



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)	ORDER ADOPTING IN PART AND
NEW JERSEY AMERICAN WATER COMPANY,)	MODIFYING IN PART INITIAL
INC. FOR APPROVAL OF INCREASED TARIFF)	DECISION ADOPTING THE
RATES AND CHARGES FOR WATER AND)	STIPULATION
SEWER SERVICE; INCREASED DEPRECIATION)	
RATES AND OTHER TARIFF REVISIONS)	BPU DOCKET NO. WR08010020
)	OAL DOCKET NO. PUC0319-08

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 14, 2008, pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.12, Petitioner, New Jersey American Water Company, Inc. (Company or NJAW), a public utility of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (Board), filed a petition seeking to increase its rates for water service and wastewater service amounting to an overall increase in revenue requirement in the amount of \$124,745,975 or 23.35% over current rate revenues. The increase in rates was proposed to become effective on February 14, 2008. The petition did not seek interim rate relief pending final determination on the petition.

NJAW serves approximately 606,500 water customers and 28,400 wastewater customers in certain portions of Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren Counties, New Jersey.

BACKGROUND/PROCEDURAL HISTORY

On February 2, 2008, the Board issued an Initial Suspension Order suspending the proposed rates to June 14, 2008. On June 16, 2008, the Board issued a second Suspension Order suspending the proposed rates to October 14, 2008.

The matter was transmitted to the Office of Administrative Law (OAL) as a contested case pursuant to N.J.S.A. 52:14B-1 et seq. and N.J.S.A. 52:14F-1 et seq., where it was assigned to Administrative Law Judge (ALJ) Mumtaz Bari-Brown. On February 26, 2008, ALJ Bari-Brown held a pre-hearing conference in which counsel for the Companies and the statutory parties to the case, the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) and Board Staff participated. A pre-hearing Order was issued on March 18, 2008, setting forth, among other things, the issues to be litigated and the schedule going forward.

Motions for Leave to Intervene were filed by the following: 1) Rutgers, The State University of New Jersey; 2) Johanna Foods, Inc.; Princeton University; ConocoPhillips Company; Cogen Technologies Linden Venture, L.P. (collectively, the OIW Customer Group); 2) Middlesex Water Company; 3) City of Trenton; 4) Township of Howell; 5) City of Ocean City; 6) Township of Hamilton; 7) Aqua New Jersey, Inc.; 8) Warren Township; 9) Manasquan Customer Group (MCG) including) consisting of the municipalities of Avon-by-the-Sea, Belmar, Lake Como, Keyport, Matawan and Red Bank, and the Shorelands Water Company. ; and 10) Mount Laurel Township Municipal Utilities Authority; Evesham Municipal Utilities Authority; Monroe Township Water Municipal Utilities Authority; Merchantville-Pennsauken Water Commission and the Township of Moorestown (collectively, the Bulk Purchasers Coalition or BPC). On February 11, 2008, the Township of Princeton filed a motion to participate.

Pursuant to the March 18, 2008 pre-hearing Order, motions to intervene filed by ConocoPhillips Company, Cogen Technologies Linden Venture, L.P., Middlesex Water Co., City of Trenton, Township of Howell, Manasquan Customer Group, Mount Laurel Township Municipal Utilities Authority, Evesham Municipal Utilities Authority, Monroe Township Water Municipal Utilities Authority, Merchantville-Pennsauken Water Commission and the Township of Moorestown were granted. The Township of Princeton was granted participant status. The remaining motions to intervene were granted as follows: Rutgers, The State University of New Jersey by Order dated September 4, 2008; Township of Hamilton by Order dated June 30, 2008; City of Ocean City by Order dated September 4, 2008; Aqua New Jersey by Order dated March 31, 2008; and Warren Township by Order dated June 30, 2008. Although not officially granted by the ALJ, the motions to intervene of Princeton University dated April 10, 2008, and Johanna Foods, Inc. dated April 7, 2008, were unopposed.¹

After publication of notice in newspapers in general circulation in the various service territories, public hearings were held in this matter in Westhampton and Ocean City, New Jersey on April 2, 2008; Eatontown and Maplewood, New Jersey on April 3, 2008; Hamilton Township on April 4, 2008; Howell, New Jersey on April 23, 2008, and Bridgewater, New Jersey on May 6, 2008. Numerous members of the public spoke at each public hearing. The comments centered around the magnitude of the proposed rate increase, the impact the proposed rate increase would have on citizens with fixed incomes, billing and customer service concerns, and the impact the proposed rate increase would have on fire districts.

Evidentiary hearings were held on the following dates: September 15, 2008, (concentrating on cost of capital and rate of return issues), September 17, 2008, (concentrating on depreciation issues) and October 8, 2008, (concentrating on cost of service and rate design issues) in Newark, New Jersey at the OAL.

As a result of settlement negotiations, various parties (the Company, Rate Counsel, Board Staff, the OIW Group, the MCG, the Township of Howell, Aqua New Jersey, Inc. (collectively, the Signatory Parties) reached a settlement on all issues and entered into a Stipulation of Settlement (Stipulation or Settlement) that, among other things, provides for an overall increase of \$72,100,000, representing approximately a 15.19% increase above current revenues.

¹Princeton University and Johanna Foods, Inc. are part of the Optional Industrial Wholesale (OIW) customer group. However, to the extent that the ALJ did not rule on the unopposed motions to intervene of these two entities, they are HEREBY GRANTED.

The following Intervenor submitted letters not opposing the proposed Settlement: the Township of Princeton; Middlesex Water Company; Warren Township; the BPC and the City of Ocean City.

On November 19, 2008, ALJ Bari-Brown issued her Initial Decision recommending adoption of the Stipulation executed by the Signatory Parties, finding that the Signatory Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and was consistent with the law. No exceptions to the Initial Decision have been filed.

DISCUSSIONS AND FINDINGS

Having reviewed the record in this matter, including ALJ Bari-Brown's Initial Decision, the Settlement among the Signatory Parties to this proceeding, and letters from the non-signatory parties indicating that they do not oppose the Stipulation, the Board FINDS that the parties have voluntarily agreed to the Stipulation. The Board HEREBY ADOPTS IN PART and MODIFIES IN PART the ALJ's Initial Decision adopting the Stipulation of the Signatory Parties attached hereto, as its own, incorporating the terms and conditions as if fully set forth at length herein subject to the following:

- a. General Metered Service (GMS) rates for a typical residential customer using 7,000 gallons per month shall increase as follows: SA-1² customer an increase of \$4.71 per month; SA-2³ customer an increase of \$8.37 per month; SA-3⁴ customer an increase of \$8.37 per month; SA-2⁵ Manville customer an increase of \$8.02 per month; SA-3⁶ Southampton customer and increase of \$7.14 per month; SA-3⁷ Homestead customer an increase of \$8.72 per month; SA-1A⁸ Harrison customer an increase of \$9.10 per month; SA-1B⁹ Pennsgrove customer an increase of \$6.23 per month. Rates of commodity-demand and off peak service customers shall increase 1.1% overall. Rates of the Optional Industrial Wholesale (OIW) customers shall increase 13.5% overall. Rates of the Sales to other Systems (SOS) customers shall increase 27.0% overall. For private fire protection service the rates shall increase as follows: SA-1, 15.0%; for SA-1A and SA-1B, 0.0%; for SA-1 Rate Schedule L-2, 15.2%; for SA-2, 0.0%; and for SA-3, overall 23.9%. For public fire protection service the rates shall increase as follows; SA-1, 7.1%, for SA-1A, 10.0%; for SA-1B, 10.0%, for SA-2, overall 2.2%, for SA-3, overall 5.0%, for SA-1 Rate Schedule M-2, 29.0%, for SA-1 Rate Schedule M-4, 32.3%, and SA-1 Rate Schedule M-3, 6.8%. The rate methodology for public fire protection service for SA-1 Harrison shall change from inch-foot and hydrant charges to a rate based on hydrants only.
- b. The monthly customer charges for all services except areas SA-1B shall be set at \$9.00 per month (non-exempt) for a 5/8 inch meter. The customer charge for SA-1B shall be set at \$6.40 per month (non-exempt) for a 5/8 inch meter.

