

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 TO REFLECT CHANGE IN
SALES BASE AND OPERATING EXPENSES FOR FISCAL YEAR 2015

ADJUSTMENT OF DEBT SERVICE ASSESSMENT TO REFLECT
CHANGE IN SALES BASE AND NO CHANGE IN RATE COVERING DEBT SERVICE
PAYMENTS DUE AND REQUIRED FOR FISCAL YEAR 2015

ADJUSTMENT OF GENERAL RATE SCHEDULE WITH NO CHANGE IN RATE
FOR CAPITAL FUND COMPONENT FOR FISCAL YEAR 2015

ADJUSTMENT OF GENERAL RATE SCHEDULE WITH NO CHANGE IN RATE
FOR SOURCE WATER PROTECTION COMPONENT FOR OPERATING EXPENSES AND
DEBT SERVICE PAYMENTS DUE AND REQUIRED FOR FISCAL YEAR 2015

ADJUSTMENT OF GENERAL RATE SCHEDULE FOR STAND-BY CHARGE TO
REFLECT LANGUAGE REFERENCE TO OPERATIONS AND MAINTENANCE
COMPONENT OF THE RATE IN LIEU OF NUMERIC REFERENCE

AMENDMENT TO RATE ADJUSTMENT TO CLARIFY AND SIMPLIFY THE SECTION

Proposed Effective Date: August 4, 2014

Proposed to Board: 2/3/2014

NEW JERSEY WATER SUPPLY AUTHORITY
PROPOSED RATE ADJUSTMENTS FOR FISCAL YEARS 2015
RARITAN BASIN SYSTEM

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PART I - EXPLANATION OF PROPOSED REVISED RATE STRUCTURE

Overview of Rate Proposal for Fiscal Year 2015
(July 1, 2014 - June 30, 2015)

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, 2014.

Summary of Proposed Adjustments

Component	Current (FY2014) Rates Per MG 7/1/2013 - 6/30/2014	Proposed (FY2015) Rates Per MG 8/4/2014 - 6/30/2015
Operations & Maintenance Assessment	\$152.00	\$167.00
NJEIFP Debt Service Assessment	25.00	25.00
Capital Fund Component	30.00	30.00
SourceWater Protection Fund Component	24.00	24.00
TOTAL RATE	\$231.00/mg	\$246.00/mg

The General Rate Schedule for Operations and Maintenance (O&M) was last adjusted effective July 1, 2013 to cover the operating expenses of the System for FY2014. The FY2014 O&M sales base was 182.281 million gallons per day (mgd). The Authority anticipates the FY2015 O&M sales base to decrease to 182.271mgd to reflect the addition of an uninterruptible supply contract for .023mgd with Eastern Concrete Materials and a decrease in uninterruptible supply contract for Roxbury Water Company from .074mgd to .041mgd. The O&M Component is projected to increase \$15.00 per million gallons for FY2015 from \$152.00 to \$167.00.

With the allocation of appropriate Headquarters expenses and insurance costs to the Manasquan Reservoir Water Supply System, the projected operating costs for FY2015 require that an O&M Component of \$167.00 per million gallons be charged starting on August 4, 2014.

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 and from budget under runs during the preceding fiscal years. These credits continue to 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 \$2.2 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 \$2,108,553 in FY2014 and will be only \$1,736,640 in FY2015. This decrease in revenue causes a \$6.71 per million gallon increase in the O&M component of the rate even before expense increases are considered. Overdraft sales have fallen precipitously since 2004 from a high of \$2.6 million to \$13,500 in FY2015. The balance of the rate stabilization funds used in FY2015 are derived from \$1.6 million in dredging bond debt service to be raised in FY2014 but not needed currently because the project is postponed another year, and \$82,100 remaining in the 1998 Bonds Debt Service fund. Those bonds were retired on November 1, 2013. Without the use of any rate stabilization funds in FY2015, the required O&M Component of the rate would be \$196.00 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 FY2015. 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 proposes continuing the rate component of \$25.00 per million gallons to fund the debt service in FY2015.

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 is proposing no change in this component of the rate in FY2015 but is expecting a necessary increase to the component of \$5.00 per million gallons in FY2016.

Table 1 on page 10 shows the increases and/or decreases for each rate component and reflects a total rate of \$246.00 per million gallons for FY2015.

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, March 7, 2014, 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, April 4, 2014 at the Authority's Administration Building, 1851 Highway 31, Clinton, New Jersey.

The public hearing record on the proposed rate adjustments is scheduled to close on May 12, 2014 and the New Jersey Register Comment Period is scheduled to close on May 16, 2014.

Final action on the rate adjustment is scheduled for the Authority's July 7, 2014 meeting. The FY2015 rate will take effect on August 4, 2014.

**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 FY2013 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 FY2015 budget based on the FY2013 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 FY2015 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 \$12,662,400. This is \$402,950 more than the FY2014 budget of \$12,259,450. The Capital Equipment budget of \$247,300 is \$185,600 more than the FY2014 budget of \$61,700. The proposed contributions to the Reserve for Formal Dam

Inspections (\$10,000) and the Pumping Reserve (\$150,000) remain at FY2014 levels. There are no contributions scheduled for the Depreciation Reserve and the Self-Insurance Reserve in FY2014. 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. There is a new reserve contribution being established of \$150,000 for FY2015 for capital equipment purchases and it is expected to be funded at this level and in this manner going forward to eliminate rate fluctuations associated with the annual change in level of capital equipment purchases. All of these modifications result in a total FY2015 budget requirement of \$12,662,400 which is an increase of 3.3 percent relative to FY2014. (Page 13)

Fourteen of the thirty-one FY2015 direct operating expense accounts are projected to increase, but only six accounts by \$5,000 or more relative to FY2014. Fourteen of the operating expense accounts are projected to decrease relative to FY2014. The most significant projected increases in the budget occur in insurance, major vehicle service and repair, vehicular fuel, and heating fuel. In Salary and Fringe, regular salary is decreasing by \$173,050; pension expense is decreasing by \$26,200. Retiree health benefits are increasing by \$71,500. Salaries and benefits constitute approximately 74 percent of the FY2015 operating budget, and are decreasing approximately 1.7 percent relative to FY2014.

Salaries and Benefits

Authority employees and State employees are members of the same bargaining units. The International Federation of Professional and Technical Engineers (IFPTE), AFL-CIO, represents the Authority's Maintenance, Craft and Security Units and the Communications Workers of America (CWA) represents the Authority's Administrative and Clerical, Primary Level and Higher Level Supervisors Units. The contract is effective July 1, 2011 and will span four years. The following table reflects cost of living adjustments during the life of the collective bargaining agreements.

	July 2011	July 2012	July 2013	July 2014
IFPTE/CWA	0.0%	0.0%	1.00%	1.75%

The Authority did not include any cost of living adjustments in the FY2015 budget for management. The decrease in regular salary is caused by the elimination of funding for every vacancy except one in the Engineering Department. The Authority is budgeting 51.7 percent of the Salary budget for fringe benefits in FY2014.

The initial estimate from the State of New Jersey for pension expense payable on April 1, 2014 is an eight percent increase in the cost over the actual April 1, 2013 payment. It appears that the FY2014 budget adequately funds pension expense with a \$20,000 surplus. The FY2015 appropriation for Pension expense in the Raritan System is an allocated factor which is slightly down from FY2014 based on some known high level salaried employee retirements. Since 2009, the pension bill from Treasury has increased by 62 percent.

Overtime Salaries and Wages

The Authority's overtime expenses are projected to rise nominally from \$181,600 to \$191,400 in FY2015. 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. Retiree health benefits are projected to increase from \$736,800 in FY2014 to \$808,300 in FY2015. The Authority is projecting four additional retirees and is budgeting just over a nine percent increase in cost. The budget contains sufficient funds for 49 current retired employees and four potential retirees.

Other Expense

Electrical Service - The Authority's Hamden Pumping Station is utilized to pump water to the Round Valley Reservoir. The proposed budget includes a slight decrease in electricity costs for the normal operation of the pumping station from \$92,800 to \$85,800 in FY2015. The Authority entered into a three-year contract for power effective June 21, 2010. The State extended the contract with the vendor two more years to June 30, 2015. The extension included a .5 cent per Kwh increase. The Authority is bound by the contract but will seek to procure power independently from the State in 2015. A review of the market indicates the Authority may receive better pricing on its own. The pumps are in a scheduled rehabilitation cycled and will be exercised in the spring of 2014 and as rehabilitated pumps are put back on line. Pumping is funded from the Pumping Reserve into which the Authority deposits \$150,000 per budget year.

Special and Professional Services

The Authority is proposing to increase this line item from \$489,900 in FY2014 to \$492,400 in FY2015 representing a nominal increase in cost. The United States Geological Survey increases the cost of operating gaging stations by about 2 percent per year.

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 increase from \$78,500 to \$108,900 and vehicular fuel is projected to increase by \$23,100 from \$154,500 in FY2014 to \$177,600 in FY2015. The prices of fuel in FY2015 is budgeted at \$3.25 per gallon for unleaded and \$3.50 per gallon for diesel.

Insurance Program

The Authority is recommending an increase in insurance expense for FY2015 reflecting general market conditions based on the advice of the Authority's insurance broker and consultant. The market has hardened because of Super Storm Sandy in October of 2012 and named storms Irene and Lee in the autumn of 2011. This market change was borne out in the formal remarketing that occurred in February of 2013 which drove an underfunding of the FY2014 insurance budget. The Authority has included a \$171,700 increase in the insurance line item for FY2015 which is a 16 percent increase over budgeted FY2014.

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 FY2015 are \$32,100 based upon current rates of .25 percent for Short-term investments and 1.30 percent on the Authority's long-term investments. This represents no change relative to FY2014. (Schedule 7, page 25) At the urging of the contractual water customers, 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 FY2015 the Authority will make no contribution to the Depreciation Reserve. The Depreciation Reserve is fully funded in FY2015. (Page 13).

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 FY2015. 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 is creating a new reserve in FY2015 for Capital Equipment Purchases and expects to appropriate \$150,000 per year into this reserve. This will also take rate swings out of the budget process based on annual changes in the capital equipment budget. 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

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 \$35,000,000 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 2015 with the first debt service payment in August 2015. The Authority proposes to continue the rate component of \$25.00 per million gallons in FY2015 to assure that sufficient

funds are available to make debt service payments as they come due in August 2015 and every six months thereafter.

