P.L. 2021, CHAPTER 183, approved July 22, 2021 Assembly, No. 5343 (Second Reprint)

1 **AN ACT** concerning the replacement of lead service lines and supplementing Title 58 of the Revised Statutes.

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BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

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1. The Legislature finds that the presence of lead in drinking water represents a threat to the public health, especially the health and development of New Jersey's children; that pipes containing lead that connect water mains to homes and other buildings, often called lead service lines, are a primary source of lead in drinking water; and that, due in part to the age of New Jersey's housing, there does not exist a full and complete inventory of all lead service lines in the State.

The Legislature therefore declares that public water systems should fully inventory all service lines and gradually replace all lead services lines, portions of which may exist on private property; and that, given the risk to public health and the resulting social costs that lead exposure imposes upon society as a whole, it is in the public interest that each public water system be obligated to replace lead service lines, including those that exist on private property, and be authorized to recoup the costs of lead service line replacements from all subscribers of the public water system.

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2. As used in this act:

"Board" means the Board of Public Utilities or any successor agency.

¹"Customer" means a property owner or lessee who receives, and is required to pay, a water utility bill for water being supplied to the property.

"Distributed System Improvement Charge" means a surcharge that is imposed by an investor-owned public community water system on its customers, with the approval of the board, to enable the system to recoup the costs of non-revenue producing infrastructure improvements outside the context of a base rate case. 1

"Gooseneck, pigtail, or connector" means the short section of flexible piping, usually one to two feet long, which is used to connect rigid sections of service line piping.

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ANR committee amendments adopted March 15, 2021.

²Senate SBA committee amendments adopted June 17, 2021.

¹"Government-owned public community water system" means a public community water system established, pursuant to law, by a political subdivision of this State or an agency or instrumentality of one or more thereof.¹

"Investor-owned public ¹community¹ water system" means a public ¹community¹ water system that is a public utility, as defined in R.S.48:2-13, and which is subject to the jurisdiction of the board pursuant to Title 48 of the Revised Statutes.

"Lead service line" means a ¹[service line] water supply connection that is made of, or lined with, I materials containing a material consisting of 1 lead 1, and which connects a water main to a building inlet¹. ¹["Lead service line" shall include a] A¹ lead ¹pigtail, lead ¹ gooseneck, ¹[pigtail,] ¹ or ¹[connector] other lead fitting shall be considered to be a lead service line¹, regardless of the composition of the ¹[rigid sections of]¹ service line ¹or other portions of piping to which they are such piece is attached. ¹["Lead service line" shall also include a] A galvanized service line ¹[composed of galvanized steel] shall be considered to be a lead service line. A lead service line may be owned by the public community water system, a property owner, or both 1.

¹"Non-paying consumer" means the lessee or primary occupant of institutional, commercial, or residential space in a system's service area, who does not receive, and is not required to pay, a water utility bill for water supplied to the property.

"Off-site owner" means the owner of residential, commercial, or institutional property located within the service area of a public community water system, who resides at another property, outside the service area, and who does not receive, and is not required to pay, a water utility bill for water being supplied to the owner's property in the service area.¹

"Partial replacement" means the act of replacing any service line component without replacing the entire service line.

¹"Property owner" means the owner of residential, commercial, or educational institution property located within the service area of a public community water system. ¹

36 "Property¹-¹owner side" means the portion of a service line ¹that 37 <u>is</u>¹ owned by a property owner.

"Public ¹community¹ water system" ¹or "system" ¹ means a ¹public water ¹ system ¹ [for the provision to the public of water for human consumption through pipes or other constructed conveyances, if the system] or the owner of a public water system, as that term is defined by section 3 of P.L.1977, c.224 (C.58:12A-3), which system either: ¹ has at least 15 service connections ¹that are used by year-round residents; ¹ or regularly serves ¹ [an average of] ¹ at least 25 ¹ [individuals daily at least 60 days out of the year]

<u>year-round residents</u>¹. "Public ¹<u>community</u>¹ water system" ¹[shall include: (1) any collection, treatment, storage and distribution facilities under control of the operator of the system and used primarily in connection with the system; and (2) any collection or pre-treatment storage facilities not under control of the operator which are used primarily in connection with the system. "Public water system" shall also include the operator of the system. "Public water system" shall not include transient, non-community systems includes an investor-owned public community water system¹.

