulation, the Board **FINDS** that the 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 **FINDS** the Foundational Filing and Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** 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 requirements set forth in N.J.A.C. 14:9-10.1 et seq. and the conditions set forth in this Order.

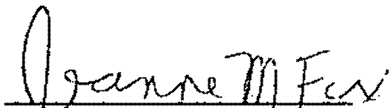
Based upon the foregoing, the Board **HEREBY APPROVES** the Company's Foundational Filing and **ORDERS** that the Company may implement a Distribution System Improvement Charge, subject to this Order and Petitioner's ongoing compliance with the DSIC regulations, as well as conformity of the base spending requirements and semi-annual true-up submissions.


The effective date of this Order is August 30, 2014.

DATED: 8/20/14

BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

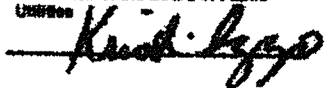

JOSEPH L. FIORDALISO
COMMISSIONER


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





Via Federal Express and Electronic Mail

August 6, 2014

William Agee, Hearing Officer
Board of Public Utilities
44 South Clinton Avenue, 9th Floor.
P.O. Box 350
Trenton, NJ 08625-0350

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

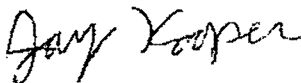
**RE: In the Matter of the Petition of Middlesex Water Company for
Approval of a Foundational Filing for Establishing a
Distribution System Improvement Charge
BPU Docket No. WR14050508**

Dear Mr. Agee:

Please be advised that the parties to this proceeding, Middlesex Water Company, the Staff of the Board of Public Utilities and the Division of Rate Counsel, have executed a Stipulation of Settlement fully resolving this matter. Attached please find a fully executed Stipulation of Settlement in connection with the above referenced matter.

Please let me know if you require any additional information.

Very truly yours,



Jay L. Kooper
Vice President, General Counsel
and Secretary

JLK:rk

cc: Service List (w/enclosures)

**Middlesex Water Company
2014 DSIC Foundational Filing
BPU Docket No. WRI4050508
~ Service List A ~**

MIDDLESEX WATER COMPANY

<p>Dennis W. Doll Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 ddoll@middlesexwater.com</p>	<p>A. Bruce O'Connor Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 abocannon@middlesexwater.com</p>	<p>Richard M. Risoldi Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 risoldi@middlesexwater.com</p>
<p>Raquel Koukourdelis Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 rkoukourdelis@middlesexwater.com</p>	<p>Jay Kooper Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 jkooper@middlesexwater.com</p>	<p>Ada Soto Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 asoto@middlesexwater.com</p>
<p>Michele Tilley Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 mtilley@middlesexwater.com</p>	<p>Robert J. Capko Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 rcapko@middlesexwater.com</p>	<p>G. Christian Andreasen Middlesex Water Company 1500 Ronson Road Iselin, NJ 08830 CAndreasen@middlesexwater.com</p>

BOARD OF PUBLIC UTILITIES

<p>Kristi Izzo, Secretary Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor PO Box 350 Trenton, NJ 08625 Kristi.izzo@bpu.state.nj.us</p>	<p>Maria Moran, Director Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor PO Box 350 Trenton, NJ 08625 Maria.moran@bpu.state.nj.us</p>	<p>Michael Kammer Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 Mike.kammer@bpu.state.nj.us</p>
<p>James Kane, Legal Specialist Division of Water & Wastewater 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 Jim.kane@bpu.state.nj.us</p>	<p>Mona Mosser Board of Public Utilities Division of Water 44 South Clinton Avenue, 9th Floor P.O. Box 350 Trenton, NJ 08625 mona.mosser@bpu.state.nj.us</p>	<p>Magdy Mekhaeil Board of Public Utilities Division of Water 44 South Clinton Avenue, 9th Floor P.O. Box 350 Trenton, NJ 08625 magdy.mekhaeil@bpu.state.nj.us</p>
<p>Geoffrey Gersten, DAG Division of Law Board of Public Utilities 124 Halsey Street, 5th Floor Newark, NJ 07102 geoffrey.gersten@dol.lps.state.nj.us</p>	<p>Veronica Beke, DAG Division of Law Board of Public Utilities 124 Halsey Street, 5th Floor Newark, NJ 07102 veronica.beke@dol.lps.state.nj.us</p>	<p>Alex Moreau, DAG Dept. of Law and Public Safety Division of Law 124 Halsey Street – 5th Floor Newark, NJ 07101 alex.moreau@dol.lps.state.nj.us</p>
<p>Rupal Patel Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 Rupal.patel@bpu.state.nj.us</p>	<p>Ruby Smith Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 Ruby.Smith@dol.lps.state.nj.us</p>	<p>Matthew Koczur Board of Public Utilities Division of Water 44 South Clinton Ave., 9th Floor P.O. Box 350 Trenton, NJ 08625 matthew.koczur@bpu.state.nj.us</p>
<p>Christopher M. Psihoules, DAG Department of Law & Public Safety Division of Law 124 Halsey Street – 5th Floor Newark, NJ 07101 Christopher.Psihoules@dol.lps.state.nj.us</p>		

06/26/2014

**Middlesex Water Company
2014 DSIC Foundational Filing
BPU Docket No. WR14050508
~ Service List A ~**

DIVISION OF RATE COUNSEL

<p>Stefanie A. Brand, Esq. Division of Rate Counsel 140 East Front Street - 4th Floor Trenton, NJ 08625 sbrand@rpa.state.nj.us</p>	<p>Debra F. Robinson, Esq. Managing Attorney Water & Wastewater Division of Rate Counsel 140 East Front Street - 4th Floor Trenton, NJ 08625 drobins@rpa.state.nj.us</p>	<p>Ivette Altamirano Water Utility Division Division of Rate Counsel 140 East Front Street - 4th Floor Trenton, NJ 08625 icotto@rpa.state.nj.us</p>
<p>Darlene Nichols Division of Rate Counsel Paralegal for Water & Wastewater 140 East Front Street - 4th Floor P.O. Box 003 Trenton, NJ 08625 dnichols@rpa.state.nj.us</p>	<p>Susan McClure Division of Rate Counsel 140 East Front Street - 4th Floor P.O. Box 003 Trenton, NJ 08625 sinclure@rpa.state.nj.us</p>	<p>Howard J. Woods Jr. Howard J. Woods, Jr. & Assoc., LLC 138 Liberty Avenue Newtown, PA 18940-1111 howard@howardwoods.com</p>

