



Agenda Date: 03/26/18  
Agenda Item: 5D

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

- IN THE MATTER OF MIDDLESEX WATER COMPANY ) ORDER ADOPTING INITIAL
- FOR APPROVAL OF AN INCREASE IN ITS RATES ) DECISION/SETTLEMENT
- FOR WATER SERVICE AND OTHER TARIFF )
- CHANGES, AND FOR AN ORDER AUTHORIZING )
- SPECIAL ACCOUNTING TREATMENT OF INCOME TAX )
- REFUND PROCEEDS AND FUTURE INCOME TAX ) BPU DOCKET NO. WR17101049
- DEDUCTIONS ) OAL DOCKET NO. PUC 16144-2017S
  
- IN THE MATTER OF THE NEW JERSEY BOARD OF ) BPU DOCKET NO. AX180010001
- PUBLIC UTILITIES' CONSIDERATION OF THE TAX ) BPU DOCKET NO. WR18030242
- CUTS AND JOBS ACT OF 2017 )

**Parties of Record:**

**Stephen B. Genzer, Esq.**, Saul Ewing Arnstein & Lehr LLP, on behalf of Middlesex Water Company  
**Jay L. Kooper, Esq., Vice President, General Counsel & Secretary**, Middlesex Water Company  
**Louis S. Rainone, Esq.**, Rainone, Coughlin & Minchello, LLC, on behalf of the Old Bridge Municipal Utilities Authority and the Township of Marlboro  
**Michael J. Baker, Esq.**, Hoagland, Longo, Moran, Dunst & Doukas, LLP on behalf of the Township of East Brunswick  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:<sup>1</sup>

**BACKGROUND/PROCEDURAL HISTORY**

On October 10, 2017, pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:1-5.11, N.J.A.C. 14:1-5.12, N.J.A.C. 14:9-7.1, and N.J.A.C. 14:9-10.1 et seq., Middlesex Water Company ("Middlesex Water," "Company," or "Petitioner"), a public utility company of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities ("Board"), filed a petition seeking to increase its rates for water service amounting to \$15.26 million or approximately 19.76% above the adjusted annual level of revenues for the test year ending December 31, 2017. The Company also requested approval to increase its rates for water service on or after November 13, 2017. The

<sup>1</sup> Commissioner Richard S. Mroz recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

Company also sought approval for deferred accounting treatment of regulatory case intervention costs on behalf of its customers in New Jersey-American Water Company's ("NJAWC") current base rate case, I/M/O the Petition of New Jersey-American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Change in Depreciation Rates and Other Tariff Modifications (BPU Docket No. WR17090985; OAL Docket No. PUC 14251-2017S) and special accounting treatment to reflect Middlesex's tax accounting change for repair and maintenance expenditures in accordance with the Internal Revenue Service's final Tangible Property Regulations issued on September 9, 2013<sup>2</sup> and adopted by Middlesex on September 9, 2015.

Middlesex also sought to update the base consumption and base costs established in the last base rate case proceeding<sup>3</sup> within the meaning of the applicable Purchased Water Adjustment Clause ("PWAC") regulations, N.J.A.C. 14:9-7.1 et seq. as referenced in the BPU Order Adopting the Initial Decision and Order (Docket No. WR15030391), and to reinstate a Distribution System Improvement Charge ("DSIC") to recover a portion of the costs of necessary improvements in the Company's distribution system pursuant to N.J.A.C. 14:9-10.1 et seq.<sup>4</sup>

Middlesex services approximately 61,000 retail water customers in the Township of Edison and Woodbridge, the Boroughs of South Plainfield, Metuchen, and Carteret, and the City of South Amboy in Middlesex County. On a contract basis, the Company serves part of the Township of Edison, the Borough of Highland Park, the Old Bridge Municipal Utilities Authority ("Old Bridge MUA"), the Marlboro Township Municipal Utilities Authority, and the City of Rahway. The Company also services under a special contract basis for water treatment and pumping services in the Township of East Brunswick ("East Brunswick").

By this Order, the Board considers the Initial Decision which adopted the Stipulation of Settlement ("Stipulation") executed by the Petitioner, the Division of Rate Counsel ("Rate Counsel"), East Brunswick, and Board Staff (collectively, "Signatory Parties"), agreeing to an overall increase of \$5,486,500 or 7.18% over the present rate revenue of \$76,361,490.

The Board transmitted the matter to the Office of Administrative Law ("OAL") for hearing as a contested case and Administrative Law Judge Tricia M. Caliguire ("ALJ Caliguire") was assigned to the base rate proceeding. On November 21, 2017, the Board issued an Order suspending the proposed rate increase until March 15, 2018. A telephone pre-hearing conference was held on December 11, 2017. A pre-hearing order, identifying issues and scheduling the evidentiary hearings, was circulated on December 26, 2017. After proper notice, a public hearing in the service territory was held in Woodbridge, New Jersey on the evening of January 17, 2018. No members of the public appeared at the public hearing and no written comments were received.

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<sup>2</sup> Guidance Regarding Deduction and Capitalization of Expenditures Related To Tangible Property, 78 Fed.Reg. 57747 (Sept. 19, 2013) (amending 26 C.F.R. parts 1 and 602) <<https://www.gpo.gov/fdsys/pkg/FR-2013-09-19/pdf/2013-21756.pdf>>.

<sup>3</sup> The Company's prior base rate case in BPU Docket No. WR15030391 concluded by Order of the Board dated August 19, 2015, with rates effective August 29, 2015.

<sup>4</sup> The Company's last DSIC Foundational Filing was approved by the Board on August 20, 2014 in BPU Docket No. WR14050508. The DSIC rate was thereafter reset to zero in August 2015 at the conclusion of the Company's last base rate case in BPU Docket No. WR15030391.

By Order dated January 31, 2018, the Board: (i) granted Petitioner's motion for interlocutory review of ALJ Caliguire's January 18, 2018 Order granting intervenor status to NJAWC; (ii) determined that NJAWC had not met the criteria for intervenor status under N.J.A.C. 1:1-16.1(a) and therefore rescinded intervenor status to NJAWC; and (iii) remanded the matter back to ALJ Caliguire to consider, if necessary, whether any participation by NJAWC was warranted under N.J.A.C. 1:1-16.6 in light of the new information regarding the Township of Marlboro's ("Marlboro") intervention request. (Also, besides Marlboro, Old Bridge MUA and East Brunswick received intervenor status.) On February 28, 2018, the Board issued an Order further suspending the proposed rate increase until July 15, 2018, unless the Board, prior to that date, makes a determination disposing of the Petition.

By a letter filing dated March 2, 2018, in response to the Board's directives in In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017, Docket No. AX18010001 (January 31, 2018) ("Tax Order"), Middlesex requested that the Board find Middlesex to be in full compliance with the requirements of the Tax Order as reflected in the executory settlement in the base rate case, which will afford customers on rate change reflecting both the results of the full base rate case and the Tax Order<sup>5</sup>.

**DISCUSSIONS AND FINDINGS**

Numerous conferences and settlement discussions were held among the Parties, and this process resulted in the following terms:<sup>6</sup>

1. The Company's total rate base is agreed to be \$245,154,300 based on a 12-month test year ending December 31, 2017, adjusted for certain known and measurable changes.
2. The Signatory Parties agree to a capital structure consisting of 47.00% long-term debt, 0.25% preferred stock, and 52.75% common equity with respective cost rates of 3.02%, 5.06%, and 9.60%. Based on this capital structure and cost rates, the Signatory Parties have therefore calculated an overall rate of return ("ROR") of 6.496%. The table below shows how this ROR is obtained.

	<b>Capital Structure</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate</b>
Long-Term Debt	47.00%	3.02%	1.419%
Preferred Stock	0.25	5.06	0.013
Common Equity	<u>52.75</u>	9.60	<u>5.064</u>
	100.00%		6.496%

3. The Signatory Parties agree that applying this 6.496% ROR to the rate base of \$245,154,300 results in a \$5,486,500 increase to the Company's revenue requirement, which represents an approximate 7.18% increase over the present rate revenue of

<sup>5</sup> As reflected in part of the captions of this Order, Middlesex's filing was assigned docket number WR18030242.

<sup>6</sup> Although described in the Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

\$76,361,490. The table below shows how the \$5,486,500 increase in revenue requirement can be obtained.

Rate Base	\$245,154,300
Rate of Return	x 6.496%
Required Operating Income	\$ 15,935,223
Operating Income-Present Rates	- 12,180,427
Deficiency	3,744,796
Revenue Conversion Factor	x 1.46510
Revenue Requirement	\$ 5,486,500

4. The \$5,486,500 increase to the Company's revenue requirement represents a level of revenue necessary to ensure that the Company will continue to provide safe, adequate, and proper water service to its customers. See Exhibit A (Proof of Revenues).
5. The Company has submitted its proposed tariff pages, annexed hereto as Exhibit B (Tariff), pursuant to N.J.A.C. 14:3-1.3, and the Signatory Parties agree that those Rate Schedules implement the terms of the Stipulation. The proposed tariff pages reflect an increase of approximately 8.40% for General Metered Service [Rate Schedule No. 1].
6. The Company agrees that its request to approve a new DSIC Foundational Filing as part of this base rate case docket is hereby withdrawn.
7. The Signatory Parties agree that the Company shall be allowed to recover its regulatory case intervention costs in the NJAWC base rate proceeding, pending in BPU Docket No. WR17090985, and that the actual incremental costs incurred by the Company shall be deferred on its books as a regulatory asset, without interest, and shall be recovered in its next immediate PWAC filing following the conclusion of BPU Docket No. WR17090985. The Signatory Parties further agree that should the NJAWC rates be increased by a revised Rate Schedule G – Sales for Resale – Service to Other Systems (Base Rate), then the Company shall be allowed to recover the increased costs in its next immediate PWAC filing following the conclusion of BPU Docket No. WR17090985.
8. The Signatory Parties acknowledge and recognize the need of the Company to explore other means of contracting to purchase water from NJAWC.<sup>7</sup> The Company has agreed to undertake diligent negotiations in good faith on a new purchased water contract with NJAWC such as a commodity-demand contract, at more favorable contract rates. In the event that the Company and NJAWC are able to agree to a new purchased water contract, then the costs incurred by the Company, if different from the current cost of purchased water from NJAWC, will be recovered in the Company's next immediate PWAC filing. In the event that the Company and NJAWC are not able to agree to a new purchased water contract then the Company shall continue to evaluate those transmission and distribution improvements that would be necessary to enable Middlesex to terminate the current purchase water agreement with NJAWC effective when the current contract ends in the year 2021.

<sup>7</sup> As a direct customer of NJAWC, the Middlesex-NJAWC contract currently requires the purchase of 3 million gallons per day of treated water at a minimum annual cost of \$2.62 million under the Board-approved Rate Schedule G – Sales For Resale – Service to Other Systems (Base Rate) under the NJAWC tariff. By its petitioned base rate case filing in BPU Docket No. WR17090985, NJAWC proposes a rate increase of approximately 27.4% to Middlesex.

