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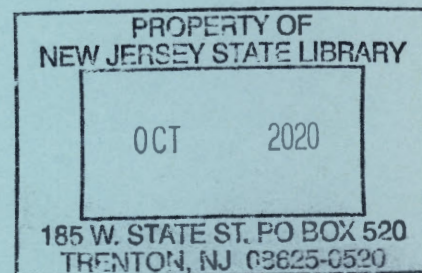
VOL. II

PUBLIC HEARING

before

COMMISSION TO STUDY ADVISABILITY AND PRACTICABILITY
OF FORMULATING AND IMPLEMENTING A COMPREHENSIVE
WATER SUPPLY POLICY AND PROGRAM, CREATED UNDER ACR 31.

Held:
October 9, 1968
Assembly Chamber
State House
Trenton, New Jersey



Members of Commission present:

Assemblyman Herbert M. Rinaldi [Chairman]

Assemblyman John J. Fekety

Senator David W. Dowd

Also:

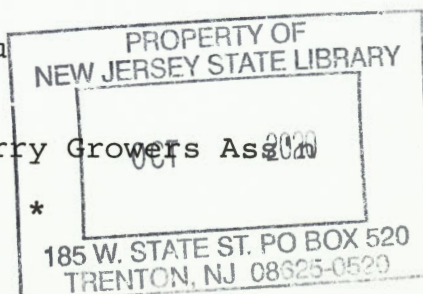
Assemblyman Douglas E. Gimson

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ASSEMBLYMAN HERBERT M. RINALDI [Chairman, Assembly Committee]:

Could we please call the hearing to order. Gentlemen, we have a very heavy agenda today. I am delighted that the agenda is as extensive as it is. It is indicative of the interest which is being shown in these hearings and also indicative of the very important nature of these hearings, I believe. So without further ado, we want to get started on time. Assemblyman Gimson of District 15 has requested that he make a statement, and it is my real pleasure to call upon Assemblyman Gimson to be our first witness.

D O U G L A S E. G I M S O N: Thank you, and good morning, Mr. Chairman. I'm Assemblyman Douglas E. Gimson of the 15th District which comprises Hunterdon, Warren and Sussex Counties.

I welcome this opportunity to appear before you and to give this short testimony on my position with regard to the water situation in the State of New Jersey.

I would like to categorize my remarks in three basic areas: first, I would state my concern for the preservation of adequate water supplies at a reasonable cost for the people and the industries of Hunterdon and Warren Counties whom I represent; second, I want to make known my views as to the possible legislative revisions which may be considered in an effort to make more efficient the water control agencies of the State; and, third, I will touch upon the cost factors which apparently are involved in the programs which the present Administration has proposed in the water field.

Let me assure you that I am well aware that there is a division in my District, and while the major part of the area lies in the Raritan River Basin, certain portions lie within the Delaware River Basin. To me, as a layman, this is largely a matter of semantics, because considering the distances involved here, and the grandiose schemes which have been proposed by the Administration, water can be easily transported from one area to another. However, with regard to the transporting of Raritan River water made available by the Round Valley - Spruce Run Reservoir System, I must state unequivocally that it makes no sense to me, nor to the vast majority of my constituents to transport this water to northeastern New Jersey, when it is - or shortly will be - required in the immediate and adjacent areas. Indeed, as an elected Assemblyman, I feel strongly that it is my responsibility to exert whatever efforts I can in the direction of making certain that this needed source of supply is not denied to us. This, of course, is strictly from a provincial standpoint, and as a representative of this area. But further and moreover, as an Assemblyman this year charged with the Chairmanship of the Appropriations Committee, and having studied fully the multitudinous demands upon the resources of the people of the State of New Jersey for vital and necessary projects, I cannot in all conscience condone the unnecessary expenditure of what is reported to be \$65. million. This \$65. million, let us not forget, is

an estimated cost. Furthermore, it does not include the additional millions of dollars which must be spent by individual communities in northern New Jersey to obtain the water from the end of the proposed pipe line; nor does it cover the cost of altering the Round Valley Reservoir to fit the revised plan of the State. This sum, to be borne by the taxpayers, will approximate one-third of the total construction cost of the Round Valley Reservoir - a sizeable alteration.

Why was this not foreseen at the time of the planning and construction of this facility? Is this money to be added to the original bond issue? Or does the administration propose that the Legislature authorize this expenditure to be charged to all the people of the State of New Jersey? If so we might get into a constitutional problem dealing with the charging of moneys to the entire State and the benefits going to a few.

Another question might be - Why is it necessary to completely scrap the outlet works of this reservoir, so carefully planned, before they have ever been used? What necessitated this drastic change?

It is my understanding that 70 million gallons per day has been contracted for by the Elizabethtown Water Company, and that the State has, without the benefit of the required hearings, assured the North Jersey District Water Supply Commission that they may have 70 million gallons per day also. Considering the fact that the safe yield of this system is

140 MGD, or possibly the 190 million that was referred to yesterday by Commissioner Roe, it is readily apparent that no water would remain for the use of the people and industries dependent upon the Raritan Valley System. This is directly opposed to the many promises made to the citizens of Hunterdon County when the State was attempting to sell its project to the people of Hunterdon County and the adjacent areas. They were promised that they would have first claim to a plentiful supply of top quality water. We are now threatened with the complete abrogation of this promise.

As an indication of the concern of the citizens and officials of my area regarding this threat, I would direct your attention to the following resolution, passed by the Board of Freeholders of Hunterdon County.

In an attempt to save time, I'll not read it but will go on. [See Appendix, page 33, Vol. IV]

To my knowledge, there has been no answer from the State to this communication by our Board of Chosen Freeholders in Hunterdon.

I will not burden you with a series of dry figures, but I would submit, in substantiation of what I have said, three pages of water consumption and supply projections as prepared by the State of New Jersey.* You will note that even a cursory examination will show that the complete development of Raritan Valley waters will be required by Middlesex County, the areas served by the Elizabethtown Water Company, and the Hunterdon County area. Certainly then, this is where the water belongs.

*See Vol.IV, pages 30, 31, 32.

With regard to possible legislative changes to streamline and make efficient the water control agencies of the State, I am completely opposed to any such changes which may tend to further the adventures of the State in the water field at the expense of the best interests of the State of New Jersey. This is a very basic philosophy of opposition to any State-sponsored enterprise which would compete with private industry or existent public utilities. I am opposed to the escalation of Big Government, and I am most concerned - should the State continue its thus far unsuccessful pursuits in the field of water - that we will soon surrender to the Federal Government those prerogatives which the people of the State still hold in this vital area.

I would, of course, support and favor any meaningful legislation which may enable our regulatory water agencies to function more efficiently. To this end, I would propose that this Committee give consideration to the revamping of the present structures, in order that full representation of all the State may be provided. Furthermore, it is my suggestion that a form of Appeals Board, composed of professional personnel, be established to hear and review complaints on decisions rendered by the State Water Policy and Supply Council. I would also suggest that, short of the courts, such a Board be the sole control over the decisions of the State Water Policy and Supply Council.

Now we, as legislators, are responsible to our constituents for the expenditure of State funds. I for one am going to require that every possible avenue and alternative be

thoroughly explored in any expenditure of these funds - most particularly when it involves the tremendous sums which have been recommended by the Administration for water supply.

I would suggest that this Committee, in its deliberations, assure themselves of the same facets and, in addition, assure themselves of the sources of any funding that may be recommended and the method of its repayment.

Mr. Chairman, thank you very much for your attention and for allowing me to present this statement.

ASSEMBLYMAN RINALDI: Assemblyman Gimson, if I may ask just one or two pertinent questions: With respect to your comments on page 2, I presume the \$65,000,000 expenditure that you refer to is the expenditure for the Raritan Valley pipeline. Is that correct?

ASSEMBLYMAN GIMSON: The immediate cost of the Raritan Valley pipeline, yes.

ASSEMBLYMAN RINALDI: Well, now, do I understand you to say that you feel that the State of New Jersey would be paying that?

ASSEMBLYMAN GIMSON: As recommended right now, I am informed that the State is attempting to figure out a method whereby they can use state funds for the building of the pipeline.

ASSEMBLYMAN RINALDI: Well, you, of course, are well aware of the fact that the way in which the Raritan Valley project is being financed is through participants becoming involved on a contractual basis for purchasing a certain amount of water, and these contractual arrangements will help pay for the construction of the pipeline, the capital cost. So

that the present arrangement is not for the State to participate at all. It has been suggested by some of the participants that the State might pick up that amount of water which the participants cannot successfully finance now.

ASSEMBLYMAN GIMSON: It had also been suggested that the State actually finance the building of this pipeline and that it be a State project. As you will remember, as late as yesterday, Commissioner Roe suggested that maybe the State ought to build this pipeline.

ASSEMBLYMAN RINANDI: Well, then, one of your basic criticisms as to the pipeline goes toward who should pay for it. I gather also that a second criticism that you make against the pipeline is that those waters which would flow through the pipeline to the areas of Northeast New Jersey could better serve the people of Hunterdon County, which you admit albeit is a provincial attitude but may be a very realistic one.

ASSEMBLYMAN GIMSON: Well, Mr. Chairman, I think that very probably at the time the Round Valley-Spruce Run Reservoir was built, we were running about ten years late on our water planning in the State of New Jersey. I further suggest that at the present time, the continuation of an antiquated proposal and idea is only going to put us further behind and require many more millions of dollars to be thrown into a catch-up program rather than looking forward and seeing what's going to be needed tomorrow.

ASSEMBLYMAN RINALDI: Well, Assemblyman Gimson, it would be ideal if every water consumer, be it municipal, be it private,

or be it regional, could look to its own region or municipality to find the water that that particular area needs. It would be ideal if every municipality could dig a well and get the water it needs or could look to a private concern to provide it with the water it needs. But it appears that one of the very substantial problems which is involved with the whole nature of water supply and management in New Jersey today is the geographical redistribution of our available supply. And in that capacity, I would assume that one of the basic philosophies - of course, I was not in the Legislature obviously ten years ago - one of the basic philosophies behind the recommendation of the Raritan Valley project was to take water to an area where it was sorely lacking and sorely needed; namely, northeastern Jersey, the northern tier of Essex County as it's referred to, which happens to be my district, and some of the surrounding communities and going over as far as Bayonne and Elizabeth. If, in fact, you would suggest that the waters of the Raritan Watershed and the Raritan Valley complex be kept for the use of Hunterdon County, where would you suggest that this very, very highly-concentrated urban area, which now seeks to use the Raritan Valley pipeline to bring the water - where would this area get its water from?

ASSEMBLYMAN GIMSON: Well, Mr. Chairman, I suggest that the fact that very little has been done during the last six years in proposing and planning any New Jersey reservoir sites is the cause of this problem. Let me say this: The people of Hunterdon County had this reservoir scheme forced upon them.

They, themselves, turned down the referendum providing for these reservoirs. We have lost thousands of acres of tax lands in our county to this purpose, and we were told that, even though we objected to this program, we would have the benefit of this water. Now it's very easy to see that the water there is not even sufficient for the needs of the metropolitan area and if you are looking toward the megopolis or "megapopolis," or whatever -

ASSEMBLYMAN RINALDI: Whatever the word is.

ASSEMBLYMAN GIMSON: - looking at the future, certainly this system that we're talking about is inadequate. Commissioner Roe himself said we need all of the projects that have been proposed, yesterday in his testimony.

ASSEMBLYMAN RINALDI: Well, do you suggest that the Capital Needs Commission is right and we should spend ninety-two million dollars for the reservoirs?

ASSEMBLYMAN GIMSON: No, I suggest, Mr. Chairman, that very probably the interest of water supply in this State is one that can be handled very readily by private industry and maybe we ought to get out of the water business.

ASSEMBLYMAN RINALDI: Wouldn't it be ideal, Assemblyman Gimson-I said this before - and most people feel and I don't want to editorialize at this point - but I think your remarks made this observation - it would be ideal - nobody likes to see government go any further than necessary. I think we all subscribe to that. Wouldn't it be ideal if some part of the private sector could take over the problems of water supply in

the same way as the Bell Telephone Company has taken over the problem of the telephone, as the utility companies have done in the area of electricity, but it seems we haven't been able to reach that juncture where the private sector can completely take over this problem of water supply. In fact, all the sources that I have had reference to, and that most of us have had reference to, have readily admitted that the private sector has done an outstanding job. But you do have the problem of coordination. We keep coming back to that word, and the problem is how do we coordinate the private sector with the public sector, and how do we shift our waters to those areas where they are drastically needed and avoid the situation that we were confronted with in 1965, where we were ten days short of water rationing.

Let me say that I concur with a lot of your basic thoughts and I think that what you subscribe to is an ideal picture, but I wonder if we are not taking a head-in-sand approach in not being foresighted enough and not rising above our particular provincial approach. I don't mean to be in any way critical about it. I think one of the hardest jobs is rising above that.

ASSEMBLYMAN GIMSON: Mr. Chairman, might I say that as far as being an administrator of water supply and policy in the State of New Jersey, I think the State has done a very poor job in all the time that they've been in it.

ASSEMBLYMAN RINALDI: Are you criticising Commissioner Roe's department?

ASSEMBLYMAN GIMSON: I am criticising the administration of the present water supply in the State of New Jersey, and I

might suggest that delays have been pointed to here, and the reason we are not able at this moment to touch one drop of the Round Valley water is because of a poor administrative program on the part of the State. We've got a reservoir that is there and could be used in case of an emergency but it can't be used because none of the programs as proposed have been followed through.

Now I further suggest that many delays, possibly as long as two years, were caused because of a lack of the administration to take a stand on fees and as to what amount will be charged to what customers of the water being let out of Spruce Run. The whole thing has been dragged out much too long.

ASSEMBLYMAN RINALDI: Well, Assemblyman, thank you. This dialogue is an interesting one. I think it goes to the heart of the very problem that this Commission is here to talk about, and I wish we could continue it. We have many witnesses and I'm going to ask my colleagues if they have any questions.

SENATOR DOWD: I have no questions.

ASSEMBLYMAN FEKETTY: No questions.

ASSEMBLYMAN RINALDI: Thank you very much, Assemblyman. We once again invite you to join us as you did yesterday.

ASSEMBLYMAN GIMSON: You mean, I'm going to jump the rail again.

ASSEMBLYMAN RINALDI: I might say we're most appreciative of your taking the time to join us. I wish the whole Legislature could participate in this sort of thing.

Gentlemen, one of the problems every chairman has is, of course, the scheduling of the witnesses, and I have had

many requests from many witnesses to get on as soon as possible so they can get out as soon as possible, and I probably committed the cardinal sin of telling everybody we'll put him as close to the top of the schedule as possible. We are now faced with three or four people to whom I unfortunately made that promise. So I am going to sort of throw all the balls in the air at the same time and hope that the people that wind up being called subsequently don't take offense.

I would like to call on Mr. Barr, if I may, the President of the American Waterworks Company.

J O H N J. B A R R: I am J. J. Barr, President of the American Waterworks Company, whose offices are at 3908 Kennett Place, Wilmington, Delaware, but I would prefer to stress the fact that my residence is at 211 Third Avenue in Haddon Heights, New Jersey, since I am a native New Jerseyan, having been born and raised in this fine State.

I express to you my great appreciation for the opportunity to appear before you this morning, and I apologize for the fact that I do not have a prepared statement, due to a misunderstanding on the part of my associates as to scheduling. It is entirely our fault. I would like the opportunity, if I may, to bring to your attention very briefly the role that private enterprise, investor-owned water companies have played in the water supply field in New Jersey. I hope for your awareness of that and, if I may, to comment briefly on some of the programs that Commissioner Roe has proposed and, finally, if I may to address just a few remarks toward the reported comments of President Byrne of the Board of Public Utility Commissioners who appeared

before you yesterday.

My company, through its 15 subsidiaries operating in New Jersey, is providing water to perhaps 825, 850,000 people in New Jersey, and I think that would represent something better than 10 per cent of the State's population. We have an investment in water facilities in the State in excess of \$100,000,000, and I can't help but bring to your attention that we paid taxes in the State last year in excess of three million dollars.

Now while I do not have statistics as to all of the investor-owned company operations in New Jersey because - although it is a sad commentary, still nevertheless there does not seem to be a completely reliable compilation of statistics for the relatively small and great number of small companies that do operate in New Jersey - just combining our operations and those of the other three largest in the State produces the indication that they are serving a population of perhaps two million in the State, which you can see is a very appreciable part of the total population. They have a combined investment in excess of a quarter billion dollars and they are paying taxes of perhaps nine and a quarter to nine and a half million dollars a year.

It is my sincere hope that whatever policies in water supply may be recommended and developed by our Legislature here in New Jersey, they will not discourage the continued participation of private entity but hopefully will encourage an expansion of that participation.

I have attempted to understand some of the program that Commissioner Roe has presented and at the outset I would like to add a word of commendation, if I may, to the work that Commissioner Roe's department, the Division of Water Policy and Supply, has done for these people of New Jersey in foreseeing the water needs and at least proposing a program that would face up to a good part of those needs.

I hope that all of us in New Jersey and particularly our Legislature will encourage a continuation of that work and help them in their efforts to attract the competent professional personnel that we, from our experience in the waterworks business, know is essential to properly provide the solutions to the problems we face.

We concur with Commissioner Roe's recommendation that there be prompt movement toward the acquisition of the lands that are required and will be required for water supply reservoirs before those lands are preempted by residential, commercial, or other development. And we concur in the recommendations that these large reservoirs be developed, although I will not undertake to discuss the individual projects because, frankly, I lack the technical background and capabilities to enter into a discussion of the details of any one of those particular developments. I have to rely on my staff and my associates for that type of advice. We agree that we must be looking toward providing the major transmission facilities that are necessary to bring that water to the public.

The one proposal I notice that distribution systems or grants-in-aid be made for the development of distribution systems, I must take some reservation on and say that I do not think that our State should yet be looking toward helping to build distribution systems. That brings me to the point which I know is paramount in your mind as to whether or not the State should build these resevoirs and acquire these lands.

I am fearful from what I see of local government and, incidentally, I have the privilege of serving on the Borough Council of my home town, that there is not a sufficient awareness of the true value of water; there is not a sufficient awareness of what has to be done to bring adequate water supply to the people. To me it's an unfortunate commentary that perhaps the State must move to do what the municipalities will not do for themselves in some of these areas, but I certainly trust that if the State does go forward in these areas nothing will be done to discourage private enterprise participation.

I strongly urge that private enterprise be permitted to participate wherever possible and if the State does provide these facilities that we be permitted to purchase water from them on a par with any other system; that there be allowance for the possibility of cooperative efforts. I think of the Manasquan project, which is one that has been presented and which is one that my company has indicated it would be willing to undertake - in fact, we have for many years foreseen the need for the development of the Manasquan as a source of supply for our operation which is known in that area as the Monmouth

Consolidated Water Company. We have stated that we would undertake that development, but we are in a very unusual position. If we undertake development at a time when the State is developing other large reservoirs for the benefit of a given area, we are somewhat placed in the position of competition which is most unfortunate. If there is thought that the cost of a reservoir in one area is borne by the State and will be assessed other than directly against the people that benefit from it, while the private enterprise that we represent in Monmouth County is developing a reservoir just for that area and must assess the cost against that area, there is almost bound to be the question as to whether or not we should be permitted to go ahead, because the cost is most likely going to be greater to the Monmouth County people through the private enterprise approach than it would be if they participated in a statewide program or if their water was supplied by a statewide program.

Now there is a further possibility that in that development the State should acquire the lands and build the reservoirs if we cannot otherwise beat this problem of what I term competition and allow for our company to build a treatment facility and the transmission mains, so that at least private enterprise is attracted to participate in partnership if you will.

Now I have the reaction that this question of assessing the cost equitably to all people or to the area served goes to a great extent to the manner of financing and, as I understood some of the information that has been presented by

Commissioner Roe, there are two alternative approaches considered in his mind for the financing. One I think would tend to say would be a general obligation and would be paid out of the general revenue of the State. The other apparently says do it by revenue bonds, and you can assess the cost more equitably to the area served. I certainly urge that the latter approach be considered very seriously as perhaps the one way which private enterprise can be encouraged to participate without undue and unfair competition.

I am certain that I speak for the investor-owned segment of the industry when I say we do not look for, hope for, or ask for grants-in-aid or profit from anything or any program that the State or the Federal Government adopts. The thing we hope to accomplish is avoiding a position of trying to compete with governmental funds, be they State or Federal, which I am sure you gentlemen realize is almost impossible for private enterprise who pays a fair price for its money to compete with somebody who gets it either for nothing or practically nothing.

I would then only like to comment now on the remarks which President Byrne of the Board of Public Utility Commissioners made yesterday which kind of shocked me as I saw them in the newspaper as I was having my breakfast this morning. He was saying that the investor-owned water industry in New Jersey was sick, if you will, and might be heading for the same trail as passenger service on the railroads has experienced in New Jersey. I got up this morning feeling reasonably well and as near as I knew the industry in New Jersey was in fairly decent

shape. I hope that the President will not misunderstand my differing with him. I do not agree that we are in a sick condition. If our future is dark, I would have to say that the Board of Public Utility Commissioners will have to accept a great deal of the responsibility for that, because it would only be the lack of enlightened regulation that would result in our bankruptcy. So I hope that your deliberations will not in any way be predicated on the idea that we are in a sick condition.

I again apologize for the rather disorderly presentation I have made and express my appreciation for the opportunity.

ASSEMBLYMAN RINALDI: Thank you very much, Mr. Barr.

