

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Second Reprint] **ASSEMBLY, No. 4791**

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 4, 2024

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 4791 (2R).

As amended and reported, this bill establishes the “Resiliency and Environmental System Investment Charge Program” (RESIC), which creates a regulatory mechanism that enables water and wastewater utilities (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. Additionally, a utility may recover any cost related to the replacement of treatment media, including granular activated carbon and anionic exchange resins and new treatment media, and related tanks, pumps, instrumentation, controls, and electrical equipment for both existing and emerging chemical elements and compounds. However, a utility may only seek cost recovery for costs that may be recorded in the applicable accounts set forth in the uniform system of accounts adopted by the National Association of Regulatory Utility Commissioners for certain categories of expenses.

The bill authorizes a utility to petition the Board of Public Utilities (BPU) concerning RESIC activities through the submission of a foundational filing. A 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 BPU would be subject to a separate revenue recovery cap.

Under the RESIC program, after approval of the foundational filing, a utility may charge customers for the costs of installing, rehabilitating, improving, or replacing utility system infrastructure in accordance with the bill. However, the bill provides that the total revenues recovered through the RESIC rate may not exceed the RESIC-cap, which amount may not exceed a maximum percent of the utility’s total annual revenues, as adjusted for certain approved charges. The RESIC-cap is not to exceed: (1) at the time of the

utility's initial foundational filing, two and one half percent of the utility's total annual revenue; (2) at the time of the utility's second foundational filing, three and one half percent of the utility's total annual revenue; (3) at the time of the utility's third foundational filing, four and one half percent of the utility's total annual revenue; and (4) for each foundational filing thereafter, five percent of the utility's total annual revenue.

Under the bill, the utility would also be required to identify the amounts owed by each customer, based on the RESIC rate, separately on the customer's utility bill.

As amended and reported by the committee, Assembly Bill No. 4791 (2R) is identical to Senate Bill No. 3184 (1R), which was also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to provide that the RESIC-cap may not exceed a maximum percent of the utility's total annual revenue, as calculated pursuant to the bill. The amendments provide that the RESIC-cap may not exceed: (1) at the time of the utility's initial foundational filing, two and one half percent of the utility's total annual revenue; (2) at the time of the utility's second foundational filing, three and one half percent of the utility's total annual revenue; (3) at the time of the utility's third foundational filing, four and one half percent of the utility's total annual revenue; and (4) for each foundational filing thereafter, five percent of the utility's total annual revenue. Previously, the bill provided that the RESIC-cap would have been five percent of the utility's total annual revenues.

The committee amendments also provide for technical changes to the bill to clarify the types of treatment media replacement costs that may be recovered through the RESIC rate.

FISCAL IMPACT:

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 water 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.