¹["Public water system side" means the portion of a service line owned by a public water system.]¹

"Service line" means any piping, tubing, and fittings connecting a water main to a building that serves a customer of a public water system. "Service line" ¹[shall include] includes ¹ the property ¹
owner side and the ¹[public water] ¹ system side of a service line.

¹ "System side" means the portion of a service line that is owned by a public community water system. ¹

- 3. a. Each public ¹community ¹ water system in the State shall develop a service line inventory ¹. ¹ in accordance with the requirements of this section, in order to determine the existence or absence of a lead service line at each service connection in its service area. The service line inventory shall include information about service line locations and the composition of service lines at each location. The department may prescribe data management means and methods to provide for the receipt of uniform submissions of the service line inventory by public ¹community ¹ water systems.
- b. No later than ¹[30] <u>60</u>¹ days after the effective date of this act, a public ¹community ¹ water system shall compile and submit ¹, ¹ to the department ¹, ¹ an initial count ¹[of] <u>showing</u> ¹ the number of lead service lines and the number of service lines of unknown composition that are known to be present in the ¹system's ¹ service area ¹[of the public water system], as well as the number of lead service lines that are to be replaced annually, based on the replacement rate established pursuant to paragraph (1) of subsection b. of section 5 of this act ¹.
- c. No later than six months after the effective date of this act, a public ¹community ¹ water system shall submit to the department an initial service line inventory. The inventory shall include:
 - (1) the locations of ¹<u>all</u> ¹ identified lead service lines;
- (2) an indication ¹[of] <u>as to</u>¹ whether ¹[the] <u>each</u>¹ identified lead service ¹[lines are] <u>line is</u>¹ completely composed of lead or otherwise ¹[meet] <u>meets</u>¹ the definition of ¹a¹ lead service line;

- 1 (3) the 'locations' location' of 'each' service 'lines' line that
 2 is' suspected to be lead;
- 3 (4) for each identified and suspected lead service line, ¹an 4 indication as to ¹ whether the line is owned by the public 5 ¹community ¹ water system, ¹the ¹ property owner, or both;
- 6 (5) the locations and compositions of ¹<u>all</u>¹ non-lead service 7 lines; and
- 8 (6) a separate ¹[category] <u>list</u>¹ identifying all service lines of unknown composition.

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- ¹d. ¹ The public ¹community ¹ water system shall use historical building records and other available information, including data from the American Water Works Association or other industry research groups, to determine the likelihood of the presence of lead service lines in all portions of its service area ¹, as provided by this section ¹.
- ¹[After] e. Following the submission of the initial service line inventory pursuant to subsection c. of this section, each public community water system in the State shall continue the inventory process and utilize every reasonable method available to locate all lead service lines within its service area. This process shall include, but shall not be limited to [,]:
- $(1)^1$ visual inspection during planned maintenance, meter replacement, and main replacement projects ${}^1\mathbf{L}, \mathbf{l}; {}^1$ and
- ¹(2) the solicitation and receipt of comments, complaints, and other¹ input ¹[that the public water system requests]¹ from ¹[its]¹ customers ¹and non-paying consumers in the service area¹.
- ¹[d.] <u>f. (1)</u>¹ No later than one year after the effective date of this act, a public ¹community ¹ water system shall submit ¹, ¹ to the department ¹, ¹ an updated inventory of ¹service lines in ¹ its service ¹[territory that meets the requirements of] <u>area.</u> The updated inventory shall contain the information required by ¹ subsection c. of this section ¹[. The updated inventory shall also contain the following information], and shall additionally include ¹:
- ¹[(1)] (a) for each service line suspected of containing lead, ¹ supporting information detailing the ¹[reasoning behind the identification of] the reasons why ¹ each ¹such ¹ service line ¹[identified as being suspected of containing] is believed to contain ¹ lead; and
- ¹[(2)] (b) for each service line identified as being of unknown 40 composition, a description detailing the steps undertaken to 41 determine [if] whether the line contains lead.
- 42 ¹(2)¹ The public ¹community¹ water system shall keep the 43 department informed of its progress pursuant to this subsection 44 ¹[and shall continue to adhere], through the annual reports