²SA-1 customers are customers of the original New Jersey – American Water Company.

³SA-2 customers are customers of the former Elizabethtown Water Company.

⁴SA-3 customers are customers of the former Mount Holly Water Company.

⁵SA-2 Manville customers are customers of the former Elizabethtown Water Company.

⁶SA-3 Southampton customers are customers of the former Mount Holly Water Company.

⁷SA-3 Homestead customers are customers of the former Mount Holly Water Company.

⁸SA-1A Harrison customers are customers of the former South Jersey Water Supply Company.

⁹SA1B Pennsgrove customers are customers of the former Pennsgrove Water Supply Company.

- c. The Company provides wastewater service in three distinct service territories. The Adelphia sewer service district is located in Howell Township, Monmouth County. The Lakewood sewer service district is located in Lakewood, Ocean County. The Ocean City sewer district is located in the City of Ocean City, Cape May County. The Ocean City sewer district is a large seasonal seaside community and is dissimilar in many respects from the Adelphia and Lakewood sewer service districts which are year round, non-seasonal communities. For customers in the Company's Adelphia sewer service district the sewer rates will increase by \$2.64 per month. For customers in the Company's Lakewood sewer service district the sewer rates will increase by \$3.56 per month. For customers in the Company's Ocean City sewer service district the sewer rates will increase by \$7.16 per month.
- d. As acknowledged in paragraph 21 of the Settlement, in the Company's last rate Order in BPU Docket No. WR06030257, dated April 2, 2007, the Board directed the Company to: (1) file a full depreciation study and supporting documentation in the next base rate case; (2) perform a Synergy Validation Study for the period July 1, 2005 through the rate effective date in the last rate Order (April 2, 2007), which was to be filed with the Board prior to its next base rate filing; (3) perform a study to determine whether it is appropriate to implement statewide rates within its service territory, (Statewide Demographics Study) and (4) prepare a study designed to provide a blueprint for solving the small water company problem in the State of New Jersey. The Board HEREBY ACCEPTS for filing the Company's full depreciation study, the Company's Synergy Validation Study, showing no additional net synergy savings over those already demonstrated and therefore no additional sharing of synergy savings; the statewide rates study, and the study to provide a blueprint for solving the small water company problem in the State of New Jersey.
- e. With respect to the study designed to provide a blueprint for solving the small water company problem in the State of New Jersey the Board HEREBY DIRECTS the Parties to convene a meeting to determine whether any further action should be taken as a result of that study, and to report to the Board within twelve (12) months of the date of this Order.
- f. With respect to the results of the study concerning statewide rates, the Board is not making a determination at this time regarding whether it is appropriate for the Company to further move toward unified statewide rates, and if so, whether it is appropriate to do so over the next two base rate cases. The Board FINDS that further review needs to be conducted as to whether there should be additional movement toward unified statewide rates for all of the Company's service areas. Accordingly, the Board HEREBY MODIFIES the Initial Decision in part so as not to adopt Paragraph 24 of the Stipulation to the extent that it indicates that it is appropriate for the Company to continue to move to unified statewide rates, and to do so over the next two base rate cases of the Company.

The Board DIRECTS the Company to provide updates to its Statewide Demographics Study should the Company continue to seek movement towards implementing unified statewide rates. Such information should include but not limited to updates on household income, household units that are owner occupied, unemployment rates and families in poverty.

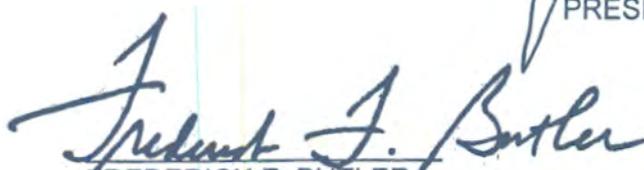
- g. The Board HEREBY ACCEPTS the Company's Stay Out provision included in paragraph 22 of the Settlement, so that once the rates set by this proceeding have been made effective, the Company may not increase its base rates prior to January 1, 2011 except in circumstances where emergent base rate relief would be warranted.. This Stay Out provision excludes any rate increases due to the Company's Purchased Water and Purchased Sewerage Treatment Adjustment Clauses true-up filings, as well as the Company's proposed Distribution System Improvement Charge (DSIC) matter that is currently under review by the Board, should a DSIC be adopted.

Based upon the foregoing, the Board HEREBY APPROVES an overall increase in revenues in the amount of \$72,100,000 representing a 15.19% increase over current revenues.

The Board HEREBY ORDERS the Company to submit complete revised tariffs conforming to the terms and conditions of the Stipulation and this Order within ten (10) days from the date of this Order.

DATED: 12/8/08

BOARD OF PUBLIC UTILITIES
BY:


FREDERICK F. BUTLER
COMMISSIONER

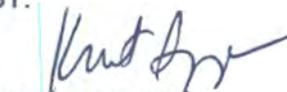

JEANNE M. FOX
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

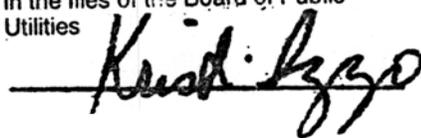

NICHOLAS ASSELTA
COMMISSIONER


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



I/M/O New Jersey American Water Company, Inc., For Approval of Increased Tariff Rates and Charges For Water and Sewer Service; Increased Depreciation Rates and Other Tariff Revisions

BPU Docket No. WR08010020
OAL Docket No. PUC0319-08

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, NJ 07102
(973) 648-6008

**A copy of the administrative law
judge's decision is enclosed.**

**This decision was mailed to the parties
on NOV 19 2008**

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NEWARK, NJ



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

RECEIVED
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NEWARK, N.J.

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 00319-08

AGENCY DKT. NO. WR08010020

I/M/O THE PETITION OF NEW JERSEY
AMERICAN WATER COMPANY, INC. FOR
APPROVAL OF INCREASED TARIFF RATES
AND CHARGES FOR WATER AND SEER
SERVICE; INCREASED DEPRECIATION
RATES AND OTHER TARIFF REVISIONS.

/ / /
Ira M. Megdal, Esq., Suzana Loncar, Esq., and Robert J. Brabston, Esq., for
petitioner New Jersey American Water Company, Inc. (Cozen O'Connor,
attorneys)

/ /
Debra F. Robinson, Deputy Public Advocate and Susan E. McClure, Assistant
Deputy Public Advocate, on behalf of Department of the Public Advocate,
Division of Rate Counsel

/ /
Jessica Campbell, Deputy Attorney General and Arlene E. Pasko, Deputy
Attorney General, on behalf of the Staff of the New Jersey Board of Public
Utilities (Anne Milgram, Attorney General of New Jersey, attorney)

✓
✓
Martin C. Rothfelder, Esq. and Bradford M. Stern, Esq., for Rutgers, The State University of New Jersey, ConocoPhillips Company, Johanna Foods, Inc., Princeton University and Cogen Technologies Linden Venture, L.P. ("OIW Customer Coalition") (Rothfelder Stern, LLC, attorneys)

✓
Anthony R. Francioso, Esq., for Warren Township, Mount Laurel Township Municipal Utilities Authority, Evesham Municipal Utilities Authority, Monroe Township Water Municipal Utilities Authority, Merchantville-Pennsauken Water Commission and Township of Moorestown (Fornado Francioso, LLC, attorneys)

✓
Douglas K. Walker, Esq., for the City of Ocean City (Law Office of Walker) K.

