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BOARD OF PUBLIC UTILITIES
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March 12, 2015

VIA OVERNIGHT DELIVERY

The Hon. Kenneth J. Sheehan
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th floor
P.O. Box 350
Trenton, NJ 08625-0350

Re: I/M/O Middlesex Water Company's Distribution System Improvement Charge
Calculation Pursuant to N.J.A.C. 14:9-10.5
BPU Docket No. WR14050508

Dear Secretary Sheehan:

Enclosed for filing please find an original and five (5 copies) of Middlesex Water Company's Distribution System Improvement Charge calculation for the September 1, 2014 through February 28, 2015 DSIC Recovery Period, together with the materials and/or schedules required under N.J.A.C. 14:9-10.5(a) (1) through (a) (4).

If you have any questions, please feel to contact me.

Sincerely,

A. Bruce O'Connor
Vice President, Treasurer and Chief Financial Officer

ABO:as
Encls.

cc: Stefanie A. Brand, Esq. (two copies via overnight delivery)
Christopher Psihoules, DAG (two copies via overnight delivery)

N:\Rate cases\MWC DSIC WR14050508 Assessment No.1 - February 2015\Assessment\K. Sheehan letter - Filing - March 12, 2015.docx

Middlesex Water Company
 Distribution System Improvement Charge
 BPU Docket No. WR14050508
 DSIC Recovery Period: September 1, 2014 - February 28, 2015

| | |
|---|---------------------|
| Eligible Investment (Qualified DSIC Additions to UPIS During DSIC Period) | \$ 2,853,709 (B) |
| Less: Accum Depr | (11,645) (B) |
| Less: Deferred Tax | <u>(5,912) (C)</u> |
| Eligible Net Investment (net DSIC Additions to UPIS During DSIC Period) | <u>\$ 2,836,152</u> |
| Times Pre-Tax ROR | 9.39% (D) |
| Pre-Tax return on Investment | 266,289 |
| Add: Depreciation | <u>46,582</u> |
| Revenue Recovery | <u>312,871</u> |
| Revenue Factor | <u>1.164286 (E)</u> |
| DSIC Revenue Requirement Recovery Amount - Annual | \$ 364,271 (F) |
| DSIC Revenue Requirement Recovery Amount - Quarterly | \$ 91,068 |
| DSIC Revenue Requirement Recovery Amount - Monthly | \$ 30,356 |

(A) - Includes six months actual DSIC eligible projects closed to UPIS during DSIC Period.

9/1/14-2/28/15

| | |
|--|-------------------|
| (B) - Accumulated Depreciation. | <u>DSIC No. 1</u> |
| DSIC Eligible projects closed to UPIS | \$ 2,853,709 (B) |
| Composite Depreciation rate | <u>1.63%</u> |
| Depreciation Expense | <u>46,582</u> |
| 1/2 Year Convention (for first 6-months) | <u>11,645 (B)</u> |

| | |
|---|---------------------|
| (C) - Deferred Taxes. | <u>DSIC No. 1</u> |
| DSIC Eligible projects closed in UPIS | \$ 2,853,709 |
| MACRS Rate Water Plant (2% - 1/2 year convention for 6 months) Note (1) | <u>1.00%</u> |
| Tax Depreciation 1st Year | <u>28,537</u> |
| Book Depreciation | <u>11,645</u> |
| Tax Depr Greater than Book | <u>16,892</u> |
| Deferred Taxes at 35% | <u>\$ 5,912 (C)</u> |

Note (1) - RE:NEW 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 | <u>100.00%</u> | | <u>6.72%</u> | <u>9.39%</u> |

| | |
|---|--|
| (E) - Revenue Factor. | 1.0000000 |
| 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 | (0.0021128) (per 2015 assessment) |
| Less: DRC Assessment | <u>(0.0005751) (per 2015 assessment)</u> |
| Revenue remaining after taxes, bad debts, and assessments | <u>0.858895</u> |
| Revenue [Gross -up] Factor | <u>1.164286 (E)</u> |

| | |
|--|-----------------------|
| (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 | <u>\$ 364,271 (F)</u> |
| DSIC Revenue as a % of Total Revenue | 0.51% |

