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STATE OF NEW JERSEY

DEPARTMENT OF ENVIRONMENTAL PROTECTION

IN THE MATTER OF: :

N.J. CLEAN WATER COUNCIL PUBLIC :

HEARING: :

WATER INFRASTRUCTURE MANAGEMENT AND :

FINANCING :

Department of Environmental Protection
401 East State Street
Trenton, New Jersey
October 12, 2010
9:00 a.m.

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<p style="text-align: right;">2</p> <p>1 THOSE IN ATTENDANCE:</p> <p>2</p> <p>3 JESSICA RITTLER SANCHEZ, Chair, NJCWC</p> <p>4 BOB MARTIN, Commissioner</p> <p>5 LEE SOLOMON, President</p> <p>6 MARC PFEIFFER, Deputy Director, Division of Local</p> <p>7 Services</p> <p>8 PAMELA GOODWIN, ESQ., Vice Chair</p> <p>9 DANIEL VAN ABS, PhD, 2nd Vice Chair</p> <p>10 ANTHONY McCRACKEN</p> <p>11 ROBERT BRESLIN, AFL-CIO</p> <p>12 GEORGE BAKUN, NJ Business & Industry</p> <p>13 JAMES REQUA, Ed.D., Department of Community</p> <p>14 Affairs</p> <p>15 JAMES COSGROVE, P.E., N.J. Society of</p> <p>16 Professional Engineers</p> <p>17 LOU MASON NEELY, League of Municipalities</p> <p>18 RAYMOND ZABIHACH, NJ Association of Counties</p> <p>19 AMY GOLDSMITH</p> <p>20 FERDOWS ALI, Department of Agriculture</p> <p>21 CHRIS STURM</p> <p>22 STANLEY V. CACH, DEP</p> <p>23 ELLA FILIPPONE, Ph.D. (no appearance)</p> <p>24 ANTHONY VALENTE, (no appearance)</p> <p>25</p>	<p style="text-align: right;">4</p> <p>1 So starting around 10:00 maybe a little later,</p> <p>2 10:15 since we are a little late getting started</p> <p>3 we will have public testimony.</p> <p>4 I encourage anyone who is in the</p> <p>5 audience who wants to speak, please register. We</p> <p>6 will give everybody five minutes to speak and</p> <p>7 when that section is over then that will be</p> <p>8 finished.</p> <p>9 We also urge submission of written</p> <p>10 comments. Written comments are just as important</p> <p>11 as the public comments that you make today. You</p> <p>12 can refer to those and it serves as a good</p> <p>13 permanent record of what we are talking about.</p> <p>14 Because the document that we are going over</p> <p>15 today, along with the questions that we are</p> <p>16 addressing, your comments too, is only in a draft</p> <p>17 form and we will be finalizing that offer in next</p> <p>18 few months to submit to the Commissioner and your</p> <p>19 comments will advise how that final draft gets</p> <p>20 written.</p> <p>21 I think it would be appropriate for</p> <p>22 the Clean Water Council to introduce themselves</p> <p>23 please, your name and what sector you represent.</p> <p>24 We will start with the end</p> <p>25 MR. NEELY: Lou Neely, representing</p>
<p style="text-align: right;">3</p> <p>1 MS. SANCHEZ: Good morning, I am</p> <p>2 Jessica Rittler Sanchez, Chair. New Jersey Clean</p> <p>3 Water Council and I, welcome you, and thank you</p> <p>4 for coming on this rather dreary Tuesday.</p> <p>5 This is the New Jersey Clean Water</p> <p>6 Council's Annual Public Hearing and we are a</p> <p>7 statutorily assembled advisory council, to the</p> <p>8 Commission of New Jersey Environmental</p> <p>9 Protection.</p> <p>10 We are 17 members appointed by the</p> <p>11 Governor and also representing state agencies.</p> <p>12 We are charged with many things; one of which is</p> <p>13 to have an annual public hearing so we are having</p> <p>14 that today.</p> <p>15 Our purpose today is to hear public</p> <p>16 testimony on the recommendation of the white</p> <p>17 paper that is posted on our website and I hope it</p> <p>18 was disseminated very generously through the</p> <p>19 e-mail to everyone, and it's been out there for a</p> <p>20 while, and there's also four questions and I will</p> <p>21 get to those a little bit later.</p> <p>22 The format today will be the first</p> <p>23 hour we will have three speakers that we have</p> <p>24 invited to speak to the issues at hand. After</p> <p>25 that, it will take about an hour we anticipate.</p>	<p style="text-align: right;">5</p> <p>1 the League of Municipalities.</p> <p>2 MR. CACH: Stan Cach, representing</p> <p>3 DEP liaison Clean Water Council.</p> <p>4 MR. ZABIHACH: Raymond Zabihach from</p> <p>5 Morris County representing the New Jersey</p> <p>6 Association of counties</p> <p>7 MR. ALI: Ferdows Ali, I represent</p> <p>8 the New Jersey Department of Agriculture</p> <p>9 DR. REQUA: James Requa,</p> <p>10 representing the New Jersey Department of</p> <p>11 Community Affairs</p> <p>12 MR. BAKUN: George Bakun,</p> <p>13 representing New Jersey Business and Industry</p> <p>14 Association.</p> <p>15 MR. COSGROVE: Jim Cosgrove, I am</p> <p>16 representing New Jersey Society of Professional</p> <p>17 Engineers.</p> <p>18 MR. McCRACKEN: I am a public member</p> <p>19 of the Council.</p> <p>20 MR. VAN ABS: Also a public member of</p> <p>21 Council.</p> <p>22 MS. GOODWIN: Pamela Goodwin with</p> <p>23 the law firm of Saul Ewing. I am a public member</p> <p>24 of the Council and like Dan, I am a Vice Chair.</p> <p>25 MS. SANCHEZ: I represent the</p>

<p style="text-align: right;">6</p> <p>1 Delaware River Basin Commission.</p> <p>2 This is an important topic, you have</p> <p>3 been hearing about it probably all weekend. This</p> <p>4 topic of infrastructure has been the subject of</p> <p>5 national state and local focus infrastructure</p> <p>6 financing and asset management is something that</p> <p>7 we found to be very important and this isn't</p> <p>8 something that we pulled out of our hat. We have</p> <p>9 been working on this since 2007, 2008, public</p> <p>10 hearings.</p> <p>11 The focus, the public comments</p> <p>12 pushed us in the direction of looking at the way</p> <p>13 the financial assets were managed and how -- the</p> <p>14 differences in discrepancies between the public</p> <p>15 and private sectors, and the way that the state</p> <p>16 managed those -- the utilities.</p> <p>17 We put together, with the</p> <p>18 recommendation of the commission and then</p> <p>19 Commissioner Moriello and an ad hoc committee of</p> <p>20 several people, and I'd like to take the time and</p> <p>21 I beg your indulgence, I would like to thank</p> <p>22 them. Each one of them spent quite a bit of</p> <p>23 time. It was led by our -- it was chaired by Dan</p> <p>24 Van Abs, and also Victor Forkowitz representing</p> <p>25 the Board of Public Utilities, Ellen Gulbinski,</p>	<p style="text-align: right;">8</p> <p>1 local government agents and provides technical</p> <p>2 assistance and policy advice, and we will be</p> <p>3 hearing from Marc Pfeiffer on that and of course,</p> <p>4 New Jersey Department of Environmental Protection</p> <p>5 Commissioner, Bob Martin is here to speak on</p> <p>6 behalf of the Department and I would welcome you</p> <p>7 this morning. Thank you for being here.</p> <p>8 MR. MARTIN: Thank you Jessica very</p> <p>9 much and thank all of you for being here today</p> <p>10 and participating in the hearing. I first want</p> <p>11 to thank the Clean Water Council for all your</p> <p>12 hard work. You are one of the most active</p> <p>13 councils, boards, commissions that we have at the</p> <p>14 DEP and you have come back with real work, real</p> <p>15 recommendations, real thoughtful process on</p> <p>16 getting things done, and I think that is</p> <p>17 extremely important and very valuable to the</p> <p>18 state.</p> <p>19 I find it extremely valuable. I</p> <p>20 have met with you guys before and you have been</p> <p>21 extremely helpful as we work through ideas. One</p> <p>22 of the most critical issues in this state is the</p> <p>23 infrastructure the state, clean water</p> <p>24 infrastructure in the state. We've got to deal</p> <p>25 with both treatment of the water and we also need</p>
<p style="text-align: right;">7</p> <p>1 Executive Director of AEA Association</p> <p>2 Environmental Authorities. Robert Fisher,</p> <p>3 Executive Director of New Jersey Water</p> <p>4 Environment Association. Robert Rabstein, New</p> <p>5 Jersey American Waterworks Association, water</p> <p>6 utility counsel, he is corporate counsel for New</p> <p>7 Jersey American. Howard Woods who is a</p> <p>8 consultant. Russ Fanarri, is an ex-officio</p> <p>9 member along with me and Jim Mercai and Stan</p> <p>10 Cach, also served on that committee. Dan was</p> <p>11 very instrumental in getting their input, writing</p> <p>12 up a white paper, reviewing it with the council,</p> <p>13 and we reviewed it several times and the draft</p> <p>14 that is out there is several years of work.</p> <p>15 We have invited three speakers today</p> <p>16 that have jurisdiction in various ways over the</p> <p>17 issues of water/wastewater and storm water</p> <p>18 infrastructure and asset management. That would</p> <p>19 be Board of Public Utilities Mr. Solomon. He</p> <p>20 will be speaking for BPU, they have jurisdiction</p> <p>21 over utility rates and facilities that is</p> <p>22 including water and wastewater for investor owned</p> <p>23 utilities sector.</p> <p>24 The New Jersey Division of Local</p> <p>25 Government Services ensures physical integrity of</p>	<p style="text-align: right;">9</p> <p>1 to deal with the supply of potable water in the</p> <p>2 state, and I think it's one of those situations</p> <p>3 where we need really advice on that.</p> <p>4 We need to make sure we are on a</p> <p>5 long term path on that front. I am very</p> <p>6 committed to making that happen. This Department</p> <p>7 is very committed to making that happen. I think</p> <p>8 having the experts provide us that input is very</p> <p>9 helpful. Thank you very much for all you have</p> <p>10 done.</p> <p>11 The draft recommendations as you</p> <p>12 know, I have reviewed that already. We have</p> <p>13 talked about that before. So I appreciate what's</p> <p>14 in that report. I think it's extremely helpful</p> <p>15 and I think now getting some input from the</p> <p>16 public is extremely valuable and I look forward</p> <p>17 to the input that you receive today and how that</p> <p>18 enhances the recommendations you've already made</p> <p>19 going forward.</p> <p>20 As you know, focusing on the</p> <p>21 infrastructure of the state is extremely helpful.</p> <p>22 If you look at the pollution in this state</p> <p>23 dealing with both rivers, you look at Barnegat</p> <p>24 Bay, you look at the oceans, every time there is</p> <p>25 a heavy rain we end up with problems with rivers</p>

