

NEW JERSEY WATER SUPPLY AUTHORITY

HEARING OFFICER'S REPORT

AMENDMENTS TO N.J.A.C. 7:11-4.1, et seq. IN THE SCHEDULE OF  
RATES, CHARGES AND DEBT SERVICE ASSESSMENTS  
FOR THE SALE OF WATER FROM THE  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

ADJUSTMENT OF OPERATIONS AND MAINTENANCE EXPENSE COMPONENT TO  
REFLECT NO CHANGE IN SALES BASE AND COMPONENT RATE  
FOR FISCAL YEAR 2020

ADJUSTMENT OF SOURCE WATER PROTECTION FUND COMPONENT TO  
REFLECT NO CHANGE IN COMPONENT RATE  
FOR FISCAL YEAR 2020

ADJUSTMENT OF DEBT SERVICE COST COMPONENT TO  
REFLECT BOND YEAR PAYMENTS DUE AND REQUIRED  
FOR FISCAL YEAR 2020

ADJUSTMENT OF NJEIFP DEBT COMPONENT TO  
REFLECT BOND YEAR PAYMENTS DUE AND REQUIRED  
FOR FISCAL YEAR 2020

Effective Date: July 1, 2019

Hearing Officer: Steven Picco

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## I. INTRODUCTION

### **Summary:**

Staff has proposed amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir Water Supply System N.J.A.C. 7:11-4.1 et seq., (the "Rules") for Fiscal Year (FY) 2020 (Final Proposal). As set forth more fully below, I recommend approval of staff's Final Proposal.

### **Background:**

The New Jersey Water Supply Authority ("Authority") has proposed amendments to its Rules to ensure it maintains an adequate revenue structure for the Authority's FY2020 operations and to adjust the Debt Service Assessment on the Manasquan Reservoir Water Supply System loans to reflect the bond year payments due.

The Authority operates and maintains the Manasquan Reservoir Water Supply System including the intake facilities located in Wall Township on Hospital Road, the Manasquan Reservoir located in Howell Township and 5¼ miles of 66-inch diameter pipeline, which connects the Intake Facilities to the Manasquan Reservoir. Thirteen publicly owned and investor owned water utilities purchase 19.443 million gallons per day (mgd) of untreated water effective July 1, 2017 from the Manasquan Reservoir Water Supply System.

On July 1, 1990 the Authority placed the Manasquan Reservoir Water Supply System in operation to provide an untreated water supply for use throughout Monmouth County. In addition to this major new system and the existing Raritan Basin System, the Authority also commenced operating a water treatment plant and transmission system for the Monmouth County Improvement Authority (MCIA) on July 1, 1990. Brielle, Spring Lake, Spring Lake Heights, Sea Girt and Wall Township entered into agreements with the MCIA for this treatment/transmission system, which treats and conveys their portion of the supply from the Manasquan Reservoir System. On September 2, 2009, the Southeast Monmouth Municipal Utilities Authority ("SMMUA") purchased the system from the MCIA on behalf of the member municipalities. The Authority continues to operate the treatment/transmission system for SMMUA and as a result, operates, maintains and manages three distinct systems each with its own budget, cost accountability and revenue stream.

The Authority's headquarters staff located in Clinton provides general and administrative support services for all three Systems. These services include, but are not limited to, financial management, payroll, human resources, procurement, contract administration, risk management and overall management.

In order to equitably assess each of the three Systems, the Authority retained the services of a recognized public accounting firm to develop a methodology for the allocation of the headquarters general and administrative costs to all three operating Systems. After the close of each fiscal year, the Auditor provides the Authority with its findings as to the adjustment of the allocation factors, if any, and the actual audited expenditures for the fiscal year.

The audit report is available in October (for the previous fiscal year ending on the preceding June 30). At that time the Authority formulates the proposed budgets for the upcoming fiscal year starting on the following July 1. The adjusted allocation factors, if any, and the audited expenditures for the previous fiscal year are used to establish a debit or credit for each of the three operating Systems. This debit or credit is applied to the budget being prepared each September for the upcoming fiscal year starting on July 1.

The Authority's FY2018 audit is being performed by an independent auditor and includes a review of allocation factors and actual expenditures. The anticipated adjustments have been made to the FY2020 budget based on the FY2018 allocation factors.

A copy of the Auditor's report on the allocation of the headquarters general and administrative costs will be included in the rate proposal package for each System as soon as available.

Insurance costs are also allocated to each System based upon the recommendations of the Authority's risk management consultant. Each rate proposal package includes a summary table showing the proposed insurance budget amounts and the portions allocated to each of the three Systems.

Detailed budgets have been prepared for the Manasquan Reservoir Water Supply System and the Water Treatment Plant/Transmission System. Each System's budget has three main categories of annual operational expenses in addition to the allocation of headquarters overhead. The three categories include salaries and fringe benefits, direct operations and maintenance (O&M) expenses, and general and administrative expenses. The Basis

and Background document supplied to contractual water customers and other interested parties provides detailed information including a summary of the projected line item budget figures for general and administrative expenses and O&M expenses for FY2020.

The total charge for the water supply consists of an O&M rate, a Debt Service Cost Component, a Source Water Protection Component, and the New Jersey Environmental Infrastructure Financing Program ("NJEIFP") Component. The O&M Rate is the amount of revenue necessary to fund the net budget requirement (operating expenses, headquarters, general and administrative expenses, capital equipment, reserve contributions, and salary & fringe adjustments) less miscellaneous and unanticipated revenues, and the previous fiscal year's final quarterly O&M payment received during the budgeted fiscal year. The NJEIFP Component will be used to retire loans to the State and the New Jersey Environmental Infrastructure Trust for funds borrowed to construct a building over the Intake Pump Station.

The General Rate Schedule for O&M was last adjusted effective July 1, 2018 to cover the operating expenses of the System for FY2019. The FY2019 sales base was 19.443 mgd, and was projected to remain the same in FY2020 in the November 2018 Basis and Background Statement.

The Debt Service Cost Component of the total rate is calculated each year to cover the payments due on the outstanding debt for the System. The Debt Service Cost Component was established effective July 1, 1990 to cover the Bond year payments on the initial loan of \$63,600,000 at a set interest rate of 7.15 percent and the payment for the interim completion loan of \$7,416,000 at an interest rate of 7.16 percent.

During FY1992 the State of New Jersey issued bonds for the \$7,416,000 completion loan at an interest rate of 6.24 percent and the Debt Service Cost Component was adjusted to reflect the lower interest rate on the completion loan bonds.

During FY1997, the Authority negotiated an agreement with the State of New Jersey, which reduced the interest rate on the \$63,600,000 in original State loan notes from 7.15 percent to 5.93 percent effective for the payments due on or after August, 1998.

In August 2005, the Authority refunded the current portion of the State Loan Notes and the Completion Notes at an average coupon of 4.83 percent and net present value savings of \$6.187 million. The term of the bonds is 25 years. The bond proceeds also fully

funded the Debt Service Reserve Account and the debt service coverage must remain at 120 percent through the life of the bonds.

In July of 2006, the Authority issued \$90,147.57 and \$9,505.40 Current State Loan Notes and Completion Loan Notes respectively for a delayed water purchase contract for .028 million gallons per day. The debt service for the notes associated with this water purchase contract is paid in part, through the Debt Service Cost Component of the initial rate, and funds held in escrow by the Authority, contributed by the water purchase customer for this purpose.

The 2005 Bonds were eligible for a current refunding after August 1, 2015 and on April 26, 2016 the Authority issued \$17,460,000 in Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016, to refund the 2005 Bonds and the 2006 State Loan and Completion Loan Notes. The Bonds were issued at an average coupon of 3.78 percent and an economic gain of \$3.0 million. The term of the refunded bonds was not extended, for a remaining term of 15 years. The bond proceeds also fully funded the Debt Service Reserve Account and debt service coverage must remain at 120 percent through the life of the bonds. The Debt Service Cost Component of the rate for the Initial Water Purchase Contracts will be \$570.55/mg in FY2020 and \$664.96/mg for Delayed Water Purchase ("DWP") Contracts. This reflects no change relative to the November 2018 Initial Proposal.

The Source Water Protection Fund Component of the rate for FY2020 of \$15.00/mg is no change over FY2019, and will not change relative to staff's November 2018 proposal.

The rate component for FY2020 of \$24.93/mg for repayment of debt to the NJEIFP will not change relative to staff's November 2018 proposal.

#### **Rate Setting Procedure:**

The formal rate adjustment proposal was authorized at the Authority's November 5, 2018 monthly meeting (Initial Proposal). The Resolution is set forth in Exhibit A.

As a component of the formal rate adjustment procedure, the Authority provides official notice and an explanation outlining the need for the proposed rate adjustment to all contractual water customers, the Secretary of State, the Division of the Ratepayer Advocate, the Board of Public Utilities and other interested parties at least six (6) months prior to the proposal's effective date (N.J.A.C. 7:11-4.13(a) 1). Staff's November 2018 proposal

(included in Exhibit B) was available for review on the Authority's web site.

Official notice of the Initial Proposal was made through advertisement in the Times (Trenton), The Star Ledger, and the Asbury Park Press. A Certification of Publication is set forth in Exhibit C.

Notice of the Proposal also appeared in the January 7, 2019 edition of the New Jersey Register (Exhibit D).

The mailing to the contractual water customers, the Secretary of State, the Division of the Ratepayer Advocate, the Board of Public Utilities and interested parties was made on December 20, 2018 and included an invitation to a pre-public hearing meeting, pursuant to N.J.A.C. 7:11-4.13(a)(4), that was conducted by the Director of Finance and Administration on January 10, 2019. No members of the public attended. Minutes of the pre-public hearing meeting are set forth in Exhibit E.

A public hearing was conducted on February 7, 2019 at 11:00 a.m., at the Authority's Manasquan Reservoir System Administration Building Meeting Room, Hospital Road, Wall, New Jersey. No members of the public were in attendance. A stenographic record of the proceedings was made and is attached in Exhibit F.

No items of correspondence were received during the rate process or prior to the close of the Public Comment Period. The final Staff memorandum to me is dated March 22, 2019 and is set forth in Exhibit H.

A draft resolution by the Authority's Board approving the Rule proposal is set forth in Exhibit I for consideration at its May 6, 2019 meeting.

A draft resolution for the approval of the FY2020 Budget by the Authority's Board is set forth in Exhibit J.

## II. DISCUSSION

Staff proposes various adjustments to the Rules, which are generally discussed herein and more particularly set forth in the attachments hereto.

A. Initial Water Purchase Rate.

In staff's Final Proposal, staff recommends a total rate of \$1,043.35/mg effective July 1, 2019. This reflects no change relative to FY2019 and remains the same relative to staff's Initial Proposal. The sales base for the Initial Water Purchase Contracts remains the same at 15.008 mgd in FY2020, and is no change from the Initial Proposal.

The O&M Component for FY2020, \$432.87/mg, remains the same as the FY2019 rate and there is no change from the Initial Proposal. The proposed operating expense budget for FY2020 is \$111,450 more than FY2019. In FY2020, increases in operating expenses are the result of higher salary, fringe, and general and administrative expenses. Salary and fringe is higher primarily due to an expected shift in labor from the water treatment plant to the reservoir system and higher salaries resulting from contractual increases. In general and administrative expenses, allocation changes between the treatment plant and the reservoir system cause most of the increase. The proposed Capital Equipment Budget is \$22,400 lower than FY2019. There is a \$10,000 contribution to the Sediment Reserve, a \$15,000 contribution to the High Voltage Testing Reserve, a \$5,000 contribution to the Formal Dam Inspection Reserve and a \$120,000 contribution to the Renewal and Replacement Fund. Interest income is expected to increase from \$17,300 in FY2019 to \$23,400 in FY2020. Staff anticipates no change in the net budget requirement for the O&M Component during FY2020, and no change from the Initial Proposal.

The FY2020 Operations and Maintenance Component will continue to be subsidized by unanticipated revenues raised in the prior fiscal year, consisting of overdraft revenues, in the amount of \$208,620.

With the allocation of appropriate Headquarters General and Administrative costs to the System, the projected operating costs for FY2020 indicate that an O&M rate component of \$432.87/mg is required commencing July 1, 2019. This represents no change relative to FY2019 and no increase relative to the Initial Proposal.

The proposed FY2020 Debt Service Assessment of \$570.55/mg commencing July 1, 2019, reflects no change relative to the FY2019 rate of \$570.55/mg, and no change in the rate relative to the Initial Proposal.



The Source Water Protection Assessment was established at \$15.00/mg on July 1, 2003, to protect the quality and quantity of water in the Manasquan Water Supply System. The fund is used for three purposes in cooperation with State, local and nonprofit partners: (1) administrative assistance in the preservation of those properties in the Manasquan River Basin that are critical to the long-term protection of water quality and quantity in the Manasquan Reservoir Water Supply System as they may affect Authority customers; (2) improved management of land development by municipal, county and State government to protect both water quality and flows to and within Authority facilities; and (3) remedial projects to improve water quality from existing conditions. This rate component was decreased to \$10.00/mg in FY2016. In order to ensure adequate funding for Source Water Protection initiatives, the Source Water Protection Assessment was reinstated to \$15.00/mg in FY2018. The proposed FY2020 rate is \$15.00/mg, which represents no change relative to FY2019 and no change from the Initial Proposal.

The New Jersey Environmental Infrastructure Trust Financing Program ("NJEIFP") Debt Component was established in FY2012 at a level of \$35.42/mg to repay debt to the NJEIFP for a loan issued to construct a building structure over the intake pump station at the Manasquan Reservoir Water Supply System to protect the pumps and water travel screens from deterioration due to exposure to the elements and extend the useful life of the equipment. The Bonds were sold in May of 2012 at terms more favorable than originally anticipated. Staff recommends no change in the rate of \$24.93/mg for FY2020, which is no change from the Initial Proposal.

Staff recommends amending the Rules to reflect a total rate including the O&M Component, Debt Service Cost Component, NJEIFP Debt Component and Source Water Protection Assessment of \$432.87/mg, \$570.55/mg, \$24.93/mg and \$15.00/mg respectively equaling a total rate of \$1,043.35/mg, no change relative to FY2019 and no change from the Initial Proposal.

#### B. Delayed Water Purchase Rate.

Pursuant to the Authority's Bond Resolution, contracts executed subsequent to 1993 (Delayed Water Purchase Contracts) are subject to a rate equal to the O&M Component plus a Source Water Protection Fund Component, a Debt Service Cost Component associated with the accreted bond interest for the period of 1990 through 1993, and any other debt service requirements such as the NJEIFP Debt Component. New Jersey American Water executed Delayed Water Purchase Contracts for the purchase of 1.000 mgd, effective July 1,

2001, 1.935 mgd, effective October 1, 2002, and 1.500 mgd effective January 1, 2005.

Staff's Final Proposal makes no change to the sales base for Delayed Water Purchase Contracts effective July 1, 2001, October 1, 2002, and January 1, 2005. Staff recommends no change in the FY2020 combined rate of \$1,137.76/mg relative to FY2019, and no change from the Initial Proposal.

The proposed FY2020 Debt Service Assessment of \$664.96/mg commencing July 1, 2019, reflects no change in the rate compared to FY2019, and no change relative to the Initial Proposal.

Staff recommends amending the Rules to reflect a total rate including the O&M Component, Debt Service Cost Component, NJEIFP Debt Component and Source Water Protection Assessment of \$432.87/mg, \$664.96/mg, \$24.93/mg and \$15.00/mg respectively for a total rate of \$1,137.76/mg, which represents no change from the Initial Proposal and no change relative to FY2019.

C. Other Amendments.

There are no other amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, no change from the Initial Proposal.

D. Comment by Interested Parties / Members of the Public.

The Authority Staff conducted a pre-public hearing meeting on January 10, 2019. No members of the public attended.

The Authority held a public hearing on February 7, 2019. No members of the public were in attendance.

No items of public comment or correspondence were received.

I present my findings below.

### III. FINDINGS AND CONCLUSIONS

1. The public record does not contain any specific adverse comments concerning Staff's justification for the sales base and proposed Operations and Maintenance Expense Component of the Rate. The Manasquan Reservoir System rate was increased on July 1, 2015 and again on July 1, 2016 to address expected losses in the sales base and a growing reliance on the use of non-recurring revenue. Prior to those adjustments, the Manasquan Reservoir System rate had not been increased since July 1, 2011. Each year, as a requirement of Executive Order 37 (2006) and as a matter of sound business practice, the Authority performs an analysis of the budget to identify and implement cost savings measures. The Authority continues to phase in pension and health benefit cost sharing. The Authority participates in the State's power cooperative purchasing and benefited from a 10 percent reduction in power costs. While the operating expense budget is increasing, several offsets, including reduced reserve funding and use of unanticipated revenues has allowed for no increase to the overall operations and maintenance rate component. I find the FY2020 Operations and Maintenance Expense Component of the rate and sales base to be appropriate.
2. The public record does not contain any adverse comments concerning Staff's justification for the sales base and proposed rate adjustment to the Debt Service Cost Component of the Rate Assessment. The Authority is required by its bond resolutions to adopt rates that fully cover its Debt Service payments including an additional 20 percent coverage. I find the FY2020 Debt Service Assessment and associated sales base to be appropriate.
3. The public record does not contain any adverse comments concerning Staff's justification for the Source Water Protection Fund Component of the Rate. I find the proposed FY2020 Source Water Protection Fund Component to be appropriate.
4. The public record does not contain any adverse comments concerning Staff's justification for the NJEIFP Debt Component of the Rate for FY2020 for repayment of debt to the NJEIFP. I find the FY2020 NJEIFP Debt Component to be appropriate.
5. The Authority's proposed rate adjustments in Section IV below reflect the assessment of reasonable total rates for the preservation of the reliability of this vital supply of water

for a vital portion of the State's population and to assure that the System is adequately maintained.

#### IV. RECOMMENDATIONS

1. Resolution No. 2361 dated 11/5/18 authorized \$208,620 in unanticipated revenues to be appropriated into the Rate Stabilization Fund, all of which would be used in the FY2020 MRS budget.<sup>1</sup> The resolution adopting the final rates will authorize \$208,620 in unanticipated revenues to be appropriated into the Rate Stabilization Fund for use in FY2020.
2. The Authority must adopt rates that fully cover its annual Operations and Maintenance expenses and Debt Service payments as required by the Bond Resolution.
3. The Authority should adopt a FY2020 total Initial Water Purchase rate of \$1,043.35/mg and total Delayed Water Purchase Rate of \$1,137.76/mg. This is consistent with the originally proposed rates and as such no further Rule change is necessary.
4. The Authority should adopt a FY2020 O&M rate component of \$432.87/mg for Initial Water Purchase Contracts, Delayed Water Purchase Contracts dated July 1, 2001, October 1, 2002, January 1, 2005 and July 1, 2006. This is consistent with the Initial Proposal and as such no further Rule change is necessary.
5. The Authority should adopt a FY2020 Debt Service Assessment Rate of \$570.55/mg for the Initial Water Purchase Contracts and the Shorelands Water Company Delayed Water Purchase Contract dated July 1, 2006. This is consistent with the Initial Proposal and as such no further Rule change is necessary.
6. The Authority should adopt a FY2020 Debt Service Assessment Rate for the Delayed Water Purchase Contracts dated July 1, 2001, October 1, 2002, and January 1, 2005 of \$664.96/mg. This is consistent with the Initial Proposal and as such no further Rule change is necessary.

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<sup>1</sup> It should be noted that this credit has the effect of obscuring the full O&M Component increase otherwise needed, and the Authority's customers are cautioned that a greater increase in the O&M Component may likely result at a future date.

7. The Authority should adopt a FY2020 NJEIFP Debt Component Rate of \$24.93/mg. This is consistent with the Initial Proposal and as such no further Rule change is necessary.
8. The Authority should adopt a FY2020 rate of \$15.00/mg for the Source Water Protection Fund Component, which is unchanged from the Initial Proposal. As such no further Rule change is necessary.
9. There is no change from the Initial Proposal to the FY2020 total O&M Component Sales Base of 19.443 mgd, the Initial Water Purchase Contract Sales Base of 15.008 mgd and the Delayed Water Purchase Contract Sales Base of 4.435 mgd.
10. The Authority's proposed rate adjustments reflect the assessment of reasonable total rates for the preservation of the reliability of this vital source of water for the region served by this facility.

SUMMARY OF RECOMMENDED RATE ADJUSTMENTS

Initial Water Purchase Contracts

Dated July 1, 2015 and Delayed Water Purchase Contract Dated July 1, 2006

| Component                                  | Current Rates Per<br>MG<br>7/1/18-6/30/19 | Initial Proposed<br>Rates Per MG<br>7/1/19-6/30/20 | Recommended Rates<br>Per MG<br>7/1/19-6/30/20 |
|--|---|--|---|
| Operations & Maintenance Expense Component | \$ 432.87                                 | \$ 432.87  | \$ 432.87                                     |
| Source Water Protection Fund Component     | \$ 15.00                                  | \$ 15.00   | \$ 15.00                                      |
| Debt Service Cost Component                | \$ 570.55                                 | \$ 570.55  | \$ 570.55                                     |
| NJEIFP Debt Component                      | \$ 24.93                                  | \$ 24.93   | \$ 24.93                                      |
| Total Rate                                 | \$1,043.35/mg                             | \$1,043.35/mg                                      | \$1,043.35/mg                                 |

Delayed Water Purchase Contracts

Dated July 1, 2001, October 1, 2002, and January 1, 2005

| Component                                  | Current Rates Per<br>MG<br>7/1/18-6/30/19 | Initial Proposed<br>Rates Per MG<br>7/1/19-6/30/20 | Recommended Rates<br>Per MG<br>7/1/19-6/30/20 |
|--|---|--|---|
| Operations & Maintenance Expense Component | \$ 432.87                                 | \$ 432.87  | \$ 432.87                                     |
| Source Water Protection Fund Component     | \$ 15.00                                  | \$ 15.00   | \$ 15.00                                      |
| Debt Service Cost Component                | \$ 664.96                                 | \$ 664.96  | \$ 664.96                                     |
| NJEIFP Debt Component                      | \$ 24.93                                  | \$ 24.93   | \$ 24.93                                      |
| Total Rate                                 | \$1,137.76/mg                             | \$1,137.76/mg                                      | \$1,137.76/mg                                 |

The proposed Adjustments to the "Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir Water Supply System", with an effective date of July 1, 2019 are hereby recommended for adoption by the Authority.

Respectfully submitted,

*Steven Picco*

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Steven Picco  
Hearing Officer  
March 27, 2019

# Resolution Proposing Rate Adjustments

## Exhibit A

RESOLUTION OF THE NEW JERSEY WATER SUPPLY AUTHORITY

NO.: 2361

DATE OF ADOPTION: November 5, 2018

TITLE: Resolution Authorizing Publication of Proposed Change in the Authority's Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System.

WHEREAS, N.J.S.A. 58:1B-7g and 58:1B-19 provide for the New Jersey Water Supply Authority ("Authority") to fix and revise from time to time its rates, fees and charges; and

WHEREAS, the Authority has estimated its revenue requirements for the fiscal year beginning on July 1, 2019; and

WHEREAS, the sales base for the Operations and Maintenance Expense Component and Source Water Protection Fund Component has remained at 19.443 million gallons per day since these components were last determined; and

WHEREAS, the sales base for the Debt Service Cost Component for the initial water purchasers has remained at 15.008 million gallons per day since this component was last determined; and

WHEREAS, the sales base for the Debt Service Cost Component for the delayed water purchasers has remained at 4.435 million gallons per day since this component was last determined; and

WHEREAS, the sales base for the proposed NJEIFP Debt



Component is 19.443 million gallons per day; and

WHEREAS, the Authority must provide for sufficient revenue and rate structure to cover its costs.

NOW THEREFORE, be it resolved that the Authority proposes to amend its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System in the existing regulations found at N.J.A.C. 7:11-4.1 et seq. dealing with primarily the following proposed changes:

1. Amend N.J.A.C. 7:11-4.3(c) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain a sales base of 19.443 million gallons per day and to maintain the Operations and Maintenance Expense component of \$432.87 for the period of July 1, 2019 to June 30, 2020; and
2. Amend N.J.A.C. 7:11-4.4(b) to maintain the Debt Service Assessment Rate for water purchasers who entered into water purchase contracts effective July 1, 1990 (Initial Water Purchase Contract) of \$570.55 per million gallons and the sales base of 15.008 million gallons per day and amend N.J.A.C. 7:11-4.4(c) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, and maintain the Debt Service Assessment Rate for water purchasers who entered into water purchase contracts effective July 1, 2001, October 1, 2002, and January 1, 2005 (Delayed Water Purchase Contract) of \$664.96 per million gallons and maintain the sales base of 4.435 million gallons per day,

for the period of July 1, 2019 to June 30, 2020; and

3. Amend N.J.A.C. 7:11-4.5(b) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain the Source Water Protection Fund Component of \$15.00 per million gallons, for the period July 1, 2019 to June 30, 2020; and

4. Amend N.J.A.C. 7:11-4.6 of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain the New Jersey Environmental Infrastructure Financing Program ("NJEIFP") debt component of the rate of \$24.93 per million gallons, for the period July 1, 2019 to June 30, 2020;

BE IT FURTHER RESOLVED, that the following actions are authorized:

1. Transfer \$38,720 in Overdraft Revenue billed for overdrafts from Fiscal Years 2018 and 2019 from the Operating Fund into the General Fund (Rate Stabilization). Appropriate \$169,900 in Fiscal Year 2018 and prior year's year-end fund balances from the Operating Fund into the Rate Stabilization Fund
2. Apply \$208,620 appropriated into the General Fund (Rate Stabilization) to the Operating Fund for Fiscal Year 2020.

**Basis and Background Document in  
Support of Rate Adjustment Proposal**

**Exhibit B**

**NEW JERSEY WATER SUPPLY AUTHORITY**

**BASIS AND BACKGROUND STATEMENT**

**PROPOSED AMENDMENTS TO N.J.A.C. 7:11-4.1, ET SEQ. IN THE SCHEDULE OF RATES, CHARGES AND DEBT SERVICE ASSESSMENTS FOR THE SALE OF WATER FROM THE MANASQUAN RESERVOIR WATER SUPPLY SYSTEM**

**ADJUSTMENT OF OPERATIONS AND MAINTENANCE EXPENSE COMPONENT TO REFLECT NO CHANGE IN OPERATING EXPENSE FOR FISCAL YEAR 2020**

**ADJUSTMENT OF SOURCE WATER PROTECTION FUND COMPONENT TO REFLECT NO CHANGE IN COMPONENT RATE FOR FISCAL YEAR 2020**

**ADJUSTMENT OF DEBT SERVICE COST COMPONENTS TO REFLECT BOND YEAR PAYMENTS DUE AND REQUIRED FOR FISCAL YEAR 2020**

**ADJUSTMENT OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM DEBT COMPONENT TO REFLECT BOND YEAR PAYMENTS DUE AND REQUIRED FOR FISCAL YEAR 2020**

**Proposed Effective Date: July 1, 2019**

**Approved: 11/5/2018**

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**PART I – EXPLANATION OF PROPOSED REVISED RATE STRUCTURE**

**Overview of Rate Proposal for Fiscal Year 2020**

(July 1, 2019 - June 30, 2020)

The New Jersey Water Supply Authority (Authority) is proposing to adjust its Schedule of Rates, Charges and Debt Service Assessments for the sale of water from the Manasquan Reservoir Water Supply System (System), to cover expenses for the Fiscal Year (FY) starting on July 1, 2019.

The Authority operates and maintains the System including the Intake Facilities located in Wall Township adjacent to Hospital Road, the Manasquan Reservoir located in Howell Township and 5 1/4 miles of 66-inch diameter pipeline which connects the Intake Facilities to the Reservoir. The Authority also operates and maintains a water treatment plant located on the same site as the Reservoir Intake Facilities and approximately 39,000 feet of transmission piping. This treatment plant/transmission system was constructed and is being operated by the Authority for the Southeast Monmouth Municipal Utilities Authority (SMMUA) on behalf of the Boroughs of Brielle, Spring Lake, Spring Lake Heights, Sea Girt and Wall Township, which have entered into agreements with SMMUA for the treatment/transmission of their portion of the supply from the System.

**Summary of Proposed Adjustments**

**Initial Water Purchase Contracts of 15.008mgd (15.695mgd at July 1, 1990 and 14.980mgd at July 1, 2015) and Shorelands (.028mgd) delayed water contract effective July 1, 2006:**

| Component                              | Current (FY2019) Rates Per MG<br>7/1/2018 – 6/30/2019 | Proposed (FY2020) Rates Per MG<br>7/1/2019 – 6/30/2020 |
|--|---|--|
| Operations & Maintenance Component     | \$432.87  | \$432.87   |
| Source Water Protection Fund Component | 15.00   | 15.00  |
| Debt Service Cost Component            | 570.55  | 570.55   |
| NJEIFP Debt Component                  | 24.93   | 24.93  |
| <b>TOTAL RATE</b>                      | <b>\$1,043.35/mg</b>                                  | <b>\$1,043.35/mg</b>                                   |

**New Jersey American Water Delayed Water Purchase Contracts Effective July 1, 2001, October 1, 2002 and January 1, 2005 (4.435mgd):**

| Component                              | Current (FY2019) Rates Per MG<br>7/1/2018 – 6/30/2019 | Proposed (FY2020) Rates Per MG<br>7/1/2019 – 6/30/2020 |
|--|---|--|
| Operations & Maintenance Component     | \$432.87  | \$432.87   |
| Source Water Protection Fund Component | 15.00   | 15.00  |
| Debt Service Cost Component            | 664.96  | 664.96   |
| NJEIFP Debt Component                  | 24.93   | 24.93  |
| <b>TOTAL RATE</b>                      | <b>\$1,137.76/mg</b>                                  | <b>\$1,137.76/mg</b>                                   |

\*

\*

\*

The General Rate Schedule for Operations and Maintenance (O&M) was last adjusted effective July 1, 2018 to cover the operating expenses of the System for FY2019. The FY2019 sales base was 19.443 million gallons per day (mgd). The Authority anticipates that the applicable raw water O&M sales base for FY2020 will remain the same at 19.443 mgd. The initial sales base will remain the same at 15.008mgd and the delayed sales base will remain at 4.435mgd.

After the allocation of appropriate Headquarters General and Administrative costs to the System, the Authority anticipates \$3,069,858 in O&M component revenue required during FY2020 with an O&M rate component of \$432.87 per million gallons, no change from FY2019, starting on July 1, 2019 (Schedule 20, page 41). The proposed operating expense budget for FY2020 is \$111,450 more than FY2019 and the proposed Capital Equipment Budget, net of depreciation reserve, is \$22,400 less than FY2019. In FY2020 there will be a \$10,000 contribution to the Sediment Reserve Fund, a \$120,000 contribution to the Renewal and Replacement Fund, a \$5,000 contribution to the Formal Dam Inspection Reserve, and a \$15,000 contribution to the High Voltage Testing Reserve Fund, the same as in FY2019. In FY2020 there will be no contribution to the Other Post-Employment Benefits Reserve and no Supplemental Renewal and Replacement Fund contribution. The OPEB Reserve is fully funded. See Budget Summary on page 19.

A credit of \$79,552 is owed from the SMMUA Water Treatment Plant and Transmission System to the Manasquan Reservoir for actual FY2018 salaries and fringe expenses and will be applied to the CY2019 SMMUA budget (Schedule 15, pages 34-36).

Miscellaneous revenue and interest income in FY2020 is projected to increase by \$26,370 relative to FY2019 reflecting stable interest earnings (Schedule 16, page 37) and an increase in the use of year end surplus available from FY2018 (Schedule 17, page 38). Overdraft revenue of \$38,719 is available from the summer of 2017 and 2018.



The System was financed with loans from the State of New Jersey and a Debt Service Assessment for contracts, effective as of July 1, 1990, was established to cover debt service payments on the initial loan of \$63,600,000 at a set interest rate of 7.15 percent and payment of the interim completion loan of \$7,416,000 at an interest rate of 7.16 percent. During FY1992 the State of New Jersey reduced the interest rate on the completion loan to 6.24 percent. During FY1997, the Authority negotiated an agreement with the State of New Jersey, which reduced the interest rate on the \$63,600,000 original State Loan Notes from 7.15 percent to 5.93 percent effective for the payments due on or after August 1998. The Debt Service component of the rate has been adjusted in the past to reflect the revised debt service schedules.

