



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE PETITION OF SUEZ WATER )  
NEW JERSEY INC. FOR THE APPROVAL OF )  
MUNICIPAL CONSENT TO OWN AND OPERATE A )  
WATER SYSTEM IN THE TOWNSHIP OF BYRAM )  
AND APPROVAL OF THE ISSUANCE OF REVISED )  
TARIFF SHEETS SETTING FORTH SUEZ WATER )  
NEW JERSEY INC.'S EXPANDED SERVICE AREA )  
RELATED TO THE TRANSFER OF WATER ASSETS )  
FROM THE EAST BROOKWOOD ESTATES )  
PROPERTY OWNERS ASSOCIATION, INC. TO SUEZ )  
WATER NEW JERSEY INC. )

ORDER OF APPROVAL  
DOCKET NO. WE18040449

**Parties of Record:**

**Katherine M. Jensen, Esq.**, SUEZ Water New Jersey Inc.  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**<sup>1</sup>

On April 23, 2018, SUEZ Water New Jersey, Inc. ("SWNJ," "Company," or "Petitioner"), filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-14 and N.J.A.C. 14:1-5.5 and 14:1-5.11, seeking approval of the following: (1) a municipal consent, Ordinance No. 21-2017, adopted on December 19, 2017, by the Township of Byram, Sussex County, New Jersey ("Township") to allow Petitioner to provide water service to customers of the system owned by East Brookwood Estates Property Owners Association, Inc. ("East Brookwood System"); (2) the expansion of SWNJ service territory to include customers in the East Brookwood System; (3) to purchase the water system assets of the East Brookwood System; and (4) to file revised tariff sheets.

<sup>1</sup> Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation in this matter.

The East Brookwood System is a homeowner's association water system. The East Brookwood Estates Property Owners Association, Inc. is composed of individual members who own property in the East Brookwood Estates development. Certain properties located in East Brookwood Estates within the Township have historically received water service from the East Brookwood System. The East Brookwood System provides water service to 175 residential customers through approximately three wells, one storage tank and a series of related distribution systems. The East Brookwood Estates Property Owners Association, Inc. Board of Directors adopted a resolution authorizing the sale of the East Brookwood System to SUEZ on August 18, 2017.

SWNJ is a public utility organized and operating under the laws of the State of New Jersey. SWNJ is engaged in the business of collecting, treating and distributing water for retail service to customers located in the northern and western portions of the State. SWNJ serves approximately 200,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. SWNJ also supplies water service to municipalities, including the Township of Saddle Brook, the Boroughs of Fairlawn, Saddle River, Allendale, Mahwah and Ramsey, and the Village of Ridgewood. SWNJ is a wholly-owned subsidiary of SUEZ Water Resources Inc., a Delaware corporation.

### **THE PROPOSED TRANSFER**

On December 6, 2017, SWNJ entered into an Agreement of Sale ("Agreement") with the East Brookwood Estates Property Owners Association, Inc. which provides for the purchase of the East Brookwood System assets serving the customers of East Brookwood Estates by SWNJ for \$600,000.

The Property is not within SWNJ's existing franchise area. SWNJ does not serve any customers in the Township. Petitioner seeks to expand its franchise area to own, operate and serve customers in the East Brookwood System.

Petitioner has obtained consent from the Township to lay, maintain and relay water pipes, mains and connections to provide water service to the East Brookwood System.

Petitioner represents that it intends to merge the East Brookwood System into SWNJ. It will be operated out of SWNJ's office located in Vernon Township in Sussex County. The East Brookwood System will not be connected to the Sussex or Passaic system and will be operated as a standalone system.

The petition further indicates that the East Brookwood System will be included in the existing daily rounds of SWNJ maintenance personnel located in Sussex County and can be reached by other SWNJ staff in the event of an emergency.

### **IMPACT ON SUEZ WATER NEW JERSEY, INC.**

The Petitioner states the expansion of its service territory will not impose any negative impacts on current SWNJ customers or its ability to provide safe and adequate service. SWNJ claims it has successfully owned and operated water systems in New Jersey for many years. This franchise expansion and transfer will allow SWNJ, a company with extensive resources, to use its knowledge, expertise and access to capital to operate the system in a way that will ensure safe and dependable service to its customers and moderate future rate impacts. It will also result in operational and administrative efficiencies and enable SWNJ to maintain economies of scale as these former customers and assets are integrated into SWNJ's system.