<p style="text-align: right;">10</p> <p>1 and the Barnegat Bay and the oceans every single 2 time, and it's one of those things where we need, 3 you know, we need to make sure that we are 4 looking at that infrastructure and we are 5 addressing it for the long haul. We don't -- 6 beach closings are not what we want to be having 7 in the state.</p> <p>8 We have minimized those over the 9 years but it's nowhere near enough. And I look 10 at one of the big issues of this state is 11 Barnegat Bay, and we are going to be looking at 12 that long term, again looking at the 13 infrastructure around that and how that was 14 impacted by the infrastructure that is there, 15 including storm water related infrastructure to 16 that front.</p> <p>17 New Jersey can't maintain a viable 18 economy without a sound environment policy that 19 ensures good water supply. I think it is one of 20 the key points you make in your report and I 21 strongly support that.</p> <p>22 Infrastructure is critical to the 23 economies growth. It is critical to the 24 environment protection of this state, critical to 25 jobs and so we need to, especially as a state</p>	<p style="text-align: right;">12</p> <p>1 principles around that. I think asset management 2 is a critical principle that we should be working 3 on, both understanding the value of those assets, 4 understanding how we maintain those assets, how 5 to replace those in kind of a cost effective way 6 over the long haul.</p> <p>7 So asset management is a key 8 component. We should support that. I do support 9 that. We need to find out the best ways of doing 10 that. I am very keen on keeping all the options 11 on the table and I know you have talked about 12 different options and I think we need to make 13 sure we keep all those options on the table of 14 how we finance that going forward, how we operate 15 those going forward.</p> <p>16 So I encourage you and I think 17 that's why it's good to get some public input on 18 it because there's a lot of different ways of 19 doing this, and the more input we can get I think 20 will be extremely valuable.</p> <p>21 I look forward the input around all 22 those options on that front. Some of the best 23 ways that we can, in New Jersey right now, that 24 we are focusing on infrastructure investment on 25 the water assets, the environment infrastructure</p>
<p style="text-align: right;">11</p> <p>1 that has the very highly concentrated population 2 that we have, it is extremely important that we 3 focus on that.</p> <p>4 One of observations you make in your 5 report is about the deferred maintenance of the 6 infrastructure. Deferred maintenance on 7 infrastructure and I have -- again one of the 8 pluses that I have, as you know is 25 years of 9 working in utility and energy industry, 10 consulting to them, including the water industry.</p> <p>11 So I understand that running assets 12 into the ground are not a good method of 13 maintaining long term. The costs are higher at 14 the end, you may keep some rates lower in the 15 short run but in the long run we need to continue 16 to invest in the assets over the life of them and 17 maintain them well.</p> <p>18 I think that's extremely critical, 19 so I am very supportive of that. I get that, and 20 we got to find the best way to do that while 21 still keeping rates as low as possible over time. 22 But I think there is an optimum way of doing that 23 over time.</p> <p>24 The discussion today and in the 25 report talks about asset management and key</p>	<p style="text-align: right;">13</p> <p>1 trust has been a key component in New Jersey for 2 several years.</p> <p>3 For the last, you know, just in the 4 last two years, and I will talk about longer term 5 but just in the last two years, last year we put 6 in over 700 million dollars into infrastructure 7 in this state. That was big, granted part of 8 that was part of the money that came in but the 9 Department, the DEP and EIT working together, we 10 were able to get a lot of major projects off the 11 ground in this state. Extremely valuable in this 12 state are clean water and protecting assets in 13 the State going forward.</p> <p>14 This year we are going to be putting 15 in over four million in infrastructure in this 16 state. Again attribute to both the DEP and EIT 17 working together to be able to put both funding 18 mechanisms to control, you know, pollution, 19 providing safe, abundant drinking water.</p> <p>20 We know that requires heavy capital 21 investments. We understand that. All of you 22 understand that. I understand that and I think 23 it's critical that we know that we've got to make 24 those investments over the long haul. EIT has 25 been providing low cost loans, low interest rate</p>

<p style="text-align: right;">14</p> <p>1 loans and in a lot of cases principle 2 forgiveness, i.e., grants that are going out 3 there to different authorities to local 4 municipalities, to different county governments 5 and agencies. So there's a lot of money going 6 out the door, and what's good is there is a 7 revolving fund those monies coming back, in 8 essence, those loans coming back in and we are 9 able to reloan those back out to other agencies, 10 it's critical. 11 The financing program that has been 12 established 25 years ago provided something like 13 over four billion dollars to municipal, regional 14 water authorities. To improve the water, 15 wastewater systems, to rehabilitate existing 16 sewer systems, to deal with combined sewer 17 overflow abatement, to deal with storm water 18 basins, to deal with non point solution control. 19 Since inception, the EIT itself, 20 just that agency itself has put in more than 1.8 21 billion dollars into New Jersey -- into the 22 economy dealing with infrastructure going 23 forward. 24 We need to keep that program going. 25 The Governor is very keen on that program growing</p>	<p style="text-align: right;">16</p> <p>1 expand that program. 2 Our focus has to be on asset 3 management and looking at the long term, 4 infrastructure of this state. We need to 5 continue to invest long term. We need to make 6 sure that infrastructure is there, both for our 7 economy and for long term protection of a water 8 of this state going forward. 9 I thank you for your work today and 10 I thank all of you for your comments and input 11 and we really appreciate that. Thank you very 12 much. 13 MS. SANCHEZ: Thank you, 14 Commissioner. We very much appreciate the 15 overview for NJDEP involvement. I'd like to now 16 ask President of the Board of Public Utilities 17 Lee Solomon, also Mr. Solomon also serves on the 18 Governor's cabinet 19 MR. SOLOMON: Thank you very much. 20 I appreciate Commissioner Martin's comments. 21 The BPU, while we are always 22 concerned with the environmental issues facing 23 the State of New Jersey and much of what we do 24 effects directly or indirectly through the 25 financing mechanisms environmental impacts and</p>
<p style="text-align: right;">15</p> <p>1 and expanding to the transformation process which 2 we have started at the DEP. One of the major 3 areas we are going to be focusing in on will be 4 dealing with the investments that we have on 5 infrastructure; how we can do it better, how we 6 can improve the operations of what we do; how we 7 can get applications in and out the door and 8 approved much faster so we can clean up the water 9 of this state and protect the water assets of 10 this state going forward. 11 We are going to work with EIT 12 directly to figure out how we can work much more 13 closely together, them being the financing arm 14 and us being responsible for that water 15 protection and working with the different 16 agencies, agencies and water authorities across 17 the state and the local governments to make that 18 happen. 19 So our focus is continue to protect 20 clean water. It's there to protect the drinking 21 water. The legislation the Governor signed in 22 the summer dealt with getting these 400 million 23 dollars worth of projects off the ground for this 24 year. Next year I'd like to see that program 25 expanded. Our focus has to be to continue to</p>	<p style="text-align: right;">17</p> <p>1 issues, the day-to-day management of those 2 issues, Bob Martin did a great job and I 3 appreciate his overview of those issues today. 4 It's kind of ironic that this 5 conference, this meeting is being held and that 6 recently in the forefront were the problems faced 7 by the City of Trenton, which are not necessarily 8 new, and are not unique to the City of Trenton 9 regarding water quality, water maintenance, 10 maintenance of the infrastructure, maintenance of 11 the system and its impact on water quality, 12 especially in times like we have had over the 13 last couple weeks. 14 The reality is that the Board of 15 Public Utilities, yes, we are a rate setting 16 agency and yes, we oversee the rates and the 17 financial issues and aspects facing our water 18 utilities and other utilities. There are a 19 number of water utilities or water companies that 20 we do not directly regulate and they are the 21 municipal water companies. There are many and 22 there are many very, very small ones and well 23 over a hundred. I think it may even be in excess 24 of 200 that we do not have jurisdiction over with 25 respect to rates and financial issues.</p>

