



Agenda Date: 3/24/17  
Agenda Item: 5C

**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 THE JOINT PETITION OF	)	ORDER OF APPROVAL
AMERICAN WATER WORKS COMPANY, INC.; NEW	)	
JERSEY-AMERICAN WATER COMPANY, INC.; AND	)	
SHORELANDS WATER COMPANY, INC. FOR: (1)	)	
AMERICAN WATER WORKS COMPANY, INC. TO	)	
ACQUIRE CONTROL OF SHORELANDS WATER	)	
COMPANY, INC.; (2) FOR SHORELANDS WATER	)	
COMPANY, INC. TO TRANSFER UPON ITS BOOKS	)	
ALL OF ITS CAPITAL STOCK TO AMERICAN WATER	)	
WORKS COMPANY, INC.; (3) SHORTLY	)	
THEREAFTER, FOR SHORELANDS WATER	)	
COMPANY, INC. TO BE MERGED INTO NEW	)	
JERSEY-AMERICAN WATER COMPANY, INC.; AND	)	
(4) FOR SUCH OTHER APPROVALS AS MAY BE	)	
NECESSARY TO COMPLETE THE PROPOSED	)	
TRANSACTION	)	DOCKET NO. WM16101036

**Parties of Record:**

**Ira G. Megdal, Esq.**, Cozen O'Connor, on behalf of American Water Works Company, Inc. and New Jersey-American Water Company, Inc., Petitioners  
**Bruce S. Edington, Esq.**, LeClairRyan, on behalf of Shorelands Water Company, Inc., Petitioner  
**Jay L. Kooper, Esq.**, Vice President, General Counsel & Secretary, on behalf of Middlesex Water Company, Participant  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On November 2, 2016, American Water Works Company, Inc. ("American Water Works" or "AWW"), New Jersey-American Water Company ("NJAWC"), and Shorelands Water Company ("Shorelands") (collectively, "Joint Petitioners") filed a verified petition with the Board of Public Utilities ("Board") for approval, pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14, for American Water Works to acquire control of Shorelands. Shorelands seeks authority pursuant to N.J.S.A. 48:3-10 to transfer on its books and records all of its capital stock now held by Shorelands current

shareholders to American Water Works. At that point, Shorelands will be a wholly-owned subsidiary of American Water Works. Subsequently, Shorelands will be merged into NJAWC, pursuant to N.J.S.A. 48:3-7.

NJAWC is operating under the laws of the State of New Jersey and currently provides general metered water service to approximately 620,000 water customers and 41,000 sewer customers in all or part of 188 municipalities in 18 of the State's 21 counties. Shorelands Water Company currently provides general metered water service to 11,190 customers in Hazlet and a portion of Holmdel Township in Monmouth County.

On December 8, 2016, Middlesex Water Company, Inc. ("Middlesex") filed a Motion to Intervene asserting that Middlesex would be significantly affected by these proceedings. The Joint Petitioners filed their response to Middlesex's Motion by letter dated December 22, 2016. The Joint Petitioners argued that Middlesex's Motion to Intervene should be denied because, among other things, the issues raised by Middlesex's Motion were germane to and would be considered in a future base rate proceeding. Middlesex filed a response to the arguments raised by the Joint Petitioners by letter dated December 23, 2016. By Order dated January 25, 2017, the Board denied Middlesex's Motion to Intervene but granted Participant status, as Middlesex's participation would likely add constructively to the case. Middlesex's participation is limited to the right to file a statement or brief as set out in N.J.A.C. 1:1-16.6(c)(2).

### **THE PROPOSED TRANSFER**

The Petition was filed pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14, which together require written Board approval for any person to acquire control of a public utility. The proposed transaction is set forth in an Agreement and Plan of Merger between the Joint Petitioners dated August 2, 2016, which, among other things, provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, Shorelands shall continue to be a wholly-owned subsidiary of American Water Works and will transfer on its books and records all of its capital stock to American Water Works (12,716 shares). At a date shortly after the closing date, Shorelands will be merged into NJAWC, without further order of the Board.

### **IMPACT ON NEW-JERSEY AMERICAN WATER**

The Joint Petitioners state that the proposed transaction will have no adverse impact on the NJAWC. There will be no impact on NJAWC's current rates. NJAWC will continue to operate under its existing Board-approved tariffs and rate structures until such time as such tariffs and rate structures are revised in accordance with New Jersey law.