In August of 2005, the Authority refunded the current portion of the State Loan Notes and the Completion Notes at an average coupon of 4.83 percent and net present value savings of \$6.187 million. The terms of the bonds were 15 and 25 years respectively. The bond proceeds also fully funded the Debt Service Reserve Account.

On April 26, 2016, the Authority issued \$17,460,000 in Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016. The proceeds, together with other monies on deposit, were used to prepay \$23,242,358 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005 and Current Manasquan State Loan Notes and Completion Notes. The Refunding Bonds carry a bond yield of 1.59%, and mature in incremental annual principal amounts through 2031. The debt service component of the rate represents 120 percent of the principal and interest requirements and debt service coverage must remain at 120 percent through the life of the bonds.

The current refunding resulted in a difference between the par amount of the refunding bonds and the par amount of the refunded bonds of \$5,782,358. The net premium on the refunding bonds was \$1,821,414. The economic gain was a net present value debt savings of \$2,999,861.

The Debt Service component of the rate for the Initial Water Purchase Contracts will be \$570.55 (no change from FY2019) and \$664.96 (no change from FY2019) for the Delayed Water Purchase (DWP) Contracts in FY2020. These changes reflect 120 percent debt service coverage.

The Authority established a Source Water Protection Fund Component in FY2004 dedicating \$15.00 per million gallons to protect the quality and quantity of water in the Manasquan Water Supply System. The Authority decreased the rate component by \$5.00 per million gallons from \$15.00 to \$10.00 for this fund in FY2016. In order to cover program needs the Authority increased the rate by \$5.00 per million gallons to restore the rate to \$15.00 per million gallons in FY2018. The Authority recommends no change to the rate of \$15.00 per million gallons in FY2020.

The Authority closed on a loan to the New Jersey Environmental Infrastructure Financing Program (NJEIFP) on May 3, 2012 to finance the construction of a building structure over the Intake Pump Station and traveling water screens to protect the infrastructure from degradation by the elements. The final interest on the loan is based on 75 percent at zero interest and 25 percent market rate with coupons up to 5 percent for an effective interest rate of .8 percent over the twenty year life of the loans. The rate component of \$24.93 per million gallons in FY2020 is required to cover debt

service payments in accordance with the schedule and is no change from the FY2019 rate.

The base contract O&M Rate (\$432.87), Source Water Protection Program Rate (\$15.00), Debt Service Rate (\$570.55) and NJEIFP Debt Rate (\$24.93) comprise the total base contract rate for raw water of \$1,043.35 per million gallons, and represent no change relative to FY2019. This base contract rate is charged to all uninterruptible service contracts executed prior to July 1, 1990 (and renewed at July 1, 2015), the commencement date of Manasquan Reservoir System operations, and one Delayed Water Purchase contract with Shorelands Water Company executed on July 1, 2006. In order for its customers to be assessed the base contract rate on the .028mgd delayed contract, Shorelands Water Company prepaid the net present value of the difference between the initial water purchase contracts debt service schedule and the delayed water purchase contracts debt service schedule.

The total rate for delayed water purchase contracts in FY2020 is \$1,137.76 per million gallons representing no change relative to the FY2019 delayed water purchase rate. The O&M Component (\$432.87), the Source Water Protection Fund Component (\$15.00), the Debt Service Rate Component (\$664.96) and NJEIFP Debt Rate (\$24.93) comprise the total rate.

Table 1 (page 15) contains a summary of the proposed base contract rate and delayed water purchase contract rate components. The proposed rates shown in Table 1 are effective July 1, 2019 through June 30, 2020. These rates are based upon the projected operating costs and reflect an estimated contracted sales base of 19.443mgd.

Table 2 (page 16) is a twenty-year history of the total initial water purchase contract annual water rate.

Table 3 (page 17) is a fifteen-year history of the combined delayed water purchase contract annual water rates.

Water use payments are to be made quarterly with due dates of October 10, 2018, January 10, 2019, April 10, 2019 and July 10, 2019.

The balance of this document contains a further discussion of the individual rate components, a Schedule of Events and detailed supporting information for the proposed rate adjustment.

### **Schedule of Events**

A pre-public hearing on the proposed rate adjustment is scheduled at 11:00 a.m. on Thursday, January 10, 2019, at the Authority's Manasquan Administration Building, Hospital Road, Wall, New Jersey.

A public hearing on the proposed rate adjustment is scheduled at 11:00 a.m. on Thursday, February 7, 2019, also at the Authority's Manasquan Administration Building in Wall, New Jersey. The public hearing record is scheduled to close on March 18, 2019.

The Authority will take final action on the proposed rate adjustment at its May 6, 2019 meeting at the Authority's Administration Building in Clinton, New Jersey.

**Distribution of Headquarters General and Administrative Costs and Insurance Costs to all Operating Systems**

On July 1, 1990 the Authority placed the Manasquan Reservoir Water Supply System in operation to provide an untreated water supply for use throughout Monmouth County. In addition to this major System, the Authority also began operation of the Water Treatment Plant and Transmission System for the Monmouth County Improvement Authority (MCIA) on July 1, 1990. The Boroughs of Brielle, Spring Lake, Spring Lake Heights, Sea Girt and Wall Township entered into agreements with the MCIA for this treatment/transmission system, which treats and conveys their portion of the supply from the Manasquan Reservoir Water Supply System. In December 2008, the five member communities created the Southeast Monmouth Municipal Utilities Authority and in September 2009 purchased the Water Treatment Plant from the MCIA and the Authority continues to operate the Water Treatment Plant. The Authority also operates the Spruce Run/Round Valley Reservoirs Complex and the Delaware and Raritan Canal Water Supply Transmission Complex comprising the Raritan Basin System, headquartered in Clinton, New Jersey. As a result, the Authority is operating, maintaining and managing three distinct Systems each with its own budget, cost accountability and revenue stream.

The Authority's headquarters staff located in Clinton provides general and administrative support services for all three Systems. These services include, but are not limited to, Financial Management, Payroll, Human Resources, Purchasing, Contract Administration, Risk Management, and overall management.

In order to equitably assess the customers of each of the three Systems, the Authority previously retained the services of an auditing firm to develop a methodology for the allocation of the Headquarters General and Administrative costs to all three operating Systems. After the close of each fiscal year, the Authority's current Auditors provide the Authority with their findings as to the adjustment, if any, of the allocation factors and the actual audited expenditures for the fiscal year.

The audit report for the immediately preceding fiscal year ending June 30 is available during November. Each September the Authority formulates the proposed budgets for the upcoming fiscal year starting on the following July 1. The adjusted allocation factors, if any and the audited expenditures for the previous fiscal year are used to establish a debit or credit for each of the three operating Systems. This debit or credit is applied to the budgets being prepared each September for the upcoming fiscal year starting on July 1.

An independent auditor performed the Authority's fiscal year 2018 audit. The audit included a review of the allocation factors, as well as the actual audited expenditures. The appropriate adjustments have been made to the FY2020 budget based on the FY2018 audit. A copy of the Auditor's report on the allocation of the Headquarters General and Administrative costs is included in the Appendices to the rate proposal package for each System.

Insurance costs are also allocated to each System based upon the recommendations of the Authority's Risk Management Consultant. See the rate proposal package for additional information.

### **Distribution of Costs Between the Manasquan Reservoir System and the Treatment Plant/Transmission System**

A common staff operates the System and the Treatment Plant/Transmission System. Salaries are allocated between the two Systems based upon time records that were kept during the fiscal year ending on June 30, 2018. The percentages used to provide the basis for the salary allocation for FY2020, were established from the time records from FY2015 through FY2018. A listing of all positions and the percentage of each position's time assigned to each of the two Systems appear on Schedule 2 (page 21).

Detailed budgets have been prepared for the Manasquan Reservoir System and the Treatment Plant/Transmission System. Each System's budget has three main categories of annual operational expenses in addition to the allocation of headquarters overhead. The three categories include (a) salaries and fringes (b) direct operation and maintenance expenses and (c) general and administrative expenses. Part 2 of this document provides more information on both Systems including detailed summaries of the projected line item budget figures for General and Administrative expenses and Operations and Maintenance expenses for FY2020.

### **Analysis of Significant Changes in Operations and Maintenance Expenses and Sales Base - Manasquan Reservoir System**

#### Overview of Sales Base

On July 1, 1990 the Authority placed the Manasquan Reservoir Water Supply System in operation to provide an untreated water supply for use throughout Monmouth County. Twelve of the 13 original water purchase contracts were renewed effective July 1, 2015 and expire June 30, 2040. The final customer contract, New Jersey American, consolidated the initial water purchase and delayed water purchases for a total of 12.5mgd and has an expiration date of June 30, 2031. Of the 13 contracts, six are two-party contracts with the New Jersey Water Supply Authority. These are the five treated water customers (Wall Township and the Boroughs of Brielle, Sea Girt, Spring Lake and Spring Lake Heights) of the Southeast Monmouth Municipal Utilities Authority's water treatment plant operated by the New Jersey Water Supply Authority and the New Jersey American Contract. One is a three party contract (Keyport Borough) among the Authority, the customer and Shorelands

Water Company for the delivery of water through Shorelands' distribution system. Six contracts (the Boroughs of Avon, Belmar, Matawan, Red Bank and Lake Como, and Shorelands Water Company) are three party contracts among the Authority, the customers and New Jersey American for the provision of treated water from New Jersey American. The total sales base dropped from 20.560 to 19.443mgd effective July 1, 2015 and remains the total for FY2020.

## Overview of Projected Operational Expenses

The Authority's proposed FY2020 Manasquan Reservoir Total Expense budget is \$111,450 more than the current FY2019 budget. The allocation of Authority Headquarters General and Administrative Expenses in FY2020 decreases by \$98,000 versus FY2019. Capital Equipment budget for FY2020 is \$22,400 less than FY2019. There will be no FY2020 contribution to the Depreciation Reserve account, Insurance Reserve, or Pumping Reserve. There will be a \$10,000 contribution to the Sediment Reserve, a \$5,000 contribution to the Formal Dam Inspection Reserve, and a \$15,000 contribution to the Reserve for High Voltage Testing. Formal Dam Inspections and High Voltage Testing are performed every three years and rather than raising the entire amount every third year, budget stability is created by raising one third of the cost every year. There will be a normal contribution to the Renewal and Replacement Fund of \$120,000. There will be no contribution to the reserve for other post-employment benefits (accrued sick leave payments for retirees) which was created in FY2017. Miscellaneous revenue and interest income increases by \$26,370. These factors contribute to a \$33 increase in the total FY2020 O&M Component requirement relative to FY2019 (\$3,069,858 vs. \$3,069,825). (Budget Summary on page 19)

Total O&M Direct Expenses are decreasing by \$11,068 from FY2019. The largest contributor is a decrease in insurance costs. The Authority is again funding a water quality gaging station upstream at Squankum which will be operated by the USGS and will be useful to the Authority in attempting to determine the root cause of changes to water quality and color in the Manasquan River Basin over the past several years. General and Administrative Expenses allocated to the Reservoir System are increasing by \$24,614 from FY2019.

## Salaries, Overtime and Benefits

Authority employees within Communications Workers of America (CWA), International Brotherhood of Electrical Workers (IBEW) and International Federation of Professional Technical Engineers (IFPTE) are currently operating under a contract that expires June 30, 2019. The FY2020 budget assumes a 2.0 percent cost of living adjustment payable July 1, 2019. The IFPTE/AFL-CIO represents the Authority's Maintenance, Craft and Security Units and the CWA represents the Authority's Administrative and Clerical, Primary Level and Higher Level Supervisors Units. The IBEW represents several management employees. The Authority did not include any cost of living adjustments in the FY2020 budget for management.

The Authority has built in 25 percent per year growth for Pension contributions over actual FY2018. The average increase in actual payments to Treasury for pension contributions since FY2015 is 4.5 percent. Although increases have stabilized in the last three years, there is still a level of uncertainty in this expense item because the pension system remains significantly underfunded.

Total salary and fringe is increasing by \$55,203 for FY2020 from FY2019, and the portion allocated to the Reservoir System is increasing by \$97,900. The four-year averaging of allocation between the Reservoir System and the Treatment Plant projects has stabilized the movement of salary dollars to the Reservoir System from the Treatment Plant. In FY2020, 48 percent of total salary and fringe is allocated to the Reservoir System and 52 percent to the Treatment Plant. The

number of budgeted positions in FY2020 is 27, which is the same as FY2019. (Schedule 2, page 21) The Authority is budgeting 54 percent of the salary budget for fringe benefits in FY2020 which is exclusive of retiree medical.

### Retiree Health Benefits

Employees who retired with a minimum of 25 years of service prior to July 1, 1997 are entitled to paid health benefits. Those who attain 25 years on or after July 1, 1997 share some portion of post-retirement health benefit costs with the employer as determined by union contract or bargaining unit agreement. The Authority retiree health benefits expense item is decreasing in FY2020 from \$204,300 to \$179,900. The New Jersey State Health Benefits Commission projects a 0.0 percent premium increase in 2019 for early retiree medical and a 12.7 percent decrease for Medicare retirees. The Authority budgeted 0.0 percent and 0.0 percent increases for FY2019 and FY2020 respectively. Because there are only six retirees at present in the Manasquan System, each additional retiree will drive a large increase on a percentage basis. The FY2020 budget plans for two additional retirees.

### Insurance Program

The Authority is recommending a \$44,868 decrease in insurance expenses for FY2020, reflecting general market conditions based on the advice of the Authority's insurance broker and consultant. As always, the Authority will review the rate projection for FY2020 in February 2019 to determine if adjustments are necessary.

Allocation of the Primary, Umbrella and Public Officials Liability insurance costs between the three Systems is based upon proportionate water sales. The Automobile Liability cost is allocated based upon the assignment of vehicular equipment to each System. The cost of the Business Property coverage is allocated on the basis of insured values for each System and the Workers Compensation premiums are allocated on the basis of salaries for each System.

### Fees and Permits

Staff proposes a FY2020 budgetary line item of \$35,500 for fees and permits reflecting no change over FY2019.

### Headquarters General and Administrative Expenses

Budgeted Headquarters General and Administrative Expenses in FY2020 total \$753,893 of which \$649,479 is charged to the Manasquan Reservoir System and \$104,414 is charged to the Manasquan Water Treatment Plant (Schedule 13, page 32). Because actual audited Headquarters Expenses were lower than the budget for FY2018 by \$81,417, that difference must be credited in FY2020 resulting in an adjusted charge to the Reservoir System of \$568,000. Headquarters charges are driven primarily by salary and fringe.

### Interest Income and Miscellaneous Revenue

The projected interest earnings on reserve funds for FY2020 are \$23,400. This reflects an increase of \$6,100 relative to FY2019 and is based upon an interest rate of 1.0 percent for short-term investments (See Schedule 16, page 37).

### **Reserve Contributions**

Consistent with FY2019, there will be no FY2020 contribution to the Depreciation Reserve account, the Insurance Reserve or the Pumping Reserve. There will be a \$10,000 contribution to the Sediment Reserve. There will be a regular \$120,000 contribution to the Renewal and Replacement Fund, a \$5,000 contribution to the Reserve for Formal Dam Inspections and a \$15,000 contribution to the Reserve for High Voltage Testing. Formal Dam Inspections and High Voltage Testing are performed every three years and rather than raising the entire amount every third year, budget stability is created by raising one third of the cost every year. There were two new reserve fund contributions in FY2017 which will not be funded in FY2020. There was a supplemental contribution of \$350,000 to the Renewal and Replacement Fund in FY2017 that is not required in FY2020. The Authority requires a minimum balance of \$2 million in the fund to cover dam emergencies, and pipeline and pump emergent repairs. Because the system is aging, there are normal maintenance expenditures included in the five year plan that would have drawn the fund down below the \$2 million requirement without the supplemental deposit. Finally, the Authority funded a reserve for other post-employment benefits (accrued sick leave) in FY2017 in order to assure that sufficient funds are available to pay out sick benefits as this number is not regularly budgeted in salary and fringe.

### **Review of Reserve Accounts**

#### **Depreciation Reserve Account**

This reserve is intended to provide for the replacement of Authority machinery and equipment with a value of \$1,000 or more and a useful life in a range from three to ten years and to cushion the impact of replacement equipment purchases in order to provide more stable rates. Depreciation Reserve should equal accumulated depreciation for this class of assets. Long term investment earnings are being used to fund the Depreciation Reserve.

#### **Self Insurance Reserve**

The Self Insurance Fund was established for the System to allow the Authority to make choices between underwritten risk and self-insurance risk in the face of increased prices in the insurance market. No contribution is being made to the fund in FY2020.

### Reserve for Operations and Maintenance

A working cash reserve must be maintained at a level which reflects the amount of the regular annual operating costs plus an allowance for possible extraordinary requirements. The level of this reserve must equal 25 percent of the Annual O&M Budget. An initial contribution of \$125,000 was budgeted in FY1991. A contribution of \$125,000 was budgeted in FY1992. The contribution for FY1993 was \$50,000 because of the availability of additional revenue from FY1991.

An additional \$100,000 was added during FY1993 from the receipt of delinquent revenue and resulted in full funding of this reserve. The Reserve for Operations and Maintenance Fund is fully funded as of June 30, 2016 and as a result, no contribution will be needed in FY2020.

### Renewal & Replacement Reserve

The Renewal & Replacement Reserve is to be used for costs of capital improvements including repairs to facilities not covered by insurance and payment of extraordinary O&M costs. As per the terms of the project financing, this Reserve is to be funded by the excess debt service coverage revenue after the Debt Service Reserve requirement has been accumulated. An initial deposit of \$24,287 had been made into this account from overdue revenue received during FY1993. Excess annual debt service coverage amounts were later transferred into this fund. The balance in the Fund as of June 30, 2018 is \$3,885,517. Excess interest earnings on the Debt Service Reserve and Debt Service Funds and excess debt service coverage revenue as well as a direct deposit of \$120,000 provide the source of funds for this reserve account.

### **Source Water Protection Fund Rate Component**

The Authority established its Watershed Protection Unit in 1999 to implement a watershed management program for the Raritan River Basin pursuant to a Memorandum of Agreement with the New Jersey Department of Environmental Protection. Primary functions of the Unit are planning for watershed protection, development and implementation of projects that improve protection of water supply.

As an extension of that program during the period of FY2004, the Authority began the Manasquan Watershed Protection Initiative, and established the Source Water Protection Fund for the purpose of protecting the quality and quantity of water in the Manasquan Reservoir Water Supply System. The fund is used for three purposes in cooperation with State, local and nonprofit partners: (1) administrative assistance in the preservation of those properties in the Manasquan River Basin that are critical to the long-term protection of water quality and quantity in the Manasquan Reservoir Water Supply System as they may affect Authority customers; (2) improved management of land development by municipal, county, and State government to protect both water quality and flow to and within Authority facilities; and (3) remedial projects to improve water quality from existing conditions.

Whenever possible, the Authority will seek to obtain funding from other sources to augment



or match its expenditures from the Source Water Protection Fund. The balance in the Source Water Protection Fund at June 30, 2018 is \$1,573,796. Because of overall rate considerations in prior years, the Authority reduced the Source Water Protection Fund Component from \$15.00 per million gallons to \$10.00 per million gallons in FY2016 and FY2017 and reinstated the rate to \$15.00 per million gallons in FY2018 to ensure adequate funding for these initiatives. The Authority proposes no change to the rate in FY2020.

### **Optional Water Use Schedule**

The Authority continues allowing the use of an Optional Water Use Schedule. When the total of all uninterruptible supply contract diversions is equal to or less than 25mgd, the Purchaser may operate pursuant to an optional water use schedule wherein the Purchaser may divert up to 20 percent in excess of the total contracted amount for any given month.

### **Overdraft Service**

The Authority continues to charge an Overdraft Service Rate by recognizing that daily overdraft service rates apply to all uninterruptible service contract customers, and by recognizing that the daily overdraft service rate is a multiple of the initial water purchase rate.

### **Other Rule Amendments**

There are no other rule amendments for FY2020.

**PART II – DETAILED SUPPORTING INFORMATION**

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Table 1 - Summary Of Proposed Fiscal Year 2020 Adjustments**

BASED ON PRESENT USAGE

The rates, charges and debt service assessments listed below shall be paid for raw water allocated by contract from the Manasquan Reservoir System for the **base contracts effective as of July 1, 2015 (14.980mgd), and Shorelands (.028mgd) delayed water contract effective July 1, 2006:**

I. July 1, 2019 to June 30, 2020

| Rate Component                                | Current       | Original Proposal<br>11/05/18 | Difference | Percentage Increase<br>(Decrease) |
|---|---------------|-------------------------------|------------|-----------------------------------|
| Operations & Maintenance<br>Expense Component | \$432.87      | \$432.87                      | ⇒ \$0.00   | 0.00%                             |
| Source Water Protection<br>Fund Component     | \$15.00       | \$15.00                       | ⇒ \$0.00   | 0.00%                             |
| Debt Service Cost<br>Component                | \$570.55      | \$570.55                      | ⇒ \$0.00   | 0.00%                             |
| NJEIFP Debt Component                         | \$24.93       | \$24.93                       | ⇒ \$0.00   | 0.00%                             |
| Total Rate                                    | \$1,043.35/mg | \$1,043.35/mg                 | ⇒ \$0.00   | 0.00%                             |

The rates, charges and debt service assessments listed below shall be paid for raw water allocated by contract from the Manasquan Reservoir System for all **New Jersey American Water delayed water purchase contracts effective: July 1, 2001 (1mgd), October 1, 2002 (1.935mgd), January 1, 2005 (1.500mgd):**

II. July 1, 2019 to June 30, 2020

| Rate Component                                | Current       | Original Proposal<br>11/05/18 | Difference | Percentage Increase<br>(Decrease) |
|---|---------------|-------------------------------|------------|-----------------------------------|
| Operations & Maintenance<br>Expense Component | \$432.87      | \$432.87                      | ⇒ \$0.00   | 0.00%                             |
| Source Water Protection<br>Fund Component     | \$15.00       | \$15.00                       | ⇒ \$0.00   | 0.00%                             |
| Debt Service Cost<br>Component                | \$664.96      | \$664.96                      | ⇒ \$0.00   | 0.00%                             |
| NJEIFP Debt Component                         | \$24.93       | \$24.93                       | ⇒ \$0.00   | 0.00%                             |
| Total Rate                                    | \$1,137.76/mg | \$1,137.76/mg                 | ⇒ \$0.00   | 0.00%                             |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Table 2 - Rate History of Water Charges per Million Gallons of Raw Water - Initial  
FY1999-FY2020**

Initial Water Purchaser 14.980 mgd July 1, 2015  
Shorelands .028 mgd July 1, 2006

| <u>Effective<br/>Date</u> | <u>O&amp;M<br/>Charge</u> | <u>Source Water<br/>Protection</u> | <u>Debt Repayment<br/>2/1/91-8/01/20</u> | <u>NJEIFP Debt<br/>Component</u> | <u>Total Charge<br/>per MG</u> | <u>Percent<br/>Increase<br/>(Decrease)</u> |
|---------------------------|---------------------------|------------------------------------|--|----------------------------------|--------------------------------|--|
| July 1, 1998              | 263.56                    |                                    | 569.36                                   |                                  | \$832.92                       | -11.29%                                    |
| July 1, 1999              | 114.13                    |                                    | 581.18                                   |                                  | \$695.31                       | -16.52%                                    |
| July 1, 2000              | 145.81                    |                                    | 583                                      |                                  | \$728.81                       | 4.82%                                      |
| July 1, 2001              | 212.29                    |                                    | 585.63                                   |                                  | \$797.92                       | 9.48%                                      |
| July 1, 2002              | 212.35                    |                                    | 582.62                                   |                                  | \$794.97                       | -0.37%                                     |
| July 1, 2003              | 201.14                    | 15                                 | 578.83                                   |                                  | \$794.97                       | 0.00%                                      |
| July 1, 2004              | 321.69                    | 15                                 | 584.95                                   |                                  | \$921.64                       | 15.93%                                     |
| July 1, 2005              | 295.41                    | 15                                 | 584.6                                    |                                  | \$895.01                       | -2.89%                                     |
| July 1, 2006              | 295.41                    | 15                                 | 522.86                                   |                                  | \$833.27                       | -6.90%                                     |
| July 1, 2007              | 302.52                    | 15                                 | 528.54                                   |                                  | \$846.06                       | 1.53%                                      |
| July 1, 2008              | 302.52                    | 15                                 | 566.59                                   |                                  | \$884.11                       | 4.50%                                      |
| July 1, 2009              | 396.79                    | 15                                 | 568.26                                   |                                  | \$980.05                       | 10.85%                                     |
| July 1, 2010              | 396.79                    | 15                                 | 568.69                                   |                                  | \$980.48                       | 0.04%                                      |
| July 1, 2011              | 347.39                    | 15                                 | 618.09                                   | 35.42                            | \$1,015.90                     | 3.61%                                      |
| July 1, 2012              | 345.95                    | 15                                 | 619.53                                   | 35.42                            | \$1,015.90                     | 0.00%                                      |
| July 1, 2013              | 356.61                    | 15                                 | 619.87                                   | 24.42                            | \$1,015.90                     | 0.00%                                      |
| July 1, 2014              | 356.61                    | 15                                 | 619.87                                   | 24.42                            | \$1,015.90                     | 0.00%                                      |
| July 1, 2015              | 386.00                    | 10.00                              | 636.61                                   | 24.79                            | \$1,057.40                     | 4.09%                                      |
| July 1, 2016              | 432.87                    | 10.00                              | 636.61                                   | 25.10                            | \$1,104.58                     | 4.46%                                      |
| July 1, 2017              | 432.87                    | 15.00                              | 570.55                                   | 24.93                            | \$1,043.35                     | -5.54%                                     |
| July 1, 2018              | 432.87                    | 15.00                              | 570.55                                   | 24.93                            | \$1,043.35                     | 0.00%                                      |
| <b>July 1, 2019</b>       | <b>432.87</b>             | <b>15.00</b>                       | <b>570.55</b>                            | <b>24.93</b>                     | <b>\$1,043.35</b>              | <b>0.00%</b>                               |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Table 3 - Rate History of Water Charges per Million Gallons of Raw Water - Delayed**  
FY2004-FY2020

Delayed Water Purchaser NJ-American 1 mgd July 1, 2001  
1.935 mgd October 1, 2002  
1.500 mgd January 1, 2005

| <u>Effective Date</u> | <u>O&amp;M Charge</u> | <u>Source Water Protection</u> | <u>Debt Repayment 2/1/02-8/01/31</u> | <u>NJEIFP Debt Component</u> | <u>Total Charge per MG</u> | <u>Percent Increase (Decrease)</u> |
|-----------------------|-----------------------|--------------------------------|--------------------------------------|------------------------------|----------------------------|------------------------------------|
| July 1, 2003          | 201.14                | 15.00                          | 849.31                               |                              | \$1,065.45                 | 1.67%                              |
| July 1, 2004          | 321.69                | 15.00                          | 849.31                               |                              | \$1,186.00                 | 11.31%                             |
| July 1, 2005          | 295.41                | 15.00                          | 853.85                               |                              | \$1,164.26                 | -1.83%                             |
| July 1, 2006          | 295.41                | 15.00                          | 763.61                               |                              | \$1,074.02                 | -7.75%                             |
| July 1, 2007          | 302.52                | 15.00                          | 764.44                               |                              | \$1,081.96                 | 0.74%                              |
| July 1, 2008          | 302.52                | 15.00                          | 762.28                               |                              | \$1,079.80                 | -0.20%                             |
| July 1, 2009          | 396.79                | 15.00                          | 763.24                               |                              | \$1,175.03                 | 8.82%                              |
| July 1, 2010          | 396.79                | 15.00                          | 756.19                               |                              | \$1,167.98                 | -0.60%                             |
| July 1, 2011          | 347.39                | 15.00                          | 770.90                               | 35.42                        | \$1,168.71                 | 0.06%                              |
| July 1, 2012          | 345.95                | 15.00                          | 772.12                               | 35.42                        | \$1,168.49                 | -0.02%                             |
| July 1, 2013          | 356.61                | 15.00                          | 772.46                               | 24.42                        | \$1,168.49                 | 0.00%                              |
| July 1, 2014          | 356.61                | 15.00                          | 772.46                               | 24.42                        | \$1,168.49                 | 0.00%                              |
| July 1, 2015          | 386.00                | 10.00                          | 770.07                               | 24.79                        | \$1,190.86                 | 1.91%                              |
| July 1, 2016          | 432.87                | 10.00                          | 770.07                               | 25.10                        | \$1,238.04                 | 3.96%                              |
| July 1, 2017          | 432.87                | 15.00                          | 664.96                               | 24.93                        | \$1,137.76                 | -8.10%                             |
| July 1, 2018          | 432.87                | 15.00                          | 664.96                               | 24.93                        | \$1,137.76                 | 0.00%                              |
| <b>July 1, 2019</b>   | <b>432.87</b>         | <b>15.00</b>                   | <b>664.96</b>                        | <b>24.93</b>                 | <b>\$1,137.76</b>          | <b>0.00%</b>                       |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule of Events**

(N.J.A.C. 7:11-4.1 et.seq.)  
To become effective July 1, 2019

**2018**

- SEPTEMBER 27 Advise Water Users of informal meeting.
- NOVEMBER 1 Informal meeting with Water Users – 11:00 AM.
- 5 Board reviews and approves proposed Rates.
- DECEMBER 21 Mail Official Notice to water customers, Rate Payer Advocate, interested parties and advertise in newspapers.

**2019**

- JANUARY 7 Publication in the New Jersey Register.
- 10 Pre-Public Hearing – 11:00 AM (within 45 days of Official Notice).  
Deadline for responses to inquires received prior to pre-public hearing.
- FEBRUARY 4 Deadline for receipt of comments to be addressed at Public Hearing  
(15 days after pre-public hearing).
- 7 Public Hearing Meeting. (Manasquan Administration Building) – 11:00  
AM Deadline for responses to inquires received between pre-public and  
public hearing.
- 25 Written responses to questions raised at Hearing (within 10  
business days of the public hearing).
- MARCH 8 NJ Register Comment Period Ends.
- 18 Public Hearing record closes (25 business days after  
Public Hearing).
- MAY 6 Board approval of FY 2020 Rates (Budget approval option)
- JUNE 3 Board approval of FY 2020 Budgets.
- JULY 1 Effective date.

