

NEW JERSEY WATER SUPPLY AUTHORITY

HEARING OFFICER'S REPORT

Fiscal Year 2018 Amendments to the Schedule of
Rates, Charges and Debt Service Assessments
For the Sale of Water from the Raritan Basin System
N.J.A.C. 7:11-2.1 et seq.

ADJUSTMENT OF GENERAL RATE SCHEDULE FOR
OPERATIONS AND MAINTENANCE TO REFLECT CHANGE IN
SALES BASE AND OPERATING EXPENSES FOR FISCAL YEAR 2018

ADJUSTMENT OF DEBT SERVICE ASSESSMENT TO REFLECT
CHANGE IN SALES BASE COVERING DEBT SERVICE PAYMENTS DUE AND
REQUIRED FOR FISCAL YEAR 2018

ADJUSTMENT OF GENERAL RATE SCHEDULE FOR
CAPITAL FUND COMPONENT FOR FISCAL YEAR 2018

ADJUSTMENT OF SOURCE WATER PROTECTION FUND COMPONENT
FOR FISCAL YEAR 2018

Effective Date: July 1, 2017

Hearing Officer: Ellsworth Havens

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I. INTRODUCTION

The New Jersey Water Supply Authority ("Authority") has proposed various amendments to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System for Fiscal Year (FY) 2018 in a memorandum dated March 28, 2017 (Final Proposal). For the reasons set forth herein, I recommend approval of staff's Proposal.

The Authority's Board authorized proceeding with this rate setting process at its December 5, 2016 meeting through formal resolution. (Exhibit A)

As a component of the Authority's formal rate adjustment procedure, the Authority is required to provide official notice and an explanation outlining the need for the Proposal 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 proposed effective date (N.J.A.C. 7:11-2.12(a)(1)). Staff's December 2016 proposal (included in Exhibit B) was available for review on the Authority's Web site commencing on December 29, 2016.

Official Notice of the Proposal was made through advertisement in the Star Ledger, the Times (Trenton) and the Hunterdon County Democrat. A certification of publication is set forth in Exhibit C.

Notice of the Proposal also appeared in the January 3, 2017 edition of the New Jersey Register. (Exhibit D)

A 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 27, 2016 and included an invitation to a pre-public hearing meeting, pursuant to N.J.A.C. 7:11-2.13(a)4, that was conducted by the Director of Finance and Administration on January 6, 2017. Four members of the public attended the pre-public hearing meeting on January 6, 2017, including Mr. Frank Falco representing Middlesex Water Company, Mr. Ed Walker representing East Brunswick Township, Mr. Edward Smith, Warren County freeholder, and Mr. Robert Barth representing the D&R Canal Watch. Minutes of the pre-public hearing meeting are set forth in Exhibit E.

A public hearing was conducted on February 3, 2017 at 10:00 a.m. in the Authority's Conference Room, 1851 Highway 31 in Clinton Township, Hunterdon County, New Jersey. No members of the public testified. A stenographic record of the proceedings was

made and is attached in Exhibit F.

Four items of correspondence were received during the rate process and prior to the close of the Public Comment Period. These items and Authority responses are attached in Exhibit G.

The final Staff Memorandum to me was dated March 28, 2017 and is set forth in Exhibit H.

A draft resolution approving the Proposal is set forth in Exhibit I for the Authority's consideration at its June 5, 2017 meeting.

A draft resolution for the approval of the FY2018 Budget by the Authority's Board is set forth in Exhibit J.

II. DISCUSSION

A. Staff Proposal

Staff proposes various adjustments to the N.J.A.C. 7:11-2.1 et seq. ("the Rules"), which are generally discussed herein and more particularly set forth in the attachments hereto.

The General Rate Schedule for O&M was last adjusted effective July 1, 2016 to fund the Authority's operating expenses of the Raritan Basin System (System) for FY2017. The FY2017 Operations and Maintenance (O&M) sales base was 182.339 million gallons per day ("mgd"). The Authority's O&M sales base was proposed to increase slightly at 182.353mgd in the December 2016 Basis and Background document. Since the December 2016 Basis and Background document there is no change in the sales base. The O&M Component was proposed to increase from \$171.00/mg to \$194.00 for FY2018 in the December 2016 Basis and Background document. Staff recommends no change from the original proposal for a final FY2018 O&M component of \$194.00/mg.

The NJEIFP Debt Service Assessment is used to repay loans issued to the Authority. The Authority has made two separate applications for funding; one for the Delaware and Raritan Canal Capital Program, specifically, a dredging program in Franklin Township, Somerset County, New Jersey. The second to finance the Round Valley Reservoir Structures Refurbishment and Resource Preservation Project in Clinton Township, Hunterdon County, New Jersey. The Authority anticipates the FY2018 sales base for the Debt Service Assessment to increase slightly from 182.339mgd to 182.353mgd which is no change from the recommendation included in

the December 2016 Basis and Background document. In the December 2016 Basis and Background document, staff proposed a total NJEIFP Rate Component of \$85.00/mg for FY2018 of which \$25.00/mg is earmarked for the dredging program and \$60.00/mg is earmarked for the Round Valley Reservoir project. This is an increase of \$60.00/mg over FY2017.

The dredging project is expected to cost approximately \$52 million and the Round Valley Reservoir project is expected to cost approximately \$75 million. Funding through the NJEIFP would allow a portion of the loan to be at zero interest and a portion of the loan to be at market rate with the blended rate at favorable terms. The expected closing on the bonds will be May of 2018 with the first debt service payment in August 2018. The Authority proposes increasing the rate component by \$60.00 per million gallons in FY2018 to assure that sufficient funds are available to make debt service payments on both projects as they come due in August 2018 and every six months thereafter.

The Authority's Capital Fund Rate Component is used to fund the Authority's Capital Improvement Program in lieu of incurring long-term debt. In the December 2016 Basis and Background document, staff proposed \$33.00/mg for FY2018, no change from FY2017 and recommends no change in the proposal for a final FY2018 Capital Fund Component Assessment of \$33.00/mg.

The Source Water Protection Fund Component was established to fund planning initiatives and acquisitions of properties deemed critical to water quality and quantity in the Raritan Basin System. Since 2003, the Authority has purchased with its project partners, over 4,100 acres of land. The Authority has issued \$17,861,205 in bonds and loans to the Trust and the State for land acquisition. In the December 2016 Basis and Background document, staff proposed \$24.00/mg for FY2018, no change from FY2017, and recommends no change in the proposal for a final FY2018 Source Water Protection Fund Component of \$24.00/mg.

In FY2018, the Source Water Protection Fund component of the rate is anticipated to generate \$1,597,000. Of that amount, approximately \$1,300,000 is earmarked by the Authority's Board for costs associated with the land program (debt service, soft costs and administrative) and approximately \$300,000 is earmarked for watershed protection projects. In FY2018 the annual amount of debt service on acquired land is projected to be approximately \$1,100,000. In FY2018, recurring revenue will support the entirety of debt service. Any future land acquisition will need to be evaluated in the context of a long term plan and the balance of rate needs for other projects.

The cumulative effect of staff's recommended base rate component changes result in an increase in the total rate in FY2018 from \$253.00/mg to \$336.00/mg. This reflects no change from staff's December 2016 proposal.

The Authority is proposing no other rule amendments.

B. Comment by Interested Parties / Members of the Public

Four members of the public attended the pre-public hearing meeting on January 6, 2017, including Mr. Frank Falco representing Middlesex Water Company, Mr. Ed Walker representing East Brunswick Township, Mr. Edward Smith, Warren County freeholder, and Mr. Robert Barth representing the D&R Canal Watch.

No members of the public attended the Public Hearing on February 3, 2017.

Four items of public comment or correspondence were received and are summarized as follows:

January 31, 2017 e-mail from Lou Neely of East Brunswick Township, New Jersey - Mr. Neely submitted an e-mail indicating agreement with the proposed rates based on the necessary work as outlined. This e-mail is included in the FY2018 Hearing Officer's Report in Exhibit G.

January 16, 2017 letter from Dante M. DeStefano, Director of Rates & Regulation at New Jersey American Water ("NJAW") - Mr. DeStefano requested the Authority's audit report covering the period through June 30, 2016 as well as specific explanations of certain expenses and financial information. On February 1, 2017 the Authority provided a written response to Mr. DeStefano's questions and included all of the requested support materials. This letter and the Authority's response are included in the FY2018 Hearing Officer's Report in Exhibit G.

February 3, 2017 Public Hearing Statement from Dante M. DeStefano, Director of Rates & Regulation at NJAW - Mr. DeStefano issued a Statement indicating that NJAW was in the process of reviewing the response materials provided by the Authority in order to ensure that the adopted charges reflect as closely as possible the Authority's actual operating and capital needs for fiscal year 2018. Mr. DeStefano reserved the right of NJAW to request additional information. This statement is included in the FY2018 Hearing Officer's Report in Exhibit G.

March 7, 2017 letter from Edward J. Smith, Deputy Freeholder Director of the Board of Chosen Freeholders of Warren County, NJ -

Freeholder Smith estimated the watershed contribution of Warren County to the Delaware and Raritan Canal through the Delaware River Basin intake at Bulls Island. Freeholder Smith suggested that a corresponding portion of the Source Water Protection component of the Raritan rate be allocated to watershed protection in Warren County. On March 16, 2017 the Authority provided a written response to Freeholder Smith. This letter and the Authority's response are included in the FY2018 Hearing Officer's Report in Exhibit G.

I address these comments below.

III. FINDINGS AND CONCLUSIONS

1. The public record does not contain any adverse comments concerning staff's justification for the sales base and proposed Operations and Maintenance Expense Component of the Rate. The Raritan Basin System Operations and Maintenance Component rate was last increased on July 1, 2015 from \$167.00/mg to \$171.00/mg and a further increase to \$194.00 per million gallons is recommended for July 1, 2017 (FY2018). The Authority first instituted the NJEIFP component rate for dredging in FY2014. The project was delayed and in FY2015 through FY2017, the revenue raised from the NJEIFP Debt Component was used to offset operations and maintenance expenses (the O&M Component Rate). In FY2018, the dredging project will proceed and the revenue from the NJEIFP Debt Component will now have to cover debt service and is no longer available to offset operations expenses. As a result, the O&M Component of the rate will increase by \$23.00/mg in FY2018. 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. Managers have not received a cost-of-living increment since July of 2008 and most union employees have not received a cost-of-living adjustment since July of 2014. The Authority continues to use one-time revenue to support the operating budget in order to keep the Operations and Maintenance Expense Component of the rate as stable as possible. The Authority has provided its water customers and interested parties with documentation that describes the actions taken by the Authority to manage the O&M Component Rate. Costs continue to rise, more specifically pension and health benefit expenses, and there are fewer mechanisms available to the Authority to control those costs. I find the sales base and Operations and Expense Component of the Rate to be

appropriate.¹

2. The public record does not contain any adverse comments concerning staff's justification for the adjustments to sales base and proposed NJEIFP Debt Service Assessments. Moreover, the Authority is required by its Bond Resolutions to adopt rates that fully cover its Debt Service payments. I find the FY2018 NJEIFP Debt Service Assessments and associated sales base to be appropriate.
3. The public record does not contain any adverse comments concerning staff's justification for the Capital Fund Component of the Rate. I find the proposed FY2018 Capital Fund Component to be appropriate.
4. 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 FY2018 Source Water Protection Fund Component to be appropriate.
5. The Authority's proposed rate adjustments are affirmed in Section IV below, reflecting the assessment of reasonable total rates for the preservation of the reliability of this vital supply of water for a large portion of the State's population and enhancing the Authority's fiscal position for the future issuance, when needed, of long-term debt.

IV. RECOMMENDATIONS

1. Resolution No. 2264 dated 12/5/16 authorized \$781,990 in unanticipated revenues for Fiscal Years ending June 30, 2016 and June 30, 2017 to be appropriated into the Rate Stabilization Fund, all of which would be used in the FY2018 budget, and authorized the publication of the proposed FY2018 rates in the New Jersey Register. The resolution adopting the final rates will authorize \$781,990 in unanticipated revenues to be appropriated into the Rate Stabilization Fund for use in FY2018.
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.

¹ In recent years, the actual O&M Component adjustments have been minimized due to credits for receipts of unanticipated revenues from the sale of water in excess of contractual supplies during the previous fiscal years and other sources. It is anticipated that approximately \$781,990 will be available from the Rate Stabilization Fund to help offset the projected FY2018 O&M expenses. These credits obscure the full O&M Component adjustment needed and an increase in the O&M Component will be necessary in the future.

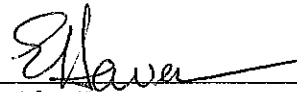
3. The proposed FY2018 Operations and Maintenance Expense Component of \$194.00 per million gallons as recommended in the December 5, 2016 proposal should not be adjusted and as such no further Rule change is necessary.
4. The proposed FY2018 Debt Service Assessment for the NJEIFP of \$85.00 per million gallons for the Round Valley Reservoir Project and the D&R Canal Dredging Project as recommended in the December 5, 2016 proposal should not be adjusted and as such no further Rule change is necessary.
5. The FY2018 sales bases for the O&M Component and Debt Service Assessment of 182.353mgd should not be adjusted relative to the original FY2018 proposal.
6. The proposed FY2018 Capital Fund Component of \$33.00 per million gallons as recommended in the December 5, 2016 proposal should not be adjusted and as such no further Rule change is necessary.
7. The FY2018 Source Water Protection Fund Component of \$24.00 per million gallons as recommended in the December 5, 2016 proposal should not be adjusted and as such no further Rule change is necessary.
8. The total recommended rate effective July 1, 2017 should remain the same relative to the original December 5, 2016 proposal of \$336.00 per million gallons and as such no further Rule change is necessary.

SUMMARY OF RECOMMENDED RATE ADJUSTMENTS

Component	Current Rates Per MG 7/1/16 - 6/30/17	Originally Proposed Rates Per MG 7/1/17 - 6/30/18	Recommended Rates per MG 7/1/17 - 6/30/18
Operations & Maintenance Assessment	\$171.00	\$194.00	\$194.00
NJEIFP Debt Service Assessment Dredging	\$ 25.00	\$ 25.00	\$ 25.00
Debt Service Assessment RV Dam Improvements	\$0.00	\$ 60.00	\$ 60.00
Capital Fund Component	\$ 33.00	\$ 33.00	\$ 33.00
Source Water Protection Fund Component	\$ 24.00	\$ 24.00	\$ 24.00
Total Rate Per MG	\$253.00	\$336.00	\$336.00

The proposed Fiscal Year 2018 Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, as discussed above, are hereby recommended for adoption by the Authority.

Respectfully submitted,



Ellsworth Havens
Hearing Officer
April 3, 2017

Resolution Proposing Rate
Adjustments

Exhibit A

RESOLUTION OF THE NEW JERSEY WATER SUPPLY AUTHORITY

NO.: 2264

DATE OF ADOPTION: December 5, 2016

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 Raritan Basin 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 2018 State fiscal year beginning on July 1, 2017; and

WHEREAS, the sales base for the Operations and Maintenance, Debt Service Assessment, Capital Fund Component and Source Water Protection Component has changed since these components were last determined; 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 Raritan Basin System in the existing regulations found at N.J.A.C. 7:11-2.1 et seq. dealing with primarily the following proposed changes:

1. Amend N.J.A.C. 7:11-2.3 of the Schedule of Rates,

Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to increase the sales base from 182.339 to 182.353 million gallons per day and increase the Operations and Maintenance Component of the rate from \$171.00 to \$194.00 per million gallons, consistent with the Initial Proposal, for the period of July 1, 2017 through June 30, 2018; and

2. Amend N.J.A.C. 7:11-2.4(a), (b) and (c) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to increase the Sales Base for the Debt Service Assessment rate from 182.339 to 182.353 million gallons per day and increase the Debt Service Assessment Component of the rate from \$25.00 per million gallons to \$85.00 per million gallons consistent with the Initial Proposal for the period of July 1, 2017 through June 30, 2018; and

3. Amend N.J.A.C. 7:11-2.5 of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to maintain the Capital Fund Component of \$33.00 per million gallons for the period of July 1, 2017 through June 30, 2018, consistent with the Initial Proposal; and

4. Amend N.J.A.C. 7:11-2.6 of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to maintain the Source Water Protection Fund Component of \$24.00 per million gallons consistent with the Initial Proposal for the period July 1, 2017 to June 30, 2018; and

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

1. Appropriate \$267,340 in unanticipated revenue from overdraft sales from the Operating Fund for Fiscal Years ending June 30, 2016 and June 30, 2017 into the Rate Stabilization Fund.

2. Appropriate \$514,650 in Fiscal Year 2017 and prior years, year-end fund balances from the Operating Fund into the Rate Stabilization Fund

3. Apply \$781,990 appropriated into the Rate Stabilization Fund to the Operating Fund for Fiscal Year 2018.

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. 7:11-2.1 et seq. IN THE SCHEDULE OF
RATES, CHARGES AND DEBT SERVICE ASSESSMENTS
FOR THE SALE OF WATER FROM THE RARITAN BASIN SYSTEM**

**ADJUSTMENT OF GENERAL RATE SCHEDULE FOR
OPERATIONS AND MAINTENANCE FOR
SALES BASE AND OPERATING EXPENSES FOR FISCAL YEAR 2018**

**ADJUSTMENT OF DEBT SERVICE ASSESSMENT AND SALES BASE FOR
DEBT SERVICE PAYMENTS DUE AND REQUIRED FOR FISCAL YEAR 2018**

**ADJUSTMENT OF GENERAL RATE SCHEDULE FOR
CAPITAL FUND COMPONENT FOR FISCAL YEAR 2018**

**ADJUSTMENT OF SOURCE WATER PROTECTION FUND
COMPONENT FOR FISCAL YEAR 2018.**

Effective Date: July 1, 2017

Approved by the Board: 12/5/2016

**NEW JERSEY WATER SUPPLY AUTHORITY
 PROPOSED RATE ADJUSTMENTS FOR FISCAL YEAR 2018
 RARITAN BASIN SYSTEM**

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PART I - EXPLANATION OF PROPOSED REVISED RATE STRUCTURE

Overview of Rate Proposal for Fiscal Year 2018 **(July 1, 2017 - June 30, 2018)**

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 Raritan Basin System, to cover expenses for the Fiscal Year (FY) starting on July 1, 2017.

Summary of Proposed Adjustments

Component	Current (FY2017) Rates Per MG 7/1/2016 - 6/30/2017	Proposed (FY2018) Rates Per MG 7/1/2017 - 6/30/2018
Operations & Maintenance Assessment	\$171.00	\$194.00
Debt Service Assessment Dredging	\$25.00	\$25.00
Debt Service Assessment RV Dam Improvements	\$0.00	\$60.00
Capital Fund Component	\$33.00	\$33.00
Source Water Protection Fund Component	\$24.00	\$24.00
Total Rate	\$253.00 /mg	\$336.00 /mg

The General Rate Schedule for Operations and Maintenance (O&M) was last adjusted effective July 1, 2016 to cover the operating expenses of the System for FY2017. The FY2017 O&M sales base was 182.339 million gallons per day (mgd). The Authority anticipates the FY2018 O&M sales base to increase slightly to 182.353 mgd. The O&M Component is projected to increase for FY2018 from \$171.00 per million gallons to \$194.00 per million gallons.

With the allocation of appropriate Headquarters expenses and insurance costs to the Manasquan Reservoir Water Supply System, the projected operating costs for FY2018 require that an O&M Component of \$194.00 per million gallons be charged starting on July 1, 2017.

In recent fiscal years, the actual O&M Component adjustments have been minimized because of credits for receipts of unanticipated revenues from the sale of water in excess of contractual amounts, positive budget variances during the preceding fiscal years or from uses of other one-time sources of revenue, specifically, those funds raised to pay debt service on the deferred dredging program. These credits have the effect of obscuring the full O&M Component adjustment needed and as a result Raritan Basin System rates do not represent full cost pricing. The rate has been subsidized by an average of \$1.6 million in non-recurring (overdraft sales and depletion of reserves) revenue over the past five years. The amount available for the Rate

Stabilization Fund was 2,124,146 in FY2017, most of which is derived from the Debt Service Assessment for the NJEIFP Dredging Loan. The amount available in FY2018 will decrease to \$781,992 because the bonds for the dredging program will be issued and the rate component is now needed to repay debt service in FY2018. This decrease in revenue causes a \$23 per million gallon increase in the O&M component of the rate. Overdraft sales rose from \$213,151 in FY2017 to \$267,337 in FY2018. An additional \$175,655 in prior year positive budget variance is used in FY2018 to offset the O&M component. Without the use of any rate stabilization funds in FY2018, the required O&M Component of the rate would be an additional \$14.00 per million gallons, or \$208 per million gallons.

The Authority established the Source Water Protection Fund Component in FY2003 to protect the quality and quantity of waters in the Raritan Basin System. The Authority is proposing no increase in this component of the Rate of \$24.00 per million gallons in FY2018. The rate component supports debt service on acquired critical watershed parcels and matching dollars for watershed protection projects.

The Authority has submitted an application to the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to finance the dredging of a 10.5 mile segment of the Delaware and Raritan Canal (D&R Canal) between Kingston at Lincoln Highway to Amwell Road in Franklin Township, Somerset County, New Jersey. The Authority has also submitted an application to the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to finance the rehabilitation of three embankments within the Round Valley Reservoir complex. The Authority proposes increasing the rate component from \$25.00 per million gallons (the dredging loan) to \$85.00 per million gallons (\$60.00 per million gallons for the embankment project) to fund the debt service in FY2018 for both projects. This rate component, before the increase in FY2018, had been subsidizing the Operations and Maintenance component of the rate. Because the rate component will now pay debt service, the Operations and Maintenance component of the rate will increase by \$25.00 per million gallons.

Finally, the Authority established a "Capital Fund Component" of the rate commencing July 1, 1994. This Component is used to fund the Authority's current Capital Improvement Program without incurring long-term debt. The Capital Fund Component was increased in FY2008 from \$21.00 to \$33.00 per million gallons, funded from the 1981 Bond Act debt service savings. The rate component was reduced to \$30.00 per million gallons in FY2012 to accommodate pressure on the O&M Component in order to keep the overall rate at \$231.00 per million gallons. The Authority increased this component of the rate from \$30.00 to \$33.00 per million gallons in FY2016 and proposes to keep it at the same rate of \$33.00 per million gallons in FY2018.

Table 1 on page 13 shows the increase in the O&M component, the maintenance of a stable rate for each of the other rate components and reflects a total rate of \$336.00 per million gallons for FY2018.

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 adjustments.

A pre-public hearing on the proposed rate adjustments is scheduled at 10:00 a.m. on Friday, January 6, 2017, at the Authority's Administration Building, 1851 Highway 31, Clinton, New Jersey.

A public hearing on the proposed rate adjustments is scheduled at 10:00 a.m. on Friday, February 3, 2017 at the Authority's Administration Building, 1851 Highway 31, Clinton, New Jersey.

The New Jersey Register Comment Period is scheduled to close on March 4, 2017 and the public hearing record on the proposed rate adjustments is scheduled to close on March 10, 2017.

Final action on the rate adjustment is scheduled for the Authority's June 5, 2017 meeting. The FY2018 rate will take effect on July 1, 2017.

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 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 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 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 auditors provide the Authority with their findings as to the adjustment, if any, to 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 accounting firm performed the Authority's FY2016 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 FY2018 budget based on the FY2016 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 more information on insurance charges.

Analysis of Significant Changes in Operations and Maintenance Expenses **Raritan Basin System**

Overview of Projected Operational Expenses

The Authority's proposed FY2018 Raritan Basin System Total Budget requirement, which is net of the allocation of appropriate Headquarters General and Administrative expenses to the Manasquan Water Supply System, and includes capital equipment and contribution to reserves is \$13,542,487. This is \$121,248 more than the FY2017 budget of \$13,421,239. The Capital Equipment budget of \$104,600 is \$78,300 less than the FY2017 budget of \$182,900. The proposed contributions to the Reserve for Formal Dam Inspections (\$10,000), Capital Equipment Reserve (\$150,000) and the Pumping Reserve (\$150,000) remain at FY2017 levels. There are no contributions scheduled for the Depreciation Reserve and the Self-Insurance Reserve in FY2018. These Reserves last received a \$100,000 and \$150,000 contribution in FY2011 respectively but are sufficiently funded at the present time. There are no proposed contributions to the Operations and Maintenance Reserve, Major Rehabilitation Reserve or the Pension Reserve. The reserve for capital equipment purchases established in FY2015 requires an additional year of funding with a simultaneous direct expenditure for capital equipment because six years of stable rates from FY2009 through FY2014 caused deferral of equipment purchases from which the Authority is still recovering. It is still the Authority's intention to fund the reserve at an annual level of \$150,000 to eliminate rate fluctuations associated with the annual change in level of capital equipment purchases once the reserve is adequately funded. In FY2017 for the first time, the Authority funded a reserve for other post-employment benefits (accumulated sick leave payout for retirees) of \$181,000. No additional funds are required in FY2018. This represents the maximum statutory benefit for all employees eligible to retire as of June 30, 2016. All of these modifications result in a total FY2018 budget requirement of \$13,653,387 which is an increase of 1.73 percent relative to FY2017. (Page 16)

Sixteen of the thirty-one FY2018 direct operating expense accounts are projected to increase, but only six accounts by \$5,000 or more relative to FY2017. Eleven of the operating expense accounts are projected to decrease relative to FY2017. The most significant projected

increases in the budget occur in protective services and service and maintenance contracts. In Salary and Fringe, regular salary is increasing by \$103,400; the pension payment is increasing by \$95,700. Retiree health benefits are increasing by \$46,600 and assume 4 additional retirees between FY2017 and FY2018. Salaries and benefits constitute approximately 75.4 percent of the FY2018 operating budget, and are increasing approximately .03 percent relative to FY2017.

Salaries and Benefits

Authority employees within Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW) are operating currently without a contract. The International Federation of Professional and Technical Engineers (IFPTE) contract has been negotiated. The previous contract expired June 30, 2015. The FY2018 budget assumes a 1.75% cost of living adjustment payable July 1, 2017 (the C.O.L.A. awarded to IFPTE). 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.

Due to a law change requiring certain managers to be unionized, two managers from the Raritan system and one from the Manasquan system joined the IBEW as of March 21, 2015.

The Authority did not include any cost of living adjustments in the FY2018 budget for management. The Authority is budgeting 55 percent of the Salary budget for fringe benefits in FY2018, exclusive of retiree medical.

The initial estimate from the State of New Jersey for pension expense payable on April 1, 2017 is not yet available. The Authority has built in 20 percent per year growth in that expense item over actual FY2016. 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.

Overtime Salaries and Wages

The Authority's overtime expenses are projected to increase by \$24,500 from \$190,000 to \$214,500 in FY2018. Overtime expenses are incurred within Security and O&M Facilities and Canal Operations principally (those areas operating within a crew or shift structure).

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. For those who retire after July 1, 1997, co-pay is required. The Authority is increasing the retiree health benefits expense item in FY2018 by \$46,600. The Authority is budgeting four additional retirees in FY2018. The increase projected by State Health Benefits for 2017 for retiree medical is 8.6%. The Authority budgeted 12.5% each year for FY2017 and FY2018. The budget contains sufficient funds for 57 retired employees.

Other Expense

Electrical Service

The Authority's Hamden Pumping Station is utilized to pump water to the Round Valley Reservoir. The proposed budget remains the same for electricity costs for the normal operation of the pumping station of \$92,000 in FY2018. The Authority entered into a three-year contract for power effective January 1, 2016. The rate reductions were only slight. The State of New Jersey prefers budget certainty and opts for longer term contracts over lower rates. The pumps are in a scheduled rehabilitation cycle and will be exercised as rehabilitated pumps are put back on line. The next pumping is expected in spring 2017. Pumping is funded from the Pumping Reserve (\$150,000 annual deposit).

Special and Professional Services

The Authority is proposing to decrease this line item from \$498,140 in FY2017 to \$491,839 in FY2018 representing budgeting more in line with FY2016 actual within the United States Geological Survey gaging station costs. In other areas, pricing is stable. The line item also includes payments to the Governor's Authorities Unit, costs charged to the Authority by the Attorney General's Office for legal services provided, and the cost of the Authority's independent auditor.

Heating Fuel and Vehicular Fuel

The cost of heating fuel is expected to decrease from \$107,100 to \$91,800 and vehicular fuel is projected to remain the same at \$159,000 in FY2018. The prices of fuel in FY2018 are budgeted at \$2.25 per gallon for unleaded and \$2.35 per gallon for diesel.

Insurance Program

The Authority is recommending an increase in insurance expense for FY2018 reflecting general market conditions based on the advice of the Authority's insurance broker and consultant. The Authority formally re-marketed the program effective March 1, 2016. March 1, 2017 will be a straight renewal. The Authority has included a \$194,785 increase in the insurance line item for FY2018 which is a 17.62 percent increase over budgeted FY2018.

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.

Interest Income

The projected interest earnings for FY2018 are \$40,700 based upon current rates of .25 percent for Short-term investments and 1.30 percent on the Authority's long-term investments. This represents an increase of \$5,300 from \$35,400 in FY2017. (Schedule 7, page 26) At the urging of the contractual water customers, in past years the Authority executed sweep contracts for its non-interest bearing accounts. After analysis, the Authority reversed the contracts because of increased costs assessed against the accounts. Due to the naturally low balances in these accounts and the large number of transactions, the transaction costs outstripped the sweep interest earnings. Most of the Authority's short and long-term investments are either direct Treasury note investments or pegged to the Treasury bill.

Reserve Contributions

During FY2018 the Authority will make no contribution to the Depreciation Reserve. The Depreciation Reserve is fully funded in FY2018 (Page 16).

The Authority will contribute \$150,000 to the pumping reserve, and will do so every year, as this will be the primary funding mechanism for pump exercises and reservoir refilling requirements. The Self Insurance Reserve fund will receive no funding in FY2018. The Authority will continue funding for the Reserve for Formal Dam Inspections at \$10,000 in order to avoid future swings in the professional services accounts for expenses associated with this three-year cycle. The Authority will contribute \$150,000 to the Capital Equipment Reserve, and will do so every year, as this will be the primary funding mechanism for capital equipment purchases. When the reserve reaches the appropriate level, while equipment purchases will continue to be identified in the Basis and Background Document and approved by the Board, the direct line item will be removed from the rate and replaced by the annual appropriation.

Debt Service Assessments

New Jersey Environmental Infrastructure Financing Program Debt Service Assessment – D&R Canal Dredging and Round Valley Reservoir Dams – Rehabilitation and Preservation Project

The Authority has submitted an application to the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to finance the dredging of 300,000 cubic yards from a 10.5 mile segment of the Delaware and Raritan Canal (D&R Canal) between Kingston at Lincoln Highway to Amwell Road in Franklin Township, Somerset County, New Jersey. This project is expected to cost approximately \$42,000,000 and last in duration up to three years. Funding through the NJEIFP would allow a portion of the loan to be at zero interest and a portion of the loan to be at market rate with the blended rate at favorable terms. The expected closing on the bonds will be May of 2018 with the first debt service payment in August 2018. The Authority proposes to continue the rate component of \$25.00 per million gallons in FY2018 to assure that sufficient funds are available to make debt service payments as they come due in

August 2018 and every six months thereafter. The project was originally scheduled to close in May of 2014 but was deferred four years. The sum of approximately \$1.5 million that was collected during FY2017 will be the last year deposited into the Rate Stabilization Fund to offset the O&M rate requirement.

The Authority has submitted an application to the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to finance the rehabilitation of the embankments in the Round Valley Reservoir complex in Clinton Township, Hunterdon County, New Jersey. This project is expected to cost approximately \$65,000,000 and last in duration for one year. Funding through the NJEIFP would allow a portion of the loan to be at zero interest and a portion of the loan to be at market rate with the blended rate at favorable terms. The expected closing on the bonds will be May of 2018 with the first debt service payment in August 2018. The Authority proposes increasing the rate component by \$60.00 per million gallons in FY2018 to assure that sufficient funds are available to make debt service payments as they come due in August 2018 and every six months thereafter.

The total rate component will be adjusted after the bonds are issued in accordance with a final debt service schedule.

Capital Fund Component For Current Financing of Capital Improvement Program

During the period from 1982-1993 the Authority had invested \$62,000,000 in the Capital Improvement Program for the Raritan Basin System. Much of this effort was the direct result of inadequate investments in the facilities during the years preceding the creation of the Authority. These Capital Improvement Programs were financed through the issuance of two long-term debt obligations, the 1981 Water Supply Bond Funds and 1988 Water System Revenue Bonds.

In 1995, the Authority began preparing a rolling five-year Capital Improvement Program, which required the investment of approximately \$1,500,000 per year. Current estimates place the annual necessary investment between \$2,500,000 and \$5,500,000. In evaluating options for financing this program (and subsequent five year CIP's) the Authority looked at (1) the continuation of the practice of incurring long-term debt through the issuance of Revenue Bonds and (2) the possibility of current financing through the assessment of annual charges as part of our rate structures. The Authority concluded at the time that financing of such a small annual Capital Improvement Program based upon the issuance of long-term debt was fiscally imprudent. The Authority reevaluates this financing methodology on an annual basis.

The Authority's financial plan was predicated upon the establishment of a Capital Fund Component of \$10 per mg starting on July 1, 1994 with subsequent increases in this component of the total rate structure to \$15 per mg effective July 1, 1995 and to \$20 per mg effective July 1, 1996 and to \$25 per mg effective on July 1, 1998. Since then, the annual rate component has fluctuated between \$20 and \$35.

This level of current financing for reinvestments in plant and equipment somewhat

exceeds the booked depreciation of the plant and equipment for the Raritan Basin System facilities (without the depreciation of the dams), which amounts to about \$1,900,000 per year. Any future unplanned or unanticipated major capital investment may, however, require the issuance of long-term debt. Any future planned activity that increases the System capacity will be financed using long-term debt.

For FY2018, the Authority continues to believe the use of internally generated funds for such capital improvements is the least cost method of financing.

The Authority has determined that a Capital Fund Component of \$33.00 per million gallons, level funding over FY2017, should be assessed for FY2018 to generate approximately \$2,196,442. The Authority deems these revenues sufficient to meet its capital needs for FY2018 in light of existing capital reserves and excellent contract pricing, and to ensure that sufficient funds are committed to the continuing rehabilitation of Authority assets. The Authority is expecting to raise the Capital Fund Component of the Rate to \$45.00 per million gallons in FY2019 to assure that the projected capital needs, especially for repairs to the D&R Canal, are met within the five year program.

Source Water Protection Fund Component for the Protection of Water Quality

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 a component of the Authority's watershed protection initiative, the Authority established the Source Water Protection Fund in August of 2001 for the purpose of protecting the quality and quantity of waters in the Raritan Basin System. The first \$5.00 per million gallons of the component is used for three purposes in cooperation with federal, State, local and nonprofit partners: (1) administrative actions associated with the acquisition of critical watershed parcels in the Raritan Highlands; (2) planning assistance to improve management of land development by municipal, county and State government to protect both water quality and flows to and within Authority facilities; and (3) water quality characterization and associated remedial projects to preserve and enhance water quality.

In light of the rapid decline in available watershed parcels, and the critical value of these parcels to the sustained supply of water in the Raritan Basin System, the Authority increased the Source Water Protection Fund by \$5.00 per million gallons in FY2004 and again by \$3.00 per million gallons in FY2006, to acquire fee and other interests in critical watershed parcels in the System and rehabilitate properties to maximize benefit to water quality and quantity. To date, more than 3,954 acres of property have been preserved by the Authority and its partners. Some of the watershed and water quality projects include a tributary and storm water assessment of the D&R Canal to determine sediment loading, followed by an implementation project; the

development of storm water management plans for a variety of tributaries in the Basin; and a stream restoration project of a reach of the Mulhockaway which feeds into Spruce Run. The Authority increased the Source Water Protection Rate from \$13.00 per million gallons to \$15.00 per million gallons in FY2008 to further support direct watershed protection and restoration projects. The Authority increased the Source Water Protection Rate from \$15.00 per million gallons to \$24.00 per million gallons in FY2014 to support debt service on previously acquired critical watershed parcels. The Authority is proposing no change to this component of the Rate in FY2018.

Other Rule Amendments

There are no other rule amendments. The language supporting the overall proposal is contained beginning on page 56 of this document.

PART II – DETAILED SUPPORTING INFORMATION

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**Table 1 - Summary Of Proposed Fiscal Year 2018 Adjustments
Based On Present Usage**

The rates, charges and debt service assessments listed below shall be paid for raw water diverted, withdrawn or allocated from the Raritan Basin System:

RATE COMPONENT	CURRENT	ORIGINAL PROPOSAL 12/05/16	DIFFERENCE	PERCENTAGE INCREASE (DECREASE)
O & M Assessment	\$171.00	\$194.00	↑ 23.00	13.45%
Debt Service Assessment Dredging	25.00	25.00	→ 0.00	0.00%
Debt Service Assessment RV Dam Improvements	0.00	60.00	↑ 60.00	NA
Capital Fund Component	33.00	33.00	→ 0.00	0.00%
Source Water Protection Component	24.00	24.00	→ 0.00	0.00%
Total Rate	\$253.00/mg	\$336.00/mg	↑ 83.00	32.81%

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Table 2 - Rate History of Water Charges per Million Gallons of Raw Water Daily
Fiscal Year 2003 – Fiscal Year 2018

<u>Effective Date</u>	<u>O&M Charge</u>	<u>1981 Bond Charge</u> <u>7/1/86-10/30/06</u>	<u>1998 Bond Charge</u> <u>8/1/98-11/1/13</u>	<u>2018 Bond Component</u> <u>8/1/13-8/1/23</u>	<u>Capital Fund Component</u>	<u>Source Water Protection Component</u>	<u>Total Charge per MG</u>	<u>Percent Increase -Decrease</u>
July 1, 2002	105.46	31.73	49.28		13.53	5.00	\$205.00	0.00%
July 1, 2003	111.68	31.62	49.15		7.55	10.00	\$210.00	2.44%
July 1, 2004	122.75	28.31	41.71		12.23	10.00	\$215.00	2.38%
July 1, 2005	111.80	28.24	41.51		20.45	13.00	\$215.00	0.00%
July 1, 2006	133.13	19.55	41.32		21.00	13.00	\$228.00	6.05%
July 1, 2007	138.71		\$41.29		\$33.00	15.00	\$228.00	0.00%
July 1, 2008	142.34		\$40.66		\$33.00	15.00	\$231.00	1.32%
July 1, 2009	142.39		\$40.61		\$33.00	15.00	\$231.00	0.00%
July 1, 2010	142.55		\$40.45		\$33.00	15.00	\$231.00	0.00%
July 1, 2011	145.66		\$40.34		\$30.00	15.00	\$231.00	0.00%
July 1, 2012	145.84		\$40.16		\$30.00	15.00	\$231.00	0.00%
July 1, 2013	152.00			\$25.00	\$30.00	24.00	\$231.00	0.00%
July 1, 2014	167.00			25.00	30.00	24.00	\$246.00	6.49%
July 1, 2015	171.00			25.00	33.00	24.00	\$253.00	2.85%
July 1, 2016	171.00			25.00	33.00	24.00	\$253.00	0.00%
July 1, 2017	194.00			85.00	33.00	24.00	\$336.00	32.81%

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYTEM

Schedule Of Events

(NJAC 7:11-2.1 et. seq.)

