



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu](http://www.nj.gov/bpu)**

WATER

IN THE MATTER OF THE PETITION OF  
NEW JERSEY-AMERICAN WATER COMPANY,  
INC. FOR APPROVAL TO CHANGE THE LEVELS )  
OF ITS PURCHASED WATER AND PURCHASED )  
SEWERAGE TREATMENT ADJUSTMENT )  
CLAUSE )

ORDER ADOPTING INITIAL  
DECISION/STIPULATION

BPU DOCKET NO. WR08050371  
OAL DOCKET NO. PUC 07386-08

(SERVICE LIST ATTACHED)

BY THE BOARD:

On May 30, 2008, New Jersey-American Water Company, Inc. (NJAW, Petitioner or Company), a public utility of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities (Board) pursuant to N.J.A.C. 14:9-7.1, et seq., and 14:9-8.1 et seq., for approval to change the level of its existing purchased water adjustment clause charge and purchased sewerage treatment adjustment clause charge to become effective April 1, 2008. The total revenue requirement increase requested was \$1,800,000 per year.

Petitioner is a water and wastewater utility providing water service to approximately 606,500 customers in certain municipalities in the Counties of Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Union and Warren, and wastewater service to approximately 28,400 customers in certain municipalities in the Counties of Monmouth and Cape May.

Petitioner obtains water from twelve separate entities and purchases sewerage treatment services from three separate entities. Each provider has adjusted its rates for service, and in the case of sewerage treatment service providers, has issued sewerage deficiency/credit adjustments at different times throughout the year.

After extensive settlement discussions, a proposed increase of \$1,625,933 in purchased water and purchased sewerage treatment costs, representing a 0.342% increase over total Company revenues, was agreed to by the parties to the proceeding.

## **PROCEDURAL HISTORY**

This matter was transmitted to the Office of Administrative Law (OAL) on June 10, 2008, as a contested case, and was assigned to Administrative Law Judge ALJ Mumtaz Bari-Brown. A pre-hearing conference was held on June 30, 2008 and on August 4, 2008, the OAL issued its pre-hearing Order, which among other things directed that public hearings be held on this matter.

Four (4) public hearings were held in this matter. Two public hearings were held on August 11, 2008, one at 2:00 pm in Maplewood, NJ and one at 7:00 pm in Freehold, NJ. Two public hearings were held on August 13, 2008, one at 2:00 pm in Westfield, NJ and one at 7:00 pm in Westampton, NJ. No members of the public appeared at either the Maplewood or the Westfield public hearings to provide comments on the proposed PWAC and PSTAC rate filings. At the Freehold public hearing, approximately 90 members of the public were in attendance. Only about 8 people chose to speak and their concerns centered mainly on clarification as to what the PWAC/PSTAC charge is and what is its purpose. At the Westampton public hearing, only 2 people were in attendance and both opposed any increase of any kind given the unstable economic conditions that its customers have and continue to face.

Subsequent to the public hearings, the Company, the Department of the Public Advocate, Division of the Rate Counsel (Rate Counsel), and Board Staff (the Parties) engaged in settlement negotiations. There were no interveners in this matter. As a result of these discussions and extensive discovery, Parties reached a stipulation of settlement on all issues.

On October 14, 2008, Administrative Law Judge (ALJ) Mumtaz Bari-Brown issued her Initial Decision in this matter recommending adoption of the stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the settlement and that the settlement fully disposes of all issues and is consistent with the law.

## **DISCUSSION AND FINDINGS**

As more fully discussed in the attached Stipulation, the Parties agreed that the following increases are reasonable and appropriate to allow the Company to recover increased purchased water and purchased sewerage treatment expenses:

- o For customers included within SA-1 service territory, the average bill for a single family water customer with 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year, and will result in an increase in an annual water bill from the current \$532.68 to \$534.48.

- For customers in the SA-2 and SA-3 service territories, the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year and will result in an increase in the annual water bill from the current \$426.61 to \$428.41.
- For customers in the Manville service territory, the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.92 per year and will result in an increase in an annual water bill from the current rate of \$383.71 to \$385.63.
- For customers in the Southampton District, (SA-3 customers) the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year and will result in an increase in an annual water bill from \$350.56 to \$352.36.
- For customers the Homestead District, (SA-3 customers) the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year and will result in an increase in an annual bill from \$486.34 to \$488.14.
- For customers in the Harrison District (SA-1a customers) the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year and will result in an increase in an annual water bill from \$417.86 to \$419.66.
- For customers in the Pennsgrove District (SA-1b customers) the average bill for a single family water customer with a 5/8" meter and using 84,000 gallons of water per year will increase \$1.80 per year and will result in an increase in an annual water bill from \$312.55 to \$314.35.
- For sewer customers in the Lakewood Township, Ocean County district there will be no rate change.
- For sewer customers in the Ocean City, Cape May County district, the average bill for a single family sewer customer and using 20,000 gallons of water in the summer quarter, and 44,000 gallons of water per year will increase \$34.72 per year and will result in an increase in an annual sewer bill from \$554.79 to \$589.51.
- For sewer customers in the Adelpia section of Howell Township, Monmouth County district, the average bill for a single family sewer customer and using 48,000 gallons of water per year will see a decrease of \$17.62 per year and will result in a decrease in an annual sewer bill from \$533.64 to \$516.02.

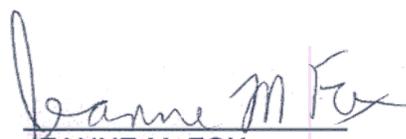
The Board, having reviewed the Initial Decision and the Stipulation of Settlement, FINDS that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the Initial Decision and the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, Board HEREBY ADOPTS the Initial Decision and the Stipulation of Settlement as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein.

The Board HEREBY ACCEPTS the tariff pages attached to the Stipulation of Settlement as filed with the Board, to be effective as of the date of this Order.<sup>1</sup>

The effective date of this Order is as dated below:

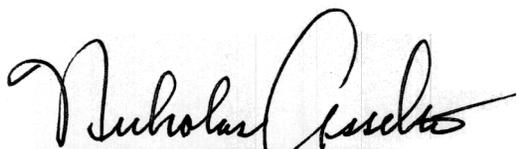
DATED: 10/23/08

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

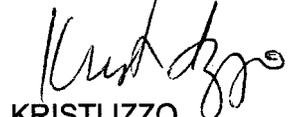
  
FREDERICK F. BUTLER  
COMMISSIONER

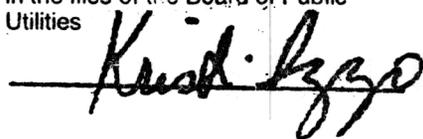
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
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  


<sup>1</sup> The stated PWAC and PSTAC rates were based on a compression of the requested recovery period using an effective date of October 2, 2008. This Order notes the discrepancy between the compressed rate as of October 2, 2008, and the rate effective date. This difference will be addressed in the Company's required yearly PWAC and PSTAC true-up filing.