submitted pursuant¹ to the provisions of section 7 of this act. If a public ¹community¹ water system exhausts all other methods of identifying a service line, including the use of new technologies that become available, the department may require excavation¹, ¹ as necessary, to identify the service line.

- ¹[e.] g. ¹ Beginning two years after the effective date of this act, ¹and until such time as all lead service lines have been replaced in accordance with this act, ¹ a public ¹community ¹ water system shall annually submit to the department:
- (1) an updated service line inventory that meets the requirements of ¹[subsections c. and d.] subsection f. ¹ of this section; and
- (2) a ¹ [certification] statement certifying ¹ that the public ¹ community ¹ water system is in compliance with the provisions of this act.
- ¹[f.] h. ¹ A public ¹community ¹ water system shall provide its most recent service line inventory, upon request and at no cost, to appropriate State officials or to the local government officials of a municipality served by the public ¹community ¹ water system. A public ¹community ¹ water system ¹[that serves more than 3,300 customers] shall make its most recent service line inventory available on its Internet website. ¹For public community water systems serving fewer than 3,300 customers, whenever an Internet website is not available, the public community water system shall make its most recent service line inventory available in another publicly accessible location. ¹

- 4. a. No later than 30 days after submitting an initial service line inventory to the department pursuant to subsection c. of section 3 of this act, and periodically thereafter as the department may require, a public 'community' water system shall send, to each 'Iproperty owner and 'customer and non-paying consumer served by a lead service line Iproperty early a lead service line area, and to any off-site owner of property served by a lead service line in the service area, written notice of the composition of the service line. Iproperty served by a lead service line in the service area, written notice of the composition of the service line. Iproperty served by a lead service line in the service area, written notice of the composition of the service line. Iproperty served by a lead service line in the service area, written notice of the composition of the service line. Iproperty served by a lead service line in the service area, written notice of the composition of the service line. Iproperty served by a lead service line in the service area, written notice of the composition of the service line of unknown composition. In the service area, and to any off-site owner of property served by a lead service line in the service area.
- b. A¹ notice ¹provided pursuant to this section ¹ shall ¹:
- (1)¹ be sent¹, ¹ by certified mail, ¹[in a separate mailing] to each residential, commercial, or instituional address affected by the known lead service line and addressed to the primary resident or

commercial or institutional occupant thereof, as appropriate. Notice shall be sent to all affected addresses, as provided in this paragraph, regardless of whether the resident or occupant is a system customer or is a non-paying consumer;

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- (2) be sent, by certified mail, to each off-site owner of property affected by the known lead service line and addressed to the property owner's last known address, as determined through the review of local property tax and other available records;
- (3) be included in a mailing that is separate and distinct¹ from ¹[the] the water¹ bill ¹that is issued for the property¹. The ¹[notice shall be in a form and manner as determined by the department, and shall] notice shall contain large, easily readable text and be presented on distinctly colored paper or other paper that is easily distinguishable from the water billing statement; and
- (4)¹ include, ¹[but not be limited to: information about] at a minimum: (a) a list of the lead service lines that are being used to serve the customer or non-paying consumer; (b) information describing¹ the sources of lead in drinking water, including lead service lines and household plumbing; ¹(c) a description of¹ the health effects of lead exposure; and ¹(d) the¹ steps ¹that system¹ customers ¹and non-paying consumers in the service area¹ can take to reduce their exposure to lead in drinking water.
- ¹[In the case] c. If the recipient of notice provided pursuant to this section is the owner or operator of an apartment building, group home, or other multi-family or multi-unit dwelling, Luntil the lead service line has been replaced or identified as a non-lead service line, the landlord such owner or operator shall provide a hard copy of the notice to each existing resident of the multi-family or multi-unit dwelling and 1 shall 1 additionally 1 post 1 a copy of 1 the notice in a conspicuous location in a common area of the dwelling. The '[landlord] owner or operator' shall also inform each new ¹[tenant of] resident of the multi-family or multi-unit dwelling, prior to their residence, about 1 the existence of the lead service line ¹[or service line of unknown composition], ¹ and ¹shall ¹ provide each new ¹[tenant] resident with a ¹hard copy of the notice ¹received pursuant to this section, upon the commencement of their residence. A notice posted in a common area of a multi-family or multi-unit dwelling, pursuant to this subsection, may be removed only after all of the lead service lines identified in the notice have been replaced and determined to be non-lead service lines¹.
- ¹**[**b.**]** <u>d.</u>¹ If a public ¹<u>community</u> water system serves a municipality in which the primary language of 10 percent or more of the residents is a language other than English, the public ¹<u>community</u> water system shall provide the notice required pursuant to subsection a. of this section in both English and the

