



TESTIMONY OF:

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Executive Director/Chief Engineer of the
Camden County Municipal Utilities Authority

BEFORE THE:

**Water Resources and Environment Subcommittee
Committee on Transportation and Infrastructure
of the United States House of Representatives**

ON THE TOPIC OF:

**Using the Clean Water State Revolving Fund to Improve
Water Infrastructure and Sustain Affordable User Rates**

ON:

March 7, 2019

Camden County Municipal Utilities Authority
1645 Ferry Avenue
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Introduction

Chairman Napolitano, Ranking Member Westerman, and distinguished members of the House Water Resources and Environment Subcommittee, I would like to sincerely thank you for the opportunity to speak before you today to discuss how the Camden County Municipal Utilities Authority, located in Camden, NJ, has used the Clean Water State Revolving Fund to upgrade its wastewater infrastructure while sustaining an affordable user rate for our customers. My name is Andy Kricun and I am the Executive Director and Chief Engineer of the Camden County Municipal Utilities Authority (CCMUA), operators of an 80 million gallon per day wastewater treatment facility located in Camden, NJ. I also serve on the Board of Directors of the National Association of Clean Water Agencies (NACWA), and as the Chair of NACWA's Utility of the Future and Community Service Committees.

Camden County has used the State Revolving Fund to significantly improve its water quality and odor control performance while increasing its annual household user rate from \$337 per household in 1996 to \$352 per household in 2019. This represents only a 4% increase, total, in the span of 23 years. When inflation from the past 23 years is factored in, this represents a 40% rate decrease for our customers. This demonstrates the tremendous environmental and economic benefits that can be realized from the State Revolving Fund Program. The SRF program is a "hand up", not a "hand out". Without the low interest rates provided through the SRF program, Camden County would have been forced to choose between environmental performance and maintaining an affordable rate for our customers in Camden, NJ, one of the most economically distressed communities in the country. Thanks to the SRF, we were able to provide both the environmental protection and the affordability that our customers need and deserve. And, our case study is completely replicable for any water utility in

the country. For these reasons, we sincerely thank Congress, the United States Environmental Protection Agency and the New Jersey Department of Environmental Protection for the SRF funding that we have received, and we strongly support reauthorization of the Clean Water State Revolving Fund as a proven and successful way to protect the environment and the public health while sustaining affordable user rates.

Overview

A) The Infrastructure Gap Problem

It is self-evident that properly functioning drinking water and wastewater treatment systems are essential to maintaining the public health of our citizens and protecting our environment. Moreover, our industries and commerce are largely dependent upon the reliable provision of drinking water and wastewater services. However, the American Society of Civil Engineers has recently given a "D" grade to the nation's drinking water and wastewater infrastructure systems. This is indicative of a very significant vulnerability, and corresponding threat, to the public health, the commerce, and the environment of our country.

Moreover, recent climate history, such as Hurricane Sandy in New Jersey and the hurricanes in Houston, Florida and Puerto Rico last year, have shown us that our existing water infrastructure is inadequate to deal with extreme climate events, some of which we are already experiencing now. For example, during Hurricane Sandy and its aftermath, billions of gallons of untreated sewage were discharged into our waterways. Should the climate change more rapidly as most experts predict, then this would only exacerbate the current infrastructure gap. But, even if the climate were not to change, there is already a very significant infrastructure gap in our country's drinking water and wastewater facilities that must be addressed if we are to adequately protect the public health, commerce and the environment into the future.

B) The Affordability Challenge

The cost of maintaining and upgrading drinking and clean water infrastructure falls nearly entirely on the systems' ratepayers—in fact the Congressional Budget Office found that the federal share of the nation's total water and wastewater infrastructure investment is just 4%, with States and local governments covering the vast majority. I ask that as the House and Senate consider infrastructure legislation this Congress, water be raised to a more equal footing with other sectors like transportation and energy.