✓
Ernest Bongiovanni, Esq., for the Township of Howell (Marriott, Greer and Bongiovanni, attorneys)

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

✓
Kevin A. Conti, Esq., for Aqua New Jersey, Inc. (DeCotiis, Fitzpatrick, Wisler, attorneys) &

✓
Paul A. Adezio, Esq., for the Township of Princeton (Mason, Griffin & attorneys)

✓
Walter G. Reinhard, Esq., for Manasquan Customer Group (Norris, M & Marcus, P.A., attorneys)

✓
Lindsay L. Burbage, Esq., for Township of Hamilton (Hamilton Department of Law)

✓
Edward K. DeHope, Esq., for The City of Trenton (Riker & Danzig, attorneys)

Record Closed: November 17, 2008

Decided: November 18, 2008

BEFORE MUMTAZ BARI-BROWN, ALJ:

On January 14, 2008, New Jersey American Water Company, Inc. ("NJAWC", the "Company" or "Petitioner"), a public utility corporation of the State of New Jersey with its principal office located at 131 Woodcrest Road, Cherry Hill, New Jersey 08034 filed a Petition seeking a revenue increase of \$124,745,975 or 23.35%. Further, the company sought authorization to increase its tariff and charges for water and sewer service, to increase depreciation rates and to implement certain other tariff revisions. N.J.S.A. 48:2-18; 21,-21.1; N.J.A.C. 14:1-5.7, 5.12

On January 31, 2008, the matter was transmitted to the Office of Administrative Law ("OAL") for hearing as a contested pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13. On February 26, 2008, Judge Mumtaz Bari-Brown convened a pre-hearing conference and issued a pre-hearing Order dated March 18, 2008. The pre-hearing Order was amended on March 31, 2008.

ALJ Bari-Brown granted Motions to Intervene submitted by: Rutgers, The State University of New Jersey; Johanna Foods, Inc.; Princeton University; ConocoPhillips Company; Cogen Technologies Linden Venture, L.P. ("OIW Customer Group"); Middlesex Water Company; City of Trenton; Township of Howell; City of Ocean City; Township of Hamilton; Aqua New Jersey, Inc.; Warren Township; Manasquan Customer Group; Mount Laurel Township Municipal Utilities Authority; Evesham Municipal Utilities Authority; Monroe Township Water Municipal Utilities Authority; Merchantville-Pennsauken Water Commission and the Township of Moorestown. Motion to Participate was granted to the Town of Princeton.

Pursuant to appropriate public notice requirements Public Hearings were held in this matter in Westampton and Ocean City, New Jersey on April 2, 2008; Eatontown and Maplewood, New Jersey on April 3, 2008; Hamilton Township on April 4, 2008;

Howell, New Jersey on April 23, 2008 and Bridgewater, New Jersey on May 6, 2008. Members of the public were availed themselves of the opportunity to speak at each Public Hearing.

On February 2, 2008, the Board entered an Order suspending the proposed rate increase to June 14, 2008. On June 16, 2008, the Board Ordered further suspension of rate increase to October 14, 2008.

Discovery was propounded upon Petitioner, Rate Counsel and Intervenor. Discovery was answered in full.

Evidentiary hearings were held in Newark, New Jersey at the OAL on the following dates: September 15 (Cost of Capital and Rate of Return), September 17 (Depreciation), and October 8, 2008 (Cost of Service and Rate Design).

Throughout the proceeding the parties participated in settlement discussions. The result was the Stipulation of Settlement which is appended to this Initial Decision.

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

1. The parties to the Stipulation have voluntarily agreed to a settlement evidenced by their signatures.
2. The Stipulation of Settlement has been executed by all parties of record, excluding the Intervenor and/or Participant who have submitted letters stating they do not object to the pursuant to appropriate public notice.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and accordingly, I approve the Stipulation of Settlement.

ORDER

Therefore, I ORDER the parties to comply with the terms of the settlement and this proceeding 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.

November 18, 2008
DATE

Mumtaz Bari Brown
MUMTAZ BARI BROWN, ALJ

Date Received at Agency: 11-20-08
FZds

11-19-08

Mailed to Parties:
Spura Sardis
DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

NOV 19 2008
DATE
da

OFFICE OF ADMINISTRATIVE LAW

In the Matter of the Petition of New Jersey
American Water Company, Inc., for Approval
of Increased Tariff Rates and Charges for
Water and Sewer Service; Increased
Depreciation Rates and Other Tariff Revisions

BPU Docket No. WR08010020

OAL Docket No. PUC0319-08

STIPULATION

PARTIES TO THE WITHIN STIPULATION AND APPEARANCES:

Ira G. Megdal, Esquire (Cozen O'Connor, attorneys), Suzana Loncar, Esquire and Robert J. Brabston, Esquire for New Jersey-American Water Company, Inc. ("Petitioner")

Debra F. Robinson, Deputy Public Advocate and Susan E. McClure, Assistant Deputy Public Advocate, on behalf of the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel")

Jessica Campbell, Deputy Attorney General and Arlene E. Pasko, Deputy Attorney General (Anne Milgram, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities ("Board Staff")

Martin C. Rothfelder, Esquire and Bradford M. Stern, Esquire (Rothfelder Stern, LLC, attorneys) for, Rutgers, The State University of New Jersey, ConocoPhillips Company, Jolanna Foods, Inc., Princeton University and Cogen Technologies Linden Venture, L.P. ("OIW Customer Coalition")

Anthony R. Francioso, Esquire (Fornaro Francioso LLC, attorneys) for Warren Township, ("Warren"), Mount Laurel Township Municipal Utilities Authority, Evesham Municipal Utilities Authority, Monroe Township Water Municipal Utilities Authority, Merchantville-Pennsauken Water Commission and Township of Moorestown ("BPC")

Douglas K. Walker, Esquire (Law Office of Douglas K. Walker, attorney) for the City of Ocean City ("Ocean City")

Ernest Bongiovanni, Esquire (Marriott, Callahan, Blair, Greer and Bongiovanni, attorneys) for the Township of Howell ("Howell")

Kenneth J. Quinn, Esquire (Middlesex Water Company) for Middlesex Water Company ("Middlesex")

Kevin A. Conti, Esquire (DeCotiis Fitzpatrick, Cole & Wisler, attorneys) for Aqua New Jersey, Inc. ("Aqua")

Paul A. Adezio, Esq. (Mason, Griffin & Pierson, attorneys) for the Township of Princeton ("Princeton")

Walter G. Reinhard, Esquire (Norris McLaughlin & Marcus, P.A., attorneys) for
Manasquan Customer Group ("MCG")

Lindsay L. Burbage, Esquire (Hamilton Township Department of Law, attorneys) for
Township of Hamilton ("Hamilton")

Edward K. DeHope, Esquire (Riker Danzig, attorneys) for The City of Trenton
("Trenton")

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. PROCEDURAL HISTORY

1. On January 14, 2008, New Jersey-American Water Company, Inc. ("NJAWC", the "Company" or "Petitioner"), a public utility corporation of the State of New Jersey with its principal office located at 131 Woodcrest Road, Cherry Hill, New Jersey 08034 filed a Petition ("Petition") in this proceeding. The Petition sought revenue increase of \$124,745,975 or 23.35%. The Petition was filed pursuant to N.J.S.A. 48:2-18; N.J.S.A. 48:2-21; N.J.S.A. 48:2-21.1; N.J.A.C. 14:1-5.7; and N.J.A.C. 14:1-5.12, and sought authorization for the Petitioner to increase its tariff rates and charges for water and sewer service, to increase depreciation rates and to implement certain other tariff revisions.