other language ¹ [to the applicable property owners and customers in that municipality spoken by residents¹.

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- 5. a. No later than 12 months after the effective date of this act, each public ¹community ¹ water system shall submit ¹, ¹ to the department¹, an initial plan for replacing all lead service lines within its service area. The plan shall be ¹annually ¹ updated ¹[annually and made] to be ¹ consistent with the annual updates to the '[public water]' system's service line inventory', which are' required pursuant to section 3 of this act, ¹and shall remain in effect¹ until all lead services lines within the ¹[public water]¹ system's service area have been ¹identified and ¹ replaced.
- b. Each lead service line replacement plan and annual update thereto shall¹:
- (1)¹ provide for the ¹average¹ annual replacement of at least ¹[seven] <u>10</u>¹ percent of all lead service lines ¹that were known to, and identified by 1,1 the public community water system on the date it ¹[submits] submitted ¹ its initial ¹service line replacement ¹ plan to the department ¹[. In addition, each plan and update thereto shall, pursuant to subsection a. of this section;
- (2)¹ provide for the replacement of all lead service lines within the ¹system's ¹ service area ¹[of the public water system], ¹ no later than ¹[20] <u>10</u>¹ years after the effective date of this act, regardless of whether the lines ¹ [are] were ¹ known or unknown ¹ [on the date] to the public community water system system submits on the date that it submitted its initial plan to the department [... department may require additional pursuant to subsection a. of this section. Each public community water system in the State shall be encouraged to complete the replacement of all lead service lines in its service area within 10 years after the effective date of this act, as provided in the system's lead service line replacement plan; however, notwithstanding the provisions of this paragraph to the contrary, the public community water system shall be authorized to continue lead service line replacement activities for a maximum period of 15 years if necessary to enable the system to fully comply with the provisions of this act; ²[and]²
- (3) include ²a plan for notifying consumers of health effects and steps they may take to reduce their exposure to lead before and after any lead service line replacement; and
- (4) include² any other¹ information¹[, as it deems appropriate, to be included in each lead service line replacement plan and annual update thereto or certifications required by the department.
- ¹[A] (1) Except during an emergency, such as a water 43 main or service line break, ²or during a water main replacement, ² a¹ 44 public ¹community ¹ water system shall not ¹[, except during 45

- 1 emergencies such as a water main or service line break, **1** conduct a
- 2 partial replacement of a lead service line ²[, and] . In all instances,
- 3 the public community water system² [the public water system]¹
- 4 shall make a good faith effort to replace the entire lead service line
- 5 ²and shall conduct a partial replacement only as a last resort². A
- 6 partial replacement of a lead service line shall not count toward the
- 7 public ¹community ¹ water system's replacement requirements
- 8 pursuant to subsection b. of this section.
- ¹(2) A public community water system shall not

