

Agenda Date: 11/22/13

Agenda Item: 5B

STATE OF NEW JERSEY

Board of Public Utilities 44 South Clinton Avenue, 9th Floor Post Office Box 350 Trenton, New Jersey 08625-0350 www.nj.gov/bpu/

<u>WATER</u>

THE MATTER OF THE PETITION OF UNITED ATTER NEW JERSEY INC. FOR APPROVAL OF AN ICREASE IN RATES FOR WATER SERVICE AND		ORDER ADOPTING INITIAL DECISION/STIPULATION
OTHER TARIFF CHANGES)	BPU DOCKET NO. WR13030210

Parties of Record:

Stephen B. Genzer, Esq., Saul Ewing LLP, on behalf of United Water New Jersey, Inc., Petitioner

Stefanie A. Brand, Esq. Director, on behalf of the Division of Rate Counsel

BY THE BOARD:

On March 11, 2013, United Water New Jersey, Inc. ("Company" or "Petitioner"), a public utility of the State of New Jersey, subject to the jurisdiction of the Board of Public Utilities ("Board"), filed 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., a petition ("Petition") to increase rates for water service and to make other tariff changes. Specifically, the Company requested an increase in base rate revenues of approximately \$29,994,809 or approximately 14.69% above the adjusted annual level of revenues for the post-test year period ending November 30, 2013. The Petitioner also sought (a) to establish the prudence of in-service investments made in the context of the Company's current Distribution System Improvement Charge ("DSIC"); (b) to update its Foundational Filing for future DSIC eligible investments; and (c) to implement certain specified tariff changes including the implementation of monthly billing. On October 4, 2013, within the pending base rate case, Petitioner filed a Foundational Filing, pursuant to N.J.A.C. 14:9-10.1 seeking the implementation of a new DSIC.

By this Order, the Board considers the Initial Decision recommending adoption of the Stipulation of Settlement ("Stipulation") executed by the Company, the Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, the Parties"), agreeing to an overall increase in revenues totaling \$11,000,000 representing a 5.4% increase over Company revenues totaling \$202,918,484.

BACKGROUND/PROCEDURAL HISTORY

The Company is a public utility engaged in the business of collecting, treating, and distributing water for retail service to approximately 197,000 customers in its service territory, which includes portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. The

Company also supplies water service to municipalities including the Township of Saddle Brook, the Borough of Fairlawn, the Borough of Saddle River, the Borough of Allendale, the Borough of Mahwah, the Village of Ridgewood and the Borough of Ramsey.

The increase in rates was proposed to become effective on April 11, 2013. On March 22, 2013, the Company filed a letter with the Board stating that it will not implement rates on an interim basis prior to the effective date of the Board's suspension Order resulting from the April 29, 2013, agenda meeting. On April 29, 2013, the Board suspended the proposed rates until August 11, 2013. On July 19, 2013, the Board issued an Order further suspending rates until December 11, 2013.

This matter was transmitted to the Office of Administrative Law ("OAL") on March 14, 2013, and Administrative Law Judge ("ALJ") Irene Jones was assigned to hear the case. A Pre-Hearing Conference (via telephone) was convened by ALJ Jones on May 30, 2013.

After proper notice, a public hearing regarding the base rate increase and proposed DSIC¹ was held in the Petitioner's service territory on the evening of August 28, 2013, in Hackensack, New Jersey in the Bergen County Board of Chosen Freeholders Public Meeting Room. Several members of the public provided comments focused on the adverse economic impact and financial hardships for the average Company ratepayer.

Subsequent to the public hearing, the Parties to the proceeding engaged in numerous settlement negotiations and as a result of these discussions and extensive discovery, the Parties reached a settlement on all issues and subsequently executed the Stipulation.

On November 7, 2013, ALJ Jones issued an Initial Decision in this matter recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law.

DISCUSSIONS AND FINDINGS

Among the provisions of the Stipulation², the Parties recommend that the Company's base rates be increased by \$11,000,000, representing a 5.4% increase over Company revenues totaling \$202,918,484. The Parties further recommend a rate base of \$610,000,000, adjusted for known and measurable changes and that the Company be authorized a return on equity of 9.75%. The overall rate of return is calculated by using the Company's current capital structure consisting of 46.36% long term debt calculated at a rate of 5.08%, and 53.64% common equity calculated at a rate of 9.75% for an overall rate of return of 7.5850%.

The Parties further acknowledge that any increase or issue contained in this Stipulation and approved by the Board will become effective on a date to be determined by the Board. The parties agree that this settlement resolves all issues and should represent a level of revenues necessary to ensure that the Petitioner will continue to provide safe, adequate, and proper water service to its customers.

¹ Although the Company's Foundational Filing was not filed until October 4, 2013, the Company had proposed continuation of its DSIC in its petition and therefore included notice of a proposed DSIC rate for its August 28, 2013 public hearing.

² Although described in the Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

The Parties agreed that the tariff pages attached to the Stipulation (Exhibit A), reflecting no increase for public fire charges, and increases reflecting the allocations agreed upon by the parties for all classes of customers as contained in the Exhibits (Exhibit A, Tariff, and Exhibit B, Proof of Revenues) attached to the Stipulation, should be adopted by the Administrative Law Judge and the Board in their entirety.

