



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE VERIFIED PETITION OF	)	
SUEZ WATER NEW JERSEY, INC., SUEZ WATER	)	ORDER APPROVING
TOMS RIVER INC., SUEZ WATER ARLINGTON HILLS	)	MANAGEMENT and
INC., SUEZ WATER WEST MILFORD INC., SUEZ	)	SERVICES AGREEMENTS
WATER MATCHAPONIX INC. AND SUEZ WATER	)	
PRINCETON MEADOWS INC. FOR APPROVAL OF A	)	
MANAGEMENT & SERVICES AGREEMENT	)	
PURSUANT TO <u>N.J.S.A.</u> 48:3-7.1	)	DOCKET NO. WO16080806

**Parties of Record:**

**Gregory Eisenstark, Esq.**, Windels Marx Lane & Mittendorf, LLP, on behalf of SUEZ Water New Jersey Inc., SUEZ Water Toms River Inc., SUEZ Water Arlington Hills Inc., SUEZ Water West Milford Inc., SUEZ Water Matchaponix Inc., and SUEZ Water Princeton Meadows Inc.  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On August 19, 2016, SUEZ Water New Jersey Inc., SUEZ Water Toms River Inc., SUEZ Water Arlington Hills Inc., SUEZ Water West Milford Inc., SUEZ Water Matchaponix Inc., and SUEZ Water Princeton Meadows Inc. (collectively "Petitioners" or "SUEZ Water N.J. Utilities") filed a verified petition with the Board seeking approval of a Management and Services Agreement between each of the Petitioners and Suez Water Management & Services Inc. ("SWM&S") pursuant to N.J.S.A. 48:3-7.1.

## **BACKGROUND**

SUEZ Water New Jersey Inc. is a New Jersey public utility primarily engaged in the business of collecting, treating and distributing water for retail service to approximately 200,000 customers located within portions of Bergen, Hudson, Passaic, Morris, Hunterdon, and Sussex Counties. SUEZ Water New Jersey Inc. also supplies water service to municipalities, including the Township of Saddle Brook; the Boroughs of Fairlawn, Saddle River, Allendale, Mahwah, and Ramsey; and the Village of Ridgewood. SUEZ Water Toms River Inc. is a New Jersey public utility primarily engaged in the business of collecting, treating, and distributing water for retail service to approximately 50,000 customers located within the central portion of Ocean County, including Toms River Township, the Borough of South Toms River, a portion of Berkeley Township, and seven customers in a small portion of Brick Township. SUEZ Water Arlington Hills, Inc. is a New Jersey public utility primarily engaged in the provision of wastewater service to approximately 700 customers located in the Borough of Mount Arlington, in Morris County. SUEZ Water West Milford Inc. is a New Jersey public utility primarily engaged in the business of providing wastewater service to approximately 500 customers located within certain portions of the Township of West Milford in Passaic County. SUEZ Water Matchaponix Inc. is a New Jersey public utility primarily engaged in the provision of water resale service to approximately four customers located within Monmouth County. SUEZ Water Princeton Meadows Inc. is a New Jersey public utility primarily engaged in the provision of wastewater services to approximately 3,500 customers located within the Township of Plainsboro, Middlesex County.

Each of the SUEZ Water N.J. Utilities is a subsidiary of SUEZ Water Inc., which is in turn a wholly-owned subsidiary of SUEZ North America Inc. ("SNA").<sup>1</sup> SNA is a water utility holding company with operating utility subsidiaries throughout the United States. SUEZ Water Management & Services Inc. is a shared services company that provides certain services to various subsidiaries of SNA, including the Petitioners.

## **PROPOSED MANAGEMENT AGREEMENT**

The Management and Services ("M&S") Agreement will supersede the prior agreement that governed the provision of shared services provided to the SUEZ Water N.J. Utilities.

The proposed management agreement is a standardized agreement into which SWM&S seeks to enter with all of SNA's operating utility subsidiaries throughout the United States. Through the centralization of certain specialized shared services, SNA, and each subsidiary operating utility, is able to enjoy economies of scale and realize savings over the cost of providing the same services at each operating utility. Through the M&S Agreement, each of the SUEZ Water NJ Utilities seeks to capture savings for itself and, by extension, its ratepayers.

The M&S Agreement provides for services by SWM&S to the Petitioners that include, but are not limited to: executive management and support services; financial planning services; accounting and tax planning and compliance services; treasury services; internal audit services; information technology infrastructure services; legal management services; engineering and technical services; procurement services; human resources services; and regulatory and environmental, health and safety oversight and program management.

