



Agenda Date: 10/05/10
Agenda Item: 5A

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION FOR APPROVAL)
OF THE ACQUISITION OF THE ASSETS OF THE)
VERNON WATER COMPANY, INC. AND OTHER)
REQUIRED APPROVALS)

ORDER

DOCKET NO. WM10030223

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

BY THE BOARD:

On March 30, 2010, Aqua New Jersey, Inc. ("Aqua" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") to acquire the assets of the Vernon Water Company ("Vernon") pursuant to an Assets Purchase Agreement ("Agreement") dated November 30, 2009. Aqua is seeking Board approval of the acquisition of Vernon pursuant to N.J.S.A. 48:2-51.1., which requires the Board to "evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." Also, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1. See N.J.A.C. 14:1-5.14 (c).

Under the Agreement, Aqua agreed to pay Vernon \$180,000 to purchase Vernon's water system assets. Upon completion of the asset purchase transaction, Vernon will no longer provide utility service and, therefore, seeks the Board's approval to discontinue service pursuant to N.J.S.A. 48:2-24.

It is the current intention of Aqua that the Vernon system will be included in, and served by, Aqua's Northern Division located in Phillipsburg. There will be no change in rates and customers will be charged Vernon's existing rates.

After proper notice, a public hearing was conducted with respect to the Petition. On August 12, 2010, Legal Specialist Edward Beslow, Esq., presided over the public hearing held at the Board in Newark, NJ. Participating at the hearing were representatives of the Company, Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively the "Parties"). No members of the public appeared.

Vernon is a small water utility whose continued viability as a stand-alone entity is uncertain. Significant improvements to the Vernon system are required if Vernon is to provide safe, adequate and proper utility service to its customers. The sale of Vernon to a utility that has the managerial, technical and financial ability to service these customers will benefit the system.

By letter dated August 26, 2010, Rate Counsel submitted its comments to the petition and is not opposed to its approval. Rate Counsel notes that the rates that customers will pay under Aqua's tariff will be a slight increase over Vernon's current rates, which compares favorably to the enormous rate increase that Vernon will likely need if it were to remain a stand-alone company. Rate Counsel further states that the acquisition should improve the service being provided to Vernon's customers and that any impact on competition should be negligible. However, Rate Counsel recommends that a Board Order approving the transaction contain certain conditions, which have been incorporated in this Order below.

Regarding the impact of the proposed acquisition on the requirements of N.J.S.A. 48:2-51.1, the record indicates as follows:

1. **IMPACT ON COMPETITION:** The proposed Acquisition will not adversely impact competition as there are no other viable options for service in the service territory.
2. **IMPACT ON CUSTOMER RATES:** The proposed Acquisition will not adversely affect the rates of ratepayers affected by the Acquisition since the rates will not change.
3. **IMPACT ON EMPLOYEES:** The proposed Acquisition will not adversely affect employees of the Vernon Water Company since Vernon does not have any employees.
4. **IMPACT ON SERVICE:** The proposed Acquisition will positively benefit the provision of safe and adequate utility service since service will be provided by a larger water utility with established resources.

Based on the foregoing and a thorough review of the record to this proceeding, the Board **HEREBY FINDS** the proposed acquisition satisfies the requirements of N.J.S.A. 48:2-51.1 and does not adversely impact competition, customer rates, employees, or service of the Vernon Water Company. The Board **HEREBY APPROVES** the Acquisition Agreement and the discontinuance of service by the Vernon Water Company, Inc. pursuant to N.J.S.A. 48:2-24.


The approvals granted herein shall be subject to the following provisions:


- 1 This Order shall not be construed as directly or indirectly fixing for any purposes, whatsoever, the value of any tangible or intangible assets now owned or hereafter to be owned by Aqua New Jersey, Inc.
2. This Order shall not effect or in any way limit the exercise of the authority of this Board in any future petition or in any future proceeding, with respect to rates, franchise, services, financing, accounting, capitalization, depreciation or in any other matters affecting Aqua New Jersey, Inc.

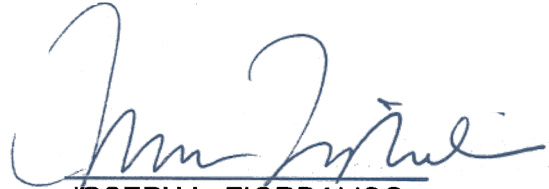
3. Aqua New Jersey, Inc. shall not depreciate the portion of the water system that is funded by Contribution In Aid of Construction (CIAC).

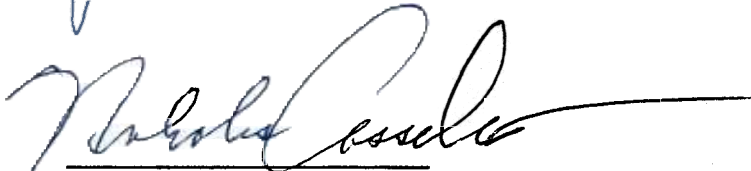
DATED: 10/5/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

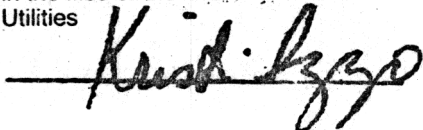

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



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ASSETS OF THE VERNON WATER COMPANY, INC. AND OTHER REQUIRED APPROVALS
DOCKET NO. WM10030223

SERVICE LIST

Anne M. Shatto, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
Newark, NJ 07101

Collen A. Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza, 5th Floor
Newark, NJ 07102

Alex Moreau, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey St., 5th Floor
Newark, NJ 07101

William C. Packer, Jr.
Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691

Stefanie Brand, Esq., Director
Debra Robinson, Esquire
Division of the Ratepayer
Advocate
1 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101