In addition, there will be no impact on NJAWC's employees. There will be no change in NJAWC's collective bargaining agreement as a result of the proposed transaction. NJAWC will have no adverse impact to its present or future service levels and will continue to provide safe, adequate and reliable service to its customers.

Furthermore, the proposed transaction will not adversely impact competition because NJAWC will continue to service its customers in its current franchised service territories. Classic competition for customers does not exist in the regulated water utility industry. Finally, NJAWC will continue to pursue opportunities to provide water and wastewater service throughout the State, including opportunities to acquire other water and wastewater systems as those opportunities arise.

### **IMPACT ON SHORELANDS WATER COMPANY**

The Joint Petitioners state that there will be no impact on Shorelands customer rates, other than minor changes for certain accessorial services (e.g. bad check charges). New rate schedules applicable solely to the current Shorelands service territory will be added to NJAWC's tariff. That rate schedule will contain the rates currently charged by Shorelands to its general metered service, private fire, public fire and sale for resale customers (Manasquan). There will be no rate change to the Shorelands customers, at least until NJAWC's next rate case. Shorelands customers will follow the general terms and conditions, including accessorial services contained in NJAWC's current tariff upon completion of the merger.

The majority of the Shorelands labor workforce (Field & Production) will be integrated into the Local 395 Bargaining Unit, which represents NJAWC's Monmouth County operation. A few of the Shorelands labor workforce may be assigned to Local 33BJ Bargaining Unit, which represents NJAWC's Ocean County operation. The Shorelands employees currently performing management functions will be integrated into the Coastal North Operational structure (Monmouth & Ocean County). The senior management/finance positions may be assigned to roles within NJAWC based upon their skills and capabilities.

The provision of safe, adequate and proper utility service will be enhanced as a result of the proposed transaction in that it will make available to customers of Shorelands the environmental, technical, operational and capital resources of NJAWC.

The proposed asset purchase will have no immediate, direct or measurable impact on competition as NJAWC will serve the present customers of Shorelands under the same market conditions that currently exist, and NJAWC will continue to be subject to the jurisdiction of the Board.

### **SPECIFIC BENEFITS TO CUSTOMERS OF NJAWC AND SHORELANDS**

The Joint Petitioners state that immediately after completion of the transaction and merger, the former Shorelands will be part of the America Water Works System and shortly thereafter be merged into NJAWC. The Joint Petitioners further state that the proposed transaction will promote the public interest and result in the following positive benefits:

- 1. The need to comply with increasingly stringent water quality and environmental standards has created substantial demands for capital investment for water and wastewater utilities. The financial resources and backing of NJAWC will be a benefit to Shorelands customers in the replacement of infrastructure.
2. NJAWC's size and scale enable it to address the water needs of Shorelands customers well into the future.
3. The customers of Shorelands will benefit from becoming part of NJAWC, a substantially larger water and wastewater company, regulated by the Board. These customers will receive the benefits of industry standard best practices in the areas of planning, research, environmental compliance, water quality, customer service, finance, risk management, operations and service delivery and management.

4. After the completion of the proposed transaction, customers of Shorelands will have access to NJAWC's customer service call centers to resolve any customer service issues that may arise.
5. NJAWC will continue to invest in the water system and provide customers with access to additional customer service resources as well as access to additional financial and technical resources.

### **THE STIPULATION<sup>1</sup>**

On March 10, 2017, Joint Petitioners, Board Staff, and the New Jersey Division of Rate Counsel (collectively, "the Signatory Parties") submitted a fully executed Stipulation which fully resolved all issues that arose during the course of this proceeding. On March 10, 2017, Middlesex filed with the Board a non-objection letter, relying on the Board's prior determination that it would not adjust NJAWC's rates in this proceeding. Among other things, the Signatory Parties have agreed:

1. The transfer of all capital stock now held by Shorelands' current shareholders to American Water Works is consistent with the criteria of N.J.S.A. 48:3-10. The Signatory Parties recommend that the proposed transfer of stock from Shorelands to American Water Works be approved.
2. The merger of Shorelands with and into NJAWC is consistent with the criteria of N.J.S.A. 48:3-7 and recommend that the proposed merger be approved by the Board.
3. The transaction will not have an adverse impact on existing rates for Shorelands customers. Shorelands existing rates will remain in effect under the current Board-approved tariff until the Board orders otherwise. Following the transaction and merger, new rate schedules applicable solely to the current Shorelands service territory will be added to NJAWC's Tariff. These rate schedules will contain the rates currently charged by Shorelands to its GMS, Private Fire, Public Fire, Bulk Sales to Municipalities, and Sales for Resale customers, and found in the Shorelands Tariff. As a result, there will be no immediate rate change to the Shorelands customers.
4. The acquisition of Shorelands will provide substantial benefits to the provision of safe, adequate and proper utility service at just and reasonable rates. Immediately after closing of the transaction and post-merger, Shorelands become part of the larger AWW system. Positive benefits include the provision of service to Shorelands customers by NJAWC and former Shorelands system management by experienced personnel.
5. The transaction will not have an adverse impact on competition. NJAWC will continue to operate and provide service to Shorelands' existing customers as a regulated public utility.
6. No Shorelands employees will be adversely impacted by the transaction. Pursuant to Paragraph 6.12 of the Agreement: "All employees, active or inactive of [Shorelands] on the day before the Closing Date shall continue to be employees of [Shorelands] as of and for at least six (6) months after the Closing Date." Thus, employees are

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<sup>1</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.

contractually guaranteed to remain in their positions for at least six months following the Closing Date. Except for attrition and other actions which would be taken in the ordinary course of business, it is the intention of AWW to retain those Shorelands employees which accept the offer. Moreover, pursuant to Paragraph 6.13 of the Agreement, AWW will utilize commercially reasonable efforts to provide that such employment shall continue on terms and conditions, including compensation and benefits, that are the same as or substantially similar to the compensation and such benefits each current employee receives from Shorelands.

7. Shorelands currently maintains an office where customers may make application for service, complaints, service inquiries, and bill payments at 1709 Union Ave., Hazlet, New Jersey 07730. In the petition, Joint Petitioners, requested authorization from the Board to close this office pursuant to N.J.A.C. 14:3-5.1(e). However, by this Stipulation it is agreed that Joint Petitioners may withdraw this request without prejudice. This request may be renewed by a future petition to the Board. It is understood that NJAWC will maintain this office until it is authorized to close the same by the Board.

## **DISCUSSION AND FINDINGS**

N.J.S.A. 48:2-51.1 provides in part:

[N]o person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation or organization, or through the purchase of shares, the election of a board of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void. In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. The board shall accompany its decision on a request for approval of an acquisition of control with a written report detailing the basis for its decision, including findings of fact and conclusions of law.

In addition to the statutory requirements, N.J.A.C. 14:1-5.14(c) provides:

The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.

Thus, in considering a request for approval pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14(c), the Board looks to determine whether positive benefits will flow to customers and the State and that the transaction will not adversely impact any of the four factors set forth under N.J.S.A. 48:2-51.1. The Board, having reviewed the Petition and the entire record, **FINDS** that positive

benefits will flow to customers and the State from the transaction and that the transaction will not adversely impact any of the four factors set forth under N.J.S.A. 48:2-51.1, and it will not adversely affect the public interest.

Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility or a wholly-owned subsidiary thereof may be unable to fulfill its pension obligations to any of its employees. The Board, having reviewed the Petition and the entire record, **FINDS** that Joint Petitioners will be able to fulfill their obligations to employees.

There will be no adverse impact on competition. The proposed transaction will have no adverse impact on the existing Shorelands rates as NJAWC will adopt the existing Board-approved tariffs and rate structures, until such time as such tariffs and rate structures are revised in accordance with New Jersey law.

The need to comply with increasingly stringent environmental standards, while also rehabilitating and replacing aging water infrastructure, has created substantial demands for capital investment by water utilities. The financial resources and backing of NJAWC will be a benefit to Shorelands customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act. After the completion of the proposed transaction, customers of Shorelands will have access to NJAWC's customer service call centers to resolve customer service issues.

Accordingly, the Board **FINDS** that the proposed acquisition will not jeopardize NJAWC's ability to continue to provide safe, adequate and proper utility service. The transaction will have no adverse impact on the provision of safe, adequate and proper service by NJAWC to its customers.

The Board **HEREBY APPROVES** the proposed acquisition of the Shorelands by AWW and the subsequent merger of Shorelands with and into NJAWC as more fully described in the Petition. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition, merger, and transaction are in the public interest subject to the following conditions:

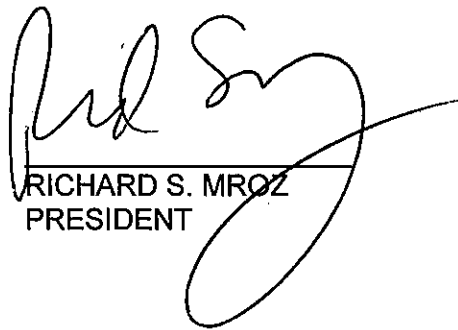
1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting NJAWC.
3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by NJAWC.
4. Within thirty (30) days of the date of the closing of the proposed transaction, the Joint Petitioners shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation of all expenses related to the proposed transaction.

