



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE JOINT PETITION OF) ORDER
NEW JERSEY AMERICAN WATER COMPANY,)
INC., AND APPLIED WASTEWATER)
MANAGEMENT, INC. FOR APPROVAL OF THE)
MERGER OF APPLIED WASTEWATER)
MANAGEMENT, INC. INTO NEW JERSEY-)
AMERICAN WATER COMPANY, INC. AND FOR)
RELATED AUTHORIZATIONS) Docket No. WM09110890

Jordan S. Mersky, Deputy General Counsel, New Jersey-American Water Company P.O. Box 5079, Cherry Hill, New Jersey 08034

BY THE BOARD:

On November 2, 2009 New Jersey-American Water Company, Inc. ("New Jersey American") and Applied Wastewater Management, Inc. ("Applied") (collectively "Joint Petitioners"), both of which are public utility corporations of the State of New Jersey, with New Jersey American having its principal offices at 131 Woodcrest Road, Cherry Hill, New Jersey 08003 and Applied having its principal offices at 2 Clerico Lane, Hillsborough, New Jersey 08844, filed a petition pursuant to N.J.A.C. 14:1-5.14, N.J.S.A. 48:3-7, and N.J.S.A. 48:3-10 for approval of the merger of Applied into New Jersey American (the "Merger") and certain transactions preliminary to the Merger.

The merger of Applied into New Jersey American is a ministerial act, substantially similar to the merger of Elizabethtown Water Company and the Mount Holly Water Company into New Jersey American in 2006 that will complete two "change in control" transactions previously approved by this Board.

In Docket No. WM99120923, the Board approved a transaction whereby Thames Water Holdings Incorporated ("THI"), acquired control of E'Town Corporation, the then parent of Applied, and as a result thereof, THI acquired indirect control of Applied.

In Docket No. WM01120833, Thames Water Aqua Holdings GmbH ("Thames Holdings GmbH") acquired control of American Water Works Company, Inc. ("AWW"), the parent of New Jersey American and acquired indirect control of New Jersey American.

Subsequently, RWE Aktiengesellschaft ("RWE") acquired all of the companies which were the subject of these change in control proceedings.

The Board noted in the New Jersey American Change in Control Proceeding that "this transaction will result in the common ownership of four operating utilities in New Jersey that will become subsidiaries of the same parent, RWE". Included in this statement were Applied as well as Elizabethtown Water Company ("EWC") and the Mount Holly Water Company ("MHWC"). Thus, in the Change in Control Proceedings the Board approved control of the Joint Petitioners by a common control group that included AWW and, ultimately, RWE.

Subsequently, on December 31, 2006, EWC and MHWC were merged with and into New Jersey American. These transactions were approved by this Board in Docket No. WM06030253.

The Parties have presented the following information to the Board:

A. The Proposed Merger will have no Impact on Competition.

There is no retail competition in the water and wastewater utility industry. In addition both Applied and New Jersey American are both in the same control group. As a result, the proposed Merger will have no adverse effect upon competition.

B. The Proposed Merger will have no Adverse Impact on Rates

There will be no changes to the rates of the Joint Petitioners as a result of the proposed Merger and the rates of New Jersey American will remain subject to the jurisdiction of the Board. The Merger will cause no deterioration in the balance sheet or financial position of New Jersey American. The Merger will not impair the ability of New Jersey American to raise necessary capital on reasonable terms or to maintain a reasonable capital structure.

C. The Proposed Merger Will Have No Adverse Effect on Employees.

New Jersey American will honor its collective bargaining agreements, and there will be no change in any existing collective bargaining agreement as a result of this Merger.

As Applied has no employees, the Merger cannot adversely affect the ability of New Jersey American to fulfill the obligations of Applied with regard to employees

The Joint Petitioners are committed to ensuring safe and reliable service and will continue to maintain sufficient operating personnel, post-Merger, to ensure the continued provision of safe, adequate and proper utility service.

D. The Proposed Merger Will Favorably Impact the Provision of Safe, Adequate and Proper Service

As the surviving entity of the Merger, New Jersey American will continue to provide safe, adequate and reliable, high-quality service consistent with its corporate history, in fulfillment of its obligations under New Jersey law, and subject to the continued jurisdiction of the Board.

The Division of Rate Counsel has reviewed this matter and by a letter dated March 11, 2010, is not opposed to the approval of the petition. However, Rate Counsel proposed certain language be included in the Order of Approval. That language has been incorporated in this Order. .

The Board, having considered the record in this matter, HEREBY FINDS that:

1. The proposed Merger is in accordance with law and, in the implementation of the provisions set out in the Agreement and Plan of Merger entered into between the Joint Petitioners (the "Merger Agreement") and the Joint Petition, is not contrary to the public interest.
2. The proposed conditions set forth in the Merger Agreement and the Joint Petition are reasonable and appropriate and, in conjunction with existing statutes, provide sufficient means to properly regulate the operations of the Joint Petitioners.
3. Based on the record in this proceeding, the statutory criteria set forth in N.J.S.A. 48:2-51.1 are satisfied. The proposed Merger is the last step and will complete the previous mergers approved in BPU Docket Nos. WM01120833, WM99120923 and WM06030253, and continues the positive benefits found in those proceedings. The proposed Merger should result in positive benefits because of the continued provision of safe and adequate service to consumers through a combined entity with a uniform vision.
4. The proposed Merger and the transactions preliminary to the Merger are not intended to foreclose the any party from addressing ratemaking issues, quality of service issues, or tariff design issues in any future base rate proceeding.

Board HEREBY AUTHORIZES the Petitioner to:

1. transfer ownership of Applied Waste Water to New Jersey American as described in the Merger Agreement and the Joint Petition pursuant to N.J.S.A. 48:3-7;
2. complete the Transactions Preliminary to the Merger as described in Exhibit "E" to the Joint Petition pursuant to N.J.S.A. 48:3-10;
3. complete all transactions related to the Merger, including the transition of Applied customers to monthly billing in arrears

This Order is issued 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 the State in any future petition or in any proceeding with respect to rates, franchises, services, accounting, financing, capitalization, depreciation or any other matter affecting Petitioner.
- (2) Transaction costs associated with this proposed merger shall not be charged to the ratepayers, neither as deferred expenses nor as capitalized plant in service in Account 301-Organizational Costs or any other account.

(3) 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 Petitioner.

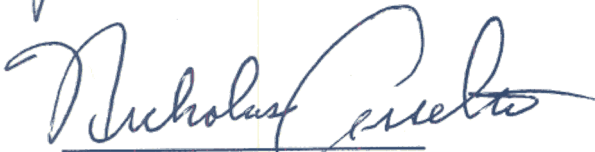
DATED: 4/16/10

BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

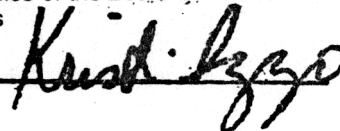

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST: 
KRISTI IZZO
SECRETARY

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



SERVICE LIST

**In The Matter Of The Joint Petition Of New Jersey American Water Company, Inc., And
Applied Wastewater Management, Inc. For Approval Of The Merger Of Applied
Wastewater Management, Inc. Into New Jersey-American Water Company, Inc. And For
Related Authorizations
Docket No. WM09110890**

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