

# ESSENTIAL LINES™



## Solving the Problem of New Jersey's Aging Water Infrastructure

New Jersey was considered a leader in the 1800s and early 1900s in the introduction of community-wide water systems. These systems have served their communities well through many decades. Engineers and industry experts advise that these aging water distribution systems are rapidly approaching the end of their useful lives--in fact a number of the oldest systems are beyond their useful lives today. The problem is real and accelerating, but it is also masked because much of the infrastructure is underground and out of sight.

About half of New Jersey's population receives drinking water from investor-owned water utilities. The other half are served by municipally owned systems that are not affiliated with NJUA.

### Defining the Problem

A 2007 American Society of Civil Engineers (ASCE) Report Card gave New Jersey's drinking water infrastructure a "C," its wastewater infrastructure a "D" and called for the *"development of a comprehensive asset management program."*<sup>1</sup>

The New Jersey Department of Environmental Protection in its 2010 Recommendations for Water Infrastructure Management and Financing warns: *"New Jersey puts its economy and environment at risk when it ignores infrastructure asset management."*<sup>2</sup>



Above, is an example of deteriorating cast iron pipe, circa 1900. PICTURE: AQUA NEW JERSEY, INC.

ASCE and the US Environmental Protection Agency recommend that in the next 20 years, New Jersey invest more than **\$16 billion** in its water infrastructure. In the Report Card, ASCE determined that **\$6.92 billion** is needed for



The inevitable impacts of not starting to address this problem now could result in increased service interruptions, and more frequent and costly emergency repairs such as this main break in New Jersey depicted above. PICTURE: UNITED WATER

drinking water infrastructure alone and another **\$9.15 billion** for wastewater infrastructure needs.

The investor-owned water utilities have given priority attention, as they should, to protecting public health by making the necessary capital investments to meet increasingly stringent and more encompassing federal and state Safe Drinking Water Act standards. Additional investments have been needed to maintain high quality drinking water supplies as well. However, these environmental demands compete directly for limited available *Continued on page four.*

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# Message from NJUA Leadership



Many NJUA member company customers continue to struggle with the affects of the slow economy

in virtually all aspects of their lives. A number of utilities have experienced a higher incidence of delinquent accounts, which translates into higher operating costs, and ultimately, higher rates for all customers. This challenge is occurring against the backdrop of needed infrastructure upgrades, of which most customers are largely unaware. This is due to the fact that utility services are largely delivered reliably, and for the most part, out of sight.

Although under traditional rate-making methodologies prudent investments in infrastructure are recoverable in customer rates, the harsh reality is that a significant portion of New Jersey's utility infrastructure is at or near the end of its useful life and therefore, future upgrade and replacement costs are projected to escalate. We cannot afford to defer investment that is needed, not only to sustain present service levels but also, to sustain high quality services long into the future.

Neither utilities nor customers want utility rates to be any higher than

necessary, especially during difficult economic times for so many of our customers. All stakeholders have a shared interest in making sure utility services remain safe, reliable and affordable and that the companies that provide these services remain viable. The decisions as to how and when we, as a State, decide to pay for the necessary upgrades and replacements will clearly require a collaborative effort among our regulators, the utility companies, our consumer advocate and potentially, our legislators.

NJUA's members understand their responsibility to educate and provide the public with information on the costs and benefits of utility infrastructure so they can better understand the needs, and the detrimental consequences of not addressing those needs. On the front page of this issue of *Essential Lines*, the investor-owned water companies identify a viable solution to New Jersey's aging drinking and wastewater infrastructure. We encourage all stakeholders to increase the sense of urgency around these difficult issues, before they become even greater economic and service challenges in the future.

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

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## About NJUA

The New Jersey Utilities Association (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. For more information on NJUA, visit [www.njua.com](http://www.njua.com).

# Telecommunications Regulation in a New Era of Technology

Technology changes the way people work, live, and interact with one another. One impact of cell phones was making the phone booth nearly obsolete. Smart phones are now displacing GPS units that replaced the need to get MapQuest directions, which had replaced those dog-eared maps in the glove compartment of one's car.

Technology changes quickly. Sometimes too quickly to keep up. Two examples are the telecommunications and video marketplaces. Technology has enabled competition to thrive in both industries. Wireless, cable and Internet telephony have whittled the wireline market. In fact, about one in four households no longer have a wireline phone – unthinkable a decade ago. Likewise, the cable TV industry has seen competition come in the form of satellite TV, offerings like FiOS from companies that were formerly voice providers only, and increasingly from the Internet as customers cut cable TV out completely and get all their video programming via the Internet for free or a fraction of the price of cable.