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

IN THE MATTER OF THE PETITION OF	:	BPU DOCKET NO. WR14050508
MIDDLESEX WATER COMPANY FOR	:	
APPROVAL OF A FOUNDATIONAL	:	<u>STIPULATION OF SETTLEMENT</u>
FILING FOR ESTABLISHING A	:	
DISTRIBUTION SYSTEM	:	
IMPROVEMENT CHARGE	:	

APPEARANCES:

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

Christopher Psihoules and Alex Moreau, Deputy Attorneys General (John J. Hoffman, Acting Attorney General of the State of New Jersey), on behalf of the Staff of the Board of Public Utilities

Debra Robinson, Esq. Deputy Rate Counsel, and Susan McClure, Esq. Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Director)

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The parties in this proceeding, Middlesex Water Company (the "Company" or "Petitioner"), the Division of Rate Counsel ("Rate Counsel"), and Staff of the Board of Public Utilities ("Staff")(collectively, the "Signatory Parties"), have come to an agreement to conclude this matter, described as the within Stipulation of Settlement (hereinafter the "Stipulation"). As a result of an analysis of Petitioner's Foundational Filing and a public hearing held in the service territory, the Signatory Parties hereto agree and stipulate to the procedural history, set forth below.

On May 30, 2014, Petitioner, a public utility corporation of the State of New Jersey, filed a petition (the "Foundational Filing") with the Board of Public Utilities ("the Board") seeking

authority to implement a Distribution System Improvement Charge (“DSIC”) pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-10.1 et seq.¹ Specifically, the Company requested Board approval of its Foundational Filing pursuant to N.J.A.C. 14:9-10.4(b) to recover costs associated with DSIC-eligible projects through an approved DSIC rate.

On June 30, 2014, the Signatory Parties convened a telephone scheduling conference and agreed to a procedural schedule which would permit this matter to be acted upon by the Board within the ninety (90) day period specified in N.J.A.C. 14:9-10.4(c).

After proper notice, a public hearing was held on July 28, 2014, at the Woodbridge YMCA Community Center, located in Woodbridge, New Jersey. A copy of the public notice setting out the proposed rate impact of the DSIC is attached as Exhibit A hereto. No members of the public appeared at the hearing. The public comment hearing was transcribed and made a part of the record.

Settlement discussions were held, and the agreements reached during those discussions have resulted in the following stipulations:

1. The Signatory Parties stipulate that the Company concluded a base rate proceeding and implemented new base rates pursuant to an Order of the Board dated June 18, 2014 in BPU Docket No. WR13111059. N.J.A.C. 14:9-10.4(c) precludes approval of a DSIC foundational filing where the utility has not had its base rates set by the Board within the past three years. The Signatory Parties, therefore, propose a finding that the Company has met the requirement specified in N.J.A.C. 14:9-10.4(c) regarding the setting of new base rates.

¹ In its November 8, 2013 base rate filing, BPU Docket No. WR13111059, the Company reserved Exhibit K to be used for its updated DSIC Foundational Filing. However, the Company, in the Stipulation filed in that docket, withdrew its request to approve a new DSIC Foundational Filing as part of the base rate case.

2. The Signatory Parties stipulate that the engineering evaluation report was submitted pursuant to N.J.A.C. 14:9-10.4(b)(1), DSIC project information for the upcoming DSIC period was submitted pursuant to N.J.A.C. 14:9-10.4(b)(2), the expected amount of base spending, including underlying detail on appropriate infrastructure types, a proposed DSIC assessment and work papers showed detailed calculations supporting the proposed assessment schedule pursuant to N.J.A.C. 14:9-10.4(b)(3), appropriate public notice and a hearing were given pursuant to N.J.A.C. 14:9-10.4(b)(4), and N.J.A.C. 14:9-10.4(b)(5) and (6) are inapplicable at this time. Staff finds the Foundational Filing requirement to be administratively complete. The Signatory Parties, therefore, propose a finding that the Company has satisfied its Foundational Filing requirement specified in N.J.A.C. 14:9-10.4(b) and recommend that the Foundational Filing be approved by the Board.

3. While the Signatory Parties recommend that the Board approve this Foundational Filing in its current form, the Parties stipulate and the Company agrees that the engineering evaluation conducted for the next Foundational Filing will include a specific assessment of the effects of external corrosion and pressure transients on the number of main failures experienced by the Company. Strategies to address these failure modes will be specifically addressed in the engineering evaluation. Furthermore, the Parties Stipulate and the Company agrees that it will develop a more formal risk-based method of prioritizing project schedules and include a description of the risk-based ranking system in its next Foundational Filing.

4. The Signatory Parties stipulate the projects contained in Exhibit B attached hereto² have been reviewed, and are DSIC-eligible projects as defined at N.J.A.C. 14:9-10.2 with the exception of projects classified in Exhibit B as “Base Only” projects. “Base Only” projects may

² Exhibit B was included as part of the Foundational Filing but later updated by the Company on July 11, 2014.

be used to satisfy the Company's Base Spending obligation but these projects are not DSIC-rate eligible. Furthermore, the Signatory Parties stipulate that none of the projects contained in Exhibit B commenced during the Foundational Filing approved by the Board on March 1, 2013, denoting that only DSIC-eligible projects commenced and placed into service after the effective date of this Foundational Filing will be eligible for recovery under this Foundational Filing.

5. The Signatory Parties propose a finding that the Company be authorized to recover through its DSIC the actual costs associated with the DSIC-eligible projects, as defined in N.J.A.C. 14:9-10.2, contained in Exhibit B.

6. The Signatory Parties agree that actual DSIC charges will be levied on General Metered Service customers billed in accordance with Rate Schedule No. 1 and Private Fire Service customers billed in accordance with Rate Schedule No. 2 and that the rate will be calculated in a manner consistent with N.J.A.C. 14:9-10.8(a)(3).

7. The Signatory Parties agree that the Company's base spending requirement is \$2,923,000. The Signatory Parties further agree that the Petitioner's maximum amount of annual DSIC revenues that may be collected is \$3,561,951.00, as calculated in Exhibit C attached hereto.³ The Signatory Parties further agree that the maximum DSIC surcharge cannot exceed the rates set forth in the petition, for which notice was published and annexed hereto as Exhibit A.

8. The Signatory Parties recommend to the Board that it consider this Stipulation at its next Board agenda meeting.

³ Exhibit C was included as part of the Foundational Filing but later updated by the Company on July 30, 2014.

