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October 7, 2024

**VIA Electronic Mail**

The Honorable Sherri Golden, Secretary  
State of New Jersey, Board of Public Utilities  
44 South Clinton Avenue  
P.O. Box 350  
Trenton, New Jersey 08625-0350

**RE: In the Matter of a Contract between the Borough of Beach Haven  
and Utility Service Group Water Solutions, LLC**

**BPU DOCKET NO.: WO24080614**

Dear Secretary Golden:

Please accept, for filing, the Division of Rate Counsel's ("Rate Counsel") comments in connection with the above-referenced matter. Thank you for your consideration and attention to this matter.

**Background**

On July 17, 2024, The Borough of Beach Haven filed a petition with the Board of Public Utilities ("Board") seeking approval of a proposed contract for the renovation, inspection, and maintenance of its water tank system pursuant to N.J.S.A. 58:26-1, et. seq. Specifically, the Borough of Beach Haven is requesting approval of a proposed twenty year contract with Utility Service Group Water Solutions, LLC ("Company"), for the renovation, inspection, and maintenance work on two (2) separate water storage tanks located within the Borough, specifically, a 500 KG concrete reservoir and a 200 KG elevated steel plant red tank (the "Agreement").

## **Analysis**

The contractual arrangement between the Borough of Beach Haven and the Company described in the Agreement provides a 20-year capital improvement plan, a full-service maintenance program and asset management program for the Borough of Beach Haven's two (2) water storage facilities. The Agreement will utilize The Company's professional services and integrated maintenance services for the .2 MG elevated storage tank and the .5 MG concrete reservoir. The Borough of Beach Haven will continue to own and operate the two water storage facilities, but the Company will be providing engineering services, legal compliance, condition assessment, preventative maintenance, painting and concrete coating services for these facilities. They will also provide emergency services, security, waste management, active mixing systems and site management, including the cell carriers and antennas that are on the elevated tank, which will require some repairs/upgrades as specified in the inspection report. The scope of services includes maintenance activities as required by the Water Quality Accountability Act ("WQAA").

The Company has 60 years of experience in the construction, rehabilitation, and maintenance of water assets. They have successfully completed more than 24,000 water storage tank projects, which aligns with the scope of work for this contract. They are also involved in over 8,000 long term asset maintenance programs with water assets nationally, which provides them the necessary experience to be successful managing the two (2) water storage facilities for the Borough of Beach Haven. The Company has provided a list of twenty-five (25) concrete water storage tanks and thirty-seven (37) steel water tanks references that are currently under renovation and under their asset maintenance programs. They offer the necessary engineering services, certified inspectors, concrete and steel tank painting, cleaning, repair and disinfection services that are needed for these facilities, which are services and expertise that the Borough of Beach Haven does not currently possess.

The Company has a robust health and safety training program for their employees and contractors and this extra attention to safety will ensure that all on-site employees and contractors will adhere to the safety plan and use the appropriate personal protective equipment

(P.P.E) while working on-site. With 11 service centers, 120 active crews and 470 employees, the Company has the managerial, financial and technical strength to ensure continuity of service over the term of the contract and that the standards and requirements contained in the application documents concerning the financial, technical and administrative capacity of the private firm are sufficient to protect the public interest as required by N.J.S.A. 58:26-25c(1).

The Company has provided a 20-year payment schedule in their proposal that outlines the plan to upgrade and maintain each of the water storage facilities. The .2 MG elevated tank has capital improvements listed in their proposal that will be spread over four (4) years, at \$413,089 per year, for a total of \$1,652,356. Also listed in the payment schedule for the elevated tank is a sixteen (16) year maintenance schedule worth \$1,091,141. This brings the total cost for capital improvement projects and maintenance plan to \$2,743,497 for the elevated tank. The .5 MG concrete water tank has capital Improvements listed in their proposal that will be spread over four (4) years, at \$343,986 per year, for a total of \$1,375,944. Also listed in the payment schedule is a sixteen (16) year maintenance schedule, worth \$776,401. This brings total cost for capital improvement projects and maintenance plan to \$2,152,345, for the concrete water tank. For both the elevated tank and the concrete water tank, the maintenance fee has a 5% escalation per year for the contract. The elevated tank will start at \$56,304 for year one (1) and escalate 5% per year to a maximum of \$91,634 for year twenty (20) of the contract. The concrete water tank will start at \$36,905 for year one (1) and escalate 5% per year to a maximum of \$62,188 for year twenty (20) of the contract. The total price for the 20-year contract to upgrade and maintain the two (2) water storage facilities is \$4,895,842. The capital improvements total cost of \$2,998,300 will be paid from debt service and the maintenance total cost of \$1,867,542 will be paid from the operating budget per year of the contract. The dollar amount would be considered reasonable for the public entity per N.J.S.A. 58:26-25c(2) and the Borough of Beach Haven is not expected to increase its' rates for their customers.

