



The Clean Water Council of New Jersey

Russell Furnari, Chair

Jessica Rittler Sanchez, Vice-Chair

May 1, 2008

The Honorable Lisa P. Jackson
Commissioner
Department of Environmental Protection
P.O. Box 402
Trenton, NJ 08625-0402

**RE: RECOMMENDATIONS DERIVED FROM THE CLEAN WATER COUNCIL'S 2007 PUBLIC HEARING
ON NEW JERSEY'S WATER INFRASTRUCTURE**

Dear Commissioner Jackson:

On behalf of the New Jersey Clean Water Council (CWC), I am pleased to report to you that in accordance with N.J.S.A. 58:25-12, the CWC conducted a public hearing on October 23, 2007 on the subject of New Jersey's Water Infrastructure. The objective of the hearing was to hear public testimony on water infrastructure objectives, needs, financing and management.

During the hearing, the CWC heard from nine invited panelists and 14 members of the public representing diverse constituencies. There was much common ground shared by those who presented, including a sense that a) some of our current problems are remnants of past mistakes, b) there is a very wide gap between funding capacity and infrastructure needs, and c) solutions will require innovative and adaptive management approaches. Improvements to infrastructure funding are paramount and range from financing the replacement and enhancement of existing systems to the need for pricing methods that encourage efficiencies in energy and water resource use.

The recommendations contained in this letter summarize the most important ideas identified at the hearing and subsequent CWC member discussions.

RECOMMENDATIONS

1. PRIORITY GOALS/OUTCOMES

- Repair and replacement of infrastructure to support redevelopment.
- Efficient use of financial and environmental resources.
- Provision and protection of a safe and adequate water supply.

2. PLANNING & MANAGEMENT

- Provide an adequate foundation of data to define problems and inform the development of solutions. For example, much is unknown regarding synergy of pollutants, which may require

higher levels of water supply and wastewater treatment; and subsequently higher deferred and future costs of infrastructure maintenance.

- Identify and prioritize infrastructure needs and compare to actual /desired population and employment growth. Coordinate with relevant departments and agencies doing infrastructure and state and community planning: The Departments of Transportation, Labor, Community Affairs and Environmental Protection, the State Planning Commission, Board of Public Utilities, county and local governments, etc.
- Implement a strategic approach on a watershed basis, integrating stormwater, wastewater, and water supply management to protect local hydrology and water sources. The CWC has noted in past recommendations that stormwater is the only major water infrastructure system that lacks a utility structure and the rate-based revenues that will allow proper management. There is a bill pending in the state legislature and worthy of review that would remedy this.
- Condition approvals of sewer service areas on availability of existing and sustainable sources of potable water.
- Provide tools and education at the local and regional government/public level to raise awareness of water resource management issues and increase capacity to plan and develop more sustainably (e.g., making Low Impact Development feasible and the preferred standard).
- Promote use of technology to improve efficiency and lower costs, making wide use of demonstration projects to increase awareness, knowledge and innovation. Establish operational benchmarks for energy efficiency and cost effectiveness.

3. FINANCING

- Continue to press Congress to increase "clean water" appropriations including grants and to improve New Jersey's fair share of the national funding for environmental infrastructure improvements. In all instances, federal funds should not promote sprawl development.
- Recommend to the Governor and NJ legislature they enact sustainable funding sources for the construction of environmental infrastructure projects that do not promote sprawl. The NJ Environmental Infrastructure Financing Program is considered an outstanding vehicle for supporting the financing of these environmental infrastructure projects.
- Provide funding incentives for innovative environmental infrastructure projects that also provide efficiencies in water use including conservation, re-use and energy recovery. New found efficiencies should not be assumed to mean that more customers and sprawl development be allowed.
- Utility revenues should be set so that they are sufficient to cover operation, maintenance and replacement costs (full cost pricing/ life-cycle cost analysis), and local utilities should be fully authorized to build and maintain sufficient reserves to address capital needs. (Only when a utility is unable to achieve full cost pricing without imposing an excessive fiscal burden on customers, should public support be considered.) Failure to maintain investment will have significant impacts on our economic future, as well as on public safety. Recent State policy seems to be discouraging maintenance of appropriate capital reserves, which essentially forces utilities to borrow for most capital needs rather than using reserves.
- Ensure that utility rate-based revenues are exclusively used for water resource, water supply protection including open space acquisition for source water protection, and infrastructure improvement projects designed to maintain existing infrastructure, meet regulatory requirements and mitigate drought. Rates should be designed to equitably distribute costs. It appears that some local utilities are operating as revenue sources for local governments.


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- Assess existing (lapsed) programs: Several existing programs have provisions that are un- or under-utilized. For example, the New Jersey Water Supply Management Rules of 1985 require utilities to reinvest 10% of gross revenues in their infrastructure
- In summary, the Clean Water Council heard several overall themes that it would like the Commissioner and Department to utilize as a guide in making future decisions concerning water infrastructure investments and financing. They include:
 - Learn from past mistakes.
 - Approach all water resource issues in an integrated, holistic way.
 - Be innovative with options for planning and management, funding and financing.
 - Evaluate options for possible unintended consequences.
 - Think several generations (not just 20 years) ahead so as to meet challenges imposed by changing conditions.
 - Educate and consult; be inclusive in process.

The Clean Water Council looks forward to meeting with you and your staff on Tuesday, May 13th to discuss our findings and recommendations from the 2007 hearing. In addition, we welcome your ideas for a relevant and timely topic for the upcoming hearing in October.

If you have any questions, please feel free to contact me at 973-430-8848 or via email at Russell.Furnari@pseg.com.

Very truly yours,



Russell J. Furnari
Chair

c: Clean Water Council Members
N. Ahuja
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