



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**AMENDED**

**PREHEARING ORDER**

OAL DKT. NO. PUC 3514-08

AGENCY DKT. NO. WE08010063

**I/M/O THE JOINT PETITION OF THE CITY  
OF TRENTON AND NEW JERSEY  
AMERICAN WATER COMPANY, INC. FOR  
AUTHORIZATION OF THE PURCHASE AND  
SALE OF THE ASSETS OF THE OUTSIDE  
WATER UTILITY SYSTEM OF THE CITY OF  
TRENTON AND FOR OTHER RELIEF.**

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After Notice, a prehearing conference was held in the above-entitled matter on April 2, 2008 and amended on May 20, 2008. The following procedures were settled:

**1. NATURE OF PROCEEDINGS AND ISSUES TO BE RESOLVED:**

**A. Nature of Proceedings:**

Petitioner City of Trenton (Trenton) is a Body Politic of the State of New Jersey and owner and operator of a water supply and distribution system that serves customers located within Trenton's boundaries ("Inside Water Utility System" or "IWUS") and outside Trenton's boundaries ("Outside Water Utility System" or "OWUS").

Petitioner New Jersey American Water Company, Inc. (NJAW) is a regulated public utility corporation, engaged in the production, treatment and distribution of water and collection of sewage within its defined service territory within the State of New Jersey. NJAW's service territory includes

portions of the following counties: Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren. Collectively, Trenton and NJAW are referred to as Joint Petitioners.

Joint Petitioners, Trenton and NJAW, request the Board of Public Utilities to approve and authorize the following:

- The transaction pursuant to N.J.S.A. 40:62-3.1, which will include the sale and purchase of the assets utilized to provide service in the OWUS. The purchase price is One Hundred Million Dollars (\$100,000,000).
- On the date of the anticipated closing of the transaction, it is estimated that the original cost less depreciation of the assets of OWUS will exceed One Hundred Twenty Four Million Dollars (\$124,000,000).
- Estimates of the replacement cost new less depreciation of the assets of OWUS at approximately the time of closing of the Transaction range to \$235,000,000.
- NJAW will purchase water from Trenton to service OWUS pursuant to a Water Supply Agreement ("WSA"). Joint Petitioners seek a determination that the WSA is reasonable and prudent.
- Joint Petitioners seek an order from the Board allowing the recovery of all costs associated with the WSA through NJAW's Purchased Water Adjustment Clause ("PWAC").
- NJAW's PWAC is subject to deferred accounting. Upon closing of the transaction, NJAW will commence purchasing water under the WSA. It is requested that NJAW be authorized to defer all purchased water costs on its books, from the closing of the transaction until NJAW's next PWAC proceeding.
- In the Base Rate Proceeding, NJAW requests a rate increase applicable to customers within the OWUS.
- Joint Petitioners seek authorization to convert customers within the OWUS from quarterly to monthly billing.
- Joint Petitioners seek authorization to apply NJAW's Board-approved rates of depreciation, as they may be in effect from time-to-time, to the assets of OWUS.
- Joint Petitioners seek authorization to transfer Trenton's franchises to serve the Townships, and to eliminate a limitation on the duration

of the franchises for the Townships of Ewing, Hamilton and Lawrence.

- NJAW's Base Rate Proceeding, OAL Dkt. NO 319-08 also requests Recognition in rate base of all capital costs associated with the Transaction and Implementation of a wheeling rate, to allow NJAW to transport water from the IWUS to customers outside of the OWUS.

**B.** Issue to be Resolved: Whether the Transaction should be approved under applicable statutes and regulations.

**2. PARTIES AND THEIR DESIGNATED ATTORNEYS OR REPRESENTATIVES**

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- E. Intervenor Cogen Technologies Linden Venture, L.P.**  
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- I. Intervenor Conoco Phillips Co.**  
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(See paragraph E)

**J. Intervenor Johanna Foods, Inc.**

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**K. Intervenor Township of Hopewell**

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No change in designated trial counsel shall be made without leave of the Administrative Law Judge if such change will interfere with the dates for hearing. If no specific counsel is set forth in this Order, any partner or associate shall proceed with trial on the agreed dates.

