



News Brief

As noted in the President's Message, 2020 already is like none in modern memory, in all aspects of life. Despite the communication challenges posed by the pandemic the New Jersey Board of Public Utilities (BPU) is using the internet to allow presentations and comments on policy proposals in an attempt to move some initiatives forward. When there are issues relevant to investor-owned utilities and their shareholders not addressed more fully by newsletter articles, we will include a "News in Brief" section that summarizes other developments.

- The Murphy Administration released its Final Energy Master Plan on January 27. The nearly 300-page document outlines the Administration's plans to achieve 100 percent clean energy by 2050. The Plan identifies numerous strategies to achieve the Administration's goals. The New Jersey Department of Environmental Protection issued an Order the same day to initiate the rulemaking process to carry out key policy priorities identified in the plan.
- New Jersey American Water (NJAW) has announced significant progress in replacing aging water infrastructure in numerous towns around the State. The BPU's Distribution System Improvement Charge (DSIC) incentivizes NJAW to more rapidly replace aging water infrastructure by allowing it to earn a return on these investments more quickly than under traditional rules where a return was not earned until the next rate case, often years after the investments had been made.
- New Jersey Division of Rate Counsel (Rate Counsel) filed a second lawsuit challenging the process Board of Public Utilities (BPU) used to set rules allowing utilities' rate cases to utilize a more favorable consolidated tax adjustment (CTA) formula. Although the first case was filed nearly a year ago, there has been no action. NJUSA supports the CTA rules.
- Rate Counsel filed suit last fall challenging the BPU's approval of PSEG's request for financial support to enable continued operation of its three nuclear facilities. Rate Counsel claimed the BPU Commissioners did not consider information in the record that disputed the need for financial support. BPU approved a process that enables PSEG to demonstrate the need for up to \$300 million annually to continue operating the Salem and Hope Creek nuclear plants. The availability of low-cost natural gas to fuel electric generating plants places the existing nuclear plants at an economic disadvantage. NJUSA supports the continued operation of the Salem and Hope Creek Plants which are valuable in-state energy assets that provide cost-effective and carbon-free electricity.
- Coalition of business and labor organizations forms to shape Energy Master Plan—the group, Affordable Energy for New Jersey, seeks balance between costs and benefits, opposes the EMP's push towards greater electrification to meet space heating and other energy needs.
- BPU lifts moratorium on electric utilities use of Advanced Metering Infrastructure (AMI), also known as "smart" meters.

If you would like more information on any of the highlights included in this or future News Briefs, feel free to contact Karen Alexander by phone at 856-840-4187 or by email at kalexander@njusa.us.

Closing the Accountability Gap Between Investor-Owned and Government-Owned Water Utilities

Unlike most of the United States, New Jersey has nearly as many communities served by investor-owned water utilities as government-owned. One of the advantages of investor-owned water utilities is their ability to access the capital needed to meet changing water quality standards, roll-out advanced water treatment technology, and replace aging distribution infrastructure.

Like other investor-owned utilities, success for investor-owned water utilities hinges on managing operations safely, reliably and efficiently; hiring, training and retaining well-qualified employees; providing superior customer service; and receiving consistent and fair regulatory treatment. These factors enable investor-owned utilities to deliver safe, adequate and reliable water and, where they have them, wastewater services.

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NJUSA Members visited New Jersey American Water's Delaware River Water Treatment Plant in 2019 and learned about the process involved supplying clean, drinkable water.

Government-owned water and wastewater systems do not have access to the capital enjoyed by investor-owned water utilities. Additionally, municipally owned water utilities are subject to the vagaries of political forces that can influence elected officials who are called upon to directly vote to support or oppose rate increases. Given the political pressure local officials already face to control and not increase property taxes, a vote to support a municipal water utility's rate increase can be a difficult one. In turn, insufficient resources can delay needed infrastructure upgrades, routine maintenance and the hiring and training of qualified personnel.

An even further challenge in some communities with government-owned water utilities is a Civil Service and State Pension system that can attract cronyism.

This certainly is not the case with all municipally owned systems, and importantly, New Jersey has tightened some of its ethics rules, so it may be less present today in communities where it might have existed in the past.

Rate increases are also unpopular in communities with investor-owned water utility systems. With rate decisions ultimately made by the Board of Public Utilities (BPU), investor-owned water utilities have some insulation from public opposition not available to their municipal counterparts.



It bears repeating, not all government-owned water utilities avoid increasing rates and upgrading their infrastructure when needed. Some are very well-run and have tackled the issues head-on, however difficult it might have been. However, there are some strapped and failing New Jersey municipally owned systems that have failed to deliver the quality water their communities need and the utility was obligated to provide.

Technically, all water utilities (also called "purveyors") are subject to state and federal drinking water standards. However, until recently, there has not been a system of accountability applied to government-owned water systems comparable to what investor-owned utilities face. That began to change in July 2017 when, to remedy the performance and accountability disparity between investor-owned and government-owned water utilities, New Jersey enacted the New Jersey Water Quality Accountability Act (WQAA). The WQAA requires all water purveyors with service connections to 500 or more customers to:

- create and implement asset management plans designed to inspect, maintain, repair, and renew its infrastructure consistent with standards established by the American Water Works Association;
- routinely test valves and fire hydrants;
- submit a mitigation plan if they exceed a certain number of water quality violations within any 12-month period
- for those connected to the internet, create cybersecurity programs and join the NJ Cybersecurity and Communications Integration Cell and
- submit annually a certification signed by the highest ranking official (e.g., executive director, mayor, etc.) that the utility has complied with all State and federal drinking water regulations and applicable sections of the Act.

Some government-owned systems might be challenged to meet these requirements because it is beyond their technical capabilities, financial resources or both. In some instances, recognizing these constraints, municipalities may choose to offer their system for sale and take bids from investor-owned utilities.