



Agenda Date: 6/18/14
Agenda Item: VD

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF UNITED)
WATER NEW JERSEY INC. FOR APPROVAL OF)
MUNICIPAL CONSENT TO CONSTRUCT, INSTALL,)
OPERATE AND MAINTAIN A WATER SYSTEM FOR)
BLOCK 61, LOT 42.03; BLOCK 72, LOT 1.01 AND 1.02;)
BLOCK 72.01, LOT 3; BLOCK 82, LOTS 1.01, 1.02, 1.03)
AND 1.04; BLOCK 82.01, LOT1; BLOCK 83, LOTS 9,)
15.01 AND 15.02; BLOCK 83.01, LOT 1; BLOCK 84,)
LOT 3; BLOCK 72, LOT 2; BLOCK 72, LOT 3; BLOCK)
61, LOTS 42.01 AND 42.02 IN THE BOROUGH OF)
MOUNT ARLINGTON AND APPROVAL OF THE)
ISSUANCE OF A REVISED TARIFF SHEET SETTING)
FORTH UNITED WATER NEW JERSEY INC.'S)
ENLARGED TERRITORY PURSUANT TO N.J.A.C.)
14:1-5.11.)

ORDER

DOCKET NO. WE13080714

Parties of Record:

Nathaniel H. Yohalem, Esq., on behalf of United Water New Jersey, Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

United Water New Jersey Inc. ("Company" or "Petitioner" or "UWNJ"), a wholly owned subsidiary of United Water Mid Atlantic Inc., a New Jersey corporation, is engaged in the business of collecting, treating, and distributing water to customers located in the northern and western portions of the State of New Jersey. Specifically, UWNJ serves approximately 195,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex counties.

On August 9, 2013, the Company filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:1-5.11 for approval of a municipal consent granted on June 26, 2012, by the Borough of Mount Arlington ("Borough") to allow the Petitioner to construct, install, operate and maintain water system facilities necessary for the rendering of full water services to Block 61, Lots 42.01 and 42.02 as part of a proposed new development. The Company also sought approval of a revised tariff that included the change in usage as part of the municipal consent.

The Borough encompasses approximately three (3) square miles and has a population of approximately 5,050 people. The Borough has an existing eight (8) inch emergency interconnection pipe with Morris County Municipal Utilities Authority for water supply demand.

UWNJ currently provides water service to approximately 592 residential customers and 28 business customers in the Borough. The proposed development will include 60 attached townhome units and ten single family homes known as the Residences at Shadow Woods ("Residences"). The Residences will be located on the Borough's Tax Map Block 61, Lot 42.03; Block 72, Lot 1.01 and 1.02; Block 72.01, Lot 3; Block 82, Lots 1.01, 1.02, 1.03 and 1.04; Block 82.01, Lot 1; Block 83, Lots 9, 15.01 and 15.02 and Block 83.01, Lot 1. The second component of the development will be known as the Apartments and includes a Clubhouse ("Apartments"). The Apartments will consist of 300 multi-family rental units in 9 separated buildings located on the Borough's Tax Map Block 61, Lot 42.01 and 42.02. There are also three vacant lots ("Lots") located on the Borough's Tax Map Block 84, Lot 3; Block 72, Lot 2 and Block 72, Lot 3 which are not part of the development. On June 7, 2010, the Board approved, through Docket No. WE09121006 ("June 7 Order"), a municipal consent which allowed the Petitioner to provide full water service to the Residences and the Lots¹. However, the Petitioner does not have a schedule for planned connections for these lots, which are privately owned and are not part of the proposed development.

The June 7 Order limited the provision of water service for Block 61, Lot 42.02 and 42.01 to fire protection services. The developer at that time intended to construct two office buildings there and has now decided to construct the Apartments instead. The change in usage has prompted the need for this petition to request full water service for the Apartments.

On April 10, 2014, a duly noticed public hearing on the Company's Petition was held at the Board's Trenton office. Legal Specialist, William Agee, Esq., presided over the hearing at which representatives of the Company, Division of Rate Counsel ("Rate Counsel") and the Board Staff appeared. No members of the public appeared at the hearing.

According to the petition, on June 26, 2012, the Borough adopted Ordinance 10-12 ("Ordinance") which granted the Company inclusion of Block 61, Lots 42.01 and 42.02 among the properties to receive full water service instead of only fire protection in the Borough. It also granted the Petitioner consent and allowed for laying of pipes and the installation of other utility facilities in the proposed franchise area of the Borough.