In the Matter of the Petition of New Jersey-American Water Company, Inc.  
for Approval to Change the Level of its Purchased Water and Purchased  
Sewerage Treatment Adjustment Clause

BPU Docket No. WR08050371

OAL Docket No. PUC 07386-08

**SERVICE LIST**

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Newark, NJ 07101



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

RECEIVED  
CASE MANAGEMENT  
2008 OCT 14 PM 1:58  
BOARD OF PUBLIC UTILITIES  
NEWARK, N.J.

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 07386-08

AGENCY DKT. NO. WR08050371

**IN THE MATTER OF THE PETITION OF NEW  
JERSEY-AMERICAN WATER COMPANY,  
INC. TO CHANGE THE LEVELS OF ITS  
PURCHASED WATER ADJUSTMENT  
CLAUSE AND PURCHASED SEWERAGE  
TREATMENT ADJUSTMENT CLAUSE.**

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**Ira G. Megdal, Esq.**, for petitioner New Jersey-American Water Company, Inc.  
(Cozen O'Connor, attorneys)

**Stefanie A. Brand, Esq.**, Director, **Susan E. McClure, Esq.**, Assistant Deputy  
Public Advocates and **Debra F. Robinson, Esq.**, Managing Attorney –  
Water/Wastewater; for respondent Department of the Public Advocate,  
Division of Rate Counsel

**Anne Marie Shatto**, Deputy Attorney General and **Jessica L. Campbell**, Deputy  
Attorney General, for respondent Board of Public Utilities (Anne Milgram,  
Attorney General of New Jersey, attorney)

Record Closed: October 8, 2008

Decided: October 9, 2008

BEFORE **MUMTAZ BARI-BROWN**, ALJ:

This matter was transmitted to the Office of Administrative Law on June 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 terms of settlement and **FIND:**

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.

I 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 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.

October 9, 2008  
DATE

Mumtaz Bari Brown  
MUMTAZ BARI-BROWN, ALJ

Date Received at Agency: 10/14/08

Floyd Long  
Mailed to Parties:

\_\_\_\_\_  
DATE

\_\_\_\_\_  
OFFICE OF ADMINISTRATIVE LAW

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF  
NEW JERSEY-AMERICAN WATER  
COMPANY, INC. FOR APPROVAL TO  
CHANGE THE LEVEL OF ITS PURCHASED  
WATER ADJUSTMENT CLAUSE AND  
PURCHASED SEWERAGE TREATMENT  
ADJUSTMENT CLAUSE

BPU DOCKET NO. WR0805037

OAL DOCKET NO. PUC 07386-08

**STIPULATION OF SETTLEMENT**

APPEARANCES

Ira G. Megdal, Esq. Cozen O'Connor, on behalf of New Jersey-American Water  
Company, Inc., Petitioner;

Anne Marie Shatto, and Jessica L. Campbell, Deputy Attorneys General on behalf of the  
Staff of the Board of Public Utilities;

Stefanic A. Brand, Esq., Director; Susan E. McClure, Esq., Assistant Deputy Public  
Advocate; and Debra F. Robinson, Esq., Managing Attorney – Water/Wastewater;  
on behalf of the Department of the Public Advocate, Division of Rate Counsel;

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

On May 30, 2008, New Jersey-American Water Company, Inc. ("Petitioner"), a public utility of the State of New Jersey, filed a Petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1, et seq., and 14:9-8. et seq., for approval to change the levels of its existing purchased water adjustment clause charge and purchased sewerage treatment adjustment clause charges to become effective April 1, 2008, with respect to increased purchased water expense and increased purchased sewerage treatment expense. The total revenue requirement increase requested was \$1,800,000 per year.

Petitioner purchases water on a routine basis from twelve separate entities and purchases sewerage treatment services from three separate entities, each of which adjusts its rates for

service, and, in the case of sewerage treatment service providers, issues sewerage deficit/credit adjustments, at different times throughout the year. The twelve water purveyors are: Passaic Valley Water Commission (“PVWC”); Morris County Municipal Utilities Authority; Montclair Water Bureau; Shorelands Water Company; New Jersey Water Supply Authority (“NJWSA”); Atlantic City Municipal Utilities Authority (“ACMUA”); City of Wildwood; Borough of Seaside Heights; City of Newark; Township of Maple Shade; East Windsor Municipal Utilities Authority; and Marlboro Township Municipal Utilities Authority (“MTMUA”). The three sewerage treatment purveyors are: Cape May County Municipal Utilities Authority (“CMCMUA”) for the Petitioner’s Ocean City Sewer tariff group; Ocean County Utilities Authority (“OCUA”) for the Petitioner’s Lakewood Sewer tariff group; and Howell Township for the Petitioner’s Adelpia Sewer tariff group.

In Docket No. WR06030257, the Board ordered that all purchased water costs and purchased sewerage treatment costs be removed from base rates and recovered through the Purchased Water Adjustment Clause (“PWAC”) and Purchased Sewerage Treatment Adjustment Clause (“PSTAC”) as applicable.

In that same docket, the Board ordered that these clauses will be subject to deferred accounting, pursuant to N.J.A.C. 4:9-7, et seq., and that all purchased water adjustment costs and all purchased sewerage treatment adjustment costs will be recovered through these clauses, as is appropriate.

In that same Order, the Board ordered Petitioner to make annual filings for the recovery of these costs in accordance with the Board’s rules and regulations pursuant to N.J.A.C. 14:9-7. The present Petition was filed in accordance with this Order.

By that same Order, Petitioner agreed to take a one-time charge of approximately Seven Hundred Seventy Thousand Dollars (\$770,000) comprised of future increases in purchased water

and sewerage treatment costs, which will not be recovered through the PWAC or PSTAC. The Petitioner took such a charge of Seven Hundred Seventy Thousand Dollars (\$770,000) over the nine-month period ending on December 31, 2007. The Petitioner has not in its Petition, and will not in future petitions, seek to recover the one-time charge of (\$770,000) from customers.

The above-referenced Order also provided that the Petitioner agreed to delay any PWAC and/or PSTAC filing until March 2008, subject to deferred accounting. The Petition in this proceeding was filed subsequent to March 1, 2008.

Petitioners' current PWAC and PSTAC rates were established in Docket No. WR06030257, by an Order dated April 2, 2007. By virtue of that Order, Petitioner's PWAC rate was established at \$0.3458 per thousand gallons of water as reflected on PWAC Rate Schedule O-

By that same Order, the Petitioner's PSTAC rates were addressed as follows:

For customers in Lakewood Township, Ocean County, the rate per thousand gallons of monthly usage (based upon winter usage - January, February and March meter readings) reflected on PSTAC Rate Schedule 2-B, was set at \$3.4037 per thousand gallons.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer quarter water usage (July, August and September meter readings) reflected in the Petitioner's PSTAC Rate Schedule 1-B, was set at \$17.5686 per thousand gallons.

- For customers in the Adelphia system in Howell Township, Monmouth County, the rate per thousand gallons of monthly water usage, reflected in PSTAC Rate Schedule 3-B, was set at \$5.2069 per thousand gallons.

The PWAC is not applicable to customers receiving private or public fire protection, since these customers do not receive metered water consumption services.

