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September 10, 2021

VIA EMAIL and E-FILING

Honorable Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

Re: In The Matter Of The Petition Of The Atlantic City Sewerage Company To  
Decrease The Level Of Its Purchased Sewerage Treatment Adjustment Clause  
BPU Docket No. WR2109XXXX

Dear Secretary Camacho-Welch:

Enclosed for filing please find a courtesy copy of a Petition submitted on behalf of The Atlantic City Sewerage Company, ("Petitioner") initiating the above-referenced matter. We have filed this Petition electronically with the Board of Public Utilities, pursuant to the Board's March 19, 2020 Order in Docket No. EO200230254 (*I/M/O The New Jersey Board of Public Utilities Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations*). Accordingly, no hard copies will be provided.

Please contact me if you have any questions regarding this proceeding. Thank you for your attention to this matter.

Respectfully submitted,



Courtney L. Schultz

Enclosures

cc: Service List (as indicated)

I/M/O THE PETITION OF THE ATLANTIC CITY SEWERAGE COMPANY TO DECREASE  
THE LEVEL OF ITS PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE  
BPU Docket No. WR2109 \_\_\_\_\_

**SERVICE LIST**

**Board of Public Utilities**

44 South Clinton Ave, 9th Floor  
P.O. Box 350  
Trenton, NJ 08625-350

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Secretary of the Board  
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**Department of Law and Public Safety**

Richard J. Hughes Justice Complex  
Public Utilities Section  
25 Market Street, P.O. Box 112  
Trenton, NJ 08625

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I/M/O THE PETITION OF THE ATLANTIC CITY SEWERAGE COMPANY TO DECREASE  
THE LEVEL OF ITS PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE  
BPU Docket No. WR2109 \_\_\_\_\_

**SERVICE LIST**

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Wendy Stewart, President

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Centre Square West, 38th Floor

Philadelphia, PA 19102

*Counsel for Petitioner*

Courtney L. Schultz, Esq.

[courtney.schultz@saul.com](mailto:courtney.schultz@saul.com)

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

<b>IN THE MATTER OF THE PETITION OF THE</b>	<b>:</b>	<b>PETITION</b>
<b>ATLANTIC CITY SEWERAGE COMPANY TO</b>	<b>:</b>	
<b>DECREASE THE LEVEL OF ITS</b>	<b>:</b>	<b>BPU DOCKET NO.</b>
<b>PURCHASED SEWERAGE TREATMENT</b>	<b>:</b>	<b>WR2109</b> _____
<b>ADJUSTMENT CLAUSE</b>	<b>:</b>	

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

1. The Atlantic City Sewerage Company (“ACSC”), a public utility corporation of the State of New Jersey, with its principal office at 1200 Atlantic Avenue, Atlantic City, New Jersey 08404, hereby files this Petition with this Honorable Board (“Board”) pursuant to N.J.A.C. 14:9-7.1, et. seq., seeking authority to increase the level of its Purchased Sewerage Treatment Adjustment Clause (“PSTAC”). In support thereof, Petitioner states as follows:

2. ACSC operates a sewage collection and transmission system within its defined service territory, consisting of the City of Atlantic City, New Jersey. Within its service territory, ACSC serves approximately 7,600 customers.

3. ACSC purchases its sewage treatment from the Atlantic County Utilities Authority (“ACUA”); this cost is ACSC’s single largest operating expenses in any given year. These services are provided pursuant an agreement, as amended (the “Joinder Agreement”) between ACSC and the ACUA, which is attached hereto as Exhibit 1.

4. It is important to note that the implementation of this PSTAC request will not result in any additional profit or loss to the Company. Rather, it allows the Company to recover the treatment costs that are invoiced to ACSC by the ACUA; in that regard, these are pass-through charges.



5. By Order dated December 30, 1992 in BPU Docket No. WR9205032J (the “Initial PSTAC Order”), the Board approved the establishment by the Company of a PSTAC, to be implemented effective on January 1, 1994. Under the framework established within that Order, changes in the PSTAC level are to be reflected through changes in ACSC’s Volumetric Treatment Charge. The 2021 Volumetric Treatment Charge was adopted through a Board Order dated January 7, 2021 in BPU Docket No. WR20090617 (the “2021 Order”), which is attached hereto as Exhibit 2. In the 2021 Order, a 2021 Volumetric Treatment Charge of \$25.850 per thousand cubic foot (“Mcf”) was approved, based upon a net expense level of \$8,155,476. Because the rate became effective on February 1, 2021, an adjustment for compression was necessary, and the rate adjusted for compression was \$26.125. See Exhibit 2, at 3.

6. The instant Petition is submitted to establish the PSTAC level and resultant Volumetric Treatment Charge for 2022.

7. ACSC is proposing that the Volumetric Treatment Charge be **decreased** from the current rate of \$26.125 per Mcf to \$20.406 per Mcf for 2022, based upon an estimated treatment expense level of \$6,861,310 (which is derived from estimated 2022 ACUA net treatment expenses of \$6,741,428, increased by a 2021 net PSTAC under-recovery of \$116,757 and recovery of filing costs (shared 50/50 with ratepayers) of \$3,215. This 21.89% decrease in the Volumetric Treatment Charge will result in a \$53.19 (or 9.31%) decrease in the average customer’s annual sewerage bill.

8. The 2022 PSTAC rate is based on an estimate of the 2022 charges that ACUA will invoice to ACSC, less an estimate of the net under-recovered PSTAC amount from 2021, and ACSC’s estimate of 2022 metered flows. The estimated metered flows reflect management’s judgment, based on present and forecasted conditions, and are based on the 2021 billed flows, adjusted for any significant new customer additions or losses, and the lifting of the State

restrictions on the hospitality industry. Currently, ACSC does not anticipate any new large customers in the year 2022.

### **Explanation of the 2022 PSTAC Costs & Rate**

9. Attached hereto as Exhibit 3 are schedules supporting the calculation of the 2022 PSTAC rate. Each of the schedules, Schedules ACSC-1 through ACSC-8, are explained in further detail below. Schedule ACSC-1 is the summary calculation of the proposed PSTAC rate for 2022. It includes (i) the under-collection for 2021 from Schedule ACSC-3; (ii) the adjustment for the 2021 actual ACUA treatment billings from Schedule ACSC-5; (iii) the credits paid to hand-billed customers for COVID-19 related flow reductions in 2021 from Schedule ACSC-8; (iv) the 2022 estimated ACUA treatment costs; (v) the estimated 2022 ACUA flow true-up shown in Schedule ACSC-4; and (vi) the Company's estimate of legal, accounting and filing costs shared equally between customers and the Company from Schedule ACSC-7. These components are summed totaling \$6,861,310 (see Line 10) and divided by the projected usage for 2022 of 336,337 Mcf (see Line 13) to determine the resultant Volumetric Treatment Rate that should apply to all bills for 2022 usage. For 2022, this calculation results in a proposed Volumetric Treatment Rate of \$20.406 per Mcf (see Line 14).

10. Schedule ACSC-2 shows how the projections of 2022 Mcf usage are established. The monthly volumes for 2021 are used to estimate 2022 volumes, as adjusted for any known new customers, one-time events, or retirements. The Company's estimated billings in any given year, are based upon water volumes furnished to the Company from Atlantic City's water supplier for usage in the prior year, *i.e.*, 2021 billings were based on 2020 actual customer usage. While the Company is not aware of any major new customer gains or losses in 2022, apart from the anticipated closure of the Colosseo, the impact of COVID-19 has taken its toll on Atlantic City

businesses in 2020, 2021 and it is expected to continue into 2022 due to the emergence of the COVID-19 Delta variant. However, no adjustments have been made, as was the case in last year's PSTAC filing (a 5% reduction in flows was assumed). Thus, the volumes listed on ACSC-2, under the heading "Mcf Billed in 2021," are primarily based on 2020 actual flow data.

11. In accordance with the Initial PSTAC Order, ACSC accounts for net cumulative over-recoveries and under-recoveries resulting from the PSTAC on a monthly basis, utilizing an average balance for each month. Interest on net cumulative monthly over-recoveries is credited to the PSTAC at an interest rate equal to the return on rate base utilized in ACSC's last completed rate case. The PSTAC Clause Year is the calendar year. If at the end of the Clause Year interest is due to the PSTAC, interest is credited to the PSTAC. Schedule ACSC-3 sets forth the methodology used to calculate the monthly over or under collection balances for the 2020 PSTAC Clause Year. ACSC was in a net under recovered position through the entirety of the year; therefore, there is no interest payable to customers for the 2021 PSTAC Clause Year.

In order to assist in a review of Schedule ACSC-3, explanations of the columns are provided below:

- Billing Month: The month in which ACSC sends a bill to customers for each of the eight (8) months, January to August. The bill in each case covers the current 12-month period. The 12-month bills are billed in advance and are based on estimated usage. The estimated usage is simply the actual usage from the prior 12-month period, as provided by the water purveyor. Thus, the usage that will be billed in 2022 is the actual metered 2021 usage, adjusted for new customers, if applicable.
- Column (1) - PSTAC Approved Mcf: This represents the approved PSTAC volumes (in Mcf) from the January 2021 Order.
- Column (2) - Treatment Rate: The 2021 treatment rate is the approved PSTAC rate per Mcf from the January 2021 Order.
- Column (3) - Approved Treatment Revenues: This represents the projected treatment revenues based upon the approved PSTAC Mcf. The 2021 treatment revenue is the product of Columns (1) and (2) and equals the revenue which the

PSTAC would recover in 2021 at the approved PSTAC Mcf level of usage.

- Column (4) - Billed 2021 Mcf: This equals the actual 2020 metered usage, plus the billed Mcf associated with new customers added in 2021.
- Column (5) - Billed Treatment Revenues: This represents the 2021 treatment revenue, which is the product of multiplying Column (4) by the approved rate in effect when the bills were rendered (from January to August 2021, at a rate of \$22.889/Mcf for January and \$26.125 for February to August).
- Column (6) – Supplemental Billings 2021 PSTAC: This represents the supplemental billings resulting from rate changes during the year. Since 2020 bills included estimated usage for 2021 as part of the 12-month billing process, any rate change will result in a surcharge or credit to the customer.
- Column (7) - Monthly Over (Under) Collection: This is equal to Column (5) plus Column (6) less Column (3) and shows the difference between the billed PSTAC revenues and the Approved Treatment revenues.
- Column (8) - Prior Year Adjustment (Mcf) to Actual: The prior year Mcf adjustment is equal to Column (4), less the actual Mcf billed. For 2021, this represents 2020 billed usage, as shown in Column (11), less new accounts billed for the first time in 2021. The new accounts billed information is shown on Schedule ACSC-6.
- Column (9) - Prior Year Treatment \$'s: The prior year treatment adjustment is equal to the product of Column (8) and the PSTAC rate for 2021 (\$22.889/Mcf). The purpose of this prior year adjustment is to reflect the fact that customers' bills are trued-up on an individual basis, pursuant to the tariff, such that in 2021 customers paid (or were credited) for the difference between actual and projected 2020 usage on a customer-by-customer basis on their individual bills. This payment (or credit) included the PSTAC charge, as well as the other volumetric tariff component.

The usage associated with new accounts added in 2021 is subtracted from the calculated difference between actual metered 2020 usage and billed 2020 usage in the prior year adjustment Mcf in Column (8) because customers added in 2021 had no usage in 2020, though their billed usage is included in Column (4) 2021 billed Mcf. Therefore, the prior year treatment adjustment for the 2022 PSTAC filing is reflected as a net credit back to customers in the amount of \$964,380.

- Column (10) - Net Monthly Cumulative Balance Over (Under) Collection: This is the sum of Columns (7) and (9) expressed on a cumulative basis for each month of the year and reflects net revenues over- or under-collected.

12. Schedule ACSC-4 calculates the projected 2022 ACUA treatment costs, as well as any anticipated flow or other (credits or) charges. For 2022, the estimated gross ACUA treatment cost is expected to increase by 2.00% from the 2021 level of \$7,963,009, based on preliminary discussions with ACUA management. Further, due to the continued decrease in ACSC's flows relative to other ACUA customers' flows, primarily due to the closure (and reduced capacity) of the casinos during the year, a net flow credit of \$1,105,441 is being projected by the ACUA at this time. Any difference between the estimated credit and the actual credit are trued-up in the subsequent year's filing.

13. Schedule ACSC-5 calculates the 2021 treatment billings adjustment by subtracting the 2021 actual treatment billing from the 2021 estimated treatment billing approved by the BPU in the January 2021 Order. The 2020 flow credit from the ACUA was \$51,043 higher than the anticipated credit amount included in the approved 2021 PSTAC rate, and an adjustment has been added to the under-recovered position in the 2022 PSTAC rate calculation (see ACSC-1, Line 2).

14. Schedule ACSC-6 shows the annual bills associated with new accounts billed in 2021, by billing month. Since these accounts have no prior billed usage, the associated Mcf must be subtracted in Column (8) of Schedule ACSC-3 in order to properly calculate the prior year's true-up adjustment.

15. Schedule ACSC-7 shows a schedule of projected expenses associated with this filing, reflecting a 50/50 sharing between the Company and ratepayers. This expense is amortized over the one-year period between PSTAC cases, and rolled into the Volumetric Treatment Charge. It will affect rates by 0.009¢ per Mcf (\$3,125 / 336,237 Mcf).

16. Schedule ACSC-8 was first added in last year's PSTAC filing to reflect the unprecedented impact of COVID-19 on the Company's revenue stream. Since the majority of the

billings in 2021 were based on 2020 actual flows (reduced by 5%) and in many instances those flows were still higher than the flows used by the Company's customers, the Company was required to provide significant credits back to its customers in 2021 for the actual reduction in 2020 flows resulting from business closures and restrictions in place in 2021. The Company hand-billed the top commercial customers and provided the credit for actual usage in 2020 in the 2021 billing. The 2020 credit data is summarized on ACSC-8 and is specifically for the hand-billed customers only and shows that customers' usage was 46,245.6 Mcf less than estimated. The amounts related to actual usage credits for hand-billed customers, as well as credits due to all other customers, offset by volumes added by new customers, is reflected in Schedule ACSC-3, Column 8.

17. Attached hereto as Exhibit 4 is ACSC's existing 2020 PSTAC tariff, and a proposed 2022 PSTAC tariff which incorporates the prospective Volumetric Treatment Rate for 2022.

18. All correspondence related to this Petition should be sent to:

Courtney L. Schultz, Esquire  
Saul Ewing Arnstein & Lehr LLP  
Centre Square West, 38th Floor  
1500 Market Street  
Philadelphia, PA 19102  
Courtney.schultz@saul.com

Wendy E. Stewart, President  
Atlantic City Sewerage Company  
1200 Atlantic Avenue  
Atlantic City, NJ 08404  
wstewart@acsewerage.com

19. The Company reserves the right to amend this Petition and exhibits as necessary.

20. Two copies of this Petition have been served upon (i) the Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey 08625, and (ii) the Division of Law for the Attorney General, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102, consistent with the Board's March 19, 2020 Order in Docket No. EO200230254.

WHEREFORE, ACSC respectfully requests that the Board approve the requested PSTAC rate for 2022, effective for service rendered on and after January 1, 2022, and grant such other relief as shall appear just and reasonable.

Respectfully submitted,

SAUL EWING ARNSTEIN & LEHR, LLP

By:   
Courtney L. Schultz, Esquire  
1500 Market Street  
Centre Square West, 38th Floor  
Philadelphia, PA 19102  
(215) 972-7717

*Counsel for Atlantic City Sewerage  
Company*


Dated: September 10, 2021

## VERIFICATION

STATE OF NEW JERSEY                    )  
  )  
COUNTY OF ATLANTIC                    )

I, Wendy E. Stewart, of full age, being duly sworn according to law, upon my oath,  
deposes and says:

1. I am President of The Atlantic City Sewerage Company, the Petitioner in this  
matter, and am authorized to make this verification on its behalf.
2. I have reviewed the within Petition and Exhibits thereto and the information  
contained therein is 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.

  
\_\_\_\_\_  
Wendy E. Stewart, President

Sworn to and subscribed before me  
this \_\_\_\_ day of September, 2021

  
\_\_\_\_\_  
Notary Public

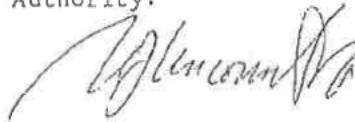
*Barbara S. Bruckler*  
*Notary Public of New Jersey*  
*My Commission Expires October 2, 2021*



# **EXHIBIT 1**

(280)

Certified as a true copy of the original  
on file at the Atlantic County Utilities  
Authority.