The project was originally schedule to close in May of 2014 but was deferred one year. The sum of approximately \$1.6 million what will be collected during FY2014 will be deposited into the Rate Stabilization Fund to offset the rate requirement in FY2015.

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 FY2015, 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 \$30.00 per million gallons should be assessed for FY2015 to generate approximately \$1,993,000. The Authority deems these revenues sufficient to meet its capital needs for FY2015 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 \$35.00 per million gallons in FY2016 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 4,100 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, 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 FY2015.

Other Rule Amendments

The Authority is proposing to amend the rate setting process at N.J.A.C. 7:11-2.13 to streamline the section with respect to both sales base and rate adjustments. The Authority is proposing to amend the Standby Charge at N.J.A.C. 7:11-2.12 to reflect a language reference to the Operations and Maintenance Component of the rate in lieu of a numeric reference.

The language supporting this proposal is contained beginning on page 51 of this document.

PART II - DETAILED SUPPORTING INFORMATION

TABLE 1

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

SUMMARY OF PROPOSED 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	PRESENT	F/Y 2015 ORIGINAL PROPOSAL 02/03/14	DIFFERENCE	PERCENTAGE INCREASE (DECREASE)
O & M Assessment	\$152.00	\$167.00	+15.00	9.87%
NJEIFP Debt Service Assessment	25.00	25.00	0	0
Capital Fund Component	30.00	30.00	0	0
Source Water Protection Component	24.00	24.00	0	0
Total Rate	\$231.00/mg	\$246.00/mg	+15.00	6.49%

Table 2

New Jersey Water Supply Authority
Delaware and Raritan Canal - Spruce Run/Round Valley Reservoirs System
Rate History of
Water Charges per Million Gallons of Raw Water Daily
FY2003-FY2015

Effective Date	O&M Charge	1981 Bond Charge 7/1/86-10/30/06	1998 Bond Charge 8/1/98-11/1/13	NJEIFP 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		0.00	25.00	30.00	24.00	\$231.00	0.00%
July 1, 2014	167.00		0.00	25.00	30.00	24.00	\$246.00	6.49%

RARITAN BASIN SYTEM

SCHEDULE OF EVENTS (NJAC 7:11-2.1 et. seq.)

2013

DECEMBER 30 Advise Water Users of schedule.

2014

JANUARY 31 Final draft of proposed schedule of rate adjustments completed.

FEBRUARY 3 Board approves proposed schedule of rate adjustments.

4 Mail Official Notice to water customers, Division of the Ratepayer Advocate, interested parties and advertise in newspapers.

MARCH 7 Pre-Public Hearing Meeting. (Spruce Run Conference Room, Clinton 10:00 a.m.)

17 Proposal is published in New Jersey Register.

24 Deadline for receipt of questions, which **MUST** be addressed at Public Hearing.

APRIL 4 Public Hearing (Spruce Run Conference Room, Clinton 10:00 a.m.)

MAY 12 Public Hearing record closes.

16 NJ Register Comment Period Ends.

30 Completion of Hearing Officers' Report.

JUNE 2 Mail Rule Adoption to NJDEP.

JULY 7 Board approval.

AUGUST 4 Adoption appears in New Jersey Register.

4 Mail rate schedule to water users and include specific information as to new monthly charges.

4 Effective date.

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROPOSED

FISCAL YEAR 2015 BUDGET SUMMARY
(7/1/14 - 6/30/15)

	ADOPTED F/Y14	PROPOSED F/Y15
Proposed Operating Expense Budget (Schedule 1)	\$12,777,850	\$12,884,100
Net Allocation of Headquarters General and Administrative Expenses to the Manasquan Water Supply System - (Schedule 5)	<u>(740,100)</u>	<u>(779,000)</u>
Proposed Total Expense Budget	\$12,037,750	\$12,105,100
Proposed Capital Equipment Budget (Note on Schedule 6)	<u>61,700</u>	<u>247,300</u>
Total Operating Expense & Capital Equipment Budgets	\$12,099,450	\$12,352,400
Contribution to Reserve Funds-Depreciation Reserve	0	0
-Reserve for Formal Dam Inspection	10,000	10,000
-Pumping Reserve	150,000	150,000
-Capital Equipment Reserve	<u>0</u>	<u>150,000</u>
Total Budget Requirements	\$ <u>12,259,450</u>	\$ <u>12,662,400</u>
<u>MISCELLANEOUS REVENUES:</u>		
Employee Housing/Land Rental	(70,000)	(56,000)
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)	<u>(32,100)</u>	<u>(32,100)</u>
Total Miscellaneous Revenue & Interest Income	\$ <u>(107,100)</u>	\$ <u>(93,100)</u>
<u>OTHER AVAILABLE FUNDS:</u>		
Funds Appropriated to Rate Stabilization Fund for use in F/Y2014 (Resolution #2071, dated 12/03/12)	(2,108,553)	0
Unanticipated Revenue (Schedule 8)	<u>0</u>	<u>(1,736,640)</u>
Total Other Available Funds	\$ <u>(2,108,553)</u>	\$ <u>(1,736,640)</u>
Net Amount to be paid for O & M Component	\$ <u>10,043,797</u>	\$ <u>10,832,660</u>

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

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**NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
PROPOSED OPERATING EXPENSES BUDGET FISCAL YEAR 2015-DISTRIBUTED BY COST CENTER**

CODE	ACCOUNT	OFFICE EXECUTIVE DIRECTOR	FINANCIAL MANAGEMENT & ACCOUNTING	WATERSHED PROTECTION PROGRAMS	OPERATIONS MAINTENANCE & ENGINEERING	PROPOSED BUDGET FOR FY15
5110	Regular Salaries & Wages	\$122,900	\$1,165,000	\$633,900	\$3,701,400	\$5,623,200
5120	Overtime-Salaries & Wages		4,800	300	186,300	\$191,400
5130	New Positions-Salaries & Wages					
5140	Seasonal Help-Salaries & Wages					
5150	Fringe Benefits	36,500	496,300	247,500	2,120,100	\$2,900,400
5167	Retiree Health Benefits	46,900	123,000		638,400	\$808,300
5168	Workers Compensation (Self-Insured)		10,000			\$10,000
	Total Salary & Fringe Benefits	\$206,300	\$1,799,100	\$681,700	\$6,646,200	\$9,533,300
5200	On-Site Residences			56,400	23,600	\$80,000
5211	Heating Fuel				108,900	\$108,900
5220	Utilities -Electrical Service				112,500	\$112,500
5230	" -Gas Service & Water				4,600	\$4,600
5240	" -Propane				200	\$200
5250	Electricity for Pumping				85,800	\$85,800
5260	Vehicular Fuel		177,600			\$177,600
5270	Oil & Grease				6,600	\$6,600
5280	Tires				18,000	\$18,000
5290	Maintenance Supplies		600		204,600	\$205,200
5300	Maint. Supplies - Vehicular Equipment				39,000	\$39,000
5310	Major Special Vehicle Service & Repair				85,000	\$85,000
5320	Agricultural Supplies				5,500	\$5,500
5330	Maintenance of Equipment		5,400	4,500	24,700	\$34,600
5340	Service & Maintenance Contracts		31,000	2,800	144,000	\$177,800
5350	Equipment Rental		30,800		14,300	\$45,100
5360	Household-Safety & Protective Supplies		12,000		21,100	\$33,100
5370	Uniforms				6,300	\$6,300
5380	Special & Professional Services	25,000	200,800	126,100	140,500	\$492,400
5390	Protective Services		1,246,800			\$1,246,800
5400	Telephone		72,400			\$72,400
5410	Postage & Freight		12,500	500	100	\$13,100
5420	Data Processing		44,500			\$44,500
5430	Printing & Office Supplies	500	34,900	9,000	10,100	\$54,500
5440	Scientific & Photographic				700	\$700
5450	Dues & Subscriptions	13,600	7,600	1,500	16,700	\$39,400
5460	Advertising		3,500			\$3,500
5470	Travel & Subsistence	1,500	1,300	1,500	2,400	\$6,700
5480	Staff Training & Tuition Aid	500	4,000	3,500	8,300	\$16,300
5490	Fees & Permits		102,100		13,900	\$116,000
5500	In-Lieu Taxes		18,700			\$18,700
	Total Operating Expenses	\$41,100	\$2,006,500	\$205,800	\$1,097,400	\$3,350,800
	GRAND TOTAL	\$247,400	\$3,805,600	\$1,087,500	\$7,743,600	\$12,884,100

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
COMPARATIVE STATEMENT F/Y2015

