



Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691

www.aquanewjersey.com

RECEIVED

MAY 26 2015

BOARD OF PUBLIC UTILITIES
MAIL ROOM

May 22, 2015

Irene Kim Asbury, Secretary
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 Aqua New Jersey, Inc., Walkill Wastewater Treatment Division, for Approval of a 2014 Purchased Wastewater Treatment Adjustment Clause True-up and Other Required Approvals BPU Docket No. WR1505063/

Dear Secretary Asbury:

Enclosed for filing please find an original and ten (10) copies of a Petition submitted by Aqua New Jersey, Inc. ("Petitioner") initiating the above-referenced matter. Additionally, I have enclosed an extra copy of this filing. Kindly stamp this copy "Filed" and return it in the enclosed self-addressed, stamped envelope.

Please contact me at (610) 645-1136 if you have any question regarding this proceeding. Thank you for your attention to this matter.

Sincerely,

William C. Packer
Controller

Enclosure

WCP/kab
cc: Service List

CMS
Legal
DAG
RPA
WATER
M. Moran
M. Kammar

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

RECEIVED

MAY 26 2015

BOARD OF PUBLIC UTILITIES
MAIL ROOM

: **IN THE MATTER OF THE PETITION** :
: **OF AQUA NEW JERSEY, INC.,** :
: **WALLKILL SEWER DIVISION, FOR** :
: **APPROVAL OF A RECONCILIATION** :
: **OF PURCHASED WASTEWATER** :
: **TREATMENT ADJUSTMENT CLAUSE** :
: **COSTS AND REVENUES AND OTHER** :
: **REQUIRED APPROVALS** :
_____ :

BPU DOCKET NO. WR1505 _____

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:

1. **PETITIONER, AQUA NEW JERSEY, INC.** (hereinafter "Petitioner" or the "Company"), a public utility of the State of New Jersey, with its principal business office at 10 Black Forest Road, Hamilton, New Jersey 08691, hereby petitions for approval of a comprehensive reconciliation of purchased wastewater treatment adjustment clause ("PSTAC") costs and revenues for calendar years 2007 to 2014, and to set prospective rates for calendar year 2016 pursuant to N.J.A.C. 14:9-7.1 et seq. The true-up of actual 2015 PSTAC revenues and costs will be done in the Company's PSTAC filing to be made in 2016.

Overview

2. Petitioner's Wallkill Sewer Division ("Wallkill"), formerly the Wallkill Sewer Company, provides wastewater service to approximately 399 customers in a portion of the Township of Hardyston, County of Sussex, pursuant to an Order of the Board of Public Utilities ("Board"). Wallkill and its sister company, Wallkill Water Company, were formerly owned by

Edgewater Associates and were both acquired by Aqua New Jersey in late 2010.¹ Since acquiring Wallkill, Aqua has conducted an original cost study, made numerous investments in the water and wastewater systems, and attempted to locate and organize Wallkill's records.

3. Wallkill purchases wastewater treatment services from the Sussex County Municipal Utilities Authority ("SCUMA"). SCUMA treats all of the wastewater collected by Wallkill pursuant to the "1982 Wallkill Sewer Company Service Contract" (as amended May 3, 1984) (attached as Exhibit A) between the Company and SCUMA. In December² of each year, SCUMA estimates the annual cost of wastewater to be treated for Wallkill and bills the Company in four equal installments based on that estimate.³ To the extent that any credits are due the Company, or additional payments are due SCUMA (based on actual usage during the year), those amounts are included in the estimate of costs for the upcoming fiscal year and reflected in the February payment. As indicated on the attached letter from SCUMA dated December 26, 2014 (attached as Exhibit B), SCUMA has estimated Wallkill's 2015 (fiscal year) treatment charges to be \$167,308.

Background

4. The history of Wallkill is provided here to explain, and provide context for, the need for the relief requested in this Petition. Wallkill was incorporated in 1977 to provide wastewater service to residential and commercial development which was then being constructed in Hardyston Township. In March, 2002, Wallkill filed a request for an increase in base rates for

¹ See *I/M/O the Acquisition of the Wallkill Sewer Company by Aqua New Jersey, Inc. and Other Related Approvals*, BPU Dkt. No. WM10020117, Order (dated October 5, 2010).

² Please note that the fiscal year used by SCUMA ends on November 30.

³ Bills are rendered by SCUMA and paid by Wallkill four times during the year (February, May, August and November).

wastewater service. At the same time, Wallkill filed a separate request to implement a PSTAC. Included as Exhibit C to this Petition, is a copy of the Board's Order (dated August 7, 2003) accepting the terms of a Stipulation of Settlement resolving both dockets. Using a 2001 test year, the Board authorized Wallkill to increase base rates, including to increase its fixed quarterly charge from \$36.14 to \$40.56 (for a 5/8" meter) and its volumetric charge from \$4.39 per thousand gallons to \$5.48 per thousand gallons. The Board also stated that these rates were designed to allocate purchased sewer treatment costs to the volumetric rate, and other expenses to the fixed quarterly charge.⁴ Included with the Stipulation were schedules indicating the Company's 2001 sewer treatment costs estimated by SCUMA were \$98,371.⁵ Also included was a Proof of Revenues which indicated that the \$5.48 per thousand gallon consumption charge was calculated to recover only the estimated SCUMA costs of \$98,371.⁶ In effect, the Board treated the volumetric charge as a PSTAC although it was not denominated as such. The Board also noted that the Company would be permitted to file for a PSTAC at the conclusion of the case, and that the Stipulation contained an estimated PSTAC calculation for 2003 (referenced in Paragraph 8 and set out in Exhibit C of the Stipulation).

