



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

WATER

IN THE MATTER OF THE PETITION OF UNITED)
WATER NEW JERSEY, INC. AND UNITED WATER)
TOMS RIVER, INC. FOR AN ORDER AUTHORIZING)
SPECIAL ACCOUNTING TREATMENT OF LITIGATION)
PROCEEDS

ORDER APPROVING
STIPULATION OF
SETTLEMENT

BPU DOCKET NO. W008100886

(SERVICE LIST ATTACHED)

BY THE BOARD:

On October 3, 2008, United Water New Jersey, Inc.¹ (UWNJ) and United Water Toms River, Inc.² (UWTR) (Petitioners or Companies) filed a petition with the New Jersey Board of Public Utilities (Board) seeking authorization for special accounting treatment for proceeds of approximately \$5,083,800, resulting from a settlement of litigation in the United States District Court for the Southern District of New York, In Re Methyl Tertiary Butyl Ether Products Liability Litigation, Master File No. 1:00-1898, MDL 1358 (SAS), M21-88 (the MTBE Litigation).

In 2003, Petitioners and approximately 160 other plaintiffs initiated litigation against approximately twelve (12) oil company defendants claiming the defendants caused MTBE³

¹ United Water New Jersey has its principal offices at 200 Old Hook Road, Harrington Park, New Jersey, and serves approximately 153,502 customers in certain portions of Bergen, Hudson, Hunterdon, Morris, Passaic and Sussex Counties, New Jersey.

² United Water Toms River has its principal offices at 15 Adaire Avenue, Toms River, New Jersey, and serves approximately 48,869 customers in certain portions of Ocean County, New Jersey.

³ According to the Environmental Protection Agency (EPA), MTBE (Methyl Tertiary-Butyl Ether) is a chemical compound which is often added to gasoline to boost its octane or to meet clean fuel oxygen requirements (i.e., reformulated gasoline and winter oxygenate gasoline). A growing number of studies have detected MTBE in ground water throughout the country; in some instances these contaminated waters are sources of drinking water. Low levels of MTBE can make drinking water supplies undrinkable due to its offensive taste and odor. The EPA's Office of Water has concluded that available data are not adequate to estimate potential health risks of MTBE at low exposure levels in drinking water but that the data supports the conclusion that MTBE is a potential human carcinogen at high doses.

pollution to the plaintiffs' well fields and streams. These matters were subsequently consolidated in a Multi District Litigation in the United States District Court for the Southern District of New York (District Court).

According to the petition, to assure that the Companies' ratepayers were never put at risk for the costs of the litigation, all outside legal costs were covered by a contingent fee arrangement entered into with the law firm of Weitz and Luxenberg PC located in New York, New York. Thus, the customers of UWNJ and UWTR have not paid any of the costs or borne any of the risks of this litigation while the Companies were seeking to cover any potential costs to the Companies from the any possible MTBE in the water supply. The Companies advised the parties that no remediation expenses have been incurred or booked to date related to MTBE contamination.

The parties to the MTBE litigation engaged in settlement discussions and on July 29, 2008, the District Court approved a settlement that had been reached between certain of the plaintiffs and certain of the defendants (MTBE Settlement). As part of the MTBE Settlement, UWNJ received a pretax payment of approximately \$4,581,700, and UWTR received a pretax payment of approximately \$502,100, for a total payment of \$5,083,800 (Settlement Proceeds). The MTBE Settlement also provides that the defendants will pay a portion of the costs associated with the remediation of any future MTBE pollution of the Companies' well fields for next thirty (30) years. There are several other potential settlement agreements being negotiated with defendants who were not parties to the MTBE Settlement. Petitioners request that any potential payments received as a result of these settlement discussions should be handled in the same manner as requested for the Settlement Proceeds.

The Companies proposed that the net gain from the settlement, after taxes and costs (Net Settlement Proceeds), be recorded as income in 2008, and that those dollars be used to establish a fund which would be used as a source of needed capital improvements to both Companies' utility service systems. The Companies also proposed to establish a ratemaking account for the New Settlement Proceeds and that the balance in the account be deducted from rate base in future rate cases and amortized over a forty (40) year period, which is the approximate life of new plant investment. The Companies argued that, on a present value basis, and at a minimum depending on rate-case timing, the proposed treatment will provide the Companies' customers with the full benefit of the Net Settlement Proceeds. The Companies further maintained that the proposal recognizes both the Companies' efforts with regard to the MTBE litigation and the Companies' continuing need to fund new infrastructure and improvements. As part of the petition, the Companies submitted their proposed journal entries as Exhibit B for approval by the Board.