9. The Signatory Parties request that the PWAC base consumption and base costs data annexed hereto as Exhibit C (PWAC Settlement) be adopted and the findings required by N.J.A.C. 14:9-7.1 et seq. related to the Company's PWAC be entered.
10. In 2013, the Internal Revenue Service ("IRS") issued final Tangible Property Regulations ("TPR")<sup>8</sup> to provide clarity to the question of whether expenditures to maintain, replace or improve tangible property must be capitalized or charged to expense for income tax purposes. Middlesex adopted the final TPR by timely filing with the IRS a required accounting change form as part of, and included with, the Company's 2014 federal income tax return. IRS rules allow taxpayers changing their accounting method to apply the change retroactively or, apply it prospectively only. Middlesex elected to apply the change retroactively. Because this accounting change applies only for income tax purposes and not financial or regulatory accounting, it creates book/tax differences for reporting purposes. Middlesex has proposed the Board approve special accounting treatment of the associated net income tax benefit with the adoption of the final TPR for all relevant tax years before the tax year of adoption of the final TPR ("Look Back Period"), the tax year of adoption (2014), and the subsequent tax years (2015, 2016 and 2017). Specifically, Middlesex proposes to defer, for financial accounting purposes only, \$28,738,642 for the Look Back Period and years 2014, 2015, 2016 and 2017. This deferred amount shall be recorded as a regulatory liability in accordance with financial and regulatory accounting requirements and amortized as a reduction of income tax expense over 48 months. Beginning with the tax year 2018, the TPR related income tax benefits are recognized in the year incurred and shall also be recorded in accordance with financial and regulatory accounting requirements. Current capital planning estimates indicate that Utility Plant investment will likely grow by approximately an additional \$305 million by the end of 2022. By the Board specifically authorizing the special accounting treatment described herein, Middlesex expects to mitigate prospectively the impact on customers of future base rate filings. The Signatory Parties therefore do not oppose the Company's request to receive approval, in its entirety, of the special accounting treatment described herein.
11. The Financial Accounting Standards Board ("FASB") issued new guidance on the accounting and presentation for retirement benefits (pension plans and other retirement benefits such as health plans).<sup>9</sup> The Company is required to adopt FASB's new guidance on January 1, 2018. Prior to the issuance of this guidance, the Company's revenue requirement was determined in part by recording its Net Periodic Benefit Costs ("NPBC") as an Operations and Maintenance ("O&M") cost. Currently, NPBC is determined by reducing periodic benefit cost by the capitalized component of the periodic benefit costs ("Historic NPBC"). This new guidance requires that only the

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<sup>8</sup> Guidance Regarding Deduction and Capitalization of Expenditures Related To Tangible Property, 78 Fed. Reg. 57747 (Sept 19, 2013) (amending 26 C. F. R. parts 1 and 602)  
<<https://www.gpo.gov/fdsys/pkg/FR-2013-09-19/pdf/2013-21756.pdf>>

<sup>9</sup> New Guidance Regarding Accounting and Reporting for Postretirement Benefit Costs, FASB Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*  
<[http://www.fasb.org/cs/ContentServer?c=Document\\_C&cid=1176168888120&d=&pagename=FASB%2FDocument\\_C%2FDocumentPage](http://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176168888120&d=&pagename=FASB%2FDocument_C%2FDocumentPage)>

service cost component of the NPBC is recorded in the same O&M line item as other compensation costs arising from services rendered by employees during the period. The other components of the NPBC (interest cost, expected return on plan assets, amortization of prior service cost/credit, actuarial gain/loss, transition asset/obligation, etc.) are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations (*i.e.*, below the line). In addition, under this new accounting guidance, only the service cost component of the NPBC is subject to capitalization. Accounting for NPBC under this new guidance would result in higher NPBC in O&M, increasing revenue requirements (the increase would be partially offset by lower capitalized periodic benefit cost that would otherwise become part of utility plant). The Signatory Parties agree that the Company shall continue to utilize the Historic NPBC method in its cost of service for setting revenue requirement.

12. Pursuant to the Tax Order, New Jersey utilities were directed to calculate and defer with interest the adjustment to rates from January 1, 2018 through March 31, 2018, to defer the adjustment of rates related to the accumulated deferred income tax (ADIT), and to change rates effective April 1, 2018 on an interim basis ("Phase One"). Stakeholders were offered an opportunity to examine the calculations of deferrals so that an accurate additional adjustment to rates could be determined for a rate effective date of July 1, 2018 on a final basis ("Phase Two").

By the Stipulation, the Signatory Parties agree that the Company has included the effect on rates of both phases of the required calculations as set forth in the Tax Order, except as noted below, no further action is necessary at this time in the base rate proceeding. In addition, the Signatory Parties propose that Middlesex has accounted for the first and second phases of the rate impact of the *Tax Cuts and Jobs Act of 2017* pursuant to the Tax Order. Nevertheless, if the Board determines a further adjustment is required to account for more than the \$500,000 second phase recovery already accounted for as a result of the analysis already performed, the Company and the Signatory Parties agree to convene and jointly determine the most efficient method for refunding those dollars in addition to the already refunded \$500,000. The Company and Signatory Parties further stipulate that the Company will share with them the calculation of the second phase adjustment, review with them the adjustment, and resolve those second phase issues. However, the Company agrees that should the second phase adjustment result in less than the \$500,000 already returned to customers with this settlement, no further adjustment will be made. With these provisions, the Signatory Parties stipulate and agree that all issues and requirements set forth in the Tax Order as applied to Middlesex are resolved in the Stipulation.

By letter dated March 8, 2018, both Marlboro and Old Bridge MUA advised of their decision not to oppose the settlement.

On March 14, 2018, ALJ Caliguire issued an Initial Decision in this matter, recommending adoption of the Stipulation executed by the Signatory Parties, finding that they had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law.

Having reviewed the record in this matter, as well as the initial Decision and Stipulation, the Board **HEREBY FINDS** that the Stipulation is reasonable, in the public interest and in accordance with the law.

The Board is mindful of the impact any rate increase has on its customers. However, having reviewed the record in this matter, including the Initial Decision, the Stipulation, and the letters from Marlboro and Old Bridge MUA indicating that they do not oppose the Stipulation, the Board **FINDS** that the Signatory Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. In reaching this decision, the Board must balance the needs of the ratepayer to receive safe, adequate and proper service at reasonable rates, while allowing the utility the opportunity to earn a fair rate of return. See FPC v. Hope Natural Gas, 320 U.S. 591 (1944); N.J.S.A. 48:2-21 and N.J.S.A. 48:3-1.

Therefore, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, and the Board **HEREBY APPROVES** the Company's compliance with the Tax Order, consistent with the Stipulation.

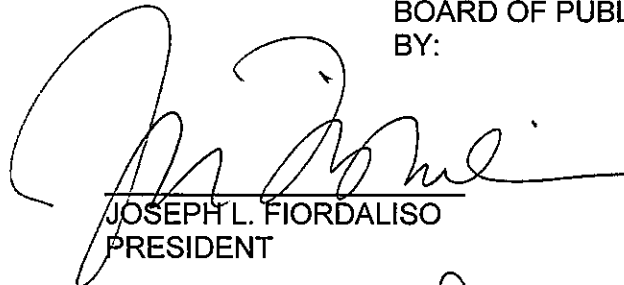
Based upon the foregoing, the Board **HEREBY APPROVES** an overall increase in revenues in the amount of \$5,486,500, representing an approximate 7.18% increase over Company revenues totaling \$76,361,490.


The Board **HEREBY DIRECTS** the Company to file tariff pages conforming to the terms and conditions of the Stipulation and this Order within five (5) days from the effective date of this Order.

The effective date of this Order is March 26, 2018, with rates to become effective on April 1, 2018.

DATED: 3/26/18

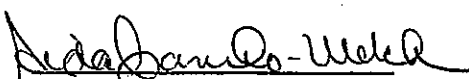
BOARD OF PUBLIC UTILITIES  
BY:

  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:   
AIDA CAMACHO-WELCH  
SECRETARY

BPU DOCKET NO. WR17101049  
OAL DOCKET NO. PUC 16144-2017S

IN THE MATTER OF MIDDLESEX WATER COMPANY FOR APPROVAL OF AN INCREASE  
IN ITS RATES FOR WATER SERVICE AND OTHER TARIFF CHANGES, AND FOR AN  
ORDER AUTHORIZING SPECIAL ACCOUNTING TREATMENT OF INCOME TAX REFUND  
PROCEEDS AND FUTURE INCOME TAX DEDUCTIONS

BPU DOCKET NO. WR17101049

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MAR 14 2018

MAIL ROOM

RECEIVED  
CASE 16-11-00000



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

MAR 14 2018

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 16144-17

AGENCY DKT. NO. WR17101049

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

**Stephen B. Genzer, Esq.,** for petitioner Middlesex Water Company (Saul, Ewing, Arnstein & Lehr, attorneys)

**Jay L. Kooper,** Vice President, General Counsel and Secretary (Middlesex Water Company/Pinelands Water Company)

**Veronica Beke and Renee Greenberg,** Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

**Debra F. Robinson and Susan E. McClure,** Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

**Michael J. Baker, Esq.**, for intervenor, Township of East Brunswick (Hoagland, Longo, Moran, Dunst & Dukas, attorneys)

**Louis N. Rainone, Esq.**, for intervenors, Township of Marlboro and Old Bridge Municipal Utilities Authority (Rainone Coughlin Minchello, attorneys)

Record Closed: March 12, 2018

Decided: March 14, 2018

**BEFORE TRICIA M. CALIGUIRE, ALJ:**

This proceeding involves a petition by Middlesex Water Company (Middlesex) for an increase in its rates for water service, to make other tariff changes, and for other relief, filed on October 10, 2017, with the Board of Public Utilities (Board). The petition was transmitted to the Office of Administrative Law on October 30, 2017, for determination as a contested case. A telephone prehearing conference was held on December 11, 2017, and a prehearing order issued on December 26, 2017.

Motions for leave to intervene were filed pursuant to N.J.A.C. 1:1-16.1 et seq., by the Township of East Brunswick (East Brunswick), the Township of Marlboro (Marlboro), the Old Bridge Municipal Utilities Authority (OBMUA), and New Jersey American Water Company, Inc. (NJAW). All motions were granted. On January 18, 2018, Middlesex filed a request with the Board for interlocutory review of the decision to grant intervenor status to NJAW. The parties provided the undersigned with a copy of the Board's decision to rescind NJAW's intervenor status and remand the matter for consideration of participant status for NJAW. To-date, the order documenting the Board's decision has not been filed with the OAL, obviating the need for action on the remand. However, in keeping with the intention of the Board, NJAW has been removed from the above service list.