2. The matter was transferred to the Office of Administrative Law ("OAL") for hearing as a contested case on January 15, 2008. A notice of filing was issued by the OAL on January 31, 2008. The matter was assigned to Administrative Law Judge Mumtaz Bari-Brown. Judge Bari-Brown convened a pre-hearing conference on February 26, 2008, and a pre-hearing Order dated March 18, 2008 emanated therefrom. The pre-hearing Order was amended on March 31, 2008.

3. Motions for Leave to Intervene were filed by: Rutgers, The State University of New Jersey; Johanna Foods, Inc.; Princeton University; ConocoPhillips Company; Cogen

Technologies Linden Venture, L.P. ("OIW Customer Group"); Middlesex Water Company; City of Trenton; Township of Howell; City of Ocean City; Township of Hamilton; Aqua New Jersey, Inc.; Warren Township; Manasquan Customer Group; Mount Laurel Township Municipal Utilities Authority; Evesham Municipal Utilities Authority; Monroe Township Water Municipal Utilities Authority; Merchantville-Pennsauken Water Commission and the Township of Moorestown.

4. Pursuant to the March 18, 2008 pre-hearing Order, motions to intervene filed by ConocoPhillips Company, Cogen Technologies Linden Venture, L.P., Middlesex Water Co., City of Trenton, Township of Howell, Manasquan Customer Group, Mount Laurel Township Municipal Utilities Authority, Evesham Municipal Utilities Authority, Monroe Township Water Municipal Utilities Authority, Merchantville-Pennsauken Water Commission and the Township of Moorestown were granted. The Township of Princeton was thereby granted Participant status. The remaining motions to intervene were granted as follows: Rutgers, The State University of New Jersey by Order dated September 4, 2008; Township of Hamilton by Order dated June 30, 2008; City of Ocean City by Order dated September 4, 2008; Aqua New Jersey by Order dated March 31, 2008; and Warren Township by Order dated June 30, 2008. The parties to this Stipulation agree that the Motion to Intervene of Princeton University dated April 10, 2008 and the Motion to Intervene of Johanna Foods, Inc. dated April 7, 2008, both of which were unopposed, should be granted.

5. Public hearings were held in this matter in Westampton and Ocean City, New Jersey on April 2, 2008; Eatontown and Maplewood, New Jersey on April 3, 2008; Hamilton Township on April 4, 2008; Howell, New Jersey on April 23, 2008 and Bridgewater, New Jersey

on May 6, 2008, all pursuant to appropriate public notice. Numerous members of the public spoke at each Public Hearing.

6. On February 2, 2008, the Board entered an Order in this matter suspending the proposed rate increase until June 14, 2008. The Board issued an Order on June 16, 2008 further suspending the rate increase until October 14, 2008.

7. Discovery was propounded upon the Petitioner, Rate Counsel, and Intervenor(s). All discovery was answered in full.

8. Evidentiary hearings were held on the following dates: September 15 (concentrating on cost of capital and rate of return issues), September 17 (concentrating on depreciation issues), and October 8, 2008 (concentrating on cost of service and rate design issues), in Newark, New Jersey at the OAL.

9. Throughout this matter up to and including the Evidentiary Hearing dates, the parties participated in settlement discussions. This Stipulation is the result of those discussions.

II. REVENUE REQUIREMENTS

10. Test Year. The parties stipulate that the twelve-month period ending June 30, 2008, as adjusted for known and measurable changes including certain post-test year plant additions shall be the test year in this case.

11. Revenue Requirement. The parties stipulate that pro forma present rate revenues are \$474,633,149. The parties stipulate to a rate increase of \$72,100,000 or 15.19%. As a result, rates emanating from this proceeding will be designed to yield total revenues of \$546,733,149.

12. Rate Base. The parties stipulate that the Company's rate base for use in this proceeding is \$1,697,048,186.

13. Effective Date. The parties agree that they are recommending that the Board approve this Stipulation at its public meeting to be held on December 8, 2008, and that a written order accepting this Stipulation should emanate from the Board on December 8, 2008. The parties recognize that a rate effective date of December 8, 2008 or as soon thereafter as reasonable is an essential term of this Stipulation.

14. Rate of Return. The parties agree to the following rate of return for use in this case.

	<u>Ratios</u>	<u>Cost Rates</u>	<u>Weighted Cost Rates</u>
1. Long-Term Debt	49.95%	6.4924%	3.2430%
2. Preferred Stock	0.05%	4.8000%	0.0024%
3. Common Equity	50.00%	10.3000%	5.1500%
4. Total	<u>100.00%</u>		<u>8.40%¹</u>

15. Depreciation. The parties stipulate that the Company's current water composite depreciation rate is 2.33% and the rate will remain at 2.33%. This rate reflects a return to customers of "Non-Legal Asset Retirement Obligation" of \$48,000,000 at \$1,200,000 per year over a forty (40) year period, which NJAWC will recognize as a regulatory liability. This rate further reflects a net negative salvage utilizing the Average Net Negative Salvage Allowance method calculated over 5 years. Attached hereto as Exhibit "A" is a schedule detailing the

¹ The cost rate of 8.40% reflects an embedded cost of long-term debt rate of 6.4924%. Included within the overall embedded cost of long-term debt is \$144,725,000 of debt yet to be reissued. That currently reflects a coupon cost rate of 5.875%. The BPU, for informational purposes only, will be advised of the cost of and amount of debt, as and when reissued. Capital Structure is Part of the Public Utility Commission's Form at 12/31/08.

agreed upon depreciation rates. The depreciation rate for sewerage plant will remain unchanged. The current composite depreciation rate for sewerage plant is 2.5%.

Rate Counsel and the parties further stipulate that by virtue of the proposed methodology change with respect to Non-Legal Asset Retirement Obligations, the Company will be made whole for actual future cost of removal by continuing use of the 5-year average net salvage allowance approach as stipulated to in this proceeding. For example, in the event of an unforeseen retirement where the prudently-incurred net negative salvage is in excess of the Non-Legal Asset Retirement Obligations balance on the Company's balance sheet, the Company would not be required to absorb a loss for the amount of the net negative salvage in excess of the balance sheet balance.

It shall be noted for purposes of this Order that the Company is accepting this adjustment for purposes of settlement only, and not because it accepts the rationale advanced by Rate Counsel in this proceeding.

