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BOARD OF PUBLIC UTILITIES
NEWARK, N.J.

December 6, 2010

Connecticut Water

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

Dear Ms. Izzo,

The National Association of Water Companies (NAWC) represents water service providers who serve over 70 million people from across the nation, including many in New Jersey. As President of the NAWC, I am writing to you to voice support for the adoption of a Distribution System Improvement Charge (DSIC) which will substantially benefit the people of New Jersey.

There is almost universal agreement that investing in water distribution infrastructure improves water quality, reduces water losses, and creates skilled employment opportunities for individuals. A DSIC program provides a mechanism to accelerate such infrastructure replacement programs, something that has been well documented as necessary given the age and condition of water utility infrastructure throughout the country. The Environmental Protection Agency has estimated that a \$540 billion funding gap exists between what the U.S. currently spends on water infrastructure and what it needs to spend in order to maintain and upgrade water infrastructure over the next 20 years.

Additionally, I serve as President and CEO of Connecticut Water, a utility that serves over 300,000 people in 55 communities across the state. Connecticut adopted legislation in 2007 authorizing a Water Conservation and Infrastructure Adjustment (WICA) that allows for interim rate adjustments to cover the replacement of infrastructure. This is similar to the Distribution System Improvement Charge (DSIC) that was first put in place in Pennsylvania and similar programs since adopted in Missouri, Indiana, Illinois, Ohio, and Delaware. It is also noteworthy that it had the full support of the Department of Public Utility Control and the Office of Consumer Counsel here in Connecticut.

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The law has a number of safeguards to protect consumers and was passed unanimously in the Connecticut legislature. It was clear to legislators that it would benefit all stakeholders as it would improve the quality and reliability of service, avoid rate shock, and save precious water resources by minimizing breaks and leaks.

The program has benefited customers as anticipated with typical increases of less than 2% applied to customers' bills, while allowing for millions of dollars of needed infrastructure investments. Customer feedback has been positive – they consistently indicate in our customer satisfaction surveys that they support the program and believe it benefits current and future customers.

The local communities support the program as well. The utility coordinates closely with municipalities and works to combine the WICA projects with local road work, reducing costs for both parties. The program has also created jobs, at a time when the economy most needs such investments. The Connecticut Department of Economic Development estimated that for every \$1 million invested in infrastructure replacement, the program creates 12.6 construction and related jobs in the state. For my company's program alone, that equated to 157 new construction jobs in Connecticut.

Some additional details of the Connecticut program include:

- The maximum WICA charge is 5% per year or 7.5% between rate cases.
- Prior to implementing a WICA surcharge the utility must receive approval from the DPUC of an Infrastructure Assessment Report, which documents the age and condition of their facilities and the company's criteria for prioritization of projects.
- Eligible projects include:
 - Replacement of mains, valves, meters, hydrants, and services
 - Main rehabilitation projects such as Cleaning and Lining
 - Relocation of facilities as required for state or local road projects
 - Purchase of leak detection equipment or installation of production meters and pressure reducing valves.

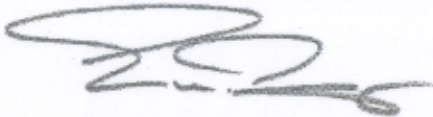
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It is evident that water suppliers and regulators need to focus on these underground facilities and provide for timely replacement to maintain the integrity and reliability of the distribution system. It has been demonstrated that an infrastructure replacement ratemaking mechanism results in greater investment in infrastructure replacement with minimal impact on customers' bills.

And finally, the Board of Directors of the National Association of Regulatory Commissioners (NARUC) has endorsed the concept of a distribution system improvement surcharge in a resolution adopted in July, 2005 as a mechanism to help ensure sustainable practices in promoting needed capital investment and cost-effective rates.

Sincerely,

A handwritten signature in dark ink, appearing to read 'E. Thornburg', with a stylized flourish at the end.

Eric W. Thornburg

EWT/lif