

<b>Regulatory Analysis Form</b>		<b>This space for use by IRRC</b>
(1) Agency  Public Utility Commission		<p>RECEIVED</p> <p>2005 MAR -2 AM 11:02</p> <p>REGULATORY REVIEW COMMISSION</p> <p>IRRC Number: 2328</p>
(2) I.D. Number (Governor*s Office Use)  L-00940096/57-223		
(3) Short Title  Updating and Revising Existing Filing Requirements Relating to Water and Wastewater Public Utilities Requesting a Rate Increase in Excess of \$1 million.		
(4) PA Code Cite  52 Pa. Code §53.53	(5) Agency Contacts & Telephone Numbers  Primary Contact: Wayne Scott, Law Bureau, 783-6150  Secondary Contact: Judith Koch Carlson, FUS, 783-5392	
(6) Type of Rulemaking (check one)  <input type="checkbox"/> Proposed Rulemaking <input checked="" type="checkbox"/> Final Order Adopting Regulation <input type="checkbox"/> Final Order, Proposed Rulemaking Omitted	(7) Is a 120-Day Emergency Certification Attached?  <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes: By the Attorney General <input type="checkbox"/> Yes: By the Governor	
(8) Briefly explain the regulation in clear and nontechnical language.  The rulemaking is to revise the regulations governing the filing requirements for water and wastewater public utilities for general rate increase requests in excess of \$1 million.		
(9) State the statutory authority for the regulation and any relevant state or federal court decisions.  66 Pa. C.S. §§501 and 1501.		

## Regulatory Analysis Form

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

No.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

This rulemaking is submitted to comply with Commission order L-00930088, entered 8/9/94, to generally update, revise and streamline the existing filing requirements at 52 Pa. Code §53.53 for water and wastewater utilities.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

None.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

Water and wastewater utilities will benefit by the revisions, requiring more concise and comprehensive supporting data, therefore saving rate case expense which will benefit ratepayers through lower rates.

## Regulatory Analysis Form

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

No person or entity will be adversely affected by this regulation.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

All jurisdictional water and wastewater utilities requesting a general rate increase in excess of \$1 million.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

Numerous technical conferences were held as well as a number of meetings among active participants: National Association of Water Companies - Pa. Chapter, Office of Consumer Advocate, PUC Office of Trial Staff and PUC Bureau of Fixed Utility Services.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

There should be cost savings associated with the filing of such general rate increase requests by water and wastewater utilities.

## **Regulatory Analysis Form**

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

No additional costs or savings.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

Time savings related to reviewing requests for such general rate increases should be achieved by PUC and OCA staff.

## Regulatory Analysis Form

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
<b>SAVINGS:</b>	\$	\$	\$	\$	\$	\$
<b>Regulated Community</b>	N/O*					
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Savings</b>						
<b>COSTS:</b>						
<b>Regulated Community</b>						
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Costs</b>						
<b>REVENUE LOSSES:</b>	N/O*					
<b>Regulated Community</b>						
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Revenue Losses</b>						

(20a) Explain how the cost estimates listed above were derived.

Not measurable at this time.

### Regulatory Analysis Form

(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
N/A				

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

Not measurable at this time.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

Not applicable.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

There are no alternative regulatory schemes that were considered.

## Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

Federal jurisdiction in this area does not exist.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

Comparison with other states was not directly made.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

Revisions to Title 52 §53.53.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No.

## **Regulatory Analysis Form**

**(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.**

Supporting data required to file a general rate increase request in excess of \$1 million for water and wastewater jurisdictional utilities will be significantly streamlined.

**(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.**

Not applicable.

**(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?**

The regulation will become effective upon publication in the Pennsylvania Bulletin following review by the standing committees and the Independent Regulatory Review Commission.

**(31) Provide the schedule for continual review of the regulation.**

The regulation will be reviewed on an ongoing basis.



**FACE SHEET  
FOR FILING DOCUMENTS  
WITH THE LEGISLATIVE REFERENCE BUREAU**

**(Pursuant to Commonwealth Documents Law)**

# 2328

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LEGISLATIVE REGULATORY  
REVIEW COMMISSION

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to form and  
legality. Attorney General.

BY \_\_\_\_\_  
(DEPUTY ATTORNEY GENERAL)

\_\_\_\_\_  
DATE OF APPROVAL

Check if applicable  
Copy not approved. Objections attached

Copy below is hereby certified to be true and  
correct copy of a document issued, prescribed or  
promulgated by:

Pennsylvania Public Utility Commission  
(AGENCY)

DOCUMENT/FISCAL NOTE NO. L-00940096/57-223

DATE OF ADOPTION February 3, 2005

BY James J. McNulty  
James J. McNulty

TITLE ( SECRETARY)

Copy below is hereby approved as to  
form and legality. Executive or  
independent Agencies.

BY Bohdan R. Pankiw  
Bohdan R. Pankiw  
Chief Counsel

2-3-05  
DATE OF APPROVAL

Check if applicable. No Attorney General  
approval or objection within 30 days after  
submission.

L-00940096/57-223  
Final Rulemaking  
Updating and Revising Existing Filing Requirements  
Relating to Water and Wastewater Public Utilities  
52 Pa. Code, Chapter 53

The Pennsylvania Public Utility Commission on February 3, 2005, adopted a final rulemaking order to amend the regulations governing filing requirements for water and wastewater public utilities for general rate increase requests in excess of \$1 million. The contact persons are Judith K. Carlson, Bureau of Fixed Utility Services (717) 783-5392 and Wayne T. Scott, Law Bureau (717) 783-6150.

## **Executive Summary**

L-00940096/57-223

**Final Rulemaking  
Re: Updating and Revising Existing  
Filing Requirements Relating to  
Water and Wastewater Public Utilities  
52 Pa. Code, Chapter 53.**

Section 53.53 of Title 52 of the Pennsylvania Code requires a utility that is requesting a general increase in excess of one million dollars (\$1,000,000.00) to provide extensive information through the use of data requests in relation to the company's income, revenues, expenses, taxes, rate base, depreciation and rate of return. On October 24, 1994 the Commission issued an Advance Notice of Proposed Rulemaking to solicit comments from water and wastewater utility companies that will be the primary active participants in future rate cases of this nature for the purpose of providing input as to how these filing requirements may be modified to lessen the amount of information needed.

