

After proper notice, a public hearing was conducted in Old Bridge, New Jersey, on July 17, 2008. Approximately 40 members of the public attended the public hearing. Participating at this hearing were representatives of the Petitioner, the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Board Staff.

On July 25, 2008, the following parties submitted testimony and supporting materials in response to the Company's petition: Rate Counsel (Howard J. Woods, Jr., P.E.); Old Bridge (Justin D. Mahon, P.E.) and Marlboro (Ramesh Bhatia, P.E.).

On August 5, 2008, a settlement conference was held among MWC, Board Staff, Rate Counsel, Old Bridge, Marlboro and East Brunswick (the "Parties"). The Parties entered into the stipulation which is attached to this Order.

On September 15, 2008, ALJ Hurd issued an Initial Decision approving the settlement pursuant to N.J.A.C. 1:1-19.1, finding that the Parties had voluntarily agreed to its terms, and that the settlement disposed of all issues in controversy and was consistent with the law.

BACKGROUND/PROCEDURAL HISTORY

In the 1980's the New Jersey Department of Environmental Protection ("NJDEP") established Critical Area #1 for the South River Basin area which reduced groundwater withdrawals from the primary aquifer serving parts of Middlesex, Monmouth, and Ocean Counties. During that time, NJDEP also conducted a water supply feasibility study for this area in order to identify alternative solutions and determine a regional source of water to replace the reduction in groundwater being mandated in order to provide for future growth of this area. The feasibility study was performed by an engineering firm under the direction of NJDEP. As a result, MWC was identified as a regional solution to provide large supplies of treated water to satisfy the demands for the region. NJDEP proposed that this supply be provided by MWC's CJO Plant which will bring an available supply of surface water from the Raritan Basin into the region.

The original plan proposed the construction of a 15 mile pipeline from the CJO Plant in Edison to the Middlesex/Monmouth County line. The pipeline was broken down into segments comprised of three major sections: A, B, and C. Sections B and C were completed in the late 1980's and early 1990's but Section "A" was omitted because MWC was able to identify an existing 30 inch cast iron pipeline in the region that was underutilized. This pipeline was rehabilitated and connected to existing and new pipelines which operated through agreements with a neighboring water system. As the need for additional water demand grew in the region, the SRBTS pipeline was connected to the East Brunswick system which also receives its water supply from MWC's CJO plant.

Preliminary engineering and route evaluations were done for Section "A" of the pipeline in the 1990's. Subsequent engineering and route re-evaluations were then completed in 2007. The scope of the project was to reexamine the entire area in order to ensure that all possible route alternatives were considered in order to accomplish the project's goal of completing the pipeline connection to MWC's CJO plant. Five potential routes for the proposed Section "A" pipeline were analyzed on the basis of constructability, related costs, operational issues, and the potential impact on the environment and community.

As more fully set forth in the attached Stipulation, the Parties agreed to the following:

- 1 The construction of the proposed Section A Pipeline project is not necessary or prudent at this time and, as a result, Middlesex hereby withdraws its petition in the above matter that seeks such relief, without prejudice, and instead seeks approval to procure the easements described below.
2. Although the Parties have acknowledged that the construction of the proposed Section A Pipeline project is not necessary or prudent at this time, the Parties agree, nonetheless, that, in the context of appropriate long-term planning and effective utility management, it would be prudent for Middlesex to proceed with the procurement of easements as contemplated in the petition where necessary along the proposed pipeline route because:
 - (a) such easements may not be available in the future;
 - (b) the cost of such easements could increase significantly over time;
 - (c) development could occur along the proposed pipeline route that could preclude construction along such route, thereby rendering the proposed route infeasible and resulting in the need to select a potentially more expensive route and;
 - (d) the route of the pipeline that was proposed in the Petition, is the appropriate route based upon an appropriate balance of operational integrity and ultimate project cost. Approval by the Board that it would be prudent for Middlesex to procure such easements does not constitute a finding that the criteria of N.J.S.A. 48:3-17.7 have been met.
- 3 The Parties further acknowledge that Middlesex is not seeking recovery of any costs associated with the Section A Pipeline in its rates charged to customers in this proceeding. The determination of whether any specific project costs associated with the Section A Pipeline are appropriate for inclusion in rates is deferred to a future base rate proceeding.

