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January 29, 2015

VIA HAND DELIVERY

**Stacy A. Mitchell**

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Kenneth J. Sheehan, Esquire  
Acting Secretary  
Board of Public Utilities  
44 South Clinton Ave., 9th Floor  
P.O. Box 350  
Trenton, NJ 08625

**Re: In the Matter of the Petition of The Atlantic City Sewerage Company to Change the Level of its Purchased Sewerage Treatment Adjustment Clause**  
**BPU Docket No.: WR 15010118**

Dear Secretary Sheehan:

On behalf of the Petitioner, The Atlantic City Sewerage Company, we hereby submit an original and ten (10) copies of the Petition, Case Summary, Testimony and Exhibits in the referenced matter.

Please stamp the extra copy of the Petition as "Filed" and return it to our messenger.

Also enclosed is an additional copy of this letter, with a self-addressed stamped envelope to send back to our office once a docket number has been assigned.

Very truly yours,

COZEN O'CONNOR, PC

By:  Stacy A. Mitchell

SAM/kn  
Enclosure

cc: Division of Law (2 copies)  
Division of Rate Counsel (2 copies)

**CMS**  
Legal  
DAG  
RPA  
Water  
Moran  
Kammer

LEGAL\22067244\1

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

<b>IN THE MATTER OF THE PETITION OF</b>	<b>:</b>	<b>CASE SUMMARY</b>
<b>THE ATLANTIC CITY SEWERAGE</b>	<b>:</b>	
<b>COMPANY TO CHANGE THE LEVEL OF</b>	<b>:</b>	
<b>ITS PURCHASED SEWERAGE</b>	<b>:</b>	<b>BPU DOCKET NO.</b>
<b>TREATMENT ADJUSTMENT CLAUSE</b>	<b>:</b>	

By this Petition, Atlantic City Sewerage Company (the "Company") seeks authority to increase its Volumetric Treatment Charge through the medium of its Purchased Sewerage Treatment Adjustment Clause ("PSTAC"). The Company seeks authority to increase its Volumetric Treatment Charge from \$23.348 per Mcf of metered water, to a rate of \$25.251 per Mcf of metered water service. This represents an increase of \$17.70 or 3.51% on the average residential customer's annual sewerage bill. The proposed increase to the PSTAC is based upon information currently available to the Company. Therefore, updated information will be submitted as soon as it becomes available.

The Company further proposes to modify the methodology used to calculate and account for interest on over/under recoveries of the PSTAC.

The PSTAC recovers the costs of sewerage treatment furnished by the Atlantic County Utilities Authority, and provides no profits whatsoever to the Company.

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

**IN THE MATTER OF THE PETITION OF           :    PETITION**  
**THE ATLANTIC CITY SEWERAGE                :**  
**COMPANY TO CHANGE THE LEVEL OF         :**  
**ITS PURCHASED SEWERAGE                    :**    **BPU DOCKET NO.**  
**TREATMENT ADJUSTMENT CLAUSE           :**

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Atlantic City Sewerage Company (hereinafter referred to as “Petitioner” or the “Company”), a public utility corporation of the State of New Jersey, with its principal office at 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, hereby petitions this Honorable Board (“Board”) pursuant to *N.J.A.C. 14:9-8.1, et seq.*, for authority to change the level of its Purchased Sewerage Treatment Adjustment Clause (“PSTAC”). In support thereof, Petitioner states as follows:

1.       Petitioner operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, Petitioner serves approximately 7,562 customers. Petitioner purchases its sewage treatment from the Atlantic County Utilities Authority (“ACUA”).

2.       By Order dated December 30, 1992, entered in Docket No. WR9205032J, the Board approved the establishment by Petitioner of a PSTAC, to be implemented effective on January 1, 1994. Under the framework established within that Order, changes in the PSTAC level are to be reflected through changes in Petitioner’s Volumetric Treatment Charge.

3.       The present Petition is submitted to establish the PSTAC level and resultant Volumetric Treatment Charge for 2015.

4. Petitioner estimates that the amount to be recovered through the 2015 PSTAC will total \$9,460,555. This includes an under-recovery for 2014 of \$384,311 and projected filing costs (shared 50/50) of \$9,000. The Company is projecting 2015 Mcf of 374,661.9, resulting in a 2015 Volumetric Treatment Charge of \$25.251 Mcf before compression. These numbers are preliminary in nature, and updates will be necessary as final cost data is received from the ACUA, and final volumetric projection data is developed.