Schedule 1A

CODE	ACCOUNT	FY'11 ACTUAL	FY'12 ACTUAL	FY'13 ACTUAL	FY'14 ADOPTED	FY'15 PROPOSED
5110	Regular Salaries & Wages	\$5,446,833	\$5,346,361	\$5,214,020	\$5,796,250	\$5,623,200
5120	Overtime-Salaries & Wages	\$234,008	\$272,296	\$211,797	\$181,600	\$191,400
5130	New positions-Salaries & Wages	\$0	\$0	\$0	\$0	\$0
5140	Seasonal Help-Salaries & Wages	\$0	\$0	\$0	\$0	\$0
5150	Fringe Benefits	\$2,407,631	\$2,464,386	\$2,634,592	\$2,975,600	\$2,900,400
5167	Retiree Health Benefits	\$463,077	\$498,080	\$619,662	\$736,800	\$808,300
5168	Workers Comp. (Self Insured)	\$1,994	\$1,253	\$3,679	\$10,000	\$10,000
	Total Salary & Fringe	\$8,553,543	\$8,582,375	\$8,683,750	\$9,700,250	\$9,533,300
	Budget	\$9,117,385	\$9,486,700			
5200	Residences	\$80,447	\$83,798	\$80,172	\$84,500	\$80,000
5211	Heating Fuel	\$79,032	\$69,128	\$112,576	\$78,500	\$108,900
5220	Utilities -Electrical Service	\$116,840	\$102,110	\$104,123	\$109,000	\$112,500
5230	-Gas Service	\$4,993	\$4,396	\$4,258	\$6,000	\$4,600
5240	-Propane	\$480	\$72	\$102	\$500	\$200
5250	Electricity for Pumping Station	\$93,313	\$89,664	\$75,400	\$92,800	\$85,800
5260	Fuel - Vehicular	\$128,372	\$195,155	\$153,547	\$154,500	\$177,600
5270	Oil & Grease	\$5,618	\$10,661	\$2,829	\$6,800	\$6,600
5280	Tires	\$13,084	\$30,894	\$14,855	\$15,500	\$18,000
5290	Maintenance Supplies	\$220,557	\$189,565	\$165,264	\$196,400	\$205,200
5300	Maint. Supplies - Vehicular	\$42,714	\$46,075	\$38,258	\$47,000	\$39,000
5310	Major Vehicle Service & Repair	\$45,884	\$81,130	\$100,424	\$47,000	\$85,000
5320	Agricultural Supplies	\$5,065	\$22,996	\$1,328	\$8,000	\$5,500
5330	Maintenance Equipment	\$24,418	\$39,122	\$14,574	\$33,100	\$34,600
5340	Serv. & Maintenance Contracts	\$156,086	\$159,703	\$179,019	\$172,900	\$177,800
5350	Equipment Rental	\$36,473	\$79,487	\$139,944	\$45,200	\$45,100
5360	Household - Safety Supplies	\$32,189	\$32,307	\$24,137	\$34,700	\$33,100
5370	Uniforms	\$7,064	\$4,385	\$5,706	\$7,700	\$6,300
5380	Special & Professional Services	\$406,602	\$487,961	\$467,728	\$489,900	\$492,400
5390	Protective Services	\$967,439	\$989,403	\$1,047,791	\$1,075,100	\$1,246,800
5400	Telephone	\$75,314	\$71,109	\$70,944	\$72,400	\$72,400
5410	Postage & Freight Out	\$10,546	\$13,736	\$9,808	\$13,100	\$13,100
5420	Data Processing	\$32,165	\$48,427	\$42,660	\$43,000	\$44,500
5430	Printing & Office Supplies	\$54,367	\$41,377	\$78,749	\$57,200	\$54,500
5440	Scientific & Photographic	\$0	\$228	\$43	\$800	\$700
5450	Dues & Subscriptions	\$19,936	\$33,674	\$34,603	\$25,200	\$39,400
5460	Advertising & Promotional	\$2,017	\$2,308	\$3,269	\$2,500	\$3,500
5470	Travel & Subsistence	\$5,774	\$3,290	\$2,035	\$6,800	\$6,700
5480	Staff Training & Tuition Aid	\$15,733	\$14,749	\$13,561	\$16,100	\$16,300
5490	Fees & Permits	\$112,319	\$112,586	\$113,468	\$116,700	\$116,000
5500	In - Lieu Taxes	\$18,689	\$18,689	\$18,689	\$18,700	\$18,700
	Total Other Expenses	\$2,813,530	\$3,078,187	\$3,119,864	\$3,077,600	\$3,350,800
	Total Operating Expenses	\$11,367,073	\$11,660,562	\$11,803,614	\$12,777,850	\$12,884,100
	Annual Increase (Decrease)	5.98%	2.58%	1.23%	8.25%	0.83%
	Budget -other expenses	\$3,267,300	\$3,104,200	\$3,090,900		
	ANNUAL BUDGET	\$12,384,685	\$12,590,900	\$12,073,400		

NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
 List of Category 5340 Items
 Recommended Service & Maintenance Contracts
 FISCAL YEAR 2015

	ADOPTED <u>F/Y14</u>	PROPOSED <u>F/Y15</u>
1. Postage/Fax/Misc Machines (Dept 16)	\$ 1,000	\$ 1,000
2. HIS-Safety Software (Dept 17).....	1,700	1,700
3. GO DADDY.COM-Remote Access Certificates (Dept 17)	300	300
4. Verizon DSL Watershed (Dept 17)	900	900
5. Sage MAS200 (Dept 17)	1,600	1,600
6. Western Technologies NJ Parcel Maps (Dept 17)	1,300	1,300
7. Sage Fixed Asset (Dept 17)	2,500	2,500
8. PV & Associates-Winslamm (Dept 17)	500	500
9. People Trak Support Technical Difference (Dept 17) ...	800	800
10. Citrix Subscription Advantage (Dept 17)	1,000	1,000
11. OSHA Software (GAO) (Dept 17)	100	100
12. Pure Host Web Hosting Administration (Dept 17)	200	200
13. Pure Host Web Hosting Watershed (Dept 17)	250	250
14. Symantec Anti-Virus Maintenance-Clinton (Dept 17)	1,800	2,400
15. Sonic Wall Software (Dept 17)	1,500	1,500
16. ESRI ArcView Maintenance-Watershed (Dept 17)	5,500	5,400
17. CU Riverware Maintenance Agreement (Dept 17)	3,400	3,400
18. McAfee Antispam (Dept 17)	1,500	1,500
19. River Morph (Dept 17)	800	800
20. DLT Solutions Autocad (Dept 17)	1,000	1,000
21. Fastrax SBPS Monitoring Software (Dept17)	900	900
22. ESRI Archview Maintenance-Clinton (Dept 17)	500	500
23. Keystone Precision-GPS Software Maint (Dept 17)	800	800

(Continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
List of Category 5340 Items
Recommended Service & Maintenance Contracts
 FISCAL YEAR 2015

	ADOPTED <u>F/Y14</u>	PROPOSED <u>F/Y15</u>
24. HAAS Systems-Security Alarm Software Maint (Dept 17) .	\$ 400	\$ 400
25. Clients First-Vipre Antivirus/Antispam (Dept 17)	250	250
26. Cleaning Services (Dept 20)	1,200	1,200
27. Echwood Carpet Cleaning (Dept 20)	1,500	1,500
28. Yahoo for River Friendly (Dept 20)	100	100
29. Refuse Collection (Dept 31)	11,900	11,900
30. Janitorial Service (Dept 31)	15,500	15,500
31. HVAC Service (Dept 31)	5,500	5,500
32. Electrician & Plumber Services (Dept 31)	5,000	5,000
33. Instrumentation Services (Dept 31)	4,500	4,500
34. Entry Rugs (Dept 31)	2,700	2,700
35. Carpet Cleaning (Dept 31)	2,300	2,300
36. Generator Service-Administration Building (Dept 31) ..	1,200	1,200
37. Underground Plant Location Service Notifications (Dept 31)	1,000	1,000
38. Crane Service and Inspection (Dept 31)	1,200	1,200
39. Elevator Service-SBPS (Dept 31)	2,800	2,800
40. Electrical Service-SBPS (Dept 31)	6,400	6,400
41. Floor Cleaning Maintenance-Office (Dept 32)	2,400	2,400
42. Janitorial Service (Dept 32)	7,300	7,300
43. Dumpster Service Canal Office (Dept 32)	3,000	3,000
44. Dumpster Service Route 1 (Dept 32)	23,000	28,000
45. Dumpster Service-Extra (Dept 32)	2,000	2,000

(Continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
List of Category 5340 Items
Recommended Service & Maintenance Contracts
 FISCAL YEAR 2015

	ADOPTED <u>F/Y14</u>	PROPOSED <u>F/Y15</u>
46. Instrumentation Testing (Dept 32)	\$ 1,000	\$ 1,000
47. Floor Mats (Dept 32)	1,000	1,000
48. Grass Mowing Service (Dept 32)	5,000	5,000
49. Boiler Service (Dept 32)	300	300
50. Wood Disposal Fees (Dept 32)	3,100	3,100
51. Generator Service-Scudders & Perdicaris (Dept 32)	3,000	3,000
52. Vac Truck Service-IFW, 10 mile PS (Dept 32)	3,900	3,900
53. Floor Mats (Dept 33)	2,300	2,300
54. Carpet Cleaning (Dept 33)	3,100	3,100
55. Welco Gas (Dept 33)	600	600
56. Parts Washer & Hazardous Removal (Dept 34)	1,600	1,000
57. Fire Extinguisher Maintenance (Dept 36)	4,400	6,000
58. Hazardous Waste Control (Dept 36)	3,000	1,500
59. Fire Alarm Testing (Dept 36)	8,000	8,000
60. Vehicle Lifts Annual Testing (Dept 36)	<u>1,600</u>	<u>1,500</u>
TOTAL	\$ <u>172,900</u>	\$ <u>177,800</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
List of Category 5380 Items
Recommended Professional Services
FISCAL YEAR 2015

	ADOPTED <u>F/Y14</u>	PROPOSED <u>F/Y15</u>
17. Water Monitoring Costs USGS Mulhockaway @ Van Syckel (Dept 20)	\$ 7,100	\$ 7,100
18. Water Monitoring Costs USFS North Branch RR (Dept 20)	7,100	7,100
19. Water Monitoring Costs USGS Raritan River @ Manville (Dept 20)	40,200	40,800
20. USGS Continuous Water Quality for D&R Canal, Landing Lane (Dept 20)	23,500	32,000
21. Water Monitoring USGS Lock/Wick (Dept 20)	26,300	12,600
22. Water Monitoring USGS @ Stanton Station (Dept 20)	7,900	7,900
23. Water Monitoring-SBWA/UEWA now RHA (Dept 20)	2,000	2,000
24. Water Monitoring-SBMWA (Dept 20)	1,000	1,000
25. Dash for the Trash (Dept 20)	0	1,000
26. Lab Certification WPU/Water Sample Anyls (Dept 20) ...	800	1,000
27. NJ Invasive Species Strike Team (Dept 20)	500	500
28. Stroud Water Research Macroinvertebrates Analysis (Dept 20)	10,500	5,200
29. Services-Emergency Engineering Services (Dept 30)	2,500	2,500
30. Underground Storage Tank-CEA Report (Dept 30)	9,000	11,000
31. Underground Storage Tank-Groundwater Test (Dept 30) ..	2,500	2,500
32. 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)	69,000	69,000

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NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
List of Category 5380 Items
Recommended Professional Services
 FISCAL YEAR 2015

	<u>ADOPTED</u> <u>F/Y14</u>	<u>PROPOSED</u> <u>F/Y15</u>
33. Services-USGS Spruce Run Gauging		
Maintenance of two stations on streams feeding Spruce Run not covered under State Cooperative Agreement (Dept 31)	\$ 18,600	\$ 18,600
34. Water Testing		
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)	5,000	5,000
36. Maintenance of USGS Gauges at Washington Crossing and Perdicaris Waste Gate (Dept 32)	12,000	12,000
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)	1,300	1,300
40. Hepatitis Vaccinations (Dept 36)	800	800
41. Calibration for the Pota-Count Respirator (Dept 36) ..	<u>700</u>	<u>700</u>
TOTAL	\$ <u>489,900</u>	\$ <u>492,400</u>