On January 17, 2018, a duly-noticed public hearing was held in the Middlesex service territory, at Woodbridge High School, Woodbridge, New Jersey. No members of the public appeared at the hearing, and no members of the public submitted written comments on the proposed rate increase prior to or following the public hearing. Neither petitioner nor

OAL DKT. NO. PUC 16144-17

staff of the Board made comments at the public hearing; the comments made by the representative of the Division of Rate Counsel at the public hearing were transcribed and made a part of the record.

The parties filed on March 8, 2018, a Stipulation of Settlement which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by petitioner, Staff of the Board, the New Jersey Division of Rate Counsel, and the Township of East Brunswick. On March 12, 2018, intervenors Marlboro Township and OBMUA submitted letters of no objection to the settlement as evidenced by the Stipulation of Settlement.

The Stipulation of Settlement indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I **FIND**:

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

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

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.

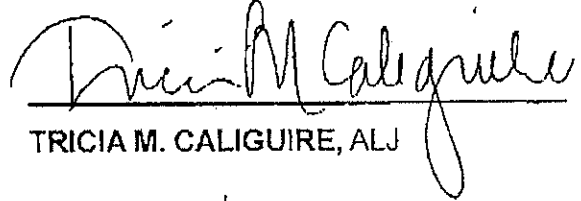
Within thirteen days from the date on which this recommended decision was mailed to the parties, any party may file written exceptions with the **SECRETARY OF THE BOARD**

OAL DKT. NO. PUC 16144-17

OF PUBLIC UTILITIES, 44 South Clinton Avenue, P.O. Box 350, Trenton, NJ 08625-0350, marked "Attention: Exceptions." A copy of any exceptions must be sent to the judge and to the other parties.

March 14, 2018

DATE

  
TRICIA M. CALIGUIRE, ALJ

Date Received at Agency:

3/14/18

Date Mailed to Parties:

\_\_\_\_\_

nd

APPENDIX

EXHIBITS

Jointly Submitted:

J-1 Stipulation of Settlement

J-1

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF MIDDLESEX  
WATER COMPANY FOR APPROVAL  
OF AN INCREASE IN ITS RATES  
FOR WATER SERVICE AND OTHER  
TARIFF CHANGES, AND FOR AN  
ORDER AUTHORIZING SPECIAL  
ACCOUNTING TREATMENT OF  
INCOME TAX REFUND PROCEEDS  
AND FUTURE INCOME TAX  
DEDUCTIONS

STIPULATION OF SETTLEMENT  
BPU DOCKET NO. WR17101049  
OAL DOCKET NO. PUC 16144-2017S

APPEARANCES:

Stephen B. Genzer, Esq., Saul Ewing Arnstein & Lehr LLP, and Jay L. Kooper, Esq., on behalf of Middlesex Water Company, Petitioner

Veronica Beke, Deputy Attorney General, and Renee Greenberg, Deputy Attorney General (Gurbir S. Grewal, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

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)

Louis S. Rainone, Esq., Rainone, Coughlin & Minchello, LLP, on behalf of the Old Bridge Municipal Utilities Authority and Marlboro Township

Michael J. Baker, Esq., Hoagland, Longo, Moran, Dunst & Doukas, LLP on behalf of the Township of East Brunswick

TO THE HONORABLE TRICIA M. CALIGUIRE, ALJ:

This Stipulation of Settlement resolves all issues raised in BPU Docket No. WR17101049 in which Middlesex Water Company ("Middlesex" or the "Company") seeks to increase its rates for water service and other tariff changes. The Signatory Parties to this Stipulation of Settlement are Middlesex, the Division of Rate Counsel ("Rate Counsel"), the Staff of the Board of Public Utilities ("Staff"), and the Township of East Brunswick ("East

Brunswick") (collectively the "Signatory Parties"). Also participating in this proceeding are the following entities who filed Motions to Intervene, which were unopposed by the Company: the Old Bridge Municipal Utilities Authority ("OBMUA") and Marlboro Township ("Marlboro")<sup>1</sup> (collectively the "Intervenors") (together, the Signatory Parties and the Intervenors shall be designated the "Parties"). The Parties expect that the Intervenors will each submit letters confirming that they do not object to the terms of the Stipulation of Settlement.

As a result of an analysis of the petition, pre-filed testimony and exhibits, several conferences, negotiations, responses to hundreds of information requests and follow-up requests, and following a public hearing held in the service territory, the Signatory Parties execute this agreement to resolve the issues in dispute in this matter. Further, as specifically noted in Paragraph 13 of this Stipulation, this Stipulation includes within it recognition of an action jointly agreed upon by the Signatory Parties as applied to this base rate proceeding pursuant to the January 31, 2018 Order of the New Jersey Board of Public Utilities ("Board" or "BPU") in BPU Docket No. AX18010001, *In the Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017* ("Generic Tax Order"). Recognizing that the BPU retained jurisdiction over proceedings on the Generic Tax Order, the Signatory Parties are not requesting any specific New Jersey Office of Administrative Law ("OAL") findings with respect to that Generic Tax Order but only findings related to the within Stipulation resolving this base rate proceeding. The Company has indicated its willingness to submit a separate letter filing with the Board, recognizing how the results of this Stipulation fully meet the requirements of that Generic Tax Order.

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<sup>1</sup> By Board Order dated January 31, 2018, the intervenor status of New Jersey-American Water Company, Inc. ("NJAW") was rescinded given the statutory intervention of Marlboro Township by OAL Order dated January 29, 2018.

The Signatory Parties hereto AGREE and STIPULATE that:

On October 10, 2017, Middlesex Water Company, a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.11, 14:1-5.12, 14:9-7.1 et seq. and N.J.A.C. 14:9-10.1 et seq., filed a petition to increase rates for water service, to make other tariff changes, and to update the base consumption and base costs established in the Company's prior base rate proceeding<sup>2</sup> and utilized when setting the Company's Purchased Water Adjustment Clause ("PWAC") under N.J.A.C. 14:9-7.1 et seq.

First, the Company requested a rate increase of approximately \$15.3 million or approximately 19.76% above the adjusted annual level of present rate revenues for the test year ending December 31, 2017. Second, the Company requested authority to make other tariff changes to become effective on the date on which the new rates became effective unless the Board decided to act earlier on any of the proposed changes. Third, the Company requested authorization to reinstitute a Distribution System Improvement Charge ("DSIC") through a new Foundational Filing to include future planned DSIC-eligible projects.<sup>3</sup> Fourth, the Company requested deferred accounting treatment of regulatory case intervention costs associated with Middlesex's intervention in New Jersey American Water Company's current rate case, BPU Docket No. WR17090985.<sup>4</sup> Fifth, the Company requested authorization of special accounting treatment to reflect Middlesex's tax accounting change for repair and maintenance expenditures

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<sup>2</sup> The Company's prior base rate case in BPU Docket No. WR15030391 concluded by Order of the Board filed August 19, 2015, with rates effective August 29, 2015.

<sup>3</sup> The Company's last DSIC Foundational Filing was approved by the Board on August 20, 2014 in BPU Docket No. WR14050508. The DSIC rate was thereafter reset to zero in August 2015 at the conclusion of the Company's last base rate case in BPU Docket No. WR15030391.

<sup>4</sup> By the OAL Order dated December 18, 2017 in a separately docketed matter, Middlesex was granted intervenor status in the pending NJAW base rate proceeding. See Order Granting Intervention. In the Matter of the Petition of New Jersey American Water Company, Inc., for Approval of Increased Tariff Rates and Charges for Water and Sewer Service, Change in Depreciation Rates, and Other Tariff Modifications, BPU Docket No. WR17090985 (Dec. 18, 2017).



in accordance with the Internal Revenue Service's final Tangible Property Regulations ("TPR")<sup>5</sup> issued on September 9, 2013 and adopted by Middlesex on September 9, 2015.<sup>6</sup>

The Board transmitted the matter to the OAL for hearing as a contested case and Administrative Law Judge Tricia M. Caliguire was assigned to the base rate proceeding. On November 21, 2017, the Board issued an Order suspending the proposed rate increase until March 15, 2018.<sup>7</sup> A telephone pre-hearing conference was held on December 11, 2017. A pre-hearing order, identifying issues and scheduling the evidentiary hearing was circulated on December 26, 2017. After notice was given, a public hearing in the service territory was held in Woodbridge, New Jersey on the evening of January 17, 2018. No members of the public appeared at the public hearing and no written comments were received. On February 28, 2018, the Board issued an Order further suspending the proposed rate increase until July 15, 2018 unless the Board, prior to that date, makes a determination disposing of the Petition.<sup>8</sup>

<sup>5</sup> Guidance Regarding Deduction and Capitalization of Expenditures Related To Tangible Property, 78 Fed.Reg. 57747 (Sept. 19, 2013) (amending 26 C.F.R. parts 1 and 602) <<https://www.gpo.gov/fdsys/pkg/FR-2013-09-19/pdf/2013-23756.pdf>>.

<sup>6</sup> As described in the Petition at paragraph 4 of the Fifth Count (page 11), the accounting treatment is to take the income tax refund proceeds associated with the change in accounting pertaining to all relevant tax years before the tax year of the adoption of the final TPR ("Look Back Period"), the tax year of adoption of the final TPR (2014) and the tax years subsequent to the adoption of the final TPR (2015, 2016, and 2017), defer the refunds for the Look Back Period and subsequent tax years as a regulatory asset, and amortize the balance as a reduction of income tax expense over specific time periods. The Tax Repair Allowance accounting treatment more fully described in Paragraphs 11 and 12 of this Stipulation is wholly separate from the issue concerning the effects of the *Tax Cuts and Jobs Act of 2017* and the Generic Tax Order in BPU Docket No. AX18010001 as described in Paragraph 13 of this Stipulation.

<sup>7</sup> See Order Suspending Increases, Changes or Alterations in Rates for Water Service, In the Matter of Middlesex Water Company for Approval of an Increase in its Rates for Water Service and Other Tariff Changes, and for an Order Authorizing Special Accounting Treatment of Income Tax Refund Proceeds and Future Income Tax Deductions, BPU Dkt No. WR17101049 (Nov. 21, 2017).

<sup>8</sup> See Order Further Suspending Increases, Changes or Alterations in Rates for Water Service, In the Matter of Middlesex Water Company for Approval of an Increase in its Rates for Water Service and Other Tariff Changes, and for an Order Authorizing Special Accounting Treatment of Income Tax Refund Proceeds and Future Income Tax Deductions, BPU Dkt No. WR17101049 (Feb. 28, 2018).

The Company has provided a number of updates to its original filing, including updated information regarding numerous aspects of the Company's financial condition, operations, and capital investment.

Settlement Terms

Numerous settlement discussions were held among the Parties, and this process resulted in the following stipulations among the Signatory Parties:

1. For the purposes of this agreement, the Company's total rate base is agreed to be \$245,154,300 based on a 12-month test year ending December 31, 2017, adjusted for certain known and measurable changes.