The proposed regulations significantly streamline filing requirements. The proposed regulations also lessen the regulatory burden on all jurisdictional water and wastewater public utilities that request a rate increase in excess of \$1,000,000.00.

On October 29, 2001, the Commission entered an order proposing to revise its existing tariff filing requirements relating to water and wastewater public utilities. This order was published March 1, 2003 at 33 *Pa.B.* 1106. At that time, the only entity to provide comments to the proposed regulations was the Independent Regulatory Review Commission (IRRC).

On September 26, 2004, the Commission entered a Tentative Final Rulemaking Order giving interested parties 20 days from the entry of the order to provide comments relating to this rulemaking. The Tentative Order further provided that if no comments were received, the Tentative Order was to become final and the regulations were to be submitted through the regulatory review process. If comments were received, such comments were to be reviewed by Staff.

Pursuant to this Commission's September 26, 2004 Order, the Office of Trial Staff (OTS), the Office of Small Business Advocate (OSBA), and the Office of Consumer Advocate (OCA) submitted comments to the proposed regulations. This Final Rulemaking Order addresses both the initial comments to the proposed regulations submitted by the IRRC, as well as those comments submitted by the OTS, the OSBA, and the OCA in response to the September 26, 2004 Order.

The contact persons are Wayne Scott, Law Bureau (legal) 717-783-6150 and Judith Koch Carlson, Fixed Utilities Services (technical) 717-783-5392.

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held February 3, 2005

**Commissioners Present:**

Wendell F. Holland, Chairman  
Robert K. Bloom, Vice-Chairman  
Glen R. Thomas  
Kim Pizzingrilli

Final Rulemaking Re Updating and Revising  
Existing Filing Requirements Relating to  
Water and Wastewater Public Utilities

Docket No. L-00940096

**FINAL RULEMAKING ORDER**

**BY THE COMMISSION:**

On October 29, 2001, this Commission entered an order proposing to revise its existing tariff filing requirements relating to water and wastewater public utilities. These proposed regulations significantly streamline the filing requirements and lessen the regulatory burden of all jurisdictional water and wastewater utilities that request a rate increase in excess of \$1,000,000.

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### **IRRC Comments**

The comments filed by IRRC do not address concerns relating to the sum and substance of the proposed regulations. Instead, they address primarily language and clarity issues.

IRRC's first comments express concern with regard to "Exhibit D" of the new regulations and the use of the term "test year." Specifically, IRRC was concerned that several different terms were used to reference time frames in Exhibit D. IRRC listed those instances where the term "test year" needed further clarification. In each instance noted by IRRC, with the exceptions of Data Requests VII.10 and VII.11, we have defined the term. Additionally, wherever the term "test year" is used, we have clarified it as either "future" or "historic." In Data Requests VII.10 and VII.11, we have further defined the term "test year" as the actual "Per Book" test year.

IRRC also stated in its comments that the Rulemaking contains terms that could be subject to misinterpretation. In particular, IRRC states that the term "significant" is not sufficiently defined so that the reader would know what is expected.

To address IRRC's concern, in each instance where the term "significant" appears, we have either provided specific parameters or eliminated the term "significant" altogether. In Section II.6, the term has been struck and language added requesting explanation for variances greater than 15%. In Section X.7 "significant" has been struck and language added requesting explanation for variances greater than 15% of the total current asset accounts listed on the balance sheet. In Section X.9, we have eliminated the reference to "significant" items and, instead, required a breakdown, by category, of accounts payable to associated

companies. In Sections VI.1 and X.11 the word “significant” has been deleted. Though IRRC lists X.10 as one of the sections that requires clarity because of the term “significant,” the word does not appear in this section.

IRRC also states that the term “major” needs clarification because it may be difficult to determine what distinguishes a “major” category from a minor one. We have deleted the term “major” in Sections III.8, III.9, III.12, IX.2a and IX.2b. In Section I.1 we have defined “major” as being any amount greater than 15%. In III.11 we have eliminated the term “by major components” and required that a schedule be submitted showing a breakdown by the expenditures associated with outside services employed, expenses, and miscellaneous general expenses associated with rate cases.

In its comments IRRC asserts that Section I., relating to Statement of Income, is not sufficiently clear. In particular, IRRC states that Data Request I.A.2 (now I.2), Columns 1 and 2 require a "book recorded statement" and that these requirements should specify "income statements" to be consistent with the other columns. To satisfy IRRC's concern about consistency, we have inserted the word "income" in Columns 1 and 2. For the purpose of clarification we have also changed the wording of Data Request I.A.2 (now I.2), so that that section now reads "Prepare an Income Statement..."

IRCC also expressed a concern that Data Request I.A.2. (now I.2), Column 5 includes the term "requested rates" whereas Data Request I.4.c contains the term "proposed rates." It was IRRC's position that one term should be used consistently. Pursuant to this comment, we deleted the word "requested" in Data Request I.A.2. (now I.2), Column 5 and inserted the word "proposed" so that the terms are consistent.

IRRC also commented that it was concerned with certain “clarity” issues relating to Operating Revenues (Section II). Specifically, IRRC stated that it was not clear what was meant by the term “customer forfeited discount” found in Section II.1.b. This term also appears in I.2.a. The account entry for “customer forfeited discount” is no longer utilized for ratemaking purposes because there are no longer such discounts in rate structures. Therefore, this term has been eliminated in both places.

With regard to Operating Revenues, IRRC was also concerned with the term “various” as it appears in Section II.3 where the regulation requires a utility to provide increases to customers at “various monthly uses.” Pursuant to IRRC’s comment, the term “various monthly uses” has been defined as “5,000 gallon consumption increments.

IRRC also commented that Data Request II.12 does not specify what rates should apply to the term “test year.” As stated previously, we have inserted the term “historic” to define “test year.” Also, the words “current rates” were added to this sentence to address IRRC’s concern that the sentence should specify which current rates the PUC will require.

In relation to Operating Expense (Section III), IRRC’s comments expressed a concern regarding clarity in Section III.3. IRRC stated that the term “sufficient supporting data” should specify what supporting data must be provided. In response to IRRC’s comments, the phrase “such as explanation and breakdown of costs” was added to Section III.3.