<p style="text-align: right;">18</p> <p>1 I say that because that is something 2 that we have to figure out a way or at least 3 those municipalities have to figure out a way to 4 get a handle on this problem since they are 5 affected as much as, more than, I believe, the 6 privately owned, much larger water companies in 7 the State of New Jersey.</p> <p>8 I remember many years ago, when I 9 was still a young man and I had hair and it was 10 dark, I was a member of the Camden County Tri- 11 County Water Quality Management Board, and as a 12 young freeholder at that time in Camden County, I 13 said that I really believed the crisis of the 14 21st Century would be water more so than air.</p> <p>15 Now I know that's not something that 16 is believed today -- I don't think it is believed 17 today, I still believe it is a huge issue and a 18 crisis and it is largely -- it is coming to a 19 head largely now because we are in an environment 20 where people are very tired of high taxes, they 21 are tired of costs, they are tired of all the 22 rates and fees and assessments that drive the 23 cost of living in New Jersey up. And we in New 24 Jersey, particularly our Governor, has been clear 25 to us that we have to create an environment which</p>	<p style="text-align: right;">20</p> <p>1 necessary to improve our water systems, which we 2 have regulatory authority, and even more so the 3 municipal water systems to find the ability to do 4 those kinds of investments. They are expensive. 5 They are long term. They have a significant 6 percentage impact on water rates, but they need 7 to be done if we are going to have adequate 8 potable water in the State of New Jersey and deal 9 with our issues of clean water and water safety 10 in the state, and environmental issues in the 11 State of New Jersey, but because of that conflict 12 between those who are tired of paying high rates 13 and the need for capital investment, many things 14 that could be done, are not being done.</p> <p>15 As Commissioner Martin said, there 16 is a great risk to letting it go for a long 17 period of time. We tend to defer capital 18 improvements even in business as long as we can. 19 It is a sizable investment. It increases our 20 cost of operating and doing business, and they 21 tend to be deferred, so that we are more or less 22 putting out fires. As a crisis occurs it gets 23 dealt with, the cost is reflecting ratepayer 24 bills, and they wait until the next crisis or 25 there is a five-year plan, and the five-year plan</p>
<p style="text-align: right;">19</p> <p>1 New Jersey is more affordable, a better place to 2 settle, a better place to live, and a better 3 place to have a business and employ people, so 4 that we can begin to change the dynamics in the 5 State of New Jersey which has been for many, many 6 years a loss of population, a loss of rate base 7 and a loss of tax base.</p> <p>8 It is because of spending, yes, that 9 we are in the trouble that we are in, but also 10 because we have simply lost the base, lost the 11 people that pay our rates, pay our fees and pay 12 our taxes, so that we can do the things that we 13 believe are desired in the State of New Jersey.</p> <p>14 That has an impact on every utility 15 and particularly water. I know that water is a 16 very sensitive issue because a relatively small 17 dollar amount of rate increase is reflected by 18 large percentage rate increase when you look at 19 the overall cost of water to the average New 20 Jersey resident, and so people are very, very 21 sensitive to even small increments of increase in 22 their water costs and water bills in the State of 23 New Jersey, and the problem in this environment 24 has been largely to get through and deal with the 25 substantial, the very large capital costs</p>	<p style="text-align: right;">21</p> <p>1 is what's going to fail in the next five years, 2 not what do we have to do to improve our system 3 over the next 15 or 20 years so that we can make 4 sure that the population, if there's growth or 5 the population that's here, if there are changes, 6 will be able to live comfortably, quietly and 7 safely in the State of New Jersey. That idea of 8 going crisis to crisis is extremely expensive, 9 and one of the things that we are looking at, at 10 the BPU; that is the impact on this capital 11 approach is having on our rates.</p> <p>12 For example, we do know, you know, 13 Trenton is a perfect example. We do know that 14 there are many, many municipal water companies 15 over which we do not have jurisdiction. They 16 have to be looked at very carefully as to the 17 revenue they are generating, what is being spent 18 on and how much, if any is being appropriated to 19 capital investment. If it is not being used for 20 those purposes, for the purposes for which it is 21 intended, there is a very serious problem because 22 there is going to come a point in time and I have 23 said this at more than one board meeting, since 24 water is a very, very -- is a very, very 25 important issue at the BPU, obviously.</p>

<p style="text-align: right;">22</p> <p>1 There's going to come a point in 2 time where these municipal water companies are 3 simply not going to be able to fend for 4 themselves. Trenton just voted down a 5 referendum, a referendum that would allow it to 6 sell the water company to go private. And one of 7 the things that private companies have been able 8 to do a little better than municipal water 9 companies is keep up with the need for capital 10 improvement, capital investment, protect water 11 quality and protect the environment and the 12 community. 13 Well, that was voted down and it was 14 voted down I believe -- and I frankly, have not 15 read a lot of the newspaper articles about it, I 16 just have a sense of it and listen at the public 17 hearings. It was voted down in large measure 18 because there was a fear that sale to private 19 water company would result in higher rates. 20 Well, the reality is this; if we don't begin 21 adopting a credible farsighted plan of capital 22 investment and improvement now, the ultimate cost 23 to ratepayers, five or ten or fifteen years down 24 the road, when the situation becomes dire, will 25 be unimaginable.</p>	<p style="text-align: right;">24</p> <p>1 justify a covering cost for the municipality, the 2 municipal water company, while construction is 3 going on or while construction is planned. 4 So that's very costly for them to do 5 that. That drives the cost of capital up and it 6 drives the cost of capital improvements up. It 7 also does create an environment which water 8 utility, frankly all utilities are unwilling to 9 make the upfront investment, anticipating 10 problems down the road. There is no long term 11 capital plan -- well, somewhere on somebody's 12 books gathering dust on the shelf somewhere there 13 is a long term capital plan, but on a day-to-day 14 basis with respect to what their concerns are and 15 what their operating concerns are; there is not 16 that kind of long term plan. 17 As I mentioned before, it is largely 18 an issue of what is going to fail and how we are 19 going to do deal with it, if it does and what we 20 are going to do to anticipate failure. 21 We need to go beyond that. If we 22 are going to accomplish some of the things that 23 Commissioner Martin said, we are going to have to 24 go beyond that planning capital investment, 25 capital improvement for the long term.</p>
<p style="text-align: right;">23</p> <p>1 If there's a concern now about a 2 five or ten or fifteen percent increase in water 3 rates, the rates, particularly for the 4 municipalities, and it will come right out of the 5 ratepayers and taxpayers in those municipalities, 6 the cost will be astronomical. That is not just 7 true with water utility. We are facing this 8 crisis with regard to all utilities. There's 9 great sensitivity to rates, there's great 10 sensitivity to rate increases. 11 So we are looking very carefully at 12 how do we adopt a structure in rates and billing 13 that will enable, and frankly I don't mean 14 financial incentive, I just mean a reason to do 15 it? 16 One of the concerns that every 17 utility has, is that when they make capital 18 investments, and holding money costs money, and 19 the inability to recover those costs, until a 20 rate case comes before the board and the project 21 is completed; the rate case that comes before the 22 board can be very costly to a private entity and 23 frankly, to a municipality within the 24 municipality. 25 It can be very difficult for them to</p>	<p style="text-align: right;">25</p> <p>1 What we are looking at the BPU now 2 is beginning a stakeholder process in drafting 3 regulations to allow water companies to recover 4 the cost as they perform the capital improvements 5 so that they will not be faced with, and frankly 6 ratepayers will not be faced with sticker shock 7 at the end of the capital improvement. 8 Instead of seeing a 20 or 30 or 40 9 percent increase at the end of what may be major 10 capital improvements, which people haven't 11 anticipated and are not prepared for, and frankly 12 in many cases cannot afford, the cost of doing 13 those improvements will be less, and the ability 14 to manage them and handle them and review them 15 will be better and better for the ratepayers if, 16 as we go along, there is a review of and 17 anticipation of the kinds of costs and rate 18 impact of the capital improvements being made. 19 There would also be the ability to 20 recover those costs, so that the cost of capital 21 for the improvements would be less, and the 22 impact will be less. 23 There will be public hearings on it. 24 I am sure that everyone who is concerned about 25 those will appear at those hearings and either</p>

<p style="text-align: right;">26</p> <p>1 voice their agreement, disagreement, concerns or 2 give us suggestions, but there is a methodology 3 by which water companies that we regulate will be 4 able to plan for capital improvements, plan for 5 preserving the environmental requirements in our 6 water sources, and will be able to do the 7 construction and be able to recover costs as they 8 go without again, the increase costs at the end 9 and the impacts, severe impacts on ratepayers at 10 the end. And we, at the BPU would have the 11 opportunity to review and decide whether in fact, 12 what they are doing is cost effective, 13 appropriate and whether they are entitled to 14 recover for it.</p> <p>15 That's one of the things we are 16 doing on the water side, which hopefully will be 17 evolving. I think the public hearing or the 18 stakeholder hearing is in December. The 19 regulations will be drafted for public review not 20 long before that, and there will be further 21 public comment thereafter.</p> <p>22 There are funds that are available 23 for capital improvement on the water side. 24 Commissioner Martin mentioned the trust fund, we 25 don't necessarily concern ourselves directly with</p>	<p style="text-align: right;">28</p> <p>1 we can think of to offset the cost to ratepayers. 2 It may be reductions in other areas, it may be 3 trust funds that are available for capital 4 improvement, but it is something that we are 5 working on and hopefully have some resolution of 6 the rate issue early into next year. With that, 7 I am going to thank you for having us here. I 8 look forward to working with Commissioner Martin 9 to try to deal with some of these issues and I 10 still believe in my heart of hearts that the 11 crisis of the 21st Century is more likely to be 12 water.</p> <p>13 We seem to have a good handle on and 14 seems to be a great public awareness of the clean 15 air issues that faced us. There does not seem to 16 be an awareness of the clean water issues that 17 face us. One example I always like to use, 18 people will go spend \$1.00, \$1.50, \$2.00, \$3.00 19 for a bottle of water, and they do that every 20 day. I am not a bottled water guy, I am a cup of 21 coffee guy, but people do that every day. If we 22 had -- in order to clean up your water, \$1.50 23 increase in rates, per day, we'd have a 24 revolution. And not to mention the fact that I 25 don't know what's in those bottles that we buy,</p>
<p style="text-align: right;">27</p> <p>1 that, although as a means, if funds are available 2 through the trust fund and for capital 3 investment, that will somehow offset in some way 4 the impact on ratepayers. That is obviously 5 something that we will work with and cooperate 6 with the Commissioner in trying to accomplish. 7 But this is a long term problem and it's not 8 going to be solved overnight and if cities, like 9 Trenton, are going to not go through what they 10 went through most recently in the past and other 11 cities, you know, Camden, Newark, other cities 12 are not faced with, I believe Newark is still a 13 municipal water company, are not faced -- do not 14 come to terms with what is going to be -- what is 15 going to cost them to bring their water sources 16 and their treatment up to standard and expand it 17 to allow for necessary growth; we are going to be 18 in very, very serious trouble.</p> <p>19 Again, there are these two competing 20 interests; the desire to keep rates down. We are 21 in a state that is, I think everybody agreed, 22 taxed and paying fees and rates to the limit.</p> <p>23 What I would like to look to is the 24 methodology that does, in fact, minimize the 25 impact on ratepayers, and also other methods that</p>	<p style="text-align: right;">29</p> <p>1 but I know what's in the bottle that holds the 2 water, and that is another problem that Bob 3 Martin has to deal with and how do we get rid of 4 that stuff, and frankly how do we create that 5 stuff. It would certainly be far more cost 6 effective if we invested in clean water, a small 7 fraction of what we invest as a society, as a 8 state in bottled water. It would be a terrific 9 investment. It would be more environmentally 10 sensitive and safe, and it would be a heck of a 11 lot cheaper, and people would have a lot more 12 money in their pockets. I will ask you all to 13 make that argument out there in public and good 14 luck. Thank you very much.</p> <p>15 MS. SANCHEZ: Well, we have heard 16 two legs of the stool, the three legged stool on 17 which our water infrastructure improvements are 18 going to rest.</p> <p>19 I would now invite Deputy Director 20 of the Local Government Services Division, 21 Department of Community Affairs, Marc Pfeiffer to 22 come and speak to the publically owned utilities.</p> <p>23 MR. PFEIFFER: Good morning, hard to 24 follow the Commissioner and the President. I 25 sometimes joke, but I preceded that, my warm up</p>

