



Agenda Date: 9/12/07
Agenda Item: 5A

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

WATER

IN THE MATTER OF THE APPLICATION OF	)	ORDER ADOPTING INITIAL
FAYSON LAKE WATER COMPANY, A NEW	)	DECISION
JERSEY CORPORATION, FOR APPROVAL	)	
OF AN INCREASE IN RATES AND AN	)	BPU DKT. NO. WR07010027
ALTERATION OF TARIFF	)	OAL NO. PUCRS01894-2007N

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 17, 2007, pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.12, Fayson Lake Water Company (Fayson Lake or Company), a public utility of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (Board) filed a petition for a revision of its rates for water service, amounting to an overall increase of approximately \$287,642 or 45.30% in annual revenues.

Fayson Lake serves approximately 880 residential customers in a portion of the Borough of Kinnelon, Morris County New Jersey.

After extensive settlement discussions, an increase of \$114,000 representing an increase of 18.57% over total Company revenues (inclusive of cellular tower lease revenues), was agreed to by the Parties resulting in total pro forma Company revenues of \$727,896.

PROCEDURAL HISTORY

On March 21, 2007, this matter was transferred to the Office of Administrative Law (OAL) and assigned to Administrative Law Judge (ALJ) Walter Braswell. The Board issued an initial Suspension Order on February 7, 2007, suspending the proposed rates until June 17, 2007, unless the Board acted prior to that date. The Board issued a Further Suspension Order on June 14, 2007, suspending the proposed rates until October 17, 2007, unless the Board acted prior to that date.

On May 21, 2007, a public hearing was held at the Borough of Kinnelon High School, Kinnelon, New Jersey, presided over by ALJ Braswell. No members of the public attended the hearing.

The Parties to the proceeding are the Company, the Division of Rate Counsel (Rate Counsel) and the Staff of the Board of Public Utilities (Board Staff). There were no intervenors in this case.

Subsequent to the public hearing, discussions were held with the Company, Rate Counsel and Board Staff (collectively, the Parties). The Parties reached a settlement on all issues and entered into a Stipulation (Stipulation or Settlement).

ALJ Walter Braswell issued his Initial Decision recommending adoption of the Stipulation executed by the Parties, finding that the Parties voluntarily agreed to the Settlement and that the settlement fully disposed of all issues and was consistent with the law.

STIPULATION

As set forth in the attached Stipulation, the Parties agreed that¹.

1. The test year is the twelve months ending December 31, 2006, adjusted for known and measurable changes.
2. The Company's total rate base for the purpose of this proceeding is \$1,332,530 as of December 31, 2006 (Settlement Paragraph 1).
3. The Company's capital structure will reflect a cost of debt of 8.75% and a common equity rate of 10.00%, resulting in an overall rate of return of 8.32% (Settlement Paragraph 2).
4. A rate of return of 8.32% will result in an increased revenue requirement of \$114,000 and total Company revenues of \$727,896 (inclusive of cellular tower lease revenues). The Company's revenue requirement can be met as set forth on page 3 of the Stipulation and herein below. The Company agrees that this revenue requirement represents the level of revenue that is necessary to ensure that the Company will continue to provide safe, adequate and proper service to its customers. A calculation of the total revenue requirement can be shown as follows (Settlement Paragraph 3):

Rate Base	\$1,332,530
Rate of Return	<u>8.32%</u>
Required Operating Income	\$ 110,866
Test Year Operating Income	\$ 30,860
Deficiency	\$ 80,006
Revenue Conversion Factor	<u>1.4249</u>
Rate Increase	\$ 114,000
Pro Forma Revenues	\$ 613,896
Total Revenue Requirement	\$ 727,896

¹ Cited paragraphs referenced are in the settlement document. This is only a summary, the full settlement document controls, subject to the findings and conclusions contained herein.

5. A revenue increase of \$114,000 which represents an 18.57% increase over total current present revenues is an appropriate result in this matter. As a result of this increase, a typical Fayson Lake customer using 18,000 gallons of water per quarter will experience an increase in water rates of approximately 21% or about \$29.58 per quarter (Settlement Paragraph 4).
6. The agreed upon rate increase of \$114,000 shall be implemented by the Company as of the effective date of the Board's Order in this matter (Settlement Paragraph 5).
7. A Proof of Revenues is attached as Exhibit A to the Stipulation. The Tariff pages implementing the terms of the Stipulation are attached as Exhibit B (Settlement Paragraph 6).
8. Prudent management of the Fayson Lake water system includes attention to the issue of unaccounted-for-water, including all internal Company use, un-metered flows, and system losses, among other issues. Furthermore, the Company acknowledges that its current unaccounted-for-water ratio exceeds acceptable levels. Therefore, as part of the Company's routine management of the system, the licensed operator or similarly responsible employee of the Company shall regularly investigate the system for any system loss. The status and results of this ongoing investigation shall be filed with Board Staff and Rate Counsel on a quarterly basis beginning on January 1, 2008. The report will include a tabulation of water use by category in the format adopted by the American Water Works Association Loss Committee and presented during this proceeding by witnesses for Rate Counsel. Any further information regarding the aforementioned investigation shall be made available to Board Staff, and Rate Counsel, upon request, within a reasonable time frame (Settlement Paragraph 7).
9. The Company will develop a tabulation of the age and cumulative recorded volume of all in-service customer meters and, based upon that tabulation, will develop a schedule of meter testing and replacement that will achieve compliance with the Board's rules at N.J.A.C. 14:9-4.1 (Settlement Paragraph 8).

