

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION OF
UNITED WATER NEW JERSEY INC.
FOR APPROVAL OF AN INCREASE IN
RATES FOR WATER SERVICE AND OTHER
TARIFF CHANGES**

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**VERIFIED PETITION
BPU DOCKET NO. WR0912_____**

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, United Water New Jersey Inc. (“UWNJ,” “Petitioner” or the “Company”), respectfully submits this Petition pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, and shows that:

1. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the New Jersey Board of Public Utilities (the “Board”). Petitioner maintains its principal business office at 200 Old Hook Road, Harrington Park, New Jersey 07640-1799.

2. Petitioner 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. Specifically, UWNJ serves approximately 195,000 customers located in portions of Bergen, Hudson, Passaic, Morris, Hunterdon and Sussex Counties. UWNJ also supplies water service to municipalities including the Township of Saddle Brook, the Borough of Fairlawn, the Borough of Saddle River, the Borough of Allendale, the Borough of Mahwah and the Borough of Ramsey.

3. In this Petition, the Company is seeking Board approval of the following requests:

- A. To increase rates to produce additional revenues of approximately \$37,819,306 or approximately 21.3% above the annual level of revenues for the post-test year period ending July 31, 2010.
- B. To establish a Distribution System Improvement Charge (“DSIC”).
- C. To establish an Energy and Chemicals Costs Adjustment Clause.
- D. To establish a late payment fee for non-residential customers.
- E. Continue certain deferred account treatments currently authorized.
- F. To make tariff changes as deemed necessary and appropriate by the Board.

Proposed Rate Increase

4. In this proceeding, Petitioner proposes to increase rates to produce additional revenues of approximately \$37,819,306 or approximately 21.3% above the annual level of revenues for the post-test year period ending July 31, 2010. The need for, and the magnitude of, the proposed rate increase is driven by a number of factors. First, Petitioner has undertaken a significant capital improvement plan in order to continue to provide safe, adequate and proper water service to its customers, and seeks in this proceeding to recognize in rate base those investments. Petitioner is entitled to earn a fair return of, and on, these investments, and under the current regulatory paradigm, this may only be accomplished through the updating of rate base and the implementation of the results of a base rate proceeding. Second, Petitioner continues to experience significant increases in certain categories of costs, including power and chemicals, which costs can only be recovered if they are included in rates.

5. The rate increase proposed in this Petition is required to enable the Petitioner to maintain a satisfactory credit position, preserve its financial integrity, permit proper maintenance and improvement of the utility facilities required to furnish safe, adequate and proper service, encourage continued effective management and provide incentives for efficiency,

prevent confiscation or diminution of its property, and to earn a reasonable return upon the fair value of its property used and useful in the public service.

6. Petitioner seeks approval to increase rates for water service beginning on and after January 21, 2010, which is at least thirty (30) days after the filing of this Petition. Petitioner hereby notifies the Board that it will implement the proposed rates on September 21, 2010 if the Board has suspended the effective date of the new rates pursuant to N.J.S.A. 48:2-21 without having finally determined a just and reasonable tariff schedule prior to that date.

7. The test year used in support of this Petition is the twelve month period ending January 31, 2010, adjusted to reflect known and measurable changes, and the post-test year period ending July 31, 2010, also adjusted to reflect known and measurable changes. Annexed hereto and made a part hereof, as if fully set forth herein, are the following exhibits and testimonies:

EXHIBITS:

- Exhibit P-1 Income Statements & Balance Sheets – 2006, 2007 & 2008
- Exhibit P-2 Income Statements & Balance Sheets – Twelve Months Ended June 30, 2009
- Exhibit P-3 Income Statements & Balance Sheets – Twelve Months Ended June 30, 2009
- Exhibit P-4 Income Statement, Revenues, O&M Expenses, Depreciation Expense, GRFT, Taxes, Income Taxes, Capitalization, & Rate Base
- Exhibit P-5 Construction Program
- Exhibit P-6 Tariffs
- Exhibit P-7 Lead/Lag Study
- Exhibit P-8 Cost of Capital

Exhibit P-9 Cost of Service Study

Exhibit P-10 Proposed Form of Notice

TESTIMONY:

PT-1 James A. Glozzy

PT-2 Obie N. Ugboaja

PT-3 David G. Njuguna

PT-4 Caryl D. Jersey

PT-5 Emad Sidhom, P.E.

