



Agenda Date: 12/18/18

Agenda Item: 5B

STATE OF NEW JERSEY

Board of Public Utilities

44 South Clinton Avenue, 3rd Floor, Suite 314

Post Office Box 350

Trenton, New Jersey 08625-0350

www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION OF MIDDLESEX)	DECISION AND ORDER ADOPTING
WATER COMPANY FOR APPROVAL TO CHANGE)	INITIAL DECISION/STIPULATION
THE LEVELS OF ITS PURCHASED WATER)	
ADJUSTMENT CLAUSE PURSUANT TO N.J.A.C.)	BPU DOCKET NO. WR18080948
14:9-7.1, ET SEQ.)	OAL DOCKET NO. PUC 13522-2018S

Parties of Record:

Jay L. Kooper, Esq., Vice President, General Counsel and Secretary, Middlesex Water Company

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On August 27, 2018, Middlesex Water Company ("Company," "Middlesex," or "Petitioner"), a public utility corporation of the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1, et seq., seeking approval of an increase of its Purchased Water Adjustment Clause ("PWAC") to recover increased purchased water costs, together with deferred costs and associated expenses. The Company originally requested an increase in annual revenues of \$369,764 over pro forma present rate revenues of \$81,847,991, which represents an overall increase of approximately 0.45%.

By this Order, the Board considers an Initial Decision recommending adoption of a stipulation of settlement ("Stipulation") executed by the Company, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "the Parties"), agreeing to an overall increase in purchased water cost in the amount of \$52,096 or 0.06%.

BACKGROUND/PROCEDURAL HISTORY

Middlesex services approximately 61,000 retail water customers in the Townships of Edison and Woodbridge, the Boroughs of South Plainfield, Metuchen, and Carteret, and the City of South Amboy in Middlesex County; the Township of Clark in Union County; and the Township of Downe in Cumberland County (collectively, "General Water Service Customers" or "GWS Customers"). On a contract basis, the Company serves part of the Township of Edison, the Borough of Highland Park, the Old Bridge Municipal Utilities Authority, the Marlboro Township

Municipal Utilities Authority, and the City of Rahway (collectively, "Contract Customers"). The Company also services, under a special contract basis for water treatment and pumping services, the Township of East Brunswick ("East Brunswick"). GWS Customers receive finished water that is distributed through Middlesex's transmission facilities. The Contract Customers and East Brunswick receive service that differs from that provided by Middlesex to its GWS Customers. East Brunswick purchases water from the New Jersey Water Supply Authority ("NJWSA") and sends this unfinished water to Middlesex, which, in turn, treats the water and sends the finished water back to East Brunswick's facilities for distribution to East Brunswick's customers. The Contract Customers are provided with finished water that is treated by Middlesex and subsequently distributed by the Contract Customers.

Middlesex purchases water through two water purchase contracts: (1) for untreated water from the NJWSA; and (2) for treated water from New Jersey-American Water Company ("NJAW"). On September 14, 2018 NJAW filed a petition for an increase in base rates in BPU Docket No. WR17090985. Middlesex intervened in NJAW's base rate case on October 23, 2017. On October 29, 2018, the Board issued an Order adopting a partial Initial Decision in NJAW's base rate case that resulted in an increase to NJAW's base rates. The new NJAW base rates increased the Middlesex purchased water rates from NJAW as follows: \$2.3885 per thousand gallons to \$2.3921 per thousand gallons.

On September 7, 2018 this matter was transmitted to the Office of Administrative Law and was assigned to Administrative Law Judge ("ALJ") Tricia M. Caliguire. A pre-hearing conference (via telephone) was convened by ALJ Caliguire on October 1, 2018 and a pre-hearing Order was issued on October 5, 2018.

After publication of notice in newspapers of general circulation in the Company's service territory, a public hearing was held on the evening of October 5, 2018, at the Fords Branch of the Woodbridge Public Library, located in Woodbridge, New Jersey. No members of the public appeared at the public hearing or filed written comments with the Board with regard to the proposed PWAC rate filing.

STIPULATION¹

Subsequent to the public hearing, the Parties engaged in settlement negotiations. As a result of these discussions and extensive discovery, the Parties reached a settlement on all issues and entered into the Stipulation on November 28, 2018. A copy of the Stipulation is attached to this Order, which provides as follows:

The Parties agree that the sum of the allowable expenses in this case as set forth in Exhibit A to the Stipulation is \$52,096, which includes:

- a. Rate proceeding expense of \$411 representing a 50% share of total rate proceeding expenses of \$822.
- b. Deferred purchased water costs of \$1,912.

¹ Although described in this 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.

- c. Base rate case intervention costs of \$38,759
- d. A revenue tax factor of 14.2058% and the resulting revenue tax of \$7,401.

