



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 PETITION OF NEW)
JERSEY-AMERICAN WATER COMPANY, INC.,)
FOR AUTHORIZATION AND APPROVAL OF THE)
TRANSFER OF A PORTION OF THE MUNICIPAL)
WATER UTILITY SYSTEM OF THE BOROUGH OF)
SEASIDE HEIGHTS, AND THE RELATED)
BERKELEY TOWNSHIP WATER FRANCHISE, TO)
NEW JERSEY-AMERICAN WATER COMPANY,)
INC. AND THE UTILIZATION OF EXISTING NEW)
JERSEY-AMERICAN WATER COMPANY, INC.)
RATES OF DEPRECIATION FOR THE ACQUIRED)
WATER SYSTEM ASSETS)
AND;

ORDER APPROVING TRANSFER
OF ASSETS AND CHANGE IN
CONTROL

BPU DOCKET NO. WM06090677

IN THE MATTER OF THE PETITION OF THE)
BOROUGH OF SEASIDE HEIGHTS TO)
DISCONTINUE SERVICE IN A PORTION OF)
PELICAN ISLAND, BERKELEY TOWNSHIP)
COUNTY OF OCEAN, STATE OF NEW JERSEY)

REQUEST FOR DISCONTINUANCE
OF SERVICE

BPU DOCKET NO. WD06090676

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 27, 2006, Petitioner, New Jersey-American Water Company, Inc. (NJAW¹ or Petitioner), filed a petition with the Board of Public Utilities (Board) requesting the Board to approve, pursuant to N.J.S.A. 40:62-3.1 and N.J.A.C. 14:1-5.1: (1) the transfer of a portion of the water system assets of the Borough of Seaside Heights serving a portion of Berkeley

¹ NJAW is a regulated public utility subject to the Board's jurisdiction that is engaged in the production, treatment and distribution of water and the collection of sewerage within the State of New Jersey. The service territory includes portions of 16 counties and serves approximately 600,000 water and 27,000 sewer customers in 176 municipalities.

Township, known as Pelican Island to NJAW, (2) the related franchise, and (3) the utilization of the existing NJAW rates of depreciation to the acquired water system assets.

In addition to the petition by NJAW, on September 27, 2006, the Borough of Seaside Heights (Borough) filed a petition, BPU Docket No. WD0609076, with the Board for authorization to discontinue water service in a portion of Pelican Island, located in Berkeley Township, Ocean County, New Jersey pursuant to N.J.S.A. 48:2-24.

By letter dated August 1, 2007, the Borough submitted a request to withdraw its filed petition in BPU Docket No. WD06090676. Accordingly, the Borough's request to discontinue service in Pelican Island is deemed withdrawn.

The Borough is a municipal corporation that supplies water service to approximately 100 customers within the Pelican Island section of Berkeley Township. The Borough of Seaside Heights is not a public utility subject to the Board's jurisdiction pursuant to N.J.S.A. 40A:31-23d (1) in that it serves fewer than 1000 retail customers outside its municipal boundaries. Other than Pelican Island the Borough's remaining retail customers are served within its municipal boundaries.

The provisions of N.J.S.A. 40:62-3.1 are addressed in BPU Docket No. WM06090677 filed by NJAW. Pursuant to N.J.S.A. 40:62-3.1, a municipality may transfer a municipal water system serving less than 5% of the population of that municipality and said transfer shall be authorized by Ordinance. The terms of the sale and the ordinance authorizing same shall be subject to review by the Board and shall provide that the purchaser shall have the privilege to operate the system.

On September 24, 2002, the Township of Berkeley approved Ordinance #02-51-OA, which granted a municipal consent to NJAW for the construction, expansion, maintenance, replacement, improvement and operation of water facilities for the provision of both potable water service and fire protection service within the Pelican Island section of the Township of Berkeley, pursuant to N.J.S.A. 48:19-17 and 20.

On June 1, 2005, the Township of Berkeley gave consent to the proposed sale, in the form of Ordinance - Number 02-51-OA which authorized NJAW to provide service to those customers of the Borough of Seaside Heights residing in the portion of Pelican Island located in Berkeley Township.