<p style="text-align: right;">30</p> <p>1 act. They have pretty much covered a whole lot 2 of ground, and I am going to try not to repeat 3 that.</p> <p>4 My organization is the Division of 5 Local Government Services. We are the folks that 6 have the financial authority, regulatory 7 oversight of the other side of the group that 8 President Solomon referred to, the municipally 9 owned, the publically owned wastewater systems.</p> <p>10 I have been working with the Council 11 and DEP staff for the last three or four years as 12 we have tried to work through the thicket of how 13 we oversee and the finances and the financial 14 reporting issues of these organizations, and it's 15 been a thicket. It's been very difficult because 16 we have the issues with the investment owned 17 systems under the BPU side, and the publically 18 owned systems on our side, and what has been a 19 historical, in a sense, or a traditional 20 extension of the home rule concept in New Jersey 21 of the state having generally a more remote 22 hands-off approach to the publically owned 23 systems, unlike the regulatory side that the BPU 24 uses for rate increases where you have a very 25 public consistent process. We don't have that on</p>	<p style="text-align: right;">32</p> <p>1 the them to address unique characteristics of the 2 different systems. That's the challenge. Really 3 interestingly discussed here this morning, both 4 Trenton and Newark, they are really good examples 5 of the challenges that we face on the publically 6 owned side. Newark is part of the city budget 7 issues. The Mayor proposed that the city create 8 a city water authority. This got translated in 9 the eyes of the public, and more importantly, 10 city council members, to a privatization of the 11 water system, which those of us on the government 12 side found hard to deal with.</p> <p>13 I presided over the Local Finance 14 Board meeting earlier this year where the Local 15 Finance Board granted an approval for the 16 creation of the authority. It is fascinating 17 that we have had a water system that's been, by 18 all accounts, grossly under invested, under 19 managed, is one of -- has some of the oldest 20 water infrastructure and sewer infrastructure in 21 the state, if not the country.</p> <p>22 We had people testifying for us that 23 they didn't think an authority should run it 24 because the City Council has the capacity to do 25 it. And I countered that, given the track record</p>
<p style="text-align: right;">31</p> <p>1 the publically owned side, so it's been very 2 difficult.</p> <p>3 It's also more challenging as we 4 discover over the last few years, because this 5 issue is not something like school financing. It 6 is not something that gets the public's attention 7 like a tunnel underneath the Hudson River. It is 8 not as sexy, not as attractive, a lot harder to 9 deal with as a result of that.</p> <p>10 When you are dealing with competing 11 priorities, getting this to everybody's attention 12 is more of a challenge. We've got the 13 jurisdictional issue, and in addition to that, we 14 have issues of size. President Solomon mentioned 15 small systems. We have many systems that are, we 16 call package plans on the sewer side, designed 17 for a small development and run by a contractor, 18 and residents pay the bills and they are not 19 regulated by anybody except DEP on the water 20 quality side.</p> <p>21 Finances, they are invisible to the 22 regulatory system. How do we deal with that? We 23 have a single system that tries to recognize all 24 of these different variations on the theme or do 25 we wind up with a system that has variations on</p>	<p style="text-align: right;">33</p> <p>1 of the City Council; how do you believe, what's 2 the basis for the notion that they can do better? 3 And the answer was well, we believe they can. 4 And I would submit -- I submitted then and I 5 submit to you, that a belief system is not the 6 way to run an infrastructure system. We have to 7 do better than that. Trenton had a similar 8 experience which got caught up in a lot of, in a 9 sense, I don't want to say dramatics. The people 10 were very well attentive, but I think a lack of 11 information where they tried basically to not 12 sell their entire system, but sell the system 13 that serves the suburbs where Trenton would 14 maintain the key structure of the treatment and 15 pumping station, but would sell the outlying 16 system to an investor owned system. And again, 17 that got caught up in selling a patronage or 18 something that was very visceral, to a lot of 19 folks.</p> <p>20 We saw how that ended, so we 21 clearly, in both those cases, we have an 22 educational effort that has to be maintained. At 23 the end of the day, however, I think if we are 24 paying more attention to it, I think a policy 25 perseverance, a strong thoughtful and consistent</p>

<p style="text-align: right;">34</p> <p>1 approach can produce the results that the Council 2 is trying to promote. Key elements of reporting, 3 asset management principles, a standard of 4 accounting and financial reporting, an increase 5 institutional capacity at all levels and that 6 third element is usually something we don't talk 7 a lot about, but if we are talking about a system 8 that requires attention to details, we have a lot 9 of institutional capacity building that has to be 10 done to ensure that we have a -- the ability to 11 plan, the ability to manage the finances and 12 account for the money that is being spent. 13 On our side, the Division of Local 14 Government Services manages this through a board 15 that we have called the Local Finance Board, 16 which has statutory authority to set regulatory 17 and financial practices. We operate under a 18 statutory infrastructure, and in this case we 19 actually have two infrastructures. We have an 20 authority where we have authorities that are 21 appointed by a governing body that created them 22 and we have them both -- we have them at a single 23 municipal level. We have regional as well as 24 county authorities. 25 We also have utility operations</p>	<p style="text-align: right;">36</p> <p>1 We need to have some consistency, 2 but again, the underlying motives are different. 3 On the investor own side, there is a return on 4 capital. On the publically owned side, there is 5 the notion to keep the rates as low as possible. 6 So we have some challenges there on 7 how we integrate or develop system flexibility to 8 be able to do that. So the notion that's been 9 suggested by the council's developing best 10 practices and implementing those best practices 11 for all the systems and develop a regulatory 12 system that wants those entities and implements 13 and maintains these best practices. 14 One of the challenges that we have 15 on the publically owned side is a recent trend 16 and recent trend is in the last three years, and 17 really exacerbated over the last two or three. 18 That is the interest of the parent municipalities 19 to see authorities as providing property tax 20 relief and looking at their utilities as a means 21 to provide property tax relief. That's exhibited 22 itself in several ways; one is the statutory 23 authority that a municipality and its authority 24 can agree to have the authority pass over five 25 percent of its available operating surplus each</p>
<p style="text-align: right;">35</p> <p>1 which are entities wholly owned by a municipal 2 government, and the municipal government runs 3 them on the authority side, the creating entities 4 appoint authority commissioners and extensively 5 independent -- and I will come back to that 6 independence issue in a few minutes. We have 7 that capacity. We have a very structured process 8 on the municipally owned side. We have a less 9 structured process on the authority side. That 10 less structured process is something that came up 11 over time, but the Division and the Board does 12 have the capacity to increase that structure and 13 make it a little more rigid, if we determine that 14 to be necessary. 15 Council's report acknowledges the 16 diversity of system sizes and ownership that 17 lends itself to a regulatory, a flexible 18 regulatory oversight model. I would suggest that 19 requires a new and cooperative approach to 20 meeting the goals of asset management accounting 21 and capacity. We have to figure out how do we 22 blend these systems? We don't want to 23 necessarily have a different set of 24 responsibilities on the investor owned systems 25 than we do on the publically owned systems.</p>	<p style="text-align: right;">37</p> <p>1 year on the municipality to be used as property 2 tax relief. That is a real interesting 3 challenge. We have seen some cases where more 4 than five percent has been passed over because 5 they have agreed to do so. 6 Clearly, when you have a political 7 environment at the local level where both 8 commissioners are appointed by the municipal 9 governing body that is asking for the resources, 10 that is an interesting challenge. At the same 11 time, for the municipally operated utility 12 operations, we have the statutory authority for 13 the municipality to repay itself by returning 14 some of the surplus that the utility generates. 15 Both of those can result -- both 16 those practices can result in higher rates to the 17 investor, to the ratepayers as well as the 18 potential to starve capital infrastructure at the 19 price of keeping rates low while bringing money 20 back as property tax rate. It is an interesting 21 set of challenges. 22 It is exacerbated by a trend over 23 the last couple years by a legislative approach 24 that permits municipal governing bodies and 25 county governing bodies and mayors and county</p>