PROJECTED FY 2015 NEW JERSEY WATER SUPPLY AUTHORITY INSURANCE PROGRAM

<u>Type of Coverage</u>	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>	<u>Manasquan Water Treatment Plant and Transmission System</u>	<u>Total Premium</u>
Property Limit \$150 million Deduct: \$100k all perils \$250k, dams, dikes, canal/\$1m flood	\$633,381	\$212,924	\$52,108	\$898,413
General/Products Liability Limit \$1 million Deduct: \$150k	\$77,425	\$7,239	\$1,503	\$86,167
Professional Environmental Consultants Liability	\$0	\$0	\$0	\$0
Environmental Impairment Liability Limit \$10 million Deduct: \$100k	\$20,435	\$1,911	\$397	\$22,743
Workers' Compensation Limit \$1 million	\$175,135	\$22,515	\$23,590	\$221,240
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	\$256,352	\$23,967	\$4,976	\$285,295
Business Automobile Limit: \$1 million G/L, \$0 pd Deduct: \$50k, G/L	\$35,455	\$6,295	\$1,441	\$43,191
Public Officials Liability Limit \$5 million/\$1million crime Deduct: \$50k/\$50k c. crime	\$47,753	\$4,464	\$4,347	\$56,564
Travel Accident Limit \$2 million	<u>\$899</u>	<u>\$84</u>	<u>\$17</u>	<u>\$1,000</u>
TOTAL:	<u>\$1,246,835</u>	<u>\$279,399</u>	<u>\$88,379</u>	<u>\$1,614,613</u>
ESTIMATE	\$1,246,800	\$279,400	\$88,400	\$1,614,600

NEW JERSEY WATER SUPPLY AUTHORITY
 RECAP OF ALLOCATION OF HEADQUARTERS
 GENERAL AND ADMINISTRATIVE EXPENSES CHARGED
 TO THE MANASQUAN WATER SUPPLY SYSTEM
 FOR FISCAL YEAR 2015 (7/1/14-6/30/15)

	TOTAL HEADQUARTERS <u>CHARGE</u>	MANASQUAN RESERVOIR <u>SYSTEM</u>	MANASQUAN <u>WTP/TS</u>
Budgeted-Appendix I, Page 6, amount to be charged to Manasquan System for F/Y15 (7/1/14-6/30/15)	\$ 781,349	\$ 678,114	\$ 103,235
F/Y13 Adjustment as per audited Expenditures:			
Budgeted as per rate schedule for F/Y13 (7/1/12-6/30/13). Amounts paid during FY13 to Raritan Basin System	698,107	605,871	92,236
Actual allocation based upon audited expenditures F/Y13 (7/1/12-6/30/13) Appendix II, Page 5	<u>695,956</u>	<u>604,004</u>	<u>91,952</u>
Adjustment F/Y13	\$ <u>(2,151)</u>	\$ <u>(1,867)</u>	\$ <u>(284)</u>
Net Allocation For F/Y2015 Budget	\$ <u>779,198</u>	\$ <u>676,247</u>	\$ <u>102,951</u>
Estimate	\$ <u>779,000</u>	\$ <u>676,000</u>	\$ <u>103,000</u>

NEW JERSEY WATER SUPPLY AUTHORITY
 RARITAN BASIN SYSTEM
PROPOSED CAPITAL EQUIPMENT BUDGET
 FISCAL YEAR 2015

	Description	(R) Replacement (A) Addition	Year of Purchase	Dollar Value	Depreciation Reserve
INFORMATION SYSTEMS	(2) DELL DESKTOP S	(A)		2,800	
CANAL	(1) NJWA-35 PICKUP TRUCK	(R) TRN2134	2009	35,000	21,983
	(1) NJWA-61 PICKUP TRUCK	(R) TRN2001	2006	35,000	20,377
	(1) 120D EXCAVATOR W/THUMB	(A)		170,000	
AUTO SHOP - CANAL	(1) HYDRAULIC LIFT	(R)		40,000	
SECURITY	(1) NJWA-13 FORD EXPLORER	(R) TRN2140	2009	31,000	28,497
	(1) ID PRINTER W/SOFTWARE	(R) EQP2047	2007	7,500	3,116

LESS AMOUNT CHARGED TO DEPRECIATION RESERVE

TOTAL COST	\$321,300	\$73,973
	(73,973)	
NET TOTAL	\$247,327	
ESTIMATE	\$247,300	

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NEW JERSEY WATER SUPPLY AUTHORITY

RARITAN BASIN SYSTEM

ESTIMATE OF INTEREST INCOME FOR FISCAL YEAR 2015 BUDGET

<u>FUND/RESERVE</u>	<u>TD BANK FUNDS</u>	<u>LONG-TERM INVESTMENTS</u>
Operating	\$ 600,000	\$ 0
Reserve for O & M	500,000	1,500,000
Pumping Reserve	600,000	0
Self-Insurance Reserve	1,000	700,000
Rate Stabilization Fund	<u>\$1,000,000</u>	<u>\$ 0</u>
Estimated Total	\$2,701,000	\$2,200,000
	\$ 2,701,000 x .25% =	\$ 6,752
	\$ 2,200,000 x 1.15% =	\$ 25,300
	TOTAL	<u>\$ 32,052</u>
	ESTIMATE	<u>\$ 32,100</u>

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
 Due 07/15/2016 Yield to Maturity 1.30%
 Expect Similar Returns After Maturity

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

UNANTICIPATED REVENUE

FUNDS TO BE APPROPRIATED INTO THE RATE STABILIZATION FUND FOR FISCAL YEAR 2015

AMOUNT

F/Y2013 Net Year-End Balance \$ 0

<u>OVERDRAFTS</u>	<u>INVOICE NO.</u>	<u>RECEIVED</u>	<u>AMOUNT</u>
NJ American Water	304	11/16/12	\$ 121,358.16
Middlesex	305	12/07/12	45,150.61
	355	01/31/13	8,899.23
Twp of East Brunswick	356	01/31/13	2,644.49
Trump National	307	12/07/12	804.27
Village Grande @ Bear Creek	308	11/21/12	629.58
Roxiticus Gold Club	310	12/07/12	345.06
Somerset County Park	306	12/07/12	230.40
Washington Twp MUA	309	11/28/12	<u>216.94</u>
		TOTAL	\$ 180,278.74
	Amount used in	FY2014	\$ 166,739.17
		NET	\$ 13,539.57

Overdrafts Not Billed, Accrued through August 31, 2013

None 0

Other Sources of Funds

Dredging Deferral	\$1,641,000	
98 Bonds Debt Service	82,100	
		<u>\$1,723,100.00</u>
	GRAND TOTAL	<u>\$1,736,639.57</u>

ESTIMATE FOR F/Y2016	<u>\$ 650,000.00</u>
ESTIMATE FOR F/Y2017	<u>\$ 650,000.00</u>

NEW JERSEY WATER SUPPLY AUTHORITY

Schedule 9

RARITAN BASIN SYSTEM

FUND BALANCES AS OF 6/30/13

** FINAL **

	REVENUE FUND	OPERATING ACCOUNT	OPERATING FUND	O & M RESERVE	LONG-TERM INVESTMENTS O & M RESERVE	TOTAL
BALANCE 6/30/13	\$7,047	\$601,065	\$1,187,542	\$1,165,170	\$1,500,000	\$4,460,824
Add: Adjustment for uncollected O&M revenues at 6/30/13			0			0
Deduct: Accrued expenses to be paid as of 6/30/13			(258,605)			(258,605)
Deduct: June 1st billing, received			(1,141,882)			(1,141,882)
Adjusted Balances 6/30/13	\$7,047	\$601,065	(\$210,945)	\$1,165,170	\$1,500,000	\$3,062,337
INCOME						
Reimbursement Manasquan						
Receipt of Headquarters Overhead Expenses for 7/10/13			142,600			142,600
Operating transfer	(7,000)	(500,000)	507,000			0
EXPENSES						
O & M Expenses - (A/P 6/30/13)						
Includes accrued Payroll and Insurance thru 6/30/13			(220,380)			(220,380)
Capital items to be purchased by 6/30/13			(182,898)			(182,898)
Various Reserve contributions (one month)			(13,333)			(13,333)
PROJECTED BALANCE AT 6/30/13	\$47	\$101,065	\$22,044	\$1,165,170	\$1,500,000	\$2,788,326

Note 1. Unanticipated Revenues for FY 16
(overdrafts in FY 13 to be available
for appropriation to Rate Stabilization for FY14/FY15)

NJ American	\$121,356.16
Middlesex Water	54,049.84
Township of East Brunswick	2,844.49
Trump National	604.27
Village Grande at Bear Creek	829.58
Roxilicus Gold Club	345.06
Somerset County	230.40
Washington Township MUA	218.84
	<u>\$180,278.74</u>

Less: O & M reserve balance (3 mos
required by resolution)

(3,024,883)

Adjusted balance of funds available
6/30/13

(236,537)

Use of Available Funds

Unanticipated revenues (overdrafts
in FY 13 to be available for
appropriation to Rate Stabilization
Fund for FY14/FY15 (Note 1)

(180,279)

Projected Net Balance

(\$416,816)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROJECTED FISCAL YEAR 2015

OPERATIONS & MAINTENANCE COMPONENT SALES BASE

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM DEBT SERVICE ASSESSMENT

SALES BASE

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR		TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
Duke Farms	.075	N/A			.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	.132	184		24.300	.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	.150	365		54.750	.150
Trenton Country Club	.126	365		46.000	.126
United Water Lambertville	.490	365		178.850	.490
Ridge at Back Brook	.111	365		40.510	.111
Roxbury Water Company	.041	365		15.000	.041
Royce Brook Golf Club	.165	365		60.230	.165
Hunterdon County Golf (Heron Glen)	.079	365		28.800	.079
Raritan Valley Country Club	.012	365		4.380	.012

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROJECTED FISCAL YEAR 2015

OPERATIONS & MAINTENANCE COMPONENT SALES BASE

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM DEBT SERVICE ASSESSMENT

SALES BASE

USER	DAILY ALLOCATION (MGD)	DAYS PER YEAR		TOTAL MG/YR	ANNUALIZED SALES BASE (MGD)
East Windsor Municipal Utilities Authority	.011	365		4.000	.011
Somerset County Park Commission (Neshanic Valley Golf Club)	.142	365		51.750	.142
Lamington Farms LLC (Trump National Golf Club)	.170	365		62.100	.170
Morris County Municipal Utilities Authority	.079	365		28.830	.079
Applied Waste Water Management, Inc (Mt. Olive Township)	.010	365		3.554	.010
Washington Township Municipal Utilities Authority	.025	365		9.000	.025
Borough of Glen Gardner	.008	365		2.775	.008
Roxiticus Golf Club	.046	365		16.790	.046
Hamilton Farm Golf Club	.138	365		50.400	.138
Springdale Golf Club	.098	365		35.640	.098
NJ Department of Corrections	.025	365		9.250	.025
Stonebridge Community Assoc	.081	365		29.565	.081
Village Grande @ Bear Creek	.074	365		27.010	.074
Eastern Concrete Materials	.023	365		8.500	.023
TOTAL SALES BASE					182.271

