



To: Governor Phil Murphy  
Cc: Lt. Governor and Dept. of Community Affairs Commissioner Sheila Y. Oliver  
NJ Dept. of Environmental Protection Commissioner Catherine R. McCabe  
NJ Board of Public Utilities President Joseph L. Fiordaliso  
From: Jersey Water Works Asset Management & Finance Committee  
Date: April 17, 2020  
Re: COVID Response Recommendations to Ensure Universal Access to Clean Water

**Jersey Water Works Asset Management & Finance Committee,  
Affordability Subcommittee - COVID Response Recommendations**

We understand the stress New Jersey is currently under, bearing a heavy burden of the global COVID-19 pandemic. Over the past month, we have seen the state emerge as a leader in the country and in the world in fighting the spread of COVID-19. Building on your actions to date, we urge you to embrace a similarly strong approach in ensuring that all New Jerseyans have access to clean water during this critical time. We offer below a set of specific recommendations on which you and your administration can act now.

The COVID-19 outbreak is having a tremendous impact on individuals, communities and businesses throughout the state of New Jersey. However, not all New Jerseyans are affected in the same way. Individuals whose water is shut off are unable to follow public health guidelines, like hand washing, to keep themselves safe and prevent the spread of the virus. And everyone needs running water to meet basic needs for drinking, cooking, sanitation, and hygiene when sheltering at home. Low-income customers and individuals out of work are at the greatest risk of being unable to afford to pay their water bills -- and, therefore, at greatest risk of shutoff.

Additionally, due to the substantial economic impact of COVID-19, many utilities anticipate significant decline in the operating revenue they need to keep water flowing through the tap to all of their customers. Precipitous drops in non-residential demand due to business closures, and decreased collections from residential customers due to financial distress, will make this result inevitable for many utilities.

**In the face of this crisis, the [Jersey Water Works](#) Asset Management and Finance Committee makes the following recommendations to the Murphy Administration for immediate action, to help address the inequitable public health, safety, economic, and social impacts of COVID-19 throughout the state during and immediately following the outbreak.** The Committee is also developing recommendations for medium-term action that both the Administration and Legislature can take to address underlying water affordability challenges, which predated COVID-19 and will remain (likely more severely) after the immediate public health emergency ends.

**I. Relief program for low-income customers**

The state has secured voluntary commitments to suspend the use of shutoffs from the vast majority of water utilities, though it is unclear whether 100% of New Jersey's nearly 600 utilities are included and whether the utilities' commitments include reconnection of people previously disconnected. (See Appendix at the end of this document.) The state also has not addressed how it will ensure that anyone awaiting reconnection has access to bottled water to meet their immediate needs.

Further, relief for low-income customers requires ensuring that they are not again at the brink of shutoff for non-payment after the public health emergency ends, when the economic fallout continues. Many will face accumulated arrears, and many will remain unable to pay future bills until they regain their financial footing. Therefore, relief to customers must extend beyond shutoff moratoria during the health emergency and reconnection of people previously disconnected; it must also provide relief from the lasting economic impacts of COVID-19 that threaten their access to water.

In light of these concerns, we recommend that the state take the following actions, as soon as possible, invoking the Governor's emergency powers via executive order or using other relevant legal authorities:

1. ***Ensure that all water utilities:***
  - a. ***Suspend shut-offs*** during the COVID-19 outbreak extending until 120-days after the end of the declared health emergency to allow people time to regain their financial footing. This action would apply to shutoffs related to nonpayment of water utility bills, and also shutoffs related to nonpayment of sewer bills where the sewer utility requests shutoff by the water utility.
  - b. ***Safely reconnect all occupied homes*** without water as quickly as possible, proactively and without the need for a customer to make a specific request.
  - c. ***Make sure utilities waive late fees, interest, and related charges, suspend the use of liens as a collection practice, and provide extended repayment plans after the crisis.*** This includes temporarily suspending the statutory requirement that certain water and sewer utilities charge 18% interest per annum on overdue water and sewer bills (N.J.S.A. § 40:14A-21; N.J.S.A. § 40:14B-21), as well as any other applicable laws that require water or sewer systems to charge interest on overdue bills (e.g., N.J.S.A. 40A:31-12).
  
2. ***Use a portion of available state and federal COVID-19 relief funds to help customers pay arrears after the shutoff moratorium ends.*** This may include coordination among the Governor's Office, Treasury, NJDCA, BPU, NJIB, NJDEP, NJOEM, and other state agencies to:
  - a. ***Ensure that NJSHARES, in collaboration with its partner organizations, has sufficient funding*** to address post-moratorium needs.

- b. **Ensure that any housing assistance or State emergency assistance funds are made available** to help with water utility bills.
  - c. **Explore the use of FEMA emergency relief funds** to provide water assistance, either directly to individual customers or via payments to utilities to reduce customers' arrears.
  - d. **Urge New Jersey's Congressional delegation to seek funds in the next federal stimulus bill**, which was proposed in the House version of the most recent stimulus but was not included in the final bill.
3. **Where necessary, establish emergency water distribution stations** for households waiting for their water to be turned back on.

