



Agenda Date: 10/24/07

Agenda Item: 5B

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

IN THE MATTER OF THE JOINT PETITION
OF UNITED WATER NEW JERSEY, INC.,)
UNITED WATER ARLINGTON HILLS, INC., UNITED)
WATER HAMPTON, INC., UNITED WATER VERNON

WATER

HILLS, INC., AND UNITED WATER LAMBERTVILLE,)
INC. FOR AN INCREASE IN RATES AND CHARGES)
FOR WATER SERVICE AND OTHER TARIFF)
CHANGES AND FOR APPROVAL TO MERGE)
THE OPERATIONS OF THE JOINT PETITIONERS)
INTO AND WITH UNITED WATER NEW JERSEY, INC.)

DECISION AND ORDER
ADOPTING INITIAL
DECISION/SETTLEMENT

BPU DKT. NO. WR07020135
OAL DKT. NO. PUCRL3325-2007N

(SERVICE LIST ATTACHED)

BY THE BOARD:

On February 23, 2007, pursuant to N.J.S.A. 48:2-21, 48:2-18, 48:3-7, and 48:3-10 and N.J.A.C. 14:1-5.12, 14:1-5.8 and 14:9.7.1 et seq., United Water New Jersey, Inc. (UWNJ), United Water Arlington Hills, Inc. (UWAH), United Water Hampton, Inc. (UWH), United Water Vernon Hills, Inc. (UWVH), and United Water Lambertville, Inc. (UWL), (collectively, the Companies or Joint Petitioners), all public utilities of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (Board), jointly filed a petition seeking to increase their rates for water service amounting to approximately \$35,794,000 or 28% above current annual revenues for the rate year ending October 31, 2007; and for approval to merge the operations of the Joint Petitioners into, and with, United Water New Jersey, Inc. With the petition the Company filed direct testimony of the following witnesses: James A. Glozzy, Mark A. Gennari, Kevin H. Doherty, Thomas G. Lippai, Caryl D. Jersey, Cary Gaw, Gary Albertson, Charles E. Loy, James E. Linn and Pauline M. Ahern. The increase in rates was proposed to become effective on March 31, 2007. Joint Petitioners did not seek interim rate relief pending final determination on the petition.

Joint Petitioners also requested authority to update the depreciation rates applied to certain categories of utility property,¹ to implement a Haworth Treatment Plant Clause, and to establish a Distribution System Improvement Charge (DSIC).

The Joint Petitioners serve approximately 190,000 water customers located in the northern and western portions of the State. Specifically, UWNNJ serves approximately 186,000 customers in portions of Bergen, Hudson, Passaic and Sussex Counties. UWNJ also supplies water service to other municipalities including the Township of Saddle Brook, and the Boroughs of Fairlawn, Saddle River, Allendale, Mahwah and Ramsey. UWAH serves approximately 613 customers in the Borough of Mount Arlington and a portion of the Township of Roxbury in Morris County. UWH serves approximately 301 customers in Hampton Township, Sussex County. UWVH serves approximately 540 customers in Vernon Township, Sussex County. UWL serves approximately 1,750 customers in the City of Lambertville and portions of the Township of West Amwell, Hunterdon County.

BACKGROUND/PROCEDURAL HISTORY

The matter was transmitted to the Office of Administrative Law (OAL) as a contested case pursuant to N.J.S.A. 52:14B-1 and N.J.S.A. 52:14F-1. On March 22, 2007, the Board issued an Initial Suspension Order suspending the proposed rates to July 30, 2007. On July 12, 2007, the Board issued a Further Suspension Order suspending the proposed rates to November 30, 2007.

The matter was assigned to Administrative Law Judge (ALJ) Irene Jones. On March 24, 2007, ALJ Jones held a pre-hearing conference in which counsel for the Companies, the Department of the Public Advocate, Division of Rate Counsel (DPA or Rate Counsel) and Board Staff (Staff) participated. A pre-hearing Order was issued on May 31, 2007, setting forth, among other things, the issues to be litigated and the schedule going forward. There are no Intervenor in this matter.

Public hearings for the receipt of public comment on the joint petition were conducted on June 19, 2007, in the Bergen County Freeholder's Meeting Room, Hackensack, New Jersey, and in Lambertville Town Hall, Lambertville, New Jersey. No members of the public appeared at the Lambertville public hearing, and two members of the public appeared at the Hackensack public hearing, but did not provide any comments.

On June 29, 2007, Rate Counsel filed direct testimony of the following witnesses: Howard J. Woods, Jr., P.E., Robert J. Henkes, David E. Peterson and David C. Parcell. On August 7, 2007, the Company filed rebuttal testimonies of the following witnesses: James A. Glozzy, Mark A. Gennari, Kevin H. Doherty, Thomas G. Lippai, Cary Gaw, Gary Albertson, Charles E. Loy, James I. Warren and Pauline M. Ahern.

The Parties exchanged extensive discovery throughout this proceeding. Subsequent to the public hearing and prior to the scheduled evidentiary hearings, the Parties held settlement conferences on August 24, September 6 and 12, 2007. As a result of these settlement conferences, the Parties reached a settlement on all issues and entered into a Stipulation (Stipulation or Settlement).

¹ By letter dated June 15, 2007, the Joint Petitioners agreed to withdraw their request to change depreciation rates.

On October 12, 2007 ALJ Jones issued her Initial Decision recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and was consistent with the law.

STIPULATION

As more fully set forth in the attached Stipulation², the Stipulation provides that:

- 1 The merger of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc., and United Water Lambertville, Inc., with and into United Water New Jersey, with United Water New Jersey as the surviving entity, is in the public interest and the Parties recommend that the Board approve the proposed merger. The Parties agree that the tariffs of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc., and United Water Lambertville will be eliminated and the customers of the Joint Petitioners will be served pursuant to United Water New Jersey's system-wide tariff as of the effective date of the Board's approval herein. In the absence of Board action to the contrary, the Joint Petitioners agreed to complete the merger of the Joint Petitioners proposed herein and to dissolve United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc. and United Water Lambertville, by the close of 2007. (Settlement Paragraph 1)
2. For purposes of this Settlement, the Rate Base is established at \$400,000,000. (Settlement Paragraph 2)
3. The appropriate overall rate of return is 7.78%, with a long term debt calculated at 5.69% and an equity component calculated at 10.00%. The overall additional revenue requirement is \$19,300,000. The additional revenue requirement amount was calculated as follows: (Settlement Paragraph 3).

| | |
|----------------------------|---------------|
| Rate Base | \$400,000,000 |
| Rate of Return | x 7.78% |
| Required Operating Income | 31,120,000 |
| Test Year Operating Income | 20,436,948 |
| Deficiency | 10,683,052 |
| Revenue Conversion Factor | x 1.8066 |
| Revenue Requirement | \$ 19,300,000 |

4. A revenue requirement increase of \$19,300,000 or approximately 15.11% over total present water sales rate revenues of \$127,707,895 is an appropriate result in this matter. The Parties recommend that the Board consider the stipulated revenue increase and all remaining agreed upon issues embodied in this Stipulation at its October 24, 2007 regularly scheduled agenda meeting. The Parties further acknowledge that any increase or issue contained in this Stipulation, and approved by the Board, will become effective on the date of a fully executed written Board Order. The Parties agree that the agreed upon revenue requirement represents the level of revenues necessary to ensure

² Cited paragraphs referenced are in the settlement documents. This is only a summary; the full Settlement document controls, subject to the Board's findings and conclusions contained herein.

Joint Petitioners will continue to provide safe, adequate and proper water service to its customers. (Settlement Paragraph 4):

5. The tariff pages, attached as Exhibit A to the Stipulation, implementing the terms of the Stipulation, should be adopted by the Board in their entirety. Exhibit B, attached to the Stipulation, will produce the revenues to which the parties have stipulated in the Settlement. (Settlement Paragraph 5).
6. Joint Petitioners have commenced a significant upgrade of the Haworth Treatment Plant (the Haworth Upgrade), which will require a capital investment of approximately \$130,000,000. The Parties agree that the Haworth Upgrade is prudent and necessary for UWNJ to continue to provide safe, adequate and proper utility service to its customers. The Parties agree that the need for the Haworth Upgrade has been established in this proceeding. The Parties acknowledge that the Haworth Upgrade project requires substantial capital investment. The Parties further acknowledge that pursuant to this stipulation, the Joint Petitioners have withdrawn their proposal to implement a Haworth Treatment Plant Clause and will file a petition to increase base rates to recover in the rates charged its customers, the reasonable and prudent costs of the Haworth Upgrade. By March, 75% of the upgrade project is expected to be used and useful. If the anticipated effective date for new rates is May 1, 2009, but not later than June 1, 2009, the Parties agree that subject to all applicable law, and review for prudence by the Parties in the proceeding, in which Joint Petitioners seek Board approval of the recovery of the costs of the Haworth Upgrade, the Joint Petitioners will be permitted to recover actual, verified expenditures for the Haworth Upgrade through March 31, 2009 or April 30, 2009. (Settlement Paragraph 6).
7. Similarly, pursuant to this settlement, the Parties agree that the request for a DSIC is withdrawn in this proceeding. (Settlement Paragraph 7).
8. The Joint Petitioners commit to undertake a systematic study of the potential opportunities for conservation and water reuse throughout their service territory (Conservation Study). The Parties agreed on the following timetable for these activities: (a) to commence the study as soon as feasible, but no more than six (6) months after the effective date of the Board's Order in this rate case; (b) to provide a copy of the draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by November 1, 2008, and (c) to complete the study no later than February 1, 2009, assuming that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. Joint Petitioners further agree that in the formulation of the Conservation Study, the Joint Petitioners will develop a long term approach to addressing the level of non-revenue water, and to identify balanced initiatives whose goal will be to maximize the conservation of potable water. In the formulation of the Conservation Study, Joint Petitioners will include consideration and/or a thorough analysis of the following: (a) defining the conservation efforts, and their costs, that will maximize potential benefits to users – e.g. odd/even lawn watering; (b) focus on the economics of reuse and the development of infrastructure to construct a reuse system; (c) considering seasonal water use, and (d) identifying potential uses of potable water for which non-potable water could be employed. Other proposals may include a special seasonal rider to the General Metered Service tariff for both residential and commercial customers. (Settlement Paragraph 8).

9. The Joint Petitioners commit to developing a long term approach to addressing the level of non-revenue water. The Joint Petitioners will prepare an annual report identifying the Joint Petitioners' programs and initiatives to address the level of non-revenue water. The Joint Petitioners will file the first of these annual reports with the Board Staff and Rate Counsel on December 1, 2007. The Joint Petitioners also agree to provide the Board Staff and Rate Counsel with quarterly data on non-revenue water. The first of these filings, covering the fourth quarter of 2007, will be filed as soon as practicable in 2008, and, thereafter, as soon as practicable following the close of each calendar year quarter. (Settlement Paragraph 9).
10. The Joint Petitioners commit to undertake the formulation of a long term master plan, to develop a strategy to economically meet the long term needs of customers consistent with the continued provision of safe and adequate service (Long Term Planning Study). The Joint Petitioners agree: (a) to commence the study as soon as feasible but no later than 60 days after the effective date of the Board's Order in this rate case; (b) to provide a copy of the draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections, if applicable by October 1, 2008, and (c) to complete the study no later than January 15, 2009, assuming that agreement can be reached and that all comments by Board Staff and Rate Counsel are received promptly and do not require additional field work. The Joint Petitioners agree that in the formulation of the Long Term Planning Study, they will include but not be limited to consideration of the following: (a) an analysis of system growth, by planning area, where feasible, wherein, "planning area" has the meaning assigned by the Office of Smart Growth; (b) an evaluation of identified initiatives to support Smart Growth; (c) a system map identifying planning areas, where feasible; and (d) other concepts as the Joint Petitioners believe appropriate. (Settlement Paragraph 10).
11. In cooperation with the Board's Report Card Initiative, the Joint Petitioners agree to work with Board Staff and Rate Counsel to track the following measures of service responsiveness: (a) customer complaints and comments; and (b) management of billing accuracy. (Settlement Paragraph 11).
12. The Parties recommend that the Board permit UWNJ to cease filing the following reports: the quarterly Main Break Report required in BPU Docket No. WX96020110; the Purchased Water from Jersey City Report required in BPU Docket No. WR95070303 and WE95040176; the Purchased Water from Park Ridge Report required in BPU Docket No. WM95100477; and the Variable Rate Demand Note Report required in BPU Docket No. WF96080616.³ (Settlement Paragraph 12).