I might just say that speaking for myself, I certainly think the private sector of the water supply probably should be commended for what they have done to date obviously. And I agree that the State should not compete, it seems to me, with the private sector. If the State is going to work, they should work parallel. The problem is to be able to coordinate the private sector with the public sector. That eventually is what has to be. And who takes care of what part of the State's fees? I am interested in your comments with respect to Commissioner Roe's suggestion for a New Jersey Water Authority. In this case, he suggested it be within the Department of Conservation, and that revenue bonds be used to pay for the cost of the capital improvement and that the consumer for the use of that water ultimately pays for the cost of the water. There are some very violent objections which have been raised to that approach by members of the water community, but that's an

interesting comment.

I have no particular questions at this time.

Senator Dowd?

SENATOR DOWD: Yes, Mr. Barr. You indicate that there should be participation between the private sector, the private water companies and the State. If I understood you correctly, the impression I have is that the State should build the reservoirs in most cases, and the private utility company should there or about that juncture take care of the transmission pipelines and distribution of the water. Is that in essence your feeling?

MR. BARR: Senator, I did not mean to suggest that private industry should completely withdraw from the construction of reservoir supplies. In the past, it has been our theory that once we assume responsibility for a given territory and it was our obligation to develop the supply for that territory, it has been that thinking, that policy, which has led us to feel that it was our obligation to develop the Manasquan when and if that need came. We now see that around 1975. But I do see the probability that local municipalities will not assume their proper responsibilities in some areas and that the State may have to build reservoirs, and then I was hoping suggesting that we not set up a situation where the State's participation is going to set up such a competitive force that it in effect drives the private industry sector out of the area or out of the field of building reservoirs simply because they are competing with State projects that do not assess the cost to the people who are using it but

also set up further competition because of governmental ability to attract funds at a lower cost than we in private industry can.

SENATOR DOWD: Well then you feel that such project as a reservoir is a regional or at least a district proposition wherein most local municipalities do not either have the foresight or the desire to engage in anything much beyond the scope of their corporate boundaries. Is that what you are indicating?

MR. BARR: I think there is considerable evidence of that, yes.

SENATOR DOWD: And what your company has proposed in the Monmouth area, in the Manasquan area, was it rather consistent or compatible with that which has been proposed by the Commissioner's department as to size and facilities; the reservoir, I am talking about?

MR. BARR: I understand that our engineers are in substantial accord with the proposed development of the Manasquan, yes, sir.

SENATOR DOWD: Do you believe that private enterprise could construct a similar situation as is proposed in the Manasquan area and could it have created a Round Valley reservoir? Would it have the fiscal ability and responsibility to create the facility and handle the entire distribution to the ultimate consumer?

MR. BARR: Well, if I address myself first to the Manasquan project, yes, I think that an investor-owned water company - I think that our system had and has the fiscal capability of developing the Manasquan for the service of,

I will say generally, Monmouth County - I don't mean to limit it precisely to that. That fiscal capability can be adversely influenced if there is a state policy that results in our having to assess the cost of water to the people we serve substantially above that prevailing in another area, with that difference springing only from the fact that there is State money there at much lower cost than we are able to provide in Monmouth County.

Now if I go to the Round Valley situation, I have to say that I think it's possible that the private enterprise entity could have undertaken the Round Valley-Spruce Run project, but certainly not without firm commitments and contractual arrangements for the taking of the product once it was provided; that it would have been a major undertaking. I don't know whether the firm contractual commitments could have been obtained or not. It's an area of speculation, and I can't be real certain. I really think that in the final analysis private enterprise participation will be attracted and will be successful only when there is sufficient use and earnings assured to make it an investment which competes with other opportunities for investment in the money market.

SENATOR DOWD: In your remarks I understand that you feel the State should not engage in the distribution lines or the pipelines out of Round Valley. You think the State has gone far enough in the creation of the facility and that the distribution should be handled by some source other than the State. Is that generally your feeling on it?

MR. BARR: No, I have not said exactly that, sir. I

didn't mean to say that. I spoke about distribution of water within the communities. It is my understanding that there are a number of communities, be they cities, towns, townships, whatever they may be, that may be served by the Round Valley - Spruce Run project. They each have to have their own distribution system, as we term it in the industry, for purveying the water ultimately to the customer. I definitely feel that the State should stay out of that area. I think that that as a very minimum should be assigned to the local government or the local agency if for no other reason than to have some awareness on their part as to the real value of water service and what must be done to bring it to the user.

Now perhaps I am not even entitled to an opinion as to how the transmission and treatment facilities of Round Valley should be handled, because I don't know enough of the inner workings possibly, but frankly I gained the impression that it has become so complex that only somebody at the State level or a water authority with very broad powers is going to be able to solve the problems. That is my personal reaction at this time.

I am not sure that that was necessary or needed to develop, but I think it is at that point now as best I could judge it.

SENATOR DOWD: Commissioner Roe yesterday, I believe, indicated that he would be happy to see private people come and build transmission lines and major trunk lines out of

Round Valley but he said that no one has come forward and he feels if they don't very soon it is incumbent upon the State and it's the State's obligation to transmit the water sources into the local municipalities where it would be picked up by smaller lines for distribution. Do you see any hope of any private group or private industry participating or taking upon themselves this project of constructing a major line out of Round Valley and into the northeast sector of New Jersey?

MR. BARR: I can't help but say that I would seriously doubt that with the background that now exists, private entity is going to be attracted to undertake that, because I think they would be confronted with resolving some very serious differences - and I have to acknowledge maybe well-based differences - between a number of municipalities. And I, for one, would not be greatly encouraged to enter that field in its present state. I say without really meaning to direct criticism to any agency or group in the past, I think it's unfortunate it has developed to this point. Maybe if private entities had been attracted at the very beginning, this could have been avoided and might not have happened. Then I could see that it is very possible that private entities would have been interested.

SENATOR DOWD: And generally throughout the State you don't express the opinion or a desire to withdraw completely from the creation of water reservoirs, but you feel that it's compatible that the State build some and the private sector will build some also. Does that not create a rather nebulous and

sort of a gray area in which you may work as a private enterprise? Would you rather have fixed standards as to knowing where the network of reservoirs are going to be built by the State, if at all?

MR. BARR: Well, there surely has to be a complete cooperative effort between the two, because if private enterprise is going to be looking toward developing a given supply for the area of responsibility with which it is charged, at a time when the State is looking at the same area and saying well, we're going to build another reservoir too, and both are going to be competing for the yield of that area - it will be an impossible situation.

I think it is very possible that this can be worked out and the existence of the gray area is not required, because the private enterprise entities have been assigned by franchise right, if you will, the opportunity, right and obligation to serve a given area. I think they should be required to be well on in their planning as to how they are going to meet that obligation and be in constant communication and cooperation with the State as to what their plans are for the area and be sure that they are working together.

SENATOR DOWD: And was that the case in the Manasquan proposed development?

MR. BARR: I am not certain that that is the case. I have the impression that Commissioner Roe and his department is quite receptive to the possibility that we accept the responsibility for the development of the Manasquan. I have been led

to that belief. I am not sure that some local interests in Monmouth County have accepted that as yet as being the best approach. I have the impression, and I must say it's based on news reports that I see from time to time and reports I get from my associates , some of which may represent their individual opinions, but I have somewhat the belief that some of the people in the area feel that we will not recognize the potential for recreational facilities, which, incidentally, is contrary to the fact, because we have a number of instances throughout the country where we have developed reservoirs and turned the recreational possibilities over to the local municipalities to develop on a lease arrangement for a dollar a year or ten dollars a year. So I think we have some work on our hands to have the public in the immediate area understand our proposal and our willingness to see that the recreational possibilities are developed certainly.

So I think there is the possibility of working this out. I think it has some acceptance but I can't say that it's 100 per cent as yet.

SENATOR DOWD: Commissioner Roe indicated, I think, that ten to twelve million dollars is needed for that project which would be defrayed, as you indicate, throughout the State. But if you, as a private group entered into this project and created it, the cost would be assessed and deferred locally by those who generally consume or use the facilities. Is that right?

MR. BARR: That's right. Under, of course, regulation by the Board of Public Utility Commissioners, rates would

have to be fixed for the water service that would afford the company a return on its investment, be it twelve million dollars if that's the figure, and which would result in amortizing that investment over its useful life. That is the regulating process followed in New Jersey and pretty generally throughout the country.

SENATOR DOWD: I have no further questions. Thank you very much.

MR. BARR: Thank you, Senator.

ASSEMBLYMAN RINALDI: Assemblyman Fekety?

ASSEMBLYMAN FEKETY: What is the rate of return allowed by the PUC for your company?

MR. BARR: In recent proceedings, the Board of Public Utility Commissioners have allowed rates of return ranging from 6.2 to 6.5 or 6 per cent. I think the latest order we received was 6.6 per cent return. Let me point out that that is on the so-called original cost, historical cost, of building the facility, and it gives me an opportunity to point out one of the problems that confronts us in private industry in planning ahead for major projects, reservoirs, etc., in that the return is limited to the property then devoted to public service for all intents and purposes. If we acquire land ten or fifteen years in advance of its actual use, as a part of a reservoir, we run the risk that we will not have it recognized as part of our rate base or investment, but instead it will be characterized as property held for future use, and we also run the risk of taxes that apply to that property and it will be disallowed in fixing the earnings we may have. So we confront a real challenge when we enter into these projects, and it's the

area where I say we must strive for enlightened regulation, which I think is possible when there is a full recognition of the needs of the area.

ASSEMBLYMAN FEKETY: A hypothetical question: The State builds a reservoir and turns around and puts it up for sale. Would private enterprise be interested at that time, once the facility is built and filled?

MR. BARR: I can conceive of circumstances where it might be, yes.

ASSEMBLYMAN FEKETY: Take Round Valley and Spruce Run now.

MR. BARR: Well, again, I'm afraid the history of that situation is going to scare private entity away from it, to be perfectly frank about it. If you had it developed to the point where there were binding contractual arrangements for the use of the facility over a period of time, then it might well attract private enterprise to purchase, although I know there is a very substantial amount of money involved. It would be the first time that anything like that has happened with that consequence that I am aware of, so it would take some real organization in selling.

ASSEMBLYMAN FEKETY: Well, in private enterprise, its biggest problem, as you have mentioned, is the land set aside for future use, to actually go into the investment and not worrying about competing with the State, but if the State were to build a reservoir and turn around and sell it to private interests, and with the funds from the sale turn around and build another reservoir where the demand is - help the

private companies in that way and eliminate that so-called competition between the State and private industry.

MR. BARR: There is considerable possibility.

ASSEMBLYMAN FEKETY: To your knowledge, is there any State in the Union that is out of the water business?

MR. BARR: Any State that is out of the water business?

My first reaction, sir, would be to say that the number that are in the water business are by far in the minimum, by far in the minority.

ASSEMBLYMAN FEKETY: It's the reverse; in other words, now from the way Commissioner Roe has been talking he wants to get deeper into the private water business. Ohio was out of it completely.

ASSEMBLYMAN RINALDI: Excuse me, Assemblyman. I don't want to interrupt, but on this matter, is Ohio in the water business? They recently created an Ohio Water Authority. I didn't mean to interrupt you, John. Do you have any knowledge of that situation?

MR. BARR: I must say that I am not informed as to the exact current status, but at one point Ohio invited us to come and talk about the possibility of engaging in some development there, and I think it was this Ohio Water Authority that you speak of. So I don't know that they are actually in the business, although I do have the impression that they may be on the verge of it. But I think currently Ohio and New York and New Jersey, and Pennsylvania may be verging on it but I don't know that they are actually in it so far, but beyond that, and I may be completely wrong in my impression, but I am still

inclined to the idea that the States that are in the water business are by far in the minority.

ASSEMBLYMAN FEKETY: Another question: Is there a possibility of a subsidiary just going into the transmission business end of the water company?

MR. BARR: Yes, I suppose it's possible. I'm not sure that I entirely understand the basis that you have in mind, or the theory you have in mind.

ASSEMBLYMAN FEKETY: Just provide that transmission, the pipeline, to one point - what Bob Roe talked about - trunk from region to region.

MR. BARR: Is it possible that a subsidiary of my company would go into such a business?

ASSEMBLYMAN FEKETY: Or any private company.

MR. BARR: I think that's a possibility, although I don't think that would be as attractive a business as to have the opportunity to expand and distribute water as an area grows, as opposed to being limited just to wholesale distribution, wholesale transmission, if you will.

ASSEMBLYMAN FEKETY: O.K. To sum it all up, your opinion as a representative of private industry is that the State, instead of getting involved more in the water business, should look to reserve its participation as far as the research work, as far as supply and demand for the State for future use, and reservoirs?

MR. BARR: I think there is the evident need for the State to participate in some areas in water reservoir development. I can't deny that, but I do urge that it not get in so far that it completely discourages and eliminates private

enterprise, certainly.

ASSEMBLYMAN RINALDI: Thank you.

Assemblyman Gimson, I am sure you have a few questions, but if I may just ask one question that I think begs an answer: The problem here is there is work that has to be done; reservoirs have to be built; transmission facilities have to be built; we are faced with a water supply problem in this State and it's growing more critical instead of less critical. Now to what extent should the State go forward and build all the reservoirs and all the pipelines; to what extent should we expect the private sector to come forward? It seems to me, and you stress the clause before and I think it's most significant - this cooperative effort. Everybody knows what has to be done and everybody says it should be done. Now the question is, how do you coordinate its getting done? Isn't that the real nub of the problem, Mr. Barr?

MR. BARR: I allow that that is a major part of the problem, yes. My reaction is that I feel that the area of responsibility for the private sector is pretty well outlined by the service areas that have been assigned to them. I think they should be called upon to take a position - are you ready to serve those areas? and how are you going to do it? and lay that alongside the plan of the State for the other areas that are not the obligation of the private enterprise.

ASSEMBLYMAN RINALDI: Well, are you suggesting that the State should come forth and positively reach out for the private sector, and say, "Gentlemen, there is a very critical water problem in this area." Is the private sector prepared to meet

that water need and undertake the capital projects, and if they are not, then the State will have to go in and build the capital project and allocate the cost of that water to those consumers. Is that what you are suggesting?

MR. BARR: I think that's a way of approaching it. The mechanics are already there and I don't suggest that the private enterprises should sit back on their seats until they are asked that. I think they should be participating and stepping up and saying, we are ready to serve the area, too.

ASSEMBLYMAN RINALDI: It's been said that if the private sector doesn't do it, then the State will do it, and if the State doesn't do it the Federal Government will come along and do it. Many people are already saying that the problem of water in North Jersey is becoming so critical that if something isn't done either by the private sector or by the State, it will be done by the Federal Government. Of course, it's very easy for everybody to sit back, as we do in so many things, and say, "Well, hurray, here comes old Uncle Sam, he's going to solve all our problems and do everything that we don't want to pay for."

I don't subscribe to that theory, I might add. But this is one of the threads that seems to be dangling in the air and dangling over our heads as citizens and as concerned legislators.

MR. BARR: I agree with you. I think that thread is there.

ASSEMBLYMAN RINALDI: Thank you. Assemblyman Gimson? Time is getting to be important.

ASSEMBLYMAN GIMSON: I think I've found an ally here and I want to project something here. Isn't one of the major

problems involved in the State and private enterprise competing or even working together the fact that the water costs of the private sector have to include the taxes they are paying, where with the State's entering into, say, Round Valley, we were told yesterday that at the pay-off point, 40 years, very probably their rate might drop from \$32.00 to \$5.00. At that point, how can someone in the private sector compete with the State or the customers the State has for that tax-free water? Now wouldn't it be better that, since the immediate problem is the reserving of the reservoir sites, the State reserve these sites and possibly, as Assemblyman Fekety has mentioned, even build the reservoir and then sell it? Would that be better than trying to go along forever providing water, tax-free water, to certain customers and having other water companies have to pay taxes on the water they are using?

MR. BARR: I think we are in substantial accord, sir. Yes, sir, the problem we have in competing, if you will, is taxes. I don't come here and say that we should be given a blank check to be free of taxes, but I think something should be done so that when -

ASSEMBLYMAN GIMSON: Why not return the reservoirs to the tax rolls, once they are provided and once the customer is available for them. We were told yesterday that there probably might be, if you could ever get the water out of Round Valley, a customer for the purchase of this reservoir. Wouldn't this be true if the plan, such as the Manasquan plan that you refer to, if you had trouble in financing the construction or acquisition of this property, the State then could

aid you by acquiring the property and even constructing the reservoir and selling it to you if it meets your needs - in this way returning it to the tax roll and making it a co-operative way that in the future you are at least going to be competing on the same basis?

MR. BARR: That's the great need. That entails the need for having people realize the value of water when you are using it and what it's really worth, which is not accomplished when you put the cost someplace other than on the water.

ASSEMBLYMAN GIMSON: All right. I think we are in accord.

ASSEMBLYMAN FEKETTY: May I just make one statement. I want to thank you very much for coming here today, sir, because I am very disturbed that two companies - Hackensack and Elizabethtown - have not accepted the invitation or will not be here to testify and help this Commission with some testimony like you have presented, and I appreciate your coming here.

MR. BARR: Thank you, sir, I feel it's an obligation for my company and as a citizen.

ASSEMBLYMAN RINALDI: Ladies and gentlemen, we are going to take a very precise five-minute break while your Chairman tries to juggle the balance of the morning's agenda. Let's make it strictly five minutes.

[Five-minute recess]

[After recess]

ASSEMBLYMAN RINALDI: Ladies and gentlemen, may we please come to order again. As I indicated before, I should be delighted that time is a problem because that's an indication I think that the proceedings are underway in good shape and we have got witnesses who are providing us with good information and of whom we want to ask questions.

Before we get to our next witness, Mr. David I. Stepacoff of the Water Policy and Supply Council, we have a request that Mr. Klockner of the New Jersey Section, American Water Works Association, wants to submit a statement. Is Mr. Klockner here? [Mr. Klockner stands.] Will you submit the statement to the chair, please, Mr. Klockner, or have you already done so?

L. W. K L O C K N E R, J R.: No, but I will submit it later.

ASSEMBLYMAN RINALDI: Well, then, let the record show that Mr. Klockner appeared before the proceedings and has indicated that he will submit a written statement to be made part of these hearings. Thank you very much, sir.

Now if you will, Mr. Stepacoff, identify yourself.

D A V I D I. S T E P A C O F F: Yes, sir. My name is David I. Stepacoff, former Assemblyman and presently a member of the New Jersey Water Policy and Supply Council.

First of all, I'd like to commend this Committee for the undertaking of this fascinating and interesting subject of water. We all know how important it is. I might inject a personal note and recall that ten years ago I sat where you gentlemen are sitting, and I hope we have the same omen now as we had then. There was a shortage of water at that time,

you may recall, and when we started our hearings the Delaware River here overflowed its banks and the water came up to the State House. And that was the end of the drought or shortage. Let's hope we have another one of those.

Ten years ago in 1958 the Legislature of New Jersey after public hearings determined, among other things, that

"adequate supplies of wholesome water are essential to the health, welfare, commerce and prosperity of the people of the State. Such supplies will be best developed by long-range plans, to be put into effect in stages during a period of years. The formulation and execution of such plans cannot safely be allowed to wait until the shortage of water in the State becomes critical in all parts of the State;"

also we found then:

"There is an immediate need for a new major supply of water to meet the present acute water requirements in the northeastern metropolitan counties and in the Raritan Valley, areas which directly and indirectly affect the commerce and prosperity of the entire State;"

We also found at that time:

"The combined development of an off-river reservoir in the Round Valley area now " - (referring to the 10 year ago period) - "under acquisition by the State for reservoir purposes with the smaller and cheaper on-river reservoir at Spruce Run will provide water supply storage for delivery of water in pipelines at the user's expense to areas within and without the Raritan river basin for areas desiring that type of supply...."

I emphasize the concept that the delivery of water was to be in pipelines at the user's expense.

In November 1958 there was placed before the citizenry of New Jersey a referendum to authorize the creation of a debt of the State of New Jersey by the issuance of bonds of the State in the aggregate principal amount of \$45,850,000 for "researching, acquiring, constructing and developing

water supplies for public, potable, industrial, irrigation and other purposes and facilities appurtenant thereto."

The public in 1958 approved the bond issue.

The great bulk of these monies were to be used to finance the construction of the Round Valley - Spruce Run complex. The capacity of the Round Valley reservoir was to be 55 billion gallons, that of Spruce Run 10 billion gallons.

In due course, the Round Valley - Spruce Run reservoirs were constructed. However, delivery of water from the Round Valley reservoir, in any appreciable amount, had not been realized because, "pipelines at the user's expense" were never constructed.

The latent deficiency in the 1958 New Jersey Water Supply Law was its requirement that the pipelines for the delivery of water be at the user's expense.

It might be stated that in 1958 some legislators foresaw the problem that would arise by reason of the fact that the legislature was not providing the funds necessary for the construction of the transmission lines by the State. Many of the legislators felt, however, that the relatively high cost of reservoirs as well as transmission lines would have been resisted and defeated by the electorate.

The final decision of the 1958 Legislature was to limit the referendum in an amount to make possible at least the construction of the two reservoirs.

The dilemma in which the State found itself by having reservoirs without the necessary transmission lines prompted the 1962 Legislature to enact the "Water Transmission Facilities Act." Hopefully, under this Act, the Legislature sought to effect the construction of the pipelines necessary to distribute the waters which had been accumulating in the reservoirs. While Spruce Run, being an on-river reservoir, has been of relief to the State, the Round Valley off-river reservoir has had no appreciable distribution of its impounded waters.