9. This Stipulation is the product of negotiations by the Signatory Parties, reflecting a mutual balancing of interests and containing interdependent provisions, therefore it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition as each term is vital to its whole. It is also the intent of the Signatory Parties that this settlement, once accepted and approved by the Board, shall be a binding resolution governing all issues in this matter, specified to and agreed to herein.

10. The Signatory Parties specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the Order adopting same as to those issues upon which the Signatory Parties have stipulated herein. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, any Signatory Party hereto materially affected shall not be bound to proceed under this Stipulation. None of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and no other matter.

11. It is specifically understood and agreed that this Stipulation represents a negotiated agreement that has been made exclusively for the purpose of these proceedings. All rates are subject to audit by the Board.

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

MIDDLESEX WATER COMPANY

8/5/2014
Date

By: Jay Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary
Attorney for Petitioner

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Staff of the New Jersey
Board of Public Utilities

Date

By: _____
Christopher Psihoules
Deputy Attorney General

STEFANIE A. BRAND, ESQ.,
DIRECTOR - DIVISION OF RATE COUNSEL

Date

By: _____
Susan McClure, Esq.
Deputy Rate Counsel

MIDDLESEX WATER COMPANY

Date 8/1/2014

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary
Attorney for Petitioner

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Staff of the New Jersey
Board of Public Utilities

Date 8/1/2014

By: Christopher Psimoulis
Christopher Psimoulis
Deputy Attorney General

STEFANIE A. BRAND, ESQ.,
DIRECTOR - DIVISION OF RATE COUNSEL

Date _____

By: _____
Susan McClure, Esq.
Deputy Rate Counsel

MIDDLESEX WATER COMPANY

8/6/2014
Date

By: Jay Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary
Attorney for Petitioner

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for Staff of the New Jersey
Board of Public Utilities

8/6/2014
Date

By: Christopher Psinoulis
Christopher Psinoulis
Deputy Attorney General

STEFANIE A. BRAND, ESQ.,
DIRECTOR - DIVISION OF RATE COUNSEL

8/6/2014
Date

By: Susan McClure
Susan McClure, Esq.
Deputy Rate Counsel

NOTICE OF PUBLIC HEARING
MIDDLESEX WATER COMPANY
NOTICE OF FILING OF A PETITION FOR APPROVAL OF A
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
BPU Docket No. WR14050508

PLEASE TAKE NOTICE that on May 30, 2014, Middlesex Water Company (the "Company"), pursuant to N.J.A.C. 14:9-10.1 et seq., filed a Petition with the Board of Public Utilities (the "Board" or "BPU") of the State of New Jersey seeking approval to implement a Distribution System Improvement Charge ("DSIC" or "surcharge"). A DSIC is a rate recovery mechanism to encourage and support accelerated rehabilitation and replacement of certain non-revenue producing, critical water distribution components. Its purpose is to enhance safety, reliability, water quality, systems flows and pressure, and/or conservation. A DSIC rate is interim, subject to refund, until the subsequent base rate case.

The Company's Petition consists of a Foundational Filing. The Foundational Filing lists the projects the Company believes are eligible for recovery through the DSIC surcharge for the period 2014 through 2017. Please note the Company has requested that a maximum quarterly DSIC surcharge of \$6.69 per meter equivalent be authorized. The Company will implement the DSIC surcharge if, and when, it achieves specific levels of infrastructure investment and places the facilities into service as required by N.J.A.C. 14:9-10.4.

The Company has proposed that the DSIC surcharge be assessed to the following services and classes of customers based on the customer's meter size or service connection: General Metered Service and Private Fire Protection Service. Pursuant to BPU regulations, public fire service charges are not affected by this surcharge. It is important to note that any surcharges implemented as a result of the DSIC will be revised on customer bills on a semi-annual basis. The maximum surcharges shown below are not intended or expected to be reached until the conclusion of both the Foundational Filing proceeding and subsequent semi-annual DSIC filings. The Company expects the rates to be assessed incrementally over a three year period commensurate with the Company's actual DSIC program capital spending.

The maximum proposed DSIC rates allowable for recovery pursuant to N.J.A.C. 14:9-10.1 et seq. are set out below:

<u>PROPOSED DSIC SURCHARGE RATES¹</u>		
<u>General Metered Service</u>		
<u>Maximum Proposed DSIC Surcharge:</u>		
Meter Size	Proposed Monthly Rate	Proposed Quarterly Rate
5/8"	\$ 2.23	\$ 6.69
3/4"	\$ 3.36	\$ 10.08
1"	\$ 5.48	\$ 16.44

¹ The maximum surcharge is 5%, implemented in semi-annual increments as approved projects are placed into service, likely over a 12 - 36 month period.

1-1/2"	\$ 10.95	\$ 32.85
2"	\$ 17.97	\$ 53.91
3"	\$ 33.64	\$ 100.92
4"	\$ 55.80	\$ 167.40
6"	\$111.64	\$ 334.92
8"	\$178.31	\$ 534.93
10"	\$256.09	\$ 768.27
12"	\$593.66	\$1,780.98

PLEASE TAKE FURTHER NOTICE that a public hearing on the Company's Petition has been scheduled for:

July 28, 2014 at 5:30 p.m. at Room 215 of the Woodbridge Community Center, located at 600 Main St., Woodbridge, NJ 07095.

A Hearing Officer designated by the Board will preside over the public comment hearing. Members of the public are invited to attend and express their views on the proposed DSIC mechanism. Such comments will be made a part of the final record in the proceeding. Written comments may be submitted to the Hon. Kristi Izzo, Secretary, Board of Public Utilities, 44 S. Clinton Avenue, 7th Floor, Trenton, New Jersey 08625; or the New Jersey Division of Rate Counsel, 140 E. Front Street, 4th Floor, Trenton, New Jersey 08625. Please include Docket Number WR14050508 in your comment letter.

Notice of the Petition was also served on the Clerks of Municipalities, and the Clerks of the County Boards of Freeholders in the service area of the Company. Further information and copies of the Petition may be obtained at the Board's offices located at 44 S. Clinton Avenue, 7th Floor, Trenton, New Jersey 08625 or at the Company's offices located at 1500 Ronson Road, Iselin, New Jersey 08830. A copy of the Petition is available for public inspection on the Company's website at <http://www.middlesexwater.com/customer-care/regulatory>.

Please submit any requests for special accommodation, including interpreters, at least 72 hours prior to this hearing to the Company's counsel: Jay L. Kooper, 1500 Ronson Road, Iselin, New Jersey 08830, phone 732-634-1500.

