

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 4791

### STATE OF NEW JERSEY 220th LEGISLATURE

DATED: DECEMBER 11, 2023

#### SUMMARY

- Synopsis:** Establishes “Resiliency and Environmental System Investment Charge Program.”
- Type of Impact:** Potential increase in State and local expenditures and revenues.
- Agencies Affected:** Board of Public Utilities; certain State entities, local units, and school districts.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Annual</u></b>
<b>Potential State Expenditure Increase</b>	Indeterminate
<b>Potential State Revenue Increase</b>	Indeterminate
<b>Potential Local Expenditure Increase</b>	Indeterminate
<b>Potential Local Revenue Increase</b>	Indeterminate

- The Office of Legislative Services (OLS) determines that the bill may result in annual expenditure increases for certain State and local entities and school districts that are serviced by a water or wastewater utility that elects to participate in the Resiliency and Environmental System Investment Charge (RESIC) Program, if these public entities are required to pay the RESIC surcharge as part of their water or wastewater bill.
- For each eligible municipal utility that elects to participate in the RESIC program, the bill is expected to result in increased local revenues associated with the collection of approved RESIC surcharges from the utility’s customers.
- The bill may result in a marginal increase in annual administrative expenditures to the Board of Public Utilities associated with administering the program, which costs may include the review processes for the foundational and semi-annual filings of RESIC-eligible projects.

## **BILL DESCRIPTION**

This bill establishes the Resiliency and Environmental System Investment Charge Program, which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance, safety, and public health.

The bill authorizes a utility to petition the Board of Public Utilities concerning program activities by submitting a foundational filing. Any utility that offers more than one regulated service may file a joint foundational filing for a RESIC that includes infrastructure investments for multiple regulated services or separate foundational filings to establish a separate RESIC for each regulated service offered by the utility. If a utility files separate foundational filings, each RESIC approved by the board would be subject to its own respective revenue recovery cap. After approval of the foundational filing, a utility may charge customers up to the RESIC-cap amount for the costs of installing, rehabilitating, improving, or replacing utility system infrastructure in accordance with the bill.

The bill provides that if a utility has a board-approved RESIC, the utility is required to identify and list the amount owed by the customer, which is based on the RESIC rate calculated in accordance with the bill, separately on a customer's utility bill. The RESIC rate is to be reflected in bills issued on and after the effective date of the first RESIC filing and may be adjusted on the basis of subsequent RESIC filings no more frequently than every six months, up to an amount not to exceed the RESIC cap over the program period.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS determines that the bill may result in annual expenditure increases for certain State and local entities and school districts that are serviced by a water or wastewater utility that elects to participate in the RESIC Program, if these public entities are required to pay the RESIC surcharge as part of their water or wastewater bill. The OLS cannot calculate the magnitude of these potential expenditure increases because it is unable to predict how many utilities will participate in the RESIC Program, the amount of the RESIC rates that will be approved by the board for each utility, and the total impact of the RESIC rate on the water or wastewater bills of public entities.

The bill may result in a marginal increase in administrative expenditures to the board associated with administering the RESIC Program, which costs may include the review processes for the foundational and semi-annual filings submitted by water or wastewater utilities for RESIC-eligible projects. The OLS notes, for context, that the board currently administers a similar program known as the Distribution System Improvement Charge Program, which provides rate recovery mechanisms for water utilities for improvements to their distribution systems. Given this experience, the OLS expects the administrative costs associated with the establishment and implementation of the RESIC Program to be marginal in nature, assuming that the board is not required to hire additional staff to support the program.

Additionally, the bill provides that certain municipal water and wastewater utilities, which serve more than 1,000 billed customers outside of the municipality, would be eligible to apply for

the RESIC program. Based on this criteria, no more than nine municipal water utilities, each of which serve customers outside of the municipality, could be eligible for the program. For each municipal water utility that elects to participate in the RESIC program, the bill is expected to result in increased local expenditures associated with the undertaking of approved investments and increased local revenues associated with the collection of approved RESIC charges from the utility's customers.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).