<p style="text-align: right;">38</p> <p>1 executives; and most recent, a law that permits 2 Freeholder Boards to veto the minutes of their 3 authorities. 4 Now that presents an interesting 5 political dynamic which we haven't talked about 6 much. That if an authority, in wanting to run 7 itself on a crude basis, now faces executive veto 8 in its minutes, much like the Governor can veto 9 minutes of state authorities, is how we exercise 10 that authority on a judicious basis. 11 We are, in a sense, missing the 12 notion of fiduciary responsibility of what 13 authorities and utilities are supposed to do. So 14 that's an additional challenge that has to be 15 built into this process. 16 There are two scarce resources that 17 I would submit, are necessary to address the non 18 capital needs of this system. That's the time 19 and attention of system managers, policymakers, 20 and regulators. Already, we have all of the 21 competing priorities and how we go about 22 addressing this becomes the challenge. 23 We need to find ways to have 24 managers spend their time and attention that's 25 the resource that managers and policymakers have.</p>	<p style="text-align: right;">40</p> <p>1 mentioned, we are talking rate increases. What 2 is the credibility we are going to have to make 3 and the accountability and transparency? How 4 these funds are going to be spent? And 5 underlying all that again, is the need for time 6 and attention to these processes. 7 We think in the end it's going to 8 take a concerted and ongoing effort to get that 9 time and attention of everybody that has to spend 10 time and attention on this to solve the problems. 11 It's going to be a significant effort, continuing 12 efforts of the counsel are a good start on that, 13 but that needs to get permeated into the 14 policymaking system and the regulatory system as 15 well. At least that is a starting point. Thank 16 you very much. 17 MS. SANCHEZ: Thank you Marc. You 18 are beginning to see and as Dan laid out in a 19 paper it is a rather -- it is a sticky wicket as 20 they say. There is a complicated problem that 21 there is not a "one size fits all" answer to and 22 it is going to take, as Mr. Pfeiffer suggested, 23 the interaction of private, public and to get the 24 good accounting methods in, and also possibly 25 even some changes to the rules that govern the</p>
<p style="text-align: right;">39</p> <p>1 How do we get their time and 2 attention on this? There's going to have to be 3 some additional financial resources plugged in if 4 we are going to create new or different budgeting 5 and financial reporting systems. If we are going 6 to create new ratemaking models, their needs to 7 be time and attention paid to bureaucracy, to 8 make sure that bureaucracy overseeing this 9 process has the necessary resources as well. 10 We are going to have to develop new 11 financing accounting tools that are going to have 12 to bridge the differences between the investor- 13 owned systems and the publically owned systems, 14 and the publically owned systems have never faced 15 the type of rigor that the BPU applies towards 16 its systems. That is going to be a change as 17 well if we start in that direction. How will the 18 publically owned systems respond to that? What 19 is the training that we are going to need of 20 professionals at the local level and the county 21 level to maintain and manage these new systems, 22 that might be necessary to provide the type of 23 fiscal accountability that is needed if we are 24 going to be raising more money from the public? 25 I think as President Solomon</p>	<p style="text-align: right;">41</p> <p>1 way we do business. 2 At this point I would like to switch 3 over to the public testimony. I have a partial 4 list. Eight people signed up to speak. I don't 5 know if there's going to be anymore. I will 6 check in the interim and everyone we will ask you 7 to stick to five minutes. What I will do is 8 stick my name tag up at the one minute mark so 9 that you all know when you're close and darn 10 close to the end of your comments. 11 Again, written comments are going to 12 be encouraged. The first one on the list is 13 Mr. Bill Wolfe, Director of New Jersey Public 14 Employees For Environmental Responsibility. 15 MR. WOLFE: Thank you. I took a lot 16 of notes. I came here to listen. I read the 17 white paper. I thought it was a good step in 18 generating an initial conversation. I had a set 19 of issues that aren't related to finance and 20 asset management per se, and I came to hear some 21 input from the Commissioner because they have 22 been issues of controversy. 23 I will confine my brief remarks to 24 some of the testimony that I have heard or some 25 of the remarks thus far. The Commissioner's</p>

<p style="text-align: right;">42</p> <p>1 recently issued recommendations to Governor 2 Christie, pursuant to Executive Order 15, that 3 calls for the consolidation of the North Jersey 4 District Water Supply and -- excuse me, New 5 Jersey Water Supply Authority and the North 6 Jersey Water Supply Commission, those 7 recommendations seem to lack any technical 8 foundation. I read the report. They seem to be 9 just completely arbitrary. So I came to here. 10 The Commissioner spoke to that issue and it's his 11 recommendation to the Governor, I would expect 12 some substantiation of that recommendation and 13 Council to weigh into that issue in their report 14 back. 15 The other primary thing I would ask 16 the Council to look at was also the 17 recommendation in that same report to the 18 Governor to consolidate the Clean Water Council 19 with the Water Supply Advisory Board Council. 20 Is that a good idea and what are the 21 pros and cons of that? It is on the table now, a 22 recommendation to the Governor from the 23 Commissioner. You may not be aware of it, but it 24 is all done pursuant to Executive Order 15. I 25 urge you to take a look at that. With respect to</p>	<p style="text-align: right;">44</p> <p>1 framework that mandated asset management, you 2 might have better asset management. If there 3 were mandate that it be done. So some of the 4 problems that we suffer are from lack of 5 regulatory mandates, not that mandates are 6 perceived to be a bad thing. I think the white 7 paper kind of dismisses the regulatory tool in a 8 way that is inappropriate, and I honestly 9 strongly disagree with. 10 In closing, I will make two other 11 points about some of DCA's concerns about what 12 they perceive to be a belief system that the 13 public seems to have some form of belief stem. 14 That belief system, in my book, is something 15 called democracy and something called public 16 control of public assets. 17 You use the terminology asset. My 18 response is, whose assets? The public -- the 19 water resources of the State are held in trust by 20 this Department for the benefit of the public, 21 the taxpayer and ratepayer money is to be 22 allocated and used in accordance with the people 23 in the state. Their preferences are paramount, 24 okay. That is the democratic principle that I 25 think is a core element, not a belief system. It</p>
<p style="text-align: right;">43</p> <p>1 the white paper, obviously I tend to be a 2 regulatory guy. I got my back up on a phrase 3 that was thrown in there that I thought was 4 number one, opened a whole can of worms, but 5 number two, didn't come with any defense or any 6 rational argumentation, and it was a phrase 7 that's a hot button issue and end of pipe 8 regulations are not the solution. The end of 9 pipe regulations can't address the problems that 10 we face. 11 I also submit written comments about 12 the end of pipe regulations that are number one, 13 required to protect public health and the 14 environment in the state that haven't been moved 15 forward, been recommended by scientists in the 16 Department and drinking water institute and 17 private sector scientists and academics and I 18 will urge the Council to weigh in on whether or 19 not those end of pipe regulations are indeed 20 necessary and warranted. I urge the Department to 21 move forward in adopting them 22 The second point I would like to 23 make is end of pipe regulations or any kind of 24 mandatory mandate often drives the need for 25 investment, and if there were a regulatory</p>	<p style="text-align: right;">45</p> <p>1 is a legal and policy fact and if Mr. Pfeiffer 2 needs a lecture on that, we can have a beer and I 3 will gladly share my views on that. 4 The other point that I make is that 5 the call for lowest life cycle cost I think is 6 far too narrow, there are many ways to -- this is 7 not a linear programming exercise, there are 8 multiple variables. It is not an engineering 9 exercise or financial management exercise. You 10 are managing the public resource so you have 11 multiple competing and conflicting objectives 12 that need to be balanced, and the balance should, 13 the framework, the balance should occur within, 14 we can debate it, but it needs to be much more 15 protected in the public interest, to the people 16 of this State. Thank you. 17 MS. SANCHEZ: Next speaker will be 18 Mr. Matthew con der Hayden, Project Analyst, 19 Atlantic County Utilities Authority. 20 (No response) 21 MS. SANCHEZ: You're just listening? 22 I will encourage you to send written comments. 23 Mr. David Pringle, Garden State 24 Chapter of Clean Water Action. 25 (No response.)</p>

<p style="text-align: right;">46</p> <p>1 Suzanne Chiavari, Vice President of 2 Engineering at New Jersey American Water. 3 MS. CHIAVARI: Good morning, thank 4 you Jessica, and I will be submitting written 5 comments as well. 6 On behalf of New Jersey American 7 Water Company I want to thank you for the 8 opportunity to comment on the white paper. 9 My name is Susan Chiavari. I am 10 Vice President of Engineering for New Jersey 11 American Water Company, and asset investment and 12 asset management is a topic that is near and dear 13 to my heart, as you can imagine. 14 Any of the engineers in the room can 15 completely relate to that, I know. I have three 16 comments that I wanted to share with you this 17 morning. 18 First is, that we fully support the 19 recommendations contained in the white paper. 20 The recommendations aligned with the recently 21 issued EPA water sustainability policy and they 22 support our vision for what a sustainable water 23 and wastewater utility look like. 24 New Jersey must continue to invest 25 both dollars and know-how in the operation of its</p>	<p style="text-align: right;">48</p> <p>1 to every household and business, and while some 2 folks take this for granted today, we should 3 remember that it took a present amount of effort 4 to build this infrastructure, and it takes 5 thousands of dedicated workers across the State 6 to maintain it. 7 We are the beneficiaries of that 8 legacy, and we have a responsibility to carry it 9 forward and not let the infrastructure crumble 10 beneath us. 11 So for my first point, I'd like to 12 commend the Council for taking on these important 13 issues that will help us ensure sustainability 14 well into the future. This is not easy, but it's 15 very much needed, and I commend you for taking on 16 this effort. 17 My second comment is offered in 18 support of the Council's recommendations to 19 implement asset management principles. As you 20 know, much of our state's infrastructure was 21 built decades ago, and it has proven to be a very 22 sound investment and our future investments needs 23 to be just as sound. 24 Our assets won't last forever. Our 25 challenge today is to make sure that our</p>
<p style="text-align: right;">47</p> <p>1 water/wastewater and storm water infrastructure 2 in order to protect public health and ensuring 3 sustainable communities, and I think we all know 4 that. 5 The investment that's needed in 6 maintaining and upgrading physical assets is 7 critical, but the investment in sound managerial 8 and practice is even more so. 9 We need to have sound 10 decision-making. We need to make sure that every 11 dollar we invest work as hard as we do. 12 The Council recommends asset 13 management principles be implemented, 14 comprehensive planning be implemented and 15 consistent utility accounting standards be 16 implemented across all utilities. 17 They also recommend sufficient 18 institutional managerial capacity and these 19 recommendations will help us be wise stewards of 20 our environments, just as our predecessors were 21 100 years ago. 22 They designed and built 23 infrastructure that is still in use today in many 24 of our communities. They took pride in making 25 the dream of clean water and sanitation a reality</p>	<p style="text-align: right;">49</p> <p>1 investments are sound choices such as -- just as 2 our predecessors did. And in order to do that we 3 need to leverage new technologies through asset 4 management, comprehensive long term planning, 5 water resource management, energy and water 6 conservation. They all need to serve as our 7 building blocks for the future. 8 We must have adequate water supplies 9 to carry us through extended drought. We must 10 also continue to upgrade our treatment 11 facilities. Take a step back and look at 12 history. Prior to 1900 and shortly thereafter, 13 we as an industry, began improving water supplies 14 and sanitation to eliminate the threats of 15 Cholera and Typhoid, something we don't talk 16 about today. 17 Today we treat to remove 18 contaminants that were unheard of decades ago, 19 and in doing so, we need innovative solutions and 20 we need to balance our energy needs and reduce 21 our carbon footprint. 22 Most people don't realize the amount 23 of energy that it takes to treat and deliver 24 water to your tap, and then convey the wastewater 25 away from your house to treat that and return</p>

