



Agenda Date: 1/08/03
Agenda Item: VA

by

STATE OF NEW JERSEY

Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us*

IN THE MATTER OF THE PETITION OF	)	
CONSUMERS NEW JERSEY WATER	)	<u>WATER AND WASTEWATER</u>
COMPANY FOR APPROVAL OF A	)	
MUNICIPAL CONSENT TO PROVIDE	)	
WATER SERVICE TO CERTAIN AREAS OF	)	ORDER
NORTH HANOVER TOWNSHIP, TO ACQUIRE	)	
THE ASSETS OF DEEP WELL TERRACE	)	
WATER SYSTEM AND OTHER REQUIRED	)	
APPROVALS	)	DOCKET NO. WE02060373

(Service List Attached)

BY THE BOARD:

By petition filed on June 18, 2002, Consumers New Jersey Water Company (Consumers or Company), a public utility subject to the jurisdiction of the Board of Public Utilities (Board), requested Board approval of a municipal consent granted by North Hanover Township, Burlington County, New Jersey (Township) authorizing Consumers to provide water service to certain areas of the Township. Consumers also sought the Board's approval of the purchase of the assets of the Deep Well Terrace Water System (Deep Well) from Deep Well Terrace, a sole proprietorship operating a trailer park. Deep Well currently provides water service to approximately forty-four (44) trailers and two frame buildings on an un-metered basis.

By way of a Consent Order dated April 23, 2002, by Honorable John A. Sweeney, J.S.C., in Docket No. L-2387-01, the Township consented to the transfer of the Deep Well Terrace Water System assets to Consumers. Said Consent Order constitutes the Township's municipal consent to the provision by Consumers of water service to property owned by Deep Well Terrace within the designated franchise area currently served by Deep Well.

After appropriate notice, a hearing on this matter, pursuant to N.J.S.A. 48:2-14, was held on October 1, 2002, at the Board's offices in Newark before Edward D. Beslow, Esq., the Board's duly designated Hearing Examiner. Appearances are noted below.

At the hearing, Consumers relied upon the testimony of Wesley E. Plaisted, its Vice President. Mr. Plaisted noted that at maximum build-out, the system, which consists of facilities that were installed within the past six to eighteen years and delivered untreated water from two wells located on the property of Deep Well Terrace, could serve another four trailers bringing the total to 48. Mr. Plaisted testified that he estimated water use as approximately 6,000 gallons per

quarter, and that service would be provided through 5/8-inch meters. He also stated that the owner of Deep Well Terrace approached the Company approximately two years ago and indicated his desire to sell the assets of the water system, as he preferred to concentrate solely on the operation of the trailer park. The witness, who further stated that there have been no major problems with either water quality or the operation of Deep Well, testified that after negotiations, the parties agreed that Consumers would purchase Deep Well's assets, consisting of two wells and pumps, two small hydro-pneumatic tanks and the water mains and appurtenances as well as all necessary easements, for the sum of \$45,000.

Mr. Plaisted further testified that full-time Consumer employees, stationed at the Company's main office located some 20 minutes away, would operate Deep Well and that sufficient treatment would be initiated in order to comply with all environmental requirements related to water quality.

In response to a request by Board Staff, Mr. Plaisted stated that Consumers would forward to all affected Deep Well customers a written notice setting forth the details of the proposed transaction including the effects on the current rental structure and the anticipated rate structure for water service. Board Staff was subsequently advised that the Company did forward the notice to the customers on November 4, 2002. Consumers received two telephone calls in response to the notice. One resident stated his objection to paying a separate charge for water service, but acknowledged that he had been informed of the proposed acquisition, and that his rent had not been raised in the prior two years in anticipation of the separate charge for water. A second resident complained about pink water, and stated that she would not object to a separate charge if Consumers would improve the quality of the water.

By letter dated November 26, 2002, the Division of the Ratepayer Advocate (RPA) indicated that it does not oppose the acquisition by Consumers of the Deep Well assets as the RPA believes that the Company has the managerial, technical, and financial resources that demonstrate its capacity to own, operate and maintain the Deep Well system in a safe, adequate and proper manner.

The RPA further noted that customers of Deep Well were advised that they would receive a separate water bill from Consumers and that their rents have not been increased for two years in anticipation of the separate charge.

The RPA also stated that approval of the petition should not result in the inclusion in Consumers' rate base the specific assets that will be acquired as a result of this petition. The determination of any assets to be included in rate base and the ratemaking impact of serving these customers should be addressed in the Company's next rate base proceeding. Similarly, while noting that Consumers had not proposed an acquisition adjustment, the RPA further stated that any party should be free to argue that issue in the Company's next rate base case filing.

After review of the record, the Board HEREBY FINDS that the consent granted to Consumers by North Hanover Township in the form of the aforementioned Consent Order is necessary and proper for the public convenience and properly conserves the public interest. The Board FURTHER FINDS that the acquisition by Consumers of the assets of the Deep Well Terrace Water System is reasonable and in the public interest. Accordingly, pursuant to N.J.S.A. 48:2-14 and N.J.S.A. 48:19-20, the Board HEREBY APPROVES the consent granted to Consumers New Jersey Water Company for the provision of water service to the property owned by Deep Well Terrace and the purchase of the Deep Well Terrace Water System assets.

In addition, the Board HEREBY DIRECTS that all water service provided in the new franchise area shall be billed at the level of those rates contained in the tariff of Consumers New Jersey Water Company.

The approvals granted hereinabove shall be subject to the following conditions:

1. Within 30 days of the date of this Order, Consumers shall file a revised tariff sheet setting forth its expanded service territory.
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Consumers;
3. This Order shall not affect nor in any way limit the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, accounting for an acquisition adjustment, capitalization, depreciation, or in any other matters affecting Consumers;
4. The journal entries that have been submitted by Consumers relating to its new service territory are approved for accounting purposes only. Final journal entries are to be submitted upon closing.
5. Approval is limited to the municipal consent and the acquisition of the assets, and should not be construed as authorization to include any specific assets or amounts in rate base, or indicate authorization for any other ratemaking treatment.

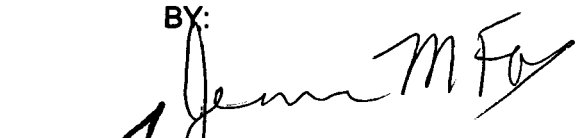
6. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this franchise extension. Any determination as to the appropriateness or reasonableness of the costs or expenses related to the franchise, including, but not limited to, the cost of construction, contributions in aid of construction, the cost of connection or any related capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

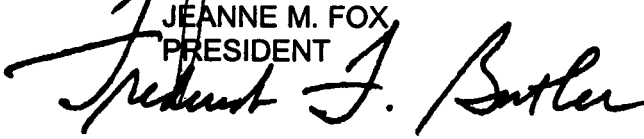
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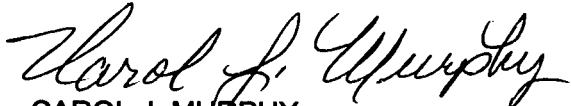
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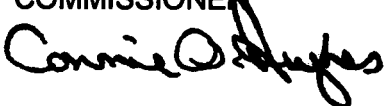
BOARD OF PUBLIC UTILITIES

BY:


JEANNE M. FOX
PRESIDENT

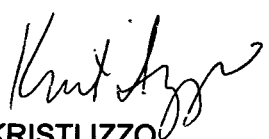

FREDERICK F. BUTLER
COMMISSIONER


CAROL J. MURPHY
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
BOARD SECRETARY

I/M/O the Petition of Consumers New Jersey Water Company
Docket No. WE02060373

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