THE OCEAN CITY UTILITY ADVISORY COMMISSION

OCEAN CITY, NEW JERSEY

Effective September 24, 2019

FAQ'S ABOUT YOUR WATER & SEWER SERVICE CHARGES

I HAVE A PROBLEM OR A QUESTION REGARDING MY WATER OR SEWER SERVICE CHARGES, WHOM SHOULD I CALL?

New Jersey American Water Company ("NJAWC" or "Company") makes *every* attempt to provide accurate monthly billings for their services. If you have questions related to either your water or wastewater services, please contact New Jersey American Water's Customer Service Center (CSC) directly @ **1 (800) 272-1325** between the operating hours of **7:00 AM - 7:00 PM**. or **https://amwater.com/njaw/**

I CALLED NEW JERSEY AMERICAN WATER COMPANY REGARDING MY WATER AND SEWER SERVICE CHARGES, AND THEY TOLD ME TO CALL THE CITY. WHY?

We have worked diligently with the management of the New Jersey American Water Company on this issue, and they have informed us that they have instructed their Customer Service Center (CSC) representatives to answer questions from Ocean City, NJ customers and ***not*** to refer them back to the city. If a customer service representative mistakenly tells you to call the city about your concern, please simply ask them if you may speak with a supervisor.

Note: *The NJAWC Customer Service Centers (CSC) are **not** located in the State of New Jersey. Thus it is imperative that you are clear that you are calling in reference to a bill from Ocean City, New Jersey. Also recently we have been experiencing a large number situations where the customers are being referred back to the city for resolution of their concerns. As previously stated, the sanitary water system is not owned nor operated by the city and thus the NJAWC should be your initial point of contact to resolve any of your service & billing concerns & issues.*

HOW IS MY WATER RATE DETERMINED?

The cost of delivering high-quality, reliable water depends on a number of key factors, including the following:

→ **Water Quality** - Standards of quality and quantity, pressures and service set by federal and state officials as well as NJAWC's standards to protect the health and welfare of their customers.

→ **Capital Improvements & Investments** - New and replacing infrastructure investments in the water supply & distribution system.

→ **Operation & Maintenance** - Expense associated with operating and maintaining the water supply system. Power costs to pump the water from its source in the ground to the homes and businesses within the NJAWC service area or community. Staffing costs, including compensation and benefits, for its service technicians, water quality specialists, meter readers, administrative personnel and others who help run the water utility on a day-to-day basis.

Note: *The rates charged by the company are reviewed and approved by the New Jersey Board of Public Utilities (NJBPU). Before rates are changed, mandatory public hearings are held at which time the public and city representatives are afforded an opportunity to speak on the proposed changes in rates or services. In addition to the NJBPU review, all rate changes are reviewed by the New Jersey Division of Rate Counsel, which also offers opinions on any rate changes that have been proposed. Additional information can be found on the NJBPU website @ http://www.state.nj.us/bpu/.*

WHAT ARE THE MAIN COMPONENTS OF MY WATER BILL?

Fixed Service Charge: The fixed service rate is based on the size of the meter that was installed at the service address. For residential customers who have a **5/8" meter**, the service charge is **$16.85 per month**.

Water Charge: The water charge is based on your water consumption (used) in between meter readings. The rate per 1,000 gallons is **$6.1005** for all water utilized.

Purchased Water Adjustment Clause (PWAC) Surcharge: The current PWAC rate **$0.5145 per 1,000 gallons**. New Jersey American Water Company purchases water from a number of water purveyors to supplement its own surface water & groundwater supplies. These supplies are critical to providing a reliable source of water supply for the company's customers. The PWAC surcharge is a pass-through surcharge which enables NJAWC to recover the costs related to purchasing water from other water purveyors. The PWAC is ***reset*** on an annual basis (**generally in April**). Since NJAWC is a regulated water utility, they are required to file with the NJBPU each time they wish to increase the PWAC to recover costs associated with the purchased water supply. Subsequently, the NJBPU performs a thorough review of the request/petition and after various required public hearings either denies, changes the amount proposed or approves the fee increase/ decrease.