IRRC also expressed a concern regarding Section III.7 because it appeared that there were some words missing in the second sentence of that section. To remedy this concern, this sentence has been restructured to avoid confusion.

Finally, IRRC stated that the phrase “regulatory commission expense” found in Section III.11 should be clarified or defined. In response to this comment we further defined "regulatory commission expense" by identifying rate case expense as a separate item within that category.

With regard to Section V, which addresses Rate Base, IRRC was concerned that the term “final completion data” found in Section V.3 is unclear and suggested that the Commission provide examples of what data is required. To address IRRC’s concern we have eliminated the term “final completion data” and, instead, stated the necessity that each project must be detailed and that this detail must include “a list of items needed to complete these projects (such as landscaping and fencing) .”

IRRC’s comment on Section VI voiced a concern that this section was requesting virtually identical information to the information requested by Chapter 73 of 52 Pa. Code. Therefore, IRRC questioned whether a utility, that is required to file under Chapter 73, can incorporate its annual depreciation report, by reference, to comply with Section VI. To this end, we have added a statement in Section VI that states that if a question has been previously answered pursuant to 52 Pa. Code, Chapter 73, the utility should so note and that it is not necessary for the utility to answer previously answered questions.

IRRC also expressed a concern that VI.4 required a company to provide a comparison of the utility’s calculated depreciation reserve versus book reserve, by

account, at the end of the test year. IRRC's concern is that if a utility has been using a book reserve for ratemaking, there would be no purpose for a calculated depreciation reserve. In relation to this comment we have explained the information required by stating that the calculated depreciation reserve is for ratemaking purposes and that the book reserve, by account as of the end of the test year, must be compared, if they differ.

IRRC's comments stated that with relation to Section VII (Rate of Return), Data Request VII.15.c requires companies to provide "all SEC 10Q reports issued within last year." IRRC stated that the Commission should include a specific time period for these reports. Pursuant to IRRC's comments, we have specified that those 10Q reports that must be provided should relate specifically to the latest 12 months.

IRRC was also concerned that Section VII.20 states that a response "should identify for each project issuance date ..." IRRC questioned whether any or all of those categories are optional and, if not, the Commission should replace the word "should" with the word "shall." Section VII.20 has been changed so that the word "shall" now appears in this section.

With regard to Data Request VII.25, IRRC had two concerns. The first concern related to the method by which the Commission would treat documents in a confidential manner while the second concern questioned how a company could request confidentiality. In relation to both comments, IRRC stated that the regulation should include a cross-reference to the Commission's confidentiality requirements.

To address IRRC's concern, we have added language to the regulation stating that the information will be treated in a confidential manner if requested by the company in writing. We have also cross referenced 52 Pa. Code §5.423, which sets forth PUC's procedures for protective orders.

In reviewing Section VIII of Annex A, IRRC commented that Data Request VIII.2 should define the term "special rate contracts." Pursuant to this comment, "special rate contracts" has been expressly defined in VIII.2 as any rate not contained in the tariff.

IRRC submitted three comments with relation to Section IX (Quality of Service). The first comment questioned whether the information required in Data Request IX.1 may already be in the PUC files under different venues and, if so, whether a utility could exercise 52 Pa. Code §53.53(b) to fulfill these data requests. The information requested in Data Request IX.1 is not specifically provided in any other venues. Therefore, these sections have remained unchanged.

The other two comments that were submitted by IRRC relating to Section IX related to citations in IX.1.a and IX.2. Regarding IX.1.a, IRRC stated that the Commission's citation to 25 Pa. Code §109.401 should read 25 Pa. Code §109.407. IRRC also notes that in Data Request IX.2, 52 Pa. Code §65.5(a) should read 52 Pa. Code §65.6(a). Both citations have been corrected.

With regard to the title of Exhibit D, IRRC stated that the title "A. Water and Wastewater Utilities" appearing under the heading "I Statement of Income" is misplaced. This is because all of Exhibit D relates to water and wastewater utilities and, therefore, this title should be moved so that the regulation reads

“Exhibit D - Water and Wastewater Utilities.” The Commission has reviewed this comment and changed the title of Exhibit D as suggested by IRRC.

IRRC also commented that, with regard to Section II, relating to Operating Revenues, Data Request II.6 requires an analysis of miscellaneous water revenues but is not clear as to what analysis could be done on miscellaneous water revenues. For the purposes of clarity, we have specified in Data Request II.6 that a detailed breakdown is to be provided of miscellaneous water revenues for the historic test year and the two years immediately preceding the historic test year.

In Section III, relating to Operating Expense, IRRC states that Data Request III.5.h requires “any deferred income and consultant fee.” IRRC queried whether the conjunction “or” should be used instead of “and.” After reviewing this comment, we have determined that the use of the word “and” is correct. However, to further clarify this section we have added the words “paid to both” to this section and have changed the phrase “officers or employees” to “officers and employees.”

IRRC also commented that the regulation should specify what information is required under Data Request III.9.c where the abbreviation “etc.” is used. We have further clarified III.9.c by eliminating “etc.” and inserting the words “rules and regulations.”

In Section IV of Exhibit D, relating to taxes, IRRC stated that Data Request IV.1 includes the phrase “PA Corporate Tax Report” and “PA Corporate Tax Settlement” while Data Request IV.15 contains the phrase “Pennsylvania Taxes.” According to IRRC, for consistency purposes, the term “Pennsylvania” should be used consistently throughout this section, as well as the rest of the regulation. To

satisfy IRRC's comment, we have spelled out "Pennsylvania" wherever it appears in this regulation.

With regard to Data Request IV.13, IRRC stated that it had four concerns. First, the word "thereunder" is repetitive and should be deleted; second, the closing sentence should not be in parenthesis; third, the phrase "so stated" should be replaced with "provide an explanation;" and, finally, the term "interrogatory" is inconsistent with §53.53(a), which states the exhibits contain "data requests."

After reviewing IRRC's concerns with regarding to IV.13 we have made the changes suggested by IRRC in each of the four instances. Therefore, the word "thereunder" has been deleted; the closing sentence is no longer in parenthesis; the phrase "so stated" has been replaced with "provide an explanation;" and the term "interrogatory" has been replaced with the "data requests."