## II. Relief program for water and wastewater utilities

The following recommendations address the potential revenue implications of COVID-19 for the water and wastewater utility sector.

1. **Use a portion of available state and federal COVID-19 relief funds to offset water and wastewater utilities' lost operating revenues.** Set ranking criteria to identify utilities most in need, based on factors that could include: the portion of a utility's service area that represents an economically disadvantaged community, whether the utility generates a large percentage of its revenue from non-residential customers that were closed during the health emergency, and the percentage of a utility's financial reserves or annual revenues available to address COVID-19 impacts. The State should condition utilities' receipt of relief funds on (i) compliance with the "customer relief" provisions described above, and (ii) a commitment to identify and implement common-sense measures that reduce non-personnel operational expenses and increase efficiency.
  - a. **Consider using federal grant funds for this purpose**, from sources such as Community Service Block Grants (which received additional funds through the most recent federal stimulus bill), the state and local government "Coronavirus Relief Fund" from the most recent federal stimulus bill, or Stafford Act emergency funds from FEMA.
  - b. **Urge New Jersey's Congressional delegation to seek funds in the next federal stimulus bill.**
2. **Suspend the state law (known as Robert's Rule. N.J.S.A. § 40A:5A-12.1) that allows up to 5% of the annual operating costs of a municipal utility authority or sewerage authority to be diverted to the general fund of a municipality** where the authority has anticipated revenue in excess of anticipated expenditures. Given the impacts of COVID-19, few if any authorities or other utilities should expect to have any excess revenues, and those excess revenues that are not utilized for operating expenditures

need to be re-invested in capital upgrade projects and asset management optimization measures.

3. ***Encourage public water and sewer utilities to identify and implement common-sense measures to reduce non-personnel operational expenses to offset potential revenue shortfall.***
4. ***Encourage public water and sewer utilities to refinance existing NJ Infrastructure Bank loans through NJIB***, where doing so would significantly reduce debt servicing costs, and require that the resulting interest savings go towards the utility's or system's budget rather than the general municipal budget.

Thank you for your consideration of these recommendations. For more information or to discuss them further, please contact Jersey Water Works backbone staff person Lauren Belsky at NJ Future ([lbelsky@njfuture.org](mailto:lbelsky@njfuture.org)) or Larry Levine, Asset Management & Finance Committee Co-Chair ([llevine@nrdc.org](mailto:llevine@nrdc.org)).

*[Jersey Water Works](#) is a collaborative effort of many diverse organizations and individuals who embrace the common purpose of transforming New Jersey's inadequate water infrastructure by investing in sustainable, cost-effective solutions that provide communities with clean water and waterways; healthier, safer neighborhoods; local jobs; flood and climate resilience; and economic growth. The Jersey Water Works Asset Management and Finance Committee advances policies and practices to ensure that communities maintain and improve drinking water, wastewater and stormwater infrastructure systems to deliver quality water services that meet community needs; and that utility operating budgets and capital investment are adequate and affordable, resulting in systems that operate efficiently and in a state of good repair.*

**APPENDIX: Previous New Jersey state action and utility commitments regarding water shutoffs and reconnections during the COVID-19 crisis**

On March 20, DEP, DCA, and BPU jointly requested that “every water system private or public, including those operated by our municipal governments, commit to a suspension of any water shutoffs for reasons of non-payment, safe reconnection of anyone previously shutoff, and a suspension of the use of liens as a collection practice until the outbreak of COVID-19 has subsided.”<sup>1</sup>

On March 31, 2020, Governor Murphy and NJDEP Commissioner McCabe announced that 100% of “municipal water companies” have committed to “voluntarily halting all service shutoffs throughout this emergency.”<sup>2</sup> However, this announcement did not refer to any commitment to reconnections or to suspending the use of liens. The statement also referred only to “municipal water companies” – not to privately-owned ones.<sup>3</sup>

Earlier news reports stated that New Jersey American Water, SUEZ, Aqua New Jersey, and Middlesex Water, the state’s four largest privately-owned water utilities, had adopted voluntary shutoff moratoria and were working to reconnect people previously disconnected.<sup>4</sup> However, there are approximately ten other BPU-regulated privately owned water utilities in New Jersey, which collectively serve (as of 2015) approximately 25,000 customers.<sup>5</sup>

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<sup>1</sup> <https://nj.gov/dca/news/news/2020/approved/20200320c.html>

<sup>2</sup> See Governor Murphy’s tweet here: <https://twitter.com/GovMurphy/status/1245038824285245442>. Commissioner McCabe made the same statement at the Governor’s daily press briefing that day.

<sup>3</sup> The statement also did not specify whether the “municipal water companies” that have made the commitment include only those that are owned by “local unit” (i.e., a municipal government such as a city, borough, town, township, or village), or also included those owned by a municipal utilities authority, which are legal entities distinct from the local units of government.

<sup>4</sup>

<https://www.nj.com/news/2020/03/water-wont-give-you-covid-19-how-nj-treatment-plants-are-handling-pandemic.html>

<sup>5</sup> Data provided by BPU to Natural Resources Defense Council, dated July 7, 2017. <https://drive.google.com/open?id=1zHIVLCTG5aTKrsImIzB4BybWNRvnPT9T>