The base consumption established in Petitioner's last base rate case in million gallons ("mg") is agreed to be 12,351.0 mg. This amount is reduced by the amount attributable to East Brunswick of 2,394.3 mg, resulting in a base consumption for recovery for the PWAC of 9,956.7 mg as more fully set forth in Exhibit A of the Stipulation.

For General Water Service Customers under Rate Schedule No.1, Revised Tariff Sheet 33A, a charge of \$0.0486 per thousand cubic feet shall be made to recover the increased purchased water costs, reflected on Rate Schedule No. 1, Revised tariff Sheet No. 33A (Stipulation).

For Contract Customers service, Rate Schedule No. 5, Revised Tariff Sheet No. 40A, PWAC charges agreed to result in a charge of \$2.49 per million gallons, reflected on Rate Schedule No. 5 attached to the Stipulation.

As a result of this settlement, a residential customer with a 5/8-inch meter using 2,300 cubic feet or 17,204 gallons of water per quarter would see their water bill increase from \$152.88 per quarter to \$152.99 per quarter, an increase of \$0.11 per quarter or 0.07%.

DISCUSSION AND FINDINGS

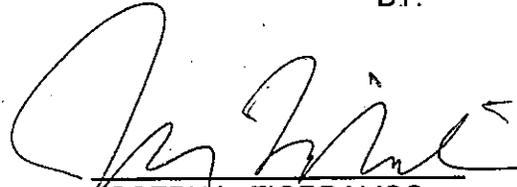
Having reviewed the Initial Decision and the Stipulation, the Board **FINDS** that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board **FINDS** the Initial Decision, which adopts the 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. In accordance with the provisions of N.J.A.C. 14:9-7.3(c), the Petitioner shall file with the Board, no later than 45 days after the adjustment clause has been in effect for one year, a PWAC true-up schedule in connection with this proceeding. Copies of the true-up schedule shall be served upon all Parties to the present proceeding.

The Board **HEREBY ACCEPTS** the tariff pages attached to the Stipulation as filed with the Board, which shall become effective for service rendered on or after January 1, 2019, as shown on Exhibit A to the attached Stipulation.

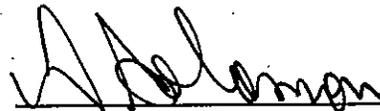
This Order shall be effective on December 28, 2018.

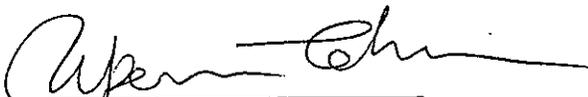
DATED: 12/18/18

BOARD OF PUBLIC UTILITIES
BY:

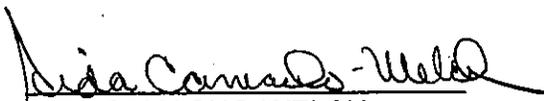

JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
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 PETITION OF MIDDLESEX WATER COMPANY FOR
APPROVAL TO CHANGE THE LEVELS OF ITS PURCHASED WATER ADJUSTMENT
CLAUSE PURSUANT TO N.J.A.C. 14:9-7.1, ET SEQ.

BPU DOCKET NO. WR18080948

SERVICE LIST

Jay L. Kooper, Esq., Vice President,
General Counsel and Secretary
Middlesex Water Company
1500 Ronson Road
Iselin, NJ 08850
jkooper@middlesexwater.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.nj.gov

Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Maria L. Moran, Director
Division of Water
Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350
maria.moran@bpu.nj.gov

Patricia Krogman, DAG
Department of Law & Public Safety
Division of Law
Post Office Box 45029
Newark, NJ 07101-45029
patricia.krogman@law.njoag.gov



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 13522-18

AGENCY DKT. NO. WR18080948

**IN THE MATTER OF THE PETITION
OF MIDDLESEX WATER COMPANY
FOR APPROVAL TO CHANGE THE LEVELS
OF ITS PURCHASED WATER ADJUSTMENT
CLAUSE PURSUANT TO N.J.A.C. 14:9-7.1, et seq.**

Jay Kooper, Vice President, General Counsel and Secretary (Middlesex Water Company/Pinelands Water Company)

Alex Moreau and Renee Greenberg, Deputy Attorneys General, for Staff of the Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey, attorney)

Susan E. McClure and Debra Robinson, Assistant Deputies Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Record Closed: December 3, 2018

Decided: December 6, 2018

BEFORE TRICIA M. CALIGUIRE, ALJ:

On August 24, 2018, Middlesex Water Company (Middlesex, the Company) filed a petition with the New Jersey Board of Public Utilities (the Board) seeking approval of an increase in the Company's purchased water adjustment clause (PWAC) to recover increased

OAL DKT. NO. PUC 13522-18

purchased water costs, deferred costs, PWAC rate case expenses, and associated gross receipts and franchise taxes. The petition was transmitted to the Office of Administrative Law on September 18, 2018, for determination as a contested case. A telephone prehearing conference was held on October 1, 2018, and a prehearing order issued on October 4, 2018.

On November 5, 2018, a duly-noticed public hearing was held in the Company's service territory, at Woodbridge Public Library, Fords Branch, 211 Ford Avenue, Fords, New Jersey. No members of the public appeared at the hearing; no members of the public submitted written comments on the petition.

On November 29, 2018, the parties filed a Stipulation of Settlement which resolves all issues in this proceeding. (J-3.) Said Stipulation of Settlement has been signed by petitioner, Staff of the Board, and the New Jersey Division of Rate Counsel.

The Stipulation of Settlement indicates the terms of settlement, and is attached and fully incorporated herein.

I have reviewed the terms of settlement and I FIND:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures on the attached document.
2. The settlement fully disposes of all issues in controversy between the parties and is consistent with the law.

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

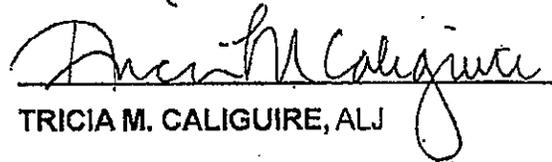
This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five days

OAL DKT. NO. PUC 13522-18

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.

December 6, 2018

DATE


TRICIA M. CALIGUIRE, ALJ

Date Received at Agency:

12.7.18

Date Mailed to Parties:

nd

OAL DKT. NO. PUC 13522-18

APPENDIX

EXHIBITS

Jointly Submitted:

J-1 Stipulation of Settlement

J-1

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

2018 NOV 29 P 1:50

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In The Matter of the Petition of
Middlesex Water Company for
Approval To Change The Levels of Its
Purchased Water Adjustment Clause
Pursuant To N.J.A.C. 14:9-7.1 et seq.

BPU Docket No. WR18080948
OAL Docket No. PUC 13522-2018S

STIPULATION OF SETTLEMENT

APPEARANCES:

Jay L. Kooper, Esq., Vice President, General Counsel & Secretary, on behalf of Middlesex Water Company, Petitioner

Renee Greenberg, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of the State of New Jersey)

Debra F. Robinson, Esq., Deputy Rate Counsel and Susan McClure, Esq. Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Director)

TO THE HONORABLE TRICIA M. CALIGUIRE, ALJ AND THE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement resolves all issues in BPU Docket No. WR18080948 in which Middlesex Water Company (the "Company" or "Petitioner") seeks Board approval of its Purchased Water Adjustment Clause ("PWAC") to recover increased purchased water costs, together with deferred costs, as more fully set forth in the Exhibits attached to the Petition and other materials filed herein. The Signatory Parties to this Stipulation of Settlement, which comprise the Parties that have participated in this proceeding are the Company, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff") (collectively the "Signatory Parties").

As a result of an analysis of Petitioner's pre-filed testimony and exhibits, extensive discovery conducted, conferences, negotiations, and a public hearing held on November 5, 2018 in Fords, New Jersey, the Signatory Parties have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On August 24, 2018, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.A.C. 14:9-7.1 et seq., filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval for an increase in its PWAC to recover increased purchased water costs, together with deferred costs, and associated expenses including PWAC rate case expenses, associated gross receipts and franchise taxes. The Company originally requested an increase in annual revenue of \$369,764 over pro forma present rate revenues of \$81,847,991 which represents an overall increase of approximately 0.45%.

The Company purchases water through two water purchase contracts. The first is for untreated water from the New Jersey Water Supply Authority ("NJWSA") and the second is for treated water from New Jersey American Water Company ("NJAW").

On September 14, 2017, NJAW initiated its 2017 Base Rate Case through a petition filed in BPU Docket No. WR17090985 in which NJAW proposed new rates that would increase its annual revenues by \$129.3 million or approximately 17.54%. The Company intervened in this docket on October 23, 2017. On October 29, 2018, the Board issued an Order adopting a Partial Initial Decision in NJAW's 2017 Base Rate Case, in which the parties to the base rate case agreed to new NJAW base rates that would increase the Middlesex purchased water rates from NJAW as follows: \$2.3885 per tg to \$2.3921 per tg effective October 29, 2018.

On September 7, 2018, this Middlesex PWAC matter was transferred to the Office of Administrative Law ("OAL") as a contested case where it was assigned to Administrative Law Judge Tricia M. Caliguire ("ALJ Caliguire"). A Pre-Hearing Conference was convened by ALJ Caliguire on October 1, 2018, and a Pre-Hearing Order was issued on October 5, 2018. After proper notice, a public hearing was held on the evening of November 5, 2018, at the Fords Branch of the Woodbridge Public Library, located at 211 Ford Avenue in Fords, New Jersey, with ALJ Caliguire presiding. No members of the public appeared to provide comments.

Subsequently, agreement was reached among the Signatory Parties resulting in the following stipulation:

1. The purchased water costs, established pursuant to Petitioner's last base rate order dated March 26, 2018 in BPU Docket No. WR17101049 amounted to \$6,573,368 as appears on the Exhibit A, attached and made a part of this Stipulation. The new base cost of purchased water as agreed to by the Signatory Parties is agreed to be \$6,576,981, resulting in an increase in purchased water cost of \$3,613, as more fully set forth in Exhibit A.
2. The Signatory Parties agree that the sum of the allowable expenses in this matter is set forth in Exhibit A and is agreed to be \$52,096, including:
 - a. Rate proceeding expenses of \$411 representing a 50% share of total rate proceeding expenses of \$822.
 - b. Deferred purchased water costs of \$1,912.
 - c. Base rate case intervention costs of \$38,759.
 - d. A revenue tax factor of 14.2058% and the resulting revenue tax of \$7,401.

3. For purposes of this matter, the base consumption established in Petitioner's last base rate case in million gallons (mg) is agreed to be 12,351.0 mg. This amount is reduced by the amount attributable to the Township of East Brunswick ("East Brunswick")¹ of 2,394.3 mg, resulting in a base consumption for recovery of the PWAC of 9,956.7 mg as more fully set forth in Exhibit A.

4. For General Water Service ("GWS") customers under Rate Schedule No. 1, Revised Tariff Sheet No. 33A, a charge of \$0.0486 per thousand cubic feet shall be made to recover the increased purchased water costs, reflected on Rate Schedule No. 1, Revised Tariff Sheet No. 33A, attached and made a part of this Stipulation.

5. For service under contract customers, Rate Schedule No. 5, Revised Tariff Sheet No. 40A, PWAC charges agreed to herein result in a charge of \$2.49 per million gallons, reflected on Rate Schedule No. 5, attached and made part of this Stipulation.

6. As a result of this Stipulation, a residential customer with a 5/8" meter using 2,300 cubic feet or 17,204 gallons of water per quarter will see his/her water bill increase from \$152.88 to \$152.99 per quarter, an increase of \$0.11 per quarter, or an increase of 0.07%. Petitioner shall file a new tariff sheet with the Board, with copies to the Signatory Parties, in conformity with this Stipulation, to become effective on such date as the Board may direct.

7. In accordance with N.J.A.C. 14:9-7.4, Petitioner shall file with the Board, not later than 45 days after the adjustment clause has been in effect for one year, a PWAC true-up schedule in connection with this proceeding. Copies of the true-up schedules shall be served

¹ East Brunswick purchases untreated water under its own contract with the NJWSA. The Company pumps the untreated water to its primary treatment plant from the intake connection with the NJWSA. Once the Company performs the water treatment services, East Brunswick takes delivery of the treated water at the Company's primary treatment plant. The Company does not purchase water from the NJWSA to fulfill its obligation under its contract with East Brunswick. Therefore, none of the increased purchased water costs sought or agreed to in this proceeding should be allocated to East Brunswick.

upon all parties to the present proceeding. In accordance with N.J.A.C. 14:9-7.3, this PWAC, if approved by the Board, shall remain in effect until the Company's next rate case, provided that the Company submits an annual year-end true-up as described above and an annual petition for adjustment of the PWAC amount in accordance with N.J.A.C. 14:9-7.4.

8. This Stipulation is the product of negotiations by the Signatory Parties, and it is an 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 Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory 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 Signatory Parties have stipulated herein. The Signatory 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 Signatory Parties hereto expressly and jointly 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 Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, and that it will avoid costly litigation of certain issues and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Signatory 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.

9. It is specifically understood and agreed that this Stipulation has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, Board Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein in total or by specific item. The Signatory Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation.

10. All rates are subject to audit by the Board.

11. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

November 28, 2018
Date

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

Date

By: _____
Renee Greenberg
Deputy Attorney General

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

Date

By: _____
Susan McClure, Esq.
Assistant Deputy Rate Counsel

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MIDDLESEX WATER COMPANY

November 28 2018
Date

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

11-28-2018
Date

By: Renee Greenberg
Renee Greenberg
Deputy Attorney General

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

Date

By: _____
Susan McClure, Esq.
Assistant Deputy Rate Counsel

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MIDDLESEX WATER COMPANY

November 28 2018
Date

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

11-28-2018
Date

By: Renee Greenberg
Renee Greenberg
Deputy Attorney General

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

11/28/2018
Date

By: Susan McClure
Susan McClure, Esq.
Assistant Deputy Rate Counsel

EXHIBIT A

**MIDDLESEX WATER COMPANY
PURCHASED WATER ADJUSTMENT CLAUSE
PROPOSED COST PER UNIT OF VOLUME
BPU DOCKET NO. WR18080948**

PURCHASED WATER COSTS PURSUANT TO BPU DOCKET NO. WR17101049	\$	6,573,368
NEW COST OF PURCHASED WATER		6,576,981
INCREASE IN PURCHASED WATER COST	\$	<u>3,613</u>
RATE PROCEEDINGS COSTS @ 50%		411
BASE RATE CASE INTERVENTION COSTS		38,759
DEFERRED PURCHASED WATER COSTS		1,912
REVENUE TAX FACTOR @	14.2058%	7,401
SUM OF ALLOWABLE EXPENSES	\$	<u><u>52,096</u></u>
BASE CONSUMPTION - MILLION GALLONS (MG)		
		<u>MG</u>
BASE CONSUMPTION PURSUANT TO BPU DOCKET NO. WR17101049		<u>12,351.0</u>
LESS: EAST BRUNSWICK PURSUANT TO BPU DOCKET NO. WR17101049		<u>(2,394.3)</u>
BASE CONSUMPTION FOR RECOVERY OF PWAC		<u><u>9,956.7</u></u>
CURRENT PWAC RATE PER TCF (RATE SCHEDULE NO. 1, SHEET NO. 33A)		\$0.0000
CURRENT PWAC RATE PER MG (RATE SCHEDULE NO. 5, SHEET NO. 40A)		\$0.0000
PROPOSED PWAC RATE PER TCF (RATE SCHEDULE NO. 1, SHEET NO. 33A)		\$0.0486
PROPOSED PWAC RATE PER MG (RATE SCHEDULE NO. 5, SHEET NO. 40A)		\$2.4900

EXHIBIT A

MIDDLESEX WATER COMPANY

Eleventh Revised Sheet No. 33A

B.P.U. No. 1 - WATER

Cancelling

Tenth Sheet No. 33A

RATE SCHEDULE NO. 1 (Continued)

GENERAL WATER SERVICE - GS

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$0.0486 per thousand cubic feet will be made to recover the increased purchased water costs.

Date of Issue: August 24, 2018

Effective for service

Rendered on and after:

Issued by: Dennis W. Doll, President
1500 Ronson Road
Iselin, New Jersey 08830-0452

January 1, 2019

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated December 18, 2018, in Docket No. WR18080948.

EXHIBIT A

MIDDLESEX WATER COMPANY

B.P.U. No. 1 - WATER

Eleventh Revised Sheet No. 40A

Cancelling

Tenth Sheet No. 40A

RATE SCHEDULE NO. 5

SERVICE UNDER CONTRACT - SCPURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$2.49 per million gallons will be made to recover the increased purchased water costs.

Date of Issue: August 24, 2018

Issued by: Dennis W. Doll, President
1500 Ronson Road
Iselin, New Jersey 08830-0452

Effective for service
Rendered on and after:

January 1, 2019

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated December 18, 2018, in Docket No. WR18080948.

MIDDLESEX WATER COMPANY
PURCHASED WATER ADJUSTMENT CLAUSE
BPU DOCKET NO. WR18080948

			<u>PWAC RATE</u>	<u>REVENUE</u>
RESIDENTIAL	USAGE (CCF)	501,924,775	0.0000486	24,394
COMMERCIAL	USAGE (CCF)	221,510,968	0.0000486	10,765
INDUSTRIAL	USAGE (CCF)	175,274,917	0.0000486	8,518
SUBTOTAL				<u>43,677</u>
PRIVATE FIRE	USAGE (CCF)	12,386,177	0.0000486	602
PUBLIC FIRE	USAGE (CCF)		0.0000486	
SUBTOTAL				<u>602</u>
SUB-TOTAL				<u>44,279</u>
EDISON / HIGHLAND PARK	USAGE (MG)	965.388	2.49	2,404
EAST BRUNSWICK	USAGE (MG)	2,394.288	N/A	0
OLD BRIDGE MUA	USAGE (MG)	828.564	2.49	2,063
MARLBORO	USAGE (MG)	1,223.333	2.49	3,046
RAHWAY	USAGE (MG)	124.379	2.49	310
SUBTOTAL				<u>7,823</u>
ROUNDING				(6)
TOTAL PWAC REVENUE				<u><u>52,096</u></u>



THE MIDDLESEX WATER ENTERPRISE

Middlesex Water Company • Pinelands Water & Wastewater Company • Southern Shores Water Company • Tidewater Utilities, Inc. • Tidewater Environmental Services, Inc.
Twin Lakes Utilities, Inc. • Utility Service Affiliates, Inc. • Utility Service Affiliates (Avalon) • Utility Service Affiliates (Perth Amboy) Inc. • White Marsh Environmental Systems, Inc.

November 28, 2018
Via Facsimile - (609) 689-4100
Via E-Mail
Via Overnight Mail

The Honorable Tricia M. Caliguire
Administrative Law Judge
New Jersey Office of Administrative Law
P.O. Box 049
Trenton, NJ 08625-0049

**RE: IN THE MATTER OF THE PETITION OF MIDDLESEX WATER COMPANY
FOR APPROVAL TO CHANGE THE LEVELS OF ITS PURCHASED WATER
ADJUSTMENT CLAUSE PURSUANT TO N.J.A.C. 14:9-7.1 ET SEQ.
BPU DOCKET NO.: WR18080948
OAL DOCKET NO.: PUC 13522-2018S**

Dear Judge Caliguire:

On behalf of the parties to the above-referenced docket, I am pleased to report that the parties have reached an agreement on a resolution of this matter. Enclosed please find for Your Honor's consideration an executed Stipulation of Settlement and the exhibits supporting the Stipulation.

As the parties are seeking to place this Stipulation on the Board of Public Utilities' December 2018 meeting agenda, we will require a rapid turnaround of submission of an Initial Decision in the event Your Honor does decide that the enclosed Stipulation represents a fair resolution. The parties are prepared to assist in any way to accommodate this request made of Your Honor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jay L. Kooper'.

Jay L. Kooper
Vice President, General Counsel & Secretary

JLK:sm

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In The Matter of the Petition of	:	
Middlesex Water Company for	:	BPU Docket No. WR18080948
Approval To Change The Levels of Its	:	OAL Docket No. PUC 13522-2018S
Purchased Water Adjustment Clause	:	
Pursuant To N.J.A.C. 14:9-7.1 et seq.	:	

STIPULATION OF SETTLEMENT

APPEARANCES:

Jay L. Kooper, Esq., Vice President, General Counsel & Secretary, on behalf of Middlesex Water Company, Petitioner

Renee Greenberg, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of the State of New Jersey)

Debra F. Robinson, Esq., Deputy Rate Counsel and Susan McClure, Esq. Assistant Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Director)

TO THE HONORABLE TRICIA M. CALIGUIRE, ALJ AND THE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement resolves all issues in BPU Docket No. WR18080948 in which Middlesex Water Company (the "Company" or "Petitioner") seeks Board approval of its Purchased Water Adjustment Clause ("PWAC") to recover increased purchased water costs, together with deferred costs, as more fully set forth in the Exhibits attached to the Petition and other materials filed herein. The Signatory Parties to this Stipulation of Settlement, which comprise the Parties that have participated in this proceeding are the Company, the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff") (collectively the "Signatory Parties").

As a result of an analysis of Petitioner's pre-filed testimony and exhibits, extensive discovery conducted, conferences, negotiations, and a public hearing held on November 5, 2018 in Fords, New Jersey, the Signatory Parties have come to an agreement on the issues in dispute in this matter. The Signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On August 24, 2018, Petitioner, a public utility corporation of the State of New Jersey, pursuant to N.J.A.C. 14:9-7.1 et seq., filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval for an increase in its PWAC to recover increased purchased water costs, together with deferred costs, and associated expenses including PWAC rate case expenses, associated gross receipts and franchise taxes. The Company originally requested an increase in annual revenue of \$369,764 over pro forma present rate revenues of \$81,847,991 which represents an overall increase of approximately 0.45%.

The Company purchases water through two water purchase contracts. The first is for untreated water from the New Jersey Water Supply Authority ("NJWSA") and the second is for treated water from New Jersey American Water Company ("NJAW").

On September 14, 2017, NJAW initiated its 2017 Base Rate Case through a petition filed in BPU Docket No. WR17090985 in which NJAW proposed new rates that would increase its annual revenues by \$129.3 million or approximately 17.54%. The Company intervened in this docket on October 23, 2017. On October 29, 2018, the Board issued an Order adopting a Partial Initial Decision in NJAW's 2017 Base Rate Case, in which the parties to the base rate case agreed to new NJAW base rates that would increase the Middlesex purchased water rates from NJAW as follows: \$2.3885 per tg to \$2.3921 per tg effective October 29, 2018.

On September 7, 2018, this Middlesex PWAC matter was transferred to the Office of Administrative Law (“OAL”) as a contested case where it was assigned to Administrative Law Judge Tricia M. Caliguire (“ALJ Caliguire”). A Pre-Hearing Conference was convened by ALJ Caliguire on October 1, 2018, and a Pre-Hearing Order was issued on October 5, 2018. After proper notice, a public hearing was held on the evening of November 5, 2018, at the Fords Branch of the Woodbridge Public Library, located at 211 Ford Avenue in Fords, New Jersey, with ALJ Caliguire presiding. No members of the public appeared to provide comments.

Subsequently, agreement was reached among the Signatory Parties resulting in the following stipulation:

1. The purchased water costs, established pursuant to Petitioner’s last base rate order dated March 26, 2018 in BPU Docket No. WR17101049 amounted to \$6,573,368 as appears on the Exhibit A, attached and made a part of this Stipulation. The new base cost of purchased water as agreed to by the Signatory Parties is agreed to be \$6,576,981, resulting in an increase in purchased water cost of \$3,613, as more fully set forth in Exhibit A.

2. The Signatory Parties agree that the sum of the allowable expenses in this matter is set forth in Exhibit A and is agreed to be \$52,096, including:

- a. Rate proceeding expenses of \$411 representing a 50% share of total rate proceeding expenses of \$822.
- b. Deferred purchased water costs of \$1,912.
- c. Base rate case intervention costs of \$38,759.
- d. A revenue tax factor of 14.2058% and the resulting revenue tax of \$7,401.

3. For purposes of this matter, the base consumption established in Petitioner's last base rate case in million gallons (mg) is agreed to be 12,351.0 mg. This amount is reduced by the amount attributable to the Township of East Brunswick ("East Brunswick")¹ of 2,394.3 mg, resulting in a base consumption for recovery of the PWAC of 9,956.7 mg as more fully set forth in Exhibit A.

4. For General Water Service ("GWS") customers under Rate Schedule No. 1, Revised Tariff Sheet No. 33A, a charge of \$0.0486 per thousand cubic feet shall be made to recover the increased purchased water costs, reflected on Rate Schedule No. 1, Revised Tariff Sheet No. 33A, attached and made a part of this Stipulation.

5. For service under contract customers, Rate Schedule No. 5, Revised Tariff Sheet No. 40A, PWAC charges agreed to herein result in a charge of \$2.49 per million gallons, reflected on Rate Schedule No. 5, attached and made part of this Stipulation.

6. As a result of this Stipulation, a residential customer with a 5/8" meter using 2,300 cubic feet or 17,204 gallons of water per quarter will see his/her water bill increase from \$152.88 to \$152.99 per quarter, an increase of \$0.11 per quarter, or an increase of 0.07%. Petitioner shall file a new tariff sheet with the Board, with copies to the Signatory Parties, in conformity with this Stipulation, to become effective on such date as the Board may direct.

7. In accordance with N.J.A.C. 14:9-7.4, Petitioner shall file with the Board, not later than 45 days after the adjustment clause has been in effect for one year, a PWAC true-up schedule in connection with this proceeding. Copies of the true-up schedules shall be served

¹ East Brunswick purchases untreated water under its own contract with the NJWSA. The Company pumps the untreated water to its primary treatment plant from the intake connection with the NJWSA. Once the Company performs the water treatment services, East Brunswick takes delivery of the treated water at the Company's primary treatment plant. The Company does not purchase water from the NJWSA to fulfill its obligation under its contract with East Brunswick. Therefore, none of the increased purchased water costs sought or agreed to in this proceeding should be allocated to East Brunswick.

upon all parties to the present proceeding. In accordance with N.J.A.C. 14:9-7.3, this PWAC, if approved by the Board, shall remain in effect until the Company's next rate case, provided that the Company submits an annual year-end true-up as described above and an annual petition for adjustment of the PWAC amount in accordance with N.J.A.C. 14:9-7.4.

8. This Stipulation is the product of negotiations by the Signatory Parties, and it is an 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 Signatory Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Signatory 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 Signatory Parties have stipulated herein. The Signatory 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 Signatory Parties hereto expressly and jointly 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 Signatory Parties further agree that the purpose of this Stipulation is to reach fair and reasonable rates, and that it will avoid costly litigation of certain issues and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Signatory 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.

9. It is specifically understood and agreed that this Stipulation has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Company, Board Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein in total or by specific item. The Signatory Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of the Stipulation.

10. All rates are subject to audit by the Board.

11. This Stipulation may be executed in as many counterparts as there are Signatory Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

MIDDLESEX WATER COMPANY

November 28, 2018
Date

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

Date

By: _____
Renee Greenberg
Deputy Attorney General

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

Date

By: _____
Susan McClure, Esq.
Assistant Deputy Rate Counsel

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MIDDLESEX WATER COMPANY

November 28 2018
Date

By: Jay L. Kooper
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

11-28-2018
Date

By: Renee Greenberg
Renee Greenberg
Deputy Attorney General

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

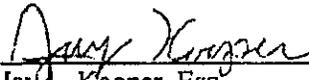
Date

By: _____
Susan McClure, Esq.
Assistant Deputy Rate Counsel

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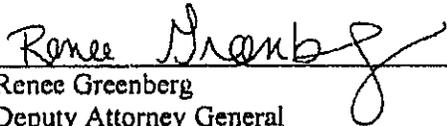
MIDDLESEX WATER COMPANY

