



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE PETITION OF MIDDLESEX )  
WATER COMPANY, INC. FOR DEFERRAL )  
ACCOUNTING AUTHORITY FOR THE FINANCIAL )  
IMPACT OF DAMAGE RELATED TO HURRICANE )  
SANDY )  
ORDER APPROVING )  
DEFERRED ACCOUNTING )  
DOCKET NO. WO13040346 )

**Parties of Record:**

**Kenneth J. Quinn Esq.** on behalf of Petitioner, Middlesex Water Company  
**Stefanie A. Brand, Esq.** Director, Division of Rate Counsel

BY THE BOARD:

**BACKGROUND AND PROCEDURAL HISTORY**

On April 26, 2013, Middlesex Water Company<sup>1</sup> ("Middlesex", "Company" or "Petitioner") a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition, pursuant to N.J.S.A. 48:2-16, N.J.S.A. 48:2-21.1 and N.J.S.A. 48:2-23, and any such other statutes, regulations and Board Orders that may be deemed by the Board to be applicable, seeking authorization for deferred accounting treatment of actually incurred uninsured incremental storm costs associated with Superstorm Sandy that are not otherwise recovered through the Company's currently approved base rates.<sup>2</sup> The Company proposed that the appropriate amortization period for such deferred costs be addressed in its next base rate case.

<sup>1</sup> Middlesex Water Company serves approximately 59,000 general water service customers on a retail basis to the municipalities of South Plainfield, Metuchen, Carteret, Woodbridge, Edison, South Amboy and portions of Clark (collectively "GWS Customers"). The Company provides water on a contractual basis to the Township of Edison, the Boroughs of Highland Park and Sayreville, the Old Bridge Municipal Utilities Authority, the City of Rahway and Marlboro Township collectively. Middlesex also provides services on a special contract basis, for water treatment and pumping services only, to the Township of East Brunswick.

<sup>2</sup> Middlesex Water Company's base rates became effective on July 20, 2012. (Docket No. WR12010027,7/18/12)

In its petition, Middlesex asserted that the storm related incremental expenses that the Company seeks to defer are actual, were prudently incurred and were associated with the impact of Superstorm Sandy. Middlesex also stated that Superstorm Sandy was an unprecedented storm event in the utility industry which had a major impact on operations primarily due to the loss of electric power service to critical pumping and treatment facilities, throughout the Middlesex system. The Company further stated that prolonged power outages forced it to rely on backup generators to power its pumping and treatment facilities, which required extensive overtime and use of outside contractors to mitigate storm damage; assess damage after the storm; identify, prioritize and undertake repairs; inspect and repair equipment damaged by the storm; and to restore service where service was disrupted.

The costs associated with Superstorm Sandy for which the Company is seeking deferral authority are currently \$421,250 and include: overtime, outside contractor costs, fuel, generator rental and transport, rental of equipment, and other directly related expenses resulting from storm damage mitigation, assessment repair, clean up, and restoration activities in the affected Middlesex service areas.<sup>3</sup>

By letter dated, May 16, 2013, the Division of Rate Counsel ('Rate Counsel') submitted comments regarding the Petitioner's request. Rate Counsel stated that it did not object to the Company's request to defer on its books and records, for accounting purposes only, the actual incurred uninsured incremental storms costs associated with Superstorm Sandy that are not otherwise recovered through its currently approved base rates. Rate Counsel went on to request that the Board's Order addressing the Company's request include language noting that said Order did not in any way limit the authority of the Board or the State in any future petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting Middlesex. Rate Counsel also requested that the Board order the Company to file a petition for a base rate case, within two years from the date of the Board's Order, so that the prudence and recoverability of actually incurred storm costs can be determined.

After reviewing the petition, the Board **FINDS** that the Petitioner's request is reasonable, in the public interest, and in accordance with the law. The Board **HEREBY AUTHORIZES** Middlesex Water Company to defer on its books, for accounting purposes only, actually incurred prudent otherwise unreimbursed, incremental storm restoration costs not otherwise recoverable through base rates or insurance.

With regard to Rate Counsel's request that Middlesex be ordered to file a petition for a base rate case within two years, while the Board **FINDS** that it is within its discretion to order the Company to file a time-specific base rate case as a condition to authorizing Middlesex to defer actually incurred, prudent, unreimbursed, incremental storm restoration costs, the Board has determined not to impose this condition at this time. In so doing, the Board notes that, consistent with the approval of the Company's Distribution Improvement Charge ("DSIC") foundational filing, Middlesex is expected to file a base rate case on or before February 21, 2016 since failing to do so will lead to a finding that the DSIC rates will be deemed an over-recovery and credited to the Company's customers. In the Matter of the Petition of Middlesex Water Company for Approval of a Foundational Filing for Establishing a Distribution System Improvement Charge (Docket No. WR12111021; 2/21/13)

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<sup>3</sup> Exhibit A to this Petition contains a detailed listing of storm costs incurred by Middlesex.