5. On October 6, 2003, Wallkill filed a petition seeking to change the level of its PSTAC.⁷ Prior to the filing of this request, Wallkill unilaterally implemented a PSTAC rate of

⁴ *I/M/O the Petition of the Wallkill Sewer Company for Approval of an Increase in Rates for Sewer Service and the Establishment of a Purchased Sewer Treatment Adjustment Clause (PSTAC)*, BPU Dkt. Nos. WR02030193 and WR02030194, Order Adopting Initial Decision/Settlement (dated August 7, 2003), at 5 (paragraph e).

⁵ *Id.* at Exhibit A to the Stipulation.

⁶ *Id.* at Exhibit B to the Stipulation. Calculated using a total SCUMA cost of \$98,371 and anticipated annual consumption of 17,944 (tgs).

⁷ *I/M/O the Petition of Wallkill Sewer Company to Change the Level of its Purchased Sewage Treatment Adjustment Clause*, BPU Dkt. No. WR03100806, Order Adopting Initial Decision/Stipulation (dated November 10, 2004).

\$6.87 per thousand gallons, which was in addition to the \$5.48 per thousand gallons volumetric charge. Wallkill's unauthorized action resulted in an over-recovery of 2003 SCUMA treatment costs of approximately \$6,454. On November 10, 2004, the Board issued an Order accepting the terms of a stipulation of settlement, and admonishing Wallkill for its unauthorized implementation of a PSTAC rate.⁸ (Attached as Exhibit D.) Pursuant to that Order, Wallkill implemented a customer refund and eliminated the volumetric component of its rates.⁹ Instead, the Board ordered that the previous volumetric rate of \$5.48 per thousand gallons would now be deemed Wallkill's initial PSTAC rate, and that it reflected the recovery of estimated SCUMA costs for 2004.¹⁰ Wallkill was also required to file for a 2004 "true-up" of actual and estimated SCUMA costs as early as possible in the first quarter of 2005.¹¹

6. On May 23, 2006, Wallkill filed a petition to true-up PSTAC rates and collections for calendar years 2004 and 2005.¹² In that proceeding, the Board issued an order in which it ultimately determined Wallkill had over-recovered PSTAC costs for 2004 and 2005, and ordered a refund to customers totaling \$28,165.¹³ (Attached as Exhibit E). The Board also determined that the \$5.48 PSTAC rate should remain unchanged.¹⁴

⁸ *Id.* at 5 noting: "Adherence to regulations and the law is a requirement, and a measure of the managerial capacity of a company. Failure to comply with laws and regulations raises serious concerns as to whether such an entity should operate a utility in this State. The action taken by Wallkill is unacceptable."

⁹ *Id.* at 4 (paragraphs a and b).

¹⁰ *Id.* at 4 (paragraph a).

¹¹ *Id.* at 4 (paragraph e).

¹² *I/M/O the Petition of Wallkill Sewer Company to Change the Level of its Purchased Sewage Treatment Clause*, BPU Dkt. No. WR06090670, Order Adopting Initial Decision/Settlement (dated May 15, 2007).

¹³ *Id.* at 2 (paragraph 1). The refund reflected a sharing of the costs of the proceeding, amortized over two years, as well as interest on the over-recovery.

¹⁴ *Id.* at 3 (paragraph e).

7. On March 30, 2007, Wallkill filed a petition to true-up PSTAC rates and collections for calendar year 2006. In that proceeding, the Board determined that Wallkill had PSTAC revenues of \$116,534, SCUMA treatment costs of \$112,302, and costs of the proceeding totaling \$7,567 (which were to be shared 50/50), resulting in a total net under-recovery of approximately \$4,387. Consistent with the terms of the Stipulation of Settlement, the PSTAC rate remained at \$5.48 and Wallkill did not collect the under-recovery from customers. The Board approved the settlement on October 8, 2009. (Attached as Exhibit F.) Wallkill has not filed a PSTAC true-up since that time, and PSTAC rates for 2007 through 2014 have not been reconciled. As noted above, Aqua acquired Wallkill in a transaction that closed at the end of 2010.

