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CASE MANAGEMENT

2020 MAR 12 A 11:19

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ



State of New Jersey  
OFFICE OF ADMINISTRATIVE LAW

BOARD OF PUBLIC UTILITIES

MAR 12 2020

MAIL RECEIVED

INITIAL DECISION SETTLEMENT

OAL DKT. NO. PUC 16898-19

AGENCY DKT. NO. WR19111465

IN THE MATTER OF THE PETITION OF  
NEW JERSEY AMERICAN WATER COMPANY, INC.,  
FOR APPROVAL TO CHANGE THE LEVELS OF  
ITS PURCHASED WATER ADJUSTMENT CLAUSE  
AND PURCHASE WASTEWATER TREATMENT.

Christine Soares, Esq., for petitioner, New Jersey American Water Company, Inc.

Meliha Arnautovic and Alex Moreau, 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)

Jay L. Kooper, Vice President, General Counsel and Secretary, for intervenor, Middlesex  
Water Company

Richard D. Fornaro, Esq., for intervenor, Mount Laurel Municipal Utilities Authority  
(Fornaro Francioso LLC, attorneys)

CMS  
K. Graham  
D. Thomas  
M. Kammer  
K. O'Connell  
P. Owen

Record Closed: March 11, 2020

Decided: March 12, 2020

OAL DKT NO. PUC 16898-19

BEFORE JACOB S. GERTSMAN, ALJ:

This proceeding involves a petition filed on November 15, 2019, by New Jersey American Water (Company), pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 et seq., seeking approval to change the levels of its existing Purchase Water Adjustment Clause (PWAC) and Purchased Wastewater (Sewerage) Treatment Adjustment Clause (PSTAC) charges.

The petition was transmitted to the Office of Administrative Law (OAL) on December 3, 2019, for determination as a contested case, and assigned to the undersigned, who conducted the initial case management conference on January 16, 2020. Duly-noticed public hearings were held in Ocean City, New Jersey, on February 18, 2020; Howell, New Jersey, on February 29, 2020 and Hillsborough, New Jersey, on February 20, 2020.. No members of the public appeared at the hearings to provide comments and no written comments were received.

A motion to intervene was filed by Middlesex Water Company (Middlesex) on November 26, 2019. Middlesex was granted intervention by order dated January 21, 2020. A motion to intervene was filed by Mount Laurel Municipal Utilities Authority (Mount. Laurel) on March 3, 2020. Mount Laurel was granted intervention by order dated March 11, 2020.

The parties filed on March 11, 2020, a Stipulation of Settlement (J-1) which resolves all issues in this proceeding. Said Stipulation of Settlement has been signed by petitioner, Staff of the Board of Public Utilities and Division of Rate Counsel. It 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.



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

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1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
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OAL DKT. NO. PUC 16898-19

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.

March 12, 2020  
DATE

  
\_\_\_\_\_  
JACOB S. GERTSMAN, ALJ t/a

Date Received at Agency:

3/12/2020

Date Mailed to Parties:

3/12/2020

JSG/nd

OAL DKT. NO. PUC 16898-19

APPENDIX

EXHIBITS

Jointly Submitted

J-1 Stipulation of Settlement

*J-1* RECEIVED  
 2020 MAR 11 AM 11:17  
 STATE OF NEW JERSEY  
 OFFICE OF ADMINISTRATIVE LAW

STATE OF NEW JERSEY  
 BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF : OAL Docket No. 16898-2019S  
 NEW JERSEY-AMERICAN WATER : BPU Docket No. WR19111465  
 COMPANY, INC. FOR AUTHORIZATION :  
 TO CHANGE THE LEVEL OF ITS : STIPULATION OF SETTLEMENT  
 PURCHASED WATER ADJUSTMENT :  
 CLAUSE AND PURCHASED :  
 WASTEWATER TREATMENT :  
 ADJUSTMENT CLAUSE :

APPEARANCES:

Christine Soares, Esq., on behalf of New Jersey-American Water Company, Inc.,  
 Petitioner;

Melina Armatovic, Deputy Attorney General, on behalf of the Staff of the Board of  
 Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey);

Susan McClure, Assistant Deputy Rate Counsel, on behalf of the Division of the Rate  
 Counsel; and

Jay Kooper, Esq., on behalf of Middlesex Water Company.