MIDDLESEX WATER COMPANY
1500 Ronson Road
Iselin, New Jersey 08830

September 2014- August 2015 Submission

Project ID #	Project Name / Location	Reason for Project	Project Description	Estimated Duration	Projected In Service Date	Estimated Project Cost
01P-12-315	George Street Dead End Closure, South Amboy, NJ	Main Reinf	Installation of approximately 300' of 8" main on Mason Street in South Amboy. Work will extend from John Street to dead end main on George Street. The work will also include the installation /replacement of valves and	30	2/28/2015	\$ 100,000.00
					Base Only	\$ 100,000.00

01B-14Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	2/28/2015	\$ 480,020.00
01B-14Main	2014 Mains Blanket Sep-Dec+2015 blanket Jan-Feb	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	2/28/2015	\$ 230,678.00
01B-14Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	2/28/2015	\$ 162,000.00
01P-14-301	Renew 2014 - Colonia/Woodbridge Post Sect 1	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements in Woodbridge Iselin/Colonia. Portion of Project to be done as Phase 2 starting after September 1, 2014.	180	2/28/2015	\$ 1,550,000.00
01P-14-305	John Street - Carteret	Main Repl (Internal)	Replacement of 1,200 feet of 4" main with 8" main on John Street. Project from Roosevelt to Beverly St.	60	2/28/2015	\$ 250,000.00
01P-12-316	Division Street Main Replacement (old 04-531)	Main Repl (Internal)	Replacement of approximately 1,000 6" main with 8" from the intersection of Daniel to Birch including services valves, and hydrants.	30	2/28/2015	\$ 190,000.00
01P-14-317	Route 35 Main Crossing at Ronald Drive	Main Repl (Internal)	Replacement of 6" main in existing casing pipe - Approximately 100 lf.	30	2/28/2015	\$ 50,000.00
01P-13-302	NE Metuchen Reinforcement	Main Reinf	Replacement of existing 6" distribution main with 12" distribution main to improve fire flows in the area.	60	2/28/2015	\$ 659,000.00

Total Projects Projected to Be Completed 2/28/2015						\$ 3,671,698.00
Projected Amount Towards Base Spending						\$ 972,698.00
Projected Amount Towards DSIC						\$ 2,699,000.00

01P-12-319	Washington Avenue Dead End Closure	Main Reinf	Installation of approximately 300' of 8" main on Washington Road in South Amboy to tie in dead end providing fire service to a commercial area in the Northwestern section of town.		8/31/2015	\$ 175,000.00
					Base Only	\$ 175,000.00

01P-15-301	RENEW 2015 - Edison Pre August 2015	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements in Edison.	150	8/31/2015	\$ 3,000,000.00
01P-12-317	Lehigh Avenue Main Replacement	Main Repl (Internal)	Replacement of approximately 900' of unlined 6" main with 8" main on Lehigh Avenue in Avenel. Work extends from intersection of Oak Street to the westerly dead-end and includes replacement of services, valves and hydrants.	30	8/31/2015	\$ 171,000.00
01B-15Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	8/31/2015	\$ 188,000.00
01B-15Main	Mains Blanket	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	8/31/2015	\$ 227,691.50
01B-15Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	8/31/2015	\$ 126,000.00
01B-15MRP	Main Replacements Due to Municipal Road Projects	Blanket	Replacements of mains with history of failures or issues ahead of municipal road paving programs.	180	8/31/2015	\$ 350,000.00

Total Projects Projected to Be Completed 8/31/2015						\$ 4,237,691.50
Projected Amount Towards Base Spending						\$ 1,950,302.00
Projected Amount Towards DSIC						\$ 2,287,389.50

Total Projects Projected to Be Completed 9/1/2014 - 8/31/2015						\$ 7,909,389.50
Projected Amount Towards Base Spending						\$ 2,923,000.00
Projected Amount Towards DSIC						\$ 4,986,389.50

September 2015 - August 2016 Submission

Project ID #	Project Name / Location	Reason for Project	Project Description	Estimated Duration	Projected In Service Date	Estimated Project Cost
01P-12-321	Roosevelt Park - Oak Drive Dead End Closure	Main Repl (Internal)	Installation of 850 feet of 8" main to close two (2) dead ends in Edison.	60	2/28/2016	\$ 286,000.00
01P-14-322	Sayreville 30: distribution main for Sayreville customers	"Main" Replacement	Replacement of long services off 30" transmission main with new mains and services (800 lf)	90	2/28/2016	\$ 160,000.00
					Base Only	\$ 446,000.00
01P-15-301	RENEW 2015 - Post August 2015	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements in Edison	30	2/28/2016	\$ 2,000,000.00
01B-15Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	2/28/2016	\$ 188,000.00
01B-15Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	2/28/2016	\$ 126,000.00
01B-15Main	Mains Blanket	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	2/28/2016	\$ 246,382.50
01B-15MRP	Main Replacements Due to Municipal Road Projects	Blanket	Replacements of mains with history of failures or issues ahead of municipal road paving programs.	180	2/28/2016	\$ 350,000.00

Total Projects Projected to Be Completed 2/28/2016	\$ 3,356,382.50
Projected Amount Towards Base Spending	\$ 1,042,382.50
Projected Amount Towards DSIC	\$ 2,314,000.00

01P-16-301	RENEW 2016 - Pre August 2016	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements project	150	8/31/2016	\$ 3,000,000.00
01P-12-314	West Park Avenue Main Replacement	Main Repl (Internal)	Replacement of approximately 1,000-ft of 6" with 8" main on West Park Avenue in Avenel. Work will extend from the intersection of Tappen Street to Lenox.	30	8/31/2016	\$ 200,000.00
01B-16Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	8/31/2016	\$ 188,000.00
01B-16Main	Mains Blanket	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	8/31/2016	\$ 274,419.00
01B-16Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	8/31/2016	\$ 126,000.00
01B-16MRP	Main Replacements Due to Municipal Road Projects	Blanket	Replacements of mains with history of failures or issues ahead of municipal road paving programs.	180	8/31/2016	\$ 350,000.00

Total Projects Projected to Be Completed 8/31/2016	\$ 4,138,419.00
Projected Amount Towards Base Spending	\$ 1,880,617.50
Projected Amount Towards DSIC	\$ 2,257,801.50

Total Projects Projected to Be Completed 9/1/2015 - 8/31/2016	\$ 7,494,801.50
Projected Amount Towards Base Spending	\$ 2,923,000.00
Projected Amount Towards DSIC	\$ 4,571,801.50

