



Agenda Date: 1/8/03
Agenda Item: V-E

guy

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

IN THE MATTER OF THE PETITION OF) WATER AND WASTEWATER
NEW JERSEY-AMERICAN WATER)
COMPANY, INC., FOR APPROVAL OF) ORDER OF APPROVAL
MUNICIPAL CONSENT GRANTED BY)
THE BOROUGH OF FLORHAM PARK,)
COUNTY OF MORRIS) DOCKET NO. WE00080576

(SERVICE LIST ATTACHED)

BY THE BOARD:

New Jersey-American Water Company, Inc. (NJAWC or Petitioner), a public utility of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (Board), is engaged in the production, treatment and distribution of water and the collection of sewage within its service territory in the State. NJAWC provides service to approximately 346,000 water and 28,000 sewer customers in 122 municipalities located in portions of the following counties: Atlantic, Burlington, Camden, Cape May, Essex, Gloucester; Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union and Warren.

On August 16, 2000, NJAWC filed a petition, pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5, seeking Board approval of a municipal consent for the provision of water service granted by the Mayor and Council of the Borough of Florham Park (Borough or Florham Park) on March 21, 2000, in the form of Ordinance No. 8-00. The purpose of the Ordinance was to amend Ordinance No. 2-90, under which Petitioner currently provides water service, within the Borough, by adding two franchise areas, to be known as Expansion Area of Franchise Area 1 and Franchise Area 3, in order that water service can be made available to newly developing areas within the municipality. Franchise Area 2 already exists. Specifically, service would be extended to a proposed 1.7 million square foot office complex being developed by the Rockefeller Group in the Expansion Area of Franchise Area 1 and to a proposed 1.0 million square foot office complex in Franchise Area 3 to be known as the Triumph Development.

After appropriate notice, a hearing in this matter was held on July 3, 2001, at the Board's Newark offices before Edward D. Beslow, Esq., the Board's duly designated Hearing Examiner. At the hearing, Petitioner relied on the testimony of Andrew Clarkson, Manager of its Short Hills Operating Center.

Mr. Clarkson testified that in the Expansion Area of Franchise Area 1, the Rockefeller Group is proposing the construction of some 1.7 million square feet of office space, as well as a hotel. He noted that approximately 220,000 square feet of this office space was completed in 2001 and that an additional 230,000 square feet of office space has received all final approvals with construction scheduled to start later in 2001 depending upon the ability of the developer to obtain a tenant for the space. Mr. Clarkson stated that the Rockefeller Group development will receive service from an existing NJAWC water main located in Park Avenue in Florham Park.

With regard to the development of the 1.0 million square feet of office space within Franchise Area 3, Mr. Clarkson testified that, at present, there are two separate office complex sites within this area and that 175,000 square feet of office space has received final approval for one of those sites, with an additional 133,000 square feet of office space having received final approval in the second site. The witness noted that these facilities would receive service through an existing NJAWC main located in Columbia Turnpike. Mr. Clarkson further stated that it is contemplated that the developer-installed mains within Franchise Area 3 will interconnect with a yet to be constructed NJAWC-owned and maintained emergency interconnection with the Borough of Florham Park water system in Park Street within the Borough.¹

With respect to both these planned developments, Mr. Clarkson testified that the Petitioner would not need to make any infrastructure improvements to service either of these developments since existing water mains and water storage facilities in this area are more than adequate to satisfy the anticipated additional demand. He also noted that NJAWC has a more than adequate water supply for this area, as is evidenced by the fact that Petitioner has a water purchase contract with the Passaic Valley Water Commission (Commission), which allows NJAWC to purchase up to 20 million gallons of water per day from the Commission for service to this part of the Petitioner's system. At present, Mr. Clarkson stated that NJAWC purchases approximately half that quantity of water per day from the Commission for this area. With respect to the distribution mains within the respective developments, the witness went on to state that those mains would be installed, owned and maintained by the respective developers. Mr. Clarkson added that, at some time in the future, the Petitioner might acquire some, or all, of those distribution mains from the developers.