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

On November 15, 2019, New Jersey-American Water Company, Inc. ("New Jersey-American Water" or "Company"), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:9-7.1 *et seq.* and other relevant statutes and regulations, for approval to change the levels of its existing purchased water adjustment clause ("PWAC") charge and purchased wastewater (sewerage) treatment adjustment clause ("PSTAC") charges, with respect to increased purchased water expenses and increased purchased wastewater treatment expenses. The total amount requested in the petition was an increase of annual revenues by \$4,444,232 or 0.66% above total Company revenues of approximately \$682,200,000. The parties to this proceeding are the Company, the

New Jersey Division of Rate Counsel ("Rate Counsel") and Staff of the Board ("Board Staff") (collectively, "Signatory Parties").

New Jersey-American Water purchases water on a routine basis from six separate entities<sup>1</sup> and purchases wastewater treatment services from three separate entities, each of which adjusts its rates for service, and, in the case of wastewater treatment service providers, issues sewerage deficit/credit adjustments, at different times throughout the year. The six water purveyors are: Passaic Valley Water Commission ("PVWC"); Morris County Municipal Utilities Authority; Montclair Water Bureau; New Jersey Water Supply Authority ("NJWSA"); City of Newark; and Marlboro Township Municipal Utilities Authority ("MTMUA"). The three wastewater treatment purveyors are: Cape May County Municipal Utilities Authority ("CMCMUA") for the Company's Ocean City Sewer tariff group; Ocean County Utilities Authority ("OCUA") for the Company's Lakewood Sewer tariff group; and Howell Township for the Company's Adelphia Sewer tariff group.

New Jersey-American Water serves approximately 652,000 general-metered water customers and approximately 45,000 sewer customers.

On April 2, 2007, the Board ordered that all purchased water costs and purchased wastewater treatment costs be removed from base rates and recovered through the PWAC and PSTAC as applicable. *In the Matter of the Joint Petition of New Jersey American Water Company, Inc., Elizabethtown Water Company, and the Mount Holly Water Company for Approval of Increased Tariff Rates and Charges for Water and Sewer Services and other Tariff Revisions*, BPU Docket No. WR06030257 (April 2, 2007). The Board last adjusted the Company's base rates

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<sup>1</sup> NJAWC's contract with the City of Wildwood expired on May 31, 2019 and was not renewed. Purchased water expenses through that date were included in the PWAC calculation for purposes of this filing.



effective October 29, 2018. *In the Matter of New Jersey American Water Company for Approval of Increased Tariff Rates and Charges for Water and Sewer Service, Change in Depreciation Rates and Other Tariff Modifications, Order Adopting Initial Decision/Stipulation*, BPU Docket No. WR17090985 (October 29, 2018). The Company's base rates do not include PWAC or PSTAC pass-through charges to customers.

In the petition, New Jersey-American Water proposed to increase its PWAC rate upon PWAC Rate Schedule O-1 from \$0.5145 per thousand gallons of water to \$0.5553 per thousand gallons of water for Non-Exempt customers. The Company proposed to increase its PWAC rate from \$0.4453 per thousand gallons of water to \$0.4806 per thousand gallons for Exempt customers. It also proposed to address its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter usage (January, February and March meter readings), as reflected upon PSTAC Rate Schedule 2-B, would change from \$4.6587 per thousand gallons to \$4.7362 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings), as reflected upon PSTAC Rate Schedule 1-B, would change from \$23.8574 per thousand gallons to \$26.9490 per thousand gallons.

