



Agenda Date: 7/26/17
Agenda Item: 5C

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)
PRINCETON MEADOWS, INC. FOR DEFERRED) ORDER
ACCOUNTING AUTHORITY FOR THE FINANCIAL)
IMPACT OF WASTE REMOVAL FROM SLUDGE)
LAGOONS) DOCKET NO. WF17030186

Parties of Record:

Bryant Gonzalez, Esq., Corporate Attorney, SUEZ Water Princeton Meadows, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On March 2, 2017, SUEZ Water Princeton Meadows Inc.¹ ("SWPM," "Company" or "Petitioner"), a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities, filed a verified petition pursuant to N.J.S.A. 48:2-16, N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-23, seeking authorization for deferred accounting treatment of actually incurred costs related to maintenance to ensure compliance, safe discharge and preparation for abandonment/retirement of the detention lagoon that is not otherwise recovered through its currently approved base rates. The Company proposes that the appropriate amortization period for such deferred costs be addressed in its next base rate case.²

The detention lagoon ("lagoon" or "facility") is an earthen basin and serves to equalize fluctuating diurnal flow, maintain consistent head pressure/flows on the final stage of the process where chlorination, disinfection and de-chlorination take place prior to discharge to the surface water outfall. The facility is going to be required to meet more stringent discharge limits by December 31, 2019, during which time the lagoon will be undergoing significant upgrades that will significantly affect the rate base of Petitioner. To insure DEP Discharge Permit

¹ SWPM provides wastewater service to approximately 3,500 customers in a portion of the Township of Plainsboro, Middlesex County, New Jersey.

² SWPM current rates were approved by the Board in I/M/O the Petition of Princeton Meadows Utility Company, Inc. for Approval to Increase its Rate for Sewer Service and Change in Depreciation Rates (BPU Docket NO. WR92040394J, OAL Docket No. PUC3110-92, May 11, 1993). By letter dated November 12, 2015, the Petitioner's Counsel notified the Board that United Water Princeton Meadows, Inc. was changing its name to SUEZ Water Princeton Meadows, Inc.

compliance, the Petitioner will address short-circuiting issues caused by material accumulation that has limited the detention time and repair of baffling devices. Most of this work would be considered a cost to remove as part of the retirement of the lagoon if completed as part of the upgrades. Although this work would be part of the facility's upgrades, it needs to be accelerated due to environmental regulatory compliance risk. The Company intends to complete this work in 2017.

The estimated costs associated with the pre-retirement work for which SWPM is seeking deferral authority is not to exceed \$375,000 and includes cost of external labor, contractor costs, equipment, and other costs that are directly related to proposed work. No ongoing, routine expenses are included in the requested deferral accounts established for costs associated with this project. In addition, the Company states that the current costs will be classified as either capital/cost to remove or sludge removal (i.e., expense) depending on the final upgrade design.

The Company responded to discovery requests from Board Staff and the New Jersey Division of Rate Counsel ("Rate Counsel").

By letter dated July 6, 2017, Rate Counsel submitted comments regarding Petitioner's request. Although Rate Counsel does not object to Petitioner's request for deferred accounting authority, Rate Counsel "believes that the Board should establish terms that limit the magnitude of the deferred expense and terms that establish the appropriate amortization period if the accumulated expense is subsequently treated as an operating expense rather than a cost of removal in the Company's next base rate proceeding." (Comment at 1-2.) Thus, Rate Counsel conditionally does not object to the Company's request to defer on its books and records, for accounting purposes only, the actually incurred costs related to maintenance to ensure compliance, safe discharge and preparation for abandonment/retirement of the detention lagoon that is not otherwise recovered through its currently approved base rates.

Specifically, Rate Counsel recommends that any Board approval of the petition contain the following language:

- 1) This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by the Petitioner. The value of the regulatory asset created as a result of the approved deferral shall not exceed \$375,000.
- 2) This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner. The Board specifically reserves the right to review the prudence of the recommendation of the Petitioner's engineering evaluation of the alternatives to the continued use of the existing wastewater treatment facility.

- 3) This Order fixes the term of the amortization of the regulatory asset created as a result of this approval to twenty years. To the extent that the accumulated cost is determined to be an operating expense the amortization shall begin at the conclusion of the Petitioner's next base rate proceeding.
- 4) The Petitioner shall not apply a return on the monthly unamortized deferred cost balances from the initial deferred cost booking until the rate effective date of the Petitioner's next base rate case.
- 5) If the costs deferred under this authorization are not determined to be a cost of removal in the Petitioner's next base rate proceeding, the Petitioner shall not apply a rate of return to the unamortized balances after the effective date of the Petitioner's next base rate case.

[Comment at 8].

After reviewing the record, the Board **FINDS** that the Petitioner's request for deferral authority is reasonable, in the public interest, and in accordance with the law. The Board **HEREBY AUTHORIZES** Petitioner to defer on its books, for accounting purposes only and without interest, actually incurred costs related to maintenance to ensure compliance, safe discharge and preparation for abandonment/retirement of the detention lagoon that is not otherwise recovered through its currently approved base rates. The Board **ORDERS** that the prudence and recovery and the appropriate amortization period for such deferred costs be addressed in the Company's next base rate case.

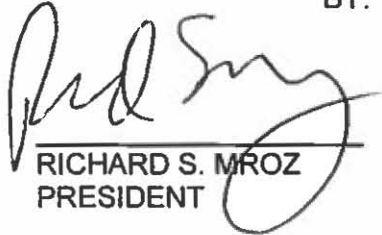
This Order is subject to the following additional conditions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets not owned or hereafter to be owned by Petitioner.
2. 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 Petitioner.
3. Approval of this deferred accounting treatment request constitutes approval for accounting purposes only and does not constitute approval for ratemaking purposes; any determination of the appropriateness or reasonableness of the costs and expenses shall be made in an appropriate subsequent proceeding.

This Order shall be effective on August 5, 2017.

DATED: 7/26/17

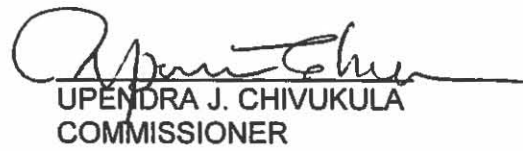
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

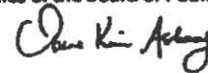

MARYANNA HOLDEN
COMMISSIONER


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



**IN THE MATTER OF THE PETITION OF SUEZ WATER PRINCETON MEADOWS, INC. FOR
DEFERRED ACCOUNTING AUTHORITY FOR THE FINANCIAL IMPACT OF WASTE
REMOVAL FROM SLUDGE LAGOONS
Docket WF17030186**

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