Closing the aforementioned infrastructure gap will be very costly and will impose an economic burden on all customers, which will be felt especially by our most economically distressed customers. Camden City, NJ has a median household income, citywide, of only \$26,000 and its unemployment rate is just under 10%, at 9.8%. Our

customers need, and deserve, safe drinking water, and properly functioning water and wastewater infrastructure. However, most of them cannot afford water rate increases with the income and unemployment rates I have quoted. A person's zip code should not determine whether or not they have safe drinking water or have combined sewage backing up into their basements or streets or parks.

Therefore, it is incumbent upon drinking water and wastewater utilities, like mine, to find ways to provide the water treatment services that every citizen, regardless of where they live, deserves, while keeping our rates affordable.

Proposed Solutions

In order to protect public health, the economy and our environment, it is essential that clean water utilities close the existing infrastructure gap, while also keeping rates affordable for our customers. There are at least five important solutions that could help to accomplish this, as follows:

1) Optimize internal efficiency-----Before water utilities seek assistance from any outside entities, we must first optimize our own internal efficiency, harnessing the private sector efficiency model to work for the public good. In Camden County, we implemented an ISO 14001 Environmental Management System to optimize performance and cost efficiency. For example, by optimizing our preventative to reactive/emergency maintenance ratio, we significantly reduced costs while improving performance.

Improving efficiencies in how a utility can manage its multiple clean water compliance and investment objectives is also an area federal policy can help advance. I applaud this Subcommittee for advancing language into law last Congress that will help communities consider a more integrated planning approach and better manage costs. However, alongside strong clean water policy, federal investment must remain strong as well.

2) Utilization of the State Revolving Fund Program----After internal efficiency improvements, the next most important factor for Camden County's infrastructure improvement and rate performance was abundant use of the SRF program. Because of the low interest rates provided by the SRF, spread out over 20, or even 30, years, Camden County was able to upgrade its entire wastewater treatment plant, thereby improving water quality performance, without raising rates for our customers. This is because newer equipment has lower maintenance costs and lower electricity costs and so there is an annual savings in operations and maintenance costs associated with new equipment. Because of the SRF's low interest rates, the annual operations and maintenance cost savings are greater than the annual debt service payments on the loan. This is how the SRF enabled Camden County Municipal Utilities Authority to replace our aging, underperforming, infrastructure, and improve environmental performance while only increasing rates by a total of 4% over a period of 23 years, from

1996 to 2019. This resulted in savings of over \$500 million to our ratepayers during that period of time.

The State Revolving Fund program involves loans that still must be paid back by the utility, so it is truly a "hand up", not a "hand out", but this program has enabled Camden County to provide our customers with the water infrastructure they deserve, at rates they can afford. And, Camden County's success in this regard can be replicated in every city and every town, urban or rural, across the country.

3) Affordability programs--- The balancing act that clean water utilities must undertake to upgrade infrastructure while keeping rates affordable would be aided immeasurably if there were affordability/rate assistance programs, similar to those available for electricity and heat, available to lower income customers. If these programs were available in the clean water industry as well, then clean water utilities could have more flexibility to charge full cost rates needed to restore and preserve infrastructure without harming our most vulnerable customers.

4) Public-Private partnerships also offer an excellent opportunity to reduce the infrastructure funding gap while keeping rates down. Tax incentives that encourage private sector investment in clean water infrastructure would be extremely helpful. For example, thanks to tax incentives extant at the time, Camden County entered into a power purchase agreement with a solar panel provider which reduced electricity costs for our ratepayers by over \$300,000 per year, while reducing our vulnerability to power outages with reliable green energy.

5) Public-Public partnerships--- Improved performance from clean water utilities across the sector can be accelerated by developing peer to peer programs and information sharing mechanisms that ensure optimally systematic and efficient dissemination of best utility practices, already developed by the leaders in the industry, as widely and rapidly as possible across the clean water sector. In this way, the learning curve for best practices can be traversed more quickly, thereby improving environmental performance while reducing operational costs as well. The National Association of Clean Water Agencies (NACWA) is currently working with the United States Environmental Protection Agency (USEPA) and the Water Environment Federation (WEF) to develop a national peer to peer and information exchange program. I believe that this will make a significant difference for the entire sector, especially urban and rural municipalities and utilities with limited resources to improve best practices on their own.