This matter was retained at the Board for decision.

After discovery and negotiations, on December 29, 2008, the Companies, the Staff of the Board of Public Utilities (Staff), and the Department of the Public Advocate, Division of Rate Counsel (collectively, the Parties) entered into a stipulation (Stipulation) which resolved all issues in this matter. A copy of the Stipulation is attached to this Order.

The Board, having carefully reviewed the record in this proceeding including the Stipulation, FINDS that the Parties have agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth at length herein.

The Board HEREBY ORDERS that:

- A. The ratemaking effects of the Stipulation should be effectuated in UWNJ's current rate case (BPU No. WR08090710,) and in UWNJ's and UWTR's future rate proceedings.
- B. The Net Settlement Proceeds shall not be used by the Companies to pay dividends to shareholders, but shall be used to support the Companies' capital investment programs.
- C. The accounting and regulatory treatment of the Net Settlement Proceeds for the Companies is set forth in Exhibit A to the Stipulation, and reflects a 35% reduction for the tax rate, and a sharing of the Net Settlement Proceeds with 85% to customers and 15% to the Companies, in the following matter:

For UWNJ, the Net Settlement Proceeds in the amount of \$2,977,406 shall be recorded to income, and 85% of the Net Settlement Proceeds, or \$2,530,795, shall be recorded to a separate Contribution in Aid of Construction (CIAC) account.

For UWTR, the Net Settlement Proceeds in the amount of \$326,076 shall be recorded to income, and 85% of the Net Settlement Proceeds or \$277,165, shall be recorded to a separate CIAC account.

For UWNJ and UWTR, the separate CIAC accounts shall be amortized over a forty (40) year period, the approximate composite useful life of utility plant investment, with the unamortized balance deducted from rate base in all future rate cases during the forty (40) year period, beginning with the current UWNJ base rate case proceeding in BPU Docket No. WR08090710, which is pending at the Office of Administrative Law. An offsetting non-regulatory asset, in the same amount as the CIAC, shall be established in Account # 187, which shall also be amortized over the forty (40) year period. The CIAC rate base deduction and the expense credit from the amortization shall be recognized for rate purposes, but the offsetting non-regulatory asset and its amortization shall not be recognized for rate purposes, in order to pass through to customers the benefit of both the rate base deduction and the expense credit when revenue requirements are being determined.

- D. The sharing mechanism approved herein is to be used for this proceeding only, and is not to be viewed as precedential in nature.

The journal entries set forth on Exhibit A to the Stipulation are approved for accounting purposes only, and are effective for the year 2008, the year in which the Settlement Proceeds were received.

- E. Certain defendants did not enter into the MTBE Settlement but are expected to reach individual settlements. Any additional proceeds shall be treated in the same matter as the Settlement Proceeds, that is, they shall be recorded as income in the year received, and shall increase the rate base deduction and amortization by an amount equal to 85% of the net after tax proceeds.

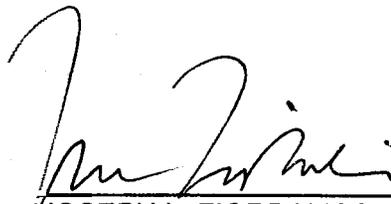
F. The Board HEREBY DIRECTS the Companies to notify the Parties and the Board within ten (10) business days of receipt of said funds, also providing at that time proposed journal entries conforming to the provisions of this Order.

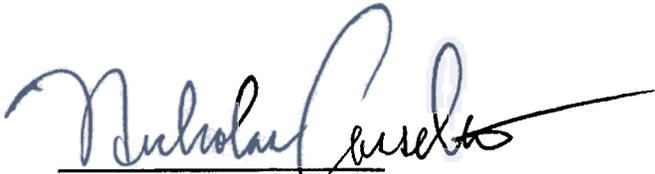
DATED: 1/28/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

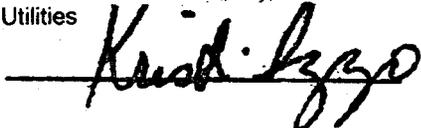

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
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 UNITED WATER NEW JERSEY INC. AND
UNITED WATER TOMS RIVER, INC. FOR AN ORDER AUTHORIZING
SPECIAL ACCOUNTING TREATMENT OF LITIGATION PROCEEDS
BPU DOCKET NO. WO08100886

