



Agenda Date: 6/15/11
Agenda Item: VB

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 NEW JERSEY-AMERICAN
WATER COMPANY, INC. FOR APPROVAL OF) ORDER
MUNICIPAL CONSENT GRANTED BY THE)
TOWNSHIP OF HOPEWELL, COUNTY OF MERCER) DOCKET NO. WE10090660

Jordan S. Mersky, Esq., NJAWC, Cherry Hill, NJ, for Petitioner

(SERVICE LIST ATTACHED)

BY THE BOARD:

New Jersey-American Water Company, Inc. ("NJAWC" or "Petitioner" or "Company") is a regulated public utility corporation engaged in the production, treatment and distribution of water and collection of sewage within its defined service territory within the State of New Jersey. Said territory includes portions of the following counties: Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Monmouth, Middlesex, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren.

On September 2, 2010, NJAWC filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5 for approval of a municipal consent granted on June 14, 2010, by the Township of Hopewell ("Township"), Mercer County, New Jersey, to permit NJAWC to expand its franchise area and to provide water service to a development known as Bristol Meyers Squibb ("Development" or "BMS") and certain adjacent residential properties, Ordinance No. 10-1490. Specifically, the municipal consent authorizes the Company to extend its works within the Township and furthermore, to lay its pipes and operate and maintain the water facilities is for properties immediately adjacent and having frontage along Mercer County Rte 624 (aka Pennington – Rocky Hill Road). Additionally, the municipal consent includes an existing development which is bordered by Pennington – Rocky Hill Road to the South; Wargo Road to the North; Moores Mill – Mt. Rose Rd to the East; and Darrow Drive to the West as well as an existing development which is bordered to the North by Pennington – Rocky Hill Road and comprises properties fronting Morris, Caroline and Bailey Drives. The ordinance further permits the construction, installation and maintenance of fire hydrants in the franchise area. The Township agrees to pay the Petitioner the filed tariff rates for public fire protection service rendered. NJAWC proposes to serve this franchise through its Raritan system.

The franchise area comprises BMS's Hopewell Campus, which has approximately 1 million square feet of office/research facilities in place and occupied situated on Block 46, Lot 8.01. According to the Township's General Development Plan, the plan calls for a final build out of 2.8 million square feet of office/research facilities. In addition franchise includes properties immediately adjacent to BMS and having frontage along Pennington-Rocky Hill Road, Titus Mill Road and King George Road. These homes are currently provided with water service through a private well system. There are approximately 61 potential customers along these routes should they elect to connect. NJAWC proposes that these potential customers would be charged according to its current applicable tariff rates.

The Company intends to collect deposits from BMS for the extension of water utility service to the Development, and will do so in compliance with N.J.A.C. 14:3-8.1, et seq. and applicable Board orders. The potential cost of an extension to the potential customers will be reduced by BMS' participation and connection to the system. If the deposit includes a tax gross up, any refunds provided will include the applicable tax gross up amount.

The Hopewell Township municipal system has inadequate capacity under existing New Jersey Department of Environmental Protection ("NJDEP") permits to serve the development. Hopewell's system produces less than 100,000 gallons per day, it has 3- 10,000 gallons hydropneumatic storage tanks and has no fire protection.

The Raritan system has a firm capacity of 55.729 million gallons per day ("MGD") and a daily demand of 26.89 MGD. NJAWC asserts that the Raritan system has sufficient capacity under its existing NJDEP permits to serve the development by using 28.84 MGD of excess capacity for the proposed franchise area. At full build out, the Company estimates that water usage at the Development and adjacent properties will average approximate 768,000 gallons per day.

On April 15, 2011, a duly noticed public hearing on the Company's petition was held at the Board's Trenton office. Legal Specialist, James P. Kane, Esq., presided over the hearing at which representatives of the Company, Division of Rate Counsel and Board Staff appeared. No members of the public appeared at the hearing.

By letter dated May 5, 2011, the Division of Rate Counsel submitted its comments and has no objection to the consent. Rate Counsel recommends that any approval should not include authorization to include constructed or acquired assets in rate base. The inclusion into rate base of any asset and any associated ratemaking determination should be addressed in a future base rate proceeding. Rate Counsel further recommended the inclusion of specific language in any Board Order approving the petition, which is incorporated in this Order.

The Board HEREBY ORDERS that the approval of the municipal consent is necessary and proper for the public convenience and properly conserves the public interest, and HEREBY APPROVES the Township of Hopewell Ordinance No. 10-1490 adopted on June 14, 2010, granting a municipal consent to New Jersey-American Water Company, Inc. to expand its franchise area in the Township of Hopewell.

The approvals granted, hereinabove, shall be subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever, the value of any tangible or intangible assets now owned or hereafter to be owned by the Company.

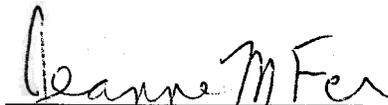
2. This Order shall not effect nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceeding, with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting the Company.
3. In an appropriate subsequent proceeding, the Company shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.
4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.

This order will be effective on June 25, 2011

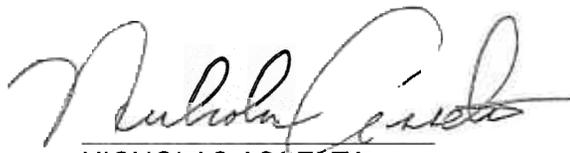
DATED: 6/15/11

BOARD OF PUBLIC UTILITIES
BY:

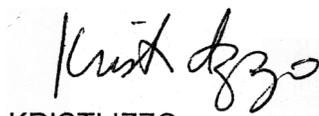

LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

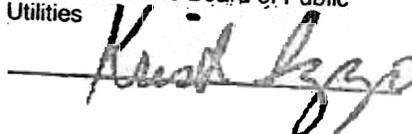

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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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DOCKET NO. WE10090660

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