DISCUSSIONS AND FINDINGS

As a result of the ALJ's Initial Decision and the Stipulation of Settlement, the average residential customer with a 5/8" meter using 72,000 gallons of water per year will experience an increase from 561.80 per year (\$140.45 per quarter) to \$680.12 per year (\$170.03 per quarter), an increase of \$118.32 per year, or \$29.58 per quarter.

Having reviewed the ALJ's Initial Decision and the Stipulation of Settlement among the Parties to this proceeding, the Board FINDS that the Parties have voluntarily agreed to the Stipulation, that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board HEREBY ADOPTS the ALJ's Initial Decision adopting the Stipulation of the Parties, attached hereto, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- a) The test year shall be the twelve-month period ending December 31, 2006, adjusted for known and measurable changes.
- b) The Company's total rate base shall be \$1,332,530.
- c) The capital structure shall reflect a cost of debt of 8.75%, and a common equity rate of 10.00%, resulting in an overall rate of return of 8.32%.
- d) The rate of return of 8.32% shall result in an overall increase of additional revenue of \$114,000.
- e) The total revenue requirement shall be \$727,896, inclusive of cellular tower lease revenues and represents the level of revenues that is necessary to ensure that the Company shall continue to provide safe, adequate and proper services to its customers.
- f) The calculation of the total revenue requirement shall be as follows:

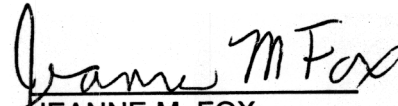
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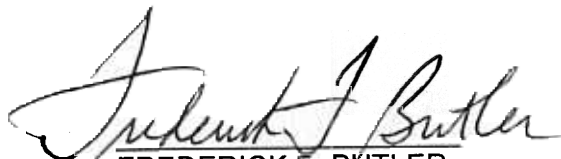
- g) Prudent management of the Fayson Lake water system shall include attention to the issue of unaccounted-for-water, including all internal Company use, un-metered flows, and system losses, among other issues. Furthermore, the Company acknowledges that its current unaccounted-for-water ratio exceeds acceptable levels. Therefore, as part of the Company's routine management of the system, the licensed operator or similarly responsible employee of the Company shall regularly investigate the system for any system loss. The status and results of this ongoing investigation shall be filed with the Board Staff and Rate Counsel on a quarterly basis beginning on January 1, 2008. The report will include a tabulation of water use by category in the format adopted by the American Water Works Association Loss Committee and presented during this proceeding by witnesses for Rate Counsel. Any further information regarding the aforementioned investigation shall be made available to Staff, and Rate Counsel, upon request, within a reasonable time frame.
- h) The Company shall develop a tabulation of the age and cumulative recorded volume of all in-service customer meters and, based upon that tabulation, shall develop a schedule of meter testing and replacement that shall achieve compliance with the Board's rules at N.J.A.C. 14:9-4.1.

The Board HEREBY ACCEPTS the tariff submitted by Fayson Lake Water Company which conforms to the terms and conditions of the Stipulation and this Order, and HEREBY DIRECTS the Company to file a completed tariff within ten (10) days from the effective date of this Order.

DATED: 9/13/07

BOARD OF PUBLIC UTILITIES
BY:

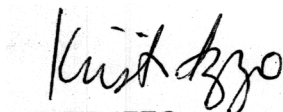

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

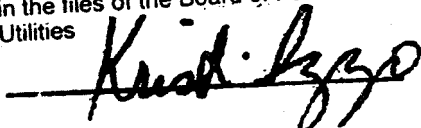

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
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



IN THE MATTER OF THE PETITION OF
FAYSON LAKE WATER COMPANY
FOR AN INCREASE IN RATES AND CHARGES
FOR WATER SERVICE

BPU DOCKET NO. WR07010027
OAL DOCKET NO. PUCRS 01894 – 2007N

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A Professional Corporation
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(973) 835-0100
Attorneys for Petitioner,
Fayson Lake Water Company

