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Board of Public Utilities

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT
OAL DKT. NO. PUC 17708-15
AGENCY DKT. NO. WR15101200

**IN THE MATTER OF PINELANDS WATER
COMPANY FOR APPROVAL OF AN INCREASE
IN ITS RATES FOR WATER SERVICE AND
OTHER TARIFF CHANGES**

Jay L. Kooper, Esq., and Stephen B. Genzer, Esq., for petitioner Pinelands
Water Company

Patricia Krogman and Veronica Beke, Deputy Attorneys General, for the Staff of
the Board of Public Utilities (Robert Lougy, Acting Attorney General of New
Jersey, attorney)

Susan McClure, Assistant Deputy Rate Counsel, for Division of Rate Counsel
(Stefanie A. Brand, Director, attorney)

CMS
V. Haynes
D. Leethomas
M. Moran
M. Kammer
M. Mosser
J. Kane
J. Gertsman
B. Agee
C. Vachier

Record Closed: April 12, 2016

Decided: April 12, 2016

BEFORE LELAND S. McGEE, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on
November 5, 2015 for resolution as a contested case pursuant to N.J.S.A. 16:41C-
8.7(b) 3.

A telephone pre-hearing was conducted on December 29, 2015. A public hearing was held on February 10, 2016 and evidentiary hearings were scheduled for June 6, 7 & 8, 2016. Prior to the hearing dates the parties advised the undersigned that they reached settlement. On April 12, 2016 a copy of the fully executed Settlement Agreement was received by the OAL indicating the terms of the agreement, which are incorporated herein by reference.

Having reviewed the contents of the attached Settlement Agreement, I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures and/or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I approve the settlement and, therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

OAL DKT. NO. PUC 17708-15

This recommended decision may be adopted, modified or rejected by the BOARD OF PUBLIC UTILITIES, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

April 12, 2016

DATE


LELAND S. MCGEE, ALJ

Date Received at Agency:

April 12, 2016

Mailed to Parties:



DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

OFFICE OF ADMINISTRATIVE LAW

APR 14 2016

DATE

lr

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of Pinelands
Water Company for Approval
of an Increase in its Rates for Water
Service and Other Tariff Changes

BPU Docket No. WR15101200
OAL Docket No. PUC 17708-15

STIPULATION OF SETTLEMENT

APPEARANCES:

Jay L. Kooper, Esq., General Counsel, and Stephen B. Genzer, Esq., Saul Ewing, LLP,
on behalf of Pinelands Water Company, Petitioner

Patricia A. Krogman, Deputy Attorney General, and Veronica Beke, Deputy Attorney
General, for the Staff of the New Jersey Board of Public Utilities (Robert T. Lougy,
Acting Attorney General of the State of New Jersey)

Debra F. 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 LELAND S. MCGEE, ALJ AND THE BOARD OF PUBLIC
UTILITIES:

This Stipulation of Settlement resolves all issues in BPU Docket No. WR15101200 in
which Pinelands Water Company (the "Company" or "Petitioner") seeks to increase its rates for
water service and other tariff changes. The Signatory Parties to this Stipulation of Settlement are
the Company, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of
Public Utilities ("Staff") (collectively the "Signatory Parties"). As a result of an analysis of
Petitioner's pre-filed testimony and exhibits, extensive discovery conducted, conferences,
negotiations, and a public hearing held on February 10, 2016 in Southampton, New Jersey, 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:

The procedural history of this matter is as follows:

On October 21, 2015, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12, filed a petition to increase rates for water service and to make other tariff changes. Specifically, Pinelands Water Company requested a rate increase of \$306,366 or approximately 48.49% above the adjusted annual level of revenues for the test year ending March 31, 2016. The Board transferred this matter to the Office of Administrative Law as a contested case where it was assigned to Administrative Law Judge Leland S. McGee ("ALJ McGee").