WHY DOES THE NEW JERSEY AMERICAN WATER COMPANY CHARGE FOR SEWER SERVICE IN OCEAN CITY?

New Jersey American Water Company (NJAWC) ***owns & maintains*** the wastewater collection system, pipelines and pump stations that are utilized to collect sewage from homes & businesses in the city. The wastewater is transferred to the Cape May County Municipal Utilities Authority (CMCMUA) Sewage Treatment Facility located at 45th Street & West Avenue in Ocean City. The CMCMUA owns & maintains the treatment plant, pumps & pipes necessary to treat & dispose of the collected & treated sewage. Approximately ***67.919% percent*** of your Wastewater Minimum Service Charge ("Minimum Service Charge") covers the costs the company pays to the CMCMUA to treat & dispose of the sewage generated within City. Each municipality using the CMCMUA plant is required to pay for the volume they send to be processed. In Ocean City's case, **100% percent** of the sewage that is processed at the facility is generated from the city itself. Thus the cost to operate the facility and to process the sewage on an annual basis is solely borne by the ratepayers of Ocean City. The remaining ***32.081% percent*** covers company's expenses to collect wastewater; maintenance of the collection system; payment of local, state & federal taxes and to invest in the aging infrastructure of the wastewater collection system..

WHAT ARE THE CURRENT SEWER RATES FOR WASTEWATER IN OCEAN CITY?

Minimum Service Charge (including PSTAC): The company provides wastewater services in Ocean City. Like the PWAC, the Purchased Wastewater Treatment Adjustment Clause (PSTAC) surcharge is a pass through charge for the wastewater treatment costs. The PSTAC reflects the costs that NJAWC pays to the CMCMUA for treating and disposing of wastewater in Ocean City, where they operate and maintain the wastewater collection system. Each year, the PSTAC surcharge is reset (generally in April) and may increase or decrease depending on many different factors, including the amount of wastewater NJAWC sends to the treatment plant and the authorities' costs associated with treatment and disposal. The current minimum service charge is **$35.1264 per 1,000** gallons of water usage billed at the property during the prior year's summer quarter (July, August and September), but not less than **$262.75** per year. This minimum service charge is then divided by 12 and is billed equally over the period of January through December each calendar year. The actual PSTAC rate is **$23.8574 per 1,000 gallons**, which is included in the above minimum service charge.

Sewer Usage Charge: In addition to the above monthly Minimum Service Charge there is a charge of **$1.8980 per 1,000 gallons** on the water consumed for the current month. This is based on the amount of water used in between meter readings.

WHAT IS THE PURPOSE OF THE PURCHASED WASTEWATER TREATMENT ADJUSTMENT CLAUSE (PSTAC) SURCHARGE?

As mentioned above the PSTAC surcharge is a pass-through surcharge which enables the Company to recover the costs it pays to the CMCMUA for the treatment and disposal of the wastewater. Each year the PSTAC minimum charge is **reset** in **January** which may **increase or decrease** depending on your prior year summer quarter consumption. The current rate is **$23.8574 per 1,000 gallons** and this rate will **reset**, generally in April, similar to the PWAC. The total PSTAC fee is included within the Minimum Service Charge on your bill. The PSTAC currently represents approximately **67.919%** of the Minimum Service Charge.

WHY IS THIS YEAR'S SEWER SERVICE CHARGE BASED ON LAST YEAR'S SUMMER QUARTER (JULY, AUGUST & SEPTEMBER) USAGE?