### **IMPACT ON EAST BROOKWOOD SYSTEM CUSTOMERS**

The Petitioner proposes that it charge the East Brookwood System users the current monthly rate of \$43.00 per customer until meters are installed. The Petitioner also proposes to move the East Brookwood System customers to the SWNJ approved rates for water service after the meters are installed. The East Brookwood System is in need of capital improvements. The Petitioner roughly estimates a capital need of \$1,175,000 over the next five years.

The operations of the East Brookwood water system will be integrated into the Company's Sussex County operations.

### **SPECIFIC BENEFITS TO CUSTOMERS OF THE EAST BROOKWOOD SYSTEM**

The Petitioner states that the proposed Agreement will promote the public interest and result in the following positive benefits:

1. The need to comply with increasingly stringent water quality and environmental standards has created substantial demands for capital investment for water and wastewater utilities. The financial resources and backing of SWNJ will be a benefit to East Brookwood System customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act.
2. SWNJ's size and scale enable the Company to address the water needs of the East Brookwood System customers well into the future.
3. The customers of the East Brookwood System will benefit from becoming part of SWNJ, a substantially larger water company, regulated by the Board. These customers will receive the benefits of industry standard best practices in the areas of planning, research, environmental compliance, water quality, customer service, finance, risk management, operations and service delivery and management.
4. After the approval of the proposed Agreement, the East Brookwood System customers will have access to SWNJ's customer service call center to resolve any customer service issues that may arise.

### **THE MUNICIPAL CONSENT**

SWNJ intends to operate the assets of the East Brookwood System pursuant to the existing municipal consent granted under Ordinance No. 21-2017. The municipal consent, adopted on December 19, 2017 by the Township, will allow Petitioner to: (1) provide water service to the proposed franchise area; (2) expand the SWNJ service territory to include the East Brookwood System customers; (3) transfer assets of the East Brookwood System to SWNJ; and (4) file revised tariff sheets.

On August 27, 2018, a duly noticed municipal consent hearing on the Company's petition was held at the Board's offices in Trenton, New Jersey. William Agee, Esq., Legal Specialist, presided over the hearing at which representatives of the Company, Rate Counsel and Staff appeared. Two East Brookwood homeowners attended the municipal consent hearing and provided comments on the record in support of the purchase of the East Brookwood System by SWNJ.

**THE NEW JERSEY DIVISION OF RATE COUNSEL ("RATE COUNSEL") COMMENTS**

By letter dated August 27, 2018, Rate Counsel submitted its comments to the petition and stated that it is not opposed to the proposed acquisition or the proposed merger of the acquired assets of the East Brookwood System into SWNJ.

Rate Counsel also states it does not object to the proposed initial tariff or the proposal to move each East Brookwood System customer to metered billing once meters are installed.

Rate Counsel further indicates it does not object to the Petitioner's request for approval of the Township's municipal consent, subject to the recommendation that the Board modify both the term of the consent to serve and the consent to street access to fifty (50) years from the date of the grant of the consent. Rate Counsel recommends that the Board condition its approval on limitation of the municipal consent to a reasonable period not exceeding fifty (50) years, which is the maximum period allowed for the right to use the streets in the municipality under N.J.S.A. 48:3-15.

In addition, Rate Counsel recommends that the Board condition its approval of the petition to specify that transaction costs cannot be recovered in rates.

**DISCUSSION AND FINDINGS**

Township Ordinance No. 21-2017 provides Petitioner with a municipal consent to provide water service to certain sections of the Township and for the laying of pipes and the installation of other utility facilities as may be necessary. (Exhibit of Petition at 1). N.J.S.A. 48:2-14 provides in part:

No privilege or franchise granted after May first, one thousand nine hundred and eleven, to any public utility by a political subdivision of this state shall be valid until approved by the board. Such approval shall be given when, after hearing, the board determines that the privilege or franchise is necessary and proper for the public convenience and properly conserves the public interests. In granting its approval the board may impose such conditions as to construction, equipment, maintenance, service or operation as the public convenience and interests may reasonably require.

Although the ordinance does not specify a period for the use of the streets, a municipality may consent to the use of its streets or surfaces, but only for a period not exceeding fifty years. N.J.S.A. 48:3-15. However, N.J.S.A. 48:2-14 sets no limit for the duration of the municipal consent or franchise for the provision of service.

SWNJ will charge the East Brookwood System customers the current monthly rate of \$43.00 until meters are installed, After the meters are installed, the East Brookwood System customers will be moved to SWN approved rates for water service.

