

# Sentinel

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Water rate hike amounts to avg. \$21 more per year

E. Bruns. officials say increase is being passed down from state level  
BY LAUREN CIRAULO Staff Writer

EAST BRUNSWICK — Given the recent change in township water service rates, township officials have publicly outlined the contributing factors to the minimal increase.

The Township Council unanimously passed a resolution Feb. 22 that will raise water service rates \$1.79 per month for each household, an increase that township Chief Financial Officer Lou Neely explained was based solely on a decision by the state Board of Public Utilities (BPU) to inflate water costs.

"We've had to adjust the water rates for the paying customer to meet an increase imposed on us," Neely said. "A rate increase is not something we wish to have in this economy, but we can't avoid it."

A previous report in the Sentinel inaccurately reported what the average township household would pay on its water utility bill. Mayor David Stahl clarified that residents will pay \$325 per 100,000 gallons, which is used approximately on an annual basis.

Figures given last week regarding East Brunswick's and other towns' water rates were described as monthly rates, but were actually rates per 100,000 gallons used. The figures, which do not include the recent increase mandated by the BPU, included Helmetta, \$525; Highland Park, \$616; Milltown, \$697; New Brunswick, \$470; Old Bridge, \$588; Sayreville, \$475; Spotswood, \$500; and South River, \$1,562.

According to Stahl, East Brunswick water costs still remain one of the lower rates in the county.

Neely explained that the increase in water service rates was a result of a \$438,000 raise to East Brunswick as mandated by the BPU. This amounts to a 15.7 percent increase in costs that would need to be absorbed by the town, Neely said.

Essentially, the increase amounts to 30 cents more for every thousand gallons, or about \$1.79 per month and \$21 more per year. Neely said an estimated 86 percent of residents would be affected by the increase.

Neely said the state water utility is guaranteed an 8 percent rate of return on investments made in the organization. This stipulation, coupled with an especially difficult budget year, specifically caused the rate increase.

"Their water sales were down because it was a particularly wet year, and they invested in the company about \$30 million with software and other technological upgrades, as well as physical improvements," Neely said.

Neely said that in exchange for accessibility to the utility, municipalities promise a rate of return on the company's investments. He said that the state utility initially asked for a 26 percent return rate, but after extensive review it was determined that the actual investment was \$7.8 million and only an 8 percent return rate was necessary.

"East Brunswick was the only party to hold out in implementing the increase," he said. "Other municipalities were burdened with an increase of more than \$438,000. It was just not economically viable to go to court over this."

He also noted that with minimal water sales, the rate increase and a larger amount of sale, the rate decreases. This year, the state organization lost 5.5 percent of its customer base, Neely said.

Councilwoman Camille Ferraro questioned the fact that residents who use more water pay higher rates, whereas typical business practices would lower rates with more use.

However, Neely noted that the increase is implemented in order to deter residents from overusing water.

"Water is a scarce resource, and this serves as a conservation tool," he said. "It's also a practice of good economic systems. It lowers the capital the utility is required to put out by millions, and therefore does not further burden the ratepayer."