In its comments IRRC stated that Data Requests V.2, 3, and 5 contain sentences and phrases in parentheses that are not needed and should be deleted. Additionally, IRRC noted that Data Request V.7(c), (d), and (e) contain the abbreviation "PA." To comply with IRRC's comments, we have eliminated the parentheses in V.2, 3, and 5. In regard to the abbreviation "PA," as stated *infra*, the word "Pennsylvania" has replaced all abbreviations.

Finally, regarding Rate Base, IRRC stated that the phrase "in providing water service" in Data Request V.15 appears to be incomplete since this regulation applies to water and wastewater and that the term "wastewater" should be added to this paragraph. To this end, we have inserted the word "wastewater" in V.15.

With regard to Section VII, relating to Rate of Return, IRRC expressed concern that Data Request VII.16 contains the phrase “month/quarter” and that it is not clear whether the “/” denotes the word “and” or the word “or.” This concern has been addressed by our deleting the “/” and inserting the word “or.”

IRRC also expressed concern that the term “and/or” is used in Data Requests VII.22 and 32 and that this construction should not be used and should be replaced with specific filing requirements. To address this concern we have deleted the “/or” in Data Request VII.22. Further, we have deleted the term “and/or” and inserted language that provides that in the appropriate instances, the company, its parent, or both, will supply financial data for the last five years.

In Section VIII.1, relating to Rate Structure and Cost of Service, IRRC stated that the term “approximately” is vague and that a definitive time frame should be included in the final form regulation. To comply with this suggestion, we have deleted the term “approximately” so that a definitive term of three years is set forth in VIII.1.

In addressing Section XI, relating to Other Data, IRRC questioned why the requirement for companies to submit balance sheets and income statements for each month were required in this section as opposed to elsewhere in the regulation, such as Section 1. The placement of this requirement was discussed by all parties concerned, including governmental agencies, associations and industry representatives. The result of those discussions and negotiations between the parties was a general consensus that the best placement of this requirement is in this section.

Lastly, in its comments IRRC listed a number of typographical and clerical issues that needed to be corrected. IRRC also expressed concern about acronyms that were used in Exhibit D but that were not defined. In each instance, we have reviewed the suggestion made by IRRC and made the necessary corrections. Therefore, all typographical and clerical errors have been corrected and all acronyms have been defined.

The following comments were filed to the Commission's Tentative Final Rulemaking Order and thus, some comments will refer to amendments shown in the tentative final order that were not present in the Proposed Rulemaking Order.

### **OTS Comments**

In the OTS comments, two separate concerns were expressed. The first concern is that the various delineations of the terms "historic" and "future" in reference to test years included in the data requests are cumbersome and confusing. To this end the OTS, as well as the OCA, supports the continued use of the term "test year" without qualifying whether the test year should be "historic" or "future."

To address these concerns, as well as the concerns of the IRRC (which supports the defining test years as "historic" or "future"), we have reviewed each reference to "historic" and "future" test years and determined whether it is appropriate to include either or both terms and, where relevant, have defined which test year data should be specified.

The OTS was also concerned with Exhibit D, Section I.1 that provides for a water/wastewater utility to supply a detailed explanation pertaining to the causes

of variances between the historic test year and preceding test year that are greater than 15 percent. Both the OTS and the OCA prefer the use of the words “major” and “significant” in lieu of the 15 percent limitation. Both the OTS and the OCA assert that it is preferable to leave the decision concerning which data to include in the filing up to the discretion of the utility.

### **OCA Comments**

As stated previously, the IRRC is concerned that the use of the terms “major” and “significant” does not provide sufficient clarification as to what is expected. So that this section provides some clarity, as well as to afford the utility some degree of discretion in terms of which variances need to be explained in their filings, we have added the words “limit the explanation to the differences of \$10,000 or greater” to the end of Section I.1. This provides a threshold for the utility to acknowledge and, at the same time, provides some degree of discretion as to when an explanation is needed.

The OCA also commented that, with regard to Section II.3 the phrase “various monthly uses” should be retained and the decision on the amount of data to be provided for each customer group should be left to the discretion of the utility. The OCA believes that the term “various monthly uses” is preferable to the 5000 gallon consumption increments. To the contrary, the IRRC recommended clarification of the term “various monthly uses.”

So that the term “various monthly uses” is more precisely defined, we have retained the 5000 gallon consumption increments in Section II.3. Further, we have provided in II.3 that a copy of the proposed tariff or tariff supplement should be provided on a “red-line” basis to easily identify any changes. To require provision



of this information on a red-line basis will simplify the process of identifying changes.

The OCA stated in its comments that the phrase “forfeited discounts” found in Sections II.1.b and II.2.a should not be stricken since this phrase is commonly understood in the industry. Additionally, the OCA states that this terminology is the terminology used in the National Association of Regulatory Commissioners Uniform System of Accounts that all water and wastewater utility must use.

This Commission now utilizes the term "penalty" and not “forfeited discounts.” Discounts are no longer offered and the correct terminology as adopted by this Commission is “penalties.”

The OCA states that Section II.12 should be changed so that the phrase “at current rates” should be deleted, as well as the word “historic.” Additionally, the OCA would either eliminate the word “future” from the second sentence in Section II.12 or add the word “historic” to this sentence so that both historic and future test year data would be provided.

In reviewing the OCA’s comments, we are of the opinion that historic test year data and the two prior years consumption data and billing data for the ten largest water customers at current rates is valuable information that should be reviewed in a rate filing. Therefore, the term “historic” should remain in the first sentence. We are also of the opinion that the OCA is correct and that the second sentence of II.12 should provide for historic, as well as future test year data and have added the words “historic and future” to this sentence.

The OCA states that in Section III.5.h words were inadvertently deleted and that the sentence should read “submit a schedule showing any deferred income and consultant fees to corporate officers and employees.” After reviewing this section, the Commission has made this change.

The OCA states that in Section III.7 the phrase “if allocated from the parent company” should be deleted. According to the OCA, this would imply that utilities that are not part of a holding company system need not provide the explanation for calculating the monthly annual payments made pursuant to various leases.

After reviewing the OCA’s comments, we are of the opinion that the phrase “if allocated from the parent company” should remain in the regulation but we have further clarified this section in a way that addresses the concerns stated in the comments. Specifically, we have inserted the words “provide the method of allocation” to Section III.7. Providing this method will allow parties to review these costs where allocated, and to determine to whom these costs were allocated.

The OCA’s comments also address Section III.11 and its elimination of the phrase “regulatory commission” to modify the word “expenses” and state that the change limits the data requested to expenses relating to rate cases. The OCA states that the phrase “regulatory commission expense” encompasses not only the regulatory costs of the rate proceedings but also other types of proceedings such as tariff filings. The OCA also asserts that the phrase “by major components” should be reinserted into this section.

After reviewing the OCA’s comments, we have changed Section III.11 so that companies are required to submit a schedule that will show expenses relating

to rate cases separately from other expenses. This will address the OCA's concern since it will specifically define which expenses are related to rate cases expenses in addition to other regulatory expenses. With regard to reinserting the phrase "by major components" we, as well as the IRRC, are of the opinion that this phrase is too vague and have not reinserted it.

The OCA states that in Section III.15 the word "historic" should be replaced by the word "future" or, in the alternative, deleted. Additionally, in Section III.20, the OCA states that the question mark "(?)" should be replaced by a period "(.)."

In addressing the OCA's concern relating to Section III.15, we have provided further clarification by stating at the end of that section that the company must "Provide any estimates for the future test year." In relation to the OCA's comments regarding Section III.20, we have replaced the question mark "(?)" with a period "(.)."

In its comments, the OCA states that the word "future" should be deleted from Section IV.4.a so that the requirement generates data from both the historic and future test years. The OCA expresses the same concern in relation to Sections IV.7 and IV.12.

As stated previously, we have reviewed all "historic" and "future" test year references and, where appropriate, we have clarified the requirements. Specifically, with regard to Section IV.4.a, we have addressed the OCA's concern by adding a sentence at the end of IV.4a. that reads "if based on the historic test year, justify." Similarly, we have addressed the OCA's concerns regarding Sections IV.7 and IV.12 by adding the words "historic and future" to both sections.

The OCA also expressed a concern with the term “data request,” which was substituted for the term “interrogatory” in Section IV.13. According to the OCA, neither word is correct and the word “requirement” should be inserted.

After reviewing this comment, we have changed the wording by eliminating the word “data” and retaining the word “request.” It is our opinion that this more accurately describes what is required.

In the OCA’s comments, a concern is expressed regarding Section VII.16 in that the term “month and/or quarter” has been stricken in favor of “month or quarter.” According to the OCA, large water utilities often submit monthly data and this data is critical to the rate of return analysis so that the utility should not have the option of providing only quarterly data. Therefore, the OCA submits that the requirement should read “for each month for the last two years.”

After reviewing this section, we are in agreement with the OCA. Therefore, we have eliminated “/or quarter” so that Section VII.16 now reads “...each month for the last two years.”

In its comments, the OCA states that Section VII.32 should be changed so that a utility is not given the option of filing data for either the utility or the parent. According to the OCA, this requirement should apply to both the utility and the parent and should be changed to read “... supply financial data of the company and its parent, if any...”

We agree that Section VII.32 should be restated. To this end, this Section will now read “...supply financial data of the company and its parent, if applicable...”

Finally with regard to Section VIII.1, line 5, the OCA states that the insertion of the words “or wastewater” is not correct because there are no wastewater “users.” The OCA recommends the substitution of the word “customers” for the word “users.” Similarly, the OCA states that Section IX.2.a is not correct because water pressure is not an issue in wastewater systems.

After reviewing these comments, we have changed the wording in Section VIII.1, line 5, so that the word “customer” has replaced the word “users.” Moreover, we have deleted the words “or wastewater” found in Section IX.2.a and substituted the words “transmission and” to address the OCA’s comments.

### **OSBA Comments**

The OSBA also filed comments to these proposed regulations. The OSBA’s first comment states that Exhibit D Section VIII.1 implies that there could be more than the presently permitted 3-year lapse between the last required complete cost of service study and the future test year in the current filing. Additionally, the OSBA states that because the proposed regulations would drop the alternative requirement that a production-only cost of service study be filed, the filing of a complete cost of service study for major rate cases might end. As a consequence, the OSBA submits, if a utility were to choose not to file a complete cost of service study, extensive discovery would be necessary to evaluate whether the utility is making progress in eliminating class subsidies and moving rates toward cost of service.

It is our opinion that the information required by Section VIII.1 will either be sufficient to obtain the information necessary to evaluate a company’s rate

structure position or major companies requesting an increase of \$1,000,000 or more will, in most cases, file a complete cost of service study since those companies also have an interest in moving rates toward cost of service. Furthermore, this matter was specifically addressed at the collaborative meetings between the interested parties. The OTS, the OSA and the OSBA were all present or invited to attend these meetings and Exhibit D Section VIII.1 is a result of that collaborative. Therefore, it is the Commission's position that Section VIII.1 should remain as proposed.

The OSBA also comments that the present Section 53.53, Exhibit A, IV(A)(1)(f) requires the filing of testimony and exhibits to explain the extent of shifting revenue burden between customer classes while the proposed regulations would drop this requirement. According to the OSBA, such testimony is adequately necessary in order for a utility to meet its burden of proof.

We agree with the OSBA's position in that submitting such testimony will, in all likelihood, be necessary in order for the utility to meet its burden of proof. In fact, the proposed regulations do not avoid the requirement of a utility submitting testimony and exhibits and, it is expected that large utilities such as the ones to which this regulation applies will continue to submit such testimony. If not, there will be a substantial risk that the burden of proof will not be met.

It should also be mentioned that much of the information about which the OSBA seems concerned is addressed in Section VIII.1.a-j. It is apparent that testimony on these issues and exhibits are a necessary part of the company's rate case. Therefore, we are of the opinion that the regulations, as proposed, address the OSBA's concern regarding this issue.

The OSBA's comments also state that Section II.3 does not require the filing of a company's current tariff but only the one that the company is proposing in its rate filing. According to the OSBA, relieving the utility of having to file a copy of the current tariff would shift the burden of retrieval to parties other than the company and, in the case of a utility that has multiple, non-continuous divisions, this burden could be unreasonable. The OSBA suggests that, as a compromise, a utility should be relieved of filing the current tariff but should be required to file the proposed tariff on a red-lined basis so that the changes could be readily identified.