16. Amortizations. The parties agree that the rate increase set forth earlier in this Stipulation reflects an amortization of unamortized balance sheet accounts, in accordance with the following schedule:

<u>Account</u>	<u>Balance at 9/30/2008</u>	<u>Monthly Amortization</u>	<u>Amortization Start Date</u>	<u>Amortization End Date</u>
Deferred Pension Expense	\$7,287,175.06	\$39,390.14	3/1/2004	2/28/2024
FAS 106 (SA-1)	\$2,678,743.00	\$51,514.20	2/1/1998	1/31/2013
FAS 106 (SA-2/SA-3)	\$1,059,308.00	\$20,770.85	11/1/1998	12/31/2012
FAS 109 (SA-1)	\$13,197,051.00	\$48,878.00		3/31/2031
FAS 109 (SA-2)	\$8,802,234.96	\$38,105.00		12/31/2027
FAS 109 (SA-3)	\$59,249.00	\$346.00		12/31/2022
FAS 112	\$250,117.00	\$2,084.25	12/1/2008	11/30/2018
Gain on Land Sales	\$485,782.46	\$20,240.93	10/1/2008	9/30/2010
Acquisition Adjustments	\$5,444,640.37	\$28,185.78	Various	Various
Sick Bank Amortization	\$2,222,403.85	\$18,520.03	12/1/2008	11/30/2018

South Jersey Services	\$4,726,874.13	\$9,847.65	12/1/2008	11/30/2048
Mt Ephraim	\$59,032.50	\$122.98	12/1/2008	11/30/2048
Pelican Island	\$7,433.41	\$15.49	12/1/2008	11/30/2048

III. ADDITIONAL PROVISIONS

17. Agreement Not To Use. The parties to this Stipulation agree that neither the discussions underlying the last three amortizations listed above nor that portion of this Stipulation related to those three amortizations shall be precedential in any manner. In any future discussions involving the Company, or any other parties to this case, and in future testimony, the parties agree that any reference to the last three amortizations set forth in this Stipulation or any underlying discussions shall be absolutely prohibited.

18. Normalization of Regulatory Commission Expense. The parties stipulate that the Company incurred rate case expenses of \$2.16 million for this proceeding. This amount will be shared 50/50 between the Company and ratepayers, and normalized over two years at \$540,013.50 per year. The Company also has a remaining balance of \$395,952 of prior rate case expense, which will continue to be normalized at its current monthly normalization amount until exhausted.

19. Non-Revenue Water. The Company agrees to file a quarterly report addressing the status of efforts to reduce the percentage of non-revenue water currently experienced in the Company's Short Hills system. The report shall be filed on the format attached to this Stipulation as Exhibit "B". The Company will file this report with the Secretary of the Board of Public Utilities, and serve copies on Staff and Rate Counsel.

20. Mark-Out Related Labor and Expense Increases. The parties agree that when NJAWC begins to experience incremental expenses to comply with the recent revisions to N.J.A.C. 14:2, *et seq.*, it may defer the same for recovery in its next base rate case. No interest shall be accrued on the deferred balances. Should the Company commence a deferral, it will promptly notify the Parties to this proceeding.

21. Requirements From Last Rate Order. The parties stipulate that the Company has made certain filings as required by Paragraph G, page 11 of the Board's Order in Docket No. WR06030257. Specifically, the Company has filed a full depreciation study, and supporting testimony in this case. The Company has provided the relevant data to Rate Counsel's depreciation consultant. In accordance with Paragraph K, page 12, of that Order the Company has performed and provided a Synergy Validation Study. In accordance with Paragraph L, page 12 of that Order, the Company has performed a study demonstrating that it is appropriate to implement statewide rates, including therein the use of census data, cost of living data, income data, cost of housing data, and other data which the Company felt appropriate.

22. Stay Out. Once the rates emanating from this proceeding have been made effective, Petitioner may not increase its base rates effective prior to January 1, 2011. This shall not affect the right or ability of Petitioner to file a base rate case at such time as it deems appropriate. Specifically excluded from this stay out are Petitioners Purchased Sewerage Treatment Adjustment Clause ("PSTAC") and Purchased Water Adjustment Clause ("PWAC") rates, and Distribution System Improvement Charge ("DSIC") rates, should a DSIC be adopted by the Board.

Provided, however, that nothing herein shall prevent Petitioner from filing a request for emergent base rate relief should circumstances require. In the event a need for such emergent relief is demonstrated, a base rate increase may be effective prior to January 1, 2011. It is understood that no party waives any rights to contest the need for such emergent relief, in the event Petitioner shall file a request for emergent base rate relief.

23. Valley Road. In Docket No. WM08070464, the Board approved Petitioner's acquisition of certain assets of Valley Road Sewerage Company. In accordance with that Order, Petitioner has paid \$294,729 for the acquisition of the assets of Valley Road and related capital costs. The parties hereto agree that from and after the effective date of an order of the Board accepting this Stipulation, the Company may accrue interest on this balance at 6.49%, Petitioner's stipulated embedded cost of long-term debt in this proceeding. The purchase price, including accrued interest, shall be added to Petitioner's rate base in Petitioner's next base rate case. In addition, the Company may track the difference between revenues and expenses associated with the acquisition of these assets, and seek recovery of such difference in its base rate case, with interest at the same rate. Any party may challenge the propriety of ei such recovery. Provided, however, that if the Company prevails, the recoveries shall be with interest. Until the next Base Rate case, the Company will follow these procedures for accounting purposes only.

IV. TARIFF AND RATE DESIGN ISSUES

24. Unified, State-Wide Rates. In the last base rate case, the parties agreed that it is appropriate for the Company to move to unified, state-wide rates. Such movement is to take place, with certain exceptions, over three base rate cases of the Company, if appropriate. This case reflects the first such movement. Three exceptions are SA-2 Manville; SA-3 Southampton;

and SA-1B Pennsgrove. An additional exception is the Manasquan Customer Group, which is already at statewide rates, but for water supply costs. Each of these three service areas will require more than three base rate cases to complete the move to unified, state-wide rates.

25. Wheeling Rate. The Company proposed in this case implementation of a wheeling rate. In view of the fact that the Board has not yet made a determination concerning the Joint Petition in Docket No. WR08010020, a wheeling rate will not be implemented at this time.

26. Peaking Rate. The Company proposed a peaking rate, identified as proposed Rate Schedule H. There was no opposition to this peaking rate, and it will be implemented.

27. Lakewood Sewerage Service Minimum Charge. The Company proposed imposition of a minimum charge to be applied to Lakewood sewerage service customers. It would be based upon a minimum usage of 2,000 gallons per month. The parties have agreed that consideration of this charge should be deferred until the Company's next base rate case.

28. Reconnection Charge. In light of the Company's proposal to eliminate its "non-business hours, non-emergency" reconnection charge of \$41.00, while retaining its "normal working hours" and "emergency call-out" reconnection charges of \$22.00 and \$100.00 respectively, the Company was asked to provide a calculation demonstrating the cost basis of the "emergency call-out" charge. Attached to this stipulation as Exhibit "B", is that calculation. The parties stipulate that the "emergency call-out" charge is cost justified, and therefore it is appropriate to eliminate the "non-business hours, non-emergency" reconnection charge of \$41.00.

