

ESSENTIAL LINES™



The Value of Water

Water is the foundation of life. Water has no substitute. Water is a resource so valuable that within a few short days without it, life would grind to a halt. These facts may seem obvious, but did you know that the average person uses between 80–100 gallons of water per day?¹

Unless they have lived in or visited less fortunate countries, or have had to temporarily live without it, most people don't fully comprehend the true value of water. Water quality, quantity, accessibility and availability are things we have come to take for granted.

Delivering safe and reliable water—the job of NJUA's member water utilities—is critically important. Of all utilities, water is the one service that is literally consumed. Due to the effort of these water utilities, about half of all New Jerseyans can effortlessly turn the tap and receive as much clean water as they need. The other half of the population receives its water from municipal or regional water purveyors.

Ensuring that water is not only safe to drink, but also reliably delivered to customers, is the job of water purveyors.

The water utilities that are members of NJUA are investor-owned. Government-owned water utilities have an equally important job, but are not affiliated with NJUA.

The quality of our water sources dictates the type of treatment needed. Most often, surface water (water from rivers, lakes and streams) requires more treatment than ground water because of its direct exposure to human activities. Run-off from rain and melting snow picks up contaminants that must be removed from source water before it can be delivered and consumed. The results of human activities—like litter, left-behind pet waste, and leaking motor oil—are just a few of the contaminants that must be removed. While the treatment processes employed can vary depending on which contaminants are found in the water source, all public water supplies must be treated before they are delivered to customers for their use.

New Jersey's investor-owned water utilities understand the critical value of quality drinking water and work diligently to meet or exceed the government's drinking water standards. Complicating this work is aging water infrastructure (pipes, mains, valves, pumps, hydrants, storage tanks, etc.), substantial parts of which date back 100 years or more.

The American Society of Civil Engineers recently gave the nation's water and wastewater systems a D- grade and estimates that New Jersey alone would need to spend nearly \$7 billion in water infrastructure upgrades over the next 20 years². The United States Environmental Protection Agency estimates the nationwide cost of repairing aging drinking water infrastructure at \$334.8 billion over 20 years.³ Imagine 9,500 Olympic-size pools, and that's how much drinking water the country loses each day through old and leaking pipes. These are significant investments. But the cost of ignoring our water infrastructure needs is even greater.

Continued on page three

Inside

- 4 Understanding and Controlling the Cost of Energy
- 5 Triple Play: One Step Away from a Truly Level Playing Field

Message from NJUA Leadership



Welcome to the first issue of *Essential Lines*, the newsletter of the New Jersey Utilities Association (NJUA). Our

goal for this publication is to provide insight into the services NJUA member companies provide to New Jersey residents and businesses each and every day. Whether an electric, natural gas, water, wastewater or telecommunications company, NJUA member utilities provide services that sustain and enhance the quality of life.

As technology continues to evolve at a rapid pace, so does the utility industry. Our member companies continue to adapt and plan to meet the needs of a continually-changing business environment. As certain traditional utility services have become deregulated over time, our members are increasingly engaged in the delivery of various non-regulated services that complement their core utility businesses. In addition, technological innovation continues to drive improvements in efficiency and quality, and with service offerings that could not have been imagined even a few years ago.

The insight we hope to provide you in this publication is intended to explore these services in further detail, to help illustrate the significant impact the efforts of our member companies have on the daily lives of the residents and businesses of our State, on our environment and on our State's economy. New Jersey's utilities industry has an incredible pool of talent in the more than 30,000 dedicated people we employ. Utility employees work hard every day, not only to maintain and improve the quality of life for our customers, but also to build on past successes to help ensure we sustain the quality of life New Jerseyans have come to expect for future generations.

We are proud of our industry's ability to continuously provide these critical services, and hope that you find the information we share to be interesting and informative. We encourage you to reach out to the NJUA staff on the issues presented in *Essential Lines* or any other issues related to New Jersey's investor-owned utility industry.

Dennis W. Doll
President & CEO,
Middlesex Water Company
NJUA Chairman, 2009–2011

In the Community

Verizon NJ

On November 6, The Middlesex County Educational Technology Training Center received a \$100,000 grant from the Verizon Foundation to continue to raise teachers' awareness of the free educational resources available on Thinkfinity.org and to train teachers across the State how to use the website's educational resources, standards-based, grade-specific, K-12 lesson plans, online educational games, and videos provided in partnership with the nation's leading educational organizations.



