

# ***Seven Towns Band Together and Win the Fight Against NJAW's Proposed Water Rate Hike***

Seven Central Jersey towns who came together to fight a proposed New Jersey American Water (NJAW) rate increase have announced a preliminary settlement with the utility giant after taking them to court.

In December of 2019, NJAW notified the Board of Public Utilities (BPU) that it would be seeking a significant rate increase in water service charges, which in the case of residential customers would raise water usage rates by almost 20%. If approved, residential bills would have risen by 12%, resulting in a \$78 average annual increase in bottom line billing. In addition, automatic surcharges that allow NJAW to recover investments in system improvement were also slated to take effect, further escalating consumer bills over the coming years.

NJAW's proposed rate hike was the third in five years, hot on the heels of increases it received in 2015 and again in 2018. The Central Jersey municipalities of Bedminster, Bernardsville, Bridgewater, Far Hills, Peapack-Gladstone, Raritan Borough and Raritan Township, representing more than 25,000 NJAW customers, decided to join forces on behalf of their residents to fight what they perceived as an unwarranted and ill-timed increase.

NJAW filed their initial request, which would have netted the utility an extra \$88 million per year, before the onset of COVID-19. As the pandemic swept across New Jersey and residents found themselves in a combined health and economic crisis, NJAW had the opportunity to withdraw or scale down their requested increase but did neither. "The company decided to plow ahead with a double-digit rate increase, totally disregarding the economic impact the pandemic has had on our constituents" state the municipal officials. "It was unconscionable, never mind tone-deaf, for NJAW to pursue this action while consumers and businesses were under severe economic and emotional distress, the likes of which we have never seen."

The seven towns decided to take action to protect their residents. It was simply unfair to saddle ratepayers with these massive increases, especially when NJAW shareholders were more than capable of bearing the burden. For reference, NJAW's parent company, American Water, has annual regulated revenues in excess of \$3.1 billion and has outperformed the S&P 500 by almost 120 full percentage points over the past five years, all while increasing shareholder dividends by an average of over 10% each year.

While municipal officials spent the spring and summer months paring back budgets to help their residents in these stressful times, the same could not be said of this public utility. NJAW opted instead to leverage its significant legal and regulatory resources to push forward. The case ultimately wound up in court after the utility refused to back-off on its demands.

The towns are pleased to announce that their efforts have paid off. NJAW, having been cross-examined in court by legal and economic experts hired by the municipalities, ultimately decided to settle the case. While the settlement remains to be formally approved by the Administrative Law Judge and adopted by the BPU, the agreement is characterized as a “major victory for the consumers.”

Under the terms of the proposed settlement, the following was agreed to:

- A base rate increase of 4.4%, effective November 1, 2020, but deferred to September 1, 2021 through applied bill credits.
- A bottom line bill impact of 2.4% (versus 12%), net of permitted distribution charges, calculated over the period from November 1, 2020 to September 1, 2022.

In a prepared statement, the mayors extolled the benefits of a shared services approach in tackling the issue: “These seven scrappy municipalities took on the big dog and won. It was our legal counsel who conducted the cross-examinations, our economic expert who performed fine analysis and ultimately our joint team, in concert with Rate Counsel, who prevailed. While we would have preferred not to spend our precious resources battling the utility giant in court, it was necessary to preserve the wallets and welfare of our residents. The investment will be paid back tenfold in the amount of savings that our residents will realize as a result of these actions.”

Mayor Lawrence F. Jacobs, Bedminster

Mayor Mary Jane Canose, Bernardsville

Mayor Matthew Moench, Bridgewater

Mayor Paul Vallone, Far Hills

Mayor Gregory Skinner, Peapack and Gladstone

Mayor Zachary Bray, Raritan Borough

Mayor Jeff Kuhl, Raritan Township