For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water, as reflected upon PSTAC Rate Schedule 3-B, would change from \$6.8309 per thousand gallons to \$7.3727 per thousand gallons.

The Board transmitted this matter to the Office of Administrative Law ("OAL") for hearing as a contested case on December 2, 2019. A telephonic prehearing conference was held on January 16, 2020, with the Honorable Jacob S. Gertsman, Administrative Law Judge. On November 26,

2019, Middlesex Water Company ("Middlesex") filed a motion to intervene, which was not opposed by any party. Middlesex has been included on the service list, received all discovery, and participated in all conferences and meetings. After publication of notice in newspapers of general circulation in the Company's service territory public hearings were held on February 18, 2020 in Ocean City at 4:30 p.m. and 5:30 p.m.; on February 19, 2020 in Howell Township at 4:30 p.m. and 5:30 p.m.; and on February 20, 2020 in Hillsborough Township at 4:30 p.m. and 5:30 p.m. Members of the public attended the hearings, but did not provide any oral comments. No written comments were received.

Rate Counsel and Board Staff served interrogatories on New Jersey-American Water, which were responded to in full by the Company. During the proceeding, the Company updated its schedules with actuals through January 2020 and with information from the various water and wastewater service purveyors whose costs comprise the Company's requested relief. This information was provided to all parties on a timely basis. The Company, Board Staff, Rate Counsel and Middlesex participated in a discovery/settlement conference on February 27, 2020. As a result of the Company's petition, discovery responses and negotiations, the Signatory Parties have reached a stipulation of settlement ("Stipulation"), the provisions of which are set forth below.

#### STIPULATION

1. The Signatory Parties recommend that the Board approve a change to the Company's PWAC rate on PWAC Rate Schedule O-1 from \$0.5145 per thousand gallons of water for Non-Exempt customers to \$0.5113 per thousand gallons of water for Non-Exempt customers and from \$0.4453 per thousand gallons of water for Exempt customers to \$0.4425 per thousand gallons of water for Exempt customers.

2. The Signatory Parties further recommend that the Board permit the Company to change its effective PSTAC charges as follows:

- For Lakewood Township, Ocean County, the rate per thousand gallons of prior year's winter quarter as reflected within PSTAC Rate Schedule 2-B from \$4.6587 per thousand gallons to \$4.6563 per thousand gallons.
- For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, from \$23.8574 per thousand gallons to \$26.6334 per thousand gallons.
- For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, from \$6.8309 per thousand gallons to \$7.1722 per thousand gallons.

3. The effective PWAC rate change would result in a decrease in the annual bill of an average residential customer utilizing 6,000 gallons per month as follows:

	<u>Present Per Month</u>	<u>Proposed Per Month</u>	<u>Amount Decrease</u>	<u>Percentage Decrease</u>
Statewide - GMS	\$56.54	\$56.52	\$(0.02)	-0.04%
Statewide - SFR	\$56.24	\$56.22	\$(0.02)	-0.04%
SA1-B, SA1-C	\$51.74	\$51.72	\$(0.02)	-0.04%
SA-1E	\$50.66	\$50.64	\$(0.02)	-0.04%

4. The PSTAC rate changes will result in: a decrease for a typical residential sewer service customer in Lakewood Township, Ocean County utilizing 18,000 gallons of water in the winter quarter, of -\$0.01 per month or -0.02%; an increase to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water annually, of \$4.63 per month or 7.07%; and an increase to an average sewer service customer in the Adelpia section of Howell Township, Monmouth County utilizing 48,000 gallons of water annually, of \$1.37 per month or 2.54%.

5. These PWAC and PSTAC rates are calculated with an effective date of April 1, 2020.
6. NJAWC plans to file its next PWAC/PSTAC petition on or before November 15, 2020.