Unfortunately while telecommunications technology is well into the 21st century, the rules and regulations to which companies like NJUA members Verizon and CenturyLink must adhere still reside in an era long gone. Those rules worked well when those companies worked as virtual monopolies with little or no competition. However, competition in the voice arena has never been more vigorous than it is today. New Jersey consumers enjoy a panoply of choices from wireless, cable telephony and voice over Internet protocol competitors. With evolving technology, providers are unleashing innovative new products and services and offering them at lower prices.

Unnecessary regulations impede the ability of companies like

Verizon and CenturyLink to adjust to competitive forces. The burden of paperwork, time lags and pricing approvals inherent to the regulatory process places these companies at a competitive disadvantage to their competitors who have no such restrictions. Imagine a grocery store manager having to wait six weeks, or six months even, to get approval to change the price of a loaf of bread. Telecommunications companies should be able to make changes dictated by what customers want on the fly, just as other competitive businesses do.

New Jersey, once the home of AT&T and Bell Labs, now lags behind states all across the country in terms of reforming its laws. About 25 states have enacted major telecom regulatory reform in the past five years. Like these other states, New Jersey policymakers also can promote greater technology expansion and deployment by implementing policies that encourage broadband investment, network improvements and eliminating outmoded regulations which stifle economic growth and innovation.

NJUA encourages state policymakers to address the imbalances in these regulations and recognize the need for market conditions to be the guiding forces, not stringent regulations that hamstring true competition. After all, regulation was intended as a substitute for competition when these services were truly monopolies. The monopolies are gone. Shouldn't unnecessary regulation follow suit?



## NJUA *United to Feed Those in Need* Campaign



On April 8, 2010, NJUA launched the NJUA *United to Feed Those in Need* Campaign to help restock New Jersey food banks and pantries. NJUA pledged its commitment to helping restock New Jersey food banks through food drives directed to utility employees and customers and/or direct corporate financial contributions until December 2010. As of November, the campaign has donated to local food banks and pantries money sufficient to provide hungry New Jerseyans with 710,132 meals.\* An additional 3,400 food items and 1,233 pounds of food have also been donated. To find out how you can help even after the NJUA campaign has ended, contact your local food bank. \*According to Feeding America, every dollar donated equates to 7 meals.

# Solving the Problem of New Jersey's Aging Water Infrastructure, *Continued from page one*

capital, leaving insufficient dollars after meeting these priorities to also address the growing need to rehabilitate or replace aging water infrastructure.

## Results of Ignoring the Problem

If the funds needed to remedy these ailing water infrastructure systems are not identified, the inevitable impacts of not starting to address this problem now could include:

- Unreliable supply of safe drinking water
- Increased service interruptions
- More frequent and costly emergency repairs
- Insufficient water flow and pressure to ensure fire protection
- Insufficient flow and pressure for industrial and personal water use
- Inadequate water infrastructure to support local and state economic development.

It is clear that investments must be made to ensure that the communities served by New Jersey's investor-owned water companies have safe and reliable drinking water in the future. The only questions that remain are how and when will the need be addressed?

## The Solution: A Program to Enable Accelerated Water Infrastructure Upgrades

For the 4.5 million people in 321 towns across the state (including bulk wholesale customers), that are served by private water companies regulated by the New Jersey Board of Public Utilities (BPU), ***there is a viable solution.*** It lies within the framework of a new program that can be implemented in New Jersey as it has been with success in other jurisdictions.

In some jurisdictions this program is implemented through a distribution system improvement (or investment) charge (DSIC). As elsewhere, a DSIC program in New Jersey could provide the funding to replace, repair and maintain New Jersey's drinking water and wastewater infrastructure. A DSIC is a proven regulatory tool that allows for non-revenue producing investments to be funded through modest and interim rate increases. This enables the investments to be funded and made on an ongoing basis with regulatory oversight, but without waiting for two to three years and the results of a contested rate proceeding. This type of regulation, first implemented in Pennsylvania, is now being used successfully in New York, Delaware, Connecticut, Indiana,

Illinois, Missouri, Ohio, New Hampshire and Los Angeles, CA.