After reviewing and considering the OSBA's comments relating to Section II.3, we are of the opinion that the OSBA's suggestion is a good one. Therefore, we have added to the end of Section II.3 the words "on a red-line basis, to easily identify any changes."

Section XI.5 requires the filing of a statement indicating unaccounted for water in the test year and the two prior years. In the current regulation, utilities are required to file a statement indicating unaccounted for water in the test year and the four prior years. The OSBA questions whether relaxing the filing requirement would be a significant benefit to the utility and whether it would simply increase the amount of discovery needed in cases involving utilities for which unaccounted for water has been a problem.

After reviewing the OSBA's comment relating to Section XI.5, we are of the opinion that Section XI.5 should remain as proposed. Unaccounted for water is calculated in annual reports and unaccounted for water schedules are now more detailed than they were when these regulations were originally written. Moreover, the calculations for unaccounted for water are rarely a problem as related to large

water companies. Finally, this is an issue that was addressed at the collaborative meetings of all the parties herein and resolved through that method.

In the OSBA's comments, it is stated that proposed Section II.9 requires the filing of a statement showing the number of customers and water consumption by customer classification for the test year, two years prior to the historic test year, and two years after the historic test year. According to the OSBA, the requiring of the utility to file two years of projected data including the future test year would be more likely to increase the filing burden than to reduce it. The OSBA states that the current filing requirement under which a utility must file a statement showing the number of customers and water consumption by customer classification for the test year and four prior years should be retained.

Once again, this section, as the others mentioned herein, was drafted pursuant to collaborative meetings in which all the parties hereto were present or invited. After numerous meetings and discussions, the parties decided that Section II.9 is a fair and equitable resolution of data required to be filed.

The OSBA states in its comments that if a utility has customers being billed at a flat rate, it should continue to be required to provide a statement or feasibility study showing why the customers should not be metered pursuant to 52 Pa. Code §65.7 (d). The OSBA is apparently concerned that the elimination of Section 53.53 (IV) (A)(2)(e) would affect a utility's requirement to provide such a statement.

After reviewing and considering the OSBA's comment regarding this matter, we are of the opinion that the retention of Section 53.53 IV, Exhibit A, (A)(2)(e) is not necessary, particularly for those companies that are of the size



affected by the proposed regulations. When a problem may exist, 52 Pa. Code §65.7 (d) still may be applied.

Finally, the OSBA comments that Section II.4, as proposed, states that data must be filed “to support present and proposed rates by customer classification and tariff rate schedule.” The OSBA states that this section is presumably intended to require proof of revenues and that the word “rates” should be deleted and replaced by the word “revenues.”

We have considered the OSBA’s comments in regard to this section and are of the opinion that the OSBA is correct. Therefore, we have changed the word “rates” to the word “revenues” in Section II.4.

## **Conclusion**

Accordingly, pursuant to Sections 501 and 503 of the Public Utility Code, 66 Pa. C.S. §§ 501, 503; Sections 201 and 202 of the Act of July 31, 1968, P.L. 769 No. 240, 45 P.S. §§ 1201-1202, and the regulations promulgated thereunder at 1 Pa. Code §§ 7.1, 7.2 and 7.5; Section 204(b) of the Commonwealth's Attorneys Act, 71 P.S. 732.204(b); Section 745.5 of the Regulatory Review Act, 71 P.S. § 745.5; and Section 612 of the Administrative Code of 1929, 71 P.S. § 232, and the regulations promulgated thereunder at 4 Pa. Code §§ 7.251-7.235, we find that the regulations at 52 Pa. Code § 53.53 should be amended as set forth in Annex A, attached hereto; **THEREFORE,**

### **IT IS ORDERED:**

1. That 52 Pa. Code § 53.53 is hereby amended as set forth in Annex A hereto.
2. That the Secretary shall certify this Order and Annex A and deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.
3. That the Secretary shall submit this Order and Annex A to the Office of Attorney General for approval as to legality.
4. That the Secretary shall submit this Order and Annex A to the Governor's Budget Office for review of fiscal impact.
5. That the Secretary shall submit this Order and Annex A for review by the designated standing committees of both the Houses of the General

Assembly and for review and approval by the Independent Regulatory Review Commission.

6. That a copy of this Order and Annex A shall be served upon the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, and the National Association of Water Companies.

7. That the final regulations embodied in Annex A shall become effective upon publication in the *Pennsylvania Bulletin* as formal regulations.

BY THE COMMISSION,



James, J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: FEB 03 2005

ORDER ENTERED: FEB 09 2005

**Annex A**

**TITLE 52. PUBLIC UTILITIES**

**PART I. PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Subpart C. FIXED SERVICE UTILITIES**

**CHAPTER 53. TARIFFS FOR NONCOMMON CARRIERS**

**INFORMATION FURNISHED WITH THE FILING OF RATE  
CHANGES**

**§ 53.53. Information to be furnished with proposed general rate increase filings in excess of \$1 million.**

(a) When a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff or tariff supplement seeking a general rate increase within the meaning of 66 Pa.C.S. § 1308(d) (relating to voluntary changes in rates), and the general rate increase exceeds \$1 million in gross annual revenues, in addition to the data required by other provisions of this chapter, the tariff or tariff supplement shall be accompanied by responses to the data requests contained in the following exhibits which apply to the utility types indicated.

(1) Exhibit A--Utilities except communications [and], electric [utilities], water and wastewater utilities.

\* \* \* \* \*

(4) Exhibit D--Water and wastewater utilities.

\* \* \* \* \*

(b) In providing responses to these data requests, if the requested data have been previously filed with the Commission, they may be incorporated by reference. Also, the term "HISTORIC test year" as used in these exhibits refers to the test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. "HISTORIC TEST YEAR," AS REFERRED TO IN EXHIBIT D, IS DEFINED AS BOOK FIGURES FOR THE BASE TEST YEAR. THE TERM "FUTURE TEST YEAR," AS USED IN EXHIBIT D, REFERS TO THE ADJUSTED HISTORIC TEST YEAR FOR KNOWN AND MEASURABLE CHANGES TWELVE MONTHS BEYOND THE BOOK FIGURES FOR THE BASE YEAR, OR THE UTILITY'S FINAL CLAIMED SUPPORTING DATA.