2. Also for the purposes of this agreement only, the Signatory Parties agree to a capital structure consisting of 47.00% long-term debt, 0.25% preferred stock, and 52.75% common equity with respective cost rates of 3.02%, 5.06%, and 9.60%. Based on this capital structure and cost rates, the Signatory Parties have therefore calculated an overall rate of return (ROR) of 6.496%. The table below shows how this ROR is obtained.

	Cap. Structure	Cost Rate	Weighted Cost Rate
Long Term Debt	47.00%	3.02%	1.419%
Preferred Stock	0.25	5.06	0.013
Common Equity	<u>52.75</u>	9.60	<u>5.064</u>
	100.00%		- 6.496%

The Signatory Parties, therefore, propose a 6.496% ROR or weighted average cost of capital (WACC) be applied to rate base in order to resolve this case.

3. The Signatory Parties agree that applying this 6.496% ROR to the rate base of \$245,154,300 results in a \$5,486,500 increase to the Company's revenue requirement, which represents an approximate 7.18% increase over the present rate revenue of \$76,361,490. The table below shows how the \$5,486,500 increase in revenue requirement can be obtained.

Rate Base	\$245,154,300
Rate of Return	x 6.496%
Required Operating Income	\$ 15,935,223
Operating Income-Present Rates	- 12,180,427
Deficiency	3,744,796
Revenue Conversion Factor	x 1.46510
Revenue Requirement	\$ 5,486,500

The methodology for the revenue conversion factor did not change from the approved methodology used in the prior base rate case and it did use the as filed with the petition 35% federal income tax rate. The final revenue conversion factor does take into consideration the lower federal income tax rate of 21% effective January 1, 2018 due to the *Tax Cuts and Jobs Act of 2017*.

4. The Signatory Parties therefore agree that the \$5,486,500 increase to the Company's revenue requirement represents a level of revenue necessary to ensure that the Company will continue to provide safe, adequate, and proper water service to its customers. See Exhibit A (Proof of Revenues).

5. The Company has submitted its proposed tariff pages, annexed hereto as Exhibit B (Tariff), pursuant to N.J.A.C. 14:3-1.3, and the Signatory Parties agree that those Rate Schedules implement the terms of this Stipulation. The proposed tariff pages reflect an increase of approximately 8.40% for General Metered Service [Rate Schedule No. 1]. The tariffs also reflect the following changes:

- (a) no increase in the Private Fire Service fixed rate [Rate Schedule No. 2];
- (b) the Public Fire Service rate [Rate Schedule No. 3] has been revised to reflect that hydrant charges have been increased 5.64% while inch foot charges have not been changed, resulting in an overall increase of 4.0%;
- (c) the Service Under Contract rate [Rate Schedule No. 5] has been increased 4.84%;
- (d) the Special Contract Service rate [Rate Schedule No. 6] has been increased 1.68%;

(c) the Transmission Service South River Basin rate [Rate Schedule No. 7] has been increased 19.92%<sup>9</sup>; and

(f) the Transmission Service Northeast Sector [Rate Schedule No. 8] has been increased approximately 87.49%.<sup>10</sup>

The Signatory Parties therefore recommend the proposed tariff pages, including rate schedules reflecting prudent and reasonable rates and charges, be approved in their entirety.

6. While agreeing for purposes of this Stipulation to certain allocation results as evidenced in the proposed tariff pages and proof of revenues exhibits attached to this Stipulation of Settlement, the Parties hereto have not agreed upon any specific allocation methodology in the resolution of the various rate design issues raised in this proceeding.

7. The Company agrees that its request to approve a new DSIC Foundational Filing as part of this base rate case docket is hereby withdrawn.

8. The Signatory Parties agree that the Company shall be allowed to recover its regulatory case intervention costs in the New Jersey-American Water Company ("NJAW") base rate proceeding, pending in BPU Docket No. WR17090985, and that the actual incremental costs incurred by the Company shall be deferred on its books as a regulatory asset, without interest, and shall be recovered in its next immediate PWAC filing following the conclusion of BPU Docket No. WR17090985. The Signatory Parties further agree that should the NJAW rate case conclude with a new rate for Rate Schedule G – Sales For Resale – Service To Other Systems

<sup>9</sup> Rate Schedule No. 7 encompasses the entire South River Basin. Under the terms of this Stipulation, as detailed in Exhibit A (Proof of Revenues), rates for the OBMUA will increase by 8.37% over present rates and Marlboro will increase by 9.23% over present rates.

<sup>10</sup> Rate Schedule No. 8 encompasses the entire Northeast Sector. Under the terms of this Stipulation, as detailed in Exhibit A (Proof of Revenues), rates for the City of Rahway will increase by 16.96% over present rates.

(Base Rate), then the Company shall be allowed to recover the increased costs in its next immediate PWAC filing following the conclusion of BPU Docket No. WR17090985.

9. The Signatory Parties acknowledge and recognize the need of the Company to explore other means of contracting to purchase water from NJAW.<sup>11</sup> The Company has agreed to undertake diligent negotiations in good faith on a new purchased water contract with NJAW, such as a commodity-demand contract, at more favorable contract rates. In the event that the Company and NJAW are able to agree to a new purchased water contract, then the costs incurred by the Company, if different from the current cost of purchased water from NJAW, will be recovered in the Company's next immediate PWAC filing. In the event that the Company and NJAW are not able to agree to a new purchased water contract then the Company shall continue to evaluate those transmission and distribution improvements that would be necessary to enable Middlesex to terminate the current purchase water agreement with NJAW effective when the current contract ends in the year 2021.

10. The Signatory Parties request that the PWAC base consumption and base costs data annexed hereto as Exhibit C (PWAC Settlement) be adopted and the findings required by N.J.A.C. 14:9-7.1 et seq. related to the Company's PWAC be entered.

11. In 2013, the Internal Revenue Service ("IRS") issued final Tangible Property Regulations ("TPR")<sup>12</sup> to provide clarity to the question of whether expenditures to maintain, replace or improve tangible property must be capitalized or charged to expense for income tax purposes. Middlesex adopted the final TPR by timely filing with the IRS a required accounting

<sup>11</sup> As a direct customer of NJAW, the Middlesex-NJAW contract currently requires the purchase of 3 million gallons per day of treated water at a minimum annual cost of \$2.62 million under the Board-approved Rate Schedule G – Sales For Resale – Service To Other Systems (Base Rate) under the NJAW tariff. By its petitioned base rate case filing in BPU Docket No. WR17090985, NJAW proposes a rate increase of approximately 27.4% to Middlesex.

<sup>12</sup> Guidance Regarding Deduction and Capitalization of Expenditures Related To Tangible Property, 78 Fed.Reg. 57747(Sept. 19, 2013) (amending 26 C.F.R. parts 1 and 602) <<https://www.gpo.gov/fdsys/pkg/FR-2013-09-19/pdf/2013-21756.pdf>>.

change form as part of, and included with, the Company's 2014 federal income tax return. IRS rules allow taxpayers changing their accounting method to apply the change retroactively or, apply it prospectively only. Middlesex elected to apply the change retroactively. Because this accounting change applies only for income tax purposes and not financial or regulatory accounting, it creates book/tax differences for reporting purposes. Middlesex has proposed the Board approve special accounting treatment of the associated net income tax benefit with the adoption of the final TPR for all relevant tax years before the tax year of adoption of the final TPR ("Look Back Period"), the tax year of adoption (2014), and the subsequent tax years (2015, 2016 and 2017). Specifically, Middlesex proposes to defer, for financial accounting purposes only, \$28,738,642 for the Look Back Period and years 2014, 2015, 2016 and 2017. This deferred amount shall be recorded as a regulatory liability in accordance with financial and regulatory accounting requirements and amortized as a reduction of income tax expense over 48 months. Beginning with the tax year 2018, the TPR related income tax benefits are recognized in the year incurred and shall also be recorded in accordance with financial and regulatory accounting requirements. Current capital planning estimates indicate that Utility Plant investment will likely grow by approximately an additional \$305 million by the end of 2022. By the Board specifically authorizing the special accounting treatment described herein, Middlesex expects to mitigate prospectively the impact on customers of future base rate filings. The Signatory Parties therefore agree that the Company's request to receive approval, in its entirety, of the special accounting treatment described herein should be approved.

12. The Financial Accounting Standards Board ("FASB") issued new guidance on the accounting and presentation for retirement benefits (pension plans and other retirement benefits

such as health plans).<sup>13</sup> The Company is required to adopt the FASB's new guidance on January 1, 2018. Prior to the issuance of this guidance, the Company's revenue requirement was determined in part by recording its Net Periodic Benefit Costs ("NPBC") as an Operations and Maintenance ("O&M") cost. Currently, NPBC is determined by reducing periodic benefit cost by the capitalized component of the periodic benefit costs ("Historic NPBC"). This new guidance requires that only the service cost component of the NPBC is recorded in the same O&M line item as other compensation costs arising from services rendered by employees during the period. The other components of the NPBC (interest cost, expected return on plan assets, amortization of prior service cost/credit, actuarial gain/loss, transition asset/obligation, etc.) are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations (i.e., below the line). In addition, under this new accounting guidance, only the service cost component of the NPBC is subject to capitalization. Accounting for NPBC under this new guidance would result in higher NPBC in O&M, increasing revenue requirements (the increase would be partially offset by lower capitalized periodic benefit cost that would otherwise become part of utility plant). The Signatory Parties agree that the Company shall continue to utilize the Historic NPBC method in its cost of service for setting revenue requirement.

13. As noted supra, on January 31, 2018, the Board issued the Generic Tax Order in BPU Docket No. AX18010001, captioned *In The Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, concerning the effects of the corporate rate change from 35% to 21% and other adjustments as set forth in the *Tax Cuts and Jobs Act of 2017*. Pursuant to this Order, New Jersey utilities are directed to calculate and defer

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<sup>13</sup> New Guidance Regarding Accounting and Reporting for Postretirement Benefit Costs, FASB Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* <[http://www.fasb.org/cs/ContentServer?c=Document\\_C&cid=1176168888120&d=&pagename=FASB%2FDocument\\_C%2FDocumentPage](http://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176168888120&d=&pagename=FASB%2FDocument_C%2FDocumentPage)>.

with interest the adjustment to rates from January 1, 2018 through March 31, 2018 and to change rates effective April 1, 2018 on an interim basis ("Phase One"). Further, utilities are directed to comply with the provisions of the order by including other adjustments in final rates by July 1, 2018 ("Phase Two"). By this Stipulation, the Signatory Parties agree that the Company has included in this Stipulation of Settlement the effect on rates of both phases of the required calculations as set forth in the Board's Generic Tax Order. Except as noted below, no further action is necessary at this time in the base rate proceeding. In addition, the Signatory Parties propose that Middlesex has, with this Stipulation, accounted for Phase One and Phase Two pursuant to the Board's Generic Tax Order. Nevertheless, if the Board determines a further adjustment is required to account for more than the \$500,000 Phase Two recovery previously accounted for as a result of the analysis already performed, the Company and the Signatory Parties agree to convene and jointly determine the most efficient method for refunding those dollars in addition to the already refunded \$500,000. The Company and Signatory Parties further stipulate that the Company has shared with them the calculation of the Phase Two adjustment, and as agreed will continue to review with them any additional calculations associated with the Phase Two adjustment, and resolve those Phase Two issues with the Signatory Parties. However, the Company agrees that should the Phase Two adjustment result in less than the \$500,000 already returned to customers with this settlement, no further adjustment will be made. With these provisions, the Signatory Parties stipulate and agree that all issues and requirements set forth in the Board's January 31, 2018 Generic Tax Order in BPU Docket No. AX18010001 as applied to Middlesex are resolved in this Stipulation of Settlement.