September 2016 - August 2017 Submission

Project ID #	Project Name / Location	Reason for Project	Project Description	Estimated Duration	Projected In Service Date	Estimated Project Cost
01P-16-301	RENEW 2016 Post August 2016	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements project	30	2/28/2017	\$ 2,000,000.00
01B-16Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	2/28/2017	\$ 188,000.00
01B-16Main	Mains Blanket	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	2/28/2017	\$ 249,419.00
01B-16Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	2/28/2017	\$ 126,000.00
01B-16MRP	Main Replacements Due to Municipal Road Projects	Blanket	Replacements of mains with history of failures or issues ahead of municipal road paving programs.	180	2/28/2017	\$ 350,000.00

Total Projects Projected to Be Completed 2/28/2017	\$ 2,913,419.00
Projected Amount Towards Base Spending	\$ 913,419.00
Projected Amount Towards DSIC	\$ 2,000,000.00

01P-10-309	Strawberry Hill Reinforcement Project	Main Reinf	Installation of 1,100 LF of 8" to close dead ends and 2nd feed to lollypop.	60	8/31/2017	\$ 220,000.00
					Base Only	\$ 220,000.00

01P-17-301	RENEW 2017 Pre August 2017	Improvement	Distribution System rehabilitation project including Cleaning and Lining and replacements project	150	8/31/2017	\$ 3,000,000.00
01P-07-501	East Woodbridge Ave Main Replacement	main Replacement	Installation of 1,400 lf of 8" main on East Woodbridge Ave & Clinton Place in Avenel - Lord to Lenox	30	8/31/2017	\$ 300,000.00
01P-15-302	Greenwich Drive Main Replacement, Edison, NJ	main Replacement	Replacement of ~ 1750' of 6" with 8" including services valves and hydrants	30	8/31/2017	\$ 350,000.00
01P-15-303	Bucknel Ave Main Replacement, Woodbridge, NJ	main Replacement	Replacement of ~ 1600' of 6" with 8" including services valves and hydrants	30	8/31/2017	\$ 325,000.00
01B-17Serv	Service Line Blanket	Blanket	Service line replacement & relocations during the year	180	8/31/2017	\$ 188,000.00
01B-17Main	Mains Blanket	Blanket	Installation & Replacement of miscellaneous T&D mains during the year	180	8/31/2017	\$ 211,919.00
01B-17Hyd	Hydrant Blanket	Blanket	Hydrant replacement & relocations during the year	180	8/31/2017	\$ 126,000.00
01B-17MRP	Main Replacements Due to Municipal Road Projects	Blanket	Replacements of mains with history of failures or issues ahead of municipal road paving programs.	180	8/31/2017	\$ 350,000.00

Total Projects Projected to Be Completed 8/31/2017	\$ 5,070,919.00
Projected Amount Towards Base Spending	\$ 2,009,581.00
Projected Amount Towards DSIC	\$ 3,061,338.00

Total Projects Projected to Be Completed 9/1/2016 - 8/31/2017	\$ 7,984,338.00
Projected Amount Towards Base Spending	\$ 2,923,000.00
Projected Amount Towards DSIC	\$ 5,061,338.00

MWC Proposed DSIC Assessment 1

Schedule A

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 2,699,000 (B)
Less: Accum Depr	(11,014) (B)
Less: Deferred Tax	(5,592) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	<u>\$ 2,682,394</u>
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	251,853
Add: Depreciation	44,056
Revenue Recovery	<u>295,909</u>
Revenue Factor	1.164500 (E)
DSIC Revenue Requirement Recovery Amount - Annual	\$ 344,586 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 86,146
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 28,715

(A) - Represents completed projects approved under the foundational filing

	9/1/14-2/28/15
(B) - Accumulated Depreciation:	DSIC No. 1
DSIC Eligible projects closed to UPIS	\$ 2,699,000
Composite Depreciation rate	1.63%
Depreciation Expense	44,056
1/2 Year Convention (for first 6-months)	11,014
	<u>0.25</u>

	9/1/14-2/28/15
(C) - Deferred Taxes:	DSIC No. 1
DSIC Eligible projects closed in UPIS	\$ 2,699,000
MACRS Rate Water Plant (2% - 1/2 year convention for 1st Year)	1.00%
Tax Depreciation 1st Year	26,990
Book Depreciation	11,014
Tax Depr Greater than Book	15,976
Deferred Taxes at 35%	<u>\$ 5,592</u>

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per [R.S.

(D) - Pre-Tax Rate of Return:	Ratios	Cost Rate	Weighted Avg Cost of Capital	Pre-Tax ROR
Long Term Debt	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	<u>100.00%</u>		<u>0.72%</u>	<u>9.39%</u>

Revenue Factor.	
Dollar of Revenue	1.000000
Less: GRT Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Less: BPU Assessment	(0.0023047) (per most recent assessment)
Less: DRC Assessment	(0.0005404) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	<u>0.858738</u>

(E) - Revenue [Gross -up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.00%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 344,586 (F)
DSIC Revenue as a % of Total Revenue	0.48%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.65
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.22
DSIC Revenue as a % of total Revenue 71,239,027	0.48%

MWC Proposed DSIC Assessment 2

Schedule B

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 4,986,390 (B)
Less: Accum Depr	(42,377) (B)
Less: Deferred Tax	(2,621) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	<u>\$ 4,941,392</u>
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	463,952
Add: Depreciation	<u>81,394</u>
Revenue Recovery	<u>545,346</u>
Revenue Factor	<u>1.164500 (E)</u>
DSIC Revenue Requirement Recovery Amount - Annual	\$ 635,055 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 158,764
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 52,921

(A) - Represents completed projects approved under the foundational filing

	9/1/14-2/28/15	3/1/15-8/31/15	Total
(B) - Accumulated Depreciation	DSIC No. 1	DSIC No. 2	Total
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 4,986,390
Composite Depreciation rate	1.63%	1.63%	1.63%
Depreciation Expense	44,056	37,338	81,394
1/2 Year Convention (for first 6-months)	33,042	9,334	42,377
	75.00%	25.00%	

	9/1/14-2/28/15	3/1/15-8/31/15	Total
(C) - Deferred Taxes:	DSIC No. 1	DSIC No. 2	Total
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 4,986,390
MACRS Rate Water Plant (2% - 1/2 year convention for 1st Year)	1.00%	1.00%	
Tax Depreciation 1st Year	26,990	22,874	49,864
Book Depreciation	33,042	9,334	42,377
Tax Depr Greater than Book	(6,052)	13,540	7,487
Deferred Taxes at 35%	\$ (2,118)	\$ 4,739	\$ 2,621

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per IRS.

