



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

**WATER**

IN THE MATTER OF MIDDLESEX WATER COMPANY ) ORDER ADOPTING INITIAL  
FOR APPROVAL OF AN INCREASE IN ITS RATES FOR ) DECISION/SETTLEMENT  
WATER SERVICE AND OTHER TARIFF CHANGES )  
 ) BPU DKT. NO. WR07040275  
 ) OAL DKT. NO. PUCRL05663-2007N

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On April 18, 2007, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, and 14:9-7.1 et seq., Middlesex Water Company (Middlesex or Company), a public utility of the State of New Jersey, filed a petition with the Board seeking approval to: (1) increase its rates for water service; (2) improve and maintain its ongoing capital program so it can provide safe, adequate and proper service to all its customers; and (3) make the necessary findings for the future use of a purchased water adjustment clause (PWAC).

The Company provides water service on a retail basis to approximately 59,000 customers in the municipalities of South Plainfield, Metuchen, Carteret, Woodbridge, Edison, South Amboy and portions of Clark; on a contractual basis to the Township of Edison, the Boroughs of Highland Park and Sayreville, the Old Bridge Municipal Utilities Authority (OBMUA), and the Marlboro Township Municipal Utilities Authority (MTMUA); and on a special contract basis for water treatment and pumping services to the Township of East Brunswick (East Brunswick) (Collectively, Contract Customers). Included in the Contract Customers is a group of customers known as the South River Basin customers (SRB) whose members comprise the OBMUA, the MTMUA and the Borough of Sayreville (Sayreville).

With the exception of East Brunswick, Middlesex supplies the Contract Customers and the SRB customers with finished water. The Contract Customers and East Brunswick receive service that differs from that provided by Middlesex to its retail customers.

East Brunswick purchases water from the New Jersey Water Supply Authority and sends this unfinished water to Middlesex, which, in turn, treats the water and sends the finished water back to East Brunswick's facilities for distribution to its customers. The Contract Customers, including SRB customers, are provided with finished water that is treated by Middlesex. The Contract Customers, including the SRB customers, asserted that they do not utilize Middlesex's transmission facilities in the provision of service by Middlesex.

The Company's rate request would have resulted in an increase in total Company revenues of approximately \$8.89 million or approximately 16.5% over adjusted test year present revenues for the period ending September 30, 2007. After extensive settlement discussions among the Company, the Division of Rate Counsel (Rate Counsel), MTMUA, OBMUA, East Brunswick, and Board Staff (collectively, the Parties), an increase of \$4,950,000 representing a 9.09% increase over current revenues, was agreed to by the Parties and is approved herein by this Order.

### PROCEDURAL HISTORY

On May 7, 2007, the matter was transmitted to the Office of Administrative Law (OAL) and assigned to Administrative Law Judge (ALJ) Walter M. Braswell. On May 23, 2007, the Board entered an Order suspending the rates until October 1, 2007. A telephonic prehearing conference was conducted by ALJ Braswell on June 22, 2007, and a Pre-Hearing Order was issued on July 3, 2007.

After proper notice, a public hearing in the Company's service territory was held on September 11, 2007, in Woodbridge, New Jersey. No members of the public appeared to provide comments. On September 13, 2007, the Board issued a second Suspension Order suspending the proposed rates until February 1, 2008.

Intervenor status was granted to the MTMUA, OBMUA, and East Brunswick.

Subsequent to the public hearing, the Parties engaged in settlement negotiations. As a result of these negotiations, the Parties reached a stipulated settlement of all issues (Stipulation or Settlement). The OBMUA submitted a letter dated October 15, 2007 to the ALJ stating that counsel has: "recommended acceptance of the settlement by the Commissioners of the OBMUA and the matter will be on the agenda for their October 17, 2007 meeting."

On October 19, 2007, ALJ Braswell issued his 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.