Further, the Board initiated a generic proceeding (to evaluate the prudence of extraordinary, storm-related costs incurred by all the regulated utilities as a result of the natural disasters New Jersey experienced in 2011 and 2012, thereby satisfying the Board's concern that delayed review of extraordinary costs be avoided. In this proceeding, the Board will determine the manner in which such prudent costs shall be recovered.

The Board **ORDERS** that the prudence and recovery of any deferred uninsured Superstorm Sandy related expenses will be reviewed in a separate proceeding. Additionally, the Board **HEREBY ORDERS** that, as a condition for approval of the right to defer unreimbursed storm related costs on its books and records for accounting purposes only and without interest, the Petitioner shall cooperate with staff as the Board reviews the prudence of storm-related costs and in the the proceeding and shall provide requested information including, but not limited to the following:

- 1) An estimate of the total of actually incurred unreimbursed, uninsured, incremental storm restoration costs;
- 2) For each cost identified, information as to the eligibility for, and probability of cost recovery from insurance, any governmental program or any other third party;
- 3) The costs and ratemaking treatment for those costs for which the Company continues to request deferred accounting;
- 4) The tax treatment expected for each storm-related cost; and
- 5) How the Company intends to report storm related costs for Generally Accepted Accounting Practices or GAAP purposes.

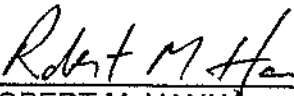
This Order is subject to the following additional conditions:


1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets not owned or hereafter to be owned by Petitioner.
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, service, financing, accounting, capitalization, depreciation, or in any other matters affecting Middlesex Water Company.
3. Approval of this deferred accounting treatment request constitutes approval for accounting purposes only and does not constitute approval for ratemaking purposes; any determination of the appropriateness or reasonableness of the costs and expenses shall be made in an appropriate subsequent proceeding.

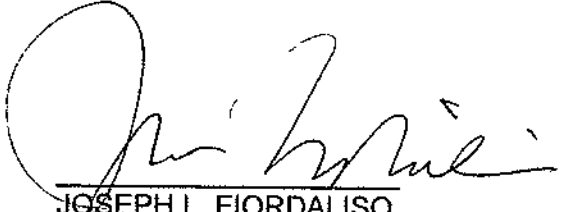
This Order shall be effective on July 1, 2013.

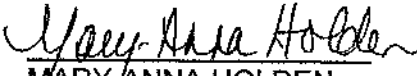
DATED: 6/21/13

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

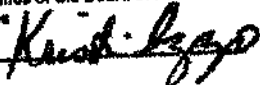
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
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 MIDDLESEX WATER COMPANY, INC. FOR  
DEFERRAL ACCOUNTING AUTHORITY FOR THE FINANCIAL IMPACT OF DAMAGE  
RELATED TO HURRICANE SANDY  
BPU DOCKET NO. WO13040346

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IN THE MATTER OF THE PETITION OF MIDDLESEX WATER  
COMPANY FOR DEFERRAL ACCOUNTING AUTHORITY FOR  
THE FINANCIAL IMPACT OF DAMAGE RELATED TO  
HURRICANE SANDY

|                                |
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| <b>SUMMARY BY EXPENSE TYPE</b> |
|--------------------------------|

|                                       |               |                      |
|---------------------------------------|---------------|----------------------|
| <b>Labor</b>                          |               |                      |
| MWC-PRODUCTION                        | \$ 12,312.80  |                      |
| MWC-IT                                | 510.08        |                      |
| MWC-T&D                               | 11,985.56     |                      |
| <b>Total Labor</b>                    |               | \$ 24,808.44         |
| <b>Materials &amp; Supplies</b>       |               |                      |
| Fuel                                  | \$ 188,169.47 |                      |
| Equipment Repairs                     | 63,516.48     |                      |
| Maintenance - Tree Removal, Etc.      | 15,926.50     |                      |
| Generator Rental Costs                | 128,283.54    |                      |
| Miscellaneous                         | 545.57        |                      |
| <b>Total Materials &amp; Supplies</b> |               | \$ 396,441.56        |
| <b>Total Expenses</b>                 |               | <u>\$ 421,250.00</u> |