NEW JERSEY WATER SUPPLY AUTHORITY

RARITAN BASIN SYSTEM

OPERATIONS AND MAINTENANCE RATE COMPONENT

FISCAL YEAR 2015

Funds Required for F/Y2015 Budget

Proposed Operating Expense and Capital Budget	\$12,662,400
Less Miscellaneous Revenues & Interest Income	(93,100)
Other Available Funds	<u>(1,736,640)</u>
Net Budget Requirement	<u>\$10,832,660</u>
Less: 182.281 x 152.00 x 61 Days (Cash received in July and August for water used in May and June based on \$152.00/mg)	(1,690,109)
Less: 182.271 x 152.00 x 34 Days (Cash received in September for water used in July 1 through August 3, 2014 based on \$152.00/mg)	(941,977)
Additional Revenue required to cover Operations and Maintenance Expense through 6/30/15	\$ <u>8,200,575</u>

Computation of Operations & Maintenance Rate for Fiscal Year 2015

Sales Base

Period 8/4/14 to 4/30/15 270 days x 182.271 mgd = 49,213.17mg

Required Operations & Maintenance Rate F/Y2015 $\frac{\$8,200,575}{49,213.17\text{mg}} = \$167.00/\text{mg}$

New Jersey Water Supply Authority
Capital Improvement Program
Fiscal Years 2014 - 2018
1/6/14

PROJECT	ESTIMATED PROJECT COST	Period First Identified	Priority	Prior Years	CIP Component of the Rates					
					\$30 FY 2014	\$30 FY 2015	\$30 FY 2016	\$37 FY 2017	\$40 FY 2018	
Refurbishment of the Main Pumps & Motors	\$ 3,500,000	2008	High		1,800,000				300,000	1,400,000
Dredging between Kingston & Amwell Road	\$ 4,000,000	2006	High	1,163,343	600,000	1,275,000	961,667			
Lambertville Multi-Use Trail	\$ 300,000	2012	High	12,132	250,000	37,868				
Rehab. Western Embankment Stockton Borough	\$ 6,000,000	2006	High		200,000	1,500,000	1,500,000	1,800,000		
Rehab Swan Creek Culvert & Aqueduct	\$ 800,000	2006	High		750,000	60,000				
Rehab of Colonial Park Spillway	\$ 950,000	2010	High	900,000	50,000					
Improvements at Canal Office	\$ 850,000	2010	High		850,000					
Removal of Sediment from Rt. 1 Conduitt	\$ 100,000	2013	High		100,000					
Repair of Pipe at Whitehead Road	\$ 500,000	2013	High		75,000	425,000				
Rehabilitation Work at Washington Crossing Spillway	\$ 200,000	2013	High		50,000	150,000				
Rehab of Upper Canal Embankment - Raven Rock to Prailsville	\$ 2,250,000	2006	Med High	555	149,445	1,100,000	1,000,000			
Rehabilitation of the Cherry Tree Lane Spillway	\$ 750,000	2012	Med High			100,000	650,000			
Rehab of Ten Mile Waste Gate	\$ 100,000	2010	Med High			100,000				
Security System Upgrade	\$ 125,000	2003	Med High		25,000	25,000	25,000	25,000	25,000	25,000
Dredging between Landing Lane and Route 18	\$ 300,000	2007	Medium				300,000			
Rehab of the Four Mile Spillway	\$ 900,000	2010	Medium					100,000	800,000	
Rehab of the Landing Lane Spillway	\$ 700,000	2008	Medium				300,000	400,000		
Dredging of Intake Pond at SBPS	\$ 550,000	2005	Medium			160,000	400,000			
Construction Bedload Stone Trap @ Wickecheokee Creek	\$ 1,000,000	1996	Medium	260		100,000	899,750			
Roof Replacement North & South Towers	\$ 100,000	2011	Medium				100,000			
Replacement of Through the Wall HVAC Units in SRA	\$ 125,000	2011	Medium			125,000				
Rehab of Traprock Spillway	\$ 900,000	2010	Medium					75,000	825,000	
Rehab of Canal Flow Control Structures	\$ -									
Griggstown and Ten Mile Locks	\$ 470,000	2000	Low					235,000	235,000	
Rehab of Gold Run Spillway	\$ 700,000	2008	Low					200,000	500,000	
Instrumentation of D&R Canal	\$ -									
Rehab of 6-Mile Run Culvert Headwall	\$ 300,000	2008	Low					250,000	50,000	
Rehab of Waste Gate ds of 10 Mile	\$ 800,000	1990	Low					450,000	350,000	
Cutoff Wall in Shipetaukn Creek Guard Bank	\$ 850,000	2005	Low				400,000	450,000		
Rehab of Culvert at Station 2850+90	\$ 600,000	2008	Low					200,000	400,000	
Concrete Repairs at the Sullivan Way Aqueduct	\$ 1,150,000	2007	Low				650,000	800,000		
Rehab of Spillway u/s of Griggstown Lock	\$ 1,300,000	2010	Low					100,000	1,200,000	
Pipeline Evaluation - Release Pipeline	\$ 100,000	1890's	Low						100,000	
RV Force Main	\$ 300,000	1890's	Low						300,000	
Dam Improvements as recommended by TRB	\$ -									
Dredging between Amwell Road and Ten Mile Lock	\$ -									
Dredging between Lambertville Lock & Trenton	\$ -									
TOTAL	\$ 30,570,000		-	2,076,280	4,899,445	6,137,868	7,086,407	5,185,000	6,185,000	
Balance CIP					12,210,466	9,101,488	4,993,981	3,552,891	1,611,091	

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

* - Estimated cost for dredging of the Canal between Kingston & Amwell Road is \$35,000,000 plus engineering & Cultural Resource inspections during construction. NJEIT loan application is limited to \$30,000,000 (Authority Resolution #

**RARITAN BASIN SYSTEM
CAPITAL IMPROVEMENT PROGRAM
Fiscal Years 2014 – 2018
Updated – July 2013**

The following is a description of projects that are being funded from the Capital Improvement Program in Fiscal Years 2014 - 2018.

Refurbishment of Main Pumps and Motors at SBPS

The South Branch Pumping Station (SBPS) was constructed in the 1960's to pump water into Round Valley Reservoir. The pumps and associated equipment at the station are not used on a regular basis. Maintenance pumping is done periodically to maintain the equipment. As the demand on Round Valley Reservoir increases, so will the need to pump water from the station.

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. Inspections of the motors show 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 is unknown because the entire stator cannot be inspected without full disassembly of the motors at an authorized shop.

The Authority retained Hatch Mott MacDonald to prepare an asset management plan for the SBPS. Hatch Mott MacDonald recommended refurbishment of the main pumps and motors. All ten pumps have similar baseplate and alignment problems, but only two (pump assemblies 1 & 6) of the ten are planned for refurbishment at the present time.

A recommendation for the award of a contract to Longo Electrical-Mechanical, Inc. of Wharton, NJ for an amount not to exceed \$1,239,700 was made and approved at the July 1, 2013 Authority meeting. Approval was authorized for allowance items specified in the bid documents for an amount not to exceed \$445,200. These allowance items are for parts needed for the pump refurbishment that cannot be determined until the units are undergoing refurbishment.

Refurbishment of additional units will be planned accordingly. Funding for refurbishment of additional units is not included in this five year program.

Dredging between Kingston and Amwell Road

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, NJ 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. The cross-sections showed that approximately 250,000 yards of sediment have accumulated in the Canal and must be removed and properly disposed of.

Additionally, the US Route 202 sediment stockpile site in Lambertville, Hunterdon County is reaching capacity. Removal and disposal of 45,000 cubic yards of sediment is included as part of the dredging project.

Urban Dredging Consultants Joint Venture was selected to plan the dredging program including a proactive public participation program. A bathymetric survey was conducted to confirm the quantity of sediment to be removed. Based on the bathymetric survey, the estimated quantity has been increased to 270,000 cubic yards. 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. After careful consideration, the preferred methodologies are hydraulic dredging with Geobags or hydraulic dredging with mechanical dewatering.

Hydraulic dredging methodologies reduce these concerns since the slurry would be conveyed in a pipe floating in the Canal that will carry the material to a temporary staging area for dewatering. Meetings were held between the consultant and two active dredging contractors to discuss the potential sites and dewatering techniques. It was decided to provide a performance specification for the dewatering and to allow the contractor to determine the methodology. Different contractors may be able to attain the same dryness results by either Geobags or hydraulic presses, depending on their techniques and ownership of equipment. Authority staff feels that leaving the option to the Contractor will create the best opportunity to obtain the lowest bids.

Removal of sediment from this reach is planned for FY 2014 - 2016. The application for funding through the NJ Environmental Infrastructure Trust (NJEIT) was made in October 2011 and it remains active for consideration. The budgeted costs for the dredging project represent

those costs that are unallowable to be included in the loan by NJEIT and the engineering fees. The estimated construction cost is \$35,548,000. The loan application to the NJEIT was limited to \$30,000,000. Additional funding may be necessary. Additional funding will also be required for increased engineering and cultural resource services during construction.

Removal and disposal of 45,000 cubic yards of sediment from the US Route 202 stockpile site will not be funded through the NJEIT and is included in this program. The estimated cost for removal and disposal of this sediment is \$1,875,900.

Lambertville Multi-Use Trail

A 36' section of the multi-use trail between Coryell and Bridge Streets in the City of Lambertville, Hunterdon County collapsed into the Canal in 2012. The multi-use trail is on the east side of the Canal and is a well-traveled path in the City. The area was temporarily stabilized and was covered with a tarpaulin to prevent further erosion, but requires a permanent repair. Repair of this section of the Canal embankment is a joint effort between the Authority and the State Park Service.

A draft of the schematic design report was received on July 5, 2013.

Rehabilitation of the Western Embankment, Stockton Borough

The 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. It was overtopped twice during major storm events in 2005 and again in 2006 where the embankment breached. In 2011, Tropical Storms Irene and Lee caused severe flooding of the Delaware. While the embankment did not breach, over 1000 linear feet of the embankment experienced slope failure on the Canal side where significant amounts of material slid into the Canal compromising the cross-sectional area of the embankment.