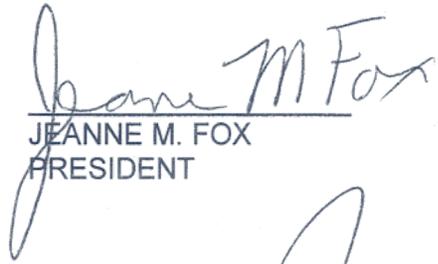
The Board, having considered the record in this matter, **HEREBY FINDS** that:

1. It would be prudent for Middlesex to procure easements along the route of the proposed Section A Pipeline in accordance with law and under the provisions set forth in the Stipulation which are adopted as conditions to this Order. Such action is necessary and proper for the public convenience and will properly conserve the public interest.
2. The proposed conditions set forth in the Stipulation as shown above are reasonable and appropriate, and provide a sufficient means to properly regulate the operations of the Petitioner with regard to the proposed pipeline route.

Based on a review of the record to this proceeding, the Board **HEREBY ADOPTS** the Initial Decision and the attached Stipulation, as its own, incorporating by reference the terms and conditions as more fully set forth at length herein.¹

DATED: 10/23/08

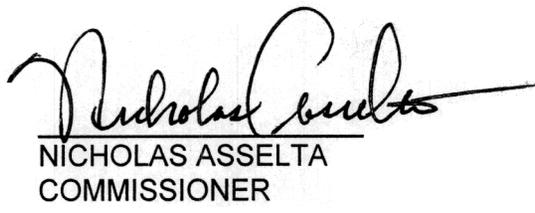
BOARD OF PUBLIC UTILITIES
BY:



JEANNE M. FOX
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER

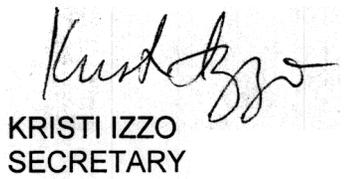


NICHOLAS ASSELTA
COMMISSIONER



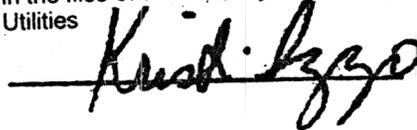
ELIZABETH RANDALL
COMMISSIONER

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



¹ In the event of any inconsistency between the summary in this Order and the Stipulation, the Stipulation is controlling.

IN THE MATTER OF MIDDLESEX WATER COMPANY FOR A
DETERMINATION THAT THE PROPOSED SECTION
A PIPELINE PROJECT IS NECESSARY AND PRUDENT

BPU DOCKET NO. WO08020098

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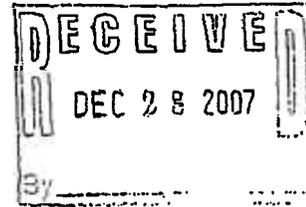
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State of New Jersey
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Division of Water Supply - Water Supply Permitting Element
Bureau of Water Systems and Well Permitting
401 E. State Street - P.O. Box 426
Trenton, New Jersey 08625-0426
Tel #: (609) 984-6831 - Fax #: (609) 633-1495
<http://www.state.nj.us/dep/watersupply/>



LISA P. JACKSON
Commissioner

CORZINE
Governor

December 26, 2007

Ronal F. Williams, PE
Middlesex Water Company
1500 Ronson Road, P.O. Box 1500
Iselin, NJ 08830-3049

Re: South River Basin Transmission Main – Section A
Middlesex Water Company PWSID NO. NJ1225001

Dear Mr. Williams

This letter is in reply to your October 30, 2007 letter regarding the South River Basin Transmission Main – Section A wherein you presented the preliminary findings and sought Department input.

The Department considers this project and others like it very important for the overall development of water supply and redundancy within existing critical infrastructures. Specifically, completion of Section A, which is the only remaining unconstructed portion of the original proposal, is critical. It provides for the much needed redundancy of the current and very old transmission main crossing of the Raritan Bay. This project provides for redundancy in a vulnerable area whose demand has grown over the years and whose bulk purchase water systems have been relied as a source for every day water need, not solely conjunctive use. Further, it provides added benefit in allowing further water supply transfers in the Coastal North Area which has been identified as an area soon to be in water supply deficit.