As part of the settlement of this proceeding, the Parties have extensively discussed the interaction between this base rate case and the filings for interim rate increases pursuant to the Company's prior DSIC Foundational Filing and agree that the interim rate increase already implemented earlier in 2013 should be removed as an interim DSIC surcharge and included in base rates. This stipulation effectuates that agreement. The Stipulation further reflects that the parties discussed subsequent filings by the Company pursuant to its initial Foundational Filing, approved on October 23, 2012.

As noted above, the Company has filed a new Foundational Filing, in the context of this case, which for future DSIC eligible investments to be made and placed in service pursuant to N.J.A.C. 14:9-10.1. Pursuant to the DSIC regulations and after reviewing the new Foundational Filing, and upon the Parties coming to agreement on those DSIC eligible projects, the Parties agreed that the Company's request regarding the new Foundational Filing for the DSIC should be approved in conjunction with this docketed matter. The maximum annual revenues that may be recovered by the Company through the DSIC mechanism subsequent to this Base Rate Proceeding shall be limited to 5% of the adjusted revenues of \$213,918,484, which amount is \$10,695,924. Furthermore, with the approval of the updated Foundational Filing, the Company will be obligated to meet an annual Base Spending requirement of \$5,827,425 on DSIC eligible investments to qualify for recovery of its DSIC investments made following the Board's approval of the updated Foundational Filing. The maximum monthly DSIC surcharge noticed by the Company satisfy the requirements of N.J.A.C. 14:9-10.4(b)(3). As an example, an average residential customer with a 5/8 inch meter will be subjected to a maximum monthly DSIC surcharge of \$1.77.3

Regarding the Foundational Filing approved by the Board through this Order, the Board HEREBY ORDERS that in accordance with N.J.A.C. 14:9-10.5(b) Petitioner shall make DSIC filings on a semi-annual basis, commencing approximately six months after the effective date of the Foundational Filing. Petitioner must submit its semi-annual DSIC filing within 15 days of the end of the DSIC recovery period. DSIC filings shall be reviewed by Board Staff and the Division of Rate Counsel. Petitioner may recover the interim surcharge associated with the DSIC-eligible projects closed during the DSIC recovery period not objected to by Board Staff or the Division of Rate Counsel beginning 60 days after the end of the DSIC recovery period, subject to refund at the Board's discretion. It is **FURTHER ORDERED** that Petitioner must comply with the base spending requirements set forth in this Order. Failure to comply with the base spending requirements will result in a reduction and refund, where appropriate, of the DSIC surcharge. Petitioner's DSIC surcharge is interim and subject to refund, and shall not exceed the maximum DSIC rate set forth in this Order.

The Board <u>FURTHER ORDERS</u> that, in accordance with <u>N.J.A.C.</u> 14:9-10.4(e), if within three years after the effective date of this Order Petitioner has not filed a petition in accordance with the Board's rules for the setting of its base rates, all interim charges collected under the DSIC

³ Although Petitioner's October 4, 2013 Foundational Filing noted a maximum monthly charger per 5/8 inch meter at \$1.85, it noticed the rate of \$1.77. A similar disparity exists as to each of the meter categories. Petitioner cannot charge a higher rate than that noticed rate. As such, Petitioner's DSIC rate is limited to those rates in the notices that were published on August 6 and 8, 2013.

shall be deemed an over-recovery, and shall be credited to customers in accordance with the Board's rules.

Pursuant to N.J.A.C. 14:9-10.1, et seq. the Board HEREBY ORDERS that Petitioner's DSIC Rate under its October 23, 2012 Foundational Filing shall be and is hereby reset to zero. All DSIC rates contained therein have been moved into rate base as set forth in the Stipulation agreed to by the parties. As such, the Company may no longer implement or seek to recover DSIC Rates through the October 23, 2012 Foundational Filing. Pursuant to N.J.A.C.14:9-10.4(d) "a new foundational filing must be approved before new DSIC investments and DSIC Rate recovery may occur." By and through this Order, the Board HEREBY APPROVES the Company's new Foundational Filing and any DSIC Rate recovery must be made pursuant to the Board's DSIC regulations and as described herein. Any projects commenced during the effective period of the October 23, 2012 Foundational Filing, but not made part of the DSIC Rate and moved into rate base, may be counted towards the required annual base spending and reviewed during the Company's next base rate case.

On October 28, 2013, the parties issued a letter to the Board's Secretary in Docket No. WO13070325. Previously, on July 1, 2013, the Company submitted a letter listing costs incurred for Hurricane Irene and Superstorm Sandy. The October 28, 2013, letter states that the terms contained in the Board's generic storm cost Order (Docket No. AX13030196) are not applicable to the Company and that the appropriate forum for resolution of storm costs is this current docket. The parties herein have agreed upon a three (3) year amortization of \$392,090 of Superstorm Sandy related costs.

