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Testimony on Water Quality Accountability Act Senate Community and Urban Affairs Committee

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Thank you Senator Singleton and the rest of the committee for this opportunity to share with you some thoughts and comments from the Jersey Water Works collaborative. Jersey Water Works is a collaborative of over 530 members made up of public utilities, investor owned utilities, state regulators, environmental groups, community groups, engineers, consultants, and nonprofits. I have the pleasure of serving as the backbone staff to the collaborative, a role which is similar to the committee staff who assist this committee.

I am here today to share Jersey Water Works priorities as they relate to the Water Quality accountability Act.

The Water Quality Accountability Act is an important tool that, if regulated and enforced appropriately, can help break the cycle of costly emergency repairs and underinvestment and instead lead to sustainable, planned investments, maintenance and upgrades in our drinking water systems.

The members of Jersey Water Works have a common objective: transforming New Jersey's inadequate water infrastructure through sustainable, cost-effective solutions that provide communities with clean water and waterways; healthier, safer neighborhoods; local jobs; flood and climate resilience; and economic growth. We work to achieve this by focusing on a number of shared goals. I have included a list of all our goals, but the ones that most impact drinking water systems are:

- **Maintaining Systems:** Utilities and departments maintain drinking water, wastewater and stormwater pipes and other water infrastructure assets to efficiently and effectively reduce leakage, emergency repairs and other impacts.
- **Wise Management and Spending:** State requirements, metrics and incentives along with utility policies ensure that utilities and departments implement water infrastructure asset management programs fully, with sufficient operating budgets and capital investments to deliver required and desired levels of service while minimizing life-cycle costs.
- **Adequate and Fair Revenue:** Utilities and local governments raise the funds required to make appropriate capital investments and ensure proper operation and maintenance in a cost-effective, equitable manner that treats ratepayers fairly. Programs are authorized and established to ensure affordability. Stormwater utilities and stormwater fees are authorized statewide and widely implemented.

- Transparent Water Systems: Utilities provide, and state agencies publish, simple metrics of system condition and utility finances that aid in public understanding of utility management and status.

Those goals can be distilled down further. We want to see systems invest wisely, maintain those investments, and make sure that the people they serve know what's going on.

Jersey Water Works issued a report in 2017 titled "Our Water Transformed" that identified three priority areas for addressing our water infrastructure needs:

- Robust asset management to enable water utilities to deliver the optimum level of service with the most community benefits at the lowest lifecycle cost.
- Educated stakeholders so that ratepayers and rate setters, consumers, and policymakers can understand the value of investing in water infrastructure and the peril of deferring maintenance.
- Government funding initiatives to provide loans and grants to help implement asset management and upgrade systems.

In these areas, New Jersey not only has the most need, but also the most capacity for improvement. The Water Quality Accountability Act could help advance all of them.

Many drinking water systems run well. You can turn on the tap, pour a glass of water, and be confident in what you're drinking. But that's not the case in every town. We know that Newark is dealing with a lead crisis right now. So is Bordentown, Bergen and Hudson counties and over one hundred other water systems across the state. And that's just lead. Hoboken has been struggling with water main breaks for years. South River's entire system failed. Not a week goes by in New Jersey without another town's water system requiring some form of emergency repair that disrupts the daily lives of residents.

The first step is having a firm grasp on just where our water systems are in terms of investment and maintenance. The Asset Management and Finance Committee of the Jersey Water Works collaborative has a list of suggested metrics that they believe will adequately measure the health of a given system while not overburdening the staff at the utility that has to report on it or the staff at DEP that has to review it. Regulations benefit no one if they are not enforceable. Some of those suggested common sense metrics are:

- Water loss audits. How much treated water is lost due to old, leaking pipes? Estimates range up to 130 million gallons per day. Understanding how much treated water is lost each day will help provide a better view of how much it costs not to maintain and upgrade systems, as well as identifying areas of greatest need for repairs and replacement.
- The number of leaks and breaks per mile (or 100 miles). Similarly to the amount of water being lost, establishing a baseline of just how many places it is being lost from can help identify the areas in need of replacement, as well as giving an overall picture of the health of the pipes in the ground.
- Capital expenditures. Under the WQAA, three years of capital projects must be reported. A rolling multi-year average (three to five years) may be appropriate here, given that a slight delay may shift a project into the next fiscal year. The state should require reporting on capital budget

and capital expenditures (on planned and unscheduled or unplanned) projects for the past five years.

- Water system value. Related to capital expenditures is an ongoing assessment of net capital value of the system, which would serve as an indicator of the balance between investment and structural decline. While many individual assets may render proper service well beyond the average service life used to develop financial depreciation rates, the Original Cost Less Depreciation (OCLD) value of the system should be tracked. Assets will be recorded to the utility asset register at original cost and depreciated using acceptable depreciation methods. At least annually, retirements and additions to the asset register will be made to reflect changes in the net value of the system.
- Spending on emergency vs. planned capital projects. Costs and cost trends for implemented emergency repairs relative to implemented planned capital projects, which could initially be reported from work orders as a proxy for costs. This would define, and require consistent use of those defined terms, how costs are identified as emergency repairs (unplanned capital projects) and planned capital projects. This KPI differs from the Capital Expenditures KPI in that it allows tracking both types of costs with the expectation that well-managed systems will either have or progress toward a low rate of emergency relative to planned capital project costs.

Jersey Water Works is committed to improving our state's water infrastructure, and we thank this committee for taking the time to investigate how we can better use the Water Quality Accountability Act to do just that.