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## **ENVIRONMENTAL PROTECTION**

### **NEW JERSEY WATER SUPPLY AUTHORITY**

#### **Schedule of Rates, Charges, and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir Water Supply System**

#### **Proposed Amendments: N.J.A.C. 7:11-4.3, 4.4, 4.5, 4.6, and 4.7**

Authorized By: New Jersey Water Supply Authority, Shawn M. LaTourette, Chair, and Commissioner,  
Department of Environmental Protection.

Authority: N.J.S.A. 58:1B-7.

Calendar Reference: See Summary below for explanation of the exception to the calendar  
requirement.

DEP Docket Number: 3-23-11.

Proposal Number: PRN 2024-005.

**Take notice** that, in accordance with N.J.A.C. 7:11-2.14(a), the New Jersey Water Supply Authority (Authority) will hold a pre-public hearing meeting on January 4, 2024, at 11:00 A.M. and a public hearing on February 1, 2024, at 11:00 A.M. concerning this notice of proposal. Both the pre-public hearing meeting and public hearing will be conducted virtually through the Authority's video conferencing software, Microsoft Teams. Further information on accessing the pre-public hearing meeting and the public hearing will be posted on the Authority's website at <https://www.njwsa.org/public-notice.html> at least 15 days prior to the date of the meeting/hearing. Notice will also be sent to those who have subscribed to the Authority's rulemaking list service (listserv). To subscribe to the listserv, go to <https://www.njwsa.org/rate-proposals.html>.

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Submit comments by March 2, 2024, electronically to the Authority at [info@njwsa.org](mailto:info@njwsa.org). The Authority encourages electronic submittal of comments. In the alternative, comments may be submitted on paper to:

Marc Brooks  
Executive Director  
New Jersey Water Supply Authority  
Attention: DEP Docket No. 3-23-11  
1851 State Highway 31  
PO Box 5196  
Clinton, NJ 08809

The Basis and Background document, which is available at the Authority's website <http://www.njwsa.org>, explains in further detail the financial justification for the proposed rate schedule. The rules can also be viewed or downloaded from the Authority's website.

The agency proposal follows:

### **Summary**

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

The Authority is proposing to amend its Schedule of Rates, Charges, and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System (System), to cover expenses for Fiscal Year (FY) 2025. The Authority operates on a July 1 to June 30 fiscal year. The amendments to specific aspects of the rate structure proposed in this rulemaking will result in no change to the overall rate of \$1,010.75 per million gallons (MG) for initial water purchase contract

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customers, and no change to the overall rate of \$1,124.67 per MG for delayed water purchase contract customers. The Authority anticipates the rates will be adopted and operative by July 1, 2024.

The general rate schedule for operations and maintenance (O&M) covers the System's operation expenses. This component, set forth at N.J.A.C. 7:11-4.3, and incorporated in the standby charge at N.J.A.C. 7:11-4.13, was last adjusted operative July 1, 2020 (FY 2021), when the amount was increased from \$432.87 to \$445.82 per MG. See 48 N.J.R. 19(a); 1065(a). The Authority is proposing no change to the operations and maintenance component of \$445.82 per MG for FY 2025. The O&M component sales base of 19.443 million gallons per day (MGD) will remain the same for FY 2025.

The debt service component for FY 2024 for delayed water purchase contract customers, set forth at N.J.A.C. 7:11-4.4(c), was based on a sales base of 4.435 MGD. There is no change in the delayed water purchase sales base for FY 2025. The Authority is proposing no change to the delayed water purchase contract customer debt service component set forth at N.J.A.C. 7:11-4.4(b) of \$438.92 for FY 2025. The rate component will continue to allow the Authority to meet coverage of 120 percent of debt service required by the Authority's bond resolution. This rate is charged to all water purchasers who entered into a water purchase contract for uninterruptible service commencing subsequent to the System operation date.

A capital fund rate component was established in the Manasquan System in FY 2021 for initial water purchase contract customers (\$525.00 per MG) and delayed water purchase contracts (\$200.00 per MG) to provide for long-term capital needs that will allow for the proper maintenance, rehabilitation, and/or replacement of the system facilities. There will be no change in the FY 2025

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rate for initial water purchase contract customers (\$525.00 per MG), found at N.J.A.C. 7:11-4.5(c), which will be charged to all uninterruptible service contracts executed prior to July 1, 1990, and to those water purchasers entering delayed water purchase contracts who pre-paid the total delayed water purchase surcharge at the commencement of the contract, rather than paying it over the contract term. The FY 2025 rate for delayed water purchase contract customers (\$200.00 per MG, no change from FY 2024), found at N.J.A.C. 7:11-4.5(e), will be charged to all water purchasers who entered into a water purchase contract for uninterruptible service commencing subsequent to the System operation date.