To become effective July 1, 2017

2016

- SEPTEMBER 30 Advise Water Users of informal meeting.
- NOVEMBER 9 Informal meeting with Water Users – 10:00 AM.
- DECEMBER 5 Board reviews and approves proposed Rates.
- 23 Mail Official Notice to water customers, Rate Payer Advocate, interested parties and advertise in newspapers.

2017

- JANUARY 3 Publication in the New Jersey Register.
- 6 Pre-Pubic Hearing – 10:00 AM (within 45 days of Official Notice). Deadline for responses to inquires received prior to pre-public hearing.
- 27 Deadline for receipt of comments to be addressed at Public Hearing (15 days after pre-public hearing).
- FEBRUARY 3 Public Hearing Meeting. (SR Administration Building) – 10:00 AM Deadline for responses to inquires received between pre-public and public hearing.
- 17 Written responses to questions raised at Hearing (within 10 business days of the public hearing).
- MARCH 4 NJ Register Comment Period Ends.
- 10 Public Hearing record closes (25 business days after Public Hearing).
- JUNE 5 Board approval of FY 2018 Rates and Budgets.
- JULY 1 Effective date.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Proposed

Fiscal Year 2018 Budget Summary

(7/1/17 - 6/30/18)

	ADOPTED F/Y17	PROPOSED F/Y18
Proposed Operating Expense Budget (Schedule 1)	\$ 13,491,339	\$ 13,890,887
Net Allocation of Headquarters General and Administrative Expenses to the Manasquan Water Supply System - (Schedule 5)	\$ (744,000)	\$ (763,000)
Proposed Total Expense Budget	\$ 12,747,339	\$ 13,127,887
Proposed Capital Equipment Budget (Schedule 6)	\$ 182,900	\$ 104,600
Total Operating Expense & Capital Equipment Budgets	\$ 12,930,239	\$ 13,232,487
Contribution to Reserve Funds		
- Other Post Employment Benefits Reserve	\$ 181,000	\$ -
- Reserve for Formal Dam Inspection	\$ 10,000	\$ 10,000
- Pumping Reserve	\$ 150,000	\$ 150,000
- Capital Equipment Reserve	\$ 150,000	\$ 150,000
Total Budget Requirements	\$ 13,421,239	\$ 13,542,487
 <u>MISCELLANEOUS REVENUES:</u>		
Employee Housing/Land Rental	\$ (47,200)	\$ (47,200)
Receivable from the State of NJ and Other Reservoir Sites	\$ (5,000)	\$ (5,000)
Interest Earnings on Funds (Except Major Rehabilitation and Depreciation Reserve Fund) (Schedule 7)	\$ (35,400)	\$ (40,700)
	\$ (87,600)	\$ (92,900)
 <u>OTHER AVAILABLE FUNDS:</u>		
Funds Appropriated to Rate Stabilization Fund for use in F/Y2017 (Resolution #2242, dated 06/06/16)	\$ (1,929,360)	\$ -
Unanticipated Revenue (Schedule 8)		\$ (781,990)
Total Other Available Funds	\$ (1,929,360)	\$ (781,990)
Net Amount to be paid for O & M Component	\$ 11,404,279	\$ 12,667,597

Note 1. This amount is net of withdrawal from Depreciation Reserve.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 1 - Proposed Operating Expenses Budget – Fiscal Year 2018 Distributed by Cost Center
Fiscal Year 2018

CODE	ACCOUNT	OFFICE EXECUTIVE DIRECTOR	FINANCIAL MANAGEMENT & ACCOUNTING	WATERSHED PROTECTION PROGRAMS	OPERATIONS MAINTENANCE & ENGINEERING	PROPOSED BUDGET FOR FY18
5110	Regular Salaries & Wages	\$121,900	\$1,734,350	\$573,400	\$3,560,400	\$5,990,050
5120	Overtime-Salaries & Wages	0	\$117,600	\$0	\$96,900	\$214,500
5130	New Positions-Salaries & Wages	0	\$0	\$0	\$0	\$0
5140	Seasonal Help-Salaries & Wages	0	\$0	\$0	\$0	\$0
5150	Fringe Benefits	33,700	\$807,400	\$199,400	\$2,132,400	\$3,172,900
5167	Retiree Health Benefits	54,600	\$263,200	\$36,700	\$737,600	\$1,092,100
5168	Workers Compensation (Self-Insured)	0	\$10,000	\$0	\$0	\$10,000
	Total Salary & Fringe Benefits	\$210,200	\$2,932,550	\$809,500	\$6,527,300	\$10,479,550
5200	On-Site Residences	0	\$0	0	\$26,600	\$26,600
5211	Heating Fuel	0	\$0	0	\$91,800	\$91,800
5220	Utilities -Electrical Service	0	\$0	0	\$110,500	\$110,500
5230	" -Gas Service & Water	0	\$0	0	\$4,800	\$4,800
5240	" -Propane	0	\$0	0	\$500	\$500
5250	Electricity for Pumping	0	\$0	0	\$92,000	\$92,000
5260	Vehicular Fuel	0	\$159,000	0	\$0	\$159,000
5270	Oil & Grease	0	\$0	0	\$9,200	\$9,200
5280	Tires	0	\$0	0	\$28,000	\$28,000
5290	Maintenance Supplies	0	\$8,100	0	\$175,700	\$183,800
5300	Maint. Supplies - Vehicular Equipment	0	\$0	0	\$56,000	\$56,000
5310	Major Special Vehicle Service & Repair	0	\$0	0	\$90,000	\$90,000
5320	Agricultural Supplies	0	\$1,000	0	\$4,500	\$5,500
5330	Maintenance of Equipment	0	\$7,700	3500	\$25,200	\$36,400
5340	Service & Maintenance Contracts	0	\$67,200	100	\$167,200	\$234,500
5350	Equipment Rental	0	\$24,850	0	\$26,700	\$51,550
5360	Household-Safety & Protective Supplies	100	\$27,400	0	\$6,300	\$33,800
5370	Uniforms	0	\$5,400	0	\$3,220	\$8,620
5380	Special & Professional Services	25,000	\$219,639	\$118,100	\$129,100	\$491,839
5390	Protective Services	0	\$1,300,000	0	\$0	\$1,300,000
5400	Telephone	0	\$83,000	0	\$0	\$83,000
5410	Postage & Freight	0	\$7,500	0	\$180	\$7,680
5420	Data Processing	0	\$38,788	0	\$0	\$38,788
5430	Printing & Office Supplies	500	\$34,750	9000	\$7,550	\$51,800
5440	Scientific & Photographic	0	\$0	0	\$500	\$500
5450	Dues & Subscriptions	14,400	\$11,730	1000	\$13,400	\$40,530
5460	Advertising	0	\$4,500	0	\$0	\$4,500
5470	Travel & Subsistence	1,500	\$1,980	1500	\$1,600	\$6,580
5480	Staff Training & Tuition Aid	500	\$9,750	3500	\$6,300	\$20,050
5490	Fees & Permits	0	\$113,100	0	\$11,700	\$124,800
5500	In-Lieu Taxes	0	\$18,700	0	\$0	\$18,700
	Total Operating Expenses	\$42,000	\$2,144,087	\$136,700	\$1,088,550	\$3,411,337
	GRAND TOTAL	\$252,200	\$5,076,637	\$946,200	\$7,615,850	\$13,890,887

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 1A - Comparative Statement
Fiscal Year 2018

CODE	ACCOUNT	FY'14 ACTUAL	FY'15 ACTUAL	FY'16 ACTUAL	FY'17 ADOPTED	FY'18 PROPOSED
5110	Regular Salaries & Wages	\$5,227,901	\$5,232,036	\$5,327,730	\$5,886,650	\$5,990,050
5120	Overtime-Salaries & Wages	186,907	176,438	193,406	190,000	\$214,500
5130	New positions-Salaries & Wages	0	0	0	0	\$0
5162	Retiree Unused Sick & Vacation	41,044	38,788	0	0	\$0
5150	Fringe Benefits	2,549,057	2,478,311	2,754,466	3,171,500	\$3,172,900
5167	Retiree Health Benefits	711,226	769,820	812,707	1,045,500	\$1,092,100
5168	Workers Comp. (Self Insured)	4,384	5,707	850	10,000	\$10,000
	Total Salary & Fringe	8,720,519	8,701,100	9,089,159	10,303,650	10,479,550
	Budget Salary & Fringe	\$9,700,250				
5200	Residences	\$85,031	\$77,320	\$25,013	\$35,600	\$26,600
5211	Heating Fuel	99,709	71,915	31,683	107,100	\$91,800
5220	Utilities -Electrical Service	106,609	105,818	80,151	112,500	\$110,500
5230	-Gas Service	4,980	4,234	4,093	5,000	\$4,800
5240	-Propane	520	271	834	200	\$500
5250	Electricity for Pumping Station	77,401	79,790	134,865	92,000	\$92,000
5260	Fuel - Vehicular	144,641	143,557	78,973	159,000	\$159,000
5270	Oil & Grease	5,222	6,041	5,606	8,700	\$9,200
5280	Tires	31,557	23,157	16,712	29,000	\$28,000
5290	Maintenance Supplies	161,555	147,168	152,302	194,300	\$183,800
5300	Maint. Supplies - Vehicular	51,614	47,617	69,029	48,000	\$56,000
5310	Major Vehicle Service & Repair	102,034	72,802	70,229	80,000	\$90,000
5320	Agricultural Supplies	653	3,008	2,550	5,000	\$5,500
5330	Maintenance Equipment	35,808	26,502	34,487	44,200	\$36,400
5340	Serv. & Maintenance Contracts	167,202	184,660	217,681	197,600	\$234,500
5350	Equipment Rental	60,514	42,988	38,002	38,050	\$51,550
5360	Household - Safety Supplies	26,771	26,899	31,543	31,600	\$33,800
5370	Uniforms	3,266	4,828	6,362	6,800	\$8,620
5380	Special & Professional Services	411,176	436,850	493,339	498,140	\$491,839
5390	Protective Services	1,133,656	1,188,766	1,142,799	1,105,215	\$1,300,000
5400	Telephone	73,113	83,797	81,248	75,000	\$83,000
5410	Postage & Freight Out	3,464	6,157	6,893	7,600	\$7,680
5420	Data Processing	36,203	40,023	36,336	42,284	\$38,788
5430	Printing & Office Supplies	56,904	46,225	42,595	52,150	\$51,800
5440	Scientific & Photographic	0	995	478	500	\$500
5450	Dues & Subscriptions	33,520	34,206	35,063	40,600	\$40,530
5460	Advertising & Promotional	5,925	3,898	5,746	3,500	\$4,500
5470	Travel & Subsistence	2,939	2,274	4,695	6,500	\$6,580
5480	Staff Training & Tuition Aid	11,220	8,352	9,507	19,050	\$20,050
5490	Fees & Permits	114,616	113,970	123,539	123,800	\$124,800
5500	In - Lieu Taxes	18,689	18,689	18,689	18,700	\$18,700
	Total Other Expenses	\$3,066,512	\$3,052,777	\$3,001,045	\$3,187,689	\$3,411,337
	Total Operating Expenses	\$11,787,031	\$11,753,877	\$12,090,204	\$13,491,339	\$13,890,887
	Annual Increase (Decrease)	-0.14%	-0.28%	2.86%	11.59%	2.96%
	Budget -other expenses	3,077,600	3,290,600	3,365,700	3,187,689	
	ANNUAL BUDGET	\$12,777,850	\$12,823,900	\$13,157,000	\$13,491,339	

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 2 - List of Category 5340 Items Recommended Service & Maintenance Contracts

Fiscal Year 2018

		ADOPTED F/Y17	PROPOSED F/Y18
1.	Postage/Fax/ Misc. Machines (Dept. 16)	\$1,500	\$1,500
2.	HIS-Safety Software (Dept. 17)	\$1,700	\$1,700
3.	GO DADDY.COM - Remote Access Certificates (Dept. 17)	\$300	\$300
4.	WMWARE (Dept. 17)	\$500	\$500
5.	Sage MAS 200 (Dept. 17)	\$4,500	\$0
6.	Clients First MAS 100 (Dept. 17)	\$0	\$4,750
7.	Western Technologies NJ Parcel Maps (Dept. 17)	\$1,300	\$1,400
8.	Sage Fixed Asset (Dept. 17)	\$2,500	\$2,250
9.	PV & Associates- Winslamm (Dept. 17)	\$500	\$500
10.	People Trak Support Technical Difference (Dept. 17)	\$1,000	\$1,000
11.	COMCAST - Cable Internet (Dept. 17)	\$4,280	\$4,280
12.	Essention - Conservation Trak	\$2,500	\$5,000
13.	Pure Host Web Hosting Administration (Dept. 17)	\$200	\$200
14.	Pure Host Web Hosting Watershed (Dept. 17)	\$250	\$250
15.	Symantec Anti-Virus Maintenance-Clinton (Dept. 17)	\$2,200	\$2,500
16.	Sonic Wall Software (Dept. 17)	\$1,200	\$1,200
17.	ESRI ArcView Maintenance- Watershed (Dept. 17)	\$5,400	\$5,400
18.	CU Riverware Maintenance Agreement (Dept. 17)	\$3,400	\$3,400
19.	McAfee Antispam (Dept. 17)	\$1,500	\$1,500
20.	River Morph (Dept. 17)	\$500	\$500
21.	DLT Solutions Autocad (Dept. 17)	\$1,500	\$1,500
22.	Fastrax SBPS Monitoring Software (Dept. 17)	\$900	\$900
23.	ESRI ArcView Maintenance-Clinton (Dept. 17)	\$800	\$800
24.	Keystone Precision-GPS Software Maint. (Dept. 17)	\$800	\$800
25.	HAAS Systems-Security Alarm Software Maint. (Dept. 17)	\$400	\$400
26.	Clients First-Vipre Antivirus/Antispam (Dept. 17)	\$250	\$250
27.	EZ Watch Security Video (Dept. 17)	\$900	\$900
28.	Clients First - Server Software (Dept. 17)	\$1,000	\$1,000
29.	Delmar Enterprises - Key Systems (Dept. 17)	\$520	\$520
30.	DocuSign (Dept. 17)	\$0	\$400
31.	Yahoo for River Friendly (Dept. 20)	\$100	\$100
32.	Refuse Collection (Dept. 31)	\$11,900	\$11,900
33.	Janitorial Service (Dept. 31)	\$15,500	\$15,500
34.	HVAC Service (Dept. 31)	\$5,500	\$5,500
35.	Electrician & Plumber Services (Dept. 31)	\$5,000	\$5,000

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 2 (Cont.) - List of Category 5340 Items Recommended Service & Maintenance Contracts
Fiscal Year 2018

	ADOPTED <u>F/Y17</u>	PROPOSED <u>F/Y18</u>
36. Instrumentation Services (Dept. 31)	\$4,500	\$4,500
37. Entry Rugs (Dept. 31)	\$2,700	\$5,000
38. Carpet Cleaning (Dept. 31)	\$2,300	\$8,000
39. Generator Service-Administration Building (Dept. 31)	\$1,200	\$1,200
40. Underground Plant Location Service Notifications (Dept. 31)	\$1,000	\$1,500
41. Crane Service and Inspection (Dept. 31)	\$1,200	\$1,200
42. Elevator Service-SBPS (Dept. 31)	\$2,800	\$2,800
43. Electrical Service-SBPS (Dept. 31)	\$6,400	\$20,000
44. Miscellaneous (Dept. 31)	\$0	\$6,900
45. Floor Cleaning Maintenance-Office (Dept. 32)	\$2,400	\$2,600
46. Janitorial Service (Dept. 32)	\$7,300	\$8,000
47. Dumpster Service Canal Office (Dept. 32)	\$3,000	\$12,000
48. Dumpster Service Route 1 (Dept. 32)	\$31,000	\$30,000
49. Dumpster Service-Extra (Dept. 32)	\$2,000	\$2,000
50. Instrumentation Testing (Dept. 32)	\$1,000	\$1,000
51. Floor Mats (Dept. 32)	\$1,000	\$2,400
52. Grass Mowing Service (Dept. 32)	\$5,800	\$6,000
53. Boiler Service (Dept. 32)	\$300	\$500
54. Wood Disposal Fees (Dept. 32)	\$3,100	\$3,100
55. Generator Service-Scudders & Perdicaris (Dept. 32)	\$3,000	\$3,000
56. Vac Truck Service-IFW, 10 Mile PS (Dept. 32)	\$3,900	\$4,200
57. Tire Recycling (Dept. 32)	\$1,000	\$0
58. Floor Mats (Dept. 33)	\$2,800	\$0
59. Carpet Cleaning (Dept. 33)	\$8,000	\$0
60. Welco Gas (Dept. 33)	\$600	\$1,000
61. Parts Washer & Hazardous Removal (Dept. 34)	\$1,000	\$1,000
62. Boom Lift Annual Inspection (Dept. 34)	\$0	\$900
63. Recycle Used Vehicle Fluids (Dept. 35)	\$0	\$500
64. Fire Extinguisher Maintenance (Dept. 36)	\$7,000	\$7,000
65. Hazardous Waste Control (Dept. 36)	\$1,500	\$1,500
66. Fire Alarm Testing (Dept. 36)	\$8,000	\$8,000
67. Vehicle Lifts Annual Testing (Dept. 36)	\$1,500	\$1,500
68. Delaware Electric Cellular Service (Dept. 37)	\$0	\$600
69. Dial My Calls (Dept. 37)	\$0	\$1,000
70. Miscellaneous (Dept. 37)	\$0	\$2,000
TOTAL	<u>\$197,600</u>	<u>\$234,500</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 3 - List of Category 5380 Items Recommended Professional Services
Fiscal Year 2018

	ADOPTED F/Y17	PROPOSED F/Y18
1. Services-Governor's Authorities Unit (Dept. 10)	\$25,000	\$25,000
2. Consultant-C.P.A. to Conduct Annual Audit (Dept. 13)	\$60,610	\$62,495
3. Services-GFOA Certificate Fee (Dept. 13)	\$500	\$500
4. 125 Plan-Family security Insurance Agency (Dept. 13)	\$2,730	\$2,496
5. Archiving (Dept. 13)	\$5,000	\$0
6. Services-Pre-Employment Exams & Tests (Dept. 14)	\$2,400	\$3,300
7. Fidelifax-Background Checks (Dept. 14)	\$1,600	\$2,248
8. Medical CDL Drug Testing (Dept. 14)	\$1,600	\$1,600
9. Employee Advisory Service (Dept. 14)	\$2,500	\$2,500
10. Consultant-Risk Management - to provide assistance to the Authority in the review of insurance coverage and continuation of a Comprehensive Coordinated Risk Management Program (Dept. 15)	\$29,000	\$36,500
11. Insurance Broker-HRH (Dept. 15)	\$42,000	\$40,000
12. GL Administrator (ESIS) (Dept. 15)	\$800	\$800
13. Services-Attorney General's Office - Assistance of Deputy Attorney General concerning a wide range of legal matters (Dept. 15)	\$40,000	\$40,000
14. Miscellaneous (Dept. 15)	\$10,000	\$10,300
15. Water Monitoring Costs - USGS SR @ Glen Gardner (Dept. 20)	\$15,100	\$17,600
16. Water Monitoring Costs - USGS Mulhockaway @ Van Syckel (Dept. 20)	\$5,400	\$5,500
17. Water Monitoring Costs - USGS Lockatong Creek @ Raven Rock (Dept. 20)	\$11,900	\$0
18. Water Monitoring Costs - USGS Raritan River @ Manville (Dept. 20)	\$44,300	\$45,100
19. USGS Continuous Water Quality for D&R Canal, Landing Lane (Dept. 20)	\$33,600	\$34,100
20. Water Monitoring-SBWA/URWA now RHA (Dept. 20)	\$2,000	\$2,000
21. Water Monitoring-SBMWA (Dept. 20)	\$1,500	\$1,500

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 3 (Cont.) - List of Category 5380 Items Recommended Professional Services

Fiscal Year 2018

	ADOPTED F/Y17	PROPOSED F/Y18
22. Dash for the Trash (Dept. 20)	\$1,000	\$1,000
23. Lab Certification WPU/Water Sample Analysis (Dept. 20)	\$1,500	\$1,500
24. NJ Invasive Species Strike Team (Dept. 20)	\$300	\$300
25. Lockatong ISCO Monitoring (Dept. 20)	\$4,000	\$5,600
26. D&R Canal ISCO Monitoring (Dept. 20)	\$4,000	\$1,300
27. Cedar Grove Brook ISCO Monitoring (Dept. 20)	\$0	\$2,600
28. Services-Emergency Engineering Services (Dept 30)	\$2,500	\$2,500
29. Underground Storage Tank-CEA Report (Dept. 30)	\$11,000	\$11,000
30. Underground Storage Tank Groundwater Test (Dept. 30)	\$2,500	\$2,500
31. Services - USGS Cooperative Agreement River Gauging - Maintenance of Raritan Basin Stream Gauging Stations and the Delaware & Raritan Canal Gauging at Kingston per USGS/DWR/NJWSA Agreement (Dept. 31)	\$72,000	\$68,000
32. Services-USGS Spruce Run Gauging	\$17,000	\$17,000
33. Maintenance of two stations on Streams feeding Spruce Run not covered under State Cooperative Agreement (Dept. 31)		
34. Water Testing and Sampling to comply with the Safe Water Drinking Act (Dept. 31)	\$2,400	\$2,400
35. Services-Water Sampling and Testing as per NJDWR Requirements - A) RT 202 Stockpile Site (Dept 32)	\$5,500	\$5,700
36. Maintenance of USGS Gauges at Washington Crossing and Pricaris Waste Gate (Dept. 32)	\$20,000	\$20,000
37. Safety Suggestion Program, Poster and Promotional Materials, Safety Incentive Program (Dept. 36)	\$9,700	\$9,700
38. Pulmonary Testing and Physicals (Dept. 36)	\$5,000	\$5,000
39. Annual Contributions to Fire Companies and Rescue Squads (Dept. 36)	\$500	\$500
40. Hepatitis Vaccinations (Dept. 36)	\$800	\$800
41. Calibration for the Pota-Count Respirator (Dept. 36)	\$900	\$900
TOTAL	\$498,140	\$491,839

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 4 - Projected FY 2018 New Jersey Water Supply Authority Insurance Program

Policy	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant and Transmission System	Total Premium
Property Limit \$150 million, Limit \$25m BI Deduct: \$100k all perils \$250k Deduct dams, dikes / \$1m Deduct Canal flood	\$618,526	\$207,930	\$50,886	\$877,342
General/Products Liability Limit \$1 million Deduct: \$150k	\$114,067	\$10,665	\$2,214	\$126,946
Environmental Impairment Liability Limit \$10 million Deduct: \$100k	\$21,456	\$2,006	\$417	\$23,879
Workers' Compensation Limit \$1 million	\$205,001	\$26,354	\$27,613	\$258,968
Employer Liability Limit \$1 million	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp
Umbrella Liability Limit \$23 million	\$283,672	\$26,521	\$5,507	\$315,700
Business Automobile Limit: \$1 million G/L, \$0 pd Deduct: \$50k, G/L	\$6,813	\$1,210	\$277	\$8,300
Management Liability Public Officials Liability Cyber Risk Fidelity & Crime Limit \$5 million/\$1million/\$1 million Deduct: \$100k/\$10k/\$50k	\$44,961 \$5,092 <hr/> \$50,053	\$4,204 \$476 <hr/> \$4,680	\$873 \$99 \$3,531 <hr/> \$4,503	\$50,038 \$5,667 \$3,531 <hr/> \$59,236
Travel Accident Limit \$2 million	\$876	\$82	\$17	\$975
TOTAL:	\$1,300,464	\$279,448	\$91,434	\$1,671,346

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**Schedule 5 - Recap Of Allocation Of Headquarters General And Administrative Expenses Charged
To The Manasquan Water Supply System**
Fiscal Year 2018 (7/1/17-6/30/18)

	Total Headquarters Charge	Manasquan Reservoir System	Manasquan WTP/TS
Budgeted-Appendix I, amount to be charged to Manasquan System for F/Y18 (7/1/17-6/30/18)	\$792,622	\$682,867	\$109,755
F/Y16 Adjustment as per audited Expenditures:			
Budgeted as per rate schedule for F/Y16 (7/1/15-6/30/16). Amounts paid during F/Y16 to Raritan Basin System.	\$737,000	\$640,000	\$97,000
Actual allocation based upon audited expenditures F/Y16 (7/1/15-6/30/16) - Appendix II	\$707,416	\$609,460	\$97,956
Adjustments F/Y16	(\$29,584)	(\$30,540)	\$956
Net Allocation for F/Y2018 Budget	\$763,038	\$652,327	\$110,711
Estimate	\$763,000	\$652,000	\$111,000

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 6 - Proposed Capital Equipment Budget
Fiscal Year 2018

	Description	(R) Replacement (A) Addition	Year of Purchase	Dollar Value	Depreciation Reserve
INFORMATION SYSTEMS	(1) LAPTOP ADMIN	(R) FF2095	2008	1,500	1,159
	(1) LAPTOP WATERSHED	(R) FF2128	2009	1,500	1,565
	(1) LAPTOP ADMIN	(R) FF2184	2011	1,500	1,240
	(1) LAPTOP WATERSHED	(R) FF1943	2004	1,500	1,723
FACILITIES	(1) A/C UNIT FOR ENGINEER'S OFFICE SBPS	(A)		3,000	
	(1) ELECTRIC CHAIN HOIST SBPS	(R) EQ1854	2002	3,000	2,681
	(1) SINGLE DOOR - BAY 19	(R) ORIGINAL		3,500	
	(1) NJWA-04 REPLACEMENT	(R) TR2000	2006	35,000	24,617
GROUNDS	(2) BRUSH HOG MOWER DECKS	(R) EQ2064/EQ2065	2007	14,000	5,636
	(1) 6-7 TON DECK OVER TRAILER	(R) TR1631	1998	7,000	4,925
	(1) 22" STUMP CUTTER ATTACHMENT FOR POWER TRAC	(A)		2,200	
	(1) 18 CU. FT. BUCKET ATTACHMENT FOR POWER TRAC	(A)		1,000	
CANAL	(1) NJWA-09 PICKUP W/CAP	(R) TR2198	2011	35,000	22,528
	(1) NJWA-39 CLASS II PICKUP 4WD	(R) TR2001	2006	40,000	20,377
	(1) FLAIL MOWER (90") W/SPARE BLADES	(R) PE1778	2000	9,000	2,629
	(1) NJWA-52 MACK ROLLOFF	(R) TR0811	1988	225,000	71,877
AUTO SHOP	(1) PASSENGER/LIGHT TRUCK TIRE BALANCER -CANAL	(R) EQ1953	2005	7,000	2,996
	(1) VEHICLE FLEET MANAGEMENT SOFTWARE -CANAL	(R) FF1109	1990	3,500	2,000
SAFETY	(2) REPLACE TWO AED UNITS	(R) EQ2203/EQ2204	2012	4,000	2,642
SECURITY	(1) SECURITY VEHICLE - NJWA-03 FORD EXPLORER	(R) TR2235	2014	32,000	6,964

	TOTAL COST	\$430,200	\$175,559
LESS AMOUNT CHARGED TO DEPRECIATION RESERVE		(175,559)	
	NET TOTAL	\$254,641	
LESS AMOUNT CHARGED TO CAPITAL EQUIPMENT RESERVE		(\$150,000)	
	TOTAL	\$104,641	
	AMOUNT FUNDED FOR FY2018	\$104,600	

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 7 - Estimate Of Interest Income For Fiscal Year 2018 Budget

Fund/Reserve	TD Bank Funds	Long-Term Investments
Operating	\$800,000	\$0
Reserve for O & M	\$2,000,000	\$1,600,000
Pumping Reserve	\$600,000	\$0
Self-Insurance Reserve	\$300,000	\$800,000
Rate Stabilization Fund	\$80,000	\$0
Estimated Total	\$3,780,000	\$2,400,000
	\$3,780,000 x .25% =	\$9,450
	\$2,400,000 x 1.30% =	\$31,200
	Total	\$40,650
	Estimate	\$40,700

Short-Investments

TD Bank
Managed Rate of .25%
95% of the 30 Day Libor After the
Compensating Balance Has Been Satisfied

Long-Term Investments

JP Morgan
New Jersey State G/O Bonds
Various Due Dates and Yields to Maturity

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 8 - Unanticipated Revenue

Funds to be appropriated Into the Rate Stabilization Fund for Fiscal Year 2018

	<u>Amount</u>
F/Y2016 Net Year-End Balance	\$514,655.00

<u>Overdrafts</u>	<u>Invoice No.</u>	<u>Billed</u>	<u>Amount</u>
City of New Brunswick	1084	12/02/15	\$41,066.15
Hamilton Farms	1082	12/02/15	\$78.68
Heron Glen	1083	12/02/15	\$290.33
NJ American	1080	12/02/15	\$269,423.75
	1150	03/07/16	\$78,012.04
Raritan Valley Country Club	1122	1/15/16	\$3,275.39
	1085	12/02/15	\$4,210.33
Roxiticus	1086	12/02/15	\$667.79
	1149	03/02/16	\$331.17
Royce Brook Golf Club	1087	12/02/15	\$159.43
Somerset County Park Commission	1088	12/02/15	\$87.88
Stonebridge Community Associates	1135	02/03/16	\$502.04
	1081	12/02/15	\$179.90
Township of East Brunswick	1079	12/02/15	\$10,448.39
Trump National Golf Course	1089	12/02/15	\$1,951.43
Washington Twp. MUA	1090	12/02/15	\$115.19
		Total	\$410,799.89
		Amount used in FY2017	-\$206,052.00
		NET	\$204,747.89

Overdrafts Not Billed, Accrued through July, 2016

NJ American, Raritan Valley Country Club, Royce Brook Golf Club, Roxiticus, Somerset County Parks, Trump National Golf Course	\$62,589
<u>Other Sources of Funds</u>	

	<u>Grand Total</u>
	\$781,991.90
	<u>FY18 Budget</u>
	\$781,990.00

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 9 - Fund Balances as of 6/30/16

Final

	REVENUE FUND	OPERATING ACCOUNT	OPERATING FUND	O & M RESERVE	LONG-TERM INVESTMENTS O & M RESERVE	TOTAL
BALANCE 6/30/16	\$784,554	\$2,191,956	\$816,063	\$2,176,178	\$1,618,190	\$7,586,941
Deduct: Accrued expenses to be paid as of 6/30/16			(249,277)			(249,277)
Deduct: June 1st billing, received			(764,579)			(764,579)
Adjusted Balances 6/30/16	\$784,554	\$2,191,956	(\$197,793)	\$2,176,178	\$1,618,190	\$6,573,085
 INCOME						
Reimbursement Manasquan						
Receipt of Headquarters Overhead Expenses for 7/10/16			160,000			160,000
Operating transfer	(750,000)	(2,100,000)	2,850,000			0
 EXPENSES						
O & M Expenses - (A/P 6/30/16)						
Includes accrued Payroll and Insurance thru 6/30/16			(405,858)			(405,858)
Capital items to be purchased by 6/30/16			(123,511)			(123,511)
Various Reserve contributions (one month)			0			0
PROJECTED BALANCE AT 6/30/16	\$34,554	\$91,956	\$2,282,839	\$2,176,178	\$1,618,190	\$6,203,717

Note 1. Unanticipated Revenues for F/Y 18

(overdrafts in F/Y 16 to be available for appropriation to Rate Stabilization for FY17/FY18)

		Less: FY2017 O & M reserve balance (3 mos required by resolution)	(3,467,256)
Hamilton Farms	\$78.68	Adjusted balance of funds available 6/30/16	2,736,461
Heron Glen	\$290.33		
NJ American	\$269,423.75		
Raritan Valley Country Club	\$3,275.39	Use of Available Funds	
	\$4,210.33		
Roxiticus	\$667.79		
	\$331.17	Unanticipated revenues (overdrafts in F/Y 16 to be available for appropriation to Rate Stabilization Fund for FY17/FY18 (Note 1)	(291,722)
Royce Brook Golf Club	\$159.43		
Somerset County Park Commission	\$87.88		
Stonebridge Community Associates	\$502.04	Rate Stabilization Fund Transfer for FY17	(554,151)
	\$179.90		
Township of East Brunswick 1079	\$10,448.39		
Trump National Golf Course 1089	\$1,951.43		
Washington Twp. MUA 1090	\$115.19		
	\$291,721.70	Projected Net Balance	\$1,890,588

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 10 - Projected Fiscal Year 2018 Operations & Maintenance Component
Sales Base

New Jersey Environmental Infrastructure Financing Program
Debt Service Assessment

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR	TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
Duke Farms	0.075	N/A		0.000
East Brunswick Twp	8.000	365	2,920.000	8.000
NJ American Water Company	126.600	365	46,209.000	126.600
Mercer County Park Commission – Golf	0.132	184	24.300	0.067
Middlesex Water Co.	27.000	365	9,855.000	27.000
New Brunswick, City of	10.500	365	3,832.500	10.500
North Brunswick Twp.	8.000	365	2,920.000	8.000
Princeton University	0.150	365	54.750	0.150
Trenton Country Club	0.126	365	46.000	0.126
United Water Lambertville	0.490	365	178.850	0.490
Ridge at Back Brook	0.111	365	40.510	0.111
Roxbury Water Company	0.041	365	15.000	0.041
Royce Brook Golf Club	0.165	365	60.230	0.165
Hunterdon County Golf (Heron Glen)	0.079	365	28.800	0.079
Raritan Valley Country Club	0.012	365	4.380	0.012
East Windsor Municipal Utilities Authority	0.011	365	4.000	0.011
Somerset County Park Commission (Neshanic Valley Golf Club)	0.142	365	51.750	0.142

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 10 (Cont.) - Projected Fiscal Year 2018 Operations & Maintenance Component
Sales Base

New Jersey Environmental Infrastructure Financing Program
Debt Service Assessment

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR	TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
Lamington Farms LLC (Trump National Golf Club)	0.170	365	62.100	0.170
Morris County Municipal Utilities Authority	0.079	365	28.830	0.079
Mt. Olive Township	0.010	365	3.554	0.010
Washington Township Municipal Utilities Authority	0.035	365	12.775	0.035
Borough of Glen Gardner	0.008	365	2.775	0.008
Roxiticus Golf Club	0.046	365	16.790	0.046
Hamilton Farm Golf Club	0.138	365	50.400	0.138
Springdale Golf Club	0.098	365	35.640	0.098
NJ Department of Corrections	0.025	365	9.250	0.025
Stonebridge Community Assoc.	0.081	365	29.565	0.081
Village Grande @ Bear Creek	0.074	365	27.010	0.074
Eastern Concrete Materials	0.023	365	8.500	0.023
Hunterdon Medical Center	0.031	365	11.000	0.031
Princeton University Operations	0.027	365	9.855	0.027
Renaissance at Monroe Condominium Association	0.014	365	5.110	0.014
TOTAL SALES BASE				182.353

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 11 - Operations And Maintenance Rate Component
Fiscal Year 2018

Funds Required for F/Y2018 Budget

Proposed Operating Expense and Capital Budget	\$13,542,487
Less Miscellaneous Revenues & Interest Income	(\$92,900)
Other Available Funds	(\$781,990)
Net Budget Requirement	\$12,667,597
Less: 182.339 x 171.00 x 61Days (Cash received in July and August for water used in May and June based on \$171.00/mg)	(\$1,901,978)
 Additional Revenue required to cover Operations and Maintenance Expense through 6/30/18	 \$10,765,619

Computation of Operations & Maintenance Rate for Fiscal Year 2018

Sales Base		
Period 7/1/17 to 4/30/18 304 days x 182.353 mgd	=	55,435.31 mg
 Required Operations & Maintenance Rate F/Y2018		
	$\frac{\$10,765,619 \text{ mg}}{55,435.31 \text{ mg}}$	= \$194.00 mg

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 12 - Debt Service Rate Component For NJEIT Loan Repayment

Effective July 1, 2017, (F/Y2018, July 1, 2017-June 30, 2018)

Total due on Principal and Interest \$1,664,100/ year

$$\text{Debt Service Rate for NJEIT Loan} = \frac{\$1,664,100/\text{ year}}{182.353 \text{ mgd} \times 365 \text{ days}} = \$25.00 / \text{mg}$$

*This rate may be subject to future adjustments based on actual loan terms.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 13 - Debt Service Rate Component For Round Valley Dam Improvements

Effective July 1, 2017, (F/Y2018, July 1, 2017-June 30, 2018)

Debt Service Raised in Fiscal Year 2018	\$4,028,072/ year
Debt Service Fund Interest Income and Other Available Resources	(\$20,140)
Net Debt Service Obligation	\$4,007,932
20% Debt Service Coverage	\$0
Total to be Recovered by Rates	\$4,007,932
Debt Service Rate Effective 7/01/17	$= \frac{\$4,007,932}{182.353 \text{ mgd} \times 365 \text{ days}} = \$60.00 / \text{mg}$

*This rate may be subject to future adjustments based on actual loan terms.