SERVICE LIST

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

Petition of United Water New Jersey Inc.	:	STIPULATION
And United Water Toms River Inc.	:	
For An Order Authorizing Special	:	BPU DOCKET NO. WO08100886
Accounting Treatment of Litigation	:	
Proceeds	:	

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioners, United Water New Jersey Inc. ("UWNJ") and United Water Toms River Inc. ("UWTR"), (together, "Petitioners" or the "Companies"), the Staff of the New Jersey Board of Public Utilities ("Staff"), and the Division of Rate Counsel of the New Jersey Department of the Public Advocate ("Rate Counsel") (together, "the Signatory Parties") respectfully submit this stipulation to the New Jersey Board of Public Utilities ("Board" or "NJBPU") agreeing upon a special accounting treatment to reflect payments which resulted from the settlement of Multi District Litigation in the United States District Court for the Southern District of New York in the case of In Re Methyl Tertiary Butyl Ether Products Liability Litigation, Master File No. 1:00-1898, MDL 1358 (SAS), M21-88 (S.D.N.Y.). In support of this stipulation, the Signatory Parties agree upon the following:

1. In 2003, Petitioners and approximately 160 other plaintiffs initiated litigation against approximately twelve oil company defendants claiming the defendants caused methyl tertiary butyl ether ("MTBE") pollution of the plaintiffs' well fields and streams. These matters were subsequently consolidated in a Multi District Litigation ("MTBE Litigation") in the United States District Court for the Southern District of New York (the "District Court").

2. Ultimately, the parties to the MTBE litigation engaged in settlement discussions. On July 29, 2008 the District Court approved a settlement that was reached between certain of the plaintiffs and certain of the defendants. As part of the settlement, UWNJ received, as damages, a pretax payment of approximately \$4,581,700, and UWTR received, as damages, a pretax payment of approximately \$502,100, for a total payment before taxes of approximately \$5,083,800 (the "Payment").

3. As stated in the settlement agreement, the Companies also received the commitment of the defendants to pay a portion of any Future Treatment Obligation, generally, the costs of MTBE remediation caused by future MTBE pollution of the Companies' well fields for the next thirty (30) years. (The "Future Treatment Obligation" is specifically defined in Section 2.13 of the Settlement Agreement [Exhibit A to the Petition in this matter] as "...the contractual obligation of Settling Defendants to provide in accordance with the Defendants' Allocation,...a portion of future treatment costs of certain operating Public Water System groundwater drinking wells owned or operated by Settling Plaintiffs under certain circumstances...") There were several other potential settlement agreements being negotiated with the other, non-settling defendants that were not part of the District Court approved settlement described above; the amount of any potential payments pursuant to these agreements would be handled in the same manner as the settlement described herein.

4. As reflected in its recent regulatory filings, the Companies have in place a capital intensive infrastructure investment program. The proposed settlement as described in more detail below, will help insure that the capital necessary to make the needed infrastructure improvements is available and that the settlement funds are used to maintain and improve the water systems.

5. On October 3, 2008, the Companies filed with the NJBPU a Petition Authorizing Special Accounting Treatment for these Litigation Proceeds, providing appropriate notice to both Staff and Rate Counsel. Dozens of interrogatories, numerous meetings and discussions have taken place among the Signatory Parties, resulting in this Stipulation of Settlement between the Signatory Parties which resolves all the issues presented in the Petition.

6. The Signatory Parties jointly recommend that the Board approve the journal entries set forth on Exhibit A, which effectively reflects that 85% of the Net Settlement Proceeds benefits the Companies' customers over time. ("Net Settlement Proceeds" are the funds remaining to the Companies from the Payment, after deduction of attorney's fees and income taxes.) This sharing recognizes the Companies' initiative and effort in obtaining the Payment. As is noted on those schedules, the Net Settlement Proceeds for each company is delineated as the "net gain". As is also further delineated below, the parties agree that the Order should reflect that the rate effects of these agreements should be effectuated in UWNJ's current rate case in BPU Docket No. WR08090710 and in UWNJ's and UWTR's future rate case proceedings. This sharing mechanism is for this case only, is not precedential, and is in no way to be used as a standard going forward.

7. The Signatory Parties agree, and recommend to the Board that the within settlement provides that the Net Settlement Proceeds should be used in a manner that returns the benefits to the Companies' customers through reduced revenue requirements in future rate cases, and through reinvestment in the Companies water systems, while recognizing the companies' initiative in securing these funds and the Future Treatment Obligation.