**Exhibit A**

***I. VALUATION***

\* \* \* \* \*

**E. [WATER UTILITIES ONLY, IN ADDITION TO PROVIDING THE INFORMATION REQUESTED IN "A.":] (Reserved)**

*(Editor's Note: As part of this proposal, the Commission is proposing to delete the text of E, which appears at 52 Pa. Code page 53-25, serial page (213599).)*

\* \* \* \* \*

***III. BALANCE SHEET AND OPERATING STATEMENT***

\* \* \* \* \*

**C. [WATER UTILITIES ONLY, IN ADDITION TO PROVIDING THE INFORMATION REQUESTED IN "A.":] (Reserved)**

*(Editor's Note: As part of this proposal, the Commission is proposing to delete the text of C, which appears at 52 Pa. Code pages 53-39 to 53-45, serial pages (213613) to (213619).)*

\* \* \* \* \*

***IV. RATE STRUCTURE***

**A. [WATER UTILITIES] (Reserved)**

*(Editor's Note: As part of this proposal, the Commission is proposing to delete the text of A, which appears at 52 Pa. Code pages 53-58 to 53-60, serial pages (213632) to (213634).)*

\* \* \* \* \*

**Exhibit D**

**WATER AND WASTEWATER UTILITIES**

**I. STATEMENT OF INCOME**

**A. WATER AND WASTEWATER UTILITIES**

1. Provide comparative operating statements for the HISTORIC test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major (GREATER THAN 15%) variances between the HISTORIC test year and preceding year by detailed account number. LIMIT THE EXPLANATION TO DIFFERENCES OF \$10,000 OR GREATER.

2. Prepare a AN INCOME STATEMENT Statement of Income for the various time frames of the rate proceeding including:

Col. 1 - Book recorded INCOME statement for the test year.

2 - Adjustments to book recorded INCOME statement to annualize and normalize under present rates.

3 - Income statement under present rates after adjustmentS in Col. 2.

4 - AdjustmentS to Col. 3 for revenue increase requested.

5 - Income statement under requested PROPOSED rates.

3. If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for the company as a whole.

4. Provide operating income claims under:

a. Present rates.

b. Pro forma present rates (annualized & normalized).

c. Proposed rates (annualized & normalized).

5. Provide rate of return on original cost under:

a. Present rates.

b. Pro forma present rates.

c. Proposed rates.

## II. OPERATING REVENUES

1. Prepare a summary of operating revenues for the HISTORIC test year and the year preceding the HISTORIC test year, providing the following information:

a. For each classification of customers:

(i) Number of customers as of year-end.

(ii) Gallons sold.

(iii) Revenues.

b. Customers' ~~forfeited discounts and penalties and miscellaneous water~~ revenues.

2. Prepare a summary of operating revenues for the HISTORIC test year, providing the following information:

a. For each classification of customers and for customers' ~~forfeited discounts and penalties and miscellaneous water~~ OR wastewater revenues:

(i) Revenues.

(ii) Annualizing and normalizing adjustments to arrive at adjusted operating revenues for ratemaking.

(iii) Proposed increase in operating revenues.

(iv) Percent increase in operating revenues.

(v) Operating revenues under proposed rates.

3. Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Provide increases to customers at various monthly uses (EACH 5,000 GALLON CONSUMPTION INCREMENT) showing billings at existing and proposed rates. Provide also an explanation of any change in block structure and the reason therefore. Provide a copy of the proposed tariff or tariff supplement ON A RED LINE BASIS, TO EASILY IDENTIFY ANY CHANGES.

4. Provide for the FUTURE test year a detailed customer consumption analysis and the application of rates to support present and proposed rates REVENUES by customer classification and ~~or~~ tariff rate schedule.

5. Provide detailed computations of the determination of accrued revenues as of HISTORIC test year-end and year-end immediately preceding the HISTORIC test year, together with a detailed explanation of the procedures and methods used in developing accrued revenues.

6. Provide a detailed analysis BREAKDOWN of miscellaneous water revenues for the HISTORIC test year and the two years immediately preceding the HISTORIC test year. For the HISTORIC test year, provide a monthly breakdown and an explanation of significant monthly variances GREATER THAN 15%.

7. Provide a monthly summary of customers added and lost by customer classification for the HISTORIC test year and the current year-to-date.
8. Provide for the HISTORIC test year and the current year-to-date, the number of customers and monthly consumption for each classification of customers.
9. Provide by customer classification for the HISTORIC test year and for the two prior years the number of customers and consumption, and projected number of customers and consumption for THE two subsequent years.
10. Provide a breakdown of the number and size of private fire services according to the general water service class of customers.
  - a. Provide a listing of all public fire protection customers at HISTORIC test year-end and the pro forma billing of current rates for each customer.
11. Provide a detailed schedule of sales for resale revenues for the HISTORIC test year and two preceding years showing revenues and units sold by customer.
12. Provide for the HISTORIC test year and the two prior years consumption and billings for the ten (10) largest customers AT CURRENT RATES. Provide for the HISTORIC AND FUTURE test year consumption priced at proposed rates.
13. Provide for the HISTORIC test year and the two prior years consumption and billings for the ten (10) largest sales for resale customers if such sales are not included in sales to the ten (10) largest customers requested in 53.53 II.12 of Annex A-ABOVE.

### III. OPERATING EXPENSE

1. Prepare a summary of operating expenses by operating expense account for the HISTORIC test year and the two years preceding the test year.
2. Prepare a summary of operating expenses for the HISTORIC test year providing annualizing and normalizing adjustments to arrive at adjusted FUTURE operating expenses for ratemaking, including supporting data.
3. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided, SUCH AS EXPLANATION AND BREAKDOWN OF COSTS.
4. Supply detailed calculations of normalization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense) and the items comprising the actual expenses of THE prior rate cases.