³ In BPU Docket No., WX96020110, the Board directed its Staff to initiate an investigation into the disruption of service which affected a large portion of the service territory of the Company. The Board directed the Company to file monthly reports detailing the costs and reimbursements associated with the disruption of service. These issues have been resolved in this rate proceeding, such that the previously required report is no longer necessary. In BPU Docket No. WR95070303, the parties to that proceeding agreed to incorporate an amendment to a current water supply agreement between the City of Jersey City and United Water New Jersey. This issue has been resolved in this proceeding, such that the previously required report is no longer necessary. In BPU Docket No. WE95040176, the Company requested approval of a management and services contract with United Water Management and Services, Inc. This matter has been resolved in this proceeding, such that the previously required report is no longer necessary. In BPU Docket No., WM95100477, the Board required the Company to submit monthly reports with respect to any water sold to Park Ridge to determine if a pattern exists or that sales were excessive and were not due to an emergency basis. This issue was resolved in this proceeding, such that the previously required report is no longer necessary. In BPU Docket No., WF96080616, the Company requested authority to issue promissory notes for the purpose of refunding outstanding indebtedness of revenue refunding bonds. The Board required that the

13. The Parties accept Rate Counsel's accounting adjustment to reflect on the books of UWNJ the net acquisition adjustment associated with the purchase of the small companies that will now be merged with, and into, UNWJ. ⁴ The Parties accept the Joint Petitioners' proposal to amortize rate case expenses and management audit expenses over an eighteen (18) month period, and tank painting expenses over a ten (10) year period. (Settlement Paragraph 13).

DISCUSSIONS AND FINDINGS

Having reviewed ALJ Jones' Initial Decision and the Stipulation among the Parties to this proceeding, the Board FINDS that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS that the Initial Decision and Stipulation fully disposes of all issues in this proceeding and consistent with the law. The Board FINDS the Initial Decision which adopts the Stipulation to be reasonable and in the public interest. The merger of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc., and United Water Lambertville, Inc., with and into United Water New Jersey, with United Water New Jersey as the surviving entity, is in the public interest. The proposed merger shall not have an adverse impact on competition, rates and employees of the Joint Petitioners, and the provision of safe, adequate and proper utility service by the Joint Petitioners. The proposed merger and conditions set forth in the Stipulation are reasonable and appropriate, and in conjunction with existing statutes, provide sufficient means to properly regulate the operations of the Joint Petitioners. The proposed merger should result in positive benefits because the customers of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc., an United Water Lambertville, Inc., will become customers of a much larger entity.

As a result of the Stipulation, the average bill for a UWNJ single family residential customer with a 5/8" meter using 89,760 gallons per year will increase from the current rate of \$338.66 to \$393.66, an increase of \$55.00 per year, or \$13.75 per quarter. The average bill for a UWAH single family residential customer with a 5/8" meter using 60,000 gallons of water per year will increase from the current \$217.20 to \$282.38 per year, an increase of \$65.18 per year, or \$16.29 per quarter. The affect of the merger with respect to rates for a UWAH residential customer will have a UWAH's residential customer's bill increase to UWNJ's system-wide General Metered Service rate, in that the quarterly facilities charge and the consumption charge will be the same. The average bill for a UWH single family residential customer with a 5/8" meter using 60,000 gallons of water per year will decrease from the current \$514.80 to \$282.38 per year or a decrease of \$232.42 per year, or a decrease of \$58.10 per quarter. The average bill for a UWVH single family residential customer with a 5/8" meter using 60,000 gallons of water per year will decrease from the current \$595.68 per year to \$282.38 per year or a decrease of \$313.28 per year, or a decrease of \$78.32 per quarter. The average bill for a UWL single family residential customer with a 5/8" meter using 60,000 gallons of water per year will decrease from the current \$435.02 to \$282.38 per year or a decrease of \$152.64 per year, or a decrease of \$38.16 per quarter.

Company furnish the Board documents with respect to these notes, accordingly as needed. These issues were resolved in this proceeding, such that the previously required report is no longer necessary

⁴ See Direct Testimony of Rate Counsel Witness, Robert J. Henkes, dated June 29, 2007.

As a result of this Stipulation, the quarterly facilities charge of UWNJ's General Metered Service with a 5/8" meter size will increase from the current \$11.91 to \$14.49, an increase of \$2.58 per quarter. The consumption charge of UWNJ's General Metered Service will increase from the current \$3.2422 per thousand gallons to \$3.7405 per thousand gallons, an increase of \$.4994 per thousand gallons.

The Board HEREBY ADOPTS the ALJ's Initial Decision and the Stipulation of Settlement attached hereto, as its own, incorporating by reference the terms and conditions as if fully set forth herein, subject to the following:

- a. The tariffs of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc., and United Water Lambertville shall be eliminated and the customers of the Joint Petitioners shall be served pursuant to United Water New Jersey's system-wide tariff as of the effective date of the Board's approval herein. The merger of the Joint Petitioners proposed herein and dissolution of United Water Arlington Hills, Inc., United Water Hampton, Inc., United Water Vernon Hills, Inc. and United Water Lambertville, shall close by the end of 2007.

The proposed merger of the four small utility companies, which collectively serve approximately 3,200 customers, will increase efficiencies and reduce costs through economies of scale and will mitigate the impact of rates in this and future cases by spreading the future operations and capital costs over a larger customer base. The proposed merger will also result in more direct financing of current and future improvements to these four small companies because the financing will be issued directly by UWNJ. .

- b. The Rate Base is established at \$400,000,000.
- c. The appropriate overall rate of return shall be 7.78%, with a long term debt calculated at 5.69% and an equity component calculated at 10.00%. The overall additional revenue requirement shall be \$19,300,000 and calculated as follows:

| | |
|----------------------------|-------------------|
| Rate Base | \$400,000,000 |
| Rate of Return | x <u>7.78%</u> |
| Required Operating Income | 31,120,000 |
| Test Year Operating Income | <u>20,436,948</u> |
| Deficiency | 10,683,052 |
| Revenue Conversion Factor | x <u>1.8066</u> |
| Revenue Requirement | \$ 19,300,000 |

- d. The revenue requirement increase shall be \$19,300,000 or approximately 15.11% over total present water sales rate revenues of \$127,707,895 and shall be the revenue requirement that represents the level of revenues necessary to ensure that the Joint Petitioners shall continue to provide safe, adequate and proper water service to its customers.

- e. The tariff pages attached to the Stipulation, implementing the terms of the Stipulation are HEREBY ACCEPTED.
- f. The parties have agreed that Joint Petitioners have established that the Haworth Treatment Plant upgrade is necessary and prudent. The Board ACCEPTS the parties' determination that the Haworth Treatment Plant upgrade is necessary and prudent. The Board finds that the agreement of the Parties to the effect that the need for the Haworth Treatment Plant upgrade has been established in the proceeding binds only the Parties hereto and is not binding on the Board or any non-party to this proceeding.
- g. The Joint Petitioners shall commit to undertake a systematic study of the potential opportunities for conservation and water reuse throughout their service territory (Conservation Study). The Parties shall adhere to the following timetables for these activities: (a) to commence the study as soon as feasible, but no more than six (6) months after the effective date of the Board's Order in this rate case; (b) to provide a copy of the draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by November 1, 2008, and (c) to complete the study no later than February 1, 2009, assuming that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. In the formulation of the Conservation Study, the Joint Petitioners shall develop a long term approach to addressing the level of non-revenue water, and to identify balanced initiatives whose goal will be to maximize the conservation of potable water. The Joint Petitioners, in the formulation of the Conservation Study, shall include consideration and/or a thorough analysis of the following: (a) defining the conservation efforts, and their costs, that will maximize potential benefits to users – odd/even lawn watering; (b) focus on the economics of reuse and the development of infrastructure to construct a reuse system; (c) considering seasonal water use; and (d) identifying potential uses of potable water for which non-potable water could be employed. Other proposals may include a special seasonal rider to the General Metered Service tariff for both residential and commercial customers.
- h. The Joint Petitioners have shall committed to developing a long term approach to addressing the level of non-revenue water. The Joint Petitioners shall prepare an annual report identifying the Joint Petitioner's programs and initiatives to address the level of non-revenue water. The Joint Petitioners shall file the first of these annual reports with the Board Staff and Rate Counsel on December 1, 2007. The Joint Petitioners shall provide the Board Staff and Rate Counsel with quarterly data on non-revenue water. The first of these filings, covering the fourth quarter of 2007, shall be filed as soon as practicable in 2008 and thereafter as soon as practicable following the close of each calendar year quarter.

The Joint Petitioners shall commit to undertake the formulation of a long term master plan, to develop a strategy to economically meet the long term needs of customers consistent with the continued provision of safe and adequate service (Long Term Planning Study). The Joint Petitioners shall: (a) commence the study as soon as feasible but no later than 60 days after the effective date of the Board's Order in this rate case; (b) provide a copy of the draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections, if applicable by law, by October 1, 2008, and (c) complete the study no later than January 15, 2009. The Joint Petitioners shall in the formulation of the Long Term Planning Study, include but not be limited to consideration of the following: (a) an analysis of system growth, by planning area, where feasible,

wherein "planning area" has the meaning assigned by the Office of Smart Growth; (b) an evaluation of identified initiatives to support Smart Growth; (c) a system map identifying planning areas, where feasible; and (d) other concepts as the Joint Petitioners believe appropriate.

In cooperation with the Board's Report Card Initiative, the Joint Petitioners shall work with Board Staff and Rate Counsel to track the following measures of service responsiveness: (1) customer complaints and comments; and (2) management of billing accuracy.

- k. There shall be no diminution from the current levels of customer service and water quality as a result of the merger and the Joint Petitioners shall maintain access to adequate resources to continue to be responsive to questions from customers and regulatory agencies. After completion of the proposed merger, the Company will continue to be managed by capable and experienced local management executives and professional and operating personnel who will carry out the obligations to render safe, adequate and proper service, which includes providing the regulatory agencies and their staff with consistent and responsive access to responsible company personnel.

The Company locations for the receipt of customer payments currently maintained shall remain in place and the customer call center currently provided shall not change as a result of the proposed transaction. The Company shall maintain its current complaint procedures and contact personnel in accordance with N.J.A.C. 14:3.

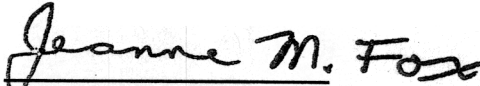
- m. The following reports shall cease to be filed because the issues which gave rise to these reports have been resolved in this proceeding such that the previously required reports are no longer necessary; the quarterly Main Break Report required in BPU Docket No. WX96020110; the Purchased Water from Jersey City Report required in BPU Docket Nos. WR95070303 and WE95040176; the Purchased Water from Park Ridge Report required in BPU Docket No. WM95100477; and the Variable Rate Demand Note Report required in BPU Docket No. WF96080616.
- n. Rate Counsel's accounting adjustment to reflect on the books of UWNJ the net acquisition adjustment associated with the purchase of the small companies that will now be merged with, and into, UNWJ is HEREBY ACCEPTED.
- o. The Joint Petitioners' proposal to amortize rate case expenses and management audit expenses over an eighteen (18) month period, and tank painting expenses over a ten (10) year period is HEREBY ACCEPTED.

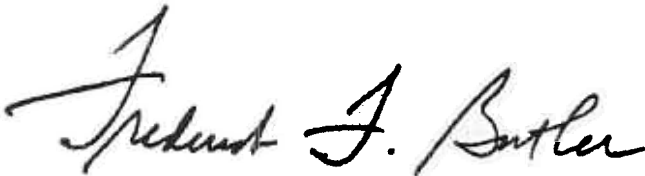
The Board HEREBY DIRECTS United Water New Jersey to submit a complete revised tariff conforming to the terms and conditions of the Stipulation and this Order within fifteen (15) days of the effective date of this Order.

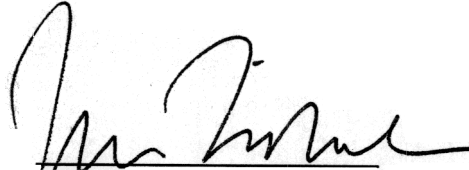
The effective date of this Order is as dated below.

