



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

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

IN THE MATTER OF THE PETITION OF NEW JERSEY-)
AMERICAN WATER COMPANY, INC. FOR APPROVAL) WATER
OF A LIMITED MUNICIPAL CONSENT GRANTED BY) ORDER
THE TOWNSHIP OF MANTUA, COUNTY OF)
GLOUCESTER AND A RESOLUTION ISSUED BY THE)
MANTUA TOWNSHIP UTILITIES AUTHORITY TO)
SERVE THE AREA TO BE DEVELOPED AS THE SOUTH)
JERSEY TECHNOLOGY PARK) DOCKET NO. WE07060372

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background

New Jersey American Water Company ("NJAWC" or "Company") is a regulated public utility of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"). The Company provides water service to approximately 606,500 customers and 28,400 sewer customers in 182 communities located in portions of Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union, and Warren Counties.

On June 6, 2007, NJAWC filed a petition with the Board seeking approval of a municipal consent, Ordinance No. O-08-2007 ("Ordinance"), granted in perpetuity to NJAWC by the Township of Mantua ("Mantua" or "Township") on March 27, 2007, to add, extend, operate, and maintain water facilities in a proposed franchise area located in the Township. The area in question is located in Planning Area 2. By way of the petition, the Company is also seeking approval of Resolution No. 2006-41 ("Resolution") adopted by the Mantua Municipal Utility Authority ("MMUA") on January 22, 2007, which ceded the rights of the MMUA in the proposed franchise area to allow NJAWC to add, extend, operate, and maintain water in the proposed franchise area.

On October 17, 2007, after proper notice, the public hearing in this matter was held before the Board's designated Hearing Examiner, Joseph Quirolo, Esq., at the Board's Newark office. Appearances were entered by representatives for the Company, Division of Rate Counsel ("Rate Counsel"), and Board Staff.

The Company asserts that approval of the Ordinance will serve the public interest by permitting NJAWC to extend its service thus making water service available to an area within the Township of Mantua that currently has no water service and further allow NJAWC to extend its regional transmission main further into Gloucester County and specifically to an area that will be developed into the South Jersey Technology Park located in Planning Area 2.

Discussion

The Company is proposing to provide service to an area to be developed into an academic and research campus to be known as the South Jersey Technology Park ("SJTP"). The SJTP was created when the New Jersey Economic Development Authority awarded Rowan University ("Rowan") a grant of \$5.8 million. The goal of the SJTP is to lead the economic revitalization of southern New Jersey through an integrated strategy of science and technology initiatives. The master plan for the SJTP is for a 200 acre mixed research and academic campus which will be an integral part of the proposed 580 acre Rowan University West Campus located at the corners of Routes 322 and 55.

The initial plan is to construct three buildings. Presently, one building is under construction with its completion for occupancy due on or before July 2008. The other two buildings are not presently designed and their future development is dependent upon the demand for high tech office space in the region. Overall, the ultimate build-out calls for the possibility of twenty buildings at the SJTP over the next twenty-five years.

Capital improvements necessary to provide service to the SJTP will be constructed following a two-pronged approach. In order to serve the first building, NJAWC has undertaken construction of off-site and on-site water mains connected to NJAWC's regional pipeline along with an interconnection with the Pitman Water Department in the event of either the regional pipeline being out of service and/or a fire event at the SJTP. For phase two, a 0.5 million gallon elevated water storage tank will be built and located on property owned and controlled by the SJTP or Rowan.

The Company has all approvals and required permits, except for the pending franchise approval, and a New Jersey Department of Environmental Protection permit relating to the 0.5 million gallon water storage tank.

Water Supply for the proposed franchise area will predominantly be surface water from the Delaware River that is treated at the Company's Delaware River Regional Water Treatment Plant in Delran, New Jersey. The potable water supply will be conveyed to NJAWC's extensive Tri-County (Burlington-Camden-Gloucester counties) Regional Transmission System. NJAWC's Western System has surplus regulatory and facility capacity to provide the SJTP's projected build-out Average Day Demand of about 187,500 gallons per day (gpd) and Maximum

Day Demands of approximately 375,000 gpd. NJAWC has a substantial allocation surplus and adequate firm capacity to supply the SJTP's current phase one and all other anticipated demands.

The estimated capital cost of the water facilities, pump station, main and service lines to be constructed to serve the proposed franchise area is \$3.1 million.

The Company will treat all deposits from Rowan as an Advance for Construction. On completion of the project, NJAWC will "true-up" the deposits received against the cost of the project. Excess funds will be returned and remaining funds to be used will be reclassified as Contributions In Aid of Construction ("CIAC"). The Company estimates that the project will not be fully refunded and that ultimately \$2.98 million will be treated as CIAC with the final amount depending on actual construction costs and revenues generated.

By letter dated December 11, 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, it is clear that 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 SJTP. NJAWC is the largest private 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. In addition, as a subsidiary of American Water, NJAWC has access to additional managerial, technical, and financial resources further enhancing its ability to serve its customers in a safe, adequate and proper manner. Accordingly, the Board HEREBY APPROVES the municipal consent granted to New Jersey American Water Company by the Township of Mantua and the Board FURTHER APPROVES Resolution No. 2006-41, adopted by the Mantua MUA, to permit New Jersey American Water Company to add, extend, operate, and maintain water in the proposed franchise.

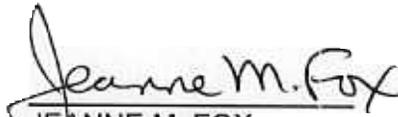
The approvals granted, hereinabove, shall be subject to the following provisions:

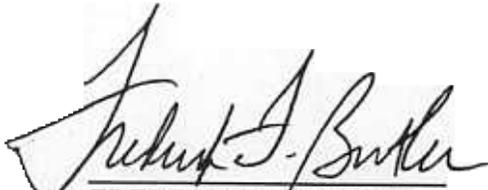
1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by New Jersey American Water Company.
2. This Order shall not effect now nor in any way limit the exercise of the authority 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 New Jersey American Water Company.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.

4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

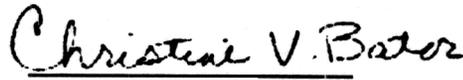
DATED: 3/4/08

BOARD OF PUBLIC UTILITIES
BY:

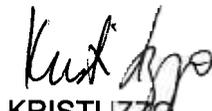

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

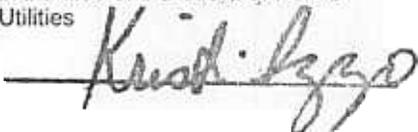

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



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MANTUA, COUNTY OF GLOUCESTER AND A RESOLUTION ISSUED BY THE MANTUA
TOWNSHIP UTILITIES AUTHORITY TO SERVE THE AREA TO BE DEVELOPED AS THE
SOUTH JERSEY TECHNOLOGY PARK - BPU DOCKET NO. WE07060372

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