A comparable program in New Jersey would be designed and implemented by the BPU under new regulations subject to public comment. The program would have well-defined parameters set by the BPU, including what infrastructure projects are eligible for the funding; limits on how much customers can be charged through built-in rate caps; and routine review and oversight of the work being done and the spending. It would complement, but not replace, the existing New Jersey regulatory process and provide BPU and the private water utilities with the resources needed to address the aging infrastructure problem.

In addition to improving public safety through better water quality and fire protection, a DSIC can cover the cost of steady, year-after-year improvements through planned replacements; potentially lessen the amount of future rate increases; enhance conservation efforts by reducing leakage and increasing efficiency; provide infrastructure that continues to support local and state economic growth; and secure and create jobs.



The above picture shows how a hole can be blown through an aging water main that has thinned through deterioration over time. PICTURE: UNITED WATER

Only BPU-approved categories of eligible projects would receive funding through the DSIC. The types of eligible projects could include:



- Main replacement and rehabilitation
- Main cleaning and lining
- Valve, hydrant, and meter replacement
- Service line replacement from the main to the customer service line
- Tie in dead-end mains
- Unreimbursed improvements due to highway relocations

While the EPA estimated costs and ASCE Report Card grade apply to public and investor-owned systems, the DSIC would only fund projects for privately owned systems, since the publicly owned facilities generally do not fall within the BPU’s rate-setting jurisdiction. If New Jersey moves forward with such a program, the state’s investor-owned water companies can accelerate the process of upgrading eligible aging infrastructure in their service areas.

### Which Companies Could Qualify for the DSIC Program?

Privately-owned water utilities regulated by the BPU that have franchises to supply drinking water in New Jersey could apply to use a DSIC mechanism. These companies include: Aqua New Jersey, Inc., Fayson Lake Water Company, Gordon’s Corner Water Company, Middlesex Water Company, New Jersey American Water, Roxiticus Water Company, SB Water Company, Shore Water Company, Shorelands Water Company, Inc., United Water New Jersey, and United Water Toms River.

### How Would the Program Work and What Would It Cost?

*The DSIC program would create a nominal rate increase estimated at less than 30 cents/month, if a 5 percent rate cap were in place* to address the urgent need to increase the speed at which existing water utility infrastructure is replaced. Between rate cases, under a 5 percent cap, rates would go up for this needed infrastructure no more that \$2.40 on an average customer bill of \$42/month.

Once BPU rules are decided, companies could begin to work on the projects that meet the approved criteria under the rules. Regular reports would be filed with and reviewed by the BPU on the status of projects and spending. Companies would operate under BPU-approved interim rates that would be in effect until their next base rate case, typically every 2 to 3 years. At that time, BPU would give final review and approval of the spending or, if in the unlikely case it

determines that the spending was not prudently made, require refunds to customers. The interim rates would enable the companies to make the investments needed to continue to provide a reliable and sustainable supply of drinking water.

### Benefits of Accelerated Infrastructure Investment under a DSIC

The establishment of a DSIC program will make it possible for New Jersey to:

- Address the EPA’s concern related to aging infrastructure and future compliance with the federal Safe Drinking Water Act.
- Provide for New Jersey-based construction jobs.
- Provide essential upgrades that will benefit customers by reducing main breaks and service interruptions, and reducing leakage, both of which often result in greater expense than the infrastructure improvements alone.
- Provide necessary upgrades that will enhance water flow and pressure for fire protection as well as water quality for drinking.
- Allow water utilities to provide reliable sustainable water systems to support economic development across the state.
- Allow a regulated water utility to accelerate the pace of necessary infrastructure upgrades and replacements at a cost to customers that will be far less (as much as ten times less) than the costs customers would otherwise have to pay to upgrade or replace on an emergency basis.

**NJUA has been coordinating with its water company members and the National Association of Water Companies, NJ Chapter to support efforts to achieve a workable DSIC mechanism in New Jersey. To learn more about the benefits of a potential DSIC in New Jersey, please visit, [www.nj-win.com](http://www.nj-win.com).**

#### (ENDNOTES)

1 ASCE-NJ Section. *2007 Report Card for New Jersey’s Infrastructure*. Note: the Report Card did not distinguish between publicly and privately owned water systems, so the number is assumed to include both.