 ²[permanently]² suspend the water service of a customer ²[who

 denies] solely because of a denial of access to the property owner
 side of a lead service line an attempt to replace for the

 replacement of a lead service line pursuant to this act.
 - d. ¹(1)¹ A public ¹community¹ water system may apply for, and the department may approve, a reasonable extension of any target or deadline set forth in this section ¹[, provided that] <u>if</u>¹ the public ¹community¹ water system demonstrates to the department that the extension is necessary to meet a service reliability demand or public health need, not related to lead abatement, within the system.
 - ¹[e. In the event of fiscal distress, a municipally owned] (2) A government entity that owns a¹ public ¹community¹ water system may apply for ¹, ¹ and the department, in consultation with Division of Local Government Services in the Department of Community Affairs, may approve ¹, ¹ a reasonable extension of any target or deadline set forth in this section ¹if the government-owned system demonstrates to the department that the extension is necessary because the system or the municipality is experiencing financial distress.
 - e. Notwithstanding the provisions of R.S.40:56-1 to the contrary, any costs incurred by a government-owned public community water system to assess or replace a lead service line pursuant to this act, excluding any portion funded by grants or other subsidies, may be borne by all of the customers of the government-owned public water system or may be assessed to a property of a property owner in the same manner as provided for the assessment of local improvements, pursuant to R.S.40:56-1 et seq., upon notice to the Director of the Division of Local Government Services in the Department of Community Affairs 1.

6. a. ¹ [An investor-owned public water system may recoup the costs of lead service line replacements from its customers, subject to the provisions of this section. A proposal to recoup the costs of lead service line replacements shall be considered in the context of the investor-owned public water system's next general rate case proceeding, initiated after the effective date of this act, during

which the board shall consider the rate impacts of the proposed lead service line replacement plan prior to approving the proposal. ²[(1)]² Notwithstanding the provisions of any law, rule, regulation, or order to the contrary, 100 percent of the costs associated with undertaking and funding the replacement of lead service lines pursuant to this act, excluding any portion funded by grants or other subsidies, shall be borne by all of the customers, in the State, of an investor-owned public community water system and shall be included in the investor-owned public community water system's rate base or otherwise be recoverable from the system's customers, in a manner determined by the board. In making a determination under this subsection, the board shall stipulate that:

²[(a)] (1)² the proportionate share of project costs for the replacement of the system side of a lead service line may be incorporated into the rate base as capital assets of the investor-owned public community water system or may be recovered through the use of a Distributed System Improvement Charge ²[or alternate recoupment methodology approved by the board] as allowed under existing law²; and

²[(b)] (2)² the proportionate share of project costs for the replacement of the property-owner side of a lead service line ², including the investor-owned public community water system's embedded cost of debt, as authorized in its most recent base rate case, ² shall be treated as an operation and maintenance cost, with no ²[profit] cost of equity ² additive ²[, because the property-owner side is, by definition, not a capital asset of the investor-owned public community water system.] . Costs for the replacement of property-owner side lead service lines incurred since the investor-owned public community water system's last base rate case and incurred until all property-owner side lead service lines have been eliminated from the investor-owned public community water system shall be recoverable on a semi-annual basis through a separate lead service line expense surcharge and not imbedded into base rates. ²

²[(2) Nothing in this section shall be construed to allow an investor-owned public community water system to earn a return, in rates, on any costs associated with property that is not used and useful investor-owned public community water system property.]²

<u>b.</u>¹ In order to recoup the costs of lead service line replacements from its customers, ¹as provided by subsection a. of this section, ¹ an investor-owned public ¹community ¹ water system shall submit ¹[the] to the board, for approval at its next general rate case proceeding, a petition that includes a ¹ proposal ¹[within a petition to the board that addresses] for cost recoupment. The proposal shall contain ¹ the following ¹information ¹:

(1) the estimated total cost to replace both the property¹-¹owner ¹[sides] side¹ and ¹[public water] the¹ system ¹[sides] side¹ of all