Petitioner proposed in its Petition to increase its PWAC rate upon PWAC Rate Schedule O-1 from \$0.3458 per thousand gallons of water to \$0.3650 per thousand gallons of water, [an increase of \$.0192 per thousand gallons] or \$0.3593 on an uncompressed basis. It also proposed to address its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate would remain unchanged.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, would change from \$17.5686 per thousand gallons to \$18.8512 per thousand gallons, an increase of \$1.2826 per thousand gallons. (Or \$18.4295 before compression.)

For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, would change from \$5.2069 per thousand gallons to \$4.8398 per thousand gallons, a decrease of \$.3671 per thousand gallons. Petitioner did not propose to compress the new rate to avoid future, unnecessary volatility.

If implemented, as proposed, the PWAC rate increase would result in an increase in the annual bill of an average residential customer utilizing 84,000 gallons per year as follows:

SA-1	\$1.56	0.29%
SA-2 & SA-3 Main	\$1.56	0.37%
Manville	\$1.68	0.44%
SA-3 Southampton District	\$1.68	0.48%
SA-3 Homestead District	\$1.56	0.32%

There was no proposed change to sewer service customers in Lakewood Township, Ocean County. The proposed increase to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water per year, was \$25.68 per year or 4.6%. The proposed decrease to an average sewer service customer in the Adelpia section of Howell Township, Monmouth County utilizing 48,000 gallons of water per year, was (\$17.64) per year or (3.3%). Petitioner's proposed rate increase was based on the following testimony:

- Prepared Direct Testimony of H. Edward Rex, Principal Financial Analyst, New Jersey-American Water Company, Inc.
- Prepared Direct Testimony of Robert R. Schaefer, Senior Director, Production, New Jersey-American Water Company, Inc.

Mr. Rex's testimony addresses, *inter alia*, historic water supply purchases and historic purchased water costs, incurred by the Petitioner and historic PWAC revenue recovered by the Petitioner during the PWAC Year ending March 31, 2008. It also addresses historic purchased sewerage treatment costs and historic purchased sewerage treatment revenue recovered by the Petitioner during the PSTAC Year ending March 31, 2008. It also provides a reconciliation of actual PWAC and PSTAC costs, versus PWAC and PSTAC revenues for the PWAC and PSTAC Years ending March 31, 2008, and the calculation of interest thereon. Finally, it also provides a rate calculation for the PWAC and PSTAC rates for the year ending March 31, 2009, and a compression calculation. It was applied except where otherwise noted above. The compression calculation is necessary because the PWAC was intended to be effective April 1, 2008, and it was originally assumed to be effective July 30, 2008, and it is now proposed that it will be effective October 22, 2008. Compression will avoid a large under recovery. Finally, Mr. Rex appends proposed tariffs to his testimony.

Mr. Schaefer's testimony addresses projected PWAC volumes and cost recoveries for the PWAC Year ending March 31, 2009. Mr. Schaefer also addresses the numerous efforts that the Petitioner has made to control its purchased water costs.

With respect to N.J.A.C. 14:9-7.3(a) and 14:9-8.3(a), the Petitioner's total purchased water expense for the PWAC Year ending March 31, 2008 amounted to \$25,589,559 and its sewerage treatment expense for the same period amounted to \$1,630,591, whereas the total of Petitioner's operating and maintenance expense for the same period was \$226,898,000.

Accordingly, Petitioner's total purchased water and sewerage treatment cost exceed 10% of the total amount of its operating and maintenance expense.

On June 10, 2008, the Board transmitted this matter to the Office of Administrative Law (the "OAL") as a contested case. On June 23, 2008, the OAL issued its Notice of Filing and directed the parties to commence discovery. A prehearing conference was held on June 30, 2008 in Newark, New Jersey. On August 4, 2008, the OAL issued its Prehearing Order which, among other things, directed that public hearings be held on this matter. On August 12, 2008, the OAL issued its Notice of Plenary Hearing setting an evidentiary hearing date of October 17, 2008.

Public hearings, preceded by appropriate notice published in newspapers of general circulation in Petitioner's service area, and served upon appropriate governmental agents, were held as follows:

August 11, 2008 at 2:00 p.m.  
Maplewood Memorial Library  
51 Baker Street  
Maplewood, NJ 07040

August 11, 2008 at 7:00 p.m.  
Memorial Middle School  
485 Adelpia Road  
Freehold, NJ 07728

August 13, 2008 at 2:00 p.m.  
Westfield Memorial Library  
550 East Broad Street  
Westfield, NJ 07090

August 13, 2008 at 7:00 p.m.  
Westampton Municipal Building  
710 Rancocas Road  
Westampton, NJ 08060

The Department of the Public Advocate, Division of Rate Counsel ("RC") and Board Staff served interrogatories on Petitioner, which were responded to by Petitioner. The parties

participated in a discovery/settlement conference call on August 20, 2008. As a result of discovery conducted and of the negotiations among Petitioner, RC, and Board Staff, the parties have been able to reach agreement on this matter, the provisions of which are set forth below.

SETTLEMENT AGREEMENT

Petitioner shall be permitted to increase its PWAC rate upon PWAC Rate Schedule O-1 from \$0.3458 per thousand gallons of water to \$0.3675 per thousand gallons of water, [an increase of \$.0217 per thousand gallons] or \$0.3574 before compression. The new rate is compressed as of October 2, 2008.

2 Petitioner shall be permitted to increase its PSTAC charges as follows:

For Lakewood Township, Ocean County, the rate will remain unchanged.

For customers in Ocean City, Cape May County, the rate per thousand gallons of prior year's summer water quarter usage (July, August and September meter readings) as reflected upon PSTAC Rate Schedule 1-B, will change from \$17.5686 per thousand gallons to \$19.3047 per thousand gallons, an increase of \$1.7361 per thousand gallons. (Or \$18.4295 before compression). The new rate is compressed as of October 2, 2008.

- For customers in the Adelpia section of Howell Township, Monmouth County, the rate per thousand gallons of water as reflected upon PSTAC Rate Schedule 3-B, will change from \$5.2069 per thousand gallons to \$4.8398 per thousand gallons, a decrease of \$.3671 per thousand gallons. The new rate is not compressed to avoid future, unnecessary volatility.

3 The PWAC rate increase would result in an increase in the annual bill of an average residential customer utilizing 84,000 gallons per year as follows:

SA-1	\$1.80	0.34%
SA-2 & SA-3 Main	\$1.80	0.42%
Manville	\$1.92	0.50%
SA-3 Southampton District	\$1.80	0.52%
SA-3 Homestead District	\$1.80	0.37%

4. There is no change to sewer service customers in Lakewood Township, Ocean County. The increase to an average sewer service customer in Ocean City, Cape May County utilizing 20,000 gallons in the summer quarter and 44,000 gallons of water per year, would be \$34.72 per year or 6.26%. The decrease to an average sewer service customer in the Adelpia section of Howell Township, Monmouth County utilizing 48,000 gallons of water per year, would be \$(17.62) per year or (3.3)%. The total stipulation revenue requirement increase is \$1,625,933 per year.

5 In accordance with the provisions of N.J.A.C. 4:9-7.3(c) and 14:9-8.3(c), the Petitioner shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon all parties to the present proceeding.

6. This Stipulation shall be binding on the parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the parties in this matter only and shall not be considered precedent in any other proceeding involving the parties hereto.

7. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the signatory parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the parties hereto is entitled to certain procedures in the event of such occurrence.

8. If any modification is made to the terms of this Stipulation, the signatory parties must be given the right to be placed in the position in which it was before this Stipulation was

executed. It is essential that each party be given the option either to modify its own position, to accept the proposed change(s) or to resume the proceeding as if no agreement had been reached.

9. The parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

10. 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.

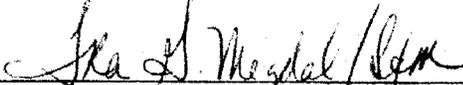
ANNE MILGRAM, ATTORNEY  
GENERAL OF THE STATE OF NEW  
JERSEY FOR THE STAFF OF THE  
BOARD OF PUBLIC UTILITIES

RONALD K. CHEN  
PUBLIC ADVOCATE  
STEFANIE A. BRAND, ESQ.  
DIRECTOR, RATE COUNSEL

By: \_\_\_\_\_  
Anne Marie Shatto  
Jessica L. Campbell  
Deputy Attorneys General

By: \_\_\_\_\_  
Susan E. McClure, Esq.  
Asst. Deputy Public Advocate

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By:   
IRA G. MEGDAL, ESQ.  
COZEN O'CONNOR

Dated: 10 6 08

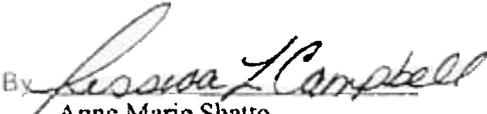
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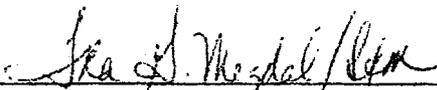
ANNE MILGRAM, ATTORNEY  
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RONALD K. CHEN  
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By:   
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Deputy Attorneys General

By: \_\_\_\_\_  
Susan E. McClure, Esq.  
Asst. Deputy Public Advocate

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By:   
IRA G. MEGDAL, ESQ.  
COZEN O'CONNOR

Dated: 11 6 - 08

executed. It is essential that each party be given the option either to modify its own position, to accept the proposed change(s) or to resume the proceeding as if no agreement had been reached.

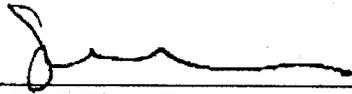
9. The parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

10. 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.

ANNE MILGRAM, ATTORNEY  
GENERAL OF THE STATE OF NEW  
JERSEY FOR THE STAFF OF THE  
BOARD OF PUBLIC UTILITIES

RONALD K. CHEN  
PUBLIC ADVOCATE  
STEFANIE A. BRAND, ESQ.  
DIRECTOR, RATE COUNSEL

By: \_\_\_\_\_  
Anne Marie Shatto  
Jessica L. Campbell  
Deputy Attorneys General

By:  \_\_\_\_\_  
Susan E. McClure, Esq  
Asst. Deputy Public Advocate

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By: \_\_\_\_\_  
IRA G. MEGDAL, ESQ.  
COZEN O'CONNOR

Dated:

**New Jersey American Water Company**  
**Statement of Pro Forma Purchased Water Expense**  
**PWAC Year 4/1/08-3/31/09**

New Jersey American Water Company  
Docket No.  
Witness Responsible: R. R. Schaefer

Schedule RRS-1  
PWAC Year 4/1/08-3/31/09  
Page 1

	Actual PWAC Year 4/1/07-3/31/08 Purchases (MGY)	Annual Contract Minimum (MGY)	Pro Forma Purchases (MGY)	Pro Forma Rate per MG		Pro Forma PWAC Year 4/1/08-3/31/09 Expense
Passaic Valley Water Commission (PVWC): PVWC - power component	3365.33	3777.750	3777.750	\$1,700.05	(1) (2)	\$6,422,364 \$533,970
Morris County Municipal Utilities Authority	233.83	237.000	237.000	\$2,328.00	(3)	\$551,736
Montclair Water Bureau	126.48		126.480	\$1,444.00	(4)	\$182,637
New Jersey Water Supply Authority (NJWSA)						
Manasquan:	4562.50					
Initial rate		2943.725	2943.725	\$874.60	(5)	\$2,574,582
Delayed rate		1618.775	1618.775	\$1,080.34	(5a)	\$1,748,827
Power component						\$321,881
Overdraft service					(5b)	\$4,358
Raritan:						
Contract	45570.60	46209.00	46209.000	\$230.25	(6)	\$10,639,622
Legislative grant	1062.15	1062.15	1062.150	\$0.00		\$0
Overdraft service					(6a)	\$667,551
Retroactive Debt Service					(6b)	\$200,301
Atlantic City Municipal Utilities Authority:	562.135					
Base rate		180.000	180.000	\$2,957.20	(7)	\$532,296
Excess rate		372.822	372.822	\$2,513.40	(7)	\$937,051
Township of Maple Shade	7.799		7.799		(2)	\$46,673
Borough of Seaside Heights	100.881		100.881	\$2,750.00	(8)	\$277,423
Shorelands Water Company:						
Union Beach connections:	191.995					
Sale for Resale rate		182.500	167.444	\$1,988.00	(9)	\$332,879
Backup bulk sales rate			24.551	\$3,395.00	(9)	\$83,351
Fixed chg:2 - 4" meter (per mo)				\$199.62	(9)	\$4,791
2 - 6" meter (per mo)				\$399.25	(9)	\$9,582
Holmdel connections-	13.080		13.080	\$3,395.00	(9)	\$44,407
Fixed chg:1 - 6" meter (per mo)				\$399.25	(9)	\$4,791
Marlboro MUA	n/a	91.25	30.25	\$3,267.16	(10)	\$98,832
City of Wildwood	49.859	35.000	49.859	\$2,170.00	(11)	\$108,194
East Windsor Municipal Utilities Authority	2.111		2.111	\$1,952.60	(2)	\$4,122
			56923.677			<u>\$26,332,221</u>

**Notes:**

- (1) Prorated rate - 9 months of actual rate Eff. 1/1/2008-12/31/08 \$1683.22 per mg and 3 mos. of NJWSA's adopted 1/1/09 rate \$1750.55 per mg
- (2) Actual costs PWAC Year 4/1/07-3/31/08
- (3) Present rates - Effective 4/1/08
- (4) Present rates - Effective since 2003
- (5) Prorated rate - 3 months of actual rate Eff. 7/1/2007-6/30/08 \$846.06 per mg and 9 mos. of NJWSA's proposed 7/1/08-6/30/09 rate \$884.11 per mg
- (5a) Prorated rate - 3 months of actual rate Eff. 7/1/2007-6/30/08 \$1081.96 per mg and 9 mos. of NJWSA's proposed 7/1/08-6/30/09 rate \$1079.80 per mg
- (5b) Estimated overdraft service charges based on actual PWAC year 4/1/2007-3/31/2008
- (6) Prorated rate - 3 months of actual rate Eff. 7/1/2007-6/30/08 \$228.00 per mg and 9 mos. of NJWSA's proposed 7/1/08-6/30/09 rate \$231.00 per mg
- (6a) Estimated overdraft service charges
- (6b) Actual annual retroactive debt service effective 1/1/2008
- (7) Present rates - Effective 1/1/07
- (8) Present rates - Effective 1/31/07
- (9) Present rates - Effective 11/9/04
- (10) Present rates; Service under contract projected to commence December 1, 2008.
- (11) Present rates - Effective 6/1/06

New Jersey American Water Company  
Statement of Pro Forma PWAC  
PWAC Year 4/1/08-3/31/09

New Jersey American Water Company  
Docket No.  
Witness Responsible: H. E. Rex

Schedule HER 3 – Update 08/28/08  
PWAC Year 4/1/08-3/31/09  
Page 1

Line	CALCULATION of PWAC Rates for Year 4/1/08-3/31/09 Without Compression (regular calc.)	
1		
2	Pro forma Purchased Water Expense - PWAC Year 4/01/08-3/31/09 (Sched. RRS 1)	Regular Calc. \$26,332,221
3	PWAC True-up from PWAC Year 4/01/07-3/31/08 (Sched. HER 2 – Update 8/28/08)	\$210,384
4	Pro forma filing costs (Sched. HER 12 – Update 8/28/08)	\$30,978
5	sub-total (lines 2+3+4)	\$26,573,582
6	Gross-up factor for Uncollectibles Exp. & Actual 2008 BPU / Rate Counsel Assessments (1)	0.9914
7	PWAC for Recovery 4/1/08-3/31/09 pre-GRFT (line 6 / 8)	\$26,804,097
8	Total Projected Water Sales subject to PWAC (1000 gallons) (3)	86,936,029
9	PWAC Exempt per 1000 gallons (line 10 / 12)	\$0.3083
10	PWAC Non-Exempt per 1000 gallons (line 14 / grossed up for GRFT @ 13.75%) (2)	\$0.3574
11		
12		
13		
14		
15		
16		
17		
18		
19		
20	<b>Pricing</b>	
21	<b>Exempt</b>	
22	Projected exempt Water Sales subject to PWAC (1000 gallons) (3)	2,687,901
23	PWAC Exempt per 1000 gallons (line 14)	\$0.3083
24	PWAC exempt	\$828,680
25		
26	<b>Non-Exempt</b>	
27	remainder of PWAC recovery pre-GRFT (line 10 - 24)	\$25,975,417
28	remainder of PWAC recovery grossed-up for GRFT (line 27 / (100% - 13.75%))	\$30,116,426
29		
30	Projected non-exempt Water Sales subject to PWAC (1000 gallons) (3)	84,248,128
31	PWAC non exempt per 1000 gallons (line 16)	\$0.3574
32	PWAC non-exempt	\$30,110,281
33		
34	Total PWAC	\$30,938,961

Line	CALCULATION of PWAC Rates for Year 4/1/08-3/31/09 With Compression (4)			
1				
2	Pro forma Purchased Water Expense - PWAC Year 4/01/08-3/31/09 (Sched. RRS 1)	Regular Calc. \$26,332,221		
3	PWAC True-up from PWAC Year 4/01/07-3/31/08 (Sched. HER 2 – Update 8/28/08)	\$210,384		
4	Pro forma filing costs (Sched. HER 12 – Update 8/28/08)	\$30,978		
5	sub-total (lines 2+3+4)	\$26,573,582		
6	Gross-up factor for Uncollect.Exp. & 2008 Actual BPU / Rate Counsel Assess.(1)	0.9914		
7	PWAC for Recovery 4/1/08-3/31/09 pre-GRFT (current rate = line 12*14)	\$26,804,097		
8	Total Projected Water Sales subject to PWAC (1000 gallons) (3) & (4)	86,936,029		
9	PWAC Exempt per 1000 gallons (proposed rate—line 10 / 12)		\$0.2998	\$0.3170
10	PWAC Non-Exempt per 1000 gals. (proposed rate—line 14 / grossed up for GRFT @ 13.75%) (2)		\$0.3458	\$0.3675
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	<b>Pricing</b>			
21	<b>Exempt</b>			
22	Projected exempt Water Sales subject to PWAC (1000 gallons) (3) & (4)	2,687,901		
23	PWAC Exempt per 1000 gallons (line 14)		1,354,998	1,332,903
24	PWAC exempt		\$0.2998	\$0.3170
25			\$406,228	\$422,530
26	<b>Non-Exempt</b>			
27	remainder of PWAC recovery pre-GRFT (line 10 - 24)		\$12,732,604	\$13,242,735
28	remainder of PWAC recovery grossed-up for GRFT (line 27 / (100% - 13.75%))		\$14,762,439	\$15,353,896
29				
30	Projected non-exempt Water Sales subject to PWAC (1000 gallons) (3) & (4)	84,248,128		
31	PWAC non exempt per 1000 gallons (line 16)		42,470,324	41,777,804
32	PWAC non-exempt		\$0.3458	\$0.3675
33			\$14,686,238	\$15,353,343
34	Total PWAC		\$15,092,466	\$15,775,873

Notes:  
 (1) Uncollectable rate @ 0.63% per NJAWC 2008 Base Rate Case (BPU Docket No. WR06010020) and 2008 Actual Assessment Rates @ 0.2281422% combined BPU & Rate Counsel (BPU = 0.1900397%, Rate Counsel = 0.0381025%).  
 Gross-up factor (100% - (0.63% + 0.2281422%)) or 99.14%  
 (2) NJAWC 2008 Effective GRFT rate applicable to water service 13.75%  
 (3) Water Sales from 2008 Base Rate Case as-filed (SIR-14, Workpaper 5A) Recapped below:

Water Sales 2008 Base Case as-filed (1000 gals.)	Exempt	Non-Exempt	Total
SA1	1,146,831	46,954,304	
SA2	2,594,460	36,354,504	
SA3	0	1,600,000	
	3,741,291	84,908,808	88,650,099
Less: Manasquan	(1,053,390)	(660,680)	(1,714,070)
Total Pro Forma Water Sales subject to PWAC	2,687,901	84,248,128	86,936,029
Other:	3.1%	96.9%	100.000%
SA1a Harrison			315,193
SA1b Pennsgrove			485,985
SA1c Trenton OWUS			4,112,652
sub-total of SA1a-c			4,913,830
sub-total SA1-3			88,650,099
Total NJAWC Water Sales in Base Rate Case			93,563,929

(4) For Compression calculation, multiplied projected Annual water sales by the percentage of time the rates will be in effect during the new PWAC Year under current rates and the Proposed rates:

Annual Water Sales split-as updated	# of Days	Percent
Current PWAC Rates 4/1/08-10/1/08	184	50.4110%
Proposed PWAC Rates 10/2/08-3/31/09	181	49.5890%
Total	365	100.00%

(5) Current PWAC rate Effective 3/30/2007 per Docket WR06030257.

**New Jersey American Water Company**  
 Summary Statement of Pro Forma Purchased Sewerage Treatment Expense  
 PSTAC Year 4/1/08-3/31/09

New Jersey American Water Company  
 Docket No.  
 Witness Responsible: H. E. Rex

Schedule HER 10  
 PSTAC Year 4/1/08-3/31/09  
 Page 1

Sewer Service Tariff Area / Vendor	Actual Calendar Year 2008 Annual Charge	Projected Increase Effective 1/1/2009	Projected Calendar Year 2009 Annual Charge	Pro Forma PWAC Year 4/1/08-3/31/09 Expense
<b><u>Adelphia Sewer Service</u></b>				
Howell Township	\$ 860,552	3.0% (1)	\$ 886,369	
<u>Annual Charge:</u>				
@ 9/12ths	\$ 645,414			
@ 3/12ths			\$ 221,592	
Total Pro forma Costs PSTAC Yr. 4/1/2008-3/31/2009				<u>\$ 867,006</u>
<b><u>Lakewood Sewer Service</u></b>				
Ocean County Utilities Authority	\$ 3,731,200	4.0% (2)	\$ 3,880,448	
<u>Annual Charge:</u>				
@ 9/12ths	\$ 2,798,400			
@ 3/12ths			\$ 970,112	
Pro forma Annual Cost PSTAC Yr. 4/1/2008-3/31/09				\$ 3,768,512
Estimated 2007 Deficiency				\$ 32,430 (4)
Total Pro forma Costs PSTAC Yr. 4/1/2008-3/31/2009				<u>\$ 3,800,942</u>
<b><u>Ocean City Sewer Service</u></b>				
Cape May County Municipal Utilities Authority				
<u>Annual Charge:</u>				
@ 9/12ths	\$ 7,136,646	3.6% (3)	\$ 7,393,565	
@ 3/12ths	\$ 5,352,485			
Pro forma Annual Cost PSTAC Yr. 4/1/2008-3/31/09			\$ 1,848,391	\$ 7,200,876
Actual 2007 Deficiency				\$ 158,883 (5)
Total Pro forma Costs PSTAC Yr. 4/1/2008-3/31/2009				<u>\$ 7,359,759</u>
<b>Total PSTAC Costs for PSTAC Year 4/1/2008-3/31/2009</b>				<u>\$ 12,027,707</u>

- Notes: (1) Company Estimate  
 (2) OCUA's estimated preliminary Overall User's increase effective 1/1/2009.  
 (3) CMCMUA's estimated Overall User's increase effective 1/1/2009 per their 2008 User Charge System Rate Setting Report  
 (4) Estimated 2007 Deficiency Charge based on average of 2005 and 2006 Actuals.  
 (5) Actual 2007 Deficiency Charge per CMCMUA April 2008 Invoice

New Jersey American Water Company  
Statement of Pro Forma PSTAC  
PSTAC Year 4/1/08-3/31/09

New Jersey American Water Company  
Docket No.  
Witness Responsible: H. E. Rex

Schedule HER-11 -- Update 8/28/08  
PSTAC Year 4/1/08-3/31/09  
Page 1

CALCULATION of PSTAC Rates for Year 4/1/08-3/31/09 Without Compression (regular calc.)

Calculation of PSTAC Rates for Year  
4/1/08-3/31/09 With Compression (4)

Line	Regular Calc.	Compressed Rates	
<b>Lakewood Sewer Service</b>			
1 Pro Forma Purchased Sewerage Treatment Expense - PSTAC Year 4/01/08-3/31/09 (Schedule HER 10)	\$3,800,942	Portion of new PWAC Year (4)	
2 PSTAC True-up from PSTAC Year 4/01/07-3/31/08 (Schedule HER 5)	<u>\$116,184</u>	4/1/08-10/1/08	10/2/08-3/31/09
3 sub-total (lines 1 + 2)	\$3,917,126	Under Current	Under Proposed
4 Gross-up factor for Uncollectibles Exp. & Actual 2008 BPU / Rate Counsel Assessments (1)	<u>0.9914</u>	Rates (5)	Compressed Rates
5 PSTAC for Recovery 4/1/08-3/31/09 (line 3 / 4)	\$3,951,106	\$1,991,532	\$1,959,574
6 Total Projected Sewer Service Sales subject to PSTAC (1000 gallons) (2) (4)	<u>1,180,676</u>	<u>585,108</u>	<u>575,568</u>
7 PSTAC per 1000 gallons (line 5 / 6) (3)	<u>\$3.4041</u>	<u>\$3.4037</u>	<u>\$3.4046</u>
<b>Adelphia Sewer Service</b>			
8 Pro Forma Purchased Sewerage Treatment Expense - PSTAC Year 4/01/08-3/31/09 (Schedule HER 10)			
9 PSTAC True-up from PSTAC Year 4/01/07-3/31/08 (Schedule HER 7)	(\$18,501)		
10 sub-total (lines 8 + 9)	\$848,505		
11 Gross-up factor for Uncollectibles Exp. & Actual 2008 BPU / Rate Counsel Assessments (1)	<u>0.9914</u>		
12 PSTAC for Recovery 4/1/08-3/31/09 (line 10 / 11)	\$855,865	\$464,174	\$391,891
13 Total Projected Sewer Service Sales subject to PSTAC (1000 gallons) (2) (4)	<u>176,839</u>	<u>89,146</u>	<u>87,693</u>
14 PSTAC per 1000 gallons (line 12 / 13) (3)	<u>\$4.8398</u>	<u>\$5.2069</u>	<u>\$4.4666</u>
<b>Ocean City Sewer Service</b>			
15 Pro Forma Purchased Sewerage Treatment Expense - PSTAC Year 4/01/08-3/31/09 (Schedule HER 10)	\$7,359,759		
16 PSTAC True-up from PSTAC Year 4/01/07-3/31/08 (Schedule HER 9)	(\$185,812)		
17 sub-total (lines 15 + 16)	\$7,174,147		
18 Gross-up factor for Uncollectibles Exp. & Actual 2008 BPU / Rate Counsel Assessments (1)	<u>0.9914</u>		
19 PSTAC for Recovery 4/1/08-3/31/09 (line 17 / 18)	\$7,236,380	\$3,477,529	\$3,758,851
20 Total Projected Sewer Service Sales subject to PSTAC (1000 gallons) (2) (4)	<u>392,652</u>	<u>197,940</u>	<u>194,712</u>
21 PSTAC per 1000 gallons (line 19 / 20) (3)	<u>\$18.4295</u>	<u>\$17.5686</u>	<u>\$19.3047</u>

Notes:

- (1) Uncollectable rate @ 0.63% per NJAWC 2008 Base Rate Case (BPU Docket No. WR08010020) and 2008 Actual Assessment Rates @ 0.2281422% combined BPU & Rate Counsel (BPU = 0.1900397%, Rate Counsel = 0.0381025%). Gross-up factor (100% - (0.63% + 0.2281422%)) or 99.14%
- (2) Sewer Service Sales per 2008 Base Rate Case filing (see Schedule HER-11, page 2 in this Filing for details)
- (3) Gross-up for GRFT not applicable - sewerage treatment costs are deductible from Gross Receipts when computing GRFT
- (4) For Compression calculation, multiplied projected Annual sales by the percentage of time the rates will be in effect during the new PSTAC Year under current rates and the Proposed rates:
- | Annual Water Sales split-as updated | # of Days | Percent  |
|-------------------------------------|-----------|----------|
| Current PWAC Rates 4/1/08-10/1/08   | 184       | 50.4110% |
| Proposed PWAC Rates 10/2/08-3/31/09 | 181       | 49.5890% |
| Total                               | 365       | 100.00%  |
- (5) Current PSTAC rates Effective 3/30/2007 per Docket WR06030257.

New Jersey American Water Company  
Pro Forma PSTAC-Supporting Sewer Service Sales Worksheet (A)  
PSTAC Year 4/1/08-3/31/09

New Jersey American Water Company  
Docket No.  
Witness Responsible: H. E. Rex

Schedule HER-11  
PSTAC Year 4/1/08-3/31/09  
Page 2

(A) Source: NJAWC 2008 Base Rate Case - BPU Docket No. WR08010020 - SIR-14, Workpaper 5S, as-filed

	<u>1000 Gallons</u>
<b><u>Pro forma Adelphia Sewer Service Sales:</u></b>	
Summary of Bill Analysis (SIR-14 Workpaper 5S, pg 1 of 4)	
Total Sales As Normalized pre-growth	173,193
Base Year Growth	1,290
Test Year Growth	2,356
Total Sales with Growth	<u>176,839</u>

<b><u>Pro forma Lakewood Sewer Service Sales:</u></b>	
Summary of Bill Analysis (SIR-14 Workpaper 5S, pg 2 of 4)	
Total Sales As Normalized pre-growth	1,117,291
Base Year Growth	14,336
Test Year Growth	29,049
Total Sales with Growth	<u>1,160,676</u>

<b><u>Pro forma Ocean City Sewer Service Sales:</u></b>	
Summary of Bill Analysis (SIR-14 Workpaper 5S, pg 3 of 4) (Summer Quarter Usage)	
Total Sales As Normalized pre-growth	387,372
Base Year Growth	0
Test Year Growth	5,280
Total Sales with Growth	<u>392,652</u>

**RATE SCHEDULE O-1**  
**PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)**

APPLICABILITY

Applicable to all Metered Water Customer classes served by the Company in all service areas for water service, except for Manasquan Uninterruptible Service and customers subject to Rate Schedules A-9 and A-10. The PWAC charge is designed to recover the cost of purchased water associated with the normal operations of the Company and allow the Company to achieve a zero or near-zero deferred balance each April 1<sup>st</sup> on its purchased water costs.

CHARACTER OF SERVICE

Continuous, except as limited by the "Standard Terms and Conditions."

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGE

In addition to all other charges for metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased water costs not included in the Water Charge or any other Charge:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt	All	All	\$ 0.03675	\$ 0.3675
Exempt	All	All	\$ 0.03170	\$ 0.3170

	<u>Cubic Feet Per Month</u>	<u>Cubic Feet Per Month</u>	<u>Rate Per 10 Cubic Feet</u>	<u>Rate Per 100 Cubic Feet</u>
Non-Exempt	All	All	\$ 0.027489	\$ 0.27489
Exempt	All	All	\$ 0.023712	\$ 0.23712

The PWAC Charge is also applicable to any difference between the quantity of water actually purchased by the customer and any applicable take-or-pay commitment.

FILING

The Company shall make an annual PWAC filing no later than December 1<sup>st</sup> of each year proposing a PWAC rate to be effective on or about the following April 1<sup>st</sup>.

The notice of filing and of public hearing in the annual PWAC proceedings shall include the specific rate change proposed to be implemented on April 1<sup>st</sup>. The notice shall also include the impact of such potential increases on a benchmark bill.

The annual PWAC filing shall contain, but not be limited to, the following:

1. A reconciliation of actual versus estimated costs and revenues from the last Board approved PWAC charge for purchased water;
2. Projected rates supported by projected volumes, revenues, and projected purchased water costs;
3. Deferred balances and the timeframe over which they are proposed to be collected or returned;
4. A written explanation of the circumstances that caused the deferred balances in (3) above;
5. A written explanation of any significant activities or trends which may effect costs for the prospective period; and
6. Updated tariff sheets to reflect any change to the PWAC rate.

The benchmark bill shall be the average residential water customer bill for a twelve-month period.

(Continued)

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**RATE SCHEDULE O-1**  
**PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)**  
**(Continued)**

**PROVISIONS**

Interest shall be passed onto customers through the PWAC rates at the beginning of each PWAC Year succeeding any PWAC year in which any monthly purchased water costs over recovery has taken place. Any debit or credit balance in the separate deferred net revenue or separate cost of purchased water accounts shall be determined monthly. Monthly interest shall be calculated on the average of the current and prior month's ending cumulative deferred revenue or cost of purchased water balances. Interest on such water costs shall be calculated utilizing the rate of return on rate base utilized to set rates in the Company's last preceding base rate case, and shall be changed from time to time, consistent with N.J.A.C. 14:9-7.1 et seq.

The clause shall be subject to deferred accounting, consistent with N.J.A.C. 14:9-7.1, et seq.

**TERMS OF PAYMENT**

See Rate Schedules for applicable customer classes.

**CONDITIONS**

Subject to the "Standard Terms and Conditions" except as otherwise set forth in this Schedule.

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Issued: October 22, 2008

Effective: October 22, 2008

By: John Bigelow, President  
131 Woodcrest Road, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in Docket No. WR08050371 dated October 22, 2008.

**RATE SCHEDULE 1-A**  
GENERAL METERED SERVICE

APPLICABILITY

Applicable for general residential, commercial, industrial and municipal sewer service in the City of Ocean City. The charge for sewer service shall consist of the total of the Minimum Service Charge, the Sewer Usage Charge and the Purchased Sewage Treatment Adjustment Clause (PSTAC) Charge. The PSTAC charge is included within the Minimum Service Charge rates reflected below.

CHARACTER OF SERVICE

Continuous, except as limited by the "Standard Terms and Conditions."

MINIMUM SERVICE CHARGE

All sewer service customers shall pay a Minimum Service Charge in addition to the Sewer Usage Charge, if any, of \$19.99133 times the number of CCF (hundred cubic feet) or \$26.7264 times the number of thousand gallons of water usage at that property during the prior summer quarter, but in no case less than \$199.91 for non-exempt customers. Exempt charges are \$19.25298 per CCF or \$25.7393 per thousand gallons, but in no case less than \$192.53. Included within the Minimum Service Charges are \$14.4399 per CCF or \$19.3047 per 1000 gallons for the PSTAC. On a percentage basis, the PSTAC represents 72.231% (\$19.3047 / \$26.7264) non-exempt or 75.001% (\$19.3047 / \$25.7393) exempt, of the Minimum Service Charge. Summer quarter consumption shall be determined based on an initial meter reading taken in June with the concluding meter reading taken approximately 90 days thereafter in September.