As a part of this proceeding, the Parties have discussed a number of tariff changes. The Parties agree that the Company should be permitted to implement monthly billing as soon as reasonably practicable following the issuance of a final order in this proceeding. The Parties further agree that the proposed revisions to the Company's tariff for service construction projects (Rate Schedule No. 5) are reasonable and recommend that the Board approve those, and other tariff changes, contained in Exhibit P-6 of the Petition.

The Board is mindful of the impact any rate increase has on customers. However, having reviewed the record in this matter, including ALJ Jones's Initial Decision and the Stipulation, including the Foundational Filing contained therein, the Board HEREBY 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. In reaching this decision, the Board must balance the needs of the ratepayer to receive safe, adequate and proper service at reasonable rates, while allowing the utility the opportunity to earn a fair rate of return. See FPC v. Hope Natural Gas, 320 U.S. 591 (1944); N.J.S.A. 48:2-21 and N.J.S.A. 48:3-1. Therefore, the Board FINDS the Initial Decision, which adopts the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board HEREBY ADOPTS the Initial Decision and the Stipulation, attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein, subject to the following:

- The tariff sheets attached to the Stipulation containing rates and charges conforming to the Stipulation and designed to produce the additional revenues to which the Parties have stipulated herein are <u>HEREBY ACCEPTED</u>;
- b. The stipulated increase and the tariff design allocations for each customer classification are **HEREBY ACCEPTED**;

- c. The Maximum DSIC charge per meter cannot exceed the amount noticed in the Companies' August 6 and 8, 2013 notices; and
- d. The Company's October 23, 2012 DSIC Foundational Filing is HEREBY concluded and no additional DSIC filings or DSIC rates may be made or implemented pursuant thereto.

Based upon the forgoing, the Board HEREBY APPROVES an overall increase in revenues in the amount of \$11,000,000 representing a 5.4% increase over Company revenues totaling \$202,918,484. The Board FURTHER APPROVES the Company's Foundational Filing and ORDERS that the Company may implement a Distribution System Improvement Charge, subject to this Order, Petitioner's ongoing compliance with the DSIC regulations, as well as conformity to the base spending requirements and semi-annual true-up submissions.

The Board HEREBY ORDERS the Company to submit complete revised tariffs conforming to the terms and conditions of the Stipulation and this Order within five (5) days from the date of this Order.

This Order shall be effective on November 22, 2013.

DATED: 11/22/13

BOARD OF PUBLIC UTILITIES

PRESIDENT

COMMISSIONER

ATTEST:

JOSEPH L. FIORDALISO COMMISSIONER

DIANNE SOLOMON COMMISSIONER

IN THE MATTER OF THE PETITION OF UNITED WATER NEW JERSEY INC. FOR APPROVAL OF AN INCREASE IN RATES FOR WATER SERVICE AND OTHER TARIFF CHANGES BPU DOCKET NO. WR13030210 OAL DOCKET NO. PUC 03748-13

SERVICE LIST

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INITIAL DECISION
SETTLEMENT

OAL DKT. NO. PUC 03748-13 AGENCY DKT. NO. WR13030210

IN THE MATTER OF THE PETITION OF UNITED WATER NEW JERSEY INC., FOR APPROVAL OF AN INCREASE IN RATES FOR WATER SERVICE AND OTHER TARIFF CHANGES

Stephen B. Genzer, Esq. and **Colleen A. Foley**, Esq., for petitioner United Water New Jersey Inc. (Saul Ewing LLP)

Alex Moreau and Veronica A. Beke, Deputy Attorney Generals for respondent Board of Public Utilities (John J. Hoffman, Attorney General of New Jersey, attorney)

Debra F. Robinson, Esq., Managing Attorney, Susan E. McClure, Esq.,
Assistant Deputy Rate Counsel and Christine M. Juarez, Esq., Assistant
Deputy Rate Counsel for respondent, Division of Rate Counsel

Record Closed: October 30, 2013 Decided: November 7, 2013

Before IRENE JONES, ALJ

STATEMENT OF THE CASE

On or about March 11, 2013, petitioner, United Water Company, ("Petitioner" or "Company") filed a Verified Petition with the State Board of Public Utilities seeking to

OAL DKT. NO.: PUC 03748-13

increase its base water rates by approximately \$29,994.809 million or 14.69%. Additionally, the Company sought approval of other changes to its rates and tariffs as set forth in the petition.

On or about March 15, 2013, the Board transmitted the matter to the Office of Administrative Law for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to 15 and N.J.S.A. 52:14F-1 to 13. A prehearing conference was held on May 30, 2013 wherein a procedural scheduled was established. Present at the prehearing conference was the Company, the Board Staff and the Division of Rate Counsel. Pursuant to the Prehearing Order, a public hearing was held in the Company's service territory on August 28, 2013.

Prior to the start of the evidentiary hearings, the parties exchanged extensive discovery and engaged in numerous discovery and settlement conferences. On October 30, 2013 the parties filed a Stipulation of Settlement with the undersigned.

I have reviewed the record and the terms of the Stipulation of Settlement and I FIND:

- 1. The parties have voluntarily agreed to the settlement as evidence by their signatures or the signatures of their representatives.
- 2. The settlement fully disposes of all issued in controversy and is consistent with the law.

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby **CONCLUDED**.

