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BOARD OF PUBLIC UTILITIES  
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August 5, 2015

**VIA FEDERAL EXPRESS**

Honorable Leland S. McGee, ALJ  
Office of Administrative Law  
33 Washington Street  
Newark, NJ 07102

Re: In the Matter of the Petition of United Water Toms River Inc. for Approval  
of an Increase in Rates for Water Service and Other Tariff Changes  
BPU Docket No. WR15020269  
OAL Docket No. PUC 0312-2015

Dear Judge McGee:

Enclosed for filing please find two (2) copies, plus one additional copy, of a Stipulation of Settlement which has been executed on behalf of Petitioners, Staff of the Board of Public Utilities and the Division of Rate Counsel, in the above-referenced matter. This Stipulation resolves all issues in this matter. Kindly stamp the additional copy of the Stipulation "filed" and return in the self-addressed, stamped envelope.

We ask that Your Honor kindly process this Stipulation and forward it to the Board of Public Utilities this week so that it can make their August Agenda.

Thank you for your attention to this matter.

Respectfully submitted,

*Stephen B. Genzer*  
Stephen B. Genzer

SBG/jg

Enclosures

cc: Attached Service List (via Email and Regular Mail)

*CMS*  
*all parties have been*  
*copied*

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## SERVICE LIST

I/M/O the Petition of United Water Toms River Inc.  
for Approval of an Increase in Rates for Water Service and Other Tariff Changes  
BPU Docket No. WR15020269  
OAL Docket No. PUC 03172-2015N

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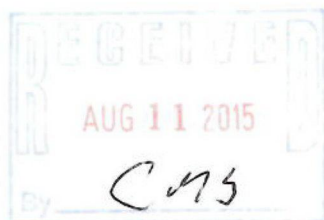
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AUG 10 2015

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

**IN THE MATTER OF THE PETITION  
OF UNITED WATER TOMS RIVER INC.  
FOR APPROVAL OF AN INCREASE IN  
RATES FOR WATER SERVICE  
AND OTHER TARIFF CHANGES**

**STIPULATION OF  
SETTLEMENT**

**BPU DOCKET NO. WR15020269  
OAL DKT. NO. PUC03172-2015N**

**APPEARANCES:**

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of United Water Toms River Inc., Petitioner

T. David Wand, Deputy Attorney General, and Christopher Psihoules, Deputy Attorney General (John J. Hoffman, Acting Attorney General of New Jersey), on behalf of the Staff of the Board of Public Utilities

Brian O. Lipman, Esq., Litigation Manager, Debra F. Robinson, Esq., Deputy Rate Counsel, and Christine M. Juarez, Esq., Assistant Deputy Rate Counsel (Stefanie A. Brand, Director), on behalf of the Division of Rate Counsel

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

The Parties in this proceeding are United Water Toms River Inc., (“Petitioner” or “Company”), the Division of Rate Counsel (“Rate Counsel”), and the Staff of the Board of Public Utilities (“Staff”). As a result of an analysis of Petitioner’s pre-filed testimony and exhibits, extensive discovery, and a public hearing held on May 28, 2015, in Bayville, New Jersey, the Petitioner, Staff and Rate Counsel (collectively, the “Signatory Parties”) have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

## PROCEDURAL HISTORY

1. On or about February 27, 2015, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, filed a petition with the Board of Public Utilities (“Board” or “BPU”) to increase rates for water service and to make other tariff changes. Specifically, the Petitioner requested approval to increase rates to produce additional revenues of approximately \$5,208,512 or approximately 16.85% above current revenues. The test year in this proceeding was proposed to be the twelve-month period ending June 30, 2015, adjusted for known and measurable changes.

2. The Board transmitted this matter to the Office of Administrative Law (“OAL”), and Administrative Law Judge (“ALJ”) Leland S. McGee was assigned to hear the case. Pursuant to an Order effective April 25, 2015, the Board suspended rates until July 31, 2015, pursuant to N.J.S.A. 48:2-21. The Board issued a second suspension Order, effective July 31, 2015, further suspending rates until November 30, 2015. A telephone Pre-Hearing Conference was convened by ALJ McGee on April 9, 2015.

3. Extensive discovery was conducted by the Signatory Parties with the Petitioner providing responses to hundreds of data requests. After proper notice, a public hearing was held in the service territory of the Petitioner during the evening of May 28, 2015 at the Berkeley Township Municipal Building in Bayville, New Jersey. Several members of the public appeared and commented on the proposal and various water quality issues. The Company has investigated the water quality concerns raised at the Public Hearing, and responded to discovery from Staff and Rate Counsel on those issues. Most participants at the public hearing stated their opposition to the rate increase.