PHOTO: VERIZON

NJUA Officers and Directors

Officers

Chairman

Dennis W. Doll
President, Middlesex Water Company

2nd Vice Chairman

Donald F. Carter
Vice President and General Manager,
Elizabethtown Gas Company

Treasurer

Louis M. Walters
President and General Manager,
Atlantic City Sewerage Company

Secretary

David G. Ern
Vice President and General Manager,
Gordon's Corner Water Company

At-Large Executive Committee Member

Dennis M. Bone
President, Verizon NJ

Directors

John Bigelow
President, New Jersey American Water Company

David F. Bonsick
State Executive, Pennsylvania & New Jersey,
CenturyLink

Richard A. Chapkis
Vice President and General Counsel, Verizon NJ

Dennis L. Ciemniecki
President, Regulated Business,
United Water New Jersey

William B. Davis
President, Aqua New Jersey, Inc.

Edward J. Graham
President and CEO, South Jersey Gas Company

Ralph LaRossa
President and COO,
Public Service Electric & Gas Company

Donald M. Lynch
President, Jersey Central Power & Light/
A First Energy Company

William Longhi
President and CEO, Rockland Electric/
Orange & Rockland Utilities Inc.

Vincent Maione
President, Atlantic City Electric Company

Mark Spurduto
Vice President of Regulatory Affairs,
New Jersey Natural Gas Company

Leila L. Vespoli, Esq.
Senior Vice President and General Counsel,
First Energy Corp.

Michael P. Walsh
President, Shorelands Water Company

NJUA Staff

Karen D. Alexander
President and CEO

Ryan L. Tookes
Manager, Government and Public Affairs

Nicole A. Osuch
Communication and Events Coordinator
Editor, Essential Lines

Debra A. Caldwell
Executive Assistant and Office Manager

About NJUA

NJUA is the statewide trade association for investor-owned utilities that provide essential water, wastewater, electric, natural gas and telecommunications services to New Jersey residents and businesses 24 hours a day, 7 days a week, 365 days a year. NJUA has provided a forum



for the exchange of ideas and a unified voice in the public policy arena for its members since 1915.

NJUA's 16 member utility companies are dedicated to the delivery of essential services to more than 9 million residential customer accounts and nearly 2.3 million non-residential customer accounts across the Garden State. Most of our companies have been in existence serving customers for more than 100 years. Not only do New Jersey's utility companies help to maintain the wellbeing of the State and provide services that support the State's quality of life, but also they are a driving force behind New Jersey's economy.

NJUA member companies touch the lives of every person who lives or works in New Jersey. Because of the services

provided by NJUA utility company members, people can read when it's dark; heat and cool their homes, schools and businesses; enjoy clean water; preserve and prepare food; and communicate rapidly and regularly with friends, family and colleagues. Through utility services, office buildings come to life, factories run, street lights come on, and voice, data and video communications are possible.

NJUA operates under a Board of Directors, with guidance from numerous policy committees. Through NJUA committee member's expertise, critical information is shared across companies. This exchange benefits the membership by increasing its ability to supply consumers with the highest quality service at a reasonable cost.

NJUA member companies:

- employ over 32,000 union and non-union men and women for a combined payroll in excess of \$2 billion/year;
- own and operate physical infrastructure valued at more than \$24 billion;
- contribute nearly \$780 million in annual revenues to local and state government through gross receipts, transitional energy facility assessment (TEFA), corporate business, property and various excise taxes;
- are proud members of their communities that donate over \$7 million dollars annually and provide volunteer resources to New Jersey-based charitable organizations.

The Value of Water, *continued from page one*

It is puzzling when customers balk at paying more for something as essential as water, which costs, on average, *less than a penny a gallon*. We can do without many things, but water is not one of them. What consumers are asked to pay to cover the cost of delivering water does not begin to approximate its life-sustaining value. But as the government tightens drinking water standards and water infrastructure replacement needs grow, so too does the cost of delivering clean water. What is it worth to be able to drink water from the tap, shower under it daily, wash clothes or have it available for fire protection? That is how we should think of the intrinsic value of water and what we are willing to pay for it.