JOINDER AGREEMENT, SUPPLEMENTING  
SEWAGE CONVEYANCE AND TREATMENT AGREEMENT  
DATED AS OF SEPTEMBER 1, 1973

Among

THE ATLANTIC COUNTY UTILITIES AUTHORITY

And

CITY OF ABSECON  
THE ATLANTIC CITY SEWERAGE COMPANY  
CITY OF BRIGANTINE  
THE CITY OF EGG HARBOR CITY  
EGG HARBOR TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
GALLOWAY TOWNSHIP  
HAMILTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
CITY OF LINWOOD  
THE BOROUGH OF LONGPORT  
CITY OF MARGATE CITY  
CITY OF NORTHFIELD  
CITY OF PLEASANTVILLE  
SOMERS POINT CITY SEWERAGE AUTHORITY  
CITY OF VENTNOR  
WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

JOINDER AGREEMENT SUPPLEMENTING SEWAGE CONVEYANCE AND TREATMENT AGREEMENT dated as of September 1, 1987 ("Supplemental Agreement"), made as of this 17<sup>th</sup> day of July, 1990, among the Atlantic County Utilities Authority (as successor to The Atlantic County Sewerage Authority) ("ACUA") and City of Absecon, City of Brigantine, City of Linwood, The Borough of Longport, City of Margate City, City of Northfield, City of Pleasantville, City of Ventnor, and Egg Harbor Township Municipal Utilities Authority, Galloway Township (as successor to Galloway Township Municipal Utilities Authority), and Somers Point City Sewerage Authority, The Atlantic City Sewerage Company, Hamilton Township Municipal Utilities Authority, Weymouth Township Municipal Utilities Authority and the City of Egg Harbor City (collectively, the "Participants").

WHEREAS, the ACUA, as successor to the Atlantic County Sewerage Authority, has financed, constructed and put into operation an interceptor sewer system and wastewater treatment plant (collectively, the "Regional System") servicing the area known as the Atlantic Coastal Region of the County of Atlantic ("County") pursuant to an Agreement dated September 1, 1973 ("Original Agreement"), between the ACUA in its predecessor form as the Atlantic County Sewerage Authority and Absecon City, Brigantine City, Linwood, The Borough of Longport, Margate City, The City of Northfield, Pleasantville and Ventnor

City, and Egg Harbor Township Municipal Utilities Authority, Galloway Township, and Somers Point City Sewerage Authority and the Atlantic City Sewerage Company (Absecon City and the other municipalities, authorities and public utility thereafter mentioned immediately above, collectively, the "Original Participants"); and

WHEREAS, the New Jersey Department of Environmental Protection ("NJDEP") has approved an amendment to the Atlantic County Water Quality Management Plan for the Lower Great Egg Harbor River Region of the County in order to provide for the transmission to, and treatment and disposal of sewage originating in the municipalities comprising that region by, the Regional System, which amendment to said Plan, as so approved by NJDEP, is identified as the "Coastal Alternative"; and

WHEREAS, the method of financing of the capital improvements necessary to accomplish design and construction of the Coastal Alternative is the subject of an Amended Stipulation of Settlement entered as of July 17, 1990 (the "Stipulation") in the Superior Court of the State of New Jersey, in the action captioned Atlantic County Utilities Authority vs. Borough of Absecon, et al., Docket No. L-07044-87E ("Coastal Alternative Proceeding") which Stipulation incorporates by reference and amends that certain Stipulation of Settlement (the "Original Stipulation") entered in the Coastal Alternative Proceeding on July 29, 1988;

WHEREAS, the Hamilton Township Municipal Utilities Authority and the Weymouth Township Municipal Utilities Authority, local authorities serving their respective municipalities in the lower Great Egg Harbor River Region, have been directed by NJDEP to have the sewage originating within their respective boundaries transmitted to and treated and disposed of by the Regional System; and

WHEREAS, the municipality of the City of Egg Harbor City, a municipality located in the Atlantic Coastal Region, wishes to have the sewage originating within its boundaries transmitted to and treated and disposed of by the Regional System; and

WHEREAS, the Egg Harbor Township Municipal Utilities Authority, which is an Original Participant, wishes to expand the area in Egg Harbor Township served by the Regional System to include the Coastal Alternative service area in Egg Harbor Township; and

WHEREAS, the Original Participants, as parties to the Stipulation, have agreed that it would be to the benefit of all concerned to have Hamilton Township Municipal Utilities Authority, Weymouth Township Municipal Utilities Authority and the City of Egg Harbor City become participants in the Regional System, and to permit sewage treatment service to be expanded within Egg Harbor Township, on the terms and conditions set forth in the Stipulation and herein; and

WHEREAS, ACUA, in agreeing to the matters set forth in the Stipulation, as such matters are reflected herein, has determined that it would be in the best interest of the public health, safety and welfare of the residents of the County and would improve the water quality within the County to receive the City of Egg Harbor City as a participant in the Regional System and to implement the Coastal Alternative by receiving Hamilton Township Municipal Utilities Authority and Weymouth Township Municipal Utilities Authority as participants in the Regional System, and to expand sewage treatment service for Egg Harbor Township, as contracted for herein by the Egg Harbor Township Municipal Utilities Authority, to include its Coastal Alternative area ; and

WHEREAS, the total capital cost of the project implementing the Coastal Alternative is estimated to be approximately \$28 million, such cost to be financed by (i) a loan to ACUA from the New Jersey Pinelands Infrastructure Trust, established by Chapter 302 of the Laws of 1985 of the State of New Jersey ("Pinelands Trust"), in the amount of \$4,600,000.00, (ii) a grant to ACUA from the Pinelands Trust in the amount of \$9,200,000, and (iii) an amount to be contributed to ACUA by the Hamilton Township Municipal Utilities Authority which should not exceed \$16,200,000 except as provided in the Stipulation dealing with proportionate contributions from all Participants;

NOW, THEREFORE, ACUA and the original Participants and the New Participants, in consideration of the mutual covenants herein set forth and for other good and valuable consideration, receipt of which is hereby acknowledged, and each intending to be legally bound, HEREBY AGREE to enter into or ratify, and to amend and supplement, the Original Agreement, as follows:

Section 1. Definitions. Section 101 of the Original Agreement is hereby amended and supplemented as follows:

1.1. "Act", as defined in Section 101(1) of the Original Agreement, is hereby amended to mean the New Jersey Municipal and County Utilities Authorities Law, Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented, N.J.S.A. 40:14B-1 ff.;

1.2. "Coastal Alternative Project" shall mean the design, acquisition, construction and installation of interceptor lines and facilities in the Lower Great Egg Harbor River Region and Atlantic Coastal Region in Atlantic County as set forth in the amendment to the Atlantic County Water Quality Manacement Plan for the Lower Great Egg Harbor River Region, as approved by NJDEP, in order to provide for the transmission to, and treatment and disposal of sewage originating in the municipalities comprising that region by the Regional System, with all necessary and incidental connections, manholes, valves, metering stations, equipment, apparatus, and structures appurtenant thereto, and all other real or personal property

necessary or desirable for the efficient construction and operation of such lines and facilities;

1.3. The term "Egg Harbor City Interceptor Sewer Line" shall mean the interceptor line referred to in Paragraph 19 of the Original Stipulation, as more particularly described in an agreement providing for the design, construction, ownership and operation and maintenance thereof, titled "Connection Agreement," between ACUA and the City of Egg Harbor City.

1.4. The term "HTMUA Capital Contribution" shall mean the payment by the Hamilton Township Municipal Utilities Authority to the ACUA of an amount not to exceed \$16,200,000.00 toward the cost of the Coastal Alternative Project and the connection fee to be paid by Hamilton Township Municipal Utilities Authority under and pursuant to the terms of the Stipulation.

1.5. The term "Local Authority," as defined in Section 101(8) of the Original Agreement, is hereby supplemented to include the Hamilton Township Municipal Utilities Authority and the Weymouth Township Municipal Utilities Authority;

1.6. The term "Municipality," as defined in Section 101(10) of the Original Agreement, is hereby supplemented to include the City of Egg Harbor City;

1.7. The term "New Participants" shall mean, when referred to collectively, the City of Egg Harbor City, the Hamilton Township Municipal Utilities Authority and the Weymouth Township Municipal Utilities Authority.



1.8. The term "Participant," as defined in Section 101(11) of the Original Agreement, is hereby supplemented to include the New Participants;

1.9. The term "Project," as defined in Section 101(13) of the Original Agreement, is hereby amended to mean both the Project as defined in the Original Agreement and the Coastal Alternative Project;

1.10. The term "Regional System," as defined in the Original Agreement, is hereby amended to mean the Project as defined herein and all additions, extensions and improvements thereto including, inter alia, the Egg Harbor City Interceptor Sewer Line project, or any part of the foregoing, and any renewals or replacements thereof, acquired or constructed or to be acquired and constructed by the Authority under and as authorized by the Act, but does not include the Local Sewerage System of any Participant;

1.11. "Service Agreement" shall mean the Original Agreement, as amended and supplemented by this Supplemental Agreement, as either or both may be amended or supplemented from time to time upon the written consent of all parties hereto;

1.13. The following terms shall have the meanings ascribed thereto in the headings and preambles hereof:

ACUA	Original Agreement
Coastal Alternative	Original Participants
Coastal Alternative	Original Stipulation
Proceeding	Pinelands Trust
County	Stipulation
NJDEP	Supplemental Agreement

Section 2. Joinder of New Participants in Original Agreement as Supplemented Hereby; Ratification of Original Agreement as Supplemented Hereby by Original Participants.

Each New Participant acknowledges receipt of a copy of the Original Agreement, certified by the Secretary of the Authority to be a true and correct copy of such Original Agreement as in effect on the date hereof. Each New Participant shall be bound by the terms and conditions of the Original Agreement fully as if it were an Original Participant, and agrees to the terms and conditions hereof amending and supplementing the Original Agreement.

Each Original Participant by execution hereof ratifies and confirms the Original Agreement in all respects, and agrees to the terms and conditions hereof amending and supplementing the Original Agreement.

Section 3. Waiver of Requirements of Section 202 of Original Agreement. The Original Participants hereby waive the provisions of Section 202 of the Original Agreement with respect to the Coastal Alternative Project, and with respect to the Egg Harbor City Interceptor Sewer Line project.

Section 4. Connections to the Regional System.

4.1. Subject to Section 4.3 below, Section 301 of the Original Agreement shall govern the connections into the Regional System, of (i) the New Participants and (ii) Coastal Alternative areas within the geographic boundaries of Original

Participants, including, inter alia, any necessary extensions of Local Sewerage Systems to reach and deliver sewage at the points of connection to the Regional System herein provided for. Accordingly, upon notice from ACUA, each of such Participants shall permit its sewer or drainage systems or the discharge pipes therefrom to be connected with the Regional System, at the point or points designated therefor in the Schedule of Connection Points annexed hereto as Schedule A and made a part hereof, or at such substitute point or points upon which ACUA and each affected Participant shall agree.

4.2. Other than as provided in Section 301 of the Original Agreement, as supplemented by Section 4.1 above, any fees for connection (as such connection fees or charges are contemplated and provided for in Section 22 of the Act, N.J.S.A. 40:14B-22) of the New Participants' Local Sewerage Systems to the Regional System shall be as may be mutually agreed upon by the ACUA and the Participants, or in the absence of any such mutual agreement, as may be determined in the Coastal Alternative Proceeding .

4.3 The Parties hereto mutually agree that there shall be no connection to the Coastal Alternative Project or Egg Harbor City Interceptor Sewer Line portions of the Regional System by (i) a New Participant or (ii) Coastal Alternative areas within Original Participants, except upon compliance with each and every of the terms and provisions of the Stipulation in the Coastal Alternative Proceeding.

Section 5. Allocation of Flow Capacity. Flow Capacity in the Coastal Alternative Project shall be allocated as set forth on Schedule B, annexed hereto and made a part hereof, among the New Participants listed on said Schedule B.

Section 6. Egg Harbor Township Municipal Utilities Authority Service Area. The service area of the Egg Harbor Township Municipal Utilities Authority serviced by the Regional System shall include the area within Egg Harbor Township as delineated in the currently existing Water Quality Management Plan<sup>s</sup> and as the same may be redrawn pursuant to any amendment to said plan.

Section 7. Capital Contributions.

7.1. Hamilton Township Municipal Utilities Authority shall make the HTMUA Capital Contribution to the cost (as such term is defined in Section 3(11) of the Act, N.J.S.A. 40:14B-3(11)) of the Coastal Alternative Project.

The ACUA shall deposit sums received by it in connection with the HTMUA Capital Contribution into a separate, segregated account to be established for the purpose in the Construction Fund established under its "Resolution Authorizing Sewer Revenue Bonds," adopted August 27, 1985, as restated and ratified September 24, 1985, and as variously supplemented ("Bond Resolution"), said account to be designated "Coastal Alternative Project Account," and shall apply the HTMUA Capital Contribution solely to the cost of the Coastal Alternative Project.

In furtherance of the foregoing, the ACUA shall direct First Fidelity Bank, National Association, New Jersey, trustee ("Trustee") under the Bond Resolution, to disburse such moneys only upon the presentation of requisitions therefor accompanied by the appropriate supporting certifications of ACUA's consulting engineer, as specified in Section 4.12(b) of the Bond Resolution.

7.2. Subject to Section 7.3 below and to the terms of the Stipulation, the HTMUA Capital Contribution shall be due and payable to the ACUA only after:

(A) the County adopts by ordinance an amendment to its Water Quality Management Plan to provide for an increase in the design capacity of the Coastal Alternative interceptor from 4 million gallons per day ("mgd") to 7 mgd;

(B) (i) ACUA and the Pinelands Trust have entered into such agreements as shall enable the ACUA to commence receiving the \$13.8 million loan and grant moneys from the Pinelands Trust in respect of the Coastal Alternative Project, or (ii) if ACUA and Pinelands Trust have not at the time entered into agreements of the tenor described above, then Hamilton Township Municipal Utilities Authority shall at the written request of ACUA provide written notice to ACUA that Hamilton Township Municipal Utilities Authority shall nevertheless, or shall not, make the HTMUA Capital Contribution in accordance with the Stipulation and this Agreement; and

(C) bids have been received for the acquisition and construction of the Coastal Alternative

Project, and the ACUA has determined to award the same within 30 days, as evidenced by a letter to such effect delivered to the Hamilton Township Municipal Utilities Authority.

7.3. Periodic payment of portions of the HTMUA Capital Contribution shall be made to ACUA within 15 days of written notice given by ACUA to Hamilton Township Municipal Utilities Authority of the necessity therefor, which Notice shall be accompanied by a certification of ACUA's consulting engineers that the amount of such payment reflect actual costs incurred by the ACUA in connection with completion of the Coastal Alternative Project, which certification shall include copies of the payment requisitions of ACUA's contractors approved for payment by such consulting engineer.

7.4. The Participants agree that, in the event that HTMUA fails to make any capital contribution payment pursuant to paragraph 7.3, above, the ACUA may advance the sums necessary to pay for the costs of the Coastal Alternative Project to such extent, and may fund any such advance through private or public financing consistent with its fiscal authority; provided that, in any such event, ACUA agrees to diligently pursue, to the fullest extent permitted by law, enforcement of HTMUA's obligation to make the HTMUA Capital Contribution as required under this Agreement and under the Stipulation, together with incidental costs and attorneys fees; and further provided that, in any such event, HTMUA agrees that ACUA shall be permitted to (i) obtain judgment against HTMUA by order of the Court having continuing jurisdiction in connection

with the Coastal Alternative Proceeding for the accelerated balance of the HTMUA Capital Contribution together with attorneys fees, costs of suit and incidental costs, included, without limitation, all fees, charges, expenses and other costs incurred, and the interest and other financing charges paid or to be paid, in connection with any financing obligations undertaken by ACUA to cover advances to be made by ACUA as aforesaid, or (ii) enforce the obligations of HTMUA under this Agreement and the Stipulation by specific performance, injunction, mandamus or other available relief in law or in equity, such enforcement proceedings to be conducted as provided for in the Stipulation with respect to enforcement of the obligations of the parties under the Stipulation.

7.5. Hamilton Township Municipal Utilities Authority agrees that it shall at all times use its good faith best efforts to obtain the funding necessary to make the HTMUA Capital Contribution in accordance with the terms of this Agreement and the Stipulation and, further, that it will, if necessary, increase its sewer service rates to generate the revenues necessary to pay the HTMUA Capital Contribution and/or any other sums due by it to the ACUA in accordance with the foregoing provisions of this Section 7.

Section 8. Amendment to Section 702(1) of Original Agreement. The second sentence of Section 702(1) of the Original Agreement is hereby amended to state in full as follows:

"If any payment or part thereof due to the Authority from any Participant shall remain unpaid for thirty days following its due date, such Participant shall be charged with and shall pay to the Authority interest on the amount unpaid at a rate per annum equal to the prime or base rate on corporate loans from time to time in effect for large United States money center banks, as published in The Wall Street Journal or its successor publication or other nationally circulated financial publication providing such information on usual business days, plus two per centum (2%) per annum, and the Authority, in its discretion, may charge and collect Service Charges with regard to persons and real property directly or indirectly connected to the Regional System sufficient to meet any default or deficiency in any payments herein agreed to be made by such Participant. [Underscoring indicates new provision]

Section 9. Formal Action Taken.

9.1. Each Participant hereby warrants and represents to the Authority that by its governing body, or board of directors, as the case may be, it has duly and validly taken all action necessary or appropriate under the laws of the State of New Jersey, including without limitation the General Corporations Act, the New Jersey Open Public Meetings Law and the Act, to authorize its execution, delivery and the performance of its obligations under this Supplemental Agreement.

