

RECEIVED

DEC 01 2015

BOARD OF PUBLIC UTILITIES  
MAIL ROOM

RECEIVED  
DEC 01 2015  
By CMS

11/27/2015

**Fax**

From: Susan McClure

Phone: 609-984-1460

Fax:

Company Name: Division of Rate Counsel

To: Irene Kim Asbury, Secretary of the Board

Phone: 609-292-1554

Fax: 609-777-3348

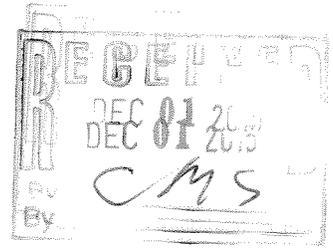
Company Name: Board of Public Utilities

**Comments:**

Following this fax cover sheet is the Stipulation of Settlement for

I/M/O the Joint Application of Oakwood Village Sewerage Associates, L.L.C. and Aion Oakwood Sewer L.L.C. for Approval of a Transfer of Control of a Public Utility BPU Docket No.: WM15091006

- Urgent
- For Review
- Please Comment
- Please Reply
- Please Recycle



STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE JOINT : BPU DOCKET NO. WM15091006  
APPLICATION OF OAKWOOD :  
VILLAGE SEWERAGE :  
ASSOCIATES, L.L.C. AND AION : STIPULATION OF SETTLEMENT  
OAKWOOD SEWER, L.L.C. FOR :  
APPROVAL OF A TRANSFER OF :  
CONTROL OF A PUBLIC :  
UTILITY :  
:

APPEARANCES

Tricia M. Caliguire, Esq., McCarter & English, LLP, on behalf of AION Oakwood Sewer, L.L.C., and Edward K. DeHope, Riker Danzig Scherer Hyland & Perretti, on behalf of Oakwood Village Sewerage Associates, L.L.C., Joint Petitioners

Christopher Psihoules, Deputy Attorney General, on behalf of the Staff of the New Jersey Board of Public Utilities (John Jay Hoffman, Acting Attorney General of New Jersey)

Susan E. McClure, Esq., Assistant Deputy Rate Counsel, and Debra Robinson, Esq., Deputy Rate Counsel, on behalf of the Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

This STIPULATION OF SETTLEMENT ("Stipulation") is made as of November 27, 2015 by and among the Parties in this proceeding: Oakwood Village Sewerage Associates, L.L.C. ("OVSA") and AION Oakwood Sewer, L.L.C. ("AION") (together, "Joint Petitioners"), the Division of Rate Counsel ("Rate Counsel"), and the Staff of the Board of Public Utilities ("Staff") (collectively, the "Parties").

On September 3, 2015, Joint Petitioners filed a Verified Petition ("Petition") requesting the Board's approval of the transfer of ownership and control of OVSA, a public utility regulated by the Board and operating in accordance with a tariff approved by the Board's Order

issued on December 19, 2002 in BPU Docket No. WE00120986, along with any related required approvals, pursuant to N.J.S.A. 48:2-51.1, N.J.A.C. 14:1-5.14, N.J.S.A. 48:3-10 and N.J.A.C. 14:1-5.10.

Joint Petitioners also requested the Board's approval of a mortgage agreement that will be executed as of closing of the proposed transaction pursuant to N.J.S.A. 48:3-7, to the extent the Board deems such approval necessary, and approval of revisions to the OVSA tariff, to be effective as of the date of the Board's approval, reflecting minor changes, including addresses, names and citations, with no changes in the sewer service rates charged by OVSA to its customers.

The Board retained jurisdiction in this matter. The Parties met on July 30, 2015 at the Board's offices. Discovery was conducted and Joint Petitioners provided responses to four sets of discovery requests. After proper notice, a public comment hearing was held in the Mount Olive Public Library, located close to the apartment complex and housing development served by OVSA, on the evening of October 26, 2015. No members of the public appeared to provide comments at the public hearing; no written comments were submitted to the Board Secretary by members of the public during the open comment period.

AION is not seeking any changes in OVSA's rates or terms of service to customers and will retain the current operator of the sewage collection system and treatment plant, Applied Water Management ("AWM"), and intends to negotiate an extension of the current operating agreement with AWM which expires January 31, 2016.

The Parties have reviewed the Petition, responses to discovery and have conducted settlement discussions in an effort to reach a proposed settlement of all the issues in this proceeding. The Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of this Stipulation. In consideration of the recitals and mutual promises and covenants set forth herein, the Parties **DO HEREBY STIPULATE AND AGREE:**

1. Updated rate base will not be calculated at this time as the Joint Petitioners make no request for an increase in the rates paid by the OVSA customers nor in the rate of return and revenue requirement to be recovered by OVSA. Should OVSA petition the Board at some future

time for an increase in rates, the Parties agree that nothing in this Stipulation reflects a calculation of rate base, rate of return, income requirement or revenue requirement as would be necessary to support a Board decision on rates.