5. Within ten (10) days of the date of the closing of the proposed transaction, NJAWC shall submit any new or revised tariff pages that may be necessary as a result of the proposed transaction.
6. Joint Petitioners shall file with the Board their 2016 Annual Report pursuant to N.J.A.C. 14:3-6.3.
7. Joint Petitioners shall file with the Board, within thirty (30) days of closing, their Statement of Gross Intrastate Operating Revenues for the Year Ended December 31, 2016 (Form AR-3-1).
8. Pursuant to the applicable statutes, NJAWC will be responsible for the Board of Public Utilities' and the Division of Rate Counsel's assessment liability based upon NJAWC's 2016 Gross Operating Revenues.

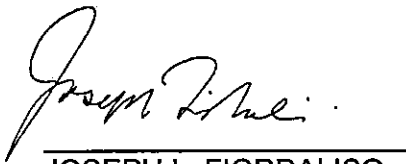
This Order shall be effective on March 24, 2017.

DATED: 3/24/17

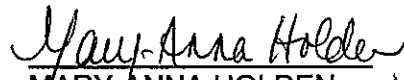
BOARD OF PUBLIC UTILITIES  
BY:



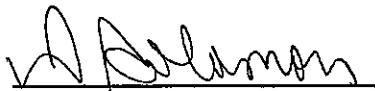
RICHARD S. MROZ  
PRESIDENT



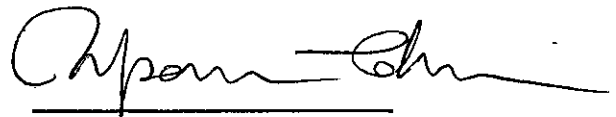
JOSEPH L. FIORDALISO  
COMMISSIONER



MARY-ANNA HOLDEN  
COMMISSIONER

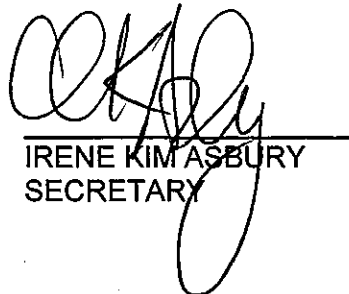


DIANNE SOLOMON  
COMMISSIONER



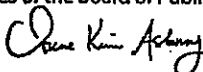
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:



IRENE KIM ASBURY  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**IN THE MATTER OF THE JOINT PETITION OF AMERICAN WATER WORKS COMPANY, INC.; NEW JERSEY-AMERICAN WATER COMPANY, INC.; AND SHORELANDS WATER COMPANY, INC. FOR: (1) AMERICAN WATER WORKS COMPANY, INC. TO ACQUIRE CONTROL OF SHORELANDS WATER COMPANY, INC.; (2) FOR SHORELANDS WATER COMPANY, INC. TO TRANSFER UPON ITS BOOKS ALL OF ITS CAPITAL STOCK TO AMERICAN WATER WORKS COMPANY, INC.; (3) SHORTLY THEREAFTER, FOR SHORELANDS WATER COMPANY, INC. TO BE MERGED INTO NEW JERSEY AMERICAN WATER COMPANY, INC.; AND (4) FOR SUCH OTHER APPROVALS AS MAY BE NECESSARY TO COMPLETE THE PROPOSED TRANSACTION**

**DOCKET NO. WM16101036**

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## **THE MIDDLESEX WATER ENTERPRISE**

Middlesex Water Company • Pinelands Water & Wastewater Company • Southern Shores Water Company • Tidewater Utilities, Inc. • Tidewater Environmental Services, Inc.  
Twin Lakes Utilities, Inc. • Utility Service Affiliates, Inc. • Utility Service Affiliates (Avakon) • Utility Service Affiliates (Perth Amboy) Inc. • White Marsh Environmental Systems, Inc.

