



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 AN AFFILIATE) ORDER OF APPROVAL
AGREEMENT PURSUANT TO N.J.S.A. 48:3-7.1)
) DOCKET NO. WO16010057

Parties of Record:

John T. Dillon, Esq., SUEZ Water New Jersey Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On January 21, 2016, SUEZ Water New Jersey Inc. ("SWNJ" or "Petitioner") filed a verified petition pursuant to N.J.S.A. 48:3-7.1 with the New Jersey Board of Public Utilities ("Board") requesting approval and renewal of a 2014 long-standing agreement ("Agreement") between SWNJ and its affiliate, SUEZ Water New York Inc. ("SWNY").

SWNJ is a public utility corporation in the State of New Jersey and is subject to the jurisdiction of the Board. SWNJ is a direct, wholly-owned subsidiary of SUEZ Water Resources. SWNJ provides water service to approximately 198,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon, and Sussex Counties.

SWNY owns and operates the Lake Deforest Reservoir, consisting of the storage reservoir, dam, and treatment works on the Hackensack River in the Town of Clarkstown, County of Rockland, State of New York, for the benefit of itself, the Village of Nyack, New York, and SWNJ (SWNY's parent company).

The Village of Nyack and SWNJ have utilized the Hackensack River to supply water to their customers/residents for over 100 years.

SWNY (formerly Spring Valley Water Company) and SWNJ (formerly Hackensack Water Company) entered into an Agreement on September 24, 1993, which Agreement was a successor to an agreement dated August 4, 1989, which in turn was a successor to the original Lake Deforest Agreement dated August 4, 1954, all of which provided for the allocation of the annual operating charge for the operation of Lake Deforest Reservoir, and the payment of an annual payment by Hackensack Water Company/SWNJ to Spring Valley Water Company/SWNY in connection with the operation of the Lake Deforest Reservoir.

The Affiliate Agreement Amendment recognizes that the Lake Deforest Reservoir was developed as a regional water supply for the benefit of the residents of Rockland County, New York and the residents of Bergen County, New Jersey. The safe yield of the Lake Deforest Reservoir has not changed and, therefore, the Affiliate Agreement Amendment keeps the existing cost allocation methodology.

The September 24, 1993 Agreement expired on September 24, 2013. SWNJ and SWNY entered into the Affiliate Agreement Amendment in order to extend the term of this long-standing Agreement for the benefit of their respective customers.

The only material change to the September 24, 1993 Agreement effected by the Affiliate Agreement Amendment is the implementation of a Spill Skimming initiative. The Spill Skimming initiative will allow, but not require, SWNY to draw on a cost-neutral basis certain amounts of additional water from the Lake Deforest Reservoir during periods when water is plentiful and pursuant to a protocol prepared in consultation with and approved by the New York State Department of Environmental Conservation and the New Jersey Department of Environmental Protection.

The term of the Affiliate Agreement Amendment is twenty (20) years, unless previously terminated. It is conditioned upon the approval of the New York Public Service Commission (which has already been obtained) and the Board.

By letter dated September 23, 2016 the New Jersey Division of Rate Counsel filed its comments, stating that it has reviewed the filing and is not opposed to the renewal and amendment of the SWNJ and SWNY long-standing Agreement.

N.J.S.A. 48:3-7.1 provides in part as follows:

The board shall disapprove such contract if it determines that such contract violates the laws of this state or of the United States, or that the price or compensation thereby fixed exceeds the fair price or fair compensation for the property to be furnished or the work to be done or the services to be rendered thereunder or is contrary to the public interest: otherwise the board shall approve such contract.

A review of the record indicates that the Affiliate Agreement Amendment between SWNY and SWNJ continues the equitable allocation of costs related to the maintenance and operation of the Lake Deforest Reservoir between the customers of the two companies. Through the addition of language to implement a Spill Skimming initiative in a cost neutral manner, it will provide SWNY with greater operational flexibility at no detriment to SWNJ or its customers.

Therefore, in accordance with N.J.S.A. 48:3-7.1, the Board **HEREBY FINDS** that the renewal and Amendment to the Agreement does not violate the laws of the State of New Jersey or of the United States, does not contain a price or compensation that exceeds the fair price or fair compensation for the work to be done or the services to be rendered, and is not contrary to the public interest. The Board **HEREBY FINDS** that the proposed Affiliate Agreement Amendment is in the public interest and will facilitate the Petitioner's ability to provide safe, adequate and proper utility service at just and reasonable rates.

The Board **HEREBY APPROVES** the renewal and amendment to the Agreement between SWNJ and SWNY to render services as outlined in the Agreement.

The approval granted herein shall be subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.
2. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. Approval of this petition does not constitute approval by the Board of any costs or expenses associated with this petition. In an appropriate subsequent proceeding, the Petitioner shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers.
4. The Board reserves the right to conduct future reviews of the Agreement to evaluate whether the Agreement remains reasonable.
5. SWNJ will notify the Board if the Agreement is altered or terminated within twenty (20) days of such action.
6. The Petitioner shall submit to the Board fully executed copies of the Agreement twenty (20) days after Board approval.

The Order shall be effective on November 10, 2016.

DATED: 10/31/16


BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
COMMISSIONER



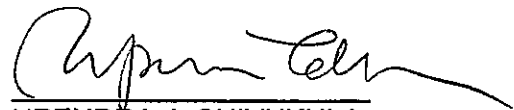
RICHARD S. MROZ
PRESIDENT



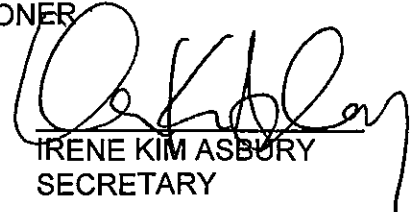
MARYANNA HOLDEN
COMMISSIONER



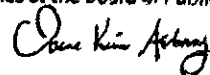
DIANNE SOLOMON
COMMISSIONER



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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OF AN AFFILIATE AGREEMENT PURSUANT TO N.J.S.A. 48:3-7.1**

DOCKET NO. WO16010057

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