A Notice of Public Hearing was published in the Asbury Park Press on Wednesday, June 27, 2007.

Thereafter, a public hearing in this matter, pursuant to N.J.S.A. 40:62-3.1, was held on July 17, 2007, at the Board's Newark offices before Joseph Quirolo, Esq., the Board's duly designated Hearing Examiner. Appearances were entered by representatives of the Company, Board Staff, and the Division of Rate Counsel. No members of the public appeared at the hearing.

At the hearing, NJAW relied upon the testimony of David Legg, who is a Business Development Manager for NJAW. According to Mr. Legg, NJAW has the ability to provide water in the proposed franchise area; possessing a sufficient source supply to serve potential customers with adequate pressure and flow. Mr. Legg explained that Pelican Island customers' service needs will be provided out of NJAW's Lakewood operating center which is located 10 miles from of Pelican Island.

On June 1, 2005, the Borough of Seaside Height adopted Ordinance Number 05-14 authorizing the transfer of the water supply system serving the Pelican Island section of Berkeley Township to NJAW in accordance with the terms of an Asset Acquisition Agreement. In accordance with the June 1, 2006 Asset Acquisition Agreement (Agreement) between the Borough and NJAW, NJAW will purchase, for \$49,000, all of the Borough's utility plant, interest in real and personal property and rights and privileges relating to the portion of the water system providing service to Pelican Island in Berkeley Township as well as one transmission line which is located in a right-of-way in the Borough. NJAW proposes to apply its existing Rate Schedule A-1 to this area. This will result in a reduction of approximately \$48 in the average customer's bill.²

Pursuant to Section 7(g) of the Agreement, the Agreement is condition upon NJAW and the Borough entering into an amended to Water Purchase Agreement, which amendment shall provide for the billing of water to be used by NJAW to serve the customers located in Berkeley Township. The 1996 Water Purchase Agreement contain a provision which permits an amendment each year based upon changes in certain costs.

Subsequent to review of extensive discovery responses and a public hearing in this matter, Board Staff and the Division of Rate Counsel engaged in settlement discussion with NJAW which resulted in the Signatory Parties (Board Staff, Division of Rate Counsel, and NJAW) reached a settlement.

STIPULATION

As more fully set forth in the attached Stipulation³, the Stipulation provides that:

1. The proposed acquisition of the Water System Assets of the Borough serving Pelican Island should be approved by the Board. (Settlement Paragraph 13).
2. The Municipal Ordinance No. 02-51-0A, granting the water franchise covering the Pelican Island Section of the Township of Berkeley to NJAW should be approved by the Board. (Settlement Paragraph 14)
3. NJAW shall apply to the transferred assets, the current rates of depreciation in effect for the Company for utility plant providing the same nature of water utility as the transferred assets. (Settlement Paragraph 15)
4. NJAW shall apply its rate schedule applicable to this area, Rate Schedule A-1. The result of this application will be a reduction in customer rates previously applied by the Borough. (Settlement Paragraph 16)
5. The proposed acquisition is in the public interest and should be approved by the Board. In reaching this agreement, the Parties further agree that pursuant to N.J.S.A. 48:2-51.1 the following applies:

² A Berkeley Township Pelican Island customer using the statewide average of 80,000 gallons of water a year with a 5/8" meter would see a reduction in their bill of about \$48.00 with the bill going from \$560.00 to about \$512.00 per year.

³ Cited paragraphs referenced are in the settlement documents. This is only a summary, the full settlement document controls, subject to the Board's findings and conclusions contained herein.