### **Via E-MAIL AND FIRST CLASS MAIL**

March 10, 2017

Honorable Irene Kim Asbury, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3<sup>rd</sup> Floor Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

**RE: IN THE MATTER OF THE JOINT PETITION OF AMERICAN WATER WORKS COMPANY, INC.; NEW JERSEY-AMERICAN WATER COMPANY, INC. AND SHORELANDS WATER COMPANY, INC. FOR: (1) AMERICAN WATER WORKS COMPANY, INC. TO ACQUIRE CONTROL OF SHORELANDS WATER COMPANY, INC.; (2) FOR SHORELANDS WATER COMPANY, INC. TO TRANSFER UPON ITS BOOKS ALL OF ITS CAPITAL STOCK TO AMERICAN WATER WORKS COMPANY, INC.; (3) SHORTLY THEREAFTER FOR SHORELANDS WATER COMPANY, INC. TO BE MERGED INTO NEW JERSEY-AMERICAN WATER COMPANY, INC. AND (4) FOR SUCH OTHER APPROVALS AS MAY BE NECESSARY TO COMPLETE THE PROPOSED TRANSACTION**

**BPU Docket No.: WM16101036**

Dear Secretary Asbury:

Middlesex Water Company ("Middlesex") is a Participant in the above-referenced docket by virtue of the Board's Order Denying Motion To Intervene and Granting Participant Status issued on January 25, 2017 in this docket ("January 25 Order"). Please be advised that Middlesex does not object to the proposed Stipulation of Settlement submitted to your attention.

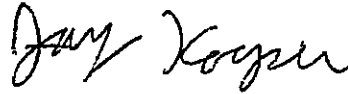
Please be further advised that the basis for Middlesex's non-objection is to this Stipulation is the Board's representations made in its January 25 Order that it "will not adjust any rate classification nor determine rates" with respect to New Jersey-American Water Company's ("NJAW") acquisition of Shorelands Water Company in this docket and that Middlesex, as an anticipated intervenor in NJAW's next base rate case, will be free to raise as concerns any element of rates including the impact of this acquisition on rate base, revenue requirement and rate design. See January 25 Order at 2.

*"A Provider of Water, Wastewater & Related Products and Services"*

Customer Service Center 1500 Ronson Road, Iselin, NJ 08830-3020 (732) 634-1500 Tel. (732) 638-7654 Fax [www.middlesexwater.com](http://www.middlesexwater.com)

With this understanding, Middlesex does not object nor does it take a position on the proposed Stipulation of Settlement submitted in this docket.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jay Kooper".

Jay L. Kooper  
Vice President, General Counsel & Secretary

JLK:rk

Encl.

cc: Attached Service List (via e-mail only)



A Pennsylvania Professional Corporation

March 10, 2017

**VIA EMAIL AND FIRST CLASS MAIL**

**Ira G. Megdal**

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BPU DOCKET NO. WM16101036**

Dear Secretary Asbury:

Attached to this letter is an executed Stipulation of Settlement in the referenced matter, executed by the parties to this proceeding.

Thank you for your attention to this matter.

Respectfully,

COZEN O'CONNOR, PC

By: Ira G. Megdal

IGM:kn

Enclosure

cc: Attached Service List (via email)

LEGAL29693859\1 00650.3257.000/384665.000

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856.910.5000 800.989.0499 856.910.5075 Fax cozen.com

Thomas McKay, III attorney responsible for New Jersey practice.

**IN THE MATTER OF THE JOINT PETITION OF AMERICAN WATER WORKS  
COMPANY, INC.; NEW JERSEY AMERICAN WATER COMPANY; AND  
SHORELANDS WATER COMPANY FOR: (1) AMERICAN WATER WORKS  
COMPANY, INC. TO ACQUIRE CONTROL OF SHORELANDS WATER COMPANY;  
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BPU DOCKET NO.: WM16101036**