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

OAL DKT. NO.: PUC 03748-13

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.

November 7, 2013	dreve Jon
DATE	IRENE JONES, ALJ
Date Received at Agency:	
Date Mailed to Parties:	

STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF UNITED WATER NEW JERSEY INC. FOR APPROVAL OF AN INCREASE IN RATES FOR WATER SERVICE AND OTHER TARIFF CHANGES

BPU DOCKET NO. WR13030210
 OAL DOCKET NO. PUC 03748-13

STIPULATION OF SETTLEMENT

APPEARANCES:

Stephen B. Genzer, Esq., and Colleen A. Foley, Esq., Saul Ewing LLP, on behalf of United Water New Jersey Inc., Petitioner

:

Alex Moreau and Veronica A. Beke, Deputy Attorneys General, John J. Hoffman, Acting Attorney General of New Jersey, on behalf of Staff of the New Jersey Board of Public Utilities

Debra F. Robinson, Esq., Managing Attorney, Susan E. McClure, Esq., Assistant Deputy Rate Counsel, and Christine M. Juarez, Esq. Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The parties in this proceeding include United Water New Jersey Inc. ("Petitioner" or the "Company"), the Division of Rate Counsel ("Rate Counsel"), and Staff of the Board of Public Utilities ("Staff").

As a result of an analysis of Petitioner's verified petition, pre-filed testimony and exhibits, extensive discovery, and a public comment hearing held on August 28, 2013, Petitioner, Staff, and Rate Counsel (collectively, the "parties") have come to an agreement on all of the issues in dispute in this matter.

Procedural History

On March 11, 2013, Petitioner, a public utility corporation of the State of New Jersey engaged in the business of collecting, treating and distributing water for retail service to customers located in the northern and western portions of the State, filed a petition to increase rates for water service and to make other tariff changes pursuant to N.J.S.A. 48:2-21, N.J.A.C. 14:1-5.12 and N.J.A.C. 14:9-7.1 et seq. Specifically, the Company petitioned to increase rates to produce additional base rate revenues of approximately \$29,994,809 or approximately 14.69% above the annual level of revenues for the post-test year period ending November 30, 2013. The test year used in the petition is the twelve-month period ending May 31, 2013 and the post-test year period ending November 30, 2013, both adjusted to reflect known and anticipated changes. The Petitioner also sought (a) to earn a return of and a return on prudent plant-in-service capital investments made through the Company's current Distribution System Improvement Charge ("DSIC") pursuant to N.J.A.C. 14:9-10.4(c); (b) to recover costs expended for labor, pension and benefits, depreciation, and non-income taxes through base rates and to earn a reasonable return upon the fair value of its property used and useful in public service; and (c) to implement certain specified tariff changes including the implementation of monthly billing to allow the Company to identify inaccurate or non-functioning meters, system or service leaks at an earlier time while promoting water conservation. Thereafter, the Company submitted its updated Foundational Filing to reflect planned investments and projects for future DSIC-eligible investments.

The Board transmitted this matter to the Office of Administrative Law ("OAL"), and Administrative Law Judge ("ALJ") Irene Jones was assigned to hear the case. On April 29, 2013, the Board entered an Order suspending until August 11, 2013 the implementation of changes the Petitioner sought to make to its tariffs. On July 19, 2013, the Board issued an Order

further suspending rates until December 11, 2013. A Pre-Hearing Conference was convened by ALJ Jones on May 30, 2013, during which time a procedural schedule was agreed to by the parties.

Extensive discovery was conducted by the parties with Petitioner providing responses to hundreds of data requests. After proper notice, a public hearing was held in the Petitioner's service territory on the evening of August 28, 2013, in Hackensack, New Jersey in the Bergen County Board of Chosen Freeholders Public Meeting Room. Several members of the public appeared to provide comments, generally speaking in opposition to various aspects of the proposed rate request.

Settlement Provisions

Numerous settlement discussions have been held, and the agreements reached during those discussions have resulted in the following stipulations:

- 1. The parties agree, that for purposes of this settlement, rate base is established at \$610,000,000.
- 2. The parties agree that, for the purposes of this proceeding and this settlement only, an overall rate of return of 7.5850 % will be used, which will result in an overall additional revenue requirement of \$11,000,000. For the purposes of this proceeding, this overall rate of return is calculated with 46.36% long-term debt calculated at a rate of 5.08%, and 53.64% common equity calculated at a rate of 9.75%. The additional revenue requirement amount was calculated as follows:

 Rate Base
 \$ 610,000,000

 Rate of Return
 x 7.5850%

 Required Operating Income
 \$ 46,268,500

 Test Year Operating Income
 - 40,162,816

 Deficiency
 \$ 6,105,684

 Revenue Conversion Factor
 x 1.8016

 Revenue Requirement
 \$ 11,000,000

- 3. The parties stipulate that a revenue increase for the Petitioner of \$11,000,000 or approximately 5.4% over total present water sales revenues of \$202,918,484 is an appropriate result of this matter. The parties recommend that the Board consider the above stipulated revenue increase and all remaining agreed-upon issues embodied in this Stipulation at its next public agenda meeting. The parties further acknowledge that any increase or issue contained in this Stipulation and approved by the Board will become effective on a date to be determined by the Board. The parties agree that this settlement resolves all issues and represents a level of revenue necessary to ensure that Petitioner will continue to provide safe, adequate, and proper water service to its customers.
- 4. The parties agree that the revised tariff pages, reflecting no increase for public fire charges but reflecting increased allocations agreed upon by the parties for all other classes of customers, should be adopted by the Administrative Law Judge and the Board in their entirety. See attached Exhibit A, Tariff, and Exhibit B, Proof of Revenues.
- 5. As part of the settlement of this proceeding, the parties have extensively discussed the interaction between this base rate case and the filings for interim rate increases pursuant to the Company's prior DSIC Foundational Filing ("Foundational Filing"), and agree that the interim rate increase already implemented earlier in 2013 should be removed as an interim DSIC surcharge and included in base rates. This stipulation effectuates that agreement.

The parties have also discussed the impact of the Company's DSIC filing, covering acknowledged DSIC eligible investments made and placed in-service through October 31, 2013, pursuant to the Board's DSIC regulations and its prior Foundational Filing.

Pursuant to the DSIC regulations and after reviewing that new Foundational Filing, and upon the Parties coming to agreement on those DSIC eligible projects, the parties agree that the Company's request regarding the updated Foundational Filing for the Distribution System Improvement Charge should be approved in conjunction with this docketed matter. The parties agree that the maximum annual revenues that may be recovered by the Company through the DSIC mechanism subsequent to this Base Rate Proceeding shall be limited to 5% of the adjusted revenues of \$213,918,484, which amount is \$10,695,924. Furthermore, with the approval of the updated Foundational Filing, the Company will be obligated to meet an annual Base Spending requirement of \$5,827,425 on DSIC-eligible investments to qualify for recovery of its DSIC investments made upon Board approval of the updated Foundational Filing.

- 6. By letter dated October 28, 2013, the parties issued a letter to the Board's Secretary in Docket No. WO13070325. Previously, on July 1, 2013, the Company submitted a letter listing costs incurred for Hurricane Irene and Superstorm Sandy. The October 28, 2013, letter states that the parties considered the Board's generic storm cost Order (Docket No. AX13030196) as it relates to the Company's storm-related costs, and that the parties agree that the appropriate forum to resolve storm costs is this current docket. The parties herein have agreed upon a three-year amortization of \$392,090 of Superstorm Sandy-related costs.
- 7. As a part of this proceeding, the parties have discussed a number of tariff changes.
 The parties agree that the Company should be permitted to implement monthly billing as soon as reasonably practicable following the issuance of a final order in this proceeding. The parties

further agree that the proposed revisions to the Company's tariff for service construction projects (Rate Schedule No. 5) are reasonable and recommend that the Board approve those, and other tariff changes, contained in Exhibit P-6 of the Petition.

This Stipulation is the product of extensive negotiations by the parties, and it is an 8. 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 parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The 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 parties have stipulated herein. The 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 parties hereto expressly 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 Party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The 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 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. Also, all rates are subject to audit by the Board.

This Stipulation may be executed in as many counterparts as there are parties of 9. 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. Attorney for Petitioner

Date

Saul Ewing LLP

JOHN J. HOFFMAN ACTING ATTORNEY GENERAL OF NEW JERSEY Attorney for the Staff of the New Jersey Board of Public Utilities

Oct. 28,2013

Veronica A. Beke, Esq., DAG Deputy Attorney General

STEFANIE A. BRAND, ESQ. DIRECTOR, DIVISION OF RATE COUNSEL

Susan E. McClure, Esq/Christine Juarez, Esq.

Assistant Deputy Rate Counsel

EXHIBIT A

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

This Tariff has been filed due to the increase in rates authorized in Docket No. WR13030210

BPU NO. 4 - WATER

Third Revised Sheet No. 1 Superseding Second Revised Sheet No. 1

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(i) - (v)

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Standard Terms and Conditions

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Filed pursuant to an accoccocc decision of the Board of Public Utilities in Docket No. WR13030210

Date of Issue: xxxxxxxxx, 2013

Effective: xxxxxxxxx, 2013 Docket No. WR13030210

issued by:

David Stanton, President

BPU NO. 4 - WATER

Eighth Revised Sheet No. 2 Superseding Seventh Revised Sheet No. 2

TERRITORY LIST OF MUNICIPALITIES

BERGEN COUNTY

Alpina "Allersiale Bergenfield Bogota Carlatecti Cilfiside Park Closter Cresskill Demarest Dumont East Rutherford Edgawater Emerson Englewood Englawood Cliffs "Fair Lawn Fakview Fort Lee Franklin Lakes Heckensack

Harrington Park Hasbrouck Heights Haworth Hilladale Leonia Little Ferry Loal Borough "Mahwah Maywood Montvale Moonachie New Milford Northvale Norwood Old Tappan Oradeli Palisades Park Peremus "Ramsey Ridgefield

Ridgefield Park
"Ridgewood
River Edge
River Valle
Rochelte Park
Rockleigh
Rutherford
"Saddle Brook
"Baddle River
South Hackeneack
Teaneck