The Authority established a Source Water Protection Fund Component (N.J.A.C. 7:11-4.5) of \$15.00 per MG starting July 1, 2003. The Source Water Protection Fund Component provides administrative cost assistance for watershed planning and land acquisitions within the Manasquan Basin critical to the long-term protection of the System's water quality and quantity. The rate was reduced from \$15.00 per MG to \$10.00 per MG for FY 2016. A rate of \$10.00 per MG and existing fund surplus were sufficient to cover program costs for FY 2016 and FY 2017. In FY 2018, the Authority increased the rate to \$15.00 per MG to cover FY 2018 program costs. To cover FY 2025 costs, the Authority proposes no change to the source water protection fund component rate of \$15.00 per MG, which can be found at N.J.A.C. 7:11-4.6(b).

The Authority proposes no change in the New Jersey Environmental Infrastructure Financing Program (NJEIFP) debt component of \$24.93 per MG, which is set forth at N.J.A.C. 7:11-4.7(b). The NJEIFP debt component was established to repay debt service to the New Jersey Environmental Infrastructure Trust for construction costs associated with the installation of a structure over the Manasquan Reservoir intake pump station. The debt service payment will remain stable in FY 2025,

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and the sales base will remain constant at 19.443 MGD for FY 2025.

For initial water purchase contract customers, the FY 2025 base contract O&M Rate (\$445.82), Source Water Protection Program Rate (\$15.00), NJEIFP Debt Rate (\$24.93), and Capital Fund Component (\$525.00) comprise the total base contract rate for raw water of \$1,010.75 per million gallons and represents no change relative to FY 2024. This base contract rate is charged to all uninterruptible service contracts initially executed prior to July 1, 1990, the commencement date of Manasquan Reservoir System operations, and one delayed Water Purchase contract with Shorelands Water Company (subsequently acquired by New Jersey American) executed on July 1, 2006. For its customers to be assessed the base contract rate on the .028 MGD delayed contract, Shorelands Water Company prepaid the net present value of the difference between the initial water purchase contracts debt service schedule and the delayed water purchase contracts debt service schedule.

The total rate for delayed water purchase contract customers in FY 2025 is \$1,124.67 per million gallons, representing no change relative to the FY 2024 delayed water purchase rate. The O&M Component (\$445.82), the Source Water Protection Fund Component (\$15.00), the Debt Service Rate Component (\$438.92), the NJEIFP Debt Rate (\$24.93), and the Capital Fund Component (\$200.00) comprise the total rate.

### **Social Impact**

The proposed amendments will have a positive social impact. The proposed amendments represent the Authority's efforts to ensure that rates for the untreated water purchased from the System are equitably assessed to all purchasers and are sufficient to provide the revenues required by the Authority.

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The Manasquan Reservoir's four billion gallon capacity provides a necessary, vital water supply to keep pace with Monmouth County's continuing population growth while reducing the water purveyors' dependence on regionally stressed groundwater resources.

### **Economic Impact**

The proposed adjustment to the rate schedule will result in no change to the overall water rate for initial water purchase contract customers and no change to the overall water rate for delayed water purchase contract customers. Based upon the average household usage of 400 gallons per day, the annual average impact per household will be \$0.00 for initial water purchase contract customers and \$0.00 for delayed water purchase contract customers. The rate will continue to ensure that necessary insurance coverage is maintained for all aspects of the Authority's operations while also sustaining operations to meet and enhance the Authority's mission of managing the water supply. The regulatory amendments to the Schedule of Rates and Charges are in accordance with the Authority's statutory jurisdiction over System diversions that impact safe yield.

### **Environmental Impact**

The proposed amendments provide adequate financing for the System's upkeep and operation and will result in a positive environmental impact. Sixty percent of Monmouth County's water supply was previously derived from stressed groundwater resources. The System partially alleviates the reliance on the existing groundwater supply and meets the needs of a developing area. This water supply system has an important and positive environmental impact because it reduces stress on the region's valuable groundwater resources by providing an alternate surface water supply. By reducing reliance on groundwater, saltwater intrusion will be slowed, and present

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groundwater levels will be preserved.

The System's 30 million gallon per day water supply helps to protect the region's threatened groundwater resources from further depletion. In addition, the 770-acre Manasquan Reservoir protects waterfowl and regional wildlife through several protected wetland sites.

The continued financing of the source water protection fund will have a positive environmental impact by providing greater protection to Manasquan Basin's water quality and quantity through real estate acquisitions, coordinated government land management practices, and remedial projects.

#### **Federal Standards Statement**

N.J.S.A. 52:14B-1 et seq. (P.L. 1995, c. 65), requires administrative agencies that adopt, readopt, or amend any rule or regulation to which the law applies to provide a comparison with Federal law, and to provide further discussion and analysis (including a cost-benefit analysis) if the standards or requirements by the agency exceed standards or requirements imposed by Federal law.

These rules are promulgated pursuant to the Authority's procedures. The Authority is an instrumentality of the State of New Jersey in, but not of, the Department of Environmental Protection. The Authority is charged with the operation and management of the State-owned raw water supply facilities within the State of New Jersey.