In the Matter of the Application of
Fayson Lake Water Company, a
New Jersey Corporation, for the
Approval of an Increase in Rates
and an Alteration of Tariff

STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
HONORABLE WALTER M. BRASWELL, ALJ

OAL DOCKET NO. PUCRS 01894-2007N

BPU DOCKET NO. WR07010027

STIPULATION OF SETTLEMENT

APPEARANCES:

James L. McKeon III, Esq., Johnson, Murphy, Hubner, McKeon, Wubbenhorst, Bucco & Appelt,
P.C. for Petitioner, Fayson Lake Water Company;

Alex Moreau, Deputy Attorney General, and Arlene E. Pasko, Deputy Attorney General (ANNE
MILGRAM, ATTORNEY GENERAL OF NEW JERSEY), on behalf of the Staff of the New
Jersey Board of Public Utilities

Susan McClure, Esq. and Gina Hunt, Esq., Division of Rate Counsel on behalf of the Department
of the Public Advocate

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

The Parties that have participated in this proceeding are as follows: Fayson Lake Water
Company ("Fayson Lake" or "Company"), Division of Rate Counsel, Department of the Public
Advocate ("Rate Counsel") and the Staff of the Board of Public Utilities ("Staff"). There were no
intervenors in this proceeding. As a result of an analysis of Fayson Lake's petition, exhibits, discovery,
as well as conferences and negotiations, the signatory Parties to this proceeding have come to the within
agreement. The signatory Parties hereto agree and stipulate as follows:

The procedural history of this matter is as follows:

On January 17, 2007, Fayson Lake Water Company, a public utility corporation of the State of New Jersey, pursuant to N.J.S.A. 48:2-21, and N.J.A.C. 14:1-5.12, filed a petition to increase rates for water service by \$287,642 or approximately 45% above current revenues, and for permission to otherwise modify its tariff provisions. Fayson Lake Water Company provides service to approximately 882 customers within the Fayson Lake area of the Borough of Kinnelon, Morris County. The matter was transferred to the Office of Administrative Law and was assigned to Administrative Law Judge Walter M. Braswell. During a pre-hearing conference among Fayson Lake, Rate Counsel, Staff, and the Honorable Walter M. Braswell, ALJ, on March 29, 2007, a procedural schedule was established and evidentiary hearings were scheduled for September 7, 2007 and September 10, 2007. Notice of a public hearing was given to all customers of Fayson Lake Water Company, the Clerk of the Borough of Kinnelon, the Clerk of the Board of Chosen Freeholders of the County of Morris, the Department of Law and Public Safety (Division of Law), and the Department of the Public Advocate, Division of Rate Counsel. Such notice was published in the Newark Star Ledger on April 14, 2007. The public hearing for receipt of public comment was conducted by Judge Braswell on May 21, 2007 in the auditorium of the Kinnelon Borough High School, Kinnelon, New Jersey. No members of the public attended the hearing. Subsequent to the public hearing, the Parties engaged in settlement negotiations and have now agreed to the following terms as a complete resolution of all issues in controversy:

The Test year for purposes of this proceeding is the twelve months ending December 31, 2006 adjusted for known and measurable changes.

1. The Company's total rate base for purposes of this proceeding is \$1,332,530 as of December 31, 2006.

2. The Company's capital structure will reflect a cost of debt of 8.75% and a common equity rate of 10.00%, resulting in an overall rate of return of 8.32%.

3. A rate of return of 8.32% will result in an increased revenue requirement of \$114,000 and total company revenues of \$727,896 (inclusive of cellular tower lease revenues). The Company's revenue requirement can be met as set forth on page 3 below. The Company agrees that this revenue requirement represents the level of revenue that is necessary to ensure that the Company will continue to provide safe, adequate, and proper service to its customers. A calculation of the total revenue requirement can be shown as follows:

Rate Base	1,332,530
Rate of Return	8.32%
Required Operating Income	110,866
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Deficiency	80,006
Revenue Conversion Factor	1.4249
Rate Increase	114,000
Pro Forma Revenues	613,896
Total Revenue Requirement	727,896

4. The Parties stipulate that a revenue increase of \$114,000 which represents an 18.57% increase over total current present revenues is an appropriate result in this matter. As a result of this increase, a typical Fayson Lake customer using 18,000 gallons per quarter will experience an increase in water rates of approximately 21% or about \$29.58 per quarter.

5. The Parties stipulate that the agreed upon rate increase of \$114,000 shall be implemented by the Company as of the effective date of the Board's Order in this matter.

6. A Proof of Revenues is attached as Exhibit A. The Tariff pages implementing the terms of the within Stipulation are attached as Exhibit B.

