



STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF AQUA NEW)
JERSEY, INC. FOR APPROVAL OF MUNICIPAL)
CONSENTS TO PROVIDE WATER SERVICE TO)
PORTIONS OF THE TOWNSHIP OF MANSFIELD AND)
THE TOWNSHIP OF WASHINGTON, AND OTHER)
RELATED APPROVALS)

ORDER OF APPROVAL

DOCKET NO. WE16040307

Parties of Record:

Colleen A. Foley, Esq., Saul Ewing LLP, for Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On April 22, 2016, Aqua New Jersey, Inc. ("Aqua" or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-14, and, to the extent necessary, N.J.S.A. 48:2-24, seeking approval of the following: (1) the Municipal Consent, Ordinance No. RO-10-15, adopted on October 19, 2015, by the Township of Washington, County of Morris ("Washington Township") and Ordinance 2015-15, adopted on November 10, 2015 by the Township of Mansfield, County of Warren ("Mansfield Township") to allow Petitioner to provide water service to the property located in Washington Township and Mansfield Township now served by the Cliffside Park Associates, Inc. ("Seller" or "Cliffside Park") known as the "proposed franchise area"; (2) the expansion of Aqua's service territory to include the Township of Washington and the Township of Mansfield customers; (3) the transfer of the assets now owned by the Cliffside Park water system to Aqua; and (4) to file revised tariff sheets.

Aqua is a public utility, organized and operating under the laws of the State of New Jersey, and is subject to the jurisdiction the Board. Aqua is engaged in the business of providing water service as a public utility to approximately 51,000 customers located in several municipalities in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Ocean, Sussex, Gloucester, and Atlantic Counties, New Jersey. The Seller is a privately-owned company and is not subject to the jurisdiction of the Board. Cliffside Park is owned and operated by the individuals it serves, and provides water service to a total of 34 customers (comprised of 33 residences and one former restaurant that is not operating) located in the Township of Washington, County of Morris and the Township of Mansfield, County of Warren.

THE PROPOSED TRANSFER

On August 25, 2015, Aqua entered into an Assets Purchase Agreement ("Agreement") with Cliffside Park Associates, Inc., which provides for Aqua to purchase the Seller's water system assets serving two municipalities: Washington Township and Mansfield Township ("the Property"). Aqua has agreed to pay \$50,000 to purchase the water system assets.

The Property is not within Aqua's existing franchise area. Petitioner seeks to expand its franchise area in order for Aqua to own, operate, and serve customers in the Cliffside Park water system.

The Cliffside Park system consists of four wells and a 2400 gallon Hydropneumatic tank. Well #2 has a capacity of approximately 21 gallons per minute ("gpm"). Both well #5 and well #6 have a capacity of approximately 17 gpm. Well #1 is inactive and has been required to be decommissioned by the New Jersey Department of Environmental Protection ("NJDEP"). Cliffside Park is currently required to seal Well #1, but has informed NJDEP that it does not have the financial resources to do so. The firm capacity of the system is 0.024 million gallons per day ("mgd"). The average daily demand consumed by the proposed franchise area is approximately 0.005 mgd and peak daily demand is approximately 0.0065 mgd. Aqua will not be treating wastewater. Wastewater service is provided via individual septic systems. The Petitioner has proposed approximately \$70,000 in capital investments planned for the system for the next three years, including decommissioning Well #1; replacing the distribution main crossing the Musconetcong River; installing radio frequency meters; and upgrading/installing a SCADA.

Cliffside Park will be run as part of the Northern Division headquarters, as it is located in Phillipsburg. That Division services territory in parts of Warren, Hunterdon, and Sussex Counties. Emergencies and customer service inquiries are handled by Aqua in the same manner as it handles these matters for all existing customers. Customers will have access to customer service representatives 24/7 to respond to emergencies, answer service questions, and address billing matters. The Cliffside Park system will be operated as a stand-alone system. The expansion of Aqua's service territory will not impose any negative impact on current customers and will not cause any adverse consequences on these customers or Aqua's ability to provide safe, adequate, and proper service.

IMPACT ON CUSTOMERS IN THE TOWNSHIP OF WASHINGTON, MORRIS COUNTY AND THE TOWNSHIP OF MANSFIELD, WARREN COUNTY

Currently, Cliffside Park customers pay a flat rate of \$540.00 per year, or \$45.00 per month, for water service only. Cliffside Park does not provide fire protection service. Cliffside Park's system is currently unmetered. Aqua will be metering Cliffside Park's system and plans on transitioning Cliffside Park's customers from the current flat rate to a volumetric rate as part of Aqua's next base rate proceeding.

By letter dated June 17, 2016, Petitioner amended its petition as follows:

- Aqua requested that the Board approve the continuance of Cliffside Park's current annual flat rate of \$540 per year to be billed on a monthly basis of \$45 per month.

- As noted above, Aqua will be metering Cliffside Park's system. Aqua's amended petition requested that Aqua be authorized to begin charging Cliffside Park's customers Aqua's then-applicable Board authorized Distribution System Improvement Charge ("DSIC") upon completion of the meter installation program.

