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CASE MANAGEMENT

MAR 22 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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MAR 22 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

March 22, 2019

VIA HAND DELIVERY

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

W019030381

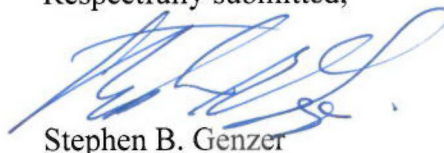
Re: In the Matter of the Joint Petition for Approval of SUEZ Water New Jersey Inc.
for Approval of a Pilot Program to Facilitate the Replacement of Lead Service
Lines and a Related Cost Recovery Mechanism
BPU Docket No. _____

Dear Secretary Camacho-Welch:

Enclosed for filing please find an original and ten (10) copies, plus one additional copy,
of a Petition initiating the above-referenced matter. Kindly stamp the additional copy "filed" and
return in the enclosed self-addressed, stamped envelope.

Thank you for your attention to this matter.

Respectfully submitted,



Stephen B. Genzer

SBG/jg

Enclosures

cc: Service List (w/encl.)

CMS
Legal

DAG

RPA

M. Kammer

WATER

Economist

Stephen B. Genzer - Newark Managing Partner

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A DELAWARE LIMITED LIABILITY PARTNERSHIP

MAR 22 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF
SUEZ WATER NEW JERSEY INC. FOR
APPROVAL OF A PILOT PROGRAM TO
FACILITATE THE REPLACEMENT OF
LEAD SERVICE LINES AND A RELATED
COST RECOVERY MECHANISM

BPU Docket No. W01903-0381

TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:

Petitioner, SUEZ Water New Jersey Inc. ("Petitioner" or "SWNJ"), a public utility corporation of the State of New Jersey, with principal offices at 461 From Road, Suite 400, Paramus, New Jersey 07652, hereby petitions the Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-21, 48:2-21.1 (Interim), 48:2-23 (safe and adequate service), N.J.A.C. 14:5-1.2 (petitions proposing increases in charges), and N.J.A.C. 14:1 et seq., as follows:

I. DESCRIPTION OF THE PETITIONER

1. Petitioner is engaged in the business of treating and distributing water for retail service to customers located throughout portions of the State. Specifically, SWNJ serves approximately 258,000 customers located in portions of Bergen, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Sussex, and Warren Counties. SWNJ also supplies water service to municipalities including the Borough of Allendale, the Borough of Fairlawn, Township of Freehold, Gordons Corner Water Company, the Borough of Mahwah, the Township of Manalapan, Manalapan Board of Education, the Borough of Ramsey, the Village of Ridgewood, the Township of Saddle Brook and the Borough of Saddle River.

IV. RECENT TEST RESULTS

8. In accordance with the Lead and Copper Rule sampling requirement, SUEZ has been sampling 100 or more tests every six-months. During the July to December, 2018, monitoring period, 15 samples out of 108 tested exceeded the 15 ppb Lead Action Level. On those 15 test samples, SUEZ reported a 90th percentile of 18 ppb. Those 15 samples were located in 8 towns in Bergen and Hudson Counties.

9. When SUEZ confirmed the results of its test samples at the end of December 2018 it immediately informed the DEP. The Company also informed the NJ Board of Public Utilities ("BPU") and the Division of Rate Counsel.

10. The Company also informed the 15 customers whose water was tested regarding the results of those tests and that the Company (at the consent of customers) would replace, at the Company's cost, their portion of the service line. Of those customers, six declined the Company's offer.

11. NJDEP required that a letter be sent to all customers in the NJDEP Water Permit area which included approximately 150,000 customers which is a part of the customer notification and education requirements of the NJDEP. The Company is working closely with NJDEP on the letter.

12. SUEZ held a press conference on January 16, 2019 to advise the public of the test results and issued an informational ad which was picked up in both *The Bergen Record* and *The Jersey Journal* newspapers on February 28, 2019. A copy of the informational ad is attached as Exhibit B.

13. In addition to working with DEP on the above, SUEZ has also continued to work with DEP to made a strong effort to reach as many residents as possible through a variety of methods including:

- Mailed educational materials to all customers
- Delivered educational materials to county and local public health agencies
- Called or visited all local and county public health officials

lead service lines and goosenecks in 2019 to comply with NJDEP requirement under the ALE. With the adoption of this Pilot Program's initiation, the Company intends to begin in the 8 towns, based on our initial inventory submitted to the DEP results, who appear to have the highest number of Lead Service Lines. These towns are Bogota, Hackensack, North Bergen, Ridgefield Park, Rutherford, Teaneck, Union City and West New York. Other municipalities with smaller pockets of lead service lines are also being targeted. Crews will begin in Alpine, Lodi, Old Tappan, River Vale, Upper Saddle River and Wallington, and eventually sweep through other areas of Bergen and Hudson counties. The Company will also investigate approximately 500-2,000 unknown possible LSLs on the customer side. At this time, this investigation will consist of visiting customer homes and testing lines at the curb boxes of those homes. With approval of this Pilot Program, it is the Company's intent to replace the company side service lines and as more fully described below and, as work is being performed, offer the customer a one-time discount on the customer side cost of the replacement of the customer side LSL.