Tenafty Telerboro Upper Saddle River *Wallington

*Wallington Washington Township

Westwood Woodcliff Lake Wood-Ridge

* Partially Served **Served Wholesale

HUDSON COUNTY

Guttenberg North Bergen

Secaucus Union City

Weehawken West New York

PASSAIC COUNTY

The entire development known as Baid Eagle Commons Block 5308, Lots 1, 2, 3 & 4; Block 5309, Lots 1, 2, 4, & 10, Block 5310, Block 5311, Block 5312, Block 5313, Block 5314, Block 5315, Block 5316, Block 5317, Block 5318, Block 5319, Block 5320, Block 5321, Block 5501, Lots 13, 14, 20, 21, 22, & 23, Block 5504, Block 5505, Block 5506, Block 5507 in the Township of West Milford, New Jersey.

Flied pursuant to an xxxxxxxxxx decision of the Board of Public Utilities in Docket No. WR13030210

Date of Issue: xxxxxxxxx, 2013

Effective: xxxxxxxxxx, 2013 Docket No. WR13030210

Issued by: David Stanton, President

BPU NO. 4 - WATER

Second Revised Sheet No. 2A Superseding First Revised Sheet No. 2A

TERRITORY LIST OF MUNICIPALITIES

SUSSEX COUNTY

Block 141, Lot 10.01 also known as Valley View Apartments; Block 184, Lot 13, Block 190, Lots 9, 11, & 16 Block 199.01, 199.02, 189.03, 199.07, 199.08, 199.10 & 199.13; Block 231, Lots 12, 12.01, 12.02, 12.03, & 12.04; Block 232.01 Lots 1-44 also known as Great Gorge Terrace Condominiums; Block 233, Lots 7 & 7.01; Blocks 233.01, 233.02, 233.03, 233.04 & Block 233.05, Lot 8; Former Territory of Sunset Ridge Water as referenced in Decision and Order in Docket No. 8312-1117 dated March 2, 1889; Sussex Park Homes, Andover Township; Hamptons Commons, Hampton Township; Subdivisions in the Township of Vernon commonly known as: Aspen Woods, Cliffwood Lakes, Grandview Estates, Sussex Hill No. 1, Sussex Hill No.2, Lake Conway, Stayman/Mott, Omega Drive, Venderhoff Court, Predmore Estates, Samis Road, Macintosh, Cortland Road, Warren Drive, Barry Lakes, Highland Lakes, Blackman Estates, Walnut Hills Estates; Subdivision in the Township of Wantage commonly known as Woodridge Estates.

MORRIS COUNTY (Arlington Hills)

Block 61, Lots: 23.01, 23.03, 23.04, 23.05, 23.06, 23.07, 23.09, 23.10, 23.11 &23.12, Block 61.02; Block 61, Lot 42.03; Block 72, Lots 1.01 and 1.02; Block 72.01, Lot 3; Block 82, Lots 1.01, 1.02, 1.03, and 1.04; Block 82.01, Lot 1: Block 83, Lots 9, 15.01 and 15.02; Block 83.01, Lot 1: Block 84, Lot 3; Block 72, Lot 2; Block 72, Lot 3; Block 61, Lots 42.01 and 42.02 for the provision of Fire Protection Services only as are necessary and proper for the public convenience and are in the public interest in the Borough of Mount Arilington; and Block 12301, Lots 1& 2 in the Township of Roxbury.

HUNTERDON COUNTY

The City of Lambertville, Hunterdon County, and Block 3 Lot 6, 7, 8, 9, 10, 17.01, 17.02, and 20 in the Township of West Answell.

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BPU NO. 4 - WATER

Second Revised Sheet No.6 Superseding First Revised Sheet No. 6

STANDARD TERMS AND CONDITIONS

APPLICATIONS FOR SERVICE

- 2.1 Application for water service shall be in accordance with the following:
 - (a) Application for water service to a new building or to premises not previously supplied shall be made at the New Business Department of the Company, in person, by regular mail, facsimile transmission, electronic mail where available, or by telephone, by the owner, lessee or duly authorized agent. The applicant shall be required to sign a form provided by the Company which may be subsequently
 - (b) Application for water service to premises previously supplied shall be made at the New Business Department of the Company, in person, by regular mail, facsimile transmission, electronic mail where available or by telephone, by the owner, lessee or duly authorized agent.
 - (c) A utility shall not place the name of a second individual on the account of a residential customer unless specifically requested by said second individual N.J.A.C. 14:3-3.2(b).
- 2.2 The Company shall provide or extend water service to applicants or customers connected to an unapproved source of supply, in accordance with the following:
 - (a) All non-residential applicants or customers shall install or cause to be installed, at the customer's expense, an "approved physical connection installation" as defined by and in accordance with regulations of the New Jersey Department of Environmental Protection applicable to physical connections, and to otherwise comply with Paragraph 7.6 of this Tariff. Copies of these regulations are available to the applicant or customer upon request.
 - (b) Upon determination by the Company that a threat of contamination to the public water supply exists, residential applicants or customers shall be required to install or cause to be installed, at the customer's expense, an "approved physical connection installation" as defined by and in accordance with regulations of the New Jersey Department of Environmental Protection applicable to physical connections, and to otherwise comply with Paragraph 7.6 of this Tariff. Copies of these regulations are available to the customer or application upon request.