The Agreement will cause no material changes in the balance sheet or financial position of SWNJ. The need to comply with increasingly stringent water quality and environmental standards, while also rehabilitating and replacing aging water infrastructure, has created substantial demands for capital investments by water utilities. The financial resources and backing of SWNJ will be a benefit to the East Brookwood System customers in the replacement of infrastructure and compliance with the Safe Drinking Water Act. After the completion of the transaction, customers of the East Brookwood System will have access to the SWNJ customer service call center to resolve customer service issues.

The Board, having reviewed the petition and the entire record, **FINDS** that the municipal consent is necessary and proper for the public convenience and properly conserves the public interest.

Accordingly, the Board **HEREBY APPROVES** the municipal consent, Ordinance No. 21-2017, granted to SWNJ by the Township. The Board **HEREBY APPROVES** an initial tariff for the East Brookwood System customers to be incorporated into the SWNJ tariff.

The Board **HEREBY APPROVES** the proposed acquisition of the East Brookwood System by SWNJ as more fully described in the Petition. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

1. This Order is based upon the specific and particular facts of the Agreement and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting the Company.
3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by SWNJ.
4. The Petitioner shall not depreciate any portion of the water system expansion that is funded by Contributions in Aid of Construction.
5. The Petitioner shall not defer or capitalize any transaction costs related to effectuating this transaction.
6. As required by N.J.S.A. 48:3-15, the municipal consent for the use of streets is limited to a term of fifty years from the effective date of this Order.
7. The term of the municipal consent to lay pipes under N.J.S.A. 48:19-17 is also limited to the same period as the municipal consent for the use of streets and other places.
8. Approval of this municipal consent does not constitute approval by the Board 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

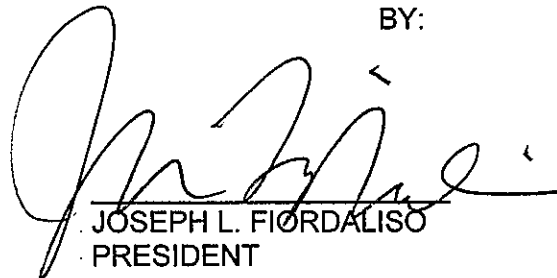
franchise, including, but not limited to, cost of construction, contributions in aid of construction, depreciation of contributed plant, the cost of connection or any related capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

9. Approval of this municipal consent does not constitute approval of any specific main extension or plan for service. In extending service, SWNJ must comply with all applicable laws and regulations.
10. Within thirty days of the date of the closing, the Petitioner shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation of all expenses related to the proposed Agreement.
11. Within ten days of the date of the closing, SWNJ shall submit any revised tariff pages that may be necessary as a result of the proposed Agreement.
12. Board Staff is authorized to approve, subject to comments filed by Rate Counsel, if any, any written request by the Petitioner for additional time to comply with items 10 and 11 above.

The Order shall be effective on September 27, 2018.

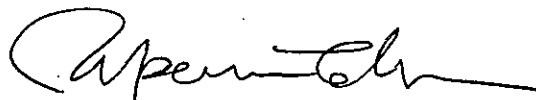
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BOARD OF PUBLIC UTILITIES  
BY:

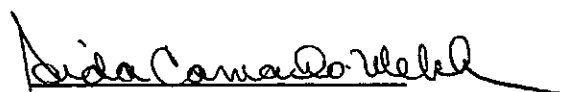
  
JOSEPH L. FIORDALISO  
PRESIDENT

  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:

  
AIDA CAMACHO-WELCH  
SECRETARY

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

DOCKET NO. WE18040449

**IN THE MATTER OF THE PETITION OF SUEZ WATER NEW JERSEY INC. FOR THE  
APPROVAL OF MUNICIPAL CONSENT TO OWN AND OPERATE A WATER SYSTEM IN  
THE TOWNSHIP OF BYRAM AND APPROVAL OF THE ISSUANCE OF REVISED TARIFF  
SHEETS SETTING FORTH SUEZ WATER NEW JERSEY INC.'S EXPANDED SERVICE  
AREA RELATED TO THE TRANSFER OF WATER ASSETS FROM THE EAST  
BROOKWOOD ESTATES PROPERTY OWNERS ASSOCIATION, INC. TO SUEZ WATER  
NEW JERSEY INC. - DOCKET NO. WE18040449**

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