It is for the reasons stated above that the Department encourages Middlesex Water Company in pursuing completion of the South River Basin Transmission Main – Section A.

Should you require any additional information or support in this project, feel free to contact us at 1-609-984-6831. When contacting the Department please reference the PWSID No. NJ1225001 and Letter No. WCP070002.

Sincerely

Vincent Monaco, PE, Chief
Bureau of Water System and Well Permitting

cc: Michele Putnam, Director
Division of Water Supply



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 2201-08

AGENCY DKT. NO. WO08020098

**IN THE MATTER OF MIDDLESEX
WATER COMPANY FOR A
DETERMINATION THAT THE
PROPOSED SECTION A PIPELINE
PROJECT IS NECESSARY AND PRUDENT.**

Kenneth J. Quinn, Esq., for Middlesex Water Company

Jessica Campbell and Alex Moreau, Deputies Attorney General, for the Board of Public Utilities (Anne Milgram, Attorney General of New Jersey, attorney)

Paul Flanagan, Deputy Public Advocates, appearing for Department of the Public Advocate, Division of Rate Counsel (Ronald K. Chen, Public Advocate, attorney)

Matthew M. Weissman, Esq., for Old Bridge Municipal Utilities Authority, intervenor (Wilentz, Goldman & Spitzer, attorneys)

Anthony Iacocca, Esq., for Township of East Brunswick Water Utility, intervenor (Hoagland, Longo, Moran, Dunst & Doukas, attorneys)

Peter S. Wersinger, III Esq., for the Marlboro Township Municipal Utilities Authority, intervenor

Record Closed: September 5, 2008

Decided: September 9, 2008

BEFORE DOUGLAS H. HURD, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on March 17, 2008, for determination as a contested case, pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13.

The parties have agreed to a settlement and have prepared a Stipulation of Settlement indicating the terms thereof, which is attached and fully incorporated herein.

have reviewed the record and the settlement terms and I **FIND**:

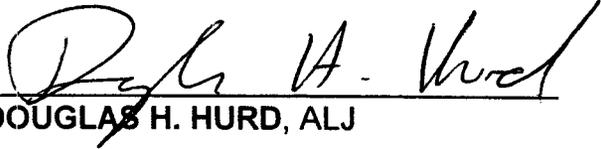
- 1 The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
- 2 The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and that the settlement should be approved. I approve the settlement and, therefore, **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

9-9-08
DATE



DOUGLAS H. HURD, ALJ
Receipt Acknowledged:

9/15/08
DATE



BOARD OF PUBLIC UTILITIES
Mailed to Parties:

DATE

OFFICE OF ADMINISTRATIVE LAW

/lam

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

In the Matter of Middlesex Water Company
For a Determination that the Proposed
Section A Pipeline Project is Necessary
and Prudent

BPU Docket No. W008020098
OAL Docket No. PUCOT 02201-2008-S

STIPULATION OF SETTLEMENT

APPEARANCES:

Kenneth J. Quinn, Esq., on behalf of Middlesex Water Company, Petitioner
Alex Moreau, Esq., Deputy Attorney General and Jessica Campbell, Esq., Deputy
Attorney General (Anne Milgram, Attorney General of New Jersey), on behalf of the
Staff of the New Jersey Board of Public Utilities
Paul Flanagan, Esq. Deputy Rate Counsel and Debra F. Robinson, Esq., Deputy Rate
Counsel, on behalf of the Division of Rate Counsel
Matthew M. Weissman, Esq., Wilentz, Goldman & Spitzer, P.A., on behalf of the Old
Bridge Municipal Utilities Authority
Peter S. Wersinger III, Esq., on behalf of The Marlboro Township Municipal Utilities
Authority
Anthony C. Iacocca, Esq., Hoagland, Longo, Moran, Dunst & Doukas, LLP, on behalf
the Township of East Brunswick Water Utility

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STATE OF NEW JERSEY
OFFICE OF ADMIN LAW

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement resolves all issues raised in BPU Docket No. W008020098 in which Middlesex Water Company (“Middlesex,” “Company” or “Petitioner”) is requesting the New Jersey Board of Public Utilities (“Board”) to issue an Order determining that the proposed construction of the Section A Pipeline of the South River Basin Transmission System is necessary and prudent. In connection with this Stipulation of Settlement, the Petitioner proposes to amend the Petition filed in this matter by withdrawing, without prejudice, the original request for an Order of the Board that the proposed construction of the Section A Pipeline is necessary and prudent, and requesting instead that the Board issue an Order determining that it would be prudent for Petitioner to proceed to procure easements where necessary along the proposed pipeline route. The Signatory Parties to this Stipulation have consented to such an amendment to the Petition. The Parties that have participated in these proceedings are as follows: Middlesex, the Division of Rate Counsel (“Rate Counsel”) and the Staff of the Board of Public Utilities (“Staff”), as well as the Marlboro Township Municipal Utilities Authority (“Marlboro”), the Old Bridge Municipal Utilities Authority (“Old Bridge”) and the East Brunswick Water Utility (“East Brunswick”), each of which latter entities filed Motions to Intervene and were granted full intervention status, without opposition from the Company.

As a result of an analysis of the petition, pre-filed testimony and exhibits, conferences, negotiations, responses to information requests and a public hearing held in Old Bridge, New Jersey, the Signatory Parties to these proceedings have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On February 19, 2008, Middlesex Water Company, a public utility corporation of the State of New Jersey filed a petition with the Board requesting the Board to issue an Order determining that the proposed Section A Pipeline of the South River Basin Transmission System

is necessary and prudent, and that the issue of expenditures relating to such Project will be addressed in a future base rate proceeding.

On March 17, 2008, the Board transmitted the matter to the Office of Administrative Law (“OAL”), and Administrative Law Judge Douglas H. Hurd was assigned to hear the case. A Pre-hearing Conference was convened by Judge Hurd on April 28, 2008, and a Pre-hearing Order issued on April 29, 2008. After proper notice, a public hearing in the service territory was held in Old Bridge, New Jersey on the evening of July 17, 2008, and members of the public appeared to provide comments. On July 25, 2008, the following parties submitted testimony in response to the Company’s petition and supporting materials: Rate Counsel (Howard J. Woods, Jr., P.E.); Old Bridge (Justin D. Mahon, P.E.); and Marlboro (Ramesh Bhatia, P.E.).

Settlement discussions were held among the Parties, and this process resulted in the following stipulations:

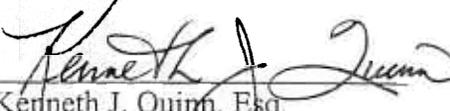
1. The Signatory Parties acknowledge that the construction of the proposed Section A Pipeline project is not necessary or prudent at this time and, as a result, Middlesex hereby withdraws its Petition in the above matter that seeks such relief, without prejudice.
2. Although the Parties have acknowledged that the construction of the proposed Section A Pipeline project is not necessary or prudent at this time, the Signatory Parties agree, nonetheless, that, in the context of appropriate long-term planning and effective utility management, it would be prudent for Middlesex to proceed with the procurement of easements as contemplated in the petition where necessary along the proposed pipeline route because: 1) such easements may not be available in the future; 2) the cost of such easements could increase significantly over time; 3) development could occur along the proposed pipeline route that could preclude construction along such route, thereby rendering the proposed route infeasible and resulting in the need to select a potentially more expensive alternate route and; 4) the route of the pipeline that was proposed in the Petition, is the appropriate route based upon an appropriate balance of operational integrity and ultimate project cost. Approval by the Board that it

would be prudent for Middlesex to procure such easements does not constitute a finding that the criteria of N.J.S.A. 48:3-17.7 have been met.

3. The Signatory Parties further acknowledge that Middlesex is not seeking recovery of any costs associated with the Section A Pipeline in its rates charged to customers in this proceeding. The determination of whether any specific project costs associated with the Section A Pipeline are appropriate for inclusion in rates is deferred to a future base rate proceeding.
4. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

8/22/08
Date

By: 
Kenneth J. Quinn, Esq.
Attorney of Petitioner

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

Date:

By: _____
Alex Moreau, DAG

STEFANIE A. BRAND, ESQ., DIRECTOR
DIVISION OF RATE COUNSEL

Date:

By: _____
Paul Flanagan, Esq.
Deputy Rate Counsel

would be prudent for Middlesex to procure such easements does not constitute a finding that the criteria of N.J.S.A. 48:3-17.7 have been met.

