



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 THE APPROVAL OF)
MUNICIPAL CONSENT TO OWN AND OPERATE A)
WATER SYSTEM IN THE TOWNSHIP OF VERNON)
AND APPROVAL OF THE ISSUANCE OF REVISED)
TARIFF SHEETS SETTING FORTH SUEZ WATER)
NEW JERSEY INC.'S EXPANDED SERVICE AREA)
RELATED TO THE TRANSFER OF WATER ASSETS)
FROM THE VILLAGE OF LAKE GLENWOOD TO SUEZ)
WATER NEW JERSEY INC.) DOCKET NO. WE18020191

Parties of Record:

Katherine M. Jensen, Esq., SUEZ Water New Jersey Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On February 26, 2018, SUEZ Water New Jersey, Inc. ("SWNJ," "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. 18-01, adopted January 22, 2018, by the Township of Vernon ("Township") to allow Petitioner to provide water service to the customers in the Village of Lake Glenwood, Inc. ("Seller") in the Township, Sussex County; (2) the expansion of SWNJ service territory to include customers in the Village of Lake Glenwood, Inc. System ("Lake Glenwood System"); (3) purchase the water assets of the Lake Glenwood System; and (4) to file revised tariff sheets.

The Lake Glenwood System is a homeowners association water system and is not subject to the jurisdiction of the Board. The Seller's homeowners association is composed of individual members who own property in the Village of Lake Glenwood development. The Lake Glenwood System provides water service to seventy-five residential customers through approximately four

¹ Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation in this matter.

wells, two storage tanks and a series of related distribution systems. On May 11, 2016, the Seller's homeowners association Board of Directors adopted a resolution authorizing the sale of the Lake Glenwood System to Petitioner.

SWNJ is a public utility organized and operating under the laws of the State of New Jersey. SWNJ is engaged in the business of treating and distributing water for retail service to customers located in the northern and western portions of the State. SWNJ serves approximately 200,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. The Company 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. SWNJ is a wholly-owned subsidiary of SUEZ Water Resources Inc., a Delaware corporation.

THE PROPOSED TRANSFER AND FRANCHISE AREA EXPANSION

On November 24, 2015, SWNJ entered into an Agreement of Sale ("Agreement") with the Village of Lake Glenwood Inc. and subsequent Amendment to Agreement on October 3, 2017, which provides for SWNJ to purchase the Seller's water system assets serving the customers of the Lake Glenwood System for \$367,000.²

The Property is not within SWNJ's existing franchise area. Petitioner seeks to expand its franchise area to own, operate and serve customers in the Lake Glenwood System.

Petitioner has obtained consent from the Township to lay, maintain and relay its water pipes, mains, connections and to provide water service to the Lake Glenwood System. The Township passed the Ordinance No. 18-01 providing consent on January 22, 2018.

Petitioner represents that it intends to merge the Lake Glenwood System into SWNJ. It will be operated out of SWNJ's office located in Vernon Township, Sussex County.

The petition indicates that, given its proximity to the SWNJ's Sussex and Passaic systems, the Lake Glenwood System can easily be included in the existing daily rounds of SWNJ maintenance personnel to SWNJ systems and can quickly be reached by SWNJ staff in the event of an emergency.

IMPACT ON SUEZ WATER NEW JERSEY, INC.

The Company represents that the expansion of its service territory will not impose any negative impacts on current SWNJ customers or its ability to provide safe and adequate service. SWNJ claims it has successfully owned and operated water systems in New Jersey for many years. This franchise expansion and transfer will allow SWNJ, a company with extensive resources, to use its knowledge, expertise and access to capital to operate the 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 SWNJ to maintain economies of scale as these former customers and assets are integrated into SWNJ's system.

² Seller was obligated pursuant to an Administrative Consent Order with the New Jersey Department of Environmental Protection to carry out system improvements, a portion of which improvements would be paid for by a \$500,000 loan/grant obtained by Seller. SWNJ agreed to reimburse Seller the excess cost above the \$500,000 loan/grant for the System improvements up to a maximum of \$367,000. System improvements were completed as of November 2017.

IMPACT ON THE LAKE GLENWOOD SYSTEM CUSTOMERS

The Petitioner proposes that it charge the Lake Glenwood System customers the current monthly rate of \$20.92 until meters are installed and to maintain those rates until the Company's next base rate case. The Petitioner also proposes to move the Lake Glenwood System customers to the SWNJ Board-approved rates for water service after the meters are installed. Upon completion of the meter installations, the average customer will be billed approximately \$41.46 per month.

The Company anticipates, subject to additional due diligence, capital improvements of approximately \$140,000 over the next three years.

SPECIFIC BENEFITS TO CUSTOMERS OF THE LAKE GLENWOOD SYSTEM

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 and wastewater utilities. The financial resources and backing of SWNJ will be a benefit to the Lake Glenwood System customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act.
2. SWNJ's size and scale enable the Company to address the water needs of the Lake Glenwood System customers well into the future.
3. The customers of the Lake Glenwood System will benefit from becoming part of SWNJ, 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 Lake Glenwood System customers will have access to SWNJ's customer service call center to resolve any customer service issues that may arise.

THE MUNICIPAL CONSENT

SWNJ intends to operate the assets of the Lake Glenwood System pursuant to the existing municipal consent granted under Ordinance No. 18-01. The municipal consent, adopted on January 22, 2018 by the Township, will allow Petitioner to lay, maintain and relay its water pipes, mains, connections and to provide water service to the Lake Glenwood System.