4. Numerous settlement discussions were held over the course of two months, and the agreements reached during those discussions have resulted in the following stipulation by the Signatory Parties.

RATE INCREASE

5. The Signatory Parties agree that for purposes of this settlement, rate base is established at \$99,400,000. The Signatory Parties agree that, for the purposes of this settlement only, an overall rate of return of 7.65% will be used, including a 9.75% return on equity and a 5.28% overall cost of long term debt, and utilizing a capital structure including 47% Long Term Debt and 53% Common Equity. The calculation of the additional revenue requirement amount is as follows:

	(000s)
Rate Base	\$ 99,400
Rate of Return	<u>7.65%</u>
Required Operating Income	7,604
Test Year Operating income	<u>6,051</u>
Deficiency	1,553
Revenue Conversion Factor	<u>1.804131</u>
Revenue Requirement	<u><u>\$2,800</u></u>

6. The Signatory Parties stipulate to a total revenue increase for the Petitioner of \$2,800,000 (the "Stipulated Rate Increase") which equates to a 9.06% increase, and recommend to the ALJ and the Board that this increase is an appropriate resolution of this matter. The Signatory Parties further acknowledge that any increase or resolution of any issue agreed to in this Stipulation shall become effective upon service of the Board Order approving this Stipulation on all parties of record unless a later date is indicated in the Board Order, consistent with N.J.S.A. 48:2-40. The Signatory Parties agree that the level of revenues resulting from the Stipulated Rate Increase is necessary to ensure that the Petitioner will continue to provide safe, adequate, and proper water service to its customers.

7. The Signatory Parties acknowledge that the Stipulated Rate Increase includes a consolidated tax adjustment.

8. The Signatory Parties agree that the tariff pages attached as Exhibit A, implementing the terms of this Stipulation, should be adopted by the Administrative Law Judge and the Board in their entirety. The agreed upon tariff includes a 5/8 inch meter fixed monthly charge of \$11.50, with larger meter sizes charging proportional fixed charges based on the size of meter. While the Signatory Parties have agreed that Public Fire charges have increased 2%, there is no increase to Private Fire Meter charges. Attached as Exhibit B is a Proof of Revenues for Petitioner supporting these tariffs based upon the agreements among the Signatory Parties as implemented.

9. The proposed base rate increase incorporates the entirety of the April 1, 2014 through March 31, 2015 DSIC recovery period. Additionally, the only other DSIC projects eligible to be included in the base rate case are those that were placed in-service between April 1, 2015 and June 30, 2015, the end of the test year. The DSIC Foundational Filing approved by the Board on March 19, 2014 in BPU Docket No. WR13111128 shall end as of the date of the Board's Order in this base rate case, and the Signatory Parties are aware of the Company's intention to file in the future a new DSIC Foundational Filing pursuant to BPU regulations. Furthermore, the Company is aware that a new DSIC Foundational Filing must be approved by the Board before any new DSIC investment and DSIC rate recovery can occur, (N.J.A.C. 14:9-10.4(b)(6)), and that the DSIC rate shall be reset to zero at the conclusion of this base rate case.

10. This Stipulation is the product of extensive negotiations by the Signatory Parties, and 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. It is also the intent of the



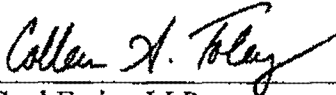
Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Signatory Parties have stipulated herein. The Signatory Parties agree that the within Stipulation reflects mutual balancing of various issues and positions, and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Signatory Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Signatory Party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, with any compromises being made in the spirit of reaching an agreement. 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 to no other matter.



11. 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.

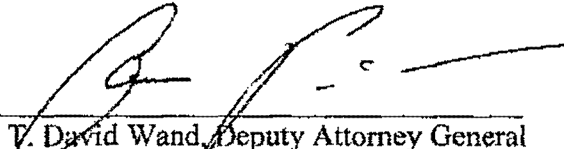
UNITED WATER TOMS RIVER INC.

August 4, 2015  
Date

By:   
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Colleen A. Foley, Esq.  
Stephen B. Genzer, Esq.  
Attorney for Petitioners

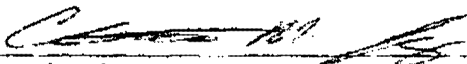
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Attorney for the Staff of the New Jersey  
Board of Public Utilities

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