** Assumes traditional financing

**NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM**

Schedule 14 - Capital Improvement Program
Fiscal Years 2017-2021

PROJECT	ESTIMATED PROJECT COST	Period First Identified	Priority	Rate Assumption Per Million Gallons:					
				Prior Years	\$33 FY 2017	\$33 FY 2018	\$45 FY 2019	\$45 FY 2020	\$45 FY 2021
Refurbishment of the Main Pumps & Motors 1 & 6	\$ 1,300,000	2008	High	1,044,276	255,724				
Asset Management Plan for SBPS	\$ 260,000	2009	High	217,639	42,361				
Dredging Kingston & Amwell Road - Design engineering only	\$ 1,800,000	2006	High	1,484,376	150,000	165,624			
Dredging Kingston & Amwell Road - Construction Rt 202 Stockpile site only	\$ 1,500,000	2006	High	-		1,500,000			
Dredging Kingston & Amwell Road - Construction engineering only (bond)	\$ -	2006	High	-					
Dredging Kingston & Amwell Road - Construction \$35M (bond)	\$ -	2006	High	-					
Rehab Western Embankment Stockton Borough	\$ 3,750,000	2006	High	170,428	50,000	800,000	2,729,572		
Rehab Swan Creek Culvert & Aqueduct new project incl culvert liner work	\$ 2,500,000	2015	High	957,561	75,000	500,000	967,439.19		
Rehabilitation of the Cherry Tree Lane Spillway	\$ 1,200,000	2010	High	211,698	988,302				
Dam Impmnts as recommended by TRB (preliminary eng and Owners eng)	\$ 2,275,000	2013	High	1,834,609	150,000	290,391.18			
RV Res Dams-Rehab & Resource Preservation Project (eng only)	\$ 5,000,000	2015	High	-	3,000,000	2,000,000			
Round Valley Dam Improvements - Construction (bond) Est. \$60M	\$ -	2015	High						
Construction eng management for RV dam improvements (bond) Est. \$5M	\$ -	2015	High	-					
Owner's Engineer - constr of RV dam impvrmts (bond) Estimate \$325K	\$ -	2015	High	-					
Rehabilitate hydraulic valve on RV South Dam low level release (bond)	\$ -	2015	High	-					
Rehab 10-inch cast iron pipe connect RV-S dam vault to Foremain (bond)	\$ -	2015	High	-					
New 2D Inundation mapping for Round Valley and Spruce Run Reservoir	\$ 500,000	2015	High		100,000	400,000			
Rehab of Ten Mile Waste Gate	\$ 150,000	2010	High	10,730	139,270				
Dredging of Intake Pond and replace ice deflectors at SBPS	\$ 1,000,000	2005	High	-	150,000	850,000			
	\$ 21,235,000								
Rehab of Upper Canal Embankment - Raven Rock to Prallsville	\$ 4,250,000	2006	Med High	100,114	50,000	1,000,000	1,000,000	1,000,000	1,099,886
Rehabilitation of Carnegie Lake Creek Aqueduct	\$ 150,000	2015	Med High	14,400	25,000	25,000	85,600		
Rehab of Canal Flow Control Structures Griggstown and 10-Mile Locks	\$ 1,500,000	2000	Med High					50,000	1,450,000
Refurbishment of the Main Pumps & Motors 4, 5, 7, & 8	\$ 2,800,000	2008	Med High		600,000	2,200,000			
Removal of Sediment from Rt. 1 Conduit	\$ 25,000	2013	Med High		25,000				
Rehab of the Landing Lane Spillway	\$ 800,000	2013	Med High		200,000	600,000			
Rehab of Spruce Run Weir	\$ 800,000	2016	Med High		60,000	740,000			
Repair of Pipe at Whitehead Road	\$ 500,000	2012	Med High					500,000	
Rehabilitation Work at Washington Crossing Spillway	\$ 300,000	2012	Med High					300,000	
Washington Crossing Waste Gate Repair / Replacement	\$ 50,000	2015	Med High		50,000				
Security System and Upgrades	\$ 225,000	2003	Med High	99,317	25,000	25,000	25,000	25,000	25,683.38
	\$ 11,400,000								
Alexauken Creek Aqueduct	\$ 750,000	2015	Medium					500,000	250,000
Roof Replacement North & South Towers	\$ 100,000	2011	Medium				100,000		
Replacement of Through the Wall HVAC Units in SRA	\$ 150,000	2011	Medium			150,000			
Rehab of Culvert at Station 2550+90 (1 mile upstream of 10-mile)	\$ 700,000	2008	Medium						700,000
Rehab of Traprock Spillway	\$ 1,200,000	2010	Medium						1,200,000
	\$ 2,900,000								
Dredging between Landing Lane and Route 18 - engineering	\$ -	2007	Low						
Dredging of Canal Between Lambertville and Route 1	\$ -	2015	Low						
Dredging of Canal Between Amwell Road and 10 Mile	\$ -	2015	Low						
Construction Bedload Stone Trap @ Wickecheoke Creek	\$ -	1995	Low						
Cutoff Wall in Shipetaukin Creek Guard Bank	\$ -	2005	Low						
Wickecheoke Creek Gates Abandonment	\$ -	2015	Low						
Rehab of Waste Gate d/s of 10 Mile - woodwork on facade	\$ -	1990	Low						
Rebuild Stone Embankment at the 10 Mile Waste Gate	\$ -	1990	Low						
Rehab of Gold Run Spillway	\$ -	2008	Low						
Rehab of 6-Mile Run Culvert Headwall	\$ -	2008	Low						
Carnegie Lake Culverts Investigation / Isolation	\$ -	2015	Low						
Raven Rock retaining wall downcanal of Lock	\$ -	2015	Low						
Refurbishment of the Main Pumps & Motors 3 & 9	\$ -	2015	Low						
Refurbishment of the Main Pumps & Motors 2 & 10	\$ -	2015	Low						
Canal Culvert Rehabilitation 2249+79 (Snydam)	\$ -	2015	Low						
Canal Culvert Rehabilitation 2661+86 (Randolph Brook)	\$ -	2015	Low						
Canal Culvert Rehabilitation 2992+34 (Mile Run Culvert)	\$ -	2015	Low						
Concrete Repairs at the Sullivan Way Aqueduct	\$ -	2007	Low						
Rehab of Spillway u/s of Griggstown Lock	\$ -	2010	Low						
Rehab of the Four Mile Spillway	\$ -	2010	Low						
Pipeline Evaluation - Whitehouse Release Pipeline	\$ -	1990's	Low						
Pipeline Evaluation - RV Force Main	\$ -	1990's	Low						
	\$ -								
TOTAL	\$ 35,535,000			6,145,148	6,135,656	11,246,015	4,907,611	2,375,000	4,725,569
Balance CIP				14,593,432	10,654,218	1,604,644	(307,818.92)	312,329	(1,418,092)

The estimated project costs listed includes engineering, cultural, construction and miscellaneous expenses.

Funds in CIP as of June 30, 2016 is \$13,343,432 plus \$1,250,000 from Capital Improvements Investments

Estimated cost for dredging of the Canal between Kingston & Amwell Road is \$35,000,000 plus engineering & Cultural Resource inspections during construction.

The cost of removal of sediment from the 202 stockpile site is included in the CIP since it will not be part of the NJEIT bonding. Engineering and cultural costs during construction will be included in loan for project.

Round Valley Dam Improvements: Costs of remedial work will need to be bonded. Preliminary estimate \$60 million plus engineering construction management and inspection.

This does not include expenditure of \$13,967.21 for Sinkholde Emergency Repair D&R 1265-00

**RARITAN BASIN SYSTEM
CAPITAL IMPROVEMENT PROGRAM
Fiscal Years 2017 – 2021
Updated – September 2016**

The following is a description of projects that the Authority anticipates being funded from the Capital Improvement Program (CIP) in Fiscal Years 2017 – 2021. Discussion also includes projects that may be delayed beyond FY 2021 due to funding.

#	HIGH PRIORITY
1	Refurbishment of the Main Pumps & Motors 1 & 6 at SBPS
2	Asset Management Plan for SBPS
3	Dredging Kingston & Amwell Road - Design engineering only
4	Dredging Kingston & Amwell Road - Rt 202 Stockpile site only
5	Dredging Kingston & Amwell Road - Construction engineering only (bond)
6	Dredging Kingston & Amwell Road - Construction \$35M (bond)
7	Rehab Western Embankment Stockton Borough
8	Rehab Swan Creek Culvert & Aqueduct new project includes culvert liner work
9	Rehabilitation of the Cherry Tree Lane Spillway
10	Dam Improvements as recommended by TRB (preliminary engineering and Owner's Engineer)
11	Design improvements to RV dams – Engineer of Record design engineering only
12	Round Valley Dam Improvements - Construction \$60M (bond)
13	Construction Eng. management for RV dam improvements (bond Est. \$5M)
14	Owner's Engineer – construction of RV dam improvements (bond) Est. \$325K
15	Rehabilitate hydraulic valve on RV South Dam low level release (bond)
16	Rehab 10-inch cast iron pipe connect RV-S dam vault to Forcemain (bond)
17	New 2D Inundation mapping for Round Valley and Spruce Run Reservoir
18	Rehab of Ten Mile Waste Gate
19	Dredging of Intake Pond and replace ice deflectors at SBPS
	MEDIUM / HIGH PRIORITY
20	Rehab of Upper Canal Embankment - Raven Rock to Prallsville
21	Rehabilitation of Carnegie Lake Aqueduct
22	Rehab of Canal Flow Control Structures Griggstown and 10-Mile Locks
23	Refurbishment of the Main Pumps & Motors 4, 5, 7 & 8
24	Removal of Sediment from Rt. 1 Conduit
25	Rehab of the Landing Lane Spillway
26	Rehab of Spruce Run Weir
27	Repair of Pipe at Whitehead Road
28	Rehabilitation Work at Washington Crossing Spillway
29	Washington Crossing Waste Gate Repair / Replacement

30	Security System Upgrade
	MEDIUM PRIORITY
31	Alexauken Creek Aqueduct
32	Roof Replacement North & South Towers
33	Replacement of Through the Wall HVAC Units in SRA
34	Rehab of Culvert at Station 2550+90 (1 mile upstream of 10-mile)
35	Rehab of Trap Rock Spillway
	LOW PRIORITY
36	Dredging between Landing Lane and Route 18 - engineering
37	Dredging of Canal Between Lambertville and Route 1
38	Dredging of Canal Between Amwell Road and 10 Mile
39	Construction Bedload Stone Trap @ Wickecheoke Creek
40	Cutoff Wall in Shipetaukin Creek Guard Bank
41	Wickecheoke Creek Gates Abandonment
42	Rehab of Waste Gate d/s of 10 Mile - woodwork on façade
43	Rebuild Stone Embankment at the 10 Mile Waste Gate
44	Rehab of Gold Run Spillway
45	Rehab of 6-Mile Run Culvert Headwall
46	Carnegie Lake Culverts Investigation / Isolation
47	Raven Rock retaining wall downcanal of Lock
48	Refurbishment of the Main Pumps & Motors 3 & 9
49	Refurbishment of the Main Pumps & Motors 2 & 10
50	Canal Culvert Rehabilitation 2249+79 (Suydam)
51	Canal Culvert Rehabilitation 2661+86 (Randolph Brook)
52	Canal Culvert Rehabilitation 2992+34 (Mile Run Culvert)
53	Concrete Repairs at the Sullivan Way Aqueduct
54	Rehab of Spillway u/s of Griggstown Lock
55	Rehab of the Four Mile Spillway
56	Pipeline Evaluation - Whitehouse Release Pipeline
57	Pipeline Evaluation - RV Force Main

Item #1 Refurbishment of Main Pumps and Motors at SBPS

Item #2 Asset Management Plan for SBPS

The South Branch Pumping Station (SBPS) was constructed in the 1960's to pump water into Round Valley Reservoir. The main pumps, motors and associated equipment at the station are infrequently operated (usually one month a year to maintain the pool elevation, as required). Maintenance pumping is done periodically to maintain the equipment. As the demand on Round Valley Reservoir increases, so will the need to pump water through the station. There may also be the need in the future to be able to reliably refill the reservoir following a period of sustained drawdown.

Approximately 1.9 billion gallons of water were pumped into Round Valley Reservoir during the April – May 2009 pumping program. Lessons learned from the program demonstrated the need to repair the baseplates under the pumps and motors to prevent movement and maintain alignment between the pumps and motors.

The Authority retained Hatch Mott MacDonald (HMM) to prepare an asset management plan for the SBPS and prepare specifications for the refurbishment of the pump units. All ten pumps have similar baseplate and alignment problems, but only two (pump assemblies 1 & 6) are being refurbished at the present time under the current contract.

Inspections of the motors also showed the deterioration of the stator winding insulation. Deterioration of the insulation of the stator windings is attributed to the age of the units and the humidity in the building. The extent of the deterioration in each unit is unknown because the entire stator cannot be inspected without full disassembly of the motors at an authorized shop. Other service requirements to the units can only be ascertained when the units are removed and disassembled.

Refurbishment of the first two pump and motor assemblies was awarded to Longo Electrical-Mechanical, Inc. of Wharton, New Jersey in 2013 for an amount not to exceed \$1,239,700.00. Approval was also authorized for allowance items specified in the bid documents for an amount not to exceed \$445,200.00. These allowance items are for parts needed for the pump refurbishment that could not be determined until the units were undergoing refurbishment. To date only \$33,381.60 for the purchase of two casing rings has been authorized from the allowance items.

Units 1 and 6 were reinstalled and reconnected in the spring 2016. The pumps and motors were tested during a pump period that extended from early May until the second week of June, which also served as acceptance testing of the rehabilitated pump and motor units 1 and 6. Over 700 million gallons were pumped to Round Valley Reservoir during the entire 2016 pumping program. Total water volume was limited due to lack of rainfall and low flows in the Raritan System's rivers. The contractor only has punch list items remaining to complete their contract.

Refurbishment of the next four pump and motor sets, units 4, 5, 7, and 8, is planned for FY 2017 and 2018. An analysis of the refurbishment work undertaken on pumps 1 and 6 will be conducted to formulate a "lessons learned" report and modify the scope and technical

specifications as necessary to try to address some of the delays experienced by the Contractor. With the foreseen sustained pumping periods in the future (due to reservoir drawdown and refilling in the near future), the demands on these pumps will increase, necessitating the continued refurbishment of the remaining pumps and motors.

Item #3 Dredging between Kingston and Amwell Road – Design Engineering

Item #4 Dredging between Kingston and Amwell Road – Rt 202 Stockpile Site

Item #5 Dredging between Kingston and Amwell Road – Construction Engineering (bond)

Item #6 Dredging between Kingston and Amwell Road – Construction \$35M (bond)

Flow in the 10.5-mile reach of the Canal between Lincoln Highway (Route 27 just east of Kingston) and Amwell Road in Franklin Township, Somerset County is being hindered by accumulated sediment. The flow restriction is aggravated by weed growth during the summer months. To compensate for these flow restrictions, the Canal is operated at a level that is higher than desirable and causes water to overtop normally dry spillways. Five major water purveyors divert water from the Canal, downstream of this area, including North Brunswick Township, New Jersey American Water, Middlesex Water Company, East Brunswick Township and the City of New Brunswick.

Staff took cross-sections in this reach during 2007 and 2008 to estimate the quantity of accumulated sediment. Analysis of the cross-sections indicated that an estimated 250,000 cubic yards of sediment have accumulated in the Canal and must be removed and properly disposed.

Additionally, the US Route 202 sediment stockpile site in Delaware Township, Hunterdon County (just north of Lambertville) is reaching capacity. Removal and disposal of up to 53,000 cubic yards of sediment from this site is included as part of the dredging project.

Professional engineering consultant Urban Dredging Consultants Joint Venture (Urban Dredging) was selected to plan the dredging program including development and execution of a proactive public participation program. A bathymetric survey was conducted to confirm the quantity of sediment to be removed. The bathymetric survey confirmed the estimated quantity to be removed. Sediment cores were taken to determine the characterization of the material to be removed.

Urban Dredging considered the following four methodologies for the proposed dredging project: mechanical excavation (in dry), mechanical dredging (in wet), hydraulic dredging with Geobags, and hydraulic dredging with mechanical dewatering. All four considered methodologies have environmental concerns but hydraulic dredging methodologies reduce many of these concerns since the slurry would be conveyed in a pipe floating in the Canal to a temporary staging area for dewatering.

An Environmental Impact Assessment and the necessary public information meetings were held between 2010 and 2013. While not finalized, five access points and the staging area are being targeted and the completion of the design documents is proceeding. The one major remaining factor to be decided on is the disposal (final destination) of the dredged material.

Removal of sediment from this reach is planned for FY 2018 - 2020. The application for funding through the New Jersey Environmental Infrastructure Trust (NJEIT) will be resubmitted and formulated to cover the full estimated construction cost of the dredging and other allowable expenses, currently estimated at \$45,000,000.00. The costs shown in the CIP include design costs and cultural resource services incurred before the loan is authorized. The Authority also solicited a preliminary cost proposal from Urban Dredging for full-time inspection and construction management (for the expected 3 years of dredging), which can also be bonded with the Construction cost.

Removal and disposal of up to 53,000 cubic yards of sediment from the US Route 202 stockpile site cannot be funded through the NJEIT and is also included in this CIP. The estimated cost for removal and disposal of this sediment is \$1,500,000.00.

Item #7 Rehabilitation of the Western Embankment, Stockton Borough

The one mile long reach of the western embankment between the Prallsville Lock at Station 155+00 and the railroad bridge crossing over the Canal at Station 205+00 is a narrow embankment that separates the Canal from the Delaware River. During extreme flooding events of the Delaware River, the embankment is threatened by the extreme floodwaters from the river. It was overtopped during major storm events in 2005 and again in 2006, when the embankment breached. In 2011, Tropical Storms Irene and Lee caused severe flooding of the Delaware River. While the embankment did not breach, over 1,000 linear feet of the embankment experienced slope failure on the Canal side due to the saturation of the embankment from the river, and significant amounts of material slid into the Canal compromising the cross-sectional area of the embankment.

Emergency actions were taken to prevent a breach of the embankment following the storms in 2011. These emergency actions included placement of quarry processed blend via conveyor belt from the opposite side of the Canal due to the unsafe nature of the embankment. The quarry processed blend was put in with varying levels of compaction. While a breach was prevented, additional long-term repair / reinforcement work on the embankment is required to reinforce the repairs. The embankment is compromised by extreme flooding events in the Delaware River resulting in the continued potential of further breaches. The embankment may need improvements to increase the factor of safety for resisting slope failure due to the saturation when the river is approaching the top of the embankment, or the threat of overtopping the entire embankment causing erosion. The possibility of installation of a positive seepage barrier in the embankment in the form of pressure grouting or steel sheeting is being considered.

A professional engineering services contract was awarded in March 2014 to a team led by TranSystems. Hunter Research was selected as the Cultural Resource consultant for the project. To date, borings were taken through the embankment and preliminary meetings were held with the permitting agencies. The Authority is reviewing a Schematic Design Report from the consultant. At this time, an estimated construction cost of \$3.75M is included in the CIP, and is projected in FY 2018 & FY 2019.

Item #8 Rehabilitation of the Swan Creek Culvert & Aqueduct

The Swan Creek Aqueduct and culvert is located at approximate Station 363+00 on the Canal in the City of Lambertville, Hunterdon County. The aqueduct structure was erected to carry the Canal over Swan Creek with the secondary function to act as a spillway for the Canal. An adjacent culvert also contributes to the conveyance of Swan Creek under the Canal, the towpath, and the former Belvedere-Delaware Railroad. The aqueduct is a concrete and masonry structure that was partially rehabilitated in 1989. The waste gates were replaced, some of the masonry was reconstructed, and some of the existing concrete was repaired with shotcrete.

Repairs were made to the structure in 2006 following major flooding events on the Delaware River. Significant leakage occurred through the masonry wall on the southeast part of the structure where Swan Creek enters the opening under the aqueduct. A contractor was hired on an emergency basis to pump pressure grout behind the wall where a sinkhole had formed resulting from the seepage. The grout significantly slowed the leakage, but did not stop it completely.

A jet grout seepage cutoff wall was constructed in April 2009 to eliminate seepage through the wingwall. Most of the seepage was stopped with the jet grout seepage cutoff wall. An additional phase of repairs was conducted in 2014, which included rehabilitation of masonry and concrete and replacement of the bent stem for one of the two waste gates.

The scope of work for the 2014 repair project was reduced significantly during construction due to dewatering concerns, as well as safety concerns related to the corrugated metal liner in the north culvert, which shows signs of being corroded and limits the amount of work which could be conducted safely in the culvert.

A Scope of Services is being developed to retain a new consulting engineer to design a new structural liner to guard against further deterioration and concrete spalling. The new design engineer will have to address all of the concerns developed during the 2014 construction, as well as consider design options for the culvert rehabilitation and reinforcing which will not significantly reduce the volumetric flow rate capacities of the culverts.

Item #9 Rehabilitation of the Cherry Tree Lane Spillway

The Cherry Tree Lane Spillway is located at Station 1269+65 of the Canal approximately 650 feet upstream of the intersection of Whitehead Road and the Canal in Lawrence Township, Mercer County. The spillway structure is located along the Canal right bank with a longitudinal centerline oriented in a northeast direction. The spillway consists of a 201 feet long concrete control overflow weir at elevation 55.5 with a central spillway crest, approximately 82 feet long, at elevation 55. The spillway discharges to a concrete apron that conveys the flow to an arched culvert under the Route 1 Highway (Trenton Freeway Section).

In 2010, the spillway was found to be in poor condition. The concrete was spalled and cracked, rebar was exposed, and there were significant sections that exhibited mortar loss and exposed concrete aggregate. The crest was eroded, spalling and crumbling. The downstream concrete outlet apron had large voids, was cracked and showed exposed rebar and concrete aggregate. In 2013, a large sinkhole downstream of the spillway was backfilled by Canal maintenance crews.

The Authority proposed rehabilitation of the spillway and the outlet discharge apron to eliminate the current unwanted water spillage and the unsafe structural conditions. The spillway is still functional, but the progressive deterioration threatens its structural integrity. Failure of the spillway would adversely affect the water supply function of the Canal.

In 2014, a professional services contract was executed with Johnson, Mirmiran & Thompson (JMT), who developed a schematic design report for full repair of the structure and presented the report to the D&R Canal Commission (DRCC). Following their initial inspections which revealed that the foundation material under the spillway structure was eroded and undermined, an emergency repair was conducted on the spillway in December 2014. A construction contract in the amount of \$906,625.00 was awarded to South State, Inc. of Bridgeton, New Jersey in 2016. Construction started in August 2016 and was moving on a fast schedule as of the writing of this document in September 2016.

**Item #10 Round Valley Reservoir Dams-Rehabilitation & Resource Preservation Project
(preliminary engineering and Owner's Engineer preconstruction)**

Item #11 Design improvements to RV dams – Engineer of Record – design engineering only

Item #12 Round Valley Dam Improvements - Construction \$60M (bond)

Item #13 Construction engineering mgmt for RV dam improvements (bond Est \$5M)

**Item #14 Owner's Engineer – Construction of RV dam improvements during construction
(bond Est \$325K)**

In connection with the 2013 Formal Dam Inspection, the Authority convened a Technical Review Board (TRB) in April-May 2014 comprised of experts in the fields of dam construction on limestone formations, evaluation of critical dam construction features, and geology related to dam construction. This was the first TRB that was assembled to review information about the construction and operation of the Round Valley (RV) Reservoir and the first one in 20 years to look at operations data at Spruce Run (SR) Reservoir. The SR and RV Dams were constructed in the 1960's. The TRB recommended additional information gathering of the construction plans and records for the RV dams, and the installation of piezometers at the three embankments at RV Reservoir. The TRB also recommended installation of additional piezometers at SR Dam. The TRB recommended that the Side Scan Sonar conducted in the mid-1980s at the SR Reservoir be repeated and that the drainage pipes at the toe of the SR Dam be visually inspected by remotely operated cameras. The TRB also recommended that a follow-up to the first TRB be performed for RV and SR.

The existing contract with Gannett Fleming, the engineering consultant, was amended to oversee the performance of the above noted work including but not limited to subcontracting the specialty drillers for the installation of the piezometers at all four dams, subcontracting for the performance of the Side Scan Sonar, and overseeing the follow-up TRB meetings for RV and SR.

In preparation for the follow-up RV TRB, Authority staff was tasked with compiling and digitizing all available records of the RV embankments. A searchable database was constructed

to assist the TRB in their analysis of all of the available data pertaining to the construction and maintenance of the embankments. The RV TRB was conducted in July 2015 and was specifically slated to conduct a Potential Failure Mode Analysis (PFMA) on the three RV Embankments (RV South, RV North, and RV Dike). In their report on the PFMA, the TRB recommended that the Authority “begin budgeting, engineering, and planning for the required modifications.”

At a minimum, it is anticipated that construction will be large in scale and include the following:

- Installation of a new blanket drain system on the downstream slopes of all three embankments at Round Valley. The new blanket drains will act to filter the existing seepage.
- Installation of new toe drains to filter, collect, and convey embankment and foundation seepage safely away from the structures.
- Installation of additional fill to flatten the downstream slopes to increase the stability factor of safety.
- Foundation rock grouting, particularly at the embankments’ abutments to eliminate potential sources of seepage.

These improvements would be made to all three of the RV embankments, with an aggressive construction schedule aiming for construction during the 2018 calendar year. The cost of these improvements will have to be bonded by the Authority, with preliminary cost estimations (with contingencies) in excess of \$60M.

The construction and planning of this project is beyond the scope of this CIP document, and is well documented in the existing draft reports.

Gannett Fleming (GF) has been procured to provide further engineering and consulting services during design and construction of the Round Valley Dam rehabilitation. As has been discussed in the Preliminary Tentative Design and Construction Schedule for Round Valley Rehabilitation Project (dated February 22, 2016), the Request for Proposals (RFP) soliciting the engineer of record issued in March 2016, and the addendum to the RFP issued on April 26, 2016, the Authority will utilize GF in the role of Owner’s Engineer during the design and construction of the project. While there will be a separate engineer of record, GF will continue to provide advice and consultation to Authority staff during this very important project.

It is noted that the tasks have been listed separately in the CIP chart since part of the work would take place during design (Item #11 and is not eligible for bonding. The work to take place during construction shall be bonded and is not part of the CIP (Item #14).

The TRB also recommended that a follow-up TRB and PFMA take place for Spruce Run Dam. The SR follow-up TRB was scheduled for mid-October 2016, but had to be rescheduled for early 2017.

Item #15 Rehabilitate hydraulic valve on RV South Dam low level release

The existing Round Valley (RV) low level release valve was last serviced in 1992 when a hydraulic valve actuator and hydraulic control system were installed at the Round Valley South Tower. This hydraulic system, with hoses reaching down to 180 feet below the water surface to the low level release valve, replaced the out-of-service original control system. The existing hydraulic lines are showing signs of leakage while under operating pressures, and must be replaced if the leak cannot be pinpointed.

The replacement of this hydraulic line to the underwater actuator must be done with commercial divers due to the extreme depths. The entire system will be analyzed to determine if any additional repairs are required. The engineer selected through the RFP process will also make recommendations regarding the selection of more modern synthetic oil to replace the existing mineral oil, which is not ideal for this application and may have exceeded its useful service life. It is noted that the rehabilitation of the hydraulic valve is now expected to be repaired as part of the large scale rehabilitation at RV, and therefore will be bonded.

Item #16 Rehabilitation of 10-inch cast iron pipe connect RV-S dam vault to Forcemain

The existing 10-inch cast iron pipe connecting the 108-inch RV Force Main to the RV South Dam Vault was installed as part of the original construction of the Force Main. Through the use of dye testing, Authority staff confirmed that an underground leak exists somewhere in this 10-inch cast iron pipe. This pipe is installed underground with flange connections which are prone to leak in buried applications. The pipe is also subject to internal corrosion. It must be determined if the best course of action will be to line the pipe with a cast iron pipe lining material or to replace it by direct burial. It is noted that the rehabilitation of the 10-inch cast iron pipe that connects the RV South Dam vault to the RV Force Main is now expected to be repaired as part of the large scale rehabilitation at RV and therefore will be bonded.

Item #17 New 2-dimensional (2-D) Inundation mapping for Round Valley and Spruce Run Reservoir

In 2014 and 2015 the Authority upgraded all of the inundation mapping (attachments to the Emergency Action Plan) for all four of the high hazard dams at the Spruce Run and Round Valley Reservoir Complex in Clinton. This mapping upgrade constituted taking the old inundation model one dimensional (1-D) data that was originally drawn onto high scale USGS mapping and transferring it into a GIS overlay of modern aerial images. This work produced maps that were significantly more detailed than the previous mapping, and show the location of residential and commercial structures that may be affected by flooding during a dam emergency.

The drawback regarding these upgraded maps is that the inundation areas are still dependent upon the 1-D computational data from 1980. The 1-D mapping is based on empirical calculations based on cross-sections taken at large intervals along the rivers. It is uncertain how accurate this modeling would be in the event of an actual emergency.

Authority staff feels that it is prudent to invest in a new study where computers model the flows based on 2-D topographic squares in the flood zones. The degree of accuracy of this method far surpasses the existing 1980 1-D studies. Modern deliverables will also include animations as well as color coded mapping layers depicting depth of water in any particular area in a time

sequenced video. It is also possible to better simulate the effect of tidal fluctuations on the inundation area, which was not possible to analyze at the time of the initial models.

Authority staff has been researching computer program options and deliverables, and planning the anticipated scope of work to procure a consultant engineering firm to construct this inundation mapping model. The procurement for the modeling effort is being delayed at least until the Round Valley improvements schematic designs are complete since the final shape of the embankments will affect the study.

Item #18 Rehabilitation of the TenMile Waste Gate

The TenMile Waste Gate is located just upcanal of the Ten Mile Lock. It is a concrete structure with two sluice gates that are routinely opened and closed to adjust discharge flow from the Canal to the Millstone River near its confluence with the Raritan River. Canal flow in excess of that required by downcanal water purveyors is used to augment flow in the Raritan River and to control levels in the Canal. The existing waste gates were installed in 1958 and are in need of replacement. One of the two gates is inoperable and the second gate is difficult to operate. Construction plans and specifications to replace the existing gates have been prepared by Authority staff. It is anticipated that the gates will be replaced in FY2017.

Item #19 Dredging of Intake Pond and replacement of ice deflectors at the South Branch Pumping Station

The intake pond at the South Branch Pumping Station (SBPS) was designed with a capacity of 21,000,000 gallons during low flow pumping periods. Sediment has accumulated in the pond reducing its capacity, thereby reducing the efficiency of the pumping operation. Sediment was last removed from the pond in 1986 when it was removed in the dry and stockpiled in a temporary site at the station where it is used as needed.

Also at the SBPS, there are twelve steel wide flange beams set in a concrete bed that function as an ice deflector at the release works of the channel of the South Branch Raritan River adjacent to the pond. The ice deflectors protect the structure from damage from ice and trees floating down the river. They are deteriorating and need to be replaced. The ice deflectors are intended to be repaired as part of the pond dredging project.

Authority staff is currently procuring the services of a consultant to provide professional engineering services for this project.

Item #20 Rehabilitation of the Upper Canal Embankment - Raven Rock to Prallsville

Since September 2004, four major flood events in the Delaware River have overtopped the Canal embankment between the Raven Rock intake and Prallsville. The embankment that separates the Canal from the River in that stretch is very narrow and is inaccessible by vehicle, necessitating maintenance by boat, which is challenging. During the large flood events several areas in this stretch experienced deterioration, typically initiated by fallen trees.

Following the major river flooding resulting from Tropical Storms Irene and Lee in 2011, these areas were attended to by Authority forces utilizing emergency measures to prevent furtherance of the ongoing erosion. Since all of the work had to be done by hand using barges to supply

materials, riprap and cement bags were used to close openings in the embankment. These temporary repairs require replacement with more substantial and historically appropriate materials.

The Authority identified eight primary locations in this reach that required investigation, design and repair. The consultant procured for the design of the repairs was charged with inspecting the entire embankment from Raven Rock to Prallsville and identifying any other additional locations that should be considered for repair.

A professional services contract was awarded to a team led by GZA GeoEnvironmental as the engineers for the repairs of the embankment. PS&S was selected as the Cultural Resource consultant for the project.

A schematic design report identified and prioritized seventeen additional areas that warrant attention. Conceptual approval has been received from the State Historic Preservation Office and the Delaware and Raritan Canal Commission.

GZA's preliminary conceptual construction cost estimate for the eight primary damaged embankment repairs is approximately \$2.52 million, however, the budget has been increased due to the expectation that new repair areas will need to be addressed based on recent inspections. Staff will need to prioritize repairs of the eight originally noted sites and the seventeen additional areas. Construction of this project is anticipated to take place over several years due to access, environmental, and wildlife constraints.

Item #21 Rehabilitation of Carnegie Lake Aqueduct

The Carnegie Lake Aqueduct comprises a concrete structure that crosses over the Millstone River at Station 1739+00 of the D & R Canal. Previous inspections indicated that the aqueduct structure was not structurally deficient, although minor cracking and concrete spalling at isolated locations was observed. It was not thought that these conditions would compromise the structure's integrity. A small leak was observed at the northerly wing-wall of the aqueduct near the lake's staff gauge.

In 2016 the Authority retained the services of a diving services contractor to analyze the condition of the structure. The result of the inspection did not reveal any items in urgent need of repair. It is anticipated that some relatively minor repairs will have to be made during the next three years.

Item #22 Rehabilitation of Canal Flow Structures at the Griggstown and Ten Mile Locks

The Canal was converted into a water supply source in the 1940s and 1950s. This included conversion of the original locks into flow control structures with sluice gates to regulate the flow. There are nine flow control structures located along the length of the Canal that were inspected and evaluated by Schnabel Associates in 2001 to determine the required rehabilitation. The structures include Raven Rock Lock, Prallsville Lock, Lambertville Lock, Kingston Lock, Griggstown Lock, Ten Mile Lock, South Bound Brook Lock, Five Mile Lock and the Ten Mile Waste Gate.

In addition to the replacement many of the flow control gates, there are a variety of repairs needed at each of the sites. The deficiencies range from minor cracking and spalling of the concrete to repair of undermining of the locks.

The Authority plans to phase in gate replacement and structural rehabilitation based on operational priorities.

Item #23 Refurbishment of Main Pumps and Motors No. 4, 5, 7, & 8

The South Branch Pumping Station (SBPS) was constructed in the 1960s to pump water into Round Valley Reservoir. The main pumps, motors, and associated equipment at the station are infrequently operated. Maintenance pumping is done periodically to maintain the equipment. As the demand on Round Valley Reservoir increases, so will the need to pump water through the station. There may also be the need in the future to be able to reliably refill the reservoir following a period of sustained drawdown.

The Authority retained Hatch Mott MacDonald (HMM) to prepare an asset management plan for the SBPS and prepare specifications for the refurbishment of the pump units. All ten pumps have similar baseplate and alignment problems, but only two (pump assemblies 1 & 6) of the ten were refurbished under the current contract.

There clearly will be a need for a significant pumping program within the next few years. The Authority has targeted the need to rehabilitate four more pumps, specifically pump assemblies 4, 5, 7, and 8. Lessons learned from the rehabilitation of pumps 1 & 6 will be used to fine tune the efforts in rehabilitating the next four pumps.

Item #24 Removal of Sediment from Route 1 Conduit

The U.S. Route 1 Conduit is a twin-barrel, 13' x 8' concrete box culvert constructed in the 1950s. It is approximately 6,050 feet long and carries the Canal water under U.S. Route 1 from Southard Street to the north of Mulberry Street, in the City of Trenton, Mercer County. This section of roadway is locally named the "Trenton Freeway."

In addition to carrying the Canal water, this conduit serves as the storm drainage outlet for the highway directly above the 300 +/- acre area immediately west of the conduit in the City of Trenton. As a result of highway storm drains and local storm drainage pipes discharging into the westerly barrel of this enclosed section of the Canal, sediment accumulates in the conduit and interferes with its flow carrying capacity. This is a recurring problem necessitating removal of the sediment. Approximately 6,000 cubic yards of sediment was last removed from the west barrel in the 1980s.

Currently, the flow carrying capacity of the conduit is again being impacted by accumulated sediment. In a meeting in early 2016, NJDOT accepted responsibility for this project and is preparing plans and specifications to have the sediment removed. A small amount has been left in the Capital Improvement Plan in case the NJDOT requires assistance from the Authority.

Item #25 Rehabilitation of the Landing Lane Spillway

The Landing Lane Spillway is located immediately upcanal of the Landing Lane Bridge in the City Of New Brunswick, Middlesex County. This spillway was rehabilitated in 1991 with the construction of a concrete cutoff wall in the Canal to control leakage from the Canal. Timber planks were installed on the concrete wall for historical appearance. The spillway was finished with hand-placed stones across the crest and the river side slope. The stones were laid in a sand bed without the benefit of mortar. The stones are being dislodged and the spillway crest needs to be stabilized. The planned rehabilitation is to remove all stone from the crest, pour a concrete slab and reset the stones with ties to the concrete slab in a similar fashion as recently completed Canal spillways.

Item #26 Rehabilitation of the Spruce Run Weir

The Spruce Run Weir is a reinforced concrete structure that crosses the Spruce Run downstream of the Spruce Run Reservoir just upstream from its confluence with the South Branch of the Raritan River. The USGS gaging station on the west bank of Spruce Run measures the total flow of water that is discharging from Spruce Run, including release through the pipelines or overflow at the spillway. Authority staff has been making “patchwork” repairs to the spillway over the past decade. The concrete structure is severely degraded; however, with large amounts of exposed reinforcing steel and visible through seepage suggesting that the structure has met the end of its useful life.

Item #27 Repair of Pipe at Whitehead Road

A sinkhole developed in the towpath 1,600 feet upcanal from Whitehead Road in Lawrence Township, Mercer County. This location is 3,600 feet downcanal of the outlet of the Trenton Conduit. The sinkhole developed as a result of a failed storm drainage pipe that goes under the Canal and U.S. Route 1 and discharges into the Assunpink Creek. The sinkhole caused erosion in the Canal slope and the Canal path. Staff filled the sinkhole with 6-inch riprap and regraded the area.

The pipe was not repaired and will necessitate additional planning and action. The initial step in repairing the pipe is the need to determine who is responsible for the pipe and assess the condition of the entire pipe length.

Item #28 Rehabilitation Work at the Washington Crossing Spillway

The Delaware River Joint Toll Bridge Commission advised the Authority on June 6, 2013 of a small amount of clear seepage coming from their historic stone bridge abutment at the Washington Crossing Bridge. At the time of notification, the Authority had been operating the Canal at raised levels in that vicinity to address a flow problem in the Trenton area. The higher than normal levels of the Canal caused the Washington Crossing spillway, which is directly adjacent to the abutment, to operate (overflow).

The concrete spillway structure has two motor-operated waste gates that can be operated on site or remotely from the Canal Office. The spillway and associated waste gates were designed to help regulate the amount of water in the Canal and to provide a controlled discharge in periods of high water. The concrete spillway is approximately 152± feet long and 37± feet wide, consisting of two concrete spillway boxes with twenty 36”x40” vertical elliptical reinforced concrete pipes,

and one 68"x75" reinforced concrete pipe. A concrete apron in front of the 68"x 75" concrete pipe handles the flow of water coming through the pipe and the stone apron in front of the rest of the pipes protect the embankment from erosion. Hand placed stonewalls border the aprons.

As a temporary measure, staff opened the waste gate associated with the spillway and was able to draw the Canal level down sufficiently to stop discharge over the spillway. The abutment seepage stopped. At that time, it was unknown if the seepage was a result of the elevated Canal levels causing increased pressure or simply the presence of the water discharging over the spillway, through the pipes below and hitting the abutment.

Authority staff placed sandbags on the spillway crest. This temporary stopgap measure is working to eliminate the seepage. Experience from the earlier trials has shown that the seepage returns if the sandbags are removed or washed off and flow discharges from the northern most pipes. Seepage may cause damage to the spillway structure, the bridge tender's house or the bridge abutment as a result of removal of fines by piping or undermining.

Staff is continuing to monitor the situation and to investigate alternatives for controlling the flowing water.

Item #29 Washington Crossing Waste Gate Repair / Replacement

One of the waste gates at the Washington Crossing spillway, which was replaced in 2000, will not seal properly after being opened. The Authority procured the services of a diving contractor to perform an underwater investigation to determine if the problem was mechanical, with the seal, or if the gate was obstructed by sediment buildup around the gates. Based on the initial investigation, a second contractor was procured to make small repairs to the gate seal. After the repair, when trying to test the gate, the automatic operator was found to be deficient. Repairs to the operator are pending. Some estimated costs remain in the budget in case the gate needs further repairs.

Item #30 Security System Upgrade

A vulnerability assessment of the Authority's facilities was completed in 2003. Buoys were installed around the tower at the Spruce Run Reservoir in 2015. Several security improvements have been included as part of the Round Valley Dam rehabilitation project identified above. Other protective measures are continuing to be considered as recommended in the vulnerability assessment.

Item #31 Alexauken Creek Aqueduct

Paralleling the western side of the Alexauken Creek Aqueduct is the former Belvidere-Delaware Railroad concrete bridge, which passes over the creek immediately adjacent to the 1940s-era concrete aqueduct trunk.

The Aqueduct's northeast, center and southeast circa-1834 historic stone abutments were rehabilitated in 1989-1990. Recent inspections revealed that all the abutments have missing mortar on the lower areas, which are continuously exposed to the water line action. In addition, the northeast abutment shows vegetation covering the structure on the creek's face.

It is noted that a new Canal leak was detected in 2015 below the northeast abutment's masonry. Further investigation into the leak revealed that water is percolating between the joint of the concrete aqueduct northeast flap wall and the stone masonry abutment. This erosive process could lead to a progressive failure of the stone masonry structure, as it has been observed for the southwest Canal embankment. The aqueduct's embankments are in fair condition with the exception of the southwest Canal embankment, which is leaking water from the Canal into the creek.