2007-2014 Reconciliation

8. Since the 2006 true-up, Wallkill has incurred the following SCUMA treatment costs and collected the following revenues from the PSTAC charge:

Year	SCUMA Charges	PSTAC Revenues	Over/(Under)
2007	\$124,444	\$134,885	\$10,441
2008	\$120,787	\$160,613	\$39,826
2009	\$132,384	\$191,981	\$59,597
2010	\$167,097	\$127,567	(\$39,530)
2011	\$180,267	\$131,066	(\$49,201)
2012	\$181,079	\$142,985	(\$38,094)
2013	\$173,432	\$138,244	(\$35,188)

2014	\$168,400	\$137,449	(\$30,951)
Total	\$1,247,890	\$1,164,789	(\$83,101)

These results demonstrate that Wallkill under-recovered a net total of \$83,101 for the period 2007 through 2014. Aqua, however, is not seeking recovery of that entire amount. Rather, as set out in Exhibit G, Aqua is seeking recovery of only the 2014 under-recovery of \$30,951 (plus the costs of this proceeding), as well as to set prospective rates for 2016. Aqua believes this approach is reasonable under the unique circumstances present in this instance. Although Aqua did not own Wallkill during the period of the \$109,864 over-recovery from 2007 to 2009 and so never received those revenues, Aqua would point out that those amounts are more than offset by the \$171,747 under-recovery from the time of Aqua's acquisition of Wallkill in late 2010 through 2013. In short, Aqua proposes to forego recovery of over \$61,000 in under-recoveries during the period of its ownership of Wallkill.

9. The Company seeks to reconcile PSTAC revenues and costs through 2014, to recover the 2014 under-recovery and to set prospective rates for 2016. The Company will true-up 2015 PSTAC revenues and rates in its PSTAC filing in 2016. As noted on Exhibit B, SCUMA has estimated 2015 treatment costs to be \$167,308. The Company requests a finding by the Board that estimated treatment costs for 2014 are \$168,400, which figure is the baseline against which actual 2014 PSTAC revenues are measured for purposes of performing a true-up of 2014 actual PSTAC costs and revenues.

2016 SCUMA Costs & 2016 PSTAC Rate

10. The Company anticipates that SCUMA will publish its proposed 2016 rates in late October, and implement new rates effective December 1, 2015. Given this schedule, the Company proposes to set the estimated 2016 PSTAC rate by using the estimated 2015 costs

identified by SCUMA, plus the costs of this proceeding and the prior 2014 under-recovery. This approach results in a PSTAC charge of \$8.46. The Company believes this approach is appropriate as it will mitigate the impact of reflecting current treatment costs in the PSTAC rate and help to avoid rate shock for customers. Attached hereto as Exhibit G is a schedule which supports the proposed 2016 PSTAC tariff rate. As discussed above, the Company's 2016 PSTAC must set prospective rates for 2016, including the cost of this proceeding. In 2016, the Company will true-up actual 2015 treatment costs with the actual revenues collected in 2015. Any over or under-recovery would then be reflected in new PSTAC rates set for 2017.

11. The Company recognizes its obligation to file PSTAC true-up requests on an annual basis, and so commits to file timely all future PSTACs.

12. Petitioner reserves the right to amend this Petition and exhibits as necessary.

13. All correspondence related to this Petition should be sent to:

Colleen A. Foley, Esq.
Saul Ewing LLP, 15th floor
One Riverfront Plaza
Newark, NJ 07102

Kimberly A. Joyce, Esq.
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010

William C. Packer, Jr.
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010

WHEREFORE, Petitioner respectfully requests that the Board approve the PSTAC true-up for 2007 – 2014 set forth herein, and set prospective PSTAC rates for 2016, and grant such other relief as shall appear just and reasonable.

Respectfully submitted,

Dated: May 22, 2015

By: Colleen A. Foley
Colleen A. Foley, Esq.
Saul Ewing LLP
Counsel for Aqua New Jersey, Inc.

Kimberly A. Joyce, Esq.
Aqua America, Inc.
Counsel for Aqua New Jersey, Inc.

VERIFICATION


COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF MONTGOMERY)

 WILLIAM C. PACKER, of full age, being duly sworn, upon his oath
deposes and says:

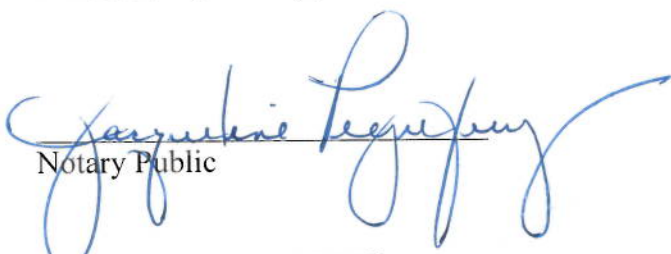
1. I am Controller, Aqua America, Inc., the parent company of the
Petitioner in the foregoing Petition, and in that capacity I am authorized to make this Verification
on behalf of Aqua New Jersey, Inc. in this matter.

2. I have reviewed the within Petition and Exhibits thereto, and the
same are true and correct to the best of my knowledge, information and belief.

3. I certify that the foregoing statements made by me are true. I am
aware that if any of the foregoing statements made by me are willfully false, I am subject to
punishment.


_____ William C. Packer

Sworn to and subscribed before me
this 22nd day of May, 2015



Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Jacqueline Peyreferry, Notary Public
Lower Merion Twp., Montgomery County
My Commission Expires Aug. 27, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES