

December 30, 2010

Ms. Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Re: Possible Implementation of a DSIC: BPU Docket No. WO10090655

Dear Secretary Izzo:

I am writing on behalf of the members of the New Jersey Utilities Association (NJUA) in support of the creation of a distribution system improvement charge in New Jersey. NJUA represents not only the investor-owned water companies, but also the sewerage, electric, gas and telecommunications utilities regulated by the Board.

Our entire industry views the miles of utility infrastructure that cross New Jersey to be akin to the human bodies' vascular system—a means through which New Jersey receives much of what it needs not only to survive, but also to thrive. Utilities are critically important to the wellbeing of New Jersey residents as well as to the economic health of the state. Our member companies take their responsibility to provide safe, adequate and proper service very seriously, and do so each and every day.

Our member companies comprise an industry that has been in existence for well over 100 years. We recognize that in order to continue to provide essential utility services for the long-term, additional investment in infrastructure will be needed over time to enable us to not only provide the safe and reliable services to which our customers are accustomed, but also to do so efficiently and in a manner that meets New Jerseyans most basic essential needs and the demands of a technologically driven and highly specialized economy. It is for this reason that the NJUA Board of Directors, representing all 16 of our member companies, has identified the implementation of a DSIC for the water industry as a high priority public policy objective for the association.

Among the questions posed in the announcement of the stakeholder meeting was whether we believe that a DSIC should be implemented for water and wastewater utilities. While we believe it could be an effective solution for wastewater as well, we would encourage the Board to start first with a DSIC for water. If deemed appropriate, a DSIC for wastewater could be adopted at a future time.

The meeting announcement also requested views on whether there is a demonstrated need for a DSIC in New Jersey. One need only listen to news accounts across the State to recognize that the number and severity of water main breaks is on the rise, for privately operated systems, as well as publicly operated systems. New Jersey can ill-afford to ignore this problem, thus we encourage the Board to create a mechanism that will enable this issue to be addressed for the investor-owned water utilities under its jurisdiction.

Anecdotal evidence is not the only demonstration of the need to address New Jersey's aging infrastructure problem. The New Jersey Department of Environmental Protection's Clean Water Council recently issued final recommendations which, among other things, aptly noted:

"New Jersey can maintain a viable economy with a sound environment only if it ensures that its water supply, wastewater and stormwater infrastructure is effectively maintained in a manner that produces the lowest life-cycle cost."¹

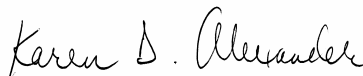
Clearly, it is not the industry alone that perceives that there is a growing problem that needs to be addressed. We applaud the Board for recognizing the problem and seeking input on a possible mechanism for resolving it.

During the stakeholder meeting on this issue, the question arose as to whether the American Society of Civil Engineers' grade for New Jersey's water and wastewater infrastructure overstates the condition of the infrastructure owned by the investor-owned utilities under the Board's purview and whether the data could be disaggregated to more clearly delineate the relative condition of the private systems from the public systems. While the ASCE's data may not be able to make that distinction, the Board-regulated water utilities have clearly communicated since the mid-1990s that their systems are aging and that the rehabilitation or replacement of the infrastructure needs to be accelerated. It is clear that the private water utilities have been doing infrastructure upgrades, and perhaps have done so to a greater extent than many of the public systems. However, it is also clear that if the rate of upgrades is not accelerated, as time goes on, conditions will only worsen. Public health, wellbeing and the State's economy need water infrastructure distribution systems that are very good to excellent, not good to mediocre.

With respect to the specifics of the mechanism that should be adopted for the water utilities for which the Board is seeking input including: eligible projects, calculations of the DSIC charge, caps and the appropriateness of an earnings test, we would call your attention to the testimony and exhibits submitted by the New Jersey Chapter of the National Association of Water Companies, which has overlapping membership with NJUA. NJUA supports the creation of a DSIC mechanism consistent with NAWC-NJ's recommendations and encourages the Board to propose and adopt regulations that will accomplish the goal of accelerating water infrastructure rehabilitation and replacement as soon as possible.

Please feel free to contact me if you have any questions. I appreciate the opportunity to provide these comments.

Sincerely,



Karen D. Alexander

¹ A copy of the Clean Water Council's recommendations is included as an attachment to this letter.