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

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<b>IN THE MATTER OF THE JOINT PETITION</b>	:	
<b>OF AMERICAN WATER WORKS COMPANY,</b>	:	
<b>INC.; NEW JERSEY AMERICAN WATER</b>	:	<b>BPU DOCKET NO. WM16101036</b>
<b>COMPANY, INC.; AND SHORELANDS</b>	:	
<b>WATER COMPANY, INC. FOR: (1)</b>	:	
<b>AMERICAN WATER WORKS COMPANY,</b>	:	
<b>INC. TO ACQUIRE CONTROL OF</b>	:	
<b>SHORELANDS WATER COMPANY, INC.; (2)</b>	:	
<b>FOR SHORELANDS WATER COMPANY,</b>	:	
<b>INC. TO TRANSFER UPON ITS BOOKS ALL</b>	:	<b>STIPULATION OF</b>
<b>OF ITS CAPITAL STOCK TO AMERICAN</b>	:	<b>SETTLEMENT</b>
<b>WATER WORKS COMPANY, INC.; (3)</b>	:	
<b>SHORTLY THEREAFTER FOR</b>	:	
<b>SHORELANDS WATER COMPANY, INC. TO</b>	:	
<b>BE MERGED INTO NEW JERSEY</b>	:	
<b>AMERICAN WATER COMPANY, INC.; AND</b>	:	
<b>(4) FOR SUCH OTHER APPROVALS AS MAY</b>	:	
<b>BE NECESSARY TO COMPLETE THE</b>	:	
<b>PROPOSED TRANSACTION</b>	:	

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**APPEARANCES:**

Ira G. Megdal and Christine Soares, Esquires (Cozen O'Connor, attorneys) for Joint Petitioners, American Water Works Company, Inc. and New Jersey American Water Company;

Bruce Edington, Esquire (LeClairRyan) for Joint Petitioner Shorelands Water Company;

Jay Kooper, Esq., General Counsel, for Participant, Middlesex Water Company;

Susan E. McClure, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel; (Stefanie A. Brand, Director, Division of Rate Counsel); and

Andrew Kuntz and Veronica Beke, Deputy Attorneys General (Christopher S. Porrino, Attorney General of the State of New Jersey) on behalf of the Staff of the Board of Public Utilities.

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

1. On October 27, 2016 Joint Petitioners American Water Works Company, Inc. (“AWW”); New Jersey American Water Company (“NJAWC”); and Shorelands Water Company (“Shorelands”) (collectively, the “Joint Petitioners”) filed a Joint Petition with the Board of Public Utilities (the “Board”).

2. By the Joint Petition, AWW sought authorization from the Board, pursuant to N.J.S.A. 48:2-51.1, to acquire control of Shorelands. Shorelands sought authority pursuant to N.J.S.A. 48:3-10 to transfer upon its books and records all of the Capital Stock now held by Shorelands current shareholders (the “Current Shareholders”) to AWW by way of a merger as further described herein (the “Transaction”). At that point, Shorelands will be a wholly-owned subsidiary of AWW. NJAWC and Shorelands also sought authorization from the Board, shortly after closing of the Transaction, for a merger of Shorelands with and into NJAWC pursuant to N.J.S.A. 48:3-7, with NJAWC emerging as the surviving entity. In the Joint Petition, Joint Petitioners also sought approval, pursuant to N.J.A.C. 14:3-5.1, to close the Hazlet, New Jersey office currently operated by Shorelands. The Joint Petition was filed pursuant to N.J.A.C. 14:1-5.10 and N.J.A.C. 14:1-5.14.

II. THE ENTITIES INVOLVED

3. Joint Petitioner AWW, a corporation of the State of Delaware, with its principal office located at 1025 Laurel Oak Road, Voorhees, New Jersey 08043, is a publicly traded company, whose stock is traded upon the New York Stock Exchange. AWW is the largest holder of investor owned water utilities in the United States, and provides water and wastewater services to 3.25 million customers in 16 states within the United States.

In addition to New Jersey, American's regulated subsidiaries are subject to regulation by commissions in California, Hawaii, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Missouri, New York, Pennsylvania, Tennessee, Virginia and West Virginia. In each of the 16 states in which AWW operates public utilities, it is subject to economic regulation as well as environmental, health, safety and water quality regulation by federal, state and local governments. While Tennessee American Water Company, Inc. serves a relatively small number of customers in Georgia, it is not regulated by the Georgia Public Service Commission.

4. Shorelands is a regulated, public utility corporation of the State of New Jersey. Shorelands maintains its principal office at 1709 Union Avenue, Hazlet, New Jersey 07730. Shorelands serves approximately 11,000 customers in Hazlet Township and a portion of Holmdel Township, New Jersey. Shorelands also provides bulk water sales to municipalities.

5. SWC Acquisition Company ("SWC"), a New Jersey Corporation, is a special purpose entity formed to effectuate the Transaction which is the subject of this Joint Petition.

6. NJAWC is a regulated, water and wastewater public utility corporation of the State of New Jersey. NJAWC maintains its principal office at 1025 Laurel Oak Road, Voorhees, New Jersey 08043. NJAWC is the largest privately owned water and wastewater utility in New Jersey, serving 620,000 general metered services ("GMS") customers and approximately 41,000 wastewater customers in all or part of 188 municipalities in 18 of the State's 21 counties. Its service territory includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren.



