



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 OF)
PINELANDS WATER COMPANY FOR) ORDER ADOPTING INITIAL
APPROVAL OF AN INCREASE IN RATES) DECISION/STIPULATION
FOR WATER SERVICE AND OTHER)
TARIFF CHANGES) BPU DOCKET WR12080734
OAL DOCKET NO. PUC 13876-12

Parties of Record:

Kenneth J. Quinn, Esq. for Pinelands Water Company, Petitioner
Stefanie A. Brand, Esq., Director, Division of Rate Counsel
Anthony R. Francioso, Esq., Fornaro Francioso LLC, Township of Southampton

BY THE BOARD:

On August 10, 2012, Pinelands Water Company ("Pinelands" or "Petitioner"), a wholly-owned subsidiary of Middlesex Water Company ("Middlesex"), a New Jersey corporation and public utility subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board") filed a petition pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.11, 14:1-5.12 et seq., seeking to increase its base rates in the amount of \$154,806 or 26.38% above its present revenues.

By this Order, the Board considers the Initial Decision recommending adoption of the Stipulation of Settlement ("Stipulation") executed by the Petitioner, Board Staff, and the Division of Rate Counsel ("Rate Counsel") (collectively the Signatory Parties), agreeing to an overall increase in revenues totaling \$98,000 representing a 16.72% increase over present revenues totaling \$586,152.

BACKGROUND/PROCEDURAL HISTORY

Pinelands serves approximately 2,400 water customers in the Township of Southampton, Burlington County, New Jersey.

As filed, the Petitioner requested the increase in rates to become effective on October 1, 2012. On September 20, 2012, Pinelands submitted an email stating that it would not implement the proposed rates until October 15, 2012. On October 4, 2012, the Board suspended the proposed rates until February 1, 2013. On February 11, 2013, Pinelands submitted correspondence indicating that it would not put the rates in effect pending the Board's February 20, 2013 Order. On February 20, 2013, the Board further suspended the rates until June 1, 2013.

The matter was transmitted to the Office of Administrative Law ("OAL") on October 15, 2012, and Administrative Law Judge ("ALJ") Gail M. Cookson was assigned to hear the case. A Pre-Hearing Conference (via telephone) was convened by ALJ Cookson on November 8, 2012. By Order dated November 9, 2012, the Township of Southampton was granted intervenor status.

After proper notice, a public hearing in the service territory was held in Southampton on the evening of December 19, 2012, at Southampton Township School # 2. Approximately six members of the public provided comments that mainly focused on the adverse economic impact and financial hardships for the average Pinelands Water Company ratepayer.

Subsequent to the public hearing, the Parties to the proceeding engaged in numerous settlement negotiations and as a result of these discussions and extensive discovery, the Signatory Parties reached a settlement on all issues and executed the Stipulation.

On March 13, 2013, ALJ Cookson issued her Initial Decision in this matter recommending adoption of the Stipulation, finding that the Parties had voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues and is consistent with the law.

DISCUSSIONS AND FINDINGS

Among the provisions of the Stipulation¹, the Parties recommend that the Petitioner's base rates be increased by \$98,000, representing a 16.72% increase over present revenues totaling \$586,152. The Parties further recommend a rate base of \$1,170,743 with a test year ending December 31, 2012, adjusted for known and measurable changes and that the Petitioner be authorized a return on equity of 9.75%. The Parties agree that this return on equity will calculate to an overall rate of return of 8.425%.

The Parties further agree on the following:

- The rates for water service will be implemented in two phases. The revenue increase will be phased in with the second part of the increase taking effect one year after the effective date of the first phase-in. The Parties anticipate this first phase-in increase being effective on or about March 29, 2013. The second part of the phase-in revenue increase will therefore be effective on March 29, 2014.

¹ Although described in the Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

- The tariff pages (attached as Exhibit A to the Stipulation), implementing the terms of the Stipulation, should be adopted by the Board in their entirety. Also attached as Exhibit B is a Proof of Revenues for Pinelands.

The Phase 1 rate for an average customer with a 5/8 inch meter is a \$23.13 facilities charge as well as \$1.9194 per thousand gallons, an increase of approximately 8.57 percent. On or after March 29, 2014, the Phase 2 rate for an average customer with a 5/8 inch meter will be a \$24.96 facilities charge as well as \$2.0714 per thousand gallons, an increase of approximately 7.90 percent over phase 1 rates.