7. The Parties agree that prudent management of the Fayson Lake water system includes attention to the issue of unaccounted-for-water, including all internal Company use, unmetered flows, and system losses, among other issues. Furthermore, the Company acknowledges that its current unaccounted-for-water ratio exceeds acceptable levels. Therefore, as part of the Company's management of the system, the licensed operator, or similarly responsible employee of the Company, shall regularly investigate the system for any system loss. The status and results of this ongoing investigation shall be filed with the Board and Rate Counsel on a quarterly basis beginning on January 1, 2008. The report will include a tabulation of water use by category in the format adopted by the American Water Works Association Water Loss Committee and presented during this proceeding by witnesses for Rate Counsel. Any further information regarding the aforementioned investigation shall be made available to Staff and Rate Counsel upon request, within a reasonable time frame.

8. The Company will develop a tabulation of the age and cumulative recorded volume of all in-service customer meters and, based on that tabulation, will develop a schedule of meter testing and replacement that will achieve compliance with the Board's rules at N.J.A.C. 14:9-4.1.

9. This Stipulation is the product of extensive negotiations by the signatories, 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 signatories to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The 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 Parties have stipulated herein. The 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 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 Parties further agree that the purpose of this Stipulation is to reach just and reasonable rates, and that it will avoid protracted and 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 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.

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

Johnson, Murphy, Hubner, McKeon,
Wubbenhorst, Bucco & Appelt, P.C.
Attorneys for Petitioner
Fayson Lake Water Company

Dated: Aug. 28, 2007

By: James L. McKeon, III
James L. McKeon, III
A Member of the Firm

ANNE MILGRAM,
ATTORNEY GENERAL OF NEW JERSEY
By Alex Moreau and Arlene E. Pasko,
Deputy Attorneys General
on behalf of the Staff of the Board of Public Utilities

Dated: Aug 30, 2007

By: Arlene E. Pasko
Alex Moreau, DAG
Arlene E. Pasko, DAG

RONALD K. CHEN, ESQ.
PUBLIC ADVOCATE

Dated: _____, 2007

By: _____
Susan McClure, Esq.
Assistant Deputy Public Advocate

Johnson, Murphy, Hubner, McKeon,
Wubbenhorst, Bucco & Appelt, P.C.
Attorneys for Petitioner
Fayson Lake Water Company

Dated: _____, 2007

By: _____
James L. McKeon, III
A Member of the Firm

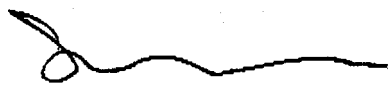
ANNE MILGRAM,
ATTORNEY GENERAL OF NEW JERSEY
By Alex Moreau and Arlene E. Pasko,
Deputy Attorneys General
on behalf of the Staff of the Board of Public Utilities

Dated: _____, 2007

By: _____
Alex Moreau, DAG
Arlene E. Pasko, DAG

RONALD K. CHEN, ESQ.
PUBLIC ADVOCATE

Dated: August 28, 2007

By:  _____
Susan McClure, Esq.
Assistant Deputy Public Advocate

Stipulation of Settlement Exhibit A

FAYSON LAKE WATER COMPANY
PROOF OF REVENUE
PROPOSED RATES

FACILITIES CHARGES

<u>METER</u>	<u>BILLS</u>	<u>RATE</u>	<u>REVENUE</u>	<u>NET ADJUST EMENTS</u>	<u>PROPOSED REVENUE</u>
5/8"	3208	\$28.37	\$91,010.96		
1"	312	\$70.93	\$22,130.16		
1 1/2'	4	\$141.85	\$567.40		
2"	4	\$226.96	\$907.84		
	3528		\$114,616.36		\$114,616.36

CONSUMPTION

63752.94	\$7.87	\$501,735.64	\$501,735.64
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PUBLIC FIRE PROTECTION

<u>HYDRANTS</u>	77	
<u>ANNUAL CHARGE PER HYDRANT</u>	\$528	
<u>TOTAL PROJECTED HYDRANT REVENUE</u>	\$40,656	\$40,656
<u>TOTAL PROJECTED REVENUES ALL CLASSES</u>		<u>\$657,008.00</u>
Plus Other Revenue Per Exhibit G of Company Update		\$48
Plus Cell Revenue		\$70,840
Total Pro Forma Revenue at Proposed Rates		<u>\$727,896.00</u>

Exhibit B

Fayson Lake Water Company

See attached Tariff

FAYSON LAKE WATER COMPANY
B.P.U. No. 3 – Water

STANDARD WATER COMPANY

TARIFF

For

WATER SERVICE

Applicable in

KINNELON

MORRIS COUNTY, NEW JERSEY

Issued: _____, 2007

Effective: _____, 2007

By John Sanclimenti, President
160 Boonton Avenue
Kinnelon, New Jersey 07405

Filed pursuant to decision of Board of Public Utilities Commissioners in Docket No.
WR07010027, Dated: _____, 2007

(1)

An Introduction to Customers

The tariff located here in the company's office is available and open for your review. The company is responsible to maintain its tariff on an absolutely current basis and must, by State law and regulations, maintain it in exactly the same format as its company's tariff which is on file at the Board of Public Utilities Offices, Gateway Two, Newark, N.J., on the 9th floor in the Division of Water.