9.2. The Authority hereby warrants and represents to each Participant that by its governing body it has duly and validly taken all action necessary or appropriate



under the laws of the State of New Jersey, including without limitation the New Jersey Open Public Meetings Law and the Act, to authorize its execution, delivery and the performance of its obligations under this Supplemental Agreement.

Section 10. Project to be Property of Authority. All right, title and interest in and to the Project, including, without limitation, the Coastal Alternative Project, shall at all times be vested in the Authority.

Section 11. Determination Pursuant to Section 701 of Original Agreement; Joinder of New Participants in Original Agreement. In satisfaction of the requirements of Section 701 of the Original Agreement, the Participants and ACUA herèby determine that the admission of the New Participants to the Regional System on the terms and conditions herein and in the Original Agreement set forth, and the joinder of the Original Participants herein, are not on terms and conditions less favorable to the ACUA than the terms and conditions of the Original Agreement.

Section 12. Service Agreement One Instrument. The Service Agreement shall be read, taken and construed as one and the same instrument.

Section 13. Severability. If any one or more of the terms or provisions of the Service Agreement shall be finally determined to be invalid or unenforceable, the remainder of the terms and conditions thereof shall not be affected thereby and shall continue to be enforceable in all respects.

04/25/90

Section 14. Counterparts. This Supplemental Agreement may be executed in any number of counterparts, each of which shall be executed by ACUA and any one or more of the Participants, and all of which shall constitute one and the same instrument.

Section 15. Construction; Parties Benefited. This Supplemental Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey and shall inure to the benefit of the parties hereto and their successors and assigns.

Section 16. Headings. The headings of the several sections hereof are included herein for convenience of reference only and shall not constitute a part of this Supplemental Agreement for any other purpose.


IN WITNESS WHEREOF, the Atlantic County Utilities Authority and the Participants have each caused this Supplemental Agreement to be duly executed and delivered by their respective officers thereunto duly authorized and have caused their respective corporate seals to be hereunto affixed and duly attested all as of the date first above written.

ATTEST:



THE ATLANTIC COUNTY UTILITIES  
AUTHORITY  
(Successor to Atlantic County  
Sewerage Authority)

By:



0162S  
MJV/cs  
04/25/90

ATTEST:

CITY OF ABSECON

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

THE ATLANTIC CITY SEWERAGE  
COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

CITY OF BRIGANTINE

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

CITY OF EGG HARBOR CITY

*Juliana M. Grew*

By: *[Signature]*

ATTEST:

EGG HARBOR TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

GALLOWAY TOWNSHIP (successor  
to Galloway Township Municipal  
Utilities Authority)

\_\_\_\_\_

By: \_\_\_\_\_

ATTEST:

HAMILTON TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

\_\_\_\_\_

By: \_\_\_\_\_

MJV/CS  
03/20/90

ATTEST:

CITY OF ABSECON

By: \_\_\_\_\_

ATTEST:

THE ATLANTIC COUNTY SEWERAGE  
COMPANY

By: \_\_\_\_\_

ATTEST:

CITY OF BRIGANTINE

By: \_\_\_\_\_

ATTEST:

CITY OF EGG HARBOR CITY

By: \_\_\_\_\_

ATTEST:

EGG HARBOR TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY (as an  
Original Participant and as a  
Participant in respect of the  
Coastal Alternative area  
within Egg Harbor Township)

By: \_\_\_\_\_

ATTEST:

GALLOWAY TOWNSHIP (successor  
to Galloway Township Municipal  
Utilities Authority)

By: \_\_\_\_\_

ATTEST:

HAMILTON TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By:  \_\_\_\_\_

 \_\_\_\_\_

ATTEST:

Carol A. Rapp

CITY OF NORTHFIELD

By: Philip J. Mansur

ATTEST:

Alvin H. Foster

CITY OF PLEASANTVILLE

By: George W. Hays

ATTEST:

Nancy Fisher

BOROUGH OF LONGPORT

By: Howard Kuyper

ATTEST:

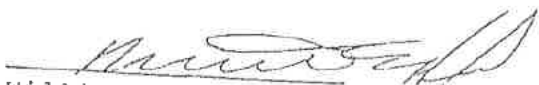
Audrey P. Woods

TOWNSHIP OF GALLOWAY

By: John D. Ryan



ATTEST:

  
William E. Hurd City Clerk/Adm

CITY OF ABSECON

By:   
Peter C. Elco Mayor

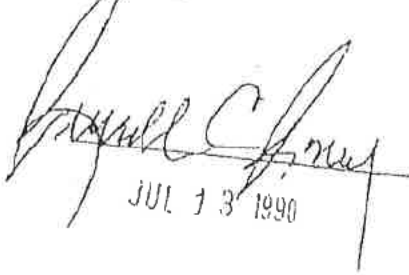
ATTEST:

*Eugene L. Simpson*  
*City Clerk*

CITY OF BRIGANTINE

By: *Christopher J. Juncos*

ATTEST:

  
JUL 13 1990

CITY OF MARGATE

By: 

JUL 13 1990

ATTEST:

Eileen M. Hyatt

SOMERS POINT CITY SEWERAGE  
AUTHORITY

By: Joseph S. McHugh, Jr.

ATTEST:

Harold F. Weeks

EGG HARBOR TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By: E. J. Dwyer

ATTEST:

W. J. [unclear]  
[unclear]

THE ATLANTIC CITY SEWERAGE COMPANY

By: [Signature]

ATTEST: 7/16/90

Mary E. Barker

CITY CLERK


CITY OF LINWOOD

By: Donald B. Vass

Donald B. Vass, Mayor

This signature page is to be annexed to The ACUA Joinder Agreement.

ATTEST:



THE CITY OF VENTNOR

By: 

DATE SIGNED: JULY 17, 1990



SCHEDULE A

Schedule of Connection Points

<u>Connecting Party</u>	<u>Connection Point</u>
Hamilton Township MUA	Mays Landing P/S No. 1 Reega P/S No. 2 McKee Ave. P/S No. 5
Weymouth Township MUA	Existing via HTMUA system to Mays Landing P/S No. 1
Egg Harbor Township MUA	English Creek P/S No. 3 Broadway P/S No. 4 McKee P/S No. 5
Atlantic City Expressway	McKee P/S No. 5
FAA Technical Center	McKee P/S No. 5
Egg Harbor City	Egg Harbor City P/S

SCHEDULE B

Allocation of Flow Capacity(1)

Egg Harbor Township	700,000 gallons/day
Hamilton Township Municipal Utilities Authority	5,750,000 gallons/day
Weymouth Township Municipal Utilities Authority	75,000 gallons/day
[Atlantic County Expressway (75,000 (175,000 gallons/day) to be added to capacity of New Participants into which they will connect]	
Uncommitted (2)	225,000 gallons/day

(1) To the extent that the allocations specified herein have not been utilized by the municipal entities within ten (10) years from the date that the Project is declared operational by the Atlantic County Utilities Authority, all unused allocations shall revert to the Atlantic County Utilities Authority to be reallocated on a first come, first serve basis. The term "utilized" as used in this paragraph shall include both (i) used capacity actually in service and (ii) capacity committed through duly approved CP-1 permits which shall have been issued on or before expiration of such ten year period.

(2) This capacity shall be made available to Galloway Township if Galloway Township amends its wastewater management plan, and in such event Galloway Township then agrees that it will withdraw, waive and forever release any and all claims it has or may have against Egg Harbor City with regard to Galloway Township's previous construction of the Aloe Street Line; otherwise, such claims are specifically preserved.

0162S

AGMT w/ ACUA

28A

THIS AGREEMENT

made and dated as of the first day of SEPTEMBER, One Thousand  
Nine Hundred and Seventy-~~Two~~ THREE

BETWEEN

THE ATLANTIC COUNTY SEWERAGE AUTHORITY (hereinafter referred to as,  
"Authority"), a public body politic and corporate of the State of  
New Jersey,

AND

ABSECON CITY, BRIGANTINE CITY, LINWOOD, THE BOROUGH OF LONGPORT,  
MARGARET CITY, THE CITY OF NORTHFIELD, PLEASANTVILLE, PORT REBULIC  
AND VENTNOR CITY, each being a municipal corporation of the State  
of New Jersey, situate in the County of Atlantic and hereinafter  
referred to as "Municipality" and the EGG HARBOR TOWNSHIP MUNICI-  
PAL UTILITIES AUTHORITY, GALLOWAY TOWNSHIP MUNICIPAL UTILITIES  
AUTHORITY AND SOMERS POINT CITY SEWERAGE AUTHORITY, each a public  
body politic and corporate of the State of New Jersey and herein-  
after referred to as "Local Authority",

AND

THE ATLANTIC CITY SEWERAGE COMPANY, a corporation of the State of  
New Jersey (hereinafter referred to as "Company"),

W I T N E S S E T H

WHEREAS pursuant to the Sewerage Authorities Law, constitu-  
ting Chapter 138 of the Pamphlet Laws of 1946, of the State of New  
Jersey, approved April 23, 1946, the Authority was created by virtue

of a resolution duly adopted by the Board of Chosen Freeholders of the County of Atlantic, New Jersey, and is a public body political and corporate of the State of New Jersey organized and existing under said Law, established as an instrumentality exercising public and essential governmental functions to provide for the public health and welfare, with all necessary or proper powers to acquire, construct, maintain, operate and use sanitation facilities for the relief of waters in, bordering or entering the District (hereinafter defined) from pollution or threatened pollution and for improvement of conditions affecting the public health; and

WHEREAS in partial fulfillment of its functions, the Authority is ready to design, finance, construct and put in operation an interceptor sewer system and sewage disposal plant for the transmission, treatment and disposal of certain sanitary sewage and other wastes, as generally described in the Regional Sewerage Feasibility Study of Atlantic County, prepared by John G. Reutter Associates, dated April, 1968, as supplemented particularly as to cost estimates by the Interim Report on Engineering and Financing, Atlantic Coastal Region, prepared by John G. Reutter Associates, dated December 20, 1971 (Revised January 6, 1972), wherein it is estimated that the cost to the Participants for such transmission, treatment and disposal is expected to be approximately Three Hundred Fifty Eight Dollars per million gallons of sewage, and to enable the Authority to undertake such design, financing and construc-

tion the Municipalities, Local Authorities and the Company, must become legally bound to accept and pay for sewage and waste treatment service from the time such system and plant commence operation; and

WHEREAS each Participant has been requested and is willing to have sewage originating from it or within its territory treated and disposed of by the Authority pursuant to the terms of this Agreement and has duly authorized its proper officials to enter into and execute for it this Agreement;

NOW THEREFORE, in consideration of the premises, of the mutual covenants and agreements herein set forth, and of the undertakings of each party to the others, the parties hereto, each binding itself, its successors and assigns, do mutually covenant, promise and agree as follows:

## ARTICLE I.

## Definitions.

Section 101. Definitions. As used or referred to in this Agreement, unless a different meaning clearly appears from the context:

- (1) "Act" means the Sewerage Authorities Law, constituting Chapter 138 of the Pamphlet Laws of 1946, of the State of New Jersey, approved April 23, 1946, and the acts amendatory thereof and supplemental thereto;
- (2) "Annual Charge" shall have the meaning given to such term in Article IV hereof;
- (3) "Authority" shall have the meaning hereinabove given to such term;
- (4) "Deficiency" shall have the meaning given to such term in Article IV hereof;
- (5) "District" means the area within the territorial boundaries of all the municipal corporations of the State of New Jersey situate in the County of Atlantic, except (a) any such municipal corporation the Governing Body of which did, prior to the creation of the Authority, create or join in the creation of a sewerage authority pursuant to section 4 of the Act; and (b) any such municipal corporation the Governing Body of which adopted a resolution in accordance with subsection (g) of section 4 of the Act or Chapter 423 of the Laws of 1971 and has not adopted an or-

dinance in accordance with subsection (g) of section 4 of the Act determining that the area within the territorial area of such municipal corporation shall again be a part of the District;

(6) "Fiscal Year" means the period of twelve calendar months ending with December 31 of any year;

(7) "Governing Body" shall have the meaning given to such term by the Act;

(8) "Local Authority" shall have the meaning hereinabove given to such term;

(9) "Local Sewerage System" means all sewer systems of a Participant which are or may be connected, or are or may be required under the terms of Article III hereof to be connected, with the Regional System, including all outfalls of such systems and any extensions or enlargements of such systems;

(10) "Municipality" shall have the meaning hereinabove given to such term;

(11) "Participant" means a Municipality, a Local Authority or the Company;

(12) "Pollution" shall have the meaning given to such term in the Act;

(13) "Project" means the following sewerage facilities in the Atlantic Coastal Region to be constructed or acquired by the Authority, with all necessary and incidental connections, manholes, valves, metering stations, equipment, apparatus, structures and appurtenances, and all other real or tangible personal property neces-

sary or desirable for the efficient construction and operation of such facilities:

(a) a pumping station in the City of Brigantine at the site of the existing Brigantine Wastewater Treatment Plant together with a force main from said pumping station to the City Island Treatment Plant site;

(b) a pumping station in the Borough of Longport by modifications of the existing Longport Wastewater Treatment Plant together with a force main from said pumping station to the Margate-Ventnor City Pumping Station;

(c) a pumping station in the City of Ventnor City, herein called the "Margate-Ventnor City Pumping Station", together with a force main to the City Island Plant site;

(d) a pumping station in the City of Somers Point at the site of the existing Somers Point Sewerage Authority Wastewater Treatment Plant site together with a force main and a gravity interceptor sewer from said pumping station to the Linwood Pumping Station;

(e) a pumping station in the City of Linwood, herein called the "Linwood Pumping Station", together with a force main and a gravity interceptor sewer from said pumping station to the Northfield Pumping Station;



(f) a pumping station in the City of Northfield, herein called the "Northfield Pumping Station", together with a force main and gravity interceptor sewer from the Northfield Pumping Station to the Pleasantville Wastewater Treatment Plant;

(g) a pumping station in the City of Port Republic together with a force main from said pumping station to the Smithville Pumping Station;

(h) a pumping station in the Township of Galloway, herein called the "Smithville Pumping Station", together with a force main sewer from the Smithville Pumping Station to the Absecon Pumping Station;

(i) a pumping station in the Township of Galloway, herein called the "Oceanville Pumping Station", together with a force main from the Oceanville Pumping Station to a connection with the Smithville to Absecon force main;

(j) a pumping station in the Township of Galloway, herein called the "Seaview Pumping Station", together with a force main from the Seaview Pumping Station to a connection with the Smithville to Absecon force main;

(k) a pumping station in the City of Absecon, herein called the "Absecon Pumping Station", together

with a force main and gravity interceptor sewer from the Absecon Pumping Station to the site of the Pleasantville Wastewater Treatment Plant;

(l) a pumping station in the City of Pleasantville at the site of the existing Pleasantville Wastewater Treatment Plant, together with a force main from said pumping station to the City Island Plant site;

(m) a secondary level wastewater treatment plant at the site of the existing Atlantic City Sewerage Company Wastewater Treatment Plant on City Island in the City of Atlantic City; and

(n) a force main ocean outfall system from the City Island Plant site to the point of disposal;

(14) "Regional System" means the Project and all additions, extensions and improvements thereto or any part of the foregoing, and any renewals or replacements thereof, acquired or constructed or to be acquired or constructed by the Authority for the purposes of the Authority under the Act, but does not include the Local Sewerage System of any Participant;

(15) "Service Charges" means rents, rates, fees or other charges for direct or indirect connection with, or the use or services of, the Regional System which the Authority, under the provisions of Section 8 of the Act, is or may be authorized to charge and collect with regard to persons or real property; and

(16) "Sewage" or "sewage" means waterborne animal, vegetable or other degradable wastes from water closets, buildings, residences, industrial and commercial establishments or other places together with such ground and surface water infiltration or other wastes as may be present;

## ARTICLE II.

Construction of the Project and  
Operation of the Regional System.

Section 201. Construction, Operation and Enlargement of Project and Regional System. The Authority shall with all practicable speed prepare and complete plans for the construction and financing of the Project, and, upon completion of such financing or the making of arrangements therefor satisfactory to the Authority, shall with all practicable speed construct and complete the Project and place the same in operation. The Authority will thereafter operate in accordance with applicable requirements of governmental authorities having jurisdiction with respect thereto, and maintain, alter, improve, renew and replace and subject to the terms of Section 202 of this Article, enlarge and extend the Regional System so as to treat and dispose of all sewage without limitation as to amount of flow which may be delivered into the Regional System by any Participant in accordance with Article III hereof.

Section 202. Public Hearings Prior to Enlargement and Extension of the Regional System. The Authority shall not construct, and nothing in this Agreement shall be deemed to require the Authority to construct, any enlargement or extension unless it shall have caused to be prepared by its consulting engineers a study with respect to such enlargement or extension which sets forth an estimate as of the then current year of the total cost and expense of financing, constructing and acquiring the enlargement or extension, and

putting it in operation, the estimated date of completion of the enlargement or extension, and an estimate of the Annual Charges payable by each Participant for or with respect to the five Fiscal Years beginning next after said estimated date of completion, shall file a copy of said study with each Participant, shall cause notice of the time and place of the hearing hereinafter mentioned to be published at least once in a newspaper of general circulation published in the County of Atlantic, New Jersey, and to be mailed to each Participant, and not sooner than fifteen days after such publication and mailing or thirty days after such filing, shall hold a public hearing on said study at which any Participant may appear and, by agent or attorney, be heard with respect thereto.