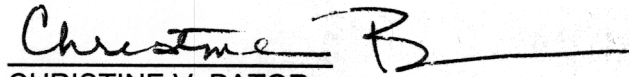
DATED: 10/25/07

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

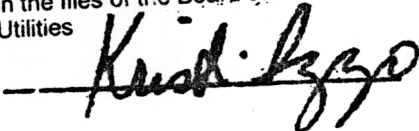

JOSEPH L. FIORDALISO
COMMISSIONER


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



IN THE MATTER OF THE JOINT PETITION OF UNITED WATER NEW JERSEY, INC.,
UNITED WATER ARLINGTON HILLS, INC., UNITED WATER HAMPTON, INC., UNITED
WATER VERNON HILLS, INC., AND UNITED WATER LAMBERTVILLE, INC. FOR AN
INCREASE IN RATES AND CHARGES FOR WATER SERVICE AND OTHER TARIFF
CHANGES AND FOR APPROVAL TO MERGE THE OPERATIONS OF THE JOINT
PETITIONERS INTO AND WITH UNITED WATER NEW JERSEY, INC.

BPU DKT. NO. WR07020135
OAL DKT. NO. PUCR3325-2007N

SERVICE LIST

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CMS
Beslow
DAG - PAS ko
DAG: Loncar
Quirolo
Mugrace
Water



STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 3325-07

AGENCY DKT. NO. WR07020135

IN THE MATTER OF THE JOINT PETITION
OF UNITED WATER NEW JERSEY INC.,
UNITED WATER ARLINGTON HILLS INC.,
UNITED WATER HAMPTON INC.,
UNITED WATER VERNON HILLS INC., AND
UNITED WATER LAMBERTVILLE INC. FOR
APPROVAL OF AN INCREASE IN RATES
FOR WATER SERVICE AND OTHER
TARIFF CHANGES; AND FOR APPROVAL
TO MERGE THE OPERATIONS OF THE
JOINT PETITIONERS INTO, AND WITH,
UNITED WATER NEW JERSEY INC.

RECEIVED
CASE MANAGEMENT
2007 OCT 12 AM 9:27
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

Stephen B. Genzer, Esq. and Colleen A. Foley, Esq., for Joint Petitioners,
United Water New Jersey Inc., United Water Arlington Hills Inc., United Water
Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville
Inc., (Saul Ewing, attorneys)

Anne Marie Shatto, Esq., Deputy Attorney General appearing for respondent
Board of Public Utilities (Anne M. Milgram, Attorney General of New Jersey,
attorney)

Susan McClure, Esq. and Christine M. Juarez, Esq., Assistant Deputy Public
Advocates appearing for respondent Division of Rate Counsel (Ronald Chen,
Public Advocate of New Jersey, attorney)

Record Closed: October 10, 2007

Decided: October 11, 2007

Before **IRENE JONES. ALJ**

STATEMENT OF THE CASE

On February 23, 2007, United Water New Jersey Inc., United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc. (collectively "Joint Petitioners"), each a public utility corporation of the State of New Jersey, filed a petition to increase rates for water service and to make other tariff changes, pursuant to N.J.S.A. 48:2-21, 48:2-18, 48:3-7, 48:3-10, and N.J.A.C. 14:1-5.12, and 14:1-5.8. The Joint Petitioners requested a rate increase of approximately \$35,794,000 or approximately 28% above the adjusted annual level of revenues for the rate year ending October 31, 2007. Additionally, Joint Petitioners sought approval to merge with and into United Water New Jersey Inc. ("UWNJ"), with UWNJ as the surviving entity. The Joint Petitioners also sought to implement a system-wide tariff, with limited exceptions, for the merged companies. Finally, the Joint Petitioners requested authority to implement a Haworth Treatment Plant Clause and to establish a Distribution System Improvement Charge ("DSIC").

On March 8, 2007, the Board transmitted this matter to the Office of Administrative Law ("OAL") as a contested case for a hearing pursuant to N.J.S.A. 52:14B-1 to 15 and N.J.S.A. 52:14F-1 to 13. On March 22, 2007, the Board entered an Order suspending until July 30, 2007 the implementation of changes the Joint Petitioners sought to make to their tariffs.

The matter was assigned to the undersigned on March 27, 2007. A Pre-Hearing Conference held on March 24, 2007 and a Pre-Hearing Order was on May 31, 2007. On July 12, 2007, the Board issued a second order suspending the implementation of proposed rates until November 30, 2007.

The petitioner filed substantial pre-filed testimony simultaneously with the petition. Thereafter, extensive discovery was served by the respondents and answers were provided by The Joint Petitioners. The Division of Rate Counsel filed its prefiled testimony on June 29, 2007, followed by the filing of rebuttal and surrebuttal testimonies. The Joint Petitioners have also provided updates to the original filing,

including updated information, regarding The Joint Petitioners' financial condition through the end of the test year with adjustments. The parties engaged in extensive settlement conferences and discussions and arrived at a settlement which is attached hereto.

After reviewing the record and the settlement, **FIND:**

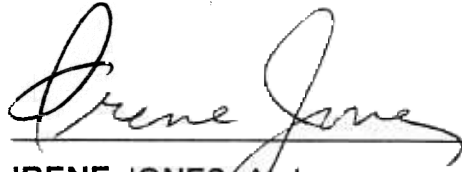
- 1 The parties have voluntarily agreed to the settlement as evidenced by the signature or the signatures of the representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law and is in the public interest.
3. The Stipulation of Settlement has been signed by all parties.

Therefore, I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and should be approved. It is further **ORDERED** that the parties comply with the settlement terms and the proceedings be and are hereby **CONCLUDED**.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

10/11/07
DATE


IRENE JONES, ALJ

Date Received at Agency:

Mailed to Parties:

DATE

sej

OFFICE OF ADMINISTRATIVE LAW

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

| | |
|--|-----------------------------------|
| IN THE MATTER OF THE JOINT PETITION : | |
| OF UNITED WATER NEW JERSEY INC., : | |
| UNITED WATER ARLINGTON HILLS INC., : | BPU DOCKET NO. WR07020135 |
| UNITED WATER HAMPTON INC., : | OAL DKT. NO. PUCRS 3325-07 |
| UNITED WATER VERNON HILLS INC., AND : | |
| UNITED WATER LAMBERTVILLE INC. FOR: | |
| APPROVAL OF AN INCREASE IN RATES : | STIPULATION OF |
| FOR WATER SERVICE AND OTHER : | SETTLEMENT |
| TARIFF CHANGES; AND FOR APPROVAL : | |
| TO MERGE THE OPERATIONS OF THE : | |
| JOINT PETITIONERS INTO, AND WITH, : | |
| UNITED WATER NEW JERSEY INC. : | |

APPEARANCES:

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of United Water New Jersey Inc., United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., Joint Petitioners

Alex Moreau, Deputy Attorney General and Arlene E. Pasko, Deputy Attorney General (Anne Milgram, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

Christine M. Juarez, Esq. Assistant Deputy Public Advocate, and Susan E. McClure, Esq., Assistant Deputy Public Advocate, on behalf of the Department of the Public Advocate, Division of Rate Counsel

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Parties in this proceeding are as follows: United Water New Jersey Inc., United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., (collectively, the "Joint Petitioners"), the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of

Public Utilities ("Staff"). As a result of an analysis of Petitioner's pre-filed testimony and exhibits, extensive discovery, and two public comment hearings held on June 19, 2007, the Joint Petitioners, Staff and Rate Counsel (collectively, the "Signatory Parties") have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On February 23, 2007, Joint Petitioners, each a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21, 48:2-18, 48:3-7, 48:3-10, and N.J.A.C. 14:1-5.12 and 14:1-5.8, filed a petition to increase rates for water service and to make other tariff changes. Specifically, the Joint Petitioners requested a rate increase of approximately \$35,794,000 or approximately 28% above the adjusted annual level of revenues for the rate year ending October 31, 2007. During the pendency of this proceeding, the Joint Petitioners' request was revised to reflect a rate increase of \$29,080,810 or approximately 22.75% above adjusted rate year revenues.

Additionally, Joint Petitioners sought approval to merge United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., with, and into, United Water New Jersey Inc. ("UWNJ"), with UWNJ as the surviving entity. Joint Petitioners also sought to implement a system-wide tariff, with limited exceptions, for the merged companies. Joint Petitioners also requested authority to update the depreciation rates applied to certain categories of utility property,¹ to implement a Haworth Treatment Plant Clause, and to establish a Distribution System Improvement Charge ("DSIC").

On March 8, 2007, the Board transmitted this matter to the Office of Administrative Law ("OAL"), and Administrative Law Judge ("ALJ") Irene Jones was assigned

By letter dated June 15, 2007, the Joint Petitioners agreed to withdraw their request to change depreciation rates.

to hear the case. On March 22, 2007, the Board entered an Order suspending until July 30, 2007, the implementation of changes the Joint Petitioners sought to make to their tariffs. A Pre-Hearing Conference was convened by ALJ Jones on March 24, 2007, and a Pre-Hearing Order was issued on May 31, 2007. On July 12, 2007, the Board issued a second order suspending the implementation of proposed rates until November 30, 2007.

Extensive discovery was conducted by the Parties with the Joint Petitioners providing responses to hundreds of data requests. After proper notice, two public hearings were held in the service territories of the Joint Petitioners on June 19, 2007: one in the afternoon in Lambertville; and one in the evening in Hackensack, New Jersey.

Several settlement discussions were held, and the agreements reached during those discussions have resulted in the following stipulation by the Signatory Parties:

1 The Signatory Parties agree that the merger of United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., with, and into, UWNJ, with UWNJ as the surviving entity, is in the public interest and recommend that the Board approve the merger as proposed ("the merger"). The Signatory Parties further agree that the tariffs of United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc. will be eliminated and the customers of the Joint Petitioners will be served pursuant to UWNJ's system-wide tariff as of the effective date of the Board's approval herein. In the absence of Board action to the contrary, Joint Petitioners further agree to complete the merger of the Joint Petitioners proposed herein and to dissolve United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc. by the close of 2007.

² No members of the public appeared to testify at either hearing.

2. The Signatory Parties agree, that for purposes of this settlement, rate base is established at \$400,000,000.

3 The Signatory Parties agree that, for the purposes of this settlement only, an overall rate of return of 7.78% will be used, which would result in an overall additional revenue requirement of \$19.3 million. For the purposes of this proceeding only, this overall rate of return is calculated using the Joint Petitioners' filed capital structure with long term debt calculated at a rate of 5.69% and equity calculated at a rate of 10.0%. The additional revenue requirement amount was calculated as follows:

| | |
|----------------------------|----------------|
| Rate Base | \$ 400,000,000 |
| Rate of Return | x 7.78% |
| Required Operating Income | \$ 31,120,000 |
| Test Year Operating Income | - 20,436,948 |
| Deficiency | 10,683,052 |
| Revenue Conversion Factor | x 1.8066 |
| Revenue Requirement | \$ 19,300,000 |

4. The Signatory Parties stipulate that a revenue increase for the Joint Petitioners of \$19.3 million or approximately 15.11% over total present water sales revenues of \$127,707,895 is an appropriate result of this matter. The Signatory Parties recommend that the Board consider the above stipulated revenue increase and all remaining agreed upon issues embodied in this Stipulation, at its October 24, 2007, regularly scheduled agenda meeting. The Signatory Parties further acknowledge that any increase or issue contained in this Stipulation, and approved by the Board, will become effective on the date of a fully executed written Board Order. The Signatory Parties agree that this revenue requirement should represent a level of revenues necessary to ensure that the Joint Petitioners will continue to provide safe, adequate, and proper water service to their customers.

5. The Signatory Parties agree that the attached tariff pages (included as Exhibit A), implementing the terms of this Stipulation, should be adopted by the Administrative Law Judge and the Board in their entirety. Attached as Exhibit B is a Proof of Revenues for UWNJ after the merger is completed.