By letter dated October 22, 2007, Counsel for the Intervenor, Old Bridge Municipal Utilities Authority, notified the Board Secretary that its client was not able to act on the proposed settlement at its October 17, 2007 meeting as initially anticipated. The matter was deferred to its November 7, 2007 meeting in order to ensure that absent Commissioners would have an opportunity to participate in the discussion and vote. The letter further stated that Counsel and the Executive Director for the OBMUA recommended acceptance of the proposed settlement, and had no reason to believe the vote will be unfavorable.

By letter dated October 23, 2007, Middlesex filed a Motion with the Board requesting implementation of the stipulated rates on an interim basis pursuant to N.J.S.A. 48:2-21.1. This Motion to implement rates on an interim basis would permit all parties to this proceeding to obtain the benefit of the settlement, while at the same time preserve the OBMUA's ability to act on the Stipulation in a formal, public meeting. The letter Motion also stated that Rate Counsel and Counsel for the other intervenors have indicated their consent to this interim implementation of the stipulated rates.

On October 26, 2007, the Board ordered that the stipulated rates be implemented on an interim basis, subject to refund, pending the final outcome of the OBMUA's action at its November 7, 2007 public meeting. On November 7, 2007, the OBMUA voted to approve the stipulation at its public meeting.

## STIPULATION

As more fully set forth in the attached Stipulation<sup>1</sup>, the Parties agreed that:

1. The Company's total rate base is \$164,446,791. The test year is the twelve (12) months ending September 30, 2007, adjusted for known and measurable changes (Settlement paragraph 1).
2. The return on equity is agreed to be set at 10.00%. The Parties have also agreed that this return on equity will calculate to an overall authorized rate of return of 7.648%, derived from an overall capital structure that does not include short-term debt. (Settlement paragraph 2).
3. Utilizing this overall rate of return of 7.648% results in an overall additional revenue requirement of \$4,950,000. As shown in paragraph 3 of the Settlement, this amount is calculated as follows:

Rate Base	\$164,446,791
Rate of Return	x 7.648%
Required Operating Income	\$ 12,576,891
Test Year Operating Income	9,728,134
Deficiency	\$ 2,848,757
Revenue Conversion Factor	x 1.737600
Revenue Requirement	\$ 4,950,000

4. The revenue requirement for Middlesex should be set upon a 10.00% return on equity (7.648% overall rate of return), resulting in an increase of \$4,950,000 over present revenues of \$54,467,835 or an overall revenue increase of approximately 9.09%. The Parties agree that this figure represents the level of revenue that will help to ensure that the Company will continue to provide safe, adequate, and proper water service to its customers. (See Exhibit A, proof of revenues). (Settlement Paragraph 4).

---

<sup>1</sup>Cited paragraphs referenced below 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.

