



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

WATER

IN THE MATTER OF THE JOINT PETITION )  
FOR APPROVAL OF THE CHANGE OF CONTROL ) ORDER  
OF THE LAWRENCEVILLE WATER COMPANY )  
AND OTHER REQUIRED APPROVALS ) DOCKET NO. WM08110984

(SERVICE LIST ATTACHED)

BY THE BOARD:

Procedural History

On November 12, 2008, Lawrenceville Water Company ("Lawrenceville"), Aqua America, Inc. ("Aqua America"), Aqua New Jersey, Inc, ("Aqua-NJ"), and LWC Acquisition Corp. ("LWC Acquisition"), (collectively the "Petitioners") filed a Petition<sup>1</sup> ("Petition") pursuant to N.J.S.A. 48:2-51.1 seeking Board of Public Utilities ("Board") approval of a series of transactions that will take place over approximately two years. First, Petitioners sought authority for Aqua America to acquire Lawrenceville by way of a merger with LWC Acquisition<sup>2</sup>, with Lawrenceville the surviving entity.<sup>3</sup> At the

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<sup>1</sup> Petitioners supplemented their Petition by way of a letter filed on March 10, 2009, advising the Board of their intent to implement monthly billing for the current customers of Lawrenceville and to close Lawrenceville's current office located at 12 Gordon Avenue, Lawrenceville, NJ.

<sup>2</sup> As noted below, LWC Acquisition Corp. was formed for the purpose of effectuating this transaction.

<sup>3</sup> Aqua America, LWC Acquisition and Lawrenceville signed an Agreement and Plan of Merger (the "Agreement") dated October 3, 2008, pursuant to which Aqua America shall acquire Lawrenceville. The purchase price is \$2,880,000. As described in Section 2.7 of the

conclusion of this step, Lawrenceville will be a direct, wholly owned subsidiary of Aqua America. Petitioners anticipate that this initial merger transaction will take place as soon as practicable following receipt of the Board's approval requested in this matter. Second, Petitioners sought authority for Aqua-NJ to merge with Lawrenceville, with Aqua-NJ becoming the surviving entity. Petitioners anticipate that the second transaction will occur approximately two years after the initial merger of Lawrenceville and LWC Acquisition.

The matter was retained by the Board for consideration, and Commissioner Nicholas Asselta was assigned to hear the matter. The parties have engaged in extensive and detailed discovery. On April 6, 2009, a public hearing was held in Lawrenceville. No members of the public appeared at the hearing. Subsequently, settlement discussions were held and those efforts have resulted in the Stipulation of Settlement set forth below.

### Background

Lawrenceville is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board. Lawrenceville provides water service to approximately 2,600 customers located in Lawrence Township, Mercer County, New Jersey.

Aqua America is a Pennsylvania corporation which provides water and wastewater services to approximately 2.8 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York and South Carolina. Aqua America's principal business office is located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010.

Aqua-NJ is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board, and a wholly-owned subsidiary of Aqua America. Aqua-NJ provides water and/or wastewater services to approximately 51,000 customers in several municipalities located in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Sussex, Ocean and Gloucester Counties.

LWC Acquisition is a New Jersey corporation and a wholly-owned subsidiary of Aqua America. LWC Acquisition was formed solely for the purpose of effectuating the merger transactions described herein.

### Proposed Stipulation

The parties that have participated in the proceeding are as follows: Lawrenceville Water Company, Aqua America, Inc., Aqua New Jersey, Inc., and LWC Acquisition Corp., the Department of Public Advocate, Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Board Staff"). As a result of an analysis of the filed Petition and exhibits, conferences, negotiations, responses to data requests, and a duly noticed public comment hearing held in Lawrenceville, N.J., the Petitioners, Rate Counsel and Board Staff (collectively, the "Parties") have entered

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Agreement, each share of Lawrenceville capital stock will be converted into the right to receive a certain number of shares of Aqua America common stock. The precise number of shares will be determined at closing pursuant to the conversion formula contained in the Agreement.

into a Stipulation of Settlement ("Stipulation"), on all of the issues in dispute in this matter.