<p style="text-align: right;">50</p> <p>1 return it to the environment as clean water. 2 So there is a nexus between water 3 and energy sustainability. I'd like to say that 4 our water infrastructure systems are the fibers 5 that make up the support fabric of our 6 communities. New greener technology tools such 7 as GIS computerized maintenance management, 8 advanced technology, advanced detections and a 9 whole lot of very cool mobile applications are 10 out there and they are needed to carry on the 11 legacy of clean safe drinking water for us into 12 the next century. 13 These newer technologies help bring 14 important data to your fingertips and ensure that 15 we withdrawal from our natural resources. Wise 16 water use, utilization of these new forward- 17 looking information tools will ensure that sound 18 consistent decisions are made. 19 So for my second point I'd like to 20 stress the Council's recommendation for 21 deployment of asset management tools is right on 22 target. 23 Third, we support the establishment 24 of consistent utility accounting standards to 25 provide transparency to the cost of water, the</p>	<p style="text-align: right;">52</p> <p>1 legacy of sanitation and clean water across the 2 State for centuries to come. 3 I will end with a brief quote from 4 EPA. We cannot ignore the arising wave of 5 infrastructure rehabilitation and replacement we 6 will face over the next several decades. To do 7 so would put the achievements of the last 30 to 8 40 years and our nation's waters and public 9 health at risk. Thank you very much. 10 MS. SANCHEZ: Next on the list is 11 Mr. Andrew Pappachen, Newark Watershed 12 Conservation and Development Corporation. 13 MR. PAPPACHEN: Good morning, I am 14 going in a different direction. First, let me 15 thank New Jersey Clean Water Council for giving 16 me the opportunity to present my comments. I 17 have been with Newark since 1974, working in 18 water and sewer, and being in managerial position 19 for 22 years. 20 I am the NJDEP licensed operator 21 for both water supply system of the City of 22 Newark. The Council has done an excellent job in 23 putting together the white paper on water 24 infrastructure management and finance, and I 25 commend you for that.</p>
<p style="text-align: right;">51</p> <p>1 value of water, and wastewater service is 2 tremendous, but most people give it little 3 thought. The concept of full cost pricing is 4 needed to send a clear signal to the consumers to 5 take action for long term sustainability to their 6 water, wastewater and storm water systems, clear 7 and consistent accounting standards combined with 8 proper asset management will show the consumer 9 where the investment is needed and what it will 10 really cost. Until this happens across all 11 utilities, the consumer will not have an adequate 12 picture of a true cost of sustainable utilities 13 service. 14 Finally, to reiterate, New Jersey 15 American Water supports the concepts called for 16 in the Council's white paper. We follow these 17 managerial practices and we stand ready to help 18 implement them across the industry. 19 Infrastructure issues are significant for all 20 water and wastewater utilities, whether they are 21 investor owned municipal utilities or utility 22 authorities. 23 We have a critical issue in the cost 24 of asset renewal, but the real issue is 25 instilling the proper focus on continuing the</p>	<p style="text-align: right;">53</p> <p>1 Based on my 36 years experience as 2 an operator of the system, I find the following 3 three areas as the most important aspects of 4 asset management program: 5 1. Predictive and preventive 6 maintenance program. 7 2. Corrective maintenance or repair 8 replacement program. 9 3. The regular inspection of the 10 assets and monitoring of system performance. 11 The objective of asset management is 12 to ensure reliability of the system and reduce 13 down time for equipment. Ongoing, Predictive, 14 preventive and corrective maintenance program 15 combined with regular inspection and monitoring 16 will ensure reliability. 17 To implement the predictive 18 preventive and corrective maintenance program, 19 utilities must have trained and qualified 20 personnel. 21 NJDEP and water organizations offer 22 training course for operators and most of them 23 are for meeting with TCH requirements for the 24 licenses. This process never provides any 25 training to actual maintenance workers, who in</p>

<p style="text-align: right;">54</p> <p>1 most cases are not licensed operators. 2 Ongoing inspection of appurtenances 3 and equipment and monitoring of the system 4 performance is another important aspect of asset 5 management. Even though most water treatment 6 plants of SCADA for monitoring collection of 7 data, most of the water distribution systems are 8 not monitored through SCADA. Monitoring the 9 pressure, flow, water quality, etc., at various 10 locations of the distribution system on a regular 11 basis will enable the operator to determine the 12 performance of the system, identify the weak 13 areas and determine the reliability. Daily, 14 weekly, monthly inspection of the system 15 appurtenances and equipment also gives an 16 indication of where repair/replacement is needed. 17 Therefore, I suggest that the New 18 Jersey Clean Water Council propose legislation 19 for the following for better management of 20 utility assets. 21 To enable the water and sewer 22 utilities to utilize New Jersey Environmental 23 Infrastructure Financing Program for training of 24 employees and implementing predictive and 25 preventive maintenance programs.</p>	<p style="text-align: right;">56</p> <p>1 financial issues that are here. So the 2 Association of Environmental Authorities and New 3 Jersey Water Environment Association support the 4 four elements of sustainability defined by the 5 Clean Water Council's research, discussions and 6 public hearings. 7 The elimination of disincentives for 8 proper infrastructure management, implementing 9 proper asset management. Employing full cost 10 pricing and continued federal investment 11 commitments are all crucial elements to our 12 State's water/wastewater infrastructure 13 sustainability. 14 Both associations suggest training 15 and education be added to the four elements. 16 The purpose of this paper is to 17 discuss these elements and their potential. The 18 management of water and wastewater systems in New 19 Jersey is the first line of defense in ensuring a 20 sustainable infrastructure. Educated 21 professional staff, working in a culture of 22 continual improvement using best practices is 23 essential to the future of our systems. 24 Industry organizations such as AEA, 25 the New Jersey Water Environment Association, the</p>
<p style="text-align: right;">55</p> <p>1 Second, through NJEI financing 2 assist water and sewer utilities to install the 3 SCADA system and make it mandatory to monitor and 4 collect the system operating data regularly and 5 submit reports to NJDEP. 6 Once again, I thank you for giving 7 me the opportunity to present my comments on the 8 water infrastructure management and financing. 9 MS. SANCHEZ: Would you tell us what 10 that SCADA stands for 11 MR. PAPPACHEN: Supervisory Control 12 and Data Accumulation. 13 MS. SANCHEZ: Thank you. Next is 14 Ellen Gulbinski, Executive Director, AEA. 15 MS. GULBINSKI: Good morning. I am 16 sure I don't have enough copies for everybody. 17 I wasn't sure how many would be 18 here. It is good to see that everybody on the 19 Council is here and we have a good turn out. 20 The comments are on behalf of myself 21 and New Jersey Environmental Association because 22 Robert Fischer from the New Jersey Water 23 Environment are working hard with me to work on 24 the committee to provide some information with 25 regard to the asset management issue and the</p>	<p style="text-align: right;">57</p> <p>1 American Water Works Association of New Jersey 2 are critical arms of, and serve as the training 3 and educating base necessary for the water/ 4 wastewater professionals to develop efficient, 5 stable and sustainable systems. 6 One of the elements of 7 sustainability is the implementation of proper 8 asset management. Sustainability management 9 systems must employ some level of asset 10 management if the true cost of funding our 11 infrastructure is ever to be realized. 12 We need mandating of proper asset 13 management. Infrastructure conditions, 14 infrastructure capitalizing and infrastructure 15 expensing, vary greatly from system to system. 16 Infrastructure condition depends upon many 17 factors, both inside and outside the realm of 18 control of the operating authority. 19 In many cases, the management team 20 in place was not involved with the original 21 construction of the system, and as such the 22 materials of construction, soils conditions and 23 appropriateness of design are all fixed elements 24 that must be dealt with. 25 Pipeline cleaning, assessment and</p>

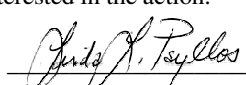

<p style="text-align: right;">58</p> <p>1 repair versus replacement decisions, however, are 2 elements within the realm of the control 3 authority and have a great impact on the life 4 cycle cost of the asset.</p> <p>5 Historically, water and wastewater 6 processes and unit operations have been better 7 maintained than the pipelines below ground 8 assets.</p> <p>9 In many cases, municipalities have 10 adopted an "out of sight, out of mind" attitude 11 toward their below ground assets.</p> <p>12 One story we have was about a local 13 official was quoted as saying in some cases we do 14 not even have pipes anymore, just a hole in the 15 ground where the pipe used to be.</p> <p>16 Although this official is actively 17 pursuing the corrective action of some prior 18 administrations deficiency, it still speaks to 19 the generational neglect that is all too common 20 and the need for the ongoing operation and 21 maintenance where you use the cameras to make 22 sure you go in and see what the pipes look like 23 and that is, you know, an important element and 24 it is costly, but one that is definitely needed 25 these days.</p>	<p style="text-align: right;">60</p> <p>1 It is incumbent upon this industry 2 to adopt a flexible standard for the reporting of 3 infrastructure assets beyond what is practiced 4 today.</p> <p>5 Water and wastewater system owners 6 can accomplish the implementation of asset 7 management systems in a phase approach. A Phase 8 I approach could address asset inventory and 9 valuation. Asset condition and the formulation 10 of the systems asset management problem could be 11 accomplished as a Phase II approach.</p> <p>12 The complexity and cost of 13 facilities asset management program will depend 14 largely on the symptoms complexity, ability, 15 training level of the staff and desired goals.</p> <p>16 Regulators should not attempt to 17 apply a one-size-fits all approach and the 18 regulation of the program. The regulation should 19 be flexible enough to acknowledge the differences 20 among the many entities, municipal departments, 21 investor-owned, private authorities et cetera to 22 have the ability to do what is appropriate.</p> <p>23 Large authorities with a substantial 24 user base can -- are likely capable of a more 25 complex software program but smaller agencies can</p>
<p style="text-align: right;">59</p> <p>1 Asset management is a term that has 2 been discussed among water and wastewater 3 professionals for years. The industry has done a 4 great job in bringing the information to the 5 managers and leadership of these facilities. To 6 be sure there are many facilities employing 7 effective management systems today. However, the 8 intensity to training and workshop attendance of 9 the last ten years must how be replaced with an 10 initiative to begin this important work.</p> <p>11 In New Jersey, as with the rest of 12 the United States. We are at the beginning of 13 the infrastructure reinvestments state.</p> <p>14 Many of the states water and sewer 15 systems built in the 1970's are approaching 40 16 years of service. A well-built and maintained 17 pipeline can last upward of 100 years.</p> <p>18 In some cases, pipelines can outlive 19 several generations of customers and in other 20 cases a pipeline exposed to high levels of 21 hydrogen sulfide can deteriorate in a matter of 22 years. Obviously, traditional depreciate methods 23 are not appropriate in either of these cases. 24 Hence, the true cost of operating and maintaining 25 such an asset either is under or over reported.</p>	<p style="text-align: right;">61</p> <p>1 use a number of relatively cheap or even free 2 programs to get them started, according to many 3 of the EPA website.</p> <p>4 The Local Finance Board has 5 authority over the accounting practices of 6 municipalities, counties and authorities. You 7 just heard Marc Pfeiffer outline that system for 8 you. Also, under NJAC 5:30 states that all local 9 units shall have and maintain a fixed assets 10 accounting and reporting system or an FAAS 11 Program.</p> <p>12 It goes onto give further details of 13 what should be included in such reports and it 14 references the U.S. Office of Management and 15 Budget Circular A-87 as the guidance document for 16 preparing reports on the value of assets.</p> <p>17 It also states that local units must 18 see that property is adequately maintained and 19 the property is in good condition.</p> <p>20 Let me go to the point that I want 21 to talk to you about, the potential, the idea of 22 going across agencies as a way to solve this 23 problem. There is a bill in the legislature 24 right now A-38 by Assemblyman McKeon that 25 attempts to address the shortfalls and the lack</p>