6. The Signatory Parties acknowledge that the Joint Petitioners have commenced a significant upgrade of the Haworth Treatment Plant (the "Haworth Upgrade") which will require a capital investment of approximately \$130 million. The Signatory Parties agree that the Haworth Upgrade is prudent and necessary for UWNJ to continue to provide safe, adequate and proper utility service to its customers. Therefore, the Signatory Parties agree that the need for the Haworth Upgrade has been established in this proceeding. The Signatory Parties also acknowledge that the Haworth Upgrade is a project which is major in nature and consequence, and which requires a substantial capital investment. The Signatory Parties further acknowledge that, pursuant to this settlement, the Joint Petitioners have withdrawn their proposal to implement a Haworth Treatment Plant Clause, and will file a petition to increase base rates to recover in the rates charged to its customers the reasonable and prudent costs of the Haworth Upgrade. If the anticipated effective date for new rates is May 1, 2009, but not later than June 1, 2009, the Signatory Parties agree that subject to all applicable law, and review for prudence by the parties in the proceeding in which Joint Petitioners seek Board approval of the recovery of the costs of the Haworth Upgrade, the Joint Petitioners will be permitted to recover actual, verified expenditures for the Haworth Upgrade through March 31, 2009 (assuming rates effective May 1 2009) or April 30, 2009 (assuming rates effective June 1, 2009).

7. Similarly, pursuant to this settlement, the Signatory Parties agree that the request for a DSIC is withdrawn in this proceeding.

8 The Joint Petitioners commit to undertake a systematic study of the potential opportunities for conservation and water reuse throughout their service territory ("Conservation Study"). However, due to the needed focus over the next two years on the Haworth Upgrade referred to in paragraph 6, *supra*, the Signatory Parties have agreed upon the following timetable for these activities. The Joint Petitioners agree (a) to commence the study as soon as feasible, but no more than six months, after the effective date of the Board's Order in this rate case; (b) to provide a copy of a draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by November 1, 2008, and (c) to complete the study no later than February 1, 2009, assuming that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. The Joint Petitioners hereby agree that in the formulation of the Conservation Study, the Joint Petitioners will identify balanced initiatives whose goal will be to maximize the conservation of potable water. The Joint Petitioners hereby agree that, in the formulation of the Conservation Study, they will include consideration and/or a thorough analysis of the following: (a) defining the conservation efforts, and their costs, that will maximize potential benefits to users e.g., odd/even lawn watering, (b) focusing on the economics of reuse and the development of infrastructure to construct a reuse system, (c) considering seasonal water use, and (d) identifying potential uses of potable water for which non-potable water could be employed. Other proposals may include a special seasonal rider to the General Metered Service tariff for both residential and commercial customers.

9. The Joint Petitioners commit to developing a long term approach to addressing the level of non-revenue water. The Joint Petitioners will prepare an annual report identifying the Joint Petitioners' programs and initiatives to address the level of non-revenue water. The Joint Petitioners will file the first of these annual reports with the Board Staff and Rate Counsel

on December 1, 2007. The Joint Petitioners also agree to provide the Board Staff and Rate Counsel with quarterly data on non-revenue water. The first of these filings, covering the fourth quarter of 2007, will be filed as soon as practicable in 2008, and thereafter as soon as practicable following the close of each calendar year quarter.

10. The Joint Petitioners commit to undertake the formulation of a long term master plan, to develop a strategy to meet economically the long term needs of customers consistent with the continued provision of safe and adequate service ("Long Term Planning Study"). The Joint Petitioners agree: (a) to commence the study as soon as feasible, but no later than 60 days, after the effective date of the Board decision in this rate case; (b) to provide a copy of a draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by October 1, 2008, and (c) to complete the study no later than January 15, 2009, assuming that agreement can be reached and that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. The Joint Petitioners hereby agree that in the formulation of the Long Term Planning Study, they will include but not be limited to consideration of the following: (a) an analysis of system growth, by planning area, where feasible, wherein "planning area" has the meaning assigned by the Office of Smart Growth, (b) an evaluation of identified initiatives to support Smart Growth, (c) a system map identifying planning areas, where feasible, and (d) other concepts as the Joint Petitioners believe appropriate.

In cooperation with the Board's Report Card Initiative, the Joint Petitioners agree to work with Board Staff and Rate Counsel to track the following measures of service responsiveness: (a) customer complaints and comments; and (b) management of billing accuracy.

12. The Signatory Parties recommend that the Board permit UWNJ to cease filing the following reports: the quarterly Main Break Report required in BPU Docket No. WX96020110; the Purchased Water from Jersey City Report required in BPU Docket Nos. WR95070303 and WE95040176; the Purchased Water from Park Ridge Report required in BPU Docket No. WM95100477; and the Variable Rate Demand Note Report required in BPU Docket No. WF96080616.

13. The Signatory Parties accept Rate Counsel's accounting adjustment to reflect on the books of UWNJ the net acquisition adjustment associated with the purchase of the small companies that will now be merged with, and into, UWNJ. The Signatory Parties accept Joint Petitioners' proposal to amortize rate case expenses and management audit expenses over an eighteen month period, and tank painting expenses over a ten year period.


14. This 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 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 hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, with any compromises being made 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.

15. 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.

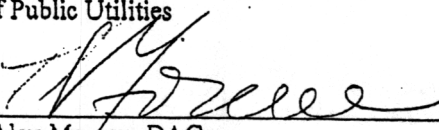
UNITED WATER NEW JERSEY INC.
UNITED WATER ARLINGTON HILLS INC.
UNITED WATER HAMPTON INC.
UNITED WATER VERNON HILLS INC.
UNITED WATER LAMBERTVILLE INC.

10/9/07
Date

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

10/09/07
Date

By: 
Alex Moreau, DAG
Arlene E. Pasko, DAG

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

10/9/07
Date


By: 
Susan E. McClure, Esq.
Assistant Deputy Public Advocate

EXHIBIT A

TARIFFS

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Seventh Revised Sheet No. 37
Superseding Sixth Revised Sheet No. 37**RATE SCHEDULE NO. 1**
GENERAL METERED SERVICE**APPLICABILITY:**

Applicable the use of water supplied through meters in the entire territory served by the Company.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:**Consumption Charge:** \$ 2.7979 per hundred cubic feet *
\$ 3.7405 per thousand gallons

Pursuant to N.J.S.A. 58:12A-17, the above rate is inclusive of the State Water Tax of 1-cent per thousand gallons.

SPECIAL PROVISION: Consumption charges for municipal water systems which purchase water under this Rate Schedule shall be reduced by \$0.00748 per hundred cubic feet.

* One hundred cubic feet equals 748 gallons

Facilities Charge:

| <u>Size of Meter</u> | <u>Per Quarter</u> |
|----------------------|--------------------|
| 5/8 Inch | \$ 14.49 |
| 3/4 Inch | 20.63 |
| 1 Inch | 34.44 |
| 1-1/2 Inch | 68.80 |
| 2 Inch | 110.13 |
| 3 Inch | 206.48 |
| 4 Inch | 344.16 |
| 6 Inch | 688.29 |
| 8 Inch | 1,101.33 |
| 10 Inch | 1,583.14 |
| 12 Inch | 2,959.82 |

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135Issued by Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 38
Superseding Original Sheet No. 38

RATE SCHEDULE NO. (Continued)

The amount of a customer's bill for a billing period will be the total of the Consumption Charge and the Facilities Charge.

MINIMUM CHARGE:

Applicable Facilities Charge.

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill. Bills for metered water services are rendered at a minimum quarterly.

TERMS:

See "Standard Terms and Conditions," Paragraph 11.7, Sheet Nos. 28 and 29. For lawn sprinklers and irrigation systems, see Paragraph 13.1 and 13.2, Sheet Nos. 34.

SPECIAL PROVISIONS:

Whenever service to a customer is established or discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period for which service was provided.

Where bills are rendered on less than a quarterly basis, the facility charges will be prorated.

Sales under this rate schedule to a public utility subject to a payment of Gross Receipts and Franchise Taxes shall be exempt the applicable Gross Receipt and Franchise Taxes.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Sixth Revised Sheet No. 40
Superseding Fifth Revised Sheet No. 40

RATE SCHEDULE NO. 3

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY:

Applicable to customers throughout entire territory for private fire protection service, as defined in the Standard Terms and Conditions, Section 8.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:

Private Fire Protection Service through metered connections with or without hose or hydrants connected to them.

| <u>Size of Meter/Service</u> | <u>Per Month</u> |
|------------------------------|------------------|
| -1/2 Inch | \$ 13.73 |
| * 2 Inch | 24.52 |
| 3 Inch | 68.72 |
| 4 Inch | 109.02 |
| 6 Inch | 224.85 |
| 8 Inch | 399.74 |
| 10 Inch | 624.59 |
| 12 Inch | 899.40 |

Private Fire Protection through hydrants owned by the Company or customer and connected to Company owned mains located in private rights-of-way.

| <u>Territory Served</u> | <u>Rate per Hydrant per Month</u> |
|-----------------------------|-----------------------------------|
| Former United Water Hampton | \$ 29.07 |
| All Others | 48.30 |

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 41
Superseding Fourth Revised Sheet No. 41**RATE SCHEDULE NO.3 (Continued)**CONSUMPTION CHARGE:

Customers shall receive an allowance of 400 cubic feet per month for testing. Pursuant to Paragraph 8.2 (a), of the "Standard Terms and Conditions," water used for purposes other than fire fighting or permitted testing shall be charged to the customer in accordance with the consumption charges shown on Rate Schedule No. 1.

MINIMUM CHARGE:

None

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill. Bills are rendered monthly.

TERMS:

See "Standard Terms and Conditions," Paragraph 11.7, Sheet Nos. 28 and 29.

SPECIAL PROVISIONS:

See "Standard Terms and Conditions," Paragraphs 8.1 through 8.8 inclusive, Sheet Nos. 19, 20, 21 and 22.

Whenever service to a customer is established or discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period which service was provided.

EXEMPTIONS:

See "Standard Terms and Conditions," Paragraph 8.3, Sheet No. 20.

* Pursuant to R.S. 48:19-18, the above monthly meter/service charge is waived for residential customers 2" and less.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 42

Superseding Fourth Revised Sheet No. 42

RATE SCHEDULE NO. 4**PUBLIC FIRE PROTECTION SERVICE****APPLICABILITY:**

Applicable to municipalities throughout entire territory for public fire protection.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:**A: For Territories within Bergen and Hudson Counties:****Inch Foot Charge**

Yearly charge of \$ 0.04386 per inch foot of distribution and transmission mains serving the municipality.

Hydrant Charge

\$ 163.80 yearly for each hydrant

The amount of the bill will be the total of the Inch Foot Charge and the Hydrant Charge.

B. For the territory formerly known as United Water Lambertville:

\$ 412.20 yearly for each hydrant

MINIMUM CHARGE:

None

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill.

Bills are rendered monthly.

SPECIAL PROVISIONS:

Whenever service to a customer is established and discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period for which service was provided.

Filed pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 43
Superseding Original Sheet No. 43

RATE SCHEDULE NO. 4 (Continued)

TERM:

Continuous until water service within municipality is permanently discontinued.

SPECIAL PROVISIONS:

The number of "inch feet" is computed by multiplying the linear feet by the internal diameter in inches of distribution and transmission mains serving a municipality (for example: 100 feet of 6 inch mains is equivalent to 600 inch feet.)

Inch Foot transmission system charges are allocated based upon the population of the town served by the transmission main.

See also "Standard Terms and Conditions," Paragraphs 9. through 9.3, inclusive, Sheet No. 23

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 44
Superseding Fourth Revised Sheet No. 44**RATE SCHEDULE NO. 5****BUILDING CONSTRUCTION SERVICE****APPLICABILITY:**

Applicable throughout entire territory to water service for buildings during construction.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:**Metered:**

Whenever possible, water for building purposes will be supplied through meters supplied by the Company and charged at the General Metered Service, Rate Schedule No. 1.

When metered, deposit requirements as stated in "Standard Terms and Conditions" 3.1, Sheet No. 10, shall apply.

2) Unmetered:

The rates shall be the same as set forth under the General Metered Service, Rate Schedule No. 1 and calculated as follows:

A Consumption charge based on the Company's estimate of the volume of water to be used.

A Facility Charge based on the opening in the main providing service or the hydrant discharge multiplied by the Company's estimate of the number of months water is to be used.

Charges shall be payable in advance. At expiration of estimated duration or upon completion of building, whichever comes first, water service shall be discontinued until either a request for an extension of construction service or a regular application for service is submitted to the Company. When completion of building is less than the estimated months, a pro rata refund will be made upon discontinuance of service.