Indeed, water utilities have an obligation to provide quality and reliable service cost-effectively. To continue to do so,

The Board of Public Utilities, which has responsibility for regulating water companies deserves support for making the right decisions to ensure future supplies, even if it means an increase in cost. Meanwhile, NJUA member water utilities will continue to deliver quality drinking water that supports public health and enables fire protection, economic development and quality of life. Now that's value in every drop!

(ENDNOTES)

- 1 "2009 Report Card on America's Infrastructure," American Society of Civil Engineers, March, 2009
- 2 "2009 Report Card on America's Infrastructure," American Society of Civil Engineers, March, 2009
- 3 United States Environmental Protection Agency, "Drinking Water Infrastructure Needs Survey and Assessment, Fourth Report to Congress," March 2009



Understanding and Controlling the Cost of Energy

New Jersey's energy utilities play a valuable role in the everyday lives of New Jerseyans. Imagine life without the ability to use a stove, stay cool in the summer or warm in the winter. Think of the myriad appliances and devices that we use every day for entertainment, communication and simple housekeeping and hygiene. Our factories and businesses could not run without energy. No matter what aspect of modern life we consider, electricity and natural gas are omnipresent.

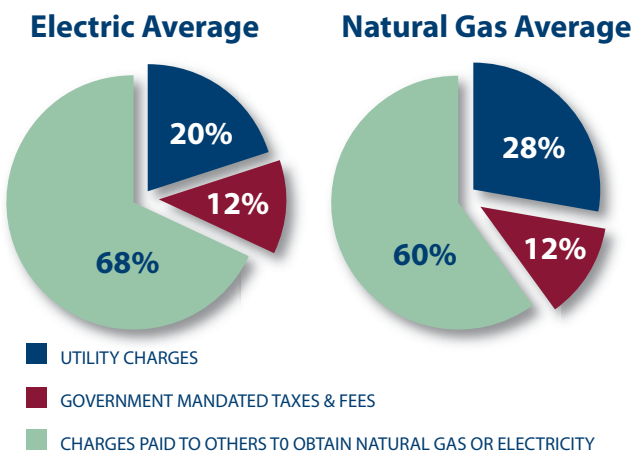
20 percent and natural gas companies have direct control over only 28 percent of the costs that are reflected in customers' bills over the course of a year, i.e. the portions related to the delivery of the service to end users.

To illustrate this fact consider 2005, when the price of natural gas increased due to the inability of supplies to be transported from the Gulf Coast after Hurricane Katrina. Customers' costs increased even if the utility's distribution costs remained unchanged. By contrast, in 2009, the wholesale price of natural gas fell, to the benefit of customers, with each of the State's natural gas utilities obtaining approval from BPU to pass on the wholesale savings to their customers—savings ranging statewide from 23.5-37.3 percent less than the year prior. While natural gas utilities may be able to moderate price swings, price changes in the wholesale market will ultimately affect consumers. No matter what the energy market trends in 2010, customers can play an important role in conserving energy, which can help to control, and even reduce their costs.

In 2010, current energy efficiency programs initiated by New Jersey's energy utilities in 2009 will continue. With a new Governor and Administration that will need to grapple as a first priority with the State's budget, it is not yet clear as of this writing what initiatives State Government will continue or pursue. Irrespective of government policy, though, consumers can save on their energy bills with little expense both now and in the future through wise use strategies, such as utilizing major appliances during off-peak hours, caulking windows and doors, unplugging small appliances, including computers and set-top boxes when not in use, and setting back the temperature settings of water heaters and central heating and air conditioning systems. Utilities play an important role in cost control as well, and will continue to prudently manage operations to control costs and develop ways to assist customers seize new energy savings opportunities.

Where Your Energy Dollar Goes*

(based on residential rates in effect as of 11/1/2009)



* These pie charts depict on a percentage basis the costs that are covered by each dollar spent annually by residential customers for electric and natural gas service. While customers' bills are sent by and payments are made to the local utility company, less than 30% of what customers are paying for is kept by the utility to cover its costs to deliver the service.