5. The Parties agree that the attached tariffs (Exhibit B), implementing the terms of the Stipulation, should be approved in their entirety, and recommend their approval by the ALJ and the Board. The tariffs reflect an increase of 9.894% for General Metered Service (Rate Schedule No. 1). The tariffs also reflect the following changes: (a) the Private Fire Service rate (Rate Schedule No. 2) has been increased 4.56%<sup>2</sup>, and the Public Fire Service rate (Rate Schedule No. 3) has been revised to reflect that hydrant charges have been increased 15.65% and inch foot charges have not changed; (b) the Service Under Contract rate (Rate Schedule No. 5) has been increased 9.894%; (c) the Special Contract Service rate (Rate Schedule No. 6) has been increased by 9.533%; (d) the Transmission Service South River Basin rate (Rate Schedule No. 7) has been increased 4.56%; and (e) the Transmission Service Northeast Sector (Rate Schedule No. 8) has been increased 9.894%. (Settlement Paragraph 5).
6. While agreeing to the results of the allocations as evidenced in the tariffs and proofs of revenues attached to the Stipulation of Settlement, the Parties hereto have not agreed upon any specific allocation methodology in the resolution of the rate design issues raised in this proceeding. (Settlement Paragraph 6).
7. The Company and the MTMUA agree to amend the Water Supply Agreement between the Company and the MTMUA dated August 1, 2006 (the Water Supply Agreement) to reflect a decrease in the Transmission Daily Minimum (specified in paragraph 4 (c) (i)) from five (5.0) million gallons of water per day to four and one-half (4.5) million gallons of water per day. The Company and the MTMUA further agree that the decrease in the Transmission Daily Minimum shall become effective upon the same effective date of the increased rates authorized by the Board approving this Stipulation. (Settlement Paragraph 7).
8. The Company and the MTMUA stipulate to pursue any further amendments and/or modifications to its current Water Supply Agreement with respect to the MTMUA's Transmission Daily Minimum obligations prior to the filing of the Company's next base rate case or be precluded from raising the issue during the rate design phase of the proceeding. (Settlement Paragraph 8).
9. With regard to Paragraphs 7 and 8, above, the Board Staff and Rate Counsel take no position relative to the negotiation of any issue affecting the Transmission Daily Minimum obligations governing transmission charges under the Water Supply Agreement between the Company and the MTMUA. (Settlement Paragraph 9).
10. As part of its first rate filing seeking to include costs for Section A (of the South River Basin Transmission Main) in rates, the Company agrees to update the investment data inputs to the full cost of service study performed and filed in this proceeding, making that study available no later than the date of the filing of such future rate proceeding. (Settlement Paragraph 10).

---

<sup>2</sup>The Private Fire Service rate consists of a facilities charge and a consumption component. The facilities charge has been increased 4.30% and the consumption component has been increased 9.894% (consistent with the increase to all General Metered Service customers) to result in an overall increase to Private Fire Service customers of 4.56%.

11. The Parties agree that the Board should update those findings necessary pursuant to N.J.A.C. 14:9-7.1 et seq. to permit the Company to implement a purchased water adjustment clause. Those updated findings are contained in Exhibit C (attached).
12. The Parties agree that the filter rehabilitation project, which is expected to be completed by March 31, 2008, is necessary and prudent for the continued provision of safe, adequate and proper utility service. The Parties agree that the current projected cost of the filter project is approximately \$2.1 million. No later than February 29, 2008, the Company will provide the Parties with a status report regarding the projected in-service date and the updated costs of the filter project. No later than sixty (60) days following the actual in-service date of the filter project, the Company will provide the Parties with a certification indicating the final total cost of the filter rehabilitation project, as well as the actual in-service date.

### DISCUSSIONS AND FINDINGS

As a result of the Stipulation, the average bill for a Middlesex single family residential customer with a 5/8" meter using 80,784 gallons of water per year will increase from the current rate of \$367.09 to \$403.34, an increase of \$36.25 per year, or \$3.02 per month.

The Board, having reviewed ALJ Braswell's Initial Decision and the Stipulation, FINDS that the Parties have voluntarily agreed to the Stipulation, that the Stipulation fully disposes of all issues in this proceeding, and is consistent with the law.

As to the terms embodied in the Stipulation, the Board HEREBY ADOPTS the Initial Decision and the Stipulation, attached hereto, and make permanent the interim rates which were approved by this Board at its October 24, 2007, Board meeting and effective for service on and after October 26, 2007, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- a. The Company's total rate base for purposes of this proceeding shall be \$164,446,791
- b. The return on equity shall be 10.00% resulting in a rate of return of 7.648%, which rate of return capital structure shall not include short-term debt.
- c. The overall rate of return of 7.648% shall result in an overall additional revenue requirement of \$4,950,000.
- d. The revenue requirement for Middlesex shall be \$59,417,835, based on a 7.648% rate of return (incorporating a 10.00% return on equity). The resulting increase shall be \$4,950,000 over present revenues of \$54,467,835, which equates to an approximate 9.09% increase and shall be the level to ensure that the Company 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 ADOPTED by the Board in their entirety, which tariffs reflect the following increases: an increase of 9.894% for General Metered Service (Rate Schedule No. 1). The tariffs also shall reflect the following changes: (a) the Private Fire Service rate (Rate