It is recommended to set up a corrective action on the new detected leak at the northeast end of the aqueduct.

Item #32 Roofing Replacement at the North & South Towers

The built-up roofing at the North and South Towers at Round Valley Reservoir are more than 30 years old, being last replaced in 1984. There are also some masonry crack repairs required in the brick work around the sides of the towers, which should be added to the scope of work for this project, as there is no safe way for Authority personnel to conduct these repairs. This item remains in the CIP budget, but there is a chance that this work will be included in the Round Valley rehabilitation project noted above.

Item #33 Replacement of the through the wall HVAC units at the Administration Building

The 26 through-the-wall HVAC units at the Administration Building are reaching the end of their useful life. They were installed in 1994. Replacement parts are becoming difficult to get and the units are constantly in need of service. Replacement of the units is currently being investigated by Authority staff.

Item #34 Rehabilitation of Culvert at Station 2550+90 (1 mile upstream of 10-mile)

The unnamed culvert at Station 2550+90 is located in Franklin Township, Somerset County approximately one mile east of the Weston Causeway and ¼ mile east of School House Road. Boswell Underwater Engineering inspected the culvert in September 2007. The inspection identified numerous areas exhibiting missing mortar pointing and stone along both the walls and crown of the structure. Missing stones were also identified on both the upstream and downstream headwalls. The contractor classified the culvert as being in fair condition and recommended repairs be made to the culvert barrel as well as both headwalls.

Item #35 Rehabilitation of the Trap Rock Quarry Spillway

The Trap Rock Quarry Spillway between Station 1925+90 and Station 1929+20 of the Canal in Franklin Township, Somerset County approximately ¾ mile upcanal from Route 518 is in poor condition and warrants rehabilitation. The 330-foot long spillway was built as part of the original Canal construction in the 1830s and is part of the Canal's flood control system into the Millstone River. Engineering services are required in order to inspect the structure, prepare a schematic design, prepare a design of the approved rehabilitation alternative and provide construction management services during the rehabilitation of the structure. A cultural resource consultant is also required to perform a cultural resource investigation for the rehabilitation of the spillway and to provide observation during rehabilitation. Rehabilitation of the Trap Rock Spillway will be scheduled after the dredging program between the Kingston and Amwell Road.

Item #36 Dredging of the Canal between Landing Lane and Route 18

Approximately 70 percent of water diverted from the Canal is taken by purveyors at the Canal terminus near Route 18 in the City of New Brunswick, Middlesex County. Sediment bars have formed just upstream of the two primary intakes from the Canal wherein the normal Canal operating level is only 18 inches above the sediment level. A decrease in the Canal operating level by more than 12 inches makes it difficult for the water purveyors to divert water. Removal of this accumulation is essential to ensure delivery to these water purveyors.

Removal of the accumulation must be carefully coordinated with the water purveyors in this reach. Development of a program will be modeled after the dredging program that is being developed for the Canal reach between Kingston and Amwell Road.

Item #37 Dredging between Lambertville Lock and Trenton

Sediment was removed from this reach in the mid-1980s. Breach of the embankment at the Workhouse Spillway in 2011 drained the Canal between the Lambertville Lock and the Kingston Lock exposing sediment that has accumulated since the 1980s. While the Canal was drained, Authority staff removed the most pronounced sediment mounds but was unable to remove all of the mounds. Long-term planning needs to focus on the removal of sediment from this reach.

Item #38 Dredging between Amwell Road and Ten Mile Lock

Currently plans are being developed to dredge a 10.5 mile stretch of the Canal between Kingston and Amwell Road. Flow in the stretch of the Canal between Amwell Road and Ten Mile Lock is also being impeded by the accumulation of sediment. Long term planning needs to focus on the removal of sediment from this reach.

Item #39 Construction of a Bedload Stone Trap at the Wickecheoke Creek

Wickecheoke Creek enters the Canal just upstream of the Prallsville Lock Control Structure on the border of Delaware Township and Stockton Borough, Hunterdon County. Excess flow from the Canal and the Creek are discharged over the Wickecheoke Creek spillway into the Delaware River. Investigations in the early 1990s recommended the construction of a bedload stone trap in the creek upstream of its confluence with the Canal to improve the ability to remove the bedload without disrupting the flow in the Canal.

The Authority desires to pursue construction of the structure because of the escalating need to remove bedload from the Canal at this location and the difficulty of removing the material from the Canal at this location. However, this project is currently on hold and has been moved to low priority.

Item #40 Cutoff Wall in the Shipetaukin Creek Guard Bank

The Shipetaukin Creek guard bank located in Lawrence Township, Mercer County, was constructed along the western side of the Canal to separate the Canal from the Lawrence Meadows and Shipetaukin Creek. The guard bank breached during Hurricane Floyd in September 1999 because of high water levels in the Lawrence Meadows. Typically the water level in the Lawrence Meadows between Province Line Road and the Route 295 Interchange is higher than the water levels in the Delaware and Raritan Canal so the breach did not cause a loss of Canal water supply.

Leakage is visible through the guard bank from the Lawrence Meadows towards the Canal. Currently the seepage is clear; however, the volume of seepage is getting progressively worse and a program is necessary to control the leakage and prevent piping and a potential failure of the embankment. This section of towpath is approximately 7,000 feet long but most of the leakage occurs in a 3,200-foot long section between Station 1477+00 and Station 1509+00.

A cutoff wall is planned for construction in this reach of the embankment. The depth of the cutoff wall is expected to range between 8 and 18.5 feet and it will be constructed of either slurry concrete mix or a clay mix. The slurry concrete mix has the advantage for ease of installation but may cause permit problems.

It will be necessary to retain a consultant to obtain boring information through the guard bank to determine the precise recommended depth of the cutoff wall. Funding for this project is not included in this five year program.

Item #41 Wickecheoke Creek Gates Abandonment

Authority staff has been instructed to not operate these waste gates because they have been extensively damaged by wood debris that accumulates in this area during flooding. The gates will need to be abandoned in the future. Funding for this project is not included in this five year program.

Item #42 Rehabilitation of the Waste Gate downstream of Ten Mile Lock

The waste gate is located at Canal Station 2599+50, approximately 600 feet downstream of the Ten Mile Lock in Franklin Township, Somerset County. The existing non-operational waste gate consists of a wooden gate structure set between guides attached to the recessed portion of a concrete inlet headwall. A 60-inch diameter concrete pipe links the gate and inlet headwall to the outlet headwall. The outlet headwall and wingwalls are constructed of stone masonry.

The outlet pipe was permanently sealed with concrete in 2014. Woodwork is planned for the waste gate façade. Funding for this project is not included in this five year program.

Item #43 Rebuild Stone Embankment at the 10-Mile Waste Gate

This project encompasses reconstruction of the deteriorated stonework on the downstream side of the structure. Funding for this project is not included in this five year program.

Item #44 Rehabilitation of the Gold Run Spillway

The Gold Run spillway is located at Station 955+00 approximately 500 feet upstream of Lower Ferry Road in Ewing Township, Mercer County. The Gold Run spillway is a concrete structure built in 1913. The concrete spillway box is approximately 98± feet long and 4± feet wide. The elevation of the spillway crest is 56.70 feet.

Fourteen 36-inch diameter concrete pipes handle the flow of water coming through the spillway. The pipes discharge onto a downstream concrete apron that protects the embankment from erosion. The spillway box is leaking and needs to be replaced. Funding for this project is not included in this five year program.

Item #45 Rehabilitation of the Six-Mile Run Culvert Headwall

The Six-Mile Run culvert was rehabilitated in the mid-1980s. Stone-faced concrete headwalls were constructed at the inlet and outlet ends of the culverts and minor stone repair was performed in the culvert barrels. A portion of the stone facing of the downstream headwall has dislodged from the concrete headwall during the winter of 2005-2006. The stone armoring above the downstream headwall needs to be restored.

Funding for this project is not included in this five year program.

Item #46 Carnegie Lake Culverts Investigation / Isolation

There are two submerged culverts located adjacent to Carnegie Lake which the Authority must locate and investigate. Funding for this project is not included in this five year program.

Item #47 Raven Rock Retaining Wall Downcanal of Lock

The control structure at Raven Rock lock is located at Canal station 0+00 at Bulls Island State Park in Delaware Township, Hunterdon County. The concrete lock structure consists of four metal sluice gates and operators. Adjacent and downcanal from the locks there is a stone wall. Several stones are missing from the wall. Funding for this project is not included in this five year program.

Item #48 Refurbishment of Main Pumps and Motors No. 3 & 9

Item #49 Refurbishment of Main Pumps and Motors No. 2 & 10

See description above for Refurbishment of Main Pumps and Motors No. 4, 5, 7 & 8. The remaining four pumps would be refurbished in the order stated above. Funding for these projects is not included in this five year program.

Item #50 Canal Culvert Rehabilitation 2249+79 (Suydam)

The culvert near Suydam Road is a single barrel drop style culvert located at Station 2249+79 of the Canal. During the April 2006 inspection the condition appeared very much the same as its condition in October 2003 when it was dewatered and surveyed. On the inlet side, there are a few stones missing at the base of the inlet structure and there is some shifting of some of the capstones.

On the outlet side, the entire dry-laid headwall has the appearance that it is bowed inward. Additional inspection is required to determine the priority of repairs. Funding for this project is not included in this five year program.

Item #51 Canal Culvert Rehabilitation 2661+86 (Randolph Brook)

The Randolph Brook culvert structure consists of three distinct sections. Looking downstream from the inlet, the culvert has a semicircular corrugated steel section, 63 feet long, 13 feet wide and 8 feet high, which runs beneath Weston Canal Road. The pipe abuts a 6-foot long transition box or access chamber where the alignment of the structure shifts slightly to the left. A double barrel stone arched structure carries the Brook under the Canal into the Raritan River. The barrels measure approximately 139.5 feet long, 5 feet wide and 4.5 feet high.

The culvert was rehabilitated in 1990. The rehabilitation entailed the installation of a sleeve of steel liner plates within the arches of the main culvert barrels. Support for the liner plates was provided by newly poured concrete walls. The outlet headwall and timber apron were restored preserving their historic appearance. Additional inspection is required to determine the priority of repairs. Funding for this project is not included in this five year program.

Item #52 Canal Culvert Rehabilitation 2992+34 (Mile Run Culvert)

The Mile Run culvert consists of two semi-circular barrels approximately 129 feet long, which appear to be founded on natural rock. The culverts convey Mile Run Creek under the Canal and discharge into the Raritan River in the City of New Brunswick. The barrels are approximately 12 feet wide and 6 feet high. The culvert barrels were constructed of stone masonry and at some time, a brick liner was installed in the east barrel and a shotcrete coating was installed in the west barrel.

The culvert was rehabilitated in 1994. The rehabilitation comprised the restoration of headwalls and deteriorated barrels. A structural steel liner was installed in the east barrel, set back 15 feet from the upstream end and 25 feet from the downstream end. The shotcrete liner in the west barrel was patched as needed.

A previous inspection in 2015 revealed that the east barrel's first 25-foot brick liner section has minor spalls and the remaining metal liner section looks to be in good condition. On the west barrel it was observed that the gunite layer has spalled away at several locations at the mid-length of the barrel, above the footing.

Additional inspection is required to determine the priority of repairs. Funding for this project is not included in this five year program.

Item #53 Concrete Repairs at the Sullivan Way Aqueduct

The Sullivan Way aqueduct is located in the City of Trenton, Mercer County. The structure was constructed in the early 1900s and has been waterproofed and patched several times. The superstructure is a concrete encased steel structure constructed to carry the Canal over Sullivan Way. The concrete on the abutments is spalling and needs attention. Funding for this project is not included in this five year program.

Item #54 Rehabilitation of the Spillway upstream of the Griggstown Lock

The spillway upstream of the Griggstown Lock between Station 2060+40 and Station 2064+20 of the Canal in Franklin Township, Somerset County is in poor condition and warrants rehabilitation. The 380-foot long spillway was built as part of the original Canal construction in the 1830s and is part of the Canal's flood control system into the Millstone River. Engineering services are required in order to inspect the structure, prepare a schematic design, prepare a design of the approved rehabilitation alternative and provide construction management services during the rehabilitation of the structure. A cultural resource consultant is also required to perform a cultural resource investigation for the rehabilitation of the spillway and to provide observation during rehabilitation.

Rehabilitation of the spillway will be scheduled after the dredging program between Kingston and Amwell Road is complete so the reconstructed spillway does not get damaged by the heavy equipment used to haul the sediment from the site. Funding for this project is not included in this five year program.

Item #55 Rehabilitation of the Four-Mile Spillway

The Four-Mile spillway is located in the section of the Canal between Five-Mile Lock and Route 18 in Franklin Township, Somerset County, opposite the Rutgers Preparatory School on Easton Avenue. This 600-foot spillway was rehabilitated in 1999 with the installation of a tremie concrete cutoff wall to eliminate leakage from the Canal. The spillway was finished with hand placed stones across the crest, the river side slope and the Canal side slope of the rehabilitated structure. The stones were laid in a mortar bed with a recess in the pointing finish.

Recent flooding events washed the cement from the mortar leaving the stones sitting in a loose sand bed. The stones have the potential to become dislodged and the spillway crest needs to be stabilized. The planned rehabilitation will be to remove all stone from the crest, pour a concrete slab and rest the stones with ties to the concrete slab similar to the recently completed rehabilitation of the Colonial Park spillway. Recent inspections, however, show that the spillway appears stable, with grass growing between the stones. Funding for this project is not included in this five year program.

Item #56 Pipeline Evaluation – Whitehouse Release Pipeline

The Round Valley Release Pipeline (RVRP) conveys water from the Round Valley North Vault to the Whitehouse Release. The pipeline was also intended to convey water pumped from the planned Confluence Pumping Station back to the Reservoir. One pipe section of the 108-inch diameter prestressed concrete cylinder pipe ruptured in 1988 and numerous other sections were found to have broken prestressing wire that may lead to additional ruptures of the pipe sections. The RVRP was converted into a gravity release pipeline in 1996 with the installation of pressure reducing valves in the North Vault. The reduced pressure design assumes that all the prestressing wire has failed and relies on the strength of the embedded steel cylinder. It was recommended that the pipeline continue to be monitored on a regular basis. The manufacturing and installation dates of the specific pipe sections used in this release line fall within the range of dates where there were faulty materials being manufactured in the industry, which have resulted in failures of similarly dated pipelines.

Funding for this project is not included in this five year program; however, the Authority continues to execute scheduled internal inspection of the release piping. Staff will continue its periodic inspection of the pipeline and take action accordingly.

Item #57 Pipeline Evaluation - RV Force Main

The Round Valley Force Main is a 3.5-mile long 108-inch diameter prestressed concrete cylinder pipe that conveys water from the South Branch Pumping Station (SBPS) to the South Dam Tower at Round Valley Reservoir. The Force Main may also be used for releases from the reservoir to the South Branch Raritan River.

Non-destructive testing of the Force Main was conducted in 1999. The non-destructive testing identified that the majority of the pipe sections were in very good condition. Approximately 5% of the 1,062 pipe sections exhibited anomalous readings that give rise to varying degrees of concern. One section of pipe, pipe section 42, located within the SBPS property, was excavated and further examined externally and internally. The examinations confirmed the results of the non-destructive testing. Instead of instituting a program to immediately replace pipe section 42 and other sections of pipe that were of concern, the Authority embarked on a program to develop a management plan to estimate the anticipated longevity of various pipe sections and prioritize pipe replacement.

Pipe section 42 was replaced in 2005 and was dismantled and tested in January 2006. Pipe section 42 was designed to have a double wrap of pre-stressing wire. The outer level of pre-stressing was missing and the pipe section was considered to be severely structurally compromised. A large portion of the pre-stressing wire had significantly lower than the specified stress as determined by the strain gauge testing.

Additionally, the management plan developed in 2003 identified four other sections that warrant increased monitoring: pipe sections 33, 43, 48 and 617. The consultants recommended additional non-destructive testing of the entire length of the Force Main with particular emphasis on the noted sections. Continued monitoring of the Force Main is warranted before any additional pipe sections are excavated or replaced.

Funding for this project is not included in this five year program; however, the Authority continues to execute scheduled internal inspection of the force main piping. Staff will continue its periodic inspection of the pipeline and take action accordingly.

PART III – PROPOSED RULE AMENDMENT

NEW JERSEY WATER SUPPLY AUTHORITY

**Amendments To The Schedule Of Rates, Charges And
Debt Service Assessments For The Sale Of Water From
The Raritan Basin System**

To Become Effective July 1, 2017

The following rules and regulations can be found in the New Jersey Administrative Code under N.J.A.C. 7:11-2.1, et. seq.

7:11-2.3 General Rate Schedule for Operations and Maintenance

(a) The General Rate Schedule for Operations and Maintenance per million gallons listed at (b) below is based on estimated annual operations and maintenance expense consisting of all current costs, obligations and expenses of, or arising in connection with, the operation, maintenance and administration of the System, and minor additions or improvements thereof or thereto, or the performance of any water purchase contract, including, but not limited to, all of the following:

1 –7 (No change.)

8. Any other current costs, expenses or obligations required to be paid by the Authority under the provision of any agreement or instrument relating to bonds, other indebtedness of the Authority or by law. The current sales base of [182.339] **182.353** million gallons per day has been used in setting the rate listed in (b) below.

(b) General rate schedule for operations and maintenance:

<u>Period</u> (State Fiscal year or otherwise indicated)	<u>Allocation</u>	<u>Rate/Million Gallons</u>
State fiscal year [2017] 2018	Million Gallons per Day (MGD)	[\$171.00] 194.00

7:11-2.4 Debt Service Assessments

- (a) The Debt Service Assessment Rate per million gallons shall be based on the amounts and schedules of payments required to repay the New Jersey Environmental Infrastructure Financing Program for loans issued to the Authority for the Delaware and Raritan Canal Capital Program **and the Round Valley Reservoir Rehabilitation Program.**
- (b) The following Debt Service Assessment rate for the New Jersey Environmental Infrastructure Financing Program loans, based on a sales base of [182.339] **182.353** million gallons per day will be applied to all customers.

<u>Period</u> (State Fiscal year or otherwise indicated)	<u>Allocation</u>	<u>Rate/Million Gallons</u>
State fiscal year [2017] 2018	Million Gallons per Day (MGD)	[\$25.00] \$85.00

7:11-2.5 Capital Fund Component

- (a)-(b) (No change.)
- (c) Capital Fund Assessment

<u>Period</u> (State Fiscal Year or otherwise indicated)	<u>Allocation</u>	<u>Rate/Million Gallons</u>
State Fiscal Year [2017] 2018	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 or
otherwise indicated)

State Fiscal

Year [2017] **2018**

Million Gallons per Day (MGD)

\$24.00

APPENDICES

I. Report of CLA PC – Allocation of Headquarters General and Administrative Expenses – FY2018

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

FORECASTED COST ALLOCATION SCHEDULES

YEAR ENDED JUNE 30, 2018

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

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INDEPENDENT ACCOUNTANTS' REPORT

Commissioners
New Jersey Water Supply Authority

At your request, we have performed certain agreed-upon procedures, as enumerated below, with respect to the accompanying 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, 2018. These procedures, which were agreed to by the Commissioners and Authority management, were performed solely to assist you in evaluating the forecasted cost allocation schedules in connection with the 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 the schedules. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Authority's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed are as follows:

1. We were provided with the fiscal year 2018 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 2018 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 2018 budgeted expenses.
2. We recalculated the allocated costs on the schedules. We found no exceptions as a result of these procedures.
3. We compared the methodologies used for cost allocation on the forecasted schedules to the methodologies used in the Authority's cost allocation schedules for the year ended June 30, 2016 and found them to be consistent.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying forecasted cost allocation schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, 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.

Commissioners
New Jersey Water Supply Authority

This report is intended solely for the information and use of the Commissioners and management of the Authority and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 3, 2016

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF FORECASTED COST CENTER EXPENSE RECLASSIFICATION
YEAR ENDED JUNE 30, 2018
(See Independent Accountants' Report)

DEPT. #	DEPT./COST CENTER	COST CENTER COSTS	RECLASSIFICATIONS									REVISED COST CENTER COSTS
			1 HEATING/ ELECTRIC	2 VEHICULAR FUEL	3 PROFESSIONAL FEES	4 INSURANCE	5 TELEPHONE	6 PERMITS	7 WORKERS' COMP.	8 IN LIEU TAXES	9 CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ	\$ -	\$117,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$117,800
	TELEPHONE HQ					83,000						83,000
36	SAFETY	218,100			(5,000)							213,100
37	SECURITY	956,150										956,150
14	HUMAN RESOURCES	336,648			(4,100)				(10,000)			322,548
16	PURCHASING	593,250		(121,875)			(83,000)	(16,000)				372,375
17	INFORMATION SYSTEMS	164,900										164,900
15	CONTRACTS & RISK MGMT.	1,799,230			(36,500)	(1,300,000)		(96,100)		(18,700)		347,930
13	FINANCIAL MGMT.	1,040,559			(2,496)							1,038,063
34	AUTO SHOP	287,300		121,875				16,000				425,175
35	AUTO SHOP-CANAL	232,520										232,520
10	EXEC OFFICE	254,500	4,757									259,257
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	8,118,630	(122,557)		48,096	1,300,000		96,100	10,000	18,700	(11,247)	9,457,722
		14,001,787	0	0	0	0	0	0	0	0	(11,247)	13,990,540
40-60	MANASQUAN SYSTEM	5,305,899									11,247	5,317,146
		<u>\$19,307,686</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,307,686</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF FORECASTED SYSTEM-WIDE ALLOCATION COSTS
YEAR ENDED JUNE 30, 2018
(See Independent Accountants' Report)

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	\$117,800	<u>(\$117,800)</u>												
	TELEPHONE HQ	\$83,000	0	<u>(\$83,000)</u>											
36	SAFETY	\$213,100	884	922	<u>(\$214,906)</u>										
37	SECURITY	\$956,150	4,525	3,689	17,583	<u>(\$981,947)</u>									
14	HUMAN RESOURCES	\$322,548	5,449	2,767	3,907	0	<u>(\$334,671)</u>								
16	PURCHASING	\$372,375	6,012	2,767	3,907	0	6,761	<u>(\$391,822)</u>							
17	INFORMATION SYSTEMS	\$164,900	1,254	922	1,954	0	3,381	12,954	<u>(\$185,365)</u>						
15	CONTRACTS & RISK MGMT.	\$347,930	3,914	1,844	3,907	0	6,761	6,878	6,620	<u>(\$377,854)</u>					
13	FINANCIAL MGMT.	\$1,038,063	11,405	6,456	13,676	0	23,664	10,088	26,481	0	<u>(\$1,129,833)</u>				
34	AUTO SHOP	\$425,175	18,574	1,844	1,954	0	3,381	18,915	6,620	0	30,613	<u>(\$507,076)</u>			
35	AUTO SHOP-CANAL	\$232,520	0	1,844	1,954	0	3,381	14,100	6,620	0	16,742	0	<u>(\$277,161)</u>		
10	EXEC OFFICE	\$259,257	15,806	6,456	1,954	0	3,381	2,981	3,310	0	18,667	0	0	<u>(\$311,812)</u>	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$9,457,722	49,977	53,489	115,268	981,947	199,448	168,627	99,303	341,445	680,969	507,076	277,161	276,733	\$13,209,165
40-60	MANASQUAN SYSTEM	\$5,317,146	0	0	48,842	0	84,513	157,279	36,411	36,409	382,842	0	0	35,079	6,098,521
		<u>\$19,307,686</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,307,686</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF FORECASTED COST ALLOCATION FACTORS
YEAR ENDED JUNE 30, 2018
(See Independent Accountants' Report)

REQUIRED STATISTICS												
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	# OF	# OF	# OF	# OF	MGD	FUNCTIONAL	# OF	# OF	TIME	
DEPT. #	DEPT./COST CENTER	#	TELEPHONES	EMPLOYEES	EMPLOYEES	P.O.'S	COMPUTERS	CONTRACTS	COST	VEHICLES	VEHICLES	ESTIMATE
	BUILDING HQ											
	TELEPHONE HQ											
36	SAFETY	110	1									
37	SECURITY	563	4	9								
14	HUMAN RESOURCES	678	3	2								
16	PURCHASING	748	3	2	2							
17	INFORMATION SYSTEMS	156	1	1	1	113						
15	CONTRACTS & RISK MGMT.	487	2	2	2	60	2					
13	FINANCIAL MGMT.	1,419	7	7	7	88	8	0				
34	AUTO SHOP	2,311	2	1	1	165	2	0	\$425,175			
35	AUTO SHOP-CANAL	0	2	1	1	123	2	0	232,520			
10	EXEC OFFICE	1,967	7	1	1	26	1	0	259,257	0		
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,218	58	59	59	1,471	30	182	9,457,722	40	40	88.75
40-60	MANASQUAN SYSTEM			25	25	1,372	11	19	5,317,146			11.25
		14,657	90	110	99	3,418	56	202	\$15,691,820	40	40	100 %

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF FORECASTED MANASQUAN SYSTEM ALLOCATED COSTS
YEAR ENDED JUNE 30, 2018
(See Independent Accountants' Report)

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$3,090,050	<u>(\$3,090,050)</u>				
VEHICLE RELATED	99,825	<u>(\$99,825)</u>				
MAINT. SUPPLIES & RELATED	76,100		<u>(\$76,100)</u>			
OFFICE & MISC.	48,500			<u>(\$48,500)</u>		
H.Q. OVERHEAD	792,622				<u>(\$792,622)</u>	
RESERVOIR (40)	1,049,600	1,512,000	72,553	30,394	23,732	682,867
TREAT./TRANS. (50)	941,860	1,578,050	27,272	45,706	24,768	109,755
	<u>\$6,098,557</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
						<u>\$6,098,557</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL SCHEDULES
JUNE 30, 2018
(See Independent Accountants' Report)

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
JUNE 30, 2018
(See Independent Accountants' Report)

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 costs 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 value of water contracts for each system.
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
JUNE 30, 2018
(See Independent Accountants' Report)

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 Plan/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 2016.
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 2016.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

II. Report of CLA PC – Allocation of Headquarters General and Administrative Expenses – Audited FY2016 Expenditures

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

COST ALLOCATION SCHEDULES

YEAR ENDED JUNE 30, 2016

**NEW JERSEY WATER SUPPLY AUTHORITY
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YEAR ENDED JUNE 30, 2016**

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INDEPENDENT ACCOUNTANTS' REPORT

Commissioners
New Jersey Water Supply Authority

We have examined management's assertion that the accompanying financial schedules of New Jersey Water Supply Authority (the "Authority"), a component unit of the State of New Jersey, for the year ended June 30, 2016, listed in the foregoing table of contents are presented in accordance with the cost allocation criteria set forth in Notes 1 and 2. The Authority's management is responsible for the assertion. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial schedules and performing such procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 3, 2016

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF COST CENTER EXPENSE RECLASSIFICATION
YEAR ENDED JUNE 30, 2016
(See Independent Accountants' Report)

DEPT. #	DEPT./COST CENTER	COST CENTER COSTS	RECLASSIFICATIONS									REVISED COST CENTER COSTS	
			1 HEATING/ ELECTRIC	2 VEHICULAR FUEL	3 PROFESSIONAL FEES	4 INSURANCE	5 TELEPHONE	6 PERMITS	7 WORKERS' COMP.	8 IN LIEU TAXES	9 CHIEF ENGINEER SALARY & FRINGE		
	BUILDING HQ		\$50,672										50,672
	TELEPHONE HQ							\$81,248					81,248
36	SAFETY	190,952											190,952
37	SECURITY	878,951											878,951
14	HUMAN RESOURCES	317,144			(\$2,773)					(\$850)			313,521
16	PURCHASING	480,925		(\$78,973)				(81,248)		(\$15,388)			305,316
17	INFORMATION SYSTEMS	149,113											149,113
15	CONTRACTS & RISK MGMT.	1,604,589			(35,546)		(\$1,176,991)			(92,808)		(\$18,689)	280,555
13	FINANCIAL MGMT	918,449			(2,358)								916,091
34	AUTO SHOP	214,392		78,973						15,388			308,753
35	AUTO SHOP-CANAL	187,542											187,542
10	EXEC OFFICE	239,026	4,180										243,206
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,889,166	(54,852)		40,677		1,176,991		92,808	850		18,689	8,152,985
		12,070,249	0	0	0	0	0	0	0	0		(11,344)	12,058,905
40-60	MANASQUAN SYSTEM	4,782,588										11,344	4,793,932
		<u>\$16,852,837</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,852,837</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF SYSTEM-WIDE ALLOCATED COSTS
YEAR ENDED JUNE 30, 2016
(See Independent Accountants' Report)

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	\$50,672	<u>(\$50,672)</u>												
	TELEPHONE HQ	\$81,248	0	<u>(\$81,248)</u>											
36	SAFETY	\$190,952	380	903	<u>(\$192,235)</u>										
37	SECURITY	\$878,951	1,946	3,611	15,728	<u>(\$900,236)</u>									
14	HUMAN RESOURCES	\$313,521	2,344	2,708	3,495	0	<u>(\$322,068)</u>								
16	PURCHASING	\$305,316	2,586	2,708	3,495	0	6,506	<u>(\$320,611)</u>							
17	INFORMATION SYSTEMS	\$149,113	539	903	1,748	0	3,253	10,599	<u>(\$166,155)</u>						
15	CONTRACTS & RISK MGMT.	\$280,555	1,684	1,806	3,495	0	6,506	5,628	5,934	<u>(\$305,608)</u>					
13	FINANCIAL MGMT	\$916,091	4,906	6,319	12,233	0	22,772	8,254	23,736	0	<u>(\$994,311)</u>				
34	AUTO SHOP	\$308,753	7,990	1,806	1,748	0	3,253	15,477	5,934	0	22,431	<u>(\$367,392)</u>			
35	AUTO SHOP-CANAL	\$187,542	0	1,806	1,748	0	3,253	11,537	5,934	0	13,625	0	<u>(\$225,445)</u>		
10	EXEC OFFICE	\$243,206	6,799	6,319	1,748	0	3,253	2,439	2,967	0	17,669	0	0	<u>(\$284,400)</u>	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$8,152,985	21,498	52,359	103,107	900,236	191,942	137,982	89,012	276,161	592,309	367,392	225,445	252,405	\$11,362,833
40-60	MANASQUAN SYSTEM	\$4,793,932	0	0	43,690	0	81,330	128,695	32,638	29,447	348,277	0	0	31,995	5,490,004
		<u>\$16,852,837</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,852,837</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF COST ALLOCATION FACTORS
YEAR ENDED JUNE 30, 2016
(See Independent Accountants' Report)

		REQUIRED STATISTICS										
ALLOCATION OF:	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	110	1									
37	SECURITY	563	4	9								
14	HUMAN RESOURCES	678	3	2								
16	PURCHASING	748	3	2	2							
17	INFORMATION SYSTEMS	156	1	1	1	113						
15	CONTRACTS & RISK MGMT.	487	2	2	2	60	2					
13	FINANCIAL MGMT	1,419	7	7	7	88	8	0				
34	AUTO SHOP	2,311	2	1	1	165	2	0	\$308,753			
35	AUTO SHOP-CANAL	0	2	1	1	123	2	0	\$187,542			
10	EXEC OFFICE	1,967	7	1	1	26	1	0	243,206			
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,218	58	59	59	1,471	30	182	8,152,985	42	42	88.75
40-60	MANASQUAN SYSTEM			25	25	1,372	11	19	4,793,932			11.25
		<u>14,657</u>	<u>90</u>	<u>110</u>	<u>99</u>	<u>3,418</u>	<u>56</u>	<u>202</u>	<u>\$13,686,418</u>	<u>42</u>	<u>42</u>	<u>100 %</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF MANASQUAN SYSTEM ALLOCATED COSTS
YEAR ENDED JUNE 30, 2016
(See Independent Accountants' Report)

COSTS	ALLOCATION BASIS					ALLOCATED COSTS	
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS		
GENERAL & ADMINISTRATIVE							
SALARIES & FRINGES	\$2,911,342	<u>(\$2,911,342)</u>					
VEHICLE RELATED	56,943	<u>(\$56,943)</u>					
MAINT. SUPPLIES & RELATED	54,738		<u>(\$54,738)</u>				
OFFICE & MISC.	27,700			<u>(\$27,700)</u>			
H.Q. OVERHEAD	707,416				<u>(\$707,416)</u>		
RESERVOIR	954,521	1,349,167	41,386	21,862	12,687	609,460	\$2,989,083
TREAT./TRANS.	777,344	1,562,175	15,557	32,876	15,013	97,956	2,500,921
	<u>\$5,490,004</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$0)</u>	<u>\$5,490,004</u>

See accompanying Notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL SCHEDULES
JUNE 30, 2016
(See Independent Accountants' Report)

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 calculates 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 Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters (“HQ”) and Executive Office are reclassified from Engineering & Operations and 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 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 Risk Management and Purchasing.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO FINANCIAL SCHEDULES
JUNE 30, 2016
(See Independent Accountants' Report)

NOTE 1 GENERAL (CONTINUED)

7. Workers' compensation expense related to the Raritan System is reclassified from Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from 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. Risk Management is allocated to each of the Cost Centers based on the value of water contracts for each system.
9. Financial Management is allocated based on a percentage of the four remaining Cost Centers' budgets.
10. Auto Shop and Auto Shop-Canal is 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
JUNE 30, 2016
(See Independent Accountants' Report)

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 2016.
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 2016.
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

FRIDAY, FEBRUARY 3, 2017

ON PROPOSED AMENDMENTS TO THE
SCHEDULE OF RATES, CHARGES AND DEBT SERVICE ASSESSMENTS
FOR THE SALE OF WATER
FROM THE
RARITAN BASIN SYSTEM

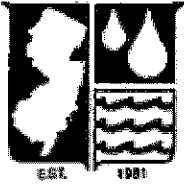
TO BECOME EFFECTIVE JULY 1, 2017

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 27, 2016. Notice was also advertised in the following newspapers:

Hunterdon County Democrat	December 29, 2016
The Star-Ledger	December 29, 2016
The Times (Trenton)	December 29, 2016

The notice of public hearing also appeared in the January 3, 2017 issue of the New Jersey Register along with the text of the proposed amendments.

Beth Gates
Executive Director
February 3, 2017



NEW JERSEY WATER SUPPLY AUTHORITY

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

NEW JERSEY WATER SUPPLY AUTHORITY

Notice of Rate Proposal - Raritan Basin System

Take notice 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 revisions to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to cover the Authority's Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2017.

These revisions propose to amend existing regulations found at N.J.A.C. 7:11-2.1 et seq. as follows: an increase in the sales base from 182.339 million gallons per day to 182.353 million gallons per day; an increase in the Operations and Maintenance Rate Component from \$171.00 per million gallons in FY2017 to \$194.00 per million gallons in FY2018; an increase in the Debt Service Rate Component from \$25.00 per million gallons for the New Jersey Environmental Infrastructure Financing Program in FY2017 to \$85.00 per million gallons in FY2018; no change in the Source Water Protection Fund Component of \$24.00 per million gallons in FY2018; and no change in the Capital Fund Component from of \$33.00 per million gallons in FY2018.

The proposal is scheduled to be published in the New Jersey Register dated January 3, 2017. A final version of the Basis and Background (B&B) document containing the full text of the proposed revisions to the 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 10:00 a.m. on Friday, January 6, 2017 in the Authority's Executive Office conference room located at 1851 Highway 31, Clinton, 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. 7:11-2.14.

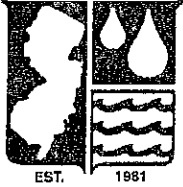
Notice is hereby given that the Authority will hold a Public Hearing on Friday, February 3, 2017 at 10:00 a.m. in the

Authority's Executive Office Conference Room located at 1851 Highway 31, Clinton, 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 10, 2017 at which time the public record will be closed.

All comments should be addressed to:

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



NEW JERSEY WATER SUPPLY AUTHORITY

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

TELEFACSIMILE TRANSMITTAL FORM

TO: State House Media
Main Office Fax #

Atlantic City Press (609) 272-7224
Associated Press (609) 392-3525
Bergen Record (609) 656-5810

Gannett Newspapers
Asbury Park Press (732) 643-4014
Courier-Post (856) 663-2831

Gloucester County Times (856) 845-5480
NJN (609) 633-2927
N.J. Law Journal (973) 642-0920
New York Times (212) 556-3622
News 12 (732) 417-5155
Philadelphia Inquirer (215) 854-5099
Newark Star Ledger (973) 392-5845
The Trenton Times (609) 394-2819
Radio Reporter,
Kevin McArdle (609) 406-7956

DATE: 12-27-16 NO. OF PAGES W/COVER: 3

If transmission is not complete, please call: 908-638-6121 x 242

COMMENTS:

RE: Rate Proposal RBS

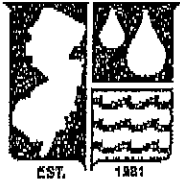
Pursuant to the requirements of the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., administrative agencies are required to distribute notice of proposed rulemaking activities to the news media maintaining a press office at the State House Complex. In satisfaction of this requirement, the New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

TRANSACTION REPORT

DEC/27/2016/TUE 02:34 PM

FAX (TX)

#	DATE	START T.	RECEIVER	COM.TIME	PAGE	TYPE/NOTE	FILE
001	DEC/27	02:32PM	Associate Press	0:01:17	3	MEMORY OK	G3 6997



NEW JERSEY WATER SUPPLY AUTHORITY

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

TELEFACSIMILE TRANSMITTAL FORM

TO: State House Media
Main Office Fax #

Atlantic City Press (609) 272-7224
Associated Press (609) 392-3525
Bergen Record (609) 656-5810

Gannett Newspapers
Asbury Park Press (732) 643-4014
Courier-Post (856) 663-2831

Gloucester County Times (856) 845-5480
NJN (609) 633-2927
N.J. Law Journal (973) 642-0920
New York Times (212) 556-3622
News 12 (732) 417-5155
Philadelphia Inquirer (215) 854-5099
Newark Star Ledger (973) 392-5845
The Trenton Times (609) 394-2819
Radio Reporter,
Kevin McArdle (609) 406-7956

DATE: 12-27-16 NO. OF PAGES W/COVER: 3

If transmission is not complete, please call: 908-638-6121 x 242

COMMENTS:

RE: Rate Proposal RIBS

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 notice of a rule proposal.