The Petitioner's current water system capacity is 432,000 gallons per day ("gpd"). The system is comprised of two wells; #1A and #2. Each well is permitted to pump at a maximum rate of 432,000 gpd. Only one well is permitted to operate at a time. Currently well #2 can only pump a maximum of 360,000 gpd because of a restriction in the well's casing. There is an existing steel storage tank with a capacity of 300,000 gallons. Using New Jersey Department of Environmental Protection ("NJDEP") flow criteria, the daily demand for the Petitioner's entire franchise area in the Borough, including estimates for the new development, is estimated at 497,000 gpd. Therefore, the firm capacity of the Petitioner's water system must be upgraded to match the daily water demand of 497,000 gpd. The Petitioner proposes to increase its firm capacity to 497,000 gpd to be able to meet the water demand of both the developer's projects and the three vacant lots.

¹The June 7 Order conditioned approval on the continuation of the Lots being zoned for single family homes and the ability of Petitioner or any successor water utility to have sufficient capacity to provide water service at the time each property owner requests to connect to the service.

Based on NJDEP's design flow calculation chart, the Residences will require 16,550 gpd and the Apartment with the Clubhouse will require 47,248 gpd. Service to the Lots would impose an additional 1,185 gpd, even though they are currently vacant, because the Borough requested the Lots be included in the Petitioner's franchise. Therefore, total consumption needed for the developer's project and the Lots is 64,983 gpd. The existing customers consumption is 216,167 gpd. The upgrades to the water system need to reserve 70% in accordance with NJDEP requirements. Therefore, daily water consumption of the Petitioner's existing customers and the proposed developer's project will put a strain on the existing water system. The Restated Developer's Agreement calls for an increase in the water system capacity to match 497,000 gpd. The Petitioner will need to undertake the following improvements: construct a new 0.413 million gallons (MG) ground level storage tank and remove the existing 0.3 MG steel water storage tank, A new well will be drilled to replace the existing well #2 and a larger capacity pump will be installed on well #1A. The Petitioner will need to request a NJDEP permit to increase the water allocation for the wells because of the increase in capacity. After the proposed upgrades, the firm capacity of the Petitioner's water system will be 497,000 gpd. This will provide sufficient capacity to meet the projected maximum daily water demand of 453,000 gpd after the development is completed.

The expansion of the Company's water system will not impose any negative impact on current customers, despite the fact that the system requires a capacity upgrade, and will not cause any adverse consequences on these customers or the Company's ability to provide safe, adequate and proper service. The Petitioner currently operates a water system in the Borough. The Company will handle any emergencies with a 24/7 response capacity.

The new customers will be charged for service at the Petitioner's existing rates for water service as set forth in its Board approved tariff. The customers will be billed monthly at a consumption charge of \$5.4939 per 1,000 gallons along with a facilities charge of \$8.50 per month for a 5/8 inch meter.

The Petitioner expects revenues from providing water service to the proposed development in the amount of \$190,968 a year. The estimated cost to service the proposed development is \$45,015.00 a year. UWNJ entered into a Restated Developer's Agreement ("Agreement") with the developer dated July 10, 2013. The Agreement states that the total cost to upgrade the water system is \$2,482,672 and will be paid by the developer.² The estimated refund based on full build out is \$1,755,180.

Any required costs of connecting the Residences and Apartments to Petitioner's system will be paid in full by the developer. The Petitioner's current ratepayers will see no increase in rates due to the costs associated with the system's expansion. To the extent a refundable deposit and an applicable tax gross up is collected, refunds will include the applicable tax gross up amount and will be given in accordance with provisions under Extensions to Provide Regulated Services, N.J.A.C. 14:3-8.1, et seq.

²On June 11, 2014 Staff was notified by the Petitioner that the developer has not yet received bids for this project. However, the Petitioner notified Staff that the developer requested authorization from UWNJ to assign all rights and obligations to new entities. This does not change the Agreement, which allows for such assignment upon written approval by UWNJ, which was granted via email dated June 9, 2014 and accepted by the developer via email dated June 10, 2014.

By letter dated May 22, 2014, Rate Counsel submitted its comments on the petition and is not opposed to its approval.³ Rate Counsel recommends that the Board not authorize the inclusion of the specific assets that will be constructed in rate base. The inclusion in rate base of any assets and any associated ratemaking determination should be addressed in a future base rate proceeding. Rate Counsel also recommends that the Board not depreciate the portion of the water system that is funded by Contributions in Aid of Construction. The Board acknowledges Rate Counsel's recommendations; however, the Board handles the Contributions in Aid of Construction on a case by case basis. Rate Counsel further recommends the inclusion of specific language in any Board Order approving the Petition, which is incorporated in this Order.