The role of electric and natural gas utilities in determining what customers pay is often misunderstood. That is because all of the different charges that make up the monthly bill are received by customers from their natural gas and electric companies. But energy prices are affected by supply and demand, as well as other factors, including public policy.

Few remember that in 1999, a change in New Jersey law resulted in energy utilities becoming distribution companies only, with very limited ability to control the price or supply of the electricity or natural gas produced (the commodity). Since then, natural gas utilities attempt to hedge against volatile market fluctuations through purchase and storage strategies approved by the Board of Public Utilities (BPU). Electricity purchases for most customers are subject to an annual competitive auction known as the Basic Generation Service or BGS auction, overseen by BPU to meet one-third of the State's needs for a three year period. Despite what many think on average, electric companies have direct control over only

Energy Assistance Resources

Customers facing difficulty paying their energy bills will find numerous resources listed on the BPU website:

<http://www.bpu.state.nj.us/bpu/assistance/programs/index.html>

Assistance is also available through NJShares:

<http://www.njshares.org>

Triple Play: One Step Away from a Truly Level Playing Field

As voice, video images, and data fly through the air and travel at the speed of light along fiber-optic cable, New Jersey's tax code is stuck in an era when everyone talked on phone lines strung from poles, and their favorite television shows were delivered over the air or via the first generation of cable TV. This by-gone era of taxing video services differently based on whether the service is provided by a traditional phone company, a traditional cable TV company or a satellite dish: fails to recognize that technologies have converged; discriminates against some consumers in favor of others; stifles competition; and costs struggling New Jersey municipal governments millions of dollars in lost revenue.

.....

WITHOUT ENSURING TAX PARITY IRRESPECTIVE OF TECHNOLOGY AND PROVIDER, NEW JERSEY WILL CONTINUE TO LOSE NEEDED REVENUE, AND FACE SERIOUS DECLINES IN JOBS AND COMPETITIVENESS.

.....

As competition for New Jersey video customers increases, the business personal property tax (BPPT), which has long been a steady source of income for New Jersey municipalities, is on the decline. That is because the tax applies only to legacy telephone service providers based on how much infrastructure—the poles, wires and related equipment—they have in each community. From 2000 to 2008, the increased popularity of innovative telecom and video services reduced BPPT payments to municipalities by half, from over \$100 million to about \$50 million. And that number has and will continue to decline.

Other communications technologies are inequitably taxed as well. Current state law forces viewers with traditional cable television or Verizon's FiOS to pay up to 4 percent in franchise fees, while satellite subscribers pay none. Satellite providers now serve almost one-fifth of the total state market, creating an enormous tax inequity and costing local governments legitimate revenues at a time when they and their residents can least afford it.

This problem will get worse as time goes by and as new technologies and applications, such as the ability to watch television shows on computers or handheld devices come to market. These innovations will further challenge New Jersey's antiquated tax regulations. These and other technological advances hold exciting promise for consumers, but unless New Jersey's tax code is updated to keep pace with technology, innovation will be encouraged from some and stifled for others, and the budget problems of local communities will be exacerbated.

Some members of the New Jersey Legislature are developing strategies to address these inequities. They realize that tax codes must recognize the development of new technologies in order to preserve municipal funding and reverse declining revenue trends. The Legislature can and should act to ensure competition on a level playing field and enable consumers, not government policies, to pick the winners and losers in the marketplace. If the playing field is not leveled, consumers ultimately will lose as the companies with the greater tax burden are discouraged from innovating and further investing in the State. This would lead to a diminished level of advanced video communications services for consumers, and result in a decline in high-tech development and job creation.

Doing nothing is not a viable option. Without ensuring tax parity irrespective of technology and provider, New Jersey will continue to lose needed revenue, and face serious declines in jobs and competitiveness. NJUA supports these efforts and urges the Legislature to make tax parity one of its top priorities for passage in the current legislative session.

In the Community

South Jersey Industries

On November 19, South Jersey Industries' Women's Leadership Initiative (WLI) presented Cooper Cancer Institute and Sister Will You Help Me, a minority breast cancer support group, with a \$500 check. WLI donated items such as scarves, hats, make-up, and perfume as part of a company-wide drive to support local breast cancer patients.