Emergency repairs were executed in an attempt to prevent a breach of the embankment that included placement of material via conveyor belt from the opposite side of the Canal due to the unsafe nature of the embankment. While a breach was prevented, additional work on the embankment is required to reinforce the repair. The embankment does not meet minimum factors of safety during flooding events in the Delaware River resulting in the continued potential of further breaches. The embankment needs significant improvements to increase the factor of safety including the possibility of installation of sheeting the entire length of this stretch. Other alternatives include adding fill to the embankment or improvement of the stone armor of the embankment.

Any of the alternatives to be evaluated will have impacts to the historic embankment and will involve significant permitting efforts. Authority staff has met with the NJDEP and Army Corps of Engineers regarding this project.

Six (6) Statements of Qualifications and Technical Proposals were received from engineering consultants for this effort. The proposals are being evaluated by staff in accordance with the Authority's procedure for the retention of consultants.

Six (6) Statements of Qualifications and Technical Proposals were received from cultural resource consultants for this effort. The proposals are being evaluated by staff in accordance with the Authority's procedure for the retention of consultants.

Rehabilitation of the Swan Creek Culvert & Aqueduct

The Swan Creek Culvert and Aqueduct 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 and to act as a spillway for the Canal. An adjacent culvert conveys Swan Creek under the Canal and the former Belvedere-Delaware Railroad. The aqueduct is a concrete and masonry structure that was most recently rehabilitated in 1989. The waste gates were replaced, some of the masonry was reconstructed and some of the existing concrete was repaired with shotcrete in 1989.

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. The voids left by the fallen stones still remain.

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.

This second phase to the project includes rehabilitation of masonry and concrete and replacement of the bent stem for the waste gate. Plans and specifications were prepared to bid the project, permits were received and the project was bid.

A recommendation for the award of a construction contract to the lowest responsive bidder was made and approved at the July 1, 2013 Authority meeting.

Rehabilitation of the Colonial Park Spillway

The Colonial Park Spillway, between Station 2457+00 and Station 2461+00 of the Canal in Franklin Township, Somerset County was in poor condition and needed rehabilitation. The 400-foot long spillway was built as part of the original Canal construction in the 1830's and is part of the Canal's flood control system into the Millstone River.

French and Parrello Associates inspected the structure in 2010 and prepared a schematic design report with alternatives for rehabilitation of the structure. The selected alternative

consists of a reinforced concrete overlay on the crest of the spillway with hand laid stone finish. The deteriorated stone backwall and slopes was also reconstructed. Timber sheet piling was installed to provide seepage cutoff and replicate the historic appearance of the spillway. PS&S performed a cultural resource investigation for the rehabilitation project and provided observation during construction.

Rehabilitation of the spillway was completed on July 3, 2013.

Improvements at the Canal Office

The Canal Office was constructed in 1992 in Ewing Township, Mercer County. Currently this facility requires rehabilitation of the roofing system, the access driveway and parking areas, and the fuel dispensing system. The roofing system has developed numerous leaks that have been patched but a reroofing project is warranted. The asphalt driveway and parking area has settled in many places and drainage is a problem. The fuel dispensing system is deteriorated and needs to be replaced. The tanks for the diesel and unleaded gas storage are not affected by this situation, only the gas dispensing island and equipment need attention.

A professional services contract was awarded to Hatch Mott MacDonald in July 2011. Draft plans and specifications were prepared and permit applications will be made after Authority staff completes their review. It is anticipated that construction will be bid during the fall of 2013.

Removal of Sediment from Route 1 Conduit

The US Route 1 Conduit is a twin-barrel, 13' x 8' concrete box culvert constructed in 1950. It is approximately 6050 feet long carrying the Canal water under U.S. Route 1 from Southard Street to the north of Mulberry Street, in Trenton, NJ. 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 and the 300 +/- acre area to the immediate west. 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 were removed from the west barrel in the 1980's.

Currently, the flow carrying capacity of the conduit is again being impacted by accumulated sediment. Removal of sediment is the responsibility of the NJDOT. The funding included in this program is to fund some costs necessary to determine the extent of the sediment.

Repair of Pipe at Whitehead Road

A sinkhole developed in the towpath 1,600 feet up Canal from Whitehead Road in Lawrence Township. This location is 3,600 feet down Canal of the outlet of the Trenton Conduit. The sinkhole developed over a failed storm drainage pipe that goes under the Canal and US 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" riprap and regraded the area.

The pipe was not repaired at this time 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.

Rehabilitation Work at the Washington's Crossing Spillway

The Delaware River Joint Toll Bridge Commission advised the Authority on Thursday, June 6, 2013 of clear seepage coming from their historic stone bridge abutment at the Washington's Crossing Bridge. Starting late May, 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's 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'± long and 37'± wide, consisting of two (2) concrete spillway boxes with twenty (20) 36"x40" vertical elliptical reinforced concrete pipes, and one (1) 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 pipes protect the embankment from erosion. Hand placed stonewalls borders 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 and is controlling the water level in the Canal by operating the waste gates. 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 tenders house or the bridge abutment as a result of removal of fines by piping or undermining. Staff is continuing to investigate alternatives for controlling the flowing water.

Rehabilitation of the Upper Canal Embankment - Raven Rock and Prallsville

Four major flood events in the Delaware River since September 2004 have overtopped the Canal embankment between the Raven Rock and Prallsville where the Canal and the River become one body of water. The embankment that separates the Canal from the River in that stretch is very narrow and is inaccessible by vehicle making maintenance a challenge. Several areas in this stretch have experienced deterioration, typically initiated by fallen trees and are exacerbated by high water events where, at times, the River and the Canal become one body of water.

Following the storms of 2011, these areas were attended to by Authority forces 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.

Eight (8) Statements of Qualifications and Technical Proposals were received from engineering consultants for this effort. A recommendation for the award of a professional services contract was made and approved at the July 1, 2013 Authority meeting.

Rehabilitation of the Cherry Tree Lane Spillway

The Cherry Tree Lane Spillway is located 1000 feet south of Whitehead Road in Lawrence Township. The spillway is a concrete structure that discharges excess Canal flow into the Assunpink Creek. The concrete structure is partially collapsed and undermined.

Plans and specifications need to be developed to reconstruct the spillway structure.

Rehabilitation of the Ten Mile Waste Gate

The Ten Mile Waste Gate is located up-Canal of the Ten Mile Lock. It is a concrete structure with two sluice gates that is routinely adjusted to discharge flow from the Canal to the Millstone River near its confluence with the Raritan River. Canal flow in excess of that required by down-Canal water purveyors is used to augment flow in the Raritan River. 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. Staff will prepare plans and specifications to replace these gates. Replacement of the gates is scheduled for FY 2015.

Security System Upgrade

A vulnerability assessment of the Authority's facilities was completed in 2003. This project includes continuing implementation of improvements recommended in the vulnerability assessment. Work is ongoing.

Dredging of the Canal between Landing Lane and Route 18

Approximately 70% percent of water diverted from the Canal is delivered at Route 18 in 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 three water purveyors in this reach (East Brunswick's water is diverted from the Canal and treated by the Middlesex Water Company.) Development of a program will be modeled after the dredging program currently that is being developed for the Canal reach between Kinston and Amwell Road.

Rehabilitation of the Four Mile Spillway

The Four Mile Spillway is located in the Five Mile Lock to the Route 18 section of the Canal in Franklin Township, Somerset County opposite the Rutgers Preparatory School on Easton Avenue. This 600 foot long 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 are being 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.

Rehabilitation of the Four Mile Spillway is planned for FY 2017 and FY 2018.

Rehabilitation of the Landing Lane Spillway

The Landing Lane Spillway is located immediately upstream 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 eliminate 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.

The stones are being 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.

Rehabilitation of the Landing Lane Spillway is planned for FY 2016 and FY 2017.

Dredging of Intake Pond at the South Branch Pumping Station

The intake pond at the South Branch Pumping Station was designed with a capacity of 21,000,000 gallons during low flow pumping periods. Sediment accumulates in the pond reducing its capacity thereby reducing the efficiency of the operation of the SBPS. Sediment was last removed from the pond in 1986 at a cost of \$265,000. Accounting for inflation, the estimated cost to remove the stone and sediment in FY 2016 – 2017 is \$550,000.

In 1986, material was removed from the pond in the dry and was stockpiled in a temporary stockpile site at the station where it is removed and used as needed.

Construction of a Bedload Stone Trap at the Wickecheoke Creek

Wickecheoke Creek enters the Canal just upstream of the Prallsville Lock Control Structure in Delaware Township, 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 1990's 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.

Roofing Replacement at the North & South Towers

The built-up roofing at the North and South Towers at Round Valley Reservoir are approaching 30 years old, they were replaced in 1984. Replacement of these roofs is planned in FY 2016.

Replacement of 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 replaced in 1994. Replacement parts are becoming difficult to get and the units are constantly in need of service. Replacement of the units is planned for FY 2015.

Rehabilitation of the Traprock Quarry Spillway

The Traprock Quarry Spillway between Station 1925+90 and Station 1929+20 of the Canal in Franklin Township, Somerset County is in poor condition and warrants rehabilitation. The 330-foot long spillway was built as part of the original Canal construction in the 1830's 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 Traprock Spillway will be scheduled after the dredging program between the 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.

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 (up canal). Based on the underwater inspections, with the exception of the gates at the Raven Rock Lock and the Kingston Lock, the gates need to be replaced. Gates at these two structures were replaced in 1989 – 1990 but are now in need of repair.

In addition to the replacement of the 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. This second phase of the project includes replacement of the flow control gates and other repairs at the Griggstown and Ten Mile Locks. Rehabilitation is planned for FY 2017 and 2018.

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 ft.

Fourteen (14) – 36-inch diameter concrete pipes handle the flow of water coming through the spillway. The pipes discharge on 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.

Instrumentation of the D&R Canal

A computerized instrumentation system is being installed at the Canal Office to remotely monitor water levels in the Canal. Water level sensors were installed at the locks and the information will be transmitted back to the Canal Office via radio. This computerized system will enhance our ability to respond to changing water levels on a timely basis.

On-going problems with the communication of the remote units and the central processor at the Canal Office are hindering the completion and acceptance of this project. Work by the contractor on this project has stalled. A significant portion of the equipment provided by Ray Angelini, Inc. is outdated and cannot be used. Authority staff is working on improvements to the system including potentially changing the communication method.