SEWER USAGE CHARGE

The volume of sewer use is assumed to equal water meter registration. Charges shall be based on water consumption as indicated by water meter readings on a monthly or quarterly basis at the option of the Company.

	Gallons <u>Per Month</u>	Gallons <u>Per Quarter</u>	Rate Per <u>100 Gallons</u>	Rate Per <u>1,000 Gallons</u>
Non-Exempt	All	All	\$ 0.12498	\$ 1.2498
Exempt	All	All	\$ 0.10836	\$ 1.0836
	Cubic Feet <u>Per Month</u>	Cubic Feet <u>Per Quarter</u>	Rate Per <u>10 Cubic Feet</u>	Rate Per <u>100 Cubic Feet</u>
Non-Exempt	All	All	\$ 0.093485	\$ 0.93485
Exempt	All	All	\$ 0.081053	\$ 0.81053

TERMS OF PAYMENT

The following plan for payment of the Minimum Service Charge is offered as a convenience to our customers and does not relieve the customer of the liability to pay the entire Minimum Service Charge if sewer service is rendered for only a portion of the year.

For monthly billed customers, one-twelfth of the Minimum Service Charge shall be due and payable upon receipt of the regular bill for sewer service. For quarterly billed customers, one-third of the Minimum Service Charge shall be due and payable upon receipt of the March billing, the June billing and the September billing for sewer service.

If the Company determines by application of the following criteria that the customer's past record of payments does not warrant application of this payment plan, the Company may require payment of the entire service charge at one time rather than in installments.

1. If a customer has been terminated at least once in the past two years for non-payment of a bill for sewer service; or,
2. If a customer receives three (3) Final Reminder Notices during a twelve month period.

In addition, in the case of a reactivated account, the customer will be required to pay any installment(s) which would have been billed if the account had been active as of January 1. A new account will be required to pay a pro-rata share of the Minimum Service Charge based on the period of service to be rendered during that year.

Usage charges based upon meter readings shall be billed in arrears, on a quarterly or monthly basis at the option of the Company. Whenever service is established or is discontinued, all applicable fixed charges shall be prorated to the date of establishment or discontinuance of service.

Valid bills for service furnished under this schedule are due fifteen (15) days from the date of the postmark on the envelope in which the bill was transmitted. All bills shall list a due date.

Issued: October 22, 2008

Effective: October 22, 2008

By: John Bigelow, President  
 131 Woodcrest Road, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in Docket No. WR08050371 dated October 22, 2008.

**RATE SCHEDULE 1-B**

**PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)**

**APPLICABILITY**

Applicable to all Sewer Service customer classes including general residential, commercial, industrial and municipal sewer service in the City of Ocean City. The charge is designed to recover the cost of purchased sewage treatment and disposal costs associated with the normal operations of the Company, and allow the Company to achieve a zero or near-zero deferred balance each April 1<sup>st</sup> on its purchased sewage treatment and disposal costs. The PSTAC charges detailed below are included on Rate Schedule 1-A within the Minimum Service Charges and are provided herein only for informational purposes. The customer will not be separately invoiced for the PSTAC charge.

**CHARACTER OF SERVICE**

Continuous, except as limited by the "Standard Terms and Conditions."

**PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC) CHARGE**

The following are the PSTAC charges per one hundred gallons, per one thousand gallons, per 10 cubic feet, and per 100 cubic feet that are included within the Minimum Service Charge rates as set forth in Sewer-Rate Schedule 1-A to recover purchased sewage treatment and disposal costs.

Non Exempt and Exempt	Gallons <u>Per Month</u>	Gallons <u>Per Quarter</u>	Rate <u>Per 100 Gallons</u>	Rate <u>Per 1000 Gallons</u>
	All	All	\$1.93047	\$19.3047
Non Exempt and Exempt	Gallons <u>Per Month</u>	Gallons <u>Per Quarter</u>	Rate <u>Per 10 Cubic Feet</u>	Rate <u>Per 100 Cubic Feet</u>
	All	All	\$1.44399	\$14.4399

**FILING**

The Company shall make an annual PSTAC filing no later than December 1<sup>st</sup> of each year, proposing a PSTAC rate or percentage to be effective on or about the following April 1<sup>st</sup>.

The notice of filing and of public hearing in the annual PSTAC proceedings shall include the specific rate change proposed to be implemented on April 1<sup>st</sup>. The notice shall also include the impact of such potential increases on a benchmark bill.

The annual PSTAC filing shall contain, but not be limited to, the following:

1. A reconciliation of actual versus estimated costs and revenues from the last Board approved PSTAC charge for sewerage treatment and disposal;
2. Projected rates supported by projected volumes, revenues, and projected purchased sewerage treatment and disposal costs;
3. Deferred balances and the timeframe over which they are proposed to be collected or returned;
4. A written explanation of the circumstances that caused the deferred balances in (3) above;
5. A written explanation of any significant activities or trends which may affect costs for the prospective period; and
6. Updated tariff sheets to reflect any change to the PSTAC rate.

The benchmark bill shall be the average residential sewer customer bill for a twelve-month period.

**TERMS OF PAYMENT**

See Rate Schedule 1-A for applicable customer classes.

(Continued)

**RATE SCHEDULE 3-B**

**PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)**

**APPLICABILITY**

Applicable to all Sewer Service customer classes including general residential, commercial, industrial and municipal sewer service customers provided service by the Company's Adelpia System (service area of the former Adelpia Sewer Company) in the Township of Howell in Monmouth County. The charge is designed to recover the cost of purchased sewage treatment and disposal associated with the normal operations of the Company, and allow the Company to achieve a zero or near-zero deferred balance each April 1<sup>st</sup> on its purchased sewage treatment and disposal costs.

**CHARACTER OF SERVICE**

Continuous, except as limited by the "Standard Terms and Conditions."

**PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC) CHARGE**

In addition to all other charges for general metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased sewage treatment and disposal costs not included in the Sewer Usage Charge or any other Charge as set forth in Rate Schedule 3-A of the current Tariff:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt and Exempt	All	All	\$ 0.48398	\$ 4.8398

**FILING**

The Company shall make an annual PSTAC filing no later than December 1<sup>st</sup> of each year, proposing a PSTAC rate to be effective on or about the following April 1<sup>st</sup>.

The notice of filing and of public hearing in the annual PSTAC proceedings shall include the specific rate change proposed to be implemented on April 1<sup>st</sup>. The notice shall also include the impact of such potential increases on a benchmark bill.

The annual PSTAC filing shall contain, but not be limited to, the following:

- A reconciliation of actual versus estimated costs and revenues from the last Board approved PSTAC charge for purchased sewerage treatment and disposal;
- Projected rates supported by projected volumes, revenues, and projected purchased sewerage treatment and disposal costs;
- Deferred balances and the timeframe over which they are proposed to be collected or returned;
- 4. A written explanation of the circumstances that caused the deferred balances in (3) above;
- 5. A written explanation of any significant activities or trends which may affect costs for the prospective period; and
- 6. Updated tariff sheets to reflect any change to the PSTAC rate

The benchmark bill shall be the average residential sewer customer bill for a twelve-month period.

(Continued)