Mr. Kevin B. Bannon
Executive Director
Mercer Cty Pk Commission
P. O. Box 8068
Trenton, NJ 08650

Mr. Richard M. Risoldi
Vice President
Middlesex Water Company
P.O. Box 1500
Iselin, NJ 08830

Andre W. Zinkevich, P.E.
Applied Water Management
2 Clerico Lane
Hillsborough, NJ 08822

Mr. Timothy M. Bakels
Hamilton Farm Golf Club
1040 Pottersville Road
Gladstone, New Jersey 07934

Ms. Helen Wojtenko
Plasma Physics Laboratory
Princeton University
P.O. Box 451
Princeton, NJ 08543

Mr. David Fournier
SUEZ, Lambertville
756 Brunswick Pike
Lambertville, NJ 08530-2623

Mr. Justin Dorman
Roxiticus Golf Club
P. O. Box 278 & Bliss Road
Mendham, NJ 07945

Mr. Douglas A. Petix
Chief Financial Officer
City of New Brunswick
City Hall - 78 Bayard Street
New Brunswick, NJ 08903

Mr. Thomas Tuttle
Trenton Country Club
201 Sullivan Way
West Trenton, NJ 08628

Mr. L. Mason Neely
Chief Financial Officer
Township of East Brunswick
P.O. Box 1081
East Brunswick, NJ 08816

Mr. Robert Lombard
Business Administrator
No. Brunswick Mun. Complex
710 Hermann Road
North Brunswick, NJ 08902

Mr. Dennis Doll, President
Middlesex Water Company
P.O. Box 1500
Iselin, NJ 08830

Mr. John Alexander
Golf Course Superintendent
Royce Brook Golf Course
201 Hamilton Road
Hillsborough, New Jersey 08844

Mr. Daniel Berardinelli
Plant Manager
No. Brunswick Mun. Complex
782 Canal Road
Somerset, NJ 08873

Alexei Walus
Director of Water Utility
City of New Brunswick
City Hall - 78 Bayard Street
New Brunswick, NJ 08903

Mr. Michael Catania
Executive Director
Duke Farms Foundation
80 Route 206
Hillsborough, NJ 08844

Mr. Bruce O'Conner
Vice President & Controller
Middlesex Water Company
P.O. Box 1500
Iselin, NJ 08830

Mr. Joel D. Moore
Owner/General Manager
The Ridge at Back Brook
211 Wertsville Road
Ringoes, NJ 08551

Toby R. Shor, President
Village Grande @ Bear Creek
100 Grande Boulevard
West Windsor Twp., NJ 08550

Ms. Stephanie A. Brand, Director
Div. of Ratepayer Advocate
140 E. Front St., PO Box 003
Trenton, NJ 08625

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

Ms. Susan McClure
Div. of Ratepayer Advocate
140 E. Front St., PO Box 003
Trenton, NJ 08625

Mr. John F. Hosking
Vice President
Roxbury Water Company
79 Sunset Strip
Succasunna, New Jersey 07876

Mr. Christopher White
Stonebridge Community Assoc.
1 Cobblestone Blvd.
Monroe, NJ 08831

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

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

Mr. Raymond A. Brown
Somerset County Park Commission
P. O. Box 3000
Somerville, NJ 08876

Mr. Richard Brand
East Windsor MUA
7 Wiltshire Drive
East Windsor, NJ 08520

Mr. Tom Pepe
Director of Grounds
Trump National/Lamington Farm Club
567 Lamington Road
Bedminster, NJ 07921

Mr. Alexander Mueller
General Manager
Raritan Valley Country Club
747 State Route 28
Bridgewater, New Jersey 08807-2409

Mr. Robert Osborne
General Manager
Raritan Valley Country Club
747 State Route 28
Bridgewater, New Jersey 08807-2409

Mr. Glen Schweizer
Executive Director
Morris County MUA
214A Center Grove Road
Randolph, NJ 07869

Mr. Frank Falco
Director of Production
Middlesex Water Company
P.O. Box 1500
Iselin, NJ 08830

Mr. Michael Guida
Eastern Concrete Materials
250 Pehle Ave., Ste. 503
Saddle Brook, NJ 07663-5832

Stanley S. Kovach, Mayor
The Borough of Glen Gardner
83 Main St., P. O. Box 307
Glen Gardner, NJ 08826

Ms. Valerie Pierse
Heron Glen Golf Course
Hunterdon County Finance Dept.
110 State Hwy. 202/31
Ringoes, NJ 08551

Ms. Alana Wallibillick
Edna Mahan Corrections Facility
P. O. Box E
Clinton, NJ 08809

Claude Bertrand
Director of Facilities
Hunterdon Medical Center
2100 Wescott Drive
Flemington, New Jersey 08822

Mr. Paul Costic
Washington Township, MUA
P.O. Box 226, 46 E. Mill Road
Long Valley, NJ 07853

Mr. Kevin Breuer
Springdale Golf Club
1895 Club House Drive
Princeton, NJ 08540

Hamilton Farm Golf Club
Attn: Timothy M. Bakels
1040 Pottersville Road
Gladstone, NJ 07934

Mr. David Shope
P. O. Box 651
Long Valley, NJ 07853

Ms. Debra Robinson
Manager of Water Division
Div. of Ratepayer Advocate
140 E. Front St., PO Box 003
Trenton, NJ 08625

Robert T. Ortego, PE
Manager Environmental Compliance
Princeton University-Facility Operations
100 Elm Drive
Princeton, New Jersey 08543

Guy R. Weisser, President
Village Grande @ Bear Creek
100 Grande Boulevard
West Windsor, NJ 08550

Edwin G. Walker
East Brunswick Township
Do Electronic after the Veto Period

Mr. John Stevens, Superintendent
SUEZ
461 From Road #400
Paramus, NJ 07652

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

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

AFFIDAVIT

State of New Jersey
County of Hunterdon

Loretta Doran, being duly sworn, says that (s)he is connected with The Hunterdon County Democrat, a newspaper circulating in Hunterdon, Mercer, Somerset, and Warren Counties, New Jersey, and that a notice of which the annexed is a true copy was published on the following dates in said newspaper: 29th of December, 2016.



Loretta Doran

JAN 10 2017

Sworn to before me this 3rd
day of January, 2017.


NOTARY PUBLIC

JEANETTE KRZYMALSKI
NOTARY PUBLIC OF NEW JERSEY
ID # 50033947
My Commission Expires 3/9/2021

NEW JERSEY WATER SUPPLY AUTHORITY

Notice of Rate Proposal - Effluent Basin System
Take notice pursuant to the County of Clinton, 203 of the Laws of 1981 (N.J.S.A. 58:12-3), et seq. that the New Jersey Water Supply Authority has prepared revisions to its Schedule of Rates, Charges and Debts, Water Services for the Sale of Water from the Radnor Basin System to cover the Authority's Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2017.

These revisions propose to amend existing regulations found at N.J.A.C. 7:12-2.1 et seq. as follows: an increase in the sales tax on water from 2.39 million gallons per day to 122.353 million gallons per day; an increase in the rate for the Operation and Maintenance Rate Component from \$177.00 per million gallons in FY2017 to \$194.00 per million gallons in FY2018; an increase in the Debt Service Rate Component from \$25.00 per million gallons for the New Jersey Environmental Infrastructure Financing Program in FY2017 to \$95.00 per million gallons in FY2018; no change in the Source Water Protection Fund Component of \$24.00 per million gallons in FY2018; and no change in the Capital Fund Component of \$33.00 per million gallons in FY2018.

This proposal is scheduled to be published in the New Jersey Register, dated January 3, 2017. A final version of the Basis and Background (B&B) document containing the full text of the proposed revisions to the Rate Schedule, together with supporting information is available from the New Jersey Water Supply Authority's website at <http://www.njwsa.org>. On 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 10:00 a.m. on Friday, January 6, 2017 in the Authority's Executive Office conference room located at 1851 Highway 31, Clinton, New Jersey. To present and explain the rate adjustment proposal, answer questions, and provide any additional data, requesters in accordance with the rate making procedure specified in N.J.A.C. 7:12-2.1.

Notice is hereby given that the Authority will hold a Public Hearing on Friday, February 3, 2017 at 10:00 a.m. in the Authority's Executive Office Conference Room located at 1851 Highway 31, Clinton, New Jersey, to provide the opportunity for public comments and statements. The proposed revisions interested persons may present statements orally or in writing relevant to the proposed action.

Written comments may be submitted until March 10, 2017 at which time the public record will be closed.

All comments should be addressed to:

Henry S. Patterson, Executive Director
New Jersey Water Supply Authority
1851 Highway 31
Post Office Box 3196
Clinton, New Jersey 08809
info@njwsa.org
1-229-716

IP: s: fee \$50.76

The Authority will conduct a Pre-Public Hearing meeting with its constituent water users and any interested parties at 10:00 a.m. on Friday, January 6, 2017, in the Authority's Executive Office conference room located at 1851 Highway 31, Clinton, 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. 7:11-2.14.

Notice is hereby given that the Authority will hold a Public Hearing on Friday, February 3, 2017, at 10:00 a.m. in the Authority's Executive Office Conference Room located at 1851 Highway 31, Clinton, 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 10, 2017 at which time the public record will be closed.

All comments should be addressed to:

Henry S. Patterson, Executive Director
New Jersey Water Supply Authority
1851 Highway 31
Post Office Box 5196
Clinton, New Jersey 08809
info@njwsa.org
12/29/2016 \$156.55

JAN 10 2017

NEW JERSEY WATER SUPPLY AUTHORITY

Notice of Rate Proposal - Raritan Basin System

Take notice, 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 revisions to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to cover the Authority's Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2017.

These revisions propose to amend existing regulations found at N.J.A.C. 7:11-2.1 et seq. as follows: an increase in the sales base from 182,339 million gallons per day to 182,353 million gallons per day; an increase in the Operations and Maintenance Rate Component from \$171.00 per million gallons in FY2017 to \$194.00 per million gallons in FY2018; an increase in the Debt Service Rate Component from \$25.00 per million gallons for the New Jersey Environmental Infrastructure Financing Program in FY2017 to \$85.00 per million gallons in FY2018; no change in the Source Water Protection Fund Component of \$24.00 per million gallons in FY2018; and no change in the Capital Fund Component from of \$33.00 per million gallons in FY2018.

The proposal is scheduled to be published in the New Jersey Register dated January 3, 2017. A final version of the Basis and Background (B&B) document containing the full text of the proposed revisions to the 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.

AFFIDAVIT

State of New Jersey
County of Middlesex

Kesha Blackman being duly sworn, says that (s)he is connected with The Star Ledger, a newspaper circulating in Atlantic, Bergen, Burlington, Cape May, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties, New Jersey, and that a notice of which the annexed is a true copy was published on the following dates in said newspaper:

12/29/16


Kesha Blackman

Sworn to before me this 4th
day of January, 2017.



NOTARY PUBLIC


copy for

AFFIDAVIT

State of New Jersey
County of Middlesex

Kesha Blackman being duly sworn, says that (s)he is connected with The Times of Trenton, a newspaper circulating in Burlington, Hunterdon, Mercer, Middlesex, Monmouth, Ocean, and Somerset Counties, New Jersey, and that a notice of which the annexed is a true copy was published on the following dates in said newspaper:

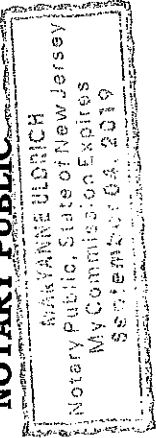
12/29/16

 Kesha Blackman

Sworn to before me this 4th
day of January, 2016.



NOTARY PUBLIC



NEW JERSEY WATER SUPPLY AUTHORITY
Notice of Rate Proposal - Raritan Basin System
 Notice is hereby given to the providers of Class 1B, 233 of the Laws of 1981 (N.J.S.A. 18:27) and the New Jersey Water Supply Authority has proposed revisions to its Schedule of Rates, Charges, and Debt Service Assessments for the Sale of Water from the Raritan Basin System to cover the Authority's Operating and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2017.

These revisions propose to amend existing regulations found at N.J.A.C. 7-11.2.1 et seq. as follows: an increase in the sales base from 182,339 million gallons per day to 182,353 million gallons per day; an increase in the Operations and Maintenance Rate Component from \$171.00 per million gallons in FY2017 to \$194.00 per million gallons in FY2018; an increase in the Debt Service Rate Component from \$25.00 per million gallons for the New Jersey Environmental Infrastructure Financing Program in FY2017 to \$85.00 per million gallons in FY2018; no change in the Source Water Protection Fund Component of \$24.00 per million gallons in FY2018; and no change in the Capital Fund Component from \$33.00 per million gallons in FY2018.

The proposal is scheduled to be published in the New Jersey Register dated January 3, 2017. A final version of the Basis and Back-ground (BAB) document containing the full text of the proposed revisions to the 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 10:00 a.m. on Friday, January 6, 2017, in the Authority's Executive Office conference room located at 1851 Highway 33, Clinton, 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. 7-11.2.1.

Notice is hereby given that the Authority will hold a public hearing on Friday, February 3, 2017, at 10:00 a.m. in the Authority's Executive Office Conference Room located at 1851 Highway 33, Clinton, 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 10, 2017 at which time the public record will be closed.

All comments should be addressed to:
 Henry S. Patterson, Executive Director
 New Jersey Water Supply Authority
 1851 Highway 33
 Clinton, NJ 08809
 Info@njwsa.org
 12/29/2016 THE TIMES \$46.98

JAN 10 2017

Isabel Valente

From: Cheri Alston Hunterdon Democrat Legal Advertising <hdlegalads@support.njadvance-media.com>
Sent: Thursday, December 15, 2016 9:09 AM
To: Isabel Valente
Subject: Re: [NJAM-I #959-18-686] 0004273404- 12/29- SL- New Jersey Water Supply Authority- Raritan Basin Rates
Attachments: 4273404.pdf

ATTN: Isabel Valente **We greatly apologize for this confusion**

As per your request, your Legal ad will run in STAR-LEDGER on 12/29/2016

For your reference:

- Ad number is: 0004273404
- Account number: XNJWA6121585
- Cost: \$246.55 (AD COST & AFFIDAVIT)

Please confirm receipt of this email, you will receive the bill in your MONTH cycle.

Attached is a proof of your ad – 1 COL X 101 LINES

Kindly review and reply back with approval of the ad copy or any corrections / revises by TUESDAY, 12/27, 5PM.

Your affidavit will be mailed out within 10 business days of your Legal ad's last publication date.

Please contact us at: legalads@njadvancemedia.com or call 732-902-4318 with any questions.

Thank you for choosing the Hunterdon County Democrat,

Cheri Alston
NJ Advance Media
Operations Coordinator, Inside Sales

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On Wed, 14 Dec 2016, ivalente@njwsa.org wrote:

- > Kindly publish the attached in your paper on THURSDAY, DECEMBER 29,
- > 2016 IN THE STAR LEDGER (ACCOUNT # XNJWA6121585) TRENTON TIMES
- > (ACCOUNT #1073207) HUNTERDON DEMOCRAT (ACCOUNT #L901409) on THURSDAY,
- > AUGUST 28, 2014
- >

> We are advised by the Attorney General's Office that the laws of the

> State of New Jersey (R. S. 35:2-3) provide that it is mandatory that
> there be published on every official advertisement a statement of the
> price of the advertisement. Accordingly, please make sure that this
> information is included on this advertisement. Proof of publication,
> AFFIDAVIT REQUIRED, with the bill, should be promptly submitted to the
> Procurement Officer upon completion of publication. Payment will be
> made at the legal rate based on counted lines rather than measure.
> Please call me at (908)
> 638-6121 extension 230, if you have any questions. Thank you.

>
> Isabel Valente
> Contracts Specialist
> New Jersey Water Supply Authority
> 1851 Highway 31
> PO Box 5196
> Clinton, New Jersey 08809
> (908) 638-6121 Ext. 230
> (908) 638-5961 Fax
> Email: ivalente@njwsa.org<mailto:ivalente@njwsa.org>

>
>
> CONFIDENTIALITY NOTICE The information contained in this communication
> from the Office of the New Jersey Attorney General is privileged and
> confidential and is intended for the sole use of the persons or
> entities who are the addressees. If you are not an intended recipient
> of this e-mail, the dissemination, distribution, copying or use of the
> information it contains is strictly prohibited. If you have received
> this communication in error, please immediately contact the Office of
> the New Jersey Water Supply Authority at (908) 638-6121 to arrange for
> the return of this information.

**NEW JERSEY WATER
SUPPLY AUTHORITY**

**Notice of Rate Proposal -
Raritan Basin System**

Take notice 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 revisions to its Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to cover the Authority's Operational and Debt Service expenses for the Authority's fiscal year which commences on July 1, 2017.

These revisions propose to amend existing regulations found at N.J.A.C. 7:11-2.1 et seq. as follows: an increase in the sales base from 182.339 million gallons per day to 182.353 million gallons per day; an increase in the Operations and Maintenance Rate Component from \$171.00 per million gallons in FY2017 to \$194.00 per million gallons in FY2018; an increase in the Debt Service Rate Component from \$25.00 per million gallons for the New Jersey Environmental Infrastructure Financing Program in FY2017 to \$85.00 per million gallons in FY2018; no change in the Source Water Protection Fund Component of \$24.00 per million gallons in FY2018; and no change in the Capital Fund Component from of \$33.00 per million gallons in FY2018.

The proposal is scheduled to be published in the New Jersey Register dated January 3, 2017. A final version of the Basis and Background (B&B) document containing the full text of the proposed revisions to the 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 10:00 a.m. on Friday, January 6, 2017 in the Authority's Executive Office conference room

located at 1851 Highway 31, Clinton, 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. 7:11-2.14.

Notice is hereby given that the Authority will hold a Public Hearing on Friday, February 3, 2017 at 10:00 a.m. in the Authority's Executive Office Conference Room located at 1851 Highway 31, Clinton, 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 10, 2017 at which time the public record will be closed.

All comments should be addressed to:

Henry S. Patterson, Executive Director
New Jersey Water Supply Authority
1851 Highway 31
Post Office Box 5196
Clinton, New Jersey 08809
Info@njwsa.org
12/29/2016 \$156.55

New Jersey Register Notice

Exhibit D

PROPOSALS

(c)-(d) (No change.)

2:36-1.7 [New Jersey] Local School [Nutrition/Wellness] Wellness Policy

(a) The Department hereby adopts and incorporates by reference the Dietary Guidelines for Americans and the USDA nutrition standards for National School Lunch, School Breakfast, and/or After School Snack programs as required by 7 CFR Parts 210, 215, 220, and 245 as the basis for local school wellness policies. Such policies shall regulate the types of food items [offered] sold in schools during the school day, outside of the Federal meal [requirements] programs, such as a la carte sales, vending machines, school stores, and fundraisers. [The policy shall also address the dining environment, adequate time for student meal service and consumption and coordination of lunch and recess or physical education schedules.]

1. A copy of the Dietary Guidelines for Americans may be obtained [at <http://www.usda.gov/cnpp/DietGd.pdf>. A copy of the Guidelines are also on file in the Director's Office, Division of Food and Nutrition, NJ Department of Agriculture, PO Box 334, Trenton, NJ 08625] online.

2. A copy of 7 CFR Parts 210, 215, 220, and 245 [is on file in the Director's Office, Division of Food and Nutrition, NJ Department of Agriculture, PO Box 334, Trenton, NJ 08625] may be obtained online.

(b) Each school [district/sponsor] district and/or sponsor shall implement a [policy consistent with New Jersey] Local School [Nutrition/Wellness] Wellness Policy], which is set forth in the chapter Appendix. The New Jersey School Nutrition/Wellness Policy is a minimum standard and does not preclude the adoption of a more stringent policy by the school district/sponsor].

2:36-1.8 Nutrition standards

(a) Nutrition standards established by the Department for meals served under the National School Lunch, School Breakfast, and After School Snack Programs or as mandated by N.J.S.A. 18A:33-4 shall be identical to those established in the USDA regulations at 7 CFR [§] 210.10 and [Part] 220.8], respectively]. These Federal regulations [and all subsequent amendments] are adopted herein by reference. [These standards are published in the Department's Nutrition Standards for School Nutrition Programs available through the New Jersey Department of Agriculture, Division of Food and Nutrition, PO Box 334, Trenton, New Jersey 08625-0334.]

(b) Nutrition standards for all [other food and beverage items] competitive foods shall comply with 7 CFR 210.11 and 220.12 and the Competitive Food Policy, as referenced in N.J.A.C. 2:36-1.11.

2:36-1.9 Review and evaluation

(a) Each sponsor's implementation of the Free and Reduced Price Policy and [the New Jersey] a Local School [Nutrition/Wellness] Wellness Policy shall be reviewed and evaluated by the Division on a continuing basis.

(b) Federal and State [child nutrition program] Child Nutrition Program funds may be withheld and/or fiscal action may be taken against sponsors (see 7 CFR 210.19(c), 215.12(a), 220.14(a), and 245.10) found not to be in compliance with applicable Federal regulations (7 CFR Parts 210, 215, 220, and 245) and the [New Jersey] Model Local School [Nutrition/Wellness] Wellness Policy.

(c) Sponsors shall not alter or amend standards set forth in the Free and Reduced Price Policy [or the New Jersey School Nutrition/Wellness Policy] without prior written approval [by] from the Division.

2:36-1.11 Competitive food policy

(a) The competitive food policy prohibits certain snack and beverage items by regulations promulgated by the USDA for the administration of child nutrition programs and as contained in the New Jersey School Nutrition/Wellness Policy. The following items shall not be served, sold or given away as a free promotion anywhere on school property at any time before the end of the school day, including items served in the reimbursable After School Snack Program:

1. Foods of minimal nutritional value as defined by USDA regulations;
2. All food and beverage items listing sugar, in any form, as the first ingredient (beginning September 1, 2007); and
3. All forms of candy (beginning September 1, 2007).

(b) Schools shall reduce the purchase of any products containing trans fats (beginning September 1, 2007) (Federal labeling of trans fats on all food products is required by January 1, 2006.)

(a) All competitive food sold to students on the school campus during the school day must meet the nutrition standards specified in 7 CFR 210.11 and 220.12.

[(c)] (b) (No change in text.)

[(d)] (c) [As of September 2007, all] All snack and beverage items, sold [or served] anywhere on the school [property] campus during the school day, including items sold in [a] à la carte lines, vending machines, snack bars, school stores, and fundraisers or served in the reimbursable After School Snack Program, shall meet the [following] standards[:] delineated in this competitive food policy and the standards established by USDA for competitive foods, found at 7 CFR 210.11 and 220.12, incorporated herein by reference. The USDA standards provide general nutrition standards for competitive foods, the exemptions to these standards, and specific standards for grains, fat, sugar, caloric, sodium, and accompaniments. All schools must comply with these Federal regulatory standards.

[1. Based on manufacturers' nutritional data or nutrient facts labels:

i. No more than eight grams of total fat per serving, with the exception of nuts and seeds;

ii. No more than two grams of saturated fat per serving.

2. All beverages, other than milk containing two percent or less fat, or water, shall not exceed a 12-ounce portion size; whole milk may not exceed an eight-ounce portion;

3. In elementary schools, beverages shall be limited to milk, water or 100 percent fruit or vegetable juices;

4. In middle and high schools, at least 60 percent of all beverages offered, other than milk or water, must be 100 percent fruit or vegetable juice; and

5. In middle and high schools, no more than 40 percent of all ice cream/frozen desserts shall be allowed to exceed the above standards for sugar, fat and saturated fat.]

[(e)] Food and/or beverages served during special school celebrations or during curriculum related activities shall be exempt from this policy with the exception of foods of minimal nutritional value as defined by USDA regulations 7 CFR Part 210.10.]

(d) There shall be no exemptions for food and/or beverages sold as a part of a fundraising activity.

[(f)] (c) Medical exemption: This policy does not apply to:

1. (No change.)

2. School nurses, [using foods of minimal nutritional value (FMNVs)] during the course of providing health care to individual students; or

3. Special needs students whose Individualized Education Plan (IEP) indicates [their use] the use of a special diet for behavior modification.

[(g)] (f) The requirements of (a) through [(f)] (e) above [not only] apply to all participating sponsors, both public and non-public[, but also to all school districts required to make school lunch available pursuant to N.J.S.A. 18A:33-4 regardless of participation in the National School Lunch Program].

ENVIRONMENTAL PROTECTION

(a)

NEW JERSEY WATER SUPPLY AUTHORITY
Schedule of Rates, Charges, and Debt Service
Assessments for the Sale of Water from the
Raritan Basin SystemProposed Amendments: N.J.A.C. 7:11-2.3, 2.4, 2.5,
and 2.6Authorized By: New Jersey Water Supply Authority, Bob Martin,
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: 11-16-12.

Proposal Number: PRN 2017-006.

In accordance with N.J.A.C. 7:11-2.14(a)4, a pre-public hearing meeting concerning this proposal will be held on:

Friday, January 6, 2017, at 10:00 A.M.
New Jersey Water Supply Authority Administration Building
1851 Route 31
Clinton, New Jersey

A public hearing concerning this proposal will be held on:

Friday, February 3, 2017, at 10:00 A.M. to close of comments
New Jersey Water Supply Authority Administration Building
Executive Conference Room
1851 Route 31
Clinton, New Jersey

Submit comments by March 4, 2017, electronically to the New Jersey Water Supply Authority (Authority) at info@njwsa.org.

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

Henry S. Patterson
Executive Director
New Jersey Water Supply Authority
Attn: DEP Docket No. 11-16-12.
1851 Route 31
PO Box 5196
Clinton, NJ 08809

The Basis and Background document, which is available at the Authority's website http://www.njwsa.org/Raritan_2018_BnB_Draft.pdf, 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 Raritan Basin System (System), to cover expenses for Fiscal Year (FY) 2018. The Authority operates on a July 1 to June 30 Fiscal Year. The amendments to specific aspects of the rate structure proposed in this rulemaking will result in an increase to the overall rate from \$253.00 per million gallons (MG) to \$336.00 per MG. The Authority anticipates the rates will be adopted operative July 1, 2017.

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. 7:11-2.3 and incorporated by reference in the stand-by charge at N.J.A.C. 7:11-2.12, was last adjusted operative July 1, 2015, when the amount was increased from \$167.00 to \$171.00 per MG. See 47 N.J.R. 248(a) and 1316(b).

The O&M rate component sales base is set forth at N.J.A.C. 7:11-2.3(a)8. The O&M rate component sales base for FY 2017 was 182,339 million gallons per day (MGD). The Authority anticipates that the sales base will increase to 182,353 MGD. The Authority proposes to amend N.J.A.C. 7:11-2.3(a)8 to incorporate this change.

Projected operating costs for FY 2018 indicate that an increase in the O&M rate component will be needed for FY 2018. In FY 2014, the Debt Service Assessment Rate at N.J.A.C. 7:11-2.4(b) was amended to include an anticipated debt service payment for a loan the Authority expected to receive from the New Jersey Environmental Infrastructure Financing Program (NJEIFP) to cover the cost of a planned project to dredge a 10.5-mile stretch of the Delaware and Raritan Canal in Franklin Township (Delaware and Raritan Canal Capital Program). See 44 N.J.R. 3036(a); 45 N.J.R. 1649(a). From FY 2014 through FY 2017, the Delaware and Raritan Canal Capital Program was deferred because the Authority was seeking a location where sediment dredged during the

project could be deposited. As the loan was not issued, the revenue realized from the Debt Service Assessment Rate during that period was used to offset the O&M rate component. The Authority anticipates that the loan will be issued in FY 2018 and that the Delaware and Raritan Canal dredging project will commence. Since the funds from the Debt Service Assessment Rate will no longer be available to offset the O&M rate component, a \$23.00 increase in the O&M rate component, from \$171.00 to \$194.00 MGD, is necessary to cover operating costs. The Authority proposes to amend N.J.A.C. 7:11-2.3(b) to incorporate this change.

At N.J.A.C. 7:11-2.4(b), the Debt Service Assessment Rate for FY 2017 was based on a sales base of 182,339 MGD. The Authority anticipates that the applicable sales base for FY 2018 will increase to 182,353 MGD. The Authority proposes to amend N.J.A.C. 7:11-2.4(b) to incorporate this change.

As discussed above, from FY 2014 through FY 2017, the Debt Service Assessment Rate was \$25.00. This rate would have covered the anticipated annual principal and interest payments of \$1,664,100 for the Delaware and Raritan Canal Capital Program loan but the revenue was used instead to offset the O&M rate component. Because the Authority anticipates the Delaware and Raritan Canal Capital Program will begin and the loan will be issued in FY 2018, the Authority anticipates that the principal and interest payments will become due in FY 2018. In addition to funding debt service for the Delaware and Raritan Canal Capital Program loan, the Debt Service Assessment Rate will also be used in FY 2018 to fund debt service for an NJEIFP loan that is expected to be issued in FY 2018 to cover the projected cost of rehabilitating three earthen embankments within the Authority's Round Valley Reservoir System (Round Valley Reservoir Rehabilitation Program). The annual principal and interest payments expected due in FY 2018 for the Round Valley Reservoir Rehabilitation Program loan are \$4,028,072, which when added to the principal and interest payments expected due on the Delaware and Raritan Canal Capital Program loan, necessitate a rate increase of \$60.00 per MG, from \$25.00 to \$85.00. The Authority proposes to amend N.J.A.C. 7:11-2.4(b) to incorporate this change. The exact interest rate on the NJEIFP loans will not be known until the loans are finalized and issued. As a result, the annual principal and interest payments may be slightly higher or lower depending on the rate of interest at that time. When the loans are issued, the Authority will adjust the rate by rulemaking to reflect the final debt service schedule for both loans.

The Authority established a Capital Fund Assessment (N.J.A.C. 7:11-2.5(c)) starting July 1, 1994. This component is used to fund the Authority's annual Capital Improvement Program, which includes projects to rehabilitate various culverts, canal embankments, and flow control structures, without incurring long-term debt. Projected capital costs for FY 2018 indicate that no change is necessary in the Capital Fund Assessment of \$33.00 per MG.

The Authority established a Source Water Protection Fund Assessment (N.J.A.C. 7:11-2.6(b)) starting July 1, 2002. This component is based on the annual source water protection expenses to acquire and otherwise protect parcels of land critical to the preservation of system water quality and quantity. Projected costs for FY 2018 indicate that no change is necessary in the Source Water Protection Fund Assessment of \$24.00 per MG.

Social Impact

The proposed amendments will have a positive social impact. The proposed amendments represent the Authority's efforts to ensure that its regulatory programs are consistent with its statutory authority over surface and subsurface water supplies and that its rates for raw water withdrawn, diverted, or allocated from the Raritan Basin System are equitably assessed and sufficient to provide the revenues required by the Authority.

The Raritan Basin System, comprising an area of 800 square miles and including the 11 billion gallon capacity Spruce Run Reservoir in Hunterdon County, the 55 billion gallon capacity Round Valley Reservoir in Hunterdon County, and the 60-mile long Delaware and Raritan Canal in Hunterdon, Mercer, Somerset, and Middlesex Counties, provides both active and passive recreational opportunities to the public

in addition to a basic raw water supply for approximately two million individuals living in central New Jersey.

Economic Impact

The proposed adjustment to the rate schedule will result in a total charge for the uninterrupted untreated water supply from the System of \$336.00 per MG starting July 1, 2017. This is an increase of \$83.00 per MG relative to Fiscal Year 2017. 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. The rate impact on the average New Jersey household in the billing area is anticipated to be an increase of \$12.12 per year.

Environmental Impact

The adequate financing of the Raritan River Basin System's upkeep and operation, which is provided by the proposed amendments, will result in a positive environmental impact. A properly maintained Raritan Basin System and its operations protect the water users in the Raritan River Basin.

The Raritan Basin System also provides habitat for many species of waterfowl and wildlife in an increasingly urbanized region of the State.

The Raritan Basin System is capable of supplying a dependable water supply of 241 million gallons per day throughout a re-occurrence of the worst drought on record while still maintaining adequate river flows through release of stored waters to support the ecological systems and wildlife that are dependent upon adequate stream flows in the River Basin.

The Source Water Protection Fund has a positive environmental impact by providing greater protection to water quality and quantity in the Raritan River Basin through real estate acquisitions, coordinated government land management practices, and remedial projects.

The Capital Fund Component has a positive environmental impact by assuring that sufficient funds are available to maintain the system of water delivery. Proper maintenance of the reservoirs and the Delaware and Raritan Canal ensure that statutory passing flows are maintained in the Raritan River Basin, and that the Delaware and Raritan Canal is capable of passing 100 million gallons of water daily from the Delaware River at Bulls Island to the Raritan River at Landing Lane in New Brunswick.

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 and statutes apply 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 amendments 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 proposed amendments are not under the authority of a State statute that incorporates or refers to Federal law, 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 Raritan Basin 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 New Jersey Water Supply 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 affect only the rates charged to users for water purchased from the Authority. The water companies 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 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.

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) The general rate schedule for operations and maintenance per million gallons listed at (b) below is based on estimated annual operations and maintenance expenses consisting of all current costs, obligations, and expenses of, or arising in connection with, the operation, maintenance, and administration of the System, and minor additions or improvements thereof or thereto, or the performance of any water purchase contract, including, but not limited to, all of the following:

- 1.-7. (No change.)
- 8. Any other current costs, expenses, or obligations required to be paid by the Authority under the provision of any agreement or instrument relating to bonds, other indebtedness of the Authority, or by law. The current sales base of [182.339] **182,353** million gallons per day has been used in setting the rate listed in (b) below.

(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 [2017] 2018	Million Gallons per Day (MGD)	[\$171.00] \$194.00

Minutes of Pre-Public Hearing
Meeting

Exhibit E

MINUTES

Pre-Public Hearing Meeting - January 6, 2017

Schedule of Rates, Charges and Debt Service Assessments
for the Sale of Water from the
Raritan Basin System
to become effective July 1, 2017

The Pre-Public Hearing Meeting was called to order by Beth Gates, Executive Director, at 10:00 a.m. in the Clinton Administration Building Conference Room.

Ms. Gates welcomed Mr. Frank Falco representing Middlesex Water Company, Mr. Ed Walker representing East Brunswick Township, Mr. Edward Smith, Warren County freeholder, and Mr. Robert Barth representing the D&R Canal Watch.

Authority staff members present were Marc Brooks, Chief Engineer, Beth Gates, Executive Director, and Susan Buckley, Controller.

Ms. Gates noted the purpose of the meeting is to discuss the Basis and Background document (B&B).

Ms. Buckley distributed copies of the presentation and went over the Schedule of Events describing that the Authority Board authorized the proposed rates at its meeting on December 5, 2016, and the Public Hearing is on Friday, February 3, 2017. The Public Hearing Record closes on March 10, 2017 and on Monday, June 5, 2017 the Board will approve the Rate Schedule that will become effective for FY2018.

Ms. Buckley noted that there is a proposed increase in the O&M Component of the Rate from \$171 per million gallons to \$194 per million gallons, and a proposed increase in the NJEIFP Debt Service Assessment from \$25 per million gallons to \$85 per million gallons. There are no changes in any other component of the Rate for a total rate that would increase from \$253 per million gallons in FY2017 to \$336 per million gallons in FY2018.

Ms. Buckley reviewed the elements of the rate proposal and discussed the increases to the O&M and NJEIFP rate components, which are largely driven by the commencement of the canal dredging and dam rehabilitation projects. Ms. Buckley continued

with a discussion of expense items which drive the Operations and Maintenance component of the rate, including significant cost drivers such as insurance, salary and fringe benefits, a decrease in the capital equipment budget as a result of drawing on the capital equipment fund balance, and a decrease in unanticipated revenue due to the commencement of the canal dredging program. Mr. Brooks reviewed the Capital Improvement Program. Mr. Barth, Mr. Walker and Mr. Falco asked several follow-up questions regarding various capital projects and the Hydrilla issue in the canal. Mr. Smith inquired about the Authority's source water protection fund and the legislation under which the Authority is permitted to draw water from the Delaware basin. He raised the idea of compensation to Highlands Area landowners who contribute to the Delaware basin water quality. Ms. Gates responded that the fund is utilized for land preservation in the Raritan basin watershed and that the Authority draws water from the basin as a result of the 1954 Supreme Court decree.

There being no further business, the meeting was adjourned at 10:40 a.m.

AGENDA

Pre-Public Hearing Meeting

January 6, 2017

**Schedule of Rates, Charges and Debt Service Assessments
for the Sale of Water from the
Raritan Basin System**

To become effective July 1, 2017

REGISTRATION – 9:30 – 10:00 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
Proposed Fiscal Year 2018 Budget | Susan Buckley |
| 5. | Capital Improvement Program | Marc Brooks |
| 6. | Additional questions and answers | Staff |

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
RARITAN BASIN SYSTEM
(N.J.A.C. 7:11-2)
TO BECOME EFFECTIVE JULY 1, 2017

HELD AT:

NEW JERSEY WATER SUPPLY AUTHORITY CONFERENCE
ROOM
1851 STATE HIGHWAY 31
CLINTON, N.J.,
10:00 A.M.,
FEBRUARY 3, 2017

B E F O R E:

ELLSWORTH HAVENS, HEARING OFFICER

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

MS. BETH GATES, EXECUTIVE DIRECTOR.
MS. SUSAN BUCKLEY, CONTROLLER.
MR. MARC BROOKS, CHIEF ENGINEER.

GUY J. RENZI & ASSOCIATES
INGRID BENNETT
CERTIFIED SHORTHAND REPORTER
LICENSE NO: 30X100212500

I N D E XWITNESS PAGE

OPENING STATEMENT BY MS. BUCKLEY: 6

E X H I B I TNUMBER DESCRIPTION PAGE

P-1, Pre-Public Hearing Minutes, was received
and marked into evidence. 4

P-2, Certification was received and marked into
evidence. 5

S-1, Basis and Background Document, dated
12/5/16 was received and marked into evidence. 12

S-2, Authority's response to Mr. DeStefano was
received and marked into evidence. 17

S-3, January 27, 2017 public hearing statement
from New Jersey American was received and marked
into evidence. 17

S-4, January 31, 2017 correspondence from East
Brunswick Township was received and marked into
evidence. 17

1 MR. HAVENS: On behalf of the New Jersey
2 Water Supply Authority, I would like to welcome you
3 here this morning. My name is Ellsworth Havens. I am
4 Chairman of the Authority's Capital Projects Committee
5 and a member of the Personnel, Finance and Public
6 Participation Committees. I am serving as Hearing
7 Officer for purposes of this public hearing. Several
8 members of the Authority's staff are present today and
9 I would like to introduce them.

10 Ms. Beth Gates is the Executive Director.

11 Ms. Susan Buckley is the Controller.

12 Mr. Marc Brooks, Chief Engineer.

13 It is requested that every one present
14 sign the roster. If you would like to make a statement
15 today, please print your name on one of the roster
16 slips and submit it to me.

17 The Authority has adopted extensive rate
18 adjustment procedures found in the New Jersey
19 Administrative Code at N.J.A.C. 7:11-2.13 and 2.14,
20 which provide for close contact with our water
21 customers, the State Division of the Ratepayer Advocate
22 and other interested parties for the proposal of any
23 rate adjustment. These procedures demonstrate the
24 Authority's commitment to maintaining an active
25 dialogue with the public, welcoming the input of

1 interested parties and providing a forum for that
2 input.

3 Official notice of the proposed rate
4 adjustments for Fiscal Year 2018 was mailed to the
5 water users and all interested parties on December 27,
6 2016 and published in the New Jersey Register on
7 January 3, 2017.

8 On January 6, 2017, the required
9 pre-public hearing meeting with our contractual water
10 customers and interested parties was conducted. Mr.
11 Frank Falco of Middlesex Water, Mr. Ed Walker of East
12 Brunswick Township, Freeholder Edward Smith of Warren
13 County, and Mr. Robert Barth, representing the D&R
14 Canal Watch, were in attendance at the January 6, 2017
15 meeting.

16 Ms. Buckley, do we have minutes from the
17 pre-public hearing meeting of January 6, 2017?

18 MS. BUCKLEY: Yes, Mr. Chairman, and I
19 would like to enter the January 6, 2017 pre-public
20 hearing minutes into the record as Exhibit P-1.

21 MR. HAVENS: Thank you, Ms. Buckley.
22 Please mark the pre-public hearing minutes as Exhibit
23 P-1.

24 (At which time, P-1, Pre-Public Hearing
25 Minutes, were received and marked into evidence.)