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.

Plans need to be developed to rebid this project.

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.

Inspections by the engineering staff identify the continuing deterioration of the wooden gate and the adjacent embankment. Although this structure has little benefit to reducing flood levels in the Canal during major flood events since the Raritan River overtops the Canal embankment, failure of the structure will inhibit the ability to deliver water to downstream purveyors.

Recommendations were made to replace the non-operational wooden gate with a cast iron gate similar to other waste gates along the Canal and to rebuild the inlet and outlet headwalls.

Rehabilitation of the structure is included in the CIP program during Fiscal Years 2017 and 2018.

Installation of a 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 Provinceline 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 indicating that soil particles are not being transported and that no piping is occurring. However the 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. Depth of the cutoff wall will range between 8 and 18.5 feet.

It is planned that a cutoff wall will be constructed in this reach of the embankment. The cutoff wall will be either slurry concrete mix or a clay mix. The slurry concrete mix has the advantage for ease of installation but may cause permitting problems.

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

Rehabilitation of Culvert at Station 2550+90

The unnamed culvert at Station 2550+90 is located in Franklin Township, Somerset County approximately one mile east of 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 stone were also identified on both the upstream and downstream headwalls. They classified the culvert as being in fair condition and recommended repairs be made to the culvert barrel as well as both headwalls. Funding for this project is not included in this five year program.

Concrete Repairs at the Sullivan Way Aqueduct

The Sullivan Way Aqueduct is located in 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. Rehabilitation of the structure is included in the CIP program during Fiscal Years 2017 and 2018.

Rehabilitation of the Spillway upstream of the Griggstown Lock

The spillway upstream of the Griggstown Lock is 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 1830's 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 the 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.

Release Pipeline Evaluation and Rehabilitation

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" 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.

Authority staff inspected the interior of the RVRP between June 8 and June 11, 2012. Nothing was observed to indicate imminent failure of the pipeline. Staff will continue its periodic inspection of the pipeline and take action accordingly.

Funding is included in the CIP in FY 2018 to repair sections of pipe that exhibit signs of deterioration that may lead to a failure.

Round Valley Force Main

The Round Valley Force Main is a 3.5-mile 108" diameter prestressed concrete cylinder pipe that conveys water from the South Branch Pumping Station to the South Dam at Round Valley Reservoir. The Force Main is also 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 South Branch Pumping Station 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 4 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. The CIP includes funds in FY 2018 to rehabilitate / replace additional pipe sections if warranted.

Additional Projects of Undetermined Cost and Scheduling

The following three additional projects are noted as “longer term” potential projects - improvements to the Spruce Run Dam as recommended by a Technical Review Board; dredging between Amwell Road and Ten Mile Lock; and dredging between Lambertville Lock and Trenton.

Improvements to the Spruce Run Dam as recommended by a Technical Review Board A Technical Review Board (TRB) will be convened as part of the 2013 formal dam inspection at Spruce Run and Round Valley Reservoirs. The TRB is being convened to investigate analogous readings in some of the dam instrumentation at the Spruce Run Reservoir.

The Spruce Run Dam was constructed on a limestone foundation. The limestone was thoroughly investigated during design and an extensive grouting program was included as part of the construction of the dam. There has been no indication of seepage under or through the dam. Prior investigations, including 2 TRBs have noted that the readings do not pose a hazard to the continued operation of the reservoir but recommended increased monitoring of the dam and its foundation.

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.

Dredging between Lambertville Lock and Trenton Sediment was removed from this reach in the mid-1980's. 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 1980's. While the Canal was drained, Authority staff removed sediment mounds that were the most pronounced but was unable to remove all of the mounds. Long term planning needs to focus on the removal of sediment from this reach.

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 August 4, 2014

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 [182.281] **182.271** 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>
8/4/2014 to 6/30/2015	Million Gallons per Day (MGD)	[\$152.00] \$167.00

7:11-2.4 Debt Service Assessments

(a) (No change.)

(b) The following Debt Service Assessment rate for the New Jersey Environmental Infrastructure Financing Program loans, based on a sales base of [182.281]182.271 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>
[7/1/2013 to 6/30/2014] State fiscal year 2015	Million Gallons per Day (MGD)	\$25.00

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>
[7/1/2013 to 6/30/2014] State fiscal year 2015	Million Gallons per Day (MGD)	\$30.00

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)**

[7/1/2013 to
6/30/2014] **State fiscal
year 2015**

Million Gallons per Day (MGD) \$24.00

7:11-2.12 Standby Charge

(a) A user classified under standby service, as provided in N.J.A.C. 7:11-2.11, shall pay a monthly minimum charge based on the capacity of the user's withdrawal system as specified below. Said purchaser shall also pay for all water withdrawn during the month in excess of such monthly standby charge, based on charges as set forth under N.J.A.C. 7:11-2.3, 2.4, 2.5 and 2.6.

Note: MGD = million gallons daily; GPM = gallons per minute.

1. For Delaware and Raritan Canal Standby Contracts within the Delaware River Basin:

Maximum withdrawal capacity

Charge per month

Each 1 MGD (700 GPM) or fraction thereof

[\$152.00] For the particular period or State fiscal year, the General rate for operations and maintenance established in N.J.A.C. 7:11-2.3 plus annual Debt Service Assessments Rate for New Jersey Environmental Infrastructure Financing Program Loans established in N.J.A.C. 7:11-2.4, Capital Fund Component established in N.J.A.C. 7:11-2.5, and Source Water Protection Fund Component established in N.J.A.C. 7:11-2.6.

2. For Standby Contracts within the Raritan River Basin:

Maximum withdrawal capacity

Charge per month

Each 1 MGD (700 GPM) or fraction thereof

[\$152.00] For the particular period or State fiscal year, the General rate for

operations and maintenance established in N.J.A.C. 7:11-2.3 plus annual Debt Service Assessments Rate for New Jersey Environmental Infrastructure Financing Program Loans established in N.J.A.C. 7:11-2.4, Capital Fund Component established in N.J.A.C. 7:11-2.5, and Source Water Protection Fund Component established in N.J.A.C. 7:11-2.6.

7:11-2.13 Rate Adjustment

(a) The New Jersey Water Supply Authority reserves the right to review and revise the **sales bases to make adjustments in the Schedule if necessary and/or review and revise the Schedule** from time to time by the establishment of a new Schedule, promulgated pursuant to the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., and any rules promulgated thereto.

1. A purchaser shall be notified of **any** such [changes] **adjustment** not less than six months in advance of the effective date of such [revision] **adjustment** pursuant to N.J.A.C. 7:11-2.14.
2. **Any** [A] adjustments made under this section shall be subject to [public hearing and all other] **the** requirements of N.J.A.C. 7:11-2.14.
3. Any contract for the sale of water shall be subject to any adjustment [resulting from this review] **made under this section.**

[(b) The New Jersey Water Supply Authority reserves the right to review the sales bases from time to time to make adjustments, if necessary, in the Schedule. Any such adjustments shall be promulgated pursuant to the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. and any rules promulgated thereto.

1. If any adjustment is required, at least six months notice in advance of the effective date of such revision shall be provided to all purchasers pursuant to N.J.A.C. 7:11-2.14.
2. Adjustments made under this section shall be subject to public hearing and oall other requirements of N.J.A.C. 7:11-2.14.
3. Any contract for the sale of water shall be subject to any adjustment resulting from this review.]

Recodify (c) and (d) as (b) and (c). (No change in text.)

NEW JERSEY WATER SUPPLY AUTHORITY
FORECASTED COST ALLOCATION SCHEDULES
YEAR ENDING JUNE 30, 2015

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Commissioners of
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") for the fiscal year ending June 30, 2015. 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:

1. We were provided with the fiscal year 2015 budgeted expenses for each of the three operating systems by the Authority's chief financial officer, who advised us that the fiscal year 2015 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 2015 budgeted expenses.
2. We recalculated the allocated costs on the schedules.
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, 2013, and found them to be consistent.

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
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REPORT OF INDEPENDENT ACCOUNTANTS (CONTINUED)

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.

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.

Amercardian, P C
Certified Public Accountants
October 7, 2013

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST CENTER EXPENSE RECLASSIFICATION
 YEAR ENDING JUNE 30, 2016

		RECLASSIFICATIONS										
DEPT. #	DEPT./COST CENTER	COST CENTER COSTS	1	2	3	4	5	6	7	8	9	REVISED COST CENTER COSTS
			HEATING/ELECTRIC	VEHICULAR FUEL	PROFESSIONAL FEES	INSURANCE	TELEPHONE	PERMITS	WORKERS' COMP.	IN LIEU TAXES	CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ	\$ -	\$130,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$130,100
	TELEPHONE HQ						72,400					72,400
36	SAFETY	205,700		(5,000)								200,700
37	SECURITY	883,150										883,150
14	HUMAN RESOURCES	422,500		(4,400)					(10,000)			408,100
16	PURCHASING	576,900		(177,600)			(72,400)	(16,000)				310,900
17	INFORMATION SYSTEMS	143,300										143,300
15	CONTRACTS & RISK MGMT.	1,719,300			(33,500)	(1,246,800)		(86,100)		(18,700)		334,200
13	FINANCIAL MGMT.	943,600		(2,200)								941,400
34	AUTO SHOP	209,300		177,600				16,000				402,900
35	AUTO SHOP-CANAL	203,800										203,800
10	EXEC OFFICE	247,400	4,757									252,157
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARIAN SYSTEM)	7,329,150	(134,857)		45,100	1,246,800		86,100	10,000	18,700	(14,281)	8,586,712
		12,884,100	0	0	0	0	0	0	0	0	(14,281)	12,869,819
40-60	MANASQUAN SYSTEM	5,142,250									14,281	5,156,531
		<u>\$18,026,350</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>\$18,026,350</u>