PHOTO: SOUTH JERSEY INDUSTRIES

TOP TEN

WAYS TO KEEP YOUR FAMILY SAFE THIS WINTER SEASON



Energy Economic Stimulus: Utilities At Work

In response to the downturn in the economy, in October 2008, Governor Jon Corzine outlined an economic stimulus plan for the State, the first such plan in the nation, before a joint session of the Legislature. Among the Governor's initiatives, was a plan to accelerate future planned energy infrastructure projects and to create green jobs through utility energy efficiency programs.

New Jersey's electric and gas utilities responded by submitting accelerated infrastructure proposals to the Board of Public Utilities (BPU), and in April 2009, the BPU approved nearly \$1 billion combined in utility infrastructure projects for Atlantic City Electric, Elizabethtown Gas, New Jersey Natural Gas, Public Service Electric & Gas, and South Jersey Gas. A few months later, BPU approved more than \$240 million total in utility energy efficiency proposals for Elizabethtown Gas, New Jersey Natural Gas, Public Service Electric and Gas, Rockland Electric and South Jersey Gas.

The BPU's approval will result in customers experiencing a small increase in their electric and gas utility bills. As a customer of one of NJUA's natural gas or electric utility companies you might wonder what's in this stimulus for me?

First, the aging infrastructure improvements will help ensure that customers continue to receive safe and reliable energy. Second, the infrastructure projects will create an estimated 14,000 new jobs over their duration which helps the economy. In addition, by putting these projects out to bid in a slowed economy, the work can be completed at an overall lower cost to customers.

Third, the energy efficiency stimulus projects will help New Jersey meet its aggressive energy-efficiency goals, improve air quality, and reduce greenhouse gas emissions. The initiatives will also reduce demand and help to control energy costs for New Jersey residents.

Importantly for customers, the utilities' energy efficiency stimulus projects will provide incentives to qualified customers for appliance and equipment upgrades, offer home energy audits, and make attractive financing available to assist customers achieve whole house energy efficiency.

To find out what energy efficiency programs are available in your community, customers can contact their local gas or electric utility listed on the back page or visit the Office of Clean Energy's website at: www.njcleanenergy.com.

- 1 During inclement weather, stay away from fallen power lines and don't go near anything they are touching. Call your local police and fire department.
- 2 During a storm, prevent equipment damage from surges by turning off electric appliances including your computer and TV.
- 3 In preparation for the holidays, inspect all electric-powered decorations. Before stringing decorative lights that have been in storage, inspect cords and plugs for worn or frayed areas, or breaks.
To ensure that your gas heating system and gas water heater runs properly, clean your chimney at least once a year. A blocked chimney doesn't allow burned gases such as carbon monoxide to escape your home and can cause poisoning or serious illness.
- 4 To avoid frozen water pipes while you are away for an extended period, leave the faucet slightly dripping.
- 5 Always install or adjust outside lighting displays while they are turned off, during dry weather.
- 6 Remove snow from fire hydrants so that hydrants will be able to be located quickly and easily in the event there is a fire.
- 7 Hot water can cause serious burns. Avoid extreme temperatures by lowering your water heater thermostat setting to 120 degrees or less.
- 8 Keep your water meter safe by taking care when shoveling, plowing, or using a snow blower near or around the meter.
- 9 Never heat your home with an oven or range. Natural gas fireplaces and space heaters are meant for added warmth, not as a main source of heating.
- 10

Spotlight on NJUA Members

United Water Delivers \$100 Million Water Treatment Plant Upgrade

On June 26, United Water unveiled the completed \$100 million, comprehensive rehabilitation project of its Haworth Water Treatment Plant, located in Haworth, New Jersey on the shores of the Oradell Reservoir. This critical infrastructure project is not only the largest single capital investment ever made in the 140-year history of United Water, but also the project served as a “stimulus project” long before the word “stimulus” became so popular in households across the United States.

The company broke ground on the Haworth Water Treatment Plant upgrade project in November 2007. During the peak periods of construction, upwards of one hundred skilled workers were onsite on a daily basis to deliver the project to 800,000 customers in Bergen and Hudson counties. The Haworth Water Treatment Plant is now one of the most technologically advanced surface water treatment plants in the United States.

The rehabilitation project satisfied three core objectives: regulatory compliance related to drinking water quality, regulatory compliance related to process waste discharge to

the Oradell Reservoir, and operational constraints related to the age of the water treatment plant.