14. The Signatory Parties further acknowledge that any increase or resolution of any issue agreed to in this Stipulation shall become effective upon the effective date specified in the Board Order pursuant to N.J.S.A. 48:2-40.

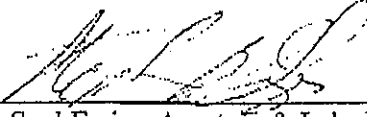


15. This Stipulation is the product of extensive negotiations by the Signatory Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Signatory Parties to 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. While the Intervenors have not signed this Stipulation of Settlement, the Parties anticipate that they are each submitting a "no objection" letter to the Stipulation of Settlement.

16. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

March 6, 2018  
Date:

By:   
Saul Ewing Arnstein & Lehr LLP  
Stephen B. Genzer, Esq.  
Attorney for Petitioner

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

\_\_\_\_\_  
Date:

By: \_\_\_\_\_  
Veronica Beke  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR - RATE COUNSEL

\_\_\_\_\_  
Date:

By: \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

TOWNSHIP OF EAST BRUNSWICK

\_\_\_\_\_  
Date:

By: \_\_\_\_\_  
Michael J. Baker, Esq.  
Hoagland, Longo, Moran, Dunst & Doukas, LLP  
Attorney for Intervenor East Brunswick

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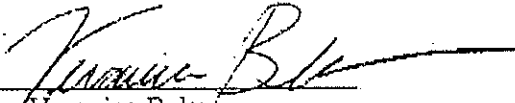
MIDDLESEX WATER COMPANY

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Saul Ewing LLP  
Stephen B. Genzer, Esq.  
Attorney for Petitioner

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

Date: 3/6/2018

By:   
Veronica Beke  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR - RATE COUNSEL

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

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Attorney for Petitioner


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

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Veronica Beke  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR - RATE COUNSEL

Date: 3/6/18

By:  \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

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MIDDLESEX WATER COMPANY

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Stephen B. Genzer, Esq.  
Attorney for Petitioner

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

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Date:

By: \_\_\_\_\_  
Veronica Beke  
Deputy Attorney General

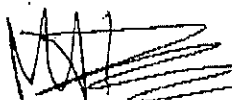
STEFANIE A. BRAND, ESQ.  
DIRECTOR - RATE COUNSEL

\_\_\_\_\_  
Date:

By: \_\_\_\_\_  
Susan McClure, Esq.  
Assistant Deputy Rate Counsel

TOWNSHIP OF EAST BRUNSWICK

3/5/18  
\_\_\_\_\_  
Date:

By:  \_\_\_\_\_  
Michael J. Baker, Esq.  
Hoagland, Longo, Moran, Dunst & Doukas, LLP  
Attorney for Intervenor East Brunswick

MIDDLESEX WATER COMPANY

RATE CASE 2017

DOCKET # WR17101049

SUMMARY OF SETTLEMENT REVENUES

	<u>PRESENT RATES</u>	<u>SETTLEMENT RATES</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
RESIDENTIAL	\$32,280,146	\$34,886,428	\$2,606,283	8.07%
COMMERCIAL	12,088,434	13,145,559	1,057,125	8.74%
INDUSTRIAL	<u>8,762,795</u>	<u>9,564,705</u>	<u>801,910</u>	9.15%
SUBTOTAL	53,131,375	57,596,692	4,465,317	8.40%
PRIVATE FIRE SERVICE	5,935,740	5,987,953	52,213	0.88%
PUBLIC FIRE SERVICE	<u>4,646,714</u>	<u>4,832,589</u>	<u>185,875</u>	4.00%
SUBTOTAL	10,582,454	10,820,542	238,088	2.25%
EDISON / HIGHLAND PARK	2,163,946	2,268,662	104,716	4.84%
EAST BRUNSWICK	3,647,865	3,709,063	61,198	1.68%
OLD BRIDGE MUA	2,425,902	2,629,032	203,131	8.37%
MARLBORO	3,869,402	4,226,611	357,208	9.23%
RAHWAY	<u>326,719</u>	<u>382,136</u>	<u>55,416</u>	16.96%
SUBTOTAL	12,433,834	13,215,503	781,668	6.29%
SALES REVENUE	76,147,663	81,632,736	5,485,073	7.20%
MISCELLANEOUS	105,456	105,456	0	
BAYVIEW	108,343	108,343	0	
ROUNDING	<u>28</u>	<u>1,456</u>	<u>1,427</u>	
GRAND TOTAL	<u>\$ 76,361,481</u>	<u>\$ 81,847,991</u>	<u>\$ 5,486,500</u>	7.18%

MIDDLESEX WATER COMPANY  
RATE CASE 2017  
DOCKET # WR17101049

		EXISTING			PROPOSED				
	MONTHLY BILLS	QTRLY BILLS	MONTHLY RATE	QTRLY RATE	REVENUE	MONTHLY RATE	QTRLY RATE	REVENUE	
RESIDENTIAL									
5/8"		188,212	\$ 45.30	\$ 135.90	\$ 6,438,404	\$ 47.25	\$ 141.75	\$ 6,796,517	4.30%
3/4"		31,240	87.35	262.05	2,122,758	70.89	212.67	2,214,804	4.53%
1"		4,956	113.25	339.75	582,628	118.14	354.42	586,820	4.32%
1 1/2"		728	228.60	685.80	184,892	236.25	708.75	171,500	4.30%
2"		264	362.40	1,087.20	98,674	378.00	1,134.00	99,742	4.30%
					11,381,353			11,871,822	4.31%
USAGE (CCF)		501,924,775		0.0410373	20,889,792		0.0456527	23,014,806	10.12%
					<u>\$ 32,200,146</u>			<u>\$ 34,888,428</u>	8.07%
COMMERCIAL									
5/8"	5,504		\$ 15.10	\$ 45.30	\$ 82,910	\$ 13.75	\$ 41.25	\$ 75,168	4.50%
3/4"	2,220		22.85	68.55	50,263	23.63	70.89	62,459	4.53%
1"	2,904		57.75	173.25	111,801	39.38	118.14	116,722	4.52%
1 1/2"	3,828		75.50	226.50	289,014	78.75	236.25	301,455	4.30%
2"	11,424		120.80	362.40	1,380,019	126.00	378.00	1,439,424	4.30%
3"	2,736		225.50	676.50	619,704	236.25	708.75	646,380	4.90%
4"	504		377.50	1,132.50	190,280	593.75	1,781.25	198,450	4.30%
5"	48		755.00	2,265.00	36,240	787.50	2,362.50	37,800	4.30%
6"	60		1,208.00	3,624.00	72,480	1,280.00	3,840.00	75,600	4.30%
10"	36		1,736.50	5,209.50	62,514	1,811.25	5,433.75	65,205	4.30%
					2,809,310			2,866,000	4.31%
USAGE (CCF)		221,810,958		0.0418373	9,223,119		0.0456527	10,158,876	10.12%
					<u>\$ 12,089,434</u>			<u>\$ 13,145,689</u>	8.74%
INDUSTRIAL									
5/8"	0		\$ 15.10	\$ 45.30	\$ -	\$ 15.75	\$ 47.25	\$ -	
3/4"	24		22.85	68.55	544	23.63	70.89	567	4.33%
1"	50		37.75	113.25	1,862	39.38	118.14	1,780	4.32%
1 1/2"	264		75.50	226.50	19,832	78.75	236.25	20,790	4.30%
2"	444		120.80	362.40	53,832	126.00	378.00	55,844	4.30%
3"	450		225.50	676.50	105,720	236.25	708.75	113,400	4.30%
4"	1,008		377.50	1,132.50	380,520	593.75	1,781.25	398,900	4.30%
5"	702		755.00	2,265.00	524,540	787.50	2,362.50	557,650	4.30%
6"	180		1,208.00	3,624.00	217,440	1,280.00	3,840.00	226,500	4.30%
10"	84		1,736.50	5,209.50	145,860	1,811.25	5,433.75	152,146	4.30%
					1,484,821			1,527,877	4.30%
USAGE (CCF)		175,274,917		0.0416373	7,297,874		0.0456527	8,038,828	10.12%
					<u>\$ 8,762,736</u>			<u>\$ 9,564,708</u>	9.15%
GENERAL METERED SERVICE REVENUE					<u>\$ 63,131,375</u>			<u>\$ 57,596,692</u>	8.40%
PRIVATE FIRE WITH HOSE									
1"	0	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2"	12	8	76.25	228.75	2,709	75.25	225.75	2,709	0.00%
3"	0	0	165.62	496.86	0	165.62	496.86	0	
4"	120	32	278.31	882.98	59,893	275.31	858.93	59,893	0.00%
5"	936	4	595.43	1,886.28	538,028	1,698.29	5,094.88	538,028	0.00%
6"	1,464	0	808.59	2,425.77	1,185,240	809.58	2,428.77	1,185,240	0.00%
10"	480	0	1,298.61	3,895.83	623,333	1,298.61	3,895.83	623,333	0.00%
					2,406,602			2,406,602	0.00%
PRIVATE FIRE WITHOUT HOSE									
1"	12	24	\$ 25.10	\$ 75.30	\$ 2,108	\$ 25.10	\$ 75.30	\$ 2,108	0.00%
2"	188	90	62.07	186.21	25,328	62.07	186.21	25,328	0.00%
3"	396	28	124.29	372.87	59,659	124.29	372.87	59,659	0.00%
4"	2,662	160	206.23	618.69	645,912	206.23	618.69	645,912	0.00%
5"	2,004	180	419.14	1,257.42	1,088,411	419.14	1,257.42	1,088,411	0.00%
6"	1,728	8	594.27	1,792.81	1,049,821	599.27	1,797.81	1,049,921	0.00%
10"	132	0	959.59	2,878.77	128,688	959.59	2,878.77	128,688	0.00%
12"	12	0	1,418.20	4,254.60	17,818	1,418.20	4,254.60	17,818	0.00%
					3,013,021			3,013,021	0.00%
USAGE (CCF)		12,388,177		0.0416373	5,420,013		0.0456527	5,420,013	0.00%
					<u>\$ 5,938,740</u>			<u>\$ 5,987,863</u>	0.83%
PUBLIC FIRE	INCH FEET	HYDRANTS	RATE	HYD CHG	REVENUE	RATE	HYD. CHG	REVENUE	
	33,245,313	4,695	\$ 0.040360	\$ 702.51	\$ 4,848,714	\$ 0.040360	\$ 742.10	\$ 4,852,689	4.00%
		USAGE (MC)	BASE RATE	TRANSMISSION RATE	REVENUE	BASE RATE	TRANSMISSION RATE	REVENUE	
WHOLESALE 1	E. Brunswick	2,394,286	\$ 1,523.57	\$ -	\$ 3,647,836	\$ 1,549.32	\$ -	\$ 3,709,083	1.89%
WHOLESALE 2	Edison/Hld Fk	665,398	\$ 2,241.63	\$ -	\$ 1,483,846	\$ 2,350.00	\$ -	\$ 1,568,652	4.64%
WHOLESALE 3	Rahway	124,379	\$ 2,241.53	\$ 385.26	\$ 276,719	\$ 2,350.00	\$ 723.33	\$ 286,156	16.98%
WHOLESALE 4	Old Bridge Marlboro Marlboro	628,664 1,223,333 1,642,600	\$ 2,241.53 \$ 2,241.53 \$ -	\$ 689.31 \$ - \$ 689.31	\$ 2,425,902 \$ 2,742,135 \$ 1,127,264	\$ 2,350.00 \$ 2,350.00 \$ -	\$ 823.00 \$ 823.00 \$ 823.00	\$ 2,629,032 \$ 2,874,833 \$ 1,351,778	5.37% 9.25% 6.29%
		7,176,452			<u>\$ 12,463,654</u>			<u>\$ 13,216,003</u>	
MISCELLANEOUS					105,458			105,458	
BAYVIEW					108,343			108,343	
ROUNDING	Roundings				20			1,456	
					<u>\$ 76,361,491</u>			<u>\$ 81,847,991</u>	7.18%