In connection with the Expansion Area of Franchise Area 1, Mr. Clarkson testified that while new buildings have been completed and additional office buildings are planned, there are already existing office buildings within this franchise area that have been, and are being, served through a private system owned by Exxon-Mobil. He also stated that two of the existing office buildings are unoccupied and will be removed by the Rockefeller Group developer at some point in the future. Mr. Clarkson further testified that the Petitioner has an emergency interconnection with the Exxon-Mobile system and that it is contemplated that this interconnection will be utilized to provide NJAWC water service within the development encompassed by the Expansion Area of Franchise Area 1. Mr. Clarkson stated, in response to questions from Board Staff, that no residential development is planned for either the Expansion Area of Franchise Area 1 or Franchise Area 3, that no connection fees will be charged to any customers within the extended

¹ The Expansion Area of Franchise Area 1 will be served from an existing NJAWC main located in Park Avenue; Franchise Area 3 will be served from an existing NJAWC main located in Columbia Turnpike; the Park Street interconnection with Florham Park is for emergency purposes only.

service areas and that all customers to be served in both franchise areas will receive water service pursuant to the terms and conditions and at the rates and charges set out in the Petitioner's existing tariff on file with the Board. At total build out for both franchise areas, Mr. Clarkson estimated that total annual revenues would approximate \$275,000 depending upon the level of occupancy in the commercial facilities.

Division of the Ratepayer Advocate (RPA) has reviewed the Petition and is not opposed to its approval at this time. The RPA states that the Company has demonstrated its technical, operational, and managerial ability to provide water service to New Jersey ratepayers. In addition, the projects will be funded almost entirely by the developers of the projects and therefore there should be no negative financial impact on existing ratepayers. The RPA believes that approval of the Petition, however, should not include authorization to include in rate base the specific assets that will be completed as a result of these developments. The determination of any assets to be included in rate base and the rate making impact of serving these new customers should be addressed in a future base rate case proceeding. Accordingly, the RPA recommends that any Board Order approving NJAWC's Petition contain certain provisions.

Based on the record in this matter, the Board HEREBY FINDS that the consent granted by Florham Park Ordinance No. 8-00 is necessary and proper for the public convenience and properly conserves the public interest. The Board FURTHER FINDS that the Company has demonstrated that it has a sufficient supply of water and all existing necessary transmission, distribution and storage facilities in order to adequately serve the water needs of the developments proposed for these new service territories. Accordingly, the Board, pursuant to N.J.S.A. 48:2-14 and N.J.S.A. 48:19-20, HEREBY APPROVES the consent granted by the Borough of Florham Park to New Jersey-American Water Company to provide water service to the areas within the Borough specifically set forth in the Consent Ordinance, subject to the following conditions:

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 the Petitioner.
2. This Order shall not affect or in any way limit 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 any other matters affecting the Petitioner
3. In an appropriate subsequent proceeding, Petitioner 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 will be completed as a result of the new 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, the cost of construction, contributions in aid of

construction, the cost of connection, or any related capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

5. The approval of the municipal consent shall be subject to Petitioner obtaining all necessary NJDEP approvals and filing copies of the permits with the Board within thirty (30) days of their acceptance.
6. The journal entries relating to the new service territory of Petitioner are approved for accounting purposes only.

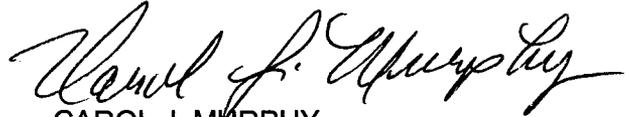
DATED: 1/13/03

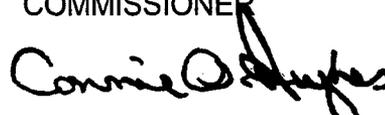
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SECRETARY

**I/M/O NEW JERSEY-AMERICAN WATER COMPANY
APPROVAL OF CONSENT GRANTED BY THE
TOWNSHIP OF FLORHAM PARK**

DOCKET NO. WE00080576

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