



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE PETITION FOR APPROVAL)
OF THE ACQUISITION OF THE ASSETS OF THE)
TRANQUILITY SPRINGS WATER COMPANY INC.)
AND OTHER REQUIRED APPROVALS)
)
) DOCKET NO. WM11120886

Parties of Record:

Colleen A. Foley, Esq., Saul Ewing LLP, for the Petitioner
Stefanie A. Brand, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On December 20, 2011, Aqua New Jersey, Inc. ("Aqua" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") to acquire the assets of the Tranquility Springs Water Company Inc. ("Tranquility Springs") pursuant to an Assets Purchase Agreement ("Agreement") dated November 4, 2011. Aqua is seeking Board approval of the acquisition of Tranquility Springs pursuant to N.J.S.A. 48:2-51.1, which requires the Board to "evaluate the impact of the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." Also, the Board must be satisfied that those positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.

Under the Agreement, Aqua agreed to pay Tranquility Springs \$150,000 to purchase the Tranquility Springs water system assets. Aqua has also agreed to pay Tranquility Springs an additional fee of \$2,000 per residential unit, up to a total of 30 additional units, in the event that there is additional builds out of the water system over the next fifteen years. Upon completion of the asset purchase transaction, Tranquility Springs will no longer provide utility service and therefore, seeks the Board's approval to discontinue service pursuant to N.J.S.A. 48:2-24.

It is the current intention of Aqua that the Tranquility Springs system will be included in, and served by, Aqua's Northern Division located in Phillipsburg. There will be no change in rates and customers will be charged Tranquility Springs' existing rates. Aqua intends to bill

Tranquility Springs' customers on a monthly basis (Tranquility Springs currently bills on a quarterly basis).

Tranquility Springs is a small stand-alone water utility that draws its allocation from on-site wells that serves 39 customers (38 residential, 1 commercial) located in Green Township, Sussex County, New Jersey. Tranquility Springs has no employees, limited access to environmental, technical and operational resources, and limited ability to invest in system maintenance and upgrades. Aqua has made the commitment that it will invest approximately \$99,000 in Tranquility Springs' water system consisting of a water tank mixer, RF Meter technology, installation of SCADA, and installation of back-up power capability. This will benefit the current and future customers with increased service efficiency and system reliability. The sale of Tranquility Springs to a utility that has the managerial, technical and financial ability to service these customers will benefit the system.

Notice was published in THE NEW JERSEY HERALD and/or NEW JERSEY SUNDAY HERALD, advising the public of the opportunity to submit comments to the Board. No comments were received.

By letter dated August 17, 2012, the Division of Rate Counsel ("Rate Counsel") submitted its comments to the petition and is not opposed to its approval. Rate Counsel notes that Tranquility Springs' customers will continue to be billed at their existing Board approved rates until after further review of Aqua's next base rate case. A comparison of Tranquility Springs' and Aqua's current rates would indicate that an equalization of Tranquility Springs' rates into Aqua rates would be beneficial to the current Tranquility Springs customers. Rate Counsel further states that the acquisition will not have an adverse impact on competition, employees, rates, or the provision of safe, adequate and proper water service to Tranquility Springs' or Aqua's present customers. Rate Counsel recommends that any Board Order approving Aqua's petition contain certain language, which has been incorporated in this Order below.

Regarding the impact of the proposed acquisition on the requirements of N.J.S.A. 48:2-51.1, the recorded evidence provided by the Company indicates the following:

1. **IMPACT ON COMPETITION:** The proposed acquisition will not adversely impact competition as there are no other viable options for water service in the service territory.
2. **IMPACT ON CUSTOMER RATES:** The proposed acquisition will not adversely affect the rates of Tranquility Springs' customers since the current Board-approved rates will not change as a result of the acquisition.
3. **IMPACT ON EMPLOYEES:** The proposed acquisition will not adversely affect employees of the Tranquility Springs Water Company Inc. since Tranquility Springs does not have any employees.
4. **IMPACT ON SERVICE:** The proposed acquisition will positively benefit the provision of safe and adequate utility service since service will be provided by a larger water utility with established financial, technical and managerial resources.

Based on the foregoing and a thorough review of the record to this proceeding, the Board **HEREBY FINDS** that the proposed acquisition satisfies the requirements of N.J.S.A. 48:2-51.1 and does not adversely impact competition, customer rates, employees, or service of the Tranquility Springs Water Company. The Board also **HEREBY FINDS** that the implementation of monthly billing to Tranquility Springs' customers at Tranquility Springs' current Board-approved tariff rates is in the best interest of customer's conservation of water. The Board **HEREBY APPROVES** the Acquisition Agreement; the discontinuance of service by the Tranquility Springs Water Company pursuant to N.J.S.A. 48:2-24; and implementation of monthly billing to Tranquility Springs' customers at Tranquility Springs' current Board-approved tariff rates.

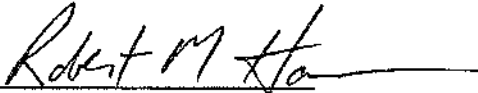
The approvals granted, hereinabove, shall be subject to the following provisions:


1. 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 Aqua New Jersey Inc.
2. This Order shall not affect 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 Aqua New Jersey Inc.
3. In an appropriate subsequent proceeding, the Company 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 acquisition does not include authorization to include in rate base the specific assets that are or will be completed as a result of the new service territory.
4. Approval of this acquisition 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, depreciation on contributed plant, the cost of connection, or any related capital improvements, and the allocation of such cost and expenses, shall be made in an appropriate subsequent proceeding.
5. Aqua shall provide the original cost study associated with this proposed acquisition at its next base rate case proceeding and submit a revised tariff page reflecting the new service territory and monthly billing rates.
6. Aqua shall file updated Tariff sheets reflecting the incorporation of Tranquility Springs Tariff rates for current Tranquility Spring's customers within ten (10) days of the effective date of this Order.
7. The authority granted herein shall become null and void if the transaction is not completed within 180 days of the date of receipt of all required approvals.

This Order shall be effective on September 23, 2012.


DATED: 9/13/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

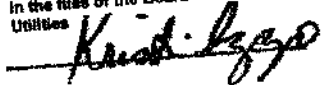

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
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 FOR APPROVAL OF THE ACQUISITION OF
THE ASSETS OF THE TRANQUILITY SPRINGS WATER COMPANY, INC., AND
OTHER REQUIRED APPROVALS

DOCKET NO. WM11120886

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