If, after your review of this tariff and discussion with appropriate utility employees, you still have questions regarding clarification or interpretations, please contact the Board of Public Utilities, Division of Water, Bureau of Rates and Tariff Design at (973) 648-2275 or the Board's Bureau of Customer Assistance, if you have billing problems, at 1-800-624-0241 (toll free).

As a customer, you have the right to review this tariff at the company's offices or at the Board's offices in Newark. Your inquiries will be handled by the Board's Staff in an expeditious manner in order to protect your rights as well as those of the water purveyor. Please feel free to exercise this right by telephoning or by visiting the Board's Offices at any time between the hours of 9:00 a.m. and 5:00 p.m., Monday through Friday, or by writing a letter. The letter should contain the writer's name, address and phone number. If the writer is a customer of record the account number should be included.

The company has available here in its office and will provide for your review a handout entitled "An Overview of Common Customer Complaints and Customer Rights." This is a summary of the most frequent customer complaints and rights; it does not include all customer rights or utility obligations.

The Board of Public Utilities is responsible for the final interpretation and enforcement of a utility's tariff provisions and rates. The utility is bound by New Jersey's statutes and the Board's regulations. If a conflict should exist, the Board's regulations supercede the tariff provision absent approval to the contrary by the Board.

(2)

AN OVERVIEW OF COMMON CUSTOMER COMPLAINTS AND CUSTOMER RIGHTS

- (1) No public utility shall refuse to furnish or supply service to a qualified applicant.

DEPOSITS

- (2) If after notice of the methods of establishing credit and being afforded an opportunity, a customer has not established credit, the utility may require a reasonable deposit as a condition of supplying service. (N.J.A.C. 14:3-7.1)
- (3) The utility must furnish a receipt to any customer posting a deposit. The deposit will be returned with simple interest at a rate of 4.58% per year once the customer has established satisfactory credit with the utility. If a residential water customer's deposit is not returned, the water utility company shall credit the customer's account with the accrued interest once every 12 months. (N.J.A.C. 14:3-7.5)
- (4) Where a water or sewer utility furnishes unmetered service, for which payment is received in advance, it may not request a deposit. (N.J.A.C. 14:3-7.6).

DEFERRED PAYMENT ARRANGEMENTS

- (5) A Customer is entitled to at least one deferred payment plan in one year. In the case of a residential customer who receives more than one utility service from the same utility (ex: electric and gas; water and sewer) and the amount which is in arrears is a combination of those services, the utility shall offer a separate deferred payment agreement for each service based on the outstanding balance for that service prior to any proposed discontinuance for nonpayment. (N.J.A.C. 14:3-7.13(d)). If the customer defaults on the terms of the agreement, the utility may discontinue service after providing the customer with a notice of discontinuance. In the case of a residential customer who receives more than one utility service from the same utility and has subsequently entered into an agreement for each separate service, default on one such agreement shall constitute grounds for discontinuance of only that service. (N.J.A.C. 14:3-7.13 (d)).

DISCONTINUANCE OF SERVICE

- (6) A water and sewer utility shall not discontinue service because of nonpayment of bills in cases where a charge is in dispute provided the undisputed charges are paid and a request is made to the Board within 5 days for investigation of the disputed charge. The company must advise the customer of their right to appeal to the Board of Public Utilities. (N.J.A.C. 14:3-7.13(a)).
- (7) A customer has at least 15 days to pay a bill. A water and/or sewer company may not discontinue water and sewer service unless written notice is given at least ten days prior to the discontinuance. The notice shall not be given until after the expiration of the seven day period. (N.J.A.C. 14:3-7.12(a)). The notice shall contain sufficient information for the customer to notify the Board of Public Utilities of the nature of the dispute. The utility must notify customers over 65 years old of their right to designate a third party of their choosing to concurrently receive discontinuance notices issued concerning the customer's account. (N.S.A.C. 14:3-7.12(2)).

A residential customer's service may not be shut-off on holidays, weekends or after 1:00 P.M. on the business day prior to a holiday or weekend, or if the customer has a valid medical emergency. Discontinuance of service for nonpayment shall not occur except during normal business hours. (N.J.A.C. 14:3-3.6).

The occupant of a multiply family dwelling, has the right to be notified of a pending service discontinuance at least 7 days prior to the water and/or sewer company's actually discontinuing service.