2 The Clean Water Council of New Jersey. *Recommendations for Water Infrastructure Management and Financing*, November 17, 2010

# Mapping Out New Jersey's Energy Future

## *NJUA Submits Comments to the New Jersey BPU on Revisions to the New Jersey Energy Master Plan*

New Jersey's Energy Master Plan (EMP) represents a roadmap for the long-term effort to achieve the State's vision for reliable, environmentally responsible and affordable energy. The State of New Jersey is statutorily required to produce an EMP every 10 years and have updates every three years. Governor Chris Christie's administration is reexamining the EMP that was completed two years ago under former Governor Jon Corzine. The New Jersey Board of Public Utilities (BPU) and New Jersey BPU President Lee Solomon have been tasked with this reexamination. According to the Christie Administration, this reexamination was necessitated by the current economic climate, and the need to evaluate the goals contained in the 2008 EMP against that back-drop.



To date, there have been three stakeholder meetings to solicit public input centering on, among other things, data analysis and assumptions, environment and economic development, and proposed changes and next steps respectively. Additionally, stakeholders have been encouraged to submit comments to better inform the process. NJUA submitted comments in connection with the revision process on behalf of its member energy companies; some member companies

also submitted separate individual comments.

NJUA believes that the EMP can be a vehicle to achieve the goals of the current administration which include, among other things, economic and job growth, environmental and social goals.

New Jersey's electric and natural gas transmission and distribution companies serve over 3.7 million electric customers and 2.7 million natural gas customers. Achieving the energy efficiency goals of the EMP will require dramatic behavioral changes from customers, and directly affect the way utilities do business. Through the provision of these services on a daily basis, New Jersey's energy utilities enjoy a close and ongoing relationship with their customers unrivaled by any other entity. That relationship is an asset that can be drawn upon to facilitate achievement of the EMP goals. It

will be important to raise customer awareness about the importance of wise and efficient energy use; extensive and effective communication will be key to this effort.

Much of what needs to be accomplished to achieve the goals will require significant changes on the part of end users; changes that are facilitated through a strong partnership and cooperative effort among utilities, their labor force, their customers and the State. Utility participation represents a unique opportunity to help ensure the goals of the EMP and the benefits derived are shared by all New Jersey consumers, including urban centers and those customers who struggle most with energy costs.

New Jersey needs energy policies that are a win-win for residential, commercial and industrial consumers, the State, and utilities that need to be financially viable to continue providing safe and reliable services. NJUA member utility companies are literally embedded here and have a vested interest in the state of the economy. NJUA member companies own and operate distribution facilities valued in excess of 24 billion dollars. To that end, utilities are uniquely positioned to contribute to the economic growth of the State through investments made in infrastructure maintenance and upgrades while simultaneously working to achieve the State's energy goals. Increasing efficiency, reliability, safety and capacity through utility investments are vital components of the State's economic growth strategy, in which utilities can be participants.

NJUA appreciates the opportunity provided by the Christie Administration to reevaluate the EMP in light of a slow economy and applauds its recognition that there is a strong link between energy, the environment, and the economy.

A promotional banner for the NJUA 96th Annual Conference. The background is a blue and white abstract design with light rays. The text reads: "NJUA 96th Annual Conference" in large, bold letters. Below that, "Save the Date" is written in a cursive font, followed by "June 8-10, 2011". At the bottom, it says "Seaview, A Dolce Hotel, Galloway, NJ" and "Online registration begins in early April". The NJUA logo, featuring a stylized sun or arc above the letters "NJUA" and "NEW JERSEY UTILITIES ASSOCIATION" below, is on the right side.

# Spotlight on NJUA Members

## New Jersey Natural Gas Provides Energy-Efficiency Rebates through The SAVEGREEN Project™

New Jersey Natural Gas (NJNG) launched The SAVEGREEN Project™ to help customers upgrade to high-efficiency equipment and make smarter energy choices. Since its inception in September 2009, the program has conducted over 4,080 home energy audits and provided customers with rebates and incentive payments, totaling more than \$3.6 million. What's more, NJNG's initial investment in SAVEGREEN has stimulated more than \$31 million in economic activity for local businesses.



In addition to the WARMAdvantage rebate of \$300. To qualify for the enhanced rebate, customers must participate in a free home energy audit provided by NJNG.

Once the home energy audit is completed, the homeowner receives a detailed analysis which provides a snapshot of the home's current energy-efficiency levels as well as any energy-saving opportunities that have been identified.

