



PASSAIC VALLEY WATER COMMISSION

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COMMISSIONERS

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Simon Grubin, Treasurer, Passaic
Thomas P. De Vita, Secretary, Clifton
Gloria Kolodziej, Commissioner, Clifton
Maria Magda O'Keefe, Commissioner, Paterson
Idida Rodriguez, Commissioner, Paterson

OFFICE OF THE COMPTROLLER

Riverdale Water Department
91 Newark-Pompton Tpk POB 6
Riverdale, NJ 07457
September 25, 2007

Dear Sir or Madam:

Passaic Valley Water Commission (PVWC) recently had its rates, revenues and expenses reviewed by an independent consultant to ensure required bond covenants would be met in the coming years for the protection of our bondholders.

The calculations indicated that due to increases in expenses related to energy, transportation, chemicals and other commodities, both wholesale and retail rates would need to increase by 3.85% in 2008 and by 4.0% in each of 2009 and 2010. Consequently, at the August 29, 2007 Board of Commissioners meeting a resolution proposing said increases was adopted.

As such, wholesale water rates will increase as follows:

From \$ 1620.82 per MGD to \$ 1683.22 per MGD effective January 1, 2008.

From \$ 1683.22 per MGD to \$ 1750.55 per MGD effective January 1, 2009.

From \$ 1750.55 per MGD to \$ 1820.57 per MGD effective January 1, 2010.

A copy of the resolution is attached for your files.

As always, Passaic Valley Water Commission continues to work hard to keep our rates as low as possible. This increase represents our best efforts to keep our rates in check despite rising costs and reduced revenues.

PVWC remains committed to our 75 year tradition of providing the highest quality drinking water at the lowest rate possible to all our customers. PVWC continues to adhere to standards that are above and beyond state and federal requirements, producing some of the best tasting drinking water in the state.

We appreciate your patronage and look forward to serving you in the future. If there are any questions on this matter, please do not hesitate to call.

Very truly yours,

Yitzchak Weiss
Comptroller/CFO

cc: Hon. Board of Commissioners
George T. Hanley, General Counsel
Joseph A. Bella, Executive Director

Administrative Secretary
Louis Amodio

Executive Director
Joseph A. Bella

General Counsel
George T. Hanley

RESOLUTION #07-72

RESOLUTION OF PASSAIC VALLEY WATER COMMISSION
DATE OF ADOPTION: August 29, 2007

Approved as to form and legality by the Law Department on basis of facts set forth by Yitzchak Weiss, Comptroller.

Introduced by Commissioner Levine

Seconded by Commissioner De Vita

WHEREAS, the provisions of R.S. 40:62-108, et. seq. are applicable to Passaic Valley Water Commission (hereinafter "PVWC"); and

WHEREAS, R.S. 40:62-127 mandates that water rates may be changed from time to time by PVWC whenever necessary, so that PVWC shall be self-supporting, the earnings to be sufficient to provide for all Capital expenses, expenses of operation and maintenance, and such charges as interest, sinking fund and amortization, so as to prevent any deficit from accruing; and

WHEREAS, expected revenues have been diminishing because of conservation and reduction in consumption; and

WHEREAS, the various provisions of the aforesaid Statute are part of the contract with the holders of Bond obligations issued for the purpose of financing rehabilitation of infrastructure, extensions and enlargement of PVWC; and

WHEREAS, in spite of various stringent budget limitations, cost controls and an employee reduction of greater than 30 percent instituted by PVWC, together with overall increases in the cost of goods purchased, increases in payroll, payments to North Jersey District Water Supply Commission, and other costs and expenses, it is considered to be in the best interests of PVWC and its customers, both wholesale and retail, to increase all rates and charges for water sold; and

WHEREAS, PVWC is obligated by covenant with its bondholders and pursuant to the direction of the Local Finance Board of New Jersey in connection therewith, to maintain a certain level of rates and revenues in conjunction therewith; and