Before construction of the new plant, United Water invested more than \$1 million to design, construct and test a scale model of the new facility. The model was designed to test different technologies, design scenarios and water

treatment combinations in an actual operating environment. All told, United Water tested more than 150 operating scenarios, which ultimately led to the final design of the new plant.

New equipment installed at the plant includes the latest in Supervisory Control and Data Acquisition technology. This new system allows United Water’s operations team to operate and maintain the upgraded plant and the water supply for its customers.



PHOTO: CHRIS BROPHY/UNITED WATER

PSE&G Expands Renewable Energy Commitment with “SOLAR 4 ALL” Program

On July 29, Public Service Electric & Gas Company received approval from the New Jersey Board of Public Utilities (BPU) to invest \$515 million in 80 megawatts of solar projects, doubling the State’s solar capacity and creating additional green jobs. Under an agreement



PSE&G lineman Ryan Lucas adjusts a solar panel. PHOTO: MARK LOVRETIN/PSEG

reached in its *Solar 4 All* filing, the company expects to complete the installations by the end of 2013. The program has two segments, each 40 megawatts in size. The first segment consists of installing a solar unit (small distributed solar system of approximately 200 watts) on 200,000 utility poles in PSE&G’s service territory, which includes the State’s six largest cities and roughly 300 rural and suburban communities. It will be the largest pole-attached solar

installation in the world. The solar units will be connected directly into PSE&G’s electric distribution system and the power will be sold into the PJM wholesale electricity grid.

The second segment will focus on centralized solar, with PSE&G developing solar gardens and roof-top installations on facilities it owns and also at third-party sites.

PSE&G will receive federal tax credits and solar renewable energy credits, which will also be used to offset the cost to customers. PSE&G estimates that this program will cost its average residential customer about 10 cents a month in the first year of the program.

“Our program will effectively double the size of New Jersey’s installed solar capacity,” said Ralph LaRossa, president and COO of PSE&G. “That is more solar capacity than currently exists in any other state other than California. We have worked with New Jersey regulators and the solar community to develop a program that brings the benefits of solar to all of our customers.”



50 West State Street
Suite 1117
Trenton, New Jersey 08608



Consumer Resources

Electric Companies

Atlantic City Electric Company
1-800-642-3780
www.atlanticcityelectric.com

Jersey Central Power & Light Company
1-800-662-3115
www.firstenergycorp.com/JCP_L

Public Service Electric & Gas Company
1-800-436-7734
www.pseg.com

Rockland Electric Company
1-877-434-4100
www.oru.com

Natural Gas Companies

Elizabethtown Gas Company
1-800-242-5830
www.elizabethtowngas.com

New Jersey Natural Gas Company
1-800-221-0051
www.njng.com

Public Service Electric & Gas Company
1-800-436-7734
www.pseg.com

Customer Service representatives are just a phone call away and available to answer billing questions, dispatch technicians for service calls, or respond to any inquiry related to a customers' service. Company websites are also

South Jersey Gas Company
1-888-766-9900
www.southjerseygas.com

Water Companies

Aqua New Jersey, Inc
877-987-2782
www.aquaamerica.com

Gordon's Corner Water Company
732-946-9333
www.gordonscornerwater.com

Middlesex Water Company
732-634-1500
www.middlesexwater.com

New Jersey American Water Company
1-800-652-6987
www.amwater.com

Shorelands Water Company
732-264-5510
www.shorelandswater.com

United Water New Jersey
1-800-422-5987
<http://www.unitedwater.com>

a great source of information for customers. Many websites contain useful tips on saving money on your utility bill, local water quality reports, and even suggestions for how to reduce your carbon footprint.

Sewerage Companies

Atlantic City Sewerage Company
609-345-0131
<http://www.acsewerage.com/>

Telecommunications Companies

CenturyLink
1-888-723-8010
www.centurylink.com

Verizon NJ
1-800-837-4966
www.verizon.com

To learn which
NJUA member company
serves your area, go to
www.njua.com
click on "Consumer Resources,"
and plug your zip code
into the Utility Locator Tool.

If you would prefer to receive *Essential Lines* electronically, please write to info@njua.com.