29. Class Revenue Increases. The parties stipulate that GMS rates for a typical residential customer using 7,000 gallons per month for Service Area-1 ("SA-1") shall increase by \$4.71 per month; for SA-2 and SA-3 Main by \$8.37 per month; for SA-2 Manville by \$8.02 per month; for SA-3 Southampton by \$7.14; for SA-3 Homestead by \$8.72; for SA-1A Harrison by \$9.10; and for SA-1B Pennsgrove by \$6.23. Rates of commodity-demand and off peak service customers shall increase 1.1% overall. Rates of the OIW customers will increase 13.5% overall. Rates of the SOS customers will increase 27.0% overall. For private fire protection service rates will increase as follows: for SA-1, 15.0%; for SA-1A and SA-1B, 0.0%; for SA-1 Rate Schedule L-2, 15.2%; for SA-2, 0.0%; and for SA-3, overall 23.9%. For public fire protection service, rates will increase as follows: for SA-1, 7.1%; for SA-1A, 10.0%; for SA-1B, 10.0%; for SA-2, overall 2.2%; for SA-3, overall 5.0%; for SA-1 Rate Schedule M-2, 29.0%; SA-1 Rate Schedule M-4, 32.3%; and SA-1 Rate Schedule M-3, 6.8%. The rate methodology for public fire protection service for SA-1A Harrison is changing from inch-foot and hydrant charges to a rate based on hydrants only.

30. Customer Charges. The monthly customer charges for all service areas except SA-1B will be set at \$9.00 per month (non-exempt) for a ½ inch meter. The customer charge for SA-1B will be set at \$6.40 per month (non-exempt) for a ½ inch meter.

31. Sewer Service Revenue Increases. The Parties stipulate that sewer service revenues will increase for the Company's Ocean City Service Area by 42.3%; for Lakewood Service Area by 11.1%; and for the Adelpia Service Area by 11.2%. Within these service areas, these increases will be spread to rates on an across-the-board basis.

V. TARIFFS

Attached to this Stipulation as Exhibit "C" are tariffs including modifications agreed to by the parties to this proceeding. These tariff pages contain rates which reflect the revenue increase to which the parties have stipulated in this proceeding. The parties to this Stipulation agree that the proposed tariffs are just and reasonable, and should be accepted by this Board.

VI. MISCELLANEOUS

This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, the Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

NEW JERSEY AMERICAN WATER
COMPANY

By:  for
Ira G. Megdal, Esq.
Cozen O'Connor

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY

Stefanie A. Brand, Esq.
Director, Division of Rate Counsel

By: _____
Susan McClure
Deputy Public Advocate

MANASQUAN CUSTOMER GROUP

By: _____
Walter G. Reinhard, Esq.
Norris, McLaughlin & Marcus, P.A.

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

By: _____
Jessica Campbell, Esq.
Arlene Pasko, Esq.
Deputy Attorneys General

OIW CUSTOMER COALITION

By: _____
Martin C. Rothfelder, Esq.
Rothfelder Stern, LLC

CITY OF OCEAN CITY

By: _____
Douglas K. Walker, Esq.

TOWNSHIP OF HOWELL

By: 
Ernest Bongiovarini, Esq.
Marriott, Callahan, Blair, Greer and
Bongiovanni

AQUA NEW JERSEY

By: _____
Kevin A. Conti, Esq.
DeCotiis Fitzpatrick, Cole & Wisler

Dated: November 12, 2008

NEW JERSEY AMERICAN WATER
COMPANY

By: _____
Ira G. Megdal, Esq.
Cozen O'Connor

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Arlene Pasko, Esq.
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Rothfelder Stern, LLC

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By: Kevin A. Conti
Kevin A. Conti, Esq. *bx*
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Dated: November 12, 2008

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MASON, GRIFFIN & PIERSON

A PROFESSIONAL CORPORATION

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EDMOND M. KONIN*
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SHAWN M. NEUFELD¹
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November 7, 2008

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OF COUNSEL
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PAUL R. ADEZIO¹
Princeton Office

ALSO ADMITTED IN:
¹PA ¹NY ¹MA
¹FL ¹VA ¹IL

Honorable Mumtaz Bari-Brown, A.L.J.
State of New Jersey
Office of Administrative Law
33 Washington Street
Newark, NJ 07102

**Re: I/M/O the Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Increase Depreciation Rates and Other Tariffs Revisions
OAL Docket No. PUC0319-08
Agency Docket No. WR08010020**

Dear Judge Bari-Brown:

This office represents Participant Township of Princeton.

Please be advised that the Township has reviewed the terms of the proposed final Stipulation on revenue requirements, *et al.*, in the referenced rate case, dated November 6, 2008, and has no objection to same. The Township would like to take this opportunity to thank Your Honor, State Counsel, the Attorney General's Office, and the attorneys for NJAWC and the various intervenors for the diligent effort expended in accomplishing the proposed Stipulation.

Please call me with any questions. Thank you.

Respectfully,

Paul R. Adezio

Direct E-mail: p.adezio@mgplaw.com
Direct Dial: (609) 436-1213

PRA:mb

cc: Service List, *via electronic mail only*



**MIDDLESEX
WATER COMPANY**

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Fax (732) 638-7515

NASDAQ Stock Market Symbol MSEX
www.middlesexwater.com

Via Facsimile & Regular Mail
(973) 648-2358

November 12, 2008

Honorable Muntaz Bari-Brown, A.L.J.
State of New Jersey
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

RE: I/M/O of Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Charges for Water and Sewer Service; Increase Depreciation Rates and Other Tariffs Revisions
OAL Docket No. PUC0319-08
BPU Docket No. WR08010020

Dear Judge Bari-Brown:

Please be advised that Intervenor, Middlesex Water Company ("Middlesex") has reviewed the terms of the proposed final Stipulation on revenue requirements and other matters in the above case, dated November 12, 2008, and has no objection to the same.

Respectfully,

Kenneth J. Quinn
Vice President, General Counsel,
Secretary & Treasurer

KJQ:rs

cc: Service List (via email)



FORNARO FRANCIOSO LLC
COUNSELLORS AT LAW

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*MEMBERS OF THE NEW JERSEY & PENNSYLVANIA BAR
^oMEMBER OF THE NEW JERSEY & DISTRICT OF COLUMBIA BAR

November 10, 2008

Via Telefax 973-648-6124 & Regular Mail

The Honorable Mumtaz Bari-Brown
Administrative Law Judge
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

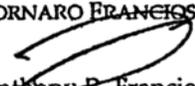
RE: I/M/O The Petition of New Jersey American Water Company, Inc., for Approval of Increased
Tariff Rates and Charges for Water and Sewer Service; Increased Depreciation Rates and Other
Tariff Revisions
BPU Docket No. WR08010020
OAL Docket No. PUC 0319-08

Dear Judge Brown:

FORNARO FRANCIOSO LLC represents Warren Township in the above referenced public utility rate matter. As special counsel for Warren Township, I am able to advise the Court that while the Warren Township will not be executing the proposed Stipulation, Warren Township will not oppose same.

Thank you for Your Honor's consideration to the foregoing.

Respectfully submitted,
FORNARO FRANCIOSO LLC


Anthony R. Francioso, Esq.

ARF/af

cc: Service List (Via Electronic Mail)
Mark. M. Krane, Township Administrator

H:\Clients\Warren Township\2008 NJAWC Case\ALJ Bari Brown Stipulation 111008.wpd



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⁰MEMBER OF THE NEW JERSEY & DISTRICT OF COLUMBIA BAR

November 10, 2008

Via Telefax 973-648-6124 & Regular Mail

The Honorable Mumtaz Bari-Brown
Administrative Law Judge
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

RE: I/M/O The Petition of New Jersey American Water Company, Inc., for Approval of Increased
Tariff Rates and Charges for Water and Sewer Service; Increased Depreciation Rates and Other
Tariff Revisions
BPU Docket No. WR08010020
OAL Docket No. PUC 0319-08

Dear Judge Brown:

FORNARO FRANCIOSO LLC represents the ad hoc group of Municipalities and Municipal Utility Authorities Intervenors known as the Bulk Purchaser Coalition in the above referenced public utility rate matter. As special counsel for the Bulk Purchaser Coalition, I am able to advise the Court that while the Bulk Purchaser Coalition will not be executing the proposed Stipulation, the Bulk Purchaser Coalition will not oppose same.