The CMCMUA designed & built the 45th Street Waste Water Treatment Facility in the mid 1970's to handle the tremendous peak flows Ocean City generates during the summer months and to handle the future growth and development of the community. The CMCMUA develops its annual user charge based on the previous year's sewage flows to the waste treatment facility during the summer quarter **(July, August & September).** New Jersey American Water Company utilizes the same method ology as the CMCMUA, where they bill their customers in the current year based on the ***prior*** years summer consumption. This approach attempts to match the charges from the CMCMUA with the reve nues received from its Ocean City customers. The Minimum Service Charge is structured on the same basis, and ensures that everyone will share proportionately in the CMCMUA's actual costs of owning, maintaining, upgrading & operating their Ocean City Waste Water Facility Treatment Facility.

WHY AM I BEING BILLED FOR SEWER SERVICE CHARGES, WHEN I AM NOT THERE OR UTILIZING THE PROPERTY?

Wastewater services are billed to ***all*** customers regardless of the volume of water utilized that month. You may only be a seasonal resident and do not utilize the water service or experience any water volume use during certain months of the year, but you are still being billed for the wastewater services monthly. The annual Minimum Service Charge is based on the water usage billed during the ***prior*** summer quarter **(July, August & September)** and covers the costs associated in providing reliable wastewater service to the community. NJAWC realizes that this annual charge could be burdensome to some customers, if full payment was required on a once a year basis. Thus in the mid 1970's both the City and the water company agreed on a equable billing plan that would permit the payments to be spread out equally over a 12-month period, so that customers are billed **1/12th** of this charge each month throughout the calendar year. Much like other public utilities, this is a form of a budget plan that has been established to allow the rate payer to spread the payments out over a 12-month period vs. a one time annual fee in January.

Over the years there has been much discussion and controversy concerning these set charges and how they are billed out annually. What must be understood is the company is permitted under the Law to recover the actual cost paid to CMCMUA, whether the costs are billed out in one lump sum or spread out evenly over a **12-month period**. For the average property owner it appears to be more desirous to have the payments spread out equally and to afford them the opportunity to budget the cost over the entire calendar year. In this way, it is a type of budget billing plan, similar to what is currently offered by other public utilities for the services that they provide. The only difference is that the ***entire*** city is on the same budget plan and that it was negotiated on your behalf by city representatives at the time the new processing plant was built in the mid 1970's. Thus it is imperative that dur ing the summer quarter **(July, August and September)** that customers remain conscious of their in tended water use. For overly high water usage during this time period, will in fact dramatically affect your wastewater services billed in the coming calendar year. If you are in a situation where you are required to water your lawn & ornamental shrubs, you may want to consider installing a secondary meter that would be only utilized for this type of service. In turn your water bill for that secondary me ter would not reflect the sewer service charges. In the long run this may be a very viable way to re duce your annual sewer service charge billings.

THE SEWER SERVICE CHARGE CALCULATIONS

1. Add up your total monthly water usage recorded during the prior summer quarter **(July, August & September)**. If that total is ***less*** than **7,480 gallons** then the **minimum service charge of $276.45** or **$23.04 per month** will be billed to your account.
2. If your total monthly water usage recorded during the prior summer quarter **(July, August & September)** is **greater** than **7,480 gallons**, then you must multiply the total water used by the rate per 1,000 gallons of **$36.9579**.
   Divide that amount determined in (2) above by ***12*** for your monthly sewer service charge.

Sample of the Ocean City Sewer Charge Calculations

	July	*9*	*(thousand gallons)*
	August	*8*	*(thousand gallons)*
+	*September*	*7*	*(thousand gallons)*
		= 24	*(thousand gallons for the summer quarter)*

24 x $35.1264 (rate per 1,000 gallons) = $886.99
$843.03 / 12 months = $73.92 per month

In addition to the monthly sewer service charge of <u>$70.25</u> for the current year (January through December), the customer will be billed the actual volume charge on the current month's water usage at **$1.8980 per 1,000 gallons**. If the customer water usage for the current month is 6,000 gallons, then the customer will be billed $11.39 (6 x $1.8980), in addition to the $70.25 in the above sample for a total monthly sewer bill of $81.64.