



NEW JERSEY
AMERICAN WATER

WE KEEP LIFE FLOWING™

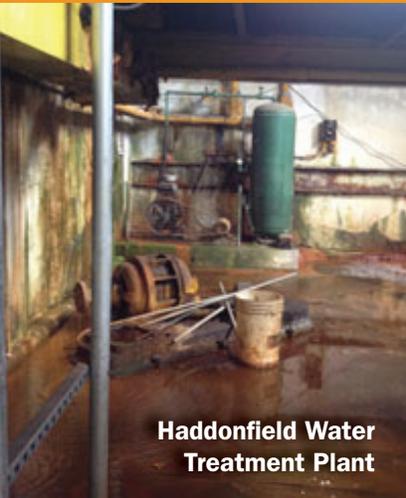
SOLUTIONS THAT WORK

The sale of Haddonfield's water and wastewater system to New Jersey American Water made good sense for customers and the community. Better quality, improved reliability and lower rates in the long-term.



ADDRESSING HADDONFIELD'S NEEDS

Haddonfield Water
Treatment Plant



Haddonfield Water
Treatment Plant

SOLUTION: SALE OF WATER AND WASTEWATER SYSTEM

HISTORY OF INVESTMENT

The Haddonfield Water and Sewer Utility is a 129-year old Borough-owned system. All funds for the operation, maintenance and capital investment of the system were raised through the quarterly water/sewer bill paid by Haddonfield residents. No property tax dollars are used. Prior to 2003, the Borough invested very little in the system, and that lack of investment kept rates artificially low. Between 2003 and 2008, the Borough spent \$15.983 million on high priority projects.

ADDRESSING SYSTEM NEEDS: A LOOK TOWARD THE FUTURE

In 2013, the Borough formed a volunteer Community Advisory Committee to take an independent look at the systems. The Committee recommended a rate increase of 25 percent to cover the debt service on the capital already spent. The Commissioners agreed, and the rate increase took effect during the second half of 2014.

The Borough engaged its engineering firm to provide a detailed analysis of the current condition of the water and wastewater systems, and estimate the cost of bringing the systems up to standard. The engineering report estimated that the Borough's systems would need an estimated \$50 million over the next 30 years, heavily front loaded in the first 10 years to avoid a major failure. This estimate assumed operations with no major issues identified, and included only a 5 percent contingency, which the Committee felt was low.

OPTIONS EVALUATED

The Committee evaluated multiple options for fixing and managing the systems, including:

- Conducting an efficiency survey of existing personnel for resource optimization and efficiency
- Partnering with a neighboring utility for purchasing power and possible shared staffing
- Awarding a management contract for the system operations
- Leasing the utility
- Selling the utility

QUESTIONS?

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Haddonfield Water Tank

HADDONFIELD WATER SYSTEM

Customers Served: 4,645

Water Main: Approximately 51 miles, ranging in size from 4-inch to 16-inch, ranging in age from 1889 to present

System Needs - Mains: The NJ Department of Environmental Protection requires that nearly two miles of 4-inch water mains be replaced and increased in size. In addition, according to an outside engineering study conducted on the system, about 60 percent of the mains (30.6 miles) need to be replaced within the next 30 years.

System Needs - Wells: The Borough's three wells were last serviced in 2008. Two are due for significant overhauls.

Water Treatment: Treatment was provided by two plants (one abandoned), where iron is removed and disinfection is accomplished with chlorine gas.

Water Tank: Pressure to the system is provided by a 400,000-gallon standpipe, which was built in 1899.



Wastewater Manhole Next to Cooper River

Wastewater Pump Station

HADDONFIELD SEWER SYSTEM

Sewer Main: 55.5 miles of main collect and convey waste to the Camden County Municipal Utility Authority for treatment. The system is mainly old 8-inch terra cotta, suffering from cracking, settling, joint separation and tree root infiltration.

System Needs - Mains: Engineering studies indicated that 40 percent of the lines require action within the next five years; 40 percent in 10 to 15 years, and the remaining 20 percent in 15 to 30 years.

Pumping/Lift Stations: six lift (pumping) stations. Two are in good operating order; Four need to be replaced or significantly renovated.

BEST OPTION IDENTIFIED

Given the condition of the system, and the impact of the necessary capital investment for only 4,500 accounts, the committee and the commissioners unanimously agreed that the best option was a sale of the utility. The Borough issued a bid to sell the systems and received three qualified bids. New Jersey American Water's bid of \$28.5 million was deemed the winning bid.

According to the Commissioners, additional reasons supporting a sale to New Jersey American Water included:

- A record of being more effective stewards of our system than the Borough has proven to be
- With 650,000 accounts serving 2.5 million customers in New Jersey. This gives New Jersey American Water a much larger rate base over which to spread costs.
- Significant expertise in managing and operating water and sewer systems, with greater economies of scale that provide much greater levels of efficiency and lower costs for purchasing, engineering and constructing projects.
- Access to a large annual capital improvement budget (~\$200 million/year)
- Experts focused on continual Federal and State regulatory changes, and can react much more quickly and effectively.
- Heavily regulated by the state. They can only increase rates after proving their case to the State BPU. The company is required by the State to provide service, and customers can go to the BPU to complain if service is not satisfactory.

PROJECTED ANNUAL WATER BILLS

(Based on an average household use of 58,000 gallons/year)

Original chart created by and based on analysis by the Borough of Haddonfield.



RESIDENTS AGREED

The Commissioners passed an ordinance placing the sale to New Jersey American Water as a referendum question on the November 4 general election. Haddonfield voters approved the sale by nearly two to one in favor of the sale.

newjerseyamwater.com



**SOLUTIONS. ONE MORE WAY
WE KEEP LIFE FLOWING.**