November 28 2018
Date

By: 
Jay L. Kooper, Esq.
Vice President, General Counsel & Secretary

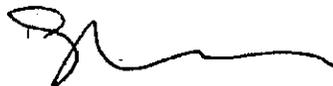
GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

11-28-2018
Date

By: 
Renee Greenberg
Deputy Attorney General

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

11/28/2018
Date

By: 
Susan McClure, Esq.
Assistant Deputy Rate Counsel

**MIDDLESEX WATER COMPANY
PURCHASED WATER ADJUSTMENT CLAUSE
PROPOSED COST PER UNIT OF VOLUME
BPU DOCKET NO. WR18080948**

PURCHASED WATER COSTS PURSUANT TO BPU DOCKET NO. WR17101049	\$	6,573,368
NEW COST OF PURCHASED WATER		6,576,981
INCREASE IN PURCHASED WATER COST	<u>\$</u>	<u>3,613</u>
RATE PROCEEDINGS COSTS @ 50%		411
BASE RATE CASE INTERVENTION COSTS		38,759
DEFERRED PURCHASED WATER COSTS		1,912
REVENUE TAX FACTOR @	14.2058%	7,401
SUM OF ALLOWABLE EXPENSES	<u>\$</u>	<u>52,096</u>
BASE CONSUMPTION - MILLION GALLONS (MG)		
		MG
BASE CONSUMPTION PURSUANT TO BPU DOCKET NO. WR17101049		<u>12,351.0</u>
LESS: EAST BRUNSWICK PURSUANT TO BPU DOCKET NO. WR17101049		<u>(2,394.3)</u>
BASE CONSUMPTION FOR RECOVERY OF PWAC		<u>9,956.7</u>
CURRENT PWAC RATE PER TCF (RATE SCHEDULE NO. 1, SHEET NO. 33A)		\$0.0000
CURRENT PWAC RATE PER MG (RATE SCHEDULE NO. 5, SHEET NO. 40A)		\$0.0000
PROPOSED PWAC RATE PER TCF (RATE SCHEDULE NO. 1, SHEET NO. 33A)		\$0.0486
PROPOSED PWAC RATE PER MG (RATE SCHEDULE NO. 5, SHEET NO. 40A)		\$2.4900

MIDDLESEX WATER COMPANY

Eleventh Revised Sheet No. 33A

B.P.U. No. 1 - WATER

Cancelling
Tenth Sheet No. 33A

RATE SCHEDULE NO. 1 (Continued)

GENERAL WATER SERVICE - GS

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$0.0486 per thousand cubic feet will be made to recover the increased purchased water costs.

Date of Issue: August 24, 2018

Effective for service
Rendered on and after:

Issued by: Dennis W. Doll, President
1500 Ronson Road
Iselin, New Jersey 08830-0452

January 1, 2019

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated December 18, 2018, in Docket No. WR18080948.

MIDDLESEX WATER COMPANY

B.P.U. No. 1 - WATER

Eleventh Revised Sheet No. 40A

Cancelling

Tenth Sheet No. 40A

RATE SCHEDULE NO. 5

SERVICE UNDER CONTRACT - SC

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGES

A charge of \$2.49 per million gallons will be made to recover the increased purchased water costs.

Date of Issue: August 24, 2018

Issued by: Dennis W. Doll, President
1500 Ronson Road
Iselin, New Jersey 08830-0452

Effective for service
Rendered on and after:

January 1, 2019

Filed pursuant to an Order of the Board of Public Utilities, State of New Jersey dated December 18, 2018, in Docket No. WR18080948.

MIDDLESEX WATER COMPANY
PURCHASED WATER ADJUSTMENT CLAUSE
BPU DOCKET NO. WR18080948

			<u>PWAC RATE</u>	<u>REVENUE</u>
RESIDENTIAL	USAGE (CCF)	501,924,775	0.0000486	24,394
COMMERCIAL	USAGE (CCF)	221,510,968	0.0000486	10,765
INDUSTRIAL	USAGE (CCF)	175,274,917	0.0000486	8,518
SUBTOTAL				43,677
PRIVATE FIRE	USAGE (CCF)	12,386,177	0.0000486	602
PUBLIC FIRE	USAGE (CCF)		0.0000486	
SUBTOTAL				602
SUB-TOTAL				44,279
EDISON / HIGHLAND PARK	USAGE (MG)	965.388	2.49	2,404
EAST BRUNSWICK	USAGE (MG)	2,394.288	N/A	0
OLD BRIDGE MUA	USAGE (MG)	828.564	2.49	2,063
MARLBORO	USAGE (MG)	1,223.333	2.49	3,046
RAHWAY	USAGE (MG)	124.379	2.49	310
SUBTOTAL				7,823
ROUNDING				(6)
TOTAL PWAC REVENUE				52,096