STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF THE ATLANTIC CITY SEWERAGE COMPANY TO DECREASE THE LEVEL OF ITS PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE	**:**	**PETITION** **BPU DOCKET NO. WR2610_____**

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 08401, hereby files this Petition with this Honorable Board ("Board") pursuant to N.J.A.C. 14:9-7.1, et. seq., seeking authority to **decrease** 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 7,730 customers.

3. ACSC purchases its sewage treatment from the Atlantic County Utilities Authority ("ACUA"); this cost is ACSC's single largest operating expense in any given year. These services are provided pursuant to an agreement, as amended (the "Second 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 2026 Volumetric Treatment Charge was adopted through a Board Order dated December 17, 2025 in BPU Docket No. WR25100558 (the "2026 Order"), which is attached hereto as Exhibit 2. In the 2026 Order, a 2026 Volumetric Treatment Charge of $31.609 per thousand cubic foot ("Mcf") was approved, based upon a net expense level of $10,604,682.

6. The instant Petition is submitted to establish the PSTAC level and resultant Volumetric Treatment Charge for 2027.

7. ACSC is proposing that the Volumetric Treatment Charge be **decreased** from the current rate of $31.609 per Mcf to $29.909 per Mcf for 2027, based upon an estimated treatment expense level of $9,845,268 (which is derived from estimated 2027 ACUA net treatment expenses of $10,160,726, decreased by a 2026 net PSTAC over-recovery of $319,958, and recovery of filing costs (shared 50/50 with ratepayers) of $4,500. This 5.38% decrease in the Volumetric Treatment Charge will result in a $14.62 decrease in the average customer's annual sewerage bill.

8. The 2027 PSTAC rate is based on an estimate of the 2027 charges that ACUA will invoice to ACSC, plus an estimate of the net under-recovered PSTAC amount from 2026, and ACSC's estimate of 2027 metered flows. The estimated metered flows reflect management's judgment, based on present and forecasted conditions, and are based on the 2026 billed flows, adjusted for any significant new customer additions or losses.

9. Based on currently available information, ACSC anticipates flows from multiple new construction projects in the year 2027 resulting in an additional 1,102 Mcf in 2027.

Explanation of the 2027 PSTAC Costs & Rate

10. Attached hereto as Exhibit 3 are schedules supporting the calculation of the 2027 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 2027. It includes (i) the under-collection for 2026 from Schedule ACSC-3; (ii) the adjustment for the 2026 actual ACUA treatment billings from Schedule ACSC-5; (iii) the credits paid to hand-billed customers in 2026 for a 2025 true-up from Schedule ACSC-8; (iv) the 2027 estimated ACUA treatment costs; (v) the estimated 2027 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 $9,845,268 (see Line 10) and divided by the projected usage for 2027 of 329,174 Mcf (see Line 13) to determine the resultant Volumetric Treatment Rate that should apply to all bills for 2027 usage. For 2027, this calculation results in a proposed Volumetric Treatment Rate of $29.909 per Mcf (see Line 14).

11. Schedule ACSC-2 shows how the projections of 2027 Mcf usage are established. The monthly volumes for 2026 are used to estimate 2027 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.*, 2026 billings were based on 2025 actual customer usage. The Company is aware of a new customer flow as a result of new construction anticipated to come online in 2027. Thus, the volumes listed on ACSC-2, under the heading "Mcf Billed in 2026," are primarily based on 2025 actual flow data, as well as the anticipated 1,102 Mcf from new construction.

12. 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 2026 PSTAC Clause Year. ACSC was in a under recovered position at the end of the year; therefore, no interest is owed for the 2026 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 2026 is the actual metered 2025 usage, adjusted for new customers, if applicable.

- Column (1) - PSTAC Approved Mcf: This represents the approved PSTAC volumes (in Mcf) from the 2026 Order.

- Column (2) - Treatment Rate: The 2025 treatment rate is the approved PSTAC rate per Mcf from the 2026 Order.

- Column (3) - Approved Treatment Revenues: This represents the projected treatment revenues based upon the approved PSTAC Mcf. The 2026 treatment revenue is the product of Columns (1) and (2) and equals the revenue which the PSTAC would recover in 2026 at the approved PSTAC Mcf level of usage.