PT-6 James C. Cagle

PT-7 Pauline M. Ahern

PT-8 Charles E. Loy

Establish A Distribution System Improvement Charge

8. As described in greater detail in the testimony of Mr. Emad Sidhom, Petitioner has completed an analysis of the water distribution system and determined that significant portions of the system are nearing the end of their useful life. As a result, the Company anticipates that it will need to replace substantial sections of water main over the next several years. Consequently, as discussed in Mr. Cagle's testimony, the Company proposes the implementation of a Distribution System Improvement Charge ("DSIC") modeled after the methodology used by the Pennsylvania Public Utility Commission for nearly 10 years. Specifically, the Company proposes to make semi-annual rate adjustments to reflect a portion of the investment made in non-revenue producing distribution system improvement projects completed and placed in service between base rate proceedings. The Company believes the DSIC represents a reasonable approach to addressing the need to replace and/or rehabilitate

aging utility infrastructure, and is structured in such a way to balance the interests of the Company and the interests of customers.

Establish a Energy and Chemicals Costs Adjustment Clause

9. As discussed in greater detail in the testimony of Mr. Cagle, the Company has experienced dramatic increases in the costs of both energy (electricity and natural gas) and chemicals. While the Board through its regulation of energy providers is certainly aware of the volatility in the costs of energy, the Board may not be aware that chemical costs have also increased significantly over time and these costs have become increasingly volatile. The Neither the Company nor customers should be advantaged by such volatility in these cost increases between base rate proceedings and so the Company proposes a clause mechanism to reflect periodic increases and/or decreases over a baseline of costs authorized in this proceeding.

Continue Certain Deferred Account Treatments Currently Authorized

10. As discussed in Mr. Cagle's testimony, the Company is seeking to continue deferred accounting treatment for certain Pension and Post Employment Benefits expenses. Specifically, the Company is requesting Board's continued approval to defer any differences, either positive or negative, between the Pension and Post Employment Benefits calculated in accordance with FAS 87 and FAS 106 by an actuary and the amount allowed in this case. The Company requests that the deferred amount, if any, would be amortized (as approved in the Company's prior case) beginning in the Company's next base rate proceeding.

Other Tariff Changes

11. Petitioner also requests approval to make any additional changes to its tariffs deemed necessary and appropriate by the Board.

12. The Company intends to supplement this Petition as needed and will furnish such other and additional information as may be required by the Board.

13. In addition to the Secretary of the Board, two copies each of this filing and all annexed exhibits are being served upon the State of New Jersey, Department of the Public Advocate, Division of Rate Counsel and on the Office of the Attorney General. Notice of the filing and a statement of its effect will be furnished to the Petitioner's customers by a notice placed in newspapers published and circulated in the Petitioner's service areas pursuant to the rules of the Board. Copies of the notice of filing, the proposed tariffs and of the date set for hearing in this matter will be served on the municipalities and the Clerks of the Boards of Chosen Freeholders, and where applicable the County Executive, pursuant to the Board's regulations at N.J.A.C. 14:1-5.12(b)-(d). Proof of service of the notices referred to herein will be filed with the Board in accordance with the Board's regulations.

14. Correspondence in this matter should be addressed to the following:

Stephen B. Genzer, Esq.
Colleen A. Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza, 15th floor
Newark, New Jersey 07102

And

James C. Cagle
Senior Director - Regulatory Business
United Water Management & Services, Inc.
200 Old Hook Road
Harrington Park, New Jersey 07640

Conclusion

WHEREFORE, the Petitioner respectfully requests that the Board:

- A. Authorize an increase in rates to produce additional revenues of approximately \$37,819,306 above the annual level of revenues for the post-test year period ending July 31, 2010;
- B. Establish a Distribution System Improvement Charge.
- C. Establish an Energy and Chemicals Costs Adjustment Clause.
- D. To establish a late payment fee for non-residential customers.
- E. Continue certain deferred account treatments currently authorized.
- F. Authorize additional tariff changes as deemed necessary by the Board.
- G. Grant such other relief as is just and proper.

Respectfully submitted,

By: _____
Stephen B. Genzer, Esq.
Saul Ewing LLP
Attorneys for Petitioner

Dated: December 9, 2009

VERIFICATION

STATE OF NEW JERSEY)
 :
COUNTY OF BERGEN)

James C. Cagle, of full age, being duly sworn, upon his oath deposes and says:

1. I am Senior Director - Regulatory Business for United Water Management and Services Inc., and in that capacity I am authorized to make this Verification on behalf of United Water New Jersey Inc. (the "Petitioner") in this matter.

2. I have reviewed the within Petition and exhibits thereto, and the same are true and correct to the best of my knowledge, information and belief.

3. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

James C. Cagle

Sworn to and subscribed before me
this __ day of December, 2009.

Notary Public
My commission expires:_____