- lead service lines 1that lie within, or 1are connected to, the 1 ¹[investor-owned public water] ¹ system's service area ¹, including, 2 but not limited to, the estimated total cost to evaluate service lines 3 4 of unknown composition and to replace both the property-owner 5 side and system side of any such lines that are determined to be lead service lines, 1 and an estimated range for the annual cost to be 6 incurred by the system under the system's current lead service line 7 8 replacement plan;
 - (2) ¹**[**a quantification of the shareholder contribution to be made in order to meet the requirements of this act;

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- (3) I the availability of grants or low interest loans and whether the investor-owned public ¹community ¹ water system plans to use available grants or low interest loans to help the system finance or reduce lead service line replacement costs, including a detailed description of any efforts made by the system to secure such financing;
- ¹**[**(4)**]** (3)¹ the investor-owned public ¹community¹ water system's proposed rate treatment of the replacement costs, including:
 - (a) any proposed deferred accounting treatment of the costs;
- (b) the proposed rate base treatment of the costs ¹, and whether and how the system is planning to effectuate system side cost recoupment through the use of a Distributed System Improvement Charge or alternate recoupment methodology approved by the board ¹;
- (c) the proposed operations and maintenance expense treatment of the costs; and
 - (d) the average monthly residential bill impact of the proposed rate treatment of the costs;
- ¹**[**(5)**]** (4)¹ a description of how the replacement of lead service lines will be accomplished in conjunction with other replacement projects in the ¹**[**investor-owned public water**]**¹ system's service area;
- ¹[(6)] (5)¹ the estimated savings¹, ¹ per lead service line¹, that will be¹ achieved by ¹requiring¹ the investor-owned public ¹community¹ water system ¹[replacing], and not the¹ property owner¹, to replace the property-owner¹ sides of lead service lines ¹[instead of the property owner] in the service area¹; and
- 39 ¹[(7)] (6)¹ the ¹[investor-owned public water system's proposal 40 for] means and methods that will be used by the system to ¹:
- (a) ¹ [communicating the system's] <u>inform all system customers</u> and non-paying consumers in the system's service area about the system's lead service line replacement 1 plan 1 [to replace a lead service line to a property owner and customer] 1; and

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- (b) ¹ [documenting a property owner's or] document each ¹ customer's consent ¹, ¹ or lack of consent ¹, ¹ to the replacement of a lead service line.
 - ¹[b.] <u>c.</u>¹ Before an investor-owned public ¹<u>community</u>¹ water system may ¹<u>be authorized by the board to</u>¹ recoup the costs of lead service line replacements from its customers ¹, ¹ pursuant to ¹[subsection a. of] ¹ this section, the board shall ensure that the department has ¹[approved] <u>received</u> ¹ the ¹[investor-owned public water] ¹ system's ¹[plan for the replacement of the lead service lines required pursuant to section 5 of this act] <u>inventory</u>, as required by <u>section 3 of this act</u> ¹.

7. No later than December 31 of each year, a public ¹community ¹ water system shall submit to the department, in a form and manner to be determined by the department, a report detailing the public ¹community ¹ water system's progress in replacing lead service lines pursuant to this act. A public ¹community ¹ water system ¹[that serves more than 3,300 customers] ¹ shall make its report available on its Internet website. ¹If an Internet website is not available, the public community water system shall make its report available in another publicly accessible location. ¹ If the department determines, based on the information provided by the public ¹community ¹ water system ¹pursuant to this section ¹, that the ¹[public water] ¹ system has completed the replacement of all lead service lines within the ¹[public water] ¹ system's service area, the ¹[public water] ¹ system shall no longer be required to submit a report pursuant to this section.

- 8. a. The Department of Environmental Protection may adopt, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules and regulations necessary to implement the provisions of this act.
- b. The Board of Public Utilities may adopt, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules and regulations necessary to implement the provisions of this act.
- ¹c. The Department of Environmental Protection and the Board of Public Utilities shall consult with one another and with the Division of Local Government Services in the Department of Community Affairs when adopting rules and regulations pursuant to this section. ¹

9. This act shall take effect immediately.

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- Requires public community water systems to inventory and 1
- replace lead service lines within 10 years; provides for recoupment 2
- of costs by investor-owned public water systems.