- The proposed acquisition will not adversely affect competition because there is no traditional competition within the water utility industry.
 - The proposed acquisition will not adversely affect the rates of ratepayers affected by the acquisition, but rather the application of NJAW's existing rates will result in a reduction in customers' rates previously applied by the Borough.
 - The proposed acquisition will not adversely affect the employees of the Borough since the Borough will retain the employees and there will be no adverse impact on Petitioner's employees since the addition of only 100 customers will be in an area directly adjacent to NJAW's existing service area.
 - The proposed acquisition will have a favorable impact on the provision of safe and adequate utility service at just and reasonable rates because this system will now be part of a larger regional water supply which has an established set of "Best Practices." (Settlement Paragraph 17).
6. NJAW has stated that the water system asset purchase will result in an acquisition adjustment of approximately \$1,650. The Parties agree that the acquisition adjustment is for accounting purposes only and any rate impact resulting from the acquisition adjustment shall be determined in the Company's next base rate case. NJAW shall have the burden of demonstrating whether, and to what extent, the costs associated with the acquisition shall be recoverable by the Company. (Settlement Paragraph 18).

DISCUSSIONS AND FINDINGS

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

1. The transfer of the water utility asset of the Pelican Island section of Berkeley from the Borough of Seaside Heights to NJAW, the approval of the franchise granted by Berkeley Township to NJAW to serve a portion of the township known as Pelican Island and the utilization of the existing NJAW's rates of depreciation for the plant assets for the Pelican Island section of Berkeley Township being purchased and will not have an adverse impact on public convenience and necessity.
2. Based upon the record in this proceeding and subject to the conditions set forth in this Order, the statutory criteria set forth in N.J.S.A. 48:2-51.1 are satisfied and there will be no adverse impact on any of the criteria set forth in N.J.S.A. 48:2-51.1 and, furthermore, the Board finds that positive benefits to customers and the State, as more fully described in the Stipulation will result from the approval of the acquisition from the Borough of the water system serving the Pelican Island section of Berkeley Township by NJAW.

After careful review of the record of this proceeding, including the discovery responses and the Stipulation of the Parties, the Board HEREBY ADOPTS the Stipulation attached herein, as its own, incorporating by reference the terms and conditions as if fully set forth at length herein. Accordingly, the Board HEREBY APPROVES the Stipulation attached herein as its own subject to the following provisions:

- a. 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 NJAW.
- b. This Order shall not effect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting NJAW.
- c. In an appropriate subsequent proceeding, NJAW shall have the burden of demonstrating whether, and to what extent, any of the costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that will be transferred as a result of the new territory.
- d. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including but not limited to, 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.
- e. NJAW shall apply to the acquired assets the current rates of depreciation in effect for New Jersey American Water, Inc.'s similar utility plant.
- f. NJAW shall apply its Rate Schedule A-1 rates to the acquired system's customers which Rate Schedule A-1 rates will result in a lower bill for the customers of the Pelican Island section of Berkeley Township.
- g. The acquisition adjustment shall be for accounting purposes only and any rate impact resulting from the acquisition adjustment shall be determined in the NJAW's next base rate case. NJAW shall have the burden of demonstrating whether, and to what extent, the costs associated with the acquisition shall be recoverable by the Company.
- h. NJAW shall inform the Board, in writing, of the date of the closing of the asset sale transaction within 20 days of closing and shall file with the Board final journal entries within 60 days of closing reflecting the actual at the time of closing.

Within 180 days of closing NJAW shall provide to the Board and to Rate Counsel an exhibit showing all direct transaction costs, as well as the final details of the transactions between the Borough of Seaside Heights and NJAW for the sale of the Borough's water utility plant relating to the Pelican Island section of Berkeley for to NJAW.

- j. Petitioner shall have the burden of demonstrating whether, and to what extent, the costs associated with the asset acquisition transaction shall be recoverably by NJAW.
- k. Nothing in this Order shall be construed as limiting the jurisdiction vested in the Board under Title 48 or as altering the requirements found herein, including, but not limited to the requirement in N.J.S.A. 48:2-51.1 or N.J.S.A. 48:2-16.

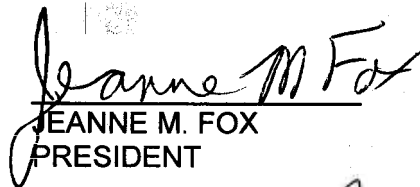
Board approval of the purchase of the water utility assets of the Borough of Seaside Heights which serves the Pelican Island section of Berkeley Township by NJAWC does not include the approval of any ancillary agreement or to conditions relating to the acquisition unless specifically stated in this Order.