	Ratios	Cost Rate	Weighted Avg Cost of Capital	Pre-Tax ROR
(D) - Pre-Tax Rate of Return:				
Long Term Debt - Note (Z)	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	100.00%		6.72%	9.39%

Revenue Factor:	
Dollar of Revenue	1.0000000
Less: GRT Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Loss: BPU Assessment	(0.0023047) (per most recent assessment)
Loss: DRC Assessment	(0.0005404) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	<u>0.858738</u>

(E) - Revenue [Gross --up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.00%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 635,055 (F)
DSIC Revenue as a % of Total Revenue	0.89%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 1.19
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.40
DSIC Revenue as a % of total Revenue	71,239,027 0.89%

MWC Proposed DSIC Assessment 3

Schedule C

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 7,300,390 (B)
Less: Accum Depx	(92,517) (B)
Less: Deferred Tax	(28,075) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	\$ 7,179,798
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	674,118
Add: Depreciation	119,166
Revenue Recovery	793,284
Revenue Factor	1.164500 (E)
DSIC Revenue Requirement Recovery Amount - Annual	\$ 923,779 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 230,945
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 76,982

(A) - Represents completed projects approved under the foundational filing

	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/28/16	Total
(B) - Accumulated Depreciation:	DSIC No. 1	DSIC No. 2	DSIC No. 3	Total
DSIC Eligible projects closed to UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 7,300,390
Composite Depreciation rate	1.63%	1.63%	1.63%	1.63%
Depreciation Expense	44,056	37,338	37,772	119,166
1/2 Year Convention (for first 6-months)	55,070	28,003	9,443	92,517
	1.25	0.75	0.25	

	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/28/16	Total
(C) - Deferred Taxes:	DSIC No. 1	DSIC No. 2	DSIC No. 3	Total
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 7,300,390
MACRS Rate Water Plant (2% - 1/2 year convention for 1st Year)	2.00%	2.00%	1.00%	
Tax Depreciation 1st Year	53,980	45,748	23,140	122,868
Tax Depreciation (Accumulated)	80,970	68,622	23,140	172,732
Book Depreciation (Accumulated)	55,070	28,003	9,443	92,517
Tax Depr Greater than Book	25,900	40,619	13,697	80,215
Deferred Taxes at 35%	\$ 9,065	\$ 14,216	\$ 4,794	\$ 28,075
	1.50	1.50	1.00	

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per IRS.

	Ratios	Cost Rate	Weighted Avg Cost of Capital	Pre-Tax ROR
(D) - Pre-Tax Rate of Return:				
Long Term Debt	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	100.00%		6.72%	9.39%

Revenue Factor:	
Dollar of Revenue	1.000000
Less: GRV Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Less: BPU Assessment	(0.0023047) (per most recent assessment)
Less: DRC Assessment	(0.0005404) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	0.838738

(E) - Revenue [Gross -up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.06%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 923,779 (F)
DSIC Revenue as a % of Total Revenue	1.30%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 1.73
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.58
DSIC Revenue as a % of total Revenue	1.30%

MWC Proposed DSIC Assessment 4

Schedule D

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 9,558,191 (B)
Less: Accum Depr	(161,313) (B)
Less: Deferred Tax	(11,899) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	\$ 9,384,979
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	881.165
Add: Depreciation	156,020
Revenue Recovery	1,037,185
Revenue Factor	1.164500 (E)
DSIC Revenue Requirement Recovery Amount - Annual	\$ 1,207,802 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 301,950
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 100,650

(A) - Represents completed projects approved under the foundational filing

	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/28/16	3/1/16-8/31/16	Total
(B) - Accumulated Depreciation:	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	
DSIC Eligible projects closed to UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 9,558,191
Composite Depreciation rate	1.63%	1.63%	1.63%	1.63%	1.63%
Depreciation Expense	44,056	37,338	37,772	36,855	156,020
1/2 Year Convention (for first 6-months)	77,099	46,672	28,329	9,214	161,313
	1.75	1.25	0.75	0.25	

	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/29/16	3/1/16-8/31/16	Total
(C) - Deferred Taxes:	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 9,558,191
MACRS Rate Water Plant (3% - 1/2 year convention for 1st Year)	2.00%	2.00%	1.00%	1.00%	
Tax Depreciation 1st Year	53,980	45,748	23,140	22,578	145,446
Tax Depreciation (Accumulated)	80,970	68,622	23,140	22,578	195,310
Book Depreciation (Accumulated)	77,099	46,672	28,329	9,214	161,313
Tax Depr Greater than Book	3,871	21,950	(5,189)	13,364	33,997
Deferred Taxes at 35%	\$ 1,355	\$ 7,682	\$ (1,816)	\$ 4,678	\$ 11,899
	1.50	1.50	1.00	1.00	

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per IRS.

	Ratios	Cost Rate	Weighted Avg Cost of Capital	Pre-Tax ROR
(D) - Pre-Tax Rate of Return:				
Long Term Debt	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	100.00%		6.72%	9.39%

Revenue Factor:	
Dollar of Revenue	1.000000
Less: GRT Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Less: BPU Assessment	(0.0023047) (per most recent assessment)
Less: DRC Assessment	(0.0005494) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	0.858738

(E) - Revenue [Gross -up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.00%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 1,207,802 (F)
DSIC Revenue as a % of Total Revenue	1.70%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 2.27
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.76
DSIC Revenue as a % of total Revenue	71,239,027 1.70%

MWC Proposed DSIC Assessment 5

Schedule F

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 11,558,191 (B)
Less: Accum Depr	(247,485) (B)
Less: Deferred Tax	(55,646) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period)	<u>\$ 11,255,060</u>
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	1,056,749
Add: Depreciation	<u>188,667</u>
Revenue Recovery	<u>1,245,416</u>
Revenue Factor	<u>1.164500 (E)</u>
DSIC Revenue Requirement Recovery Amount - Annual	\$ 1,450,286 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 362,571
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 120,857

(A) - Represents completed projects approved under the foundational filing

(B) - Accumulated Depreciation:	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/28/16	3/1/16-8/31/16	9/1/16-2/28/17	Total
	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	DSIC No. 5	
DSIC Eligible projects closed to UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 2,000,000	\$ 11,558,191
Composite Depreciation rate	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
Depreciation Expense	44,056	37,338	37,772	36,855	32,646	188,667
1/2 Year Convention (for first 6-months)	99,127	65,341	47,215	27,641	8,162	247,485
	2.25	1.75	1.25	0.75	0.25	