### APPROVAL OF CHANGE IN CONTROL

2. The acquisition of control of OVSA by AION as proposed in the transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 and should be approved. It will have no impact on competition. OVSA will remain a stand-alone sewer utility with a new owner. AION does not own and has no intention to purchase any other sewage treatment plants. The proposed acquisition of control of OVSA by AION will have no impact on rates charged to OVSA customers as OVSA will continue to operate and charge its current Board-approved tariff rates and its financial condition will not be subject to material change. The proposed acquisition of control of OVSA by AION will have no impact on the employees of OVSA as OVSA has no employees. AWM will continue to operate and maintain the treatment plant and collection system in accordance with an Operations and Maintenance Contract entered February 1, 2013. AION will take over management responsibility of OVSA from East Coast Oakwood Apartments Sewage LLC, and Millbrook Estates at Flanders Homeowners Association will continue as a non-equity member of OVSA with a zero percent (0%) ownership interest in OVSA. The proposed acquisition of control of OVSA by AION will have no impact on the provision of safe and adequate utility service at just and reasonable rates. AWM has more than thirty (30) years' experience in the water and wastewater industry. The company is well qualified to continue operating the OVSA plant and to carry out the utility's obligation to render safe, adequate and proper service to the OVSA customers. There will be no discernible change in the operation, maintenance, and management of the OVSA treatment plant and sewer collection service.

3. OVSA customers and the State of New Jersey will benefit from the acquisition of OVSA by AION, which shall continue operation and maintenance of the sewer treatment plant and collection system pursuant to the Operations and Maintenance Contract and the requirements of the Board. AION is fully capable of funding any repairs or improvements necessary for OVSA to provide safe, adequate and proper service to its customers. OVSA customers will

benefit from AION's commitment to fiscally prudent stewardship of OVSA.

4. The Parties recognize that AION, through its due diligence and the evaluation completed at their request by the engineering firm of Hatch Mott MacDonald, has identified a number of improvements required to maintain operations and achieve reliable compliance with New Jersey Department of Environmental Protection permit requirements. These improvements are characterized as "Immediate Recommendations" in the Hatch Mott MacDonald report titled "Oakwood Village Wastewater Treatment Plant, Final WWTP Condition Assessment" and dated November 2015 (the "Hatch Mott MacDonald Report"), a copy of which was provided in response to RCR-2 and SE-24 and is attached to and made part of this Stipulation. In addition, the operator of the plant, Applied Water Management ("AWM") recommended certain repairs, a summary of which was provided in response to SE-1 and is attached to and made part of this Stipulation, and one of which (Roto Screen Drum) is underway as of the date of this Stipulation.

5. Following closing, AION will provide the Board Staff and Rate Counsel with quarterly reports detailing the activities undertaken and completed to implement the AWM recommended repairs and the "Immediate Recommendations" recommended by Hatch Mott MacDonald, some of which are duplicative. The Parties recognize that, as such repairs and/or improvements are undertaken, certain recommended repairs and/or improvements may be deemed unnecessary and/or suitable for implementation at a later date. AION agrees to complete the AWM recommendations and, unless duplicative, the "Immediate Recommendations" within two years of the date of closing. If for any reason AION does not complete such recommendations within the specified timeframe, the Parties must agree to forego or delay implementation no later than two years of the date of Closing. Should the Parties not agree to a proposed delay or to forego the recommendation entirely, AION shall be required to seek Board approval to forego or delay implementation no later than two years of the date of Closing.

6. In addition to the "Immediate Recommendations" identified in the Hatch Mott MacDonald Report, numerous "Future Recommendations" were also identified. AION will submit within twelve months of closing a plan of action to the Board and to Rate Counsel detailing a schedule that will be followed to implement all "Future Recommendations" deemed necessary to maintain operations, improve site security and operator safety, and achieve reliable

compliance with New Jersey Department of Environmental Protection permit requirements.

#### **TRANSFER OF OVSA MEMBERSHIP INTERESTS TO AION**

7. The proposed acquisition by AION of all the equity membership interests in OVSA is consistent with N.J.A.C. 14:1-5.1 and 5.14. After closing OVSA will be managed by AION and the sewer system will continue to be operated by AWM. AION is not proposing any changes in OVSA's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance, except for agreeing to implement the system repairs recommended by AWM and/or detailed in the Hatch Mott MacDonald Report as noted in Paragraphs 4 through 6 above, or any other matters affecting the public interest or utility customers. AION will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on OVSA's books of all issued and outstanding equity membership interests in the company to AION.