Pursuant to the Stipulation, the Parties have agreed that rates charged to Lawrenceville customers for water service will remain unchanged after the transactions have been completed. Petitioners note that customers in Lawrenceville will continue to pay for water service at the current, Board-approved Lawrenceville rates and such rate schedules are attached as Schedule A to the Stipulation. Petitioners intend that these rates will remain in effect until such time as Lawrenceville is merged with Aqua-NJ. The merger of Lawrenceville and Aqua-NJ is estimated to occur approximately two years after the initial merger of Lawrenceville and LWC. It has been agreed that at Aqua-NJ's first base rate proceeding filed after the consummation of the Lawrenceville-Aqua-NJ merger, Aqua-NJ will propose to transition the Lawrenceville customers to the then-effective Aqua-NJ rates.

Lawrenceville has no full-time employees and instead is operated by a combination of contract operators and part-time employees. The Parties agree that one part-time employee will continue with Lawrenceville following the merger as a consultant. Aqua-NJ will assign qualified individuals to inspect and operate the Lawrenceville system on a daily basis to ensure the system is operating properly.

The provision of safe, adequate and proper utility service will be enhanced as a result of the proposed transactions in that it will make available to the customers of Lawrenceville the environmental, technical, operational and financial resources of the Aqua America family of companies.

The proposed transactions will have no immediate, direct or measurable impact on competition. Moreover, Aqua-NJ and Lawrenceville will continue to be subject to the jurisdiction of the Board.

The Parties have agreed to recommend to the Board that the Board approve the merger of Lawrenceville and LWC Acquisition (with Lawrenceville the surviving entity), and the merger of Lawrenceville and Aqua-NJ (with Aqua-NJ the surviving entity).

The Parties agree that within thirty days of the closing of each of the merger transactions, Aqua-NJ will file with the Board and the Parties to the Stipulation written notice of the closing and detailed final journal entries reflecting actual amounts at the time of closing and the BPU Uniform System of Accounts number(s) associated with each entry.

The Parties have further agreed that any requests for an acquisition adjustment which may result from the proposed merger transactions will be addressed, if necessary, in a future Aqua-NJ base rate proceeding (after Aqua-NJ and Lawrenceville have been merged in approximately two years). In addition, no direct and/or indirect transaction costs (financial, legal, consulting, etc) shall ever be passed on to, or recovered from, or funded by the customers of Aqua-NJ either in the form of expenses or as capitalized organization and franchise costs. Aqua-NJ shareholders shall be responsible for all direct and indirect transaction costs (financial, legal, consulting, etc.).

The Parties also agree that approval of this Petition does not constitute Board approval of any costs or expenses associated with these transactions, including the costs associated with the Consulting Agreement between Lawrenceville and Charles Conover. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the customers currently served by Lawrenceville, including but not limited to the costs of construction, or any related capital improvements, and the allocation of such costs and expenses, shall be made in a future Aqua-NJ base rate proceeding.

The Parties have agreed that customers of Lawrenceville should continue to pay for water service at rates pursuant to Lawrenceville's existing Board-approved tariff. In a future Aqua-NJ base rate proceeding, the Board will be presented with the issue as to the rates and charges that Lawrenceville customers should be charged pursuant to Aqua-NJ's then-approved tariffs. At this time, the Board makes no determination as to the appropriateness of any such changes to Lawrenceville's rates.

The Parties also have agreed that subject to appropriate confidentiality protections, the Board shall be provided with reasonable access to the books and records of Aqua-NJ and any of its affiliates for the purpose of reviewing the proper allocation of costs to its operations. Nothing in the Stipulation shall be construed so as to limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

The Parties agreed that prior to the closing of the current Lawrenceville office, the Parties will meet with Board Staff and Rate Counsel to develop a reasonable plan for notifying customers, and the affected municipalities of Aqua American or -NJ's acquisition of Lawrenceville and the office closing. The Parties to the Stipulation acknowledge that the office closing shall be completed in accordance with the provisions of N.J.A.C. 14:3-5.1(e)

The Parties acknowledge that any Board Order approving the Companies' Petition will contain language which recognizes that the Order issued in this matter shall not affect or in any way limit the exercise of the authority of the Board or the State in any future proceedings with respect to rates, franchises, service, customer service and call center operations, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioners.