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Proposed Fiscal Year 2020 Budget Summary**

(07/01/19-06/30/20)

|  | ADOPTED<br>F/Y2019<br><u>Reservoir Budget</u> | PROPOSED<br>F/Y2020<br><u>Reservoir Budget</u> |
|--|---|--|
| Proposed Operating Expense Budget (Schedule 1)   | \$ 2,551,580                                  | \$ 2,663,030                                   |
| Allocation of Headquarters General & Administrative Expenses to the Manasquan Reservoir System (Schedule 13) | <u>\$ 666,000</u>                             | <u>\$ 568,000</u>                              |
| Proposed Total Expense Budget  | \$ 3,217,580                                  | \$ 3,231,030                                   |
| Proposed Capital Equipment Budget (Schedule 14)  | \$ 22,800                                     | \$ 400   |
| Contribution to Reserve Funds  |   |  |
| - Sediment Reserve   | \$ 10,000                                     | \$ 10,000                                      |
| - Formal Dam Inspection Reserve  | \$ 5,000                                      | \$ 5,000                                       |
| - Renewal & Replacement Fund   | \$ 120,000                                    | \$ 120,000                                     |
| - High Voltage Testing Reserve   | \$ 15,000                                     | \$ 15,000                                      |
| - Other Post Employment Benefits Reserve   | \$ -  | \$ -   |
| - Supplemental Renewal & Replacement   | \$ -  | \$ -   |
| Adjustment for F/Y18 Salary and Fringe Expenses to be paid (from)/to WTP/TS Account (Schedule 15)            |   | (\$79,552)                                     |
| Adjustment for F/Y17 Salary and Fringe Expenses to be paid (from)/to WTP/TS Account                          | <u>\$ (114,905)</u>                           |  |
| Total Budget Requirements  | <u>\$ 3,275,475</u>                           | <u>\$ 3,301,878</u>                            |
| Interest Earnings on Funds (Except Renewal and Replacement and Depreciation Reserve Fund) (Schedule 16)      | \$ (17,300)                                   | \$ (23,400)                                    |
| Unanticipated Revenue (Schedule 17)  | <u>\$ (188,350)</u>                           | <u>\$ (208,620)</u>                            |
| Total Miscellaneous Revenue & Interest Income  | <u>\$ (205,650)</u>                           | <u>\$ (232,020)</u>                            |
| Net Amount to be paid for O & M Component  | <u>\$ 3,069,825</u>                           | <u>\$ 3,069,858</u>                            |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 1 - Total Operations & Maintenance Budget**

Fiscal Year 2020

|  | F/Y2018<br>Reservoir<br>Actual | F/Y2019<br>Reservoir<br>Adopted | F/Y2020<br>Reservoir<br>Proposed |
|--|--------------------------------|---------------------------------|----------------------------------|
| Salaries & Fringe Benefits (Schedule 2)* | \$1,368,816                    | \$1,423,000                     | \$1,520,900                      |
| O & M Direct Expense (Schedule 3)        | 829,677                        | 1,019,652                       | 1,008,584                        |
| G&A Expenses (Schedule 5)                | <u>126,227</u>                 | <u>108,929</u>                  | <u>133,543</u>                   |
| Total Operations & Maintenance Budget    | <u>\$2,324,720</u>             | <u>\$2,551,581</u>              | <u>\$2,663,027</u>               |
| Estimate                                 | <u>\$2,687,830</u>             | <u>\$2,551,580</u>              | <u>\$2,663,030</u>               |

Summary of O & M Expenses for Reservoir and Treatment Plant/Transmission System

|                      | F/Y2018 Actual |               | F/Y2019 Adopted |                | F/Y2020 Proposed |               |
|----------------------|----------------|---------------|-----------------|----------------|------------------|---------------|
|                      | Reservoir      | WTP/TS        | Reservoir       | WTP/TS         | Reservoir        | WTP/TS        |
| Salaries/Fringe*     | \$1,368,816    | \$1,501,871   | \$1,423,000     | \$1,695,614    | \$1,520,900      | \$1,652,917   |
| O & M Direct Expense | 829,677        | 652,350       | 1,019,652       | 929,660        | 1,008,584        | 855,400       |
| G & A Expense        | <u>126,227</u> | <u>98,198</u> | <u>108,929</u>  | <u>108,071</u> | <u>133,543</u>   | <u>89,907</u> |
| Total                | \$2,324,720    | \$2,252,419   | \$2,551,581     | \$2,733,345    | \$2,663,027      | \$2,598,224   |

\*Actual fringe includes GASB 68 non-cash Pension expense

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 2 - Labor Projection**  
Fiscal Year 2020 (7/01/19-6/30/20)

| TITLES  | RANGE | SALARY           | FRINGE<br>BENEFITS | OVERTIME       | CLOTHING<br>ALLOWANCE | SHIFT<br>DIFFERENTIAL | TOTAL            | ALLOCATION<br>RESERVOIR<br>% | AMOUNT<br>RESERVOIR | ALLOCATION<br>WTP/TS<br>% | AMOUNT<br>WTP/TS |
|---|-------|------------------|--------------------|----------------|-----------------------|-----------------------|------------------|------------------------------|---------------------|---------------------------|------------------|
| Director                                      | 36    | 119,500          | 76,379             | -              | -                     | -                     | 195,879          | 50%                          | 98,000              | 50%                       | 97,879           |
| Project Engineer II                           | 26    | 85,600           | 54,711             | -              | -                     | -                     | 140,311          | 51%                          | 71,900              | 49%                       | 68,411           |
| Water Supply Tech.                            | 17    | 62,400           | 40,235             | -              | 550                   | -                     | 103,185          | 62%                          | 63,900              | 38%                       | 39,285           |
| Administrative Assistant                      | 18    | 67,400           | 43,079             | -              | -                     | -                     | 110,479          | 50%                          | 55,200              | 50%                       | 55,279           |
| Supervisor Technical Facilities Maint         | 23    | 84,900           | 60,764             | 9,619          | 550                   | -                     | 155,833          | 47%                          | 72,500              | 54%                       | 83,333           |
| Sr. Water Supply Tech.                        | 20    | 73,900           | 47,747             | 253            | 550                   | -                     | 122,450          | 43%                          | 52,600              | 57%                       | 69,850           |
| Maintenance Worker I                          | 10    | 46,100           | 29,817             | -              | 550                   | -                     | 76,467           | 93%                          | 71,400              | 7%                        | 5,067            |
| Supervisor Operations                         | 29    | 102,300          | 65,386             | -              | -                     | -                     | 167,686          | 25%                          | 41,100              | 76%                       | 126,586          |
| Equipment Operator                            | 12    | 42,900           | 27,771             | -              | 550                   | -                     | 71,221           | 94%                          | 66,900              | 6%                        | 4,321            |
| Foreman Bldg & Grounds Maint                  | 19    | 73,900           | 47,816             | 360            | 550                   | -                     | 122,626          | 94%                          | 114,700             | 6%                        | 7,926            |
| Foreman Facilities Maintenance                | 20    | 73,900           | 48,491             | 1,417          | 550                   | -                     | 124,358          | 47%                          | 58,300              | 53%                       | 66,058           |
| Facilities Mechanic (3 Positions)             | 18    | 186,100          | 120,807            | 1,260          | 1,650                 | -                     | 309,817          | 48%                          | 148,500             | 52%                       | 161,317          |
| Supervisor Plant Operator                     | 22    | 81,100           | 53,524             | 2,088          | 550                   | 4                     | 137,266          | 37%                          | 50,500              | 63%                       | 86,766           |
| Maintenance Worker I Operations               | 10    | 46,100           | 29,817             | -              | 550                   | -                     | 76,467           | 92%                          | 70,200              | 8%                        | 6,267            |
| Reservoir System Operator (3 Positions)       | 15    | 165,400          | 120,898            | 20,207         | 1,650                 | 1,896                 | 310,051          | 97%                          | 301,900             | 3%                        | 8,151            |
| Asst. Reservoir System Operator (2 Positions) | 13    | 78,500           | 57,181             | 9,863          | 1,100                 | -                     | 146,644          | 95%                          | 139,300             | 5%                        | 7,344            |
| Plant Operator (3 Positions)                  | 20    | 217,800          | 160,362            | 31,447         | 1,650                 | -                     | 411,259          | 6%                           | 24,700              | 94%                       | 386,559          |
| Plant Operator (3 Positions)                  | 19    | 207,900          | 152,781            | 29,486         | 1,650                 | -                     | 391,817          | 5%                           | 19,300              | 95%                       | 372,517          |
| <b>TOTAL:</b>                                 |       | <u>1,815,700</u> | <u>1,237,567</u>   | <u>106,000</u> | <u>12,650</u>         | <u>1,900</u>          | <u>3,173,817</u> |                              | <u>1,520,900</u>    |                           | <u>1,652,917</u> |

TOTAL = 27 Positions

Director and Adm. Assistant, Water Supply Tech and Sr. Water Supply Tech percentages modified based on work load. All others are four-year average.

NOTE: A. PERCENTAGES ARE FROM THE AVERAGE OF FISCAL YEARS 2015 THROUGH 2018 BASED ON ACTUAL TIME RECORDS.  
B. PLANT OPERATOR TIME STUDY PERCENTAGES WERE ADJUSTED TO ACCOUNT FOR THE VALUE OF THE SHIFT DIFFERENTIAL PROVIDED TO THE RESERVOIR



NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 3 - Reservoir System Operations and Maintenance Direct Expense Budget**

Proposed F/Y 2020, Adopted F/Y 2019, and Actual F/Y 2016-2018

Cost Center: Reservoir Direct  
(40)

MANASQUAN WATER SUPPLY SYSTEM  
RESERVOIR SYSTEM  
O & M DIRECT EXPENSE BUDGET

| CODE | ACCOUNT                         | FY '16<br>ACTUAL   | FY '17<br>ACTUAL   | FY '18<br>ACTUAL   | FY '19<br>ADOPTED  | FY '20<br>PROPOSED |
|------|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 5110 | Regular Salaries & Wages        |                    |                    |                    |                    |                    |
| 5120 | Overtime-Salaries & Wages       |                    |                    |                    |                    |                    |
| 5130 | New positions-Salaries & Wages  |                    |                    |                    |                    |                    |
| 5140 | Seasonal Help-Salaries & Wages  |                    |                    |                    |                    |                    |
| 5150 | Fringe Benefits                 |                    |                    |                    |                    |                    |
| 5160 | Retiree Health Benefits         |                    |                    |                    |                    |                    |
|      | Total Salary, Wages & Fringe    |                    |                    |                    |                    |                    |
| 5200 | Residences                      |                    |                    |                    |                    |                    |
| 5210 | Heating Fuel                    | 1,422              |                    |                    | 648                | 648                |
| 5220 | Utilities -Electrical Service   | 89,648             | 87,640             | 76,695             | 90,500             | 90,500             |
| 5230 | -Gas Service                    | 3,382              | 6,799              | 6,759              | 8,000              | 8,000              |
| 5240 | -Propane                        |                    |                    |                    |                    |                    |
| 5250 | Electricity for Pumping Station | 245,856            | 278,032            | 218,469            | 333,000            | 305,000            |
| 5260 | Fuel - Vehicular                |                    |                    |                    |                    |                    |
| 5270 | Oil & Grease                    |                    |                    |                    |                    |                    |
| 5280 | Tires                           |                    |                    |                    |                    |                    |
| 5290 | Maintenance Supplies            | 4,563              | 3,511              | 5,244              | 2,000              | 4,000              |
| 5300 | Maint. Supplies - Vehicular     |                    |                    |                    |                    |                    |
| 5310 | Major Vehicle Service & Repair  |                    |                    |                    |                    |                    |
| 5320 | Agricultural Supplies           |                    |                    |                    |                    |                    |
| 5330 | Maintenance Equipment           | 45,509             | 46,318             | 28,963             | 51,500             | 51,500             |
| 5340 | Serv. & Maintenance Contracts   | 13,073             | 17,303             | 17,379             | 42,450             | 42,450             |
| 5350 | Equipment Rental                | 1,575              | 4,477              | 4,400              | 6,500              | 6,500              |
| 5360 | Household - Safety Supplies     | 1,670              | 523                | 835                | 1,000              | 1,000              |
| 5370 | Uniforms                        |                    |                    |                    |                    |                    |
| 5380 | Special & Professional Services | 192,376            | 66,612             | 130,420            | 110,186            | 123,686            |
| 5390 | Protective Services             | 242,108            | 228,411            | 232,093            | 283,868            | 239,000            |
| 5400 | Telephone                       | 7,792              | 6,810              | 7,204              | 8,700              | 8,000              |
| 5410 | Postage & Freight Out           |                    |                    |                    |                    |                    |
| 5420 | Data Processing                 |                    |                    |                    |                    |                    |
| 5430 | Printing & Office Supplies      | 1,194              | 1,704              | 964                | 1,500              | 1,500              |
| 5440 | Scientific & Photographic       | 2,975              | 3,350              | 2,258              | 5,500              | 5,500              |
| 5450 | Dues & Subscriptions            |                    |                    |                    |                    |                    |
| 5460 | Advertising & Promotional       | 257                | 487                | 433                | 2,000              | 2,000              |
| 5480 | Staff Training & Tuition Aid    |                    |                    |                    |                    |                    |
| 5490 | Fees & Permits                  | 31,180             | 31,430             | 31,080             | 35,500             | 35,500             |
| 5500 | In - Lieu Taxes                 | 36,756             | 36,756             | 36,756             | 36,800             | 36,800             |
| 5510 | Sediment Removal                | 33,184             |                    | 29,724             |                    | 47,000             |
| 5520 | Chemicals                       |                    |                    |                    |                    |                    |
| 5525 | Carbon Filter Replacement       |                    |                    |                    |                    |                    |
|      | Total Other Expenses            | \$954,521          | \$820,162          | \$829,677          | \$1,019,652        | \$1,008,584        |
|      | Total Operating Expenses        | \$954,521          | \$820,162          | \$829,677          | \$1,019,652        | \$1,008,584        |
|      | <b>ANNUAL BUDGET</b>            | <b>\$1,072,500</b> | <b>\$1,018,478</b> | <b>\$1,049,600</b> | <b>\$1,019,652</b> | <b>\$1,008,584</b> |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 4 - Treatment Plant/Transmission System Operations and Maintenance Direct**

**Expense Budget**

Proposed F/Y 2020, Adopted F/Y 2019, and Actual F/Y 2016-2018

Cost Center: Treat/Trans Direct  
(50)

MANASQUAN WATER SUPPLY SYSTEM  
WATER TREATMENT PLANT/TRANSMISSION SYSTEM  
O & M DIRECT EXPENSE BUDGET

| CODE | ACCOUNT                           | FY '16<br>ACTUAL | FY '17<br>ACTUAL | FY '18<br>ACTUAL | FY '19<br>ADOPTED | FY '20<br>PROPOSED |
|------|-----------------------------------|------------------|------------------|------------------|-------------------|--------------------|
| 5110 | Regular Salaries & Wages          |                  |                  |                  |                   |                    |
| 5120 | Overtime-Salaries & Wages         |                  |                  |                  |                   |                    |
| 5130 | New positions-Salaries & Wages    |                  |                  |                  |                   |                    |
| 5140 | Seasonal Help-Salaries & Wages    |                  |                  |                  |                   |                    |
| 5150 | Fringe Benefits                   |                  |                  |                  |                   |                    |
| 5160 | Retiree Health Benefits           |                  |                  |                  |                   |                    |
|      | Total Salary, Wages & Fringe      |                  |                  |                  |                   |                    |
| 5200 | Residences                        |                  |                  |                  |                   |                    |
| 5210 | Heating Fuel                      | 5,862            | 1,403            | 0                | 6,000             | 6,000              |
| 5220 | Utilities -Electrical Service     | 328,035          | 317,968          | 269,231          | 329,500           | 304,500            |
| 5230 | -Gas Service                      | 21,465           | 29,683           | 24,309           | 60,000            | 30,000             |
| 5240 | -Propane                          |                  |                  |                  |                   |                    |
| 5250 | Electricity for Pumping Station   |                  |                  |                  |                   |                    |
| 5260 | Fuel- Vehicular                   |                  |                  |                  |                   |                    |
| 5270 | Oil & Grease                      | 3,634            |                  | 1,365            | 4,000             | 4,000              |
| 5280 | Tires                             |                  |                  |                  |                   |                    |
| 5290 | Maintenance Supplies              | 2,491            | 2,062            | 4,217            | 6,000             | 6,000              |
| 5300 | Maint. Supplies - Vehicular       |                  |                  |                  |                   |                    |
| 5310 | Major Vehicle Service & Repair    |                  |                  |                  |                   |                    |
| 5320 | Agricultural Supplies             |                  |                  | 64               |                   |                    |
| 5330 | Maintenance Equipment             | 69,270           | 65,951           | 44,048           | 112,500           | 112,500            |
| 5340 | Serv. & Maintenance Contracts     | 30,861           | 14,919           | 22,084           | 37,000            | 37,000             |
| 5350 | Equipment Rental                  | 3,077            | 76,515           | 1,507            | 4,800             | 4,800              |
| 5360 | Household - Safety Supplies       | 1,782            | 5,900            | 216              | 2,000             | 2,000              |
| 5370 | Uniforms                          |                  |                  |                  |                   |                    |
| 5380 | Special & Professional Services   | 25,705           | 18,158           | 28,673           | 34,600            | 34,600             |
| 5390 | Protective Services               | 79,204           | 78,902           | 79,836           | 94,260            | 92,000             |
| 5400 | Telephone                         | 416              | 435              | 481              |                   |                    |
| 5410 | Postage & Freight Out             |                  |                  | 969              |                   |                    |
| 5420 | Data Processing                   |                  |                  |                  |                   |                    |
| 5430 | Printing & Office Supplies        | 3,949            | 2,153            | 5,077            | 6,800             | 6,800              |
| 5440 | Scientific & Photographic         | 11,882           | 8,839            | 11,868           | 15,000            | 15,000             |
| 5450 | Dues & Subscriptions              |                  |                  |                  |                   |                    |
| 5460 | Advertising & Promotional         | 407              | 494              | 587              | 1,500             | 1,500              |
| 5470 | Travel & Subsistence              | 17               | 27               | 55               |                   |                    |
| 5480 | Staff Training & Tuition Aid      | 0                | 1,400            | 5,102            | 5,200             | 6,700              |
| 5490 | Fees & Permits                    | 8,103            | 7,117            | 5,621            | 8,600             | 9,600              |
| 5500 | In - Lieu Taxes                   | 140              | 140              | 0                | 400               | 400                |
| 5510 | Residual Removal                  | 4,400            | 10,478           | 4,466            | 22,000            | 15,000             |
| 5520 | Water Treatment Chemicals         | 99,829           | 116,894          | 88,979           | 129,500           | 117,000            |
| 5525 | GAC Replacement                   | 48,702           | 238              | 49,871           | 50,000            | 50,000             |
| 5528 | Reimb of O&M Capital Expenditures | 28,113           |                  | 3,725            |                   |                    |
|      | Total Other Expenses              | \$777,344        | \$759,677        | \$652,350        | \$929,660         | \$855,400          |
|      | Total Operating Expenses          | \$777,344        | \$759,677        | \$652,350        | \$929,660         | \$855,400          |
|      | ANNUAL BUDGET                     | \$1,094,200      | \$1,059,546      | \$941,860        | \$929,660         | \$855,400          |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 5 - Reservoir System General and Administrative Operations and Maintenance**

**Direct Expense Budget**

Proposed F/Y 2020, Adopted F/Y 2019, and Actual F/Y 2016-2018

Cost Center: G & A

(60)

MANASQUAN WATER SUPPLY SYSTEM  
GENERAL & ADMINISTRATIVE  
EXPENSE BUDGET

| CODE | ACCOUNT                         | FY '16<br>ACTUAL | FY '17<br>ACTUAL | FY '18<br>ACTUAL | FY '19<br>ADOPTED | FY '20<br>PROPOSED |
|------|---------------------------------|------------------|------------------|------------------|-------------------|--------------------|
| 5110 | Regular Salaries & Wages        | \$1,626,536      | \$1,665,410      | \$1,761,247      | \$1,796,450       | \$1,830,250        |
| 5120 | Overtime-Salaries & Wages       | 91,116           | 81,085           | 77,313           | 106,000           | 106,000            |
| 5130 | New positions-Salaries & Wages  |                  |                  |                  |                   |                    |
| 5140 | Seasonal Help-Salaries & Wages  |                  |                  |                  |                   |                    |
| 5150 | Fringe Benefits                 | 1,090,482        | 1,835,551        | 928,393          | 1,006,864         | 1,052,667          |
| 5160 | Retiree Health Benefits         | 102,036          | 110,587          | 125,373          | 204,300           | 179,900            |
| 5168 | Workers Comp. (Self-Insured)    | 1,172            | 483              | 1,006            | 5,000             | 5,000              |
|      | Total Salary, Wages & Fringe    | \$2,911,342      | \$3,693,116      | \$2,893,334      | \$3,118,614       | \$3,173,817        |
|      | Budget - salary and fringe      |                  |                  |                  |                   |                    |
| 5200 | Residences                      |                  |                  |                  |                   |                    |
| 5210 | Heating Fuel                    |                  |                  |                  |                   |                    |
| 5220 | Utilities -Electrical Service   |                  |                  |                  |                   |                    |
| 5230 | -Gas Service                    |                  |                  |                  |                   |                    |
| 5240 | -Propane                        |                  |                  |                  |                   |                    |
| 5250 | Electricity for Pumping Station |                  |                  |                  |                   |                    |
| 5260 | Fuel - Vehicular                | 15,127           | 14,726           | 20,387           | 20,450            | 22,000             |
| 5270 | Oil & Grease                    | 466              | 4,764            | 865              | 8,200             | 5,700              |
| 5280 | Tires                           | 4,147            | 2,485            | 5,873            | 7,000             | 7,000              |
| 5290 | Maintenance Supplies            | 18,501           | 9,551            | 10,278           | 27,300            | 27,300             |
| 5300 | Maint. Supplies - Vehicular     | 5,809            | 6,751            | 6,022            | 10,600            | 10,600             |
| 5310 | Major Vehicle Service & Repair  | 31,394           | 20,241           | 39,086           | 44,500            | 50,000             |
| 5320 | Agricultural Supplies           | 2,355            | 2,250            | 2,876            | 7,600             | 7,600              |
| 5330 | Maintenance Equipment           | 10,981           | 4,468            | 4,412            | 9,800             | 9,800              |
| 5340 | Serv. & Maintenance Contracts   | 13,676           | 12,610           | 13,066           | 20,750            | 20,550             |
| 5350 | Equipment Rental                | 2,312            | 2,124            | 2,348            | 3,700             | 3,900              |
| 5360 | Household - Safety Supplies     | 6,912            | 11,592           | 8,145            | 7,500             | 7,500              |
| 5370 | Uniforms                        |                  |                  |                  | 0                 | 0                  |
| 5380 | Special & Professional Services | 2,228            | 7,318            | 7,099            | 4,000             | 7,300              |
| 5390 | Protective Services             |                  |                  |                  | 0                 | 0                  |
| 5400 | Telephone                       | 5,587            | 5,649            | 6,304            | 7,000             | 7,000              |
| 5410 | Postage & Freight Out           | 884              | 789              | 447              | 500               | 1,000              |
| 5420 | Data Processing                 | 4,105            | 4,000            | 4,417            | 5,000             | 5,000              |
| 5430 | Printing & Office Supplies      | 3,217            | 4,530            | 2,242            | 7,800             | 5,800              |
| 5440 | Scientific & Photographic       | 531              | 180              | 91               | 300               | 300                |
| 5450 | Dues & Subscriptions            | 440              | 840              | 1,085            | 3,000             | 3,000              |
| 5460 | Advertising & Promotional       | 971              | 631              | 1,379            | 1,500             | 2,000              |
| 5470 | Travel & Subsistence            | 291              | 324              | 70               | 900               | 500                |
| 5480 | Staff Training & Tuition Aid    | 5,847            | 12,246           | 5,920            | 11,900            | 11,900             |
| 5490 | Fees & Permits                  | 3,601            | 2,961            | 2,794            | 7,700             | 7,700              |
| 5500 | In - Lieu Taxes                 |                  |                  |                  |                   |                    |
| 5510 | Residual Removal                |                  |                  |                  |                   |                    |
| 5520 | Water Treatment Chemicals       |                  |                  |                  |                   |                    |
| 5525 | GAC Replacement                 |                  |                  |                  |                   |                    |
|      | Total Other Expenses            | \$139,381        | \$131,030        | \$145,206        | \$217,000         | \$223,450          |
|      | Total Operating Expenses        | \$3,050,723      | \$3,824,146      | \$3,038,539      | \$3,335,614       | \$3,397,267        |
|      | Budget- other expenses          |                  |                  |                  |                   |                    |
|      | <b>TOTAL ANNUAL BUDGET</b>      |                  |                  |                  |                   |                    |
|      | Reservoir System                | \$81,058         | \$70,909         | \$126,227        | \$108,929         | \$133,543          |
|      | Treatment/Transmission System   | \$58,323         | \$60,121         | \$98,198         | \$108,071         | \$89,907           |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 6 - List Of Category 5340 Items Recommended Service & Maintenance Contracts**

**For Reservoir (40)**

Fiscal Year 2020

|    |  | <u>Adopted<br/>F/Y19</u> | <u>Proposed<br/>F/Y20</u> |
|----|--|--------------------------|---------------------------|
| 1  | HVAC/Dehumidifier Service                        | \$ 500                   | \$ 500                    |
| 2  | Instrumentation & Control System Service/Upgrade | 3,000                    | 3,000                     |
| 3  | Electrical Upgrade & Repair                      | 14,000                   | 14,000                    |
| 4  | Overhead Crane Service & Inspection              | 3,000                    | 3,000                     |
| 5  | Fire & Intrusion Alarm Service                   | 1,500                    | 1,500                     |
| 6  | Potable Well/Septic Service                      | 1,500                    | 1,500                     |
| 7  | Fertilization-Dam Dike                           | 3,750                    | 3,750                     |
| 8  | Roadway Crack Sealing                            | 2,000                    | 2,000                     |
| 9  | Wood Debris Removal                              | 2,500                    | 2,500                     |
| 10 | Access Roadway Repairs                           | 2,500                    | 2,500                     |
| 11 | Roofing System Maintenance & Repair              | 4,000                    | 4,000                     |
| 12 | Reservoir Transmission Line Clearing             | 3,000                    | 3,000                     |
| 13 | Fios Fiber Optic for Security Cameras            | 1,200                    | 1,200                     |
|    | <b>Total Service &amp; Maintenance Contracts</b> | <b><u>\$ 42,450</u></b>  | <b><u>\$ 42,450</u></b>   |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 7 - List Of Category 5340 Items Recommended Service & Maintenance Contracts**

**For WTP/TS (50)**

Fiscal Year 2020

|    |  | <u>Adopted</u><br>F/Y19 | <u>Proposed</u><br>F/Y20 |
|----|--|-------------------------|--------------------------|
| 1  | HVAC Service   | \$ 2,000                | \$ 2,000                 |
| 2  | Electrical Service Contract  | 1,000                   | 1,000                    |
| 3  | Instrumentation & Control System Service & Upgrade                       | 5,000                   | 5,000                    |
| 4  | Electrical Upgrade & Repair  | 2,000                   | 2,000                    |
| 5  | Overhead Crane Service   | 1,500                   | 1,500                    |
| 6  | UST Monitors Service and Upgrade   | 1,000                   | 1,000                    |
| 7  | Fire & Intrusion Alarm Service   | 1,200                   | 1,200                    |
| 8  | Air Compressor Service   | 1,200                   | 1,200                    |
| 9  | Boiler Service   | 2,500                   | 2,500                    |
| 10 | Auxiliary Generator Service  | 3,500                   | 3,500                    |
| 11 | Lab Equipment Service  | 2,500                   | 2,500                    |
| 12 | Backflow Preventor Service   | 500                     | 500                      |
| 13 | Gas-Fired Hot Water Heater Service                                       | 700                     | 700                      |
| 14 | Instrumentation & Control System Service & Upgrade (Transmission System) | 5,000                   | 5,000                    |
| 15 | Electrical Upgrade & Repair (Transmission System)                        | 2,000                   | 2,000                    |
| 16 | Meter Vault Internet Service (Transmission System)                       | 5,400                   | 5,400                    |
|    | <b>Total Service &amp; Maintenance Contracts</b>                         | <b><u>\$ 37,000</u></b> | <b><u>\$ 37,000</u></b>  |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 8 - List Of Category 5340 Items Recommended Service & Maintenance Contracts**

**For G & A (60)**

Fiscal Year 2020

|    |                                       | <u>Adopted<br/>F/Y19</u> | <u>Proposed<br/>F/Y20</u> |
|----|---------------------------------------|--------------------------|---------------------------|
| 1  | Refuse & Waste Disposal               | \$ 2,000                 | \$ 2,000                  |
| 2  | Office Equipment/Computers            | 1,800                    | 1,800                     |
| 3  | Waste Oil Disposal                    | 200                      | 200                       |
| 4  | Fire Extinguisher Service             | 1,100                    | 1,100                     |
| 5  | UST Monitor Service                   | -                        | 2,000                     |
| 6  | Building Maintenance                  | 1,750                    | 1,750                     |
| 7  | Internet Service                      | 2,000                    | 2,000                     |
| 8  | Janitorial Service                    | 8,200                    | 6,000                     |
| 9  | Vehicle Lift Inspection               | 500                      | 500                       |
| 10 | Generator Service & Maintenance       | 2,000                    | 2,000                     |
| 11 | Forklift Service & Maintenance        | <u>1,200</u>             | <u>1,200</u>              |
|    | Total Service & Maintenance Contracts | <u><u>\$ 20,750</u></u>  | <u><u>\$ 20,550</u></u>   |

NEW JERSEY WATER SUPPLY AUTHORITY  
 MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 9 - List Of Category 5380 Items Recommended Special & Professional Service**

**For Reservoir (40)**

Fiscal Year 2020

|   |  | Adopted<br>F/Y19 | Proposed<br>F/Y20 |
|---|--|------------------|-------------------|
| 1 | Laboratory Services - Water Quality Sampling | \$ 2,000         | \$ 10,000         |
| 2 | Services-USGS Cooperative Agreement          | 34,000           | 34,000            |
| 3 | Annual Trustee Fund                          | 9,500            | 9,500             |
| 4 | Dam Management-Surveying                     | 2,500            | 2,500             |
| 5 | Wetland Monitoring Management                | 4,000            | 8,000             |
| 6 | Lake Management Consultants                  | 20,000           | 20,000            |
| 7 | Engineering Services                         | 2,500            | 4,000             |
| 8 | Financial Advisory Services                  | 4,850            | 4,850             |
| 9 | USGS Gaging Station Squankum                 | 30,836           | 30,836            |
|   | Total Special & Professional Services        | \$ 110,186       | \$ 123,686        |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 10 - List Of Category 5380 Items Recommended Special & Professional Services**

**For WTP/TS (50)**

Fiscal Year 2020

|   |   | Adopted<br>F/Y19 | Proposed<br>F/Y20 |
|---|---|------------------|-------------------|
|   |   |                  |                   |
| 1 | Water Quality Sampling                            | \$ 17,200        | \$ 17,200         |
| 2 | Residual Quality Analysis                         | 800              | 800               |
| 3 | Consultant Services                               | 4,000            | 4,000             |
| 4 | USGA Allenwood Gage-Parameters                    | 11,000           | 11,000            |
| 5 | Underground Markout Service (Transmission System) | 1,600            | 1,600             |
|   | Total Special & Professional Services             | \$ 34,600        | \$ 34,600         |



NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 11 - List Of Category 5380 Items Recommended Special & Professional Services**

**For G & A (60)**

Fiscal Year 2020

|                                       | <u>Adopted</u><br><u>F/Y19</u> | <u>Proposed</u><br><u>F/Y20</u> |
|---------------------------------------|--------------------------------|---------------------------------|
| 1 Pulmonary Testing                   | \$ 1,500                       | \$ 1,500                        |
| 2 CDL Medical Testing                 | 500                            | 1,000                           |
| 3 EAS Service                         | 1,200                          | 4,000                           |
| 4 Pre-Employment Physicals            | <u>800</u>                     | <u>800</u>                      |
| Total Special & Professional Services | <u>\$ 4,000</u>                | <u>\$ 7,300</u>                 |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 12 - Projected FY 2020 New Jersey Water Supply Authority Insurance Program**

| <u>Policy</u>   | <u>Raritan Basin System</u>           | <u>Manasquan Reservoir System</u> | <u>Manasquan Water Treatment Plant and Transmission System</u> | <u>Total Premium</u>                             |
|---|---------------------------------------|-----------------------------------|--|--|
| <b>Property</b><br>Limit \$150 million, Limit \$25m BI<br>Deduct: \$100k all perils<br>\$250k Deduct dams, dikes / \$1m<br>Deduct Canal flood                         | \$521,658                             | \$173,719                         | \$44,623   | \$740,000  |
| <b>General/Products Liability</b><br>Limit \$1 million<br>Deduct: \$150k  | \$102,350                             | \$8,625                           | \$4,025  | \$115,000  |
| <b>Environmental Impairment Liability</b><br>Limit \$10 million<br>Deduct: \$100k   | \$22,250                              | \$1,875                           | \$875  | \$25,000   |
| <b>Workers' Compensation</b><br>Limit \$1 million   | \$186,027                             | \$23,915                          | \$25,058   | \$235,000  |
| <b>Employer Liability</b><br>Limit \$1 million  | Included in<br>Workers' Comp          | Included in<br>Workers' Comp      | Included in<br>Workers' Comp                                   | Included in<br>Workers' Comp                     |
| <b>Umbrella Liability</b><br>Limit \$23 million   | \$267,000                             | \$22,500                          | \$10,500   | \$300,000  |
| <b>Business Automobile</b><br>Limit: \$1 million G/L, \$0 pd<br>Deduct: \$50k, G/L  | \$22,985                              | \$4,091                           | \$924  | \$28,000   |
| <b>Management Liability</b><br>Public Officials Liability<br>Cyber Risk<br>Fidelity & Crime<br>Limit \$5 million/\$1million/\$1 million<br>Deduct: \$100k/\$10k/\$50k | \$44,500<br>\$5,340<br><hr/> \$49,840 | \$3,750<br>\$450<br><hr/> \$4,200 | \$1,750<br>\$210<br>\$4,000<br><hr/> \$5,960                   | \$50,000<br>\$6,000<br>\$4,000<br><hr/> \$60,000 |
| <b>Travel Accident</b><br>Limit \$2 million   | \$890                                 | \$75                              | \$35   | \$1,000  |
| <b>TOTAL:</b>   | \$1,173,000                           | \$239,000                         | \$92,000   | \$1,504,000                                      |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 13 - Recap Of Allocation Of Headquarters General And Administrative Expenses  
Charged To The Manasquan Reservoir Water Supply System**