Aqua will be able to bring significant financial, technical, and managerial resources to bear in operating the water system assets now owned by Cliffside Park. Aqua has approximately \$70,000 in capital investments planned for the system over the next three years. These investments in the Cliffside Park facilities will be a significant benefit to the residents served by the system and demonstrate the proposed request is in the public interest.

SPECIFIC BENEFITS TO CUSTOMERS IN THE TOWNSHIP OF WASHINGTON, MORRIS COUNTY AND THE TOWNSHIP OF MANSFIELD, WARREN COUNTY

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 Aqua will be a benefit to Cliffside Park customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act.
2. Aqua's size and scale enable it to address the water needs of Cliffside Park customers into the future.
3. The customers of Cliffside Park will benefit from becoming part of Aqua, 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, service delivery, and management.
4. After the approval of the proposed Agreement, the Cliffside Park customers will have access to Aqua's customer service call center to resolve any customer service issues that may arise.

THE MUNICIPAL CONSENT

As noted above, Cliffside Park is not within Aqua's existing franchise area. Petitioner seeks to expand its franchise area in order for Aqua to own, operate, and serve customers of the Cliffside Park system. The Petitioner has obtained the Municipal Consent of the Township of Washington, County of Morris, pursuant to Ordinance RO-10-15 dated October 19, 2015 and the Municipal Consent of the Township of Mansfield, Warren County pursuant to Ordinance 2015-15, dated November 10, 2015.

On July 19, 2016, a duly noticed public hearing on Aqua's petition was held at the Board's Trenton office. Board Staff Legal Specialist James Kane presided over the hearing at which representatives of Petitioner, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff appeared. One representative from Aqua testified during the public hearing.

THE DIVISION OF RATE COUNSEL

The Division of Rate Counsel ("Rate Counsel") has reviewed this matter and filed comments by letter dated August 5, 2016. Rate Counsel does not object to the petition, but it seeks certain conditions. Rate Counsel Comments at 6-7. Among other things, Rate Counsel recommends that a Board order approving the petition should contain language that the municipal consent for the use of the streets, to provide water service, and to lay pipes should be limited to a reasonable term not to exceed fifty years. Id. at 8. As to the potential obligations of ratepayers, Rate Counsel proposes that Board approval be "limited to the specific approvals requested, and that there is no authorization to include any specific assets or amounts in rate base, nor authorization for any other ratemaking treatment." Ibid.

DISCUSSION AND FINDINGS

Township of Washington Ordinance No. RO-10-15 and Township of Mansfield Ordinance No. 2015-15 provides Petitioner with municipal consents to provide water service to certain sections of each Township and for the laying of pipes and the installation of other utility facilities as may be necessary.

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 neither Ordinance specifies a period for the use of the streets, a municipality may consent to the use of its streets, 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.

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

Accordingly, the Board **HEREBY APPROVES** the Municipal Consent, Ordinance No. RO-10-15, adopted on October 19, 2015, by the Township of Washington and the Municipal Consent, Ordinance 2015-15, adopted on November 10, 2015, by the Township of Mansfield, and granted to Aqua by the Townships. The Board **HEREBY APPROVES** an initial tariff for the Cliffside Park customers to be incorporated into Aqua's tariff. The Board **HEREBY APPROVES** the continuation of the current charge of \$45.00 per month which will be billed on a monthly basis. The Board **HEREBY DENIES** Aqua's request to charge, upon the installation of meters, the then-effective DSIC rate to customers now served by the Cliffside Park water system. The request to charge Cliffside Park's customers DSIC will result in a rate increase for Cliffside Park's customers. However, a rate increase can only be effectuated after a duly noticed public

hearing in the municipality affected by the proposed increase, pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-32.4.

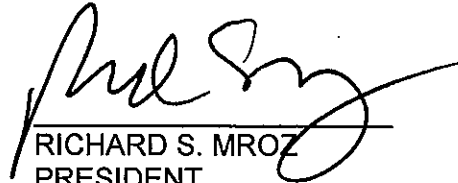
The Board **HEREBY APPROVES** the proposed acquisition of the Cliffside Park water system by Aqua as more fully described in the Petition. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

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 Petitioner.
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 Aqua.
4. Approval of the municipal consents 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 the municipal consents does not constitute approval of any specific main extension or plan for service. In extending service, Aqua 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, Aqua shall submit any revised tariff pages that may be necessary as a result of the proposed Agreement.

The Order shall be effective on September 3, 2016.

DATE: 8/24/16

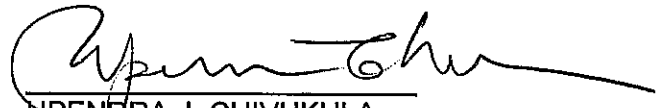
BOARD OF PUBLIC UTILITIES
BY:

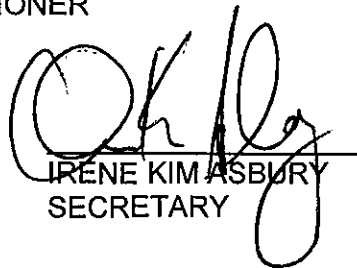

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

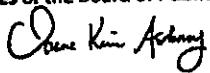

MARY-ANNA HOLDEN
COMMISSIONER


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



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