Schedule No. 2) shall be increased 4.30%<sup>3</sup>, and the Public Fire Service rate (Rate Schedule No. 3) shall be revised to reflect that hydrant charges shall be increased 15.65% and inch foot charges shall not changed; (b) the Service Under Contract rate (Rate Schedule No. 5) shall be increased 9.894%; (c) the Special Contract Service rate (Rate Schedule No. 6) shall have been increased by 9.533%; (d) the Transmission Service South River Basin rate (Rate Schedule No. 7) shall be increased 4.56%; and (e) the Transmission Service Northeast Sector (Rate Schedule No. 8) shall be increased 9.894%.

- f. The Company and the MTMUA shall pursue and resolve any amendments and/or modifications to its current Water Supply Agreement dated as of August 1, 2006, with respect to the MTMUA's minimum daily obligation transmission charges (to reflect a decrease in the Transmission Daily Minimum (specified in paragraph 4 (c) (i)) from five (5) million gallons of water per day to four and one half (4.5) million gallons of water per day, prior to the filing of the Company's next rate case or be precluded from raising the issue during the rate design phase of the proceeding.
- g. As part of its rate filing with respect to costs associated with Section A (the South River Basin Transmission Main) in rates, the Company shall update the investment data inputs to the full cost of service study performed and filed in this proceeding, and shall make that study available no later than the date of the filing of such future rate proceeding.
- h. The Board HEREBY FINDS that the figures contained in Exhibit C to the Stipulation captioned "Middlesex Water Company, Purchased Water Adjustment Clause, BPU Docket No. WR07040275" result in the necessary updates pursuant to N.J.A.C. 14:9.7.1 et seq. to permit the Company to implement a purchased water adjustment clause.

The filter rehabilitation project (Project) is necessary and prudent to ensure that the Company shall continue to provide safe, adequate and proper utility service, and shall be completed no later than March 31, 2008. The projected cost of the filter project shall not exceed \$2.1 million. The Company shall, by February 29, 2008, provide the Parties with a status report with respect to the in-service date and the updated costs of the Project. Within sixty (60) days following the actual in-service date of the Project, the Company shall provide the Parties with a certification of the final cost of the Project and the actual in-service date. The Board reserves the right to make appropriate adjustments should the Project not be completed within six months or should the actual cost be materially different than \$2.1 million. Based upon the foregoing, the Board determines, for purposes of this proceeding, that the Company may make changes to rate base for the period of six months beyond the end of the test year, since there is a clear likelihood that such proposed rate base additions shall be in service by the end of said six month period, that such rate base additions are major in nature and consequence, and that such additions are substantiated with very reliable data. The Board HEREBY FINDS that the Company is in compliance with the standards established by this Board.<sup>4</sup>

---

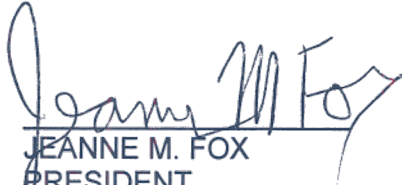
<sup>3</sup> The Private Fire Service rate consists of a facilities charge and a consumption component. The facilities charge has been increased 4.30% and the consumption component has been increased 9.894% (consistent with the increase to all General Metered Service customers) to result in an overall increase to Private Fire Service customers of 4.56%.

<sup>4</sup> I/M/O Elizabethtown Water Company Rate Case, Decision on Motion for Determination of Test Year and Appropriate Time Period for Adjustments, dated May 23, 1985.

The Board HEREBY ORDERS the Company to submit a complete revised tariff conforming to the terms and conditions of the Stipulation and this Order within ten (10) days from the date of this Order.