**3. SPECIAL LEGAL REQUIREMENTS AS TO NOTICE OF HEARING:**

Notice of public hearings shall be provided in accordance with the rules of the Board of Public Utilities.

**PUBLIC NOTICE**

A draft of the Public Notice was appended to the Petition filed in this matter. Within seven (7) days of the date of this Prehearing Order, all parties shall provide comments upon the Public Notice to Joint Petitioners.

4. **SCHEDULE OF HEARING DATES, TIME AND PLACE:**

Plenary hearings shall be held on July 30, July 31, August 1 and August 4, 2008:

5. **STIPULATIONS:**

None at this time.

6. **SETTLEMENT:**

The parties or their counsel are urged to confer and attempt to settle this matter. In the event a settlement is reached, the parties shall be required to immediately notify the ALJ, and shall submit a settlement agreement pursuant to N.J.A.C. 1:1-19.1, or a written withdrawal pursuant to N.J.A.C. 1:1-19.2, within ten (10) days thereof, unless extended by the ALJ.

7. **AMENDMENTS TO PLEADING:**

None.

8. **DISCOVERY AND DATE FOR COMPLETION:**

The time limits for discovery shall be in accordance with N.J.A.C. 1:1-10.4. Unless otherwise provided by written order of the ALJ, discovery shall be completed as follows:

A. April 25, 2008: First round of discovery from Rate Counsel, Board Staff, and Intervenors shall be served on Joint Petitioners.

B. May 2, 2008: Responses to first round of discovery served on Rate Counsel, Staff and Intervenors.

C. May 5, 2008: Petitioners responses to first round of discovery.

- D. May 6, 2008: Optional Discovery Conference.
- E. May 13, 2008: Second round of discovery from Rate Counsel, Board Staff, and Intervenors shall be served on Joint Petitioners.
- F. May 23, 2008: Petitioners responses to second round discovery.
- G. June 9-20, 2008: The parties shall hold discovery/settlement conference/s.
- H. June 26, 2008: Rate Counsel, Board Staff and Intervenors shall submit pre-filed testimony.
- I. July 3, 2008: The parties shall propound discovery directed to the testimony of Rate Counsel, Board Staff, and Intervenors.
- J. July 11, 2008: Responses by Rate Counsel, Board Staff, and Intervenors to discovery on pre-filed testimony.
- K. July 18, 2008: Rebuttal testimony due.

9. **ORDER OF PROOFS:**

Joint Petitioners have the burden of proof by a preponderance of the credible evidence and shall proceed first followed by Rate Counsel, Intervenors and Board Staff.

10. **EXHIBITS MARKED FOR IDENTIFICATION:**

Joint Petition, Prefiled Testimony and Petitioners' Exhibits.

11. **EXHIBITS MARKED IN EVIDENCE:**

None.

12. **ESTIMATED NUMBER OF FACT AND EXPERT WITNESSES:**

Joint Petitioners anticipate nine (9) witnesses.

Rate Counsel anticipates two to three (2-3) witnesses.

Cogen Technologies Linden Venture, L.P. anticipates one (1) witness.

13. **MOTIONS:**

Motion for Leave to Intervene is **GRANTED** to **Cogen Technologies Linden Venture, L.P, Princeton University, ConocoPhillips Company, Aqua New Jersey, Middlesex Water Company, Ewing Township, Township of Hopewell, Johanna Foods, Inc. , Township of Lawrence.**

All Intervenors shall adhere to the schedule as set forth in this Order.

14. **OTHER SPECIAL MATTERS:**

None.

This order may be reviewed by the **BOARD OF PUBLIC UTILITIES** either upon interlocutory review pursuant to N.J.A.C. 1:1-14.10 or at the end of the contested case, pursuant to N.J.A.C. 1:1-18.6.

April 21, 2008

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DATE



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MUMTAZ BARI-BROWN, ALJ