These amendments are not proposed pursuant to the authority of, or in order to, implement, comply with, or participate in any program established pursuant to Federal law. In addition, the amendments are not proposed pursuant to the authority of a State statute that incorporates or refers to Federal law, Federal standards, or Federal requirements. Therefore, no

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Federal standards analysis is required.

### **Jobs Impact**

The proposed amendments are an annual revision to the Authority's regulations covering water rates for System customers. The implementation of these amendments is not anticipated to result in the generation or loss of jobs.

### **Agriculture Industry Impact**

In accordance with P.L. 1998, c. 48, which amends the Right to Farm Act, and in accordance with N.J.S.A. 52:14B-4(a)2, which requires that an Agriculture Industry Impact statement be included in a notice of proposal, the Authority has evaluated this rulemaking to determine the nature and extent of the impact of the proposed amendments on the agriculture industry. Agriculture is impacted to the extent that farms and other agricultural users receive water allocations from the Department of Environmental Protection and contract with the Authority to purchase water as a condition of the water allocation permit. The proposed amendments do not change the overall water rate for both initial water purchase contract customers and delayed water purchase contract customers. Accordingly, no impacts on the agriculture industry are anticipated.

### **Regulatory Flexibility Statement**

In accordance with the New Jersey Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., the Authority has determined that the proposed amendments will not impose reporting, recordkeeping, or other compliance requirements on small businesses because they only affect the Authority's water rates charged to purchasers. The municipalities and major water purveyors that contract to purchase water from the Authority and are impacted by these rules do not qualify as "small businesses" pursuant to N.J.S.A. 52:14B-16 et seq., because they all employ more than 100 full-time



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employees.

### **Housing Affordability Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for the purposes of determining their impact, if any, on housing affordability. The Authority has determined the proposed amendments will impose an insignificant impact on the affordability of housing and it is unlikely that the rules will evoke a change in the average costs associated with housing. The Authority finds the proposed amendments do not change land use policies or the nature and scope of the rules.

### **Smart Growth Development Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for purposes of determining their impact, if any, on smart growth development. The Authority has determined the proposed amendments will impose an insignificant impact because it is unlikely that the rules will evoke a change in housing production within Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan. The Authority finds the proposed amendments do not change land use policies or the nature and scope of the rules.

### **Racial and Ethnic Community Criminal Justice and Public Safety Impact**

The Authority has evaluated this rulemaking and determined it will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

**Full text** of the proposal follows (additions indicated in boldface **thus**; deletions indicated in

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brackets [thus]):

SUBCHAPTER 4. SCHEDULE OF RATES, CHARGES, AND DEBT SERVICE ASSESSMENTS FOR THE SALE  
OF WATER FROM THE MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

7:11-4.3 Operations and maintenance expense component

(a)–(b) (No change.)

(c) Operations and maintenance expense component:

	Rate/Million Gallons
	(based upon a 19.443
<u>Effective Date</u>	<u>mg per day sales base)</u>
July 1, [2023] <b>2024</b>	\$445.82

7:11-4.4 Debt service cost component

(a) (No change.)

(b) A delayed water purchase surcharge will be assessed to all water purchasers who entered into a water purchase contract for an uninterruptible service commencing subsequent to the system operation date (delayed water purchase contract). This includes a purchaser under an initial water purchase contract, which provides for an increase in the amount of uninterruptible service effective subsequent to the system operation date.

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1. The following debt service rate based on a sales base of 4.435 million gallons per day, applies to the delayed water purchase contract commencing July 1, 2001, October 1, 2002, and January 1, 2005.

<u>Period</u>	<u>Rate/Million Gallons</u> <u>(Coverage 120 percent)</u>
[7/1/2023] <b>7/1/2024</b> to [6/30/2024] <b>6/30/2025</b>	\$438.92

(c) (No change.)

7:11-4.5 Capital Fund Component

(a)-(b) (No change.)

(c) Capital Fund Assessment – initial water purchase contract customers:

<u>Period</u>	<u>Rate/Million Gallons</u>
[7/1/2023] <b>7/1/2024</b> to [6/30/2024] <b>6/30/2025</b>	\$525.00

(d) (No change.)

(e) Capital Fund Assessment – delayed water purchase contract customers:

<u>Period</u>	<u>Rate/Million Gallons</u>
[7/1/2023] <b>7/1/2024</b> to [6/30/2024] <b>6/30/2025</b>	\$200.00

7:11-4.6 Source water protection fund component

(a) (No change.)

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(b) The source water protection fund component is as follows:

<u>Period</u>	<u>Rate/Million Gallons</u>
[7/1/2023] <b>7/1/2024</b> to [6/30/2024] <b>6/30/2025</b>	\$15.00

7:11-4.7 New Jersey Environmental Infrastructure Financing Program debt component

(a) (No change.)

(b) The New Jersey Environmental Infrastructure Financing Program debt component is as follows:

<u>Period</u>	<u>Rate/Million Gallons</u>
[7/1/2023] <b>7/1/2024</b> to [6/30/2024] <b>6/30/2025</b>	\$24.93