



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/

WATER

IN THE MATTER OF THE NOTICE AND APPROVAL) ORDER OF APPROVAL
OF AFFILIATE AGREEMENT BETWEEN UNITED)
WATER NEW JERSEY INC., AND UTILITY SERVICE)
CO., INC.) DOCKET NO. WO15070856

Parties of Record:

Kelly K. Ruggiero, Esq., Corporate, Attorney, United Water New Jersey, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On August 3, 2015, United Water New Jersey Inc. ("UWNJ", "United" or "Petitioner") filed a petition pursuant to N.J.S.A. 48:3-7.1, which was subsequently verified, requesting approval of an affiliate agreement ("Agreement") between UWNJ and Utility Service Company ("USC") for the rehabilitation and painting of UWNJ's Cottonwood Tank in Franklin Lakes, New Jersey, designated as Construction Services Agreement Between United Water New Jersey Inc and Utility Service Co., Inc. for Rehabilitation of 1.3 MG Potable Water Storage Tank in Franklin Lakes, NJ, Agreement No. 13893, dated April 5, 2015.

UWNJ and USC are both owned by Suez Environnement North America, Inc. through multiple levels of successive ownership. UWNJ is a public utility of the State of New Jersey and is subject to the jurisdiction of the Board of Public Utilities. United is 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. United services approximately 200,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. USC is a corporation authorized to conduct business in the State of New Jersey and is one of the largest tank services firms in the country. USC and United do not share any officers or directors. USG GA, LLC (USC's parent company) does share one officer and one director with UWNJ. United states that neither of those individuals was involved in the bidding or selection process for the Cottonwood Tank Painting Project ("Project").

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

Proposals by UWNJ were requested and received from multiple contractors and USC was the low bidder, in the amount of \$948,500. The bid process was performed in accordance with UWNJ's corporate policy and all bidders were afforded access to pre-bid materials, such as tank condition assessments, site conditions, and all other relevant information, UWNJ'S Procurement and Engineering Departments analyzed the bids based on pricing and warranty criteria. United plans to commence the tank painting work pending approval of its petition.

By letter dated October 30, 2015, the New Jersey Division of Rate Counsel filed its comments, stating that it has reviewed the filing and is not opposed to the contract's approval, with the caveat that Board approval be limited to the affiliate contract and not include any specific cost in rates or any other ratemaking treatment.

A review of the record indicates that the Agreement involves a fair price from a competitive bid process for the services to be rendered based on the information contained in the filing. United followed typical industry practices in soliciting bids for the Project and awarded the Project to the lowest bidder. All of the bidders had identical access to pre-bid materials, such as tank condition assessments, site conditions and all other relevant information and UWNJ's Procurement and Engineering Departments analyzed the bids based on pricing and warranty criteria. Therefore, in accordance with N.J.S.A. 48:3-7.1, the Board **HEREBY FINDS** that the Agreement does not violate the laws of the State of New Jersey or of the United States, does not contain a price or compensation that exceeds the fair price or fair compensation for the work to be done or the services to be rendered, and is not contrary to the public interest.

The Board **HEREBY APPROVES** the Agreement between United Water New Jersey and Utility Service Company, Inc. to render the services outlined in the Agreement for the Cottonwood Tank Painting Project.

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

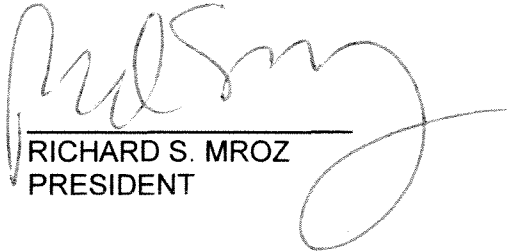
1. This Order shall not affect or in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or the any other matter affecting the Petitioner.
2. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. This Order shall not affect or in any way limit the exercise of the authority of this Board or of this State, 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 the Company.
4. Approval of this petition does not constitute approval by the Board of any costs or expenses associated with this Project or this petition. In an appropriate subsequent proceeding, the Petitioner shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers.
5. The Board reserves the right to conduct future reviews of the Agreement to evaluate whether the Agreement remains reasonable.

6. United Water New Jersey will notify the Board if the Agreement is altered or terminated.
7. The Petitioner shall submit to the Board fully executed copies of the Agreement twenty (20) days after Board approval.

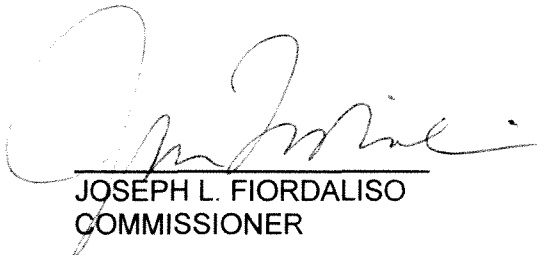
This Order is effective on November 26, 2015.