5. In accordance with the Order establishing the PSTAC, Petitioner accounts for net monthly cumulative over-recoveries and under-recoveries resulting from the PSTAC. The net monthly cumulative over-recoveries and under-recoveries are currently calculated for each month, utilizing an average balance for each month. Interest on net cumulative monthly over-recoveries are credited to the PSTAC at an interest rate equal to the return on rate base utilized in Petitioner's last completed rate case. Similarly, interest on net monthly under-recoveries are charged against the PSTAC. The PSTAC Clause Year is the calendar year. If at the end of the Clause Year interest is due to the PSTAC, interest is credited to the PSTAC. If at the end of a Clause Year interest is chargeable against the PSTAC, interest is eliminated through appropriate accounting entries.

6. At the end of the Clause Year, over-recoveries resulting from the PSTAC are credited to and reduce future PSTAC clause levels. The same is to be true of any interest due to the PSTAC. Conversely, under-recoveries are utilized to increase the PSTAC clause levels established for future Clause Years.

7. The Company is proposing by way of this Petition to modify the methodology used to calculate and account for interest on under/over-recoveries of the PSTAC consistent with more recent Board precedent. The Board has recognized in recent clause related proceedings that the

current accounting methodology utilized by ACSC is not reflective of borrowing costs. Therefore, ACSC proposes to use a debt based cost consistent with Board precedent. *See I/M/O Rockland Electric Company for Approval of an Energy Efficiency Program*, Board Docket No. ET10090677, June 15, 2011; *I/M/O Demand Response Programs for the Period Beginning June 1, 2009*, Board Docket No. EO08050326, April 27, 2009; and *I/M/O Public Service Electric and Gas Company for Approval of Changes in its Electric and Gas Societal Benefits Charge Rates*, Board Docket No. ER12030207, January 1, 2013. Specifically, ACSC proposes to calculate the interest on under/over-recoveries based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which the rates are published), plus sixty (60) basis points, but shall not exceed the Company's overall rate of return last used by the Board to set rates. The Company proposes to implement this methodology on a going forward basis. For PSTAC Clause Year 2015, the Company does not anticipate any over/under-recoveries on the PSTAC based on its current projections.

8. The attached testimony of Wendy E. Stewart, which includes all documents required to accompany this Petition pursuant to *N.J.A.C. 14:9-8.4*, is incorporated herein by reference.

9. The PSTAC provides no profit to the Petitioner. It merely allows the Company to pass through to its customers increases and decreases in the cost of purchased sewerage treatment.

10. The proposal to implement the PSTAC charge for 2015, will increase an average customer's annual sewerage bill by \$17.70 or 3.51%.

11. The tariff sheets necessary to implement this Petition are attached hereto and incorporated herein.

12. A proposed form of Notice is attached to this Petition, and will be published, if necessary, substantially in the form annexed hereto, in The Press, a daily newspaper published within the Petitioner's service territory. Copies thereof will be served by mail upon the Clerk of the City of Atlantic City, upon the Clerk of the Board of Chosen Freeholders of Atlantic County, and upon the Atlantic County Executive. Proof of such service and publication will be filed with the Board.

13. The Petitioner has served two copies of this Petition upon the Director, Division of Rate Counsel, 140 East Front Street, P.O. Box 003, Trenton, New Jersey 08625 and two copies upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102.

14. Petitioner requests that the PSTAC requested herein be made effective for service rendered on and after January 1, 2015, and for the ensuing twelve-month period.

Respectfully submitted,  
COZEN O'CONNOR  
Attorneys for Petitioner,  
The Atlantic City Sewerage Company

By:   
Stacy A. Mitchell, Esq.

Dated:

Communications addressed to  
the Petitioner in this case are  
to be sent to:

COZEN O'CONNOR  
Attn: Stacy A. Mitchell, Esquire  
LibertyView, Suite 300  
457 Haddonfield Road  
P.O. Box 5459  
Cherry Hill, NJ 08002  
(856) 910-5000

## VERIFICATION

I, LOUIS M. WALTERS, of full age, being duly sworn according to law, upon my oath, depose and say:

1. I am President and General Manager of The Atlantic City Sewerage Company and am authorized to make this verification on behalf of the Company.
2. I have reviewed the within Petition and the information contained therein is true according to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
LOUIS M. WALTERS

Sworn to and subscribed  
before me this 27<sup>th</sup> day  
of January, 2015.

  
\_\_\_\_\_  
Notary Public

**BARBARA S BRUCKLER**  
**NOTARY PUBLIC**  
**NEW JERSEY**  
**MY COMMISSION EXPIRES 10-2-16**