<p style="text-align: right;">62</p> <p>1 of authority that are needed to look into a 2 situation when a municipality will be dissolving 3 an authority they will be asked to do a report 4 and explaining why they want to do this and 5 basically if this is going to be in the best 6 interest of the ratepayers and the idea behind 7 this is that it should be an open process, there 8 should be a public hearing, so that the 9 ratepayers and bondholders of those systems can 10 come forward and they can hear what is being 11 proposed and way in on the decisions. 12 This has been lacking in the way 13 that the law has been executed at this point and 14 so in the interest of maintaining infrastructure 15 so that the monies that are there under the 16 municipal system, the municipal utility authority 17 system under our county system, we have 18 replenishment replacement funds, reserve funds in 19 order that those funds stay where they are. That 20 is the idea of putting a better system and a more 21 public system in play. It is a better way to do 22 this. Likewise, the bill also indicates that if 23 the municipality will be dissolving the utility, 24 that the funds in those reserve accounts will be 25 maintained and used for the utility going</p>	<p style="text-align: right;">64</p> <p>1 infrastructures, what do we do to deal with 2 infrastructure going forward, and how do we do it 3 and there are some things that I have written in 4 the report that I thought were okay. Other 5 things I disagreed with and the same with the 6 questions. 7 I think first and foremost when we 8 come to water supply, we do not have a proper 9 planning process in place. It is first come 10 first serve. There is nothing strategic about 11 it. We don't even have a simple two-way planning 12 process as you have a wastewater, and so there is 13 no strategic plan who gets the water. We keep 14 giving out water allocation permits until we 15 become a critical area or we run out and come up 16 with a way of trying to get more water by pumping 17 dirty water up from one place to another and then 18 the consequence of that, which we have seen on 19 the Passaic River with the reservoir, when during 20 the summertime those rivers are so low and so 21 dirty when they do take water up that it causes 22 algae problems because of heavy amounts of 23 nutrients that are there. 24 We have a system that's broken. We 25 have been stealing money from our water bond</p>
<p style="text-align: right;">63</p> <p>1 forward, even if it falls under different 2 management or governments. So this is a bill 3 that is now out there for consideration to 4 address the issues here in the paper. 5 So I would hope that the DCA, BPU 6 and the Council would recommend to the agencies 7 that they look at the bill very carefully, make 8 improvements so we can do to move forward on 9 this, thank you. 10 MS. SANCHEZ: Jeff Tittle is next on 11 the list, New Jersey Sierra Club. 12 MR. TITTLE: Thank you. Jeff 13 Tittle, Director New Jersey Sierra Club. New 14 Jersey is facing a water crisis and we have been 15 denying it or rationalizing it for decades. 16 Every year we see a cycle, sometimes in the same 17 year, of drought and flood. 18 We have seen our water supply 19 systems being knocked out. Just what's happening 20 with the scandal in Trenton right now are we have 21 also seen flooding in New Jersey; shutdown of 22 vital communication systems and businesses up in 23 Bergen County a few years back and the problem is 24 that we have a water system that's completely out 25 of balance, and part of it is since this is about</p>	<p style="text-align: right;">65</p> <p>1 agents for the last 20 years to balance our 2 budget instead of having that money go forward in 3 infrastructure. So we are going broke and we 4 have wasted a lot of funding that we should be 5 using. How can we turn things around? I think 6 one thing we should be looking at is 7 conservation, our building codes are 20 years out 8 of date, we have never passed any type of real 9 conservation efforts. 10 We still allow people to water their 11 lawns in the middle of a tsunami. We have not 12 stepped forward and really changed how we do 13 business in the State, and in fact, you know, 14 when we have conservation during the drought, 15 then the water companies come in and the amount 16 of money has dropped. What we need to do is we 17 need to look at a form of counseling where water 18 utilities can use the rate base for conservation 19 measures of individual homes, and at the same 20 time, restructure our rate system so that people 21 who conserve are not penalized for conserving. 22 That people who want wastewater get a higher rate 23 versus the people who are actually trying to do 24 the right thing. 25 We also need to look at how we are</p>

<p style="text-align: right;">66</p> <p>1 going to develop going forward. We run sewer and 2 water lines out into the middle of nowhere, 3 causing sprawl, and we actually end up putting 4 development right above our major reservoirs and 5 on top of our aquifer recharge areas, and we have 6 no real planning when it comes to where and how 7 the infrastructure goes. And in fact that is one 8 of our biggest problems when you look at the 9 State Plan, we have growth areas right next to 10 the major reservoirs, on top of the recharge 11 areas and protection areas.</p> <p>12 We have a Water Supply Master Plan 13 that is waiting -- 20 years out of date and still 14 waiting to see what it has in it. I think that 15 is the big part of what we have to look at. We 16 also need to have a stable source of funding for 17 open space to protect some of the watersheds and 18 aquifer recharge areas in the State and allowing 19 water utilities to put open space on their rate 20 base would be a way of doing it.</p> <p>21 Again, it's cheaper to have cleaner 22 water coming into a treatment facility than going 23 out of it. We also need to reform how our 24 utilities operate. Look at what happens to the 25 Passaic Valley Sewerage Authority and some of the</p>	<p style="text-align: right;">68</p> <p>1 we have is important.</p> <p>2 That we should not be allowing for 3 extension of sewers and waterlines in 4 environmentally sensitive rural areas, and we 5 should not allow the rate base to pay for that.</p> <p>6 We have to develop a formula for 7 fixing the leaky pipes and even in the '60s the 8 pipes were done with porous concrete that leak 9 now and iodines on top of it. Instead, we see 10 money going out, instead of going to fix the 11 problem in Paterson. Part of it is actually 12 developing the strategic plan for infrastructure 13 to make sure that we have water supply for future 14 generations. The City of Newark has given off 15 water supply to many suburbs as is Jersey City 16 and that is the future development and future 17 growth. We have a system that is broken and we 18 need a lot to fix it. Thank you.</p> <p>19 MS. SANCHEZ: Wilma Frey will come 20 up and speak. Wilma is with the New Jersey 21 Conservation Foundation.</p> <p>22 MS. FREY: Hello, I am Wilma Frey. 23 I am with New Jersey Conservation Foundation. It 24 is a statewide environmental organization. 25 I have listened carefully this</p>
<p style="text-align: right;">67</p> <p>1 other authorities we need to make sure that we 2 have strict pay rules in place. And also very 3 leery of privatization. We think it is heading 4 in the wrong direction. We saw the voters in 5 Trenton overwhelmingly reject privatization of 6 their water company because they understood that 7 selling it off to a private company will mean 8 higher water rates and worse service. Same thing 9 in Newark, when we were working with the citizens 10 opposing the MUA, they were going to go out and 11 bond two hundred twenty million dollars, with 12 only 10 percent of it to fixed pipes and the rest 13 of it is going to Government bureaucracy and 14 utilities.</p> <p>15 We have a crisis and need to come up 16 with ways of paying for infrastructure. We have 17 pipes in the ground that need to be replaced. We 18 have sewer plants that need to be upgraded and in 19 New Jersey those plants have a direct impact on 20 water supply. If you look at the Passaic River 21 you have the plants above the intakes and Little 22 Falls and nitrification problem with the Passaic 23 River is both a major problem for drinking water. 24 There is a lot that has to be done, but I think 25 that where and how we spend the limited resources</p>	<p style="text-align: right;">69</p> <p>1 morning and also read the paper, and the one 2 thing that I find not explicit at all in the 3 paper, when you talk about infrastructure is 4 green infrastructure, and I suspect that the 5 paper is mainly focusing on the pipes in the 6 ground and the plants, the sewer plants and the 7 water plants, the purification plants.</p> <p>8 While I understand that there are a 9 lot of problems with the pipes in the ground and 10 the plants, I think that it is absolutely 11 critical that the green infrastructure component 12 be considered as part of the assets.</p> <p>13 The only place that's mentioned is a 14 footnote on page 3 where it talks about an EPA 15 tool for water utilities which includes affected 16 watersheds as one component of the utilities 17 assets. It is well understood that land that is 18 not covered with impervious surfaces, undeveloped 19 lands, open lands, especially forest provides us 20 with clean water, both groundwater and surface 21 water.</p> <p>22 Clearly the New Jersey Water Supply 23 Authority has recognized that under Mr. Van Abs 24 leadership, it has invested money in the waters 25 of its water supply area to protect that and to</p>