DATED: 11/29/07

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

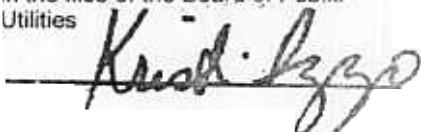
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
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



I/M/O MIDDLESEX WATER COMPANY  
FOR APPROVAL FOR AN INCREASE IN RATES FOR  
WATER SERVICE AND OTHER TARIFF CHANGES  
BPU DOCKET NO. WR07040275  
OAL DOCKET NO. PUCRL05663-2007N

SERVICE LIST

Stephen B. Genzer, Esq.  
Colleen A. Foley, Esq.  
Saul Ewing, LLP  
One Riverfront Plaza – 5<sup>th</sup> Floor  
Newark, NJ 07102

Debra Robinson, Esq.  
Paul Flanagan, Esq.  
Division of the Ratepayer Advocate  
31 Clinton Street – 11<sup>th</sup> Fl.  
P.O. Box 46005  
Newark, NJ 07101

Kenneth Quinn, Esq.  
Vice President &  
General Counsel  
Middlesex Water Company  
1500 Ronson Road  
Iselin, NJ 08830

Elise Goldblat, DAG  
James McGuire, DAG  
Alex Moreau, DAG  
Department of Law and Public Safety  
124 Halsey Street, 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, NJ 07101

Old Bridge, MUA  
Sandra T. Ayres, Esq.  
Scarinci & Hollenbeck, LLC  
1100 Valley Brook Avenue  
P.O. Box 790  
Lyndhurst, NJ 07071

Marlboro Township, MUA  
Peter S. Wersinger, III, Esq.  
Harbor Road- P.O. Box 280  
Wickatunk, NJ 07765

L. Mason Neely, CFO  
Township of East Brunswick  
1 Jean Walling Center  
P.O. Box 1081  
East Brunswick, NJ 08816

Anthony C. Iacocca, Esq.  
Township of East Brunswick  
Hoagland, Longo, Moran,  
Dunst & Doukas, LLP  
40 Paterson Street  
P.O. Box 480  
New Brunswick, NJ 08903



**SCARINCI  
& HOLLENBECK, LLC**  
*Attorneys at Law*

1100 VALLEY BROOK AVENUE  
P. O. BOX 790  
LYNDHURST, NEW JERSEY 07071-0790  
(201) 896-4100 / (201) 896-8660 FAX

2 PARAGON WAY  
FREEHOLD, NJ 07728  
(732) 780-5590 / (732) 462-0385 FAX

6 WATER STREET, SUITE 401  
NEW YORK, NEW YORK 10004  
(212) 546-9255 / (212) 483-0876 FAX

[www.njlegalink.com](http://www.njlegalink.com)

WRITER EMAIL:  
Sayres@njlegalink.com

DONALD SCARINCI\*\*  
KENNETH J. HOLLENBECK  
ROBERT E. LEVY\*\*  
VICTOR E. KINON\*  
PATRICK J. MCNAMARA\*  
ANDREW L. INDECK\*  
JOHN M. SCAGNELLI\*  
JOEL R. GLUCKSMAN\*  
JOSEPH A. FERRIERO\*\*  
MATTHEW J. GIACOBBE\*  
JOSEPH M. DONEGAN\*\*  
FRED D. ZEMEL\*  
THEODORE A. SCHWARTZ  
THOMAS J. CAFFERTY  
MARTIN R. PACHMAN  
SHARON L. WEBNER\*\*  
MARK K. FOLLENDER  
MITCHELL L. PASCUAL\*\*  
FRANK L. BRUNETTI\*

RICIARD M. SALSBERG (1945-2005)

Of Counsel  
NONI IRENE LOWY  
MARC L. POTOLSKY  
MICHAEL R. WASSERMAN\*

Counsel  
SANDRA T. AYRES  
MARK S. TABENKIN  
JOHN P. LIBRETTI III\*\*  
SHERI K. SIEGELBAUM  
ROBIN T. MCMAHON  
WILLIAM C. SULLIVAN JR.  
MITCHELL B. JACOBS  
WILLIAM A. BAKER  
SEAN D. DIAS\*  
MARK J. SEMERARO\*  
KATHLEEN J. DEVLIN\*  
MICHAEL A. CIFELLI  
FRANK P. KAPUSINSKI  
WILLIAM T. ROGERS III\*  
CHRISTINE M. VANEK\*  
PARTHENOPY A. BARDIS\*