DATED: 11-16-15

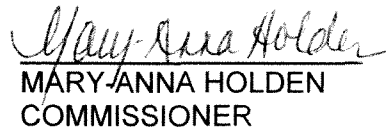
BOARD OF PUBLIC UTILITIES
BY:



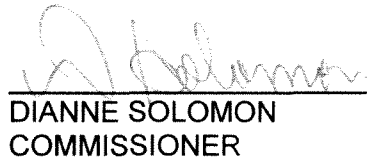
RICHARD S. MROZ
PRESIDENT



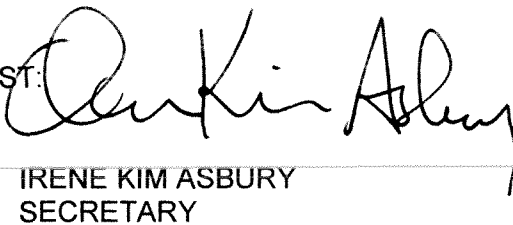
JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

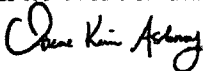


DIANNE SOLOMON
COMMISSIONER

ATTEST: 

IRENE KIM ASBURY
SECRETARY

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



IN THE MATTER OF THE NOTICE AND APPROVAL OF AFFILIATE AGREEMENT BETWEEN
UNITED WATER NEW JERSEY INC., AND UTILITY SERVICE CO., INC.
Docket No. WO15070856

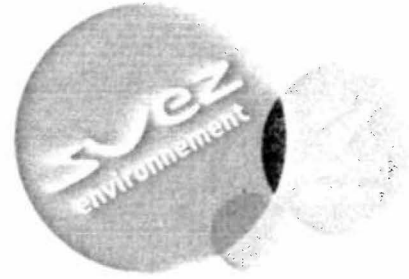
SERVICE LIST

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July 29, 2015 – Via FedEx

Irene Kim Asbury, Secretary
State of New Jersey
Board of Public Utilities
44 So. Clinton Ave.
P.O. Box 350
Trenton, NJ 08625

481 07 200
Water/Kammer

Re: Notice and Approval of Affiliate Agreement between United Water New Jersey Inc., and Utility Service Co., Inc.

Dear Secretary Asbury:

As set forth in detail herein, and pursuant to N.J.S.A. 48:3-7.1, United Water New Jersey Inc. (“UWNJ”) respectfully requests approval of an affiliate agreement between UWNJ and Utility Service Co., Inc. (“USC”). Please note that in the interest of conserving paper, all Appendices to this Notice have been burned onto the enclosed CD.

Enclosed for review and approval are an original and ten (10) copies of a Construction Services Agreement (the “Agreement”), attached as Appendix “A”, dated April 5, 2015 between UWNJ, a wholly-owned subsidiary of United Water Resources Inc., (“UWR”) and USC, a wholly-owned subsidiary of USG GA, LLC (“USG”) for the painting of UWNJ’s Cottonwood Tank in Franklin Lakes, New Jersey. As illustrated in the chart attached as Appendix “B”, through multiple levels of successive ownership, UWNJ and USC are both owned by Suez Environnement North America Inc.

The Securities Purchase Agreement by and among Suez Environnement North America Inc., as Buyer, USG GA, LLC., and Company and Utility Service Holding Co., Inc., as Seller, was executed on March 13, 2008; the closing took place on July 31, 2008.

USC and UWNJ do not share any officers or directors. USG (USC’s parent company) does share one officer and one director with UWNJ. Bertrand Camus is a Director of UWNJ and a Manager of USG, and Robert A. Gerber is an officer of UWNJ and USG. However, neither Mr. Camus nor Mr. Gerber were involved in the bidding or selection process for the Franklin Lakes Cottonwood Tank Project.

USC is a corporation authorized to conduct business in the State of New Jersey, and is the largest tank service firm in the United States. It maintains thousands of ground and elevated tanks under full service maintenance contracts coast to coast. USC's range of integrated water tank services includes professional maintenance solutions for existing tanks, sales and leasing of new tanks, antenna site marketing and management, and communication site construction. As the Board may recall, UWNJ has previously petitioned the Board for, and did receive, approval of affiliate agreements for USC to complete work at UWNJ's Carlstadt Elevated Tank (Docket No. WO1210994) and Water Sphere in Alpine (Docket No. WO10060409). UWNJ is pleased to report that those projects were very successful. A marketing brochure and USC's partial list of clients were submitted as part of those prior filings and can be re-submitted if the Board so requires.