Filed Pursuant to a _____ decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 45
Superseding Original Sheet No. 45

RATE SCHEDULE NO 5 (Continued)

MINIMUM CHARGE:

None.

TERMS OF PAYMENT:

Net cash in advance.

TERM:

On completion of building.

SPECIAL PROVISIONS:

Under this schedule, water service will be supplied for concreting, for foundations, cellars and sidewalks and also through a temporary slip joint for testing purposes.

Upon completion of the building, if further water service is required, the customer shall make regular application for water service.

In instances where the Company permits hydrants to be used for building construction purposes, the following terms and conditions shall apply:

A special permit issued by the Company is required before hydrants may be used for building construction purposes.

No wrenches of any sort, other than the one supplied with the permit, shall be used for opening and closing a hydrant.

Filed Pursuant to a _____ decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.
BPU NO. 4 - WATER

First Revised Sheet No. 46
Superseding Original Sheet No. 46

THIS SHEET INTENTIONALLY LEFT BLANK

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue:

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC

BPU NO. 4 - WATER

Fourth Revised Sheet No. 47

Superseding Third Revised Sheet No. 47

RATE SCHEDULE NO. 6
MISCELLANEOUS SERVICE

APPLICABILITY:

Applicable to the following classes of miscellaneous service throughout the entire territory.

RESTORATION OF SERVICE CHARGE:

A charge for restoring service after discontinuance due to nonpayment of bills or violation of the Company's rules will be made as follows:

| | |
|--|----------|
| During normal business hours (8:00 a.m. to 4:30 p.m) | \$ 49.00 |
| During all other hours | \$ 64.00 |

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fourth Revised Sheet No. 48
Superseding Third Revised Sheet No. 48**RATE SCHEDULE NO. 6 (Continued)****METER RESET CHARGE:**

In cases where the Company suspends service to unoccupied premises pursuant to Paragraph 7.9 of the Tariff, the Company will charge the customer for resetting the meter as follows:

| <u>Meter Size</u> | <u>Inside Buildings</u> | <u>Meter Pit or Vault</u> |
|-------------------|-------------------------|---------------------------|
| 5/8" – 1" | \$ 84.00 | \$ 84.00 |
| 1-1/2" – 2" | 101.00 | 177.00 |
| 3" and Larger | 355.00 | 508.00 |

METER REPAIR AND REPLACEMENT CHARGE:

A charge for repairing damage to a meter caused from misuse by the customer, frost, hot water or external causes; or for replacing a meter at the request of the customer where the meter has been in use for less than two years shall be made as follows:

| <u>Meter Size</u> | <u>Inside Buildings</u> | <u>Meter Pit or Vault</u> |
|-------------------|-------------------------|---------------------------|
| 5/8" | \$ 59.00 | \$ 59.00 |
| 3/4" | 66.00 | 66.00 |
| 1" | 74.00 | 74.00 |
| 1-1/2" | 307.00 | 354.00 |
| 2" | 370.00 | 408.00 |
| * 3" and Larger | At Cost | At Cost |

* At Cost – includes labor, materials and transportation.

Filed Pursuant to a _____ decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Third Revised Sheet No. 48A
Superseding Second Revised Sheet No. 48A**RATE SCHEDULE NO. 6 (Continued)****METER TESTING CHARGE:**

If more than one test is made at the request of the customer in less than the interval of one year, a charge shall be made for each test after the first test as follows:

| <u>Meter Size</u> | <u>Rate</u> |
|-------------------|-------------|
| 5/8" | \$ 46.00 |
| 3/4" | 50.00 |
| 1" | 50.00 |
| 1-1/2" | 78.00 |
| 2" | 78.00 |
| 3" | 247.00 |
| 4" | 255.00 |
| 6" and Larger | 267.00 |

BAD CHECK CHARGE:

Should the Company receive a negotiable instrument from the applicant or customer in payment of any bill, charge or deposit due and such instrument be subsequently dishonored or be uncollectible for any reason, the Company shall charge the applicant or customer a handling charge of \$5.00 plus any payments the company was required to pay its bank or other agency for handling such instrument.

REMOTE METER REPAIR CHARGE:

The charge for repairing damage to a remote meter when the damage results from causes other than ordinary wear and tear shall not exceed the **replacement** cost of a new device.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 49
Superseding Original Sheet No. 49

RATE SCHEDULE NO. 6 (Continued)

HYDRANT FLOW TEST

For all work and labor performed and all materials furnished by the Company for hydrant flow tests, a charge of \$ 163.00 will be charged to the (non – United Water) customer or party requiring such service.

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill.

TERM:

As required to meet the class of service rendered.

SPECIAL PROVISIONS:

See "Standard Terms and Conditions," particularly Paragraph 11.11, Sheet No. 28 and Paragraph 12.3, Sheet No. 32.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue:

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 50
Superseding Original Sheet No. 50**RATE SCHEDULE NO. 7****HOMEOWNER'S ASSOCIATION WATER SERVICE****APPLICABILITY:**

Applicable to the use of water supplied to the common areas served by the Company.

RATE:**A. UNMETERED**

Flat Rate Charge: \$ 0.74 per month per residential unit

Pursuant to N.J.S.A. 48:12A-17, the above rate is inclusive of the State Water Tax of 1-cent per thousand gallons.

B. METERED

The rates shall be the same as set forth in Rate Schedule No. 1, General Metered Service

C. FIRE PROTECTION CHARGE

Flat Rate Charge: \$ 1.57 per month per residential unit

The amount of a customer's bill for a billing period will be the total of the Flat Rate Un-metered Charge or Metered Charge and the Fire Protection Charge.

MINIMUM CHARGE:

Applicable Facilities Charge and Fire Protection Charge.

TERMS OF PAYMENT:

Net cash within ten days of presentation of bill.

SPECIAL PROVISIONS:

The Homeowner's Association will be liable for all charges for water service to the common elements.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
 200 Old Hook Road, Harrington Park, New Jersey 07640

RATE SCHEDULE NO. 8
GENERAL FLAT RATE WATER SERVICE

APPLICABILITY:

Applicable to the use of water supplied to customers in the entire territory served by the former United Water Vernon Hills.

RATE:

General Service: \$ 70.60 per quarter

TERMS OF PAYMENT:

Net cash within ten days of presentation of the bill.

Filed pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
 200 Old Hook Road, Harrington Park, New Jersey 07640

EXHIBIT B

PROOF OF REVENUES

**UNITED WATER NEW JERSEY
PROOF OF REVENUE**

| Unmetered Sales | | Units | Rate Existing | Revenue at Existing | Rate Proposed | Revenue at Proposed | Increase |
|----------------------------|-----------------------------------|-------------------------------|------------------|------------------------|------------------|------------------------|----------|
| | | 747 | 47.97 | 35,834 | 138.13 | 103,183 | 187.95% |
| Metered Sales | | | | | | | |
| Facility Charges | | | | | | | |
| Meter Size | Number of Customers Average | Number of Bills Monthly | Rate Existing | Fixed Revenue | Rate Proposed | Fixed Revenue | Increase |
| 5/8" | 163,181 | 1,958,172 | 3.97 | 7,773,943 | 4.83 | 9,457,971 | 21.66% |
| 5/8" | 591 | 7,092 | 10.50 | 74,466 | 4.83 | 34,254 | -54.00% |
| 5/8" | 7 | 84 | 114.67 | 9,632 | 4.83 | 406 | -95.79% |
| 5/8" | 301 | 3,612 | 12.00 | 43,344 | 4.83 | 17,446 | -59.75% |
| 5/8" | 1,706 | 20,472 | 5.14 | 105,226 | 4.83 | 98,880 | -6.03% |
| | 165,786 | | | | | | |
| 3/4" | 8,051 | 96,612 | 5.96 | 575,808 | 6.88 | 664,292 | 15.37% |
| 3/4" | 2 | 24 | 172.00 | 4,128 | 6.88 | 165 | -96.00% |
| 3/4" | 7 | 84 | 7.71 | 648 | 6.88 | 578 | -10.82% |
| | 8,060 | | | | | | |
| 1" | 8,365 | 100,380 | 9.95 | 998,781 | 11.48 | 1,152,264 | 15.37% |
| 1" | 15 | 180 | 12.84 | 2,311 | 11.48 | 2,066 | -10.60% |
| | 8,380 | | | | | | |
| 1 1/2" | 2,591 | 31,092 | 19.88 | 618,109 | 22.93 | 713,094 | 15.37% |
| 1 1/2" | 3 | 36 | 573.74 | 20,655 | 22.93 | 826 | -96.00% |
| 1 1/2" | 1 | 12 | 66.45 | 797 | 22.93 | 275 | -65.49% |
| 1 1/2" | 4 | 48 | 25.69 | 1,233 | 22.93 | 1,101 | -10.72% |
| | 2,599 | | | | | | |
| 2" | 2,320 | 27,840 | 31.82 | 885,869 | 36.71 | 1,022,000 | 15.37% |
| 2" | 3 | 36 | 917.34 | 33,024 | 36.71 | 1,322 | -96.00% |
| 2" | 5 | 60 | 106.32 | 6,379 | 36.71 | 2,203 | -65.47% |
| 2" | 10 | 120 | 41.10 | 4,932 | 36.71 | 4,405 | -10.68% |
| | 2,338 | | | | | | |
| 3" | 715 | 8,580 | 59.66 | 511,883 | 68.83 | 590,544 | 15.37% |
| 3" | 1 | 12 | 1,720.00 | 20,640 | 68.83 | 826 | -96.00% |
| 3" | 3 | 36 | 77.06 | 2,774 | 68.83 | 2,478 | -10.68% |
| | | | | | | | |
| 4" | 476 | 5,712 | 99.44 | 568,001 | 114.72 | 655,286 | 15.37% |
| 4" | 1 | 12 | 128.44 | 1,541 | 114.72 | 1,377 | -10.68% |
| | | | | | | | |
| 6" | 262 | 3,144 | 198.87 | 625,247 | 229.43 | 721,329 | 15.37% |
| 8" | 13 | 156 | 318.21 | 49,641 | 367.11 | 57,269 | 15.37% |
| 10" | 8 | 96 | 457.42 | 43,912 | 527.71 | 50,660 | 15.37% |
| 12" | - | - | 855.19 | - | 986.61 | - | 15.37% |
| Total Fac. Chg. | | 375,805 | | 12,982,925 | | 15,253,315 | |
| Consumption Charges | | | | | | | |
| Description | Units | Bills | Rate | Revenue | Meters | Rate | Revenue |
| Flat Rate | | | | | 5/8" | 4.83 | 30,951 |
| VH Res | 441 | 5,292 | 49.64 | 262,695 | 1" | 11.48 | 1,102 |
| VH Annual | 57 | 57 | 441.12 | 25,144 | 1-1/2" | 22.93 | 275 |
| VH Com | 42 | 504 | 99.28 | 50,037 | | 0.74 | 9,241 |
| HAW Rate - VV | 1,043 | 12 | 0.64 | 8,010 | | | |
| | | | | 345,886 | | | 41,569 |
| General Metered | | | | | | | |
| | CCF | Rate | Revenue | Rate | Revenue | | |
| New Jersey | 39,320,259 | 2.4252 | 95,359,492 | 2.7979 | 110,013,385 | | 15.37% |
| Arlington Hills | 57,929 | 1.1370 | 65,865 | 2.7979 | 162,078 | | 146.08% |
| Hampton | 18,257 | 4.6230 | 84,404 | 2.7979 | 51,082 | | -39.48% |
| Lambertville | 119,817 | 4.6548 | 557,724 | 2.7979 | 335,234 | | -39.89% |
| | | | 96,067,486 | | 110,561,779 | | |
| Total Metered Sales | | | 109,396,297 | | 125,856,663 | | |

