



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF SUEZ WATER)
NEW JERSEY INC. FOR APPROVAL OF MUNICIPAL)
CONSENT TO OWN AND OPERATE A WATER)
SYSTEM FOR BLOCK 263, LOTS 1, 1.02, 1.03 & 1.04)
IN THE TOWNSHIP OF VERNON AND APPROVAL OF)
THE ISSUANCE OF REVISED TARIFF SHEETS)
SETTING FORTH SUEZ NEW JERSEY INC.'S)
EXPANDED SERVICE AREA RELATED TO THE)
TRANSFER OF ASSETS FROM D&M BORSTAD)
WATER COMPANY, LLC TO SUEZ WATER NEW)
JERSEY INC¹)

ORDER OF APPROVAL

DOCKET NO. WE15111247

Parties of Record:

Kelly K. Ruggiero, Esq., SUEZ Water New Jersey Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On November 2, 2015, SUEZ Water New Jersey, Inc. (f/k/a United Water New Jersey Inc.), ("SUEZ," "Company," or "Petitioner"), filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5 and 14:1-5.11, seeking approval of the following: (1) a Municipal Consent, Ordinance No. 15-24 adopted on October 15, 2015, by the Township of Vernon ("Township") to allow Petitioner to provide water service to the property located in the Township ("proposed franchise area"); (2) the expansion of SUEZ service territory to include the Viking Village customers; (3) transfer of the assets now owned by D&M Borstad Water Company ("Seller" or "D&M Borstad"); and (4) to file a revised tariff sheet.

¹ By letter dated January 27, 2016, from Stephen B. Genzer, Esq., to the Honorable Irene Kim Asbury, Secretary, Board of Public Utilities, it was advised that the United Water Inc. companies have changed their operating names to SUEZ, the ultimate corporate parent of United Water. Also, the above caption reflects the corporate name change as requested by Mr. Genzer for this docket.

SUEZ is a public utility organized and operating under the laws of the State of New Jersey. The Seller is a privately-owned company, is not subject to the jurisdiction of the Board, and currently operates a water system in the Township and serves approximately 20 customers.

SUEZ is engaged in the business of collecting, treating and distributing water for retail service to customers located in the northern and western portions of the State. SUEZ serves approximately 200,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. SUEZ also supplies water service to municipalities, including the Township of Saddle Brook, the Boroughs of Fairlawn, Saddle River, Allendale, Mahwah and Ramsey and the Village of Ridgewood. SUEZ is a wholly-owned subsidiary of SUEZ Water Resources Inc. a Delaware corporation.

THE PROPOSED TRANSFER

On July 15, 2015, SUEZ entered into an Agreement of Sale ("Agreement") with D&M Borstad, which provides for SUEZ to purchase the Seller's water system assets serving four multi-unit buildings located on Route 94 in Vernon Township (the "Viking Village System") for \$45,000. The properties served by the Seller's Viking Village System are identified as Lots 1, 1.02, 1.03 and 1.04, Block 263 (collectively, the "Property") on the Tax Map of Vernon Township. The Viking Village System consists of one water supply well capable of producing an output of 70 gallons per minute. The well provides water to the system through a 90 gallon pressure tank with a manifold, 1,200 linear feet of polyvinyl chloride (PVC) pipe and 4 PVC valves. All system assets are located in/on the Property. The Property and Viking Village System are situated about a half-mile south of SUEZ's Mountain Creek pump station on Route 94 in Vernon. Viking Village's system is unmetered and does not provide fire protection services. The Petitioner stated that there are fire truck tankers on standby that fill at the lakes or at the fire hydrants in the Township in case of emergency.

The Property is not within SUEZ's existing franchise area. Petitioner seeks to expand its franchise area in order for SUEZ to own, operate and serve customers in the Viking Village System.

Petitioner has obtained consent from Vernon Township to own, construct, install, lay, relay and maintain water pipes as may be necessary in the future and to provide service to the Viking Village System in Vernon Township, Sussex County, New Jersey.

It is the intention of the Petitioner that the Viking Village System will be served by SUEZ's operations offices in Sussex County, New Jersey, but will continue to be operated as a standalone system.

IMPACT ON SUEZ WATER NEW JERSEY, INC.