### III. TRANSACTION AND MERGER

7. SWC is a wholly-owned subsidiary of AWW, formed solely to effectuate the Transaction. On the Closing Date of the Transaction, SWC will be merged with and into Shorelands. Following the merger, the separate corporate existence of SWC will cease and Shorelands shall continue as the surviving company. Shorelands will then be a wholly-owned subsidiary of AWW.

8. The terms and conditions of the Transaction are established by the Agreement and Plan of Merger by and among American Water Works Company, Inc., SWC Acquisition Company, Shorelands Water Company, the Shareholders of the Shorelands Water Company, and Michael P. Walsh, P.E. and P.P. (the "Agreement"), dated as of August 2, 2016. The Transaction is subject to the fulfillment of several requirements, including approval of the Transaction by the Board.

9. At a date shortly after the Closing Date, Shorelands will be merged into NJAWC, without further order of the Board, with NJAWC emerging as the surviving entity.

### IV. PROCEDURAL POSTURE

10. This matter was retained for review with the Board and was not transmitted to the Office of Administrative Law. The Signatory Parties to this Stipulation of Settlement (the "Stipulation") include the Joint Petitioners, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board ("Board Staff").

11. On December 8, 2016 Middlesex Water Company ("Middlesex") moved for leave to intervene in this proceeding. By Order dated January 25, 2017 Middlesex was granted Participant status in this matter.

12. The Parties have engaged in a thorough exchange of discovery, and following a settlement conference on February 21, 2017, HEREBY STIPULATE as follows:

V. STIPULATED MATTERS

13. Approval of Transaction. The acquisition of control of Shorelands by AWW pursuant to the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14. The transfer of the Shorelands Capital Stock upon its books and records from the Current Shareholders to AWW is consistent with and should be approved pursuant to N.J.S.A. 48:3-10. The merger of Shorelands with and into NJAWC is consistent with and should be approved pursuant to N.J.S.A. 48:3-7, with NJAWC emerging as the surviving entity. All of the above transactions are consistent with, and should be approved pursuant to N.J.A.C. 14:1-5.10 and N.J.A.C. 14:1-5.14

14. The Parties hereto AGREE, based upon the verified Joint Petition filed, discovery responses and conferences held among the parties, as follows:

A. Impact on Competition.

The transaction will not have an adverse impact on competition. This Board has previously noted that “there is no retail competition in the water and wastewater utility industry.” *In re Joint Petition of American Water Works Company, Inc. and Environmental Disposal Corporation*, Order Adopting Stipulation of Settlement, BPU Docket No. WM15040492 (December 16, 2015). *See also In Re Joint Petition of New Jersey American Water Company, Inc., S.J. Services, Inc., South Jersey Water Supply Company, Inc., and Pennsgrove Water Supply Company, Inc.*, Order, BPU Docket No. WM07020076 (September 13, 2007). NJAWC will continue to operate and provide service to Shorelands’ existing customers as a regulated public utility.

B. Customer Rates

The transaction will not have an adverse impact on existing rates for Shorelands Customers. Shorelands existing rates will remain in effect under the current Board-approved tariff until the Board orders otherwise. Following the Transaction and Merger, new rate schedules applicable solely to the current Shorelands service territory will be added to NJAWC's Tariff. These rate schedules will contain the rates currently charged by Shorelands to its GMS, Private Fire, Public Fire, Bulk Sales to Municipalities, and Sales for Resale customers, and found in the Shorelands Tariff. As a result, there will be no immediate rate change to the Shorelands customers.<sup>1</sup>

C. Impact of the Acquisition on Employees of Shorelands.

No Shorelands employees will be adversely impacted by the Transaction. Pursuant to Paragraph 6.12 of the Agreement: "All employees, active or inactive of [Shorelands] on the day before the Closing Date shall continue to be employees of [Shorelands] as of and for at least six (6) months after the Closing Date." Thus, employees are contractually guaranteed to remain in their positions for at least six months following the Closing Date. Except for attrition and other actions which would be taken in the ordinary course of business, it is the intention of AWW to retain those Shorelands employees which accept the offer. Moreover, pursuant to Paragraph 6.13 of the Agreement, AWW will utilize commercially reasonable efforts to provide that such employment shall continue on terms and conditions, including compensation and benefits, that are the same as or substantially similar to the compensation and such benefits each current employee receives from Shorelands.