The provision of full water service is necessary and proper for the public convenience and properly conserves the public interest by permitting the provision of water service to allow the approved developments in the Borough.

Ordinance No. 10-12 expands the Municipal Consent approved in the June 7 Order to permit full water service to the applicable blocks. At that time, the Board required a separate approval if the project was modified or expanded. This Order provides for an expansion of the current franchise to provide full water service to the Apartments and encompasses service to the Lots.

Based on the foregoing and a thorough review of the record in this proceeding, the Board **HEREBY APPROVES** the Municipal Consent, Ordinance No. 10-12 dated June 26, 2012, granted to United Water New Jersey, Inc. by the Borough of Mount Arlington. The Board **FURTHER APPROVES** the use of United Water New Jersey, Inc.'s existing water tariff applicable with regard to this Petition.

The approvals granted, hereinabove, shall be subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes, whatsoever, the value of any tangible or intangible assets now owned or hereafter to be owned by the Company.
2. This Order shall not effect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any future proceeding, with respect to rates, franchise, services, financing, accounting, capitalization, depreciation or in any other matters affecting the Company.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.
4. Approval of this municipal consent does not constitute approval by the Board of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation of contributed plant, the cost of connection or any related

³ Via email dated June 12, 2014, Rate Counsel indicated it's concurrence with the Petitioner's update of June 11, 2014 regarding potentially increasing project costs and the assignment of all rights and obligations to new entities, specifically a joint venture partnership with Woodmont Properties.

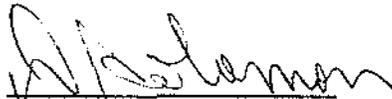
capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

5. Approval of this municipal consent does not constitute approval of any specific main extension or plan for service. In extending service, UWNJ must comply with all applicable laws.
6. As set forth in Ordinance 10-12, the municipal consent includes Block 61, Lots 42.01 and 42.02 among the properties to receive full water service from UWNJ.
7. This consent is conditioned on the capacity upgrades described herein.

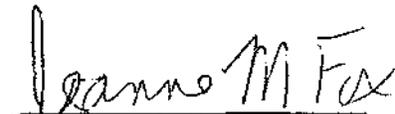
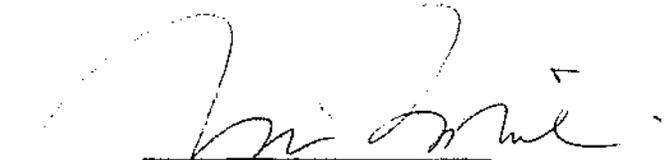
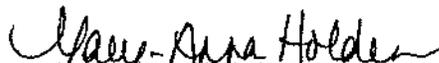
This Order shall be effective on June 28, 2014.

DATED: 6/18/14

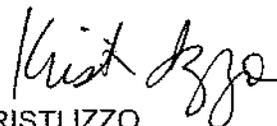
BOARD OF PUBLIC UTILITIES
BY:



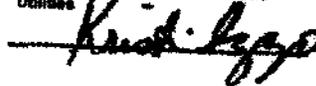
DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER
JOSEPH L. FIORDALISO
COMMISSIONER
MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
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 PETITION OF UNITED WATER NEW JERSEY INC. FOR APPROVAL OF MUNICIPAL CONSENT TO CONSTRUCT, INSTALL, OPERATE AND MAINTAIN A WATER SYSTEM FOR BLOCK 61, LOT 42.03; BLOCK 72, LOT 1.01 AND 1.02; BLOCK 72.01, LOT 3; BLOCK 82, LOTS 1.01, 1.02, 1.03 AND 1.04; BLOCK 82.01, LOT1; BLOCK 83, LOTS 9, 15.01 AND 15.02; BLOCK 83.01, LOT 1; BLOCK 84, LOT 3; BLOCK 72, LOT 2; BLOCK 72, LOT 3; BLOCK 61, LOTS 42.01 AND 42.02 IN THE BOROUGH OF MOUNT ARLINGTON AND APPROVAL OF THE ISSUANCE OF A REVISED TARIFF SHEET SETTING FORTH UNITED WATER NEW JERSEY INC.'S ENLARGED TERRITORY PURSUANT TO N.J.A.C. 14:1-5.11.

DOCKET NO. WE13080714

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