| Description | CCF | Existing | Revenue at Existing | Rate Proposed | Revenue at Proposed | Increase | |
|--|-----------------------------------|-------------------------------|------------------------|------------------|------------------------|------------------|--------------|
| Sales for Resale | 1,999,327 | 1,3173 | 2,633,713 | 1.5197 | 3,038,436 | 15.37% | |
| intercompany | | | | | | | |
| 3/4" | 1 | 12 | 5.96 | 72 | | | |
| 3/4" | 1 | 12 | 157.33 | 1,888 | 5.91 | 71 | |
| 2" | 1 | 12 | 31.82 | 382 | 31.55 | 379 | |
| CCF | 3,276 | 2,4252 | 7,945 | 2,4045 | 7,877 | -0.85% | |
| CCF | 72 | 1.04 | 75 | 2,4045 | 72 | -0.85% | |
| CCF (raw) | 68,260 | 0.45099 | 30,785 | 0.465038 | 31,743 | 3.11% | |
| Total Intercompany | | | 41,146 | | 40,142 | | |
| ----- | | | | | | | |
| Private Fire Service | | | | | | | |
| (Includes Reduction for Residential 2" and Less) | | | | | | | |
| Meter Size | Number of Customers Average | Number of Bills Monthly | Rate Existing | Fixed F | Rate Existing | Fixed Revenue | Increase |
| 1 1/2" | 62 | 744 | 11.90 | 8,854 | 13.73 | 10,187 | 15.37% |
| 2" | 187 | 2,244 | 21.25 | 47,685 | 24.52 | 55,528 | 15.37% |
| 2" | 18 | 216 | 76.16 | 16,451 | 24.52 | 5,295 | -67.81% |
| 3" | 203 | 2,436 | 59.57 | 145,113 | 68.72 | 168,786 | 15.37% |
| 4" | 1,708 | 20,496 | 94.50 | 1,936,872 | 109.02 | 2,240,289 | 15.37% |
| 4" | 2 | 24 | 238.00 | 5,712 | 109.02 | 2,617 | -54.19% |
| 4" | 3 | 36 | 66.37 | 2,389 | 109.02 | 3,925 | 64.26% |
| 6" | 1,686 | 20,232 | 194.90 | 3,943,217 | 224.85 | 4,560,413 | 15.37% |
| 6" | 5 | 60 | 476.00 | 28,560 | 224.85 | 13,491 | -52.76% |
| 6" | 5 | 60 | 124.23 | 7,454 | 224.85 | 13,491 | 80.99% |
| 8" | 719 | 8,628 | 346.49 | 2,989,516 | 399.74 | 3,456,510 | 15.37% |
| 10" | 27 | 324 | 541.39 | 175,410 | 624.59 | 203,615 | 15.37% |
| 12" | 2 | 24 | 779.60 | 18,710 | 899.40 | 23,384 | 15.37% |
| | 4,609 | | | | | | |
| HYD | 480 | 5,760 | 41.87 | 241,171 | 48.30 | 295,042 | 15.37% |
| | 12 | 144 | 12.50 | 1,800 | 29.07 | 4,186 | 132.56% |
| | 4 | 48 | 31.51 | 1,513 | 48.30 | 2,319 | 53.28% |
| Total Private Fire Service | | | 9,570,426 | | | 11,059,077 | |
| Public Fire Service | | | | | | | |
| | Units | Bills | Rate | Revenue | Meters | Rate | Revenue |
| HYD | 14,621 | 175,452 | 11.82 | 2,073,843 | 13.65 | 2,394,253 | 15.45% |
| | 66 | 792 | 29.68 | 23,504 | 34.35 | 27,208 | 15.76% |
| Inch Feet | 101,495,423 | - | 0.037991 | 3,855,907 | 0.04386 | 4,451,565 | 15.45% |
| HAW RATE | 591 | 7,092 | 7.75 | 54,963 | 1.57 | 11,127 | -79.75% |
| | 1,364 | 16,368 | 1.36 | 22,260 | 1.57 | 25,681 | 15.37% |
| Total Public Fire Service | | | 6,030,477 | | | 6,909,834 | |
| Total Revenue from Sales | | | \$127,707,892 | | | \$147,007,336 | 15.11% |
| Target | | | \$127,707,895 | | | \$147,007,895 | \$19,300,000 |
| Rounding | | | f | (3) | | (559) | |

COPY



COPY

State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, New Jersey 07102
(973) 648-6008
(973-648-6058)

Robert J. Giordano, ALJ &
Manager of Organizational Development

RECEIVED
CASE MANAGER
2007 OCT 12 AM 9:27
BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

NORTH

Date OCT 12 2007

Re: Initial Decisions for Receipt

We are hereby forwarding to you the following decisions from the office of Administrative Law. **Receipt is acknowledged as of the next business day of the date indicated below.** Should a listed decision not be included in this batch, please call 973-648-6008.

OAL Docket No. PUC

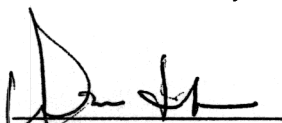
Case Name

3325-07

JOINT Petition OF
UNITED WATER N.J., INC.

Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Date: 10/12/07


Board of Public Utilities

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 42

Superseding Fourth Revised Sheet No. 42

RATE SCHEDULE NO. 4

PUBLIC FIRE PROTECTION SERVICE

APPLICABILITY:

Applicable to municipalities throughout entire territory for public fire protection.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

A: For Territories within Bergen and Hudson Counties:

Inch Foot Charge

Yearly charge of \$ 0.04386 per inch foot of distribution and transmission mains serving the municipality.

Hydrant Charge

\$ 163.80 yearly for each hydrant

The amount of the bill will be the total of the Inch Foot Charge and the Hydrant Charge.

B. For the territory formerly known as United Water Lambertville:

\$ 412.20 yearly for each hydrant

MINIMUM CHARGE:

None

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill.

Bills are rendered monthly.

SPECIAL PROVISIONS:

Whenever service to a customer is established and discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period for which service was provided.

Filed pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 43
Superseding Original Sheet No. 43

RATE SCHEDULE NO. 4 (Continued)

TERM:

Continuous until water service within municipality is permanently discontinued.

SPECIAL PROVISIONS:

The number of "inch feet" is computed by multiplying the linear feet by the internal diameter in inches of distribution and transmission mains serving a municipality (for example: 100 feet of 6 inch mains is equivalent to 600 inch feet.)

Inch Foot transmission system charges are allocated based upon the population of the town served by the transmission main.

See also "Standard Terms and Conditions," Paragraphs 9.1 through 9.3, inclusive, Sheet No. 23.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 44
Superseding Fourth Revised Sheet No. 44

RATE SCHEDULE NO. 5

BUILDING CONSTRUCTION SERVICE

APPLICABILITY:

Applicable throughout entire territory to water service for buildings during construction.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:

1) **Metered:**

Whenever possible, water for building purposes will be supplied through meters supplied by the Company and charged at the General Metered Service, Rate Schedule No. 1.

When metered, deposit requirements as stated in "Standard Terms and Conditions" 3.1, Sheet No. 10, shall apply.

2) **Unmetered:**

The rates shall be the same as set forth under the General Metered Service, Rate Schedule No. 1 and calculated as follows:

A Consumption charge based on the Company's estimate of the volume of water to be used.

A Facility Charge based on the opening in the main providing service or the hydrant discharge multiplied by the Company's estimate of the number of months water is to be used.

Charges shall be payable in advance. At expiration of estimated duration or upon completion of building, whichever comes first, water service shall be discontinued until either a request for an extension of construction service or a regular application for service is submitted to the Company. When completion of building is less than the estimated months, a pro rata refund will be made upon discontinuance of service.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 45
Superseding Original Sheet No. 45

RATE SCHEDULE NO 5 (Continued)

MINIMUM CHARGE:

None.

TERMS OF PAYMENT:

Net cash in advance.

TERM:

On completion of building.

SPECIAL PROVISIONS:

Under this schedule, water service will be supplied for concreting, for foundations, cellars and sidewalks and also through a temporary slip joint for testing purposes.

Upon completion of the building, if further water service is required, the customer shall make regular application for water service.

In instances where the Company permits hydrants to be used for building construction purposes, the following terms and conditions shall apply:

A special permit issued by the Company is required before hydrants may be used for building construction purposes.

No wrenches of any sort, other than the one supplied with the permit, shall be used for opening and closing a hydrant.

Filed Pursuant to a _____ decision by the
Board of Public Utilities in Docket No WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 46
Superseding Original Sheet No. 46

THIS SHEET INTENTIONALLY LEFT BLANK

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fourth Revised Sheet No. 47

Superseding Third Revised Sheet No. 47

RATE SCHEDULE NO. 6
MISCELLANEOUS SERVICE

APPLICABILITY:

Applicable to the following classes of miscellaneous service throughout the entire territory.

RESTORATION OF SERVICE CHARGE:

A charge for restoring service after discontinuance due to nonpayment of bills or violation of the Company's rules will be made as follows:

| | | |
|---|---|----------|
| During normal business hours (8:00 a.m. to 4:30 p.m.) | - | \$ 49.00 |
| During all other hours | - | \$ 64.00 |

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____

Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fourth Revised Sheet No. 48
Superseding Third Revised Sheet No. 48**RATE SCHEDULE NO. 6 (Continued)****METER RESET CHARGE:**

In cases where the Company suspends service to unoccupied premises pursuant to Paragraph 7.9 of the Tariff, the Company will charge the customer for resetting the meter as follows:

| <u>Meter Size</u> | <u>Inside Buildings</u> | <u>Meter Pit or Vault</u> |
|-------------------|-------------------------|---------------------------|
| 5/8" – 1" | \$ 84.00 | \$ 84.00 |
| 1-1/2" – 2" | 101.00 | 177.00 |
| 3" and Larger | 355.00 | 508.00 |

METER REPAIR AND REPLACEMENT CHARGE:

A charge for repairing damage to a meter caused from misuse by the customer, frost, hot water or external causes; or for replacing a meter at the request of the customer where the meter has been in use for less than two years shall be made as follows:

| <u>Meter Size</u> | <u>Inside Buildings</u> | <u>Meter Pit or Vault</u> |
|-------------------|-------------------------|---------------------------|
| 5/8" | \$ 59.00 | \$ 59.00 |
| 3/4" | 66.00 | 66.00 |
| 1" | 74.00 | 74.00 |
| 1-1/2" | 307.00 | 354.00 |
| 2" | 370.00 | 408.00 |
| * 3" and Larger | At Cost | At Cost |

* At Cost – includes labor, materials and transportation.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

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Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Third Revised Sheet No. 48A
Superseding Second Revised Sheet No. 48A**RATE SCHEDULE NO. 6 (Continued)****METER TESTING CHARGE:**

If more than one test is made at the request of the customer in less than the interval of one year, a charge shall be made for each test after the first test as follows:

| <u>Meter Size</u> | <u>Rate</u> |
|-------------------|-------------|
| 5/8" | \$ 46.00 |
| 3/4" | 50.00 |
| 1" | 50.00 |
| 1-1/2" | 78.00 |
| 2" | 78.00 |
| 3" | 247.00 |
| 4" | 255.00 |
| 6" and Larger | 267.00 |

BAD CHECK CHARGE:

Should the Company receive a negotiable instrument from the applicant or customer in payment of any bill, charge or deposit due and such instrument be subsequently dishonored or be uncollectible for any reason, the Company shall charge the applicant or customer a handling charge of \$5.00 plus any payments the company was required to pay its bank or other agency for handling such instrument.

REMOTE METER REPAIR CHARGE:

The charge for repairing damage to a remote meter when the damage results from causes other than ordinary wear and tear shall not exceed the **replacement** cost of a new device.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

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Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 49
Superseding Original Sheet No. 49

RATE SCHEDULE NO. 6 (Continued)

HYDRANT FLOW TEST

For all work and labor performed and all materials furnished by the Company for hydrant flow tests, a charge of \$ 163.00 will be charged to the (non – United Water) customer or party requiring such service.

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill.

TERM:

As required to meet the class of service rendered.

SPECIAL PROVISIONS:

See "Standard Terms and Conditions," particularly Paragraph 11.11, Sheet No. 28 and Paragraph 12.3, Sheet No. 32.

Filed Pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

**First Revised Sheet No. 50
Superseding Original Sheet No. 50**

RATE SCHEDULE NO. 7

HOMEOWNER'S ASSOCIATION WATER SERVICE

APPLICABILITY:

Applicable to the use of water supplied to the common areas served by the Company.

RATE:

A. UNMETERED

Flat Rate Charge: \$ 0.74 per month per residential unit

Pursuant to N.J.S.A. 48:12A-17, the above rate is inclusive of the State Water Tax of 1-cent per thousand gallons.

