



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)
AQUA NEW JERSEY, INC. FOR APPROVAL) ORDER
OF A MUNICIPAL CONSENT TO PROVIDE)
WATER SERVICE TO THE BOROUGH OF)
BLOOMSBURY AND OTHER RELATED)
APPROVALS) DOCKET NO. WE09050360

Collen A. Foley, Esq., Saul Ewing LLP, Newark, NJ for Petitioner

(SERVICE LIST ATTACHED)

BY THE BOARD:

Aqua New Jersey, Inc. ("Aqua" or "Company") provides water and wastewater services to nearly 50,000 customers in municipalities located in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Ocean, Sussex, and Gloucester Counties, New Jersey. Through its Northern Division headquartered in Phillipsburg, New Jersey, the Company provides service within Warren County to franchise areas located in Phillipsburg, Pohatcong, Lopatcong, Greenwich, Harmony, and Holland Townships.

On May 7, 2009, Aqua New Jersey, Inc. filed a petition with the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5 for approval: (1) of a municipal consent granted on March 30, 2009, by the Borough of Bloomsbury ("Bloomsbury" or "Borough"), Hunterdon County, New Jersey, authorizing Aqua New Jersey to provide water service in the Borough through Ordinance No. 103-09; and (2) for approval to apply the Company's current Board approved tariff to bill Bloomsbury customers on a monthly basis.

Bloomsbury's water system provides water service to approximately 310 customers in the Borough and an additional 16 customers in adjacent Greenwich Township.¹ On October 9, 2008, the Borough initiated solicitation of public bids for the sale of its water system assets. On October 24, 2008, Aqua submitted the only bid received as part of the solicitation. The sale of

¹ A prior municipal consent granted by Greenwich Township in 1932 and approved by the Board allows the Company to serve the 16 additional customers in Greenwich Township.

the system was subsequently subject to a public referendum in November 2008 and was approved by the Borough's residents: 222 favoring the sale with 159 opposed.

On April 8, 2009, the Company and the Borough executed an Asset Purchase Agreement ("Agreement") for the purchase by the Company of certain water system assets owned by the Borough. The Agreement between the Company and Bloomsbury establishes a purchase price of \$160,000 for the assets of the existing system. The system is located near Aqua's Northern Division in Phillipsburg and will be maintained and operated by existing employees of Aqua's Northern Division. The Company intends to interconnect the system to its existing Phillipsburg system and address the deficiencies in the Borough's storage reservoir.

On October 29, 2009, a duly noticed public hearing on the Company's petition was held at the Board's Newark office. Legal Specialist, Joseph Quirolo, Esq., presided over the hearing at which representatives of the Company, the Department of Public Advocate, Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively the "Parties") appeared. No members of the public appeared at the hearing.

Aqua will operate the water system and proposes that an interconnection to its Northern Division will be built 12-15 months after the transaction is completed. The Company proposes that the interconnection will be sized to handle the peak day demands in the event of an emergency. Current plant maximum output is estimated at 316,800 gallons per day (gpd) when combining the outputs of wells #1 and #2. It is estimated that the system will incur a daily consumption range of approximately 72,000 gpd. The Northern Division has a firm capacity of 5.74 million gpd with a daily peak demand of 4.33 million gpd. Even if Aqua determines that wells #1 and #2 must be removed from service, Aqua has sufficient plant capacity cushion of 1.4 million gpd to service this system.

The Bloomsbury system is faced with a number of significant challenges. The water storage facility has structural defects with debris sometimes entering the finished water product. Water pH and chlorine residual levels are not properly maintained. Surface water at times influences the wells which provide the system's source of supply. In addition, the wells contain trichloroethylene (TCE) levels far exceeding established maximum contaminant levels. The water is brought to acceptable drinking water standards using an air stripper and the New Jersey Department of Environmental Protection ("DEP") has imposed more frequent TCE monitoring requirements on the Borough. Adding to the challenging water quality issues, the system also has a serious problem with non-revenue water which is at a level of 60% of system production. The Company intends to address the deficiencies of the system by investing over \$1.1 million in capital investment over the next five years.