Section 203. Project Plans to be Approved. Before undertaking construction of any substantial part of the Regional System, the Authority will submit the plans and specifications for such construction to the New Jersey State Department of Environmental Protection (or a successor thereof) for approval as to sufficiency of design of the Authority's proposed sewage treatment plant and compliance with standards as then promulgated by said Department, and all necessary permits shall be obtained by the Authority from said Department to proceed with such construction, and all necessary approvals shall be secured from any other agency of the State of New Jersey or any other governmental authorities which have jurisdiction or authority as to type or degree of treatment of sewage by said sewage treatment plant or as to effluent therefrom.

Section 204. Insurance. The Authority will at all times

maintain with responsible insurers all such insurance as is customarily maintained with respect to sewerage systems of like character against loss or damage to the Regional System and against public or other liability to the extent not less than that reasonably necessary to protect the interests of the Authority and the Participants, and will at all times maintain with responsible insurers all insurance reasonably required and obtainable within limits and at costs deemed reasonable by the Authority to indemnify and save harmless the Participants against all liabilities, judgments, costs, damages, expenses and attorney's fees for loss, damage or injury to person or property resulting directly or indirectly from the operation or a failure of operation of the Regional System caused by the negligence or wilful act of the Authority, its employees or agents.

## ARTICLE III.

## Connections to the Regional System.

Section 301. Connections Required. Upon notice from the Authority, each of the Participants will permit its sewer or drainage systems or the discharge pipes therefrom to be connected with the Regional System, at the point or points designated therefor in the List of Connection Points attached hereto marked, and hereinafter called, "Schedule A" and by this reference made a part hereof, or at such other substitute point or points upon which the Authority and the Participants may mutually agree. The Authority shall pay all costs of such connections at the points designated in said Schedule A or at any approved substitute point. Upon request by a Participant for any additional connection of its sewer or drainage systems to the Regional System, the Authority may, but shall not be required to, permit and make such additional connection, but all costs and expenses of every such additional connection, including all sewage meters and other facilities appurtenant thereto, shall be paid by the Participant requesting the same. Every connection shall constitute, and be operated by the Authority, as part of the Regional System and shall include such pumping and other facilities as may be necessary to cause all sewage delivered at the point or points of connection to be discharged into the Regional System and be so made and constructed as to discharge into the Regional System all sewage collected in the Local Sewerage System of the Participant and delivered at the point or points of connection. Each

Participant at its own cost and expense, will construct, install and operate any and all extensions of its Local Sewerage System necessary to cause the same to reach to and deliver sewage at the said point or points of connection, and, after the making of such connection or connections, will keep its Local Sewerage System connected with the Regional System, and will deliver and discharge into the Regional System all sewage originating in or collected by the Participant or collected in such Local Sewerage System.

Section 302. Sewage Not Required to be Discharged Into Regional System. Notwithstanding the provisions of Section 301 of this Article, no Participant shall be obligated to deliver and discharge into the Regional System sewage which the Authority may be its written consent exempt from delivery and discharge into the Regional System:

Section 303. Sewage to be Accepted for Discharge into Regional System. Notwithstanding the provisions of Section 301 of this Article or any other Article hereof, a Participant shall not have the right under this Agreement to deliver and discharge into the Regional System any sewage or other wastes except either (1) sewage originating within either the territorial boundaries or the franchise area of such Participant or (2) sewage collected by such Participant in sewers which at the date of this Agreement are connected with its Local Sewerage System or (3) any other sewage delivered and discharged into the Regional System by said Participant with the written consent of the Authority.



## ARTICLE IV.

Charges and Establishment of Rates by  
Authority and Payments by Participants.

Section 401. Charges by the Authority. The Authority will make and impose Annual Charges with respect to all sewage or other wastes delivered into the Regional System by any Participant or any other person, partnership, firm or corporation. The Annual Charge for each Fiscal Year payable hereunder shall consist of and include an Operating Charge and a General Charge. The Operating Charge shall at all times be sufficient to pay or provide for the expenses of operating, repair and maintenance of the Regional System including (without limitation of the foregoing) insurance, renewals and replacements, and the cost of all enlargements and alterations and the Regional System not otherwise provided for. The General Charge shall at all times be sufficient to pay the principal of and interest on any and all bonds or other obligations of the Authority as the same become due, and to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by any Participant or any other person, partnership, firm or corporation, or from any other cause, and to provide and maintain such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any contract or other obligation of the Authority. The Annual Charges made and imposed by the Authority shall be computed for the service rendered by the Regional System in the treatment and disposal of sewage by the Authority at rates

which shall at all times be uniform as to all Participants for the same type, class and amount of use or services of the Regional System, and the rates applicable with respect to sewage delivered and discharged into the Regional System by any Participant shall not be more favorable to such Participant than the rates applicable with respect to sewage so delivered and discharged by any other Participant. The Authority, prior to the discharge and delivery of sewage into the Regional System, shall prescribe an initial schedule of such rates and, from time to time whenever necessary after prescribing such initial schedule (but only after public hearing thereon held by the Authority at least twenty days after notice of the time and place of such hearing shall have been mailed to each Participant at its usual place of business), the Authority shall revise the schedule of such rates, which shall at all times comply with the terms of any contract or other obligation of the Authority and shall be based or computed on the quantity, quality and other characteristics of sewage so discharged and delivered. Any Participant aggrieved by any part of such a revised schedule which fails to conform with the terms and provisions of this Agreement may institute appropriate judicial proceedings to have the same reviewed for the purpose of obtaining correction of said part of such revised schedule.

Section 402. Payment of Annual Charge. (A) Each Participant will pay to the Authority the Annual Charge made or imposed by the Authority with respect to the sewage delivered and discharged into the Regional System by or on behalf of such Participant in any

Fiscal Year; provided however, that the Annual Charge made or imposed by the Authority with respect to any Participant whose Local Sewerage System has not been connected to the Regional System during the two year period immediately succeeding the date the Regional System or any part thereof is placed in operation, by reason of the fact that no part of said Local Sewerage System could feasibly, in the opinion of the Authority's consulting engineer, be connected to the Regional System, shall consist of and include a General Charge only and no part of the Operating Charge shall be included in such Annual Charge; provided further, however, that the Annual Charge made by or imposed by the Authority to all Participants shall in all succeeding Fiscal Years consist of and include a General Charge and an Operating Charge. The Annual Charge shall be computed and established by the Authority on the basis of the quantity, quality and other characteristics of the sewage so delivered as shown by the records of the Authority, at the rate or rates prescribed by the Authority in accordance with this Article applicable from time to time during such Fiscal Year with respect to said sewage delivered during such Fiscal Year. Each such Annual Charge shall at all events be due and payable not later than January 15 next ensuing after the close of such Fiscal Year, but provision for and payment of every such Annual Charge will be made by each Participant in accordance with the following paragraphs of this Section.

(B) On or before January 25 of the Fiscal Year which the Authority may estimate as the year in which the Regional System or any

part thereof will be placed in operation and on or before January 25 of each Fiscal Year thereafter, and in any event on or before January 25 of each Fiscal Year after the Regional System or any part thereof shall have been placed in operation, the Authority will make an estimate, based upon the estimated quantity, quality and other characteristics of sewage to be delivered by every Participant, of the amount of the Annual Charge which will become payable from each Participant with respect to sewage to be delivered and discharged in such Fiscal Year and, on or before February 1 next ensuing, will make and deliver to such Participant its certificate stating such estimated amount of the Annual Charge. In the event that any part of the Annual Charge computed and established in accordance with paragraph (A) of this Section theretofore becoming due and payable to the Authority from such Participant shall not have been paid, the Authority will include in such certificate an additional provision separately stating the amount of such unpaid part (herein called "Deficiency").

(C) Each Municipality and Local Authority will in each Fiscal Year make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the Participant to the Authority during such Fiscal Year of the estimated amount of the Annual Charge and the amount of the Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid.

(D) On or before March 1 of each Fiscal Year, each Participant will pay to the Authority the amount of the Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority

as aforesaid. Each Participant will pay to the Authority the estimated amount of the Annual Charge stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid in four equal installments on March 1, June 1, September 1 and December 1 of such Fiscal Year, provided that in the Fiscal Year which the Authority may estimate as the year in which the Regional System or any part thereof will be placed in operation, said estimated amount shall be divided into as many installments as there are months in such Fiscal Year beginning after the date which the Authority shall estimate as the day on which the Regional System or any part thereof will be placed in operation and one of such installments shall be due and payable to the Authority on the first day of each such month.

(E) In the event that the amount of the Annual Charge computed and established in accordance with paragraph (A) of this Section becoming due from any Participant with respect to sewage delivered and discharged in a Fiscal Year shall be less than the estimated amount of such Annual Charge stated in the certificate delivered in such Fiscal Year to it by the Authority, the Authority will on or before March 1 next ensuing return to such Participant the difference between said amounts by credit against payments then or theretofore due to the Authority from such Participants under the provisions of paragraph (A) of paragraph (D) of this Section.

(F) The sums payable by a Participant to the Authority under the provisions of this Section are and shall be in lieu of Service Charges by the Authority with regard to real property in

such Participant directly or indirectly connected with the Regional System and real property connected to the Local Sewerage System of such Participant connected with the Regional System in accordance with Article III hereof. So long as such Participant shall not be in default in the making of any payments becoming due from it under the provisions of this Section, the Authority will waive Service Charges with regard to such real property. For the purposes of this paragraph, a Participant shall be deemed to be in default if such Participant, for a period of thirty days after its due date, shall fail to make in full to the Authority any payment required to be made by it under the provisions of this Agreement.

Section 403. Computation of Charges in Initial Operation of Regional System. For the purpose of computation of the estimated Annual Charge and the Annual Charge until the Regional System shall have been in operation for a full Fiscal Year, and thereafter, until a Participant has connected its Local Sewerage System to the Regional System, the volume of sewage delivered by any Participant and received into the Regional System in each calendar month, shall, for all purposes of this Article, be computed at not less than the minimum monthly number of gallons set forth in Schedule C attached hereto, marked, and hereinafter referred to as "Schedule C", and by this reference made a part hereof.

## ARTICLE V.

## Meters and Records, and Local Operations.

Section 501. Meters and Tests. The Authority will provide, install and use meters or other devices or methods for determining the quantity directly or by differentials or otherwise, and make tests and use other means for determining the quality and other characteristics, of all sewage, which shall be delivered and discharged into the Regional System by each of the Participants and all other users of the Regional System, and, in accordance with sound engineering practice, shall determine for all purposes of this Agreement such quantity, quality and characteristics and from and after the placing of the Regional System in operation, the Authority will make and keep permanent records of the quantity, quality and other characteristics of any sewage which shall or may be delivered and discharged into the Regional System by each of the Participants and all other users of the Regional System. For the purposes of determining the quantity, quality and other characteristics of any sewage which shall or may be delivered and discharged into the Regional System by a Participant the Authority shall have the right at all reasonable times to enter upon and inspect the sewer, sanitation or drainage system of such Participant and to take normal samples under ordinary operating conditions and make tests, measurements, and analyses of sewage or other wastes in, entering or to be discharged into such sewer, sanitation or drainage system. The Authority will make and keep a record of tests, measurements and analyses of such sewage or other wastes entering such sanitation, sewer or drainage systems, and upon the written request of any Participant will make available to such Participant

the results of such tests, measurements or analyses.

Section 502. Competitive Facilities. No Participant shall construct, enlarge or operate a plant for the treatment and disposal of sewage unless (1) required so do to by the terms of Article VI hereof or (2) the Authority shall have given its written consent thereto.

Section 503. Prohibited Connections. No Participant shall make or permit any new connection to or extension of its sewer, sanitation or drainage systems which is so designed as to permit entrance directly or indirectly into the Regional System of storm water drainage from ground surface, roof leaders, catch basins or any other source, and each Participant, before making any new connection to or extension of its sewer, sanitation or drainage systems, will submit the plans therefor to the Authority and, in making the same, will permit the Authority to inspect the work and will comply with all requests of the Authority with respect thereto reasonably designed to assure exclusion from the Regional System of any such storm water drainage.

Section 504. Accounts. The Authority will keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Regional System or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to public inspection. The Authority will cause its books and accounts to be audited annually by a certified public or registered municipal accountant selected by the Authority, and annually within



one hundred days after the close of each Fiscal Year, copies of the reports of such audits so made shall be furnished to the Authority and to each Participant, including statements in reasonable detail, accompanied by a certificate of said accountant, of financial condition, of revenues and operating expenses, and of all funds held by or for the Authority.

Section 505. Operation, Maintenance and Reconstruction.

Each Participant shall at all times operate, or cause to be operated, its Local Sewerage System properly and in a sound and economical manner and shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of its Local Sewerage System may be properly and advantageously conducted, and, if any useful part of its Local Sewerage System is damaged or destroyed, the Participant shall, as expeditiously as may be possible, commence and diligently prosecute the replacement or reconstruction of such part so as to restore the same to use.

## ARTICLE VI.

## Requirements Regarding Deleterious Wastes.

Section 601. Requirements for Sewage Discharged into Regional System. Sewage discharged into the Regional System by or on behalf of each Participant shall, at the point of connection of the sewer, sanitation or drainage systems of such Participant with the Regional System, comply with the requirements prescribed therefor in the Requirements as to Sewage Discharged attached hereto marked, and hereinafter called "Schedule B" and by this reference made a part hereof. The Authority represents to each Participant that the domestic wastes discharged at the date of this Agreement into any Local Sewerage System owned and operated by any Participant complies with such requirements.

Section 602. Amendment of Discharge Requirements. The Authority may from time to time make any amendment or amendments of the requirements referred to in Section 601 of this Article which may be reasonably necessary to prohibit or properly regulate the delivery or discharge into the Regional System of oils, acids or any other substances which, alone or in combination with other substances delivered and discharged into the Regional System from the same source, are or may be or may reasonably be expected to be substantially injurious or deleterious to the Regional System or to its efficient operation, and which, having regard to the public health and safety and the purposes of the Authority, does not unreasonably restrict the operations of a Participant or the use of

property of or located in a Participant.

Section 603. Determination by Authority as to Type of Discharge. Each Participant will cause all sewage at any time discharged into the Regional System by it or on its behalf to comply with the requirements referred to in Section 601 of this Article and the amendments thereof, if any, then in effect. Each Participant will permit no new connections and will discontinue existing public connections and will require the discontinuance of existing private connections to its Local Sewerage System, which allow entrance therein of such sewage as will cause the discharge at any time into the Regional System from such Local Sewerage System of sewage which does not comply with said requirements and the amendments thereof, if any, then in effect. If a violation in any Participant of the provisions of this Section 603 or of any rules or regulations issued pursuant to this Article VI shall cause any extraordinary expense to the Authority, such Participant will reimburse the Authority for such extraordinary expense within thirty days after notice by the Authority of the amount thereof.

## ARTICLE VII.

## Miscellaneous.

Section 701. Contracts with or Service to Others. The Authority will not enter into any agreement providing for or relating to the treatment and disposal of sewage originating in any Municipality or district (as defined in the Act) of a Local Authority or sewage originating outside such Municipality or district (as defined in the Act) of a Local Authority collected in sewers which at the date of this Agreement are connected with the Local Sewerage System of such Municipality or Local Authority, unless (1) the other contracting party be such Municipality or Local Authority or (2) such Municipality or Local Authority shall have given its written consent thereto; provided, however, that nothing in this Agreement contained shall restrict in any way the right and power of the Authority, in its discretion, at any time and from time to time to enter into agreements with any municipal corporation or with any other body, person, partnership, firm or corporation providing for or relating to the disposal of sewage or with respect to the delivery or discharge into the Regional System of sewage or other wastes originating within or without the District, provided that the charges with respect to such sewage or other wastes delivered and discharged into the Regional System made and imposed with respect thereto or charged and collected pursuant to the Act shall not be computed or established at any rates less favorable to the Authority than the rates applicable with respect to sewage deli-

vered and discharged into the Regional System by the Participants, and the terms and conditions of any such agreement shall not be less favorable to the Authority than the terms and conditions of this Agreement.

Section 702. Enforcement. (1) The Authority will at all times take all reasonable measures permitted by the Act or otherwise by law to collect and enforce prompt payment to it or for it of all Service or Annual Charges prescribed, fixed, certified or charged by it in accordance with this Agreement. If any payment or part thereof due to the Authority from any Participant shall remain unpaid for thirty days following its due date, such Participant shall be charged with and will pay to the Authority interest on the amount unpaid from its due date until paid at the rate of six per centum (6%) per annum, and the Authority, in its discretion, may charge and collect Service Charges with regard to persons and real property directly or indirectly connected to the Regional System sufficient to meet any default or deficiency in any payments herein agreed to be made by such Participant. If in any such case Service Charges are so collected, the amount so collected by the Authority will be credited against the amount of such default or deficiency or any payments then or theretofore due to the Authority from such Participant under the provisions of Article IV hereof, and the Authority will furnish to the Participant a list of the names of the persons making payment to the Authority of such Service Charges and of the several amounts so paid by such persons respectively, and

the Participant will give fair and proper credit to such persons for the several amounts so paid by them.