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MR. HAVENS: At this time, I will ask Ms. Buckley if we have proof of publication and mailing of the notice of this public hearing to present for the record.

MS. BUCKLEY: Yes, Mr. Chairman, we have certification that Notice of this public hearing 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, the Authority's Contractual Water Purchasers and other interested parties on December 27, 2016 and advertised in the Star Ledger, The Times (Trenton) and the Hunterdon Democrat on December 29, 2016.

I would like to enter this Certification into the record as Exhibit P-2.

MR. HAVENS: Please mark this Certification as Exhibit P-2.

(At which time, P-2, Certification, was received and marked into evidence.)

MR. HAVENS: Thank you, Ms. Buckley.
Ms. Buckley, the Authority's Controller, will now present an opening statement.

1 in FY 2014, be used for debt service as opposed to
2 subsidizing the O&M rate component.

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

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

23 Independent auditors have performed the
24 Authority's Fiscal Year 2016 audit and they have
25 provided necessary information on the adjustment of the

1 Fiscal Year 2016 allocation as a credit or debit to be
2 netted against the Fiscal Year 2018 budgeted
3 allocation. A copy of the Auditor's report on the
4 allocation of the headquarters' general and
5 administrative costs is included in the rate proposal
6 package for each system.

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

13 After all appropriate allocations to the
14 Manasquan Water Supply System, the projected operating
15 costs for the Raritan System for Fiscal Year 2018
16 indicate that an Operations and Maintenance Component
17 of \$194.00 per million gallons would be required
18 starting on July 1, 2017. The sales base is increasing
19 slightly to 182.353 million gallons per day in Fiscal
20 Year 2018. Operations and maintenance expenses are
21 increasing, principally in salary, fringe benefits and
22 insurance; however, these costs are offset by a
23 decrease in capital equipment purchases, decrease in
24 reserve contributions, overdraft sales and the use of
25 FY2016 ending surplus. A significant decrease in

1 unanticipated revenue, due to commencement of debt
2 service payments for canal dredging, is the primary
3 driver of the Operations and Maintenance rate increase.

4 The Authority established a "Capital Fund
5 Component" commencing on July 1, 1994. This component
6 is used to fund the Authority's current Capital
7 Improvement Program without incurring long-term debt.
8 The Capital Fund Component assessment of \$33.00 per
9 million gallons in Fiscal Year 2017 will not change in
10 Fiscal Year 2018 based on funding needs with respect to
11 the five year Capital Improvement Program.

12 The Authority established the "Source
13 Water Protection Fund" in Fiscal Year 2003 to protect
14 the quality and quantity of waters in the Raritan Basin
15 System, and dedicated \$5.00 per million gallons for
16 administrative costs associated with acquisition of
17 critical watershed parcels and watershed planning
18 programs in the Spruce Run Watershed. That component
19 was increased to \$10.00 per million gallons in Fiscal
20 Year 2004, to \$13.00 per million gallons in Fiscal Year
21 2006, to \$15.00 per million gallons in Fiscal Year 2008
22 and to \$24.00 per million gallons in FY2014. Seventeen
23 (\$17.00) dollars of the Source Water Protection Fund
24 component is used exclusively for payment of debt
25 service on the direct acquisition of critical watershed

1 parcels in the Raritan Basin by the Authority and for
2 contributions toward acquisition soft costs by other
3 entities. The Source Water Protection Fund Component
4 will remain at \$24.00 per million gallons for Fiscal
5 Year 2018.

6 The Authority has submitted an application
7 to the New Jersey Environmental Infrastructure
8 Financing Program (NJEIFP) to finance the dredging of
9 240,000 cubic yards from a 10.5 mile segment of the
10 Delaware and Raritan Canal (D&R Canal) between Kingston
11 at Lincoln Highway to Amwell Road in Franklin Township,
12 Somerset County, New Jersey. This project is expected
13 to cost approximately \$50,000,000 and last in duration
14 up to three years. Funding through the NJEIFP would
15 allow a portion of the loan to be at zero interest and
16 a portion of the loan to be at market rate with the
17 blended rate at favorable terms. The project had been
18 deferred, but is expected to commence in FY 2018, and
19 this portion of the debt service rate component (\$25 of
20 the \$85 total rate component) will no longer be
21 available to support operations in FY2018. The
22 Authority intends to file an updated application to the
23 NJEIFP to finance the dredging project.

24 In Fiscal Year 2018, the Authority also
25 anticipates commencing the Round Valley Dam

1 Rehabilitation project to maintain and repair the three
2 embankments at the Round Valley Reservoir. The
3 Authority intends to file an application with NJEIFP to
4 finance the rehabilitation project, which is estimated
5 to cost in excess of \$60 million. The debt service on
6 this project requires an assessment of \$60 per million
7 gallons of the total \$85 debt service rate component.

8 The component changes result in a change
9 of \$83.00 in total rate, from \$253.00 per million
10 gallons to \$336.00 per million gallons in Fiscal Year
11 2018.

12 The Authority's procedure for rate
13 adjustment is found in the New Jersey Administrative
14 Code at N.J.A.C. 7:11-2.14 ("The Regulations"). This
15 procedure became effective on April 2, 1984. The rate
16 adjustment procedures require the Authority to give
17 official notice and an explanation outlining the need
18 for proposed rate adjustments pursuant to the
19 Regulations at least six (6) months prior to the
20 proposed effective date.

21 The Authority's Commissioners formally
22 proposed the publication of the rate adjustment for
23 Fiscal Year 2018 at their regular monthly business
24 meeting on December 5, 2016. The final Basis and
25 Background Statement was posted on the Authority's

1 Website on December 29, 2016.

2 Mr. Havens, I request that this Basis and
3 Background Document be entered into the record as
4 Exhibit S-1.

5 -----

6 (At which time, S-1, Basis and Background
7 Document, dated 12/5/16 was received and marked into
8 evidence.)

9 -----

10 MS. BUCKLEY: The Authority's rate
11 adjustment procedures provide that the contractual
12 water customers and interested parties be provided the
13 opportunity to meet with Authority staff at a
14 pre-public hearing meeting in order to be presented
15 with an explanation of the formal proposal. This
16 pre-public hearing meeting must be scheduled within
17 forty-five (45) days after the official notice of a
18 proposed rate adjustment is sent. A "Notice of Public
19 Hearing" was mailed on December 27, 2016 to contractual
20 water customers and other interested parties informing
21 them of the pre-public hearing and public hearing
22 scheduled for January 6th and February 3, 2017
23 respectively at the Authority's Clinton Administration
24 Building.

25 Additionally, on December 29, 2016 notice

1 of the Pre-Public Hearing and this Public Hearing was
2 published in The Times (Trenton), the Star Ledger and
3 the Hunterdon Democrat. Notice of the proposed rate
4 adjustment and the public hearing schedule also
5 appeared in the January 3, 2017 issue of the New Jersey
6 Register. The Pre-Public hearing was conducted on
7 January 6, 2017, and was attended by representatives
8 from Middlesex Water Company, East Brunswick Township,
9 Warren County, and the D&R Canal Watch.

10 The Authority's regulations state that
11 interested parties may submit written questions for
12 inclusion in the hearing record, and if submitted no
13 later than 15 days prior to the public hearing,
14 Authority staff, at today's meeting, must provide
15 answers to the questions. The Authority will also
16 provide a complete response to any questions received
17 subsequent to the 15-day deadline and up to and
18 including March 10, 2017, the closing date for the
19 hearing record.

20 In addition, any party may direct
21 questions and follow-up to Authority staff at the
22 public hearing. In the event a response cannot be
23 immediately given today, a written response shall be
24 prepared within ten (10) business days of this public
25 hearing and a copy of that written response shall be

1 provided to all contractual water customers, the
2 Division of the Ratepayer Advocate, the Board of Public
3 Utilities and attendees at the meeting requesting the
4 same, and the response shall be made a part of the
5 hearing record. Comments received before the close of
6 the New Jersey Register comment period on March 4, 2017
7 will also be incorporated into the record.

8 Finally, within ten (10) working days
9 after receipt of the answer, contractual water
10 customers, the Division of the Ratepayer Advocate, the
11 Board of Public Utilities and attendees will be
12 permitted to respond in writing to the answers of the
13 staff for the record.

14 After the hearing record is closed and the
15 New Jersey Register comment period expires, a Hearing
16 Officer's report, which shall include findings of fact
17 and specific responses to all issues and questions
18 raised during the public hearing proceedings, will be
19 prepared and submitted to the entire Authority prior to
20 the Authority taking final action on the proposal.

21 Mr. Havens, this concludes the Authority's
22 opening statement.

23 -----

24 MR. HAVENS: Thank you, Ms. Buckley.

25 Ms. Buckley, have we received any written

1 or verbal communications for inclusion in the public
2 hearing record?

3 MS. BUCKLEY: Yes, Mr. Chairman, we have.
4 In a letter dated January 16, 2017, the Authority
5 received questions from New Jersey American Water about
6 the budget and rate calculations for FY18. A response
7 was sent on February 1, 2017.

8 Additionally, in a letter received on
9 January 27, 2017, the Authority received a statement
10 from New Jersey American Water for inclusion in the
11 public hearing record.

12 Finally, the Authority received a
13 statement regarding the rates from East Brunswick
14 Township on January 31, 2017.

15 MR. HAVENS: Ms. Buckley, are there any
16 additional proposed Rule changes not associated with
17 the changes to existing Rates?

18 MS. BUCKLEY: No, Mr. Chairman, there are
19 not.

20 MR. HAVENS: Thank you, Ms. Buckley. Next
21 on the agenda is Authority staff answers to questions
22 raised prior to today's hearing.

23 Ms. Buckley, has the Authority received
24 any questions prior to today's hearing?

25 MS. BUCKLEY: Yes, Mr. Chairman. The

1 Authority received a letter from Mr. Dante M. DeStefano
2 of New Jersey American Water requesting information
3 regarding the need for an increase in Rates. Mr.
4 DeStefano asked for a copy of the latest audit report
5 of the New Jersey Water Supply Authority covering the
6 period through June 30, 2016, as well as a copy of the
7 Authority's actual expenses through the Capital
8 Improvement Program for the fiscal years 2015 and 2016,
9 as well as July 2015 through June 2016.

10 Mr. DeStefano also requested the actual
11 operating expenses for the twelve months rolling
12 December 31, 2016 and an explanation of the increase in
13 Regular Salaries and Wages expenses from actual FY2016
14 to projected FY2017. Mr. DeStefano asked for support
15 for the annual debt service raised for FY2018 and an
16 explanation regarding the inclusion of the Round Valley
17 dam rehabilitation project in the Basis and Background
18 Statement.

19 I would like to enter the letter and the
20 Authority's response to Mr. DeStefano as Exhibit S-2.

21 Additionally, I would like to enter the
22 January 27, 2017 public hearing statement from New
23 Jersey American as Exhibit S-3, and the January 31,
24 2017 correspondence from East Brunswick Township as
25 Exhibit S-4.

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(At which time, S-2 Authority's response to Mr. DeStefano was received and marked into evidence.)

(At which time, S-3, January 27, 2017 public hearing statement from New Jersey American was received and marked into evidence.)

(At which time, S-4 January 31, 2017 correspondence from East Brunswick Township was received and marked into evidence.)

MR. HAVENS: Thank you, Ms. Buckley. We are now prepared to enter oral statements, written statements and/or any other supporting evidence by all interested parties into the record.

First, let me call on anyone who has filled out a roster indicating that they want to make statements.

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

We will now entertain questions and - if possible today - hear the responses by Authority staff.

Does any member of the public have

1 questions for staff?

2 -----

3 (Whereupon, no response was given.)

4 -----

5 MR. HAVENS: After the New Jersey Register
6 comment period closes on March 4, 2017, and the hearing
7 record is closed on March 10, 2017, 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
13 submitted to the Authority and presented to the
14 Authority's Board for final action on the proposal.
15 Written comments may be submitted until the end of
16 hearing record period on March 10, 2017.

17 I anticipate that the Authority will take
18 final action on these proposed Rates at its regular
19 monthly business meeting on June 5, 2017.

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.

24 (Whereupon, the matter was adjourned.)

25

C E R T I F I C A T E

I, INGRID BENNETT, Certified Court Reporter of the State of New Jersey, do hereby swear that the foregoing is a true and accurate record of the live 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.



INGRID BENNETT
CERTIFIED COURT REPORTER
LICENSE NUMBER: 30X100212500

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Wages [1] - 16:13 Walker [1] - 4:11 Warren [2] - 4:12, 13:9 Watch [2] - 4:14, 13:9 water [3] - 3:20, 4:5, 4:9, 7:8, 12:12, 12:20, 14:1, 14:9 Water [17] - 3:2, 4:11, 5:11, 6:6, 6:8, 7:3, 7:7, 7:8, 8:14, 9:13, 9:23, 10:3, 13:8,	“Notice [1] - 12:18

PUBLIC HEARING AGENDA

**Proposed Adjustments to the Schedule of Rates,
Charges and Debt Service Assessments
for the Sale of Water from the
Raritan Basin System
(N.J.A.C. 7:11-2)
to become effective July 1, 2017**

New Jersey Water Supply Authority Conference Room
1851 State Highway 31
Clinton, New Jersey

10:00 a.m. Friday, February 3, 2017

REGISTRATION - 9:30 - 10:00 a.m.

- I. Opening Statement of Hearing Officer, Mr. Ellsworth Havens
Welcome, Introduction of Staff, Proofs of Publication, Receipt of Communications
- II. Opening Statement of Susan Buckley, Controller, 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



Dante M. DeStefano
1025 Laurel Oak Road
Voorhees, NJ 08043
www.amwater.com

P 856-782-2355
F 856-782-2490

January 16, 2017

Ms. Beth Gates
Director of Finance and Administration
New Jersey Water Supply Authority
1851 Highway 31
P.O. Box 5196
Clinton, New Jersey 08809

Via E-Mail and Regular Mail

Re: Raritan Basin NJWSA's Rates Effective July 1, 2017

Dear Ms. Gates:

With regard to the proposed Rate, New Jersey American Water hereby submits the following questions to better help us understand the need for the increase:

- 1) Please provide your latest audit report covering the period through June 30, 2016. In addition, please list the auditor used for the year 2016 and the fees paid each of the past 2 years, including the fee for the cost center reclassification process.
- 2) Please provide your actual expenses through the Capital Improvement Program for the fiscal years 2015 and 2016, as well as July 2015 through June 2016. Please segregate the expenses by project. Please note the extent to which projects are funded by the Capital Component or debt service.
- 3) Please provide the actual operating expenses in the same format as Schedule 1 – distributed by cost center – for the 12 months rolling 12/31/16 in excel format.
- 4) Please explain the increase in Regular Salaries and Wages expenses from \$5,327,730 for actual FY 2016 to \$5,886,650 projected FY 2017 on Schedule 1A.
- 5) Please provide support for the annual debt service raised for fiscal year 2018 of \$4,028,072 as referenced in Schedule 13, including any appropriate reference to the \$65,000,000 of projected cost for the project to rehabilitate the Round Valley dam referenced on page 10 of the B and B statement.



- 6) Please explain if, or how, the \$65,000,000 cost of the project to rehabilitate the Round Valley dam is included in Schedule 14, which includes projects totaling approximately \$35 million. If the project is not included in the Basis & Background Statement details, please explain why.

Ms. Gates, we would like to thank you in advance for assisting us with the above inquiries and for your help in the past. We are regulated by the New Jersey Board of Public Utilities and are required by regulation to ascertain that all increases passed on to our customers are warranted and justified.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Dante M. DeStefano".

Dante M. DeStefano
Director of Rates & Regulation

cc: Bob Schaefer



NEW JERSEY WATER SUPPLY AUTHORITY

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

February 1, 2017

Mr. Dante M. DeStefano
Director of Rates and Regulations
New Jersey American Water
1025 Laurel Oak Road
Voorhees, NJ 08043

Re: **Inquiry January 16, 2017**
Raritan Basin System FY2018 Rate Proposal Effective July 1, 2017

Dear Mr. DeStefano:

Following, please find responses to your inquiry of January 16, 2017.

- 1) Please provide your latest audit report covering the period through June 30, 2016. In addition, please list the auditor used for the year 2016 and the fees paid each of the past 2 years, including the fee for the cost center reclassification process.

Audited financial statements for the year ending June 30, 2016 are attached (Attachment 1). In 2016, CliftonLarsonAllen was the Authority's auditor. The auditing fees for fiscal years 2015 and 2016 were \$57,075 and \$58,765 respectively. The audit fee is all-inclusive; therefore a specific fee for the cost center reclassification process is not separately identifiable.

- 2) Please provide your actual expenses through the Capital Improvement Program for the fiscal years 2015 and 2016, as well as July 2015 through June 2016. Please segregate the expenses by project. Please note the extent to which projects are funded by the Capital Component or debt service.

There are no capital projects currently funded by debt service. See Attachment 2 for actual CIP expenses for FY15, FY16 and the first six months of FY17.

- 3) Please provide the actual operating expenses in the same format as Schedule 1 – distributed by cost center – for the 12 months rolling 12/31/16 in excel format.

Please see Attachment 3.

- 4) Please explain the increase in Regular Salaries and Wages expenses from \$5,327,730 for actual FY 2016 to \$5,886,650 projected FY 2017 on Schedule 1A.

The increase is due to several factors. First, FY17 assumed a 1.75% cost of living increase over a 1% cost of living increase assumed for FY16. All union employees were working without a contract in FY16 and most still are working without a contract in FY17, so actual salary expense in FY16 was less than budgeted. The first cost of living adjustment under the union contract of 1.75% will be paid in FY18 reflecting a smaller growth rate from adopted FY17 to proposed FY18 than from actual FY16 to adopted FY17. Additionally, there was one new funded position in FY17 in the engineering department.

- 5) Please provide support for the annual debt service raised for fiscal year 2018 of \$4,028,072 as referenced in Schedule 13, including any appropriate reference to the \$65,000,000 of projected cost for the project to rehabilitate the Round Valley dam referenced on page 10 of the B and B statement.

The debt service schedule used to calculate the rate for FY18 was based on cost estimates of the Round Valley Reservoir Rehabilitation project developed in 2015 after the work of the Technical Review Board and inflated by 3% per year assuming a 2017 construction schedule. Financing assumptions included traditional borrowing, a 25 year term, bond insurance, issuance costs, serial interest rates between 2% and 5%, \$500,000 of capitalized interest and prefunding a debt service reserve. The construction cost estimates totaled \$51.4 million which included power costs to refill the reservoir. The total debt for the debt service and rate calculation was \$57.6 million. The model produced a year one debt service requirement, at a sales base of 182.339 mgd and without the 120% coverage calculation, of \$4,028,072 and a rate of \$60.52 per million gallons. The debt service rate calculation in the FY18 Basis and Background document uses a somewhat higher sales base of 182.353 mgd and the rate rounded down to \$60.00 per million gallons.

Since the first construction estimates were developed in the summer of 2015, a few ancillary projects have been added to the construction costs, including the refurbishment of two more pumps and security improvements to the towers. These items have increased the estimate of total project cost to \$65 million. The project costs continue to evolve as the Authority considers a variety of construction alternatives and works through the design phase of the project.

- 6) Please explain if, or how, the \$65,000,000 cost of the project to rehabilitate the Round Valley dam is included in Schedule 14, which includes projects totaling approximately \$35 million. If the project is not included in the Basis and Background statement, please explain why.

Mr. Dante DeStefano
February 1, 2017
pg. 3

The \$65 million cost of rehabilitating the dams (including construction and construction management) is not included in Schedule 14, because it is anticipated that the Authority will obtain separate financing for construction and construction management. Schedule 14 presents projects that will be funded through the capital fund component of rates, and it is anticipated that the \$65 million will be funded through the separate RV Dam Improvement Debt Service Assessment included in the proposed rates.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Susan Buckley". The signature is written in a cursive, flowing style.

Susan Buckley
Controller

Attachments (3)

cc: Robert Schaefer



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Jersey Water Supply Authority
Clinton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Water Supply Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

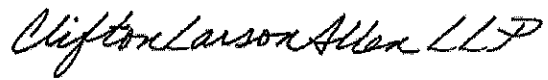
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Commissioners
New Jersey Water Supply Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 3, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 3, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

- Non-operating expenses for fiscal year 2016 decreased 1.84% to \$2.1 million. The interest component of debt service decreased 11.26% with the refunding of the 2005 Manasquan Water Supply System Revenue Bonds and the continued pay-down of the system debt. There was a decrease in the reduction in costs to be recovered from future revenue, (deferred inflows of resources) and the change in the rate model is outlined in Note 2 to the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The Authority is a self-supporting entity and follows enterprise fund accounting. The enterprise fund concept is similar to the manner in which private business enterprises are financed and operated. The Authority presents its financial statements on the accrual basis of accounting. The statements offer short and long-term financial information about the activities and operations of the Authority. The intent is that the costs of providing service to water users on a continuing basis are financed primarily through user charges. The Authority has established certain restricted "funds or accounts," as directed by internal resolution and bond indentures. In an effort to ensure compliance with the Authority's by-laws and to safeguard its assets, internal controls have been developed and implemented by management. These internal controls include policies, procedures, approved organizational structures and approved budgets for capital and operating expenditures.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was approximately \$113.6 million as of June 30, 2016. In fiscal year 2016, total assets and deferred outflows increased .03% to \$209.2 million, primarily due to an increase in pension related deferred outflow of resources offset by a decrease in capital assets and a decrease in restricted asset investments. Total liabilities decreased 5.99% to \$92.5 million, due to an increase in the Authority's portion of the State of New Jersey's net unfunded pension liability as required by GASB 68, offset by a decrease in the current and non-current portion of bonds, loans and notes payable. Total net position as of June 30, 2015, was approximately \$108.1 million. Total assets at June 30, 2015 increased .78% to \$209.1 million, and total liabilities increased 15.26% to \$98.4 million. Total net position as of June 30, 2014, was \$121.7 million. Changes in assets, liabilities and net position at June 30, 2016, 2015 and 2014, are summarized in the following table:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

Monmouth Municipal Utilities Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the June 2016 Authority meeting, respectively, based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2016</u>	<u>Rate</u> <u>7/01/2015</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 253.00/mg	\$ 253.00/mg	0.00%
Manasquan Water Supply System			
Initial users	\$1,104.58/mg	\$1,057.40/mg	4.46%
Delayed water users	\$1,238.04/mg	\$1,190.86/mg	3.96%

The Authority's total operating revenue for fiscal year 2016 was \$27.8 million, an increase of 3.85% from fiscal year 2015, due to a 6.16% increase in Raritan and a .34% increase in Manasquan water sales. The Authority's total operating expenses for fiscal year 2016 were \$21.4 million, a decrease of .17% from fiscal year 2015, because of a decrease in Raritan direct O&M expenses and a decrease in Manasquan direct O&M expenses and headquarters overhead. The Authority's total operating revenue for fiscal year 2015 was \$26.8 million, an increase of 3.75% from fiscal year 2014. The Authority's total operating expenses for fiscal year 2015 were \$21.4 million, an increase of 3.37% from fiscal year 2014. The following table summarizes the changes in revenue, expenses and net position between fiscal years 2016, 2015 and 2014:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

	2016	2015	2014	Percentage Change 2016-2015	Percentage Change 2015-2014
Land and land rights	\$26,444,952	\$25,566,853	\$25,566,853	3.43 %	0.00 %
Dams	48,205,015	49,003,010	49,801,005	(1.63)	(1.60)
Building, structures and improvements	51,714,341	55,038,675	54,900,182	(6.04)	0.25
Machinery and equipment	1,303,991	1,183,611	1,108,356	10.17	6.79
Construction work in progress	12,713,786	10,445,244	9,778,693	21.72	6.82
Total net investment in capital assets	\$140,382,085	\$141,237,393	\$141,155,089	(0.61)	0.06

More detailed information about the Authority's capital assets is presented in Note 3 to the basic financial statements.

The following table summarizes the changes in capital debt between fiscal years 2016, 2015 and 2014:

	2016	2015	2014	Percentage Change 2016-2015	Percentage Change 2015-2014
Bonds payable	\$19,281,414	\$27,135,913	\$30,058,221	(28.95) %	(9.72) %
Notes payable	33,566,892	33,647,103	33,649,796	(0.24)	(0.01)
Loans payable	13,382,948	14,379,107	15,420,971	(6.93)	(6.76)
Total bonds, notes and loans payable	\$66,231,254	\$75,162,123	\$79,128,988	(11.88)	(5.01)

At year-end, the Authority had \$66,231,254 in bonds, notes and loans principal outstanding, compared to \$75,162,123 at June 30, 2015. This change represents a decrease of 11.88%. The change in bonds, notes and loans principal outstanding at June 30, 2015, compared to the total of \$79,128,988 at June 30, 2014, represents a decrease of 5.01%, as shown in the above table.

More detailed information about the Authority's long-term debt is presented in Note 5 to the basic financial statements.

CURRENT AND NEW BUSINESS

During fiscal year 2016, the Authority supplied water to 30 contractual customers of the Raritan Basin System, who, in turn, supplied water to approximately 1,500,000 people in central New Jersey. Two customers accounted for approximately 84% of total Raritan Basin System operating revenue. There is no expected change the sales base of the Raritan Basin System of 182.339mgd in fiscal year 2017. In addition, during fiscal year 2016, the Authority

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statement of Net Position

	June 30,	
	2016	2015
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$41,144,423	\$37,174,983
Unbilled sales	1,082,506	1,097,005
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2016 and 2015	3,101,106	2,908,472
Interest receivable	272,443	243,335
Prepaid expenses and other current assets	1,012,080	1,026,563
Total unrestricted current assets	<u>46,612,558</u>	<u>42,450,358</u>
Restricted assets:		
Cash equivalents	4,541,572	4,499,245
Investments	2,491,019	7,840,414
Total restricted current assets	<u>7,032,591</u>	<u>12,339,659</u>
Total current assets	<u>53,645,149</u>	<u>54,790,017</u>
Non-current assets:		
Investments	11,527,173	11,824,171
Capital assets, net	140,382,085	141,237,393
Total non-current assets	<u>151,909,258</u>	<u>153,061,564</u>
Deferred outflows of resources - pension related	3,646,920	1,280,619
Total assets and deferred outflows of resources	<u>\$209,201,327</u>	<u>\$209,132,200</u>
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	\$1,276,652	\$3,930,734
Accounts payable	445,212	656,022
Accrued liabilities	1,149,802	1,342,565
Unearned revenue	3,155,654	3,110,567
Total current liabilities	<u>6,027,320</u>	<u>9,039,888</u>
Non-current liabilities:		
Non-current portion of bonds, notes and loans payable	64,954,602	71,231,389
Net pension liability	21,534,789	18,141,342
Total non-current liabilities	<u>86,489,391</u>	<u>89,372,731</u>
Deferred inflows of resources:		
Cost recovery	1,231,135	890,268
Pension related	1,021,022	1,733,571
Gain on refunding	823,712	-
Total deferred inflows of resources	<u>3,075,869</u>	<u>2,623,839</u>
Net Position		
Net investment in capital assets	98,890,303	91,638,454
Restricted for debt service	3,876,937	9,229,092
Unrestricted	10,841,507	7,228,196
Total net position	<u>113,608,747</u>	<u>108,095,742</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$209,201,327</u>	<u>\$209,132,200</u>

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statement of Cash Flows

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities		
Cash received from water sales	\$25,038,797	\$23,068,531
Cash received from reimbursable expenses	2,648,442	2,669,816
Cash received from rental income	35,673	28,022
Cash paid to or on behalf of employees	(11,642,062)	(10,900,075)
Cash paid to suppliers	(5,064,598)	(5,779,801)
Net cash provided by operating activities	11,016,252	9,086,493
Cash flows from noncapital financing activities		
Cash received for grant programs	62,375	59,083
Net cash provided by non-capital financing activities	62,375	59,083
Cash flows from capital and related financing activities		
Proceeds from borrowing	23,596,826	-
Gain on refunding	823,712	-
Principal paid on bonds, notes and loans	(26,653,829)	(4,444,935)
Interest paid on bonds, notes and loans	(1,646,829)	(1,445,299)
Acquisition and construction of capital assets	(3,729,938)	(4,249,403)
Proceeds from sale of capital assets	87,160	85,033
Net cash used in capital and related financing activities	(7,522,898)	(10,054,604)
Cash flows from investing activities		
Sale of investment securities	3,005,598	4,345,501
Purchase of investment securities	(3,624,715)	(3,834,027)
Interest received on investments	946,471	194,265
Premium on matured investments	128,684	-
Net cash provided by investing activities	456,038	705,739
Net increase in cash and cash equivalents	4,011,767	(203,289)
Cash and cash equivalents, beginning of year	41,674,228	41,877,517
Cash and cash equivalents, end of year	\$45,685,995	\$41,674,228
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	6,428,239	5,361,529
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	58,467	58,244
Cash received for operating activity included in other income	2,584	160,030
Depreciation	4,441,492	4,368,723
Increase (decrease) in cash from:		
Unbilled sales	14,499	(123,052)
Accounts receivable	(219,644)	(965,304)
Prepaid expenses and other current assets	14,483	33,199
Accounts payable	(40,046)	(938)
Accrued liabilities	31,644	(432)
Accrued payroll and taxes	(30,063)	194,494
Net pension liability	314,597	-
Net cash provided by operating activities	\$11,016,252	\$9,086,493
Non-cash investing activities		
Decrease in fair value of investments	(\$277,520)	(\$592,498)

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

Revenue

Charges for wholesale water usage are established to provide revenue sufficient for services, essential repairs and improvements to the utility plant, and repayment of debt service on certain long-term obligations used for plant construction. Sales are recognized as revenue when water is made available to customers, and the customers are billed in the following month or quarter.

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from the sale of water to customers. Operating expenses include costs of providing water, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Capital Assets

Capital assets are stated at original cost and consist primarily of amounts expended to license, construct, acquire, complete and place into operation the projects of the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such expenditures include labor, materials, services and indirect costs. Normal maintenance and repair costs are charged to operations and maintenance expense. Improvements and replacements are capitalized. Interest earned on long-term debt proceeds used for capital asset construction and temporarily invested during the construction period is netted against interest cost. The excess, if any, is capitalized to construction work in progress, and the portion related to completed projects is expensed. The cost of capital assets retired, net of any gain or loss on the disposal of such capital assets, is offset to accumulated depreciation. The Authority also holds several restricted easements for utility access, conservation and water rights. These easements are recorded at the lower of cost or fair market value upon acquisition.

Depreciation

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the various classes of plant, as follows:

Dams	100 years
Buildings, structures and improvements	15-40 years
D&R canal dredging	20 years
Machinery and equipment	3-10 years

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers short-term investments that have original maturities of ninety days or less to be cash equivalents.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue Code, Section 115, and from state income taxes under N.J.S.A. 27:25-16, and accordingly, no provision is recorded for federal or state income taxes.

Net Position

Net position represents the difference between assets and liabilities and is classified into three categories:

- *Net Investment in Capital Assets* – This represents capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition construction or improvement of those assets.
- *Restricted Net Position* – This represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.
- *Unrestricted Net Position* – This represents the net position that is available for general use.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Deferred Inflows of Resources – Cost Recovery

The Authority's cost recovery rate model used to establish rates, fees and charges includes an amount for debt principal repayment (but not for depreciation on the related debt financed assets) and also includes vacation amounts paid. In accordance with GASB No. 62, the Authority has deferred the excess of current depreciation on assets financed with debt proceeds over the costs for debt principal repayment and the excess of vacation expense over vacation paid, and accrued sick pay, which are being classified as deferred inflows of resources. The deferred inflows will be recovered through future revenue in accordance with the rate model. The deferred amount for the years ended June 30, 2016 and 2015, were determined as follows:

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

Deferred Inflows/Outflow of Resources - Pensions

Deferred charges for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the State's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contributions and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Accounting for Southeast Monmouth Municipal Utilities Authority Agreement

The Authority operates and maintains a Water Treatment Plant/Transmission System for the Southeast Monmouth Municipal Utilities Authority ("SMMUA"). The SMMUA is charged for budgeted operating expenses expected to be incurred by the Authority during the SMMUA's fiscal year (January 1 through December 31).

Because of the difference resulting from billing the SMMUA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding SMMUA billings) or unearned revenue (SMMUA billings exceeding actual costs) in its statement of net position. These excess costs or billings will be recovered or recognized in future periods. As of June 30, 2016 and 2015, unearned revenue amounting to \$2,047,595 and \$1,897,602, respectively, was determined as follows:

	2016	2015
Reimbursement of operating expenses	\$2,646,563	\$2,646,219
Operating expenses	2,496,570	2,337,620
Unearned revenue	149,993	308,599
Balance, beginning of year	1,897,602	1,589,003
Balance, end of year	\$2,047,595	\$1,897,602

In previous years, the Authority received additional funds that are restricted for use by the SMMUA for costs associated in operating the Water Treatment Plant. As of June 30, 2016 and 2015, the amount included in unearned revenue was \$1,108,059, and \$1,212,965, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2016 and 2015, the Authority received \$113,483 and \$40,204, respectively, from the NJDEP for the costs associated with various watershed protection studies of the Raritan Basin System. These funds are restricted to uses specifically identified in grant agreements between the Authority and NJDEP and will be recognized as revenue as the related costs are incurred. Eligible project expenses include,

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

	2015 Beginning Balance	Additions	Retirements	2015 Ending Balance
Capital assets not being depreciated:				
Land	\$ 25,566,853	\$ -	\$ -	\$ 25,566,853
Construction work in progress	9,778,693	4,037,997	(3,371,446)	10,445,244
Total capital assets not being depreciated	35,345,546	4,037,997	(3,371,446)	36,012,097
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	130,095,629	3,379,845	-	133,475,474
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	6,564,082	425,196	(668,970)	6,320,308
Total capital assets being depreciated	235,189,145	3,805,041	(668,970)	238,325,216
Less accumulated depreciation for:				
Dams	(27,568,155)	(797,995)	-	(28,366,150)
Building, structures and improvements	(75,195,448)	(3,241,352)	-	(78,436,800)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(5,455,726)	(329,376)	648,405	(5,136,697)
Total accumulated depreciation	(129,379,602)	(4,368,723)	648,405	(133,099,920)
Total capital assets, being depreciated, net	105,809,543	(563,682)	(20,565)	105,225,296
Total net investment in capital assets	\$141,155,089	\$ 3,474,315	\$ (3,392,011)	\$141,237,393

4. Cash, Cash Equivalents, and Investments

New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the "FDIC") or by any other agencies of the United States that insure deposits. All funds of the Authority may be invested in obligations of, or guaranteed by, the U.S. Government.

The Authority's bond resolutions limit the investment of restricted assets to obligations of the U.S. Government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in the NJCMF and direct and general obligations of any state that meets the minimum requirements of the resolution.

a. Cash

As of June 30, 2016 and 2015, the Authority's bank balance was \$4,038,014 and \$2,275,529, respectively, of which \$250,000 was covered through the FDIC. The remaining balance of \$3,788,014 and \$2,025,529 as of June 30, 2016 and 2015, respectively, was collateralized, and the cash balance per the statement of net position is shown exclusive of outstanding checks totaling \$159,916 and \$36,108,

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Notes to Financial Statements (continued)

Investment and Cash Equivalent Type	Valuation Inputs Level	Fair Value	Investment Maturities (In Years)	
			Less than 1	1-5
U.S. Treasuries	Level 1	\$47,274,921	\$47,274,921	\$ -
NJ G/O Bonds	Level 2	12,067,506	-	12,067,506
Total		\$59,342,427	\$47,274,921	\$12,067,506

Credit and Custodial Credit Risk

In order to limit exposure to credit risk, the Authority follows the investment policies set forth by the NJCMF. These policies allow investment in securities that achieve a certain rating from the three major ratings organizations as determined annually by the governing board of the NJCMF, as well as limiting investments to certain types of marketable securities.

U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk.

The Authority entered into an agreement with PNC Bank and TD Bank to collateralize all deposits held at a market rate equal to 102% of the daily combined total of all deposits. As of June 30, 2016, all deposits were collateralized.

d. Investment Income

The following comprises investment income for the years ended June 30, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Interest earned on bank accounts and certificates of deposit	\$661,886	\$179,377
Interest earned on securities	591,213	582,386
Decrease in fair value of securities	(277,520)	(592,498)
	<u>975,579</u>	<u>169,265</u>

5. Bonds, Notes and Loans Payable

Manasquan System

A. Notes due to State of New Jersey

The Authority has a contractual obligation to repay the following debt:

The \$63,600,000 of Manasquan Reservoir Water Supply System State Loan Notes (the

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B. Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005

On August 5, 2005, the Authority issued \$47,535,000 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The proceeds, together with other monies on deposit, were used to prepay \$49,293,438 in Current Manasquan State Loan Notes and Completion Notes, the proceeds of which were used to construct the Manasquan Water Supply System. The Revenue Bonds, Series 2005 carried a bond yield of 3.95%, and were scheduled to mature in incremental annual principal amounts through 2031.

The property, and 100% of the revenue generated by the Debt Service Component of the Rate for both initial system customers and delayed water purchase customers of the Manasquan System, was pledged as collateral for the 2005 Bonds. The debt service component of the rate represents 120% of the principal and interest requirements. For the years ended June 30, 2016 and 2015, the debt service component of the rate generated \$4,746,838 and \$4,898,761, respectively.

The Revenue Bonds, Series 2005, had a principal balance of \$26,105,000 at June 30, 2015. Those bonds maturing on or after August 1, 2016, were subject to redemption prior to their stated maturity dates at the option of the Authority. The last principal payment of \$2,940,000 was made on August 1, 2015. The remaining 2005 Bonds were redeemed on June 15, 2016 for \$23,596,126 including accrued interest.

For the years ended June 30, 2016 and 2015, interest expense on the 2005 Bonds amounted to \$1,029,827 and \$1,375,125, respectively, and the related interest income earned on the restricted investments amounted to \$246 and \$269, respectively.

C. Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016

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 in the amount of \$6,340,964, 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, Series 2016, have a principal balance of \$17,460,000 at June 30, 2016, carry a bond yield of 1.59%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2017 are \$230,000.

The property, and 100% of the revenue generated by the Debt Service Component of the Rate for both initial system customers and delayed water purchase customers of the Manasquan System, was pledged as collateral for the 2005 Bonds. The debt service component of the rate represents 120% of the principal and interest requirements. The pledged revenue will be unavailable for other purposes until August 1, 2031. For the years ended June 30, 2016 and 2015, the debt service component of the rate generated \$4,746,838 and \$4,898,761, respectively.

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acquisition of source water watershed properties critical to the Raritan Basin System. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of the cost from the State Revolving Fund maintained by the NJDEP at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State's Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life, and property and revenue of the Raritan Basin System are pledged as collateral for the loans.