The Parties acknowledge the Petitioners' March 10, 2009 request to implement monthly billing for Lawrenceville customers. The Parties recommend that the Board authorize, to the extent required, such monthly billing subject to:

- (a) The switch from quarterly to monthly billing will not constitute approval of any costs or expenses associated with the change in billing frequency. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the switch from quarterly to monthly billing shall be made in an appropriate subsequent proceeding. Petitioners shall maintain their records in such a manner that costs related to the switch from quarterly to monthly billing can be determined.

(b) Petitioners shall provide individual notice by first class mail to all customers of Lawrenceville Water Company 60 days in advance of the switch from quarterly to monthly billing and provide proof of such mailings to the Board within ten (10) days of such mailing.

(c) Petitioners shall submit revised tariff pages reflecting the change in billing of the Lawrenceville Water Company customers from quarterly to monthly within ten (10) days of the date of such change.

Following completion of the proposed transactions, Aqua America and Aqua-NJ agree to continue to keep the Board and Board Staff apprised of any significant issues affecting Aqua America and/or Aqua-NJ in the manner in which they currently do so and shall use their best commercially reasonable efforts to provide notification of any such significant issues to the Board and Board Staff, as an 'Interested Party' under the SEC Regulation Fair Disclosure (FD) no later than Aqua America and Aqua-NJ give notice of such significant issues to any person or entity outside their respective companies, including any other state regulatory body or agency, to the extent permitted by the requirements of all applicable laws and regulations.

Aqua America and Aqua-NJ agree to provide notice to the Board and Board Staff, upon the applicable SEC filing relating to such event, if Aqua America experiences any of the following events: (i) a change of control, (ii) a material acquisition or disposal of assets other than in the ordinary course of business, (iii) a filing of bankruptcy or appointment of a receiver, or (iv) a change in its independent accounting firm.

The Parties agreed that the Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to the Stipulation as a whole, since the Parties expressly and jointly state that they would not have signed the Stipulation had any terms been modified in any way. In the event any particular aspect of the Stipulation is not accepted and approved by the Board, then any Party materially affected thereby shall not be bound to proceed under the Stipulation.

The Parties have further agreed that the purpose of the Stipulation is to avoid protracted and costly litigation, and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

It is specifically understood and agreed that the Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Petitioners, the Board, Board Staff or 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 in the Stipulation in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation. Furthermore, it has been agreed that all rates are subject to audit by the Board.

Discussion and Findings:

When considering a transaction pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14, the Board is required to evaluate the impact of the proposed change of control on competition, on the rates of ratepayers affected by the change in control, on the employees of the affected public utility, and on the provision of safe, adequate and proper utility service at just and reasonable rates, and to state the benefits to the public which will be realized as a result of the change in control. As to rates, Petitioners have agreed that Lawrenceville's rate schedule will remain in effect at least until Lawrenceville is merged with Aqua-NJ, which will occur in approximately 2 years after the merger of Lawrenceville and LWC Acquisition. Any proposed transition to Aqua-NJ rates will be determined in Aqua-NJ's first base rate proceeding following the Lawrenceville and Aqua-NJ merger. As to employees, Lawrenceville current has only part-time and contract employees. After the merger, one part-time employee will be retained by Lawrenceville. All responsibilities will be assigned to qualified Aqua-NJ personnel. As to the provision of safe and adequate utility service, the transaction will make Aqua America's environmental, technical, operational and financial resources available to Lawrenceville customers. Additionally, Aqua-NJ has significantly more financial resources than the current owners of Lawrenceville, that will allow it to make capital improvements to the Lawrenceville system. Finally, the transaction will not have any direct or measurable impact on competition as water services at the distribution level have not traditionally been competitive. As such the Board HEREBY FINDS that the standards which are to be met in order for the Board to approve a change of control have been satisfied.

The Board adopts the Stipulation as its own, incorporating by reference the terms and conditions as if fully set forth herein, and HEREBY APPROVES the agreements between Lawrenceville, Aqua America, Aqua-NJ and LWC Acquisition. Except as set forth below. Should there be any discrepancy between the terms of the Stipulation and descriptions found in this Order, the executed Stipulation shall control.