MIDDLESEX WATER COMPANY

Fourth Revised Sheet No. 11

Cancelling

Third Revised Sheet No. 11

B.P.U. No. 1 - WATER

STANDARD TERMS AND CONDITIONS

2. APPLICATION FOR ESTABLISHMENT OF SERVICE

- 2.1 Application for water service may be made by telephone, by mail or in person. Such application shall be made, and accepted, and any applicable deposits and fees shall be paid before any service is provided.
- 2.2 Written application is required only for establishment of service to a location not previously served. Application forms, where required, will be provided by the Company upon request.
- 2.3 All applications shall be made by the prospective customer or the customer's duly authorized agent.
- 2.4 A separate application for water service must be made for each water connection, including fire and irrigation service.
- 2.5 Applications for water service are not transferable. Each new owner or occupant of the premises to be supplied is required to make a new application.
- 2.6 Application shall not be accepted from a present or former customer in arrears on a valid bill for water service on any other premises for which the customer had made application for water service except in cases where a mutually agreed payment plan has been established between such customer and the Company for payment of a valid bill which is past due.
- 2.7 Each customer shall notify the Company promptly of any change of ownership of the premises supplied under his application.
- 2.8 Where more than one rate schedule is available to particular customers, the utility shall have at all times the duty to assist such customers in the selection of the rate schedule most favorable for their individual requirements and to make every reasonable effort to insure that such customers are served under the most advantageous schedule.
- 2.9 Application may be made for a new connection and service pipe through which water service is not immediately desired. A special form of agreement shall be entered into, which provides that the customer shall bear the entire expense of making the connection, subject to a refund of the cost of installing the service line from the main to the curb, including the curb stop, whenever regular service is commenced. No refunds will be made after ten years from the date of installation of the connection.

Date of Issue: October 10, 2017  
 Issued by: Dennis W. Doll, President  
 1500 Ronson Road  
 Iselin, New Jersey 08830-0452

Effective for service  
 Rendered on and after:

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.



MIDDLESEX WATER COMPANY

Third Revised Sheet No. 13

B.P.U. No. 1 - WATER

Cancelling

Second Sheet No. 13

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STANDARD TERMS AND CONDITIONS

3. CUSTOMERS' DEPOSITS (Continued)

3.7 Following discontinuance of service, the customer will receive a refund of any deposit, together with outstanding interest, less any amount due for unpaid bills.

3.8 Deposits will be required to guarantee the payment for metered water used for construction purposes where no advance payments have been made. These deposits will be based upon the cost of the meter, the cost of the backflow prevention device plus the estimated amount of water which may be used during construction. When the meter and backflow prevention device are returned to the Company in good condition, the deposit will be refunded together with outstanding interest, less any amount due for unpaid bills.

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Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

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

Filed pursuant to an Order of the Board of Regulatory Commissioners, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Fifth Revised Sheet No. 14

B.P.U. No. 1 - WATER

Cancelling

Fourth Revised Sheet No. 14

STANDARD TERMS AND CONDITIONS

4. SERVICE PIPES

4.1 The service pipe from the distribution main to the curb line, including the curb stop, meter pit and meter will be furnished, installed and maintained by the Company at its expense, except as otherwise provided in this Tariff.

4.2 Only employees or other persons authorized by the Company will be permitted to make connections to the mains, access meter pits, operate curb stops and remove, service, or repair meters of the Company.

4.3 The Company will control the size of the opening to be made in the distribution main and the size of the service pipe to be installed.

4.4 No service pipe will be installed until the connecting pipe has been installed and staked by the Customer within 24" of the curb or edge of pavement; or where the connecting pipe is installed in the same trench with sewer pipe, gas pipe, electric conduit or any other facility.

4.5 A curb stop and meter pit will be installed by the Company at or near the premises, in such a manner as to permit the attachment of the customer's connecting pipe up to and including 2" diameter pipe. The curb stop or meter pit is available for turning on and shutting off the supply of water in emergencies or for purposes of repair. Only Company employees or persons duly authorized to do so by the Company are permitted to operate the curb stop or meter pit.

4.6 No premises shall be supplied by more than one service pipe, unless agreed upon by the Company.

4.7 Where two or more customers, within a single, contiguous structure, are supplied through a single service pipe, the piping of the meter enclosure shall provide a separate lock valve ahead of the inlet to each customer's meter.

4.8 (Reserved for Future Use)

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Fourth Revised Sheet No. 15

B.P.U. No. 1 - WATER

Cancelling

Third Revised Sheet No. 15

STANDARD TERMS AND CONDITIONS4. SERVICE PIPES (Continued)

4.9 Any change requested by the customer in the location or configuration of the existing service pipe, if approved by the Company, shall be made at the expense of the customer including the necessary modifications to comply with the Company's cross connection control and exterior meter enclosure requirements.

4.10 Where a service pipe is for temporary use, the customer shall bear the entire expense of making the connection, subject to a refund whenever service is established on a permanent basis.

4.11 Where a service pipe is available for a customer's premises, the customer may obtain a larger size service without charge, provided such service is established on a permanent basis. Any subsequent request for a reduction in the size of the meter shall be subject to Company approval and the payment by the customer of the cost of installing the larger size service.

4.12 Where a large size service pipe has been installed at the request of a customer, for premises not previously supplied, any subsequent request for a reduction in the size of the meter shall be subject to Company approval and the payment by the customer of the difference between the cost of installing the service pipe and the cost of installing a service line that is usually installed with the new sized meter.

4.13 Charges and costs, if any, associated with special road opening and restoration requirements imposed by the governing agency shall be reimbursed by the customer (or prospective customer) requesting said work resulting in the need to open a roadway under moratorium. This includes fines or charges in excess of normal road opening permit fees, costs for restoration work required, and any other costs incurred by the Company for this work. The burden of obtaining the approval of the governing agency for this road opening, and any costs related to this approval shall be the responsibility of the customer (or prospective customer).

4.14 Charges for service pipe installation that are excessive shall be paid by the Customer. The cost of a service pipe installation shall be considered excessive if the cost of the installation exceeds two (2) times the average cost of the same diameter service of the previous 12 month calendar year. The Customer shall reimburse the Company for the difference between the actual installation costs and the amount used to determine if the costs is excessive.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

STANDARD TERMS AND CONDITIONS

5. CONNECTING PIPES

5.1 A connecting pipe attached to the service pipe shall be installed at the expense of the customer to convey the water supply within the property of the customer.

5.2 The connecting pipe is the property of the customer and shall be maintained and kept in repair by customer. The un-metered length of any connecting pipe shall not exceed 10' in length, as measured from the curb stop or curb line to the proposed point of metering.

5.3 The connecting pipe shall be of strength and quality approved by the local municipal construction code or other authority with jurisdiction.

5.4 The connecting pipe shall be installed by a licensed plumber or other approved mechanic prior to the installation of the Company's service pipe. The Connecting pipe shall be installed to within 24" of the curb or edge of pavement, the termination point staked and the pipe shall be properly sealed by the plumber or mechanic to prevent the entry of ground water into the pipe. The pipe shall be installed without sharp bends, at right angles to the line of the street, in a trench not less than four feet in depth, to avoid damage and possible interruption to service caused by freezing. The pipe shall not be installed within three feet of any permanent excavation or vault or other subsurface structure. Other utility service pipes, such as sewer or gas, shall not be installed in the same trench.

5.5 The Company reserves the right to inspect the installation prior to backfilling the trench and to withhold the supply of water service whenever such installation or any part thereof is deemed by the Company to be leaking, unsafe, inadequate or unsuitable for receiving service, or to interfere with or impair the continuity or quality of service to the customer or to others.

5.6 No attachment shall be made to the service or connecting pipe, or any branch thereof, between the meter and the main.

5.7 The customer shall make all changes in the connecting pipe due to changes in grade, relocation of mains, or other causes, at the customer's expense, unless the change is instituted by the Company.

5.8 Where it is necessary to install a connecting pipe on the property of persons other than the applicant for service, written authority from such property owners, in a form approved by the Company, shall be obtained by the applicant.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101040.

MIDDLESEX WATER COMPANY

Revised Sheet No. 17

B.P.U. No. 1 - WATER

Cancelling

Revised Sheet No.17

STANDARD TERMS AND CONDITIONS

6. METERS

6.1 The Company will furnish, install and maintain meters without charge, except as otherwise provided in this Tariff, and will determine the size, type and make of meter to be used, based on the service desired.

6.2 No unmetered connections are permitted.

6.3 (Reserved for Future Use.)

6.4 (Reserved for Future Use.)

6.5 The Company may require a remote meter reading device to be purchased and installed by the Company at the expense of the Company.

6.6 (Reserved for Future Use.)

6.7 The location of the meter and the arrangement of the fittings and pipe shall be subject to inspection and approval by the Company. Valves are to be installed on the inlet and outlet side of the meter.

