



Agenda Date: 2/27/08  
Agenda Item: VA

**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 NEW )  
JERSEY-AMERICAN WATER COMPANY, INC., FOR ) ORDER  
APPROVAL OF A MUNICIPAL CONSENT GRANTED )  
BY THE TOWNSHIP OF WESTAMPTON, )  
COUNTY OF BURLINGTON ) DOCKET NO. WE06110820

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On November 21, 2006, New Jersey-American Water Company, Inc., (“NJAWC” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”) seeking approval of a municipal consent granted by the Township of Westampton, Burlington County (“Township” or “Westampton”) on June 27, 2006, in Ordinance No. 11-2006. The municipal consent authorizes the Company to extend its’ water service and facilities to a newly proposed residential development within Westampton (“the Development”).

**Background**

NJAWC is a regulated public utility of the State of New Jersey, subject to the regulatory jurisdiction of the Board. The Company is a wholly owned subsidiary of American Water which itself is a wholly owned subsidiary of RWE AG, a German multinational corporation. As of when the petition was filed, the Company provided water and wastewater services to approximately 366,000 water customers and 27,000 wastewater customers located in 16 counties throughout the State that included portions of Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union, and Warren Counties. As of January 2008, NJAWC provides service to approximately 606,500 water customers and 28,400 sewer customers.

The proposed franchise area is contiguous to an area served by Mt. Holly Water Company (“MHWC”) which was an affiliate of NJAWC when the instant petition was filed. By Order Adopting Stipulation dated November 15, 2006, the BPU approved the merger of MHWC into and with NJAWC (the “Merger”). By operation of the Merger, which occurred on December 31, 2006, NJAWC succeeded to all the rights of MHWC, including its rights in the Township.

On August 21, 2007, a duly noticed public hearing was conducted at the Board’s Newark office by Legal Specialist, Joseph Quirolo, Esq. Representatives of NJAWC, the Division of Rate

Counsel ("Rate Counsel"), and Board Staff appeared at the meeting. No members of the public attended.

Rate Counsel submitted its written comments to the Board on October 25, 2007.

### **Analysis**

The Company represents that approval of the municipal consent will serve the public interest by permitting it to extend its water service to the Development which is situated in an area within Westampton where no water service presently exists.

Overall, the Development will total 528 units consisting of 276 age-restricted single family detached homes, 228 market-rate town homes, and 24 affordable age-restricted attached rental units.

Construction of the Development has not started, and the developer, OHB Homes, Inc. has not closed on any of the property parcels, pending receipt of certain government approvals, which the developer expects will occur within the next 18 months. Full build-out is anticipated in approximately five years with full occupancy within five to seven years from the start of construction.

The proposed water system will be located within public rights-of-way or in easements within the Development. Water service to the Development will be through an interconnection with NJAWC's Mt. Holly system at Woodland and Irick Roads, with water supply sourced from the Company's Green Street and Woodland wells following treatment at its Mansfield Treatment Plant. Total firm system capacity to serve the franchise area totals 11.45 million gallons per day ("mgd"). The Company will not provide wastewater service to the Development. Instead, the Willingboro Municipal Utilities Authority will be responsible for this service.

Actual capital costs are undetermined at this time, however, costs to construct both the proposed water system and all extensions to serve the Development will be paid by the developer. NJAWC has not yet executed an Extension Deposit Agreement ("Agreement") with the developer, but anticipates executing the Agreement after receipt of this and other approvals. Pursuant to the standard draft Agreement submitted by the Company with the petition ("Draft Agreement"), the Company will not begin installation of any extensions until the developer pays a deposit equal to the total estimated cost of the extensions, as may be revised at the end of the bidding process. At the Company's request, the developer will also pay any additional deposits required to cover any increased costs due to construction modifications throughout the course of the Agreement and NJAWC may suspend construction activities until receipt of any overdue payments. The Company is required to reimburse the developer those amounts less actual construction costs and conversely the developer will pay to NJAWC the difference if construction costs exceed the deposited amount. The Draft Agreement also sets forth a methodology for refunding of developer deposits by the Company.

The Company proposes to charge customers in the new franchise area the same rates as those charged by the former MHWC and will also maintain the same tariffed terms and conditions as were in place with MHWC. The rates and terms that will apply are those approved by the Board on March 22, 2007, under which a customer having a 5/8" meter will pay a fixed service charge of \$7.50 per month and a water charge of \$3.6398 per thousand gallons. The Purchased Water Adjustment Charge will be \$0.3458 per thousand gallons for all customers regardless of meter size. The Company estimates that full build-out will take about five years, with revenues

increasing by approximately \$38,600 per year. At full build-out, the Company projects total annual revenues of about \$242,000, with residential customers contributing \$224,000, fire service accounting for \$1,500, and hydrant charges providing \$16,500.

The site of the proposed franchise area possess an environmental concern with respect to gasoline related groundwater contamination and several small areas of soil contamination caused by heating oil or hydraulic fluid resulting from the presence of underground storage tanks at the site. The developer and the NJDEP reached an agreement whereby the developer will remediate the groundwater and soil contamination with NJDEP oversight of the cleanup activities. The Company believes that the contamination poses no threat to its source of supply.

The Company will incorporate the proposed franchise area into the MHWC Operations Center which will handle any emergency consistent with its obligations under the Board's rules.

By letter dated October 25, 2007, Rate Counsel advised that it does not oppose approval of the Company's petition subject to certain conditions.

Based on a review of the record to this proceeding, NJAWC possesses the financial stability and water utility expertise to allow it to efficiently and economically provide safe, adequate, and proper water service to the proposed franchise area. NJAWC is the largest water company in the State and has the capacity to provide and demonstrated its ability to supply the necessary resources to properly and adequately provide service to its customers. Accordingly, the Board **HEREBY APPROVES** the municipal consent, Ordinance 11-2006 granted to New Jersey-American Water Company by Westampton Township to permit New Jersey-American Water Company to add, to extend, operate, and maintain water in the proposed franchise.

The approvals granted, hereinabove, shall be subject to the following provisions:

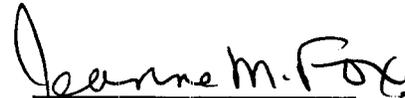
1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by NJAWC.
2. This Order shall not affect now nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting NJAWC.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.
4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

5. The Company shall be required to provide the Board and Rate Counsel with a copy of the Extension Deposit Agreement within fifteen days after it is executed by the Company and the Developer.

DATED:

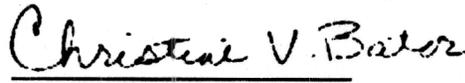
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BOARD OF PUBLIC UTILITIES  
BY:

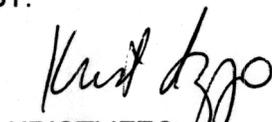
  
JEANNE M. FOX  
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FREDERICK F. BUTLER  
COMMISSIONER

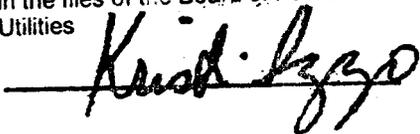
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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



I/M/O the Petition of New Jersey-American Water Company, Inc. for a Municipal Consent  
Granted by the Township of Westampton, County of Burlington - BPU Docket No. WE06110820

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