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 Petitioners.
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 Petitioners.
3. In an appropriate subsequent proceeding, the Petitioners 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 these change of control agreements do 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 Petition does not constitute Board approval of any costs or expenses associated with this acquisition. Any requests for an acquisition adjustment which may result from the proposed merger transactions will be addressed, if necessary, in a future Aqua-NJ base rate proceeding (after Aqua-NJ and Lawrenceville have been merged in approximately two years). In addition, no direct and/or indirect transaction costs (financial, legal, consulting, etc) shall ever be passed on to, or recovered from, or funded by the customers of Aqua-NJ either in the form of expenses or as capitalized organization and franchise costs. Aqua-NJ shareholders shall be responsible for all direct and indirect transaction costs (financial, legal, consulting, etc.).
5. Approval of this Petition does not constitute Board approval of any costs or expenses associated with these transactions. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the customers currently served by Lawrenceville, including but not limited to the costs of construction, or any related capital improvements, and the allocation of such costs and expenses, shall be made in a future Aqua-NJ base rate proceeding.
6. Approval of this Petition shall not be construed as Board approval of the appropriateness and reasonableness of any future changes to Lawrenceville's rates. Such determination shall be made in a future Aqua-NJ base rate proceeding, but not prior to the merger of Lawrenceville and Aqua-NJ.
7. Subject to any claim of confidentiality pursuant to N.J.A.C. 14:1-12.1 et seq. the Board shall be provided with reasonable access to the books and records of Aqua-NJ and any of its affiliates for the purpose of reviewing the proper allocation of costs to its operations. Such claims shall not limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

Furthermore, the Board HEREBY ORDERS that Aqua-NJ shall file written notice of the closing of each merger transaction and final journal entries with the Board and the Parties within thirty (30) days of the closing of the transaction.

DATED: 7/1/09

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

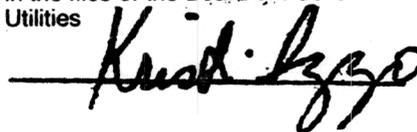
  
NICHOLAS ASSELTA  
COMMISSIONER

  
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



**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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**JOINT PETITION FOR APPROVAL OF  
THE CHANGE OF CONTROL OF THE  
LAWRENCEVILLE WATER COMPANY  
AND OTHER REQUIRED APPROVALS**

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**BPU DOCKET NO. WM08110984**

**STIPULATION  
OF SETTLEMENT**

**APPEARANCES:**

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of Lawrenceville Water Company, Aqua America, Inc., Aqua New Jersey, Inc., and LWC Acquisition Corp., Petitioners

Anne Marie Shatto, Deputy Attorney General, (Anne Milgram, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

Debra F. Robinson, Esq., Deputy Public Advocate, (Stefanie A. Brand, Rate Counsel), on behalf of the Department of the Public Advocate, Division of Rate Counsel

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

The parties that have participated in this proceeding are as follows: Lawrenceville Water Company, Aqua America, Inc., Aqua New Jersey, Inc., and LWC Acquisition Corp., (“Petitioners”), the Division of Rate Counsel (“Rate Counsel”), and the Staff of the Board of Public Utilities (“Staff”). As a result of an analysis of the filed Petition and exhibits, conferences, negotiations, responses to data requests, and a duly noticed public comment hearing held in Lawrenceville, N.J., the Petitioners, Rate Counsel and the Staff (collectively, the “Signatory Parties”) have come to an agreement on all of the issues in dispute in this matter. The Signatory Parties agree and stipulate as follows:

The Petitioners initiating, and the procedural history of, this matter are as follows:

Lawrenceville Water Company (“Lawrenceville”) is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board. Lawrenceville provides water service to approximately 2,600 customers located in Lawrence Township, Mercer County, New Jersey.

Aqua America, Inc. (“Aqua America”) is a Pennsylvania corporation which provides water and wastewater services to approximately 2.8 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York and South Carolina. Aqua America’s principal business office is located at 762 West Lancaster Avenue, Bryn Mawr, PA 19010.

