



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

WATER

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IN THE MATTER OF THE PETITION OF)
NEW JERSEY-AMERICAN WATER)
COMPANY, INC. FOR APPROVAL OF)
A MUNICIPAL CONSENT GRANTED BY THE)
BOROUGH OF ROCKY HILL,)
COUNTY OF SOMERSET, NEW JERSEY)

ORDER

DOCKET NO. WE07020103

(SERVICE LIST ATTACHED)

BY THE BOARD:

New Jersey-American Water Company, Inc., ("NJAW" or "Company") is a public utility operating in the State of New Jersey and subject to the jurisdiction of the Board of Public Utilities ("Board"). NJAW provides water and wastewater service to approximately 366,000 water customers and 27,000 wastewater customers in 123 municipalities located throughout the State. The Company's franchise area includes portions of 15 of New Jersey's 21 counties, including Somerset County the location of the proposed franchise.

On February 13, 2007, the Company filed a petition with the Board requesting approval of a municipal consent adopted on December 18, 2006, by the Borough of Rocky Hill, Somerset County, New Jersey. The municipal consent was granted to allow the Company to provide service to a planned development consisting of 34 age-restricted townhouses. Specifically, the municipal consent authorizes the Company to construct and maintain water utility facilities in public roads and other places comprising Block 5, Lot 26 and Block 10, Lot 19 in the Borough of Rocky Hill. The Company intends to enter into an agreement with the developer of these parcels whereby the developer will advance the funds necessary for the construction of water mains needed to service the development. The proposed form of agreement is consistent with the Board's extension deposit rules. Initially, the cost of these facilities will be borne by the developer. Because the project is located in State Development and Redevelopment Plan Area 2, the developer will receive refunds equivalent to ten times one year's revenue from each customer.

On September 11, 2007, after proper notice, a public hearing presided over by the Board's designated hearing examiner, Joseph Quirolo, Esq., for receipt of comment was held at the

Board's Newark offices. Members of the Board's Staff, and representatives from the Department of Public Advocate, Division of Rate Counsel ("Rate Counsel") and the Company appeared. No member of the public attended.

The Company asserts that Board approval of the municipal consent will serve the public interest by permitting NJAW to extend service to an area within the Borough previously not served by any water system. In addition, the extension of NJAW's franchise territory is necessary and proper for the public convenience and properly conserves the public interest by permitting the provision of water utility service to this new development thus allowing for construction of needed age-related residential housing.

By letter dated September 27, 2007, Rate Counsel advised that it did not oppose the petition and recommended that any approval of the municipal consent include specific language that: (1) would not set any value on Petitioner's assets; (2) impose no limits on the Board's rate setting or other authority; and (3) limit Petitioner's ability to depreciate water system assets funded by CIAC.

The Board has reviewed the Petition and record of this proceeding and it is clear that New Jersey-American Water Company has the financial stability and water utility expertise to efficiently and economically provide safe, adequate, and proper water service to customers to be located in the planned development in the Borough of Rocky Hill. Accordingly, the Board **HEREBY APPROVES** the Municipal Consent adopted on December 18, 2006, by the Borough of Rocky Hill for the provision of water service to 34 age-restricted townhouses. The Board's approval is subject to the following provisions:

- 1 This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by New Jersey American Water Company, Inc.
2. This Order shall not effect now or 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, services, financing, accounting, capitalization, depreciation, or in any other matters affecting New Jersey American Water Company, Inc.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.

4. Approval of this municipal consent ordinance does not constitute Board approval 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, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

DATED: 7/25/07

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

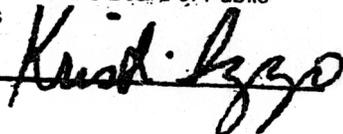

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

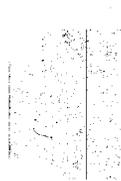
I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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BPU DOCKET NO. WE07020103

SERVICE LIST

Stephanie A. Brand, Director and Rate Counsel
Paul Flanagan, Esq.
Susan McClure, Esq.
Gina Hunt, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101



Jordan S. Mersky
Deputy Attorney General
New Jersey American Water Co.
131 Woodcrest Road
Cherry Hill, NJ 08003

Joseph Quirolo, Legal Specialist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

James McGuire, DAG
Department of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
P.O. Box 45029
Newark, NJ 07101