The following are repairs that were called out for the .5 MG concrete water tank, will include the following scope of work and all these items were listed as deficiencies in the inspection report:

- Install three (3) new roof hatches with locks.
- Install two (2) new roof vents in the place of the wooden vents.

The following are repairs that were called out for the .2 MG elevated water tank, will include the following scope of work and all these items were listed as deficiencies in the inspection report:

- Install eight (8) new 2 ½” rigging couplers.
- Caulk foundation grout along riser.
- Relocate flexible conduit from the ladder side rail to nearby OSHA compliant location.
- Install overflow screen/flapper combo with counterbalance on 6” Overflow Termination.
- Leg ladder safety climb – Add rubber cable keepers, move safety climb top and bottom mount up one (1) rung so it extends above the ladder the proper height.
- Repair wind damaged lock hasp on the roof hatch.
- Remove interior ladder completely – Install shell manway.
- Install a ladder in conjunction with newly installed shell manway.
- Catwalk: Add mid rail, add 2” extension to the toe board, add two (2) hand bars at the balcony, opening/ladder transition, add two (2) stainless steel safety chains across the opening.
- Install new 30” shell bolted manway with cover on sliding davit assembly.

This is a 20-year agreement and the basic relationship between an owner and contractor will be maintained. The Company will provide personnel with appropriate licenses, as required by the State of New Jersey, to maintain, and manage the town's two water storage tanks. The Borough of Beach Haven will continue to own the assets, and it will have authority to direct the extent of the capital improvement program, which will be developed by the Borough in consultation with The Company

In conclusion, the terms of the Agreement are not unreasonable (N.J.S.A. 58:26-25c(2)). The Agreement has a duration of 20 years, with appropriate termination and cancellation provisions. The capital investments costs are fixed, as seen above, and the annual maintenance fee has a five (5) percent escalation cost per year, which is considered reasonable. The Company will be providing engineering services, legal compliance, condition assessment, preventative maintenance, painting and concrete coating services for the two (2) water storage tanks, which represents technical capabilities that the Borough of Beach Haven does not possess. The contract will allow the Borough of Beach Haven to maintain operations of its water storage facilities and comply with the requirements of the WQAA.

Pursuant to the Agreement, the Borough of Beach Haven retains all authority to set rates for its franchise customers under its governing Statutes. With this authority, there are adequate protections under these Statutes and under the Agreement to properly manage and allocate risks of the Agreement (N.J.S.A. 58:26-25c(3)).

The Agreement is limited to the contract capital improvements and maintenance of the two (2) water storage facilities, the .2 MG elevated tank and the .5 MG concrete water tank. Customer charges are now and will continue to be set by the Borough of Beach Haven and these adjustment procedures are outside of the scope of the Agreement. The Agreement contains the provisions required by N.J.S.A. 58:26-23 e (2) through (5), (7) and (8). There are no Borough of Beach Haven employees impacted by the proposed contract and therefore, N.J.S.A. 58:26-23e(6) does not need to be specifically addressed in the Agreement.

**Recommendation**

Rate Counsel has reviewed of the Petition and Exhibits as well as discovery issued in this proceeding. Rate Counsel has no objection to the Board approving the Agreement.

Respectfully submitted,

BRIAN O. LIPMAN, ESQ.

Director, Rate Counsel

By: *Susan E. McClure*

Susan E. McClure, Esq.  
Deputy Rate Counsel

cc: Service List *via e-mail*

I/M/O Borough of Beach Haven – Water Supply Public-Private  
Contracting Act

BPU No.: WO24080614

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