

Senate Community and Urban Affairs Committee Hearing on 9/25/19

Drinking Water Coalition of New Jersey

DRAFT Comments by Richard Calbi, Chair and Michael Drulis, Coalition Member/Director

Biographical Information:

Richard Calbi is a founding member and Chair of the Drinking Water Coalition of New Jersey. He is also the Director of Ridgewood Water. He is a licensed professional engineer and professional planner in the State of New Jersey.

Michael Drulis works to advance public policy in the area infrastructure particularly in the area of clean drinking water for public water systems. He is also a leader for NJ's premier business and labor coalition, NJ SEED.

Good morning Chairman Singleton and members of the Senate Community and Urban Affairs Committee. My name is Michael Drulis and I am here today as a member of the Drinking Water Coalition of New Jersey along with its Chair, Richard Calbi, also the Director of Ridgewood Water.

The Drinking Water Coalition of New Jersey is a group of municipally-owned water utilities and authorities, along with organized labor, business associations, and environmental groups that have come together to create the Coalition. The coalition works in concert to educate policy leaders on the specific needs and services provided by its members. As an active member in the clean drinking water community along with partners like the American Water Works Association and Association of Environmental Authorities, the coalition fills the gap created between for-profit water providers and governmental entities.

As you have heard from many before us, an aging water infrastructure, growing list of emerging contaminants, and lack of funding not only threaten the viability of municipally-owned water utilities, but the health of New Jersey's residents. To that end, the Coalition has convened state, county, and local policymakers as well as the Administration and legislative staff for evidence-based forums to advocate for sustainable solutions.

The coalition works in support of all private and public water utilities, but is most interested in matters that effect publicly owned utilities. These public utilities can be placed on a spectrum with some of the most modern state of the art water systems on one end, systems in dire need of modernization on the other and most others somewhere in the middle. The biggest difference between public and private systems is that private systems have the ability to raise capital for modernization through a state wide rate/tax. Publicly owned utilities are often confined to only the geography and the socio-economics of said geography in which they service.

The Coalition has been working with all of our public water systems to advance compliance on the WQAA. We believe that only through the implementation of the WQAA will all water systems reach a basic and acceptable level of operation and advancement. This knowledge and assistance comes mostly from Richard Calbi's experience of reforming Ridgewood Water- a water system that within a three year time period went from numerous EPA/DEP citations to being a model water system providing guidance and leadership in the clean drinking water space for other utilities and regulating entities. In other words, it can be done and with the right amount of time, knowledge, capital and leadership, almost any NJ publicly owned utility can modernize and flourish.

At this point I'd like to turn it over to Richard Calbi.

My name is Richard Calbi and I am Director of Ridgewood Water. I am also licensed professional engineer and professional planner in the State of New Jersey.

Ridgewood Water (RW) services over 62,000 consumers, including large users like Valley Hospital. To provide clean drinking water to such a large population, RW utilizes over 50 fresh water wells in Ridgewood, Glen Rock, Midland Park and Wyckoff from the Brunswick Water Aquifer. Well water is treated at thirty-one different points of entry in our decentralized system. This is quite different than treating surface water (reservoirs) where there is generally a single point of treatment in the treatment facility. RW is a publicly owned utility by the Village of Ridgewood in Bergen County.

I'd like to share with you how Ridgewood Water has gone through a modernization while achieving compliance with the WQAA.

Administration of WQAA

- Compliance with any new act/rule requires time and money. The WQAA came at us promptly in the fall of 2017 and we had to increase funding requests in the 2018 budget to cover the immediate and future needs. We had to deal with WQAA compliance, while balancing Safe Drinking Water compliance, an expeditious capital investment plan to meet EPA sanitary survey requirements, a Ground Water Under the Direct Influence of Surface Water Study, and remediation of a 2012 lead and copper exceedance.
- During all of this RW found the best method to achieve success was to maintain transparency with the public and governing bodies of the municipalities we serve. Additionally, RW sought to develop a relationship with NJDEP and other water community stakeholders to give public utilities a place in the discussion on regulation and compliance. Thus we created the Drinking Water Coalition of NJ.
- RW has expended rate payer funds to hire additional staff, consultants, contractors and equipment, required for compliance.

- Water priorities were shifted to give priority to the act requirements, specifically valve turning and asset management.
- Although the best laid plans have been made for compliance, they have unfortunately been overshadowed by the utilities need to be ahead of emerging contaminant rules and treatment requirement that will far more exceed the costs of WQAA.
- With this in mind, asset management plans need to be holistic and consider not only pipes, hydrants and valves, but future treatment needs. A clear picture on emerging contamination regulation would help utilities to map this out and avoid investment on technology that may not work for tomorrows contaminant.
- Fortunately, RW was positioned to jump into the WQAA requirements quickly. Since, RW has an obligation to fire protection and provide a paid for service, we had already been inspecting hydrants on a yearly basis. We had a valve turning machine, but discovered its limitations and hired a contractor to handle all valves 12” and larger. RW has a mapping division maintain the distribution system assets, but needed to expand the staff to make the data survey accurate, include the source and treatment asset details and maintain our records. RW has an IT department, but needed to hire an independent auditor to verify the security of our network.
- RW will be taking the engineering analysis approach to preparing our pipe replacement plan. We feel it is important to not only consider pipe age, but the number of breaks in the area, criticality, soil conditions, system pressure, and the time frame the pipe was manufactured during. We are finding some of the older pipes are in better condition than the younger ones.