Aqua New Jersey, Inc. (“Aqua-NJ”) is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board, and a wholly-owned subsidiary of Aqua America. Aqua-NJ provides water and/or wastewater services to approximately 51,000 customers in several municipalities located in Warren, Hunterdon, Mercer, Burlington, Monmouth, Camden, Sussex, Ocean and Gloucester Counties.

LWC Acquisition Corp. (“LWC Acquisition”) is a New Jersey corporation and a wholly-owned subsidiary of Aqua America. LWC Acquisition was formed solely for the purpose of effectuating the merger transactions described herein.

On November 12, 2008, Petitioners filed a Petition<sup>1</sup> pursuant to N.J.S.A. 48:2-51.1 seeking Board of Public Utilities (“Board”) approval of a series of transactions that will take place over approximately two years. First, Petitioners seek authority for Aqua America to acquire the Lawrenceville Water Company by way of a merger with LWC Acquisition Corp.<sup>2</sup>,

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<sup>1</sup> Petitioners supplemented their Petition by way of a letter filed on March 10, 2009, advising the Board of their intent to implement monthly billing for the current customers of Lawrenceville and to close Lawrenceville’s current office located at 12 Gordon Avenue, Lawrenceville, NJ.

<sup>2</sup> As noted below, LWC Acquisition Corp. was formed for the purpose of effectuating this transaction.

with Lawrenceville the surviving entity.<sup>3</sup> At the conclusion of this step, Lawrenceville will be a direct, wholly-owned subsidiary of Aqua America, Inc. Petitioners anticipate that this initial merger transaction will take place as soon as practicable following receipt of the Board's approval requested in this matter. Second, Petitioners seek authority for Aqua New Jersey, Inc. to merge with Lawrenceville, with Aqua New Jersey, Inc. the surviving entity. Petitioners anticipate that the second transaction will occur approximately two years after the initial merger of Lawrenceville and LWC Acquisition Corp.

The matter was retained by the Board for consideration, and Commissioner Nicholas Asselta was assigned to hear the matter. The parties have engaged in extensive and detailed discovery. On April 6, 2009, a public comment hearing was held in Lawrenceville. Mr. Joseph Quirolo, Legal Specialist at the Board, presided at the hearing. No members of the public appeared at the hearing.

Settlement discussions were held and those efforts have resulted in the following stipulations:

1. The Signatory Parties acknowledge that when considering a transaction pursuant to N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14, the Board is required to evaluate the impact of the proposed change of control on competition, on the rates of ratepayers affected by the change in control, on the employees of the affected public utility, and on the provision of safe, adequate and proper utility service at just and reasonable rates, and to state the benefits to the public which will be realized as a result of the change in control. These findings are set out below:

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<sup>3</sup> Aqua America, LWC Acquisition and Lawrenceville signed an Agreement and Plan of Merger (the "Agreement") dated October 3, 2008, pursuant to which Aqua America shall acquire Lawrenceville. The purchase price is \$2,880,000. As described in Section 2.7 of the Agreement, each share of Lawrenceville capital stock will be converted into the right to receive a certain number of shares of Aqua America common stock. The precise number of shares will be determined at closing pursuant to the conversion formula contained in the Agreement.

Rates charged to Lawrenceville customers for water service will remain unchanged after the transactions described herein have been completed. Petitioners note that customers in Lawrenceville will continue to pay for water service at the current, Board-approved Lawrenceville rates and such rate schedules are attached as Schedule A. Petitioners intend that these rates will remain in effect until such time as Lawrenceville is merged with Aqua-NJ. The merger of Lawrenceville and Aqua-NJ is estimated to occur approximately two years after the initial merger of Lawrenceville and LWC. At Aqua-NJ's first base rate proceeding filed after the consummation of the Lawrenceville-Aqua-NJ merger, Aqua-NJ will propose to transition the Lawrenceville customers to the then-effective Aqua-NJ rates.

Lawrenceville has no full-time employees and instead is operated by a combination of contract operators and part-time employees. One part-time employee will continue with Aqua following the merger as a consultant. Aqua will assign qualified individuals to inspect and operate the Lawrenceville system on a daily basis to ensure the system is operating properly.