There will be no impact on the Company's ability to provide safe, adequate and reliable service to the other areas served by the Northern Division. The new customers will have customer assistance through the Northern Division's office located in Phillipsburg, including a 24 hour emergency line. Aqua will provide daily on-site visits by a Licensed Operator to operate/supervise system operations. The Licensed Operator's responsibilities include other nearby systems. Back-up operators will be available as needed.

The Company proposes to charge rates for water service pursuant to its existing July 14, 2008, Board approved residential water tariff. Water service will be metered according to current rates on file at the Board for the proposed franchise area which provides for a fixed service charge of \$29.67 per quarter for a 5/8 inch or 5/8 x 3/4 inch meter and a consumption charge of \$4.12254 per thousand gallons. Hydrant charges are \$146.16 per year per hydrant.

The proposed franchise area is located in Planning Area 4B – Rural Planning Area and Planning Area 5 – Environmentally Sensitive Planning Area. The system presently exists and there are no plans for growth in the area served by the system.

By letter dated November 10, 2009, Rate Counsel submitted its comments to the petition and is not opposed to its approval. According to Rate Counsel, the revenues generated by the Company's existing tariff will adequately support the acquisition without imposing a burden on existing ratepayers. Rate Counsel notes that the increase is far less than that which would result if the system remained under the control of the Borough and the costs to remedy system deficiencies were passed through to the small number of system customers. Rate Counsel recommends that any approval should not include authorization to include acquired assets in rate base. The inclusion into rate base of any asset and any associated ratemaking determination should be addressed in a future base rate proceeding. Rate Counsel further recommended the inclusion of specific language in any Board Order approving the petition, which is incorporated in this Order.

Aqua provides potable water and wastewater service to customers in various communities located in nine counties throughout the State. Its employees are qualified and possess the expertise to operate and maintain these systems and facilities so as to provide safe, adequate and proper service. This same level of service will be provided to the new service area. As a wholly owned subsidiary of Aqua America, the Company has the financial stability and access to a wealth of utility related expertise and capital should the need arise.

Therefore, the Board **HEREBY FINDS** that the acquisition and extension requested is necessary and proper for the public convenience and properly conserves the public interests, and **HEREBY APPROVES** the Borough of Bloomsbury's Ordinance No.103-09 adopted on March 30, 2009, for the provision of water service in the Borough of Bloomsbury and Resolution No. 2009-28 drafted and executed on February 19, 2009, by Greenwich Township acknowledging and consenting to the acquisition of the assets and operation of the water system as sought in the Company's petition.

The Board **FURTHER APPROVES** the use of the existing Board approved General Metered Service tariff of Aqua New Jersey Inc. for water service to be provided to the residents of Bloomsbury and Greenwich. Aqua's current rates on file at the Board for the proposed franchise provide for a quarterly service charge of \$29.67 and a consumption charge of \$4.12254 per 1,000 gallons consumed. Hydrant charges will be \$146.16 per hydrant per year.

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 Aqua New Jersey Inc.
2. This Order shall not affect 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 Aqua New Jersey Inc.

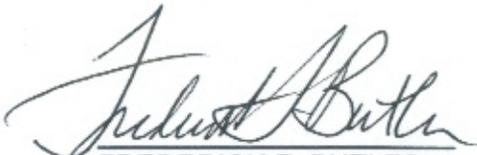
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.
4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

DATED: 12/17/09

BOARD OF PUBLIC UTILITIES
BY:



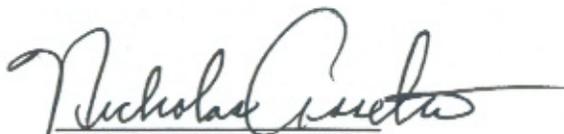
JEANNE M. FOX
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FREDERICK F. BUTLER
COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER



NICHOLAS ASSELTA
COMMISSIONER



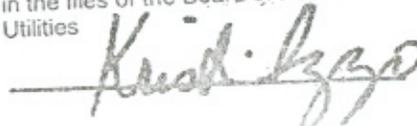
ELIZABETH RANDALL
COMMISSIONER

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



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