Fiscal Year 2020 (7/1/19-6/30/20)

|  | <b>Total<br/>Headquarters<br/>Charge</b> | <b>Manasquan<br/>Reservoir<br/>System</b> | <b>Manasquan<br/>WTP/TS</b> |
|--|--|---|-----------------------------|
| Budgeted-Appendix I, amount to be charged to Manasquan System for FY20 (7/1/19-6/30/20)                      | \$753,893                                | \$649,479                                 | \$104,414                   |
| F/Y18 Adjustment as per audited Expenditures:  |  |   |                             |
| Budgeted as per rate schedule for F/Y18 (7/1/17-6/30/18). Amounts paid during F/Y17 to Raritan Basin System. | \$772,000                                | \$666,000                                 | \$106,000                   |
| Actual allocation based upon audited expenditures F/Y18 (7/1/17-6/30/18) - Appendix II                       | <u>\$677,639</u>                         | <u>\$584,583</u>                          | <u>\$93,056</u>             |
| Adjustments F/Y18  | <u>(\$94,361)</u>                        | <u>(\$81,417)</u>                         | <u>(\$12,944)</u>           |
| Net Allocation for F/Y2020 Budget  | <u><u>\$659,532</u></u>                  | <u><u>\$568,062</u></u>                   | <u><u>\$91,470</u></u>      |
| <br>   |  |   |                             |
| Estimate   | <u>\$660,000</u>                         | <u>\$568,000</u>                          | <u>\$92,000</u>             |



NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 15 - July, 2017 – June, 2018 Fiscal Year 2018 G&A Expenses Split**

| EMPLOYEE NUMBER             | TOTAL              | BUDGETED % |           | ACTUAL % (Timesheets) |           | VARIANCE UNDER (OVER) |            |             |
|-----------------------------|--------------------|------------|-----------|-----------------------|-----------|-----------------------|------------|-------------|
|                             |                    | (40)       | (50)      | (40)                  | (50)      | (40)                  | (50)       |             |
|                             |                    | RESERVOIR  | WTP/TS    | RESERVOIR             | WTP/TS    | RESERVOIR             | WTP/TS     |             |
| 4 6738 PLANT OPERATOR       |                    |            | 5%        | 95%                   | 5%        | 95%                   |            |             |
|                             | TIME SPLIT         |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 67,748.16  | 3,387.41  | 64,360.75             | 3,387.41  | 64,360.75             | 0.00       | 0.00        |
|                             | CLOTH.             | 550.00     | 27.50     | 522.50                | 27.50     | 522.50                | 0.00       | 0.00        |
|                             | O.T.               | 4,519.27   | 225.96    | 4,293.31              | 225.96    | 4,293.31              | 0.00       | 0.00        |
|                             | FRINGE             | 41,264.71  | 2,063.24  | 39,201.47             | 2,063.24  | 39,201.47             | 0.00       | 0.00        |
| 7 7330 RESERVOIR            |                    |            | 97%       | 3%                    | 98%       | 2%                    |            |             |
|                             | SYSTEM OPERATOR    |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 41,928.64  | 40,670.77 | 1,257.87              | 41,090.07 | 838.57                | (419.30)   | 419.30      |
|                             | CLOTH.             | 550.00     | 533.50    | 16.50                 | 539.00    | 11.00                 | (5.50)     | 5.50        |
|                             | O.T.               | 5,016.73   | 4,866.24  | 150.49                | 4,916.40  | 100.33                | (50.16)    | 50.16       |
|                             | FRINGE             | 26,617.88  | 25,819.34 | 798.54                | 26,085.52 | 532.36                | (266.18)   | 266.18      |
| 21 7335 RESERVOIR           |                    |            | 97%       | 3%                    | 100%      | 0%                    |            |             |
|                             | SYSTEM OPERATOR    |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 56,086.60  | 54,404.02 | 1,682.58              | 56,086.60 | -                     | (1,682.58) | 1,682.58    |
|                             | CLOTH.             | 550.00     | 533.50    | 16.50                 | 550.00    | 0.00                  | (16.50)    | 16.50       |
|                             | O.T.               | 4,278.49   | 4,150.14  | 128.35                | 4,278.49  | 0.00                  | (128.35)   | 128.35      |
|                             | FRINGE             | 34,542.09  | 33,505.84 | 1,036.25              | 34,542.09 | 0.00                  | (1,036.25) | 1,036.25    |
| 20 7933 PLANT OPERATOR      |                    |            | 6%        | 94%                   | 6%        | 94%                   |            |             |
|                             | TIME SPLIT         |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 70,927.20  | 4,255.63  | 66,671.57             | 4,255.63  | 66,671.57             | 0.00       | 0.00        |
|                             | CLOTH.             | 550.00     | 33.00     | 517.00                | 33.00     | 517.00                | 0.00       | 0.00        |
|                             | O.T.               | 7,373.35   | 442.39    | 6,930.96              | 442.40    | 6,930.95              | (0.01)     | 0.01        |
|                             | FRINGE             | 44,411.76  | 2,664.70  | 41,747.06             | 2,664.71  | 41,747.05             | (0.01)     | 0.01        |
| 12 8172 FAC. MECHANIC II    |                    |            | 97%       | 3%                    | 50%       | 50%                   |            |             |
|                             | TIME SPLIT         |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 61,838.80  | 59,983.63 | 1,855.17              | 30,919.40 | 30,919.40             | 29,064.23  | (29,064.23) |
|                             | CLOTH.             | 550.00     | 533.50    | 16.50                 | 275.00    | 275.00                | 258.50     | (258.50)    |
|                             | O.T.               | 315.05     | 305.60    | 9.45                  | 157.53    | 157.52                | 148.07     | (148.07)    |
|                             | FRINGE             | 35,943.10  | 34,864.81 | 1,078.29              | 17,971.55 | 17,971.55             | 16,893.26  | (16,893.26) |
| 9 12976 FAC MECHANIC II     |                    |            | 47%       | 53%                   | 51%       | 49%                   |            |             |
|                             | TIME SPLIT         |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 63,918.00  | 30,041.45 | 33,876.55             | 32,598.18 | 31,319.82             | (2,556.73) | 2,556.73    |
|                             | CLOTH.             | 550.00     | 258.50    | 291.50                | 280.50    | 269.50                | (22.00)    | 22.00       |
|                             | O.T.               | 232.54     | 109.29    | 123.25                | 118.60    | 113.94                | (9.31)     | 9.31        |
|                             | FRINGE             | 37,020.27  | 17,399.53 | 19,620.74             | 18,880.34 | 18,139.93             | (1,480.81) | 1,480.81    |
| 16 16220 FOREMAN            |                    |            | 92%       | 8%                    | 91%       | 9%                    |            |             |
|                             | BUILDING & GROUNDS |            |           |                       |           |                       |            |             |
|                             | MAINT. - WSA       | 70,865.20  | 65,195.98 | 5,669.22              | 64,487.33 | 6,377.87              | 708.65     | (708.65)    |
|                             | CLOTH.             | 1,650.00   | 1,518.00  | 132.00                | 1,501.50  | 148.50                | 16.50      | (16.50)     |
|                             | O.T.               | 907.10     | 834.53    | 72.57                 | 825.46    | 81.64                 | 9.07       | (9.07)      |
|                             | FRINGE             | 41,101.47  | 37,813.37 | 3,288.10              | 37,402.34 | 3,699.13              | 411.03     | (411.03)    |
| 14 23959 FOREMAN FACILITIES |                    |            | 46%       | 54%                   | 48%       | 52%                   |            |             |
|                             | MAINT.             |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 72,539.60  | 33,368.22 | 39,171.38             | 34,819.01 | 37,720.59             | (1,450.79) | 1,450.79    |
|                             | CLOTH.             | 1,100.00   | 506.00    | 594.00                | 528.00    | 572.00                | (22.00)    | 22.00       |
|                             | O.T.               | 1,636.67   | 752.86    | 883.81                | 785.60    | 851.07                | (32.74)    | 32.74       |
|                             | FRINGE             | 39,539.56  | 18,188.19 | 21,351.37             | 18,978.99 | 20,560.57             | (790.80)   | 790.80      |
| 8 23970 RESERVOIR SYS       |                    |            | 97%       | 3%                    | 97%       | 3%                    |            |             |
|                             | OPERATOR           |            |           |                       |           |                       |            |             |
|                             | REGULAR            | 56,022.31  | 54,341.64 | 1,680.67              | 54,341.64 | 1,680.67              | 0.00       | 0.00        |
|                             | CLOTH.             | 550.00     | 533.50    | 16.50                 | 533.50    | 16.50                 | 0.00       | 0.00        |
|                             | O.T.               | 5,946.98   | 5,768.57  | 178.41                | 5,768.57  | 178.41                | 0.00       | 0.00        |
|                             | FRINGE             | 35,275.16  | 34,216.91 | 1,058.25              | 34,216.91 | 1,058.25              | 0.00       | 0.00        |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 15 (Continued) July, 2017 – June, 2018 Fiscal Year 2018 G&A Expenses Split**

| EMPLOYEE NUMBER                              | TOTAL      | BUDGETED % |           | ACTUAL % (Timesheets) |           | VARIANCE UNDER (OVER) |             |  |
|--|------------|------------|-----------|-----------------------|-----------|-----------------------|-------------|--|
|  |            | (40)       | (50)      | (40)                  | (50)      | (40)                  | (50)        |  |
|  |            | RESERVOIR  | WTP/TS    | RESERVOIR             | WTP/TS    | RESERVOIR             | WTP/TS      |  |
| 13 26529 SR. WATER SUPPLY TECH - WSA         |            |            | 43%       | 57%                   | 34%       | 66%                   |             |  |
|  |            |            |           |                       |           |                       |             |  |
|  | 74,376.00  | 31,981.68  | 42,394.32 | 25,287.84             | 49,088.16 | 6,693.84              | (6,693.84)  |  |
|  | 1,650.00   | 709.50     | 940.50    | 561.00                | 1,089.00  | 148.50                | (148.50)    |  |
|  | 926.83     | 398.54     | 528.29    | 315.12                | 611.71    | 83.42                 | (83.42)     |  |
|  | 41,320.31  | 17,767.73  | 23,552.58 | 14,048.91             | 27,271.40 | 3,718.82              | (3,718.82)  |  |
| 5 36810 MAINT. WORKER 1                      |            |            | 95%       | 5%                    | 93%       | 7%                    |             |  |
|  | 43,662.80  | 41,479.66  | 2,183.14  | 40,606.40             | 3,056.40  | 873.26                | (873.26)    |  |
|  | 550.00     | 522.50     | 27.50     | 511.50                | 38.50     | 11.00                 | (11.00)     |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 25,102.90  | 23,847.76  | 1,255.14  | 23,345.70             | 1,757.20  | 502.06                | (502.06)    |  |
| 17 41950 PLANT OPERATOR                      |            |            | 6%        | 94%                   | 6%        | 94%                   |             |  |
|  | 70,072.80  | 4,204.37   | 65,868.43 | 4,204.37              | 65,868.43 | 0.00                  | 0.00        |  |
|  | 550.00     | 33.00      | 517.00    | 33.00                 | 517.00    | 0.00                  | 0.00        |  |
|  | 8,128.83   | 487.72     | 7,641.11  | 487.73                | 7,641.10  | (0.01)                | 0.01        |  |
|  | 45,876.84  | 2,752.64   | 43,124.20 | 2,752.61              | 43,124.23 | 0.03                  | (0.03)      |  |
| 18 47397 SUPERVISOR TECH. ASST. & FAC. MAINT |            |            | 44%       | 56%                   | 50%       | 50%                   |             |  |
|  | 82,053.60  | 36,103.58  | 45,950.02 | 41,026.80             | 41,026.80 | (4,923.22)            | 4,923.22    |  |
|  | 1,650.00   | 726.00     | 924.00    | 825.00                | 825.00    | (99.00)               | 99.00       |  |
|  | 7,509.43   | 3,304.15   | 4,205.28  | 3,754.72              | 3,754.71  | (450.57)              | 450.57      |  |
|  | 50,877.55  | 22,386.13  | 28,491.42 | 25,438.78             | 25,438.77 | (3,052.65)            | 3,052.65    |  |
| 3 50121 SUPERVISOR OPERATION MWSS- WSA       |            |            | 24%       | 76%                   | 26%       | 74%                   |             |  |
|  | 94,969.34  | 22,792.63  | 72,176.71 | 24,692.03             | 70,277.31 | (1,899.40)            | 1,899.40    |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 54,466.10  | 13,071.85  | 41,394.25 | 14,161.19             | 40,304.91 | (1,089.34)            | 1,089.34    |  |
| 1 50461 DIR. MWSS/D&R CANAL OPERATIONS       |            |            | 60%       | 40%                   | 40%       | 60%                   |             |  |
|  | 114,025.81 | 68,415.49  | 45,610.32 | 45,610.32             | 68,415.49 | 22,805.17             | (22,805.17) |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 64,201.44  | 38,520.85  | 25,680.59 | 25,680.58             | 38,520.86 | 12,840.27             | (12,840.27) |  |
| 2 50802 ADMIN. ASSISTANT                     |            |            | 60%       | 40%                   | 40%       | 60%                   |             |  |
|  | 63,948.69  | 38,369.22  | 25,579.47 | 25,579.48             | 38,369.21 | 12,789.74             | (12,789.74) |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 36,358.99  | 21,815.40  | 14,543.59 | 14,543.60             | 21,815.39 | 7,271.80              | (7,271.80)  |  |
| 19 63738 PLANT OPERATOR                      |            |            | 6%        | 94%                   | 6%        | 94%                   |             |  |
|  | 70,726.59  | 4,243.60   | 66,482.99 | 4,243.60              | 66,482.99 | 0.00                  | 0.00        |  |
|  | 550.00     | 33.00      | 517.00    | 33.00                 | 517.00    | 0.00                  | 0.00        |  |
|  | 5,648.13   | 338.89     | 5,309.24  | 338.89                | 5,309.24  | 0.00                  | 0.00        |  |
|  | 43,455.72  | 2,607.35   | 40,848.37 | 2,607.34              | 40,848.38 | 0.01                  | (0.01)      |  |
| 6 69555 MAINT WORKER 1                       |            |            | 95%       | 5%                    | 91%       | 9%                    |             |  |
|  | 45,009.60  | 42,759.12  | 2,250.48  | 40,958.74             | 4,050.86  | 1,800.38              | (1,800.38)  |  |
|  | 550.00     | 522.50     | 27.50     | 500.50                | 49.50     | 22.00                 | (22.00)     |  |
|  | 0.00       | 0.00       | 0.00      | 0.00                  | 0.00      | 0.00                  | 0.00        |  |
|  | 26,196.75  | 24,886.92  | 1,309.83  | 23,839.04             | 2,357.71  | 1,047.88              | (1,047.88)  |  |

**NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM**

**Schedule 15 (Continued) July, 2017 – June, 2018 Fiscal Year 2018 G&A Expenses Split**

| EMPLOYEE NUMBER                         | TOTAL       | BUDGETED %          |                     | ACTUAL % (Timesheets) |                     | VARIANCE            |                  |                    |
|---|-------------|---------------------|---------------------|-----------------------|---------------------|---------------------|------------------|--------------------|
|   |             | (40)                | (50)                | (40)                  | (50)                | (40)                | (50)             |                    |
|   |             | RESERVOIR           | WTP/TS              | RESERVOIR             | WTP/TS              | RESERVOIR           | WTP/TS           |                    |
| 22 91500 FAC MECHANIC -WSA              | TIME SPLIT  |                     | 47%                 | 53%                   | 50%                 | 50%                 |                  |                    |
|   | REGULAR     | 49,352.80           | 23,195.82           | 26,156.98             | 24,676.40           | 24,676.40           | (1,480.58)       | 1,480.58           |
|   | CLOTH.      | 1,650.00            | 775.50              | 874.50                | 825.00              | 825.00              | (49.50)          | 49.50              |
|   | O.T.        | 37.05               | 17.41               | 19.64                 | 18.53               | 18.52               | (1.12)           | 1.12               |
|   | FRINGE      | 27,566.44           | 12,956.24           | 14,610.20             | 13,783.22           | 13,783.22           | (826.98)         | 826.98             |
| 26 9373 ASST. RESERVOIR SYSTEM OPER-WSA | TIME SPLIT  |                     | 97%                 | 3%                    | 93%                 | 7%                  |                  |                    |
|   | REGULAR     | 28,125.61           | 27,281.83           | 843.78                | 26,156.82           | 1,968.79            | 1,125.01         | (1,125.01)         |
|   | CLOTH.      | 0.00                | 0.00                | 0.00                  | 0.00                | 0.00                | 0.00             | 0.00               |
|   | O.T.        | 1,115.88            | 1,082.40            | 33.48                 | 1,037.77            | 78.11               | 44.63            | (44.63)            |
|   | FRINGE      | 16,104.60           | 15,621.47           | 483.13                | 14,977.28           | 1,127.32            | 644.19           | (644.19)           |
| 23 87000 PLANT OPERATOR                 | TIME SPLIT  |                     | 5%                  | 95%                   | 5%                  | 95%                 |                  |                    |
|   | REGULAR     | 67,362.00           | 3,368.10            | 63,993.90             | 3,368.10            | 63,993.90           | 0.00             | 0.00               |
|   | CLOTH.      | 550.00              | 27.50               | 522.50                | 27.50               | 522.50              | 0.00             | 0.00               |
|   | O.T.        | 7,227.01            | 361.35              | 6,865.66              | 361.35              | 6,865.66            | 0.00             | 0.00               |
|   | FRINGE      | 42,682.44           | 2,134.13            | 40,548.31             | 2,134.12            | 40,548.32           | 0.01             | (0.01)             |
| 24 87750 RESERVOIR SYSTEM OPERATOR      | TIME SPLIT  |                     | 97%                 | 3%                    | 99%                 | 1%                  |                  |                    |
|   | REGULAR     | 56,435.65           | 54,742.59           | 1,693.06              | 55,871.29           | 564.36              | (1,128.70)       | 1,128.70           |
|   | CLOTH.      | 550.00              | 533.50              | 16.50                 | 544.50              | 5.50                | (11.00)          | 11.00              |
|   | O.T.        | 5,337.25            | 5,177.14            | 160.11                | 5,283.88            | 53.37               | (106.74)         | 106.74             |
|   | FRINGE      | 36,166.06           | 35,081.08           | 1,084.98              | 35,804.40           | 361.66              | (723.32)         | 723.32             |
| 15 88875 WATER SUPPLY TECH-WSA          | TIME SPLIT  |                     | 62%                 | 38%                   | 89%                 | 11%                 |                  |                    |
|   | REGULAR     | 62,853.20           | 38,968.98           | 23,884.22             | 55,939.35           | 6,913.85            | (16,970.37)      | 16,970.37          |
|   | CLOTH.      | 1,650.00            | 1,023.00            | 627.00                | 1,468.50            | 181.50              | (445.50)         | 445.50             |
|   | O.T.        | 25.20               | 15.62               | 9.58                  | 22.43               | 2.77                | (6.81)           | 6.81               |
|   | FRINGE      | 32,556.50           | 20,185.04           | 12,371.46             | 28,975.29           | 3,581.21            | (8,790.25)       | 8,790.25           |
| 11 90000 SUPERVISING PLANT OPERATOR     | TIME SPLIT  |                     | 36%                 | 64%                   | 38%                 | 62%                 |                  |                    |
|   | REGULAR     | 78,362.65           | 28,210.55           | 50,152.10             | 29,777.81           | 48,584.84           | (1,567.26)       | 1,567.26           |
|   | CLOTH.      | 1,650.00            | 594.00              | 1,056.00              | 627.00              | 1,023.00            | (33.00)          | 33.00              |
|   | O.T.        | 1,434.76            | 516.53              | 918.23                | 545.21              | 889.55              | (28.68)          | 28.68              |
|   | FRINGE      | 45,584.06           | 16,410.26           | 29,173.80             | 17,321.94           | 28,262.12           | (911.68)         | 911.68             |
| 25 93000 PLANT OPERATOR                 | TIME SPLIT  |                     | 5%                  | 95%                   | 5%                  | 95%                 |                  |                    |
|   | REGULAR     | 67,298.16           | 3,364.91            | 63,933.25             | 3,364.91            | 63,933.25           | 0.00             | 0.00               |
|   | CLOTH.      | 550.00              | 27.50               | 522.50                | 27.50               | 522.50              | 0.00             | 0.00               |
|   | O.T.        | 8,954.67            | 447.73              | 8,506.94              | 447.73              | 8,506.94            | 0.00             | 0.00               |
|   | FRINGE      | 43,561.27           | 2,178.06            | 41,383.21             | 2,178.06            | 41,383.21           | 0.00             | 0.00               |
| 10 87005 EQUIPMENT OPERATOR             | TIME SPLIT  |                     | 95%                 | 5%                    | 89%                 | 11%                 |                  |                    |
|   | REGULAR     | 35,879.96           | 34,085.96           | 1,794.00              | 31,933.16           | 3,946.80            | 2,152.80         | (2,152.80)         |
|   | CLOTH.      | 275.00              | 261.25              | 13.75                 | 244.75              | 30.25               | 16.50            | (16.50)            |
|   | O.T.        | 742.01              | 704.92              | 37.09                 | 660.39              | 81.62               | 44.53            | (44.53)            |
|   | FRINGE      | 21,579.23           | 20,500.28           | 1,078.95              | 19,205.51           | 2,373.72            | 1,294.77         | (1,294.77)         |
| 27 10574 PROJECT ENGINEER II            | TIME SPLIT  |                     | 50%                 | 50%                   | 41%                 | 59%                 |                  |                    |
|   | REGULAR     | 75,882.72           | 37,941.36           | 37,941.36             | 31,111.92           | 44,770.80           | 6,829.44         | (6,829.44)         |
|   | CLOTH.      | 0.00                | 0.00                | 0.00                  | 0.00                | 0.00                | 0.00             | 0.00               |
|   | O.T.        | 0.00                | 0.00                | 0.00                  | 0.00                | 0.00                | 0.00             | 0.00               |
|   | FRINGE      | 42,753.67           | 21,376.86           | 21,376.81             | 17,529.00           | 25,224.67           | 3,847.86         | (3,847.86)         |
|   |             | (60)                | (40)                | (50)                  | (40)                | (50)                | (40)             | (50)               |
|   | REGULAR     | 1,742,272.49        | 887,158.20          | 855,114.29            | 836,394.61          | 905,877.88          | 50,763.59        | (50,763.59)        |
|   | CLOTH.      | 18,975.00           | 10,265.75           | 8,709.25              | 10,496.75           | 8,478.25            | (231.00)         | 231.00             |
|   | O.T.        | 77,313.23           | 30,307.98           | 47,005.25             | 30,792.76           | 46,520.47           | (484.78)         | 484.78             |
|   | FRINGE      | 1,032,126.87        | 520,635.98          | 511,490.89            | 491,132.26          | 540,994.61          | 29,503.72        | (29,503.72)        |
|   | GRAND TOTAL | <u>2,870,687.59</u> | <u>1,448,367.91</u> | <u>1,422,319.68</u>   | <u>1,368,816.38</u> | <u>1,501,871.21</u> | <u>79,551.53</u> | <u>(79,551.53)</u> |

\*PLANT OPERATORS ADJUSTED TO ACTUAL %S OF 5%/95% ORIGINAL %S AS FOLLOWS:  
C. BENNETT 1%/99% J. TESTA 4%/96%  
R. KARECKY 4%/96 C. ZIEGLER 4%-96%  
E. OTREBA 4%/96%

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 16 - Estimate Of Interest Income**

Fiscal Year 2020 Budget

| Fund/Reserve                              | TD Bank<br>Funds     |          |
|---|----------------------|----------|
| Operating                                 | \$665,000            |          |
| Reserve for O & M                         | 1,245,000            |          |
| General Reserve (Rate Stabilization Fund) | 40,000               |          |
| Pumping Reserve                           | 125,000              |          |
| Self-Insurance Reserve                    | 38,000               |          |
| Sediment Reserve                          | 225,000              |          |
| Estimated Total                           | \$2,338,000          |          |
|   | \$2,338,000 x 1.0% = | \$23,380 |
|   | Total                | \$23,380 |
|   | Estimate             | \$23,400 |

Note: Long-term investment earnings are being used to fund depreciation reserve.



NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 17 - Unanticipated Revenue**

Funds to be Appropriated into Rate Stabilization fund for Fiscal Year 2020

|  | Amount        |             |              |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
|--|---------------|-------------|--------------|--------|-------------|------|--------|--------------|--|------|--------|--------|--|-------|--------|-----------|--|-------|--------|----------|--|-------|--------|----------|--|
| F/Y2018 Net Year-End Balance   | \$ 169,900.00 |             |              |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
| Excess D/S Coverage FY2019   | \$ -          |             |              |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Overdraft</th> <th style="text-align: left; border-bottom: 1px solid black;">Invoice No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Inv. Date</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount</th> </tr> </thead> <tbody> <tr> <td>NJ American</td> <td>M758</td> <td>Sep-17</td> <td style="text-align: right;">\$ 16,789.59</td> </tr> <tr> <td></td> <td>MM13</td> <td>Dec-17</td> <td style="text-align: right;">776.25</td> </tr> <tr> <td></td> <td>MM320</td> <td>Mar-18</td> <td style="text-align: right;">14,739.52</td> </tr> <tr> <td></td> <td>MM322</td> <td>Jun-18</td> <td style="text-align: right;">2,226.83</td> </tr> <tr> <td></td> <td>MM324</td> <td>Jul-18</td> <td style="text-align: right;">4,187.08</td> </tr> </tbody> </table> | Overdraft     | Invoice No. | Inv. Date    | Amount | NJ American | M758 | Sep-17 | \$ 16,789.59 |  | MM13 | Dec-17 | 776.25 |  | MM320 | Mar-18 | 14,739.52 |  | MM322 | Jun-18 | 2,226.83 |  | MM324 | Jul-18 | 4,187.08 |  |
| Overdraft  | Invoice No.   | Inv. Date   | Amount       |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
| NJ American  | M758          | Sep-17      | \$ 16,789.59 |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
|  | MM13          | Dec-17      | 776.25       |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
|  | MM320         | Mar-18      | 14,739.52    |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
|  | MM322         | Jun-18      | 2,226.83     |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
|  | MM324         | Jul-18      | 4,187.08     |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
| Used in FY19   | -             |             |              |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |
| Available for use in FY20  | \$ 38,719.27  |             |              |        |             |      |        |              |  |      |        |        |  |       |        |           |  |       |        |          |  |       |        |          |  |

Additional Sources

|                                   |                      |
|-----------------------------------|----------------------|
| <b>Total Available</b>            | <b>\$ 208,619.27</b> |
| <b>Estimate for FY/20</b>         | <b>\$ 208,620.00</b> |
| <b>Available for Future Years</b> | <b>\$ -</b>          |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 18 - Fund Balances as of 6/30/18**

\*\*Final\*\*

|   | REVENUE<br>FUND | OPERATING<br>ACCOUNT | OPERATING<br>FUND | O & M<br>RESERVE | LONG TERM<br>INVESTMENTS<br>O & M<br>RESERVE | TOTAL  |
|---|-----------------|----------------------|-------------------|------------------|--|--|
| BALANCE 6/30/18<br>(Does not include Debt Service payment)  | \$ 70,560       | \$ 665,029           | \$ 4,723,630      | \$ 1,244,939     | \$ 392,644                                   | \$ 7,096,802   |
| Add: Adjustment for uncollected water revenues at 6/30/18   |                 |                      | -                 |                  |  | -  |
| Add: NJ-American, JCP&L expenses for June 2018  |                 |                      | 18,776            |                  |  | 18,776   |
| Deduct: Accrued expenses to be paid as of 6/30/18   |                 |                      | (48,699)          |                  |  | (48,699)   |
| Deduct: June 10th billing, received   |                 |                      | (157,237)         |                  |  | (157,237)  |
| Adjusted Balances 6/30/18   | \$ 70,560       | \$ 665,029           | \$ 4,536,470      | \$ 1,244,939     | \$ 392,644                                   | \$ 6,909,642   |
| <br>  |                 |                      |                   |                  |  |  |
| INCOME  |                 |                      |                   |                  |  |  |
| Operating Transfer  | (70,000)        |                      | 70,000            |                  |  | -  |
| Receipt of WTP/TS G&A expenses for the<br>month of June 2018, 7/31/18 billing                                     |                 |                      | 190,775           |                  |  | 190,775  |
| <br>  |                 |                      |                   |                  |  |  |
| EXPENSES  |                 |                      |                   |                  |  |  |
| O & M Expenses - (A/P-6/30/18)<br>includes accrued payroll and pension thru 6/30/18                               |                 |                      | (168,283)         |                  |  | (168,283)  |
| Capital items to be purchased by 6/30/18  |                 |                      | (3,000)           |                  |  | (3,000)  |
| Payment of Headquarters overhead expenses -<br>to be paid 7/01  |                 |                      | (163,000)         |                  |  | (163,000)  |
| Contributions to Various Reserves- 7/18   |                 |                      | (37,500)          |                  |  | (37,500)   |
| ADJUSTED BALANCE AT 6/30/18   | \$ 560          | \$ 665,029           | \$ 4,425,462      | \$ 1,244,939     | \$ 392,644                                   | \$ 6,728,634   |
| <br>  |                 |                      |                   |                  |  |  |
|   |                 |                      |                   |                  |  | Less: O & M Reserve Balance (Goal is 3 months O & M Expenses as dictated by Bond Resolution) (810,095) |
|   |                 |                      |                   |                  |  | <b>\$ 5,918,539</b>  |
| <br>  |                 |                      |                   |                  |  |  |
| Use of Available Funds  |                 |                      |                   |                  |  |  |
| Unanticipated revenues (overdrafts in FY18 to be available to the General Fund for FY20)<br>NJ American Water     |                 |                      |                   |                  |  | \$ (17,566)  |
| Appropriate FY19 net fund balance into the General Fund (Rate Stabilization)<br>to be used for rate stabilization |                 |                      |                   |                  |  | (188,350)  |
| <br>  |                 |                      |                   |                  |  | <b>\$ 5,712,623</b>  |

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 19 - Operations & Maintenance Expense Component and Debt Service Cost**

**Component Sales Base**  
Projected Fiscal Year 2020

| USER  | ALLOCATION (mgd)  |
|---|-------------------|
| Avon, Borough of  | 0.126             |
| Belmar, Borough of  | 0.288             |
| Brielle, Borough of   | 0.450             |
| Keyport, Borough of   | 0.356             |
| Matawan, Borough of   | 0.332             |
| New Jersey American Water                                   | 12.500            |
| Red Bank, Borough of  | 0.548             |
| Sea Girt, Borough of  | 0.040             |
| Shorelands Water Company                                    | 2.007             |
| Lake Como, Borough of                                       | 0.100             |
| Spring Lake, Borough of                                     | 0.310             |
| Spring Lake Heights, Borough of                             | 0.386             |
| Wall Township   | 2.000             |
| <b>OPERATIONS &amp; MAINTENANCE/DEBT SERVICE SALES BASE</b> | <b>19.443 mgd</b> |