The Water Transmission Facilities Act declared a new policy of the State of New Jersey which was "to foster and promote by all reasonable means the prompt, efficient and economical transmission, treatment, filtration, distribution and use of the water supplies acquired and developed by the State.

This, to my knowledge, is the first time that we got into the implementation of the then existent water supply facilities by transmission lines.

To implement this newly declared policy the Water Transmission Facilities Act sought to endow "certain public corporations heretofore authorized to supply and distribute water, with additional powers to the end that such public corporations would be enabled to finance, construct and operate facilities necessary for the treatment, filtration, transmission and distribution of water made available by the State to municipalities and persons, pursuant to the provisions of the Water Supply Law," of 1958.

Pursuant to this legislative plan of 1962, the North Jersey District Supply Commission was continued, and the South Jersey District Supply Commission, when appointed, were the governmental instrumentalities selected to construct and maintain the transmission lines. Close cooperation by the State and the two District Water Supply Commissions for putting into operation water transmission facilities was encouraged.

The North Jersey District Water Supply Commission under the authority of the Water Transmission Facilities Act in July 1965 contracted with various municipalities in the northeastern part of the State for the purchase by said municipalities of approximately 60 million gallons of water daily. Bonds to be issued by the North Jersey District Water Supply Commission were to be protected by the income from these contracts and were to supply the money for the construction of the facilities for the treatment, filtration, transmission and distribution from the Round Valley — Spruce Run complex.

One of these municipalities was the City of Newark, which was the largest subscriber for water. In the months of February and March of 1967 the City of Newark threatened to withdraw from its contract commitment, and the fate of the entire transmission program as projected by the N.J.D.W.S.C. was threatened.

The Department of Conservation and Economic Development of the State of New Jersey through the State Water Policy Supply Council intervened, and with the aid of the Commissioner of the Department of Conservation and Economic Development attempted to mediate the differences between N.J.D.W.S.C. and Newark. I might say that we spent endless hours

trying to reconcile their differences.

The other municipal contractees joined in these proceedings. Notwithstanding these efforts by the State, the principals to the dispute became involved in litigation in the Superior Court of New Jersey and after decision by that Court appealed the matter to the New Jersey Supreme Court. Notwithstanding a decision by the New Jersey Supreme Court, other actions for review by the Supreme Court are presently in process.

A fair assessment of this panorama leads to the irresistible conclusion that the State structure for promoting the best interest of the water needs of its citizens is cumbersome, inordinately time consuming, and hardly viable. The machinery must be overhauled and replaced by a modernized stream-lined vehicle which will be capable of expeditiously responding to current needs of the State.

No more should New Jersey be placed in a position where at least 10 years has to pass before its plans and needs can be fulfilled.

New Jersey's water system should not be composed of separate agencies each performing distinct functions. It is as abnormal to separate the construction of reservoirs from the construction of transmission lines as it is to expect the mechanism of the circulatory system of the body to be carried on in an area separate and apart from the locale in which the other functions of the body takes place.

I would, therefore, recommend that the State of New Jersey give due consideration to the creation of a wholly integrated Water Development Authority patterned after that created in the State of Ohio in March of 1968.

Parenthetically in passing, I understand that Commissioner Roe testified here yesterday along the lines of advocating some form of authority and I might say we had no discussion and these thoughts, while apparently in unison, in some respect have come about as a result of independent thinking without consultation on our part.

It would be the function of this Water Development Authority to preserve, protect, upgrade, conserve, develop, utilize and manage the water resources of the State; to prevent or abate the pollution of water resources; to promote the beneficial use of waters of the State for the protection and preservation of the health, safety, convenience, and welfare of the people; and to assist and cooperate with State governmental agencies attempting to achieve such purposes.

In furtherance of such policy the Water Development Authority could initiate, acquire, construct, maintain, repair and operate water development projects or cause the same to be operated pursuant to a lease, sublease, or agreement with any person or governmental agency, and that would encompass private water companies; may make loans and grants to governmental agencies for the acquisition or construction of waste water or water management facilities by such governmental agencies; and may issue water development revenue bonds of this State payable solely from revenues, to pay the cost of such projects. Incidentally, the question may be asked: Will the credit of the State be in back of that? The answer is, no, it would not be. Its water management facilities would encompass development, use and protection of water resources including, without limiting the generality of the foregoing

the facilities for water supply, facilities for stream flow improvement, dams, reservoirs, and other impoundments, water transmission lines, water wells and well fields, pumping stations and works for underground water recharge, stream monitoring systems, facilities for the stabilization of stream and river banks, and facilities for the treatment of streams and rivers, including without limiting the generality of the foregoing, facilities for the removal of oil, debris, and other solid waste from the waters of the State and stream and river aeration facilities.

Any water development project should be determined by the Authority proposed to be consistent with any applicable comprehensive plan of water management approved by the Commissioner of Conservation and Economic Development or in the process of preparation by such Commissioner, and to be not inconsistent with the standards set for the waters of the State affected thereby by the water pollution plans already promulgated by the State.

And as I make this statement, I would like to say that one of my colleagues on the Water Policy and Supply Council, who incidentally is here and with whom I had discussed this statement - and by the way, the only one with whom I had discussed it - we have a nine-member board and he happens to be the only one I had the opportunity to discuss it with - I Ralph Fox of Rumson concurs completely with me in this view.

I might point out that why we are waiting for ten years for the fruition of Round Valley - I can give you a homely example in our area in Middlesex County. We are largely dependent upon the South River Tidal Dam and there has been a great deal of salt water infiltration there as you probably know. And I have

been struggling for the past ten years to have a dam built there. Governor Hughes has recognized the need for this. Commissioner Roe has recognized the need for this. And we are always in the stage of trying to raise funds in order to build the dam. Now some years ago Dr. Thurlow Nelson, who was one of the foremost water experts in our State, pointed out to me that the South River Old Bridge sands are the finest water-bearing aquifers in the United States. We have the Farrington sands and the Old Bridge and these two aquifers are by far the most precious reserves we have in our area. And he always told me we should always try to protect these areas. Now Perth Amboy, for example, gets 10 million gallons of water from that area alone, from those Old Bridge sands. The Farrington sands have already been practically destroyed. The Old Bridge sand is gradually getting the salt water intrusion and we are going to have a great loss there if that ever comes to pass and unless we do something about it, we are going to lose it.

Now also this tidal project has been talked about not only for the past ten years, but for about twenty-five years, and has been on the planning boards and the drawing board and everybody has been talking about it but nobody can get to it. And we have got to do something about it. If we had a water development authority who could control these projects and see the need of them and raise the revenue by bonds, paid for by the waters obtained from these projects, if we had some centralization of control where we could plan the thing and do it and have the mechanism by which we could pay for it, we would not be in a position where these valuable aquifers and bodies are being destroyed

without anybody doing anything about them.

ASSEMBLYMAN RINALDI: Thank you very much for your report, Mr. Stepacoff. I have just one question. I will say parenthetically that your suggestion for a water development authority coincides with the suggestion Commissioner Roe made in his comments to the Capital Needs Commission. The \$64 question is: Would you subscribe to Commissioner Roe's theory that that water authority should be wholly contained within the Department of Conservation or would you take it out from the Department of Conservation and make it a totally independent authority and combine in that authority the powers that now lie in Mr. Roe's department, that lie in Dr. Kandle's department, and powers that are spread across at least seven other departments of the State of New Jersey?

MR. STEPACOFF: I might say, Assemblyman, that under the Ohio plan where they have this past March passed this authority plan, the board consists of seven members, five of whom are at large and two ex-officio members are the Commissioner of Conservation in that state - I think they call him the Commissioner of Natural Resources - and the Commissioner of Health. It is an independent agency, but they work in cooperation, in close contact, with these two divisions and apparently work in pursuance of a comprehensive plan which is first laid out by the Department of Conservation. And when they make a decision on any project, they have got to find specifically that it is not inconsistent with that department's decision or planning and that it is not inconsistent with the Department of Health's planning. There is a correlation between the workings of the two.

ASSEMBLYMAN RINALDI: Who makes the final decision?

MR. STEPACOFF: The final decision, of course, is made by the Authority, but it has to be consistent with the comprehensive plan as made by the Conservation Department. In other words, let's say there is a water project which is contemplated within the State of Ohio, as I understand their plan, this Authority has to decide the need, the manner in which the money is to be raised by these bonds, and theirs is the responsibility for getting these things prepared, worked out and to realization. The only condition is that that must not be inconsistent with the comprehensive plan of the Commissioner. For example, if the Commissioner felt that a dam at such and such a place in the over-all scheme was not wise, then the Authority would be on the spot in trying to override that. They couldn't do it. But I am sure that there is enough work to be done within the comprehensive plan, within the framework of that which is projected by the Department of Conservation, in order to take care of the needs of the State. I see too that all the agencies of the government are made available for the use of this water authority. In other words, there is a complete harmony and integration of the workings between the Authority and all the present governmental functions of the state and agencies of the state. And they can work together. There is no reason why the Department of Conservation and Economic Development which has spent hundreds of thousands of dollars over the years in preparing these wonderful plans that we have and are shown about here - there is no reason why we have to junk those and start studies anew.

All these studies that have been made can be utilized by the Authority. All the engineers who are now available for

these various departments can be used by the Authority and there is a complete integration or interplay between the two.

ASSEMBLYMAN RINALDI: I would delight in continuing this back and forth dialogue, but once again I must continue as Chairman to stress our problem of time. Senator Dowd, do you have any questions?

SENATOR DOWD: No, thank you.

ASSEMBLYMAN RINALDI: We will take the other end of the table. Mr. Fekety?

ASSEMBLYMAN FEKETY: Just one quick question: What does this Authority do to the private companies in the State?

MR. STEPACOFF: Interestingly enough, it does not destroy these private enterprises. They work with them. As you noticed in my statement, they can create these projects, lease them, sub-lease them. They work with them. There is no reason to destroy anything that you have. If you would like to have a copy of the act, of the Ohio law -- Do you have one?

ASSEMBLYMAN FEKETY: Yes.

MR. STEPACOFF: -- you might study that and see there is no destruction of the private enterprise system as we have it.

ASSEMBLYMAN FEKETY: Or competition?

MR. STEPACOFF: Or competition? No, there is no competition between them because the Authority's main purpose is to fulfil the needs of the water supply for the people.

ASSEMBLYMAN FEKETY: In other words then, in the competition portion of it, a private company who has a reservoir pays taxes and the Authority who would own reservoirs will pay taxes also?

MR. STEPACOFF: I am not prepared to say whether they are

going to pay taxes. I am not prepared to say that. But how that is going to work between them - I just can't say to you that there is no goal of competition between the two. That is not the purpose. The purpose of the Authority Act is to supply the needs of the people for water. But there is no competitive basis for the creation of the Authority.

ASSEMBLYMAN FEKETY: Thank you.

ASSEMBLYMAN RINALDI: Thank you very much, Mr. Stepacoff.

I would like to call on two municipalities which are deeply concerned in a Raritan Valley project. And shall we call on Cedar Grove or Verona first? Mayor Bannon of Cedar Grove. I might say that after we conclude with the testimony of these two municipalities, we are going to hear from Mr. James Wright, Director of the Delaware River Basin Commission, and hopefully we can get it all under our belt before the one o'clock break. We will continue to remind ourselves - and that starts with me - not to ask too many questions.

Will you please identify yourself, sir?

J A M E S J. B A N N O N, III: I am James J. Bannon, III, Mayor of the Township of Cedar Grove.

I want to restrict my remarks primarily to the Round Valley project and the effect that it will have on our communities. This is our primary concern at the present time.

The Township of Cedar Grove, as a participating municipality in the Raritan River project, would like to preface our remarks regarding this project with the statement that we are on record at the present time as having expressed our desire to withdraw from the project as presently constituted. The Township of Cedar

Grove has no objection to the engineering aspects of the project nor do we quarrel with the premise that water is urgently needed in the northeastern part of New Jersey. If this Commission, the North Jersey District Water Supply Commission, Gilbert Associates, or any other individual or group, can demonstrate to us that this project is economically feasible for us, then I am sure the Township Council would withdraw its objections and indicate a desire to remain as participants.

In order to be specific and demonstrate to the Commission the drastic impact that this project will have on Cedar Grove, I offer the following information:

When Cedar Grove first became a party to the Raritan River project, it was estimated that water would cost in the neighborhood of \$175 to \$200 per million gallons. With this basic premise, and with the full knowledge that our water consumption would not grow beyond the demand of approximately 1.5 million gallons per day in the near future, Cedar Grove was willing to plan for the distant future and pay for 2.5 million gallons per day.

Now, unfortunately, when we are talking about a million gallons per day, gross dollars seem to be overlooked. What this actually means to Cedar Grove is that based on 2.5 million gallons per day, Cedar Grove would have to pay for approximately 912 million gallons of water in each and every year. At the present projected cost of \$375 a million gallons, Cedar Grove would have to expend \$342,000 for water purchases.

Considering the basic price as offered to Cedar Grove of \$175 to \$200 per million gallons, our gross expenditure, using

the \$200 figure, would have only been \$182,000. In other words, this substantial change in price is going to require our community to pay an additional \$160,000 more each year for water. Gentlemen, we do not see how this can be done at the present time, even considering a reasonable rate increase, when Cedar Grove's water sales for the year of 1967 amounted to \$193,000, while paying \$94,000 for the water purchased.

As you can see, we recognized that water had to cost more and we were willing to pay the difference between the \$182,000 figure, based on the original projected cost of water and our water purchases in 1967 of \$94,000. However, to expect any community to increase this expenditure and, consequently, local water rates, from \$94,000 to a gross expenditure in the order of \$342,000 is ridiculous.

To be more specific and go into more detail, at the present time our average residential homeowner expends approximately \$50 per year on water purchase. Under the Round Valley project, as presently made up with the estimates, this figure would be in the neighborhood of \$125 per year for each residential homeowner. It would have an even more drastic effect on our industrial user. Where we now have an industrial user paying approximately \$10,000 per year, this figure would reach over \$30,000 under this project.

At a time when the Township is trying to stabilize its tax rate and attract new industry, we feel that this project will do much to stifle our efforts. It may even have the effect of driving some of the industry that we now have out of our community.

This entire project has bogged down for one reason and one reason only - the cost of water is simply beyond our Township's ability to pay.

We, in Cedar Grove, do not intend to rehash the engineering problems nor the personality disputes that obviously have taken place, but would like to offer to this Legislative Commission two proposals to be considered:

1. We would request that we be permitted to reduce our commitment to this project from 2.5 million gallons per day to 1.5 million gallons. I would point out to the Commission that it was essential to have commitments from all of the participating municipalities totalling 60 million gallons per day in order to make this project economically feasible, or so we were told. Commitments at the present time total approximately 60.925 million gallons per day. Cedar Grove requests that the amount over and above the 60 million gallons, or .925 million gallons be used to offset and reduce our commitment.

2. Since it is projected that the participants will have to pay \$29 per million gallons more for this water due to the pipeline being designed for a 70 million gallon per day capacity, and only 60.925 gallons are committed, it seems obvious to us in Cedar Grove that this is the area that the State of New Jersey should actively and specifically play a part in. Our specific request in this area is that the State of New Jersey not only pay for the difference between the 70 million gallons per day that this project is designed for but that it become a contractual party to this project in two respects:

- (a) They should commit the State of New Jersey to the 10 million gallons per day difference between the 60.925

and the 70 million gallon per day capacity.

- (c) The State should also by contract commit itself to any water that is not used by the participating municipalities, thereby relieving all communities of this burden of paying for water to the full extent of their commitment even though they may never use that water.

We in Cedar Grove know that under existing State statutes the State of New Jersey does not have the power to become a contractual party as suggested heretofore. We are requesting that this Special Legislative Commission take the initiative and untie the knots that are preventing the State of New Jersey from making itself a party to this project. This, obviously, can only be done by recommending new enabling legislation to accomplish our purpose.

Gentlemen, if the proposed impact on local taxpayers and water consumers resulting from this project does not indicate the dire need for State intervention and participation in this project, then we in Cedar Grove do not know what situation could arise that the State should participate in.

I would like to thank you for allowing us to come here and present our views and I would hope that the Commission and the Legislature take some action along the lines presented. Thank you.

ASSEMBLYMAN RINALDI: Thank you very much, Mayor. I have no questions. Senator?

SENATOR DOWD: No questions. Thank you very much.

ASSEMBLYMAN RINALDI: Assemblyman Fekety?

ASSEMBLYMAN FEKETY: No questions.

ASSEMBLYMAN RINALDI: Assemblyman Gimson?

ASSEMBLYMAN GIMSON: No.

ASSEMBLYMAN RINALDI: Thank you very much, Mayor.

The Borough of Verona in Essex County also wishes to be heard.

W A L T E R S. S T E I N M A N: Mr. Chairman, my name is Walter S. Steinman. I am the administrator in the Borough of Verona.

Unfortunately, the Mayor was called out of town in an emergency early this morning and is unable to be here. Nevertheless, on behalf of himself and the Council, he would like to thank you and the members of the Commission for inviting him to present some facts so far as Verona is concerned in this total water program in North Jersey.

Beginning in 1954, Verona was confronted with a severe water shortage. In fact, water restrictions were placed on the citizens of the community at that time, for at that time the source of water for Verona was from the neighboring municipality of Essex Fells, which had as its source of water wells. When the new source of water supply was proposed, namely, Round Valley, Verona quickly established its interest in this project and naturally was elated - here was a final solution to what had been a severe problem within the community. Before the pipeline project to bring more water into the northeasterly part of the State made any headway, Verona was forced to seek another source of supply other than Essex Fells. This project in the talking state bogged down and to this date, in fact, it is still bogged down.

Therefore, Verona, confronted with the problem, felt it had to find a solution, which it did. Essex Fells could no longer supply it with its minimum requirements. Accordingly, in 1965, Verona spent over \$1,000,000, and I would hasten to add that we are a community of 15,000 people, with a limited economic base. This million dollars was paid for the construction of three miles of 24-inch transmission main and construction of a pumping station to deliver this water from the Passaic Valley Water Commission facilities in Totowa. It also involved the erection of a water tank.

I might add that the line we constructed was above the actual need so far as the Borough of Verona was concerned. The thought was - and subsequently we pursued this - we built this trunk line so that it could carry up to 12 million gallons. Our needs per day now are at 2 and our future projections are to but 3 million. The thought was that this transmission line could serve as just that, a transmission facility, for other communities along the area where we are building our line and adjacent to us. And to that end, today we are selling water to Cedar Grove. We are negotiating with two other communities to be taking water from this transmission line as well.

Mr. Chairman, before we were able to enter into this agreement to acquire this much needed water, the North Jersey District Water Supply Commission raised an objection to our obtaining water from the Passaic Valley Water Commission. I might point out that the Passaic Valley Water Commission - and to this day they still state the same - has an abundance of water. I am not talking in the capacity or the area of the

great number of gallons we are talking about coming from Round Valley - but they had a surplusage of water and could dispense water to us with no problem. In fact, they talked at the time that we were negotiating with them, "Why don't you contract with us for five, six, seven or whatever you need - ten million gallons." Nevertheless, the North District Water Commission raised an objection and we had to agree to, number, one, a shortening of the length of the contract with Passaic Valley, to be specific, from ten years to five years, and also we had to agree that this source of water was only temporary, i.e., that the permanent source of water would be Round Valley through the agent, which is the North Jersey District Water Supply Commission.

Verona acceded to this insistence of the North Jersey District Water Supply Commission, envisioning the somewhat higher costs involved in obtaining water from the Round Valley system would be offset by the general need for and the benefit to the entire northeastern area of the State.

The subsequent history of extra costs - and Mayor Bannon of Cedar Grove has alluded to them - I won't be repetitious - but generally speaking the same cost escalation that he has spoken of applies to Verona as it does to the other contracting partners in Round Valley - indicates that it is no longer economically feasible for Verona to obtain water from the Round Valley project.

We cannot afford to pay an exchange surcharge of almost \$100 per million gallons just to obtain the same water we are now receiving. May I point this out to you? In the interchange that we would enter into with Newark for an exchange of water

that they would be receiving from Round Valley, this water would be drawn from Wanaque, the same source from which we now derive water through the Passaic Valley Water Commission. So we would be paying \$100 extra for the exact same water we are now obtaining. I needn't dwell on that point, I don't think.

We believe, however, that it would be a great misfortune not to bring Raritan River water into northeastern New Jersey.

We further believe that in the not too distant future, Delaware River water will also need to be brought into Northeastern New Jersey.

After what we in Verona have been through - and I might add it hasn't been a pleasing experience either economically or otherwise - I, and I speak for the Mayor of Verona and the Borough Council, would favor a State agency to develop storage facilities and construct transmission lines. I would point out that we do not include distribution facilities which we believe can be handled by the communities where they are municipally operated or by the private sector. The present hodge-podge of control with jurisdiction versus jurisdiction, commission versus commission, and city versus commission, simply will not serve the people of New Jersey, and in particular North Jersey, in the years that lie ahead.

Mr. Chairman, we thank you.

ASSEMBLYMAN RINALDI: Thank you very much, Mr. Steinman.
Senator Dowd?

SENATOR DOWD: No questions. Thank you very much.

ASSEMBLYMAN RINALDI: Assemblyman Fekety and Assemblymen
Gimson? [No questions.] Thank you very much and thank

Mayor McKinley also and we are sorry he was not able to come down but I know he sent a worthy substitute.