The expansion of Petitioner's service territory will not impose any negative impacts on current SUEZ customers or its ability to provide safe and adequate service. SUEZ has successfully owned and operated water systems in New Jersey and around the country for over 100 years. This franchise expansion and transfer will allow SUEZ, a company with extensive resources, to use its knowledge, expertise and access to capital to operate the Seller's system in a way that will ensure safe and dependable service to its customers and moderate future rate impacts. It

will also result in operational and administrative efficiencies and enable SUEZ to maintain economies of scale as the Seller's former customers and assets are integrated into SUEZ's system.

IMPACT ON D&M BORSTAD WATER COMPANY VIKING VILLAGE CUSTOMERS

Viking Village's current rates are \$19.55 per bathroom per month. The system is currently unmetered. SUEZ plans to install meters and anticipates that meter installations will occur within six (6) months of the closing of this transaction. SUEZ originally proposed to move Viking Village's customers to SUEZ's Board approved rates. Staff and Rate Counsel² objected to any immediate increase for the Viking Village customers. Based on these concerns, SUEZ has agreed to maintain the current Viking Village rates at least until SUEZ's base rate case. By letter submitted on April 27, 2016, SUEZ filed to modify and supplement the Petition. The letter included an initial tariff ("initial tariff") page to reflect the rates that are currently being charged to the customers of D&M Borstad and incorporated those rates into the SUEZ Water New Jersey tariff and to make them applicable to the former D&M Borstad customers. A copy of the initial tariff page is attached to this Order as Exhibit "A".

SPECIFIC BENEFITS TO CUSTOMERS OF D&M BORSTAD WATER COMPANY

The Petitioner states that the proposed Agreement 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 utilities. The financial resources and backing of SUEZ will be a benefit to D&M Borstad customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act.
2. SUEZ's size and scale enable the Company to address the water needs of D&M Borstad customers well into the future.
3. The customers of D&M Borstad will benefit from becoming part of SUEZ, a substantially larger water 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 approval of the proposed Agreement, the D&M Borstad customers will have access to SUEZ's customer service call center to resolve any customer service issues that may arise.

² The Parties to this proceeding are Petitioner, the Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff").

THE MUNICIPAL CONSENT

SUEZ intends to operate the assets of D&M Borstad pursuant to the existing municipal consent granted under Ordinance No. 15-24. The Municipal Consent, adopted on October 15, 2015 by the Township of Vernon, will allow Petitioner to: (1) provide water service to the proposed franchise area; (2) expand the SUEZ service territory to include the Viking Village customers; (3) transfer assets of D&M Borstad to SUEZ; and (4) file a revised tariff sheet.

On May 31, 2016, a duly noticed public hearing on the Company's petition was held at the Board's Trenton office. Legal Specialist William Agee presided over the hearing at which representatives of the Company, Rate Counsel and Staff appeared. No members of the public appeared at the hearing.

THE DIVISION OF RATE COUNSEL

By letter dated June 8, 2016, Rate Counsel submitted its comments to the Petition and stated that it is not opposed to its approval. However, Rate Counsel recommends that the Board condition its approval on limitation of the municipal consent to a reasonable period not exceeding fifty years, which is the maximum period allowed for the right to use the streets in the municipality under N.J.S.A. 48:3-15. (Rate Counsel Comments at 4-6.) Rate Counsel also states that "approval of the Petition should not include authorization to include in rate base the specific assets that will be acquired or constructed as a result of approval of this Petition. Id. at 5.

DISCUSSION AND FINDINGS

Township of Vernon Ordinance No. 15-24 provides Petitioner with municipal consent to provide water service to certain sections of the Township and for the laying of pipes and the installation of other utility facilities as may be necessary. Ordinance at 1. N.J.S.A. 48:2-14 provides in part:

No privilege or franchise granted after May first, one thousand nine hundred and eleven, to any public utility by a political subdivision of this state shall be valid until approved by the board. Such approval shall be given when, after hearing, the board determines that the privilege or franchise is necessary and proper for the public convenience and properly conserves the public interests. In granting its approval the board may impose such conditions as to construction, equipment, maintenance, service or operation as the public convenience and interests may reasonably require.

Although the Ordinance does not specify a period for the use of the streets, a municipality may consent to the use of its streets or surfaces, but only for a period not exceeding fifty years. N.J.S.A. 48:3-15. However, N.J.S.A. 48:2-14 sets no limit for the duration of the municipal consent or franchise.