NEW JERSEY WATER SUPPLY AUTHORITY  
 MANASQUAN RESERVOIR WATER SUPPLY AUTHORITY

**Schedule 20 - Operations And Maintenance Rate Component (19.443mgd)**

Fiscal Year 2020

Funds Required for F/Y2020 Budget

|  |    |           |
|--|----|-----------|
| Total Budget Requirements  | \$ | 3,301,878 |
| Miscellaneous Revenues   | \$ | (232,020) |
| Net Budget Requirement   | \$ | 3,069,858 |
| Less - Quarterly O&M payment on July 10, 2019<br>(cash received in July for water used in April, May<br>and June of 2019 based on \$432.87/mg) | \$ | (765,883) |
| Additional Revenue required from last three (3)<br>Quarterly payments in F/Y2020 to cover Operations &<br>Maintenance expenses through 6/30/20 | \$ | 2,303,976 |

Computation of Operations & Maintenance Rate for Fiscal Year 2020

|  |                                  |   |              |
|--|----------------------------------|---|--------------|
| Required Operations & Maintenance Rate F/Y2020 | $\frac{\$2,303,976}{5,322.52^*}$ | = | \$ 432.87/mg |
|--|----------------------------------|---|--------------|

\* Four (4) Quarters Sales =

|  |                  |   |               |
|--|------------------|---|---------------|
|  | 19.443 mgd x 365 | = | 7,096.70mg/yr |
|--|------------------|---|---------------|

Rate Calculation for Required revenues due for payment on  
 10/10/19, 1/10/20 and 4/10/20:

|              |                |   |             |
|--------------|----------------|---|-------------|
| Sales Base = | 7,096.70 x 3/4 | = | 5,322.52/mg |
|--------------|----------------|---|-------------|

NEW JERSEY WATER SUPPLY AUTHORITY  
 MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 21 - Computation Of Base Debt Service Rates**

Initial Water Purchasers (14.980MGD) – 7/01/15  
 Shorelands Delayed Purchase Contract (.028MGD) – 7/01/06

|  |                                   |               |
|--|-----------------------------------|---------------|
| Debt Service for Fiscal Year 2020                                    | \$ 2,622,984                      |               |
| Debt Service Fund Interest Income and Other<br>Available Resources   | <u>\$ (18,450)</u>                |               |
| Net Debt Service Obligation  | \$ 2,604,534                      |               |
| Coverage Requirement = Net Debt Service<br>Obligation x 20%          | <u>\$ 520,907</u>                 |               |
| Total to be Recovered by Rates                                       | \$ 3,125,441                      |               |
| Debt Service Rate Effective 7/01/19<br>365 x 15.008/mgd = 5,477.92mg | <u>\$ 3,125,441</u><br>5,477.92mg | = \$ 570.55mg |

NEW JERSEY WATER SUPPLY AUTHORITY  
 MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 22 - Computation Of Delayed Water Purchase Debt Service Rates**

NJAW – 1.000MGD CONTRACT - 07/01/01  
 1.935MGD CONTRACT – 10/01/02  
 1.500MGD CONTRACT – 01/01/05

Delayed Debt Service

Debt Service for Fiscal Year 2020 \$ 902,604

Debt Service Fund Interest Income and Other  
 Available Resources \$ (5,590)

Net Debt Service Obligation \$ 897,014

Coverage Requirement = Net Debt Service  
 Obligation x 20% \$ 179,403

Total to be Recovered by Rates \$ 1,076,417

Debt Service Rate Effective 7/01/19 \$ 1,076,417 = \$ 664.96mg  
 $365 \times 4.435/\text{mgd} = 1,618.78\text{mg}$  1,618.78mg

NEW JERSEY WATER SUPPLY AUTHORITY  
 MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**Schedule 23 - Computation Of Base Debt Service Rates**

**INTAKE PUMP STATION BUILDING**

Initial Water Purchasers (14.980 MGD) – 7/01/15  
 Shorelands Delayed Purchase Contract (.028MGD) – 7/01/06  
 NJ American Delayed Purchase Contract (4.435MGD)\*

|  |    |            |   |             |
|--|----|------------|---|-------------|
| NJEIFP Debt Service for Fiscal Year 2020 | \$ | 175,717    |   |             |
| Rate Equalization Adjustment             | \$ | 1,200      |   |             |
| Debt Service Rate Effective 7/01/19      | \$ | 176,917    | = | \$ 24.93/mg |
| 365 x 19.443/mgd =7,096.70mg             |    | 7,096.70mg |   |             |

\*Delayed Water Purchase Contracts  
 NJ American 1.000mgd 07/01/01  
 1.935mgd 10/01/02  
 1.500mgd 01/01/05

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR SYSTEM

**Schedule 24 - 2020 Bond Debt Service Coverage**

Fiscal Year 2020  
(7/1/19-6/30/20)

DEBT SERVICE COVERAGE

|   | <u>Budgeted<br/>F/Y2020</u> |
|---|-----------------------------|
| <u>Revenues</u>                         |                             |
| Uninterruptible Water Sales             | \$ 7,557,171                |
| Interest Income                         | \$ 23,400                   |
| Total Revenues                          | <u>\$ 7,580,571</u>         |
| <br><u>Expenses</u>                     |                             |
| O&M Costs                               | \$ 2,663,030                |
| Overhead Allocation                     | \$ 568,000                  |
| Total O&M                               | <u>\$ 3,231,030</u>         |
| Cash Available for Debt Service - A     | \$ 4,349,541                |
| Net Debt Service Expense                | \$ 3,501,548                |
| Debt Service Coverage Calculation - A/B | 1.24                        |
| Cash After Debt Service A-B             | \$ 847,993                  |



NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR SYSTEM

**Schedule 25 - Rehabilitation Reserve and Capital Improvement Program**

| <b>Manasquan Reservoir Project Description</b>                        | <b>Renewal &amp; Repl. Reserve</b> | <b>FY2019</b>    | <b>FY2020</b>    | <b>FY2021</b>    | <b>FY2022</b>    | <b>FY2023+</b> |
|---|------------------------------------|------------------|------------------|------------------|------------------|----------------|
| Dam Emergency Contingency   | \$400,000                          |                  |                  |                  |                  |                |
| Pipeline Replacement Under I-195                                      | \$950,000                          |                  |                  |                  |                  |                |
| Pumping Equipment Replacement   | \$650,000                          |                  |                  |                  |                  |                |
| Replace 2400 Volt Variable Frequency Drive at the Intake              |                                    | \$200,000        |                  |                  |                  |                |
| Resize Intake - Motor/Pump, VFD# 3                                    |                                    | \$50,000         |                  | \$270,000        |                  |                |
| Rehabilitation Pump and Motors at Reservoir & Intake Pumping Stations |                                    |                  |                  |                  | \$50,000         |                |
| Security System Upgrades at Reservoir                                 |                                    |                  | \$120,000        |                  | \$50,000         |                |
| Replace Control Panel at Reservoir IO building                        |                                    | \$80,000         |                  |                  |                  |                |
| Replace Adas Embankment Monitoring computer and software at Reservoir |                                    | \$30,000         |                  |                  |                  |                |
| Renovation of Traveling Water Screens                                 |                                    |                  | \$50,000         |                  |                  |                |
| Replace 2 Fueling Systems USTs  |                                    |                  | \$130,000        |                  |                  |                |
| Replace balance of metal roof on Admin portion of RPS building        |                                    | \$80,000         |                  |                  |                  |                |
| Replace Valve Operator on 36" Reservoir Return Guardian Valve         |                                    |                  |                  |                  |                  |                |
| Variable Frequency Drive Control Conversion at RPS                    |                                    | \$50,000         |                  |                  |                  |                |
| <b>Total</b>  | <b>2,000,000.00*</b>               | <b>\$490,000</b> | <b>\$300,000</b> | <b>\$270,000</b> | <b>\$100,000</b> | <b>\$0</b>     |
| Renewal and Replacement Balance June 30, 2018                         | \$3,885,517                        |                  |                  |                  |                  |                |
| Projected Balance End of Fiscal Year with annual regular deposit      |                                    | \$3,515,517      | \$3,335,517      | \$3,185,517      | \$3,205,517      | \$3,325,517    |
| *Minimum Balance Requirement  |                                    | \$2,000,000      | \$2,000,000      | \$2,000,000      | \$2,000,000      | \$2,000,000    |
| Revised Balance   |                                    | \$1,515,517      | \$1,335,517      | \$1,185,517      | \$1,205,517      | \$1,325,517    |
| Additional Deposit Requirements                                       |                                    | \$0              | \$0              | \$0              | \$0              | \$0            |

**New Jersey Water Supply Authority  
Manasquan Water Supply System**

**Update of the Renewal and Replacement Reserve and Capital Improvement Program**

**Prepared by**

**Paul McKeon, P.E., Manasquan System Manager**

**MANASQUAN WATER SUPPLY SYSTEM  
RENEWAL/REPLACEMENT RESERVE & CAPITAL IMPROVEMENT PROGRAM  
Fiscal Years 2019-2023  
Updated July 2018**

## **Introduction**

The New Jersey Water Supply Authority (“Authority”) operates and maintains the Manasquan Water Supply System, including the Intake Facilities located in Wall Township, the Manasquan Reservoir located in Howell Township and 5-1/4 miles of 66-inch diameter pipeline which connects the Intake Facilities to the Reservoir. The Manasquan Water Supply System was constructed from 1987 to 1990 and commenced operation on July 1, 1990.

Construction of this system was financed by the issuance of Bonds under the authorization of Authority Bond Resolution No. 295 dated April 16, 1987. The Bond Resolution provides for rates for water use to include an excess payment of 20 percent (effective February 1, 1994) of the annual debt service, identified as 120 percent debt service coverage. During the initial years, this excess payment flowed into the debt service reserve account until an amount equal to 50 percent of the annual debt service had been accumulated. Thereafter, the 20 percent excess debt service is to be used to establish a Renewal & Replacement Reserve and to fund a Capital Improvement Program (“CIP”) for the facilities.

A Capital Improvement Program funded by the Renewal and Replacement Reserve was first recommended in September 1996. This is an update of the CIP.

The Renewal and Replacement Reserve for Extraordinary Operations and Maintenance Costs is fully funded as recommended.

## **Renewal and Replacement Reserve for Extraordinary Operations and Maintenance Costs**

### **Problems with the Earthen Dam Embankments**

The Manasquan Reservoir dam and dikes are inspected by the Authority’s operations and engineering staff to provide early detection of situations which, if uncorrected, could lead to serious problems. There are no indications of problems with any of the embankments at the present time. It is unlikely that a major catastrophic dam failure will occur as a result of the weather. A more common occurrence would be surface erosion especially in areas where good turf is not established. The periodic inspection of the embankments shows good establishment of turf. On-site maintenance staff has implemented various measures to improve the grass cover on the dams. Continued long-term success of these measures is dependent on continued maintenance and weather.

The Reserve includes funds that can be used to repair any surface erosion that cannot be repaired by Authority maintenance forces.

### **Replacement of Pipe under Interstate Route 195**

The Manasquan Reservoir pipeline is a 5-1/4 mile long, 66-inch diameter prestressed concrete cylinder pipeline (“PCCP”) constructed in the 1980s. A 380-foot long section of 72-inch diameter PCCP was installed beneath Interstate Route 195 during its construction for use in connection with the pipeline between the reservoir pumping station and the reservoir. This section of pipe was manufactured by Interpace in the late 1970's. This vintage PCCP is suspect because of the type of prestressing wire used in its manufacture and the “inadequate” quality control used in the application of the mortar coating.

A rupture of this section of pipe could be catastrophic and result in major disruptions to Route 195. Repair costs could easily amount to several million dollars. Therefore, the section of pipe under Route 195 is dewatered and inspected bi-annually to monitor its condition.

The entire length of the pipeline was inspected in March of 2016. The interior concrete lining was sounded with a 57-inch piece of black iron pipe with caps welded to the ends. The lining was continuously sounded for hollow regions that may be indicative of a loss of prestress and therefore exterior pipe distress. Sounding was carried out on both sides of the pipe approximately in the 2-4 o'clock range and the 8-10 o'clock range at approximately 6 to 12-inch intervals. Other features such as spalled concrete linings were noted throughout the inspection. The Manasquan Reservoir 66-inch pipeline is in good condition. The items noted during the internal inspection were minor in nature and are not indicative of pipeline distress.

\$950,000 is included in the Renewal and Replacement Reserve to insert a 66” diameter steel pipe into the PCCP under Route 195 or to replace other sections of pipe as needed

#### Replacement of Pumps or Equipment

Five (5) 600-horsepower pumps are used at the Intake Pumping Station to pump water from the Manasquan River to the presedimentation pond at the Reservoir Pumping Station. Five (5) 900-horsepower pumps are used at the Reservoir Pumping Station to pump water from the presedimentation pond to the Reservoir. The estimated replacement cost for each unit, including a variable frequency drive, is \$650,000. Replacement costs for the units would be dependent on the problem but would be limited to the cost of replacement.

All pumps and motors have been physically inspected, vibration tested and pump efficiency tested in 2013 with retesting of some units in 2016 and 2018. The reservoir pumps typically each operate only 100 hours per year and at an average speed of only 630 rpm. Therefore wear on these units is minimal. Additionally, only one of the 5 river intake pumps gets significant hours of use each year. However, it is appropriate to include funds in a Renewal & Replacement Reserve to rehabilitate or replace a single unit in case of an unforeseen failure or damage from lightning.

These funds could also be used to rehabilitate or replace other major equipment such as a large 500 KVA electrical transformer or cables as well. The combined construction cost for the

Intake Pumping Station and the Reservoir Pumping Station was approximately \$30,000,000 (1990 dollars). The recommended reserve of \$650,000 represents 2 percent of the total construction cost.

### **Planned Capital Improvements - Fiscal Years 2019 – 2023**

#### **Replace Variable Frequency Drive (“VFD”) at the Intake**

The existing pump #1 has a pump curve suited to using a VFD. Replacing one of the VFDs at the intake for use with pump #1 will allow for capturing the exact amount of water that is needed to meet system demand in the winter when the reservoir is full.

#### **Resize Intake - Motor/Pump #4**

A 2014 safe yield review has determined that replacing one of the 600-hp motor and pump at the intake with a 300-hp motor and a pump that can deliver up to 15 MGD will improve the reliable safe yield of the system. This project was programmed to be designed in calendar year 2017 and constructed in 2020. Design has been pushed forward to FY 2019. This project will allow a closer match between the anticipated average customer sales from the intake pool and the intake pump capacities. The project is planned for 2021 to spread out the capital funds and because Pump #4 is in acceptable condition currently having been used for only 20 hours in 2017.

#### **Rehabilitation of Pumps and Motors at the Intake Pumping Station and Reservoir Pumping Station**

There are five main vertical turbine pumps with 600-hp motors at the Intake Pumping Station (IPS). There are five main vertical turbine pumps with 900-hp motors at the Reservoir Pumping Station (RPS).

The Authority has undertaken a multi-faceted – multiyear program to service all ten pumps and motors. The first phase, which began in 2003, includes the servicing of a pump at the RPS and a motor at the IPS each year. All pumps and motors were physically inspected, vibration tested and pump efficiency tested once per year. In 2016, all but one were within acceptable performance tolerances. In FY2017, Pump #1 at the intake was fully rehabilitated at a cost of \$40,000.00

#### **Security System Upgrades at the Reservoir**

In response to the Public Health Security and Bioterrorism Response Act of 2002 and an Executive Order issued on July 18, 2002 by the State of New Jersey identifying critical facilities that require vulnerability assessments, the Authority contracted with a consultant to develop a comprehensive security vulnerability assessment (“VA”) and to implement the recommendations of the VA. Recommendations were provided for changes in security policies and procedures, minimum and additional upgrades to the physical protection systems (“PPS”) and processes.

Estimates of probable capital costs were developed for the minimum and additional PPS for system facilities.

The schematic design report for implementing the recommendations was and continues to be evaluated and improvements are being phased in. A web-based, seven-camera system and DVR was designed for the reservoir embankment and IO tower area and was installed in FY 2017 at a cost of \$75,000.00. In FY2018, a gate with side wings at the entrance to the bridge of the IO tower added a measure of security that was needed to keep trespassers away from the tower structure.

#### Replace Control Panel at Reservoir IO Building

The control panel at the reservoir IO tower is 25 years old and only the reservoir dam indicators report automatically. The system should be upgraded to maintain reliability of control from the central location at the top level of the IO tower. Also, by replacing the panel with a PLC, staff will be able to combine all of the valve position information and operations into one LCD display and relay this information back to the office in Wall using the FIOS service in the building. Presently only one of the eight electric valves can be controlled from the office in Wall Township.

#### Replace ADAS Embankment Monitoring computer and software at Reservoir

This system is original to the reservoir construction. The computer that collects and records information from the sensors will be replaced as well as the software and reporting system at the receiver end in the Administration office. Staff procured an outside consultant to review the existing system with the expectation that recommendations will be made as to replace the existing system with a state of the art system that will integrate with existing sensors and provide the most value and data reporting going forward.

#### Renovation of Traveling Water Screens

The eight traveling water screens at the Intake Pumping Station are periodically in need of service over time. A 2015 inspection found all units to be in good condition except one which was refurbished in 2016. Funding is included to install new reducers, drive sprockets, screen sections, and chain guard assemblies on any of the remaining seven units. This also includes funding to rebuild the wash water pumps and motors if needed.

#### Replace balance of metal roof on Admin portion of RPS building

Two thirds of the metal roof is original to the building in 1990. This portion of the roof needs to be replaced as there are several leaks during driving rains.

#### Variable Frequency Drive Control Conversion at the RPS

The existing ASI Robicon Corporation VFDs are controlled by an antiquated computer system for the operation and speed control of the variable frequency drives based on clearwell level. The conversion package would consist of replacing the computer sequencer at the Reservoir Pumping Stations from the current card rack computerized system to a programmable logic controller. With the current logic system, the Authority has been experiencing logic card failures along with expensive computer board repairs.

Replace two Fueling system Underground Storage Tanks (“USTs”) with Above Ground Storage Tanks (“AST’s”) at the Reservoir Pump Station

The existing USTs are 30 years old and have now come under more stringent regulations in 2018 by the NJDEP. To limit our liability and the possibility of a fine, staff plans to replace the two 1000-gallon tanks with a 3000-gallon split fuel above ground fuel tank.

New above ground, fuel and oil storage systems can feature a three-layered containment system that is engineered for safety; meeting all government, environmental and fire safety requirements for primary/secondary containment, leak monitoring, spill containment, and overfill protection.

**PART III – PROPOSED RULE AMENDMENTS**

NEW JERSEY WATER SUPPLY AUTHORITY

AMENDMENTS TO THE SCHEDULE OF RATES, CHARGES AND  
DEBT SERVICE ASSESSMENTS FOR THE SALE OF WATER FROM THE  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**To Become Effective July 1, 2019**

The following rules and regulations can be found in the New Jersey Administrative Code under N.J.A.C. 7:11-4.1, et seq. Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

7:11-4.3 Operations and Maintenance Expense Component

(a) – (b) (No change.)

(c) Operations and Maintenance Expense Component:

| <u>Effective Date</u>      | <u>Rate/Million Gallons</u><br>(based upon a 19.443<br>per day sales base) |
|----------------------------|--|
| July 1, [2018] <b>2019</b> | \$432.87   |

7:11-4.4 Debt Service Cost Component

(a) (No change.)

(b) The following Debt Service rates based on a sales base of 15.008 million gallons per day, apply to all initial water purchase contract customers, and all delayed water purchase contract customers, who fully satisfied their contractual delayed water purchase surcharge obligations at the commencement of their contract terms:



| <u>Period</u>                        | <u>Rate/Million Gallons</u> |
|--------------------------------------|-----------------------------|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | (Coverage 120%)<br>\$570.55 |

(c) Delayed Water Purchase Surcharge will be assessed to all water purchasers who entered into a Water Purchase Contract for an uninterruptible service commencing subsequent to the System Operation Date (Delayed Water Purchase Contract). This includes a purchaser under an Initial Water Purchase Contract, which provides for an increase in the amount of uninterruptible service effective subsequent to the System Operation Date.

1. The following Debt Service rate based on a sales base of 4.435 million gallons per day, applies to the Delayed Water Purchase Contracts commencing July 1, 2001, October 1, 2002, and January 1, 2005 in lieu of the Debt Service rate set forth in (b) above.

| <u>Period</u>                        | <u>Rate/Million Gallons</u> |
|--------------------------------------|-----------------------------|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | (Coverage 120%)<br>\$664.96 |

(d) (No change.)

7:11-4.5 Source water protection fund component

(a) (No change.)

(b) The source water protection fund component is as follows:

| <u>Period</u>                        | <u>Rate/Million Gallons</u> |
|--------------------------------------|-----------------------------|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | \$15.00                     |

7:11-4.6 New Jersey Environmental Infrastructure Financing Program debt component

(a) The New Jersey Environmental Infrastructure Financing Program debt component rate per million gallons listed at (b) below is established to fund debt service costs with respect to each annual payment period or portion thereof, and will be that amount accruing in the bond year (starting on August 1 of each calendar year and ending on the next following July 31) or corresponding portion thereof, commencing during the fiscal year (starting on July 1 of each calendar year and ending on the next following June 30) within which such annual payment period or portion thereof falls. The debt service costs include the aggregate amounts payable during the specified period for interest accruing during such period on the bonds and that portion of each required principal payment, which would accrue during such period.

(b) The New Jersey Environmental Infrastructure Financing Program debt component is as follows:

| <u>Period</u>  | <u>Rate/Million Gallons</u> |
|--|-----------------------------|
| 7/1/[2018] <b>2019</b> to<br>6/30/[2019] <b>2020</b> | \$24.93                     |

**Appendix I. Report of Mercadien PC – Allocation of Headquarters General and  
Administrative Expenses – FY 2020**

**NEW JERSEY WATER SUPPLY AUTHORITY  
AGREED-UPON PROCEDURES REPORT  
FORECASTED COST ALLOCATION SCHEDULES  
YEAR ENDING JUNE 30, 2020**

**NEW JERSEY WATER SUPPLY AUTHORITY  
FORECASTED COST ALLOCATION SCHEDULES**

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**YEAR ENDING JUNE 30, 2020**

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## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Commissioners of  
New Jersey Water Supply Authority

We have performed the procedures enumerated below, which were agreed to by the Commissioners and Authority management, on the forecasted cost allocation schedules of the New Jersey Water Supply Authority (the "Authority"), a component unit of the State of New Jersey for the fiscal year ending June 30, 2020. These procedures were performed solely to assist you in evaluating the forecasted cost allocation schedules in connection with setting of water rates for each of the three operating systems (Raritan, Manasquan Reservoir and Manasquan Treatment Plant/Transmission). The Authority's management is responsible for preparing and presenting the schedules in accordance with the guidelines for the presentation of schedules established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

1. We were provided with the fiscal year 2020 budgeted expenses for each of the three operating systems by the Authority's Director of Finance and Administration, who advised us that the fiscal year 2020 budgeted expenses are based upon preliminary budgets that are subject to approval by the Authority's Commissioners. We performed no procedures in regard to these fiscal year 2020 budgeted expenses.
2. We recalculated the allocated costs on the forecasted cost allocation schedules. We found no exceptions as a result of these procedures.
3. We compared the methodologies used for cost allocation on the forecasted cost allocation schedules to the methodologies used in the Authority's cost allocation schedules for the year ended June 30, 2018, and found them to be consistent.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants or whether the underlying assumptions are suitably supported or provide a reasonable basis for management's forecast. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)**

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Commissioners and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mercadon, P.C.*  
*Certified Public Accountants*

April 29, 2019

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF FORECASTED COST CENTER EXPENSE RECLASSIFICATION  
YEAR ENDED JUNE 30, 2020**

| DEPT.<br>#    | DEPT./COST CENTER                                | COST<br>CENTER<br>COSTS | RECLASSIFICATIONS         |                        |                           |                |                |              |                               |                    |  | REVISED<br>COST<br>CENTER<br>COSTS |
|---------------|--|-------------------------|---------------------------|------------------------|---------------------------|----------------|----------------|--------------|-------------------------------|--------------------|--|------------------------------------|
|               |  |                         | 1<br>HEATING/<br>ELECTRIC | 2<br>VEHICULAR<br>FUEL | 3<br>PROFESSIONAL<br>FEES | 4<br>INSURANCE | 5<br>TELEPHONE | 6<br>PERMITS | 7<br>WORKERS'<br>COMPENSATION | 8<br>IN LIEU TAXES | 9<br>CHIEF<br>ENGINEER<br>SALARY &<br>FRINGE |                                    |
|               | BUILDING HQ                                      | \$ -                    | \$ 119,500                | \$ -                   | \$ -                      | \$ -           | \$ -           | \$ -         | \$ -                          | \$ -               | \$ -   | \$ 119,500                         |
|               | TELEPHONE HQ                                     | -                       | -                         | -                      | -                         | 83,000         | -              | -            | -                             | -                  | -  | 83,000                             |
| 36            | SAFETY   | 214,300                 | -                         | -                      | (5,000)                   | -              | -              | -            | -                             | -                  | -  | 209,300                            |
| 37            | SECURITY   | 1,026,230               | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 1,026,230                          |
| 14            | HUMAN RESOURCES                                  | 346,748                 | -                         | -                      | (4,100)                   | -              | -              | -            | (10,000)                      | -                  | -  | 332,648                            |
| 16            | PURCHASING                                       | 588,750                 | -                         | (121,875)              | -                         | -              | (83,000)       | (16,000)     | -                             | -                  | -  | 367,875                            |
| 17            | INFORMATION SYSTEMS                              | 223,120                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 223,120                            |
| 15            | CONTRACTS & RISK MGMT.                           | 1,654,700               | -                         | -                      | (40,000)                  | (1,173,000)    | -              | (96,100)     | -                             | (18,700)           | -  | 326,900                            |
| 13            | FINANCIAL MGMT.                                  | 936,240                 | -                         | -                      | (2,730)                   | -              | -              | -            | -                             | -                  | -  | 933,510                            |
| 34            | AUTO SHOP  | 309,500                 | -                         | 121,875                | -                         | -              | -              | 16,000       | -                             | -                  | -  | 447,375                            |
| 35            | AUTO SHOP-CANAL                                  | 225,460                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 225,460                            |
| 10            | EXEC OFFICE                                      | 263,300                 | 4,650                     | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 267,950                            |
| 20, 30, 31-33 | WATERSHED, ENGINEERING & O&M<br>(RARITAN SYSTEM) | 8,422,790               | (124,150)                 | -                      | 51,830                    | 1,173,000      | -              | 96,100       | 10,000                        | 18,700             | (11,056)                                     | 9,637,214                          |
|               |  | 14,211,138              | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | (11,056)                                     | 14,200,082                         |
| 40-60         | MANASQUAN SYSTEM                                 | 5,261,248               | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | 11,056                                       | 5,272,304                          |
|               |  | <u>\$ 19,472,386</u>    | <u>\$ -</u>               | <u>\$ -</u>            | <u>\$ -</u>               | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>                   | <u>\$ -</u>        | <u>\$ -</u>                                  | <u>\$ 19,472,386</u>               |



**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF FORECASTED SYSTEM-WIDE ALLOCATED COSTS  
YEAR ENDED JUNE 30, 2020**

| DEPT. #       | DEPT./COST CENTER                                | REVISED<br>COST<br>CENTER<br>COSTS | ALLOCATION BASIS |                    |                   |                         |                   |               |                   |                  |                |                  |                  |                  | ALLOCATED<br>COST<br>CENTER<br>COSTS |                     |
|---------------|--|------------------------------------|------------------|--------------------|-------------------|-------------------------|-------------------|---------------|-------------------|------------------|----------------|------------------|------------------|------------------|--------------------------------------|---------------------|
|               |  |                                    | SQ. FT.<br>#     | # OF<br>TELEPHONES | # OF<br>EMPLOYEES | 100 %<br>RARITAN<br>O&M | # OF<br>EMPLOYEES | # OF<br>P.O.s | # OF<br>COMPUTERS | MGD<br>CONTRACTS | O&M<br>BUDGET  | # OF<br>VEHICLES | # OF<br>VEHICLES | TIME<br>ESTIMATE |                                      |                     |
|               | BUILDING HQ                                      | \$ 119,500                         | \$ (119,500)     |                    |                   |                         |                   |               |                   |                  |                |                  |                  |                  |                                      |                     |
|               | TELEPHONE HQ                                     | 83,000                             | -                | \$ (83,000)        |                   |                         |                   |               |                   |                  |                |                  |                  |                  |                                      |                     |
| 36            | SAFETY   | 209,300                            | 803              | 902                | \$ (211,005)      |                         |                   |               |                   |                  |                |                  |                  |                  |                                      |                     |
| 37            | SECURITY   | 1,026,230                          | 4,518            | 3,609              | 16,231            | \$ (1,050,588)          |                   |               |                   |                  |                |                  |                  |                  |                                      |                     |
| 14            | HUMAN RESOURCES                                  | 332,648                            | 5,345            | 2,707              | 3,607             | -                       | \$ (344,307)      |               |                   |                  |                |                  |                  |                  |                                      |                     |
| 16            | PURCHASING                                       | 367,875                            | 6,637            | 2,707              | 3,607             | -                       | 6,496             | \$ (387,322)  |                   |                  |                |                  |                  |                  |                                      |                     |
| 17            | INFORMATION SYSTEMS                              | 223,120                            | 1,196            | 902                | 1,803             | -                       | 3,248             | 10,603        | \$ (240,872)      |                  |                |                  |                  |                  |                                      |                     |
| 15            | CONTRACTS & RISK MGMT.                           | 326,900                            | 3,908            | 1,804              | 3,607             | -                       | 6,496             | 8,222         | 7,411             | \$ (358,348)     |                |                  |                  |                  |                                      |                     |
| 13            | FINANCIAL MGMT.                                  | 933,510                            | 11,404           | 6,315              | 12,624            | -                       | 22,737            | 10,711        | 25,940            | -                | \$ (1,023,241) |                  |                  |                  |                                      |                     |
| 34            | AUTO SHOP  | 447,375                            | 17,961           | 902                | 3,607             | -                       | 6,496             | 20,015        | 3,706             | -                | 28,881         | \$ (528,943)     |                  |                  |                                      |                     |
| 35            | AUTO SHOP-CANAL                                  | 225,460                            | -                | 1,804              | 1,803             | -                       | 3,248             | 15,579        | 7,411             | -                | 14,555         | -                | \$ (269,860)     |                  |                                      |                     |
| 10            | EXEC OFFICE                                      | 267,950                            | 15,782           | 7,217              | 1,803             | -                       | 3,248             | 3,462         | 3,706             | -                | 17,298         | -                | -                | \$ (320,466)     |                                      |                     |
| 20, 30, 31-33 | WATERSHED, ENGINEERING & O&M<br>(RARITAN SYSTEM) | 9,637,214                          | 51,946           | 54,131             | 113,620           | 1,050,588               | 204,637           | 178,515       | 133,406           | 323,821          | 622,145        | 528,943          | 269,860          | 288,419          | \$ 13,457,245                        |                     |
| 40-60         | MANASQUAN SYSTEM                                 | 5,272,304                          | -                | -                  | 48,693            | -                       | 87,701            | 140,215       | 59,292            | 34,527           | 340,362        | -                | -                | 32,047           | 6,015,141                            |                     |
|               |  | <u>\$19,472,386</u>                | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ -</u>       | <u>\$ -</u>             | <u>\$ -</u>       | <u>\$ -</u>   | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                          | <u>\$19,472,386</u> |