#### **MORTGAGE OF SEWER SYSTEM PROPERTY**

8. As part of the property transaction described in the Joint Petition, the real property comprising the Oakwood Village Apartments complex, including the land under which sewer system collection mains and upon which the sewerage treatment plant are located, will be subject to mortgage. In addition, the collection mains and treatment plant will be subject to mortgage.

9. N.J.S.A. 48:3-7, provides, in pertinent part:

"No public utility shall, without the approval of the board, sell, lease, mortgage or otherwise dispose of or encumber its property, franchises, privileges or rights, or any part thereof . . . . Where, by the proposed sale, lease or other disposition of all or a substantial portion of its property, any franchise or franchises, privileges or rights or any part thereof . . . it appears that the public utility . . . may be unable to fulfill its obligation to any employees thereof . . . the board shall not grant its approval unless the public utility seeking the board's approval for such sale, lease or other disposition assumes such responsibility as will be sufficient to provide that all such obligations . . . will be satisfied[.]"

10. The public utility, OVSA, will not be encumbering its property, as it owns neither the sewer plant nor the land upon which the plant is located. The ownership of the sewer plant

and the land on which it is located will transfer from East Coast Oakwood Village LLC to Oakwood Village Real Estate, LLC, which will also assume all obligations of East Coast Oakwood Village, LLC under its lease with OVSA. The mortgage will not adversely impact OVSA. The mortgage is incidental to the much larger real estate transaction. The mortgage will have no impact on employees of the public utility, as OVSA has no employees. Therefore, the Parties recommend that the Board approve the proposed mortgage to the extent the Board finds such approval necessary.

#### **TARIFF REVISIONS**

11. The initial OVSA tariff was approved by the Board on December 19, 2002 in BPU Docket No. WE00120986. Since then, the Board offices have been moved from Newark to Trenton, ownership of OVSA has changed (with Board approval), and the regulations governing operations of water and sewer treatment plants have been revised. Working with Board staff, AION has modified the OVSA tariff to reflect these changes. The Parties agree that the revised tariff which was filed with the Joint Petition should be adopted by the Board in its entirety, to be effective as of the date of Closing.

#### **OTHER AGREEMENTS**

12. The Parties recommend that the Board consider the above stipulated terms and all agreed upon issues embodied in this Stipulation at its next regularly scheduled agenda meeting.

13. This Stipulation is the product of negotiations by the Parties and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to therein. The Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the Order adopting the same as to those issues upon which the Parties have stipulated herein. The Parties agree that the within Stipulation reflects mutual balancing of issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Parties hereto expressly state that they would not have signed this Stipulation had any terms been modified in

any way. In the event any particular aspect of this Stipulation is not accepted or approved by the Board, then any Party materially affected thereby shall not be bound to proceed under this Stipulation.

14. The Parties further recommend to the Board that an Order issued as a result of this Stipulation shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible wastewater utility assets now owned or hereafter to be owned by AION.

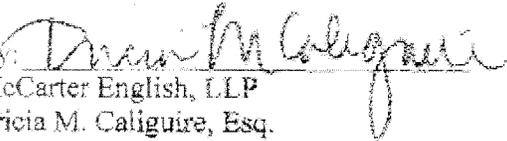
15. The Parties recommend to the Board that an Order issued as a result of this Stipulation shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting AION.

16. Except as expressly provided herein, the Joint Petitioners, Staff or Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle underlying or supposed to underlie any agreement provided herein. This Stipulation, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

17. This Stipulation may be executed in as many counterparts as there are Parties to this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

**NEXT PAGE IS SIGNATURE PAGE**

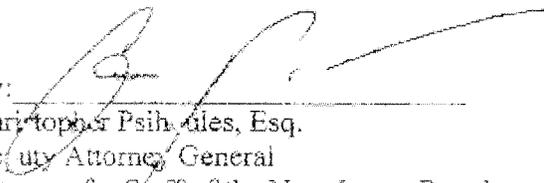
AION OAKWOOD SEWER, L.L.C.

By:   
McCarter English, LLP  
Tricia M. Caliguire, Esq.  
Attorney for Joint Petitioner AION

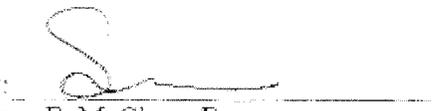
OAKWOOD VILLAGE SEWERAGE  
ASSOCIATES, L.L.C.

By:   
Riker Danzig Scherer Hyland & Perretti,  
LLP  
Edward K. DeHope, Esq.  
Attorney for Joint Petitioner OVSA

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF  
NEW JERSEY

By:   
Christopher Psihodis, Esq.  
Deputy Attorney General  
Attorney for Staff of the New Jersey Board  
of Public Utilities

STEFANIE BRAND  
DIRECTOR, DIVISION OF RATE  
COUNSEL

By:   
Susan E. McClure, Esq.  
Assistant Deputy Rate Counsel