Middlesex Water Company
Distribution System Improvement Charge
BPU Docket No. WR14050508
DSIC Recovery Period: September 1, 2014 - February 28, 2015
DSIC Charge by Meter Size Calculation

| Meter Size | -----GMS Customer Class-----\ | | | Private Fire | Total GMS/PF Meters | AWWA Ratio | Equivalent Meters | EM% To Total | Monthly DSIC Charge | Monthly DSIC Revenue | Quarterly DSIC Charge | Quarterly DSIC Revenue | Annual DSIC Revenue |
|------------------|-------------------------------|--------------|------------|--------------|---------------------|------------|-------------------|----------------|---------------------|----------------------|-----------------------|------------------------|---------------------|
| | Residential | Commercial | Industrial | | | | | | | | | | |
| 5/8" | 46,547 | 282 | - | - | 46,829 | 1.00 | 46,829 | 35.24% | \$ 0.23 | \$ 10,771 | \$ 0.69 | \$ 32,312 | \$ 129,248 |
| 3/4" | 7,587 | 186 | 2 | - | 7,775 | 1.50 | 11,663 | 8.78% | \$ 0.34 | \$ 2,644 | \$ 1.02 | \$ 7,931 | \$ 31,722 |
| 1" | 1,121 | 242 | 9 | 6 | 1,378 | 2.50 | 3,445 | 2.59% | \$ 0.57 | \$ 785 | \$ 1.71 | \$ 2,356 | \$ 9,426 |
| 1-1/2" | 174 | 318 | 21 | - | 513 | 5.00 | 2,565 | 1.93% | \$ 1.14 | \$ 585 | \$ 3.42 | \$ 1,754 | \$ 7,018 |
| 2" | 63 | 918 | 44 | 28 | 1,053 | 8.00 | 8,424 | 6.34% | \$ 1.82 | \$ 1,916 | \$ 5.46 | \$ 5,749 | \$ 22,998 |
| 3" | - | 223 | 41 | 39 | 303 | 15.00 | 4,545 | 3.42% | \$ 3.42 | \$ 1,036 | \$ 10.26 | \$ 3,109 | \$ 12,435 |
| 4" | - | 33 | 89 | 269 | 391 | 25.00 | 9,775 | 7.36% | \$ 5.69 | \$ 2,225 | \$ 17.07 | \$ 6,674 | \$ 26,697 |
| 6" | - | 3 | 60 | 281 | 344 | 50.00 | 17,200 | 12.94% | \$ 11.38 | \$ 3,915 | \$ 34.14 | \$ 11,744 | \$ 46,977 |
| 8" | - | 3 | 14 | 264 | 281 | 80.00 | 22,480 | 16.92% | \$ 18.22 | \$ 5,120 | \$ 54.66 | \$ 15,359 | \$ 61,438 |
| 10" | - | 3 | 6 | 41 | 50 | 115.00 | 5,750 | 4.33% | \$ 26.18 | \$ 1,309 | \$ 78.54 | \$ 3,927 | \$ 15,708 |
| 12" | - | - | - | 1 | 1 | 215.00 | 215 | 0.16% | \$ 48.95 | \$ 49 | \$ 146.85 | \$ 147 | \$ 587 |
| Total (1) | 55,492 | 2,211 | 286 | 929 | 58,918 | | 132,891 | 100.00% | | \$ 30,354 | | \$ 91,063 | \$ 364,253 |

| | | | |
|--|-----------|-----------|------------|
| DISC Revenue Requirement (From Page 1) | \$ 30,356 | \$ 91,068 | \$ 364,271 |
| Rounding Difference | \$ (1) | \$ (4) | \$ (18) |

(1) Meter counts are active meters as of 2/28/15.