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BPU NO. 4 - WATER

First Revised Sheet No.10 Superseding Original Sheet No.10

STANDARD TERMS AND CONDITIONS

3. CUSTOMERS' DEPOSITS

- 3.1 Deposits may be required under the following circumstances:
 - (a) Deposits may be required where applicants for water service have not established their credit. The amount of the deposit shall be the estimated average bill of the customer for a given billing period increased by one month's estimated average bill.
 - (b) Customers in default in the payment of bills may be required to furnish a deposit or increase their existing deposit in an amount sufficient to secure the payment of future bills. The amount of the deposit shall be the estimated average bill of the customer for a given billing period increased by one month's estimated average bill. Service may be discontinued for failure to make such deposit, after proper notice.
 - (c) Deposits will be required to guarantee the payment for metered water used for construction purposes where no advance payments have been made. These deposits will be based upon the sum of the cost of the meter, the estimated amount of water which may be used during construction, the facilities charge times the number of months being requested and a calibration restocking fee. When the meter is returned to the Company is good condition, the outstanding deposit will be refunded with interest due, less any amount due for unpaid bills.
- 3.2 if a customer who has made a deposit falls to pay a bill, the Company may apply such deposit insofar as is necessary to liquidate the bill and will require that the deposit be restored to its original amount.
- 3.3 The Company will furnish a deposit receipt to each customer who has made a deposit. Customers will be required to surrender the deposit receipt upon return of their deposits. If the receipt cannot be produced, a written agreement, to indemnify the Company against any claim arising from failure to surrender the original receipt, may be required.

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BPU NO. 4 - WATER

Second Revised Sheet No. 12 Superseding First Revised Sheet No. 12

STANDARD TERMS AND CONDITIONS

4. WATER MAIN EXTENSIONS

- 4.1 Applications for water main extensions shall be made in person, by telephone or by mail, at the New Business Department of the Company. Upon receipt of such application, the Company will make a survey and advise the applicant as to the most suitable plan for installing the proposed water main extension and the probably cost to the applicant.
- 4.2 Distribution mains will be extended only in public streets or highways provided that the consent of the public body responsible for the repair and maintenance of such streets or highways is first obtained, or in new streets or highways, not yet accepted, but which have been laid out according to an accepted plan approved by the appropriate authority. The Company will require an easement in cases where the streets or highways have not yet been accepted. In no case, however, will distribution mains be installed until streets or highways have been rough graded to an established and approved grade.
- 4.3 Water main extensions will be installed and deposits will be required pursuant to agreements between the Company and the applicant.
- 4.4 Each water main extension shall become part of the distribution system of the Company and shall be owned, maintained and controlled by the Company.
- 4.5 The Company will extend water service in accordance with all applicable taws of the State and Board of Public Utilities regulations and orders including but not limited to those regulations contained in N.J.A.C. 14:3-1, N.J.A.C. 14:3-8, N.J.A.C. 14:3-8, and N.J.A.C. 14:3-10.

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BPU NO. 4 - WATER

Tenth Revised Sheet No. 37 Superseding Ninth 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: \$ 4.1094 per hundred cubic feet * \$ 3.5413 per hundred cubic feet \$ 4.7344 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 gailons.

<u>SPECIAL PROVISION:</u> 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 feat equals 748 gations

Facilities Charge:

Size of Meter	Per Month	** Exempt Rate Per Month
5/8 Inch % Inch 1 Inch 1-1/2 Inch 2 Inch 3 Inch 4 Inch	\$ 8.50 12.75 21.25 42.50 68.00 127.50	\$ 7.32 10.99 18.31 36.62 58.60 109.87
6 Inch 8 Inch 10 Inch 12 Inch	212.50 425.00 580.00 977.50 1,402.60	183.12 368.25 585.99 842.37 1,208.61

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BPU NO. 4 - WATER

Third Revised Sheet No. 38 Superseding Second Revised Sheet No. 38

RATE SCHEDULE NO. 1 (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 15 days after the bill date. 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 monthly 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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BPU NO. 4 - WATER

Ninth Revised Sheet No. 39 Superseding Eighth 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:

\$ 2.3183 per hundred cubic feet.

TERMS OF PAYMENT:

Payment is due within 15 days after the bill date.

Bills will be rendered monthly.

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BPU NO. 4 - WATER

Tenth Revised Sheet No. 40 Superseding Ninth 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.

Size of Meter/Service		## Evenue
	Per Month	** Exempt Rate
1-1/2 Inch	\$ 17.41	Per Month \$ 15.00
* 2 Inch	31.07	26.77
3 Inch	87.09	75.05
4 Inch	138.1 8	119.06
6 inch	284.94	248.55
8 inch 10 inch	506.57	435,54
12 inch	791.51	682.09
· · · · · · · · · · · · · · · · · · ·	1,139.76	982.20

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

Rate per Hydrant per Month

Hydrant

\$ 61.20

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BPU NO. 4 - WATER

Eighth Revised Sheet No. 41 Superseding Seventh Revised Sheet No. 41

RATE SCHEDULE NO.3 (Continued)

CONSUMPTION CHARGE:

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 15 days after the bill date. Bills are rendered monthly.