(2) Every obligation assumed by or imposed upon any Participant by this Agreement shall be enforceable by the Authority by appropriate action, suit or proceeding at law or in equity, and the Authority may have and pursue any and all remedies provided by law for the enforcement of such obligations including the remedies and processes provided by the Act with respect to Service Charges or other obligations.

(3) This Agreement shall be binding upon and be deemed to be executed by all subsidiary corporations of the Company and all corporations controlled by it and any company in which it may be merged or with which it may be consolidated and any company resulting from any merger or consolidation to which it shall be a party. Before the Company shall transfer the ownership, occupancy or control of all of any part of its collecting and transmission system to any other person, partnership, firm or corporation (hereinafter called "successor"), the Company will request such successor, by agreement with the Authority supplemental to this Agreement, to assume and undertake all of the obligations hereunder of the Company with respect to such collecting and transmission system or part thereof and, if such successor be controlled or subject to control by the Company, the Company will cause such successor to assume, undertake and perform each and all of said obligations.

(4) Failure on the part of the Authority or of any Participant in any instance or under any circumstance to observe or fully perform any obligation assumed by or imposed upon it by this Agreement shall not make the Authority liable in damages to a Participant or relieve a Participant from making any payment to the Authority or fully performing any other obligation required of it under this Agreement, but such Participant may have and pursue any and all other remedies provided by law for compelling performance by the Authority or such other Participant of said obligation assumed by or imposed upon the Authority or such other Participant.

Section 703. Certain Acts not a Waiver. Acceptance by the Authority into the Regional System from a Participant of sewage in a volume or at a rate or with characteristics exceeding or violating any limit or restriction provided for by or pursuant to this Agreement in one or more instances or under one or more circumstances shall not constitute a waiver of such limit or restriction or of any of the provisions of this Agreement and shall not in any way obligate the Authority thereafter to accept or make provision for sewage delivered and discharged into the Regional System in a volume or at a rate or with characteristics exceeding or violating any such limit or restriction in any other instance or under any other circumstance.

Section 704. Special Consents by Participants. Whenever under the terms of this Agreement a Municipality is authorized to give its written consent, such consent may be given and shall be

conclusively evidenced by a copy, certified by its Clerk and under its seal, of a resolution purporting to have been adopted by its Governing Body and purporting to give such consent. Whenever under the terms of this Agreement the Company is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by an instrument in writing purporting to give such consent and purporting to be signed in its name by its President or any Vice-President, Assistant Vice-President, Secretary, Assistant Secretary, General Manager, Assistant General Manager, Treasurer or Assistant Treasurer thereof. Whenever under the terms of this Agreement a Local Authority is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Secretary and under its seal, of a resolution purporting to have been adopted by the Local Authority or its members and purporting to give such consent.

Section 705. Special Consents by Authority. (A) Whenever under the terms of this Agreement the Authority is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Secretary and under its seal, of a resolution purporting to have been adopted by the Authority or its members and purporting to give such consent.

(B) Whenever under the terms of the Agreement the Authority is authorized to give its written consent, the Authority, in its discretion, may give or refuse such written consent and, if given, may restrict, limit or condition such consent in such manner as it



shall deem advisable.

Section 706. Term of Agreement. This Agreement shall come into effect upon its execution and delivery by or on behalf of the parties hercinabove named and shall thereafter be and remain in full force and effect, but at any time after five years from the date of this Agreement and after the payment in full of all obligations of the Authority, including its bonds, original or refunding or both, issued to finance, the construction, replacement, maintenance or operation of the Regional System, any Participant may, upon two years' notice to the Authority and thereafter cease to be a Participant. draw from this Agreement and thereafter

Section 707. Obligations of the Authority. All bonds, notes or other obligations of the Authority referred to in this Agreement or to be issued by the Authority shall, for all purposes of this Agreement be the sole obligation of the Authority and shall not in any way be deemed a debt or liability of any Participant.

Section 708. Pledge or Assignment. The Authority may at any time assign or pledge for the benefit and security of the holders of bonds, notes or other evidences of indebtedness heretofore or hereafter issued by the Authority any of its rights under the provisions of this Agreement to receive payments from any Participant, and thereafter this Agreement shall not be terminated, modified or changed by the Authority or such Participant except in the manner (if any) and subject to the conditions (if any) permitted by the terms and provisions of such assignment or pledge.

Section 709. Effective Date. This agreement shall be in full force and effect and be legally binding upon the Authority and upon all of the Participants which shall then have executed same upon its execution and deliver by the Authority and by any selection of the thirteen Participants hereinabove named as, upon aggregating the minimum non-summer monthly number of gallons set opposite their names in Schedule C, presents eighty-five per centum (85%) of the total number of non-summer gallons set forth in said Schedule C.

Section 710. Execution in Counterparts. This Agreement may be executed in any number of counterparts each of which shall be executed by the Authority and any one or more of the Participants and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

IN WITNESS WHEREOF, the Authority and the Participants have caused their respective corporate seals to be hereunto affixed and attested and these presents to be signed by the respective officers thereunder duly authorized and this Agreement to be dated as of the day and year first above written.

ATTEST:

  
City Clerk

ABSECON CITY

By   
Mayor

ATTEST:

*Robert L. Davis*  
Deputy City Clerk

BRIGANTINE CITY

By James J. Joyce  
Mayor

ATTEST:

Man. E. Brown  
City Clerk

LINWOOD

By Joseph Bradley  
Mayor

ATTEST:

Mary Talbot  
Borough Clerk

THE BOROUGH OF LONGPORT

By \_\_\_\_\_ Mayor

ATTEST :

A. Heland Brown  
City Clerk

MARGATE CITY

By Martine Blain  
Mayor

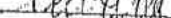
ATTEST:

Stanley Roberts  
City Clerk

THE CITY OF NORTHFIELD

By [Signature]  
Mayor

ATTEST:

ATTEST:  
  
 City Clerk

PLEASANTVILLE

By Robert C. Johnson  
Mayor

ATTEST:

City Clerk

PORT REPUBLIC

By \_\_\_\_\_ Mayor

THE ATLANTIC COUNTY SEWERAGE AUTHORITY

ROOM 350, COMMERCE BUILDING  
1200 ATLANTIC AVENUE  
ATLANTIC CITY, N. J. 08401  
July 17, 1974

The Atlantic City Sewerage Company  
Guarantee Trust Building  
Atlantic Avenue  
Atlantic City, New Jersey 08401

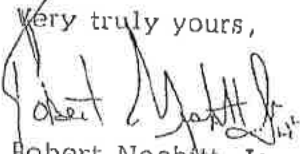
Attn: George Fieldhouse  
Chairman

Dear Mr. Fieldhouse;

Enclosed herein please find page 34 of the Atlantic County Sewerage Authority Service Agreement which has now been executed by Mayor Robinson of the City of Ventnor.

Will you please substitute this for page 34 of the Atlantic County Sewerage Authority Service Agreement you are now holding.

Very truly yours,

  
Robert Nesbitt, Jr.  
Secretary

The City of Ventnor City has executed and delivered this agreement this  
12th day of July, 1974.

34

ATTEST:

James M. Ringi  
City Clerk

VENTNOR CITY

Charles R. Riddle  
Mayor

ATTEST:

Harold T. Walsh  
Secretary

EGG HARBOR TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By Michael J. M. M. M.  
Chairman

ATTEST:

William J. M. M.  
Secretary

GALLOWAY TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By Charles R. Riddle  
Chairman

ATTEST:

James M. Ringi  
Secretary

SOMERS POINT CITY SEWERAGE  
AUTHORITY

By James M. Ringi  
Chairman

ATTEST:

James M. Ringi  
Asst Secretary

THE ATLANTIC CITY SEWERAGE  
COMPANY

By James M. Ringi  
President

ATTEST:

Robert M. Ringi  
Secretary

THE ATLANTIC COUNTY SEWERAGE  
AUTHORITY

By James M. Ringi  
Chairman

ATTEST:

City Clerk

VENTNOR CITY

BY

Mayor

ATTEST:

Howard T. W. [Signature]  
Secretary

EGG HARBOR TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By

Chairman

ATTEST:

William L. [Signature]  
Secretary

GALLOWAY TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By

Chairman

ATTEST:

[Signature]  
Secretary

SOMERS POINT CITY SEWERAGE  
AUTHORITY

By

Chairman

ATTEST:

[Signature]  
Assistant Secretary

THE ATLANTIC CITY SEWERAGE  
COMPANY

By

President

ATTEST:

[Signature]  
Secretary

THE ATLANTIC COUNTY SEWERAGE  
AUTHORITY

By

Chairman

SCHEDULE A.

(Attached to and part of Agreement dated as of November 1, 1972 between The Atlantic County Sewerage Authority and Participants,)

List of Connection Points

<u>PARTICIPANTS</u>	<u>CONNECTION POINT</u>
Borough of Longport	Longport Pumping Station in the vicinity of Amherst and 34th Avenues
Margate City	Ventnor/Margate Pumping Station in the vicinity of Wellington & Lafayette Streets (see Note No. 1)
Ventnor City	Ventnor/Margate Pumping Station in the vicinity of Wellington & Lafayette Streets (see Note No. 1)
Atlantic City Sewerage Company	1. Atlantic County Sewerage Authority Regional Wastewater Treatment Plant at City Island. 2. At a point on the Atlantic County Sewerage Authority Force Main in the vicinity of West End Avenue & Raleigh Avenue 3. At a point on the Atlantic County SA force main in the vicinity of West End Avenue & Raleigh Avenue (See foot No. 2) 4. Texas Avenue Pumping Station (See foot Note No. 3)
City of Brigantine	Brigantine Pumping Station in the vicinity of 36th Street near Brigantine Boulevard
Somers Point City Sewerage Authority	Somers Point Pumping Station located in the vicinity of the site of the existing Somers Point City Sewerage Authority Wastewater treatment plant.

PARTICIPANTS

City of Linwood

City of Northfield

City of Pleasantville

City of Absecon

Township of Galloway

CONNECTION POINT

Linwood Pumping Station in the vicinity of Poplar Street & Somerset Street extended (in addition there will be approximately 27 interconnections between the local system of Linwood & the interceptor line)

Northfield Pumping Station in the vicinity of Catherine Ave. (In addition there will be approximately 8 cross connections between the Northfield local system and the interceptor system)

Pleasantville Pumping Station in the vicinity of Old Turnpike Road adjacent to the existing Pleasantville Wastewater Treatment Plant

Absecon Pumping Station in the vicinity of Station Avenue (In addition there will be approximately 12 cross connections between the Absecon local system & the interceptor system)

1. Smithville Pumping Station in the vicinity of Old Port Road & Moss Mill Road.
2. In the vicinity of Moss Mill Road & Route 9
3. In the vicinity of Sylvan Road & Ridgewood Avenue
4. Oceanville Pumping Station in the vicinity of Great Creek Road & Route 9
5. Sylvan Road & Brook Avenue
6. Seaview Pumping Station in the vicinity of Brook Avenue & Route 9



PARTICIPANTS

City of Port Republic

CONNECTION POINT

Port Republic Pumping Station  
in the vicinity of Old New  
York Road at Nacote Creek  
Bridge

1. Small local force mains will be intercepted and diverted to the Ventnor/Margate Pumping Station wet well. The actual connection will be to the new section of force main required to divert the flow to the wet well.
2. The Raleigh Avenue Pumping Station connection and the Chelsea Heights Pumping Station connections could be combined into one connection. If this occurs then this connection for the Atlantic City Sewerage Company will not be required as a formal connection point.
3. This connection point may be eliminated from the project.

SCHEDULE B.

(Attached to and part of Agreement dated as of November 1, 1972, between The Atlantic County Sewerage Authority and Participants.)

Requirements as to Wastewater Discharged

Wastewater discharged into the facilities of Authority shall not:

1. Be of such a nature and in such a quantity as to impair the hydraulic capacity of such facilities, normal and reasonable wear and usage excepted;
2. Be of such a nature as to, by either chemical or mechanical action, impair the strength and durability of wastewater conveyance, lifting and treatment structures;
3. Be of such a nature as cause explosive or flammable conditions in such facilities. The flash point shall be lower than 187° F., as determined by the Tagliabue (Tag.) close cup method;
4. Have toxic materials in such a quantity so as to cause or upset the biological activity of the treatment facilities;
5. Have a pH lower than 4.0 or greater than 9.0;
6. Have temperatures higher than 150°F;
7. Have any obnoxious or toxic gases that will cause hazardous conditions to the operating personnel of such facilities;
8. Include any garbage or grease other than that received directly into public sewers from residences, unless the Authority shall have given written consent to its inclusion;
9. Include any radioactive substance,\* unless the Authority shall have given written consent to its inclusion;
10. Include any industrial waste,\* unless the Authority shall have given written consent to its inclusion.

\* the existence of such materials to be based upon proper analytical data to be submitted by a competent sanitary engineer.

# SCHEDULE C.

(Attached to and part of Agreement dated as of November 1, 1972 between The Atlantic County Sewerage Authority and Participants.)

<u>Participant</u>	<u>Minimum Non-Summer Monthly Flows</u>	<u>Minimum Summer* Monthly Flows</u>
Absecon City	14.9	17.6
Brigantine City	44.0	63.8
The Township of Galloway, in the County of Atlantic	20.8	21.0
Linwood	14.6	17.4
The Borough of Longport	11.5	15.7
Margate City	38.6	76.5
The City of Northfield	21.1	24.8
Pleasantville	29.8	43.5
Port Republic	1.8	1.8
Ventnor City	37.8	64.8
Egg Harbor Township Muni- cipal Utilities Authority	12.0	12.2
Somers Point City Sewerage Authority	25.8	34.0
Atlantic City Sewerage Co. Authority	392.1 MG	543.4 MG 11 7/8 mo.
Totals	664.8	936.5

\*Summer months are June, July and August

# EXHIBIT 2



Agenda Date: 1/7/21  
Agenda Item: 5A

**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/)

DIVISION OF WATER

IN THE MATTER OF THE PETITION OF THE	)	DECISION AND ORDER
ATLANTIC CITY SEWERAGE COMPANY TO	)	ADOPTING INITIAL
INCREASE THE LEVEL OF ITS PURCHASED	)	DECISION SETTLEMENT
SEWERAGE TREATMENT ADJUSTMENT CLAUSE	)	APPROVING STIPULATION
	)	OF SETTLEMENT
	)	
	)	BPU DOCKET NO.
	)	WR20090617
	)	OAL NO. PUC 10007-2020 S

**Parties of Record:**

**Courtney L. Schultz, Esq., Saul Ewing Arnstein and Lehr LLP**, on behalf of Atlantic City Sewerage Company  
**Stefanie A. Brand, Director**, New Jersey Division of Rate Counsel

**BY THE BOARD:**

Atlantic City Sewerage Company ("Petitioner," "ACSC" or "Company"), a public utility of the State of New Jersey, subject to the jurisdiction of the Board of Public Utilities ("Board"), operates a sewerage collection and transmission system that serves approximately 7,600 customers within the City of Atlantic City, Atlantic County, New Jersey. The Petitioner purchases its sewage treatment from the Atlantic County Utilities Authority ("ACUA").

On September 24, 2020, pursuant to N.J.A.C. 14:9-7.1 to 7.7, ACSC filed the above-captioned petition with the Board for approval of an increase in the level of its purchased wastewater treatment adjustment clause ("PSTAC") as required by N.J.A.C. 14:9-7.1(d) and 14:9-7.7. On October 27, 2020, and again on December 2, 2020, the Company served an updated Exhibit 3 upon Rate Counsel and Staff, reflecting adjustments to the schedules previously provided with the filing. The first update provided in October was to provide currently available data as of September 30, 2020. The second update reflected one primary adjustment, which was related to a proposed reduction in the annual amount charged by ACUA to the Company from 35.8% to 34.73%.

By this Order, the Board considers ALJ Caliguire's Initial Decision Settlement ("Initial Decision") recommending that it adopt a stipulation of settlement ("Stipulation") executed by the Company,

the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties").

### **BACKGROUND/PROCEDURAL HISTORY**

The Petitioner does not treat any sewage. Rather, the Company is solely engaged in the collection and transmission of sewage within the City of Atlantic City. All of the collected sewage transmitted by the Company is treated by the ACUA. The Petitioner does not meter sewage flows, but bills its customers on the basis of water entering the customers' premises.

On October 21, 2020, the matter was transmitted by the Board to the Office of Administrative Law ("OAL") for review and disposition. Thereafter, on or around November 19, 2020, the OAL assigned the case to Administrative Law Judge ("ALJ") Tricia Caliguire. A telephone status conference was held on November 20, 2020 before ALJ Caliguire. Two public comment hearings were scheduled for December 17, 2020, and all requisite notices were given, including notice by publication in the Atlantic City Press on November 25, 2020. On December 17, 2020, two virtual public comment hearings were presided over by ALJ Caliguire, the one at 4:30 p.m. and the other at 5:30 p.m., at which no members of the public appeared.