3. The Signatory Parties further acknowledge that Middlesex is not seeking recovery of any costs associated with the Section A Pipeline in its rates charged to customers in this proceeding. The determination of whether any specific project costs associated with the Section A Pipeline are appropriate for inclusion in rates is deferred to a future base rate proceeding.
4. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

Date

By: _____
Kenneth J. Quinn, Esq.
Attorney of Petitioner

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

09/04/08
Date:

By: 
Alex Moreau, DAG

STEFANIE A. BRAND, ESQ., DIRECTOR
DIVISION OF RATE COUNSEL

Date:

By: _____
Paul Flanagan, Esq.
Deputy Rate Counsel

would be prudent for Middlesex to procure such easements does not constitute a finding that the criteria of N.J.S.A. 48:3-17.7 have been met.

- 3 The Signatory Parties further acknowledge that Middlesex is not seeking recovery of any costs associated with the Section A Pipeline in its rates charged to customers in this proceeding. The determination of whether any specific project costs associated with the Section A Pipeline are appropriate for inclusion in rates is deferred to a future base rate proceeding.
4. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

Date:

By: _____
Kenneth J. Quinn, Esq.
Attorney of Petitioner

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

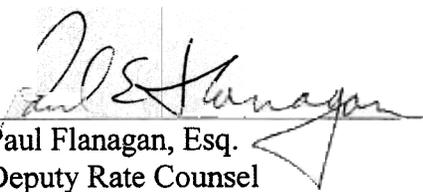
Date:

By: _____
Alex Moreau, DAG

STEFANIE A. BRAND, ESQ., DIRECTOR
DIVISION OF RATE COUNSEL

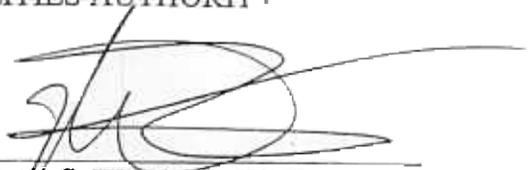
8-22-08

Date:

By: 
Paul Flanagan, Esq.
Deputy Rate Counsel

THE MARLBORO TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

September 2, 2008
Date:

By: 
Peter S. Wersinger III, Esq.
Attorney for Intervenor

OLD BRIDGE MUNICIPAL
UTILITIES AUTHORITY

Date:

By: _____
Matthew M. Weissman, Esq.
Wilentz, Goldman & Spitzer, P.A.
Attorney for Intervenor

TOWNSHIP OF EAST BRUNSWICK WATER
UTILITY

Date:

By: _____
Anthony C. Iacocca, Esq.
Hoagland, Longo, Moran,
Dunst & Doukas, LLP
Attorney for Intervenor

THE MARLBORO TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

Date:

By: _____
Peter S. Wersinger III, Esq.
Attorney for Intervenor

OLD BRIDGE MUNICIPAL
UTILITIES AUTHORITY

August 25, 2008
Date:

By: *Matthew Weissman*
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Wilentz, Goldman & Spitzer, P.A.
Attorney for Intervenor

TOWNSHIP OF EAST BRUNSWICK WATER
UTILITY

Date:

By: _____
Anthony C. Iacocca, Esq.
Hoagland, Longo, Moran,
Dunst & Doukas, LLP
Attorney for Intervenor

THE MARLBORO TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

Date:

By: _____
Peter S. Wersinger III, Esq.
Attorney for Intervenor

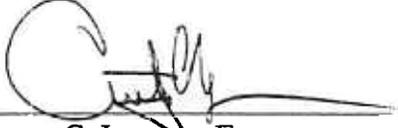
OLD BRIDGE MUNICIPAL
UTILITIES AUTHORITY

Date:

By: _____
Matthew M. Weissman, Esq.
Wilentz, Goldman & Spitzer, P.A.
Attorney for Intervenor

TOWNSHIP OF EAST BRUNSWICK WATER
UTILITY

8-22-08
Date:

By: 
Anthony C. Iacocca, Esq.
Hoagland, Longo, Moran,
Dunst & Doukas, LLP
Attorney for Intervenor