The provision of safe, adequate and proper utility service will be enhanced as a result of the proposed transactions in that it will make available to the customers of Lawrenceville the environmental, technical, operational and financial resources of the Aqua family of companies.

(d.) The proposed transactions will have no immediate, direct or measurable impact on competition. Moreover, Aqua-NJ and Lawrenceville will continue to be subject to the jurisdiction of the Board.

2. Based on the foregoing, the Signatory Parties agree to recommend to the Board that the Board approve the merger of Lawrenceville and LWC Acquisition (with Lawrenceville

the surviving entity), and the merger of Lawrenceville and Aqua-NJ (with Aqua-NJ the surviving entity).

3. (a.) The Signatory Parties agree that within thirty days of the closing of each of the merger transactions, Aqua-NJ will file with the Board and the Signatory Parties written notice of the closing and detailed final journal entries reflecting actual amounts at the time of closing and the BPU Uniform System of Accounts number(s) associated with each entry.

The Signatory Parties also agree that any requests for an acquisition adjustment which may result from the proposed merger transactions will be addressed, if necessary, in a future Aqua-NJ base rate proceeding (after Aqua-NJ and Lawrenceville have been merged in approximately two years).

No direct and indirect transaction costs (financial, legal, consulting, etc) shall ever be passed on to, or recovered from, or funded by the customers of Aqua-NJ either in the form of expenses or as capitalized organization and franchise costs. Aqua-NJ shareholders shall be responsible for all direct and indirect transaction costs (financial, legal, consulting, etc.).

4. Approval of this Petition does not constitute Board approval of any costs or expenses associated with these transactions, including the costs associated with the Consulting Agreement between Lawrenceville Water Company and Charles Conover. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the customers currently served by Lawrenceville, including but not limited to the costs of construction, or any related capital improvements, and the allocation of such costs and expenses, shall be made in a future Aqua-NJ base rate proceeding.

5. The Signatory Parties recommend to the Board that customers of Lawrenceville should continue to pay for water service at rates pursuant to Lawrenceville's existing Board-

approved tariff. In a future Aqua-NJ base rate proceeding, the Board will be presented with the issue as to the rates and charges that Lawrenceville customers should be charged pursuant to Aqua-NJ's then-approved tariffs.

6. The Signatory Parties agree that subject to the execution, where appropriate, of acceptable confidentiality agreements, the Board shall be provided with reasonable access to the books and records of Aqua-NJ and any of its affiliates for the purpose of reviewing the proper allocation of costs to its operations. Nothing in this Stipulation of Settlement shall be construed so as to limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

7. The Signatory Parties agree that prior to the closing of the current Lawrenceville office, the Signatory Parties will meet with Board Staff and Rate Counsel to develop a reasonable plan for notifying customers ,and the affected municipalities of Aqua Water's acquisition of Lawrenceville Water Company and the office closing. The Signatory Parties acknowledge that the office closing shall be completed in accordance with the provisions of N.J.A.C. 14:3-5.1(e)

8. The Signatory Parties acknowledge that any Board Order approving the Companies' Petition will contain language which recognizes that the Order issued in this matter shall not affect or in any way limit the exercise of the authority of the Board or the State in any future proceedings with respect to rates, franchises, service, customer service and call center operations, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioners.

9. The Signatory Parties acknowledge the Joint Petitioners' March 10, 2009 request to implement monthly billing for Lawrenceville customers. The Signatory Parties recommend that the Board authorize, to the extent required, such monthly billing subject to:

The switch from quarterly to monthly billing will not constitute approval of any costs or expenses associated with the change in billing frequency. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the switch from quarterly to monthly billing shall be made in an appropriate subsequent proceeding. Joint Petitioners shall maintain their records in such a manner that costs related to the switch from quarterly to monthly billing can be determined.

Joint Petitioners shall provide individual notice by first class mail to all customers of Lawrenceville Water Company 60 days in advance of the switch from quarterly to monthly billing and provide proof of such mailings to the Board within ten (10) days of such mailing.