### **STIPULATION<sup>1</sup>**

Discovery was conducted and settlement discussions were held. As a result of these discussions, the Parties reached the Stipulation that resolved all issues in this proceeding as follows:

As required by N.J.A.C. 14:9-7.7, the Company has included in its filing an estimate of ACUA costs for calendar year 2021, which estimate has been used to determine the applicable PSTAC rate for 2021. As a result, the projected bill for 2021 from the ACUA is \$7,693,009. In addition, the following components have been included to arrive at the net amount for recovery from customers through the 2021 PSTAC of \$8,155,476:

- a. ACSC had a net under-recovery of \$1,445,510 for the 2020 PSTAC;
- b. ACUA is projecting a credit to the Company of \$988,043 for 2020 billing;
- c. ACSC incurred \$10,000 in filing costs for this proceeding, of which \$5,000 is included (pursuant to the Board's 50/50 sharing of such expenses as between ratepayers and investors); and
- d. ACSC included a credit in the amount of \$620,000, which reflects a portion of the credits that will be due to customers as a result of COVID-19 related flow reductions.

In its petition, the Company included a COVID-19 adjustment in the amount of \$1,177,390<sup>2</sup>, which was based upon estimated credits that would be owed to the Company's largest 50 customers (by volume) for reduced flows resulting from

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<sup>1</sup> Although described in this 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 of this Order.

<sup>2</sup> This is the updated amount as reflected in the subsequent updates to the schedules accompanying the petition. The as-filed estimate was \$1,181,914.

business closures and pandemic-related restrictions in place in 2020. The Company sought to recover these amounts concurrent with the crediting to customers' accounts (with the bulk of those credits payable in January and February 2021) to avoid carrying this amount as an under-recovery for the next 12 months. The concurrent recovery is required to help alleviate the undue financial burden resulting from the closure of the casinos, hotels and restaurants for several months during prime tourism season.

As part of the settlement in this proceeding, Exhibit A was further updated to reduce the amount of the COVID-19 Credits requested by the Company from \$1,777,390 to \$620,00. The Parties have agreed that ACSC shall be permitted to recover a portion of the COVID-19 credits in this matter, and to recover any remaining credits paid to customers in 2021 for decreased 2020 usage in future filings before the Board, whether in next year's PSTAC filing or in another proceeding, such as the Board's COVID-19 proceeding.<sup>3</sup> Accordingly, the Company has included a COVID-19 credit in the amount of \$620,000 in setting 2021 rates.

Based on the estimated costs for 2021, the under-recovery from revenues for 2020, the estimated credit for 2020 treatment flows, the COVID-19 customer credits for decreased 2020 usage, and the costs of this proceeding, the Parties have agreed that Petitioner's current PSTAC rates on file with the Board should be increased as indicated on Exhibit A, and as reflected on the tariff page attached hereto as Exhibit B. For the average residential customer, the PSTAC rate will increase from \$22.889 per thousand cubic feet of metered water to \$25.850 per thousand cubic feet of metered water, an increase of \$2.961 per thousand cubic feet of metered water, or approximately 12.94%. With respect to the total annual rate for wastewater services, for the average residential customer using approximately 9.3 Mcf, their bill will increase from \$541.18 to \$568.72, an increase of \$27.54, or approximately 5.09% annually. (See Exhibit A, Sched. ACSC-9).

Because the 2021 PSTAC rate will not be effective until February 1, 2021, the Company's PSTAC rate will need to be compressed due to the fact that the 2020 PSTAC order will be received after the beginning of 2021 and the Company will have already billed some of its 2021 cycles. The compression method used by the Company is simply based on the number of days that have elapsed prior to the effective date of the new PSTAC and the number of days remaining in the calendar year. This method works for ACSC because it bills each customer one time for 12 months' usage, which is equivalent to assuming that usage per day is the same for every day. The compression formula is:  $((ARI * 365) / (365 - \text{days})) = CRI$ .<sup>4</sup> The resultant 2021 PSTAC Rate, accounting for compression, will be \$26.125. See Exhibit C for the Compressed Rate Calculation.

Consistent with the provisions of N.J.A.C. 14:9-7.1 to 7.7, the Parties agree that the Company will file with the Board a PSTAC petition to reconcile 2021 ACUA costs with the estimated ACUA costs (as reflected in the rates identified on Exhibit

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<sup>3</sup> See I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic, BPU Docket No. AO20060471.

<sup>4</sup> "ARI" is the Annual Rate Increase, "days" is the number of days prior to the effective date of the compressed PSTAC, and "CRI" is the Compressed Rate Increase.

A and Exhibit B) for the same period. Additionally, the Company will include in its filing an estimate of ACUA costs for calendar year 2022, which estimate will be used to determine the applicable PSTAC rate for 2022, as required in N.J.A.C. 14:9-7.1(d) and 14:9-7.7.

ACSA shall account for net cumulative over-recoveries and under-recoveries resulting from the PSTAC. These over-recoveries and under-recoveries will be charged or credited to the PSTAC in subsequent PSTAC proceedings. The net monthly cumulative over-recoveries and under-recoveries shall be calculated for each month, utilizing an average balance for each month. Interest on net cumulative monthly over-recoveries shall be credited to the PSTAC at an interest rate equal to the return on rate base of 6.90%. Similarly, interest on net monthly under-recoveries shall be charged against the PSTAC. If the Company has another base rate case completed while this PSTAC is in effect, the return on rate base utilized in that base rate case shall become the interest rate on net monthly cumulative over-recoveries and under-recoveries, on a prospective basis. If, as of December 31, 2021, interest shall be due to the PSTAC, such interest shall in fact be credited to the PSTAC. If, as of December 31, 2021, interest shall be chargeable against the PSTAC, said interest shall be eliminated through appropriate accounting entries.

On December 28, 2020, ALJ Caliguire issued her Initial Decision in this matter recommending the adoption of the Stipulation executed by the Parties, finding that they voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues, and is consistent with the law.

### **DISCUSSIONS AND FINDINGS**

Having reviewed the record in this matter, including the Initial Decision and the Stipulation, the Board **HEREBY FINDS** that the Parties have voluntarily agreed to the Stipulation, and that the Stipulation fully disposes all issues in this proceeding and is consistent with the law. The Board **FURTHER FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Initial Decision, 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:

In accordance with the provisions of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Petitioner shall file with the Board, no later than 45 days after the adjustment clause has been in effect for one year, a PSTAC true-up schedule in connection with this proceeding. Copies of the true-up schedule shall be served upon all parties to the present proceeding.

The Board **HEREBY DIRECTS** the Company to file tariff pages conforming to the terms and conditions of the Stipulation and this Order within 10 days from the effective date of this Order.



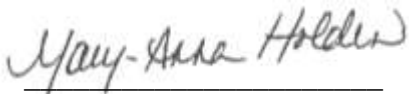
The effective date of this Order is January 7, 2021 with rates to become effective on and after February 1, 2021.

DATED: January 7, 2021

BOARD OF PUBLIC UTILITIES  
BY:



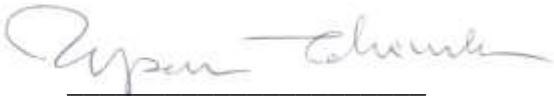
JOSEPH L. FIORDALISO  
PRESIDENT



MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER



ROBERT M. GORDON  
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH  
SECRETARY

IN THE MATTER OF THE PETITION OF THE ATLANTIC CITY SEWERAGE COMPANY  
TO INCREASE THE LEVEL OF ITS PURCHASED SEWERAGE TREATMENT  
ADJUSTMENT CLAUSE

BPU DOCKET NO. WR20090617  
OAL NO. PUC 10007-2020 S

SERVICE LIST

<p>Courtney Schultz, Esq. Saul Ewing Arnstein and Lehr, LLP Centre Square West, 38<sup>th</sup> Floor 1500 Market Street Philadelphia, PA 19102 <a href="mailto:Courtney.Schultz@saull.com">Courtney.Schultz@saull.com</a></p> <p>Division of Rate Counsel 140 East Front Street, 4<sup>th</sup> Floor Post Office Box 003 Trenton, NJ 08625-0003</p> <p>Stefanie A. Brand, Esq., Director <a href="mailto:sbrand@rpa.nj.gov">sbrand@rpa.nj.gov</a></p> <p>Susan E. McClure, Esq. <a href="mailto:smcclure@rpa.nj.gov">smcclure@rpa.nj.gov</a></p> <p>Brian O. Lipman, Esq., Litigation Manager <a href="mailto:blipman@rpa.nj.gov">blipman@rpa.nj.gov</a></p> <p>Department of Law and Public Safety Division of Law Public Utilities Section R.J. Hughes Justice Complex, 7<sup>th</sup> Floor West 25 Market Street, Post Office Box 112 Trenton, N.J. 08625</p> <p>Pamela Owen, Esq. Deputy Attorney General and Assistant Section Chief <a href="mailto:pamela.owen@law.njoag.gov">pamela.owen@law.njoag.gov</a></p> <p>Meliha Arnautovic, Esq. Deputy Attorney General <a href="mailto:meliha.arnautovic@law.njoag.gov">meliha.arnautovic@law.njoag.gov</a></p> <p>Brandon Simmons, Esq. Deputy Attorney General <a href="mailto:Brandon.Simmons@law.njoag.gov">Brandon.Simmons@law.njoag.gov</a></p>	<p>Board of Public Utilities 44 South Clinton Avenue, 9<sup>th</sup> Floor Post Office Box 350 Trenton, NJ 08625-0350</p> <p>Aida Camacho-Welch, Secretary <a href="mailto:Board.secretary@bpu.nj.gov">Board.secretary@bpu.nj.gov</a></p> <p><b>Division of Water</b></p> <p>Mike Kammer, Director <a href="mailto:Mike.kammer@bpu.nj.gov">Mike.kammer@bpu.nj.gov</a></p> <p>Megan Lupo, Bureau Chief <a href="mailto:megan.lupo@bpu.nj.gov">megan.lupo@bpu.nj.gov</a></p> <p>Kyle Felton, Rate Analyst <a href="mailto:kyle.felton@bpu.nj.gov">kyle.felton@bpu.nj.gov</a></p>
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December 23, 2020

**VIA EMAIL**

Honorable Tricia M. Caliguire  
State of New Jersey  
Office of Administrative Law  
3444 Quakerbridge Road, Building 9  
Hamilton, NJ 08619

**RE: I/M/O Petition of the Atlantic City Sewerage Company to Increase the Level  
of Its Purchased Sewerage Treatment Adjustment Clause  
BPU Docket No. WR20090617  
OAL Docket No. PUC 10007-2020 S**

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Dear Judge Caliguire:

Enclosed please find the Stipulation of Settlement and Exhibits, with reference to the above matter. As a reminder, we are looking to transmit your Recommended Decision to the BPU in time for it to make the agenda for the January 7, 2021 meeting.

Thank you for your attention to this matter.

Respectfully submitted,



Courtney L. Schultz

CLS/JC  
cc: Per Attached OAL Service List

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Trenton, NJ 08625-0049  
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OAL DOCKET NO. PUC 10007-2020 S

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Bureau of Case Management  
Board of Public Utilities  
P.O. Box 350  
Trenton, NJ 08625-0350

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Division of Rate Counsel  
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Trenton, NJ 08625

Susan E. McClure, Managing Attorney Division of Rate Counsel  
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J.H Buehrer & Associates  
884 Breezy Oaks Drive  
Toms River, NJ 08753

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

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<b>IN THE MATTER OF THE PETITION OF THE</b>	<b>:</b>	<b>STIPULATION OF SETTLEMENT</b>
<b>ATLANTIC CITY SEWERAGE COMPANY TO</b>	<b>:</b>	
<b>INCREASE THE LEVEL OF ITS PURCHASED</b>	<b>:</b>	<b>BPU DOCKET NO. WR20090617</b>
<b>SEWERAGE TREATMENT ADJUSTMENT</b>	<b>:</b>	<b>OAL NO. PUC 10007-2020 S</b>
<b>CLAUSE</b>	<b>:</b>	

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**APPEARANCES:**

Courtney L. Schultz, Esq., Saul Ewing Arnstein & Lehr LLP, on behalf of the Petitioner,  
Atlantic City Sewerage Company

Brian O. Lipman, Litigation Manager and Susan E. McClure, Managing Attorney, Water,  
on behalf of the Division of Rate Counsel

Meliha Arnautovic, Deputy Attorney General, (Gurbir S. Grewal, Attorney General of  
New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

**TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:**

The Parties that have participated in this proceeding are Atlantic City Sewerage Company (“ACSC”, “Company,” or “Petitioner”), the Division of Rate Counsel (“Rate Counsel”), and the Staff of the Board of Public Utilities (“Staff”) (collectively, “Parties”). There were no intervenors in this proceeding. As a result of an analysis of ACSC’s Petition and exhibits, discovery conducted by Rate Counsel and Staff, conferences, and negotiations, the Parties to this proceeding have come to the within Stipulation of Settlement (“Stipulation”). The Parties hereto agree and stipulate as follows:

1. Petitioner is a public utility corporation of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (the “Board”). ACSC operates a sewage collection and transmission system within its defined service territory, consisting of Atlantic City, New

Jersey. Within its service territory, ACSC serves approximately 7,600 customers. ACSC's principal office is located at 1200 Atlantic Avenue, Atlantic City, New Jersey 08404.

2. ACSC does not treat any sewage. Rather, ACSC purchases its sewage treatment from the Atlantic County Utilities Authority ("ACUA"). Further, the Company does not meter sewage flows. Instead, customer bills are based upon the volume of water entering the customers' premises, using data provided to ACSC by the Atlantic City Municipal Utilities Authority, Atlantic City's water purveyor. Each year, ACSC bills customers (other than certain large volume customers) based on water consumption from the prior year.

3. On September 24, 2020, pursuant to N.J.A.C. 14:9-7.1 to 7.7, ACSC filed the above-captioned Petition with the Board, which was later assigned BPU Docket No. WR20090617, for approval of an increase in the level of its purchased wastewater treatment adjustment clause ("PSTAC") as required by N.J.A.C. 14:9-7.1(d) and 14:9-7.7.

4. On October 21, 2020, the matter was transmitted by the Board to the Office of Administrative Law ("OAL") for review and disposition. Thereafter, on or around November 19, 2020, the OAL assigned the case to Administrative Law Judge ("ALJ") Tricia Caliguire.

5. A telephone status conference was held on November 20, 2020 before ALJ Caliguire.

6. Two public comment hearings were scheduled for December 17, 2020, and all requisite notices were given, including notice by publication in the Atlantic City Press on November 25, 2020.

7. On December 17, 2020 two virtual public comment hearings were presided over by ALJ Caliguire, one at 4:30 p.m. and another at 5:30 p.m., at which no members of the public appeared.

8. On October 27, 2020, and again on December 2, 2020, the Company served an updated Exhibit 3 upon Rate Counsel and Staff, reflecting adjustments to the schedules previously provided with the filing. The first update provided in October was to provide currently available data as of September 30, 2020. The second update reflected one primary adjustment, which was related to a proposed reduction in the annual amount charged by ACUA to the Company from 35.8% to 34.73% (See Exhibit A, Sched. ACSC-4).

9. As part of the Parties Settlement, Exhibit A was further updated to reduce the amount of the COVID-19 2021 Credits requested by the Company from \$1,177,390 to \$620,000 (Sched. ACSC-8).

10. As required in N.J.A.C. 14:9-7.7, the Company has included in its filing an estimate of ACUA costs for calendar year 2021, which estimate has been used to determine the applicable PSTAC rate for 2021. As a result, the projected bill for 2021 from the ACUA is \$7,693,009. In addition, the following components have been included to arrive at the net amount for recovery from customers through the 2021 PSTAC of \$8,155,476:

- a. ACSC had a net under-recovery of \$1,445,510 for the 2020 PSTAC;
- b. ACUA is projecting a credit to the Company of \$988,043 for 2020 billing;
- c. ACSC incurred \$10,000 in filing costs for this proceeding, of which \$5,000 is included (pursuant to the Board's 50/50 sharing of such expenses as between ratepayers and investors); and
- d. ACSC included a credit in the amount of \$620,000, which reflects a portion of the credits that will be due to customers as a result of COVID-19 related flow reductions.

11. In its petition, the Company included COVID-19 adjustment in the amount of \$1,177,390,<sup>1</sup> which was based upon estimated credits that would be owed to the Company's

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<sup>1</sup> This is the updated amount as reflected in the subsequent updates to the schedules accompanying the petition. The as-filed estimate was \$1,181,914.

largest 50 customers (by volume) for reduced flows resulting from business closures and pandemic-related restrictions in place in 2020 (See Exhibit A, Sched. ACSC-8). The Company sought to recover these amounts concurrent with the crediting to customers' accounts (with the bulk of those credits payable in January and February 2021) to avoid carrying this amount as an under-recovery for the next 12 months. The concurrent recovery is required to help alleviate the undue financial burden resulting from the closure of the casinos, hotels and restaurants for several months during prime tourism season. As part of the settlement in this proceeding, the Parties have agreed that ACSC shall be permitted to recover a portion of the COVID-19 credits in this matter, and to recover any remaining credits paid to customers in 2021 for decreased 2020 usage in future filings before the Board, whether in next year's PSTAC filing or in another proceeding, such as the Board's COVID-19 proceeding.<sup>2</sup> Accordingly, the Company has included a COVID-19 credit in the amount of \$620,000 in setting 2021 rates.