As a result of the effectiveness of The SAVEGREEN Project™, the New Jersey Board of Public Utilities approved an extension of the program. "This decision will allow us to continue to provide money-saving incentives and benefits to our customers while also helping to meet New Jersey's emissions and economic goals," said Laurence M. Downes, chairman and CEO of NJNG. [www.savegreenproject.com](http://www.savegreenproject.com)

## Aqua NJ Delivers \$9.2 Million in Water Treatment Projects

In October 2010, Aqua New Jersey, Inc. completed the last of four major capital improvement projects in Hamilton Township and Gloucester Township for the removal of naturally-occurring radium from water. After four years and \$9.2 million in capital investment, Aqua New Jersey, Inc. has become one of New Jersey's leading experts in ground water treatment and radionuclide removal.

Aqua New Jersey, Inc. selected Water Remediation Technology's (WRT) Z-88 radium removal system for all of the facilities. The WRT system is designed to remove radium from drinking water in a fluidized bed using an adsorptive media process. The company chose the system for its simplicity of operation, minimal maintenance, and the fact that no chemical pretreatment is required. No liquid waste stream is generated by the processed water and the used media is disposed of in a licensed facility by WRT.

The installation of radium removal facilities benefits approximately 100,000 people and represents the largest single capital investment program in the company's more than 100-year history as a water purveyor in New Jersey.

## United Water Toms River Dedicates Upgrade to Iron Treatment Facility

On Oct. 29, United Water Toms River held a community ribbon cutting ceremony to dedicate upgrades to its Holly Water Treatment Plant.

The enhancements include new iron removal and disinfection technology which will improve water quality. In addition, increased water pumping capacity will help the company meet growing water needs – especially during hot summer months.

"Our first priority is to provide our customers with safe, top quality drinking water," said Rick Pfeleiderer, director of operations. "This \$10.1 million investment benefits our customers by providing higher quality water and more reliable service.



(L. to R.) Ben Giovine, Senior Staff for Congressman John Adler; Thomas Kelaher, Mayor of Toms River; Dennis Ciemniecki, President of Regulated Services for United Water; Rick Pfeleiderer, Director of Operations, United Water Toms River.

PHOTO: UNITED WATER TOMS RIVER



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## Consumer Resources

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

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.

### Electric Companies

**Atlantic City Electric Company**  
1-800-642-3780  
[www.atlanticcityelectric.com](http://www.atlanticcityelectric.com)

**Jersey Central Power & Light, A FirstEnergy Co.**  
1-800-662-3115  
[www.firstenergycorp.com/JCP\\_L](http://www.firstenergycorp.com/JCP_L)

**Public Service Electric & Gas Company**  
1-800-436-7734  
[www.pseg.com](http://www.pseg.com)

**Rockland Electric Company**  
1-877-434-4100  
[www.oru.com](http://www.oru.com)

### Natural Gas Companies

**Elizabethtown Gas**  
1-800-242-5830  
[www.elizabethtowngas.com](http://www.elizabethtowngas.com)

**New Jersey Natural Gas**  
1-800-221-0051  
[www.njng.com](http://www.njng.com)

**Public Service Electric & Gas Company**  
1-800-436-7734  
[www.pseg.com](http://www.pseg.com)

**South Jersey Gas**  
1-888-766-9900  
[www.southjerseygas.com](http://www.southjerseygas.com)

### Water Companies

**Aqua New Jersey, Inc**  
877-987-2782  
[www.aquaamerica.com/newjersey](http://www.aquaamerica.com/newjersey)

**Gordon's Corner Water Company**  
732-946-9333  
[www.gordonscornerwater.com](http://www.gordonscornerwater.com)

**Middlesex Water Company**  
732-634-1500  
[www.middlesexwater.com](http://www.middlesexwater.com)

**New Jersey American Water Company**  
1-800-652-6987  
[www.amwater.com/njaw/](http://www.amwater.com/njaw/)

**Shorelands Water Company**  
732-264-5510  
[www.shorelandswater.com](http://www.shorelandswater.com)

**United Water**  
1-800-422-5987  
[www.unitedwater.com](http://www.unitedwater.com)

### Sewerage Companies

**Atlantic City Sewerage Company**  
609-345-0131  
[www.acsewerage.com/](http://www.acsewerage.com/)

### Telecommunications Companies

**CenturyLink**  
1-888-723-8010  
[www.centurylink.com](http://www.centurylink.com)

**Verizon New Jersey**  
1-800-837-4966  
[www.verizon.com](http://www.verizon.com)



To learn which NJUA  
member company  
serves your area,  
go to [www.njua.com](http://www.njua.com)  
to use the Utility Locator Tool.

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