Middlesex Water Company
Distribution System Improvement Charge
BPU Docket No. WRI4050508
September 1, 2014 through February 28, 2015

| Project ID # | Project Name / Location | Reason for Project | Project Description | In Service Date | Actual Transferred to UPIS as of 2/28/2015 | Original Estimated Project Cost |
|---------------------------------------|---|--------------------|---|-----------------|--|---------------------------------|
| 01B-14Serv | Service Line Blanket | Blanket | Service line replacement & relocations during the year | 2/24/2015 | \$263,075 | \$480,020 |
| 01B-14Main (1) | 2014 Mains Blanket Sep-Dec+2015 blanket Jan-Feb | Blanket | Installation & Replacement of miscellaneous T&D mains during the year | 2/24/2015 | \$511,794 | \$230,678 |
| 01B-14Hyd | Hydrant Blanket | Blanket | Hydrant replacement & relocations during the year | 2/24/2015 | \$197,829 | \$162,000 |
| 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 hydrants. | | \$0 | \$100,000 |
| 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. | 1/16/2015 | \$449,509 | \$659,000 |
| Total Base Spend Project Costs | | | | | \$1,422,207 | \$1,631,698 |
| 01B-14Serv (2) | Service Line Blanket | Blanket | Service line replacement & relocations during the year | 2/24/2015 | \$650,563 | \$480,020 |
| 01P-14-301 | Renew 2014 - Colonia/Woodbridge Post Sept 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. | 12/19/2014 | \$2,048,457 | \$1,550,000 |
| 01P-12-316 | Division Street Main Replacement (old 04-531) | Main Repl | Replacement of approximately 1,000 6" main with 8" from the intersection of Daniel to Birch including services valves, and hydrants. | 12/19/2014 | \$154,689 | \$190,000 |
| 01P-14-317 | Route 35 Main Crossing at Ronald Drive | Main Repl | Replacement of 6" main in existing casing pipe - Approximately 100 lf | | \$0 | \$50,000 |
| Total DSIC Spend Project Costs | | | | | \$2,853,709 | \$2,270,020 |

| | |
|-------------------------------------|--------------------|
| TOTAL BASE SPENDING | \$1,422,207 |
| TOTAL DSIC SPENDING | \$2,853,709 |
| TOTAL DSIC ELIGIBLE SPENDING | \$4,275,916 |

(1) - The increase in this category is due to an unexpected quantity of breaks for larger sized mains.

(2) - The increase in this category is due to unanticipated number and degree of difficulty encountered in replacement service installations.

RATE SCHEDULE NO. 9

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

APPLICABILITY:

Applicable to customers throughout entire territory for general metered and private fire protection service connections.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions".

RATE:

DSIC will be assessed based on the size of the customer meter. The DSIC rate is in addition to Rate Schedules No. 1 and No. 2.

GENERAL METERED AND PRIVATE FIRE PROTECTION SERVICE

| <u>Size of Meter</u> | <u>Charge Per Quarter</u> | <u>Charge Per Month</u> |
|----------------------|---------------------------|-------------------------|
| 5/8" | \$ 0.69 | \$ 0.23 |
| 3/4" | 1.02 | 0.34 |
| 1" | 1.71 | 0.57 |
| 1-1/2" | 3.42 | 1.14 |
| 2" | 5.46 | 1.82 |
| 3" | 10.26 | 3.42 |
| 4" | 17.07 | 5.69 |
| 6" | 34.14 | 11.38 |
| 8" | 54.66 | 18.22 |
| 10" | 78.54 | 26.18 |
| 12" | 146.85 | 48.95 |

Date of Issue: _____, 2015

Issued by: Dennis W. Doll, President
1500 Ronson Road
Iselin, New Jersey 08830-3020

Effective for service
Rendered on and after:

_____, 2015

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated August 20, 2014, in Docket No. WR14050508.