- m. NJAW shall file an updated Territory Served page within fifteen (15) days of the dated of this Order incorporating the Pelican Island section of Berkeley Township.

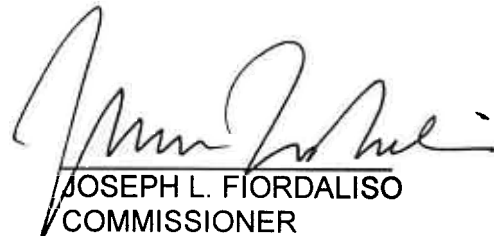
The effective date of this Order is as dated below.

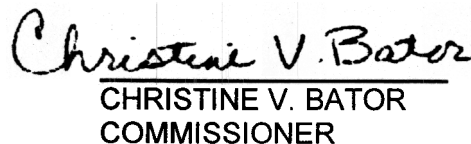
DATED: 9/13/07

BOARD OF PUBLIC UTILITIES
BY:

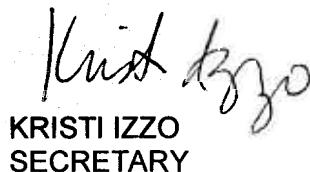

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

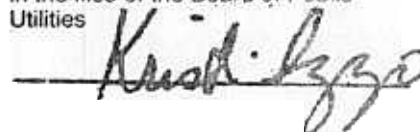

JOSEPH L. FIORDALISO
COMMISSIONER


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 New Jersey-American Water Company, Inc.,
For Authorization and Approval of the Transfer Of A Portion
Of The Municipal Water Utility System of the Borough of Seaside Heights,
And The Related Berkeley Township Water Franchise,
To New Jersey-American Water Company,
Inc. And The Utilization of Existing New Jersey-American Water Company, Inc.
Rates of Depreciation for the Acquired
Water System Assets

BPU Docket No. WM06090677

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF
NEW JERSEY-AMERICAN WATER
COMPANY, INC. FOR AUTHORIZATION
AND APPROVAL OF THE TRANSFER
OF A PORTION OF THE MUNICIPAL
WATER UTILITY SYSTEM OF THE
BOROUGH OF SEASIDE HEIGHTS AND
THE RELATED BERKELEY TOWNSHIP
WATER FRANCHISE, TO NEW JERSEY-
AMERICAN WATER COMPANY, INC.
AND THE UTILIZATION OF EXISTING
NEW JERSEY-AMERICAN WATER
COMPANY, INC. RATES OF
DEPRECIATION FOR THE ACQUIRED
WATER SYSTEM ASSETS

BPU Docket No. WM06090677

STIPULATION

PARTIES TO THE WITHIN STIPULATION AND APPEARANCES:

Ira G. Megdal, Esquire and Stacy A. Mitchell, Esquire (Cozen O'Connor, attorneys) for
New Jersey-American Water Company, Inc. ("Petitioner")

Susan E. McClure, Assistant Deputy Public Advocate, on behalf of the Department of the
Public Advocate, Division of Rate Counsel ("Rate Counsel")

Arlene E. Pasko, Deputy Attorney General on behalf of the Staff of the New Jersey
Board of Public Utilities ("Board Staff")

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

I. INTRODUCTION

Petitioner, New Jersey-American Water Company, Inc. ("New Jersey American" or the
"Company"), by way of a Verified Petition ("Petition") filed with the Board of Public Utilities
("Board" or "BPU") on September 27, 2006, pursuant to N.J.S.A. 40:62-3.1 and N.J.A.C. 14:1-
5.1, and such other statutes and regulations as may be deemed applicable and appropriate, sought
approval of the transfer of a portion of the municipal water utility system of the Borough of

Seaside Heights and related Berkeley Township water franchise and the utilization of existing New Jersey American rates of depreciation for the acquired water system assets.