At this point I would like to call on Mr. James Wright, the Director of the Delaware River Basin Commission.

Would you identify yourself, please, for the record.

J A M E S F. W R I G H T: My name is James Wright. I am the Director of the Delaware River Basin Commission.

Chairman Rinaldi and members of the Commission: In the interest of brevity, I would like to omit and condense certain parts of the prepared statement which I have and which you have.

The Delaware River Basin Commission is a body, politic and corporate, of the five signatory parties, New York, New Jersey, Pennsylvania, Delaware and the United States Government. It is jointly financed by these five parties and is legally responsible to them in equal measures. The Commission is responsible for developing plans, policies and projects relating to the water resources of the basin. Under certain circumstances, the Commission may construct and operate physical facilities. It has regulatory functions and a project review authority to insure the water resources projects undertaken by other agencies, both public and private, conform to the Comprehensive Plan. Our functional responsibilities cover the entire water resources field and include such specific mandates as industrial and municipal water supply, pollution control, flood damage reduction, watershed management, recreation, and hydroelectric power. Since its inception, the Commission has been financed by regular appropriations and by special grants from the signatory parties.

However, it has the authority to sell water and other related products and services, and to issue revenue bonds. It has no power to tax.

Even though the Delaware River Basin is made up of the main river, which is interstate, and numerous tributaries within the four signatory states, and even though these individual rivers may seem separate and distinct from each other, it is important to remember that a river system is a hydroelectric unit whose separate physical parts are closely interrelated. What happens in one part of the basin can have a sharp effect on the water resources in another part many miles distant. The Commission was intentionally designed to encompass this idea of hydrologic unity. There are now close to seven million people that live within the basin, of which approximately 1.5 million are citizens of New Jersey. However, an additional 14 million people who live outside the basin also depend on its water resources. Most of these out-of-basin people live in the New York and Northeastern New Jersey metropolitan areas, which depend for a portion of their water supplies upon the Delaware system. Water demands in the New Jersey section of the Delaware Basin approximated 621 million gallons per day in 1965. We project this figure to increase to approximately 1600 million gallons a day, which is up by 159 per cent, by the year 2010. In the northeastern metropolitan section of New Jersey, the State anticipates a water use of approximately 1,060 million gallons a day by the year 1970, and expects that this will increase to approximately 2,400 million gallons per day by the year 2010.

Other witnesses are supplying your Commission information that pertains to the State as a whole or which relates to particular regions with which they are engaged. In the balance of this statement I want to stress six subjects which are unique to the Delaware Basin: These subjects are the special terms of the United States Supreme Court decree; the matter of water quality; the current reservoir program; the reanalysis of water yields; the availability of Delaware water for Round Valley; and, in addition, what we see as some of the objectives for the Delaware River system as a whole.

I will not go into a detailed discussion of the decree, which we have gone into in some detail in my statement, but I would like simply to summarize its major features as they are now operative.

As of now, New York City is entitled to take up to 800 million gallons a day since the Cannonsville project came on the line from the reservoirs in New York State at the headwaters of the river.

In addition the State of New Jersey has a right of diversion of 100 million gallons a day from the Delaware, without obligation to provide compensating releases, and this is exercised currently through the Delaware and Raritan Canal, running somewhat in excess of an average of 70 million gallons a day.

Additionally, the City of New York is required to maintain a minimum flow rate of 1750 cubic feet per second, as gauged at Montague.

The Delaware River Basin Compact of 1961, which created this Commission, was quite careful to make it a clear policy to

protect the terms of the Supreme Court decree. The Compact did convey to the Commission certain authority to change the decree subject to the unanimous consent of the parties to the decree. Also, in times of emergency, such as a drought or other catastrophe, the Commission may temporarily change the terms of the decree under unanimous consent of its members. We have invoked this special authority once in response to the emergency conditions associated with the 1961-67 drought.

Assembly Concurrent Resolution No. 31 speaks in terms of water supply. I would like to emphasize that water supply cannot be considered separately from water quality. They are opposite sides of the same coin. A water supply that is so grossly polluted that it cannot be used for any purpose is obviously no water supply at all. The maintenance and enhancement of water quality is probably the most important single problem that we face in the Delaware River Basin. In 1967, the Commission adopted new water quality standards. These have been approved with minor exceptions by the Secretary of Interior for their conformance with the Federal Water Quality Act of 1965. These standards and the implementing regulations that were approved in March of this year now have the force of law in our basin. Water use objectives have been selected. Waste reductions needed to achieve these objectives have been determined, and the individual, municipal and industrial waste dischargers have been allocated a permissible maximum waste discharge. Dischargers are now under order to submit abatement schedules within 90 days, and we expect a busy period of design and construction work over the next ten years. Most of this will take place in the lower reach

of the Delaware, particularly the section from Trenton to Salem City.

We estimate that New Jersey's long-range capital outlay for sewerage facilities to be constructed in the Delaware Basin portion of this State would add up to \$64 million. This figure is computed on the assumption that this will be the State Government's one-quarter share of the aggregate cost of about a quarter billion dollars. The balance will be produced by the Federal Government and by local municipalities or agencies. About three-fourths of this total State obligation, or \$47 million, will be required during the coming decade. We calculate that the State's annual obligation during this period will drop from \$7.8 million in the early part of the decade to \$3.8 million in the latter half.

These totals encompass municipal sewage treatment and disposal along the whole Delaware Basin or western perimeter of the State. They include funds required for major interceptor sewers and treatment facilities to protect the New Jersey portion of the area adjacent to the Delaware Water Gap National Recreation Area and the Tocks Island reservoir project in the Sussex-Warren region. However, they are exclusive of any expenditures necessary for local waste collection.

The Commission's Comprehensive Plan includes a variety of reservoir projects along with other water management facilities. Eight of these reservoirs are considered federal reservoirs in that they provide for some flood control and other legally defined federal purposes and are constructed by a federal agency. Under an arrangement adopted three years ago by our Commission, New Jersey

is currently participating in the development of three of these reservoirs. These are Tocks Island on the main stem of the Delaware just above the Water Gap, Beltzville on a small tributary of the Lehigh River in Pennsylvania, and Blue Marsh on a tributary of the Schuylkill River also in Pennsylvania. These three projects will have a combined total storage capacity of 314 billion gallons and will produce a safe yield of 1125 cubic feet per second. Most of this is accounted for by the Tocks Island facility which is the largest project in our Comprehensive Plan. And in combination, these three projects will also provide 383,000 acre-feet of flood control storage space (84 per cent of this is at Tocks Island) and will attract a recreation visitor load of approximately 11.5 million visitor days per year (91 per cent will be at Tocks Island). The recreation values at the Tocks Island project are of such unusual quality that some 72,000 acres of land around this project are being developed as a national recreation area by the National Park Service.

Each of these three projects provides large portions of water supply storage which is a non-federal project purpose, the cost of which must be reimbursed to the Federal Government. Under a policy adopted by our Commission, the Federal Government has been given assurances that this money will be repaid with funds provided to the Commission by the benefitting states of Pennsylvania and New Jersey. The collective obligation of the two states to the Commission will be reduced by the amount the Commission receives from direct sales of water and other products or services. Under the bistate cost-sharing agreement which packages these three reservoirs together, Pennsylvania will pay 71 per cent and

New Jersey 29 per cent of the water supply costs. This division is based upon a benefit apportionment formula. Although large, full impact payments to the Federal Government by the Commission will not be required for 10 years, or until the water is first used. Pennsylvania and New Jersey have already begun making token annual capital appropriations of \$1,000 each to the Commission's capital budget fund. Tocks Island will be a \$203 million project, of which about \$60 million will be allocated for water supply. The Beltzville project will cost \$22 million, of which \$6 million will be the water supply cost. Blue Marsh will cost \$22 million, of which \$9.5 million will be the water supply cost. Based upon our cost apportionment formula, we have estimated that New Jersey's share of the water supply first cost at these three projects will be: at Tocks Island, approximately \$25.4 million; at Beltzville, approximately \$1.3 million; and at Blue Marsh, approximately one-quarter million dollars. The total New Jersey cost, including interest during construction and interest during the repayment period, for the three projects would be \$58.6 million.

The Beltzville project is now under construction and is expected to be in operation by 1970. Construction is expected to begin on Tocks Island next year and that project will probably go into operation around 1977. The Blue Marsh project probably will be operational in the mid-1970's.

The planning of the three reservoirs that I have just discussed, as well as other water supply resources in the Delaware River Basin, was undertaken prior to the northeast

drought that began in 1961. This planning, naturally, was based upon historical data which did not include the record-breaking low runoff experience after 1961. The six-year drought which did not end until 1967 accumulated a deficit well in excess of a full year's precipitation and runoff, an experience which had not been recorded in previous meteorologic and hydrologic data. The six-year drought may have directly affected the adequacy of existing and planned future water supply facilities included in the Comprehensive Plan, so we have, therefore, initiated a reappraisal of the long-term water supply resources available to the Commission and to its service area. This work has been proceeding rapidly in close cooperation with the U. S. Army Corps of Engineers and other federal agencies, all of the states involved within the basin, and the cities of New York and Philadelphia. This study is not yet complete and I can't give you the specific findings. But it is apparent from work thus far that the minimum safe yields based on the recent drought event in the upper Delaware Basin are substantially less than had previously been thought. The findings of this study will have important bearing upon the water supply output from Tocks Island and other reservoirs as well as the validity of the terms and conditions of the diversions and releases authorized by the Supreme Court decree. I think we will have these recommendations before our Commission before too long.

Now there is little doubt that the Delaware has to be regarded as a major source of New Jersey's future water supply. As New Jersey's Delaware Basin Commissioner, H. Mat Adams, has pointed out, "The Delaware River is New Jersey's one remaining source

of underdeveloped surface water. The final success of New Jersey's long-range water resource development program depends to an important degree upon the comprehensive development of the water resources of the Delaware River Basin. These are the considerations which constitute New Jersey's vital stake in the Delaware Basin."

Governor Hughes has formally filed with the Commission the State of New Jersey's notice of intention to apply at some future date for permission to transfer to North Jersey from the Delaware Basin by way of the Raritan Basin 300 million gallons a day. New Jersey officials have discussed the timetable for this need in terms of the late 1970's or early 1980's.

The storage source of the water to which New Jersey looks to satisfy its future water supply needs in the metropolitan northeastern area is the 35-mile long reservoir at Tocks Island. Northeast Jersey appears to be the largest single consumer area for Tocks Island water supply.

Studies conducted to date indicate that the most efficient and economical arrangement for drawing water from the Delaware and running it out of the basin would be a system operating between Frenchtown, located on the river, and the western portion of the Raritan Basin, probably somewhere in Hunterdon County. Such a system would entail construction of a pumping plant and the laying of a transmission pipeline.

Construction of this system would cost an estimated \$19.1 million, exclusive of a first-terminal reservoir within the Raritan Basin. Construction should be timed so that completion would coincide with the availability of water to be released upstream

through the Tocks Island Dam.

While this arrangement would result in an obligation for the State of New Jersey, its development could be handled through the Delaware River Basin Commission's bonding powers and some form of reimbursement contract. The likely availability to the Commission of low-cost electricity that may result from its participation in the power development at Tocks Island is only one prospective advantage here.

If the Commission were brought into the planning, construction and operation of the diversion facility, the physical limit of our involvement would be at the storage facility in the Raritan Basin. The State or its agencies would be responsible for arranging the transmission of water to potential customers in the metropolitan area.

The alternative diversion arrangement which has been discussed involves pumping Delaware water directly from the Tocks Island reservoir across the Kittatinny Ridge by using the proposed private utility power generating system there and transferring it by gravity to some storage site in the Raritan Valley. However, this scheme has been assessed by us as presenting operational problems as well as substantially higher costs.

By comparison to the estimated Frenchtown costs of \$19.1 million, the total capital first cost of a diverting operation from the Tocks Island reservoir could be expected to total about \$35 million. Each figure excludes the State's cost for the Raritan Valley storage facility.

Another advantage of the Frenchtown arrangement would be

access to more water, considering that the Lehigh, the Delaware's largest upstream tributary, flows into the river between Tocks Island and Frenchtown. A number of other tributaries deposit water in the river between those two locations also.

I would like to conclude my statement by listing for the interest of your Commission some of the staff objectives that we hold for the Delaware River system. In so far as they give direction to our own program, they will be useful as policy links to the water resources programs of other agencies of the State.

One is a most basic policy, that the Commission will make secure and protect the present developments within the State as mandated by the Compact. In physical terms, this means a guarantee of the present authorized water withdrawals of municipalities such as Trenton and Camden and other principal water users. This objective also includes maintaining the capability of the river to sustain the presently-authorized diversion to New Jersey of 100 million gallons a day and, in addition, to provide the capability of an additional diversion of 300 million gallons per day as officially requested.

An actual instance of the Compact preserving a New Jersey water resource occurred in the mid-1960's when the Commission succeeded in requiring elevated construction of Route 80 through the Hackettstown Reservoir site on the Musconetcong River by invoking the legal protection of the reservoir as part of our Comprehensive Plan.

Second, it is our objective that water resources planning in the New Jersey section, as in all parts of the basin, shall be consistent with and guided by land use planning objectives of

the State. It still remains a handicap of the water resources planner that he must function largely without direction from the land use planner. We look to the states for direction in this regard and we are confident that our own work can be made more fruitful to New Jersey as it proceeds to finalize its statewide horizon plan.

Third, we have targeted a minimum rate of flow in the Delaware River at Trenton of 3000 cubic feet per second. This contrasts with observed minimum flows in recent years that have been as low as 1200 cubic feet per second. We expect to be able to establish this minimum flow sometime around the year 1977 after the Tocks Island reservoir goes into operation. This targeted minimum flow is predicated upon the need of fresh water inflow to prevent salinity intrusion above specified points in the river, to make possible the water quality improvement program in the Delaware Estuary which is calculated upon a fresh water inflow at Trenton of no less than 3000 cubic feet per second, and finally, to help meet industrial and municipal water demand in the main river below Trenton. Similarly, we aim to maintain flows in other streams at levels to produce enough water for takers to withdraw.

Finally, our Commission has the objective that the various physical projects and facilities that control the basin's water resources shall as soon as possible come to be operated as parts of a single unified system. This objective applies to all projects and facilities regardless of geographic location and regardless of the level of government of the responsible operating agency. The physical and economic advantages of operating a

river system as one unified whole are demonstrable and very compelling.

I can also suggest in closing that the unified operation, on a computerized systems basis, of each of its separate watersheds, offers the best approach to the optimum statewide management of New Jersey's water resources.

Thank you.

ASSEMBLYMAN RINALDI: Thank you very much for that statement, Mr. Wright.

I see that the first question I was about to ask was answered by you in the last sentence of your statement and I would like to repeat that. [Reading] "I can also suggest in closing that the unified operation, on a computerized systems basis, of each of its separate watersheds, offers the best approach to the optimum statewide management of New Jersey's water resources."

Mr. Wright, the Delaware River Basin Commission was referred to in a policy statement made by the Water Resources Management in N.J., New Jersey Committee Regional Plan Association, July 1967, and in that report on Water Resources Management in New Jersey, which was the result of a conference in 1966, in which you and many other distinguished citizens who are in the water business participated, it was stated in the report that "A policy plan for the long-range, orderly development of water management, based on the foregoing policy objectives, should be prepared and adopted by the New Jersey Legislature. Such a plan should set forth objectives, allocate responsibilities and powers, provide for the adoption and updating of a master plan,

which should include but not be limited to a program for storage, transmission, pollution abatement, drainage, flood control and recreation (reservoirs, streams, trunk lines, interconnections, treatment facilities, sewerage systems, water qualities, etc.), to be administered by an appropriate State water agency, and device a fiscal program to meet the costs of capital investments, including long-term reservation of reservoir sites, and maintenance and operation of public facilities, including the allocation of assessments and charges to the various public and private beneficiaries. A model for total water management exists in the Delaware River Basin Commission. Its adaptation to New Jersey's complex situation of many separate watersheds, the vested rights of private companies and public systems and the valid interests of counties and municipalities is a challenge to administrative inventiveness and political sagacity. Our future prosperity and well-being rests upon the ability of New Jersey's leaders to meet this challenge."

Those indeed are very fine words and quite a tribute to the efforts of the Delaware River Basin Commission and the very basic nature of the compact.

If I may quote a statement that you made in that Forum, Mr. Wright, back in 1966, November, 1966, you indicated: [Reading] "It seems to me that you have quite accurately analyzed the basis for the New Jersey water crisis of the past and have identified the right answers in seeking a relationship to larger regional and national programs. Certainly we must have a comprehensive approach and move toward total water management.

With respect to the postulates that you enumerate, I am again in general agreement and I think you are wise to recognize that while future State responsibility will need to include that of distribution, present ownership patterns in storage and distributive facilities need not be disturbed. With respect to your thoughts on the centralization of the State's administrative structure, a very strong case can be made for locating all functions related to water in a single agency." As you point out, this has been done with the Delaware River Basin Commission and it affords an institutional recognition that one cannot talk effectively about quantities of water supply, without also considering the qualitative aspects, which goes back to what you said in the beginning. You must relate water quality with, of course, water supply.

So you are very much in favor of a comprehensive water management program and people who have analyzed the Delaware River Basin Commission say that that Commission is a model for comprehensive water management.

Could you spell out a little further for the members of this Commission the relationship between your Commission and its function and the private sector with respect to development of reservoir sites and transmission facilities and ultimately the shifting of water resources to the areas where they are most needed?

MR. WRIGHT: As I indicated, any project, public or private, affecting the water resources is required to come before the Commission and be examined against its comprehensive plan for development of the water resources. Through this device, we gain access to the private plans for water supply development.

Quite a number of them have been brought before us and they have ranged all the way from a large, but nonetheless a single well, perhaps an irrigation well for a farm, to what amounts to a small public utility really that is being developed privately for, let's say, a new housing development or something like that and in this particular case the private developer or the water company is acting in a relationship similar to what a public water supply agency would do since they are not benefitting just a single entity but rather an entire community by their activity.

The Commission examines this to determine its effect upon the other users. In the case of a well field, for example, it may be that we have to be rather careful that further draft upon this well field will not imperil the present public and private users who are adjacent to the aquifer. Or sometimes - I can remember one case a year or so ago where what was being developed was an abandoned quarry, which made a very fine reservoir system, but because of the chemical structure of the rock, it had a tendency to produce a very high magnesium content which has somewhat disastrous effects if it is taken in large quantities when you drink it. I think you remember what citrate of magnesia does. And that had to be properly treated before it could be put into a water supply system.

I would say that our interest is not, of course, the promotion of any one system over another, but rather the harmonizing of all system into the optimum development that can be gained.

Now there are some areas where I think the very magnitude of first instance investment is such that only huge public dollars, whether they are Federal or State or from whatever source, can

preserve and create this resource. Tocks Island is an example. These major reservoirs are an example. But there are many other places where local development, either by a local water district or by a local water company, can be equally effective; and where the barrier of heavy initial cost does not preclude the entry of private industry into the field, I see no problem. But sometimes in order to fully develop a project which involves water not just for the next few years, but for the next hundred years, you have to have the public agency in the interest of the future bank-roll the operation.

ASSEMBLYMAN RINALDI: I have no further questions at the moment.

Senator Dowd, do you have any questions?

SENATOR DOWD: No. Thank you, Mr. Wright.

ASSEMBLYMAN FEKETY: I have none.

ASSEMBLYMAN RINALDI: Assemblyman Gimson?

ASSEMBLYMAN GIMSON: No questions.

ASSEMBLYMAN RINALDI: Thank you very much, Mr. Wright.

Ladies and gentlemen, it is five minutes of one and perhaps we can take the Noon time recess and I would like to proceed again promptly at two. Thank you.

[Recess for Lunch]

(Portions of the statement prepared by James F. Wright, Executive Director, Delaware River Basin Commission, not read at this hearing can be found in the Appendix, Vol. IV, of these proceedings.)

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[AFTER RECESS]

ASSEMBLYMAN RINALDI: May we call this afternoon's session to order, please.

I would like to call as our first witness Councilman Quazza of the Township of Cedar Grove. Is Councilman Quazza here? Councilman, will you please identify yourself for the record?

K E N N E T H J. Q U A Z Z A: I am Kenneth J. Quazza, Councilman, Cedar Grove. In addition, I am a licensed professional engineer here in the State of New Jersey and Manager of Application Engineering for Degremont Cottrell. However, I am testifying today as a private citizen and feel that I have to bring before this sub-committee a subject in which I am experienced. It is my understanding that this sub-committee will serve as a fact-finding body which in turn will make recommendations to the legislature for the enactment of new legislation, if needed, to maintain and improve the water resources of the State of New Jersey. This sub-committee will probably make use of some of the earlier findings of past investigatory bodies. It will also reflect the views expressed over the past decade by scores of participants in meetings and in conferences with all manner of other organizations that deal with water, water resources, and water management.

First, I think that it is the duty and obligation of this sub-committee to evolve a set of recommendations to guide the growth of New Jersey with respect to water and water resources, as well as to provide suggestions for consideration by those who will plan the area in detail. Future studies

by others may reveal different design solutions to accomplish in detail what this sub-committee seeks in general.

As we all know, many commercial and manufacturing concerns, not to mention residential developments, are heavily dependent upon water, and I do not feel that the State of New Jersey in the past has been able to provide sufficient maintenance or development of its water resources to induce these people to settle here in the State of New Jersey.

Second, I would suggest that this sub-committee give ample consideration to recommending to the legislative bodies either, one, the extension of new and important powers and authority to existing bodies, or, two, the establishment of a single new body.