The following table summarizes the NJEIFP loans outstanding for the Raritan Basin System, as of June 30, 2016:

NJEIFP Series	Date of Issuance	State Revolving Fund Original Principal	Percent	Trust Original Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2003A	11/6/2003	\$627,019	75%	\$235,000	25%	1.19%	\$381,622	8/1/2023
2004A	11/4/2004	1,030,000	75%	350,000	25%	1.31%	674,314	8/1/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.25%	1,662,499	8/1/2025
2006A	11/9/2006	2,099,363	75%	745,000	25%	1.26%	1,620,715	8/1/2026
2007A	11/8/2007	1,740,563	75%	620,000	25%	1.06%	1,507,104	8/1/2027
2008A	11/6/2008	1,152,000	64%	660,000	36%	1.74%	1,280,099	8/1/2028
2010A	3/10/2010	300,493	51%	290,000	49%	1.69%	437,244	8/1/2029
2010B	12/2/2010	1,064,338	52%	990,000	48%	1.87%	1,642,786	8/1/2030
2012A	5/3/2012	1,501,455	76%	465,000	24%	0.65%	1,616,074	8/1/2031
Total		\$12,456,205		\$5,405,000			\$10,822,457	

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2016, 2015 and 2014:

	Fiscal Year 2015	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2016	Due Within One Year
Bonds payable	\$27,135,913	\$25,314,499	\$17,460,000	\$19,281,414	\$230,000
Notes payable	33,647,103	80,211	0	33,566,892	0
Loans payable	14,379,107	996,159	0	13,382,948	1,046,652
Total	\$75,162,123	\$26,390,869	\$17,460,000	\$66,231,254	\$1,276,652

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Notes to Financial Statements (continued)

6. Employee Benefits

Pension and Retirement Plans

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). PERS is administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). The Authority has adopted GASB Statement No.68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the Authority to report its share of the defined benefit pension liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the Public Employees' Retirement System (PERS). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Following is the total of the local portion of the System's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended June 30, 2015.

Net Pension Liabilities	\$21,534,789
Deferred Outflow of Resources	3,646,920
Deferred Inflow of Resources	1,021,022
Pension Expense	1,138,400
Contributions Made	823,798

Plan Description and Benefits

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement at age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or

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Notes to Financial Statements (continued)

of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. More information on mortality rates and other assumptions, and investment policies, can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The following presents the Authority's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90% and 5.39% as of June 30, 2015 and 2014, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

Sensitivity of the Authority's Proportionate Share of the PERS Local Share Net Pension Liability to Changes in the Discount Rate

	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
2015	<u>\$26,733,985</u>	<u>\$21,534,789</u>	<u>\$17,129,785</u>
	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
2014	<u>\$22,823,669</u>	<u>\$18,141,342</u>	<u>\$14,211,197</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determine contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

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outflows of resources and deferred inflows of resources related to pension will be recognized in PERS pension expense as follows:

Year Ending June 30,	Amortization
2017	301,194
2018	301,194
2019	301,194
2020	568,478
2021	<u>330,040</u>
Total	<u>\$1,802,100</u>

Post-Retirement Health Care Benefits

The Authority provides continued health care benefits to employees retiring after twenty-five years of service and their eligible dependents. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Authority's portion of this liability and cost is included in the State's comprehensive annual financial report on an annual basis. As such, the liability for Authority employees is covered under the State plan. The Division of Pensions within the New Jersey Treasury Department administers the funds. Monthly, the Division of Pensions charges the Authority for its contribution. The total number of employees receiving benefits was 55, 53 and 52 at June 30, 2016, 2015 and 2014, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$914,743, \$875,644 and \$757,870 for the years ended June 30, 2016, 2015 and 2014, respectively.

7. Major Water Customers

During fiscal years 2016 and 2015, the Authority supplied water to approximately 30 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2016 and 2015, two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Three customers accounted for approximately 86% of total Manasquan System operating revenue.

8. Risk Management

The Authority carries insurance for all of its facilities, covering direct physical loss or damage and loss of revenue resulting therefrom, with such deductibles as it deems appropriate. The Authority also carries General and Umbrella Public Liability Insurance with such self-insured retainers as it deems appropriate. Automotive and Public Officials Liability coverage is also maintained with deductibles. Workers' Compensation coverage is also maintained, as required by State law. Settled claims resulting from the aforementioned risks have not exceeded insurance coverage in any of the past three fiscal years.

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guidance that a governmental entity should apply. The Authority has reviewed the provision of this Statement and has determined that no retroactive accounting changes are necessary as a result of implementing this Statement.

In March 2016, GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). This Statement requires the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure, in schedules of required supplementary information. The Statement also addresses issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. The Authority has implemented the provisions of GASB 82 with respect to covered payroll in its June 30, 2016 financial statements. The Authority has not yet completed the process of evaluating the remaining impact of GASB 82 on its financial statements.

10. Insurance Reimbursements

There are no insurance or FEMA reimbursements included in "Other income" on the statement of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015.

11. Contingencies

The Authority is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or the financial position of the Authority.

12. Information by Business Segment

The Authority issued revenue bonds to finance the construction of various capital assets, including the construction of the reservoir systems for both the Manasquan and Raritan Basin Systems. Each of these Systems must provide sufficient revenue each year to cover its own operating expenses and debt service. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. The chart represents information by Business Segment and is not consistent with the consolidated balances on the statement of net position. Summary financial information for the operating segments is presented below:

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Notes to Financial Statements (continued)

	Year Ended			
	June 30, 2016		June 30, 2015	
	Raritan Basin System	Manasquan Reservoir System	Raritan Basin System	Manasquan Reservoir System
Condensed statement of revenue, expenses and changes in net assets				
Total operating revenue	\$17,298,270	\$7,901,154	\$16,293,863	\$7,874,569
Operating expenses	11,442,968	3,032,555	11,646,913	3,096,047
Depreciation	2,758,921	1,682,571	2,703,857	1,664,866
Operating income	<u>3,096,381</u>	<u>3,186,028</u>	<u>1,943,093</u>	<u>3,113,656</u>
Non-operating revenues	563,547	618,455	381,291	146,545
Non-operating expenses (recovery)	(656,282)	2,607,688	(647,080)	2,479,258
Change in net assets	<u>4,316,210</u>	<u>1,196,795</u>	<u>2,971,464</u>	<u>780,943</u>
Net position, beginning of the year	<u>83,959,187</u>	<u>24,136,555</u>	<u>80,987,723</u>	<u>23,355,612</u>
Net position, end of year	<u><u>\$88,275,397</u></u>	<u><u>\$25,333,350</u></u>	<u><u>\$83,959,187</u></u>	<u><u>\$24,136,555</u></u>
Condensed statement of cash flows				
Net cash provided by:				
Operating activities	\$5,988,367	\$5,027,885	\$3,906,867	\$5,179,625
Non-capital financing activities	62,375	0	59,083	0
Capital and related financing activities	(3,578,112)	(3,944,786)	(4,519,478)	(5,535,125)
Investing activities	<u>583,415</u>	<u>(127,377)</u>	<u>601,795</u>	<u>103,944</u>
Net (decrease) increase in cash and cash equivalents	3,056,045	955,722	48,267	(251,556)
Beginning cash and cash equivalent balances	<u>28,915,829</u>	<u>12,758,399</u>	<u>28,867,562</u>	<u>13,009,955</u>
Ending cash and cash equivalent balances	<u><u>\$31,971,874</u></u>	<u><u>\$13,714,121</u></u>	<u><u>\$28,915,829</u></u>	<u><u>\$12,758,399</u></u>

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Schedule of Proportionate Share of PERS Net Pension Liability (NPL)
Determined as of June 30, 2016, PERS Measurement Date

Fiscal Year	Authority's Proportion	Authority's Proportion Share	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll	PERS Local Fiduciary Net Position as a % of Total Pension Liability
2016	0.10%	\$21,534,789	\$6,949,632	310%	47.94%
2015	0.10%	\$18,141,342	\$6,808,193	266%	52.08%

Schedule of Contributions

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2016	\$1,261,241	\$823,798	\$437,443	\$6,949,632	11.90%
2015	\$819,154	\$798,757	\$20,397	\$6,808,193	11.70%

Schedule of Changes in Total Net Pension Liability

Fiscal Year	Beginning Balance Total Net Pension Liability	Difference between Expected and Actual Experience	Change of Assumptions	Difference between Expected and Actual Earnings	Change in Proportion and Actual Less Proportion Share	Other Changes and Reclassifications	Ending Balance Total Net Pension Liability
2016	\$18,141,342	\$513,147	\$1,739,535	\$735,251	(\$206,140)	\$611,654	\$21,534,789
2015	\$19,250,440	-	\$570,440	(\$1,081,086)	(\$772,427)	\$173,975	\$18,141,342

The pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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Combining Schedule of Net Position
June 30, 2016

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$30,099,649	\$11,044,774		\$41,144,423
Unbilled sales	1,082,506			1,082,506
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2016	1,308,087	1,962,019	(169,000)	3,101,106
Interest receivable	248,060	24,383		272,443
Prepaid expenses and other current assets	800,784	211,296		1,012,080
Total unrestricted assets	<u>33,539,086</u>	<u>13,242,472</u>	<u>(169,000)</u>	<u>46,612,558</u>
Restricted assets:				
Cash equivalents	1,872,225	2,669,347		4,541,572
Investments	-	2,491,019		2,491,019
Total restricted assets	<u>1,872,225</u>	<u>5,160,366</u>	<u>-</u>	<u>7,032,591</u>
Total current assets	<u>35,411,311</u>	<u>18,402,838</u>	<u>(169,000)</u>	<u>53,645,149</u>
Non-current assets:				
Investments	10,615,449	911,724		11,527,173
Capital assets net of accumulated depreciation of \$137,173,435 at June 30, 2016	83,080,156	57,301,929		140,382,085
Total non-current assets	<u>93,695,605</u>	<u>58,213,653</u>		<u>151,909,258</u>
Deferred outflows of resources	2,808,128	838,792		3,646,920
Total assets and deferred outflows of resources	<u>\$131,915,044</u>	<u>\$77,455,283</u>	<u>(\$169,000)</u>	<u>\$209,201,327</u>
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	\$899,080	\$377,572		\$1,276,652
Accounts payable	353,493	260,719	(169,000)	445,212
Accrued liabilities	814,478	335,324		1,149,802
Unearned revenue	0	3,155,654		3,155,654
Total current liabilities	<u>2,067,051</u>	<u>4,129,269</u>	<u>(169,000)</u>	<u>6,027,320</u>
Non-current liabilities:				
Non-current portion of bonds, notes and loans payable	10,005,098	54,949,504		64,954,602
Net pension liability	16,581,787	4,953,002		21,534,789
Total non-current liabilities	<u>26,586,885</u>	<u>59,902,506</u>		<u>86,489,391</u>
Deferred inflows of resources				
Cost recovery	14,199,524	(12,968,389)		1,231,135
Pension related	786,187	234,835		1,021,022
Gain on refunding	-	823,712		823,712
Total deferred inflow of resources	<u>14,985,711</u>	<u>(11,909,842)</u>		<u>3,075,869</u>
Net position				
Net investment in capital assets	72,175,978	26,714,325		98,890,303
Restricted for cash, investments and unearned revenue	1,872,225	2,004,712		3,876,937
Unrestricted	14,227,194	(3,385,687)		10,841,507
Total net position	<u>88,275,397</u>	<u>25,333,350</u>	<u>-</u>	<u>113,608,747</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$131,915,044</u>	<u>\$77,455,283</u>	<u>(\$169,000)</u>	<u>\$209,201,327</u>

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Schedule of Changes in Cash and Investments

Raritan Basin System

Year Ended June 30, 2016

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2015	\$289,108	\$1,187,370	\$30,000	\$972,749	\$3,693,572
Cash receipts:					
Water sales operations and maintenance	11,428,162	-	-	-	-
Water sales debt service	1,674,833	-	-	-	-
Water sales capital fund	2,180,665	-	-	-	-
Water sales source water protection fund	1,607,659	-	-	-	-
Water sales overdrafts	371,664	-	-	-	-
Rental income	36,180	-	-	-	-
Manasquan reservoir support	203,038	-	-	12,316	-
Headquarters overhead	-	-	-	746,000	-
Disposition of property	28,554	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	-	-	-	-	857,582
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	44,296	-	-	-	-
Miscellaneous expense reimbursement	192,862	8,899	-	-	-
Transfers:					
Contributions from operating fund	-	11,114,342	3,282,076	(21,659,098)	-
Contributions to operating fund	-	-	-	2,371,514	-
Transfers for operations	(17,749,913)	-	-	19,318,355	1,558
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	15,365	-	-	-
Investment income	-	-	-	2,073	82,877
Per resolution, Section 603:					
Investment income, transfer from	537,844	-	-	(2,073)	(82,877)
Investment income, transfer to	(60,398)	-	-	-	8,404
Unrealized gain/(loss) on fair value	-	-	-	-	(246,266)
Total cash receipts	495,446	11,138,606	3,282,076	789,087	621,278
Total available cash and investments	\$784,554	\$12,325,976	\$3,312,076	\$1,761,836	\$4,314,850

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Raritan Basin System (continued)

Year Ended June 30, 2016

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund
Cash and investments - July 1, 2015	\$21,113,133	\$287,978	\$535,658	\$1,375,581	\$13,411,879
Cash receipts:					
Water sales operations and maintenance	11,428,162	-	-	-	-
Water sales debt service	1,674,833	-	-	-	-
Water sales capital fund	2,180,665	-	-	-	-
Water sales source water protection fund	1,607,659	-	-	-	-
Water sales overdrafts	371,664	-	-	-	-
Rental income	36,180	-	-	-	-
Manasquan reservoir support	215,354	-	-	-	-
Headquarters overhead	746,000	-	-	-	-
Disposition of property	28,554	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	1,299,795	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	44,296	-	-	-	-
Miscellaneous expense reimbursement	201,761	-	-	-	-
Transfers:					
Contributions from operating fund	(5,946,428)	354,000	690,000	-	2,202,290
Contributions to operating fund	2,207,201	-	-	-	(1,574,652)
Transfers for operations	1,570,000	-	-	-	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	15,365	-	-	-	-
Investment income	549,128	225	506	2,615	26,201
Per resolution, Section 603:					
Investment income, transfer from	-	-	-	-	-
Investment income, transfer to	-	-	-	-	-
Unrealized gain/(loss) on fair value	(341,378)	-	-	-	-
Total cash receipts	17,888,811	354,225	690,506	2,615	653,839
Total available cash and investments	\$39,001,944	\$642,203	\$1,226,164	\$1,378,196	\$14,065,718

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Raritan Basin System (continued)

Year Ended June 30, 2016

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$784,554	\$12,325,976	\$3,312,076	\$1,761,836	\$4,314,850
Cash disbursements:					
Payroll	-	-	3,149,305	-	-
Fringe benefits	-	36,698	-	775,616	-
Employee deferred comp. and credit union	-	1,463,065	-	170,157	-
Operations and maintenance	-	8,634,057	-	-	-
Prepaid insurance	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	-
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	-	-	-	-
New five-year construction project	-	-	-	-	-
Purchase of investment securities	-	-	-	-	713,618
Principal on 1981 bonds	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-
Principal on 1998 bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	-	-	-	-
Interest on NJEIT revenue bonds	-	-	-	-	-
Total cash disbursements	-	10,133,820	3,149,305	945,773	713,618
Cash and investments - June 30, 2015	\$784,554	\$2,192,156	\$162,771	\$816,063	\$3,601,232
Summary of cash and investments:					
Cash	\$784,554	\$2,192,156	\$162,771	-	-
Short-term investments	-	-	-	816,063	2,176,177
Long-term investments	-	-	-	-	1,425,055
Restricted investments (current)	-	-	-	-	-
Restricted investments (long term)	-	-	-	-	-
Total cash and investments	\$784,554	\$2,192,156	\$162,771	\$816,063	\$3,601,232

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Raritan Basin System (continued)

Year Ended June 30, 2016

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund
Total available cash and investments	\$39,001,944	\$642,203	\$1,226,164	\$1,378,196	\$14,065,718
Cash disbursements:					
Payroll	3,149,305	-	-	-	-
Fringe benefits	812,314	-	-	-	-
Employee deferred comp. and credit union	1,633,222	-	-	-	-
Operations and maintenance	8,634,057	-	-	-	-
Prepaid insurance	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	796,833
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	-	-	-	-
New five-year construction project	-	-	-	-	-
Purchase of investment securities	1,170,292	-	-	-	-
Principal on 1981 bonds	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-
Principal on 1998 bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	308,820	536,488	-	-
Interest on NJEIT revenue bonds	-	39,552	150,984	-	-
Total cash disbursements	15,399,190	348,372	687,472	-	796,833
Cash and investments - June 30, 2015	\$23,602,754	\$293,831	\$538,692	\$1,378,196	\$13,268,885
Summary of cash and investments:					
Cash	\$3,139,481	-	-	-	-
Short-term investments	9,847,824	293,831	538,692	1,378,196	13,268,885
Long-term investments	10,615,449	-	-	-	-
Restricted investments (current)	-	-	-	-	-
Restricted investments (long term)	-	-	-	-	-
Total cash and investments	\$23,602,754	\$293,831	\$538,692	\$1,378,196	\$13,268,885

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Manasquan Water Supply System

Year Ended June 30, 2016

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2015	\$171,096	\$312,936	\$20,000	\$3,610,830	\$1,653,051
Cash receipts:					
Water sales operations and maintenance	2,641,994	-	-	-	-
Water sales debt service	4,633,182	-	-	-	-
Source water protection	77,824	-	-	-	-
Water sales debt service NJEIT	172,147	-	-	-	-
Water sales overdrafts	160,609	-	-	-	-
NJ-American pumping costs	180,209	-	-	-	-
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	1,980	-	-	-	-
Reimbursement from Raritan System	101,121	-	-	-	-
Sale of investment securities	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Miscellaneous reimbursement	91,529	-	-	1,096,500	-
Transfers:					
Contributions from operating fund	-	4,526,369	1,067,304	(9,651,645)	-
Contributions to operating fund	-	371	-	2,831,243	-
Transfers for operations	(8,237,615)	-	-	8,237,615	-
Distribution from reserves to operations	(27,310)	196,104	-	27,310	-
Investment income	-	-	-	7,264	23,326
Per resolution, Section 603:					
Investment income, transfer from	60,368	-	-	(7,264)	(23,326)
Investment income, transfer to	(15,985)	-	-	7,773	-
Unrealized (loss)gain on fair value	-	-	-	-	(18,502)
Total cash receipts	(159,947)	4,722,844	1,067,304	2,548,796	(18,502)
Total cash and investments	\$11,149	\$5,035,780	\$1,087,304	\$6,159,626	\$1,634,549

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Manasquan Water Supply System (continued)

Year Ended June 30, 2016

	Water Treatment Plant/Transmission System							NJFIT Debt Service Fund
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self- Insurance Reserve	Capital Improvement Reserve	
Cash and investments - July 1, 2015	\$10,599,187	\$185,236	\$1,011,428	\$9,488	\$98,444	\$253,205	\$1,169,619	\$349,508
Cash receipts:								
Water sales operations and maintenance	2,641,994	-	-	-	-	-	-	-
Water sales debt service	4,633,182	-	-	-	-	-	-	-
Source water protection	77,824	-	-	-	-	-	-	-
Water sales debt service NJFIT	172,147	-	-	-	-	-	-	-
Water sales overdrafts	160,609	-	-	-	-	-	-	-
NJ-American pumping costs	180,209	-	-	-	-	-	-	-
Headquarters overhead	-	-	2,642,400	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-	-
Disposition of assets	1,980	-	-	-	-	-	-	-
Reimbursement from Raritan System	101,121	-	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-	-	-	-
Miscellaneous reimbursement	1,188,029	-	53,107	-	-	-	34,410	-
Transfers:								
Contributions from operating fund	(3,600,785)	950,000	(945,986)	-	-	-	(10,180)	(21,880)
Contributions to operating fund	1,841,186	-	(1,458,779)	-	(83)	(347)	(266,977)	-
Transfers for operations	-	-	-	-	-	-	-	-
Distribution from reserves to operations	196,104	-	-	-	-	-	-	-
Investment income	67,298	-	1,750	17	96	401	1,900	493
Per resolution, Section 603:								
Investment income, transfer from	73	-	15	(15)	-	-	-	-
Investment income, transfer to	-	-	-	-	-	-	-	-
Unrealized (loss)gain on fair value	(43,095)	-	-	-	-	-	-	-
Total cash receipts	7,617,876	950,000	292,507	2	13	54	(240,847)	(21,387)
Total cash and investments	\$18,217,063	\$1,135,236	\$1,303,935	\$9,490	\$98,457	\$253,259	\$928,772	\$328,121

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Manasquan Water Supply System (continued)

Year Ended June 30, 2016

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$11,149	\$5,035,780	\$1,087,304	\$6,159,626	\$1,634,549
Cash disbursements:					
Payroll	-	-	1,025,459	-	-
Fringe benefits	-	1,796,952	-	(1,557,629)	-
Employee deferred comp. and credit union	-	224,584	-	223,804	-
Operations and maintenance	-	2,564,747	-	1,702,838	-
NJ-American pumping costs	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Headquarters overhead	-	-	-	649,000	-
Capital assets reservoir	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	4,586,283	1,025,459	1,018,013	-
Cash and investments - June 30, 2016	\$11,149	\$449,497	\$61,845	\$5,141,613	\$1,634,549
Summary of cash and investments:					
Cash (Manasquan)	\$11,149	\$449,497	\$61,845	-	-
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	5,141,613	1,244,939
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	389,610
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$11,149	\$449,497	\$61,845	\$5,141,613	\$1,634,549

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey

Schedule of Changes in Cash and Investments

Manasquan Water Supply System (continued)

Year Ended June 30, 2016

	Water Treatment Plant/Transmission System							NJET Debt Service
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self- Insurance Reserve	Capital Improvement Reserve	
Total available cash and investments	\$18,217,063	\$1,135,236	\$1,303,935	\$9,490	\$98,457	\$253,259	\$928,772	\$328,121
Cash disbursements:								
Payroll	1,025,459	-	-	-	-	-	-	-
Fringe benefits	239,323	-	-	-	-	-	-	-
Employee deferred comp. and credit union	448,388	-	-	-	-	-	-	-
Operations and maintenance	4,348,852	962,802	-	-	-	-	-	-
NJ-American pumping costs	-	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-	-
Headquarters overhead	649,000	-	97,000	-	-	-	-	-
Capital assets reservoir	-	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-	142,572
Interest on bonds	-	-	-	-	-	-	-	38,698
Total cash disbursements	6,711,022	962,802	97,000	-	-	-	-	181,270
Cash and investments - June 30, 2016	\$11,506,041	\$172,434	\$1,206,935	\$9,490	\$98,457	\$253,259	\$928,772	\$146,851
Summary of cash and investments:								
Cash (Manasquan)	\$522,491	-	-	-	-	-	-	-
Cash (Water Treatment Plant/TS)	-	172,434	-	-	-	-	-	-
Short-term investments	10,071,826	-	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	1,206,935	9,490	98,457	253,259	928,772	-
Long-term investments	911,724	-	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-	146,851
Restricted investments (long-term)	-	-	-	-	-	-	-	-
Total cash and investments	\$11,506,041	\$172,434	\$1,206,935	\$9,490	\$98,457	\$253,259	\$928,772	\$146,851



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
New Jersey Water Supply Authority
Clinton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Jersey Water Supply Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Attachment 2

New Jersey Water Supply Authority Actual CIP Expenses
FY15, FY16 and the First Six Months of FY17

General Ledger Detail Report

NJWSA-RARITAN BASIN SYSTEM (WSA)

Account Number/Description	Summary Report for Period 01 Thru 12 Ending 6/30/2015			
	Beginning Balance	Debit	Credit	Net Change
CFO Roof, Paving, & Fuel Disp Unit. CIP	79,145.25	1,028,141.80	220,261.45	807,880.35
1252-00				887,025.60
CIP Rehab of Multi-Use trail Station 353-354	62,438.61	460,202.48	340,707.55	119,494.93
1254-00				181,933.54
Reconstruct Embankment Raven Rock & Prallsvl CIP	82,169.24	8,363.00	0.00	8,363.00
1256-00				90,532.24
Rehab of Cherry Tree Ln 1269+65 - CIP	126.91	115,987.29	10,369.35	105,617.94
1258-00				105,744.85
RV & SR Embankment Study - CIP	87,656.94	1,503,600.89	85,341.43	1,418,259.46
1293-00				1,505,916.40
CIP Stabilizatin of Canal @ Station 156 & 207	11,944.85	149,226.16	2,817.94	146,408.22
Report Total:	6,470,958.29	3,996,125.27	4,014,570.33	18,445.06
				6,452,513.23

General Ledger Detail Report

NJWSA-RARITAN BASIN SYSTEM (WSA)

Summary Report for Period 01 Thru 12 Ending 6/30/2016

Account Number/Description	Beginning Balance	Debit	Credit	Net Change	Ending Balance
Sinkhole Emergency Repair - D&R Canal	0.00	82,207.21	0.00	82,207.21	82,207.21
1293-00					
CIP Stabilizatin of Canal @ Station 156 & 207	158,353.07	12,075.02	0.00	12,075.02	170,428.09
Report Total:	6,452,513.23	2,261,690.12	746,948.81	1,514,741.31	7,967,254.54

General Ledger Detail Report

NJWSA-RARITAN BASIN SYSTEM (WSA)

Account Number/Description	Summary Report for Period 01 Thru 06 Ending 12/31/2016				
	Beginning Balance	Debit	Credit	Net Change	Ending Balance
Shikhole Emergency Repair - D&R Canal	82,207.21	84,073.34	78,156.67	7,916.67	90,123.88
1270-00					
Dredging intake Pond @ SBPS & Reple Ice Deflectors	0.00	671.18	335.59	335.59	335.59
1283-00					
CIP Stabilizatrn of Canal @ Station 156 & 207	170,428.09	1,608.58	0.00	1,608.58	172,036.67
Report Total:	7,967,254.54	2,496,664.04	1,098,909.03	1,397,755.01	9,365,009.55

NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
 ACTUAL OPERATING EXPENSES January 1, 2016 through December 31, 2016 - DISTRIBUTED BY COST CENTER

CODE	ACCOUNT	Cost Center 10 OFFICE EXECUTIVE DIRECTOR	Cost Centers 13-17 FINANCIAL MANAGEMENT & ACCOUNTING	Cost Center 20 WATERSHED PROTECTION PROGRAMS	Cost Centers 30-37 OPERATIONS MAINTENANCE & ENGINEERING	ACTUAL EXPENSES 1/1/2016-12/31/2016
5110	Regular Salaries & Wages	\$145,491	\$1,108,849	\$371,006	\$3,608,460	\$5,233,805
5120	Overtime-Salaries & Wages	274	14,979	0	190,977	206,230
5130	New Positions-Salaries & Wages					0
5140	Seasonal Help-Salaries & Wages					0
5160	Fringe Benefits	34,870	462,783	123,865	2,117,253	2,728,571
5167	Retiree Health Benefits	50,224	139,024		658,541	847,789
5168	Workers Compensation (Self-Insured)		1,188			1,188
	Total Salary & Fringe Benefits	\$230,859	\$1,716,803	\$494,890	\$6,575,231	\$9,017,583
5200	On-Site Residences				23,764	\$23,764
5211	Heating Fuel				28,127	\$28,127
5220	Utilities -Electrical Service				70,682	\$70,682
5230	" -Gas Service & Water				3,948	\$3,948
5240	" -Propane				834	\$834
5260	Electricity for Pumping				136,109	\$136,109
5260	Vehicular Fuel		89,859			\$89,859
5270	Oil & Grease				9,401	\$9,401
5280	Tires				12,649	\$12,649
5290	Maintenance Supplies		395	271	127,106	\$127,772
5300	Maint. Supplies - Vehicular Equipment				68,101	\$68,101
5310	Major Special Vehicle Service & Repair				44,106	\$44,106
5320	Agricultural Supplies			0	4,029	\$4,029
5330	Maintenance of Equipment		10,062	0	32,063	\$42,115
5340	Service & Maintenance Contracts		26,127	1,377	192,992	\$220,496
5350	Equipment Rental		22,346		9,942	\$32,287
5360	Household-Safety & Protective Supplies		7,636		29,355	\$36,991
5370	Uniforms				3,806	\$3,806
5380	Special & Professional Services	20,528	190,703	108,084	132,786	\$452,101
5390	Protective Services		1,122,228			\$1,122,228
5400	Telephone		77,226			\$77,226
5410	Postage & Freight		3,103	78	21	\$3,202
5420	Data Processing		34,821			\$34,821
5430	Printing & Office Supplies	1,163	29,147	993	7,083	\$38,376
5440	Scientific & Photographic				309	\$309
5450	Dues & Subscriptions	12,859	4,932	0	13,607	\$31,598
5460	Advertising		23,390			\$23,390
5470	Travel & Subsistence	514	533	771	3,950	\$6,768
5480	Staff Training & Tuition Aid	180	305	2,330	14,376	\$17,200
5490	Fees & Permits		107,962	0	15,772	\$123,734
5500	In-Lieu Taxes		16,689			\$16,689
	Total Operating Expenses	\$36,244	\$1,769,362	\$113,904	\$975,116	\$2,693,616
	GRAND TOTAL	\$265,803	\$3,486,155	\$608,794	\$7,550,346	\$11,911,198

**New Jersey Water Supply Authority – Raritan Basin, Public Hearing Statement of
New Jersey American Water Company**

This statement is on behalf of New Jersey American Water Company on the Authority's proposed annual user charges for purchased raw water from the Raritan Basin for the Fiscal Year 2018. The Authority's 2018 Basis and Background Statement indicates a 32.81% projected increase is sought in the rate to be charged effective 7/1/17, over the current rate. The Company is currently reviewing the available financial records requested to ensure that the adopted charges reflect as closely as possible the Authority's actual operating and capital needs for Fiscal Year 2018.

New Jersey American's examination of the Authority's Fiscal Year 2018 Basis and Background Statement includes a comparison of 2016 Budget levels to prior year budgets and actual historical levels of individual operation and maintenance expenses, debt service, miscellaneous income, cost allocations, and the FY 2016 audited financial statements. In our review we requested data which included the Authority's audited and unaudited expenses and revenues, miscellaneous income, capital funding, fund balance detail, and interest income. We also respectfully reserve the right to supplement these requests with any additional questions, which we feel are relevant to the issues at hand and that are relevant to services provided by the New Jersey Water Supply Authority-Raritan Basin.

New Jersey American Water Company undertakes its review to ensure that the adopted charges reflect as closely as possible the Authority's actual operating and capital needs for Fiscal Year 2018.

Thank You.

Beth Gates

From: Lou Neely <lneely@eastbrunswick.org>
Sent: Tuesday, January 31, 2017 12:10 PM
To: Beth Gates
Cc: Edwin Walker
Subject: Public Hearing 2/3/17

Good morning and we will not be at the Public Hearing, we have agreed with the rates for the work as outlined is important. Let me know if there are any that take objection with the rates. Thanks and have a good day.

**BOARD OF CHOSEN FREEHOLDERS
OF THE COUNTY OF WARREN**
WAYNE DUMONT, JR. ADMINISTRATION BUILDING
165 COUNTY ROAD, 519 S
BELVIDERE, NEW JERSEY 07823-1949



RICHARD D. GARDNER, FREEHOLDER DIRECTOR
EDWARD J. SMITH, DEPUTY FREEHOLDER DIRECTOR
JASON J. SARNOSKI, FREEHOLDER

TELEPHONE: 908-475-6500
FAX: 908-475-6528

March 7, 2017

Henry S. Patterson, Executive Director
New Jersey Water Supply Authority
1851 Highway 31
Post Office Box 5196
Clinton, New Jersey 08809

Dear Mr. Patterson,

MAR 10 '17 AM 9:48

I am commenting on the NJ Water Supply Authority Proposed Rate Adjustments for Fiscal Year 2018 for the Raritan Basin System. The NJWSA document titled Basis and Background Statement states on page 4 that the "The Authority established the Source Water Protection Fund Component in FY 2003 to protect the quality and quantity of waters in the Raritan Basin System". The Raritan Basin System includes the intake at Bulls Island on the Delaware River. All of Warren County's rivers and tributaries drain into the Delaware River. The Warren County Planning Department estimates that Warren County's land area comprises 5.3% of the entire Delaware River Basin north of Trenton and 35.85% of the New Jersey's portion of the basin north of Trenton. Because all of Warren County's water drains into the Delaware River and consists of 35.85% of New Jersey's component of the water intake at Bulls Island, it would seem appropriate that an equivalent percentage of the Source Water Protection Fund be allocated to water protection activities in Warren County. Please explain how the NJWSA will allocate funding to protect water supply lands in Warren County.

Thank you for the opportunity to comment.

Sincerely,

Edward J. Smith
DKD

Edward J. Smith
Deputy Freeholder Director

cc. Board of Chosen Freeholders
Steve Marvin, County Administrator
David K. Dech, Planning Director



NEW JERSEY WATER SUPPLY AUTHORITY

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

March 20, 2017

The Honorable Edward J. Smith
Deputy Freeholder Director
County of Warren
165 County Road, 519 S
Belvidere, NJ 07823-1949

Re: March 7, 2017 Comment Letter
Raritan Basin FY2018 Rate Proposal

Dear Freeholder Smith:

Thank you for your March 7, 2017 comment letter regarding the Source Water Protection Fund Component of the NJ Water Supply Authority Proposed Rate Adjustments for Fiscal Year 2018 for the Raritan Basin. The Authority last increased the Source Water Protection Rate from \$15.00 per million gallons to \$24.00 per million gallons in FY2014 to support debt service on previously acquired critical watershed parcels. Approximately 75% of what is raised annually supports this debt service. The remaining 25% supports other watershed protection programs including direct salary support. The Authority is proposing no change to this component of the Rate in FY2018.

The Authority's Watershed Protection Programs Unit continues to produce measurable results through the core source water protection programs established in the Raritan River Basin Watershed Management Plan and the recently approved NJDEP Nutrient TMDL for the non-Tidal Raritan River. The core programs include: a suite of River Friendly Certification Programs that focus on implementing water resource related best practices on the larger land uses such as schools, corporate campuses, golf courses and farms; implementation of watershed scale restoration and protection plans; stewardship of critical water resource land; and, urban stormwater disconnection through community supported actions. Such programs, projects and strategies focus on areas and issues of highest concern to our water customers.

The Source Water Protection Rate is, in part, also dedicated to implementing the Authority's watershed protection programs as outlined and prioritized in various watershed management planning documents specific to the D&R Canal drainage area including but not limited to New Jersey Department of Environmental Protection approved watershed plans for: the last 11 miles of the D&R Canal; the Cedar Grove Brook; the Lockatong Creek; and, the Wickechoke Creek. Watershed protection is defined as a means of protecting a water body by

The Honorable Edward J. Smith
March 20, 2017
Page 2

managing the entire watershed area that drains into it. There are 780 square miles of watershed land to protect in the Raritan Basin. The Delaware River at Raven Rock drains an area of 6,598 square miles. The total area of watersheds draining into the D&R Canal below the Raven Rock inlet includes an additional 85 square miles. Consequently, funds generated by the Source Water Protection Rate component are not allocated proportionally across the contributing watershed areas. Rather, the funds are prioritized and grant-matched where possible based on basin-wide and sub-basin plans.

In response to one of the highest concerns for our water customers, the Authority has just committed up to \$1.5 million in source water protection dollars over a three year period to control the spread of hydrilla in the D&R Canal. Hydrilla is a highly invasive species discovered last summer after it was impeding water flow so dramatically that it caused water levels to drop far below certain customers' intakes. Hydrilla has also been identified in the Delaware River; and while the Authority's goal is eradication of the infestation of weed mats and tuber beds, the more likely scenario is that source water protection dollars for annual monitoring and spot treatment will become a regular budgetary issue.

In consideration of all of the above, the Authority has no plans to directly allocate any portion of the Source Water Protection Component funds to Warren County. If you have any other questions or concerns, please feel free to contact me.

Sincerely,



Beth Gates

Executive Director

Staff Memorandum to Hearing Officer

Exhibit H



NEW JERSEY WATER SUPPLY AUTHORITY

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

March 28, 2017

MEMORANDUM

TO: Mr. Ellsworth Havens
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 Raritan Basin System (N.J.A.C. 7:11-2.1, et seq.)

Please be advised that subsequent to the Authority's public hearing of February 3, 2017, the Authority received a letter on March 7, 2017 from Edward J. Smith, Deputy Freeholder Director of the Board of Chosen Freeholders of Warren County, NJ in which Freeholder Smith estimated the watershed contribution of Warren County to the Delaware and Raritan Canal through the Delaware River Basin intake at Bulls Island. Freeholder Smith suggested that a corresponding portion of the Source Water Protection component of the Raritan rate be allocated to watershed protection in Warren County. On March 16, 2017 the Authority provided a written response to Freeholder Smith. This letter and the Authority's response are included in the FY2018 Hearing Officer's Report in Exhibit G. Aside from this letter, no additional comments or inquiries on the Raritan Basin System FY2018 rate proposal were received by the Authority subsequent to the public hearing of February 3, 2017.

Staff has analyzed the budget of the original rate package for any revisions that can be considered prior to final action of the Authority at the June 5, 2017 meeting. There will be no change to any component of the rates as proposed at the December 5, 2016 Authority meeting.

The total rate (O&M plus Debt Service, Capital Fund, and Source Water Protection Component) of \$336.00 per million gallons will apply to all customers in FY2018 (starting July 1, 2017) and results in an increase of \$83.00 per million gallons over FY2017.

NEW JERSEY WATER SUPPLY AUTHORITY

RARITAN BASIN SYSTEM
FISCAL YEAR 2018 (7/1/17-6/30/18)

REVISIONS TO ORIGINAL RATE PACKAGE

1.	No Change	

PART II – DETAILED SUPPORTING INFORMATION

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**Table 1 - Summary Of Proposed Fiscal Year 2018 Adjustments
Based On Present Usage**

The rates, charges and debt service assessments listed below shall be paid for raw water diverted, withdrawn or allocated from the Raritan Basin System:

RATE COMPONENT	CURRENT	ORIGINAL PROPOSAL 12/05/17	DIFFERENCE	PERCENTAGE INCREASE (DECREASE)
O & M Assessment	\$171.00	\$194.00	↑ 23.00	13.45%
Debt Service Assessment Dredging	25.00	25.00	→ 0.00	0.00%
Debt Service Assessment RV Dam Improvements	0.00	60.00	↑ 60.00	NA
Capital Fund Component	33.00	33.00	→ 0.00	0.00%
Source Water Protection Component	24.00	24.00	→ 0.00	0.00%
Total Rate	\$253.00/mg	\$336.00/mg	↑ 83.00	32.81%

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Table 2 - Rate History of Water Charges per Million Gallons of Raw Water Daily
Fiscal Year 2003 – Fiscal Year 2018

Effective Date	O&M Charge	1981 Bond Charge 7/1/86-10/30/06	1998 Bond Charge 8/1/98-11/1/13	2018 Bond Component 8/1/13-8/1/23	Capital Fund Component	Source Water Protection Component	Total Charge per MG	Percent Increase -Decrease
July 1, 2002	105.46	31.73	49.28		13.53	5.00	\$205.00	0.00%
July 1, 2003	111.68	31.62	49.15		7.55	10.00	\$210.00	2.44%
July 1, 2004	122.75	28.31	41.71		12.23	10.00	\$215.00	2.38%
July 1, 2005	111.80	28.24	41.51		20.45	13.00	\$215.00	0.00%
July 1, 2006	133.13	19.55	41.32		21.00	13.00	\$228.00	6.05%
July 1, 2007	138.71		\$41.29		\$33.00	15.00	\$228.00	0.00%
July 1, 2008	142.34		\$40.66		\$33.00	15.00	\$231.00	1.32%
July 1, 2009	142.39		\$40.61		\$33.00	15.00	\$231.00	0.00%
July 1, 2010	142.55		\$40.45		\$33.00	15.00	\$231.00	0.00%
July 1, 2011	145.66		\$40.34		\$30.00	15.00	\$231.00	0.00%
July 1, 2012	145.84		\$40.16		\$30.00	15.00	\$231.00	0.00%
July 1, 2013	152.00			\$25.00	\$30.00	24.00	\$231.00	0.00%
July 1, 2014	167.00			25.00	30.00	24.00	\$246.00	6.49%
July 1, 2015	171.00			25.00	33.00	24.00	\$253.00	2.85%
July 1, 2016	171.00			25.00	33.00	24.00	\$253.00	0.00%
July 1, 2017	194.00			85.00	33.00	24.00	\$336.00	32.81%

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYTEM

Schedule Of Events

(NJAC 7:11-2.1 et. seq.)