Associates  
JACQUELIN P. GIOIOSO  
NATALIE CIFELLI\*

ALLEN SAFRIN  
ANTHONY P. SEUAS  
THOMAS A. SEGRETO  
BRUCE W. PADULA  
KARA A. KACZYNSKI  
RAMON E. RIVERA  
THOMAS H. PROL\*  
ANTHONY M. ORLANDO  
ADAM S. ABRAMSON  
NINA VIJ  
JOHN P. FAZZIO\*\*  
LAURA M. MILLER  
TRISTAN W. GILLESPIE\*

\* ADMITTED IN MASSACHUSETTS  
\* ADMITTED IN NEW YORK  
\* ADMITTED IN NEW YORK ONLY  
\* ADMITTED IN PENNSYLVANIA  
\* ADMITTED IN U.S. TAX COURT  
\* CERTIFIED CIVIL TRIAL ATTORNEY  
\* CERTIFIED CRIMINAL TRIAL ATTORNEY

PLEASE REPLY TO:  
**LYNDHURST**

WRITER DIRECT DIAL:  
**201-623-1222**

November 8, 2007

Via Email: [Kristi.izzo@bpu.state.nj.us](mailto:Kristi.izzo@bpu.state.nj.us) and Regular Mail

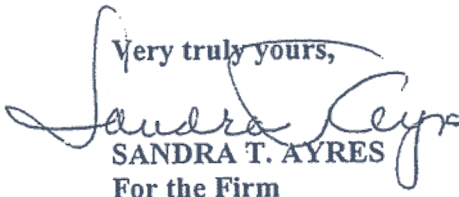
Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
2 Gateway Center  
8<sup>th</sup> Floor  
Newark, NJ 07102

**Re: In the Matter of Middlesex Water Company for Approval of an  
Increase in its Rates for Water Service and Other Tariff Changes  
BPU Docket No.: WR07940275**

Dear Secretary Izzo:

This firm represents the Old Bridge Municipal Utilities Authority (OBMUA), an intervenor in the above matter. Pursuant to the direction in the Order entered by the Board on October 24, 2007, this letter is to advise the Board that at its meeting last evening, OBMUA authorized execution of the Stipulation of Settlement on its behalf. A scanned copy of the signature page as executed is enclosed. The original of this letter, with the original signature page, is being forward by regular mail.

Thank you again for your courtesies.

Very truly yours,  
  
SANDRA T. AYRES  
For the Firm

November 8, 2007  
Page 2

STA/vk  
Encl.

cc: Service List (via E-Mail and Via Regular Mail)  
Arthur Haney, Exec. Director, OBMUA

THE MARLBORO TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

\_\_\_\_\_  
Date:

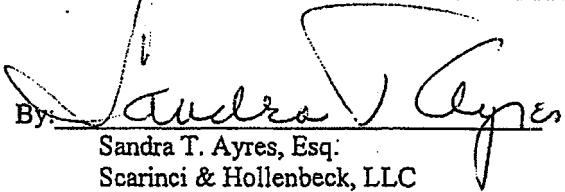
By: \_\_\_\_\_

Peter S. Wersinger III, Esq.  
Attorney for Intervenor

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY

\_\_\_\_\_  
Date:

By: \_\_\_\_\_

  
Sandra T. Ayres, Esq.  
Scarinci & Hollenbeck, LLC  
Attorney for Intervenor

EAST BRUNSWICK WATER UTILITY

\_\_\_\_\_  
Date:

By: \_\_\_\_\_

Anthony C. Iacocca, Esq.  
Hoagland, Longo, Moran, Dunst  
& Doukas, LLP  
Attorney for Intervenor