1. Petitioner, New Jersey American is a regulated public utility corporation engaged in the production, treatment and distribution of water and collection of sewerage within its defined service territory within the State of New Jersey, which service territory includes portions of 16 counties within New Jersey. New Jersey American serves approximately 600,000 water customers in 176 towns and 16 counties. New Jersey American is the largest public water/sewer utility corporation in the State of New Jersey. New Jersey American's principal office is located in Camden County at 131 Woodcrest Road, P.O. Box 5079, Cherry Hill, New Jersey 08003.

2. The Borough of Seaside Heights (the "Borough") is a municipal corporation of the State of New Jersey with its principal office located at 901 Boulevard, Seaside Heights, Ocean County, New Jersey 08751. The Borough maintains a municipal water department which operates a municipal water system providing water service to the residents of the Borough as well as the residents of a portion of Pelican Island located in Berkeley Township, Ocean County. It is the water systems assets that provide service to that portion of Pelican Island within Berkeley Township that are the subject of this Petition. The Borough serves approximately 100 customers in Pelican Island.

3. Berkeley Township adopted Municipal Ordinance No. 02-51-0A granting the water franchise covering the Pelican Island Section of the Township to New Jersey American.

4. Thereafter, in accordance with the provisions of N.J.S.A. 40:62-3.1, the Borough, on June 1, 2005, adopted Municipal Ordinance No. 05-14 authorizing transfer of the water supply system serving Pelican Island to New Jersey American. N.J.S.A. 40:62-3.1

allows a municipal governing body “to transfer a municipal water utility system serving less than 5% of the population of that municipality, to any person.” The statute also provides that the transfer shall be authorized by ordinance, may be made upon the terms as provided in the ordinance and neither bids nor a municipal general election shall be required in order to consummate the transaction.

5. In accordance with the Asset Acquisition Agreement (“Agreement”) dated June 1, 2006, by and between the Borough and New Jersey American, New Jersey American will purchase all of the Borough’s utility plant, interest in real and personal property and rights and privileges relating to the portion of the water system providing service to Pelican Island in Berkeley Township as well as one transmission line which is located in a right-of-way in the Borough (the “Water System Assets”).

6. The aggregate purchase price for the Water System Assets is FORTY-NINE THOUSAND DOLLARS 00/100 (\$49,000.00).

7. On the date of closing, the Borough shall terminate service to Pelican Island and New Jersey American will assume responsibility for service immediately prior to the termination. A petition for discontinuance of service by the Borough was filed with the Board in Docket No. WD06090676. By letter dated August 1, 2007, counsel for the Borough of Seaside filed a letter with the Board requesting that the discontinuance of service petition be withdrawn.

8. New Jersey American intends to apply to the transferred assets the depreciation rates currently in effect for New Jersey American. Those depreciation rates were last adjusted in BPU Docket No. WR94030059.

II. PROCEDURAL HISTORY

9. Subsequent to the filing of the Petition, Board Staff and Rate Counsel served extensive and detailed discovery with requests and supplemental requests upon Petitioner. All discovery has been responded to.

10. A Notice of Public Hearing was published in the Asbury Park Press on Wednesday, June 27, 2007.

11. Thereafter, a public hearing was held in this matter concerning the municipal consent ordinance in Newark, New Jersey on July 17, 2007. No one from the public appeared at the public hearing to present opposition to the Petition.

12. No Motions to Intervene have been filed.

III. STIPULATED MATTERS

The Parties to this Stipulation stipulate and agree that the proposed acquisition of the Water System Assets of the Borough serving Pelican Island should be approved by the Board.

14. The Parties to this Stipulation further stipulate and agree that Municipal Ordinance No. 02-51-0A granting the water franchise covering the Pelican Island Section of the Township to New Jersey American should be approved by the Board.

The Parties to this Stipulation further stipulate and agree that New Jersey American shall apply to the transferred assets the current rates of depreciation in effect for New Jersey American for utility plant providing the same nature of water utility as the transferred assets.

