



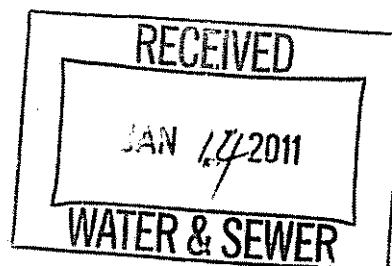
**JAMES M. CARROLL**  
Freeholder

County of Bergen  
**Board of Chosen Freeholders**

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December 22, 2010

Lee Solomon President  
NJ Board of Public Utilities  
44 So. Clinton Ave., 7<sup>th</sup> Floor  
Trenton NJ 08625



Dear Commissioner Solomon,

We now know that a significant portion of NJ's water infrastructure was installed between 1880 and 1960. Cast iron pipe installed between 1880 and 1910 has a useful life of 120 years. Thinner cast iron was used in the 20's and 30's and can last up to 100 years. Between 1945 and 1960 ductile iron, which can last 70 years was installed. If you look at the useful lives of these types of main and the period they were installed it is clear that the time has come to replace or rehabilitate this pipe.

We believe this is a long term problem; 100% of the cast iron and ductile iron pipe installed by 1965 will reach the end of its estimated life by 2035; this is a significant problem. Pipe installed in the 1880's is already 120 years old. We have 25 years to replace 80 years worth of pipe installations.

If New Jersey does not take appropriate steps to meet this need and accelerate infrastructure renewal, water companies will continue to invest as they have been; however the state will begin to suffer:

- More prolonged main breaks and service interruptions
- Pressure and WQ issues
- Higher costs as emergencies occur, and the cost to fix the problems under an emergency can be as much as 10 times higher than when the work is planned ahead
- Leading to higher overall costs passed on to customers

Businesses impacted by a prolonged water outage would suffer economically, and so would everyone else since businesses close while water is unavailable and roads close while repairs are being made.

water

The age of the infrastructure and the lack a proactive approach to address it could deter new businesses from setting up shop in NJ and impact existing business in the state - quite simply deteriorating water infrastructure is bad for local and state wide economy.

The simple solution is a Distribution System Improvement Charge, which is a proven regulatory tool that allows for an increased level of non-revenue producing investments to be funded through modest and interim rate increases in a structured process with built-in safeguards.

This enables the investments to be funded and made on an ongoing basis with regulatory oversight. Rates are not made permanent until the next formal rate case at which time the DSIC investments receive the same scrutiny as all other non-DSIC investments. This type of regulation, first implemented in Pennsylvania, is now being used successfully in New York, Delaware, Connecticut, Indiana, Illinois, Missouri, Ohio, New Hampshire and Los Angeles, CA.

We support the creation of the DSIC in New Jersey and of the extent that the Board chooses to move forward, we hope that as you decide how it should be structured, that you keep in mind how its ultimate success will be measured.

Sincerely,

A handwritten signature in dark ink, appearing to read 'James M. Carroll', written in a cursive style.

James M. Carroll  
Freeholder Chairman