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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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FEB 16 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

February 14, 2018

Via Regular Mail and E-mail

Veronica Beke
Department of Law & Public Safety
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Re: Jersey City Municipal Utilities Authority Draft Amendment and
Extension Agreement to the Professional Operations Service
Agreement for the City of Jersey City's Water Supply System -
Application for Approval of Amendment and Extension
BPU Docket No.: WO18010053

Dear DAG Beke:

Enclosed please find our response to the New Jersey Board of Public Utilities ("Board Staff") in the above-referenced matter.

As requested, the responses are being submitted electronically and on three-hole punched paper and are being provided in portable document format (.PDF) containing a text searchable optical character recognition (OCR) layer.

Should you have any questions, please do not hesitate to contact me at rscerbo@decotiislaw.com or 201-907-5264.

Sincerely,

DeCotiis, Fitzpatrick, Cole & Giblin, LLP

By:

Ryan J. Scerbo

Enclosure

Case Mgmt - C. Vachon
list & copied



Jersey City Municipal Utilities Authority Draft
Amendment and Extension Agreement
to the Professional Operation Service Agreement
for the City of Jersey City's Water Supply System
"Service List"

BPU Docket No.: WO18010053

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JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
DRAFT AMENDMENT AND EXTENSION AGREEMENT
TO THE PROFESSIONAL SERVICE AGREEMENT FOR THE CITY OF JERSEY
CITY'S WATER SUPPLY SYSTEM
APPLICATION FOR APPROVAL OF AMENDMENT AND EXTENSION
BPU DOCKET NO.: WO18010053
JCMUA – Response to Discovery Request

FEBRUARY 14, 2018

SR-1 Referencing Exhibit A to the application, Section 3, Exhibit 3 (Security Plan) on page 29, please provide a detailed response explaining what the updated security protocols and the use of remote security technology entails.

Response to SR-1 – Ryan J. Scerbo, Esq. – The Security Plan will not be developed Suez Water Environmental Services, Inc., ("Suez") until three (3) months following the execution of the Amendment and will be subject to the final approval of the Jersey City Municipal Utilities Authority ("Authority"). However, it is anticipated that Suez will hire a security consultant to provide guidance on hardening of major infrastructure components. Currently, the Authority has hired a security consultant to enhance the security measures around the plant and dam as required by the New Jersey Department of Environmental Protection Bureau of Dam Safety. The security plan that Suez will develop is intended to piggyback on those improvements by incorporating security measures at the gate houses comprised of intrusion alarms, cameras, fencing, solar power as a means of resiliency and cost savings and other security measures to insure the facilities are protected from potential dangers.

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
DRAFT AMENDMENT AND EXTENSION AGREEMENT
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FEBRUARY 14, 2018

SR-2 Referencing Exhibit C to the application, Appendix C (Public Hearing Presentation) on page 10, please explain the reasons for the \$800k/year fee reduction beginning in 2018 despite growing water services needs in Jersey City.

Response to SR-2 – John Folk, JCMUA CFO – Based on its knowledge of the City's water system, Suez Water Environmental Services, Inc., ("Suez") was able to identify and propose some operational and contractual optimizations in the Amendment and Extension Agreement resulting in the \$800k/year fee reduction.

These optimizations are composed of various elements. The major ones are the following: staffing modifications, synergies with surrounding Suez operations, elimination of meter change out program, security patrol improvements and operational efficiency optimizations resulting from the implementation of Advanced Metering Infrastructure ("AMI") throughout the water system.

SR-3 With respect to customer rates, please provide a detailed breakdown on all rate impacts over the term of the proposed amended and extended contract.

Response to SR-3 – John Folk, JCMUA CFO – The provisions of the Amendment and Extension Agreement are intended to provide efficiencies discovered by Suez Water Environmental Services, Inc., ("Suez") and the Jersey City Municipal Utilities Authority (the "Authority") over the past 10 years of the existing contract. Since the Amendment and Extension Agreement Annual Service Fee is less than the existing contract annual service fee, it is anticipated that there should be a positive impact on rates by allowing the Authority to maintain its existing rate structure. Rates of course are also impacted over time by other pressures related to capital improvements and changing regulatory requirements. The Amendment and Extension Agreement cost represents about 10% of the total revenues collected by the Authority on an annual basis. The Amendment and Extension Agreement includes provisions that allow for the annual increase of the Annual Service Fee payable to Suez. Increases to the Annual Service Fee are tied to three Bureau of Labor Statistics indices. Over the last 6 years of the exiting contract, the annual service fee increase has averaged about 1.8% annually.

JERSEY CITY MUNICIPAL UTILITIES AUTHORITY
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FEBRUARY 14, 2018

SR-4 Referencing employees associated with the amendment and extension of this contract, please explain whether new hires are anticipated and, if so, please provide their titles. Please state whether any of the employees associated with the current contract will be affected.

Response to SR-4 – Ryan J. Scerbo, Esq. – The Jersey City Municipal Utilities Authority ("Authority") does not anticipate hiring any new employees in connection with the Amendment and Extension Agreement. Suez Water Environmental Services, Inc., ("Suez") has informed the Authority that the revised security protocols will only affect third party contractors currently retained by Suez.

SR-5 With respect to Exhibit A to the application, Section 3 (the amended Annual Maintenance Cap of \$1,200,000) on page 7, please provide the Annual Maintenance Cap that was negotiated in the last contract.

Response to SR-5 – John Folk, JCMUA CFO – The existing contract between the Jersey City Municipal Utilities Authority (the "Authority") and Suez Water Environmental Services, Inc. ("Suez") did not contain an Annual Maintenance Cap. Instead, the existing contract contains a per item cap of \$5,000 such that any repair or replacement below \$5,000 is the responsibility of Suez and any item over \$5,000 would become the cost of the Authority. The Amendment and Extension Agreement increases the per item cost from \$5,000 to \$20,000, and then establishes the Annual Maintenance Cap of \$1,200,000 as a maximum amount of maintenance / repair costs that Suez would be responsible for in any given year of the Amendment term. Please see Exhibit 7 of the Amendment for a list of some of the items that would be considered eligible repair and replacement work for which Suez could bill against the Annual Maintenance Cap. The intent of the Annual Maintenance Cap is to allow the Authority to better manage maintenance / repair costs. Importantly, it should be noted that the Annual Maintenance Cap is part of Annual Service Fee, but is only paid to Suez for actual work performed. The Amendment also includes procedures that will allow the Parties to closely manage expenditures from the Annual Maintenance Cap and roll any unused portions of the Annual Maintenance Cap into future contract years.