B. METERED

The rates shall be the same as set forth in Rate Schedule No. 1, General Metered Service

C. FIRE PROTECTION CHARGE

Flat Rate Charge: \$ 1.57 per month per residential unit

The amount of a customer's bill for a billing period will be the total of the Flat Rate Unmetered Charge or Metered Charge and the Fire Protection Charge.

MINIMUM CHARGE:

Applicable Facilities Charge and Fire Protection Charge.

TERMS OF PAYMENT:

Net cash within ten days of presentation of bill.

SPECIAL PROVISIONS:

The Homeowner's Association will be liable for all charges for water service to the common elements.

Filed Pursuant to a _____ decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Original Sheet No. 51

RATE SCHEDULE NO. 8

GENERAL FLAT RATE WATER SERVICE

APPLICABILITY:

Applicable to the use of water supplied to customers in the entire territory served by the former United Water Vernon Hills.

RATE:

General Service: \$ 70.60 per quarter

TERMS OF PAYMENT:

Net cash within ten days of presentation of the bill.

Filed pursuant to a decision by the
Board of Public Utilities in Docket No. WR07020135

Date of Issue: _____

Effective: _____
Docket No. WR07020135

Issued by: Robert J. Iacullo, President
 200 Old Hook Road, Harrington Park, New Jersey 07640

EXHIBIT B

PROOF OF REVENUES

**UNITED WATER NEW JERSEY
PROOF OF REVENUE**

| Unmetered Sales | | Units | Rate Existing | Revenue at Existing | Rate Proposed | Revenue at Proposed | Increase |
|---------------------|---------------------|-------------------------|---------------|---------------------|---------------|---------------------|----------|
| | | 747 | 47.97 | 35,834 | 138.13 | 103,183 | 187.95% |
| Metered Sales | | | | | | | |
| Facility Charges | | | | | | | |
| Meter Size | Number of Customers | Number of Bills Monthly | Rate Existing | Fixed Revenue | Rate Proposed | Fixed Revenue | Increase |
| 5/8" | 163,181 | 1,958,172 | 3.97 | 7,773,943 | 4.83 | 9,457,971 | 21.66% |
| 5/8" | 591 | 7,092 | 10.50 | 74,466 | 4.83 | 34,254 | -54.00% |
| 5/8" | 7 | 84 | 114.67 | 9,632 | 4.83 | 406 | -95.79% |
| 5/8" | 301 | 3,612 | 12.00 | 43,344 | 4.83 | 17,446 | -59.75% |
| 5/8" | 1,706 | 20,472 | 5.14 | 105,226 | 4.83 | 98,880 | -6.03% |
| | 165,786 | | | | | | |
| 3/4" | 8,051 | 96,612 | 5.96 | 575,808 | 6.88 | 664,292 | 15.37% |
| 3/4" | 2 | 24 | 172.00 | 4,128 | 6.88 | 165 | -96.00% |
| 3/4" | 7 | 84 | 7.71 | 648 | 6.88 | 578 | -10.82% |
| | 8,060 | | | | | | |
| 1" | 8,365 | 100,380 | 9.95 | 998,781 | 11.48 | 1,152,264 | 15.37% |
| 1" | 15 | 180 | 12.84 | 2,311 | 11.48 | 2,066 | -10.60% |
| | 8,380 | | | | | | |
| 1 1/2" | 2,591 | 31,092 | 19.88 | 618,109 | 22.93 | 713,094 | 15.37% |
| 1 1/2" | 3 | 36 | 573.74 | 20,655 | 22.93 | 826 | -96.00% |
| 1 1/2" | 1 | 12 | 66.45 | 797 | 22.93 | 275 | -65.49% |
| 1 1/2" | 4 | 48 | 25.69 | 1,233 | 22.93 | 1,101 | -10.72% |
| | 2,599 | | | | | | |
| 2" | 2,320 | 27,840 | 31.82 | 885,869 | 36.71 | 1,022,000 | 15.37% |
| 2" | 3 | 36 | 917.34 | 33,024 | 36.71 | 1,322 | -96.00% |
| 2" | 5 | 60 | 106.32 | 6,379 | 36.71 | 2,203 | -65.47% |
| 2" | 10 | 120 | 41.10 | 4,932 | 36.71 | 4,405 | -10.68% |
| | 2,338 | | | | | | |
| 3" | 715 | 8,580 | 59.66 | 511,883 | 68.83 | 590,544 | 15.37% |
| 3" | 1 | 12 | 1,720.00 | 20,640 | 68.83 | 826 | -96.00% |
| 3" | 3 | 36 | 77.06 | 2,774 | 68.83 | 2,478 | -10.68% |
| | | | | | | | |
| 4" | 476 | 5,712 | 99.44 | 568,001 | 114.72 | 655,286 | 15.37% |
| 4" | 1 | 12 | 128.44 | 1,541 | 114.72 | 1,377 | -10.68% |
| | | | | | | | |
| 6" | 262 | 3,144 | 198.87 | 625,247 | 229.43 | 721,329 | 15.37% |
| 8" | 13 | 156 | 318.21 | 49,641 | 367.11 | 57,269 | 15.37% |
| 10" | 8 | 96 | 457.42 | 43,912 | 527.71 | 50,660 | 15.37% |
| 12" | | - | 855.19 | | 986.61 | | 15.37% |
| Total Fac. Chg. | 375,805 | | | 12,982,925 | | 15,253,315 | |
| Description | | | | | | | |
| Units | Bills | Rate | Revenue | Meters | Rate | Revenue | |
| Plat Rate | | | | 5/8" | 4.83 | 30,951 | -90.27% |
| VH Res | 441 | 5,292 | 49.64 | 262,695 | 1" | 11.48 | -97.40% |
| VH Annual | 57 | 57 | 441.12 | 25,144 | 1" | 11.48 | -97.40% |
| VH Com | 42 | 504 | 99.28 | 50,037 | 1-1/2" | 22.93 | -76.90% |
| HAW Rate - VV | 043 | 12 | 0.64 | 8,010 | 1,043 | 0.74 | 15.37% |
| | | | | | | | |
| | | | | 345,886 | | 41,569 | |
| Consumption Charges | | | | | | | |
| General Metered | | | | | | | |
| | CCF | Rate | Revenue | | Rate | Revenue | |
| New Jersey | 39,320,259 | 2.4252 | 95,359,492 | 2.7979 | 110,013,385 | 15.37% | |
| Arlington Hills | 57,929 | 1.1370 | 65,865 | 2.7979 | 162,078 | 146.08% | |
| Hampton | 18,257 | 4.6230 | 84,404 | 2.7979 | 51,082 | -39.48% | |
| Lambertville | 119,817 | 4.6548 | 557,724 | 2.7979 | 335,234 | -39.89% | |
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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

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|---|--|
| <hr style="border: 0.5px solid black; margin-bottom: 5px;"/> <div style="display: flex; justify-content: space-between;"><div style="width: 48%;"><p>IN THE MATTER OF THE JOINT PETITION : OF UNITED WATER NEW JERSEY INC., : UNITED WATER ARLINGTON HILLS INC., : UNITED WATER HAMPTON INC., : UNITED WATER VERNON HILLS INC., AND : UNITED WATER LAMBERTVILLE INC. FOR : APPROVAL OF AN INCREASE IN RATES : FOR WATER SERVICE AND OTHER : TARIFF CHANGES; AND FOR APPROVAL : TO MERGE THE OPERATIONS OF THE : JOINT PETITIONERS INTO, AND WITH, : UNITED WATER NEW JERSEY INC. : :</p><hr style="border: 0.5px solid black; margin-top: 5px;"/></div><div style="width: 4%; text-align: center; font-size: 2em;">}</div><div style="width: 48%;"><p>BPU DOCKET NO. WR07020135 OAL DKT. NO. PUCRS 3325-07</p><p style="text-align: center; margin-top: 20px;">STIPULATION OF SETTLEMENT</p></div></div> | |
|---|--|

APPEARANCES:

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of United Water New Jersey Inc., United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., Joint Petitioners

Alex Moreau, Deputy Attorney General and Arlene E. Pasko, Deputy Attorney General (Anne Milgram, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

Christine M. Juarez, Esq. Assistant Deputy Public Advocate, and Susan E. McClure, Esq., Assistant Deputy Public Advocate, on behalf of the Department of the Public Advocate, Division of Rate Counsel

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Parties in this proceeding are as follows: United Water New Jersey Inc., United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., (collectively, the "Joint Petitioners"), the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of

Public Utilities ("Staff"). As a result of an analysis of Petitioner's pre-filed testimony and exhibits, extensive discovery, and two public comment hearings held on June 19, 2007, the Joint Petitioners, Staff and Rate Counsel (collectively, the "Signatory Parties") have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On February 23, 2007, Joint Petitioners, each a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21, 48:2-18, 48:3-7, 48:3-10, and N.J.A.C. 14:1-5.12 and 14:1-5.8, filed a petition to increase rates for water service and to make other tariff changes. Specifically, the Joint Petitioners requested a rate increase of approximately \$35,794,000 or approximately 28% above the adjusted annual level of revenues for the rate year ending October 31, 2007. During the pendency of this proceeding, the Joint Petitioners' request was revised to reflect a rate increase of \$29,080,810 or approximately 22.75% above adjusted rate year revenues.

Additionally, Joint Petitioners sought approval to merge United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., with, and into, United Water New Jersey Inc. ("UWNJ"), with UWNJ as the surviving entity. Joint Petitioners also sought to implement a system-wide tariff, with limited exceptions, for the merged companies. Joint Petitioners also requested authority to update the depreciation rates applied to certain categories of utility property,¹ to implement a Haworth Treatment Plant Clause, and to establish a Distribution System Improvement Charge ("DSIC").

On March 8, 2007, the Board transmitted this matter to the Office of Administrative Law ("OAL"), and Administrative Law Judge ("ALJ") Irene Jones was assigned

¹ By letter dated June 15, 2007, the Joint Petitioners agreed to withdraw their request to change depreciation rates.

to hear the case. On March 22, 2007, the Board entered an Order suspending until July 30, 2007, the implementation of changes the Joint Petitioners sought to make to their tariffs. A Pre-Hearing Conference was convened by ALJ Jones on March 24, 2007, and a Pre-Hearing Order was issued on May 31, 2007. On July 12, 2007, the Board issued a second order suspending the implementation of proposed rates until November 30, 2007.

Extensive discovery was conducted by the Parties with the Joint Petitioners providing responses to hundreds of data requests. After proper notice, two public hearings were held in the service territories of the Joint Petitioners on June 19, 2007: one in the afternoon in Lambertville; and one in the evening in Hackensack, New Jersey.²

Several settlement discussions were held, and the agreements reached during those discussions have resulted in the following stipulation by the Signatory Parties:

1. The Signatory Parties agree that the merger of United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc., with, and into, UWNJ, with UWNJ as the surviving entity, is in the public interest and recommend that the Board approve the merger as proposed ("the merger"). The Signatory Parties further agree that the tariffs of United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc. will be eliminated and the customers of the Joint Petitioners will be served pursuant to UWNJ's system-wide tariff as of the effective date of the Board's approval herein. In the absence of Board action to the contrary, Joint Petitioners further agree to complete the merger of the Joint Petitioners proposed herein and to dissolve United Water Arlington Hills Inc., United Water Hampton Inc., United Water Vernon Hills Inc. and United Water Lambertville Inc. by the close of 2007.

² No members of the public appeared to testify at either hearing.

2. The Signatory Parties agree, that for purposes of this settlement, rate base is established at \$400,000,000.

3. The Signatory Parties agree that, for the purposes of this settlement only, an overall rate of return of 7.78% will be used, which would result in an overall additional revenue requirement of \$19.3 million. For the purposes of this proceeding only, this overall rate of return is calculated using the Joint Petitioners' filed capital structure with long term debt calculated at a rate of 5.69% and equity calculated at a rate of 10.0%. The additional revenue requirement amount was calculated as follows:

| | |
|----------------------------|---------------------|
| Rate Base | \$ 400,000,000 |
| Rate of Return | <u>x 7.78%</u> |
| Required Operating Income | \$ 31,120,000 |
| Test Year Operating Income | <u>- 20,436,948</u> |
| Deficiency | 10,683,052 |
| Revenue Conversion Factor | <u>x 1.8066</u> |
| Revenue Requirement | \$ 19,300,000 |

4. The Signatory Parties stipulate that a revenue increase for the Joint Petitioners of \$19.3 million or approximately 15.11% over total present water sales revenues of \$127,707,895 is an appropriate result of this matter. The Signatory Parties recommend that the Board consider the above stipulated revenue increase and all remaining agreed upon issues embodied in this Stipulation, at its October 24, 2007, regularly scheduled agenda meeting. The Signatory Parties further acknowledge that any increase or issue contained in this Stipulation, and approved by the Board, will become effective on the date of a fully executed written Board Order. The Signatory Parties agree that this revenue requirement should represent a level of revenues necessary to ensure that the Joint Petitioners will continue to provide safe, adequate, and proper water service to their customers.