To become effective July 1, 2017

2016

- SEPTEMBER 30 Advise Water Users of informal meeting.
- NOVEMBER 9 Informal meeting with Water Users – 10:00 AM.
- DECEMBER 5 Board reviews and approves proposed Rates.
- 23 Mail Official Notice to water customers, Rate Payer Advocate, interested parties and advertise in newspapers.

2017

- JANUARY 3 Publication in the New Jersey Register.
- 6 Pre-Pubic Hearing – 10:00 AM (within 45 days of Official Notice). Deadline for responses to inquires received prior to pre-public hearing.
- 27 Deadline for receipt of comments to be addressed at Public Hearing (15 days after pre-public hearing).
- FEBRUARY 3 Public Hearing Meeting. (SR Administration Building) – 10:00 AM Deadline for responses to inquires received between pre-public and public hearing.
- 17 Written responses to questions raised at Hearing (within 10 business days of the public hearing).
- MARCH 4 NJ Register Comment Period Ends.
- 10 Public Hearing record closes (25 business days after Public Hearing).
- JUNE 5 Board approval of FY 2018 Rates and Budgets.
- JULY 1 Effective date.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 1 - Proposed Operating Expenses Budget – Fiscal Year 2018 Distributed by Cost Center
Fiscal Year 2018

CODE	ACCOUNT	OFFICE EXECUTIVE DIRECTOR	FINANCIAL MANAGEMENT & ACCOUNTING	WATERSHED PROTECTION PROGRAMS	OPERATIONS MAINTENANCE & ENGINEERING	PROPOSED BUDGET FOR FY18
5110	Regular Salaries & Wages	\$121,900	\$1,734,350	\$573,400	\$3,560,400	\$5,990,050
5120	Overtime-Salaries & Wages	0	\$117,600	\$0	\$96,900	\$214,500
5130	New Positions-Salaries & Wages	0	\$0	\$0	\$0	\$0
5140	Seasonal Help-Salaries & Wages	0	\$0	\$0	\$0	\$0
5150	Fringe Benefits	33,700	\$807,400	\$199,400	\$2,132,400	\$3,172,900
5167	Retiree Health Benefits	54,600	\$263,200	\$36,700	\$737,600	\$1,092,100
5168	Workers Compensation (Self-Insured)	0	\$10,000	\$0	\$0	\$10,000
	Total Salary & Fringe Benefits	\$210,200	\$2,932,550	\$809,500	\$6,527,300	\$10,479,550
5200	On-Site Residences	0	\$0	0	\$26,600	\$26,600
5211	Heating Fuel	0	\$0	0	\$91,800	\$91,800
5220	Utilities -Electrical Service	0	\$0	0	\$110,500	\$110,500
5230	" -Gas Service & Water	0	\$0	0	\$4,800	\$4,800
5240	" -Propane	0	\$0	0	\$500	\$500
5250	Electricity for Pumping	0	\$0	0	\$92,000	\$92,000
5260	Vehicular Fuel	0	\$159,000	0	\$0	\$159,000
5270	Oil & Grease	0	\$0	0	\$9,200	\$9,200
5280	Tires	0	\$0	0	\$28,000	\$28,000
5290	Maintenance Supplies	0	\$8,100	0	\$175,700	\$183,800
5300	Maint. Supplies - Vehicular Equipment	0	\$0	0	\$56,000	\$56,000
5310	Major Special Vehicle Service & Repair	0	\$0	0	\$90,000	\$90,000
5320	Agricultural Supplies	0	\$1,000	0	\$4,500	\$5,500
5330	Maintenance of Equipment	0	\$7,700	3500	\$25,200	\$36,400
5340	Service & Maintenance Contracts	0	\$67,200	100	\$167,200	\$234,500
5350	Equipment Rental	0	\$24,850	0	\$26,700	\$51,550
5360	Household-Safety & Protective Supplies	100	\$27,400	0	\$6,300	\$33,800
5370	Uniforms	0	\$5,400	0	\$3,220	\$8,620
5380	Special & Professional Services	25,000	\$219,639	\$118,100	\$129,100	\$491,839
5390	Protective Services	0	\$1,300,000	0	\$0	\$1,300,000
5400	Telephone	0	\$83,000	0	\$0	\$83,000
5410	Postage & Freight	0	\$7,500	0	\$180	\$7,680
5420	Data Processing	0	\$38,788	0	\$0	\$38,788
5430	Printing & Office Supplies	500	\$34,750	9000	\$7,550	\$51,800
5440	Scientific & Photographic	0	\$0	0	\$500	\$500
5450	Dues & Subscriptions	14,400	\$11,730	1000	\$13,400	\$40,530
5460	Advertising	0	\$4,500	0	\$0	\$4,500
5470	Travel & Subsistence	1,500	\$1,980	1500	\$1,600	\$6,580
5480	Staff Training & Tuition Aid	500	\$9,750	3500	\$6,300	\$20,050
5490	Fees & Permits	0	\$113,100	0	\$11,700	\$124,800
5500	In-Lieu Taxes	0	\$18,700	0	\$0	\$18,700
	Total Operating Expenses	\$42,000	\$2,144,087	\$136,700	\$1,088,550	\$3,411,337
	GRAND TOTAL	\$252,200	\$5,076,637	\$946,200	\$7,615,850	\$13,890,887

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 1A - Comparative Statement
Fiscal Year 2018

CODE	ACCOUNT	FY'14 ACTUAL	FY'15 ACTUAL	FY'16 ACTUAL	FY'17 ADOPTED	FY'18 PROPOSED
5110	Regular Salaries & Wages	\$5,227,901	\$5,232,036	\$5,327,730	\$5,886,650	\$5,990,050
5120	Overtime-Salaries & Wages	186,907	176,438	193,406	190,000	\$214,500
5130	New positions-Salaries & Wages	0	0	0	0	\$0
5162	Retiree Unused Sick & Vacation	41,044	38,788	0	0	\$0
5150	Fringe Benefits	2,549,057	2,478,311	2,754,466	3,171,500	\$3,172,900
5167	Retiree Health Benefits	711,226	769,820	812,707	1,045,500	\$1,092,100
5168	Workers Comp. (Self Insured)	4,384	5,707	850	10,000	\$10,000
	Total Salary & Fringe	8,720,519	8,701,100	9,089,159	10,303,650	10,479,550
	Budget Salary & Fringe	\$9,700,250				
5200	Residences	\$85,031	\$77,320	\$25,013	\$35,600	\$26,600
5211	Heating Fuel	99,709	71,915	31,683	107,100	\$91,800
5220	Utilities -Electrical Service	106,609	105,818	80,151	112,500	\$110,500
5230	-Gas Service	4,980	4,234	4,093	5,000	\$4,800
5240	-Propane	520	271	834	200	\$500
5250	Electricity for Pumping Station	77,401	79,790	134,865	92,000	\$92,000
5260	Fuel - Vehicular	144,641	143,557	78,973	159,000	\$159,000
5270	Oil & Grease	5,222	6,041	5,606	8,700	\$9,200
5280	Tires	31,557	23,157	16,712	29,000	\$28,000
5290	Maintenance Supplies	161,555	147,168	152,302	194,300	\$183,800
5300	Maint. Supplies - Vehicular	51,614	47,617	69,029	48,000	\$56,000
5310	Major Vehicle Service & Repair	102,034	72,802	70,229	80,000	\$90,000
5320	Agricultural Supplies	653	3,008	2,550	5,000	\$5,500
5330	Maintenance Equipment	35,808	26,502	34,487	44,200	\$36,400
5340	Serv. & Maintenance Contracts	167,202	184,660	217,681	197,600	\$234,500
5350	Equipment Rental	60,514	42,988	38,002	38,050	\$51,550
5360	Household - Safety Supplies	26,771	26,899	31,543	31,600	\$33,800
5370	Uniforms	3,266	4,828	6,362	6,800	\$8,620
5380	Special & Professional Services	411,176	436,850	493,339	498,140	\$491,839
5390	Protective Services	1,133,656	1,188,766	1,142,799	1,105,215	\$1,300,000
5400	Telephone	73,113	83,797	81,248	75,000	\$83,000
5410	Postage & Freight Out	3,464	6,157	6,893	7,600	\$7,680
5420	Data Processing	36,203	40,023	36,336	42,284	\$38,788
5430	Printing & Office Supplies	56,904	46,225	42,595	52,150	\$51,800
5440	Scientific & Photographic	0	995	478	500	\$500
5450	Dues & Subscriptions	33,520	34,206	35,063	40,600	\$40,530
5460	Advertising & Promotional	5,925	3,898	5,746	3,500	\$4,500
5470	Travel & Subsistence	2,939	2,274	4,695	6,500	\$6,580
5480	Staff Training & Tuition Aid	11,220	8,352	9,507	19,050	\$20,050
5490	Fees & Permits	114,616	113,970	123,539	123,800	\$124,800
5500	In - Lieu Taxes	18,689	18,689	18,689	18,700	\$18,700
	Total Other Expenses	\$3,066,512	\$3,052,777	\$3,001,045	\$3,187,689	\$3,411,337
	Total Operating Expenses	\$11,787,031	\$11,753,877	\$12,090,204	\$13,491,339	\$13,890,887
	Annual Increase (Decrease)	-0.14%	-0.28%	2.86%	11.59%	2.96%
	Budget -other expenses	3,077,600	3,290,600	3,365,700	3,187,689	
	ANNUAL BUDGET	\$12,777,850	\$12,823,900	\$13,157,000	\$13,491,339	

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 2 - List of Category 5340 Items Recommended Service & Maintenance Contracts

Fiscal Year 2018

	ADOPTED F/Y17	PROPOSED F/Y18
1. Postage/Fax/ Misc. Machines (Dept. 16)	\$1,500	\$1,500
2. HIS-Safety Software (Dept. 17)	\$1,700	\$1,700
3. GO DADDY.COM - Remote Access Certificates (Dept. 17)	\$300	\$300
4. WMWARE (Dept. 17)	\$500	\$500
5. Sage MAS 200 (Dept. 17)	\$4,500	\$0
6. Clients First MAS 100 (Dept. 17)	\$0	\$4,750
7. Western Technologies NJ Parcel Maps (Dept. 17)	\$1,300	\$1,400
8. Sage Fixed Asset (Dept. 17)	\$2,500	\$2,250
9. PV & Associates- Winslamm (Dept. 17)	\$500	\$500
10. People Trak Support Technical Difference (Dept. 17)	\$1,000	\$1,000
11. COMCAST - Cable Internet (Dept. 17)	\$4,280	\$4,280
12. Essention - Conservation Trak	\$2,500	\$5,000
13. Pure Host Web Hosting Administration (Dept. 17)	\$200	\$200
14. Pure Host Web Hosting Watershed (Dept. 17)	\$250	\$250
15. Symantec Anti-Virus Maintenance-Clinton (Dept. 17)	\$2,200	\$2,500
16. Sonic Wall Software (Dept. 17)	\$1,200	\$1,200
17. ESRI ArcView Maintenance- Watershed (Dept. 17)	\$5,400	\$5,400
18. CU Riverware Maintenance Agreement (Dept. 17)	\$3,400	\$3,400
19. McAfee Antispam (Dept. 17)	\$1,500	\$1,500
20. River Morph (Dept. 17)	\$500	\$500
21. DLT Solutions Autocad (Dept. 17)	\$1,500	\$1,500
22. Fastrax SBPS Monitoring Software (Dept. 17)	\$900	\$900
23. ESRI ArcView Maintenance-Clinton (Dept. 17)	\$800	\$800
24. Keystone Precision-GPS Software Maint. (Dept. 17)	\$800	\$800
25. HAAS Systems-Security Alarm Software Maint. (Dept. 17)	\$400	\$400
26. Clients First-Vipre Antivirus/Antispam (Dept. 17)	\$250	\$250
27. EZ Watch Security Video (Dept. 17)	\$900	\$900
28. Clients First - Server Software (Dept. 17)	\$1,000	\$1,000
29. Delmar Enterprises - Key Systems (Dept. 17)	\$520	\$520
30. Docusign (Dept. 17)	\$0	\$400
31. Yahoo for River Friendly (Dept. 20)	\$100	\$100
32. Refuse Collection (Dept. 31)	\$11,900	\$11,900
33. Janitorial Service (Dept. 31)	\$15,500	\$15,500
34. HVAC Service (Dept. 31)	\$5,500	\$5,500
35. Electrician & Plumber Services (Dept. 31)	\$5,000	\$5,000

(continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 2 (Cont.) - List of Category 5340 Items Recommended Service & Maintenance Contracts
Fiscal Year 2018

	ADOPTED <u>F/Y17</u>	PROPOSED <u>F/Y18</u>
36. Instrumentation Services (Dept. 31)	\$4,500	\$4,500
37. Entry Rugs (Dept. 31)	\$2,700	\$5,000
38. Carpet Cleaning (Dept. 31)	\$2,300	\$8,000
39. Generator Service-Administration Building (Dept. 31)	\$1,200	\$1,200
40. Underground Plant Location Service Notifications (Dept. 31)	\$1,000	\$1,500
41. Crane Service and Inspection (Dept. 31)	\$1,200	\$1,200
42. Elevator Service-SBPS (Dept. 31)	\$2,800	\$2,800
43. Electrical Service-SBPS (Dept. 31)	\$6,400	\$20,000
44. Miscellaneous (Dept. 31)	\$0	\$6,900
45. Floor Cleaning Maintenance-Office (Dept. 32)	\$2,400	\$2,600
46. Janitorial Service (Dept. 32)	\$7,300	\$8,000
47. Dumpster Service Canal Office (Dept. 32)	\$3,000	\$12,000
48. Dumpster Service Route 1 (Dept. 32)	\$31,000	\$30,000
49. Dumpster Service-Extra (Dept. 32)	\$2,000	\$2,000
50. Instrumentation Testing (Dept. 32)	\$1,000	\$1,000
51. Floor Mats (Dept. 32)	\$1,000	\$2,400
52. Grass Mowing Service (Dept. 32)	\$5,800	\$6,000
53. Boiler Service (Dept. 32)	\$300	\$500
54. Wood Disposal Fees (Dept. 32)	\$3,100	\$3,100
55. Generator Service-Scudders & Perdicaris (Dept. 32)	\$3,000	\$3,000
56. Vac Truck Service-IFW, 10 Mile PS (Dept. 32)	\$3,900	\$4,200
57. Tire Recycling (Dept. 32)	\$1,000	\$0
58. Floor Mats (Dept. 33)	\$2,800	\$0
59. Carpet Cleaning (Dept. 33)	\$8,000	\$0
60. Welco Gas (Dept. 33)	\$600	\$1,000
61. Parts Washer & Hazardous Removal (Dept. 34)	\$1,000	\$1,000
62. Boom Lift Annual Inspection (Dept. 34)	\$0	\$900
63. Recycle Used Vehicle Fluids (Dept. 35)	\$0	\$500
64. Fire Extinguisher Maintenance (Dept. 36)	\$7,000	\$7,000
65. Hazardous Waste Control (Dept. 36)	\$1,500	\$1,500
66. Fire Alarm Testing (Dept. 36)	\$8,000	\$8,000
67. Vehicle Lifts Annual Testing (Dept. 36)	\$1,500	\$1,500
68. Delaware Electric Cellular Service (Dept. 37)	\$0	\$600
69. Dial My Calls (Dept. 37)	\$0	\$1,000
70. Miscellaneous (Dept. 37)	\$0	\$2,000
TOTAL	<u>\$197,600</u>	<u>\$234,500</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 3 - List of Category 5380 Items Recommended Professional Services
Fiscal Year 2018

	ADOPTED F/Y17	PROPOSED F/Y18
1. Services-Governor's Authorities Unit (Dept. 10)	\$25,000	\$25,000
2. Consultant-C.P.A. to Conduct Annual Audit (Dept. 13)	\$60,610	\$62,495
3. Services-GFOA Certificate Fee (Dept. 13)	\$500	\$500
4. 125 Plan-Family security Insurance Agency (Dept. 13)	\$2,730	\$2,496
5. Archiving (Dept. 13)	\$5,000	\$0
6. Services-Pre-Employment Exams & Tests (Dept. 14)	\$2,400	\$3,300
7. Fidelifax-Background Checks (Dept. 14)	\$1,600	\$2,248
8. Medical CDL Drug Testing (Dept. 14)	\$1,600	\$1,600
9. Employee Advisory Service (Dept. 14)	\$2,500	\$2,500
10. Consultant-Risk Management - to provide assistance to the Authority in the review of insurance coverage and continuation of a Comprehensive Coordinated Risk Management Program (Dept. 15)	\$29,000	\$36,500
11. Insurance Broker-HRH (Dept. 15)	\$42,000	\$40,000
12. GL Administrator (ESIS) (Dept. 15)	\$800	\$800
13. Services-Attorney General's Office - Assistance of Deputy Attorney General concerning a wide range of legal matters (Dept. 15)	\$40,000	\$40,000
14. Miscellaneous (Dept. 15)	\$10,000	\$10,300
15. Water Monitoring Costs - USGS SR @ Glen Gardner (Dept. 20)	\$15,100	\$17,600
16. Water Monitoring Costs - USGS Mulhockaway @ Van Syckel (Dept. 20)	\$5,400	\$5,500
17. Water Monitoring Costs - USGS Lockatong Creek @ Raven Rock (Dept. 20)	\$11,900	\$0
18. Water Monitoring Costs - USGS Raritan River @ Manville (Dept. 20)	\$44,300	\$45,100
19. USGS Continuous Water Quality for D&R Canal, Landing Lane (Dept. 20)	\$33,600	\$34,100
20. Water Monitoring-SBWA/URWA now RHA (Dept. 20)	\$2,000	\$2,000
21. Water Monitoring-SBMWA (Dept. 20)	\$1,500	\$1,500

(continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 3 (Cont.) - List of Category 5380 Items Recommended Professional Services

Fiscal Year 2018

	ADOPTED F/Y17	PROPOSED F/Y18
22. Dash for the Trash (Dept. 20)	\$1,000	\$1,000
23. Lab Certification WPU/Water Sample Analysis (Dept. 20)	\$1,500	\$1,500
24. NJ Invasive Species Strike Team (Dept. 20)	\$300	\$300
25. Lockatong ISCO Monitoring (Dept. 20)	\$4,000	\$5,600
26. D&R Canal ISCO Monitoring (Dept. 20)	\$4,000	\$1,300
27. Cedar Grove Brook ISCO Monitoring (Dept. 20)	\$0	\$2,600
28. Services-Emergency Engineering Services (Dept 30)	\$2,500	\$2,500
29. Underground Storage Tank-CEA Report (Dept. 30)	\$11,000	\$11,000
30. Underground Storage Tank Groundwater Test (Dept. 30)	\$2,500	\$2,500
31. Services - USGS Cooperative Agreement River Gauging - Maintenance of Raritan Basin Stream Gauging Stations and the Delaware & Raritan Canal Gauging at Kingston per USGS/DWR/NJWSA Agreement (Dept. 31)	\$72,000	\$68,000
32. Services-USGS Spruce Run Gauging	\$17,000	\$17,000
33. Maintenance of two stations on Streams feeding Spruce Run not covered under State Cooperative Agreement (Dept. 31)		
34. Water Testing and Sampling to comply with the Safe Water Drinking Act (Dept. 31)	\$2,400	\$2,400
35. Services-Water Sampling and Testing as per NJDWR Requirements - A) RT 202 Stockpile Site (Dept 32)	\$5,500	\$5,700
36. Maintenance of USGS Gauges at Washington Crossing and Pricaris Waste Gate (Dept. 32)	\$20,000	\$20,000
37. Safety Suggestion Program, Poster and Promotional Materials, Safety Incentive Program (Dept. 36)	\$9,700	\$9,700
38. Pulmonary Testing and Physicals (Dept. 36)	\$5,000	\$5,000
39. Annual Contributions to Fire Companies and Rescue Squads (Dept. 36)	\$500	\$500
40. Hepatitis Vaccinations (Dept. 36)	\$800	\$800
41. Calibration for the Pota-Count Respirator (Dept. 36)	\$900	\$900
TOTAL	\$498,140	\$491,839

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 4 - Projected FY 2018 New Jersey Water Supply Authority Insurance Program

Policy	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant and Transmission System	Total Premium
Property Limit \$150 million, Limit \$25m BI Deduct: \$100k all perils \$250k Deduct dams, dikes / \$1m Deduct Canal flood	\$618,526	\$207,930	\$50,886	\$877,342
General/Products Liability Limit \$1 million Deduct: \$150k	\$114,067	\$10,665	\$2,214	\$126,946
Environmental Impairment Liability Limit \$10 million Deduct: \$100k	\$21,456	\$2,006	\$417	\$23,879
Workers' Compensation Limit \$1 million	\$205,001	\$26,354	\$27,613	\$258,968
Employer Liability Limit \$1 million	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp
Umbrella Liability Limit \$23 million	\$283,672	\$26,521	\$5,507	\$315,700
Business Automobile Limit: \$1 million G/L, \$0 pd Deduct: \$50k, G/L	\$6,813	\$1,210	\$277	\$8,300
Management Liability Public Officials Liability Cyber Risk Fidelity & Crime Limit \$5 million/\$1million/\$1 million Deduct: \$100k/\$10k/\$50k	\$44,961 \$5,092 <hr/> \$50,053	\$4,204 \$476 <hr/> \$4,680	\$873 \$99 \$3,531 <hr/> \$4,503	\$50,038 \$5,667 \$3,531 <hr/> \$59,236
Travel Accident Limit \$2 million	\$876	\$82	\$17	\$975
TOTAL:	\$1,300,464	\$279,448	\$91,434	\$1,671,346

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**Schedule 5 - Recap Of Allocation Of Headquarters General And Administrative Expenses Charged
To The Manasquan Water Supply System**
Fiscal Year 2018 (7/1/17-6/30/18)

	Total Headquarters Charge	Manasquan Reservoir System	Manasquan WTP/TS
Budgeted-Appendix I, amount to be charged to Manasquan System for F/Y18 (7/1/17-6/30/18)	\$792,622	\$682,867	\$109,755
F/Y16 Adjustment as per audited Expenditures:			
Budgeted as per rate schedule for F/Y16 (7/1/15-6/30/16). Amounts paid during F/Y16 to Raritan Basin System.	\$737,000	\$640,000	\$97,000
Actual allocation based upon audited expenditures F/Y16 (7/1/15-6/30/16) - Appendix II	\$707,416	\$609,460	\$97,956
Adjustments F/Y16	(\$29,584)	(\$30,540)	\$956
Net Allocation for F/Y2018 Budget	\$763,038	\$652,327	\$110,711
Estimate	\$763,000	\$652,000	\$111,000

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 6 - Proposed Capital Equipment Budget
Fiscal Year 2018

	Description	(R) Replacement (A) Addition	Year of Purchase	Dollar Value	Depreciation Reserve
INFORMATION SYSTEMS	(1) LAPTOP ADMIN	(R) FF2095	2008	1,500	1,159
	(1) LAPTOP WATERSHED	(R) FF2128	2009	1,500	1,565
	(1) LAPTOP ADMIN	(R) FF2184	2011	1,500	1,240
	(1) LAPTOP WATERSHED	(R) FF1943	2004	1,500	1,723
FACILITIES	(1) A/C UNIT FOR ENGINEER'S OFFICE SBPS	(A)		3,000	
	(1) ELECTRIC CHAIN HOIST SBPS	(R) EQ1854	2002	3,000	2,681
	(1) SINGLE DOOR - BAY 19	(R) ORIGINAL		3,500	
	(1) NJWA-04 REPLACEMENT	(R) TR2000	2006	35,000	24,617
GROUNDS	(2) BRUSH HOG MOWER DECKS	(R) EQ2064/EQ2065	2007	14,000	5,636
	(1) 6-7 TON DECK OVER TRAILER	(R) TR1631	1998	7,000	4,925
	(1) 22" STUMP CUTTER ATTACHMENT FOR POWER TRAC	(A)		2,200	
	(1) 18 CU. FT. BUCKET ATTACHMENT FOR POWER TRAC	(A)		1,000	
CANAL	(1) NJWA-09 PICKUP W/CAP	(R) TR2198	2011	35,000	22,528
	(1) NJWA-39 CLASS II PICKUP 4WD	(R) TR2001	2006	40,000	20,377
	(1) FLAIL MOWER (90") W/SPARE BLADES	(R) PE1778	2000	9,000	2,629
	(1) NJWA-52 MACK ROLLOFF	(R) TR0811	1988	225,000	71,877
AUTO SHOP	(1) PASSENGER/LIGHT TRUCK TIRE BALANCER -CANAL	(R) EQ1953	2005	7,000	2,996
	(1) VEHICLE FLEET MANAGEMENT SOFTWARE -CANAL	(R) FF1109	1990	3,500	2,000
SAFETY	(2) REPLACE TWO AED UNITS	(R) EQ2203/EQ2204	2012	4,000	2,642
SECURITY	(1) SECURITY VEHICLE - NJWA-03 FORD EXPLORER	(R) TR2235	2014	32,000	6,964

	TOTAL COST	\$430,200	\$175,559
LESS AMOUNT CHARGED TO DEPRECIATION RESERVE		(175,559)	
	NET TOTAL	\$254,641	
LESS AMOUNT CHARGED TO CAPITAL EQUIPMENT RESERVE		(\$150,000)	
	TOTAL	\$104,641	
	AMOUNT FUNDED FOR FY2018	\$104,600	

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 7 - Estimate Of Interest Income For Fiscal Year 2018 Budget

Fund/Reserve	TD Bank Funds	Long-Term Investments
Operating	\$800,000	\$0
Reserve for O & M	\$2,000,000	\$1,600,000
Pumping Reserve	\$600,000	\$0
Self-Insurance Reserve	\$300,000	\$800,000
Rate Stabilization Fund	\$80,000	\$0
Estimated Total	\$3,780,000	\$2,400,000
	\$3,780,000 x .25% =	\$9,450
	\$2,400,000 x 1.30% =	\$31,200
	Total	\$40,650
	Estimate	\$40,700

Short-Investments

TD Bank
Managed Rate of .25%
95% of the 30 Day Libor After the
Compensating Balance Has Been Satisfied

Long-Term Investments

JP Morgan
New Jersey State G/O Bonds
Various Due Dates and Yields to Maturity

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 8 - Unanticipated Revenue

Funds to be appropriated Into the Rate Stabilization Fund for Fiscal Year 2018

	Amount
F/Y2016 Net Year-End Balance	\$514,655.00

<u>Overdrafts</u>	<u>Invoice No.</u>	<u>Billed</u>	<u>Amount</u>
City of New Brunswick	1084	12/02/15	\$41,066.15
Hamilton Farms	1082	12/02/15	\$78.68
Heron Glen	1083	12/02/15	\$290.33
NJ American	1080	12/02/15	\$269,423.75
	1150	03/07/16	\$78,012.04
Raritan Valley Country Club	1122	1/15/16	\$3,275.39
	1085	12/02/15	\$4,210.33
Roxiticus	1086	12/02/15	\$667.79
	1149	03/02/16	\$331.17
Royce Brook Golf Club	1087	12/02/15	\$159.43
Somerset County Park Commission	1088	12/02/15	\$87.88
Stonebridge Community Associates	1135	02/03/16	\$502.04
	1081	12/02/15	\$179.90
Township of East Brunswick	1079	12/02/15	\$10,448.39
Trump National Golf Course	1089	12/02/15	\$1,951.43
Washington Twp. MUA	1090	12/02/15	\$115.19
		Total	\$410,799.89
		Amount used in FY2017	-\$206,052.00
		NET	\$204,747.89

Overdrafts Not Billed, Accrued through July, 2016

NJ American, Raritan Valley Country Club, Royce Brook Golf Club, Roxiticus, Somerset County Parks, Trump National Golf Course	\$62,589
<u>Other Sources of Funds</u>	

	Grand Total	\$781,991.90
	FY18 Budget	\$781,990.00

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 9 - Fund Balances as of 6/30/16

Final

	REVENUE FUND	OPERATING ACCOUNT	OPERATING FUND	O & M RESERVE	LONG-TERM INVESTMENTS O & M RESERVE	TOTAL
BALANCE 6/30/16	\$784,554	\$2,191,956	\$816,063	\$2,176,178	\$1,618,190	\$7,586,941
Deduct: Accrued expenses to be paid as of 6/30/16			(249,277)			(249,277)
Deduct: June 1st billing, received			(764,579)			(764,579)
Adjusted Balances 6/30/16	\$784,554	\$2,191,956	(\$197,793)	\$2,176,178	\$1,618,190	\$6,573,085
 INCOME						
Reimbursement Manasquan						
Receipt of Headquarters Overhead Expenses for 7/10/16			160,000			160,000
Operating transfer	(750,000)	(2,100,000)	2,850,000			0
 EXPENSES						
O & M Expenses - (A/P 6/30/16)						
Includes accrued Payroll and Insurance thru 6/30/16			(405,858)			(405,858)
Capital items to be purchased by 6/30/16			(123,511)			(123,511)
Various Reserve contributions (one month)			0			0
PROJECTED BALANCE AT 6/30/16	\$34,554	\$91,956	\$2,282,839	\$2,176,178	\$1,618,190	\$6,203,717

Note 1. Unanticipated Revenues for F/Y 18
(overdrafts in F/Y 16 to be available for appropriation to Rate Stabilization for FY17/FY18)

		Less: FY2017 O & M reserve balance (3 mos required by resolution)	(3,467,256)
Hamilton Farms	\$78.68	Adjusted balance of funds available 6/30/16	2,736,461
Heron Glen	\$290.33		
NJ American	\$269,423.75		
Raritan Valley Country Club	\$3,275.39	Use of Available Funds	
	\$4,210.33		
Roxiticus	\$667.79		
	\$331.17	Unanticipated revenues (overdrafts in F/Y 16 to be available for appropriation to Rate Stabilization Fund for FY17/FY18 (Note 1)	(291,722)
Royce Brook Golf Club	\$159.43		
Somerset County Park Commission	\$87.88		
Stonebridge Community Associates	\$502.04	Rate Stabilization Fund Transfer for FY17	(554,151)
	\$179.90		
Township of East Brunswick 1079	\$10,448.39		
Trump National Golf Course 1089	\$1,951.43		
Washington Twp. MUA 1090	\$115.19		
	\$291,721.70	Projected Net Balance	\$1,890,588

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 10 - Projected Fiscal Year 2018 Operations & Maintenance Component
Sales Base

New Jersey Environmental Infrastructure Financing Program
Debt Service Assessment

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR	TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
Duke Farms	0.075	N/A		0.000
East Brunswick Twp	8.000	365	2,920.000	8.000
NJ American Water Company	126.600	365	46,209.000	126.600
Mercer County Park Commission – Golf	0.132	184	24.300	0.067
Middlesex Water Co.	27.000	365	9,855.000	27.000
New Brunswick, City of	10.500	365	3,832.500	10.500
North Brunswick Twp.	8.000	365	2,920.000	8.000
Princeton University	0.150	365	54.750	0.150
Trenton Country Club	0.126	365	46.000	0.126
United Water Lambertville	0.490	365	178.850	0.490
Ridge at Back Brook	0.111	365	40.510	0.111
Roxbury Water Company	0.041	365	15.000	0.041
Royce Brook Golf Club	0.165	365	60.230	0.165
Hunterdon County Golf (Heron Glen)	0.079	365	28.800	0.079
Raritan Valley Country Club	0.012	365	4.380	0.012
East Windsor Municipal Utilities Authority	0.011	365	4.000	0.011
Somerset County Park Commission (Neshanic Valley Golf Club)	0.142	365	51.750	0.142

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 10 (Cont.) - Projected Fiscal Year 2018 Operations & Maintenance Component
Sales Base

New Jersey Environmental Infrastructure Financing Program
Debt Service Assessment

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR	TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
Lamington Farms LLC (Trump National Golf Club)	0.170	365	62.100	0.170
Morris County Municipal Utilities Authority	0.079	365	28.830	0.079
Mt. Olive Township	0.010	365	3.554	0.010
Washington Township Municipal Utilities Authority	0.035	365	12.775	0.035
Borough of Glen Gardner	0.008	365	2.775	0.008
Roxiticus Golf Club	0.046	365	16.790	0.046
Hamilton Farm Golf Club	0.138	365	50.400	0.138
Springdale Golf Club	0.098	365	35.640	0.098
NJ Department of Corrections	0.025	365	9.250	0.025
Stonebridge Community Assoc.	0.081	365	29.565	0.081
Village Grande @ Bear Creek	0.074	365	27.010	0.074
Eastern Concrete Materials	0.023	365	8.500	0.023
Hunterdon Medical Center	0.031	365	11.000	0.031
Princeton University Operations	0.027	365	9.855	0.027
Renaissance at Monroe Condominium Association	0.014	365	5.110	0.014
TOTAL SALES BASE				182.353

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 11 - Operations And Maintenance Rate Component
Fiscal Year 2018

Funds Required for F/Y2018 Budget

Proposed Operating Expense and Capital Budget	\$13,542,487
Less Miscellaneous Revenues & Interest Income	(\$92,900)
Other Available Funds	(\$781,990)
Net Budget Requirement	\$12,667,597
Less: 182.339 x 171.00 x 61Days (Cash received in July and August for water used in May and June based on \$171.00/mg)	(\$1,901,978)
 Additional Revenue required to cover Operations and Maintenance Expense through 6/30/18	 \$10,765,619

Computation of Operations & Maintenance Rate for Fiscal Year 2018

Sales Base	
Period 7/1/17 to 4/30/18 304 days x 182.353 mgd	= 55,435.31 mg
 Required Operations & Maintenance Rate F/Y2018	
$\frac{\$10,765,619 \text{ mg}}{55,435.31 \text{ mg}}$	= \$194.00 mg

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 12 - Debt Service Rate Component For NJEIT Loan Repayment

Effective July 1, 2017, (F/Y2018, July 1, 2017-June 30, 2018)

Total due on Principal and Interest \$1,664,100/ year

$$\text{Debt Service Rate for NJEIT Loan} = \frac{\$1,664,100/\text{ year}}{182.353 \text{ mgd} \times 365 \text{ days}} = \$25.00 / \text{mg}$$

*This rate may be subject to future adjustments based on actual loan terms.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

Schedule 13 - Debt Service Rate Component For Round Valley Dam Improvements

Effective July 1, 2017, (F/Y2018, July 1, 2017-June 30, 2018)

Debt Service Raised in Fiscal Year 2018	\$4,028,072/ year
Debt Service Fund Interest Income and Other Available Resources	(\$20,140)
Net Debt Service Obligation	\$4,007,932
20% Debt Service Coverage	\$0
Total to be Recovered by Rates	\$4,007,932
Debt Service Rate Effective 7/01/17	$= \frac{\$4,007,932}{182.353 \text{ mgd} \times 365 \text{ days}} = \$60.00 / \text{mg}$

*This rate may be subject to future adjustments based on actual loan terms.

** Assumes traditional financing

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 Raritan Basin System, to become effective July 1, 2017 (regulations found at N.J.A.C. 7:11-2.1 et seq.)

WHEREAS, N.J.S.A. 58:1B-7g and 58:1B-19 provide for the 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, 2017; and

WHEREAS, by Resolution No. 2264 adopted on December 5, 2016 the Authority proposed certain revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, to become effective July 1, 2017 (regulations found at N.J.A.C. 7:11-2.1 et seq.); and

WHEREAS, the proposal was mailed to all contractual water purchasers in December 2016, and published in the Hunterdon County Democrat, the Times (Trenton) and the Star Ledger on December 27, 2016, and appeared in the New Jersey Register on January 3, 2017 with a 60 day comment period ending March 4, 2017; and

WHEREAS, a pre-public hearing meeting was conducted on the proposed amendments on January 6, 2017; and

WHEREAS, the Authority conducted a public hearing on the proposed amendments on February 3, 2017 with the hearing record remaining open through March 10, 2017; 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 New Jersey Water Supply Authority adopts the Hearing Officer's Report entitled "Fiscal Year 2018 Proposed Amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, effective July 1, 2017;" and

BE IT FURTHER RESOLVED that the New Jersey Water Supply Authority adopts the following amendments to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, found at N.J.A.C. 7:11-2.1 et seq. to become effective on July 1, 2017:

1. Amend N.J.A.C. 7:11-2.3 of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, to reflect an increase in the sales base of 182.339 million gallons per day (mgd) to 183.353 mgd

for the Operations and Maintenance Expense Rate (O&M) Component and increase the O&M rate of \$171.00 per million gallons (mg) to \$194.00 per million gallons, consistent with the Initial Proposal, for the period July 1, 2017 through June 30, 2018 and

2. Amend N.J.A.C. 7:11-2.4(a), (b) and(c) of the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System to increase the Sales Base for the Debt Service Assessment rate of 182.339 million gallons per day to 183.353 million gallons per day and increase the Debt Service Assessment Component of the rate from \$25.00 per million gallons to \$85.00 per million gallons, consistent with the Initial Proposal, for the period of July 1, 2017 through June 30, 2018; and
3. Amend N.J.A.C. 7:11-2.5, the Capital Fund Component, to maintain the rate at \$33.00 per million gallons effective July 1, 2017 through June 30, 2018, no change from the original FY2018 proposal of \$33.00 per million gallons; and
4. Amend N.J.A.C. 7:11-2.6, the Source Water Protection Fund Rate Component, to maintain the rate at \$24.00 per million gallons, effective July 1, 2017 through June 30, 2018, no change from the original FY2018 proposal of \$24.00 per million gallons; and

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

1. Appropriate \$514,650 in Fiscal Year 2017 and prior years, year-end fund balances from the Operating Fund into the Rate Stabilization Fund.
2. Appropriate \$267,340 in unanticipated revenue from overdraft sales from the Operating Fund for Fiscal Years ending June 30, 2016 and June 30, 2017 into the Rate Stabilization Fund.
4. Apply \$781,990 appropriated into the Rate Stabilization Fund to the Operating Fund for Fiscal Year 2018.

Draft Resolution Adopting FY2017
Budget

Exhibit J

RESOLUTION OF THE NEW JERSEY WATER SUPPLY AUTHORITY

NO.: _____

DATE OF ADOPTION: _____

TITLE: Resolution approving the Authority's Raritan Basin System Budget for Fiscal Year 2018 (July 1, 2017 - June 30, 2018)

WHEREAS, the Executive Director proposed a budget for Fiscal Year 2018, that was provided to the Authority Members on June 5, 2017; and

WHEREAS, the Authority has previously considered the proposed budget as part of the Rate Adjustment procedure for Fiscal Year 2018, and the adopted rate schedule for Fiscal Year 2018 is based upon the proposed budget requirements in the amount of \$23,008,373.

NOW THEREFORE, be it resolved that the Authority approves a budget of \$23,008,373 for the Fiscal Year beginning July 1, 2017 through June 30, 2018.