Proposals were requested and received from multiple contractors and USC was the low bidder for the Franklin Lakes Cottonwood Tank Project. A copy of the bid results is attached as Appendix "C". All bidders were afforded identical access to pre-bid materials, such as tank condition assessments, site conditions and all other relevant information. UWNJ's Procurement and Engineering Departments analyzed bids based on pricing and warranty criteria.

The bid process was performed in accordance with our corporate policy, and UWNJ has awarded USC the Agreement for Franklin Lakes Cottonwood Tank Project. UWNJ plans to commence the tank painting work while approval of the Agreement is pending.

UWNJ respectfully requests the Board's approval of the Agreement for the Franklin Lakes Cottonwood Tank Project. Should you have any questions, I may be reached at 201-767-2823.

Thank you in advance for your attention and consideration.

Very truly yours,



Kelly K. Ruggiero

Encl.

cc: Service List

SERVICE LIST
I/M/O United Water New Jersey Inc.
Affiliate Agreement
BPU Docket No. WR15 _____

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filed 11/24/15
10/29/2015
CMS



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RECEIVED
OCT 30 2015
STEFANIE A. BRAND
Director

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

October 30, 2015

10/22/2015
Water/Moran
Cottonwood
Tank Painting

VIA HAND DELIVERY

Hon. Irene Kim Asbury, Secretary
State of New Jersey, Board of Public Utilities
44 South Clinton Avenue, 10th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**RE: IN THE MATTER OF THE NOTICE AND APPROVAL
OF AFFILIATE AGREEMENT BETWEEN UNITED
WATER NEW JERSEY, INC., AND UTILITY
SERVICES CO., INC.
BPU DOCKET NO.: W015070856**

Dear Secretary Asbury:

Please accept for filing an original and ten copies of the comments of the Division of Rate Counsel ("Rate Counsel") regarding the above referenced matter. Please date stamp a copy as "filed" and return it in the enclosed, self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

Background

On July 29, 2015, United Water New Jersey ("United" or "Company") filed a contract with Utility Service Company, Inc. ("USC") with the Board of Public Utilities ("BPU" or "Board") requesting the Board's approval as required by N.J.S.A. 48:3-7.1. USC and United are both subsidiaries of Suez Environment North America Inc. United proposes to engage USC to

M. Moran (1)

paint a distribution system water storage tank located in the Company's Franklin Lakes, New Jersey service area.

The Company solicited bids for the work from three pre-qualified contractors. At the time bids were solicited, only one of the three pre-qualified painting contractors, USC, was an affiliate of the Company. All three contractors were given equal access to the site and all contract materials prior to the receipt of bids.¹ The Company has awarded the work to USC and the work is scheduled to be complete by the end of October.² Independent bids were received from USC, Alpine and Corrosion Control. The bid from USC was \$267,600 lower than the next lowest bid submitted by Alpine.³ The Company and USC share certain officers and directors and the Company has indicated that none of these individuals had any involvement in the bidding process.⁴

In prior dockets, the Company followed the same bidding and contracting procedures for other tank painting projects and sought the Board's approval for a similar affiliate agreement. Those approvals were granted by the Board in Docket Nos.: WO1210994 and WO10060409.

Recommendation

Rate Counsel has reviewed the filing and discovery responses and is not opposed to its approval. The Company followed typical industry practice in soliciting bids from known, pre-qualified contractors. Two of the three contractors solicited were independent contractors at the time of the solicitation with no affiliation with the Company. The tentative award of the work at the Cottonwood Tank is to USC, the low bidder. The Company has direct prior experience using

¹ Petition, p. 2.

² Company response to RCR-3.

³ Company response to ST-3.

⁴ Petition, p. 1.

USC to paint water tanks in its New Jersey operations and the Company's performance on those projects was acceptable. USC is authorized to conduct business in New Jersey.

Approval of the contract should not include authorization to include in rates any specific expense that will be incurred by the Company as a result of the execution of the painting contract. The determination of any ratemaking impact should be addressed in a future base rate proceeding.

Accordingly, Rate Counsel recommends that any Board Order approving the Company's Petition contain the following language:

This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, financing, accounting, capitalization, depreciation, or in any other matter affecting the Petitioner.

This provision will satisfy the concerns of Rate Counsel that BPU approval is limited to the affiliate contract, and should not indicate authorization to include any specific cost in rates, or indicate authorization for any other ratemaking treatment. With this caveat, Rate Counsel is not opposed to approval of the filing.

Respectfully submitted,

STEFANIE BRAND

Director, Rate Counsel

By:



Susan E. McClure, Esq.
Assistant Deputy Rate Counsel

SEM/ddg

cc: Service List via e-mail and regular mail

Jersey, Inc., and Utility Service Company
Notice and Approval of Affiliate
Agreement
BPU Docket No.: WR15070856

05/13/2015

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*Receives all correspondence
except discovery.

**Receives all documents by
e-mail only