Thank you for Your Honor's consideration to the foregoing.

Respectfully submitted,
FORNARO FRANCIOSO LLC

Anthony R. Francioso, Esq.

ARF/af

c: Service List (Via Electronic Mail)

H:\Clients\Bulk Purchaser Coalition\2008 NJAWC Rate Case\Correspondence\ALJ Bari Brown 111008.wpd

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November 14, 2008

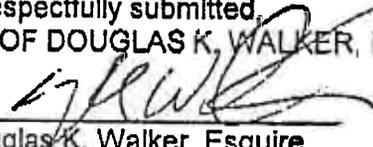
The Honorable Mumtaz Bari-Brown
Administrative Law Judge
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33 Washington Street
Newark, New Jersey 07102

RE: I/M/O the Petition of New Jersey American Water
Company, Inc, for Approval of Increased Tariff Rates and Charges
for Water and Sewer Service; Increased Depreciation Rates and Other
Tariff Revisions
BPU Docket No. WR08010020
OAL Docket No. PUC 0319-08

Dear Judge Brown:

I represent the City of Ocean City ("Ocean City"), Intervener in the above
referenced rate case. By way of this letter, I am advising Your Honor that Ocean
City will not be a signatory to the proposed Stipulation of Settlement. However,
Ocean City will not file any objection to the terms contained within the proposed
Stipulation of Settlement.

Respectfully submitted,
LAW OFFICE OF DOUGLAS K. WALKER, P.C.

By: 
Douglas K. Walker, Esquire

DKW/dar
cc: Service List (via e-mail only)

EXHIBIT A

Summary of Original Cost of Utility Plant in Service as of Future Test Year
and Related Annual Depreciation Expense -Settlement Rates

Account No. (a)	NARUC Account No. (e)	Description (b)	Original Cost (Future Test Yr) 12/31/08 (c)	Settlement Rates							
				Settlement Plant Only Rates		Settlement Gross Salv		Settlement COR Rates		Total Settlement Rates	
				Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	Rate % (l)	Annual Accrual (m)
DEPRECIABLE PLANT											
Source of Supply											
304.10	311.00	SS Structures & Improvements	17,801,580.49	3.00%	533,219.86	0.00%	0.00	0.03%	4,767.14	3.02%	537,987.00
305.00	312.00	Collecting & Impounding Res.	17,569,660.13	1.21%	213,150.46	0.00%	0.00	0.00%	0.00	1.21%	213,150.46
306.00	313.00	Lakes, River & Other Intakes	10,740,086.98	2.30%	246,490.67	0.00%	0.00	0.00%	360.56	2.30%	246,851.23
307.00	314.00	Wells & Springs	31,619,892.77	2.61%	826,280.54	0.00%	0.00	1.00%	315,708.05	3.61%	1,141,988.59
308.00	315.00	Infiltration Galleries and Tunnels	10,100,054.91	2.68%	270,498.95	0.00%	-0.00	0.00%	0.00	2.68%	270,498.95
309.00	316.00	Supply Mains	17,935,473.55	1.46%	262,153.59	0.00%	0.00	0.00%	0.00	1.46%	262,153.59
339.00	317.00	Other Water Source Plant	577,985.33	2.82%	16,290.42	0.00%	0.00	0.00%	0.00	2.82%	16,290.42
		Total Source of Supply Plant	106,344,734.16	2.23%	2,368,084.49	0.00%	0.00	0.30%	320,835.75	2.53%	2,688,920.24
Pumping Plant											
304.20	321.00	Pumping Structures & Improvements	65,917,168.73	3.02%	1,987,923.23	0.00%	0.00	-0.12%	-81,074.58	2.89%	1,906,848.65
310.20	322.00	Boiler Plant Equipment	173,565.31	0.59%	1,019.69	0.00%	0.00	0.00%	0.00	0.59%	1,019.69
310.10	323.00	Other Power Production Equip	11,438,476.18	2.60%	297,722.75	0.00%	0.00	0.00%	0.00	2.60%	297,722.75
311.20	325.00	Electric Pumping Eq.	94,541,202.30	2.70%	2,553,806.80	0.00%	0.00	0.09%	87,758.50	2.79%	2,641,565.30
311.30	326.00	Diesel Pumping Eq.	6,396,901.39	2.81%	180,007.45	0.00%	0.00	0.00%	0.00	2.81%	180,007.45
311.40	327.00	Hydraulic Pumping Equipment	36,975.25	0.82%	303.83	0.00%	0.00	0.00%	0.00	0.82%	303.83
311.50	328.00	Other Pumping Eq.	8,751,782.90	5.74%	502,149.88	0.00%	0.00	0.00%	0.00	5.74%	502,149.88
		Total Pumping Plant	187,256,072.06	2.95%	5,522,933.63	0.00%	0.00	0.00%	6,683.92	2.95%	5,529,617.55
Water Treatment Plant											
304.30	331.00	WT Structures & Improvements	155,277,992.42	2.66%	4,128,642.70	0.00%	0.00	0.25%	393,941.16	2.91%	4,522,583.86
320.10	332.10	Treatment Plant Equipment	295,334,622.36	3.44%	10,171,577.81	0.00%	0.00	0.20%	593,860.23	3.65%	10,765,438.04
320.20	332.20	Chemical Equipment	8,466,196.97	5.38%	455,407.28	0.00%	0.00	0.00%	0.00	5.38%	455,407.28
		Total Water Treatment Plant	459,078,811.76	3.21%	14,755,627.79	0.00%	0.00	0.22%	987,801.39	3.43%	15,743,429.18
Transmission & Distribution Plant											
304.40	341.00	TD Structures & Improvements	5,495,912.34	4.47%	245,482.82	0.00%	0.00	0.00%	153.24	4.47%	245,636.06
330.00	342.00	Distr. Reservoirs & Standpipes	77,602,245.36	2.00%	1,553,754.85	0.00%	0.00	0.02%	19,124.37	2.03%	1,572,879.22
			0.00								
331.00	343.00	Mains	549,684,811.79	0.89%	4,909,716.17	0.00%	0.00	0.13%	720,027.99	1.02%	5,629,744.16
331.10	343.10	Mains-All Material Types - 4 In & Under	14,384,462.74	1.05%	150,837.02	0.00%	0.00	0.93%	134,022.11	1.98%	284,859.13
331.20	343.20	Mains-All Material Types - 6 In - 8 In	214,361,041.51	1.05%	2,250,173.49	0.00%	0.00	0.16%	346,784.73	1.21%	2,596,958.22
331.30	343.30	Mains-All Material Types - 10 In - 16 In	180,838,081.03	0.90%	1,619,854.28	0.00%	0.00	0.04%	63,666.41	0.93%	1,683,520.69
331.40	343.40	Mains - All Material Types 18" & Over	164,995,196.03	0.86%	1,412,644.10	0.00%	0.00	0.02%	32,120.57	0.88%	1,444,764.67
		Total Trans & Distr Mains	1,124,263,593.09	0.92%	10,343,225.06	0.00%	0.00	0.12%	1,296,621.81	1.04%	11,639,846.87
332.00	344.00	Fire Mains	157,741.29	1.47%	2,313.42	0.00%	0.00	0.00%	0.00	1.47%	2,313.42
333.00	345.00	Services	267,919,297.61	1.63%	4,304,084.66	0.00%	0.00	0.20%	201,420.00	1.83%	4,505,504.66
334.00	346.00	Meters	65,998,290.71	11.31%	7,463,670.02	0.32%	211,194.53	-0.04%	-26,248.43	11.59%	7,648,616.12
334.20	347.00	Meter Installations	88,049,813.95	1.84%	1,618,193.09	0.00%	0.00	0.09%	80,912.48	1.93%	1,699,105.57
335.00	348.00	Hydrants	58,524,365.49	1.52%	887,525.30	0.00%	0.00	0.82%	478,266.37	2.33%	1,365,791.67
339.50	349.00	Other Trans. & Distr. Equip.	20,852.72	-8.80%	-1,835.74	0.00%	0.00	0.00%	0.00	-8.80%	-1,835.74
		Total Trans & Distr Plant	1,678,032,112.46	1.57%	26,316,413.37	0.01%	211,194.53	0.17%	2,843,328.87	1.75%	29,370,936.77