8. The Companies commit that the Net Settlement Proceeds will not be used as a dividend to stockholders, but rather will be used to support their capital intensive infrastructure investment program, so that all of the funds will remain in the Companies to be employed to maintain and improve the Companies' water systems.

9. Accounting and regulatory treatment of the Net Settlement Proceeds for the Companies is detailed on Exhibit A to this Agreement, and takes the amounts cut by check to the Companies reduced by a 35% tax rate, and sharing 85% of the Net Settlement Proceeds to customers and 15% to the Companies, in the following manner:

- For UWNJ, the Net Settlement Proceeds in the amount of \$2,977,406 will be recorded to income, and 85% of the Net Settlement Proceeds, or \$2,530,795, will be recorded to a separate Contribution in Aid of Construction (CIAC) account.
- For UWTR, the Net Settlement Proceeds are \$326,076, and the CIAC amount is 85% of that, or \$277,165.
- For UWNJ and UWTR, the separate CIAC account will be amortized over a 40 year period, the approximate composite useful life of utility plant investment, with the unamortized balance deducted from rate base in all future rate cases during the period, including the current UWNJ base rate case in BPU Docket WR-08090710, now pending at the Office of Administrative Law. An offsetting nonregulatory asset in the same amount as the CIAC will be established in Account #187, which will also be amortized over the 40 year period. The CIAC rate base deduction and the expense credit from the amortization will be recognized for rate purposes, but the offsetting nonregulatory asset and its amortization will not be, in order to pass through to customers the benefit of both the rate base deduction and the expense credit when revenue requirements are being determined. The Signatory Parties agree that the journal entries should be approved effective for the year 2008, the year in which the settlement proceeds were received.

- Certain defendants which did not enter into the global settlement are expected to reach individual settlements. These additional net settlement proceeds are not expected to be substantial and will be treated in the same manner as the initial settlement proceeds; that is, they will be recorded to income in the year received and will increase the rate base deduction and amortization by an amount equal to 85% of the net after tax proceeds. When the funds are received from these additional settlements, the Companies will notify the parties of the receipt and of the proposed journal entries.

10. This Stipulation is the product of extensive negotiations by the Signatory Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Signatory Parties have stipulated herein. The Signatory Parties agree that the within Stipulation reflects mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Signatory Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Signatory Party hereto materially affected thereby shall not be bound to proceed under this Stipulation.

The Signatory Parties further agree that the purpose of this Stipulation is to reach a fair and reasonable resolution which will be binding on them and their successors in all proceedings dealing with the effect of the accounting and rate treatment agreed upon herein, with any compromises being made in the spirit of reaching an agreement. None of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any proceeding not involving the companies herein dealing with the effects of the MTBE Litigation, as these agreements pertain only to the resolution of the MTBE Litigation with respect to UWNJ and UWTR and to no other matter or company.

11. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

UNITED WATER NEW JERSEY and
UNITED WATER TOMS RIVER

12/29/08
Date

By: 
Saul Ewing LLP
Stephen B. Genzer, Esq.
Attorney for Petitioners

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

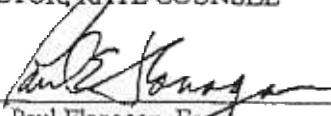
12/29/08
Date

By: 
Cynthia L. Miller, Esq.
Deputy Attorney General
Alex Moreau, Esq.
Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
DEPARTMENT OF THE PUBLIC ADVOCATE
STEFANIE A. BRAND, ESQ.
DIRECTOR, RATE COUNSEL

12-29-08
Date

By:



Paul Flanagan, Esq.,
Deputy Public Advocate, and
Christine Juarez, Esq.,
Assistant Deputy Public Advocate

December 30, 2008

Honorable Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

**Re: In the Matter of the Petition of United Water New Jersey Inc. and
United Water Toms River Inc. for an Order Authorizing Special
Accounting Treatment of Litigation Proceeds
BPU Docket No. WO08100886**

Dear Secretary Izzo:

Enclosed please find 10 copies of Exhibit A to the Stipulation of Settlement in the above captioned matter which was inadvertently omitted yesterday from the filing of the stipulation in the above captioned matter. Please attach Exhibit A to the filed Stipulation.

I apologize for any inconvenience this may have caused. Copies of this exhibit are being emailed to the parties rather than being provided by regular mail.