6.8 Meters shall be installed inside a permanent meter enclosure located no more than 10-feet from the curb stop unless otherwise required or agreed to by the Company. When meters are permitted by the Company to be installed inside the customer's commercial, multi-unit dwelling or industrial building, the meters shall be located in a clean, dry, heated, illuminated, safe place not subject to great variations in temperature, within 5-feet to the point of entrance of the connecting pipe. The location shall be separated from the remainder of the premise by a permanent wall with a single exterior entrance such as to be easily accessible, with a minimum of inconvenience to the

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President  
 1500 Ronson Road  
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Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

STANDARD TERMS AND CONDITIONS

6. METERS (Continued)

Company, for reading, inspecting, testing, changing and making necessary adjustments or repairs. For meters larger than 4" located within the premise, the customer shall provide a paved concrete surface that is readily accessible to self-propelled, mechanical lifting equipment without the need to dismantle or remove any portions of the structure, landscape or features of the property to remove the meter.

6.9 For meters one and one-half inches (1-1/2") in size and larger, if requested by the Customer, or when service cannot readily be interrupted for testing or replacing the meter per BPU regulations, or upon the Company's discovery of open bypass, the installation for said meter shall be equipped with metered and cross connection controlled bypass piping of a type and arrangement approved by the Company which will permit the removal or testing of the meter without interruption of water service.

6.10 (Reserved for Future Use.)

6.11 Where it is necessary to install a meter enclosure outside of the public right-of-way, or in a driveway, roadway, or any other location determined to be unacceptable by the Company the installation is subject to the approval of the Company and the cost of installing, operating and maintaining the meter enclosure shall be the responsibility of the customer.

6.12 Company installed and owned meter enclosure shall be located in an accessible place, protected from vehicular traffic, away from terraces, fences or other structures and shall be so located that they will not be a hazard to pedestrians.

6.13 If the meter enclosure is installed upon property which is not owned by the customer, the customer is required to furnish the Company written permission from the owner of the property which will be binding on the owner, his administrators, executors, heirs, successors and assigns.

6.14 The meter enclosure shall be frost-proof, heated when above-ground and either well drained or watertight and shall be provided with a secure cover or access door with a convenient locking device. Meter enclosures shall be kept clear of snow, ice, dirt, mulch, trees/shrubs, fences, landscaping, vehicles, equipment or any other objects which might prevent ready accessibility for reading, inspecting, testing, changing and making necessary adjustments or repairs of the meter.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

STANDARD TERMS AND CONDITIONS

6. METERS (Continued)

6.15 The Company maintains and repairs meters except in case of misuse or damage by frost, hot water or external causes, in which event the cost of repairing and replacing the meter shall be charged to the customer, said charge to be based on the direct labor and equipment costs of removing, repairing, replacing and/or resetting the meter.

6.16 All meters are carefully tested before being placed in service and are inspected periodically while in service. Therefore, the quantity of water recorded by the meter, as ascertained by periodic meter readings, shall be taken to be the amount delivered to the customer, except where the meter has been found to be registering fast or has ceased to register.

6.17 Where the meter has ceased to register or where access to the meter cannot be obtained, meter readings may be estimated by a fair and reasonable method based upon the best information available.

6.18 If a customer observes an unusual increase over the average quantity of water used, which cannot be accounted for, the Customer should inform the Company immediately.

6.19 When a billing dispute is known to exist, the utility shall, prior to removing the meter, advise the customer that the customer may have the meter tested by the utility or may have the Board either conduct a test of the meter or witness a testing of the meter by the utility, and that in any event the customer may have the test witnessed by a third party. (N.J.A.C. 14:3-4.5(c))

A meter test arising from a billing dispute may be appropriate in instances which include, but are not limited to, unexplained increased consumption, crossed meters, consumption while account is vacant or any other instance where the meter's accuracy might be an issue in a bill dispute.

A report giving results of such tests shall be made to the customer, and a complete record of such test shall be kept on file at the office of the utility in accordance with N.J.A.C. 14:3-4.7 Meter records.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

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

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Third Revised Sheet No. 20

B.P.U. No. 1 - WATER

Cancelling

Second Sheet No. 20

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STANDARD TERMS AND CONDITIONS

6. METERS (Continued)

6.20 If a meter is found to be registering fast by more than 1 1/2 percent, an adjustment of charges will be made.

6.21 If a meter, upon test, is found to register within the prescribed limits of accuracy, the Company reserves the right to reset the same meter in the premises from which it was removed.

6.22 Only employees or persons authorized by the Company shall remove the meter under any circumstances.

6.23 Tampering with the meter, meter pit, curb stops, valves, or its connections is prohibited.

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Date of Issue: October 10, 2017

Effective for service

Issued by: J. Richard Tompkins, President  
1500 Ronson Road  
Iselin, New Jersey 08830-3020

Rendered on and after:

Filed pursuant to an Order of the Board of Regulatory Commissioners, State of New Jersey, dated, in Docket No. WR17101049.



MIDDLESEX WATER COMPANY

Fifth Revised Sheet No. 21

Cancelling

B.P.U. No. 1 - WATER

Fourth Revised Sheet No. 21

STANDARD TERMS AND CONDITIONS

7. CUSTOMERS' PREMISES

7.1 The Company may refuse to provide a water service connection with any customer's piping system or furnish water to any connecting pipe already installed, when the customer's piping system is not installed in accordance with the regulations of the Company (including but not limited to the Cross Connection Control Plan) and of the municipality in which the premises are located; or when the piping system on the premises has not been protected from allowing groundwater/soil to enter the connecting pipe or when it is not at sufficient depth to prevent freezing.

7.2 The Company shall have the right of reasonable access to a customer's premises and to all property supplied by it, at reasonable times, for the purpose of inspection incident to the rendering of service, reading meters or inspecting, testing or repairing its facilities used in connection with supplying service, or for the removal of its property.

7.3 The customer shall obtain or cause to be obtained, all permits needed by the Company for access to its facilities. The Company, where necessary, will make application for any street opening permits for installing its service connections and shall not be required to furnish service until after such permits are granted. The municipal charge, if any, for permission to open the street shall be paid by the customer.

7.4 Reserved.

7.5 The customer shall not permit access to the meter or other facilities of the Company except to employees of the Company, duly authorized state regulatory officials and the customer's certified backflow prevention device testers.

7.6 In case of defective service, the customer shall not interfere with the apparatus or appliances belonging to the Company but shall notify the Company immediately.

7.7 All piping within a customer's premises shall comply with State, municipal and other regulations in force with respect thereto.

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President  
 1500 Ronson Road  
 Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Revised Sheet No. 22

B.P.U. No. 1 - WATER

Cancelling

Revised Sheet No. 22

STANDARD TERMS AND CONDITIONS

7. CUSTOMERS' PREMISES (Continued)

7.8 Physical connections, such as cross connections, either permanent or temporary, between pipes on a customer's premises supplied by the Company and any unapproved source of supply are strictly prohibited.

7.9 In any premises where an NJDEP approved auxiliary water source is permitted, the pipes carrying water from the mains of the Company are required to be marked in some distinctive manner for ready identification.

7.10 No device or connection shall be permitted between pipes or fixtures carrying water from the mains of the Company and any portion of the plumbing system of the premises or any other piping system on the premises in cases where the system is not designed to prevent backflow or back-siphonage in accordance with the Company's Cross Connection Control Plan.

7.11 If a premise is to remain unoccupied for an indefinite period, customers are advised to have the interior plumbing drained, especially during cold weather, to avoid damage to pipes and fixtures. When requested, the Company will suspend service to unoccupied premises temporarily by shutting off the water at the curb and removing the meter.

7.12 Whenever leakage occurs on pipes and facilities owned by the customer, the customer shall make the necessary repairs without delay. If the customer fails to make said repairs, the Company reserves the right to discontinue the supply until such time as the leak is repaired. A reconnection charge will apply should the Company take action to physically discontinue water service.

7.13 All costs associated with periodic testing of an approved backflow prevention device and reporting of said test results shall be the responsibility of the Customer. The reporting format and mechanism for reporting test results shall be determined by the Company.

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President  
 1500 Ronson Road  
 Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Sixth Revised Sheet No. 25

B.P.U. No. 1 - WATER

Cancelling

Fifth Revised Sheet No. 25

STANDARD TERMS AND CONDITIONS

9. DISCONTINUANCE OF SERVICE

9.1 The Company shall, upon reasonable notice, when it can be reasonably given, have the right to suspend or curtail or discontinue service for the following reasons:

9.1.1 For the purpose of making permanent or temporary repairs, changes or improvements in any part of its system;

9.1.2 For compliance in good faith with any governmental order or directive notwithstanding such order or directive subsequently may be held to be invalid;

9.1.3 For any or the following acts or omissions on the part of the customer;

(a) Nonpayment of a valid bill due for service furnished at the present or previous location. However, nonpayment for business service shall not be a reason for discontinuance of residence service, except in cases of diversion of service pursuant to N.J.A.C. 14:3-7.8 and service shall not be discontinued for nonpayment of repairs charges, merchandise charges and non-tariff contracted service charges between the customer and the utility, nor shall notice threatening such discontinuance be given.

(b) Tampering with any facility of the Company; theft of service, failure to install, test and maintain adequate cross connection control as required under the Company's Cross Connection Control Plan.

(c) Fraudulent representation in relation to the use of service.

(d) Customer moving from the premises, unless the customer requests that service be discontinued;

(e) Providing the Company's service to another without approval of the Company.

(f) Failure to make or increase an advance payment or deposit as provided for in these regulations or the Company's tariff;

(g) Refusal to contract for service where such contract is required;

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

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

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

STANDARD TERMS AND CONDITIONS

10. PRIVATE FIRE PROTECTION SERVICE

10.1 Customers are required to make separate written application for private fire protection service and enter into an agreement pertaining to conditions for service.

10.2 Private fire service installations shall be made in accordance with the provisions of this Tariff regarding the installation of service and connecting pipes and other facilities. Private fire protection systems that include storage tanks, pumping equipment, fire hydrants and/or any combination of these will be required to comply with the Company's Cross Connection Control Plan.

10.3 Private fire service lines that do not include fire hydrants, storage tanks, pumping equipment and/or any combination of these shall be equipped with a rated fire service meter and double check valve assembly in accordance with the Company's Cross Connection Control Plan; private fire service lines without private hydrants shall be equipped with detector-check type meters and shall be used exclusively for fire protection purposes. The connecting pipe shall be the at least the same size as the meter.

10.4 No water shall be used through private fire protection facilities except for purposes of testing or in case of fire.

10.5 The charge for private fire service is based on the size of the meter. Bills are rendered monthly. No charge is made for water used solely for fire extinguishing purposes or for reasonable testing purposes, provided the Company receives written notification in advance that tests are to be made.

10.6 Where a tank, standpipe or other storage facility is used, it shall be so constructed and arranged as to protect the water from pollution and shall conform with all applicable rules and regulations of the State Department of Environmental Protection and the Company's Cross Connection Control Plan.

10.7 Authorized representatives of the Company shall have the right to inspect all fire protection facilities on a customer's premises at reasonable hours.