WHEREAS, PVWC is embarking upon significant capital projects in its member cities and in systems owned by PVWC to renovate and reconstruct existing, but antiquated distribution systems; and

WHEREAS, expenses related to energy, transportation, chemicals and other commodities and services have increased dramatically in recent months; and

WHEREAS, a report of an independent rate consultant, Black & Veatch Corporation, dated January 31, 2006 ("Black & Veatch's Report"), and previously received and approved by the Commission, projected the need for rate increases to accommodate normal inflationary pressures and needed capital projects, and a copy of the excerpt from said report pertaining to rate recommendations is attached hereto and made a part hereof as Exhibit A; and

WHEREAS, an updated rate study report of Howard J. Woods, Jr. and Associates, LLC dated August 16, 2007 (the "Engineer's Report") reaffirming said need for rate increases is attached hereto and made a part hereof as Exhibit B; and

WHEREAS, the Commission has previously authorized certain capital projects and the financing thereof by the New Jersey Environmental Infrastructure Trust ("NJEIT"); and

WHEREAS, the NJEIT requires that the Commission reaffirm its intention to meet its rate covenant to its bondholders as of January 1, 2008, in accordance with the above-mentioned rate studies; and

WHEREAS, PVWC has duly reviewed its rates, revenues, and expenses, both as presently established and as anticipated in the future, and on the basis thereof, PVWC has determined to proceed with overall rate increases as set forth in Schedule A for all rates and charges, both wholesale and retail, so as to meet its statutory and contractual obligations, and a copy of said Schedule A is attached hereto and made a part hereof as Exhibit C; and

WHEREAS, said rate increases as hereby authorized amount to approximately a 3.85 percent increase to the typical retail customer (or approximately \$1.22 per month) for the year 2008, and subsequent annual increases of approximately 4.00 percent to the typical retail customer (or approximately \$1.27 per month) for each of the years 2009 and 2010; and

WHEREAS, notwithstanding said rate increases, the independent rate consultant's report dated August 16, 2007 (Exhibit B) shows that the rate increases hereby authorized will preserve PVWC's rates below the rates of comparative or similar systems;

NOW THEREFORE, BE IT RESOLVED, by PVWC, in the County of Passaic, New Jersey:

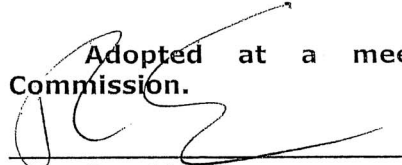
1. There shall be overall rate increases for all wholesale and retail customers of PVWC as set forth in Schedule A; and
2. Said rates for each year shall take effect January 1 of each said year; and
3. That notice to all customers consistent herewith, as required pursuant to existing policy of PVWC, shall be given by forwarding to all wholesale customers of PVWC a copy of this Resolution, in full; and public notice thereof shall be given by publishing this Resolution, in full, in the official newspapers of PVWC in accordance therewith;

Adopted on the roll; Ayes: 6 Absent:1 (O'Keefe)

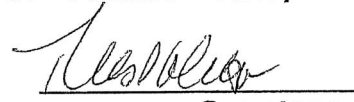
RECORD OF COMMISSION VOTE ON FINAL PASSAGE

	AYE	NAY	ABSTAIN	ABSENT
DE VITA, T.	<u> x </u>	___	___	___
GRUBIN, S.	<u> x </u>	___	___	___
KOLODZIEJ, G.	<u> x </u>	___	___	___
LEVINE, A.	<u> x </u>	___	___	___
RODRIGUEZ, I.	<u> x </u>	___	___	___
O'KEEFE, M.	___	___	___	<u> x </u>
SANCHEZ, R.	<u> x </u>	___	___	___

Adopted at a meeting of Passaic Valley Water
Commission.



President



Secretary

This Resolution, when adopted, must remain in the
custody of the Administrative Secretary.

cc: J.Bella
L.Beckering
J.Duprey
G.Hanley
Y.Weiss
File