One of the main activities would be action through a coordinating group to insure that every municipally-owned or privately-owned water utility will be able to obtain water in the quantity and quality needed. I do not want to infer or have it construed that the State should take over the purveying of water to the individual public. This should still remain in the hands of the municipally or privately owned utility.

This coordinating group should also have the power to authorize and obtains bonds for the development and improvement of water resources. An example of this would be the aid that such a body could give the present Raritan River project. I would envision a water utility contracting with such a group for water and the water being delivered to either the utility

or to an agreed upon terminus point, irrespective of where the water comes from. In essence, this coordinating group would act as a clearing house for water. The utility could still become a proprietary owner in the over-all network of reservoirs and treatment facilities, but not in a particular facility forming part of that network.

Third, another area that your sub-committee should recommend to the legislative bodies would be a complete and adequate review of the procedures and methods involved in the design, engineering, and construction of water facilities.

Does the present procedure involving design and construction afford the State, Water Authority, municipality and citizen the best possible water facility? Are these facilities obtained at the best value to the taxpayer? Are these facilities truly the result of a total competitive bidding process? Is the present bidding procedure fair and equal to all? Is the taxpayer getting the full benefit from existing facilities and will he get full benefit in the future? Are existing facilities and those being built and designed today using all the new and modern concepts available? My following comments may answer some of these questions.

Water facilities being built and designed today vary only a little from those of yesterday. They are larger and supply more water, but they have not changed in design concept. To understand why, one must be familiar with the procedures used in determining the design and construction of water facilities.

The present procedure involves the design and engineering of a system using long-established methods, processes, and

equipment. Rarely is an attempt made in advance to select these materials and processes on an evaluated, competitive public bid basis or make bold changes. As a result, new materials, new procedures, and in particular new processes are rarely applied, and the potential benefits of these are lost to those who pay the bill, the taxpayer. As examples, the processes and equipment used in water plants and in the construction of water facilities are the same today as they were many years ago. The efforts on the part of developers of equipment, new processes, new materials, new techniques, and systems have been stymied by the present procedures. Equipment manufacturers have taken a "me, too" approach, and built their equipment as a copy of other manufacturers to insure fitting into designs which have had the tendency to be ultra-conservative and, without question, capable of doing the job, but costly. Even in private utilities, efforts to change have been hindered by official controls, standards, and regulations. The State Department of Health is currently engaged in taking a new approach and throwing out the old books, but the change is slow and should be accelerated.

Construction of the facilities has always been by competitive bidding and the job always goes to the low bidder. Not always truly capable, not necessarily truly experienced, not the best, but the lowest priced. Alternate propositions, use of new techniques or processes are very rarely acceptable in the bidding stage. If they don't fit the preconceived and often outworn plans and specifications, they can't be used.

The bidding procedures today are too restrictive. They discourage inventiveness. Even when new processes or techniques are acceptable, they usually cannot be used because they do not fit the preconceived design and re-design costs money.

Two new approaches are suggested as are currently used in other industries.

1. Revise bidding procedure to make a total project truly competitive.

Establish a stage bidding approach. First, take proposals for equipment systems, using processes with guaranteed performance by the manufacture. Select the process which is competitively the best on an evaluated basis. Then, design the system and take bids on the construction work.

2. Allow for bidding on a turnkey approach as used by industry so that there will be unit responsibility by a single firm. This will allow for total development of process, design engineering, manufacture and construction by a single, capable, qualified and financially responsible firm. It will afford a truly guaranteed approach.

The establishment of a broad statewide agency with responsibility and authority to do long-range and broad scope planning would resolve the many problems existing today in the water resources in the State of New Jersey.

Accordingly, I urge you to take action in this direction.

ASSEMBLYMAN RINALDI: Thank you very much, Mr. Quazza.

Do you think such a coordinating agency as you have suggested would be able to solve some of these problems of

new technology and take steps in that direction?

MR. QUAZZA: Yes, I do. I believe that, given the proper authority and responsibility, they would be able to go out and investigate and formulate the action by either, as I said, equipment manufacturers or responsible agents to fulfill the entire plan.

ASSEMBLYMAN RINALDI: I might say that you have taken a direction which is an interesting one which hasn't been commented on or developed prior to your statement, and certainly something that I am happy that we have in the record and we will certainly take it under considerable advisement.

Once again I am going to, if I may, reiterate the fact that time is becoming a problem. I am not going to ask any further questions. I am going to defer to my colleagues, and I say not only to you, sir, but to all future witnesses that our failure to ask questions of the individual witnesses is in no way an indication that we are disinterested in the testimony. We are here more to listen than to ask and, accordingly, if we don't ask as many questions as we might otherwise have done, had we had the time to do so, it in no way indicates that we haven't really a lot of questions to ask. But time is becoming a problem.

Assemblyman Fekety?

ASSEMBLYMAN FEKETY: Councilman, just a couple of quick questions. As you probably are aware, this State is one of the largest in the research field in all industry and private industry. Are you advocating at this time that the government take over the responsibility of research in the technology of this-

MR. QUAZZA: I believe that this should be left in the hands of private industry, educational foundations, etc., but I do feel that the State could, through some action, aid in the development of new equipment or processes. As the situation stands today, most municipal or state agencies, and to some extent federal agencies, are hesitant to accept or investigate new processes, new equipment, design, etc.

ASSEMBLYMAN FEKETY: Well, at the outset let me get this clear. Right now one of the agencies mainly involved with the water utility is the PUC, the Public Utilities Commission. Now I have yet to find where any private industry or facility has found fault with their research facilities. In fact, recent legislation was just passed to provide funds for additional research work so that the Public Utilities Commission can keep abreast of new technology and do some more research work on it.

MR. QUAZZA: Much research work has been done and developed and has been accepted by industry. However, when you get into the field of a potable supply, the various departments and agencies within the State have a tendency not to accept it because it has not been a long-time proven process, a piece of equipment, or whatever. Industry, on the other hand, whose prime function, being realistic about it, is to make money for their stockholders, have a different approach and a different look at it. They still maintain the same standards and quality of the water that they need for their process uses, which in many cases is more stringent than that of a potable supply, yet they are willing to go ahead and use and take advantage of the newly developed concepts and ideas and equipment, whereas the potable municipal supplies do not.

M O R G A N S E I F F E R T :

My name is Morgan Seiffert; I am representing the Middlesex County Planning Board, its Water Supply Advisory Committee, and the Board of Chosen Freeholders.

The County appreciates this opportunity to be heard in response to the proposal to study the advisability and practicality of formulating and implementing a comprehensive water supply policy and a program to meet the long-range water needs of the State of New Jersey.

Middlesex County is now undergoing and will continue to undergo a rapid rate of growth probably moreso than any other county in the State. These growth changes are occurring in all development aspects -- population, housing, industry -- all of which directly affect the water resources of the County and the State. According to a recent report by Metcalf & Eddy prepared for the Planning Board, by 1985 our County will need an additional 74 million gallons of water per day, and by the year 2000 an additional 119 million gallons per day will be required.

We in Middlesex County are already experiencing the effects of this rapid growth and development on our water resources. Because of heavy demands, some of our most valuable ground water resources, the Old Bridge Sands and the Farrington Sands, are threatened by salt water intrusion and subsequent depletion. The surface water resources in our county have long been a health hazard to the public because of the appalling amount of pollutants that are dumped into the streams daily.

This pollution is especially noticeable in the potentially vast source of future water supply, the Raritan River and its tributaries, as well as in the Rahway River.

Realizing the urgent need for a far greater future supply of water to county residents and to industry and realizing that a solution to this problem cannot be achieved in a piecemeal fashion, Middlesex County has already undertaken the task of developing a long-range water supply plan with the assistance of nationally known and competent water supply consultants. For municipalities to take advantage of Federal aid for projects relating to water supply, such a long-range, comprehensive water supply plan is required. The need for long-range planning that coordinates the roles of the different levels of government in satisfying New Jersey's water supply needs is illustrated by the proposals for two dams, one on the South River and a larger, more extensive dam at Crab Island on the Raritan River within our county borders. In 1962 the County Planning Board organized the South River Dam Study Committee and together with the State conducted a parallel study seeking a solution to the problem of salt water intrusion into the Old Bridge and Farrington Sands. The construction of a dam on the South River, which is a tributary of the Raritan River, was proposed. The State deemed the proposal feasible and recommended design work for the facility. In the meantime Congress authorized the U. S. Corps of Army Engineers to conduct a comprehensive study of

the Raritan River Basin from which the proposed Crab Island Dam emerged.

As the Crab Island Dam proposal became more firm, it necessitated a re-evaluation of the proposed South River Dam by the State and the County. Currently we in the County are of the opinion that serious consideration be given to developing not an expensive full scale dam at South River with a large flood plain but a minimal and less expensive barrier than can immediately prevent further salt water intrusion. In this way, the cost of the barrier, the need for which might be negated by the Crab Island project and the expenditures for which can be regarded necessary insurance, may be minimally low.

If the State of New Jersey had had a long-range water supply policy and plan, problems such as that of the South River and Crab Island Dams would probably not have occurred. Had an effective comprehensive framework or a plan upon which to analyze the costs, needs, benefits, and total effects of each project existed, this, of course, would have made possible a much quicker and perhaps more meaningful decision concerning these projects.

Middlesex County feels that it is the responsibility of the State to protect its water resources. We are, therefore, in total agreement with the statement of the New Jersey Committee of the Regional Plan Association that the planning and subsequent revision of adequate water supply must occur

at the state level and that this necessitates the need for the State to engage in a total water management program. We also concur with the New Jersey Committee of the Regional Plan Association's recommendation which calls for legislative enactment of a long-range state water policy which 1) sets forth objectives, 2) allocates responsibilities, 3) endows powers, 4) provides for the making of a master plan binding upon subordinate units, public or private, and devises a fiscal program to underwrite capital investment in water facilities.

The State must establish a policy on the means by which a long-range water supply plan for our county as well as all the other counties in the State should be developed. The plan should be based on 1) how much ground water as well as surface water is actually available; 2) how much diversion from water supply by recreation, irrigation, industry, etc. can be allowed; 3) the development of new water resources including sources outside the State, especially the Delaware and Hudson Rivers and their tributaries; 4) the delineation of responsibility to various water-supplying entities, e.g., private enterprise and governmental, and the establishment of coordination among them; and, 5) the development of a schedule of priorities and programming and the determination to implement it. We have projected the aforementioned policy criteria from our needs in Middlesex County. We urge the State to undertake this desperately needed, highly significant

program.

The fact is evident that the future of the State of New Jersey will depend in a large measure upon its water resources.

Whether or not the comprehensive water supply plan and program to meet the long-range water needs of the State may best be administered by a permanent commission or may may best be accomplished by the appropriate existing departments of the State through further legislation granting proper authority, responsibility and appropriations is a matter for the legislature to decide.

The Planning Board of Middlesex County believes that previous planning completed after years of effort should not be held ⁱⁿ abeyance or that there should not be a duplication of effort and responsibility. Rather it would appear that this Commission should recommend to the legislature as to the method to be adopted to provide a "Comprehensive Water Supply and Program" as promptly as possible. A re-study of the planning of obviously desirable projects should be avoided.

In the interim, we recommend that the legislature grant to the Department of Conservation and Economic Development appropriate powers and finances to carry into early completion those necessary and immediate projects which have already been planned, such as the South River Dam Project and, incidentally, also the Six-Mile Run Dam Project in Somerset County. These have been in the planning stage for years and could become a reality within the very near future with appropriate legislative action.

Now, Mr. Chairman, just a few very brief remarks on some of the viewpoints brought out in the testimony this morning. Mr. Wright mentioned the right of New Jersey to take 100 million gallons a day from the Delaware River through the Delaware and Raritan Canal. Now it just so happens that back in the 1930's, I was one of those instrumental in obtaining this water supply for the State, and thereafter I was for some years on the then known, now defunct, Delaware and Raritan Canal Commission.

We are not using this right of 100 million gallons a day because, as I understand it, by reason of silting of the canal and also the impediment of perhaps some narrow bridges and other obstructions, we can only get through the canal approximately, I believe, 70 million gallons per day at the maximum. I feel that it is incumbent a survey be made and the necessary appropriations granted to remove these obstructions so that we can get that full supply of at least 100 million gallons a day.

Again, on another subject, Mr. Stepacoff mentioned the water supply act of 1958 with respect to the State's having the right to build transmission lines, major transmission lines. Now at that time I was on a lay committee of the Senate representatives who drafted the Water Supply Act of 1958, and I, among others, suggested that the legislation should contain a right, not necessarily to be exercised until it became necessary, for the State to build transmission lines.

Now Mr. Stepacoff said that one of the reasons it

didn't get into the act was because it would have made the bond issue that much higher. But that wasn't our idea. It wasn't to sell bonds, to do it at that time, but at least the State should have that right if it became economical, feasible, and in the public interest.

I felt at that time, or at least I was told - now whether this was inspired by the private water companies or not, I don't know - but at least it was the feeling in the Legislature and in some of the State departments that the State should not be in competition with private water companies. Well, we see what has happened. We don't have the transmission lines from Round Valley to North Jersey which has been mentioned a number of times today. I think it would have been in the public interest if that legislation had included the right for the State to build major transmission lines.

Now, as a final item, it was brought out or mentioned that the States that were in the water business was a minor number, but I don't think this is significant at all. You must take into consideration that in the western states the water field has practically been preempted by the Federal government. There are immense projects out there around the Colorado River and the Columbia River and other sources of water supply.

Thank you very much.

ASSEMBLYMAN RINALDI: Well, thank you very much, Mr. Seiffert. I have no questions. I might say I want to thank you for your very fine report, and I concur to a large extent in many of the conclusions you have made. That's just

my personal observation.

Assemblyman Fekety, have you any questions?

ASSEMBLYMAN FEKETY: No questions.

ASSEMBLYMAN RINALDI: May we have the representative of Capen-Rigo Associates, please, as the next witness.

C H A R L E S H. C A P E N: Mr. Chairman and Members of the Commission, my name is Charles H. Capen. I reside at what Commissioner Roe and I agree is the nicest residential lake in New Jersey - Green Pond.

As Past National President of the American Water Works Association and as one who has devoted his entire life to serving on various committees and various boards and authorities and commissions on all levels of government, Federal, State, District, and Municipal, committed to the purpose of better water and water management for the people of the State of New Jersey.-

It was to be my great honor to present to you some of our thoughts on the difficult and confusing matters you have before you. However, gentlemen, because I have privileges of the elder member of the firm, I would like to confer on my partner, who is an equally dedicated water engineer, in honor of his birthday today, the privilege of making some of these remarks to you.

Before I do that, I would just like to make this one comment. The question of cost of water was brought up quite extensively yesterday and the supposedly minimum amounts that you arrive at by presenting certain rates.

A number of years ago, I was in an office connected with the District Commission, and representatives, high officials, of the National Lead Company came to me on several occasions and investigated the cost and availability of water as one of the participants of the Wanaque project. I assured him very definitely at that time that there was ample water available in the quantity that they indicated. They took that very gladly and considered it, but then they looked into the cost of that water; they also looked into the cost of taxation in the particular community, and they inferred to me directly afterward that it was a combination of the cost of taxes and the cost of water that prompted them to go elsewhere. They are now located in Sayreville. They have a very extensive manufacturing industry there, as probably most of you people know.

I am sure that if every community that had an opportunity to receive an industry of that size and with those tax ratables to offset the school costs and other costs, they would be very happy to have them. It was the cost of water that was one of the major items that prevented them from locating where they first considered it.

Thank you. I would now like to introduce Mr. Paul Rigo who will present our comments.

ASSEMBLYMAN RINALDI: Before Mr. Riga identifies himself, I would like to have the first privelege of wishing him a happy birthday. I am not going to ask him how many years young he is today, but I'll allow him to so state if he cares to. Happy birthday, Mr. Rigo.

P A U L R I G O: Thank you, Mr. Chairman. I'll use Charlie's comment. And thank you, Charlie.

Mr. Chairman and Members of the Commission:

We would like to thank you for the opportunity of appearing before you today. As you may know, we are honored to have a number of clients who will testify before these hearings, and we have been privileged over many years to have been involved with most of the political and corporate water agencies of the State. Our presence here today, however, is merely in the role of a firm vitally interested in water in this State, rather than as consultants to any individual body.

Our remarks will be confined to what we believe to be the real purpose of this hearing - legislative changes affecting the position of the State in the water field. For us to say that no change is desirable would be over-simplification. We do believe that necessary water control, efficiency of operation, and plentiful supplies of potable water for the people and industries of New Jersey can be assured by minor legislative action, geared principally to returning State water functions to the level and purpose originally intended by existing laws. We hear much today about law and order, and perhaps the water field in New Jersey is no different from other changing scenes in this country. Perhaps we have too many laws, and not enough order. Perhaps, through continued interpretations by various people -- some knowledgeable and some not -- original intents and purposes have been lost.

We do not favor, and we will in fact oppose, the continued build-up of State bureaucracy in the water field. We have yet to see any good coming from the Big Brother form of governmental control. It is proven fact that the lower the level of government, the less the cost to the taxpayer. It is proven fact that when problems move from individual to community, from community to county, and from county to State, then federal control is not far behind. We are replete with evidence of this in this State.

By this we do not imply in any way that we oppose the State's seeking federal funding of water projects. We applaud and support Commissioner Roe's latest endeavor to interest the federal government in the Passaic Valley Project. It is our belief that if at any time funds can be made available from sources other than the people of New Jersey, to enhance the overall water picture of the State, it is a good thing. The Passaic Valley plan is one which has been dormant for some time, and we find it refreshing that it has been resurrected and publicized in time for these hearings.

We likewise support the theory that the State purchase selected reservoir sites throughout the State, and hold them until they are needed by the individual areas serviced. Contrarily, we oppose the State's encroaching any further into the water business by the building of State-owned and operated transmission and reservoir facilities. We would suggest that the many water agencies of the State, both public and private, are infinitely

better qualified by their vast experience to solve the water problems of this State. We would further suggest that it has only been since the State entered the water business that major difficulties have ensued. Of course, if any political entity of the State, or an area serviced by private enterprise, can be shown to be inadequate and incapable of providing for their people, then and only then would the State be justified in implementing a State-owned program. One basic reason for this is the fact that the major effort in water supply in this State of necessity is the Northeast portion. It seems neither reasonable nor fair that the people of the entire State should pay for that which the people of the Northeastern section can do for themselves - and have been doing for themselves, most successfully, for their entire history.

Now may we briefly discuss those organizational changes and/or additions which we believe most sincerely would benefit everyone. Starting with the topmost echelon, we would recommend that the Governor seek to establish, in conjunction with neighboring States, a Regional Water Planning Board, composed of professional water people, to discuss and attempt to solve common water problems. For there is no doubt that, while we may not live to see it, the day will come when water will be the one commodity in the Eastern metropolitan complex of the United States for which political boundaries will hold no meaning. This Board should be held at the highest executive level, and report only to the Governor and the Legislature. It should be unsalaried, and funded only to the extent of necessary secretarial personnel and operating expenses.

Next we would like to comment upon the existing Water Policy and Supply structure of the State. We would recommend that present legislation be clarified to permit the State Water Policy and Supply Council to regain its quasi-legal status as originally intended. This would mean changing any existent legislation which may indicate the right of veto over its decisions, by any State official or officials excepting the entire Legislature. We would further suggest that every possible effort be made to augment the overworked and underpaid technical staff of the Division of Water Policy and Supply, in order that they might perform the tasks required of them by existing legislation.

We would also recommend an addition to the existing water regulatory agencies of the State as follows: One of the radio commercials says "This is our only business." The inference of such a statement is very effective. In 1929 the New Jersey Legislature divorced the responsibility of general supervision of water diversions and flood control from the former Department of Conservation and Development by creating the State Water Policy Commission which functioned as a separate body for nearly two decades. In 1939, that Commission - in cooperation with others, inaugurated the first detail study of potential interconnections of water systems in the State. Personnel was largely supplied by the W.P.A. and some services to direct the work were provided by temporary employees of the Water Policy Commission, as well as one engineer from the District Commission.

When World War II began in Europe in September, 1939, it became evident that expansion of these studies, as well as implementation of work on the physical interconnections, was necessary. The Legislature subsequently authorized certain funds for this specific purpose.

With the deep involvement of the United States in the War, the Water Policy Commission requested cooperation of various water agencies and as a result there was created a Joint Operation Board, consisting of water personnel from Hackensack Water Company, Jersey City, Newark, North Jersey District Water Supply Commission, and Passaic Valley Water Commission. These men, in cooperation with a small group of Water Policy Commission personnel, met on a weekly basis for a period of time and later, as problems were solved, at less frequent intervals. There was no charge for the services of these five cooperating agencies.

Important interconnection facilities were planned and constructed in spite of the difficulty of obtaining materials at that time. Lists of available materials for emergency use were compiled and the main theme of helpful cooperation was carried out during the entire course of this venture. All water agencies that expressed an interest were invited to consult with the Board regarding their individual problems, and many availed themselves of this service. Functioning of the Board continued until the latter 1940's, at which time the Water Policy Commission was merged with the Department of Conservation and Economic Development.

The pattern established then was both effective and economical, and clearly illustrates what can be accomplished without the massive governmental control agencies recently advocated by some. Certainly there can and will be violent opposition from many municipal and private water agencies if autocratic control is enforced in the manner indicated in recent reports on the subject. These individual agencies feel, and rightfully so, that they should have recourse to review their needs with any State organization which might properly function in respect to water matters.

