

## **WATER COMPANY UPDATE FROM THE BOARD OF GOVERNORS**

First a little history—Prior to September 1974, the Forest Lakes Club was dominated by the developer of this community by means of five appointments to the then nine member Board of Governors. In the summer of 1973 the Club undertook an upgrading of the Water Co., which was then part of the Club, to meet requirements of the N.J. Dept. of Environmental Protection. During this time a “building ban” was in effect due to “inadequate source capacity required to meet needs of present and future consumers”. Eventually, the developer took measures to positively control the Board of Governors, and the Water Co. was separated from the Club (in an apparent attempt to protect building interests) and was to be re-established as a “wholly owned subsidiary” (with independent management) of the Club. This never occurred. The articles of incorporation of the “new” Water Co. say nothing about the Club. In April of 1974, the Water Co. started operating independently from the Club. Soon after commencing operations the Co. unilaterally raised rates from \$56.00 per year to \$80.00. About this time, the Club reorganized and restructured the Board with seven members, all elected by home and lot owners. A group of concerned citizens organized the Forest Lakes Homeowners Association and funded a legal intervention with the N.J. Board of Public Utilities to restrain the unfair pricing practices of the Water Company. As a result, the B.P.U. ordered a rate roll back to \$56.00 and further ordered the Water Company to furnish evidence to justify this rate which had never before been approved. The Water Co. neither complied with this order nor did they comply the D.E.P. regulations regarding the physical operations of the system. As a result the N.J. Attorney General’s Office commenced action in the Superior Court for compliance of the water company with these two agencies. The cast of characters in this action are: The Forest Lakes Water Co., The Bureau of Public Utilities, The Dept. of Environmental Protection, The Attorney General’s Office, Forest Lakes Inc. (as developer, now defunct), Westby Corp. (as successor developer) and the Forest Lakes Club. The purpose of the action is threefold. The first is to force the Water Co. to comply with the operational requirements of the D.E.P. for the benefit of public safety. Second, to force the Water Co. to comply with B.P.U. regulations as to rate structure and management. And lastly, to establish the rightful ownership of the Water Company. The first two purposes have been at least partially accomplished. The Water Co. has reluctantly complied with various requirements under Court order and the threat of contempt of Court. Physical improvements in the system have been made and various operational reports required by the D.E.P. have been filed. There are still D.E.P. requirements to be met however. The interaction between the Water Co. and the B.P.U. has been involved and poor. The following was taken from a Decision and Order dated 7-25-80. “The patience of the Examiner, the Board’s staff, the DAG’s (Deputy Attorney General) and the then sitting Board Members is commendable while respondent’s (Forest Lakes Water Co. represented by John R. Know) total lack of diligence, his disrespect and outright disregard for this Agency is intolerable.” After reviewing the Water Co. annual reports for 1974 and 1979, the B.P.U. concluded that the \$56.00 rates for 1974 and 1975 were reasonably related to operating expenses (only). Because a full tariff has still yet to

applied for, with supporting evidence, the B.P.U. could not determine if this rate was reasonable as compared to all expenses for 1974 and beyond. The B.P.U. has, however, established \$56.00 as the official rate. The B.P.U. has also ordered the Water Co. to comply with other requirements including receiving B.P.U. approval for any loans outstanding after Sept. 23, 1980 and until the control of the Water Co. has been decided by the Court that “all revenue and funds collected shall be used to pay for current expenses incurred in the day to day operations, but more specifically, the Board orders that there be no disbursement of funds for any expenses or obligations due to any principals of respondent (managers of the Water Co.) without Board approval. Furthermore, respondent shall report on a monthly basis to this Board as to the above details of all cash receipts and disbursements, until relieved of this requirement by the Board”. The Water Co. is also required to state what assets it owns and what assets are used but not owned and agreements for the use of such assets. (The Water Tank and the property it sits on are held in trust for the Forest Lakes Club.)

If you think all of this sounds messy and involved you're right! Your Club has been pursuing a resolution of who should own, operate, maintain, and control the Water Co. since 1974. For the last one and a half years there has been an average of one hearing, with the Court or Agencies, every month. Much has been accomplished but there is more to be done. It will take additional time but I feel we are following a prudent course that will eventually lead to a reliable source of potable water and an appropriate resolution of the management of the Water Company.

Paul Briggs  
Chairman

## **SPECIAL NOTICE**

The Club wishes to extend its sympathy to the family of Everett Graves who passed away on August 26, 1980. The Graves residence is one of the earlier to be established in the community and Everett served the Club as both a Board Member and as Chairman of the Water Committee for many years. His many hours of devoted volunteer work are both remembered and appreciated.