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<sup>1</sup> There will be some changes in accessorial charges (e.g. bad check charges) which inure to the benefit of Shorelands customers, as this Joint Petition requests that Shorelands customers will follow the standard terms and conditions, including accessorial services contained in NJAWC's current Tariff upon completion of the Merger.

D. The Acquisition Will Provide Substantial Benefits to the Provision of Safe, Adequate and Proper Utility Service at Just and Reasonable Rates.

Immediately after closing of the Transaction and post-merger, Shorelands will become part of the larger AWW system. Positive benefits include the provision of service to former Shorelands customers by NJAWC and former Shorelands system management by experienced personnel.

VI. AUTHORIZATION TO CLOSE OFFICE

15. Shorelands currently maintains an office where customers may make application for service, complaints, service inquiries, and bill payments at 1709 Union Ave., Hazlet, New Jersey 07730.

16. In the petition, Joint Petitioners, requested authorization from the Board to close this office pursuant to N.J.A.C. 14:3-5.1(e).

17. However, by this Stipulation it is agreed that Joint Petitioners may withdraw this request without prejudice. This request may be renewed by a future petition to the Board. It is understood that NJAWC will maintain this office until it is authorized to close the same by the Board.

VII. MISCELLANEOUS

18. Board Approval. The Parties request that the Board issue an Order that adopts this Stipulation in its entirety. The Parties hereby request that the Board address this matter as soon as is reasonably practicable, and thereafter issue a written Order approving this Stipulation in accordance with N.J.S.A. 48:2-40.

19. Waiver of Rights of Appeal. Each Party specifically waives any right it may have to seek reconsideration of or to appeal an order by the Board that approves this Stipulation in the manner provided for herein without modification.

20. Rights Upon Disapproval or Modification. This Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof are not severable without upsetting the balance of agreements and compromises achieved among the Parties. In the event the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties are not waiving any legal or procedural rights, arguments or claims they may have before the Board or in any forum; and (ii) this Stipulation shall, at the option and discretion of any Party aggrieved thereby, exercised by written notice to the other Parties within ten days after receipt of any such adverse decision, be null and void, in which case the Parties shall be placed in the same position that they were in immediately prior to its execution.

21. Party Reservations. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving issues addressed in the above-captioned case and docket. Although binding on the Parties with respect to the issues resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned case and that any similar future cases shall be reviewed by the Board on an individual basis. The Parties agree that the purpose of this Stipulation is to reach a fair and reasonable settlement of the entire proceeding that avoids protracted and costly litigation of specific issues. Therefore, with respect to any policies or positions that were compromised in the

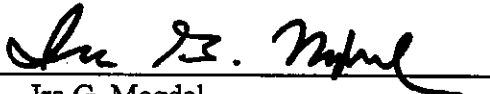
spirit of reaching such agreement, none of the parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such compromises pertain only to this matter and to no other matter. Further, by executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation or Board Order.

22. Rates. The Parties agree that this Stipulation shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, or depreciation.

23. Tangible or Intangible Assets. The Parties agree that this Stipulation shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of tangible or intangible assets or liabilities now owned or hereafter to be owned by the Joint Petitioners.

[SIGNATURES APPEAR ON NEXT PAGE]

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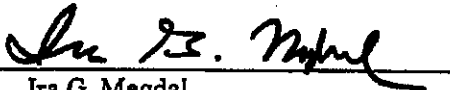
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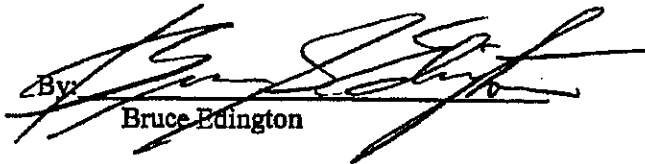
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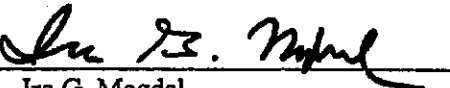
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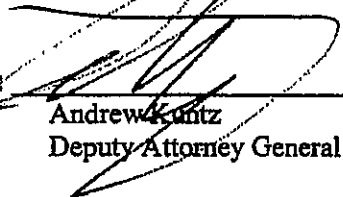
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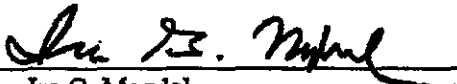
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