On August 27, 2018, a duly noticed public hearing on the Company's petition was held at the Board's offices in Trenton, New Jersey. William Agee, Esq., Legal Specialist, presided over the hearing at which representatives of the Company, Rate Counsel and Board Staff appeared. No members of the public appeared at the hearing.

THE NEW JERSEY DIVISION OF RATE COUNSEL ("RATE COUNSEL") COMMENTS

By letter dated August 29, 2018, Rate Counsel submitted its comments to the petition and stated that it is not opposed to the proposed acquisition of the Lake Glenwood System or the proposed merger of the acquired assets into the Petitioner.

Rate Counsel also states it does not object to the proposed initial tariff or the proposal to move customers to metered billing once meters are installed.

Rate Counsel indicates that it does not object to the Petitioner's request for approval of the municipal consent subject to the recommendation that the Board modify both the term of the consent to serve and the consent to street access to fifty (50) years from the date of the grant of the consent. Rate Counsel recommends that the Board condition its approval on limitation of the municipal consent to a reasonable period not exceeding (50) 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.

In addition, Rate Counsel recommends that the Board condition its approval of the petition to specify that transaction costs cannot be recovered in rates.

DISCUSSION AND FINDINGS

Township Ordinance No. 18-01 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. (Exhibit B to the Petition 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 (50) 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 for the provision of service.

SWNJ will continue to charge the Lake Glenwood System customers the current flat monthly rate of \$20.92 until meters are installed. After the meters are installed, the Company proposes to move the Lake Glenwood System customers to SWNJ approved rates for water service.

The Agreement will cause no material changes in the balance sheet or financial position of SWNJ. 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 SWNJ will be a benefit to the Lake Glenwood customers in the replacement of

infrastructure and compliance with the Safe Drinking Water Act. After the completion of the transaction, customers of the Lake Glenwood System will have access to the SWNJ 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. 18-01, granted to SWNJ by the Township. The Board **HEREBY APPROVES** an initial tariff for the Lake Glenwood System customers to be incorporated into the SWNJ tariff.

The Board **HEREBY APPROVES** the proposed acquisition of the Lake Glenwood System by SWNJ 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:

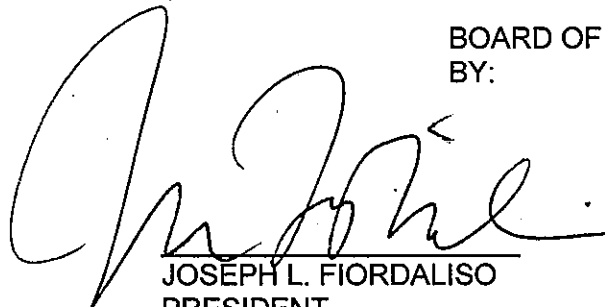
1. This Order is based upon the specific and particular facts of the Agreement and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, 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 SWNJ.
4. The Petitioner shall not depreciate any portion of the water system expansion that is funded by Contributions In Aid of Construction ("CIAC").
5. The Petitioner shall not defer or capitalize any transaction costs related to effectuating this transaction.
6. As required by N.J.S.A. 48:3-15, the municipal consent for the use of streets is limited to a term of fifty years from the effective date of this Order.
7. 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, CIAC, 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.
8. Approval of this municipal consent does not constitute approval of any specific main extension or plan for service. In extending service, SWNJ must comply with all applicable laws and regulations.

- 9. Within thirty 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.
- 10. Within ten days of the date of the closing, SWNJ shall submit any revised tariff pages that may be necessary as a result of the Agreement.
- 11. Board Staff is authorized to approve, subject to comments filed by Rate Counsel, if any, any written request by the Petitioner for additional time to comply with items 9 and 10.


The Order shall be effective on September 27, 2018.

DATE: 9/17/18

BOARD OF PUBLIC UTILITIES
BY:



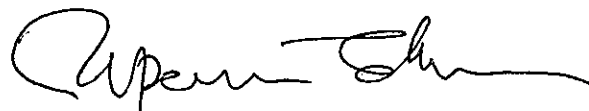
JOSEPH L. FIORDALISO
PRESIDENT



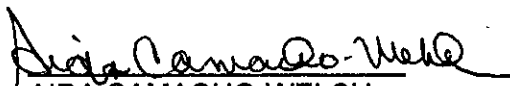
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
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 THE APPROVAL OF MUNICIPAL CONSENT TO OWN AND OPERATE A WATER SYSTEM IN THE TOWNSHIP OF VERNON AND APPROVAL OF THE ISSUANCE OF REVISED TARIFF SHEETS SETTING FORTH SUEZ WATER NEW JERSEY INC.'S EXPANDED SERVICE AREA RELATED TO THE TRANSFER OF WATER ASSETS FROM THE VILLAGE OF LAKE GLENWOOD TO SUEZ WATER NEW JERSEY INC.

DOCKET NO. WE18020191

SERVICE LIST

Katherine M. Jensen, Esq.
Corporate Attorney
SUEZ Water
461 From Road, Suite 400
Paramus, NJ 07652
katherine.jensen@suez-na.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Alex Moreau, Esq.
Deputy Attorney General
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029
alex.moreau@law.njoag.gov

Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Maria L. Moran, Director
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Maria.moran@bpu.nj.gov