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF FORECASTED COST ALLOCATION FACTORS  
YEAR ENDED JUNE 30, 2020**

| ALLOCATION OF:    |   | BUILDING HQ   | TELEPHONES      | SAFETY         | HUMAN RESOURCES | PURCHASING   | INFORMATION SYSTEMS | CONTRACTS & RISK MGMT | FINANCE O&M          | AUTO SHOP     | AUTO SHOP CANAL | EXEC. OFF     |
|-------------------|---|---------------|-----------------|----------------|-----------------|--------------|---------------------|-----------------------|----------------------|---------------|-----------------|---------------|
| ALLOCATION BASIS: |   | SQ. FT. #     | # OF TELEPHONES | # OF EMPLOYEES | # OF EMPLOYEES  | # OF P.O.'S  | # OF COMPUTERS      | MGD CONTRACTS         | FUNCTIONAL COST      | # OF VEHICLES | # OF VEHICLES   | TIME ESTIMATE |
| DEPT. #           | DEPT./COST CENTER                             |               |                 |                |                 |              |                     |                       |                      |               |                 |               |
|                   | BUILDING HQ                                   | -             | -               | -              | -               | -            | -                   | -                     | -                    | -             | -               | -             |
|                   | TELEPHONE HQ                                  | -             | -               | -              | -               | -            | -                   | -                     | -                    | -             | -               | -             |
| 36                | SAFETY  | 100           | 1               | -              | -               | -            | -                   | -                     | -                    | -             | -               | -             |
| 37                | SECURITY                                      | 563           | 4               | 9              | -               | -            | -                   | -                     | -                    | -             | -               | -             |
| 14                | HUMAN RESOURCES                               | 666           | 3               | 2              | -               | -            | -                   | -                     | -                    | -             | -               | -             |
| 16                | PURCHASING                                    | 827           | 3               | 2              | 2               | -            | -                   | -                     | -                    | -             | -               | -             |
| 17                | INFORMATION SYSTEMS                           | 149           | 1               | 1              | 1               | 98           | -                   | -                     | -                    | -             | -               | -             |
| 15                | CONTRACTS & RISK MGMT.                        | 487           | 2               | 2              | 2               | 76           | 2                   | -                     | -                    | -             | -               | -             |
| 13                | FINANCIAL MGMT.                               | 1,421         | 7               | 7              | 7               | 99           | 7                   | -                     | -                    | -             | -               | -             |
| 34                | AUTO SHOP                                     | 2,238         | 1               | 2              | 2               | 185          | 1                   | -                     | \$ 447,375           | -             | -               | -             |
| 35                | AUTO SHOP-CANAL                               | -             | 2               | 1              | 1               | 144          | 2                   | -                     | 225,460              | -             | -               | -             |
| 10                | EXEC OFFICE                                   | 1,967         | 8               | 1              | 1               | 32           | 1                   | -                     | 267,950              | -             | -               | -             |
| 20 30 31 32 33    | WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM) | 6,473         | 60              | 63             | 63              | 1,650        | 36                  | 182                   | 9,637,214            | 48            | 48              | 90            |
| 40-60             | MANASQUAN SYSTEM                              | -             | -               | 27             | 27              | 1,296        | 16                  | 19                    | 5,272,304            | -             | -               | 10            |
|                   |   | <u>14,890</u> | <u>92</u>       | <u>117</u>     | <u>106</u>      | <u>3,580</u> | <u>65</u>           | <u>202</u>            | <u>\$ 15,850,303</u> | <u>48</u>     | <u>48</u>       | <u>100</u>    |

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF FORECASTED MANASQUAN SYSTEM ALLOCATED COSTS  
YEAR ENDED JUNE 30, 2020**

|                                     | COSTS               | ALLOCATION BASIS      |                           |                            |                    |                               | ALLOCATED COSTS     |
|-------------------------------------|---------------------|-----------------------|---------------------------|----------------------------|--------------------|-------------------------------|---------------------|
|                                     |                     | 1<br>TIME STUDY       | 2<br>\$ VALUE OF VEHICLES | 3<br>\$ VALUE OF EQUIPMENT | 4<br>TIME STUDY    | 5<br>VALUE OF WATER CONTRACTS |                     |
| <u>GENERAL &amp; ADMINISTRATIVE</u> |                     |                       |                           |                            |                    |                               |                     |
| SALARIES & FRINGES                  | \$ 3,173,817        | <u>\$ (3,173,817)</u> |                           |                            |                    |                               |                     |
| VEHICLE RELATED                     | 95,300              | -                     | <u>\$ (95,300)</u>        |                            |                    |                               |                     |
| MAINT. SUPPLIES & RELATED           | 76,650              | -                     | -                         | <u>\$ (76,650)</u>         |                    |                               |                     |
| OFFICE & MISC.                      | 51,500              | -                     | -                         | -                          | <u>\$ (51,500)</u> |                               |                     |
| H.Q. OVERHEAD                       | 753,893             | -                     | -                         | -                          | -                  | <u>\$ (753,893)</u>           |                     |
| RESERVOIR (40)                      | 1,008,584           | 1,520,900             | 70,398                    | 38,425                     | 24,679             | 649,479                       | \$ 3,312,465        |
| TREAT./TRANS. (50)                  | 855,400             | 1,652,917             | 24,902                    | 38,225                     | 26,821             | 104,414                       | 2,702,679           |
|                                     | <u>\$ 6,015,144</u> | <u>\$ -</u>           | <u>\$ -</u>               | <u>\$ -</u>                | <u>\$ -</u>        | <u>\$ -</u>                   | <u>\$ 6,015,144</u> |

**NEW JERSEY WATER SUPPLY AUTHORITY**  
**NOTES TO SCHEDULES**  
**YEAR ENDING JUNE 30, 2020**

**NOTE 1      GENERAL**

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step, the Authority forecasts its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

Raritan System

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Contracts & Risk Management
- Financial Management
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Forecasted Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters ("HQ") and Executive Office are reclassified from Engineering and Operations & Maintenance ("O & M").
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Contracts and Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ Cost Center.
6. Permit expense related to the Raritan System is reclassified from Contracts and Risk Management and Purchasing.
7. Workers' compensation expense related to the Raritan System is reclassified from Contracts and Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Contracts and Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

**NEW JERSEY WATER SUPPLY AUTHORITY**  
**NOTES TO SCHEDULES**  
**YEAR ENDING JUNE 30, 2020**

**NOTE 1      GENERAL (CONTINUED)**

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the Cost Centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the Cost Centers based on the number of telephones utilized.
3. Safety is allocated to each of the Cost Centers based on the number of employees.
4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Contracts and Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining Cost Centers' budgets.
10. Auto Shop and Auto Shop-Canal are allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the Systems.

**NEW JERSEY WATER SUPPLY AUTHORITY**  
**NOTES TO SCHEDULES**  
**YEAR ENDING JUNE 30, 2020**

**NOTE 2      MANASQUAN SYSTEM ALLOCATED COST**

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2018.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2018.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

**Appendix II. Report of Mercadien PC – Allocation of Headquarters General and Administrative Expenses – Audited FY 2018 Expenditures**

**NEW JERSEY WATER SUPPLY AUTHORITY**  
**(A Component Unit of the State of New Jersey)**

**EXAMINATION REPORT AND FINANCIAL SCHEDULES**

June 30, 2018



**NEW JERSEY WATER SUPPLY AUTHORITY  
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YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT ACCOUNTANTS' REPORT

To the Commissioners of  
New Jersey Water Supply Authority

We have examined the conformity of the financial schedules with the cost allocation criteria set forth in Notes 1 and 2, of New Jersey Water Supply Authority (the "Authority"), a component unit of the State of New Jersey, for the year ended June 30, 2018, listed in the foregoing table of contents. The Authority's management is responsible for conformity of the financial schedules in accordance with the criteria set forth in Notes 1 and 2. Our responsibility is to express an opinion on the conformity of the financial schedules with the cost allocation criteria set forth in Notes 1 and 2, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether financial schedules are in conformity with the cost allocation criteria set forth in Notes 1 and 2, in all material respects. An examination involves performing procedures to obtain evidence about the conformity of the financial schedules with the cost allocation criteria set forth in Notes 1 and 2. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the conformity of financial schedules with the cost allocation criteria set forth in Notes 1 and 2, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, conformity of the financial schedules with the cost allocation criteria set forth in Notes 1 and 2, present the Authority's allocation of costs to the Raritan and Manasquan Systems in accordance with the cost allocation criteria set forth in Notes 1 and 2, in all material respects.

This report is intended for the information and use of the Commissioners and management of the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mercadien, P.C.*  
*Certified Public Accountants*

April 29, 2019

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF COST CENTER EXPENSE RECLASSIFICATION  
YEAR ENDED JUNE 30, 2018**

| DEPT.<br># | DEPT./COST CENTER                                | COST<br>CENTER<br>COSTS | RECLASSIFICATIONS         |                        |                           |                |                |              |                               |                    |  | REVISED<br>COST<br>CENTER<br>COSTS |
|------------|--|-------------------------|---------------------------|------------------------|---------------------------|----------------|----------------|--------------|-------------------------------|--------------------|--|------------------------------------|
|            |  |                         | 1<br>HEATING/<br>ELECTRIC | 2<br>VEHICULAR<br>FUEL | 3<br>PROFESSIONAL<br>FEES | 4<br>INSURANCE | 5<br>TELEPHONE | 6<br>PERMITS | 7<br>WORKERS'<br>COMPENSATION | 8<br>IN LIEU TAXES | 9<br>CHIEF<br>ENGINEER<br>SALARY &<br>FRINGE |                                    |
|            | BUILDING HQ                                      | \$ -                    | \$ 66,405                 | \$ -                   | \$ -                      | \$ -           | \$ -           | \$ -         | \$ -                          | \$ -               | \$ -   | \$ 66,405                          |
|            | TELEPHONE HQ                                     | -                       | -                         | -                      | -                         | 78,449         | -              | -            | -                             | -                  | -  | 78,449                             |
| 36         | SAFETY   | 206,470                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 206,470                            |
| 37         | SECURITY   | 967,730                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 967,730                            |
| 14         | HUMAN RESOURCES                                  | 328,297                 | -                         | -                      | (2,710)                   | -              | -              | -            | (493)                         | -                  | -  | 325,094                            |
| 16         | PURCHASING                                       | 535,560                 | -                         | (116,756)              | -                         | -              | (78,449)       | (15,130)     | -                             | -                  | -  | 325,225                            |
| 17         | INFORMATION SYSTEMS                              | 154,306                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 154,306                            |
| 15         | CONTRACTS & RISK MGMT.                           | 1,585,945               | -                         | -                      | (36,875)                  | (1,149,138)    | -              | (86,855)     | -                             | (18,689)           | -  | 294,388                            |
| 13         | FINANCIAL MGMT                                   | 879,820                 | -                         | -                      | (2,358)                   | -              | -              | -            | -                             | -                  | -  | 877,462                            |
| 34         | AUTO SHOP  | 255,786                 | -                         | 116,756                | -                         | -              | -              | 15,130       | -                             | -                  | -  | 387,672                            |
| 35         | AUTO SHOP-CANAL                                  | 167,659                 | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 167,659                            |
| 10         | EXEC OFFICE                                      | 258,894                 | 3,718                     | -                      | -                         | -              | -              | -            | -                             | -                  | -  | 262,612                            |
| 20, 30-33  | WATERSHED, ENGINEERING & O&M<br>(RARITAN SYSTEM) | 7,538,757               | (70,123)                  | -                      | 41,943                    | 1,149,138      | -              | 86,855       | 493                           | 18,689             | (10,715)                                     | 8,755,037                          |
|            |  | 12,879,224              | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | (10,715)                                     | 12,868,509                         |
| 40-60      | MANASQUAN SYSTEM                                 | 4,542,976               | -                         | -                      | -                         | -              | -              | -            | -                             | -                  | 10,715                                       | 4,553,691                          |
|            |  | <u>\$ 17,422,200</u>    | <u>\$ -</u>               | <u>\$ -</u>            | <u>\$ -</u>               | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>                   | <u>\$ -</u>        | <u>\$ -</u>                                  | <u>\$ 17,422,200</u>               |

See Independent Accountants' Report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF SYSTEM-WIDE ALLOCATED COSTS  
YEAR ENDED JUNE 30, 2018**

| ALLOCATION BASIS |   |                           |             |                 |                |                   |                |              |                |               |              |               |               |               |                             |
|------------------|---|---------------------------|-------------|-----------------|----------------|-------------------|----------------|--------------|----------------|---------------|--------------|---------------|---------------|---------------|-----------------------------|
| DEPT. #          | DEPT./COST CENTER                             | REVISED COST CENTER COSTS | SQ. FT. #   | # OF TELEPHONES | # OF EMPLOYEES | 100 % RARITAN O&M | # OF EMPLOYEES | # OF P.O.s   | # OF COMPUTERS | MGD CONTRACTS | O&M BUDGET   | # OF VEHICLES | # OF VEHICLES | TIME ESTIMATE | ALLOCATED COST CENTER COSTS |
|                  | BUILDING HQ                                   | \$ 66,405                 | \$ (66,405) |                 |                |                   |                |              |                |               |              |               |               |               |                             |
|                  | TELEPHONE HQ                                  | 78,449                    | -           | \$ (78,449)     |                |                   |                |              |                |               |              |               |               |               |                             |
| 36               | SAFETY  | 206,470                   | 446         | 853             | \$ (207,769)   |                   |                |              |                |               |              |               |               |               |                             |
| 37               | SECURITY                                      | 967,730                   | 2,511       | 3,411           | 15,982         | \$ (989,634)      |                |              |                |               |              |               |               |               |                             |
| 14               | HUMAN RESOURCES                               | 325,094                   | 2,970       | 2,558           | 3,552          | -                 | \$ (334,174)   |              |                |               |              |               |               |               |                             |
| 16               | PURCHASING                                    | 325,225                   | 3,688       | 2,558           | 3,552          | -                 | 6,305          | \$ (341,328) |                |               |              |               |               |               |                             |
| 17               | INFORMATION SYSTEMS                           | 154,306                   | 664         | 853             | 1,776          | -                 | 3,153          | 9,344        | \$ (170,096)   |               |              |               |               |               |                             |
| 15               | CONTRACTS & RISK MGMT.                        | 294,388                   | 2,172       | 1,705           | 3,552          | -                 | 6,305          | 7,246        | 5,234          | \$ (320,602)  |              |               |               |               |                             |
| 13               | FINANCIAL MGMT                                | 877,462                   | 6,337       | 5,969           | 12,431         | -                 | 22,068         | 9,439        | 18,318         | -             | \$ (952,024) |               |               |               |                             |
| 34               | AUTO SHOP                                     | 387,672                   | 9,981       | 853             | 3,552          | -                 | 6,305          | 17,638       | 2,617          | -             | 26,126       | \$ (454,744)  |               |               |                             |
| 35               | AUTO SHOP-CANAL                               | 167,659                   | -           | 1,705           | 1,776          | -                 | 3,153          | 13,729       | 5,234          | -             | 11,299       | -             | \$ (204,555)  |               |                             |
| 10               | EXEC OFFICE                                   | 262,612                   | 8,770       | 6,822           | 1,776          | -                 | 3,153          | 3,051        | 2,617          | -             | 17,698       | -             | -             | \$ (306,499)  |                             |
| 20, 30-33        | WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM) | 8,755,037                 | 28,866      | 51,162          | 111,873        | 989,634           | 198,612        | 157,316      | 94,206         | 289,712       | 590,019      | 454,744       | 204,555       | 275,849       | \$ 12,201,585               |
| 40-60            | MANASQUAN SYSTEM                              | 4,553,691                 | -           | -               | 47,947         | -                 | 85,120         | 123,565      | 41,870         | 30,890        | 306,882      | -             | -             | 30,650        | 5,220,615                   |
|                  |   | <u>\$ 17,422,200</u>      | <u>\$ -</u> | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 17,422,200</u>        |

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF COST ALLOCATION FACTORS  
YEAR ENDED JUNE 30, 2018**

| ALLOCATION OF:    |   | REQUIRED STATISTICS |                 |                |                 |              |                     |               |                      |               |                 |               |
|-------------------|---|---------------------|-----------------|----------------|-----------------|--------------|---------------------|---------------|----------------------|---------------|-----------------|---------------|
|                   |   | BUILDING HQ         | TELEPHONES      | SAFETY         | HUMAN RESOURCES | PURCHASING   | INFORMATION SYSTEMS | RISK MGMT     | FINANCE O&M          | AUTO SHOP     | AUTO SHOP CANAL | EXEC. OFF     |
| ALLOCATION BASIS: |   | SQ. FT. #           | # OF TELEPHONES | # OF EMPLOYEES | # OF EMPLOYEES  | # OF P.O.'S  | # OF COMPUTERS      | MGD CONTRACTS | FUNCTIONAL COST      | # OF VEHICLES | # OF VEHICLES   | TIME ESTIMATE |
| DEPT. #           | DEPT./COST CENTER                             |                     |                 |                |                 |              |                     |               |                      |               |                 |               |
|                   | BUILDING HQ                                   |                     |                 |                |                 |              |                     |               |                      |               |                 |               |
|                   | TELEPHONE HQ                                  |                     |                 |                |                 |              |                     |               |                      |               |                 |               |
| 36                | SAFETY  | 100                 | 1               |                |                 |              |                     |               |                      |               |                 |               |
| 37                | SECURITY                                      | 563                 | 4               | 9              |                 |              |                     |               |                      |               |                 |               |
| 14                | HUMAN RESOURCES                               | 666                 | 3               | 2              |                 |              |                     |               |                      |               |                 |               |
| 16                | PURCHASING                                    | 827                 | 3               | 2              | 2               |              |                     |               |                      |               |                 |               |
| 17                | INFORMATION SYSTEMS                           | 149                 | 1               | 1              | 1               | 98           |                     |               |                      |               |                 |               |
| 15                | CONTRACTS & RISK MGMT.                        | 487                 | 2               | 2              | 2               | 76           | 2                   |               |                      |               |                 |               |
| 13                | FINANCIAL MGMT                                | 1,421               | 7               | 7              | 7               | 99           | 7                   |               |                      |               |                 |               |
| 34                | AUTO SHOP                                     | 2,238               | 1               | 2              | 2               | 185          | 1                   | -             | \$ 387,672           |               |                 |               |
| 35                | AUTO SHOP-CANAL                               | -                   | 2               | 1              | 1               | 144          | 2                   | -             | 167,659              |               |                 |               |
| 10                | EXEC OFFICE                                   | 1,967               | 8               | 1              | 1               | 32           | 1                   | -             | 262,612              | -             |                 |               |
| 20, 30-33         | WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM) | 6,473               | 60              | 63             | 63              | 1,650        | 36                  | 182           | 8,755,037            | 48            | 48              | 90            |
| 40-60             | MANASQUAN SYSTEM                              | -                   | -               | 27             | 27              | 1,296        | 16                  | 19            | 4,553,691            | -             | -               | 10            |
|                   |   | <u>14,890</u>       | <u>92</u>       | <u>117</u>     | <u>106</u>      | <u>3,580</u> | <u>65</u>           | <u>202</u>    | <u>\$ 14,126,671</u> | <u>48</u>     | <u>48</u>       | <u>100</u>    |

See Independent Accountants' Report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
SCHEDULE OF MANASQUAN SYSTEM ALLOCATED COSTS  
YEAR ENDED JUNE 30, 2018**

|                                     | COSTS               | ALLOCATION BASIS |                           |                            |                 |                               | ALLOCATED COSTS     |
|-------------------------------------|---------------------|------------------|---------------------------|----------------------------|-----------------|-------------------------------|---------------------|
|                                     |                     | 1<br>TIME STUDY  | 2<br>\$ VALUE OF VEHICLES | 3<br>\$ VALUE OF EQUIPMENT | 4<br>TIME STUDY | 5<br>VALUE OF WATER CONTRACTS |                     |
| <u>GENERAL &amp; ADMINISTRATIVE</u> |                     |                  |                           |                            |                 |                               |                     |
| SALARIES & FRINGES                  | \$ 2,870,924        | \$ (2,870,924)   |                           |                            |                 |                               |                     |
| VEHICLE RELATED                     | 72,233              | -                | \$ (72,233)               |                            |                 |                               |                     |
| MAINT. SUPPLIES & RELATED           | 41,125              | -                | -                         | \$ (41,125)                |                 |                               |                     |
| OFFICE & MISC.                      | 31,848              | -                | -                         | -                          | \$ (31,848)     |                               |                     |
| H.Q. OVERHEAD                       | 677,639             | -                | -                         | -                          | -               | \$ (677,639)                  |                     |
| RESERVOIR                           | 829,677             | 1,368,929        | 53,359                    | 20,616                     | 16,068          | 584,583                       | \$ 2,873,232        |
| TREAT./TRANS.                       | 652,350             | 1,501,995        | 18,874                    | 20,509                     | 15,780          | 93,056                        | 2,302,564           |
|                                     | <u>\$ 5,175,796</u> | <u>\$ -</u>      | <u>\$ -</u>               | <u>\$ -</u>                | <u>\$ -</u>     | <u>\$ -</u>                   | <u>\$ 5,175,796</u> |

See Independent Accountants' Report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL SCHEDULES  
YEAR ENDING JUNE 30, 2018**

**NOTE 1 GENERAL**

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step, the Authority forecasts its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

Raritan System

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Contracts & Risk Management
- Financial Management
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Forecasted Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters ("HQ") and Executive Office are reclassified from Engineering and Operations & Maintenance ("O & M").
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Contracts and Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ Cost Center.
6. Permit expense related to the Raritan System is reclassified from Contracts and Risk Management and Purchasing.

**NEW JERSEY WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL SCHEDULES  
YEAR ENDING JUNE 30, 2018**

**NOTE 1 GENERAL (CONTINUED)**

7. Workers' compensation expense related to the Raritan System is reclassified from Contracts and Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Contracts and Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the Cost Centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the Cost Centers based on the number of telephones utilized.
3. Safety is allocated to each of the Cost Centers based on the number of employees.
4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Contracts and Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining Cost Centers' budgets.
10. Auto Shop and Auto Shop-Canal are allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the Systems.



**NEW JERSEY WATER SUPPLY AUTHORITY  
NOTES TO FINANCIAL SCHEDULES  
YEAR ENDING JUNE 30, 2018**

**NOTE 2    MANASQUAN SYSTEM ALLOCATED COST**

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2018.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2018.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

# Advertisement and Certification

Exhibit C



## NEW JERSEY WATER SUPPLY AUTHORITY

P.O. BOX 5196 • CLINTON, N.J. 08809 • (908) 638-6121 • (908) 638-5961 (FAX)

### PROOFS OF PUBLICATION - CERTIFICATION

#### NEW JERSEY WATER SUPPLY AUTHORITY

#### PUBLIC HEARING

THURSDAY, FEBRUARY 7, 2019

ON PROPOSED AMENDMENTS TO THE  
SCHEDULE OF RATES, CHARGES AND DEBT SERVICE ASSESSMENTS  
FOR THE SALE OF WATER  
FROM THE  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

TO BECOME EFFECTIVE JULY 1, 2019

THIS IS TO CERTIFY that the attached notice of public hearing in the above matter was mailed to the Secretary of State, the Division of the Ratepayer Advocate, the news media maintaining a press office at the State House Complex, the Board of Public Utilities and the Authority's Contractual Water Purchasers on December 20, 2018. Notice was also advertised in the following newspapers:

|                     |                   |
|---------------------|-------------------|
| Asbury Park Press   | December 20, 2018 |
| The Star-Ledger     | December 20, 2018 |
| The Times (Trenton) | December 20, 2018 |

The notice of public hearing also appeared in the January 7, 2019 issue of the New Jersey Register along with the text of the proposed amendments.

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Beth Gates  
Executive Director  
February 7, 2019



## NEW JERSEY WATER SUPPLY AUTHORITY

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P.O. BOX 5196 · CLINTON, N.J. 08809 · (908) 638-6121 · (908) 638-5241 (FAX)

### NEW JERSEY WATER SUPPLY AUTHORITY

#### **Notice of Rate Proposal – Manasquan Reservoir System**

Take notice that pursuant to the provisions of Chapter 293 of the Laws of 1981 (N.J.S.A. 58:1B-1 et. seq.) the New Jersey Water Supply Authority has proposed no adjustments to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System in Monmouth County, New Jersey to cover Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2019.

The proposed rates constitute no change for FY2020 to the existing regulations found at N.J.A.C. 7:11-4.1 et seq. as follows: no change in the sales base of 19.443 million gallons per day applied to all contract customers in the calculation of the Operations and Maintenance Expense, the Source Water Protection, and the NJEIFP Debt Components of the rate; no change in the Operations and Maintenance Expense Component of \$432.87 per million gallons; no change in the NJEIFP Debt Component from of \$24.93 per million gallons; and no change in the Source Water Protection Fund Component of \$15.00 per million gallons. The Debt Service Component for all initial customers will remain at \$570.55 per million gallons, and the debt service sales base will remain at 15.008 million gallons per day applied to the Debt Service Component for all initial water purchase contract customers. The Debt Service Component for all delayed water purchase contracts will remain at \$664.96 per million gallons and there is no change in the debt service sales base of 4.435 million gallons per day applied to all delayed water purchase contract customers.

The proposal is scheduled to be published in the New Jersey Register dated January 7, 2019. A final version of the Basis and Background (B&B) document containing the full text of the proposed Rate Schedule, together with supporting information is available from the New Jersey Water Supply Authority's website at <http://www.njwsa.org> or individual requests for the full text of the proposed rate adjustments should be sent to the New Jersey Water Supply Authority.

The Authority will conduct a Pre-public Hearing meeting with its contractual water users and any interested parties at 11:00 a.m.

on Thursday, January 10, 2019 in the Authority's Manasquan Reservoir System Administration Building conference room, 2041 Hospital Road, Wall, New Jersey, to present and explain the rate adjustment proposal, answer questions, and provide any additional data requested in accordance with the rate making procedure specified in N.J.A.C. 7:11-4.16.

Notice is hereby given that the Authority will hold a Public Hearing on Thursday, February 7, 2019 at 11:00 a.m. in the Authority's Manasquan Reservoir System Administration Building Conference Room, 2041 Hospital Road, Wall, New Jersey, to provide the opportunity for public comments and statements on the proposed revisions. Interested persons may present statements orally or in writing relevant to the proposed action.

Written comments may be submitted until March 18, 2019 at which time the public record will be closed.

All comments should be addressed to:

Beth Gates, Executive Director  
New Jersey Water Supply Authority  
1851 Highway 31  
Post Office Box 5196  
Clinton, New Jersey 08809  
[info@njwsa.org](mailto:info@njwsa.org)

AFFIDAVIT OF PUBLICATION

Publisher's Fee \$94.60 Affidavit \$35.00

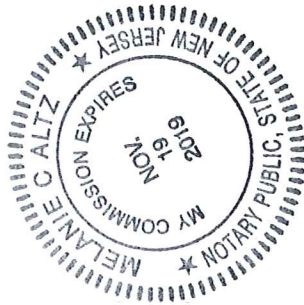
State of New Jersey } SS.  
Monmouth/Ocean Counties

Personally appeared *Melanie C Altz*

Of the **Asbury Park Press**, a newspaper printed in Freehold, New Jersey and published in Neptune, in said County and State, and of general circulation in said county, who being duly sworn, depose and saith that the advertisement of which the annexed is a true copy, has been published in the said newspaper 1 times, once in each issue as follows:

12/20/18 A.D 2018

*Melanie C Altz*  
\_\_\_\_\_  
Notary Public of New Jersey  
Ad Number: 0003303372



DEC 24 '18 AM 9:58

New Jersey  
Water Supply Authority

## Notice of Rate Proposal – Manasquan Reservoir System

Take notice that pursuant to the provisions of Chapter 293 of the Laws of 1981 (N.J.S.A. 58:1B-1 et. seq.) the New Jersey Water Supply Authority has proposed no adjustments to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System in Monmouth County, New Jersey to cover Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2019.

The proposed rates constitute no change for FY2020 to the existing regulations found at N.J.A.C. 7:11-4.1 et seq. as follows: no change in the sales base of 19,443 million gallons per day applied to all contract customers in the calculation of the Operations and Maintenance Expense, the Source Water Protection, and the NJEIFP Debt Components of the rate; no change in the Operations and Maintenance Expense Component of \$432.87 per million gallons; no change in the NJEIFP Debt Component from of \$24.93 per million gallons; and no change in the Source Water Protection Fund Component of \$15.00 per million gallons. The Debt Service Component for all initial customers will remain at \$570.55 per million gallons, and the debt service sales base will remain at 15,008 million gallons per day applied to the Debt Service Component for all initial water purchase contract customers. The Debt Service Component for all delayed water purchase contracts will remain at \$664.96 per million gallons and there is no change in the debt service sales base of 4,435 million gallons per day applied to all delayed water purchase contract customers.

The proposal is scheduled to be published in the New Jersey Register dated January 7, 2019. A final version of the Basis and Background (B&B) document containing the full text of the proposed Rate Schedule, together with supporting information is available from the New Jersey Water Supply Authority's website at <http://www.njwsa.org> or individual requests for the full text of the proposed rate adjustments should be sent to the New Jersey Water Supply Authority.

The Authority will conduct a Pre-public Hearing meeting with its contractual water users and any interested parties at 11:00 a.m. on Thursday, January 10, 2019 in the Authority's Manasquan Reservoir System Administration Building conference room, 2041 Hospital Road, Wall, New Jersey, to present and explain the rate adjustment proposal, answer questions, and provide any additional data requested in accordance with the rate making procedure specified in N.J.A.C. 7:11-4.16.

Notice is hereby given that the Authority will hold a Public Hearing on Thursday, February 7, 2019 at 11:00 a.m. in the Authority's Manasquan Reservoir System Administration Building Conference Room, 2041 Hospital Road, Wall, New Jersey, to provide the opportunity for public comments and statements on the proposed revisions. Interested persons may present statements orally or in writing relevant to the proposed action.

Written comments may be submitted until March 18, 2019 at which time the public record will be closed.

All comments should be addressed to:

Beth Gates, Executive Director  
New Jersey Water Supply Authority  
1851 Highway 31  
Post Office Box 5196

DEC 24 '18 AM 9:58

Clinton, New Jersey 08809  
info@njwsa.org  
(\$94.60)

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DEC 24 '18 AM 9:58





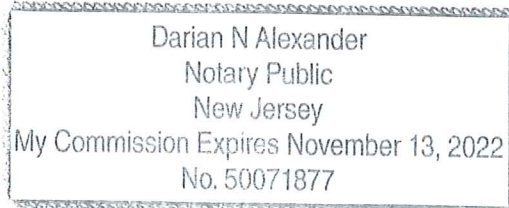
State of New Jersey,) ss  
County of Middlesex)

Cherilyn Alston being duly sworn, deposes that he/she is principal clerk of NJ Advance Media; that Star Ledger is a public newspaper, with general circulation in Atlantic, Burlington, Cape May, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties, and this notice is an accurate and true copy of this notice as printed in said newspaper, was printed and published in the regular edition and issue of said newspaper on the following date(s):

Star Ledger 12/20/2018

Principal Clerk of the Publisher

Sworn to and subscribed before me this 26th day of December 2018



Notary Public

**NEW JERSEY WATER SUPPLY AUTHORITY**

**Notice of Rate Proposal – Manasquan Reservoir System**

Take notice that pursuant to the provisions of Chapter 293 of the Laws of 1981 (N.J.S.A. 58:1B-1 et. seq.) the New Jersey Water Supply Authority has proposed no adjustments to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System in Monmouth County, New Jersey to cover Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2019.

The proposed rates constitute no change for FY2020 to the existing regulations found at N.J.A.C. 7:11-4.1 et seq. as follows: no change in the sales base of 19.443 million gallons per day applied to all contract customers in the calculation of the Operations and Maintenance Expense, the Source Water Protection, and the NJEIFP Debt Components of the rate; no change in the Operations and Maintenance Expense Component of \$432.87 per million gallons; no change in the NJEIFP Debt Component from of \$24.93 per million gallons; and no change in the Source Water Protection Fund Component of \$15.00 per million gallons. The Debt Service Component for all initial customers will remain

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The proposal is scheduled to be published in the New Jersey Register dated January 7, 2019. A final version of the Basis and Background (B&B) document containing the full text of the proposed Rate Schedule, together with supporting information is available from the New Jersey Water Supply Authority's website at <http://www.njwsa.org> or individual requests for the full text of the proposed rate adjustments should be sent to the New Jersey Water Supply Authority.