The Parties to this Stipulation further stipulate and agree that New Jersey American shall apply its rate schedule applicable to this area, Rate Schedule A-1. New Jersey

American's current applicable Rate Schedule A-1 is attached as Schedule "A". The result of this application will be a reduction in customer rates previously applied by the Borough. A comparison of the current Borough rates and New Jersey American's Rate Schedule A-1 rates is attached as Schedule "B".

17. The Parties to this Stipulation further stipulate and agree that the proposed Acquisition is in the public interest and should be approved by the Board. In reaching this agreement, the Parties further agree that pursuant to N.J.S.A. 48:2-51.1 the following applies:

- The proposed acquisition will not adversely affect competition because there is no traditional competition within the water utility industry;
- The proposed acquisition will not adversely affect the rates of ratepayers affected by the acquisition but rather, application of New Jersey American's Rate Schedule A-1 will result in a reduction in customer rates previously applied by the Borough;
- The proposed acquisition will not adversely affect the employees of the Borough since the Borough will retain the employees and there will be no adverse impact on Petitioner's employees since the addition of only 100 new customers will be in an area directly adjacent to New Jersey American's existing service area; and
- The proposed acquisition will have a favorable impact on the provision of safe and adequate utility service at just and reasonable rates because this system will now be part of a large regional water supply which has an established set of "Best Practices".

18. New Jersey American has stated that the Water System Asset purchase will result in an acquisition adjustment of approximately ONE THOUSAND AND SIX HUNDRED AND FIFTY DOLLARS 00/100 (\$1,650.00). See Draft Journal Entry attached hereto as Schedule "C". The Parties agree that the acquisition adjustment is for accounting purposes only and any rate impact resulting from the acquisition adjustment shall be determined in the Company's next base rate case. New Jersey American shall have the burden of demonstrating whether, and to what extent, the costs associated with the acquisition shall be recoverable by the Company.

IV. MISCELLANEOUS

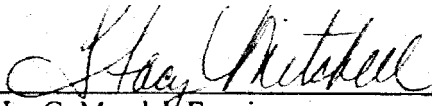
19. This Stipulation represents a mutual balancing of interest and therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

20. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided for herein, nothing agreed to in this Stipulation by Petitioner, Board Staff or Rate Counsel shall be deemed to be precedential in any other proceeding nor shall any principle underlying this Stipulation be deemed precedential in any other proceeding.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

By: 

Ira G. Megdal, Esquire
Stacy A. Mitchell, Esquire
Cozen O'Connor, Attorneys

By: _____

Arlene E. Pasko, Deputy Attorney General

IV. MISCELLANEOUS

19. This Stipulation represents a mutual balancing of interest and therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

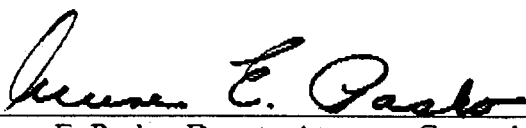
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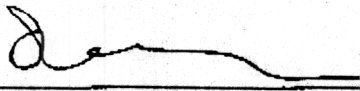
NEW JERSEY-AMERICAN WATER
COMPANY, INC.

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board
of Public Utilities

By: _____
Ira G. Megdal, Esquire
Stacy A. Mitchell, Esquire
Cozen O'Connor, Attorneys

By: 
Arlene E. Pasko, Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
Kimberly K. Holmes, Esq.
Acting Director

By: 
Susan E. McClure
Assistant Deputy Public Advocate

Dated: August 31, 2007

New Jersey American Water
SR-NJAW-5 Pelican Island Acquisition: Draft Journal Entry
As Of 02/20/07

NARUC	Description	DR	CR
343	Transmission and Distribution Mains	10,779	
346	Meters	42,732	
345	Services	6,537	
348	Hydrants	892	
108	Accumulated Provision for Depreciation of Utility Plant in Service		13,590
131	Cash		49,000
114	Utility Plant Acquisition Adjustments	1,650	
Total		62,590	62,590

New Jersey American Water
SR-NJAW-7 Pelican Island Acquisition: Quarterly Tariff Rates Comparison
 As Of 02/20/07