19. The Company will work with the towns, as is its normal practice with any main or service line replacement projects, to coordinate with the town's road reconstruction programs to take advantage of any cost savings. As the issue of lead service lines has become a more widely known issue, the Company's proposal is a response to encourage customers to replace their LSLs in a cost shared manner which is not prohibitive to the individual customer. Therefore, SUEZ is attempting to coordinate with customers on the replacement of LSLs on the customer side so that both sides can be replaced at the same time, thereby limiting the amount of disruption for the

23. During the first phase, SUEZ is requesting this Pilot Program to be implemented in the following manner. Because of the growing public awareness of LSLs, SUEZ is formally requesting the NJBPU to retain this matter rather than transmit the matter to the Office of Administrative Law for hearings as needed. SUEZ requests that a Commissioner be assigned to conduct any needed proceedings and we anticipate several public comment and educational hearings within the Company's service areas in addition to numerous town halls about the Lead Service Line issue but not necessarily within the context of this specific proceeding. The Company is requesting that the Board approve Exhibit E which is the tariff page allowing the \$1,000 customer reimbursement charge so that the Company may begin replacing LSLs in order to meet the DEP required number of LSL and gooseneck replacements. The Company is requesting that Phase 1 would be Ordered through a BPU Order at the BPU's April Agenda meeting. Also in this Phase I Order, the Company is requesting that the Board approve deferred accounting treatment for all costs related to this Pilot Program as of the date of this Petition so that upon further actions taken by the Board, appropriate action with respect to rates may be determined by the NJBPU. SUEZ formally requests that the Board approve deferred accounting for all the costs of the program incurred to date in 2019 as of the date of this Petition and authorization for the Company to proceed with its program to begin to comply with DEP requirements within 2019.

24. Additionally, SUEZ formally requests the Board approve a surcharge as described above and tariff as included in Exhibit D to this petition. During the ongoing months, SUEZ anticipates numerous meetings and discussions with parties to this proceeding culminating in an Interim Order on rates and the full implementation of the program.

25. There are many issues which will still need to be examined with all parties and ultimately determined by the NJBPU. For example, there could be numerous landlord-tenant-landlord situations with which to deal. Landlords and other owners may simply not want to spend even the discounted \$1,000 to remove the LSL. There may also be additional issues, but the Company does not believe those issues need to be determined in the period before the April BPU meeting to decide whether to proceed with the Pilot Program. Those issues can await the next phase culminating in some formal Interim Order on the Pilot Program. Discussions

regarding State, County, or local ordinances regarding these issues could proceed during the second phase.

26. The Company believes the proposed Pilot program will enable it to attempt to accomplish its goal of removing all of the lead service lines in its distribution systems, whether on the Company side or the customer side, in a more timely and efficient manner than the 7% per year as required under the ALE, and to assist individual customers in replacing their lead service line at a discount. The impact on a customer bill (\$1,000 over 12 months vs. \$3,000 to \$8,000 all at once if they paid for it themselves) will be relatively small while the benefits of eliminating lead service lines will be great. A copy of the proposed calculation for the above described surcharge is attached as Exhibit C. Additionally, the proposed calculation avoids income tax issues arising from the provisions of the Tax Cuts and Jobs Act regarding Contributions in Aid of Construction for water companies.

27. The Company's proposal would apply a fixed monthly amount to all General Metered water customers. It would not be applied to Resale customers or Private and Public fire customers. Customers that have LSLs where work is not being performed by the Company in its LSL replacement plan have the option of replacing their LSL at their expense or not replace it at all.

28. If legislation, ordinances etc. are passed by state and local officials requiring the property owners to replace LSL, the Company's Pilot Program would be adjusted to respond to those laws. The Company believes that until that time, the proposed program provides the best alternative currently available for addressing this issue.

VIII. DESCRIPTION OF THE DEP REQUIRED PROCESS

29. As SUEZ plans work to replace its side of the service line, SUEZ will send a letter (attached as Exhibit F¹²) to each customer of record offering to provide services as required

¹² Currently being finalized with the NJDEP and will be provided when available.

by the Lead and Copper Rule¹³. In the circumstance where the customer is not the owner of the property, the property owner will be contacted. The contents, structure and wording of the letter must be approved by the DEP and the Company has been working diligently to address the contents of the letter such that it describes a workable process. The letter provides the customer with important information as to the processes needed to replace the Company side of the LSL as well as the customer's side. The letter also provides information and forms which allow the customer to "Opt-in" (i.e. replace their side under the program) or "Opt-out" (i.e. decline to participate in replacing their side under the program), provides the customer with information as to what to do in either circumstance. The customer would send the form back to SUEZ and if the customer decides to Opt-in, then SUEZ would contact them.