(C) - Deferred Taxes:	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/29/16	3/1/16-8/31/16	9/1/16-2/28/17	Total
	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	DSIC No. 5	
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 2,000,000	\$ 11,558,191
MACRS Rate Water Plant (2% - 1/2 year convention for 1st Year)	2.00%	2.00%	2.00%	2.00%	1.00%	
Tax Depreciation 1st Year	53,980	45,748	46,280	45,156	20,000	211,164
Tax Depreciation (Accumulated)	134,950	114,369	69,420	67,734	20,000	406,474
Book Depreciation (Accumulated)	99,127	65,341	47,215	27,641	8,162	247,485
Tax Depr Greater than Book	35,823	49,029	22,205	40,093	11,838	158,989
Deferred Taxes at 35%	\$ 12,538	\$ 17,160	\$ 7,772	\$ 14,033	\$ 4,143	\$ 55,646
	2.50	2.50	1.50	1.50	1.00	

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per IRS.

(D) - Pre-Tax Rate of Return:	Weighted Avg			
	Ratios	Cost Rate	Cost of Capital	Pre-Tax ROR
Long Term Debt	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	100.00%		6.72%	9.39%

Revenue Factor:	
Dollar of Revenue	1.0000000
Less: GRT Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Less: BPU Assessment	(0.0023047) (per most recent assessment)
Less: DRC Assessment	(0.0005404) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	<u>0.858738</u>

(E) - Revenue [Gross --up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.00%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 1,450,286 (F)
DSIC Revenue as a % of Total Revenue	2.04%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 2.72
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 0.91
DSIC Revenue as a % of total Revenue	2.04%

MWC Proposed DSIC Assessment 6

Schedule F

Cumulative Qualified DSIC Additions to UPIS (A)	\$ 14,619,529 (B)
Less: Accum Depr	(354,311) (B)
Less: Deferred Tax	(38,972) (C)
Eligible Net Investment (net DSIC Additions to UPIS During DSIC* Period)	<u>\$ 14,236,246</u>
Times Pre-Tax ROR	9.39% (D)
Pre-Tax return on Investment	1,336,655
Add: Depreciation	238,638
Revenue Recovery	<u>1,575,293</u>
Revenue Factor	1.164500 (E)
DSIC Revenue Requirement Recovery Amount - Annual	\$ 1,834,428 (F)
DSIC Revenue Requirement Recovery Amount - Quarterly	\$ 458,607
DSIC Revenue Requirement Recovery Amount - Monthly	\$ 152,869

(A) - Represents completed projects approved under the foundational filing

(B) - Accumulated Depreciation:	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/29/16	3/1/16-8/31/16	9/1/16-2/28/17	3/1/17-8/31/17	Total
	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	DSIC No. 5	DSIC No. 6	
DSIC Eligible projects closed to UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 2,000,000	\$ 3,061,338	\$ 14,619,529
Composite Depreciation rate	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
Depreciation Expense	44,056	37,338	37,772	36,855	32,646	49,971	238,638
1/2 Year Convention (for first 6-months)	121,155	84,009	66,103	46,068	24,485	12,493	354,311
	2.75	2.25	1.75	1.25	0.75	0.25	

(C) - Deferred Taxes:	9/1/14-2/28/15	3/1/15-8/31/15	9/1/15-2/29/16	3/1/16-8/31/16	9/1/16-2/28/17	3/1/17-8/31/17	Total
	DSIC No. 1	DSIC No. 2	DSIC No. 3	DSIC No. 4	DSIC No. 5	DSIC No. 6	
DSIC Eligible projects closed in UPIS	\$ 2,699,000	\$ 2,287,390	\$ 2,314,000	\$ 2,257,802	\$ 2,000,000	\$ 3,061,338	\$ 14,619,529
MACRS Rate Water Plant (2% - 1/2 year convention for 1st Year)	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	
Tax Depreciation 1st Year	53,980	45,748	46,280	45,156	20,000	30,613	241,777
Tax Depreciation (Accumulated)	134,950	114,369	69,420	67,734	20,000	30,613	437,087
Book Depreciation (Accumulated)	121,155	84,009	66,101	46,068	24,485	12,493	354,311
Tax Depr Greater than Book	13,795	30,360	3,319	21,666	(4,485)	18,121	82,776
Deferred Taxes at 35%	\$ 4,828	\$ 10,626	\$ 1,162	\$ 7,583	\$ (1,570)	\$ 6,342	\$ 28,972
	2.50	2.50	1.50	1.50	1.00	1.00	

Note - RENEW is financed w/tax- exempt bonds. Tax depreciation rate is 2% per IRS.

(D) - Pre-Tax Rate of Return:	Ratios	Cost Rate	Weighted Avg Cost of Capital	Pre-Tax ROR
Long Term Debt	49.00%	3.59%	1.76%	1.76%
Preferred Stock	0.29%	5.01%	0.01%	0.02%
Common Equity	50.71%	9.75%	4.94%	7.61%
Subtotal Return on Rate Base	100.00%		6.72%	9.39%

Revenue Factor:	
Dollar of Revenue	1,000,000
Less: CRT Tax	(0.1348170) (per most recent base rate case)
Less: Bad Debts	(0.0036000) (per most recent base rate case)
Less: BPU Assessment	(0.0023047) (per most recent assessment)
Less: DRC Assessment	(0.0005404) (per most recent assessment)
Revenue remaining after taxes, bad debts, and assessments	<u>0.858738</u>

(E) - Revenue [Gross -up] Factor 1.164500

(F) - Revenue Requirement:	
Total Annual Revenues Established in Last Base Rate Case	\$ 71,239,027
DSIC Cap Percentage	5.00%
DSIC Revenue Requirement Recovery Amount Cap	\$ 3,561,951
Current DSIC Revenue Requirement Amount - Annual	\$ 1,834,428 (F)
DSIC Revenue as a % of Total Revenue	2.58%

Quarterly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 3.44
Monthly cost per 5/8th Inch Meter - Typical Residential Customer -	\$ 1.15
DSIC Revenue as a % of total Revenue	2.58%



Agenda Date: 8/20/14
Agenda Item: 5B

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 MIDDLESEX)
WATER COMPANY FOR APPROVAL OF A)
FOUNDATIONAL FILING FOR ESTABLISHING A)
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE)
DOCKET NO. WR14050508

Parties of Record:

Jay L. Kooper, Esq., on behalf of Middlesex Water Company, Petitioner
Stefanie A. Brand, Esq., Director, on behalf of the Division of Rate Counsel

BY THE BOARD:

On May 30, 2014, Middlesex Water Company, Inc. ("Company" or "Petitioner"), a public utility corporation of the State of New Jersey, filed a petition (the "Foundational Filing") pursuant to N.J.A.C. 14:9-10.1 et seq. seeking to enable the implementation of a Distribution System Improvement Charge ("DSIC"). Specifically, the Company requested that the Board of Public Utilities ("Board") approve the Company's Foundational Filing pursuant to N.J.A.C. 14:9-10.4(b) to recover costs associated with DSIC-eligible projects through an approved DSIC rate.