It is therefore recommended that the Joint Operation Board be formed and expanded to include a larger number of professional people, who have expert knowledge of the problems of furnishing water to the complex water areas and systems within the State, and who, through the years of having to do it for themselves, have gained the acumen to provide for the future. The members of this Board should be drawn from the professional personnel of the water agencies of this State - both public and private - and be representative of the entire State, developed and undeveloped, North and South. This Board would act as an appeals board, to review disputed decisions of the Water Policy and Supply Council, and to make judgments upon matters of special import.

Now, gentlemen, before we leave, if we may, we would like to make a few comments upon some testimony that was given yesterday. In testimony yesterday, we heard Commissioner Roe state that he believed that the State should assist in the funding of the Round Valley pipeline. We later heard testimony from the North Jersey District Water Supply Commission that they believed the State should pick up the tab, so to speak, if my memory serves me right, for 9 mgd which would not be utilized because of the 61-70 variance and additional 4 to 5 that the individual partners couldn't use at this time.

First off, the 4 to 5 figure is somewhat low but we don't want to belabor that point. What we would like to say is, in addition to that the North Jersey would have the State finance the feasibility study of this so-called by-pass line and also to construct it. Now since we have not seen a plan of this, we can't comment upon what we think of it. However, we can think in terms of money and it would seem reasonable that if the State can find twenty or twenty-five million dollars, which seems to be somewhere around what we are talking in this, it might be more effective if that twenty or twenty-five million dollars was used to reduce the capital cost of the Round Valley - Spruce Run project as it now exists and thereby benefit everybody in the State.

Commissioner Roe further stated yesterday that it would be five to seven years before the City of Newark could develop water from any of its particular plans. We take somewhat exception to that and would state without any equivocation that if the State got out of our way, I think we could develop it in two.

We also heard testimony to the extent that the towns did nothing for 50 years. I presume it was a reference to the towns in northeastern New Jersey. Now if the communities and the private water companies in northeastern New Jersey did nothing for 50 years, then the State hasn't done anything since British rule.

This is not to be a name-calling thing, but I think it is unfair to say that the communities in northeastern New Jersey have done nothing for 50 years, and I think that most of the gentlemen here in the engineering field, who make their money on these communities, would agree. There have been a lot of efforts and a lot of expenditures and a lot of time and a lot of planning on the part of both private and public water agencies in northeastern New Jersey, and it is the sweat and toil and taxes of these communities which saved themselves from the drought in 1965 and not upon any particular action of the State of New Jersey.

We heard a statement yesterday that the Federal government spent a million dollars getting some water out of Lake Hopatcong. It is easily pointed out that five million dollars was spent by the City of Newark alone in getting water into northeastern New Jersey. The City of Newark cut back on its Wanaque supply and built their pipeline into Elizabeth.

We also heard testimony that this Round Valley pipeline is vitally needed in order to get the water from where it is up into North Jersey. I suggest to you gentlemen that the Round Valley pipeline is already constructed and also suggest to you that today there are thirty million gallons of Raritan Valley water going into the City of Newark.

Without a great deal of implementation, this system could be expanded to make it fifty million gallons a day.

I would suggest to you that it seems unreasonable to expect that the City of Newark has spent three and a half million for this particular line in order to save their own neck and everyone else's during the drought, and when it was finished there was 17-days' supply left in the Wanaque system, and that they would have to abandon this and consider it useless because of the construction of the Round Valley system.

We also heard yesterday some testimony to the effect that the proposed Dunker's Pond reservoir is an 11 billion gallon reservoir, which is correct, which only has a yield of four million gallons a day, which is incorrect. Incidentally, 11 billion gallons is 72 years' whisky production in the world if you want to bring it down to something we all understand. The four million gallon figure is incorrect today. We reckon it as approximately seven but, very frankly, this doesn't even enter into the thing because the reservoir is very similar to the Round Valley reservoir. We are not asking for it to produce water. What it produces is strictly benefit - the small watershed area it has. It's a storage reservoir. It's exactly the same thing as Round Valley. You pump the water into it when you can and you take it out when you need it. It was not meant to be a water-producing reservoir.

I wish not to get into any further comments about this Newark situation. I think a few of these things have to be said.

Yesterday the statement was made that no one has the

right to put his needs first. I would suggest to you that if no one has the right to put his needs first, this State is going to be in pretty bad shape in the water field, because the State of New Jersey better put its needs first and it better fight like the devil for every gallon of water it can get, be it from the Delaware Basin now or from some other agency in the future. If all of us, as consultants, as elected representatives, and as appointed officials don't have the interests of our clients, our constituents, or our State in the back of our minds, then this is going to be a very sad world.

The statement was made yesterday that the Round Valley-Spruce Run system has a safe yield of 190 million gallons per day. I don't blame the State for sticking to this particular theory that it has 190 million gallons a day capacity; maybe it does. I sincerely hope so, because that is what the funding is amortized on, what it's based upon - 190 mgd. If it isn't 190 mgd, the cost of water has got to go up.

But if we are going to accept the fact, and I was not clear as to how that particular question was answered, but it came out something to the effect of 140 versus 190. The 140 was just based on the fact that it came in with respect to the drought conditions that we experienced, that this drought was a peculiarity, it never occurred before, so therefore we went back to this 190. I believe that's the way it essentially came out.

I would suggest that the State must allow the same prerogative for all the other water systems in the State of

New Jersey and let them go back to the pre-drought conditions and allow them the same privilege of being able to say we can produce five, ten, or whatever it was, more than we could as a result of the drought.

I would further suggest that some of these charts around here might be drastically out of tune if we are working from two particular criteria.

Mention was made yesterday of the fact that water would be taken from the Round Valley by means of a new outlet works and some work, I presume, down stream, down the south branch of the Rockaway Creek, in order to let it flow down the Atlantic and back into the north branch before it meets at the confluence. Now this is necessary if the reservoir is to operate in this fashion - there's no question about that, but nothing was said, as far as we know, as to how that was going to be paid for. Is this five million dollar venture going to be tacked on to the cost of water? This answer hasn't come through yet.

The statement was made by Commissioner Brumale of North Jersey that Newark has never given its reasons for pulling out or attempting to do so. I am sure that Newark will be able to provide the answer when they testify, but they haven't given the reason for pulling out, and I must have been sitting at seven hundred and fifty different meetings.

The fact of higher cost being attributable to the Raritan Valley project due to Newark's delays, as alleged by Mr. Brumale, is probably true. If there are delays, there are going to be increased construction costs because, as any housewife can tell you, nothing goes down - it always goes up.

However, we can hardly say that Newark is the only delaying factor. The Commission itself certainly takes some of the credit, and the State must accept most of it.

The proposal made yesterday by North Jersey that the State accept and take over the oversubscription - and they represented this as between three and five million gallons per day - is curious. We don't know how to pose it. We think it's a great idea but I wonder if this three to five million gallons a day has any thought in the City of Newark or if it has with it the Town of Kearny. Certainly, as far as Newark is concerned, it would like to get in on this too, should it become a reality.

As to Mr. Wilensky's comment that he would like North Jersey to have the authority to be able to require municipalities to take water from a specific source, I will go back to the analogies that you used yesterday on the cars. Let's put it in reverse. This is turning around and telling a man who can afford a Volkswagen that he must buy a Cadillac. You cannot arbitrarily tell a community you must do that - you must to the detriment of your own financial structure go buy something where if you maybe crossed another line you could get it for a third or a half. Let's face this one particular reality: Water is cheaper in some areas than it is in others, and it must mean that in the areas where it's cheaper they have something more on the ball than the areas where it is more expensive.

We listened to Mr. Wilensky tell you yesterday about the tax situation and how come private water companies are so

horrible. We are kind of fond of private water companies and I would suggest that if the North Jersey District Water Supply Commission could meet the cost factors and figures of the Elizabethtown Water Company right now for the Raritan Valley water, they would have no problems at all.

I think I would like to close on just one thing. I'd like this question directed - Is there anybody here from North Jersey?

DEAN KNOLL: Right here, Paul.

MR. RIGO: All right, Dean. Well, Dean, I won't embarrass you, but the question very frankly is, what progress, what assistance, what contribution to the water effort of the State of New Jersey has the North Jersey District Water Supply Commission come forth with since Charlie Capen retired from it in 1955?

ASSEMBLYMAN RINALDI: May I interrupt, Mr. Rigo. I think it would be unfair to pose that question now. Since obviously the North Jersey Water Supply Commission has testified, I would delight in having them come back to rebut that question. If they desire to come back and resume the stand, I shall be happy to have them, but I would prefer that the witnesses refrain from attempting to cross examine witnesses who have previously testified and who may not be in a position to have the last word or rebuttal. So if North Jersey, Mr. Knoll, desires to come back and retestify, I extend them the invitation. But I would hope that we can refrain from this type of cross examination among witnesses because you can realize the difficulty this poses to the chair and also to the orderly

continuation of these hearings.

MR. RIGO: I will be happy to withdraw the question.

ASSEMBLYMAN RINALDI: Perfectly all right. In fact, I would be delighted if it stays in the record.

Mr. Rigo, you and Mr. Capen - may I ask, are you presently Consulting Engineer for the City of Newark, your present firm?

MR. RIGO: Yes, we are.

ASSEMBLYMAN RINALDI: Do you also expect to be retained by the Newark Municipal Utilities Authority?

MR. RIGO: We are, I would say.

ASSEMBLYMAN RINALDI: And I think you indicated then that Mr. Capen previously represented the North Jersey Water Supply Commission.

MR. RIGO: Well, he can give you the history.

ASSEMBLYMAN RINALDI: Well, I want to continue with you. Do you know whether Mr. Capen represented the North Jersey Water Supply Commission?

MR. RIGO: He not only represented them, sir, he was their chief engineer for a number of years.

ASSEMBLYMAN RINALDI: And in fact, he, together with Mr. Pursell, prepared the first report, the 1961 Report.

MR. RIGO: That is correct.

ASSEMBLYMAN RINALDI: And in fact, to my knowledge, in the preparation of that report, which I would like to refer to shortly, Mr. Capen and Mr. Pursell deemed the Raritan Valley project to be one of the most significant projects North Jersey could have had constructed and, if I may, I would like to read

from that report.

MR. CAPEN: May I comment -

ASSEMBLYMAN RINALDI: Sir, may I just read for the record some excerpts from the report.

MR. CAPEN: I didn't want to comment on that report. I only wanted to comment that I wrote a report for the Commission in 1954 which contraverts some of the testimony given yesterday.

ASSEMBLYMAN RINALDI: I am referring, sir, to the report of February 1961, the Round Valley - Spruce Run Report.

MR. CAPEN: I know the report. I wrote most of it.

ASSEMBLYMAN RINALDI: Well, this report has certain conclusions in it on page 1, and, if I may, I would like to read into the record some of these conclusions because, apparently, the controversy of the Raritan Valley project is one that we must take cognizance of. It is obviously a side issue in the whole thrust of these hearings but a very significant side issue and accordingly I think we must direct some attention to it.

One of the conclusions of this 1961 Report, of which you are the author, Mr. Capen, was: "Any municipality that may now or in the future exceed the capabilities of its present water resources can, by participation in this development, provide the necessary assurance of an adequate supply to meet the needs of anticipated growth in population or industry or both. The needs of many areas are such that additional water can be better obtained through participation in the Round Valley project than by any other method."

In the recommendations on page 1 of the report, it is stated: "Participation in the Round Valley project is strongly recommended to areas and users whose anticipated requirements of water do or will in the future exceed the limitations of present or available resources. Such participation will provide insurance of a supply adequate to meet anticipated growth in population and industry."

On page 51 of the report, it is stated: "Possibly most metropolitan areas in the United States have been presented plans for water system expansion that seemed too ambitious at the time but later proved essential. Certainly this has been true in northeastern New Jersey, as was amply demonstrated in the recital earlier in this report of the history of failure of past plans to obtain support. One of the greatest regrets on the part of several municipalities in northeastern New Jersey is that they did not become participants of the Wanaque project about 40 years ago when the opportunity was offered. If history is not to repeat itself, those who are presently in doubt as to the desirability of joining in the Round Valley-Spruce Run project may do well to weigh the evidence carefully and consider the fact that means of obtaining additional water are rapidly becoming both scarce and very costly.

"It may also be observed that one of the principal foundations on which the Round Valley-Spruce Run Plan rests is the joint ownership and responsibility of the North Jersey District Water Supply Commission which has built and operated the largest water supply in New Jersey during a period of four

years, and the New Jersey Department of Conservation and Economic Development, acting through its various branches, particularly the Division of Water Policy and Supply.

"At no time in the past has there been such a consolidation of effort and resources. It is possible by this cooperation to assure those interested that a dependable source of water, with provisions for future expansion, will be made available and that the facilities will surpass any that have existed in New Jersey in the past or are likely to exist in the future.

"For those who wish to become partners in a source of water of the highest order, action now is imperative. The most likely results of inaction will be regrets and higher eventual cost."

And I could read on.

MR. RIGO: May I ask you, before you put that back, sir -

ASSEMBLYMAN RINALDI: Yes.

MR. RIGO: I think you crossed over it, but in that book in the first page or two, there is a chart, a little box down in the corner, I believe, which indicates the communities then involved and the amounts that they were drawing. This is the 1961 Report?

ASSEMBLYMAN RIGO: Yes, it is. I am looking for the chart, sir. But go ahead and make your point.

MR. RIGO: Well, when you find it -

ASSEMBLYMAN RINALDI: You are going to say there were other participants in addition to the present participants.

MR. RIGO: No, what I am going to say -

ASSEMBLYMAN RINALDI: On page 7.

MR. RIGO: First, Newark appears nowhere. Secondly, if you want to take that chart apart, you will find that a great quantity of water - and I have the exact figure somewhere - was taken off prior to the terminus point in Newark. When you took the water off the customers before it got to Newark, it meant there was less water to handle through the City of Newark. In fact, I think that was up around 81, wasn't it?

ASSEMBLYMAN RINALDI: 81.675.

MR. RIGO: So that the whole project, very frankly, that project - we are now not talking about that particular project; that has been supplanted by a new project, but that project in 1961 was economically feasible. The one today is economically feasible if there is no other way to get water.

ASSEMBLYMAN RINALDI: Which brings me to a very significant point, Mr. Rigo, and I'm glad you have alluded to it. I don't wish to engage in a debate with respect to the cost factor versus the supply factor. I know Mr. Capen has referred to the fact that the element of cost is a very significant one, and I and everyone else in this room would agree wholeheartedly, but when Mr. Capen referred to the factory that went into a community and withdrew from that community because the cost of water was too significant, I wonder what that factory would have done if there was a limited source of water or no source of water at all. It wouldn't even have asked the cost.

So I think we cannot talk in terms of cost alone, but

we must relate cost at all times to the supply. And this is one of the problems that exists in my estimation, apparently, in the Raritan Valley dispute today. I am sure that Newark is going to come here tomorrow and testify that the main reason that the Raritan Valley project should be abandoned is because the costs have far exceeded that which was originally projected and that they can sell water a lot cheaper. Cost is one factor. The question is, is Newark going to be able to supply that amount of water which the northeastern sector so vitally needs now and will continue to need in even greater amounts in the future. So, query, cost, yes; long range of supply, yes, and perhaps even more so important.

Have you any comments on that?

MR. RIGO: Well, I would not like to pre-judge what Newark is going to say tomorrow.

ASSEMBLYMAN RINALDI: I think this is what they have said in the past. I think the record proves that they have constantly alluded to cost and the factor of cost.

MR. RIGO: I think you must take this into consideration. Let's put it this way: You're sitting on a boat down in, let's say, Chub Key in the Bahamas, where there is no other water source except a distillation plant, and you are very happy to pay 7¢ per gallon for the water. Go back - I presume most of us have been in the service at one time or another and I'm sure that all of us have had an empty canteen at one time or another, and you would have been happy to pay a thousand bucks to get that canteen full of cold water - in fact, cold water you

never got anywhere. So it goes back to a matter of semantics. You pay anything to get water if it is necessary, and the day will come when we will. We are not ready to admit that that particular day is here now when you have to pay anything to get water. And until such time as every area is thoroughly explored by every one of the agencies involved, and we can come to a conclusion as to which is the way to get the water that is needed at the cheapest possible cost, I suggest we are still dealing in semantics. In line with that and the 1961 Report, I have in front of me a copy of the report of Tibbetts, Abbott, McCarthy and Stratton written in 1955 for the State of New Jersey, and I quote from it: "It is recommended that measures be taken to encourage the immediate development by the public owners of the Pequannock, Rockaway and Passaic Valley Water Supply Systems to expand their supply to produce a total additional yield of 77 mgd, The early completion of these additions to existing supply is so strongly in the public interest that it is further recommended that the public owners of these three systems be given a reasonable but specifically limited time within which to make the additions and, failing this, the expansion should be undertaken by the State."

That is fairly good advice. However, we are now at the point where we would like to make these expansions and additions but are waiting for approval from the State. But if I may, I would like to let those things go until Newark gets in here tomorrow.

ASSEMBLYMAN RINALDI: I would ask you if you have any idea as to why these applications have not been approved by the State. The Dunker's Pond application is still pending.

As a matter of fact, I don't wish to pursue that further. But I think there's a very real question in our mind as to why the Dunker's Pond application has not been approved by the State. Do you have any idea when they may approve it? And if they haven't approved it, why haven't they? Do you know?

MR. RIGO: I share with you the very real question in my mind.

ASSEMBLYMAN RINALDI: I would like to just allude to one further concept and that is the statement you made that you do not favor and in fact will oppose the continued build-up of State bureaucracy in the water field, and it's proven that the lower the level of government, the less the cost to the taxpayer. And when problems move from individual to community, and from community to county, and from county to State - federal control is not far behind.

Now that is a concept that I in most instances concur in wholeheartedly. I am not in favor of big government in any level of society if it can be done without. It's a very serious question, though, from all the sources that I have read and from the many witnesses from whom we have heard that the field of water in all of its phases, whether you are talking about supply, pollution or otherwise, may be a sector where that philosophy of no government at all is not necessarily readily applicable. Since I am far from an expert in this area, I would like to once again go to those who purportedly made a more expertise study than I have, and I refer to you, sir, the report of the Joint Drainage Committee

by Stephen Decter of 1967, in which he states that on page 78, volume I - this is the surface water control study: "Municipalities are endowed with the most extensive powers to deal with water problems. Yet in many ways they are inadequate and unwilling decision-making units. The principal inadequacy is their limited areas of jurisdiction in comparison with the geographical scope of most water problems."

And on page 58 - incidentally, I am quoting from the Water Resources Management Study which quoted in turn from the Stephen Decter Report. Now this is from the Little Hoover Commission Study itself. "Each community 's serious regard for its own prerogatives and jealous protection of its local finances makes it difficult to achieve cooperation in integrated regional water management programs without some form of outside inducement and persuasion."

I could go on and on - the proceedings of the Public Policy Forum on Surface Water Control in New Jersey of November 2, 1967, conducted by the Bureau of Government Research and University Extension Division of Rutgers, indicates that - and I am quoting from page 12 of the report: "I found that municipalities are endowed with extensive statutory powers to alleviate many water problems but because of their limited size and intense physical pressures I found them to be inadequate and often unwilling decision-making units in some respects."

"The weaknesses I did find at the county level were a lack of coordination of these various agencies and inadequate formulation of over-all policies on the county level, a lack of power, especially regulatory power to control private and public

activities which affect the water management.

Now I am far from an expert in this field. I could quote from the Capital Needs Study Commission which points out that there must be some further intervention by some level of government to help solve this problem of water management - which is the way they coin it - and, sir, in view of these statements which are made by people supposedly much more knowledgeable than I in any event, would you continue to support your original statement to keep water control at the lowest level possible?

MR. RIGO: I would most assuredly but could I pass that one on to Mr. Capen?

ASSEMBLYMAN RINALDI: Certainly.

MR. RIGO: Mr. Capen is the most distinguished man in the field.

MR. CAPEN: I have tried to make a very detailed study of all those reports. There are still some facts in them that we can't deny, no question about it, but they all make one fundamental mistake. They set up all kinds of suggestions for boards and committees, not one of which is activated by a practical water works management man. I think it's the blue book that you have in front of you that suggests a committee of 25 or so. They list State people, they list county people, and they list various others, but there isn't a single practical water works man listed in the whole thing, and unless you get the cooperation of the water works men, the whole thing will collapse.

ASSEMBLYMAN RINALDI: Suppose, Mr. Capen, we were to set up some type of an organization, call it a Delaware River Basin type organization or a State Water Works Authority organization - some type of State organization which many people have referred to in these past day and a half of hearings - and implement them with good technical staff, men such as yourself who have been knowledgeable and lived in the area of water your entire lifetime. Wouldn't that, sir, answer your criticism, which, indeed, may well be founded and in all likelihood is? Yes, bring good water management people to this field, keep the bureaucrats out of it, keep the politicians out of it - unfortunately, some of them are going to get in. But bring the water management people into a body and give them the power to control our water resources so that people have water where they need it, when they need it, and, in deference to you, sir, as cheaply as possible. Don't you agree with that?

MR. CAPEN: Substantially there's an awful lot of merit in what you say. Let me say this: I served on that joint operation board during its entire existence, with others. It didn't change during the whole period of years we were in existence. We didn't agree one hundred per cent all the time, believe me, and we fought with the State on many occasions. But we always tried to arrive at a logical conclusion, and I think we did. Now if you can put a thing on that level, I think you've got something.

