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CASE MANAGEMENT

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

PHIL MURPHY  
Governor

SHEILA OLIVER  
Lt. Governor



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DIVISION OF RATE COUNSEL  
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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

STEFANIE A. BRAND  
Director

November 28, 2018

**Via Email & First Class Mail**

Jay L. Kooper  
Vice President, General Counsel & Secretary  
Middlesex Water Company  
1500 Ronson Road  
Iselin, New Jersey 08830-3020

Re: I/M/O the Petition of Middlesex Water Company for Approval to Change  
the Levels of its Purchased Water Adjustment Clause Pursuant to N.J.A.C.  
14:9-7.1, et seq.  
BPU Docket No. WR18080948

Dear Mr. Kooper:

I enclose the original, executed Stipulation in connection with the above referenced  
matter.

Best,

Stefanie A. Brand, Esq.  
Director, Division of Rate Counsel

By: \_\_\_\_\_

Susan McClure, Esq.  
Assistant Deputy Rate Counsel

SM/kah  
Enclosure  
cc: Service list

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BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

I/M/O the Petition of Middlesex  
Water Company for Approval to  
Change the Levels of its Purchased  
Water Adjustment Clause Pursuant  
to N.J.A.C. 14:9-7.1, et seq.

BPU Docket No. WR18080948

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

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TRENTON, NJ

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In The Matter of the Petition of :  
Middlesex Water Company for : BPU Docket No. WR18080948  
Approval To Change The Levels of Its : OAL Docket No. PUC 13522-2018S  
Purchased Water Adjustment Clause :  
Pursuant To N.J.A.C. 14:9-7.1 et seq. :  
:

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STIPULATION OF SETTLEMENT

APPEARANCES:

Jay L. Kooper, Esq., Vice President, General Counsel & Secretary, on behalf of Middlesex Water Company, Petitioner

Renee Greenberg, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of the State of New Jersey)

Debra F. Robinson, Esq., Deputy Rate Counsel and Susan McClure, Esq. Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Director)

TO THE HONORABLE TRICIA M. CALIGUIRE, ALJ AND THE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement resolves all issues in BPU Docket No. WR18080948 in which Middlesex Water Company (the "Company" or "Petitioner") seeks Board approval of its Purchased Water Adjustment Clause ("PWAC") to recover increased purchased water costs, together with deferred costs, as more fully set forth in the Exhibits attached to the Petition and other materials filed herein. The Signatory Parties to this Stipulation of Settlement, which comprise the Parties that have participated in this proceeding are the Company, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff") (collectively the "Signatory Parties").



As a result of an analysis of Petitioner's pre-filed testimony and exhibits, extensive discovery conducted, conferences, negotiations, and a public hearing held on November 5, 2018 in Fords, New Jersey, the Signatory Parties have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On August 24, 2018, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.A.C. 14:9-7.1 et seq., filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval for an increase in its PWAC to recover increased purchased water costs, together with deferred costs, and associated expenses including PWAC rate case expenses, associated gross receipts and franchise taxes. The Company originally requested an increase in annual revenue of \$369,764 over pro forma present rate revenues of \$81,847,991 which represents an overall increase of approximately 0.45%.

The Company purchases water through two water purchase contracts. The first is for untreated water from the New Jersey Water Supply Authority ("NJWSA") and the second is for treated water from New Jersey American Water Company ("NJAW").

On September 14, 2017, NJAW initiated its 2017 Base Rate Case through a petition filed in BPU Docket No. WR17090985 in which NJAW proposed new rates that would increase its annual revenues by \$129.3 million or approximately 17.54%. The Company intervened in this docket on October 23, 2017. On October 29, 2018, the Board issued an Order adopting a Partial Initial Decision in NJAW's 2017 Base Rate Case, in which the parties to the base rate case agreed to new NJAW base rates that would increase the Middlesex purchased water rates from NJAW as follows: \$2.3885 per tg to \$2.3921 per tg effective October 29, 2018.

On September 7, 2018, this Middlesex PWAC matter was transferred to the Office of Administrative Law ("OAL") as a contested case where it was assigned to Administrative Law Judge Tricia M. Caliguire ("ALJ Caliguire"). A Pre-Hearing Conference was convened by ALJ Caliguire on October 1, 2018, and a Pre-Hearing Order was issued on October 5, 2018. After proper notice, a public hearing was held on the evening of November 5, 2018, at the Fords Branch of the Woodbridge Public Library, located at 211 Ford Avenue in Fords, New Jersey, with ALJ Caliguire presiding. No members of the public appeared to provide comments.