Respectfully Submitted,



Stephen B. Genzer

SBG/gd
Enc.
cc: service list

United Water New Jersey
MTBE Settlement (\$000)
Computation of Net Gain & Reinvestment of Proceeds

Exhibit A

Page 1 of 2

Computation of Net Gain:

Settlement Amount

Cost of Settlement

Legal		0
Other		0
		<u>0</u>

Pre-Tax Gain

State tax rate	0.00%	0
Federal tax rate	35.00%	<u>1,603</u>
		1,603

Net Gain		<u><u>\$2,977</u></u>
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United Water New Jersey
 MTBE Settlement (\$000)
 Computation of Net Gain & Reinvestment of Proceeds

Exhibit A

Page 2 of 2

Entry to record the payment of the settlement

Account	Description	Amount Dr	Cr
<i>To record the MTBE settlement</i>			
131	Cash	\$4,581	
232	Accounts Payable		0
236	State Tax Payable		\$0
236	Federal Tax Payable		1,604
421	Gain from settlement		2,977
* Miscellaneous Non Operating Revenue		4,581	
Federal Income Tax expense		(1,604)	
Gain from settlement		2,977	

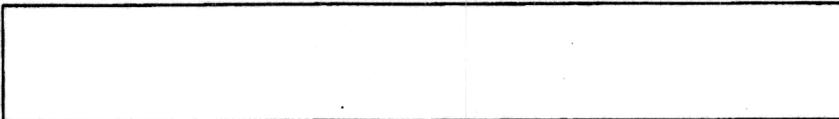
100% of the net gain is reinvested in Utility Plant:

Entry to record the construction of utility plant

<i>To record utility construction</i>			
300's	Utility Plant	\$2,977	
131	Cash		\$2,977
<i>Negative rate base adjustment for Regulatory purposes only (the PV of the revenue requirement is equal to the net MTBE gain)</i>			
187*	Non-regulatory asset	\$2,530	
271	CIAC**		\$2,530

* The 187 account is an account UW uses for items awaiting regulatory approval (moved to 186 account upon approval). This non-regulatory asset would remain in the 187 account, be amortized for book purposes (40 yrs), and not impact future rate filings

** The rate base adjustment would reduce rate base and would be amortized over a 40 yr (avg) asset life affecting the revenue requirement



Computation of Net Gain:

Settlement Amount		\$502
Cost of Settlement		
Legal		0
Other		<u>0</u>
Pre-Tax Gain		\$502
State tax rate	0.00%	0
Federal tax rate	35.00%	<u>176</u>
		176
Net Gain		<u>\$326</u>

United Water Toms River
 MTBE Settlement (\$000)
 Computation of Net Gain & Reinvestment of Proceeds

Exhibit A

Page 2 of 2

Entry to record the payment of the settlement

Account	Description	Amount	Cr
		Dr	
To record the MTBE settlement			
131	Cash	\$502	
232	Accounts Payable		0
236	State Tax Payable		\$0
236	Federal Tax Payable		176
421	Gain from settlement *		326
* Miscellaneous Non Operating Revenue		502	
Federal Income Tax expense		(176)	
Gain from settlement		326	

100% of the net gain is reinvested in Utility Plant:

Entry to record the construction of utility plant

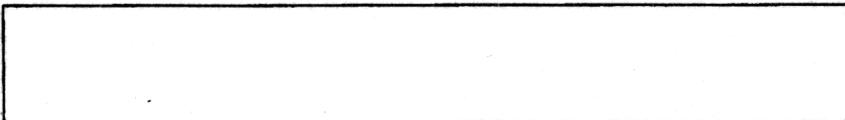
To record utility construction			
300's	Utility Plant	\$326	
131	Cash		\$326

Negative rate base adjustment for Regulatory purposes only (the PV of the revenue requirement is equal to the net MTBE gain)

187*	Non-regulatory asset	\$277	
271	CIAC**		\$277

* The 187 account is an account UW uses for items awaiting regulatory approval (moved to 186 account upon approval). This non-regulatory asset would remain in the 187 account, be amortized for book purposes (40 yrs), and not impact future rate filings

** The rate base adjustment would reduce rate base and would be amortized over a 40 yr (avg) asset life affecting the revenue requirement



5. WATER

A. IN THE MATTER OF THE PETITION OF UNITED WATER NEW JERSEY, INC. AND UNITED WATER TOMS RIVER, INC. FOR AN ORDER AUTHORIZING SPECIAL ACCOUNTING TREATMENT OF LITIGATION - BPU DOCKET NO. WO08100886

Maria L. Moran, Director, Division of Water, presented this matter.