- Column (4) - Billed 2026 Mcf: This equals the actual 2025 metered usage, plus the billed Mcf associated with new customers added in 2026.

- Column (5) - Billed Treatment Revenues: The represents the 2026 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 2026, at a rate of

$31.609/Mcf for January to August).

- Column (6) – Supplemental Billings 2026 PSTAC: This represents the supplemental billings resulting from rate changes during the year. Since 2025 bills included estimated usage for 2026 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 2026, this represents 2025 billed usage, as shown in Column (11), less new accounts billed for the first time in 2026. The new accounts billed information is shown on Schedule ACSC-6.

- Column (9) - Prior Year Treatment $'s: The prior year treatment adjustment is equal to the product of Column (8) and the PSTAC rate for 2025 ($ 26.418/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 2026 customers paid (or were credited) for the difference between actual and projected 2025 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 2026 is subtracted from the calculated difference between actual metered 2025 usage and billed 2025 usage in the prior year adjustment Mcf in Column (8) because customers added in 2026 had no usage in 2025, though their billed usage is included in Column (4) 2026 billed Mcf. Therefore, the prior year treatment adjustment for the 2026 PSTAC filing is reflected as a net charge back to customers in the amount of $207,970.

- 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.

13. Schedule ACSC-4 calculates the projected 2027 ACUA treatment costs, as well as any anticipated flow or other (credits or) charges. For 2027, the estimated gross ACUA treatment cost is expected to increase by 2.00% from the 2026 level of $9,9,240,126 based on preliminary discussions with ACUA management. However, ACSC expects a charge from ACUA in the

amount of $735,798 in March 2027. Thus, the estimated 2027 ACUA treatment cost is $10,160,726.

14. Schedule ACSC-5 calculates the 2026 treatment billings adjustment by subtracting the 2026 actual treatment billing from the 2026 estimated treatment billing approved by the BPU in the 2026 Order. The 2026 flow charge from the ACUA has been added to the under-recovered position in the 2027 PSTAC rate calculation (see ACSC-1, Line 2).

15. Schedule ACSC-6 shows the annual bills associated with new accounts billed in 2026, 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.

16. 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 0.014¢ per Mcf ($4,500 / 329,174 Mcf).

17. Schedule ACSC-8. Most customers are billed for 2026 usage, based upon their actual usage for 2025. The theory being that their 2026 usage should mirror that which occurred in 2025, barring any significant or unforeseen changes to the property use. For some large commercial customers, however, when their actual usage is reported as having been significantly lower, the Company will continue to base the next year's billing on the estimated billing used from the previous year. For example, if Customer A's usage for 2025 was abnormally low, the 2026 usage was based on an estimate using prior years' actuals, and not on the 2025 actual. In this case then, these customers whose 2026 usage is set based on an estimate are nevertheless given a credit for the true-up between the estimated and actual usage for the 2026 billing. These manually billed

accounts are reflected on Schedule ACSC-8. The 2026 credit data is summarized on ACSC-8 and is specifically for the manually billed customers only. 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. There were no hand billed adjustments in 2026.

18. Attached hereto as Exhibit 4 is ACSC's existing 2026 PSTAC tariff, and a proposed 2027 PSTAC tariff which incorporates the prospective Volumetric Treatment Rate for 2027.

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

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

21. Because the Company is seeking a rate decrease, no public hearing is necessary. *See* N.J.A.C. §§ 14:1-5.12, 14:1-5.11(a). Accordingly, the Company respectfully requests that the Board retain jurisdiction of this matter so that an appropriate order can issue for rates effective January 1, 2027.

22. 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 2027, effective for service rendered on and after January 1, 2027, and grant such other relief as shall appear just and reasonable.

Respectfully submitted,

SAUL EWING LLP

By: */s/ Shane P. Simon*
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Counsel for Atlantic City Sewerage Company

Dated: October 26, 2026

CERTIFICATION

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 certification 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.

Dated: October 26, 2026

Wendy E. Stewart, President