After proper notice, a public hearing was held on the evening of February 10, 2016, at Laurel Hall located in the Leisuretowne Association at 236 Huntington Drive in Southampton, New Jersey, with ALJ McGee presiding. Members of the public appeared and their comments were heard by the Signatory Parties and ALJ McGee. Approximately 16 individuals spoke at the public hearing. Their comments generally concerned the magnitude of the increase requested. Subsequently, several settlement discussions were held, and agreements reached during those discussions have resulted in the following stipulation by the Signatory Parties:

1. Pinelands Water Company's total rate base for purposes of this proceeding is agreed to be \$1,578,325. The Signatory Parties agree to an overall rate of return of 8.43%, which is based on a capital structure of 51.88% equity with a cost rate of 9.75% and 48.12% long-term debt with a cost rate of 7.00%.

2. The Signatory Parties stipulate to a revenue increase for Pinelands Water Company of \$230,562, or 35.56% over present revenues of \$648,459, for a total projected revenue of \$879,021 (See Exhibit B -- Proof of Revenue). The increase will be implemented in three phases. The initial Phase I increase will be effective on the effective date set forth in the Board Order adopting this Stipulation of Settlement. The Phase I increase in water rates for all customer classes will be 17.17% (See Exhibit B -- Phase I). The Phase II increase will be effective one year from the Phase I increase date. The Phase II increase for all customer classes will be 9.20% (See Exhibit B -- Phase II). The Phase III increase will be effective one year from the Phase II increase date. The Phase III increase for all customer classes will be 9.20% (See Exhibit B -- Phase III). The Signatory Parties agree that this revenue requirement represents the level of revenues necessary to ensure that the Company will continue to provide safe, adequate, and proper water service to its customers. No increase will take effect until the Board has had a full opportunity to review and make a determination regarding this stipulation and issues a written order approving any such increase.

3. Once the rates emanating from this proceeding have been made effective, the Company may not increase its base rates effective prior to one year from the Phase III increase effective date. This shall not affect the right or the ability of the Company to file a base rate case at such time as it deems appropriate. Specifically excluded from this stay-out are any Distribution System Improvement Charge ("DSIC") rates or Purchased Water Adjustment Charge ("PWAC") rates should any be approved by the Board. Moreover, nothing herein shall prevent the Company from filing a request for emergent base rate relief, should circumstances require. In the event a need for such emergent relief is demonstrated, a base rate increase may be effective prior to one year from the Phase III increase effective date. It is understood that no

party waives any rights to contest the need for such emergent relief, in the event the Company files a request for emergent base rate relief.

4. The Signatory Parties agree that the proposed revised tariff pages, together with other revisions, attached hereto as Exhibit A, implementing the terms of this Stipulation, should be adopted by the Board in their entirety.

5. 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, and that it will avoid protracted and costly litigation of certain issues and that with respect to any policy or other issues which were compromised 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.

6. 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.

PINELANDS WATER COMPANY

Apr. 12, 2016
Date

By: Jay Kooper
Jay L. Kooper, Esq.
General Counsel

ROBERT T. LOUGY
ACTING ATTORNEY GENERAL
OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

Date

By: _____
Patricia A. Krogman
Deputy Attorney General

STEFANIE A. BRAND, ESQ.
DIRECTOR - RATE COUNSEL

Date

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

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PINELANDS WATER COMPANY

Date

By: _____
Jay L. Kooper, Esq.
General Counsel

ROBERT T. LOUGY
ACTING ATTORNEY GENERAL
OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

4/12/16

Date

By: _____
Patricia A. Krugman
Deputy Attorney General

STEFANIE A. BRAND, ESQ.
DIRECTOR - RATE COUNSEL

Date

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

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PINELANDS WATER COMPANY

Date

By: _____


Jay L. Kooper, Esq.
General Counsel

ROBERT T. LOUGY
ACTING ATTORNEY GENERAL
OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

4/12/16

Date

By: _____



Patricia A. Kadgman
Deputy Attorney General

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DIRECTOR - RATE COUNSEL

4/12/16

Date

By: _____


Susan McClure, Esq.
Assistant Deputy Rate Counsel