ASSEMBLYMAN RINALDI: I would agree with you completely, sir. And I've already said too much and I'm going to defer to Assemblyman Gimson.

ASSEMBLYMAN GIMSON: I think that very possibly enough has been said here this afternoon. I've learned a little and I think maybe I'll learn more tomorrow when we hear from Newark.

ASSEMBLYMAN RINALDI: Assemblyman Fekety - a man with a Public Utilities background, I might say.

ASSEMBLYMAN FEKETY: May I say I thank you very much, Mr. Rigo, and I wish you a happy birthday too. You know, you have a unique situation. There are quite a few people here who would like to testify and hesitate only because the next day they may have to go to that public body with hat in hand with a problem, whereas you, an independent concern don't have to worry about that.

MR. RIGO: If I could just comment upon that, we very much have to go with hat in hand to the Water Policy and Supply Council and the various agencies of the Department of Conservation, but these people whom we work with over there we have found to be pretty reasonable people. They might not agree with us all the time, but we don't find that speaking our mind is any particular detriment. It may rub a few people the wrong way occasionally but it doesn't in the long run. There's a saying, you know, over there in that particular department. I think it goes something to the effect that Commissioners come and Commissioners go but Civil Service goes on forever.

ASSEMBLYMAN FEKETY: Very good. You make a remark here - "If any political entity of the State or an area serviced by private enterprise can be shown to be inadequate and incapable of providing for their people, then and only

then would the State be justified in implementing a state-owned program." Now, have we reached that point?

MR. RIGO: Possibly, in some areas. You have to separate the areas.

ASSEMBLYMAN FEKETY: Well, this is the point now. What do we do - separate the geographical areas and say that one part of the State has a problem but will have to go to the other part of the State to help resolve the problem?

MR. RIGO: We have to do that in essence anyway, sir. That map will be your right shoulder and indicates, I think, that the vast majority of the work that has to be performed is in northeastern New Jersey, to be performed at the expense of the State, and the people in the South are going to pay for it too.

ASSEMBLYMAN FEKETY: Then you feel that we are at the point where the State should get involved. Now get involved how far?

MR. RIGO: Get involved to the extent that the people cannot help themselves as any good government should.

ASSEMBLYMAN FEKETY: You mean, taking over the complete water system?

MR. RIGO: Far from it. I don't believe that the State has exhibited any particular expertise in this field.

ASSEMBLYMAN FEKETY: Well, we've heard mentioned - I think you even stated where you're against the State getting involved in the transmission end. So, therefore, you are backing it up right up to the reservoir.

MR. RIGO: To back it up beyond that, we say to you that we think it is an excellent idea for the State to go out and buy selected reservoir sites to protect them, utilize them for recreational facilities and areas until such time as they may be needed in the area. Then if the people in the area, the county or the regional area, or whatever, cannot afford to go ahead with the work as it is needed, then that they should build, but until then the State should not build.

ASSEMBLYMAN FEKETY: But after the State builds, should they hold on to the reservoir?

MR. RIGO: We are presuming now that they will.

ASSEMBLYMAN FEKETY: Or should they get out of the reservoir business once it's built and filled?

MR. RIGO: My own personal opinion is that they should never have gotten into it in the first place.

ASSEMBLYMAN FEKETY: O.K. One other quick question: Do you feel there is too much government red tape in the water business today?

MR. RIGO: There is red tape in almost anything, I guess, that's governmental. Maybe we had better keep it, because if we didn't we wouldn't have anything to bind our wounds with.

ASSEMBLYMAN FEKETY: That's how it got red.

ASSEMBLYMAN RINALDI: I'm not sure I understand the full import of your last statement, but I think we're ready for a break. Thank you very much, Mr. Rigo, and also you, Mr. Capen.

We'll take a 5-minute break. We still have a long way to go, so I hope we'll get started promptly within 5 minutes.

[R E C E S S]

(After Recess)

ASSEMBLYMAN RINALDI: I would like to call now Mr. Raymond Schroeder. Mr. Schroeder, will you please identify yourself.

R A Y M O N D W. S C H R O E D E R: Mr. Chairman, I am Raymond W. Schroeder. I am serving here today in a dual capacity, being a former Town Councilman from the Town of Bloomfield and also as Secretary to the Planner of the Essex County Department of Planning, Economic Development and Conservation. Currently we are without a Planner in Essex County.

ASSEMBLYMAN RINALDI: So you will speak for the Essex County Planning Board.

MR. SCHROEDER: Yes. Not for the Board but for the County itself, the Freeholders, and so forth.

First of all I would like to say that, going back to 1961, some seven years ago, on the Town Council of Bloomfield, we had the privilege of journeying to the Wanaque Reservoir of the North Jersey District Water Supply Commission for an all-day seminar. I was very happy this morning to see the Administrator of the Borough of Verona here who happened to be at that time Mayor of the Town of Bloomfield that I served with.

We went up there to confirm our pledge that we would go along with the then 5 million gallons of water that we felt Bloomfield would need for the future. Currently it's a 6 million gallon per day request. So we spent that

day up there, all day, reaffirming the fact that we would want to be a part of the Round Valley-Spruce Run project, which would insure the Town of Bloomfield and its citizens adequate water for the future.

I would take issue, just a moment, with the gentleman who preceded me, with his testimony, when he made mention of the fact --

ASSEMBLYMAN RINALDI: Which gentleman?

MR. SCHROEDER: This one here (indicating).

ASSEMBLYMAN RINALDI: Mr. Rigo?

MR. SCHROEDER: Yes.

ASSEMBLYMAN RINALDI: For the purpose of the record we just can't point, we have to say which gentleman.

MR. SCHROEDER: Television is not yet here in the State Assembly.

ASSEMBLYMAN RINALDI: You are referring to Mr. Rigo.

MR. SCHROEDER: Mr. Rigo, yes. Thank you. I didn't quite hear his name in the back of the room.

He mentioned, where were the municipalities over the years. Well, I think Bloomfield was one of the original participants in the Wanaque Reservoir which had its beginning around 1920 and completion around the early thirties. So, therefore, we did have vision in our Town for future planning for water and for its needs and for its citizens, way back then. And it was ten years ago that we also had concern over future needs by participating, being one of the original participants, in the Round Valley-Spruce Run project.

Now, of course, as we all know, there are problems. There are problems of pipelines with the City of Newark, And, as you know, we are participants in Wanaque, we are part of their system; however, we buy our water from Newark through the Pequannock which saves the Town of Bloomfield the cost of pumping, etc., because of the geographical set-up of the pipeline. But, nevertheless, we are very much concerned, not only in Bloomfield but the rest of the County, about water for the future. And that's what brings us down today, representing almost 1 million people in the County of Essex.

I have brought with me today an old railroad map from the northern part of New Jersey, which is before you here, and we have colored in where Spruce Run and the Round Valley Reservoirs happen to be. And as we all know, currently the Round Valley Reservoir is being tapped by the Elizabethtown Water Company, I believe, through the river and then down into pipelines, I believe, paralleling the Central Railroad tracks from approximately Bound Brook into Elizabeth. And then, of course, as already known, Newark put an extension in a few years ago to connect with that area.

Now there is no problem in the fact that Newark and Elizabeth and Bayonne, which are three of the biggest cities in the State, will naturally need more water for the future. Why not then, and this is a plan, - why not then permit Round Valley to continue to service these three large cities with the existing facilities and then using the Spruce Run for Bloomfield and the other suburban communities that are going to make requests and demands for additional water, not

only now but in the future.

Bloomfield's share instead of being the 6 million would probably jump to ten or eleven million because of what we currently use and buy from the City of Newark.

Now the reason why the railroad map is here is the fact that as we all know the railroads are in dire need of money. So why not use the right-of-ways of the railroads, the Central Railroad, the Erie Lackawanna, and whatever railroad happens to be in close proximity between the water supply and the citizens and towns and municipalities - why not use their rights-of-way on a lease basis?

As we all know, the Spruce Run is very close to the Central Railroad. It only has a short distance to go to the town of Washington, New Jersey, which could hook up with the Erie Lackawanna and service right on down into the area and currently hooked up with the existing water lines of Wanaque, the Pequannock and the rest of the reservoirs.

Also in the future we can have a direct tie-in with the Tocks Island project with the same railroad lines.

Now, if that's not feasible, if the railroads have problems in negotiations or whatever the case might be, what about our State Highway System? Here is Route 80 being constructed now. Why can't the Legislature pass a law which would permit the rights-of-way of the median strips of highways and have a vast network of pipelines? And, as the gentleman who preceded me said, he doesn't want the State to get too overly occupied in the business that local government should be in, I concur with that, but it could be

that we could have the State utilize the roadway system, the highway network system in the State, and build the pipelines and then lease them to the various companies, both municipal and water supply commissions, for their use, and in that way we would also have a complete network of water in the case of a drought in the north and an abundance in the south, or vice versa. We would already have the systems there. We wouldn't have to go to condemnation proceedings, we wouldn't have to buy properties up for rights-of-way because these are already in existence and, of course, they connect with all major cities and with the minor ones alongside.

A couple of weeks ago I was privileged to be down here, down the street in the Department of Community Affairs, with Commissioner Ylvisaker, and during the course of the conversation that day he mentioned the fact, what is the plan and what is planning all about, and he said, it's merely an approach to a problem. Now, this is an approach to a problem. You had many approaches yesterday and today and you will continue to have them.

I think that the people now are completely finished with the approaches. I think right now they're concerned with completions of the problems. We have had many, many concerns over the years, we've had a situation where every time we have a drought we get concerned and then every time it rains for a few days, it's all over with and we forget about it. Now if we had the gumption then, 20 or 30 years ago, even 10 years ago, to go ahead when we had those

droughts, we certainly wouldn't have to worry about the tremendous costs by really procrastinating and waiting for the thing to happen again today or five or ten years from now if nothing happens from the culmination of these hearings or in the future from other hearings.

So, Mr. Chairman, we appreciate very much being able to come down here and giving you an approach to a problem that we think might be helpful not only to the City of Newark, in giving them the necessary water for their future, but in giving the other municipalities in the suburban Essex area and in Morris and Passaic Counties, which is a growing area, for the future, a reason to have some hope that in the very near future we can have our solutions readily available.

It may seem kind of simple but, nevertheless, it's a reasonable approach and we hope that you and your Commission will be able to utilize our thoughts and if we can be of any service to you in the future, we want you to feel free to call upon us and the Department of Planning in Essex County or the various municipalities.

I think too that we're not really too happy about individual thoughts or these commissions or committees that have been going about being concerned because I think that the major situation right now is that we're just trying to get away from people trying to outguess God, whether we have a feast or a famine, whether we have a drought or a flood. I mean, it's inconceivable to think that these things are

going on while people are the things that we should be concerned with in the area of water which is needed for life itself.

Thank you.

ASSEMBLYMAN RINALDI: Mr. Schroeder, I believe you sat through Mr. Rigo's testimony and you heard the statement he made and one of the comments I had upon it to the effect that Mr. Rigo was an exponent of the philosophy that bureaucracy should remain as much as possible out of the water management, supply and all related problems.

Now you are a county planner, in fact you are Secretary to the Planning Board of the most densely populated county in New Jersey and one of the most densely populated counties in the world, and the problems of Essex County, one of the districts that I represent, are very unique in the sense that they have a tremendous demand for water, not only by the individual consumer but by the industrial consumers. Now, as a Planner with a County Planning Board, how do you feel about whether we should continue to allow planning to remain at as low a level of government as possible or should we subscribe to some of these theories that have been advanced here in the last day and a half that you must take this whole planning operation and put it into a larger agency unquestionably implemented with men who are knowledgeable in this field, and I subscribe wholeheartedly to the remarks made by Mr. Capen in that capacity.

MR. SCHROEDER: Well, I certainly agree with both

Mr. Rigo's remarks and yours about government being the best when it's at a local level, not getting bureaucracy on a higher eschelon involved in any of these projects. However, we must be fair to realize that - I would put water in the same category as a mosquito commission - what good is it to spend hundreds of thousands of dollars on mosquito control on one side of the Passaic River in Essex County when nothing is being done on the Morris County side of it, which was done a few years ago. And we can go to any county in this State and there are certain things that a state must do as a responsible thing for the welfare of the people of the whole state together. And that's why I said there is a line where you have to say that the municipalities can do so much but the state has to come in in certain areas. But I'm certainly a man who has always agreed that the best government is at a local level.

ASSEMBLYMAN RINALDI: But in the problem of water management, water supply, water pollution, and related fields, you must agree that the problem of water supply must transcend local political boundaries, it must be approached from a regional standpoint.

MR. SCHROEDER: Definitely.

ASSEMBLYMAN RINALDI: You cannot say, well, let every municipality handle it their own way, let them go to whatever water resource there is available, it must be a regional approach. Do you subscribe to that theory?

MR. SCHROEDER: Absolutely.

ASSEMBLYMAN RINALDI: And you think that's a valid

theory in this area of water. In other words, it's a unique commodity in that sense.

MR. SCHROEDER: That's right.

ASSEMBLYMAN RINALDI: It's bulky, you don't find it everywhere you need it and it costs money to transport it because it is so bulky.

MR. SCHROEDER: That's why I mentioned the fact that it could be on a cooperative basis with what we have now and the state acting as building the necessary pipelines along the county highway systems and then lease them to the various water groups, wherever they might be, whether it be Elizabethtown or North Jersey District, and in that way we would have a complete setup so that if we did need water for Middlesex County, for instance, while we had an abundance in Sussex, Morris and Warren, it could be transported without any problem at all.

ASSEMBLYMAN RINALDI: I don't in any way say this with tongue in cheek but now you've raised another department that we hadn't previously considered, namely, the Highway Department or Transportation Department as it is now referred to.

MR. SCHROEDER: As it is right now, you couldn't do it but you fellows would have to do it here on the legislative level.

ASSEMBLYMAN RINALDI: The water problem must cut across about seven departments, not that much into the Highway Department, and you've now created an eighth department and maybe very realistically and very reasonably so. So

I think we shall unquestionably take your views under advisement.

Thanks very much for coming down.

MR. SCHROEDER: Thank you.

ASSEMBLYMAN RINALDI: Can you submit some facsimile of that plan?

MR. SCHROEDER: I would like very much to take this back and give you some nice colorings to coincide with the wonderful work we see up here today, to make it more appropriate to put a legend on it.

ASSEMBLYMAN RINALDI: I hope Essex County Planners have the same resources the State has to provide us with these fine displays.

MR. SCHROEDER: We do.

ASSEMBLYMAN RINALDI: Thank you.

I would like to call upon Mr. Crew, please.

Would you identify yourself, please?

A L F R E D C R E W: I am Alfred Crew, President of Alfred Crew Consulting Engineers, Inc., with offices in Ridgewood, New Jersey.

ASSEMBLYMAN RINALDI: Do you have a statement, Mr. Crew, that you would care to submit?

MR. CREW: I would like to read this statement which I prepared for this hearing.

The development of a comprehensive water supply policy to meet the long-range water needs of New Jersey is most urgently needed at this time. Great lack of coordination now exists in New Jersey in the

regulatory responsibilities between the various state agencies in the field of water supply and pollution control, In my opinion this Commission must address itself to the problem of water supply and pollution control as these are all part of the water management responsibility of the State. The construction of urgently needed facilities is being delayed because of this lack of control.

The concern of all sectors of our society with the water management problem is evident from the reports prepared by the New Jersey Committee of the Regional Plan Association (July 1967), in the State of New Jersey Commission on Efficiency and Economy in State Government Report "Water Resources Management in New Jersey" (November 1967) and in the calling of this hearing by Assembly Concurrent Resolution No. 31.

We believe that the problem in New Jersey is a basic problem of developing an agency with the power to give direction to the other agencies of the State on a coordinated program for the development and utilization of all the water resources of this State. This agency must be empowered to develop a plan of total water management including both water supply and pollution control.

We would urge the Commission to recommend the establishment of a State Water Management Commission which would define and coordinate the responsibilities of the various state agencies toward the development and implementation of a water resources plan to take care of our future needs. In New York State a Water Resources

Commission performs this function.

It is my belief that the Commission holding these hearings should not become ensnared in the various solutions proposed by one agency or another but should see that the proper administrative agency is established to provide our people with the use of the available resources to which they are entitled.

Thank you, Mr. Chairman.

ASSEMBLYMAN RINALDI: Mr. Crew, may I just ask one or two questions.

Your recommendation, sir, is the creation of a brand new agency.

MR. CREW: I believe that it would be not an agency in the sense of having staffs and personnel but would be a management control which would utilize existing staffs and personnel which are available in the existing agencies.

I feel that it's a matter of defining the areas of responsibility and using the talents of the engineering and other personnel that are already available.

We get involved in so many conflicts. One in which I participated last spring was a matter of construction of a pollution control plant for the Township of West Milford in Passaic County. Basically here was an area which required sewers. The solution worked out initially was to provide for the treatment of those wastes and discharge the treated wastes into Greenwood Lake. There were objections raised and a new plan was developed in which the wastes were to be treated and discharged into Hewitt Brook and thence into the

Wanaque Reservoir. There were other objections to this.

These are the sort of problems which must be resolved. We can't continue to be driven from one immediate solution to another. There must be some agency which can coordinate and develop our resources.

ASSEMBLYMAN RINALDI: Within the Department of Conservation and Economic Development, of course, lies the Division of Water Supply which is a very key agency as regards water supply and water resources. Within Dr. Kandle's department the whole problem of water pollution is presently located.

Is it your suggestion that you would - I don't like to use the word "strip" - would you take those functions out of those two respective departments and put them into another agency or would you have another agency coordinate those functions within those departments?

In other words, are you suggesting that we have a coordinating agency across the top, which coordinates Commissioner Roe's activities and Dr. Kandle's activities, or would you take the activities out of both Dr. Kandle's department and Commissioner Roe's department and put them into a new agency, which many suggest would also have the ability to sell revenue bonds and finance whatever projects should be financed either because the State should do it or the private sector can't do it.

MR. CREW: No, I believe my views would favor just an over-all administrative unit to direct and define the spheres of activities and resolve the problems of conflict

rather than setting up new agencies. Also it would seem to me that this agency would be in position to recommend legislation to reinforce, let's say, existing agencies, the North Jersey District Water Supply Commission, in order to enable it to perform its function.

ASSEMBLYMAN RINALDI: Would you give that agency the power to resolve disputes, such as was suggested by Commissioner Roe when he refers to a water arbitration board?

MR. CREW: Yes. I think those disputes which require high administrative decisions should be referred to that board.

ASSEMBLYMAN RINALDI: In other words, it would have quasi judicial functions as well as administrative functions.

MR. CREW: It seems to me that when that agency was set up it should redefine and realign some of the conflicting operations which we now have, without getting involved in itself, building its own staff and personnel.

ASSEMBLYMAN RINALDI: I have no further questions.

Thank you very much, Mr. Crew, for your remarks.

MR. CREW: Thank you.

ASSEMBLYMAN RINALDI: Mr. Roach, please.

Would you identify yourself, please, sir.

W I L L I A M E. R O A C H, JR.: I'm William Roach, Director of the Somerset County Planning Board.

ASSEMBLYMAN RINALDI: Do you have a statement, Mr. Roach?

MR. ROACH: Yes, I do, and it's made on behalf of

the Somerset County Planning Board as authorized at their last regular meeting.

The Somerset County Planning Board organized in 1955 was immediately confronted with a water supply question - the ill-fated 1955 Chimney Rock Reservoir referendum. This project was entirely within Somerset County.

Realizing that an abundant water supply was important to the County's future development and that Somerset was strategically located in the Raritan watershed, the Board completed a comprehensive Water Resources Study in 1958. Eighty-eight percent of Somerset County's 305 square miles is in the Raritan watershed and 25 percent of the watershed is in Somerset County. This study formed the basis for supporting the 1958 Water Referendum and has been a guide to evaluating subsequent proposals.

Subsequent proposals have been numerous in regard to reservoir sites and the transmission of Round Valley and Spruce Run water to Northeast Jersey.

The map that I have here, Mr. Chairman, shows thirteen some reservoir sites that have been proposed in our County subsequent to the Chimney Rock Referendum. We almost color our county in blue. There are five various Round Valley transmission lines that have been proposed across our county. Those are identified and labeled.

A comprehensive State Water Plan has not been formulated and no progress has been made since 1958. The Somerset County Planning Board deems it most regrettable that the Water Research and Development Commission called

for by Chapter 148 of the Laws of 1958 was never appointed. Surely such a Commission would have, by now, clearly resolved the problem of transmitting Round Valley water to Northeast Jersey.

The Somerset County Planning Board has endorsed two of these State proposed reservoirs as have the affected municipalities. They are the Six Mile Run Reservoir in Franklin Township and the Confluence Reservoir in Branchburg, Bridgewater and Hillsborough Townships. These two reservoirs have unique characteristics and can stand on their own.

It should be noted that while State agencies have marked time private water companies have forged ahead in a commendable fashion to meet the water needs of the region making use of the additional water furnished by Round Valley and Spruce Run.

We now urge that before any additional reservoirs are proposed and any decisions made regarding the transmission of Round Valley water to Northeast Jersey that a comprehensive State Water Plan be developed, responsibility for its implementation fixed, and method of financing devised.

In all instances, officials of affected areas should be consulted, local water needs taken into account and the Round Valley - Spruce Run in lieu tax payment formula followed.

The Somerset County Planning Board pledges its support to such a program.

ASSEMBLYMAN RINALDI: The law to which you referred, I believe it's Chapter 148 of the Laws of 1958?