IERMS:

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,

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
- 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

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BPU NO. 4 - WATER

Ninth Revised Sheet No. 42 Superseding Eighth 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 all municipalities throughout entire territory for public fire protection with the exception of Lambertville.

Inch Foot Charge

Monthly charge of \$ 0.00455830 per Inch foot of distribution and transmission mains serving the municipality.

Hydrant Charge

\$ 17.01 monthly 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:

\$ 42.84 monthly for each hydrant

MINIMUM CHARGE:

None

TERMS OF PAYMENT:

Payment is due within 15 days after the bill date. 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 proreted for the period for which service was provided.

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BPU NO. 4 - WATER

Sixth Revised Sheet No. 44 Superseding Fifth Revised Sheet No. 44

RATE SCHEDULE NO. 5

BUILDING CONSTRUCTION SERVICE

APPLICABILITY:

Applicable throughout entire territory to water service for major construction projects only.

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, A monthly facilities charge for the number of months used.

When metered, deposit requirements as stated in "Standard Terms and Conditions" 3.1, Sheet No. 10, shall apply based upon Rate Schedule No. 1. Calibration and restock

2) Unmetered:

Should a new service be required to provide temporary use, the customer shall pay the cost to install and remove the service.

No person/entity, other than municipal fire (for firefighting purposes only) and Company personnel, unless authorized by the Company is permitted to operate or take water from any public or private fire hydrant/connection for street sprinking, flushing sewers, storm water drains, street sweeping, landscaping projects, or for building construction or any other purpose. Unauthorized operation of a fire hydrant/connection is subject to all fines and penalties under local Municipal Ordinances, along with a minimum charge of \$500,00 for the unauthorized use of Company facilities plus cost for any water used and the actual cost for the repair of any damages to the Company's property resulting there from.

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BPU NO. 4 - WATER

Third Revised Sheet No. 45 Superseding Second Revised Sheet No. 45

RATE SCHEDULE NO 5 (Continued)

Use of fire hydrants may be permitted for specific purposes when special permission is obtained from the Company by written permit. Permits to use hydrants will not be issued during cold weather particularly the period from December 1 to April 1. The Company will charge for this service and will require a deposit for the meter furnished by the Company for the service. Any special permission grant shall be revocable at any time by the Company.

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.

MINIMUM CHARGE:

None.

TERMS OF PAYMENT:

Payment in advance.

TERM:

On completion of building. The hydrant meter program is only utilized from April 1st to November 30th of each year without exceptions. All hydrant meters must be returned to United Water by November 30th of each year.

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BPU NO. 4 - WATER

Second Revised Sheet No. 46 Superseding First Revised Sheet No. 46

RATE SCHEDULE NO 5 (Continued)

SPECIAL PROVISIONS:

Under this schedule, water service will be supplied for major construction projects which typically consist of foundations and major superstructures construction and project duration of no less than three months.

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 major construction projects, 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.

The meter is to be returned in accordance with the building construction agreement. If not returned at that time, in addition to the monthly facility charges, a penalty will be charged at \$150.00 month.

Damage to the meter or the equipment will be billed at cost.

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BPU NO. 4 - WATER

Sixth Revised Sheet No. 50 Superseding Fifth Revised 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:

\$ 1.33 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:

\$ 1.96 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:

Payment is due within 15 days after the bill date.

SPECIAL PROVISIONS:

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

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BPU NO. 4 - WATER

Fourth Revised Sheet No. 51 Superseding Third Revised Sheet No. 51

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BPU NO. 4 - WATER

First Revised Sheet No. 52 Superseding Original Sheet No. 52

RATE SCHEDULE NO. 9 DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

in addition to the facilities charge provided for in this Tariff in Rate Schedule No.1 General Metered and Rate Schedule No. 3 Private Fire Protection, the following charges will apply to all metered customers throughout the service territory of the Company.

RS No.1 General Metered

4
* Exempt Rate
Per Month
\$ 0.00
0.00
0.50
0.00
0.50
0.00
0.00
0.00
0.00
0.00
0.00

RS No.3 Private Fire Protection

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

Size of Motor/Service "1 inch "1-1/2 inch 2 inch 3 inch 4 inch 6 inch 8 inch 10 inch	Fire Protection Par Month \$ 0.00 0.00 0.00 0.00 0.00 0.00 0.00	*Exampt Rate <u>Par Month</u> \$ 0.06 0.00 0.00 0.00 0.00 0.00 0.00
10 Inch 12 Inch	0.00 0.00	0.00 0.00 0.00

EXEMPTIONS:

*Sales to a public utility subject to a payment of Gross Receipts and Franchise Taxes shall be attempt from the applicable Gross Receipts and Franchise Taxes,

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[&]quot;Pursuant to R.S. 46:19-18, the above monthly meter/service charge is welved for residential customers 2" and less.

EXHIBIT B

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