<p style="text-align: right;">70</p> <p>1 make sure that water continues to flow from those 2 areas. So I think that this is an essential 3 component and that there should be a mechanism 4 for protecting these upper watersheds either 5 through fee simple or through conservation, 6 permanent conservation restrictions which is 7 incorporated into the rates charged for water 8 supply.</p> <p>9 The other come component that -- I 10 mean the green infrastructure concept applies not 11 only to the provision of drinking water, but it 12 also is part of the wastewater infrastructure and 13 the storm water infrastructure, both of which are 14 mentioned in this paper.</p> <p>15 The wastewater infrastructure you 16 are talking probably mostly about, places that 17 are on septic, but it needs to be recognized that 18 there are limitations to what this land can carry 19 and those need to be incorporated into any 20 wastewater infrastructure. Clearly the provision 21 of green infrastructure needs to be incorporated 22 into the planning processes.</p> <p>23 I would like to point out at this 24 time that the Highlands Regional Master Plan does 25 this. It has made a very firm commitment to</p>	<p style="text-align: right;">72</p> <p>1 that come, and are associated with privatization 2 and what they would see in increased costs and 3 reductions and services.</p> <p>4 In Newark we were intimately 5 involved to stop the creation of a utility 6 authority, which in itself, were not 7 privatization, but were concerned with the 8 further private partnerships, which would also 9 lead to hire costs for ratepayers and reductions 10 in services. There's a number of ways that these 11 costs come about and I am going to focus most of 12 my comments today on privatization. It was one 13 of the major concerns with how we deal with our 14 investment in the future of our water 15 infrastructure, which is in need of tremendous 16 amounts of investment.</p> <p>17 By looking towards private 18 investment, we can shift a lot of costs 19 initially, but wind up seeing where ratepayers 20 wind up paying a lot more money down the road.</p> <p>21 Particularly with private entities 22 that are responsible for routine maintenance and 23 upkeep of pipes, where municipality still owns 24 those pipes, on many instances shoddy materials 25 and equipment can be used to defer costs that</p>
<p style="text-align: right;">71</p> <p>1 figure out the water supply capabilities and the 2 wastewater supply, and it has produced a plan 3 which has a capacity for the Highlands Region and 4 this plan is a model that really should be done 5 for the rest of New Jersey.</p> <p>6 Unfortunately, I do not believe that 7 the State plan at this point has the capability 8 of incorporating this kind of data. It has not 9 based its conclusions on the kinds of detailed 10 scientific water studies that the Highlands Plan 11 has.</p> <p>12 So it's clear that an overall 13 planning process is needed, which incorporates 14 the green infrastructure as well as the repair of 15 the engineered infrastructure to come up with a 16 good water asset management plan, thank you.</p> <p>17 MR. WALSH: Jim Walsh, Food and 18 Water Watch. I am the Eastern Region Director. 19 My office is in New Brunswick. We were 20 intimately involved in the efforts in Trenton to 21 stop the privatization for two thirds of Trenton 22 Water System and purchased by New Jersey 23 American.</p> <p>24 We found in that campaign that 25 ratepayers were very concerned about the problems</p>	<p style="text-align: right;">73</p> <p>1 result in resources going to shareholders, but 2 wind up being larger capital improvement costs 3 down the road, that can be bore by municipality 4 and municipally owned systems, owned by private 5 operators.</p> <p>6 Those systems that are operated and 7 owned by private entities, that same process can 8 lead to increase costs for ratepayers because of 9 capital improvements, than would be borne by 10 ratepayers where the routine upkeep on those 11 systems is not allowed to be considered and rate 12 basis. I heard a comment today that we should be 13 shifting and allowing private water companies to 14 include those routine maintenance costs in their 15 private -- in their rate basis. I challenge that 16 logic moving forward in saying that what we need 17 to do is give the municipalities the ability to 18 re-municipalize their water systems because of 19 other costs that are also associated with 20 privatization.</p> <p>21 Private water companies do not have 22 the ability to give the low cost, bonds in many 23 instances, that public utilities have the ability 24 to do, which result in higher cost to ratepayers. 25 Private water utilities also must pay taxes which</p>

<p style="text-align: right;">74</p> <p>1 public municipalities are not required to do and 2 so those are two things that can continue to push 3 cost up on ratepayers.</p> <p>4 We have also seen reduction in jobs 5 in public utilities that go private, whereas 6 private utilities will eliminate workforce, can 7 be reduced service cost in the community, but 8 also eliminate local jobs held by local 9 residents. Another major concern that people in 10 Trenton have with the privatization of their 11 municipal water system.</p> <p>12 We've also seen a number of problems 13 that have come up recently in the State 14 Comptroller's Office, issued an audit of Camden 15 privatization contract. Camden entered into a 20 16 year lease of its water system in 1999. The 17 State audit found inadequate contract supervision 18 and the company's poor performance cost the city 19 millions of dollars and jeopardized the health 20 and safety of its residents.</p> <p>21 Among the audit's findings was that 22 between 2004 and 2008, the utility lost or 23 otherwise could not account for 45 percent of its 24 treated water.</p> <p>25 This is what happens when you put</p>	<p style="text-align: right;">76</p> <p>1 MS. SANCHEZ: Thank you Mr. Walsh. 2 MR. PRINGLE: I am Dave Pringle, the 3 Campaign Director for the New Jersey 4 Environmental Federation, the State Chapter Clean 5 Water Action.</p> <p>6 We have a hundred thousand members 7 in New Jersey, individuals as well as 100 member 8 groups. I'd like to thank the Council for having 9 this hearing today and for how they set it up. I 10 think putting it out in the paper first and 11 having that be focused as opposed to a bunch of 12 talking and a bunch more worthwhile, wait to hold 13 these annual hearings. Thank you and also thank 14 you for raising this issue.</p> <p>15 It is certainly not -- asset 16 management and accounting is not the sexiest 17 issue out there, but it's as important, if not 18 more important than so much else we do in the 19 water field.</p> <p>20 I hope that this hearing and the 21 report become a launching pad to implement. We 22 generally support the white paper. I think it's 23 very well laid out and focused issues. Asset 24 management is, I think, a classic example of 25 penny wise pound foolish, requires getting over</p>
<p style="text-align: right;">75</p> <p>1 private water utilities in charge of our 2 publically owned utilities.</p> <p>3 I ask you to look towards long term 4 financing solutions, not short term, that private 5 water companies offer us. Long term financing, 6 we need to push the Federal Government to 7 increase in investment in drinking water and 8 wastewater infrastructure and create a dedicated 9 fund that can be used to invest in public 10 drinking water and wastewater infrastructure. We 11 have launched a national campaign called Renew 12 America's Water. Specifically in doing that, 13 States like New Jersey and Trenton, Newark across 14 the State need the additional resources and long 15 term will be able to ensure the integrity of our 16 drinking water resources, when we put adequate 17 investment there, but continue to maintain public 18 control of these resources.</p> <p>19 I ask the Council to condition the 20 Renew America Water Campaign, I have included a 21 fact sheet there and join us in calling on 22 Federal Government to create a trust fund that 23 provide for sustainable long term resources to 24 drinkable resource systems. Thank you very much 25 for your time.</p>	<p style="text-align: right;">77</p> <p>1 inertia, requires spending money upfront, but it 2 will save billions, I mean billions over the next 3 20 years if we do it. Preventing pollution, you 4 know, eliminating -- not eliminating, but 5 focusing more on prevention then treatment and 6 control will save us money and asset management 7 is going to be the best vehicle to get us there.</p> <p>8 There are a series of things we hope 9 that need to happen after this hearing, and we 10 hope that Council will use its pulpit to get 11 administration and the legislation to do the 12 things necessary to implement.</p> <p>13 It should be mandated, we need -- 14 there can be -- we should be using environmental 15 infrastructure trust to help utilities and the 16 public sector, when they are in need of the water 17 to implement it. We need funding to fund those 18 billions of dollars. I think that we should be 19 doing -- we can't help new development enough in 20 terms of impact fees, that is an appropriate 21 source of this. That is not the most popular 22 thing to be saying with this economy and with 23 this administration, but if we don't spend the 24 money and find the money now, it is going to cost 25 us that much more in the long run.</p>

<p style="text-align: right;">78</p> <p>1 When Wilma talked about the green 2 infrastructure, you know, I just assumed that was 3 in there. To me it's green infrastructure is the 4 classic solution to asset management. But I 5 think Wilma raises a good point. To me, it's 6 assumed, but it's inappropriate to make that 7 assumption now that I am thinking about it. So I 8 think as the white paper is going to be edited or 9 implemented that buying open space is more 10 important, much preferable asset management then, 11 you know, putting on a tertiary level of 12 treatment in our sewer treatment plants. 13 In terms of private versus public, 14 our organization doesn't have -- we are not 15 formally pro or anti-privatization. There are 16 outstanding private utilities and there are 17 horrible ones. Just as there are outstanding 18 public ones and horrible ones. United Water sold 19 watershed land in the '80s that was outrageous, 20 that was a private entity. What is going on in 21 Trenton? Waterworks is equally outrageous and 22 there's concerns on both. Too often the private 23 sector is too concerned about profits. Too often 24 the public sector is too concerned about putting 25 them in charge of the water and not turning on</p>	<p style="text-align: right;">80</p> <p>1 and thank you all very much for your 2 participation. 3 (Whereupon the hearing was concluded 4 at 1:00 p.m.) 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">79</p> <p>1 the valves the right way, and people lose water 2 and people's health are at risk in Mercer County, 3 200,000 people a week ago. And I will leave it 4 at that. 5 So I think the most important thing 6 coming forward out of this would be for the 7 Council to keep their eye on the price and keep 8 the eye on the price in terms of the 9 administration, in terms of the utilities and the 10 legislature to focus on this so that we can have 11 the right solutions moving forward. Thank you. 12 MS. SANCHEZ: Would anyone else care 13 to speak that may not have signed up that would 14 like to say a few words now that you have heard 15 everything else? 16 I thank you for the public input. 17 We heard some things that we missed, possibly we 18 need to polish up for this paper, and I don't 19 know if we got a definitive answer on 20 privatization and whether that is as good or a 21 bad way to go, or what it can offer precisely to 22 this, but I think that is something that we can 23 kick around, the pros and cons of that. 24 If there is no input from my 25 Council, then I will call this hearing at an end</p>	<p style="text-align: right;">81</p> <p>1 CERTIFICATE 2 I, LINDA L. PSYLLOS, a Certified Court 3 Reporter, License XI 1184, and Notary Public of 4 the State of New Jersey, do hereby certify that 5 the foregoing is a true and accurate transcript 6 of the testimony as taken stenographically by and 7 before me at the time, place and on the date 8 hereinbefore set forth. 9 I DO FURTHER CERTIFY that I am neither a 10 relative nor employee nor attorney nor counsel of 11 any of the parties to this action, and that I am 12 neither a relative nor employee of such attorney 13 or counsel, and that I am not financially 14 interested in the action. 15   16 Notary Public of the State of New Jersey 17 Dated: November 15, 2010 18 19 20 21 22 23 24 25</p>