Summary of Original Cost of Utility Plant In Service as of Future Test Year
 and Related Annual Depreciation Expense -Settlement Rates

Account No. (a)	NARUC Account No. (a)	Description (b)	Original Cost (Future Test Yr) 12/31/08 (c)	Settlement Rates								
				Settlement Plant Only Rates		Settlement Gross Saly		Settlement COR Rates		Total Settlement Rates		
				Rate % (f)	Annual Accrual (g)	Rate % (h)	Annual Accrual (i)	Rate % (j)	Annual Accrual (k)	Rate % (l)	Annual Accrual (m)	
General Plant												
304.50	390.00	Adm & Gen Structures & Improvements	762,305.26	3.38%	25,796.68	0.00%	0.00	0.53%	4,041.10	3.91%	29,837.78	
304.60	390.10	Office Structures & Improvements	34,859,291.29	4.05%	1,411,425.70	0.00%	0.00	0.93%	323,115.78	4.98%	1,734,541.48	
304.70	390.20	Stores, Shop & Garage Structures	6,710,336.18	0.89%	59,638.92	0.00%	0.00	0.00%	0.00	0.89%	59,638.92	
304.80	390.30	Misc. Structures & Improvements	6,264,993.44	3.16%	198,046.36	0.00%	0.00	0.13%	7,917.19	3.29%	205,963.55	
		Total Structures & Improvements	48,596,926.17	3.49%	1,694,907.66	0.00%	0.00	0.69%	335,074.07	4.18%	2,029,981.73	
340.10	391.00	Office Furniture & Equipment	22,083,933.96	2.67%	590,077.77	0.00%	0.00	0.00%	0.00	2.67%	590,077.77	
340.20	391.20	Personal Computer Eq.	31,504,258.75	7.66%	2,413,507.60	0.19%	59,858.09	0.04%	11,657.39	7.89%	2,485,023.09	
340.21	391.21	Mainframe Computer Equipment	11,579,675.73	-1.13%	-130,847.70	0.00%	0.00	0.00%	0.00	-1.13%	-130,847.70	
340.30	391.30	Computer Software	17,906,041.93	8.27%	1,480,751.17	0.00%	0.00	0.00%	0.00	8.27%	1,480,751.17	
340.50	391.50	Other Office Equipment	1,169,544.42	7.34%	85,901.85	0.00%	0.00	0.00%	0.00	7.34%	85,901.85	
		Total Office Furniture & Equipment	84,243,454.79	5.27%	4,439,390.69	0.07%	59,858.09	0.01%	11,657.39	5.35%	4,510,906.18	
341.00	392.00	Transportation Equipment	56,465.90	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	
341.10	392.10	Trans. Equip. - Light Trucks	4,375,951.83	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	
341.20	392.20	Trans. Equip. - Heavy Trucks	2,106,837.86	0.00%	0.00	0.00%	0.00	-2.16%	-45,523.58	-2.16%	-45,523.58	
341.30	392.30	Trans. Equip. - Cars	164,936.64	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	
341.40	392.40	Trans. Equip. - Other	247,321.12	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	
		Total Transportation	6,951,513.35	0.00%	0.00	0.00%	0.00	-0.65%	-45,523.58	-0.65%	-45,523.58	
342.00	393.00	Stores Equipment	1,318,065.37	3.63%	47,826.99	0.00%	0.00	0.01%	108.17	3.64%	47,935.16	
343.00	394.00	Tools, Shop & Garage Equipment	8,123,876.91	2.71%	220,250.31	0.13%	10,561.04	0.00%	0.00	2.84%	230,811.35	
344.00	395.00	Laboratory Equipment	5,121,695.83	4.41%	225,946.66	0.00%	0.00	-0.59%	-30,046.27	3.82%	195,900.39	
345.00	396.00	Power Operated Equipment	2,225,240.13	6.71%	149,241.74	-1.79%	-39,831.80	-0.81%	-18,040.98	4.11%	91,368.96	
346.00	397.00	Communication Equipment	5,473,453.32	11.59%	634,449.04	0.00%	0.00	0.00%	0.00	11.59%	634,449.04	
347.00	398.00	Miscellaneous Equipment	3,375,714.99	3.55%	119,817.83	0.00%	0.00	0.10%	3,307.90	3.65%	123,125.73	
399.00		Other Tangible Plant	637,451.96	6.25%	39,858.68	0.00%	0.00	0.00%	0.00	6.25%	39,858.68	
		Total General Plant	166,067,392.83	4.56%	7,571,689.60	0.02%	30,587.33	0.15%	256,536.70	4.73%	7,858,813.64	
		TOTAL DEPRECIABLE PLANT	2,596,779,123.26	2.18%	56,534,748.88	0.01%	241,781.86	0.17%	4,415,186.63	2.36%	61,191,717.38	
		NON-DEPRECIABLE PLANT							COR Flowback		-1,200,000.00	
											59,991,717.38	

New Jersey-American Water Company

Docket Number WR08010020

Depreciation Rates Per Stipulation 11/05/08

Exhibit A - Sewer

NARUC	Rate
320	2.60%
321	2.01%
322	1.86%
323	2.28%
324	3.36%
325	5.42%
330	3.26%
331	6.61%
332	5.90%
340	3.26%
349	5.42%
381	5.42%
389	5.42%
391	6.97%
392	16.12%
394	11.12%
396	5.88%
398	8.27%

EXH BIT B

**New Jersey American Water Company
Reconnection of Service After Hours Cost Analysis**

		<u>Weighted Average</u>
Labor	a	\$ 109.52
Labor Overhead	b	43.59
Transportation	c	15.86
Call Handling	d	5.00
Time Critical Dispatch	e	<u>1.62</u>
Total Reconnection Cost		<u>\$ 175.60</u>

Note:

- a. The variability of wage rates and contract provisions across NJAW service areas due to different geographical areas and bargaining units and whether the employee is on straight time or overtime, necessitates the calculation of a weighted average.
- b. Labor Overhead includes group insurance, pension expense, 401K, ESPP, defined contribution and other employee benefits.
- c. Transportation includes vehicle leases, fuel and maintenance as a percentage of labor
- d. Customer Service Center costs per call.
- e. Time Critical (Dispatch) portion of the after hours process.