5. The Signatory Parties agree that the attached tariff pages (included as Exhibit A), implementing the terms of this Stipulation, should be adopted by the Administrative Law Judge and the Board in their entirety. Attached as Exhibit B is a Proof of Revenues for UWNJ after the merger is completed.

6. The Signatory Parties acknowledge that the Joint Petitioners have commenced a significant upgrade of the Haworth Treatment Plant (the "Haworth Upgrade") which will require a capital investment of approximately \$130 million. The Signatory Parties agree that the Haworth Upgrade is prudent and necessary for UWNJ to continue to provide safe, adequate and proper utility service to its customers. Therefore, the Signatory Parties agree that the need for the Haworth Upgrade has been established in this proceeding. The Signatory Parties also acknowledge that the Haworth Upgrade is a project which is major in nature and consequence, and which requires a substantial capital investment. The Signatory Parties further acknowledge that, pursuant to this settlement, the Joint Petitioners have withdrawn their proposal to implement a Haworth Treatment Plant Clause, and will file a petition to increase base rates to recover in the rates charged to its customers the reasonable and prudent costs of the Haworth Upgrade. If the anticipated effective date for new rates is May 1, 2009, but not later than June 1, 2009, the Signatory Parties agree that subject to all applicable law, and review for prudence by the parties in the proceeding in which Joint Petitioners seek Board approval of the recovery of the costs of the Haworth Upgrade, the Joint Petitioners will be permitted to recover actual, verified expenditures for the Haworth Upgrade through March 31, 2009 (assuming rates effective May 1, 2009) or April 30, 2009 (assuming rates effective June 1, 2009).

7. Similarly, pursuant to this settlement, the Signatory Parties agree that the request for a DSIC is withdrawn in this proceeding.

8. The Joint Petitioners commit to undertake a systematic study of the potential opportunities for conservation and water reuse throughout their service territory ("Conservation Study"). However, due to the needed focus over the next two years on the Haworth Upgrade referred to in paragraph 6, supra, the Signatory Parties have agreed upon the following timetable for these activities. The Joint Petitioners agree (a) to commence the study as soon as feasible, but no more than six months, after the effective date of the Board's Order in this rate case; (b) to provide a copy of a draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by November 1, 2008, and (c) to complete the study no later than February 1, 2009, assuming that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. The Joint Petitioners hereby agree that in the formulation of the Conservation Study, the Joint Petitioners will identify balanced initiatives whose goal will be to maximize the conservation of potable water. The Joint Petitioners hereby agree that, in the formulation of the Conservation Study, they will include consideration and/or a thorough analysis of the following: (a) defining the conservation efforts, and their costs, that will maximize potential benefits to users -- e.g., odd/even lawn watering, (b) focusing on the economics of reuse and the development of infrastructure to construct a reuse system, (c) considering seasonal water use, and (d) identifying potential uses of potable water for which non-potable water could be employed. Other proposals may include a special seasonal rider to the General Metered Service tariff for both residential and commercial customers.

9. The Joint Petitioners commit to developing a long term approach to addressing the level of non-revenue water. The Joint Petitioners will prepare an annual report identifying the Joint Petitioners' programs and initiatives to address the level of non-revenue water. The Joint Petitioners will file the first of these annual reports with the Board Staff and Rate Counsel

on December 1, 2007. The Joint Petitioners also agree to provide the Board Staff and Rate Counsel with quarterly data on non-revenue water. The first of these filings, covering the fourth quarter of 2007, will be filed as soon as practicable in 2008, and thereafter as soon as practicable following the close of each calendar year quarter.

10. The Joint Petitioners commit to undertake the formulation of a long term master plan, to develop a strategy to meet economically the long term needs of customers consistent with the continued provision of safe and adequate service ("Long Term Planning Study"). The Joint Petitioners agree: (a) to commence the study as soon as feasible, but no later than 60 days, after the effective date of the Board decision in this rate case; (b) to provide a copy of a draft of the study to Board Staff and Rate Counsel, subject to confidentiality protections if applicable, by October 1, 2008, and (c) to complete the study no later than January 15, 2009, assuming that agreement can be reached and that all comments by Staff and Rate Counsel are received promptly and do not require additional field work. The Joint Petitioners hereby agree that in the formulation of the Long Term Planning Study, they will include but not be limited to consideration of the following: (a) an analysis of system growth, by planning area, where feasible, wherein "planning area" has the meaning assigned by the Office of Smart Growth, (b) an evaluation of identified initiatives to support Smart Growth, (c) a system map identifying planning areas, where feasible, and (d) other concepts as the Joint Petitioners believe appropriate.

11. In cooperation with the Board's Report Card Initiative, the Joint Petitioners agree to work with Board Staff and Rate Counsel to track the following measures of service responsiveness: (a) customer complaints and comments; and (b) management of billing accuracy.

12. The Signatory Parties recommend that the Board permit UWNJ to cease filing the following reports: the quarterly Main Break Report required in BPU Docket No. WX96020110; the Purchased Water from Jersey City Report required in BPU Docket Nos. WR95070303 and WE95040176; the Purchased Water from Park Ridge Report required in BPU Docket No. WM95100477; and the Variable Rate Demand Note Report required in BPU Docket No. WF96080616.

13. The Signatory Parties accept Rate Counsel's accounting adjustment to reflect on the books of UWNJ the net acquisition adjustment associated with the purchase of the small companies that will now be merged with, and into, UWNJ. The Signatory Parties accept Joint Petitioners' proposal to amortize rate case expenses and management audit expenses over an eighteen month period, and tank painting expenses over a ten year period.


14. This 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 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 hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, with any compromises being made 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.

15. 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.

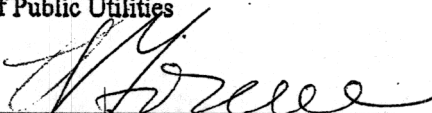
UNITED WATER NEW JERSEY INC.
UNITED WATER ARLINGTON HILLS INC.
UNITED WATER HAMPTON INC.
UNITED WATER VERNON HILLS INC.
UNITED WATER LAMBERTVILLE INC.

10/9/07
Date

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

10/09/07
Date

By: 
Alex Moreau, DAG
Arlene E. Pasko, DAG

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

10/9/07
Date

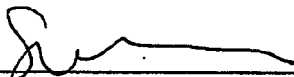
By: 
Susan E. McClure, Esq.
Assistant Deputy Public Advocate

EXHIBIT A

TARIFFS

PENDING

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Seventh Revised Sheet No. 37
Superseding Sixth Revised Sheet No. 37

RATE SCHEDULE NO. 1
GENERAL METERED SERVICE

APPLICABILITY:

Applicable the use of water supplied through meters in the entire territory served by the Company.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:

Consumption Charge: \$ 2.7979 per hundred cubic feet *
\$ 3.7405 per thousand gallons

Pursuant to N.J.S.A. 58:12A-17, the above rate is inclusive of the State Water Tax of 1-cent per thousand gallons.

SPECIAL PROVISION: Consumption charges for municipal water systems which purchase water under this Rate Schedule shall be reduced by \$0.00748 per hundred cubic feet.

* One hundred cubic feet equals 748 gallons

Facilities Charge:

| <u>Size of Meter</u> | <u>Per Quarter</u> |
|----------------------|--------------------|
| 5/8 Inch | \$ 14.49 |
| 3/4 Inch | 20.63 |
| 1 Inch | 34.44 |
| 1-1/2 Inch | 68.80 |
| 2 Inch | 110.13 |
| 3 Inch | 206.48 |
| 4 Inch | 344.16 |
| 6 Inch | 688.29 |
| 8 Inch | 1,101.33 |
| 10 Inch | 1,583.14 |
| 12 Inch | 2,959.82 |

Filed Pursuant to a decision by the
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Issued by: Robert J. Iacullo, President
200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

First Revised Sheet No. 38
Superseding Original Sheet No. 38

RATE SCHEDULE NO. (Continued)

The amount of a customer's bill for a billing period will be the total of the Consumption Charge and the Facilities Charge.

MINIMUM CHARGE:

Applicable Facilities Charge.

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill. Bills for metered water services are rendered at a minimum quarterly.

TERMS:

See "Standard Terms and Conditions," Paragraph 11.7, Sheet Nos. 28 and 29. For lawn sprinklers and irrigation systems, see Paragraph 13.1 and 13.2, Sheet Nos. 34.

SPECIAL PROVISIONS:

Whenever service to a customer is established or discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period for which service was provided.

Where bills are rendered on less than a quarterly basis, the facility charges will be prorated.

Sales under this rate schedule to a public utility subject to a payment of Gross Receipts and Franchise Taxes shall be exempt the applicable Gross Receipt and Franchise Taxes.

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200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 39
Superseding Fourth Revised Sheet No. 39

RATE SCHEDULE NO. 2

SERVICE TO OTHER WATER SUPPLY SYSTEMS

APPLICABILITY:

Applicable to municipal water systems and water utilities (as defined in N.J.R.S. 48:2-13) in the entire territory **purchasing water under special agreements at the option of the Company.**

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:

\$ 1.5197 per hundred cubic feet.

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill.

Bills will be rendered monthly.

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200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Sixth Revised Sheet No. 40
Superseding Fifth Revised Sheet No. 40**RATE SCHEDULE NO. 3****PRIVATE FIRE PROTECTION SERVICE****APPLICABILITY:**

Applicable to customers throughout entire territory for private fire protection service, as defined in the Standard Terms and Conditions, Section 8.

CHARACTER OF SERVICE:

Continuous except as limited by "Standard Terms and Conditions."

RATE:

Private Fire Protection Service through metered connections with or without hose or hydrants connected to them.

| <u>Size of Meter/Service</u> | <u>Per Month</u> |
|------------------------------|------------------|
| * 1-1/2 Inch | \$ 13.73 |
| * 2 Inch | 24.52 |
| 3 Inch | 68.72 |
| 4 Inch | 109.02 |
| 6 Inch | 224.85 |
| 8 Inch | 399.74 |
| 10 Inch | 624.59 |
| 12 Inch | 899.40 |

Private Fire Protection through hydrants owned by the Company or customer and connected to Company owned mains located in private rights-of-way.

Territory Served**Rate per Hydrant per Month**

Former United Water Hampton
All Others

\$ 29.07
48.30

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200 Old Hook Road, Harrington Park, New Jersey 07640

UNITED WATER NEW JERSEY INC.

BPU NO. 4 - WATER

Fifth Revised Sheet No. 41
Superseding Fourth Revised Sheet No. 41

RATE SCHEDULE NO.3 (Continued)

CONSUMPTION CHARGE:

Customers shall receive an allowance of 400 cubic feet per month for testing. Pursuant to Paragraph 8.2 (a), of the "Standard Terms and Conditions," water used for purposes other than fire fighting or permitted testing shall be charged to the customer in accordance with the consumption charges shown on Rate Schedule No. 1.

MINIMUM CHARGE:

None

TERMS OF PAYMENT:

Payment is due within 10 days of presentation of the bill. Bills are rendered monthly.

TERMS:

See "Standard Terms and Conditions," Paragraph 11.7, Sheet Nos. 28 and 29.

SPECIAL PROVISIONS:

See "Standard Terms and Conditions," Paragraphs 8.1 through 8.8 inclusive, Sheet Nos. 19, 20, 21 and 22.

Whenever service to a customer is established or discontinued prior to the end of the normal billing period for such customer, the applicable facilities charges will be prorated for the period which service was provided.

EXEMPTIONS:

See "Standard Terms and Conditions," Paragraph 8.3, Sheet No. 20.

* Pursuant to R.S. 48:19-18, the above monthly meter/service charge is waived for residential customers 2" and less.

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