12. Based on the estimated costs for 2021, the under-recovery from revenues for 2020, the estimated credit for 2020 treatment flows, the COVID-19 customer credits for decreased 2020 usage, and the costs of this proceeding, the Parties have agreed that Petitioner's current PSTAC rates on file with the Board should be increased as indicated on Exhibit A, and as reflected on the tariff page attached hereto as Exhibit B. For the average residential customer, the PSTAC rate will increase from \$22.889 per thousand cubic feet of metered water to \$25.850 per thousand cubic feet of metered water, an increase of \$2.961 per thousand cubic feet of metered water, or approximately 12.94%. With respect to the total annual rate for wastewater services, for the average residential customer using approximately 9.3 Mcf, their bill will

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<sup>2</sup> See I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic, BPU Docket No. AO20060471.



increase from \$541.18 to \$568.72, an increase of \$27.54, or approximately 5.09% annually. (See Exhibit A, Sched. ACSC-9).

13. Because the 2021 PSTAC rate will not be effective until February 1, 2021, the Company's PSTAC rate will need to be compressed due to the fact that the 2020 PSTAC order will be received after the beginning of 2021 and the Company will have already billed some of its 2021 cycles. The compression method used by the Company is simply based on the number of days that have elapsed prior to the effective date of the new PSTAC and the number of days remaining in the calendar year. This method works for ACSC because it bills each customer one time for 12 months' usage, which is equivalent to assuming that usage per day is the same for every day. The compression formula is:  $((ARI * 365) / (365 - \text{days})) = CRI$ .<sup>3</sup> The resultant 2021 PSTAC Rate, accounting for compression, will be \$26.125. See Exhibit C for the Compressed Rate Calculation.

14. Consistent with the provisions of N.J.A.C. 14:9-7.1 to 7.7, the Parties agree that the Company will file with the Board a PSTAC petition to reconcile 2021 ACUA costs with the estimated ACUA costs (as reflected in the rates identified on Exhibit A and Exhibit B) for the same period. Additionally, the Company will include in its filing an estimate of ACUA costs for calendar year 2022, which estimate will be used to determine the applicable PSTAC rate for 2022, as required in N.J.A.C. 14:9-7.1(d) and 14:9-7.7.

15. ACSA shall account for net cumulative over-recoveries and under-recoveries resulting from the PSTAC. These over-recoveries and under-recoveries will be charged or credited to the PSTAC in subsequent PSTAC proceedings. The net monthly cumulative over-recoveries and under-recoveries shall be calculated for each month, utilizing an average balance

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<sup>3</sup> "ARI" is the Annual Rate Increase, "days" is the number of days prior to the effective date of the compressed PSTAC, and "CRI" is the Compressed Rate Increase.

for each month. Interest on net cumulative monthly over-recoveries shall be credited to the PSTAC at an interest rate equal to the return on rate base of 6.90%. Similarly, interest on net monthly under-recoveries shall be charged against the PSTAC. If the Company has another base rate case completed while this PSTAC is in effect, the return on rate base utilized in that base rate case shall become the interest rate on net monthly cumulative over-recoveries and under-recoveries, on a prospective basis. If, as of December 31, 2021, interest shall be due to the PSTAC, such interest shall in fact be credited to the PSTAC. If, as of December 31, 2021, interest shall be chargeable against the PSTAC, said interest shall be eliminated through appropriate accounting entries.

16. The Parties have engaged in full discovery. The Parties agree that the within Stipulation reflects a mutual balancing of various issues and positions, and that it is being entered into in the spirit of compromise and to avoid protracted and costly litigation.

17. 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 herein. 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 same as to those issues upon which the Parties have stipulated herein.

18. The Parties agree that each term within this Stipulation reflects a mutual balancing of various 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 and jointly 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 and approved by the Board, then any Party hereto materially affected thereby shall not be bound to proceed under this Stipulation.

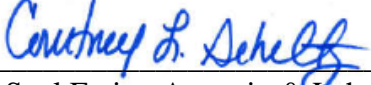
19. The Parties further agree that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Parties shall be prohibited from, or prejudiced in, arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposedly underlying any agreement provided herein in total or by specific item. The Parties further agree that this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

20. 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.

[Signatures to follow]

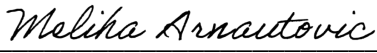
IN WITNESS WHEREOF, the Parties, each expressly intending to be legally bound, and each acknowledging that he, she or it has given full and careful consideration to all aspects of this Stipulation, have duly authorized and caused this Stipulation to be executed and to become effective as of the dates affixed hereto:

December 18, 2020  
Date

ATLANTIC CITY SEWERAGE COMPANY  
By:   
Saul Ewing Arnstein & Lehr LLP  
Courtney L. Schultz, Esq.  
Attorney for Petitioner

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

\_\_\_\_\_  
Date

By:   
Meliha Arnautovic  
Deputy Attorney General

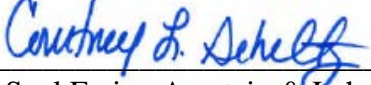
STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Susan E. McClure, Esq.  
Managing Attorney, Water

IN WITNESS WHEREOF, the Parties, each expressly intending to be legally bound, and each acknowledging that he, she or it has given full and careful consideration to all aspects of this Stipulation, have duly authorized and caused this Stipulation to be executed and to become effective as of the dates affixed hereto:

December 18, 2020  
Date

By:   
Saul Ewing Arnstein & Lehr LLP  
Courtney L. Schultz, Esq.  
Attorney for Petitioner

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the  
New Jersey Board of Public Utilities

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Meliha Arnautovic  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL

12/22/20  
Date

By: *Susan E. McClure*  
Susan E. McClure, Esq.  
Managing Attorney, Water

# **EXHIBIT A**

# The Atlantic City Sewerage Company

SCHEDULE ACSC-1

## CALCULATION OF 2021 TREATMENT RATE:

			<u>REFERENCE</u>
1	Net 2020 (Over) / Under Collection	\$ 700,848	ACSC-3
2	Adjustment for Change in 2020 Treatment Cost Billing	124,662	ACSC-5
3	Projected 2021 Credits due to Customers for 2020 COVID-19 Closures	620,000	ACSC-8
4	Other: Interest on net Overrecovery	<u>0</u>	ACSC-3, col 12
5	Net (Over) / Under Collected Position from 2020	1,445,510	
6	Projected 2021 Treatment Cost	7,693,009	ACSC-4
7	Projected 2021 Charge/ (Credit) for 2020 Treatment Flows	<u>(988,043)</u>	ACSC-4
8	Net Projected Treatment Cost	6,704,966	ACSC-4
9	Projected Filing Costs (shared 50/50)	<u>5,000</u>	ACSC-7
10	Total 2021 Treatment Cost Recovery	<u>\$ 8,155,476</u>	
11	<u>Calculation of New Treatment Rate:</u>		
12	Total 2021 Treatment Cost Recovery	\$ 8,155,476	line 10
13	Projected 2021 Mcf (divided by)	<u>315,491</u>	ACSC-2
14	2021 Volumetric Treatment Rate	<u>\$ 25.850</u>	

15	Current Rate	\$ 22.889	
16	New Rate	<u>\$ 25.850</u>	
	difference in rate	\$ 2.961	12.94%
	Volume projection	<u>315,491</u>	
	Revenue Impact	\$ 934,168	

**The Atlantic City Sewerage Company**  
**2021 PROJECTED BILLING FLOWS (in Mcf)**

**SCHEDULE ACSC-2**

	<b>BILLING MONTH</b>	<b>Mcf Billed in 2020 (a)</b>	<b>5% Adjustments (b)</b>	<b>PROJECTED 2021 Mcf</b>	
1	January	96,606.5	(4,830.3)	<b>91,776.2</b>	Estimate
2	February	16,701.7	(835.1)	<b>15,866.6</b>	Estimate
3	March	47,435.2	(2,371.8)	<b>45,063.4</b>	Estimate
4	April	46,557.7	(2,327.9)	<b>44,229.8</b>	Estimate
5	May	20,849.6	(1,042.5)	<b>19,807.1</b>	Estimate
6	June	39,782.3	(1,989.1)	<b>37,793.2</b>	Estimate
7	July	22,957.0	(1,147.9)	<b>21,809.2</b>	Estimate
8	August	41,205.5	(2,060.3)	<b>39,145.2</b>	Estimate
9					
10	<b>Total</b>	<b>332,095.5</b>	<b>(16,604.8)</b>	<b>315,490.7</b>	
11				to ACSC-1, line 13	

12 **NOTE: Based on 2020 "estimated" billings unless otherwise indicated.**

13 (a) **2020 Flows from schedule ACSC-3, column 4.**

14 (b) **Estimated volume decrease next year due to continued restrictions at casinos and restaurants imposed by the State of NJ. The Company believes this to be conservative given the current reduction in flows.**



**SCHEDULE ACSC-3**

) see below

# The Atlantic City Sewerage Company

## 2021 PROJECTED TREATMENT COST

### ANNUAL BILLING

### SCHEDULE ACSC-4

	(1)	(2)	(3)	(4)
			<i>Estimated (a)</i>	
	2020	2021	March	2021
	TREATMENT	-9.32%	2021	TREATMENT COST
	COST	<i>Decrease</i>	<i>(CREDIT)/CHARGE</i>	<i>(1)+(2)+(3)</i>
	\$ 8,483,324	\$ (790,315)	\$ (988,043) (b)	\$ 6,704,966

(a) Actual 2021 treatment costs (column 1) will be available late December, while the final credit (column 3) will not be available until mid-January 2021.

(b) Based on ACUA's current projection of ACSC's 2020 flows to the ACUA treatment plant of 31.22%, which is lower than the total flows of 35.8% originally budgeted.

(c) - Reduction in annual amount charged is due to reduction of percent assigned to AC, from 35.8% to 34.73%

## The Atlantic City Sewerage Company

1	<b>2020 TREATMENT BILLINGS ADJUSTMENT</b>		
2	(Including the ACUA Credit/Surcharge for Prior Year)		
3			
4		<u>AMOUNT</u>	
6			
7	2020 Actual Treatment Billing	\$ 8,483,324 **	
8			
9	Less: Actual Credit for 2019 Flows	<u>\$ (427,901)</u>	
10			
11	Net Actual Cost for 2019		\$ 8,055,423
12			
13			
14			
15	LESS:		
16			
17	2020 Estimated Treatment Billing	\$ 8,357,955	
18			
19	Less: Estimated Credit for 2019 Flows		
20	included in approved filing	<u>\$ (427,194)</u>	
21			
22	Net Estimated Cost for 2019		<u>\$ 7,930,761</u>
23			
24			
25	Treatment Cost Adjustment (Due To) Due From Ratepayers	<u>\$ 124,662</u>	To ACSC-1

\*\* Note: At the end of December 2019, the ACUA informed ACSC of an unexpected increase of 1.5% to its 2020 rates, which was unknown when ACSC's 2020 rates were set.

# The Atlantic City Sewerage Company

SCHEDULE ACSC-6

## 2020 NEW ACCOUNTS BILLED\*

MONTH		Mcf AMOUNT	Assumptions and Notations:
January	Actual	45.4	
February	Actual	51.2	
March	Actual	33.4	
April	Actual	2.5	
May	Actual	28.0	
June	Actual	27.2	
July	Actual	57.3	
August	Actual	55.0	
Total		300.0	

\* These accounts are billed in advance with no adjustment for prior year usage required.

The Atlantic City Sewerage Company

SCHEDULE ACSC-7

1		
2	<b><u>2021 PSTAC - PROJECTED EXPENSES</u></b>	
3		
4		<b><u>AMOUNT</u></b>
5		
6	Legal Fees for 2021 PSTAC	\$ 8,000
7	Postage, Publication & Copying	\$ 2,000
8	Other:	\$ -
9		
10	Projected 2021 PSTAC Costs	<b><u>\$ 10,000</u></b>
11		
12		
13	Total Projected Expenses (shared 50/50)	<b><u>\$ 5,000 To ACSC-1</u></b>

## Schedule ACSC-8

**ATLANTIC CITY SEWERAGE COMPANY**  
**CREDITS DUE MAJOR CUSTOMERS DUE TO COVID-19 CLOSURES / RESTRICTIONS**

The data below is based on flow reductions tracked for our 50 Largest customers, through August. Others are likely due credits, but ACSC does not have the data & resources to track that. They will receive their credits as the information becomes available for their billing month.

<b>Billing Month</b>	<b>Group A</b> (from Top 50 Customer File)	<b>Group B</b>	<b>Total Mcf Over Billed</b>	<b>PSTAC Rate</b>	<b>Credits Due Customers in 2021</b>
<b>January</b>	18,364.3	5,460.9	23,825.2	\$ 22.889	\$ 545,335
<b>February</b>	-	(4.5)	(4.5)	\$ 22.889	\$ (103)
<b>March</b>	12,165.3	(373.1)	11,792.2	\$ 22.889	\$ 269,912
<b>April</b>	6,893.8	(152.4)	6,741.4	\$ 22.889	\$ 154,304
<b>May</b>	-	2,010.7	2,010.7	\$ 22.889	\$ 46,023
<b>June</b>	* 4,616.3	299.9	4,916.2	\$ 22.889	\$ 112,527
<b>July</b>	** -	124.2	124.2	\$ 22.889	\$ 2,843
<b>August</b>	** -	2,033.7	2,033.7	\$ 22.889	\$ 46,549
<b>Total</b>	42,039.7	9,399.4	51,439.1		\$ 1,177,390
<b>Settlement Adjustment</b>					\$ (557,390)
<b>Grant Total</b>					<b>\$ 620,000</b>
					to ACSC-1

Group A = Major customers, primarily Casinos, billed on a rolling 12-month basis. For example, customers billed in January were invoiced for flows for the 12 months ended December 31, 2019 (not COVID-19 adjusted) and due a credit. Customers billed in July 2020 were invoiced based on the 12 months ended June 2020, therefore picking up the impact of COVID-19 for 3.5 months and not resulting in the need for any significant credit in 2021.

- \* one half adjustment for partial credit in 2020 and remainder to fall in 2021.
- \*\* majority of credit already reflected in 2020; therefore, no significant 2021 impact expected.

Group B = All other customers billed based on prior calendar year flows. Billings in 2020 were based on 2019 flows (pre-covid) and amounts are due back as a result of closure-related flow reductions.

**ATLANTIC CITY SEWERAGE COMPANY**  
**2021 - Impact of Annual Rate Change on Average Customer**

**Impact of PSTAC Increase on Average Customer (9.3MCF)**

<b>1</b>	<b>Rate 5/8" Meter</b>	<u>Existing</u>	<u>Proposed</u>	<u>Change \$</u>	<u>Change %</u>
<b>2</b>	Fixed Charge (A)	\$254.00	\$254.00	\$0.00	0.00%
<b>3</b>	<b>Rate/MCF</b>				
<b>4</b>	Collection	\$7.991	\$7.991	<b>\$0.00</b>	<b>0.00%</b>
<b>5</b>	PSTAC	\$22.889	\$25.850	<b>\$2.96</b>	<b>12.94%</b>
<b>6</b>	<b>Variable Charges (B)</b>				
<b>7</b>	Collection	\$74.32	\$74.32	\$0.00	0.00%
<b>8</b>	PSTAC	\$212.87	\$240.41	<b>\$27.54</b>	<b>12.94%</b>
<b>9</b>	<b>Total (A) + (B)</b>	<b>\$541.18</b>	<b>\$568.72</b>	<b>\$27.54</b>	<b>5.09%</b>

# **EXHIBIT B**



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## SCHEDULE OF RATES

### Annual Rates

#### Fixed Charge

All customers shall pay the following annual fixed charge, based on the size of the water meter used in rendering of water service:

Size of Meter	Total Annual Fixed Charge
5/8" .....	\$ 254
3/4 .....	441
1 .....	1,298
1-1/2 .....	3,200
2 .....	6,344
3 .....	15,455
4 .....	32,505
6 .....	105,079
8 .....	154,523
10 or larger .....	248,329

#### Volumetric Collection Charge

In addition to the annual fixed charge, all customers shall pay \$7.991 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth.

#### Purchased Sewerage Treatment Adjustment Clause (PSTAC) Charge

In addition to the annual fixed charge and the volumetric collection charge, all customers shall pay \$26.125 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth, for sewerage treatment costs assessed to the Company by the relevant treating wastewater facility.