BACKGROUND/PROCEDURAL HISTORY

The Company's initial DSIC Foundational Filing was approved by the Board on February 21, 2013 in BPU Docket No. WR12111021. In its November 2013 base rate filing, BPU Docket No. WR13111059, the Company reserved Exhibit K to be used for its updated DSIC Foundational Filing. However, the Company, in the Stipulation, withdrew its request to approve a new DSIC Foundational Filing as part of the base rate case. The base rate increase incorporated the entirety of the Company's first DSIC recovery period (March 1, 2013 through August 31, 2013) and second DSIC recovery period (September 1, 2013 through February 28, 2014). The base rate increase also incorporated the entirety of the DSIC-eligible projects from March 1 through March 31, 2014 which, absent a base rate case, would otherwise have been eligible for recovery during a third DSIC recovery period concluding on August 31, 2014.

5. The Parties agreed that the revenue requirement associated with the actual costs of the approved projects, attached to the Stipulation as Exhibits C and B, respectively, be recovered through future "DSIC filings" made during the "DSIC period" as those terms are defined in N.J.A.C. 14:9-10.2.
6. The Parties agree that the Company's base spending requirement is \$2,923,000 as calculated in the revised Exhibit B of the Foundational Filing.
7. The Parties agreed that the Petitioner's maximum amount of annual DSIC revenues that may be collected is \$3,561,951 as calculated in Exhibit C of the Foundational Filing. Exhibit C was revised on July 30, 2014. The Signatory Parties further agree that the maximum DSIC surcharge cannot exceed the rates set forth in the petition, for which notice was published.
8. The Parties agree that actual DSIC charges will be levied on General Metered Service customers billed in accordance with Rate Schedule No. 1 and Private Fire Service customers billed in accordance with Rate Schedule No. 2 and that the rate will be calculated in a manner consistent with N.J.A.C. 14:9-10.8(a)(3).
9. The Parties agree and recommend to the Board that the Company's Foundational Filing be approved at the Board's August 20, 2014, agenda meeting.

Based upon the information presented in the petition and agreed to by the Parties in the Stipulation, the Board **HEREBY FINDS** that the Company's 2014 overall revenue for DSIC purposes is \$71,239,027. The Board **FURTHER FINDS** that the Petitioner's maximum amount of annual DSIC revenues that may be collected is \$3,561,951. The Board **FURTHER FINDS** that the stipulated maximum monthly DSIC surcharge noticed by the Company and included in the Foundational Filing satisfies the requirements of N.J.A.C. 14:9-10.4(b)(3) and represents the maximum monthly DSIC surcharge which Petitioner may charge. As an example, an average residential customer with a 5/8 inch meter will be subjected to a maximum monthly DSIC surcharge of \$2.23.³

The Board **HEREBY ORDERS** that in accordance with N.J.A.C. 14:9-10.5(b) Petitioner shall make DSIC filings on a semi-annual basis, commencing approximately six months after the effective date of the Foundational Filing. Petitioner must submit its semi-annual DSIC filing within 15 days of the end of the DSIC recovery period. DSIC filings shall be reviewed by Board Staff and the Division of Rate Counsel. Petitioner may recover the interim surcharge associated with the DSIC-eligible projects closed during the DSIC recovery period not objected to by Board Staff or the Division of Rate Counsel beginning 60 days after the end of the DSIC recovery period, subject to refund at the Board's discretion. It is **FURTHER ORDERED** that Petitioner must comply with the base spending requirements set forth in this Order. Failure to comply will result in a reduction and refund, where appropriate, of the DSIC surcharge. Petitioner's DSIC surcharge is interim, subject to refund, and shall not exceed the maximum DSIC rate set forth in this Order.

³ The maximum surcharge is 5%, implemented in semi-annual increments as approved projects are placed into service.

The Board **FURTHER ORDERS**, that in accordance with N.J.A.C. 14:9-10.4(e), if within three years after the effective date of this Order Petitioner has not filed a petition in accordance with the Board's rules for the setting of its base rates, all interim charges collected under the DSIC shall be deemed an over-recovery, and shall be credited to customers in accordance with the Board's rules. The Board **FURTHER ORDERS**, that as of the July 18, 2014 rate effective date of the Middlesex Base Rate Order, Docket Number WR13111059, the prior foundational filing (dated October 23, 2012) was concluded and no additional DSIC filings or DSIC rates may be collected, made or implemented pursuant thereto.


Having reviewed the Foundational Filing and the Stipulation, the Board **FINDS** that the 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 **FINDS** the Foundational Filing and Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** 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 requirements set forth in N.J.A.C. 14:9-10.1 et seq. and the conditions set forth in this Order.

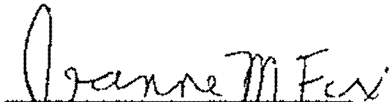
Based upon the foregoing, the Board **HEREBY APPROVES** the Company's Foundational Filing and **ORDERS** that the Company may implement a Distribution System Improvement Charge, subject to this Order and Petitioner's ongoing compliance with the DSIC regulations, as well as conformity of the base spending requirements and semi-annual true-up submissions.

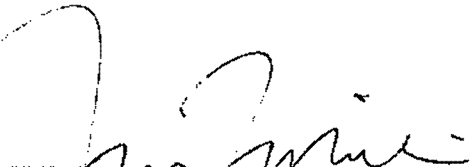
The effective date of this Order is August 30, 2014.

DATED: 8/20/14

BOARD OF PUBLIC UTILITIES
BY:

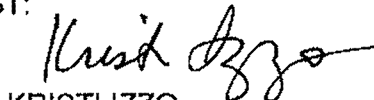

DIANNE SOLOMON
PRESIDENT


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