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<sup>1</sup> SNA is a wholly owned subsidiary of Suez Environment Inc., a publicly traded company based in France

Each of the SUEZ Water NJ Utilities will be charged for SWM&S's full actual cost to provide the services as follows: direct costs for work related to specific projects will be directly charged to the appropriate capital project or to the appropriate SUEZ Water NJ Utility; for costs related to functions supporting the regulated business segment, costs will be allocated to each SUEZ Water NJ Utility using the following process – (i) SWM&S will calculate the average Revenue, Asset and Payroll for operating utilities receiving services, (ii) SWM&S will calculate the percentage of its service costs to be allocated to each operating utility receiving services, and (iii) SWM&S will allocate the costs of each operating utility receiving services.

The M&S Agreement also provides that SWM&S will charge the lower of actual cost or market price for a particular service.

SWM&S shall bill each SUEZ Water N.J. Utility monthly for costs associated with a particular month as soon as practicable after the last day of the month. SWM&S's billings report shall be in sufficient detail to show separately the charge for each service rendered.

The term of the M&S Agreement is from the effective date, subject to the Board's approval, until the M&S Agreement is terminated by either party upon not less than 90 days written termination notice, or upon the date on which a SUEZ Water N.J. Utility should cease to be an affiliate of SNA.

According to the Petitioners, the M&S Agreement is in the public interest due to economies of scale, since SWM&S's provision of service to each of the Petitioners will produce cost savings that will ultimately benefit the customers of each of SUEZ Water N.J. Utilities.

### **RATE COUNSEL'S COMMENTS**

By letter dated January 5, 2017, the New Jersey Division of Rate Counsel ("Rate Counsel") filed its comments, stating that it has reviewed the filing and is not opposed to the M&S Agreement, subject to certain conditions. (Rate Counsel Comments at 4-5.) In sum, Rate Counsel recommends that a Board order approving the petition should not include authorization to include in rates any expenses or capital items associated with the M&S Agreements, arguing that such issues are properly reserved for base rate proceedings, and that the Board's approval should be limited only to approval of the M&S Agreements. ibid.

### **DISCUSSION AND FINDINGS**

N.J.S.A. 48:3-7.1 provides in part as follows:

"The board shall disapprove such contract if it determines that such contract violates the laws of this state or of the United States, or that the price or compensation thereby fixed exceeds the fair price or fair compensation for the property to be furnished or the work to be done or the services to be rendered thereunder or is contrary to the public interest: otherwise the board shall approve such contract."

A review of the record indicates that the M&S Agreement between the Petitioners and SWM&S continues the equitable allocation of costs related to the maintenance and operation of SUEZ Water N.J. Utilities.

Therefore, in accordance with N.J.S.A. 48:3-7.1, the Board **HEREBY FINDS** that the Management & Services Agreement between each of the Petitioners and Suez Water Management & Services Inc. 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 FINDS** that the proposed Management & Services Agreement is in the public interest and will facilitate the Petitioners' ability to provide safe, adequate and proper utility service at just and reasonable rates.

The Board **HEREBY APPROVES** the Management & Services Agreement between the Petitioners and **HEREBY AUTHORIZES** SWM&S to enter into agreements as described in this Order.

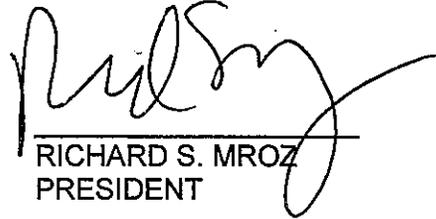
The approval granted herein shall be subject to the following provisions:

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 in any other matter affecting the Petitioners.
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 Petitioners.
3. Approval of this petition does not constitute approval by the Board of any costs or expenses associated with this petition. In an appropriate subsequent proceeding, the Petitioners shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers.
4. The Board reserves the right to conduct future reviews of the M&S Agreement to evaluate whether the M&S Agreement remains reasonable.
5. Petitioners will notify the Board if the M&S Agreement is altered or terminated within twenty (20) days of such action.
6. The Petitioners shall submit to the Board fully executed copies of the M&S Agreement within twenty (20) days after Board approval.

The Order shall be effective on February 4, 2017.

DATED: 1/25/17

BOARD OF PUBLIC UTILITIES  
BY:

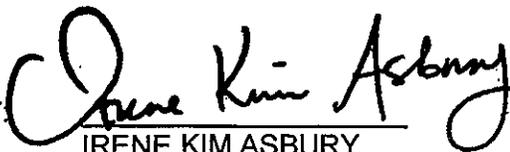
  
RICHARD S. MROZ  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

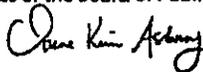
  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
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 VERIFIED PETITION OF SUEZ WATER NEW JERSEY, INC.,  
SUEZ WATER TOMS RIVER INC., SUEZ WATER ARLINGTON HILLS INC., SUEZ WATER  
WEST MILFORD INC., SUEZ WATER MATCHAPONIX INC. AND SUEZ WATER  
PRINCETON MEADOWS INC. FOR APPROVAL OF A MANAGEMENT & SERVICES  
AGREEMENT PURSUANT TO N.J.S.A. 48:3-7.1**

**DOCKET NO. W016080806**

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