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Date of Issue:  
Issued by: WENDY E. STEWART, President & General Manager  
1200 Atlantic Avenue

Effective for Service  
rendered on and after  
February 1, 2021

# **EXHIBIT C**

**THE ATLANTIC CITY SEWERAGE COMPANY  
2021 PSTAC RATE CALCULATIONS**

	<u>Amount</u>
2021 New Annual PSTAC Rate	25.850
Current PSTAC Rate	<u>22.889</u>
Annual Rate Increase	<u><u>2.961</u></u>

**COMPRESSED RATE CALCULATION**

	<u>Amount</u>
Annual Rate Increase	2.961
Times Number of Days	<u>x 365</u>
Weighted Rate Increase	<u><u>1,080.77</u></u>

Weighted Rate Increase	1,080.77
Divided by Number of Days <i>(Effective February 1, 2021)</i>	<u>334</u>
Compressed Rate Increase	<u><u>3.236</u></u>

Current PSTAC Rate	22.889
Compressed Rate Increase	<u>3.236</u>
NEW 2021 PSTAC RATE	<u><u>26.125</u></u>
<i>(Effective February 1, 2021)</i>	



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

**INITIAL DECISION SETTLEMENT**

OAL DKT. NO. PUC 10007-20

AGENCY DKT. NO. WR20090617

**IN THE MATTER OF THE PETITION  
OF THE ATLANTIC CITY SEWERAGE COMPANY  
FOR APPROVAL OF AN INCREASE IN THE LEVEL  
OF ITS PURCHASED SEWERAGE TREATMENT  
ADJUSTMENT CLAUSE, PURSUANT TO  
N.J.S.A. 48.2-21 AND N.J.A.C. 14.9-7.1, et seq.**

---

**Courtney L. Schultz, Esq.**, for petitioner (Saul Ewing Arnstein & Lehr LLP, attorneys)

**Alex Moreaux and Meliha Arnautovic**, Deputy Attorneys General, for Staff of the Board  
of Public Utilities (Gurbir S. Grewel, Attorney General of New Jersey, attorney)

**Brian O. Lipman, Esq.**, Litigation Manager, and **Susan E. McClure**, Managing Attorney,  
Rate Counsel, for Division of Rate Counsel (Stefanie A. Brand, Director)

Record Closed: December 23, 2020

Decided: December 28, 2020

**BEFORE TRICIA M. CALIGUIRE, ALJ:**

This proceeding involves the September 24, 2020 petition of the Atlantic City Sewerage Company (Company) filed with the New Jersey Board of Public Utilities (Board) seeking approval of a proposed increase in its purchased wastewater treatment adjustment clause for the estimated costs of wastewater treatment for 2021.

The petition was transmitted to the Office of Administrative Law (OAL) on October 21, 2020, for determination as a contested case. A telephone prehearing conference was held on November 20, 2020, at which time the public hearings were scheduled and the parties reported substantial progress in discovery and settlement discussions.

On December 17, 2020, two duly-noticed public hearings were conducted by the OAL using Zoom Video Communications, a remote video and audio platform, due to the COVID-19 public health emergency in which the Governor of the State of New Jersey has issued Emergency Orders mandating stay-at-home protocols for citizens and restricting public gatherings. No members of the public appeared at the virtual public hearings and no members of the public submitted written comments on the Company's petition. The comments made by petitioner, staff of the Board, and the representative of the Division of Rate Counsel were transcribed and made a part of the record.<sup>1</sup>

On December 23, 2020, the parties filed a Stipulation which resolves all issues in this proceeding. (J-1.) Said Stipulation has been signed by petitioner, staff of the Board,<sup>2</sup> and the New Jersey Division of Rate Counsel.

The Stipulation indicates the terms by which the parties agreed to resolve all issues raised in this proceeding, and is attached and fully incorporated herein.

I have reviewed the Stipulation and I **FIND**:

1. The parties have voluntarily agreed to the terms therein as evidenced by their signatures or their representatives' signatures on the attached document.
2. The Stipulation fully disposes of all issues in controversy between the parties and is consistent with the law.

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<sup>1</sup> Due to the expedited schedule agreed to by the parties, proof of service and publication of the newspaper notice of the public hearings, and the transcript of the public hearings, will be provided to the Board directly by petitioner.

<sup>2</sup> The signature of counsel for Board staff is not dated and therefore, presumed to have been made after December 18, 2020, and prior to December 23, 2020, when the fully-executed Stipulation was filed with the OAL.

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 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.

December 28, 2020

DATE

  
TRICIA M. CALIGUIRE, ALJ

Date Received at Agency:

12/28/2020

Date Mailed to Parties:

12/29/2020

TMC/nd

**APPENDIX**

**EXHIBITS**

**Jointly Submitted:**

J-1 Stipulation

# EXHIBIT 3



# The Atlantic City Sewerage Company

## CALCULATION OF 2022 TREATMENT RATE:

			<u>REFERENCE</u>	
1	Net 2021 (Over) / Under Collection	\$ 167,800	ACSC-3	Estimate
2	Adjustment for Actual 2020 Treatment Credit	(51,043)	ACSC-5	Actual
3		0		
4	Other: Interest on net Overrecovery	<u>0</u>	ACSC-3, col 12	
5	Net (Over) / Under Collected Position from 2021	116,757		
6	Projected 2022 Treatment Cost	7,846,869	ACSC-4	Estimate
7	Projected 2022 Charge/ (Credit) for 2021 Treatment Flows	<u>(1,105,441)</u>	ACSC-4	Estimate
8	Net Projected Treatment Cost	6,741,428	ACSC-4	
9	Projected Filing Costs (shared 50/50)	<u>3,125</u>	ACSC-7	Estimate
10	Total 2022 Treatment Cost Recovery	<u><u>\$ 6,861,310</u></u>		
11	<u>Calculation of New Treatment Rate:</u>			
12	Total 2022 Treatment Cost Recovery	\$ 6,861,310	line 10	
13	Projected 2022 Mcf (divided by)	<u>336,237</u>	ACSC-2	Estimate
14	2022 Volumetric Treatment Rate	<u><u>\$ 20.406</u></u>		
15				
16				
17				
18				
19				

Current Rate - compressed rate	\$ 26.125	
New Rate	<u>\$ 20.406</u>	
difference in rate	\$ (5.719)	-21.89%
Volume projection	<u>336,237</u>	
Revenue Impact	\$ (1,922,941)	

**The Atlantic City Sewerage Company**  
**2022 PROJECTED BILLING FLOWS (in Mcf)**

---

	<b>BILLING MONTH</b>	<b>Mcf Billed in 2021 (a)</b>	<b>Adjustments to Billed in 2021 (b)</b>	<b>PROJECTED 2022 Mcf</b>	
1	January	94,685.4	(100.0)	<b>94,585.4</b>	Estimate
2	February	17,609.6		<b>17,609.6</b>	Estimate
3	March	46,702.7		<b>46,702.7</b>	Estimate
4	April	47,488.9		<b>47,488.9</b>	Estimate
5	May	20,663.4		<b>20,663.4</b>	Estimate
6	June	42,651.4		<b>42,651.4</b>	Estimate
7	July	23,710.8		<b>23,710.8</b>	Estimate
8	August	42,825.1		<b>42,825.1</b>	Estimate
9					
10	<b>Total</b>	<b>336,337.3</b>	<b>(100.0)</b>	<b>336,237.3</b>	
11				to ACSC-1, line 13	

12 **NOTE: Based on 2021 "estimated" billings unless otherwise indicated.**

13 (a) **2021 Flows from schedule ACSC-3, column 4.**

14 (b) **Adjustment based on reduced volumes associated with anticipated closure of Colosseo.**

## The Atlantic City Sewerage Company

## 2021 OVER (UNDER) RECOVERY

As of August 2021

	Actual (1)	Actual (2)	Actual (3)	Estimate (4)	Estimate (5)	Actual (6)	Estimate (7)	Estimate (8)	Estimate (9)	Estimate (10)	Actual (11)	Estimate (12)	Actual (13)
BILLING	PSTAC Approved	2021 TREATMENT	APPROVED TREATMENT REVENUES	BILLED	2021 BILLED TREATMENT REVENUES	2021 PSTAC Supplemental Billing	MONTHLY OVER (UNDER) COLLECTION	PRIOR YEAR ADJ (Mcf) TO ACTUAL (4)-(11)-ACSC6- ACSC8	PRIOR YEAR TREATMENT \$'s	NET MONTHLY CUMLATIVE OVER (UNDER)	BILLED READINGS 2020 Mcf [from prior	Interest Calculation - Due to (From)	Approved
MONTH	Mcf	RATE	(1) x (2)	2021 Mcf	(4) x Applicable Rate		(5)+(6) - (3)		(8) x PY 22.889	(7)+(9)+prior mo's	[ year col (4)]	(10) x (13)/12	ROR
1 January	91,776.2	25.850	2,372,415	94,685.4	2,167,254	280,426	75,265	(18,815.5)	(430,668)	(355,403)	96,583.1	(2,044)	6.90%
2 February	15,866.6	25.850	410,152	17,609.6	460,051	0	49,899	424.6	9,719	(295,786)	16,701.7	(1,701)	6.90%
3 March	45,063.4	25.850	1,164,889	46,702.7	1,220,108	11,764	66,983	(16,623.6)	(380,498)	(609,300)	47,435.2	(3,503)	6.90%
4 April	44,229.8	25.850	1,143,340	47,488.9	1,240,648	24,350	121,658	(1,203.5)	(27,547)	(515,190)	46,557.7	(2,962)	6.90%
5 May	19,807.1	25.850	512,014	20,663.4	539,831	16,462	44,279	(2,207.2)	(50,521)	(521,431)	20,849.6	(2,998)	6.90%
6 June	37,793.2	25.850	976,954	42,651.4	1,114,268	42,302	179,616	(2,276.6)	(52,109)	(393,924)	39,782.3	(2,265)	6.90%
7 July	21,809.2	25.850	563,768	23,710.8	619,445	30,547	86,224	511.8	11,715	(295,986)	22,957.0	(1,702)	6.90%
8 August	39,145.2	25.850	1,011,903	42,825.1	1,118,806	65,754	172,657	(1,942.9)	(44,471)	(167,800)	41,218.0	(965)	6.90%
9 September	0.0		0	0.0	0	0	0	0.0	0	(167,800)	0.0	(965)	6.90%
10 October	0.0		0	0.0	0	0	0	0.0	0	(167,800)	0.0	(965)	6.90%
11 November	0.0		0	0.0	0	0	0	0.0	0	(167,800)	0.0	(965)	6.90%
12 December	0.0		0	0.0	0	0	0	0.0	0	(167,800)	0.0	(965)	6.90%
13													
14 Rounding			0				0			(167,800)			
15			(z)		(X)	(Y)							
16 Totals	315,490.7		\$ 8,155,435	336,337.3	\$ 8,480,411	\$ 471,604	\$ 796,580	(42,132.9)	\$ (964,380)		332,084.6	\$ (22,000)	
17					6.61%								
18													
19 Total Approved Treatment Recovery Amount					\$ 8,155,435	(z)							
20 Over/(under) recovery on actual 2021 customer billings					796,580	(x)+(y)-(z)							
21													
22 Over/(under) recovery on 2020 adjust to actual usage					(964,380)	col (9)							
23													
24 Over/(Under) Balance Expected 12/31/2021					\$ (167,800)								

**The Atlantic City Sewerage Company**  
**2022 PROJECTED TREATMENT COST**  
**ANNUAL BILLING**

	(1)	(2)	(3)	(4)
			<i>Estimated (a)</i>	
	2021	2022	March	2022
TREATMENT		2.00% (c)	2022	TREATMENT COST
COST		<i>Est. Increase</i>	<i>(CREDIT)/CHARGE</i>	<i>(1)+(2)+(3)</i>
	\$ 7,693,009	\$ 153,860	\$ (1,105,441) (b)	\$ 6,741,428

(a) Actual 2021 treatment costs (column 1) will be available late December, while the final credit amount (column 3) will not be available until mid-January 2022. This credit will be applied against the Company's March Treatment Invoice.

(b) Based on ACUA's current projection of ACSC's 2021 flows to the ACUA treatment plant of 29.87%, which is lower than the total flows of 34.73% originally budgeted.

(c) Based on ACUA's current projection of ACUA's possible budget increase for 2022 after conversation with ACUA VP of Finance. Final numbers will be available late December 2021.

# **The Atlantic City Sewerage Company**

1	<b>2021 TREATMENT BILLINGS ADJUSTMENT</b>		
2	<b>(Including the ACUA Credit/Surcharge for Prior Year)</b>		
3			
4		<b>AMOUNT</b>	
5			
6			
7	<b>2021 Actual Treatment Billing</b>	<b>\$ 7,693,009</b>	
8			
9	<b>Less: Actual Credit for 2020 Flows</b>	<b>\$ (1,039,086)</b>	
10			
11	<b>Net Actual Cost for 2020</b>		<b>\$ 6,653,923</b>
12			
13			
14			
15	<b>LESS:</b>		
16			
17	<b>2021 Estimated Treatment Billing</b>	<b>\$ 7,693,009</b>	
18			
19	<b>Less: Estimated Credit for 2020 Flows</b>		
20	<b>included in approved filing</b>	<b>\$ (988,043)</b>	
21			
22	<b>Net Estimated Cost for 2021</b>		<b>\$ 6,704,966</b>
23			
24			
25	<b>Treatment Cost Adjustment (Due To) Due From Ratepayers</b>	<b>\$ (51,043)</b>	<b>To ACSC-1</b>

## The Atlantic City Sewerage Company

1     2021 NEW ACCOUNTS BILLED\*     Thru August 2021

2			
3		Mcf	Assumptions
4	MONTH	AMOUNT	and Notations:
5			
6	January	14.8	
7	February	28.3	
8	March	6.3	
9	April	24.5	
10	May	0.0	
11	June	36.2	
12	July	24.9	
13	August	5.0	
14			
15	Total	140.0	
16			

17     \* These accounts are billed in advance with no adjustment for prior year usage required.

18  
19  
20  
21

**The Atlantic City Sewerage Company**

1		
2	<b><u>2022 PSTAC - PROJECTED EXPENSES</u></b>	
3		
4		<b><u>AMOUNT</u></b>
5		
6	Legal Fees for 2022 PSTAC	\$ 6,000
7	Postage, Publication & Copying	\$ 250
8	Other:	\$ -
9		
10	Projected 2022 PSTAC Costs	<b><u>\$ 6,250</u></b>
11		
12		
13	Total Projected Expenses (shared 50/50)	<b><u>\$ 3,125 To ACSC-1</u></b>

**ATLANTIC CITY SEWERAGE COMPANY**  
**CREDITS DUE MAJOR CUSTOMERS DUE TO COVID-19 CLOSURES / RESTRICTIONS**

Top commercial customers hand billed to give actual credit for 2020, but adjust current year MCF for Collection and Treatment charges. The chart below shows the actual credit given for 2020. The amount actual billed is included in column (4) on Schedule ACSC 3

<b>Billing Month</b>	<b>(1) 2020 Billed MCF</b>	<b>(2) 2020 Actual MCF</b>	<b>(3) Variance Billed vs. Actual</b>
January	67,993.1	51,090.1	(16,903.0)
February	1,139.8	684.8	(455.0)
March	39,039.1	23,154.3	(15,884.8)
April	21,400.1	19,289.9	(2,110.2)
May	3,492.1	1,471.1	(2,021.0)
June	20,015.6	14,906.1	(5,109.5)
July	459.2	242.1	(217.1)
August	13,922.7	10,377.7	(3,545.0)
<b>Total</b>	<b>167,461.7</b>	<b>121,216.1</b>	<b>(46,245.6)</b>



# EXHIBIT 4

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## SCHEDULE OF RATES

### Annual Rates

#### Fixed Charge

All customers shall pay the following annual fixed charge, based on the size of the water meter used in rendering of water service:

Size of Meter	Total Annual Fixed Charge
5/8" .....	\$ 254
3/4 .....	441
1 .....	1,298
1-1/2 .....	3,200
2 .....	6,344
3 .....	15,455
4 .....	32,505
6 .....	105,079
8 .....	154,523
10 or larger .....	248,329

#### Volumetric Collection Charge

In addition to the annual fixed charge, all customers shall pay \$7.991 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth.

#### Purchased Sewerage Treatment Adjustment Clause (PSTAC) Charge

In addition to the annual fixed charge and the volumetric collection charge, all customers shall pay \$26.125 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth, for sewerage treatment costs assessed to the Company by the relevant treating wastewater facility.

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Date of Issue: January 8, 2021  
Issued by: WENDY E. STEWART, President & General Manager  
1200 Atlantic Avenue

Effective for Service  
rendered on and after  
February 1, 2021

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8 .....	154,523
10 or larger .....	248,329

#### Volumetric Collection Charge

In addition to the annual fixed charge, all customers shall pay \$7.991 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth.

#### Purchased Sewerage Treatment Adjustment Clause (PSTAC) Charge

In addition to the annual fixed charge and the volumetric collection charge, all customers shall pay \$20.406 for each 1,000 cubic feet of metered water, measured to the nearest one-tenth, for sewerage treatment costs assessed to the Company by the relevant treating wastewater facility.

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Date of Issue: December \_\_, 2021  
Issued by: WENDY E. STEWART, President & General Manager  
1200 Atlantic Avenue

Effective for Service  
rendered on and after  
January 1, 2022

Filed pursuant to decision and Order of Board of Public Utilities in Docket No. WR2109XXXX, dated \_\_\_\_\_.