(c.) Joint Petitioners shall submit revised tariff pages reflecting the change in billing of the Lawrenceville Water Company customers from quarterly to monthly within ten (10) days of the date of such change.

10. Following completion of the proposed transactions, Aqua America and Aqua-NJ will continue to keep the Board and Board Staff apprised of any significant issues affecting Aqua America and/or Aqua-NJ in the manner in which they currently do so and shall use their best commercially reasonable efforts to provide notification of any such significant issues, including, but not limited to, those set forth in subsection (a) of this paragraph, to the Board and Board Staff no later than Aqua America and Aqua-NJ give notice of such significant issues to any person or entity outside their respective companies, including any other state regulatory body or agency, to the extent permitted by the requirements of all applicable laws and regulations.

(a.) Aqua America and Aqua-NJ agree to provide notice to the Board and the Board Staff, upon the applicable SEC filing relating to such event, if Aqua America experiences

any of the following events: (i) a change of control, (ii) a material acquisition or disposal of assets other than in the ordinary course of business, (iii) a filing of bankruptcy or appointment of a receiver, or (iv) a change in its independent accounting firm.

11. (a.) This Stipulation of Settlement ("Stipulation") is the product of extensive negotiations by the Signatory Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Signatory Parties have stipulated herein.

The Signatory Parties agree that the within Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Signatory Parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Signatory Party materially affected thereby shall not be bound to proceed under this Stipulation.

(c.) The Signatory Parties further agree that the purpose of this Stipulation is to avoid protracted and costly litigation, and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Signatory Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

12. 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 Companies, the Board, Staff or 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 in total or by specific item. The Signatory Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation.

13. All rates are subject to audit by the Board.

14. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

Dated: June 12, 2009

LAWRENCEVILLE WATER COMPANY,  
AQUA AMERICA, INC., AQUA NEW JERSEY, INC. &  
LWC ACQUISITION CORP.

By:



\_\_\_\_\_  
Saul Ewing LLP  
Stephen B. Genzer, Esq.  
Attorney for Petitioners

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

By: Anne Marie Shatto  
Anne Marie Shatto, DAG

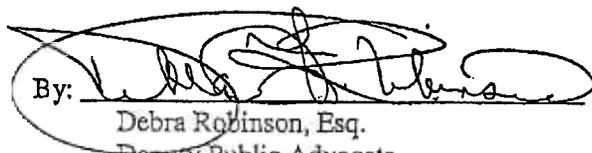
RONALD K. CHEN  
PUBLIC ADVOCATE OF NEW JERSEY  
DEPARTMENT OF THE PUBLIC ADVOCATE  
STEFANIE A. BRAND, ESQ.  
DIRECTOR, RATE COUNSEL

By: \_\_\_\_\_  
Debra Robinson, Esq.  
Deputy Public Advocate

ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

By: \_\_\_\_\_  
Anne Marie Shatto, DAG

RONALD K. CHEN  
PUBLIC ADVOCATE OF NEW JERSEY  
DEPARTMENT OF THE PUBLIC ADVOCATE  
STEFANIE A. BRAND, ESQ.  
DIRECTOR, RATE COUNSEL

By:  6-16-09  
Debra Robinson, Esq.  
Deputy Public Advocate

Stipulation of Settlement - Schedule A

Lawrenceville Water Company  
Change of Control  
BPU Docket No. WM08110984

The following rates became effective in July, 2007:

RATE SCHEDULE NO. 1  
GENERAL METERED SERVICE

FACILITIES CHARGES: Are billed quarterly based on meter size:

<u>Size of Meter</u>	<u>Facilities Charge Per Quarter</u>
5/8"	\$ 24.64
3/4"	36.96
1"	61.59
1-1/2"	123.17
2"	197.06
3"	369.48
4"	615.79

CONSUMPTION CHARGE: In addition to the facilities charge set forth above, a charge will be made for all water consumed at the rate of \$3.83 per thousand gallons.

RATE SCHEDULE NO.2  
PUBLIC FIRE PROTECTION SERVICE

ANNUAL HYDRANT CHARGE: For each fire hydrant installed there shall be made an Annual Fire Protection Charge of \$273.50