The Board is mindful of the impact any rate increase has on its customers. However, having reviewed the record in this matter, including ALJ Cookson's Initial Decision and the Stipulation, the Board **FINDS** that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. In reaching this decision, the Board must balance the needs of the ratepayer to receive safe, adequate and proper service at reasonable rates, while allowing the utility the opportunity to earn a fair rate of return. See *FPC v. Hope Natural Gas*, 320 U.S. 591 (1944); N.J.S.A. 48:2-21 and N.J.S.A. 48:3-1. Therefore, the Board **FINDS** that the Initial Decision, which adopts the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Initial Decision and the Stipulation, attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein, subject to the following:

- a. The tariff sheets attached to the Stipulation containing rates and charges conforming to the Stipulation and designed to produce the additional revenues to which the Parties have stipulated herein are **HEREBY ACCEPTED**; and
- b. The stipulated increase and the tariff design allocations for each customer classification are **HEREBY ACCEPTED**.

Based upon the forgoing, the Board **HEREBY APPROVES** an overall increase in revenues in the amount of \$98,000 representing a 16.72% increase over present revenues totaling \$586,152.


The Board **HEREBY ORDERS** the Petitioner to submit complete revised tariffs conforming to the terms and conditions of the Stipulation and this Order within five (5) days from the date of this Order.

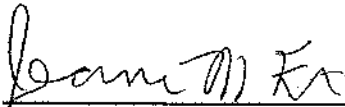
The Board **FURTHER ORDERS** that the Petitioner update its Tariff sheets on or prior to March 29, 2014 to reflect the second phase of increases.

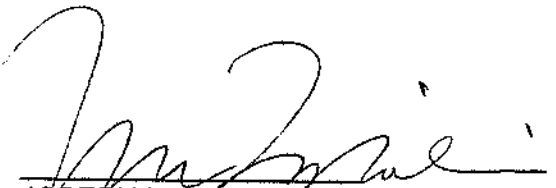
This Order shall be effective on March 29, 2013.

DATED: 3/20/13

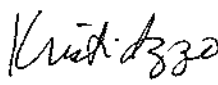
BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT

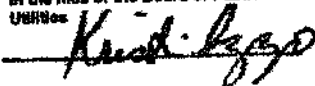

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
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 OF
PINELANDS WATER COMPANY
FOR APPROVAL OF AN INCREASE IN RATES
FOR WATER SERVICE AND OTHER TARIFF CHANGES

BPU DOCKET NO. WR12080734

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

**IN THE MATTER OF PINELANDS
WATER COMPANY FOR THE
APPROVAL OF AN INCREASE IN ITS
RATES FOR WATER SERVICE
AND OTHER TARIFF CHANGES.**

OAL DKT. NO. PUC 13876-12
AGENCY DKT. NO. WR12080734

Kenneth J. Quinn, Esq., and Stephen B. Genzer, Esq., for petitioner Pinelands
Wastewater Company (Saul Ewing, attorneys)

Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the
Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey,
attorney)

Susan McClure and Christine Juarez, Assistant Deputies Rate Counsel, for
Division of Rate Counsel (Stefanie A. Brand, Director, attorney)

Anthony R. Francioso, Esq., on behalf of intervenor Southampton Township
(Fornaro Francioso, attorneys)

Record Closed: March 12, 2013

Decided: March 13, 2013

BEFORE GAIL M. COOKSON, ALJ:

On August 10, 2012, Pinelands Water Company (Company) filed a petition with the Board of Public Utilities (BPU) for approval of its request to increase rates for water services and other tariff changes. Specifically, the Company requested an increase in

rates of water services of \$154,806, or 26.83% above the adjusted annual level of revenues for the test year ending December 31, 2012. The petition was transmitted to the Office of Administrative Law (OAL), where it was filed on October 15, 2012, for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F-1 to- 13. The case was assigned to the undersigned on October 25, 2012.

A prehearing conference was convened telephonically on or about November 8, 2012. A motion to intervene by the Township of Southampton was filed with the OAL on or about November 7, 2012, and granted as a matter of right by the undersigned under Order of November 9, 2012. The opportunity for the public to be heard on its petition for a rate increase was held on December 19, 2012, in Southampton, New Jersey. The plenary hearings for the presentation of the pre-filed direct testimony and cross-examination of the witnesses were set down for April 19, 22, 24 and 26, 2013. Over the course of several case status telephonic conferences, the parties reported that they were in the process of resolving the issues in dispute, as well as those for a related but separate filing by the Company.

On March 12, 2013, prior to the scheduled hearing dates, I received electronically the fully-executed Stipulation of all parties to this matter with a request that I enter an Initial Decision Settlement and transmit same to the Board. The agreement more completely sets forth the terms and conditions of the settlement of all issues raised by the filing of the Company but in sum stipulates to an increase of \$98,000 in the revenue requirements of the Company and derivative rate increases in its tariff for the provision of water service.

I have reviewed the record and terms of the Stipulations and **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with law.

I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the matter be deemed dismissed with prejudice and that these proceedings be and are hereby concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 13, 2013

DATE



GAIL M. COOKSON, ALJ

Date Received at Agency:

3/13/13

Date Mailed to Parties:

id