Implementing the WQAA

- The Drinking Water Coalition views the WQAA as the “basics” for a utility
- Larger public utilities have more options to raise or borrow money in order to become complaint with the WQAA quicker
- Those who can, have already made strides particularly in valve exercising and asset inventories.
- More has been done in the last year than may have been done in the previous 15 years in these areas for some utilities
- Smaller utilities may lack the necessary rate base and will need guidance and assistance from a plethora of government agencies from all levels in order to bring themselves up to a standard. The driving factor in all cases being time and money.
- The Coalition has been advancing the WQAA among its members while at the same time tackling the problem of emerging contaminants – an issue that will make the costs associated with the WQAA very small in comparison
- My testimony thus far covered what has worked with the WQAA

- Here is what needs consideration for possible refinement
 - Compliance documents and guidance coming from the authorities are slow to be produced but deadlines in the law haven't change
 - These documents are important because they are the documents that we need in order to make plans in order to be compliant
 - Keeping in mind that any capital project can take up to four years from conception to operation in a water system.
 - Now that the WQAA program has been in place, time lines should be reconsidered based on practicality and field operation of these requirements. For example, once RW completes its valve turn program, it now needs to go back and start again, even though it may not be necessary to do so yet.

I will now ask Michael to talk a little bit about our proposed funding solution-

Many have spoken before the committee about a Water Trust fund or the value of the NJIB. And the NJSLOM has done a great job at the last hearing discussing the power of municipal bonds. The coalition would like to recommend a stable and dedicated funding source that could be an immediate funding solution for NJ's water infrastructure.

Water utilities and developers in New Jersey pay allocation permit fees to the New Jersey Department of Environmental Protection based on their approved monthly allocation/diversion of raw water from groundwater and surface water for the purpose of treating and delivering drinking water to local consumers.

These fees are a cost before all other costs that are distributed among the consumers by being reflected in their base water rate. This permit process governs the raw water allocation of both publicly and privately-owned utilities. Allocation fees are set by the volume of water permitted for diversion per month.

For example, Ridgewood Water paid allocation fees to tap into the Brunswick Aquifer, from which it is permitted to withdraw up to a maximum of 449 million gallons per month to treat and then distribute to its customers. The allocation fee for Ridgewood Water therefore amounts to \$.0112 per thousand gallons or \$50,265 in total per year. The utility then sells the water to their customers at \$4.83 for the same thousand gallons.

If the water allocation permit fees were modestly raised to an adequate level, they could provide enough capital to the NJIB for a special fund to subsidize loans and grants for utility modernization and contaminant mitigation. These funds should be provided to those who can demonstrate financial need based on the condition of their utility, the ability of their rate base to recoup costs and the impact of dangerous contaminants present in their raw water source or legacy distribution network.

The NJIB should be empowered to use their financial background and expertise in the utility space to provide some type of score card or rating for utilities based on their WQAA readiness and other priority factors.

These factors may include:

- Demonstration of a compliant water asset inventory
- Demonstration of an adequate 5-year utility master plan showing solvency with an accompanying revenue/rate plan
- Utility has a qualified consulting or in-house engineer co-signing on major capital decisions and can provide direction for operational planning.
- Smaller, distressed, utilities should be considered candidates for regional consolidation rather than sale and be provided tools to assist
- In some cases, proof of contamination from DEP/EPA's list of regulated and unregulated contaminants

In addition to cashing up the NJIB, money from this water allocation fee should also be invested in NJ's higher education in the form of grants to expand research in innovation for water treatment and distribution technology and accelerate the much-needed workforce development for water utilities.

Grants and subsidized loans received from NJIB would not be considered "collateral sources" under New Jersey law. To the extent a water provider has relied on the NJIB to add treatment to its system, damages recovered in litigation against polluters could be used to reimburse the grant fund.

The Coalition has brought this idea to numerous stakeholders in multiple levels of government and in the business and labor communities, all of which find it of great interest and willing to work to advance it.

The Coalition would gladly work with this committee to bring this idea to reality and immediately provide the necessary cash to the NJIB to fund much needed water infrastructure projects, jobs to the NJ Business and Labor community, long term stability to our publicly owned water systems and most importantly, predictability for safe drinking water for today and years to come.