Seaside Heights			NJAM		Quarterly Increase/(Decrease)
Service Size	Quarterly Service Charge	Gallons Allowance	Meter Size	Quarterly Meter Charge	
3/4"	\$50.00	5,000	5/8"	\$25.50	
Cost per 1000 Gallons			Cost per 1000 Gallons		
\$6.00			\$5.1272		
Estimated Cost Per Connection: Seaside Heights			Estimated Cost Per Connection: NJAM		Estimated Savings Per Connection
Service Size			Meter Size		
3/4"	\$146.00		5/8"	\$133.17	5/8" (\$12.83)

- * Quarterly Usage is assumed to be 21,000 Gallons
- ** A typical Pelican Island customer with a 3/4" service has a 5/8" meter
- *** NJAM Rates are based on pending rate increase scheduled to be effective 03/30/07

RATE SCHEDULE A-1
GENERAL METERED SERVICE

APPLICABILITY

Applicable for general metered residential, commercial, industrial, and municipal service throughout service territory 1 served by the Company, except as specifically provided elsewhere in this tariff. The charge for general metered service shall consist of the total of the Fixed Service Charge, the Water Charge and the Purchased Water Adjustment Clause (PWAC) Charge, as shown on Rate Schedule O-1.

CHARACTER OF SERVICE

Continuous, except as limited by the "Standard Terms and Conditions."

FIXED SERVICE CHARGE

All general metered water service customers shall pay a fixed service charge based on the size of each meter installed by the Company. Customers with multiple meters shall be charged for each meter at the indicated rate. Whenever service is established or is discontinued, all applicable fixed charges shall be prorated to the date of establishment or discontinuance of service.

Size of Meter	Non-Exempt		Exempt	
	Per Month	Per Quarter	Per Month	Per Quarter
5/8"	\$ 8.50	\$ 25.50	\$ 7.37	\$ 22.11
3/4"	12.75	38.25	11.05	33.15
1"	21.25	63.75	18.42	55.26
1 1/2"	42.50	127.50	36.85	110.55
2"	68.00	204.00	58.96	176.88
3"	127.50	382.50	110.54	331.62
4"	212.50	637.50	184.24	552.72
6"	425.00	1,275.00	368.48	1,105.44
8"	680.00	2,040.00	589.56	1,768.68
10"	850.00	2,550.00	738.95	2,210.85
12"	1,062.50	3,187.50	921.19	2,763.57

WATER CHARGE

In addition to the Fixed Service Charge set forth above, a charge will be made for all water used as registered by the meter.

	Gallons		Rate*	
	Per Month	Per Quarter	Per 100 Gallons	Per 1,000 Gallons
Non-Exempt	All	All	\$ 0.47814	\$ 4.7814
Exempt	All	All	\$ 0.41455	\$ 4.1455
	Cubic Feet		Rate*	
	Per Month	Per Quarter	Per 10 Cubic Feet	Per 100 Cubic Feet
Non-Exempt	All	All	\$ 0.357648	\$ 3.57648
Exempt	All	All	\$ 0.310083	\$ 3.10083

TERMS OF PAYMENT

Valid bills for general metered water service furnished under this schedule will be rendered in arrears, either quarterly or monthly at the option of the Company, and are due fifteen (15) days from the date of the postmark on the envelope in which the bill was transmitted. All bills shall list a due date. Thereafter, the Company may not discontinue water service unless written notice is provided giving the customer at least ten (10) days notice prior to the proposed discontinuance.

SPECIAL PROVISION

*Non-Exempt consumption charges reflect a water tax of \$.01 per 1,000 gallons (\$.00748 per 100 cubic feet) of water consumed pursuant to N.J.S.A. 58:12A-21(a). Exempt consumption charges reflect a water tax of \$.01 multiplied by .867 per 1,000 gallons. This water tax is not applicable for sales for resale service.