The customer has the right to have any complaint against his water and sewer utility handled promptly by that utility. (Board Order, Docket No. CO8602155) .

- (11) Each utility shall, upon request, furnish its customers with such information as is reasonable in order that the customers may obtain safe, adequate and proper service. (N.J.A.C. 14:3-3.3(a)). Each utility shall inform its customers, where peculiar or unusual circumstances prevail, as to the conditions under which

sufficient and satisfactory service may be secured from its system. (N.J.A.C. 14:3-3.3(b)). Each utility shall supply its customers with information on the furnishing and performance of service in a manner that tends to conserve energy resources and preserve the quality of the environment. (N.J.C.A. 13:3-3.3(d)).

METER

The utility must provide for one free water meter test within a year if the customer so requests it. The customer can request that the company or the Board test the meter. If the customer suspects that his meter is not functioning properly, he has the right to request that the Board of Public Utilities test his water meter. For such a test a \$5.00 fee, in accordance with N.J.S.A. 48:2-56, shall be paid by the customer at the time the application is made. (N.J.A.C. 14:3-4.6).

Whenever a meter is found to be registering fast by two per cent or more, an adjustment of charges shall be made in accordance with the following: (1) If the date when the meter had first become inaccurate can be definitely ascertained, then the adjustment shall be such percentage as the meter is found to be in error at the time of test on the amount of the bills covering the entire period that the meter had registered inaccurately. (2) In all other cases, the adjustment shall be such percentage as the meter is found to be in error at the time of test on $\frac{1}{2}$ of the total amount of the billing affected by the fast meter since the previous test. No adjustment shall be made for a period greater than the time during which the customer has received service through that meter. (N.J.A.C. 14:3-4.7).

- (14) A water utility must maintain records of customers accounts for each billing period occurring within a six year period. Such records shall contain all information necessary to permit computation of the bill. (N.J.A.C. 14:3-7.8).

(5)

FORM OF BILL FOR METERED SERVICE

- (15) Bills rendered must contain the following: (a) The period of the time the bill covers; (b) The meter readings used to compute the bill where applicable; (c) The dates on which the meter is read; (d) The amount of the bill; (e) The due date of the bill; (f) A clear indication as to whether the bill was based on a company reading, estimated bill or read by the customer; (g) Any other factors used to compute the bill; (h) The gross receipts and franchise tax statement. (N.J.A.C. 14:3-7.9).

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160 Boonton Avenue
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WR03040278, Dated: May 12, 2004

FAYSON LAKE WATER COMPANY
B.P.U. No. 3 – WATER

Fifth Revised Sheet No. 2
Superceding
Fourth Revised Sheet No. 2

TERRITORY SERVED

Fayson Lake, Lynnvew, Stonybrook Highlands, Round Hill, Saw Mill Estates Sections I, II and III, Crispin Woods, Summerdowne One, Forest Ridge Estates, Kayhart Drive/Hidden Acres Drive, and Rainetree Housing Development areas of the Borough of Kinnelon, Morris County, New Jersey.

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STANDARD TERMS AND CONDITIONS

1. RULES AND REGULATIONS – The Rules and Regulations of the Board of Public Utilities Commissioners are adopted and are in force.

2. DROUGHT OR EMERGENCY – In the event of drought or other emergency, upon notice, no water for use outside the home will be permitted. Failure to comply shall be reason for discontinuance of service as provided for under the provisions for “Discontinuance of Service” of the Regulations of the Board of Public Utilities Commissioners, State of New Jersey.

3. CUSTOMER OF RECORD RESPONSIBLE FOR PAYMENT - The customer of record shall be responsible for water used as is properly billed in accordance with this tariff. A customer of record shall be liable until the date such customer requests service be discontinued. A final bill will be rendered based upon actual meter reading.

4. BUILDING CONTRACTORS shall be required to install a meter box on the site of any building construction.

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1. EMERGENCY RESPONSES DUE TO EXTRAORDINARY DEMAND AND/OR
DIMINISHED SUPPLY.

1.1 Discontinuance of service for failure to comply with use restrictions

For compliance by the utility in good faith with any governmental order or directive, notwithstanding that such order or directive subsequently may be held to be invalid, the Company may, upon reasonable notice, as set forth in sections 2.1 and 2.3 herein, suspend, curtail, or discontinue service pursuant to N.J.S.A. 48:2-23, N.J.S.A. 48:2-24, and N.J.A.C. 14:3-3.6 for any of the following acts or omissions on the part of the customers.