The Authority will conduct a Pre-public Hearing meeting with its contractual water users and any interested parties at 11:00 a.m. on Thursday, January 10, 2019 in the Authority's Manasquan Reservoir System Administration Building conference room, 2041 Hospital Road, Wall, New Jersey, to present and explain the rate adjustment proposal, answer

questions, and provide any additional data requested in accordance with the rate making procedure specified in N.J.A.C. 7:11-4.16.

Notice is hereby given that the Authority will hold a Public Hearing on Thursday, February 7, 2019 at 11:00 a.m. in the Authority's Manasquan Reservoir System Administration Building Conference Room, 2041 Hospital Road, Wall, New Jersey, to provide the opportunity for public comments and statements on the proposed revisions. Interested persons may present statements orally or in writing relevant to the proposed action.

Written comments may be submitted until March 18, 2019 at which time the public record will be closed.

All comments should be addressed to:

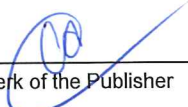
Beth Gates, Executive Director  
New Jersey Water Supply Authority  
1851 Highway 31  
Post Office Box 5196  
Clinton, New Jersey 08809  
[info@njwsa.org](mailto:info@njwsa.org)  
12/20/18 \$176.70



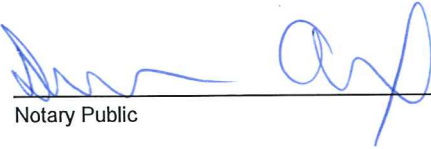
State of New Jersey,) ss  
County of Middlesex)

Cherilyn Alston being duly sworn, deposes that he/she is principal clerk of NJ Advance Media; that Times of Trenton is a public newspaper, with general circulation in Burlington, Hunterdon, Mercer, Middlesex, Monmouth, Ocean, and Somerset Counties, and this notice is an accurate and true copy of this notice as printed in said newspaper, was printed and published in the regular edition and issue of said newspaper on the following date(s):

Times of Trenton 12/20/2018

  
\_\_\_\_\_  
Principal Clerk of the Publisher

Sworn to and subscribed before me this 26th day of December 2018

  
\_\_\_\_\_  
Notary Public



NEW JERSEY WATER SUPPLY AUTHORITY

Notice of Rate Proposal – Manasquan Reservoir System  
Take notice that pursuant to the provisions of Chapter 293 of the Laws of 1981 (N.J.S.A. 58:1B-1 et. seq.) the New Jersey Water Supply Authority has proposed no adjustments to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System in Monmouth County, New Jersey to cover Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2019.



The proposed rates constitute no change for FY2020 to the existing regulations found at N.J.A.C. 7:11-4.1 et seq. as follows: no change in the sales base of 19,443 million gallons per day applied to all contract customers in the calculation of the Operations and Maintenance Expense, the Source Water Protection, and the NJEIFP Debt Components of the rate; no change in the Operations and Maintenance Expense Component of \$432.87 per million gallons; no change in the NJEIFP Debt Component from of \$24.93 per million gallons; and no change in the Source Water Protection Fund Component of \$15.00 per million gallons. The Debt Service Component for all initial customers will remain at \$570.55 per million gallons, and the debt service sales base will remain at 15,008 million gallons per day applied to the Debt Service Component for all initial water purchase contract customers. The Debt Service Component for all delayed water purchase contracts will remain at \$664.96 per million gallons and there is no change in the debt service sales base of 4.435 million gallons per day applied to all delayed water purchase contract customers.

JAN 25 '19 AM 9:52

The proposal is scheduled to be published in the New Jersey Register dated January 7, 2019. A final version of the Basis and Background (B&B) document containing the full text of the proposed Rate Schedule, together with supporting information is available from the New Jersey Water Supply Authority's website at <http://www.njwsa.org> or individual requests for the full text of the proposed rate adjustments should be sent to the New Jersey Water Supply Authority.

The Authority will conduct a Pre-public Hearing meeting with its contractual water users and any interested parties at 11:00 a.m. on Thursday, January 10, 2019 in the Authority's Manasquan Reservoir System Administration Building conference room, 2041 Hospital Road, Wall, New Jersey, to present and ex

road, wall, New Jersey, to present and explain the rate adjustment proposal, answer questions, and provide any additional data requested in accordance with the rate making procedure specified in N.J.A.C. 7:11-4.16.

Notice is hereby given that the Authority will hold a Public Hearing on Thursday, February 7, 2019 at 11:00 a.m. in the Authority's Manasquan Reservoir System Administration Building Conference Room, 2041 Hospital Road, Wall, New Jersey, to provide the opportunity for public comments and statements on the proposed revisions. Interested persons may present statements orally or in writing relevant to the proposed action.

Written comments may be submitted until March 18, 2019 at which time the public record will be closed.

All comments should be addressed to:

Beth Gates, Executive Director  
New Jersey Water Supply Authority  
1851 Highway 31  
Post Office Box 5196  
Clinton, New Jersey 08809  
info@njwsa.org

12/20/18 THE TIMES \$52.20

JAN 25 '19 AM 9:52



Ms. Susan Schreck , CFO  
Borough of Spring Lake  
Fifth & Warren Avenues  
Spring Lake, NJ 07762

Mr. Oleg Kostin  
New Jersey American Water  
P. O. Box 102  
Bound Brook, NJ 08805

Mr. David Gartenberg  
State of New Jersey, BPU  
44 S. Clinton Avenue  
P.O. Box 350  
Trenton, NJ 08625-0350

Ms. Susan McClure  
Division of Ratepayer Advocate  
140 E. Front St., P.O. Box 46005  
Trenton, NJ 08625

Edward Sampson, Director  
Monmouth County Planning Board  
One East Main Street  
Freehold, NJ 07728

Ms. Stephanie A. Brand, Director  
Division of Ratepayer Advocate  
140 E. Front St., P.O. Box 46005  
Trenton, NJ 08625

Mayor John Magrini  
Borough of Avon-By-The-Sea  
301 Main Street  
Avon, NJ 07717

Timothy M. Gallagher, Clerk  
Borough of Avon-By-The-Sea  
301 Main Street  
Avon, NJ 07717

Thomas Nolan, Administrator  
Borough of Brielle  
P. O. Box 445, 601 Union Lane  
Brielle, NJ 08730

Mayor Brian Magovern  
Borough of Belmar  
P.O. Box A, 601 Main Street  
Belmar, NJ 07719

April Claudio, Clerk  
Borough of Belmar  
P.O. Box A, 601 Main Street  
Belmar, NJ 07719

Mayor Thomas B. Nicol  
Borough of Brielle  
P. O. Box 445, 601 Union Lane  
Brielle, NJ 08730

Mr. Robert Schaefer  
New Jersey American Water  
P. O. Box 102  
Bound Brook, NJ 08805

Louis Ferrara, Administrator  
Borough of Matawan  
201 Broad Street  
Matawan, NJ 07747

Valerie Heilweil, Clerk  
Borough of Keyport  
18-20 Main Street, PO Box 70  
Keyport, NJ 07735

Mr. Eric Olsen  
Shorelands Water Company  
1709 Union Avenue, PO Box 158  
Hazlet, NJ 07730

Mayor Harry M. Aumack II  
Borough of Keyport  
70 W. Front Street, PO Box70  
Keyport, NJ 07735

Mayor Pasquale Menna  
Borough of Red Bank  
P.O. Box 868, 90 Monmouth Street  
Red Bank, NJ 07701

Mayor Ken Farrell  
Borough of Sea Girt  
PO Box 296, 4<sup>th</sup> Avenue  
Sea Girt, NJ 08750

Lorraine Carafa, Clerk  
Borough of Sea Girt  
PO Bx 296, 4<sup>th</sup> Avenue  
Sea Girt, NJ 08750

Stanley J. Sickels, Administrator  
Borough of Red Bank  
90 Monmouth Street, P.O. Box 868  
Red Bank, NJ 07701

New Jersey American Water  
Swimming River Treatment Plant  
310 Swimming River Road  
Colts Neck, NJ 07722

Mayor Kevin Higgins  
Borough of Lake Como  
PO Box 569  
Lake Como, NJ 07719-0569

Mayor Jennifer Naughton  
Borough of Spring Lake  
Fifth & Warren Avenues  
Spring Lake, NJ 07762

Louise A. Mekosh, Administrator/Clerk  
Borough of Lake Como  
P.O. Box 569  
Lake Como, NJ 07717-0569

John Barrett, Borough Clerk  
Borough of Spring Lake Heights  
555 Brighton Avenue  
Spring Lake Heights, NJ 07762

Mayor Timothy Farrell  
Township of Wall  
2700 Allaire Road  
Wall, NJ 07719

Jane L. Marban, Clerk  
Borough of Spring Lake  
Fifth & Warren Avenues  
Spring Lake, NJ 07762

Mayor Thomas O'Brien  
Borough of Spring Lake Heights  
555 Brighton Avenue  
Spring Lake Heights, NJ 07762

Jeffry Bertrand, Administrator  
Township of Wall  
2700 Allaire Road  
Wall, NJ 07719

Department of State  
Secretary of State  
125 W. State Street, P.O. Box 300  
Trenton, New Jersey 08625

Mayor Paul Buccellato  
Borough of Matawan  
201 Broad Street  
Matawan, NJ 07747

Accounts Payable  
NJ American Water  
P. O. Box 5602  
Cherry Hill, NJ 08034

Michael J. Broncatello  
Comptroller  
NJDWSC  
One F.A. Orechio Drive  
Wanaque, NJ 07465

G:Business Office/Procurement  
Dept/Raritan System/Water  
Contracts/Public Hearing  
(MRS Small Labels)

**From:** [Michelle Rollman](#)  
**To:** [Michelle Rollman](#)  
**Cc:** [Susan Buckley](#); [Beth Gates](#)  
**Bcc:** [101.5](#); [101.5 News Desk](#); [1010 Wins](#); [Asbury Park Press](#); [Associated Press](#); [Associated Press M Catalini](#); [Atlantic City Press](#); [Atlantic City Press wKeough](#); [Capitol Wire](#); [CBS 2 NY](#); [Courier Post \(ccomegno@camdengannett.com\)](#); [Daily Record](#); [David Matthau](#); [E&E Publishing](#); [FIOS 1](#); [Hunterdon County Democrat](#); [KYW Radio](#); [NBC](#); [NBC 10 - News Desk](#); [News 12](#); [NJ Advance Media BJ](#); [NJ Advance Media CB](#); [NJ Advance Media SL](#); [NJ Advance Media SR](#); [NJTV](#); [North Jersey](#); [North Jersey RA](#); [North Jersey ST](#); [Star Ledger](#); [Susann McGoldrick](#); [The Daily Journal](#); [Trenton Times](#); [Trentonian](#); [WBGO & WHYI](#)  
**Subject:** NJWSA Notices of Rate Proposals  
**Date:** Thursday, December 20, 2018 2:20:12 PM  
**Attachments:** [NJWSA Raritan Rates Notice 2020.pdf](#)  
[NJWSA Manasquan Rates Notice 2020.pdf](#)

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Pursuant to the requirements of the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., administrative agencies are required to distribute notice of proposed rulemaking activities to the news media maintaining a press office at the State House Complex. In satisfaction of this requirement, the New Jersey Water Supply Authority is forwarding to you the attached two notices of rate proposals.

Please find attached the New Jersey Water Supply Authority Notice of Rate Proposal for the Raritan Basin System as well as the Notice of Rate Proposal for the Manasquan Reservoir System.

Many thanks and Happy Holidays  
Michelle Rollman

**Michelle Rollman**  
Finance and Accounting Analyst  
New Jersey Water Supply Authority  
Clinton Administration Building  
1851 State Route 31  
P.O. Box 5196  
Clinton, NJ 08809  
P: (908) 638-6121  
F: (908) 638-524  
[mrollman@njwsa.org](mailto:mrollman@njwsa.org)

## Michelle Rollman

---

**From:** Aldama, Cesar (NBCUniversal) <cesar.aldama@nbcuni.com>  
**To:** Michelle Rollman  
**Sent:** Thursday, December 20, 2018 2:58 PM  
**Subject:** Read: [EXTERNAL] NJWSA Notices of Rate Proposals

Your message

To: Aldama, Cesar (NBCUniversal)  
Subject:

was read on 12/20/2018 2:58 PM.

## Michelle Rollman

---

**From:** 1010 WINS Info <info@wins.com>  
**To:** Michelle Rollman  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Read: NJWSA Notices of Rate Proposals

Your message

To: 1010 WINS Info  
Subject:

was read on 12/20/2018 2:29 PM.



## Michelle Rollman

---

**From:** Catalini, Michael <MCatalini@ap.org>  
**To:** Michelle Rollman  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Read: NJWSA Notices of Rate Proposals

Your message

To: Catalini, Michael  
Subject:

was read on 12/20/2018 2:29 PM.

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** mcalpin@northjersey.com; racioppi@northjersey.com; stile@northjersey.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[mcalpin@northjersey.com](mailto:mcalpin@northjersey.com) on 12/20/2018 2:29 PM  
[racioppi@northjersey.com](mailto:racioppi@northjersey.com) on 12/20/2018 2:29 PM  
[stile@northjersey.com](mailto:stile@northjersey.com) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** newsroom@dailyrecord.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[newsroom@dailyrecord.com](mailto:newsroom@dailyrecord.com) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** newsdesk@fios1news.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[newsdesk@fios1news.com](mailto:newsdesk@fios1news.com) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** info@1010winsmail.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[info@1010winsmail.com](mailto:info@1010winsmail.com) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** editorial@eenews.net  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[editorial@eenews.net](mailto:editorial@eenews.net) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** jalt@thedailyjournal.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[jalt@thedailyjournal.com](mailto:jalt@thedailyjournal.com) on 12/20/2018 2:29 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** bjordan@gannettnj.com  
**Sent:** Thursday, December 20, 2018 2:29 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[bjordan@gannettnj.com](mailto:bjordan@gannettnj.com) on 12/20/2018 2:29 PM



## Michelle Rollman

---

**From:** postmaster@disney.com  
**To:** susann.l.mcgoldrick@abc.com  
**Sent:** Thursday, December 20, 2018 2:22 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[susann.l.mcgoldrick@abc.com](mailto:susann.l.mcgoldrick@abc.com) on 12/20/2018 2:22 PM

## Michelle Rollman

---

**From:** postmaster@ap.org  
**To:** TRE-TrentonNJBureauMailbox@ap.org  
**Sent:** Thursday, December 20, 2018 2:22 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[TRE-TrentonNJBureauMailbox@ap.org](mailto:TRE-TrentonNJBureauMailbox@ap.org) on 12/20/2018 2:22 PM

## Michelle Rollman

---

**From:** postmaster@owh.com  
**To:** newstips@pressofac.com; wkeough@pressofac.com  
**Sent:** Thursday, December 20, 2018 2:22 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[newstips@pressofac.com](mailto:newstips@pressofac.com) on 12/20/2018 2:22 PM  
[wkeough@pressofac.com](mailto:wkeough@pressofac.com) on 12/20/2018 2:22 PM

## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** newstips@kyw1060info.com  
**Sent:** Thursday, December 20, 2018 2:21 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[newstips@kyw1060info.com](mailto:newstips@kyw1060info.com) on 12/20/2018 2:21 PM

## Michelle Rollman

---

**From:** postmaster@wbgo.org  
**To:** pgregory@wbgo.org  
**Sent:** Thursday, December 20, 2018 2:20 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[pgregory@wbgo.org](mailto:pgregory@wbgo.org) on 12/20/2018 2:20 PM

## Michelle Rollman

---

**From:** Brent Johnson <BJOHNSON@njadvancemedia.com>  
**To:** Michelle Rollman  
**Sent:** Thursday, December 20, 2018 2:21 PM  
**Subject:** Read: NJWSA Notices of Rate Proposals

Your message

To: Brent Johnson  
Subject:

was read on 12/20/2018 2:21 PM.

## Michelle Rollman

---

**From:** postmaster@cvcmail.onmicrosoft.com  
**To:** news12nj@news12.com  
**Sent:** Thursday, December 20, 2018 2:21 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[news12nj@news12.com](mailto:news12nj@news12.com) on 12/20/2018 2:21 PM

## Michelle Rollman

---

**From:** postmaster@thirteen.onmicrosoft.com  
**To:** aronm@njtvonline.org  
**Sent:** Thursday, December 20, 2018 2:20 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[aronm@njtvonline.org](mailto:aronm@njtvonline.org) on 12/20/2018 2:20 PM



## Michelle Rollman

---

**From:** Mail Delivery System <MAILER-DAEMON@dispatch1-us1.ppe-hosted.com>  
**To:** david.matthau@townsquaremedia.com; eric.scott@townsquaremedia.com;  
news@hcdemocrat.com; bjohnson@njadvancemedia.com;  
cbaxter@njadvancemedia.com; slivio@njadvancemedia.com;  
srizzo@njadvancemedia.com; tmartello@njadvancemedia.com; desk@cbs2ny.com;  
briang.thompson@nbcuni.com; wcaudesk@nbcuni.com; newsjerz@nj1015.com;  
news@njtimes.com; editor@trentonian.com  
**Sent:** Thursday, December 20, 2018 2:21 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[david.matthau@townsquaremedia.com](mailto:david.matthau@townsquaremedia.com) on 12/20/2018 2:21 PM  
[eric.scott@townsquaremedia.com](mailto:eric.scott@townsquaremedia.com) on 12/20/2018 2:21 PM  
[news@hcdemocrat.com](mailto:news@hcdemocrat.com) on 12/20/2018 2:21 PM  
[bjohnson@njadvancemedia.com](mailto:bjohnson@njadvancemedia.com) on 12/20/2018 2:21 PM  
[cbaxter@njadvancemedia.com](mailto:cbaxter@njadvancemedia.com) on 12/20/2018 2:21 PM  
[slivio@njadvancemedia.com](mailto:slivio@njadvancemedia.com) on 12/20/2018 2:21 PM  
[srizzo@njadvancemedia.com](mailto:srizzo@njadvancemedia.com) on 12/20/2018 2:21 PM  
[tmartello@njadvancemedia.com](mailto:tmartello@njadvancemedia.com) on 12/20/2018 2:21 PM  
[desk@cbs2ny.com](mailto:desk@cbs2ny.com) on 12/20/2018 2:21 PM  
[briang.thompson@nbcuni.com](mailto:briang.thompson@nbcuni.com) on 12/20/2018 2:21 PM  
[wcaudesk@nbcuni.com](mailto:wcaudesk@nbcuni.com) on 12/20/2018 2:21 PM  
[newsjerz@nj1015.com](mailto:newsjerz@nj1015.com) on 12/20/2018 2:21 PM  
[news@njtimes.com](mailto:news@njtimes.com) on 12/20/2018 2:21 PM  
[editor@trentonian.com](mailto:editor@trentonian.com) on 12/20/2018 2:21 PM

## Michelle Rollman

---

**From:** postmaster@ap.org  
**To:** NewJersey@applanner.com  
**Sent:** Thursday, December 20, 2018 2:20 PM  
**Subject:** Relayed: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[NewJersey@applanner.com](mailto:NewJersey@applanner.com) on 12/20/2018 2:20 PM

## Michelle Rollman

---

**From:** postmaster@ap.org  
**To:** mcatalini@ap.org  
**Sent:** Thursday, December 20, 2018 2:20 PM  
**Subject:** Delivered: NJWSA Notices of Rate Proposals

Your message

To: Michelle Rollman  
Cc: Susan Buckley; Beth Gates  
Subject: NJWSA Notices of Rate Proposals  
Sent: 12/20/2018 2:20 PM

was delivered to the following recipient(s):

[mcatalini@ap.org](mailto:mcatalini@ap.org) on 12/20/2018 2:20 PM

## Michelle Rollman

---

**From:** Thompson, Brian G (NBCUniversal) <BrianG.Thompson@nbcuni.com>  
**To:** Michelle Rollman  
**Sent:** Wednesday, December 26, 2018 8:25 PM  
**Subject:** Read: [EXTERNAL] NJWSA Notices of Rate Proposals

Your message

To: Thompson, Brian G (NBCUniversal)  
Subject:

was read on 12/26/2018 8:25 PM.

**New Jersey Register Notice**

**Exhibit D**

**Housing Affordability Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for the purposes of determining their impact, if any, on the affordability of housing. The Authority has determined that the proposed amendments will impose no impact because there is no likelihood that the rules will evoke a change in the average costs associated with housing. The Authority finds that the proposed amendments do not change land use policies or the nature and scope of the rules.

**Smart Growth Development Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for purposes of determining their impact, if any, on smart growth development. The Authority has determined that the proposed amendments will impose no impact because it is not likely that the rules will evoke a change in housing production within Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan. The Authority finds that the proposed amendments do not change land use policies or the nature and scope of the rules.

**Racial and Ethnic Community Criminal Justice and Public Safety Impact**

The Authority has evaluated this rulemaking and determined that it will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the proposal follows (additions indicated in boldface thus; deletions indicated in brackets [thus]):

SUBCHAPTER 2. SCHEDULE OF RATES, CHARGES, AND DEBT SERVICE ASSESSMENTS FOR THE SALE OF WATER FROM THE RARITAN BASIN SYSTEM

7:11-2.3 General rate schedule for operations and maintenance

(a) (No change.)

(b) General rate schedule for operations and maintenance:

| <u>Period</u>  | <u>Allocation</u>             | <u>Rate/Million Gallons</u> |
|--|-------------------------------|-----------------------------|
| (State fiscal year unless otherwise indicated) State fiscal year [2019] 2020 | Million Gallons per Day (MGD) | \$194.00                    |

7:11-2.4 Debt service assessments

(a) (No change.)

(b) The following debt service assessment rate for the New Jersey Environmental Infrastructure Financing Program loans, based on a sales base of 182.353 million gallons per day, will be applied to all customers.

| <u>Period</u>  | <u>Allocation</u>             | <u>Rate/Million Gallons</u> |
|--|-------------------------------|-----------------------------|
| (State fiscal year unless otherwise indicated) State fiscal year [2019] 2020 | Million Gallons per Day (MGD) | \$85.00                     |

7:11-2.5 Capital Fund Component

(a)-(b) (No change.)

(c) Capital Fund Assessment

| <u>Period</u>  | <u>Allocation</u>             | <u>Rate/Million Gallons</u> |
|--|-------------------------------|-----------------------------|
| (State fiscal year unless otherwise indicated) State fiscal year [2019] 2020 | Million Gallons per Day (MGD) | \$33.00                     |

7:11-2.6 Source Water Protection Fund Component

(a) (No change.)

(b) Source Water Protection Fund Assessment

| <u>Period</u>  | <u>Allocation</u>             | <u>Rate/Million Gallons</u> |
|--|-------------------------------|-----------------------------|
| (State fiscal year unless otherwise indicated) State fiscal year [2019] 2020 | Million Gallons per Day (MGD) | \$24.00                     |

(a)

**NEW JERSEY WATER SUPPLY AUTHORITY  
Schedule of Rates, Charges, and Debt Service  
Assessments for the Sale of Water from the  
Manasquan Reservoir Water Supply System  
Proposed Amendments: N.J.A.C. 7:11-4.3, 4.4, 4.5,  
and 4.6**

Authorized By: New Jersey Water Supply Authority, Catherine R. McCabe, Chair, and Commissioner, Department of Environmental Protection.

Authority: N.J.S.A. 58:1B-7.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

DEP Docket Number: 07-18-12.

Proposal Number: PRN 2019-009.

In accordance with N.J.A.C. 7:11-4.17(a)4, a pre-public hearing meeting concerning this notice of proposal will be held on:

Thursday, January 10, 2019, at 11:00 A.M.

New Jersey Water Supply Authority  
Manasquan Reservoir System Administration Building  
Hospital Road  
Wall, New Jersey

A public hearing concerning this notice of proposal will be held on:

Thursday, February 7, 2019, at 11:00 A.M. to close comments

New Jersey Water Supply Authority  
Manasquan Reservoir System Administration Building  
Hospital Road  
Wall, New Jersey

Submit comments by March 8, 2019, electronically to the New Jersey Water Supply Authority (Authority) at [info@njwsa.org](mailto:info@njwsa.org).

The Authority encourages electronic submittal of comments. In the alternative, comments may be submitted on paper to:

Beth Gates  
Executive Director  
New Jersey Water Supply Authority  
Attention: DEP Docket No. 07-18-12.  
1851 State Highway 31  
PO Box 5196  
Clinton, NJ 08809

The Basis and Background document, which is available at the Authority's website <http://www.njwsa.org>, explains in further detail the

financial justification for the proposed rate schedule. The rules can also be viewed or downloaded from the Authority's website.

The agency proposal follows:

#### Summary

As the Authority has provided a 60-day comment period on this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

The Authority is proposing to amend its Schedule of Rates, Charges, and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System (System), to cover expenses for Fiscal Year (FY) 2020. The Authority operates on a July 1 to June 30 Fiscal Year. The only proposed amendments update references to the fiscal year from FY 2019 to FY 2020. No change to the overall rate of \$1,043.35 per million gallons (MG) for initial customers and no change to the overall rate of \$1,137.76 per MG for delayed water purchase contracts is proposed. The Authority anticipates the rates will be adopted operative July 1, 2019.

The general rate schedule for operations and maintenance (O&M) covers the operation expenses of the System. This component, set forth at N.J.A.C. 7:11-4.3, and incorporated by reference in the stand-by charge at N.J.A.C. 7:11-4.13, was last adjusted operative July 1, 2016 (FY 2017), when the amount was increased from \$386.00 to \$432.87 per MG and the sales base was decreased from 20.158 million gallons per day (MGD) to 19.443 MGD. See 48 N.J.R. 19(a); 1065(a). The Authority is proposing no change to N.J.A.C. 7:11-4.3 for FY 2020. The O&M component rate of \$432.87 per MG and the O&M component sales base of 19.443 MGD will remain the same for FY 2020.

The debt service cost component at N.J.A.C. 7:11-4.4 was last adjusted operative July 1, 2017 (FY 2018). (See 49 N.J.R. 12(a); 1680(a)). At N.J.A.C. 7:11-4.4(b), the debt service component for FY 2018 for initial customers was based on a sales base of 15.008 MGD. For FY 2020, the Authority anticipates no change to the applicable sales base. The debt service payment for initial System customers will increase by \$4,183 for FY 2020 relative to FY 2019. The increase is nominal and will be covered by other available funds. Accordingly, the Authority proposes no change in the debt service component set forth in N.J.A.C. 7:11-4.4(b) of \$570.55. The rate component will continue to allow the Authority to meet coverage of 120 percent of debt service required by the Authority's bond resolution. This rate is charged to all uninterruptible service contracts executed prior to July 1, 1990, which reflects commencement of System operations, and to those water purchasers entering delayed water purchase contracts who pre-paid the total delayed water purchase surcharge at the commencement of the contract rather than paying it over the contract term.

The debt service component for FY 2019 for delayed water purchase System customers, set forth at N.J.A.C. 7:11-4.4(c), was based on a sales base of 4.435 MGD. There is no change in the delayed water purchase sales base for FY 2020. The debt service payment for delayed water purchase System customers will increase by \$67.00 in FY 2020 relative to FY 2019. The increase is nominal and will be covered by other available funds. Accordingly, the Authority proposes no change to the delayed water purchase debt service component set forth in N.J.A.C. 7:11-4.4(c) of \$664.96. The rate component will continue to allow the Authority to meet coverage of 120 percent of debt service required by the Authority's bond resolution. This rate is charged to all water purchasers who entered into a water purchase contract for uninterruptible service commencing subsequent to the System operation date.

The Authority established a Source Water Protection Fund Component (N.J.A.C. 7:11-4.5) of \$15.00 per MG starting July 1, 2003. The Source Water Protection Fund Component provides administrative cost assistance for watershed planning and land acquisitions within the Manasquan Basin critical to the long-term protection of water quality and quantity in the System. The rate was decreased from \$15.00 per MG to \$10.00 per MG for FY 2016. A rate of \$10.00 per MG and existing fund surplus were sufficient to cover program costs for FY 2016 and FY 2017. In FY 2018, the Authority increased the rate to \$15.00 per MG in order to cover program costs for FY 2018. To cover costs for FY 2020, the Authority proposes no change to the source water protection fund component rate of \$15.00 per MG at N.J.A.C. 7:11-4.5(b).

The Authority proposes no change in the New Jersey Environmental Infrastructure Financing Program (NJEIFP) debt component, set forth at

N.J.A.C. 7:11-4.6, of \$24.93 per MG. The NJEIFP debt component was established to repay debt service to the New Jersey Environmental Infrastructure Trust for construction costs associated with the installation of a structure over the Manasquan Reservoir intake pump station. The debt service payment will remain the same in FY 2020 as FY 2019, and the sales base will remain constant at 19,443 MGD for FY 2020.

#### Social Impact

The proposed amendments will have a positive social impact. The proposed amendments represent the Authority's efforts to ensure that rates for the untreated water purchased from the System are equitably assessed to all purchasers and are sufficient to provide the revenues required by the Authority.

The four billion gallon capacity Manasquan Reservoir provides a needed water supply to keep pace with the continuing population growth in Monmouth County while reducing the dependence of water purveyors on the stressed ground water resources of the region.

#### Economic Impact

There are no proposed adjustments to the rate schedule other than the amendment modifying the fiscal year reference to FY 2020. Consequently, there is no change in the total charge for the uninterruptible untreated water supply from the System of \$1,043.35 per MG for initial System customers and of \$1,137.76 for delayed System customers. There will therefore be no effect per household in the billing area. The rate will continue to ensure that necessary insurance coverage is maintained for all aspects of the Authority's operations while also sustaining operations to meet and enhance the Authority's mission of managing water supply. The regulatory amendments to the Schedule of Rates and Charges are in accordance with the Authority's statutory jurisdiction over System diversions that impact safe yield.

#### Environmental Impact

The adequate financing of upkeep and operation of the System, which is provided by the proposed amendments, will result in a positive environmental impact. Sixty percent of the water supply in Monmouth County was previously derived from stressed ground water resources. The System relieves the use of a portion of the existing ground water supply and meets the needs of a developing area. This water supply system has a very important and positive environmental impact since its operation reduces the stress on the valuable ground water resources of the region by providing an alternate surface water supply. By reducing the pumping of ground water, saltwater intrusion will be limited and present ground water levels will not be further reduced.

The 30 million gallon per day water supply that the System can provide helps to protect the region's threatened ground water resources from further depletion. In addition, the 770-acre Manasquan Reservoir provides for the protection of waterfowl and wildlife in the region through several protected wetland sites for the rearing of waterfowl and wildlife.

The continued financing of the source water protection fund will have a positive environmental impact by providing greater protection to water quality and quantity in the Manasquan Basin through real estate acquisitions, coordinated government land management practices, and remedial projects.

#### Federal Standards Statement

Executive Order No. 27 (1994) and N.J.S.A. 52:14B-1 et seq., require administrative agencies which adopt, readopt, or amend any rule or regulation to which the Order applies to provide a comparison with Federal law, and to provide further discussion and analysis (including a cost-benefit analysis) if the standards or requirements by the agency exceed standards or requirements imposed by Federal law.

These rules are promulgated under the procedures of the Authority. The Authority is an instrumentality of the State of New Jersey in, but not of, the Department of Environmental Protection. The Authority is charged with the operation and management of the State-owned raw water supply facilities within the State of New Jersey.

These amendments are not proposed under the authority of or in order to implement, comply with, or participate in any program established under Federal law. In addition, the amendments are not proposed under the authority of a State statute that incorporates or refers to Federal law,

**ENVIRONMENTAL PROTECTION**

Federal standards, or Federal requirements. Therefore, no Federal standards analysis is required.

**Jobs Impact**

The proposed amendments are an annual revision to the Authority's regulations covering rates for its water customers in the System. The implementation of these amendments is not anticipated to result in the generation or loss of jobs.

**Agriculture Industry Impact**

In accordance with P.L. 1998, c. 48, which amends the Right to Farm Act, and in accordance with N.J.S.A. 52:14B-4(a)2, which requires that an Agriculture Industry Impact statement be included in the rule proposal, the Authority has evaluated this rulemaking to determine the nature and extent of the impact of the proposed amendments on the agriculture industry. Agriculture is impacted to the extent that farms and other agricultural users receive water allocations from the Department of Environmental Protection and contracts with the Authority for the purchase of water as a condition of the water allocation permit.

