

January 3, 2011

Via Electronic Mail

The Honorable Kristi Izzo
Secretary, New Jersey Board of Public Utilities
Two Gateway Center
8th Floor, Suite 801
Newark, New Jersey 07102

RE: I/M/O The Possible Implementation of a Distribution System Improvement Charge ("DSIC") for
Water and Wastewater Utilities
BPU Docket No. WO10090655

Dear Secretary Izzo:

On behalf of the Bulk Purchaser Coalition would you kindly accept the enclosed supplemental comments to the previously filed written comments.

Thank you for attention to this matter.

Very truly yours,
FORNARO FRANCIOSO LLC

Anthony R. Francioso, Esq.

ARF/af
Enclosure

c: Bulk Purchaser Coalition

Supplemental Comments on Behalf of the Bulk Purchaser Coalition.

There is a certain uneasy feeling from municipal entities that if a Distribution Service Improvement Charge is permitted the creation of the charge would abrogate the New Jersey Board of Public Utilities' role of supervision not considered in its legislative authority. In conjunction with the NJBPU's legislative authority there is no legislative authority for the sudden creation of a rebuttable presumption and imposition of automatic increase anticipated in the DSIC.

In connection with the implementation of the DSIC a question must be answered how does the DSIC impact the State's Municipalities? Without legislative authority over a municipality how can the NJBPU implement a DSIC order now for future rate increases on the bulk sale to municipalities? There is great concern for municipal entities that have been administratively ordered to obtain water --in the critical areas --from one company. To date municipalities have not been able to take advantage of any out of state alternatives offered.

In response to the infrastructure replacement requirement requiring an automatic rate increase, would it not be wise to engage the Legislature in such a decision especially if it is in response or recognition of a state wide "crisis". If there is an acknowledgement that there is suddenly a collapsing infrastructure- why was this not addressed in prior applications or where was that money spent if it was raised? The argument that there is a crisis requires an examination of prior corporate activity in relation to the rate increases granted.

If in fact this critical need for infrastructure system is on the verge of collapse requiring such drastic actions, and is already coupled with such poor rate of returns then why is the market place so blind to these realities as it drives their stock ever higher and why do the Companies fail to reference these in their 10-k's or Annual reports?

The following is quote for American Water's recent 10k:

Our infrastructure investment plan consists of both infrastructure renewal programs, **where we replace infrastructure as needed** {emphasis added}, and major capital investment projects, where we construct new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. An integral aspect of our strategy is to seek growth through tuck-ins and other acquisitions which are complementary to our existing business and support the continued geographical diversification and growth of our operations.

The Company went on to state where they intend to invest their increased revenues: In March and June 2010, the Company made a cash dividend payment of \$0.21 per share to all common shareholders of record as of February 18, 2010 and May 18, 2010. In September 2010, the Company made a cash dividend payment of \$0.22 per share to all common shareholders of

record as of August 18, 2010. In March 2009 and June 2009, the Company made a cash dividend payment of \$0.20 per share to all common shareholders of record as of February 18, 2009 and May 18, 2009. In September 2009, the Company made a cash dividend payment of \$0.21 per share to all common shareholders of record as of August 18, 2009. On October 29, 2010, the Company declared a quarterly cash dividend payment of \$0.22 per share payable on December 1, 2010 to all shareholders of record as of November 18, 2010.

While American Water is one example of a private water utility and how its revenues are invested the NJBPU should examine the other private utilities within the State to see how they invest their revenues. A question is why replace infrastructure on as needed basis rather than on a sound replacement/refurbishing plan. The members of the bulk purchaser coalition question how can it be fair for the bulk purchase towns to be charged an automatic fee for the maintenance of an infrastructure delivery system which plays no role in the water which they are mandated to buy from the Delran River plant?