Conclusions and Recommendations

In summary, I offer the following conclusions and recommendations:

1) There is a very significant water infrastructure gap that exists at present, even under present climate conditions, that must be dealt with while keeping rates affordable for

water customers. Every American citizen, rural and urban, regardless of their zip code, deserve safe drinking water and clean rivers and streams at affordable rates.

2) This gap, if not dealt with now, will only widen and worsen as our nation's water infrastructure continues to age and climate conditions become even less predictable.

3) The State Revolving Fund (SRF) program is a proven and successful resource for clean water utilities to replace and upgrade their infrastructure while keeping rates affordable. The Camden County Municipal Utilities Authority used the SRF extensively to replace all of the main process units for its wastewater treatment plant, and upgrade its sewer system, while only raising rates 4%, total in a period of 23 years. The SRF was an essential component of that environmental and economic success for our ratepayers. We strongly recommend the re-authorization of the SRF, at the highest levels possible, so that other municipalities across the country can realize the same economic benefits that Camden County has been fortunate to realize. We applaud the bipartisan legislation introduced by Chairman Napolitano and members of the Transportation & Infrastructure Committee to do just that for the CWSRF.

Other vital federal programs that provide important support for the States in implementing specific clean water objectives similarly deserve ongoing support. For example, the Section 319 program that provides funding to the States to help localities address nonpoint pollution control can help advance green infrastructure, which I am proud to say Camden County has made huge strides in advancing.

4) In addition to the SRF, clean water utilities must also work to optimize their own efficiency and also look for opportunities for public-private partnerships and public-public, peer to peer, partnerships in order to further improve environmental performance and cost efficiency.

5) Affordability programs for lower income families will enable utilities to charge full cost rates that will allow for the infrastructure replacement that is needed without disproportionately burdening the most economically vulnerable members of our communities.

6) Finally, there is an opportunity for a "win-win" in dealing with the infrastructure gap as construction of new water infrastructure will also create jobs at a time when they are badly needed in our economy. Just as President Roosevelt did with the Civilian Conservation Corps, and President Eisenhower did with the construction of the Interstate Highway system, there is an opportunity to address our water infrastructure problems and create jobs at the same time.

Thanks, once again, to the distinguished members of the House Water Resources and Environment Subcommittee for holding this hearing and for your focus on the importance of the State Revolving Fund program to clean water utilities and the communities that we serve. There is a tremendous opportunity to better protect the public health and the environment, and create jobs for our economy, without causing

economic harm to our most vulnerable communities. Thank you very much for the opportunity to address this very important issue with you. I look forward to your questions.

About the Camden County (NJ) Municipal Utilities Authority

The Camden County Municipal Utilities Authority (CCMUA) operates an 80 million gallon per day wastewater treatment plant, and a 125-mile regional sewer system, that provides sewage treatment and conveyance service to the 500,000 residents of Camden County, NJ. Camden County consists of the county seat of Camden City, one of the most economically distressed cities in the nation, and 36 suburban municipalities of varying economic wherewithal. The CCMUA discharges to the Delaware River and is, after Philadelphia and Wilmington, the third largest point source discharger to the Delaware. In addition, the CCMUA's treatment plant is only about one hundred yards from a residential community of about 1800 people. Therefore, the CCMUA faces four main challenges:

- optimizing environmental performance to optimize the water quality of the Delaware River
- minimizing odor impact on the adjoining neighborhood
- restoring and preserving our infrastructure, and reducing our vulnerability to severe storms
- accomplishing all of these goals while minimizing costs to our ratepayers, particularly those living in the economically distressed city of Camden.