(1) Connecting or operating any piping or other facility, including but not limited to, lawn sprinkling on the customer's premises in such a manner as to adversely affect the safety or adequacy of service provided to other customers present or prospective; or

Continuing waste of water by customers after notice from the utility through improper or imperfect pipes, fixtures, or failure to comply with restrictions; or

(3) Failure to comply with the standard terms and conditions contained in this tariff or failure to comply with any

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state law, or the rules, regulations, orders or restrictions of any governmental authority having jurisdiction.

1.2 Water service shall be restored when the conditions under which such service was discontinued, as specified above, are corrected and upon the payment of the SPECIAL RESTORATION OF SERVICE CHARGE of \$100.00 for each violation.

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2.1 The Company will endeavor to provide a regular and uninterrupted supply of water through its facilities. However, if because of emergencies beyond the control of the company, including governmental mandate, service is interrupted, irregular, defective or fails, the Company will not be liable for damage or inconvenience resulting therefrom. In the event of an extraordinary demand and/or diminished supply, the company may restrict the use of water whenever the public welfare may require it and, if necessary, may shut off the water in its mains and pipes. In such cases the company shall advise its customers by placing a prominent advertisement detailing the conditions and restrictions in a newspaper of general circulation in the utility service area.

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The notice will state the purpose and probable duration of the restriction or discontinuance. Failure to provide regular and uninterrupted service due to breakdowns is covered under other sections of this tariff.

The Company may restrict water service during certain periods, where the Company advises the Board of Public Utilities, in order to protect the public water supply, or otherwise to comply with any regulations, orders or decrees issued by the Governor of New Jersey or the Department of Environmental Protection pursuant to the Water Supply Management Act. Such interruptions or restrictions shall be reported to the Department of Environmental Protection and the Board by each utility by the speediest means of communications available, followed by a detailed written report, pursuant to the provisions of N.J.A.C. 14:3-3.9(b), within one week. Thereafter the utility shall provide weekly reports for the duration of the emergency.

When the supply of water to individual customers is to be shut off or curtailed for failure to comply with emergency water restrictions imposed because of extraordinary demand or diminished

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supply, the company shall advise its customers by placing a doortag on the front door of the home of the individual(s) in violation of the restrictions, at least twenty-four (24) hours prior to discontinuance or curtailment, or by giving another form of notice acceptable to the Board. The company will advise business and commercial customers, in writing, by mailing a notice to the customers' billing address. In the case of doortags, they shall be sequentially numbered and include the date, time and nature of the violation and the procedure for restoration of service. All such notices shall be accounted for by the utility.

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RATE SCHEDULE NO. 1

Metered Service

Applicable to Use of Service For:

All residential and commercial service through the entire territory served, including service to building contractors.

Character of Service: "Continuous"

Rate:

- * Quarterly charge per thousand gallons consumed – \$ 7.87
This rate is in addition to the minimum charge listed below.

Minimum Charge:

Quarterly Facilities for General Metered Services shall be based upon the size of the meter and shall be as follows:

5/8" - -	\$ 28.37
1" - -	\$ 70.93
1 1/2" - -	\$141.85
2" - -	\$226.96

Determination of Demand:

Billing shall include the consumption and the facilities charges for each billing period.

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* The State of New Jersey enacted Ch. 443 of the Laws of New Jersey 1983 concerning the periodic testing of public water supplies which establishes a water tax of \$0.01 per 1,000 gallons of water. This tax is reflected and included in the above rates. Filed pursuant to decision of Board of Public Utilities Commissioners in Docket No. WR88080977. Dated: April 27, 1989

FAYSON LAKE WATER COMPANY
P.U.C. No. 3 – WATER

Fourth Revised Sheet No. 5
Superceding
Third Revised Sheet No. 5

RATE SCHEDULE NO. 1 (CONT'D)

Terms of Payment:

All bills for services furnished under this schedule are to be rendered quarterly in arrears and such bills are due and payable in full fifteen (15) days after sending the bill.

Special Provision:

Certified residential health care facilities and rooming and boarding homes which are required to install private fire sprinkler systems pursuant to P.L. 1971, c. 136 (N.J.S.A. 26:2H-1, et. seq.) and P.L. 1979, c. 496 (N.J.S.A. 55:13B-1, et. seq.) and regulations promulgated under these two statues, shall be exempt from payment of private fire protection service charges. Such exemption shall not be granted until the applicant has submitted to the company and the company has reviewed and approved evidence that the applicant is a licensed residential health care facility or a rooming and boarding house and has been required to install a private fire sprinkler system pursuant to the above statutes and regulations.

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FAYSON LAKE WATER COMPANY
B.P.U. No. 3 – WATER

Fifth Revised Sheet No. 6
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Fourth Revised Sheet No. 6

RATE SCHEDULE NO. 2
Fire Protection Service

Rate:

Charge for Fire Hydrants – rate per hydrant per year \$528.00

Terms of Payment:

Net cash due upon rendering of invoice

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RATE SCHEDULE NO. 3
Miscellaneous

Applicable to Use of Service for:

Resumption of Service, Replacement of Freeze Plates, Hook-up Fee, and Call Out Charge after normal business hours, holidays and weekends.