Subsequently, agreement was reached among the Signatory Parties resulting in the following stipulation:

1. The purchased water costs, established pursuant to Petitioner's last base rate order dated March 26, 2018 in BPU Docket No. WR17101049 amounted to \$6,573,368 as appears on the Exhibit A, attached and made a part of this Stipulation. The new base cost of purchased water as agreed to by the Signatory Parties is agreed to be \$6,576,981, resulting in an increase in purchased water cost of \$3,613, as more fully set forth in Exhibit A.

2. The Signatory Parties agree that the sum of the allowable expenses in this matter is set forth in Exhibit A and is agreed to be \$52,096, including:

- a. Rate proceeding expenses of \$411 representing a 50% share of total rate proceeding expenses of \$822.
- b. Deferred purchased water costs of \$1,912.
- c. Base rate case intervention costs of \$38,759.
- d. A revenue tax factor of 14.2058% and the resulting revenue tax of \$7,401.

3. For purposes of this matter, the base consumption established in Petitioner's last base rate case in million gallons (mg) is agreed to be 12,351.0 mg. This amount is reduced by the amount attributable to the Township of East Brunswick ("East Brunswick")<sup>1</sup> of 2,394.3 mg, resulting in a base consumption for recovery of the PWAC of 9,956.7 mg as more fully set forth in Exhibit A.

4. For General Water Service ("GWS") customers under Rate Schedule No. 1, Revised Tariff Sheet No. 33A, a charge of \$0.0486 per thousand cubic feet shall be made to recover the increased purchased water costs, reflected on Rate Schedule No. 1, Revised Tariff Sheet No. 33A, attached and made a part of this Stipulation.

5. For service under contract customers, Rate Schedule No. 5, Revised Tariff Sheet No. 40A, PWAC charges agreed to herein result in a charge of \$2.49 per million gallons, reflected on Rate Schedule No. 5, attached and made part of this Stipulation.

6. As a result of this Stipulation, a residential customer with a 5/8" meter using 2,300 cubic feet or 17,204 gallons of water per quarter will see his/her water bill increase from \$152.88 to \$152.99 per quarter, an increase of \$0.11 per quarter, or an increase of 0.07%. Petitioner shall file a new tariff sheet with the Board, with copies to the Signatory Parties, in conformity with this Stipulation, to become effective on such date as the Board may direct.

7. In accordance with N.J.A.C. 14:9-7.4, Petitioner shall file with the Board, not later than 45 days after the adjustment clause has been in effect for one year, a PWAC true-up schedule in connection with this proceeding. Copies of the true-up schedules shall be served

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<sup>1</sup> East Brunswick purchases untreated water under its own contract with the NJWSA. The Company pumps the untreated water to its primary treatment plant from the intake connection with the NJWSA. Once the Company performs the water treatment services, East Brunswick takes delivery of the treated water at the Company's primary treatment plant. The Company does not purchase water from the NJWSA to fulfill its obligation under its contract with East Brunswick. Therefore, none of the increased purchased water costs sought or agreed to in this proceeding should be allocated to East Brunswick.

upon all parties to the present proceeding. In accordance with N.J.A.C. 14:9-7.3, this PWAC, if approved by the Board, shall remain in effect until the Company's next rate case, provided that the Company submits an annual year-end true-up as described above and an annual petition for adjustment of the PWAC amount in accordance with N.J.A.C. 14:9-7.4.

8. This Stipulation is the product of 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 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 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.



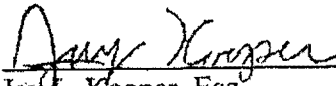
9. It is specifically understood and agreed that this Stipulation has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, Board Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein in total or by specific item. The Signatory Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation.

10. All rates are subject to audit by the Board.

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

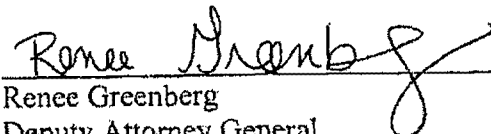
MIDDLESEX WATER COMPANY

November 28, 2018  
Date

By:   
Jay L. Kooper, Esq.  
Vice President, General Counsel & Secretary


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

11-28-2018  
Date

By:   
Renee Greenberg  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR - DIVISION OF RATE COUNSEL

11/28/2018  
Date

By:   
Susan McClure, Esq.  
Assistant Deputy Rate Counsel