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2015

ALLOCATION BASIS

DEPT. #	DEPT./COST CENTER	REVISED COST CENTER COSTS	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	# 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	\$130,100	(\$130,100)													
	TELEPHONE HQ	\$72,400	0	(\$72,400)												
36	SAFETY	\$200,700	976	796	(\$202,472)											
37	SECURITY	\$683,150	4,998	3,182	17,030	(\$908,360)										
14	HUMAN RESOURCES	\$408,100	6,018	3,182	5,677	0	(\$422,977)									
16	PURCHASING	\$310,900	6,640	2,387	3,785	0	8,905	(\$332,617)								
17	INFORMATION SYSTEMS	\$143,300	1,385	796	1,882	0	4,452	6,005	(\$157,830)							
15	CONTRACTS & RISK MGMT.	\$334,200	4,323	1,691	3,785	0	8,905	8,685	5,350	(\$366,839)						
13	FINANCIAL MGMT.	\$941,400	12,586	5,569	13,246	0	31,167	10,401	24,076	0	(\$1,038,455)					
34	AUTO SHOP	\$402,900	20,514	1,991	1,882	0	4,452	13,189	5,350	0	28,663	(\$478,541)				
35	AUTO SHOP-CANAL	\$203,800	0	1,591	1,892	0	4,452	11,473	2,675	0	14,494	0	(\$240,377)			
10	EXEC OFFICE	\$252,157	17,456	5,669	1,882	0	4,452	3,002	5,350	0	17,893	0	0	0	(\$307,811)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$8,586,712	55,194	46,146	102,182	908,360	240,430	164,943	85,603	329,656	610,659	478,541	240,377	263,948	\$12,102,761	
40-60	MANASQUAN SYSTEM	\$5,156,551	0	0	49,199	0	115,762	124,919	29,426	37,183	366,716	0	0	0	43,683	5,923,589
		\$19,026,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,026,350

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST ALLOCATION FACTORS
 YEAR ENDING JUNE 30, 2015

REQUIRED STATISTICS

DEPT. #	ALLOCATION OF: ALLOCATION BASIS:	BUILDING HQ SQ. FT. #	TELEPHONES # OF TELEPHONES	SAFETY # OF EMPLOYEES	HUMAN RESOURCES # OF EMPLOYEES	PURCHASING # OF P.O.'S	INFORMATION SYSTEMS # OF COMPUTERS	CONTRACTS & RISK MGMT MGD CONTRACTS	FINANCE O&M FUNCTIONAL COST	AUTO SHOP # OF VEHICLES	AUTO SHOP CANAL # OF VEHICLES	EXEC. OFF TIME ESTIMATE
	BUILDING HQ											
	TELEPHONE HQ											
36	SAFETY	110	1									
37	SECURITY	563	4	9								
14	HUMAN RESOURCES	678	4	3								
16	PURCHASING	748	3	2	2							
17	INFORMATION SYSTEMS	156	1	1	1	56						
15	CONTRACTS & RISK MGMT.	487	2	2	2	81	2					
13	FINANCIAL MGMT.	1,419	7	7	7	97	9	0				
34	AUTO SHOP	2,311	2	1	1	123	2	0	\$402,900			
35	AUTO SHOP-CANAL	0	2	1	1	107	1	0	203,800			
10	EXEC OFFICE	1,967	7	1	1	28	2	0	252,157	0		
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (PARTAN SYSTEM)	6,218	58	54	54	1,445	32	182	8,586,712	43	43	86.75
40-60	MANASQUAN SYSTEM			26	26	1,165	11	21	5,156,531			14.25
		14,657	91	107	95	3,102	59	203	\$14,602,100	43	43	100 %

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2015

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$2,928,150					
		<u>(\$2,928,150)</u>				
VEHICLE RELATED	76,000					
		<u>(\$76,000)</u>				
MAINT. SUPPLIES & RELATED	72,900					
			<u>(\$72,900)</u>			
OFFICE & MISC.	48,500					
			<u>(\$48,500)</u>			
H.Q. OVERHEAD	781,349					
				<u>(\$781,349)</u>		
RESERVOIR	936,600			23,434	678,114	\$3,140,616
TREAT./TRANS.	1,080,100			25,066	103,235	2,782,983
	<u>\$5,923,599</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,923,599</u>

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDING JUNE 30, 2015

A. 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:

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

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

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

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDING JUNE 30, 2015

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

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 computer workstations.
8. Contracts and Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining Cost Centers' budgets.
10. Auto Shop and Auto Shop-Canal are allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the systems.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDING JUNE 30, 2015

B. 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 2013.
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 2013.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

NEW JERSEY WATER SUPPLY AUTHORITY
COST ALLOCATION SCHEDULES
YEAR ENDED JUNE 30, 2013

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Commissioners of
New Jersey Water Supply Authority

We have examined the financial schedules of New Jersey Water Supply Authority (the "Authority") for the year ended June 30, 2013, listed in the foregoing table of contents. The Authority's management is responsible for the financial schedules. Our responsibility is to express an opinion on the conformity of the financial schedules with the cost allocation criteria set forth in Note A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 the Authority's allocation of costs to the Raritan and Manasquan Systems in conformity with the cost allocation criteria set forth in Note A.

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.

Mercadieu, P.C.
Certified Public Accountants

October 7, 2013

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
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NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF COST CENTER EXPENSE RECLASSIFICATION
 YEAR ENDED JUNE 30, 2013

RECLASSIFICATIONS												
DEPT. #	DEPT./COST CENTER	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	REVISED COST CENTER COSTS
	BUILDING HQ		\$86,051									86,051
	TELEPHONE HQ						\$70,923					70,923
36	SAFETY	169,110										169,110
37	SECURITY	875,479										875,479
14	HUMAN RESOURCES	376,501			(82,533)				(83,673)			370,289
16	PURCHASING	518,233					(70,923)	(16,865)				276,898
17	INFORMATION SYSTEMS	148,926										148,926
15	CONTRACTS & RISK MGMT.	1,512,333			(37,425)			(84,631)		(18,689)		296,085
13	FINANCIAL MGMT	854,904			(5,372)							849,532
34	AUTO SHOP	190,907		153,547								361,319
35	AUTO SHOP-CANAL	195,904										195,904
10	EXEC OFFICE	239,981	3,495									243,476
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (PARITAN SYSTEM)	6,572,309	(89,546)		45,330	1,073,502		84,631	3,679	18,689	(13,855)	7,694,740
		11,654,587	0	0	0	0	0	0	0	0	(13,855)	11,640,732
40-60	MANASQUAN SYSTEM	4,404,938									13,855	4,418,793
		\$16,059,525	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,059,525

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2013

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	\$86,051	(\$86,051)												
	TELEPHONE HQ	\$70,923	0	(\$70,923)											
36	SAFETY	\$169,110	646	779	(\$170,535)										
37	SECURITY	\$875,479	3,305	3,117	14,344	(\$896,245)									
14	HUMAN RESOURCES	\$370,289	3,981	3,117	4,781	0	(\$382,188)								
16	PURCHASING	\$276,888	4,392	2,338	3,188	0	8,046	(\$294,862)							
17	INFORMATION SYSTEMS	\$148,926	916	779	1,594	0	4,023	5,323	(\$161,561)						
15	CONTRACTS & RISK MGMT.	\$288,085	2,859	1,559	3,188	0	8,046	7,699	5,477	(\$326,913)					
13	FINANCIAL MGMT	\$849,632	8,331	5,456	11,156	0	28,160	9,220	24,645	0	(\$936,500)				
34	AUTO SHOP	\$361,319	13,568	1,559	1,594	0	4,023	11,692	5,477	0	26,202	0	(\$425,434)		
35	AUTO SHOP-CANAL	\$195,904	0	1,559	1,594	0	4,023	10,171	2,738	0	14,206	0	(\$230,195)		
10	EXEC OFFICE	\$243,478	11,546	5,456	1,594	0	4,023	2,662	5,477	0	17,656	0	0	(\$291,890)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$7,694,740	36,507	45,204	86,064	896,245	217,231	137,356	87,625	293,735	557,998	425,434	230,195	250,296	\$10,958,631
40-60	MANASQUAN SYSTEM	\$4,418,793	0	0	41,438	0	104,593	110,739	30,122	33,178	320,437	0	0	41,594	5,100,894
		\$16,059,625	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	\$16,059,625

See accompanying notes Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF COST ALLOCATION FACTORS
 YEAR ENDED JUNE 30, 2013

REQUIRED STATISTICS

DEPT. #	ALLOCATION OF: ALLOCATION BASIS:	BUILDING HQ SQ. FT. #	TELEPHONES # OF TELEPHONES	SAFETY # OF EMPLOYEES	HUMAN RESOURCES # OF EMPLOYEES	PURCHASING # OF P.O.'S	INFORMATION SYSTEMS # OF COMPUTERS	RISK MGMT MGD CONTRACTS	FINANCE O&M FUNCTIONAL COST	AUTO SHOP # OF VEHICLES	AUTO SHOP CANAL # OF VEHICLES	EXEC. OFF TIME ESTIMATE	DEPT./COST CENTER
	BUILDING HQ												
	TELEPHONE HQ												
36	SAFETY	110	1										
37	SECURITY	563	4	9									
14	HUMAN RESOURCES	678	4	3									
16	PURCHASING	748	3	2	2								
17	INFORMATION SYSTEMS	156	1	1	1	56							
15	CONTRACTS & RISK MGMT.	487	2	2	2	81	2						
13	FINANCIAL MGMT	1,419	7	7	7	97	9	0					
34	AUTO SHOP	2,311	2	1	1	123	2	0	\$361,319				
35	AUTO SHOP-CANAL	0	2	1	1	107	1	0	\$195,904				
10	EXEC OFFICE	1,967	7	1	1	28	2	0	243,476	0			
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,218	58	54	54	1,445	32	182	7,694,740	43	43	85.75	
40-60	MANASQUAN SYSTEM			28	28	1,165	11	21	4,418,753			14.25	
		14,657	91	107	95	3,102	59	203	\$12,914,232	43	43	100	%

See accompanying notes Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2013

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	\$2,512,544					
		<u>(\$2,512,544)</u>				
VEHICLE RELATED	78,255					
		<u>(\$78,255)</u>				
MAINT. SUPPLIES & RELATED	43,376					
			<u>(\$43,376)</u>			
OFFICE & MISC.	31,786					
			<u>(\$31,786)</u>			
H.Q. OVERHEAD	695,956					
					<u>(\$695,956)</u>	
RESERVOIR	812,505					\$2,712,130
			21,319	14,818	604,004	
TREAT./TRANS.	926,473					2,388,765
			22,057	16,968	91,952	
	<u>\$5,100,895</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$0)</u>	<u>\$5,100,895</u>

See accompanying notes Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDED JUNE 30, 2013

A. 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:

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Risk Management
- Financial Management & Administration
- 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.
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.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDED JUNE 30, 2013

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 number of employees.
9. Financial Management is allocated based on a percentage of the four remaining Cost Centers' budgets.
10. Auto Shop and Auto Shop-Canal 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 SCHEDULES
YEAR ENDED JUNE 30, 2013

B. 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 2013.
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 2013.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.