30. It is the Company's intent to control the costs of such work and gain any economies of scale that can be achieved. As such, if the customer desires not to replace their service line under the Pilot Program, the customer may do so but the customer would bear 100% of the cost of the replacement. However, all work on the LSLs which connect to the Company's curb stop must meet SUEZ specifications.

IX. SIMILARITIES TO OTHER NJBPU APPROVED SURCHARGES

31. The ratemaking approach is similar to other surcharges previously approved by the BPU. Certain energy companies incurred costs for environmental and other issues for which recovery was sought. For example, there are Remediation Adjustment Clauses in place for Natural Gas Distribution companies to deal with the environmental impact of manufactured gas plants in the late 19th and early 20th centuries. There are also infrastructure plans in place in the energy industries regarding hardening of infrastructure.

X. SIMILARITIES TO OTHER NJ PROGRAMS

32. Both the Cities of Trenton and Newark have announced programs which appear to allocate total LSL costs in a similar manner, whereby a customer would be responsible for a

¹³ 40 C.F.R. § 141.84(d).

reduced amount of the cost of replacing of their LSL. These programs also include a \$1,000 cost to customers. As governmental agencies, their authority to replace such lines is far reaching and does not rely on the consent of the property owner. Additionally, in the cases of both Newark and Trenton, the remaining cost of replacing such lines will generally have to be passed on to all customers through their water bills, or through property taxes.

XI. INITIAL TARIFF

33. The Company is required under the ALE to replace Company owned LSLs at a rate of at least 7% per year. The Lead and Copper Rule mandates that the utility should offer to replace the customer side service line if it is lead, at the Customer's cost¹⁴. In the case of SUEZ, by doing this work at the same time, certain costs, such as road opening and paving (if necessary), traffic control, etc. can be minimized. As mentioned above, the Company's experience has been that few customers choose to do this where the full cost is required from the customer.

34. The Company is requesting that the Commission approve at its next Board meeting the initial tariff attached as Exhibit E (RATE SCHEDULE NO. 14 SERVICE AREA NO. 1 (Formerly SUEZ Water New Jersey Inc.) LEAD SERVICE LINE REPLACEMENT) on a temporary basis giving authority to the Company to begin replacing LSLs. Without immediate approval, the Company's work cannot begin as the notification letter which must also be approved by the NJDEP cannot be sent. With additional delay, the likelihood that the Company will be physically able to comply with the mandated requirement rate is significantly reduced.

35. The Company is also requesting that the Board authorize the Company to defer the costs of the program pending the Board's decision regarding the Company's proposed Pilot Program and surcharge. By approving the initial tariff, additional time may be gained to fully address the Pilot Program but will enable the Company to meet its mandated 7% replacement schedule.

¹⁴ 40 C.F.R. § 141.84(d)

36. In addition, the Company requests that the Board approve the Pilot Program as described above and the tariff attached as Exhibit D.

XII. ADDRESSED TO:

Stephen B. Genzer
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One Riverfront Plaza
Newark, NJ 07102
Telephone (973) 286-6712

With a copy to:

Gary S. Prettyman, Senior Director
SUEZ Water
461 From Road, Suite 400
Paramus, NJ 07652
Telephone (201) 784-7083

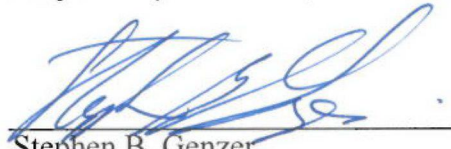
XIII. CONCLUSION

WHEREFORE, FOR THE FOREGOING REASONS, THE PETITIONER
RESPECTFULLY REQUESTS THAT THE BOARD:

- 1) retain the matter at the Board and appoint a Commissioner to oversee this proceeding.
- 2) approve the Proposed Lead Surcharge Pilot Program.
- 3) approve its Tariff to incorporate the Lead Surcharge.
- 4) approve the Company's request for deferred accounting.
- 5) approve immediately at the next Board meeting, Exhibit E on an interim basis.

Dated: March 22, 2019

Respectfully submitted,



Stephen B. Genzer
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One Riverfront Plaza
Newark, NJ 07102
Telephone: (973) 286-6712

VERIFICATION

STATE OF NEW JERSEY }
 :
COUNTY OF BERGEN }

GARY S. PRETTYMAN, of full age, being duly sworn, upon his oath
deposes and says:

1. I am Senior Director - Regulatory Business for SUEZ Water
Management and Services Inc., and in that capacity I am authorized to make this Verification on
behalf of SUEZ Water New Jersey Inc., the Petitioner in this matter.

2. I have reviewed the within Petition, and the same are true and correct
to the best of my knowledge, information and belief.

3. I certify that the foregoing statements made by me are true. I am
aware that if any of the foregoing statements made by me are willfully false, I am subject to
punishment.



Gary S. Prettyman
Senior Director Regulatory Business
SUEZ

Debra Maureen Visconti
Sworn to and subscribed before me
this 20th day of March, 2019.