Rate:

"Turn On" charge for resumption of service after it has been discontinued at the request of the customer \$ 40.00

"Turn On" charge for resumption of service after it has been discontinued for non-payment of bills \$ 40.00

Replacement of freeze plate after customer has been warned by Fayson Lake Water Company that due to the placement of the meter it is subject to freezing, and necessary steps should be taken to prevent this. \$ 16.35

Fee for new hook-up service \$2,410.80
(on each twelve (12) month anniversary of November 12, 2004
this fee will increase by \$50.96)

"Call Out" charge for being called by customer before or after normal business hours, or on holidays or weekends due to customer's failure to comply with the terms and conditions of this Tariff \$65.00 per hour.

Terms of Payment:

Net cash due upon rendering of invoice

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FAYSON LAKE WATER COMPANY
B.P.U. No. 3 – WATER

Fifth Revised Sheet No. 8
Superceding
Fourth Revised Sheet No. 7

Special Provision:

Certified residential health care facilities and rooming and boarding homes which are required to install private fire sprinkler systems pursuant to P.L. 1971, c. 136 (N.J.S.A. 26:2H-1), et. seq.) and P.L. 1979, c. 496 (N.J.S.A. 55:13B-1, et. seq.) and regulations promulgated under these two statues, shall be exempt from payment of private fire protection service charges. Such exemption shall not be granted until the applicant has submitted to the company and the company has reviewed and approved evidence that the applicant is a licensed residential health care facility or a rooming and boarding house and has been required to install a private fire sprinkler system pursuant to the above statutes and regulations.

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RATE SCHEDULE NO. 4
MULTI-USE SERVICE LINE

APPLICABILITY

The Company will provide an option to customers, upon request and where applicable, to use a “multi-use” service line per N.J.A.C. 14:9-8.3 et. seq.

“Multi-use service” means water service that is supplied to a structure through one water line extending from the water main to the structure, and which is used inside the structure for both domestic water service and fire suppression service.

Terms and Conditions not defined specifically below for Multi-Use services shall be the same as those under the STANDARD TERMS AND CONDITIONS.

RATES

Rates applicable to multi-use service are those found in the Company’s tariff Rate Schedules 1 and 3 as applicable.

TERMS OF PAYMENT

A water utility may terminate a customer’s multi-use service for non-payment of a valid water bill for multi-use service, in accordance with the Board’s rules governing discontinuance of service at N.J.A.C. 14:3-3.6.

(Continued)

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RATE SCHEDULE NO. 4
MULTI-USE SERVICE LINE
(Continued)

CONDITIONS

By applying for multi-use service, the customer or builder certifies that:

1. The customer or builder has hydraulically calculated the demand for the customer's or builder's water system, based on the simultaneous domestic and fire sprinkler demand. The customer or builder shall make this calculation in accordance with the Uniform Construction Code; and
2. The customer or builder will ensure that the system is installed in accordance with the Uniform Construction Code at N.J.A.C. 5:23; and
3. The customer will, prior to installation of the meter, obtain a construction permit in accordance with the Uniform Construction Code from the enforcing agency having jurisdiction over the system.

GENERAL TERMS AND CONDITIONS

- 1- By applying for multi-use service, the customer agrees to be responsible for all claims, costs and liability for personal injury, death and/or property damage, resulting from the customer's individual water system, unless caused by the negligence of the water utility.
- 2- All multi-use service lines shall be metered and the meter shall be located in a meter pit or vault located outside of the Customer's structure. The meter pit or vault shall be installed at a location acceptable to the express approval of the Water Company.
- 3- If a customer requests a change in meter size associated with a multi-service meter, the customer must re-apply for service and re-certify each item addressed in this Rate Schedule.

(Continued)

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RATE SCHEDULE NO. 4
MULTI-USE SERVICE LINE
(Continued)

PROVISION OF SERVICES

By applying for multi-use service, and operating the same, the customer agrees:

1. To include a backflow prevention device(s) as defined at N.J.A.C. 7:10-1.3, and as specified at N.J.A.C. 7:10-10.3;
2. To be solely responsible for all costs and expenses relating to the installation, operation, maintenance, repair and replacement of the customer's water system, including the fire suppression system and backflow prevention device(s);
3. To ensure that the customer's water system complies with the applicable requirements of the Uniform Construction Code in effect at the time of system installation, including any applicable building, plumbing and fire protection sub-codes; and
4. To ensure that the customer's water system is maintained in accordance with all applicable law so as to protect against backflow, back-siphonage and contamination of the potable water system.

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