SUEZ will continue to charge Viking Village's customers Viking Village's existing rates until at least SUEZ's next base rate case. The proposed Agreement will cause no material changes in the balance sheet or financial position of SUEZ. The need to comply with increasingly stringent water quality and environmental standards, while also rehabilitating and replacing aging water infrastructure, has created substantial demands for capital investments by water utilities. The financial resources and backing of SUEZ will be a benefit to Viking Village customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act. After the completion of the proposed Agreement, customers of Viking Village will have access to the SUEZ customer service call center to resolve customer service issues.

The Board, having reviewed the Petition and the entire record, **FINDS** that the Municipal Consent is necessary and proper for the public convenience and properly conserves the public interests.

Accordingly, the Board **HEREBY APPROVES** the Municipal Consent, Ordinance No. 15-24, dated October 15, 2015, granted to SUEZ Water New Jersey, Inc. by the Township. The Board **HEREBY APPROVES** an initial tariff for the Viking Village System customers to be incorporated into SUEZ Water New Jersey's tariff. The Board **HEREBY APPROVES** the continuation of the current charge of \$19.55 per bathroom per month.

The Board **HEREBY APPROVES** the proposed acquisition of D&M Borstad Water Company by SUEZ Water New Jersey, Inc. as more fully described in the Petition. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

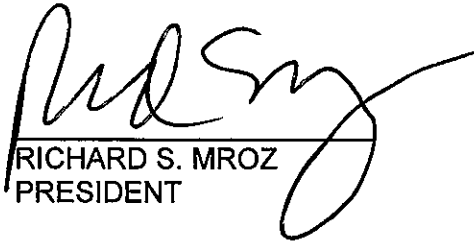
1. This Order is based upon the specific and particular facts of the Agreement and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, 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 the Company.
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 SUEZ.
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 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, SUEZ must comply with all applicable laws.

6. Within thirty (30) days of the date of the closing, the Petitioner 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 Agreement.
7. Within thirty (30) days of the date of the closing, SUEZ shall submit any revised tariff pages that may be necessary as a result of the proposed Agreement.

The Order shall be effective on July 9, 2016.

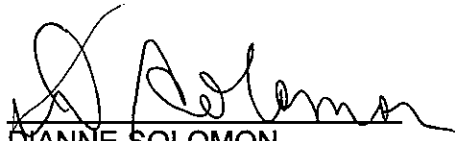
DATE: 6/29/16

BOARD OF PUBLIC UTILITIES
BY:

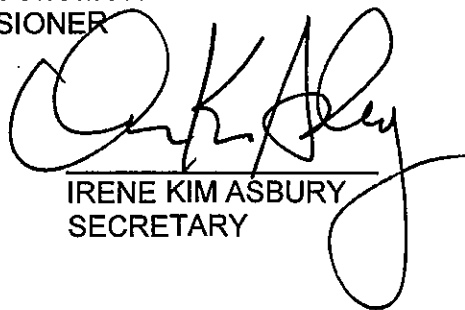

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

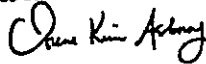

MARY-ANNA HOLDEN
COMMISSIONER


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 PETITION OF SUEZ WATER NEW JERSEY INC. FOR APPROVAL
OF MUNICIPAL CONSENT TO OWN AND OPERATE A WATER SYSTEM FOR BLOCK 263,
LOTS 1, 1.02, 1.03 & 1.04 IN THE TOWNSHIP OF VERNON AND APPROVAL OF THE
ISSUANCE OF REVISED TARIFF SHEETS SETTING FORTH SUEZ NEW JERSEY INC.'S
EXPANDED SERVICE AREA RELATED TO THE TRANSFER OF ASSETS FROM D&M
BORSTAD WATER COMPANY, LLC TO SUEZ WATER NEW JERSEY INC.**

DOCKET NO. WE15111247

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EXHIBIT "A"

SUEZ WATER NEW JERSEY INC.
BPU NO. 4 – WATER

Original Sheet No.37A

RATE SCHEDULE NO. 1A
GENERAL METERED SERVICE

APPLICABILITY:

Applicable for the use of water supplied to the customers of the former D&M Borstad Water Company

CHARACTER OF SERVICE:

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

RATE:

Flat rate: \$19.55 per bathroom per month.

Issued: April 27, 2016

Effective:

By: David Stanton, President
461 From Road, Suite 400, Paramus, NJ 07652

Filed pursuant to an order by the Board of Public Utilities dated _____ regarding the Municipal Consent of the
former D&M Borstad Water Company