**Regulatory Flexibility Statement**

In accordance with the New Jersey Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., the Authority has determined that the proposed amendments will not impose reporting, recordkeeping, or other compliance requirements on small businesses because they only affect the rates charged to users for water purchased from the Authority. The municipalities and major water purveyors that contract to purchase water from the Authority and are impacted by these rules do not qualify as "small businesses" pursuant to N.J.S.A. 52:14B-16 et seq., because all employ more than 100 full-time employees.

**Housing Affordability Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for the purposes of determining their impact, if any, on the affordability of housing. The Authority has determined that the proposed amendments will impose an insignificant impact because it is unlikely that the rules will evoke a change in the average costs associated with housing. The Authority finds that the proposed amendments do not change land use policies or the nature and scope of the rules.

**Smart Growth Development Impact Analysis**

In accordance with N.J.S.A. 52:14B-4, as amended effective July 17, 2008, by P.L. 2008, c. 46, the Authority has evaluated the proposed amendments for purposes of determining their impact, if any, on smart growth development. The Authority has determined that the proposed amendments will impose an insignificant impact because it is unlikely that the rules will evoke a change in housing production within Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan. The Authority finds that the proposed amendments do not change land use policies or the nature and scope of the rules.

**Racial and Ethnic Community Criminal Justice and Public Safety Impact**

The Department has evaluated this rulemaking and determined that it will not have an impact on pretrial detention, sentencing, probation, or parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the proposal follows (additions indicated in boldface thus; deletions indicated in brackets [thus]):

**SUBCHAPTER 4. SCHEDULE OF RATES, CHARGES, AND DEBT SERVICE ASSESSMENTS FOR THE SALE OF WATER FROM THE MANASQUAN RESERVOIR WATER SUPPLY SYSTEM**

**7:11-4.3 Operations and maintenance expense component**

- (a)-(b) (No change.)
- (c) Operations and Maintenance Expense Component:

Effective Date

Rate/Million Gallons  
(based upon a 19.443  
mg per day sales base)  
\$432.87

July 1, [2018] 2019

**7:11-4.4 Debt service cost component**

- (a) (No change.)

(b) The following debt service rates based on a sales base of 15,008 million gallons per day, apply to all initial water purchase contract customers, and all delayed water purchase contract customers, who fully satisfied their contractual delayed water purchase surcharge obligations at the commencement of their contract terms:

| <u>Period</u>                        | <u>Rate/Million Gallons</u><br><u>(Coverage 120 percent)</u> |
|--------------------------------------|--|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | \$570.55   |

(c) A delayed water purchase surcharge will be assessed to all water purchasers who entered into a water purchase contract for an uninterruptible service commencing subsequent to the system operation date (delayed water purchase contract). This includes a purchaser under an initial water purchase contract, which provides for an increase in the amount of uninterruptible service effective subsequent to the system operation date.

1. The following debt service rate based on a sales base of 4,435 million gallons per day, applies to the delayed water purchase contracts commencing July 1, 2001, October 1, 2002, and January 1, 2005 in lieu of the debt service rate set forth in (b) above.

| <u>Period</u>                        | <u>Rate/Million Gallons</u><br><u>(Coverage 120 percent)</u> |
|--------------------------------------|--|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | \$664.96   |

- (d) (No change.)

**7:11-4.5 Source water protection fund component**

- (a) (No change.)

(b) The source water protection fund component is as follows:

| <u>Period</u>                        | <u>Rate/Million Gallons</u> |
|--------------------------------------|-----------------------------|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | \$15.00                     |

**7:11-4.6 New Jersey Environmental Infrastructure Financing Program debt component**

- (a) (No change.)

(b) The New Jersey Environmental Infrastructure Financing Program debt component is as follows:

| <u>Period</u>                        | <u>Rate/Million Gallons</u> |
|--------------------------------------|-----------------------------|
| 7/1/[2018]2019 to<br>6/30/[2019]2020 | \$24.93                     |



**Minutes of Pre-Public Hearing Meeting**

**Exhibit E**

**MINUTES**

Pre-Public Hearing Meeting - January 10, 2019

Schedule of Rates, Charges and Debt Service Assessments  
for the Sale of Water from the  
Manasquan Reservoir Water Supply System  
to become effective July 1, 2019

The Pre-Public Hearing Meeting was called to order by Susan Buckley, Director Administration and Finance, at 11:00 a.m. in the Manasquan Administration Building Conference Room.

Authority staff members present were Susan Buckley, Director Administration and Finance.

No members of the public were in attendance.

After an appropriate period of time, Ms. Buckley adjourned the meeting at 11:20 a.m.

**AGENDA**

**Pre-Public Hearing Meeting**

**January 10, 2019**

**Schedule of Rates, Charges and Debt Service Assessments  
for the Sale of Water from the  
Manasquan Reservoir Water Supply System**

**To become effective July 1, 2019**

REGISTRATION – 10:30 – 11:00 a.m.

- |    |   |               |
|----|---|---------------|
| 1. | Greeting/Introduction   | Staff         |
| 2. | Correspondence and Communications   | Susan Buckley |
| 3. | Review of Process and Future Events   | Susan Buckley |
| 4. | Review of Proposed Adjustments to the Rate Schedule<br>Proposed Fiscal Year 2020 Budget | Susan Buckley |
| 5. | Capital Improvement Program   | Paul McKeon   |
| 6. | Additional questions and answers  | Staff         |

**REGISTRATION**

**Pre Public Hearing Meeting – January 10, 2019**

**Schedule of Rates, Charges and Debt Service Assessments  
for the Sale of Water from the  
Manasquan Reservoir Water Supply System**

| <b><u>NAME</u></b>    | <b><u>AFFILIATION – EMAIL ADDRESS</u></b> |
|-----------------------|---|
| <i>Seshan Buckley</i> | <i>MWSA - sbuckley@nj.gov</i>             |
|                       |   |
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**Transcript of Public Hearing**

**Exhibit F**

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NEW JERSEY WATER SUPPLY AUTHORITY

IN RE:

PROPOSED ADJUSTMENTS TO THE SCHEDULE OF RATES,  
CHARGES OF DEBT SERVICE ASSESSMENTS  
FOR THE SALE OF WATER FROM THE  
MANASQUAN WATER SUPPLY SYSTEM  
(N.J.A.C. 7:11-2)  
TO BECOME EFFECTIVE JULY 1, 2019

HELD AT:

NEW JERSEY WATER SUPPLY AUTHORITY CONFERENCE ROOM 2041  
HOSPITAL ROAD  
Wall, N.J.  
11:00 A.M.  
THURSDAY FEBRUARY 7, 2019

A P P E A R A N C E S:

|               |  |
|---------------|--|
| STEVEN PICCO  | HEARING OFFICER  |
| BETH GATES    | EXECUTIVE DIRECTOR                                       |
| SUSAN BUCKLEY | DIRECTOR, FINANCE AND<br>ADMINISTRATION                  |
| PAUL MCKEON   | DIRECTOR, MANASQUAN WATER<br>SUPPLY AND CANAL OPERATIONS |

BY: MONIKA NEMEC  
CERTIFIED SHORTHAND REPORTER  
LICENSE NO: XI-02177

I N D E X

| <u>WITNESS</u>                   | <u>PAGE</u> |
|----------------------------------|-------------|
| OPENING STATEMENT BY MS. BUCKLEY | 6           |

E X H I B I T S

| <u>NUMBER</u> | <u>DESCRIPTION</u>                    | <u>EVIDENCE</u> |
|---------------|---------------------------------------|-----------------|
| P-1           | Pre-Public meeting minutes 1/10/19    | 4               |
| P-2           | Certification                         | 5               |
| S-1           | Basis and Background Document 11/5/18 | 14              |

1 MR. PICCO: On behalf of the New Jersey Water  
2 Supply Authority, I would like to welcome you here this  
3 morning. My name is Steven Picco. I am the Chairman  
4 of the New Jersey Water Supply Authority's Audit  
5 Committee and a member of the Authority's Personnel,  
6 Finance and Capital Projects Committees. I will be  
7 serving as Hearing Officer for this public hearing for  
8 the Authority's proposed adjustments to its Schedule of  
9 Rates, Charges and Debt Service Assessments for the  
10 supply of water from the Manasquan Water Supply System,  
11 which will take effect on July 1, 2019.

12 Several members of the Authority's staff are  
13 present today and I would like to introduce them.

14 Ms. Beth Gates is the Executive Director.

15 Ms. Susan Buckley is the Director, Finance and  
16 Administration.

17 Mr. Paul McKeon is the Director, Manasquan Water Supply  
18 and Canal Operations.

19 It is requested that every one present sign the  
20 roster. If you would like to make a statement today,  
21 please print your name on one of the rosters and submit  
22 it to me.

23 The Authority has adopted extensive rate  
24 adjustment procedures found in the New Jersey  
25 Administrative Code at N.J.A.C. 7:11-4.16 and 4.17,



1 which provide for close contact with our water  
2 customers, the State Division of the Ratepayer Advocate  
3 and other interested parties for the proposal of any  
4 rate adjustment. These procedures demonstrate the  
5 Authority's commitment to maintaining an active  
6 dialogue with the public, welcoming the input of  
7 interested parties and providing a forum for that  
8 input.

9 Official notice of the proposed rate adjustments  
10 for Fiscal Year 2020 was mailed to the water users and  
11 all interested parties on December 20, 2018 and  
12 published in the New Jersey Register on January 7,  
13 2019. On January 10, 2019 the required pre-public  
14 hearing meeting with our contractual water customers  
15 and interested parties was conducted. No members of  
16 the public attended the pre-public hearing meeting.

17 Ms. Buckley, do we have minutes from the  
18 pre-public hearing meeting of January 10, 2019?

19 MS. BUCKLEY: Yes, Mr. Chairman, and I  
20 would like to enter the January 10, 2019 pre-public  
21 hearing minutes into the record as Exhibit P-1.

22 MR. PICCO: Please mark the pre-public  
23 hearing meeting minutes as Exhibit P-1.

24  
25 (At which time, Pre-Public meeting minutes

1 1/10/19 were received in evidence.)

2  
3 MR. PICCO: At this time, I will ask Ms.  
4 Buckley if we have a certification of the publication  
5 and the mailing of notification of this public hearing  
6 to present for the record.

7 MS. BUCKLEY: Yes, Mr. Chairman, we have  
8 certification that Notice of this public hearing was  
9 mailed to the Secretary of State, the Division of the  
10 Ratepayer Advocate, the news media maintaining a press  
11 office at the State House Complex, the Board of Public  
12 Utilities, the Authority's Contractual Water Purchasers  
13 and other interested parties on December 20, 2018 and  
14 advertised in the Asbury Park Press, the Star Ledger,  
15 and The Times (Trenton) on December 20, 2018. I would  
16 like to enter this Certification into the record as  
17 Exhibit P-2.

18 MR. PICCO: Please mark this Certification  
19 as Exhibit P-2.

20  
21 (At which time, P-2 Certification was  
22 received in evidence.)

23  
24 MR. PICCO: Thank you, Ms. Buckley. Ms.  
25 Buckley, will you now present the Authority's opening

1 statement?

2 MS. BUCKLEY: Good Morning.

3 The Authority is proposing to amend its Schedule  
4 of Rates, Charges and Debt Service Assessments for the  
5 Sale of Water from the Manasquan Reservoir System, to  
6 cover expenses for Fiscal Year 2020. The Authority  
7 operates on a July 1 to June 30 Fiscal Year. The only  
8 proposed amendments update references to the fiscal  
9 year from FY 2019 to FY 2020. No change to the overall  
10 rate of \$1,043.35 per MG for initial customers and no  
11 change to the overall rate of \$1,137.76 per MG for  
12 delayed water purchase contracts are proposed. The  
13 Authority anticipates the rates will be adopted  
14 operative July 1, 2019.

15 The General Rate Schedule for Operations and  
16 Maintenance was last adjusted effective July 1, 2018 to  
17 cover the operating expenses of the System for Fiscal  
18 Year 2019. For the current fiscal year, there is no  
19 change in the Operations and Maintenance rate, and  
20 there is no change projected in the sales base.  
21 Operational expenses are projected to be relatively  
22 flat in Fiscal Year 2020. The Fiscal Year 2020  
23 Operations and Maintenance Component will be subsidized  
24 to the extent of excess debt service raised as a  
25 requirement of the Authority's bond resolutions, and

1 overdraft sales from the summer of 2018. With these  
2 subsidies and careful cost management, the Operations  
3 and Maintenance Component of the rate is proposed to  
4 remain stable. The Debt Service, NJEIFP Debt Service,  
5 and Source Water Protection components of the rate are  
6 also proposed to remain stable.

7 The New Jersey Water Supply Authority is  
8 operating, maintaining and managing three distinct  
9 systems, each with its own budget, cost accountability  
10 and revenue stream. The Raritan Basin System and the  
11 Manasquan Reservoir Water Supply System are both  
12 untreated water supply systems. A Water Treatment  
13 Plant and Transmission System for the Southeast  
14 Monmouth Municipal Utilities Authority was constructed  
15 on Authority owned property.

16 The Authority's headquarters staff located in  
17 Clinton provides general and administrative support  
18 service for all three systems. In order to equitably  
19 assess each system, an outside auditing firm developed  
20 a methodology for the allocation of the headquarters  
21 general and administrative costs to each operating  
22 system. After the close of each fiscal year, the  
23 Authority's current Auditors provide their findings as  
24 to the need to adjust any of the allocation factors and  
25 the actual audited expenditures for the fiscal year.

1                   Independent auditors are reviewing the  
2                   Authority's Fiscal Fiscal Year 2018 allocation  
3                   calculation that results in a credit or debit to be  
4                   netted against the Fiscal Year 2020 budgeted  
5                   allocation. A copy of the Auditor's report on the  
6                   allocation of the headquarters' general and  
7                   administrative costs will be included in the rate  
8                   proposal package for each system.

9                   Insurance costs are also allocated to each  
10                  system based upon the recommendations of the  
11                  Authority's risk management consultant. Each rate  
12                  proposal package includes a summary table showing the  
13                  proposed insurance budget amounts and the portions  
14                  allocated to each of the three systems.

15                  The total charge for the water supply consists  
16                  of a component to cover the costs of operating and  
17                  maintaining the System, a Debt Service Component, an  
18                  NJEIFP Debt Component and a Source Water Protection  
19                  Component.

20                  After all appropriate allocations from the  
21                  Raritan Basin System and to the Water Treatment Plant  
22                  and Transmission System, the projected operating costs  
23                  for Fiscal Year 2020 indicate that an Operations and  
24                  Maintenance rate component of \$432.87 per million  
25                  gallons will be required starting July 1, 2019. This

1 represents no increase over the prior fiscal year. The  
2 Operations and Maintenance component sales base remains  
3 at 19.443 million gallons per day.

4 The Debt Service Component of the total rate  
5 is calculated each year to cover the payments due on  
6 the outstanding debt for the System. The Debt Service  
7 Assessment was established effective July 1, 1990 to  
8 cover debt service payments on the initial loan of  
9 \$63,600,000 at an interest rate of 7.15 percent  
10 (subsequently reduced to 5.93 percent in Fiscal Year  
11 1997 for payments due August 1998 and after), and the  
12 payment for the interim completion loan of \$7,416,000  
13 at an interest rate of 7.16 percent (which was also  
14 later reduced to 6.24 percent in Fiscal Year 1992).

15 In August of 2005, the Authority refunded the  
16 current portion of the State Loan Notes and the  
17 Completion Notes at an average coupon of 4.83 percent  
18 and a net present value savings of \$6.187 million. The  
19 term of the bonds is 25 years. The bond proceeds also  
20 fully funded the Debt Service Reserve Account and debt  
21 service coverage must remain at 120 percent through the  
22 life of the bonds.

23 In July of 2006, the Authority issued  
24 \$90,147.57 and \$9,505.40 current State Loan Notes and  
25 Completion Loan Notes respectively for a delayed water

1 purchase contract for .028 million gallons per day. The  
2 debt service for the notes associated with this water  
3 purchase contract is paid in part, through the Debt  
4 Service Component of the initial rate, and funds held  
5 in escrow by the Authority, contributed by the water  
6 purchase customer for this purpose.

7 In May of 2016, the Authority issued  
8 \$17,460,000 of Manasquan Reservoir Water Supply System  
9 Revenue Refunding Bonds which refunded the 2005  
10 Manasquan Reservoir Water Supply System Revenue Bonds  
11 as well as the current State Loan Notes and Completion  
12 Notes. The 2016 bonds have an average coupon of 3.78  
13 percent and a net present value savings of \$3.0  
14 million. The term of the bonds is 15 years.

15 On July 1, 2019 the Debt Service Component  
16 for contracts effective as of July 1, 1990 will be  
17 \$570.55 per million gallons, no change from the prior  
18 Fiscal Year. The Debt Service Component for Delayed  
19 Water Purchase Contracts will be \$664.96 per million  
20 gallons, no change from the prior Fiscal Year. There  
21 is no change in the sales base for either Initial or  
22 Delayed customers.

23 The Authority established a Source Water  
24 Protection Fund Component in Fiscal Year 2004  
25 dedicating \$15.00 per million gallons to protect the

1 quality and quantity of waters in the Manasquan  
2 Reservoir Water Supply System. The Authority reduced  
3 the Source Water Protection Component from \$15.00 per  
4 million gallons to \$10.00 per million gallons in Fiscal  
5 Year 2016, and the rate increased to \$15.00 per million  
6 gallons in Fiscal Year 2018. The Authority proposes  
7 that the rate remain the same at \$15.00 per million  
8 gallons in Fiscal Year 2020 to adequately fund source  
9 water protection efforts.

10 The Authority established the NJEIFP Debt  
11 Component in FY2012 to pay debt service on bonds issued  
12 in May of 2012 at 75 percent zero interest and 25  
13 percent market interest by the New Jersey Environmental  
14 Infrastructure Financing Program to build a structure  
15 over the Intake Pumps and Traveling Water Screens. The  
16 Authority proposes that this rate component remain the  
17 same at \$24.93 per million gallons in Fiscal Year 2020.

18 The total proposed rate on July 1, 2019, for  
19 contracts effective as of July 1, 1990, will remain at  
20 \$1,043.35 per million gallons. The total proposed rate  
21 on July 1, 2019 for Delayed Water Purchase Contracts  
22 will remain at \$1,137.76 per million gallons.

23 The Authority's procedure for rate  
24 adjustments is found in the New Jersey Administrative  
25 Code at N.J.A.C. 7:11-4.13 thereafter ("The



1 Regulations"). These rate adjustment procedures require  
2 the Authority to give official notice and an  
3 explanation outlining the need for proposed rate  
4 adjustments to various entities at least six (6) months  
5 prior to the proposed effective date.

6 The Authority's Commissioners formally  
7 proposed the publication of the rate adjustment for  
8 Fiscal Year 2020 at their regular monthly business  
9 meeting on November 5, 2018. The Basis and Background  
10 Statement was posted on the Authority's Website on  
11 October 26, 2018. Mr. Picco, I request that this Basis  
12 and Background Document be entered into the record as  
13 Exhibit S-1.

14 The Authority's rate adjustment procedures  
15 provide that the contractual water customers and  
16 interested parties be provided the opportunity to meet  
17 with Authority staff at a pre-public hearing meeting in  
18 order to be presented with an explanation of the formal  
19 proposal. This pre-public hearing meeting must be  
20 scheduled within forty-five (45) days after the  
21 official notice of a proposed rate adjustment is sent.  
22 A "Notice of Public Hearing" was mailed on December 20,  
23 2018 to contractual water customers and other  
24 interested parties informing them of the pre-public and  
25 public hearings scheduled for January 10 and February

1 7, 2019 respectively at the Authority's Manasquan  
2 Reservoir Administration Building.

3 Additionally, on December 20, 2018 notice of  
4 the Pre-Public Hearing and this Public Hearing was  
5 published in the Asbury Park Press, in The Times  
6 (Trenton) and the Star Ledger. Notice of the proposed  
7 rate adjustment and the public hearing schedule also  
8 appeared in the January 7, 2019 issue of the New Jersey  
9 Register. The Pre-Public hearing was conducted on  
10 January 10, 2019, and no members of the public  
11 attended.

12 The Authority's regulations state that  
13 interested parties may submit written questions for  
14 inclusion in the hearing record, and if submitted no  
15 later than 15 days prior to the public hearing,  
16 Authority staff, at today's meeting, must provide  
17 answers to the questions. The Authority will also  
18 provide a complete response to any questions received  
19 subsequent to the 15-day deadline and up to and  
20 including March 18, 2019, the closing date for the  
21 hearing record. In addition, any party may direct  
22 questions and follow-up to Authority staff at the  
23 public hearing. In the event a response cannot be  
24 immediately given today, a written response shall be  
25 prepared within ten (10) business days of this public

1 hearing and a copy of that written response shall be  
2 provided to all contractual water customers, the  
3 Division of the Ratepayer Advocate, the Board of Public  
4 Utilities and attendees at the meeting requesting the  
5 same and the response shall be made a part of the  
6 hearing record. Comments received before the close of  
7 the New Jersey Register comment period on March 8 will  
8 also be entered into the record.

9 Finally, within ten (10) working days after  
10 receipt of the answer, contractual water customers, the  
11 Division of the Ratepayer Advocate, the Board of Public  
12 Utilities and attendees will be permitted to respond in  
13 writing to the answers of the staff for the record.  
14 After the hearing record is closed and the New Jersey  
15 Register comment period expires, a Hearing Officer's  
16 report, which shall include findings of fact and  
17 specific responses to all issues and questions raised  
18 during the public hearing proceedings, will be prepared  
19 and submitted to the entire Authority prior to the  
20 Authority taking final action on the proposal.

21 Mr. Picco, that concludes the Authority's  
22 opening statement.

23 MR. PICCO: Please mark the Basis and  
24 Background Document dated 11/05/18 as Exhibit S-1.

25 (At which time, S-1 Basis and Background

1 Document 11/5/18 were received in evidence.)

2 MR. PICCO: Ms. Buckley, have we received  
3 any written or verbal communications for inclusion in  
4 the public hearing record?

5 MS. BUCKLEY: No Mr. Chairman, we have not.

6 MR. PICCO: Ms. Buckley, are there any  
7 additional proposed Rule changes not associated with  
8 the changes to existing Rates?

9 MS. BUCKLEY: No, Mr. Chairman, there are  
10 not.

11 MR. PICCO: Next on the agenda is  
12 Authority staff answers to questions raised prior to  
13 today's hearing. Ms. Buckley, has the Authority  
14 received any questions prior to today's hearing?

15 MS. BUCKLEY: No, Mr. Chairman, we have  
16 not.

17 MR. PICCO: Thank you Ms. Buckley.

18 We are now prepared to enter oral statements,  
19 written statements and/or any other supporting evidence  
20 by all interested parties into the record. First let  
21 me call on anyone who has filled out a roster  
22 indicating that they want to make statements.

23 Let the record reflect that I have not received  
24 any rosters from any member of the public.

25 We will now entertain questions and if possible

1 today hear the responses by Authority staff.

2 Does any member of the public have questions for  
3 staff?

4 (Whereupon, none were present.)

5 MR. PICCO: After the New Jersey Register  
6 comment period closes on March 8, 2019 and the hearing  
7 record is closed on March 18, 2019, I, as the Hearing  
8 Officer will prepare a report of my findings, based  
9 solely on the record of the proceedings, which shall  
10 include findings of fact and specific responses to all  
11 issues and questions raised during these proceedings.  
12 My Hearing Officer's report will be submitted to the  
13 Authority and presented to the Authority's Board for  
14 final action on the proposal. Written comments may be  
15 submitted until the end of public comment period on  
16 March 18, 2019.

17 I anticipate that the Authority will take  
18 final action on these proposed Rates at its regular  
19 monthly business meeting on May 6, 2019.

20 The Authority appreciates your attendance  
21 here today and the constructive comments which you have  
22 offered in this proceeding.

23 This Public Hearing is adjourned.

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C E R T I F I C A T E

I, MONIKA NEMEC, Certified Court Reporter and Notary Public of the State of New Jersey do hereby swear that the foregoing is a true and accurate record of the testimony taken stenographically by me; and I am neither attorney nor counsel for nor related to or employed by any of the parties to the action in which this matter is taken; and further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, or financially interested in the action.

*Monika Nemeč*

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MONIKA NEMEC  
CERTIFIED COURT REPORTER  
License No: XI-02177

**PUBLIC HEARING AGENDA**

**Proposed Adjustments to the Schedule of Rates,  
Charges and Debt Service Assessments  
for the Sale of Water from the  
Manasquan Reservoir Water Supply System  
(N.J.A.C. 7:11-4.1, et. seq.)  
to become effective July 1, 2019**

New Jersey Water Supply Authority  
Administration Building  
2041 Hospital Road  
Wall, New Jersey

11:00 a.m. Thursday, February 7, 2019

REGISTRATION - 10:30 - 11:00 A.M.

- I. Opening Statement of Hearing Officer, Mr. Steven Picco  
Welcome, Introduction of Staff, Proofs of Publication, Receipt of Communications
- II. Opening Statement of Susan Buckley, Director Finance and Administration, New Jersey Water Supply Authority
- III. Authority Staff Responses to Questions Raised Prior to Public Hearing
- IV. Receipt of Oral Statements, Written Statements and all Supporting Evidence to be entered into the Record by Interested Parties
- V. Questions to Authority Staff and Responses from Authority Staff
- VI. Closing Remarks of Hearing Officer





## Correspondence and Testimony

### Exhibit G

There are no items of correspondence or testimony received during the public comment period for the FY2020 rate making process.

**Staff Memorandum to Hearing Officer**

**Exhibit H**



# NEW JERSEY WATER SUPPLY AUTHORITY

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P.O. BOX 5196 • CLINTON, N.J. 08809 • (908) 638-6121 • (908) 638-5241 (FAX)

March 22, 2019

## MEMORANDUM

TO: Mr. Steven Picco  
Hearing Officer

FROM: Beth Gates, Executive Director  
New Jersey Water Supply Authority

SUBJECT: Proposed adjustments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System (N.J.A.C. 7:11-4.1, et seq.)

Please be advised that no additional comments or inquiries on the Manasquan Reservoir System FY2020 rate proposal were received by the Authority subsequent to the public hearing of February 7, 2019 so that the public comments noted for the record at the hearing (none) represent a complete picture of public input.

Staff has analyzed the budget of the original rate package for any revisions that should be considered prior to final action of the Authority at the May 6, 2019 meeting. Union contract negotiations appear to shift a budgeted cost of living adjustment anticipated to be paid on July 1, back to the second quarter of the fiscal year. This change, along with other minor adjustments, result in a nominal .3 percent reduction in salary expense which will not change any of the rate components or Basis and Background Exhibits as proposed at the November 5, 2018 Authority meeting.

The total rate (O&M plus Debt Service, NJEIFP Debt Component, and Source Water Protection Component) of \$1,043.35 per million gallons will apply to all Initial water purchase customers in FY2020 (starting July 1, 2019) and results in no change over FY2019.

The total rate (O&M plus Debt Service, NJEIFP Debt Component, and Source Water Protection Component) of \$1,137.76 per million gallons will apply to all Delayed water purchase customers in FY2020 (starting July 1, 2019) and results in no change over FY2019.

NEW JERSEY WATER SUPPLY AUTHORITY  
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM  
FISCAL YEAR 2020 (7/1/19-6/30/20)

**REVISIONS TO ORIGINAL RATE PACKAGE**

|    |            |  |
|----|------------|--|
| 1. | No Changes |  |
|    |            |  |

**Draft Resolution Adopting Rate**  
**Adjustments**

**Exhibit I**

RESOLUTION OF THE NEW JERSEY WATER SUPPLY AUTHORITY

NO.: \_\_\_\_\_ DATE OF ADOPTION: \_\_\_\_\_

TITLE: Resolution Adopting Revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2019 (regulations found at N.J.A.C. 7:11-4.1 et seq.)

WHEREAS, N.J.S.A. 58:1B-7g and 58:1B-19 provide for the New Jersey Water Supply Authority ("Authority") to fix and revise from time to time its rates, fees and charges; and

WHEREAS, the Authority has estimated its revenue requirements for the fiscal year beginning on July 1, 2019; and

WHEREAS, by Resolution No. 2361 adopted on November 5, 2018 the Authority proposed certain revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2019 (regulations found at N.J.A.C. 7:11-4.1 et seq.); and

WHEREAS, the proposal was mailed to all contractual water purchasers in December 2018, and published in the Asbury Park Press, the Star Ledger and the Times (Trenton) on December 20, 2018, and also appeared in the New Jersey Register on January 7, 2019 with a 60-day comment period ending March 8, 2019; and

WHEREAS, a pre-public hearing meeting was conducted on the proposed amendments on January 10, 2019; and

WHEREAS, the Authority conducted a public hearing on the proposed amendments on February 7, 2019 with the record remaining open through March 18, 2019; and

WHEREAS, the Authority's Hearing Officer, after having reviewed and considered the testimony received during the rate making process, did submit a Hearing Officer's Report to the Authority together with recommendations; and

WHEREAS, the Authority must provide for sufficient revenues and a rate structure to cover its costs.

NOW THEREFORE, be it resolved that the Authority adopts the Hearing Officer's Report entitled "Fiscal Year 2020 Proposed Amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System;" and

BE IT FURTHER RESOLVED, that the Authority adopts the following amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, found at N.J.A.C. 7:11-4.1 et seq. to become effective on July 1, 2019:

1. Amend N.J.A.C. 7:11-4.3(c) to maintain the sales base of 19.443 million gallons per day and maintain the Operations and Maintenance Expense Component Rate of \$432.87 per million gallons, no change from the Initial Proposal, for the period of July 1, 2019 through June 30,

2020; and

2. Amend N.J.A.C. 7:11-4.4(b) to maintain the sales base of 15.008 million gallons per day and to maintain the Debt Service Assessment Rate of \$570.55 per million gallons, for the period of July 1, 2019 through June 30, 2020; and

3. Amend N.J.A.C. 7:11-4.4(c) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain the sales base and to maintain the Debt Service Assessment Rate for water purchasers who entered into water purchase contracts effective July 1, 2001, October 1, 2002, and January 1, 2005 (Delayed Water Purchase Contract) of \$664.96 per million gallons, for the period of July 1, 2019 to June 30, 2020; and

4. Amend N.J.A.C. 7:11-4.5(b) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain the Source Water Protection Fund Component of \$15.00 per million gallons consistent with the Initial Proposal for the period July 1, 2019 to June 30, 2020; and

5. Amend N.J.A.C. 7:11-4.6(b) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System to maintain the New Jersey Environmental Infrastructure Financing Program debt component of \$24.93 per million gallons consistent with the Initial Proposal for the period July 1, 2019 to June 30, 2020; and



BE IT FURTHER RESOLVED that the following actions are authorized:

1. Appropriate \$208,620 in undesignated fund balance from the Fiscal Year ending June 30, 2019 into the General Fund (Rate Stabilization).
2. Apply \$208,620 appropriated into the General Fund (Rate Stabilization) as a source of revenue to the Operating Fund for Fiscal Year 2020 to offset the Fiscal Year 2020 O&M Component of the Rate.

**Draft Resolution Adopting FY2020**  
**Budget**

**Exhibit J**

RESOLUTION OF THE NEW JERSEY WATER SUPPLY AUTHORITY

NO.: \_\_\_\_\_

DATE OF ADOPTION: \_\_\_\_\_

TITLE: Resolution approving the Authority's Manasquan Reservoir System Budget for Fiscal Year 2020 (July 1, 2019 - June 30, 2020).

WHEREAS, the Executive Director proposed a budget for Fiscal Year 2020 that was provided to the Authority Members on May 6, 2019; and

WHEREAS, the Authority has previously considered the proposed budget as part of the Rate Adjustment procedure for Fiscal Year 2020, and the adopted rate schedule for Fiscal Year 2020 is based upon the proposed budget requirements in the amount of \$7,787,103 including required debt service coverage.

NOW THEREFORE, be it resolved that the Authority approves a budget of \$7,787,103 for the Fiscal Year beginning July 1, 2019 through June 30, 2020.