7. Within this Stipulation, the Signatory Parties have agreed on a methodology for calculating the amount of interest to be applied to over-recoveries within the PWAC. This method is described as follows: Total PWAC True-up Balance (Over)/Under-recovered of the current month (which is the adjusted total purchased water expense minus total PWAC revenues net of cost recoveries for the current month), plus the total PWAC Cumulative True-Up Balance (Over)/Under-recovery) of the prior month, minus the amortization of the PWAC True-Up from the previous PWAC year of the current month. The Signatory Parties agree to review this methodology and adjust it as necessary and appropriate in future PWAC proceedings.

8. The PWAC/PSTAC rates established herein will increase annual revenues by \$686,836 or .10%. Thus, the Company will collect annual revenues of \$41,134,958 for PWAC and \$16,262,513 for PSTAC.

9. In accordance with the provisions of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon Board Staff and Rate Counsel.

10. This Stipulation shall be binding on the Signatory Parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the Signatory Parties in this matter only and shall not be considered precedential in any other proceeding involving the Signatory Parties hereto.

11. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications

whatsoever are made to this Stipulation, each of the Signatory Parties hereto is entitled to certain procedures in the event of such occurrence.

12. If any modification is made to the terms of this Stipulation, the Signatory Parties must be given the right to be placed in the position in which each Signatory Party was before this Stipulation was executed. It is essential that each Signatory Party be given the option to modify its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached.

13. The Signatory Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

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

15. The Signatory Parties understand that Middlesex will file a letter with the OAL indicating that it does not object to the terms of the Stipulation.

[SPACE INTENTIONALLY LEFT BLANK]

STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By: \_\_\_\_\_  
Susan McClure  
Assistant Deputy Rate Counsel

Dated:

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By: Christine Soares  
Christine Soares  
Corporate Counsel

Dated: 3/5/20

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

By: \_\_\_\_\_  
Meliha Arnautovic  
Deputy Attorney General

Dated:

STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By: \_\_\_\_\_  
Susan McClure  
Assistant Deputy Rate Counsel

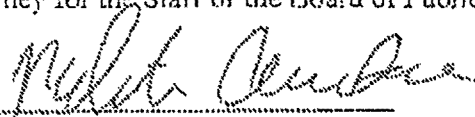
Dated:

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By: \_\_\_\_\_  
Christine Soares  
Corporate Counsel

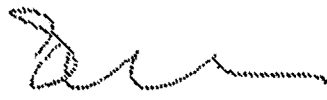
Dated:

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

By:   
\_\_\_\_\_  
Meliha Arnautovic  
Deputy Attorney General

Dated: *March 9 2020*

STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By:   
Susan McClure  
Assistant Deputy Rate Counsel

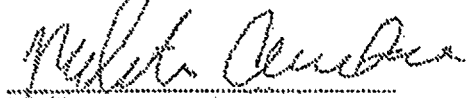
Dated: 3/10/20

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By: \_\_\_\_\_  
Christine Soares  
Corporate Counsel

Dated:

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

By:   
Meliha Arnautovic  
Deputy Attorney General

Dated: March 6, 2020





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2020 MAR 11 A 11:18

STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW

**To: Jacob Gertsman**  
Company:  
Fax: 6096894100  
Phone:

**From: Kelly.Cecchini@amwater.com**  
Fax:  
Phone:  
E-mail: Kelly.Cecchini@amwater.com

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**NOTES:**

I/M/O the Petition of NJ American Water - PWAC/PSTAC PUC 16898-2019S

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Date and time of transmission: Wednesday, March 11, 2020 10:32:16 AM  
Number of pages including this cover sheet: 15

ON BEHALF OF CHRISTINE SOARES, ESQUIRE:

Please see attached letter and executed stipulation of settlement.

KELLY A. CECCHINI | AMERICAN WATER  
Executive Assistant  
to Michael Gore, Esq. and General Counsel  
and Eastern Division/Legal (MD, NJ, KY, VA)  
One Water Street | Camden, New Jersey 08102  
☎ 856.995.4864 | ✉ kelly.cecchini@amwater.com  
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