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April 4, 2011

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

RE: NJBIA DSIC Comments

Dear Secretary Izzo:

On behalf of the 22,000 member companies of the New Jersey Business & Industry Association (NJBIA), we appreciate the opportunity to further comment on the proposed Distribution System Improvement Charge (DSIC), which has an intended goal of replacing New Jersey's water infrastructure on an accelerated schedule. NJBIA recognizes that water is one of our most precious resources and it is integral to many of our industrial processes. We support the need to insure system reliability, improved water quality, lowering long-term costs to ratepayers, but we do have concerns about the phasing in of increased rates. We support a meter based approach instead of consumption based formulas.

As NJBIA has previously testified, we are supportive of investment in the state's utility infrastructure but it must be done with a comprehensive plan that addresses all utilities while being done in the most cost effective manner as to not affect our recovering economy. As the Board is aware, Commercial and Industrial ratepayers consume the majority of utility services while they are the minority of ratepayers. NJBIA would be opposed to any plan that was based on consumption, as this would detrimentally affect our businesses and make our state less competitive within our region.

Not since 2003 when the EPA did a comprehensive national assessment of the nation's water infrastructure has there been an analysis of the cost of replacing our aging systems. According to the New Jersey Clean Water Council Draft Recommendations for Water Infrastructure Management and Financing: White Paper for Public Hearing and Comment, October 12, 2010:

“In water supply, the Board of Public Utilities (BPU) regulates rates of a small number of mostly investor-owned utilities (31) that serve over 40 percent of state residents and businesses. The rate setting process is generally agreed to provide good incentives for proactive asset management for these large systems.”

The white paper also points out that in addition to the BPU, the Department of Environmental Protection (DEP) and the Department of Community Affairs (DCA) have jurisdiction over our water systems. Additionally the Environmental Infrastructure Trust has provided grants and low interest loans to help manage our infrastructure. NJBIA supports asset management and making sure that our system is functioning. We would encourage the state to seek new ways to leverage the EIT to help upgrade our regulated utility infrastructure where possible and save these costs to ratepayers. Finding new and creative ways to upgrade our system is needed especially since as President Solomon testified at the NJ Clean Water Council’s 2010 hearing “They are expensive. They are long term. They have a significant percentage impact on water rates”. Another problem is the municipal systems that are in need of serious repair but not under the BPU jurisdiction. At some point, the state needs to examine how to encourage private public partnerships to help upgrade these systems.

One of the approaches being considered as part of the DSIC is charging customers based on meter size as opposed to consumption. NJBIA has actively been in discussions with several of the investor owned utilities to discuss how this option would affect large customers. While we are supportive in concept of using the meter size over consumption, NJBIA is still concerned about the specifics to determine which projects are chosen and the rate of return required. We have not seen these specifics identified but trust that the BPU and rate counsel will further vet these ideas before adoption. As with the other infrastructure projects, NJBIA would recommend a net economic benefits test to help determine the selection of eligible projects.

We look forward to continuing to work with the Board on this issue and find a solution that works for the ratepayers of the state to provide a safe, reliable water system at the lowest cost possible.

Sincerely,

A handwritten signature in dark ink, appearing to read "Sara Bluhm", written in a cursive style.

Sara Bluhm

Assistant Vice President
Energy, Environment and Federal Affairs