BACKGROUND AND DISCUSSION: United Water New Jersey, Inc. (UWNJ) and United Water Toms River, Inc. (UWTR) (collectively, the Petitioners) filed a petition on October 3, 2008, seeking authorization for special accounting treatment for payment of approximately \$5,083,800, which resulted from a settlement of Multi District Litigation in the United States District Court for the Southern District of New York in the case of In Re Methyl Tertiary Butyl Ether Products Liability Litigation, Master File No. 1:00-1898, MDL 1358 (SAS), M21-88 (S.D.N.Y) (the MTBE¹ Litigation).

This matter was retained by the Board.

After exchanging discovery and engaging in settlement discussions, representatives of Petitioners, the Department of the Public Advocate, Division of Rate Counsel, and the Staff of the Board of Public Utilities reached a settlement which was presented to the Board in the form of a Stipulation.

The Stipulation agrees which agrees to a special accounting treatment for the proceeds of the MTBE settlement. The Stipulation agrees that:

- 1 The Board approve certain journal entries that were set forth in Exhibit A to the Stipulation. These journal entries effectively reflect that 85% of the Net Settlement Proceeds benefit the Companies customers over time.
2. The rate effects of this agreement should be effectuated in UWNJ's current rate case (BPU No. WR08090710) and in UWNJ's and UWTR's future rate proceedings.
3. The Net Settlement Proceeds will not be used by the Companies to pay dividends to shareholders, but rather will be used to support the Companies capital insensitive intensive investment programs.
4. The accounting and regulatory treatment of the Net Settlement Proceeds for the Companies are as set forth on Exhibit A to the Stipulation and takes into account the amounts of the proceeds to the Companies reduced by a 35% tax rate, and sharing 85% of the Net Settlement Proceeds to customers and 15% to the Companies, in the following matter:

¹ According to the Environmental Protection Agency (EPA), MTBE (Methyl Tertiary-Butyl Ether) is a chemical compound which is often added to gasoline to boost its octane or to meet clean fuel oxygen requirements (i.e., reformulated gasoline and winter oxygenate gasoline). A growing number of studies have detected MTBE in ground water throughout the country; in some instances these contaminated waters are sources of drinking water. Low levels of MTBE can make drinking water supplies undrinkable due to its offensive taste and odor. The EPA's Office of Water has concluded that available data are not adequate to estimate potential health risks of MTBE at low exposure levels in drinking water but that the data supports the conclusion that MTBE is a potential human carcinogen at high doses.

- a. For UWNJ, the New Settlement Proceeds in the amount of \$2,977,406 will be recorded to income, and 85% of the Net Settlement Proceeds, or \$2,530,795, will be recorded to a separate Contribution in Aid of Construction (CIAC) account.
- b. For UWTR, the Net Settlement Proceeds in the amount of \$326,076, will be recorded to income and 85% of the Net Settlement Proceeds, or \$277,165 will be recorded to a separate CIAC account.
- c. For UWNJ and UWTR, the separate CIAC account will be amortized over a 40 year period, the approximately composite useful life of utility plant investment, with the unamortized balance deducted from rate base in all future rate cases during the 40 year period, including the current UWNJ base rate case in BPU Docket No. WR08090710, which is currently pending at the Office of Administrative Law. An offsetting non-regulatory asset, in the same amount as the CIAC will be established in Account # 187, which will also be amortized over the 40 year period. The CIAC rate base deduction and the expense credit from the amortization will be recognized for rate purposes, but the offsetting non-regulatory asset and its amortization will not be recognized for rate purposes, in order to pass through to customers the benefit of both the rate base deduction and the expense credit when the expense credit when revenue requirements are being determined.
- d. The Journal Entries set forth on Exhibit A to the Stipulation should be approved effective for the year 2008, the year in which the settlement proceeds were received.
- e. Certain defendants did not enter into the MTBE settlement but are expected to reach individual settlements. These additional net revenues are not expected to be substantial, but will be treated in the same matter as the Settlement Proceeds – that is they will be recorded as income in the year received and will increase the rate base deduction and amortization by an amount equal to 85% of the net after tax proceeds. The Companies will notify the parties when funds are received from these expected additional settlements. This notification is to occur within 10 (ten) business days of the Companies receiving said funds.

DECISION: After discussion, the Board adopted the recommendation of Staff and adopted the Stipulation of the parties as set forth above.