Issued: March 30, 2007

Effective: March 30, 2007

By: Walter Lynch, President

131 Woodcrest Road, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR06030257 dated April 2, 2007.

RATE SCHEDULE O-1
PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)

APPLICABILITY

Applicable to all Metered Water Customer classes served by the Company in all service territories for water service, except for Manasquan Uninterruptible Service. Provided, however, that South Jersey Water Supply Company shall not be obligated to pay the PWAC. The PWAC charge is designed to recover the cost of purchased water associated with the normal operations of the Company and allow the Company to achieve a zero or near-zero deferred balance each April 1st on its purchased water costs.

CHARACTER OF SERVICE

Continuous, except as limited by the "Standard Terms and Conditions."

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC) CHARGE

In addition to all other charges for metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover purchased water costs not included in the Consumption or any other Charge:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt	All	All	\$ 0.03458	\$ 0.3458
Exempt	All	All	\$ 0.02998	\$ 0.2998

	<u>Cubic Feet Per Month</u>	<u>Cubic Feet Per Month</u>	<u>Rate Per 10 Cubic Feet</u>	<u>Rate Per 100 Cubic Feet</u>
Non-Exempt	All	All	\$ 0.025865	\$ 0.25865
Exempt	All	All	\$ 0.022425	\$ 0.22425

FILING

The Company shall make an annual PWAC filing no later than December 1st of each year proposing a PWAC rate to be effective on or about the following April 1st.

The notice of filing and of public hearing in the annual PWAC proceedings shall include the specific rate change proposed to be implemented on April 1st. The notice shall also include the impact of such potential increases on a benchmark bill.

The annual PWAC filing shall contain, but not be limited to, the following:

1. A reconciliation of actual versus estimated costs and revenues from the last Board approved PWAC charge for purchased water;
2. Projected rates supported by projected volumes, revenues, and projected purchased water costs;
3. Deferred balances and the timeframe over which they are proposed to be collected or returned;
4. A written explanation of the circumstances that caused the deferred balances in (3) above;
5. A written explanation of any significant activities or trends which may effect costs for the prospective period; and
6. Updated tariff sheets to reflect any change to the PWAC rate.

The benchmark bill shall be the average residential water customer bill for a twelve-month period.

(Continued)

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RATE SCHEDULE O-1
PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)
(Continued)

PROVISIONS

Interest shall be passed onto customers through the PWAC rates at the beginning of each PWAC Year succeeding any PWAC year in which any monthly purchased water costs over recovery has taken place. Any debit or credit balance in the separate deferred net revenue or separate cost of purchased water accounts shall be determined monthly. Monthly interest shall be calculated on the average of the current and prior month's ending cumulative deferred revenue or cost of purchased water balances. Interest on such water costs shall be calculated utilizing the rate of return on rate base utilized to set rates in the Company's last preceding base rate case, and shall be changed from time to time, consistent with N.J.A.C. 14:9-7.1 et seq.

The clause shall be subject to deferred accounting, consistent with N.J.A.C. 14:9-7.1, et seq.

TERMS OF PAYMENT

See Rate Schedules for applicable customer classes.

CONDITIONS

Subject to the "Standard Terms and Conditions" except as otherwise set forth in this Schedule.

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August 1, 2007

VIA FACSIMILE AND US MAIL

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

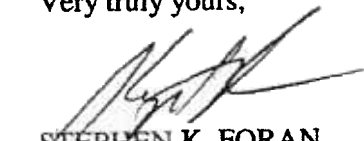
**Re: In the Matter of the Petition of the Borough of Seaside Heights to
Discontinue Service in a Portion of Pelican Island, Berkeley Township,
County of Ocean, State of New Jersey
BPU Docket No. WD06090676**

Dear Ms. Izzo:

We write on behalf of the Borough of Seaside Heights, Petitioner in the referenced matter, to request that the Petition filed therein on September 27, 2006, be withdrawn in its entirety. In addition, we ask that you close Docket No. WD06090676.

Thank you in advance for your cooperation.

Very truly yours,



STEPHEN K. FORAN
For the Firm

SKF:nmc

cc: Service List (*via electronic mail*)
John Camera, Business Administrator, Borough of Seaside Heights (*via facsimile*)