MR. ROACH: That's correct.

ASSEMBLYMAN RINALDI: It was referred to yesterday by Senator Wayne Dumont and it's surprising to me, certainly, that that law has never been implemented and that that Commission has never been carried out. And one of the things I think this Commission should do is take a good long look at that law and see if perhaps it should be implemented or maybe redrafted and changed in such fashion as may meet the problems of today. But thank you for reminding us of that. I hadn't forgotten it, and perhaps it has a lot of the answers we're looking for.

I feel that you also subscribe to the theory, contrary to what Commissioner Roe has said, that we are still in need of considerable additional planning in this area.

MR. ROACH: Well we need a formalized plan, sir. You can see how distracting it is to have all these reservoir proposals on the part of municipal and county officials and property owners.

ASSEMBLYMAN RINALDI: And, of course, it's unique. Essex County has unique problems of water demand and you have unique problems of watersheds.

MR. ROACH: We need the water and we have it but we're being afflicted with proposals. On the part of the transmission lines, we've been in the embarrassing position of having subdividers reserve a right-of-way for one of these alignments. And then it goes another place and we think that's it and there's a limit in how far we can go

in trying to help these agencies if official decisions are not going to be made.

ASSEMBLYMAN RINALDI: Then apparently you're suggesting that the failure of sufficient planning has left Somerset County which, unfortunately, geographically is located at the headwaters of the Raritan, in a very difficult situation. You cannot plan ahead as a planning board, you don't know where the next reservoir is going to be located, where the next pipeline is going to go, and you just are not afforded the opportunity to properly plan for Somerset County.

MR. ROACH: It makes it difficult.

ASSEMBLYMAN RINALDI: I'm sure it does. In fact, that's quite a patchwork and I'm glad I'm not on the Somerset County Planning Board and I defer to your wisdom in that capacity.

Thank you very much. That's a very interesting observation and I'm sure we'll take proper notice of it.

MR. ROACH: Would you care to have this?

ASSEMBLYMAN RINALDI: Could you submit a facsimile of that, a photostat, and bring it down to something we can have in the record.

MR. ROACH: Yes.

ASSEMBLYMAN RINALDI: Mr. Downey.

Would you identify yourself, please?

F R A N C I S D O W N E Y: Yes. Francis Downey, City Engineer for the City of Elizabeth.

ASSEMBLYMAN RINALDI: Do you have a statement that you would care to give to the Commission, Mr. Downey?

MR. DOWNEY: Only this, that the City of Elizabeth acquired a distribution system back in 1931. Since 1931 we've been trying to acquire an independent supply and we've just been stymied. We were a little bit too late for Wanaque Reservoir, that was built in '26; and Chimney Rock was anticipated and that dropped out. So finally we get to Round Valley and we were one of the original signers when it was proposed back in 1961 for 15 million and it was changed later to 12 million gallons.

We are fortunate in this, that we have a supply from the City of Newark. The contract will run out in 1971. And also we have been getting water from the Elizabethtown Water Company.

Now the City is very anxious to get the show on the road as far as Round Valley is concerned but it just seems that we can't get anywhere. We're willing to pay a reasonable amount. At first Round Valley was anticipated to cost possibly \$150 a million now it's up to possible \$250 or \$275 a million. And I imagine if we keep procrastinating with it, it's going to go up to \$350 or \$400 a million.

And the only thing I wanted to state today was that the City, as I said, is willing to pay a reasonable amount for water. We're fortunate in this respect in that if a transmission line as shown at the present time would wind up right at the Newark-Elizabeth City line and we would be able to pick it up right at that point. But if they're going to keep pushing it around - first it was to go to the Elizabeth City line and then it was changed over

to go to the South Orange Reservoir and in that respect we'd be obligated to take the water through the transmission line of Newark. But with the present location, I mean even though it's going to cost approximately \$250 a million, I'm sure that the City would be willing to go along on that.

And that just about concludes what I have to say.

ASSEMBLYMAN RINALDI: Elizabeth is, of course, one of the participants in the Raritan Valley project. How many mgd has Elizabeth subscribed to, Mr. Downey?

MR. DOWNEY: 12 million a day.

ASSEMBLYMAN RINALDI: What is your present need? Let's say you could open up the Round Valley pipeline tomorrow and turn on the water, what is your present need?

MR. DOWNEY: We would be willing and we would be able to take the 12 million.

ASSEMBLYMAN RINALDI: You could use the full 12 million.

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: So you don't have the problem that some of the other municipalities have, namely, that whereby they subscribed for 3 million they only need 1 million, or Bloomfield which I think said they subscribed to 6 million and they can only use at the present time 4 million and this increases their effective cost per mgd. So you don't have that problem.

I gather then, as far as Elizabeth is concerned, Elizabeth is all in favor of getting on with the Raritan Valley project and getting the pipeline built. Is that so?

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: Apparently you also subscribe then to the basic philosophy of the Raritan Valley project whereby you invest in a capital structure, such as a pipeline, and you pay for the cost of that capital structure over a period of 35 or 40 years and during that time the cost of water is expensive because you're not only buying treated water, you're buying a pipeline. But then at the end of 35 or 40 years, when the pipeline is paid for and you've got your capital investment which probably has a lifetime of a hundred years or seventy-five years, you've got good cheap water.

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: That's the philosophy that Mayor Raymond of Newark, 40 years ago, encouraged. The people called it "Raymond's Folly," but that's what built the Wanaque system which provides very cheap water today to its participants, doesn't it?

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: Then you do feel that the Raritan Valley project is a wise project and one that the participants should support.

MR. DOWNEY: I do.

ASSEMBLYMAN RINALDI: You, of course, are aware that Newark apparently opposes the project and we will hear more from Newark tomorrow as to why they oppose it. I have heard various reasons and I'm sure we all have but we will ask Newark to spell those reasons out a little more

thoroughly tomorrow.

Coming from a large City, we've heard a problem discussed all day today and all day yesterday, the problem of a need for additional coordination somewhere within our form of government, as to water supply and water resources; you've heard the Essex County Planner subscribe to that philosophy; you've heard Mr. Crew subscribe to that philosophy, whether you're coordinating water supply and water pollution or just coordinating the supply of water without even getting into the related problem of water pollution; do you subscribe to that theory that this is a regional type commodity which must be approached with a regional point of view?

MR. DOWNEY: I certainly do. I think that an agency similar to - if it were created several years back I don't think we would have the trouble that we're having now with transmission lines from Round Valley. I think it could have all been resolved before that.

ASSEMBLYMAN RINALDI: In other words, you think that the present way we go about solving these problems, through long and tedious and perhaps expensive litigation, may not necessarily be the proper way to resolve the problems of water supply.

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: Especially if we may be faced with a drought next spring, isn't that so?

MR. DOWNEY: That's right.

ASSEMBLYMAN RINALDI: And I understand from Dean

Knoll, the Water Engineer from the North Jersey District that Wanaque is down to two-thirds its capacity, and we've had a very dry September and hopefully we will not have a dry fall. But the problem of a drought could loom again very realistically within the space of six months.

MR. DOWNEY: It was brought right to our attention particularly in the drought of 1965 when people on one side of the street living in the City of Elizabeth could not water their lawns and then it got so we could water them from ten o'clock at night until two o'clock in the morning, or something like that, where Elizabethtown was feeding the other side of the street and there was no restriction whatsoever. One fellow had a beautiful lawn on Elizabethtown Water side and the other fellow was burning up and the City Government was burning up too because they were just blasting us from head to foot.

ASSEMBLYMAN RINALDI: I lived through the same problem three years ago in Glen Ridge. That's one of the reasons why I turned my attention to this problem which I think is a very serious one and one which begs some additional attention here in the Legislature.

Thank you very much, sir.

MR. DOWNEY: Thank you.

ASSEMBLYMAN RINALDI: Mr. Lipman, please, of the New Jersey Farm Bureau.

Would you identify yourself, please.

E D W A R D V. L I P M A N: My name is Edward V. Lipman, I'm a Director of the New Jersey Farm Bureau, a member of the New Jersey State Board of Agriculture, and Chairman of the Agricultural Subcommittee of the Economic Council.

Certainly the tempo of my testimony will be considerably different from that of many of the people that I heard before.

I read in your schedule of the public hearing that the legislation is to study the advisability and practicability of formulating a comprehensive water supply, and it is statewide.

I've been listening to people in Northeast Jersey and I would like to focus now on farms in South Jersey and Central Jersey.

I am a resident of New Brunswick, New Jersey; I'm Manager of the Ocean Spray cranberry processing plant at Bordentown, New Jersey, which is a farmer cooperative; an owner and operator of cranberry farms in Ocean County; and a member of the Executive Committee and chairman of the Natural Resources Advisory Committee of the New Jersey Farm Bureau. I appear here today to speak for the New Jersey Farm Bureau which is a private organization of some 4,000 farmers in 20 counties.

The future progress of both the urban and rural areas of New Jersey, including agricultural and horticultural growth, industrial expansion, recreational development, and

social advancement will depend upon the wise, efficient use of water and land resources. Resource planning and use has long been an important part of public policy and action, but such public policy and action has not always been thought out clearly and conceived in the long-range best interests of our total economy.

We want to compliment the Legislature for the creation of this study commission. The recent prolonged drought in New Jersey brought home to all of us the need to do some long-range thinking and planning for the future water needs of industry, agriculture and people in the Garden State.

Traditionally, we have considered the quantity of these resources to be limitless, and they have been used and wasted freely in the development of this country, but the obvious needs of the present and future require that we look upon the qualitative as well as quantitative use of our resources, and that farmers as well as other citizens assume an increased responsibility that these resources be used in a manner that will assure the maximum utility in serving both the private and public interest.

I would like to quote from the current policies of the New Jersey Farm Bureau, as adopted by the delegates to our last State Convention in November: "We will lend our support to well-planned and reasonable proposals for steadily increasing water storage facilities in New Jersey. We believe New Jersey has a plentiful supply of water, if we can devise better ways of conserving, storing, using and reusing it.

Such storage facilities should include facilities in agricultural areas so that water can be readily available for commercial agriculture. It should be borne in mind that farmers catch and store more water than they use; and that before farmers are charged for the use of water from streams and rivers, they should be given a credit for such conservation practices."

Agriculture is here to stay. Before proceeding to outline our particular interest in water resource planning, let me dispel any idea you may have that you can write off agriculture as a part of New Jersey's future.

And if I may interrupt this statement for a minute, I enjoy coming into the Assembly Chamber because I look up at the New Jersey State Seal which hangs over the Speaker's head and it is a horse, three plows, a cornucopia of plenty, all of which back the agriculture origins of this State. And even though the Northeast Counties are now people and not farms there are still 8,000 farms left in New Jersey that are supporting the cornucopia of plenty that this water supply is so essential to.

It is true that we have some 10,000 fewer farms in New Jersey today than ten years ago, but we are producing almost as much total produce on less land and on larger farms. Some 8,000 commercial farms remain in New Jersey, representing a total capital investment of a billion dollars in land, livestock, machinery and buildings. In spite of all of our growing difficulties involved in trying to operate farms in the most urban state, we believe that agriculture

will continue to be a significant segment of the New Jersey economy for a long time to come. As a matter of fact, with the proper attitude on the part of government, agricultural production could be expanded in New Jersey since nearly two-thirds of our total land area is still open.

We have in New Jersey, particularly in South Jersey, the most ideal climate, soil and water conditions for the production of fruit and vegetables of nearly anywhere in the United States. The tremendous underground reservoir water that is near the surface and readily available, makes this area ideally suited for this type of agricultural production. It is these conditions and this intensive agricultural production that has made the development of the food processing industry in South Jersey a significant part of the economy.

But our agriculture today is vastly different than it was 25 years ago and it will change even more in the next 25 years. Where we once depended primarily upon natural rainfall for the needs of our crops, we now depend upon irrigation as an essential part of modern crop production. In fact, we have better control over moisture through irrigation.

Water and land are the two most essential prerequisites for agricultural production and farmers are expressing a growing concern about their future rights to water and the future availability of water in agricultural areas. If our farmers are forced to pay the State of New Jersey for the use of water, this would be an added cost to production that farmers in other states might not have, and might create

further difficulty in keeping our costs competitive with production in other states. We cannot preserve and expand our agricultural production in New Jersey unless this agricultural production is on an economically sound basis.

In the pine barrens we are witnessing at the present time a widespread interest in what is going to be done with the so-called pine barrens in South Jersey. One group wants to use several thousand acres to build a jetport. Another group wants to create a federal preserve that would take up a large area. Those of us in the business of producing cranberries, blueberries and other crops in these areas, think this type of agricultural production represents the best use of this land and water. We have experienced in the past the gleam in the eyes of those who are acquiring green acres for the State of New Jersey when they see a nice cranberry bog. Here are wide, open areas of trees and lakes ready made. What an ideal spot for a state park or wildlife preserve.

Our New Jersey farmers are the owners and users of most of the remaining open space in New Jersey. We have a real stake in how the land and water resources contained in these open spaces are controlled and used in the future. We think those with responsibility in public planning should be aware of the unusual situation with regard to water and agriculture. No other industry does as much to hold and conserve water close to its source and no other industry is more dependent upon water.

We would like to commend the Legislature for passing legislation this year to give farmers a representative on

the State Water Policy and Supply Council, although this bill has not yet been signed by the Governor.

And I might interrupt again here, Mr. Rinaldi, to say that since the establishment of the State Water Policy and Supply Council it has been traditional that a farmer had membership on this Council, and only in the last two years, by some oversight, - that's the most charitable thing I can say about it - do we lose our farm membership. The Legislature has now passed legislation that instructs that there be a farmer on this body. We certainly hope that Governor Hughes sees fit to sign this legislation.

We would like to point out that a comprehensive water conservation and use plan should not be concerned only with the construction of major reservoirs. It must also include the encouragement of small watershed developments, further impoundment of water on farms, preservation of woodlands to reduce water runoff, and many other phases of sound planning in this field.

At the urging of the New Jersey Farm Bureau, the Legislature has passed a bill that would create a special study commission on open land-use planning. When this bill is signed by Governor Hughes and the Commission is created, it should compliment the work of this study commission. Land resources and water resource planning go hand in hand. They cannot be separated.

It is our hope that you will come up with a workable long-range water resource plan that will take into consideration the total needs of all segments of the New Jersey

economy for many years ahead. If the execution of such a plan involves the investment of large amounts of public funds, then consideration will have to be given to long-term bonds to meet these needs. When such a plan is developed, you can depend upon the support of our farm people.

We very much appreciate the opportunity to present our views here today.

ASSEMBLYMAN RINALDI: Thank you.

I would like to state that we intend to direct attention tomorrow toward certainly the water situation as it is facing South Jersey. While the more critical problems have been met and faced by North Jersey, because of the concentrated population and industrial situation, the problems of North Jersey could well be the problems of South Jersey ten, fifteen, twenty years hence. South Jersey, of course, as you say, is very graciously endowed with a very magnanimous underground water reserve but that may well be depleted if proper attention isn't given to that. Let's hope that the mistakes which may have been made in North Jersey in the last ten or twenty years will not be repeated in South Jersey.

So it will certainly be the intent of this Commission to take a good, long, hard look at the South Jersey problems and be sure that they are constantly borne in mind so that their future also is taken care of now and not ten or twenty years from now when it may be too late.

I agree with you wholeheartedly, sir. I happen to be Chairman of the Assembly Committee on Agriculture,

Conservation and Natural Resources, so the agriculture bills come through my Committee and for a non-farmer from Essex County I'm learning a lot about agriculture. We are well aware of agriculture and what it has done for the State and what it can continue to do, and you may be sure that the members of this Commission will by no means think of New Jersey as just somebody turning on a faucet in North Jersey and an industrial consumer, the consumption by agriculture is indeed a very important one.

Thank you, sir.

MR. LIPMAN: Thank you.

ASSEMBLYMAN RINALDI: Our last witness today is Mr. DeMarco. Would you identify yourself, please.

J. G A R F I E L D D E M A R C O: Mr. Chairman, I'm J. Garfield DeMarco, Vice President of the American Cranberry Growers Association, a member of the National Cranberry Marketing Committee, and also, by the way, Solicitor of the Planning Board of Woodland Township, one of the State's largest municipalities in area but one of the smallest in population, and also I'm the Manager of one of the nation's largest cranberry farms.

As you and Mr. Lipman have emphasized, New Jersey is certainly a very big factor in the agricultural picture of the United States. Naturally it ranks along with the Rio Grande Valley and Florida and the producing areas of California in agriculture production.

Now, of course, it's obvious that water is crucial to agriculture but it is even more vital to cranberry

production than it is to any other type of agricultural production. Not only do you need water for irrigation of the crop in order to give them the sustenance they need to survive but water in cranberry production is crucial for harvesting. Cranberries are now harvested mechanically and water is needed for this. Water is needed for frost control, it's needed for winter flooding to keep from extensive vine damage during the winter months.

Now cranberries are planted in very marshy, very swampy areas. And, contrary to most forms of agriculture, you don't have extensive piping or extensive shooting of water by overhead means. It is all done by gravity flow. Large reservoirs are constructed generally higher than the rest of the property and then through sluice gates the water is let out into ditches and canals and into various other conduits into the producing areas.

Now this construction of reservoirs and dams and canals is something that has taken generations. You will find that the whole Wading River water area is completely covered by a whole network of these reservoirs and dams and so forth. And it has taken millions of dollars of the growers' money and, as I say, decades of work to do this. And the hard work of the growers in this area has made New Jersey one of the largest producers of cranberries in the country.

Now I want to stress this point of reservoirs and reservoir construction. The farmers, by all of this work, have become among the foremost of water conservationists. It

has been long recognized that extensive areas of land in farm ownership is certainly beneficial to the State as a whole. I believe this is one of the reasons why the State enacted the Farmland Assessment Act in order to allow the farmers to continue in operation to maintain these large areas in open space.

It's interesting that when the Green Acres people, as Mr. Lipman mentioned, came into our area at first there was a lot of conflict and a lot of friction. But after a little while both the conservationists and the growers realized that we had far more in common than we had differences. This is also true in the line of water conservation.

The Wading River area is, I believe, the only major water area in the State today that is unpolluted, completely unpolluted, and I would say that the growers must be given credit for keeping this water system in its present state.

Now I want to emphasize that farmers, because of their knowledge of water use and water control, especially the cranberry growers, because of their knowledge of all of these water areas, especially in the southern part of the State, should be given a voice in a Water Policy Council and should have representation on the various water policy agencies and water policy commissions.

As Mr. Lipman stated and I believe you have stated, I believe S-446 was enacted by the Legislature in order to give agriculture a position on the Water Policy and Supply Council. I certainly do hope that the Governor will sign

this piece of legislation.

Now, as I have mentioned, since the growers have spent so much time and so much money in developing these facilities for conserving water, I do not feel and the growers do not feel that they should ever be burdened in the future by having to pay for the water that they use. As a matter of fact, I've heard some of my friends in South Jersey state that the State of New Jersey should compensate the growers to some extent for all the work they've done in conserving water. I won't go quite that far.

ASSEMBLYMAN RINALDI: That's another problem we hadn't contemplated, but an interesting one.

MR. DeMARCO: I also want to state that the farmers are as interested in seeing that the pollution problem is solved as much as anyone else, if not moreso, because the slightest bit of pollution in water will completely eliminate an agricultural area, and this is especially true of cranberries. Mr. Lipman can testify to this even more than I can because he's familiar with farms that have been ruined because of pollutants in water.

I also want to state that I am also very interested in this pine barren area. The town that I'm from is Chatsworth, which has 200 people, and it's known as the capital of the Pines and, of course, we're quite aware of all these plans that are being proposed for us, jetports and national parks, water reservoirs and all this sort of thing.

ASSEMBLYMAN RINALDI: May I ask, sir, and I'm

probably horribly stupid in this regard, what county is that in, sir?

MR. DeMARCO: Burlington. Woodland Township of which Chatsworth is the capital, if you want to call it that, borders on Ocean County but it is mainly in Burlington County.

It's most interesting that the National Parks people who have been carrying on studies in the area now to see if a national park can be set up in this area or some sort of a national area, have commended the cranberry growers and the blueberry growers on the fine job they have done both in land and water conservation, and I hope that their studies lead them to the conclusion that they should certainly leave all cranberry and blueberry acreage alone when they set up any park, if they ever do.

Now I have no definite proposals to make. I feel that the Legislature will certainly find the best solution to these problems but I just wanted to request that agriculture be considered in all plans that are formulated for the use of New Jersey's water and I also would like to ask that agriculture or representatives of agriculture be on all of the policy commissions and councils and so forth that may be formed. And I want to thank you for giving me the opportunity to appear here.

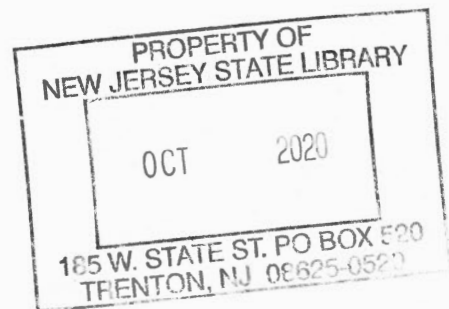
ASSEMBLYMAN RINALDI: Thank you very much. The same remarks I made to Mr. Lipman, of course, are equally significant for what you have just said. And thank you for appearing.

I believe, gentlemen, that's concludes the hearings

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for today. We will start tomorrow promptly at ten-thirty which will be the last day of this series of hearings.

(Hearing adjourned)



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which will be the first day of this series of hearings.