10.8 The customer shall be responsible for all costs associated with a fire watch program is required by local officials in response to emergency or planned work performed by the Company that interrupts or is anticipated to interrupt water supply to fire services.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Fifth Revised Sheet No. 29

D.P.U. No. 1 - WATER

Cancelling

Fourth Revised Sheet No. 29

STANDARD TERMS AND CONDITIONS

12. WATER MAIN EXTENSIONS

12.1 Applications for extensions may be made in person, by telephone or by mail, at any Commercial Office of the Company. Upon receipt of such application, the Company will make a survey and advise the applicant as to the most suitable plan for installing the proposed extension and the probable cost to the customer.

12.2 Distribution mains will be extended only in public streets or highways or in new streets or highways, not yet accepted, but which have been laid out according to an accepted plan approved by the appropriate authority to be in public streets or highways. The Company will require an easement with terms acceptable to the Company in cases where the streets or highways have not been accepted. In no case, however, will distribution mains be installed until streets or highways have been rough graded to an established and approved grade. In the alternative, and at the sole and absolute discretion of the Company, mains may be installed in properly configured and recorded easements with terms acceptable to the Company

12.3 Water main extensions will be installed pursuant to agreements which will be prepared in accordance with all applicable laws of the State and Board of Public Utilities regulations and orders including but not limited to those regulations contained in N.J.A.C. 14:3-1, N.J.A.C. 14:3-6, N.J.A.C. 14:3-8 and N.J.A.C. 14:3-10.

12.4 Each extension shall become a part of the distribution system of the Company and shall be owned, maintained and controlled by the Company.

12.5 The Company shall have the right to connect additional customers to an extension and to construct further extensions thereto.

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President  
 1500 Ronson Road  
 Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Thirty-first Revised Sheet No. 32

Cancelling

B.P.U. No. 1 - WATER

Thirtieth Revised Sheet No. 32

RATE SCHEDULE NO. 1  
GENERAL WATER SERVICE - GS

APPLICABILITY:

Applicable to the use of water supplied through meters in the entire territory served by the Company.

CHARACTER OF SERVICE:

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

RATE:

General Water Service

Consumption Charges

Rate per Thousand  
Cubic Feet  
\$45.9275

Facilities Charge

<u>Size of Meter</u>	<u>Per Quarter</u>	<u>Per Month</u>
5/8"	\$ 47.25	\$ 15.75
3/4"	70.89	23.63
1"	118.14	39.38
1-1/2"	236.25	78.75
2"	378.00	126.00
3"	708.75	236.25
4"	1,181.25	393.75
6"	2,362.50	787.50
8"	3,780.00	1,260.00
10"	5,433.75	1,811.25
12"	10,153.92	3,384.64

Billing shall be based on the facilities charge plus consumption charges (shown above) for each period.

Date of Issue: October 10, 2017

Effective for Service

Rendered on and After:

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

The State of New Jersey enacted Ch. 443 of the Laws of New Jersey 1983 concerning the periodic testing of public water supplies which establishes a water tax of \$0.01 per 1,000 gallons of water. This tax is reflected and included in the above rates.

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Tenth Revised Sheet No. 33A  
Cancelling  
Ninth Sheet No. 33A

B.P.U. No. 1 - WATER

RATE SCHEDULE NO. 1 (Continued)

GENERAL WATER SERVICE - GS

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$0.00 per thousand cubic feet will be made to recover the increased purchased water costs.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated \_\_\_\_\_, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Twenty-sixth Revised Sheet No. 36

Canceling

B.P.U. No. 1 - WATER

Twenty-fifth Revised Sheet No. 36

RATE SCHEDULE NO. 3

MUNICIPAL SERVICE - MS

APPLICABILITY:

Applicable to municipalities and fire districts of municipalities throughout the territory served by the Company.

CHARACTER OF SERVICE:

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

RATE:

A. ANNUAL FIRE PROTECTION CHARGES:

Inch Foot Charge

Yearly charge of \$0.04056 per inch foot of distribution and transmission mains serving the municipality or fire district.

Hydrant Charge

Yearly charge of \$742.10 for each hydrant.

The amount of the bill will be the total of the Inch Foot Charge and the Hydrant Charge.

B. OTHER MUNICIPAL SERVICE:

Water for any use other than fire protection shall be charged for at General Water Service rate, Rate Schedule No. 1, Sheet No. 32 and Sheet No. 33, delivery to be determined by meter measurement when feasible, otherwise by estimate of the Company of the quantity delivered based on such factors as the diameter and length of time of the connection. Fire hydrants are not to be used for such purposes except upon the express consent of the Company in each case.

MINIMUM CHARGE:

None.

Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101049.



MIDDLESEX WATER COMPANY

Twenty-third Revised Sheet No. 40

Canceling

B.P.U. No. 1 - WATER

Twenty-second Revised Sheet No. 40

RATE SCHEDULE NO. 5

SERVICE UNDER CONTRACT - SC

APPLICABILITY:

Applicable to service provided under special agreements. Such special agreements are available to customers that meet criteria as specified by the Board of Public Utilities and such agreements will be filed with the Board on a case by case basis.

CHARACTER OF SERVICE:

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

RATE:

All water used shall be charged at the rate of \$2,350.00 per million gallons.

TERMS OF PAYMENT:

Bills will be rendered monthly.

A customer has at least 15 days from the postmark on the bill to pay a valid bill for service.

SPECIAL PROVISIONS:

As provided under special agreements.

Date of Issue: October 10, 2017

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101019.

MIDDLESEX WATER COMPANY

Tenth Revised Sheet No. 40A

B.P.U. No. 1 - WATER

Cancelling

Ninth Sheet No. 40A

RATE SCHEDULE NO. 5

SERVICE UNDER CONTRACT - SC

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$0.00 per million gallons will be made to recover the increased purchased water costs.

Date of Issue: October 10, 2017

Effective for service

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Rendered on and after:

\_\_\_\_\_

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated \_\_\_\_\_, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Sixteenth Revised Sheet No. 41

Canceling

B.P.U. No.1- WATER

Fifteenth Revised Sheet No. 41

RATE SCHEDULE NO. 6

SPECIAL CONTRACT SERVICE

SCS

APPLICABILITY:

Applicable to water treatment and pumping services provided to customers under special agreements at the option of the Company.

CHARACTER OF SERVICE:

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

RATE:

All water used shall be charged at the rate of \$1,549.13 per million gallons.

TERMS OF PAYMENT:

Bills will be rendered monthly.

A customer has at least 15 days from the postmark on the bill to pay a valid bill for service.

SPECIAL PROVISIONS:

As provided under special agreements.

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Date of Issue: October 10, 2017

Effective for service

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Rendered on and after:  
\_\_\_\_\_

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101049.

RATE SCHEDULE NO. 7

TRANSMISSION SERVICE SOUTH RIVER BASIN - TR-SRB

APPLICABILITY:

Applicable to water transmission service to the South River Basin area provided to customers under special agreements at the option of the Company.

CHARACTER OF SERVICE:

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

RATE:

All water used shall be charged at the combined rate of \$823.00 per million gallons for transmission plus the rate for Service Under Contract as provided in Rate Schedule No. 5.

TERMS OF PAYMENT:

As provided by contract.  
Bills to be rendered monthly.  
A customer has at least 15 days from the postmark on the bill to pay a valid bill for service.

SPECIAL PROVISIONS:

As provided under special agreements.

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Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY

Sixth Revised Sheet No. 43

Cancelling

B.P.U. No. 1 - WATER

Fifth Sheet No. 43

RATE SCHEDULE NO. 8

TRANSMISSION SERVICE - NORTHEAST SECTOR

APPLICABILITY:

Applicable to water transmission service to the Northeast area provided to customers under special agreements at the option of the Company.

CHARACTER OF SERVICE:

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

RATE:

All water used shall be charged at the combined rate of \$722.33 per million gallons for transmission plus the rate for Service Under Contract as provided in Rate Schedule No. 5.

TERMS OF PAYMENT:

As provided by contract.

Bills to be rendered monthly.

A customer has at least 15 days from the postmark on the bill to pay a valid bill for service.

SPECIAL PROVISIONS:

As provided under special agreements.

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Date of Issue: October 10, 2017

Effective for service  
Rendered on and after:

Issued by: Dennis W. Doll, President  
1500 Ronson Road  
Iselin, New Jersey 08830-0452

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey, dated \_\_\_\_\_, in Docket No. WR17101049.

MIDDLESEX WATER COMPANY  
PURCHASED WATER ADJUSTMENT CLAUSE  
2017 BASE RATE CASE

1. BASE LEVEL DATA UNDER N.J.A.C. 14:9-7.4(a)1

NEW JERSEY WATER SUPPLY AUTHORITY BASE CONTRACT = COST PER MILLION GALLONS (06/30/2017) -	9,855.0 MG
TIER ONE - FIRST 20 MILLION GALLONS	\$336.00
NEXT SEVEN MILLION GALLONS	\$405.37
TIER TWO - PURCHASES ABOVE BASE CONTRACT	\$403.20
TIER THREE - PURCHASES 10% ABOVE MONTHLY AVERAGE OF BASE CONTRACT	\$403.20
NEW JERSEY AMERICAN WATER COMPANY BASE CONTRACT = COST PER MILLION GALLONS (12/31/2017) -	1,095.0 MG \$2,804.20

2. N.J.A.C. 14-9-7.4(a)2

ACTUAL NUMBER AND CLASSES OF CUSTOMERS (12/31/2017)	
RESIDENTIAL	55,749
COMMERCIAL	2,277
INDUSTRIAL	274
PRIVATE FIRE	1,060
CONTRACT SALES	6

3. N.J.A.C. 14-9-7.4(a)3

ACTUAL VOLUME OF WATER PURCHASED (Test Year 12/31/2017) -	10,985.3 MG
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4. N.J.A.C. 14-9-7.4(a)4

PROPOSED COST PER UNIT METHOD:  
ANNUAL REVENUE REQUIREMENT  
FOR PURCHASED WATER ADJUSTMENT/WATER BILLED

5. N.J.A.C. 14-9-7.4(b)

BASE CONSUMPTION (Test Year 12/31/2017)	12,351.0 MG
LESS: EAST BRUNSWICK	(2,394.3) MG
BASE CONSUMPTION FOR RECOVERY OF PWAC	9,956.7 MG

BASE COSTS

NEW JERSEY WATER SUPPLY AUTHORITY COST PER THOUSAND GALLONS -

TIER ONE - FIRST 20 MILLION GALLONS	\$0.33600
NEXT SEVEN MILLION GALLONS	\$0.40537
TIER TWO - PURCHASES ABOVE BASE CONTRACT	\$0.40320
TIER THREE - PURCHASES 10% ABOVE MONTHLY AVERAGE OF BASE CONTRACT	\$0.40320
NEW JERSEY AMERICAN WATER COMPANY COST PER THOUSAND GALLONS	\$2.80420