**5. Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the HISTORIC test year and DURING THE 12 ~~six~~ months subsequent to the HISTORIC test year. Supply data showing for the HISTORIC test year SHOWING:**

**a. Actual payroll expense (regular and overtime separately) by categories of operating expenses, i.e., maintenance, operating transmission, distribution, other.**

**b. Date, percentage increase and annual amount of each general payroll increase during the HISTORIC test year AND FUTURE TEST YEAR.**

**c. Dates and annual amounts of merit increases or management salary adjustments.**

**d. Total annual payroll increases in the HISTORIC AND FUTURE test yearS.**

**e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses).**

**f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Any sSpecific benefits for executives and officers should also be included, and costS thereof.**

**g. Support the annualized pension cost figures BY PROVIDING THE FOLLOWING:;**

**(i) State whether these figures include any unfunded pension costs. Explain.**

**(ii) Provide latest actuarial study used for determining pension accrual rates.**

**h. Submit a schedule showing any deferred income and consultant fee, PAID to BOTH corporate officers or AND employees, IN HISTORIC AND FUTURE TEST YEARS.**

**6. Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (service corporations, etc.) for services rendered included in the operating expenses of the filing company for the HISTORIC AND FUTURE test yearS and for the 12-month period ended prior to the HISTORIC test year:**

**a. Supply a copy of contracts, if applicable.**

**b. Explain the nature of the services provided.**

**c. Explain THE basis on which charges are made.**

- d. If charges are allocated, identify allocation factors used.
  - e. Supply the components and amounts comprising the expense in this account.
  - f. Provide details of initial source of charge and reason thereof.
7. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. State EXPLAIN THE method for OF calculating monthly or annual payments. IF ALLOCATED FROM THE PARENT COMPANY, PROVIDE THE METHOD OF ALLOCATION.
8. Submit detailed calculations (or best estimates) of the cost resulting from major storm damage.
9. Submit details of expenditures for advertising (national, and institutional and local media). Provide a schedule of advertising expense by major media categories for the HISTORIC test year and the prior two comparable years with respect to:
- a. Public health and safety.
  - b. Conservation of energy.
  - c. Explanation of billing practices, rates, etc. RULES AND REGULATIONS.
  - d. Provision of factual and objective data programs in educational institutions.
  - e. Other advertising programs.
  - f. Total advertising expense.
10. Prepare a detailed schedule for the HISTORIC test year showing types of social and service organization memberships paid for by the company and the cost thereof.
11. Submit a schedule showing, by major components, A BREAKDOWN BY the expenditures associated with outside services employed, regulatory-commission expenses, SHOWING EXPENSES RELATING TO RATE CASES SEPERATELY, and miscellaneous general expenses, for the HISTORIC test year and prior two comparable years.
12. Submit details of information covering research and development expenditures, BY including major projects, within the company and NOTE forecasted company programs.
13. Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the HISTORIC test year.

14. Provide the two most recent actuarial studies for both pension expense and postretirement benefits other than pensions (OPEBs).

15. Identify the total pension expense under STATEMENT OF ACCOUNTING STANDARDS (SFAS 87) for the HISTORIC test year and the portion charged to OPERATION AND MAINTENANCE(O&M). Include an analysis showing the contribution to the pension plan and the amount deferred or expensed for each of the past two years and the HISTORIC test year. PROVIDE ANY ESTIMATES FOR THE FUTURE YEAR.

16. Provide an analysis of OPEBs showing the accrual amount under SFAS 106 and the pay-as-you-go expense.

17. Reconcile the historical and future test year SFAS No. 106 expense levels with the amount identified in the actuarial report.

18. Identify the actual or projected amounts contributed to SFAS No. 106 funds for the historic and future test years. Identify the actual or projected dates and amounts of the contributions.

19. Explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of costs which are eligible for tax preferred funding.

20. Is STATE WHETHER the company IS studying and/or anticipating any changes to its postretirement benefits offered to employees as a result of SFAS No. 106 or for other reasons?. If yes, provide such THE study and/or explain the anticipated change.

21. State whether the HISTORIC test year expenses reflect any accruals for postemployment benefits under SFAS 112. If yes, provide complete details including supporting documentation, assumptions, and funding mechanisms.

22. Provide a copy of all incentive compensation and/or bonus plans and provide the level of related bonus payments included in the cost of service. Provide information for the preceding two years and any changes since the last rate case.

23. Provide the most recent insurance premiums for each type of insurance coverage, (both employee benefit and those purchased for the company), reflected in the company's filing. If available, provide estimated premiums for the subsequent calendar year.

24. Provide the level of payments made to industry organizations included in the cost of service along with a description of each payee organization.

25. If the company has included any costs associated with canceled construction projects or obsolete inventory in requested rates, separately identify the items,

provide the related amounts and explain the reason for the cancellation or obsolescence.

26. Explain how the company accounts for vacation pay for book and ratemaking purposes.

27. Indicate whether any employee positions have been eliminated since the commencement of the historic test year or are expected to be eliminated during the future test year.

28. Furnish the name of each supplier, gallonage and expense for water purchased as recorded in Water Purchased for Resale-Account 706 for THE HISTORIC test year and two preceding years.

#### IV. TAXES

1. Provide a copy of the latest-PA PENNSYLVANIA corporate tax report and the latest PA PENNSYLVANIA corporate tax settlement.

2. Submit details of calculations for taxes, other than income, where a company is assessed taxes for doing business in another state, or on its property located in another state.

3. Submit a schedule showing for the last three years the income tax refunds, plus interest, (net of taxes), received from the federal government due to prior years' claims.

4. Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property that increases productive capacity, and ACCELERATED DEPRECIATION RATE (ADR) rates on property (separate between state and federal; also, rate used).

a. State whether tax depreciation is based on all rate base items claimed as of the end of the FUTURE test year, and whether it is the annual tax depreciation at the end of the FUTURE test year. IF BASED ON HISTORIC TEST YEAR, JUSTIFY.

b. Reconcile any difference between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet.

5. Submit a schedule showing a breakdown of accumulated investment tax credits, (3 percent, 4 percent, 7 percent, 10 percent and 11 percent), together with details of methods used to write-off the unamortized balances.

6. Submit a schedule showing the adjustments for taxable net income per books, (including below-the-line items,) and pro-forma under existing rates, together with

an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for ratemaking purposes.

7. Submit detailed calculations supporting HISTORIC AND FUTURE taxable income before state and federal income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.

8. Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits and reserves by accounting areas.

9. Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.

10. State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. (If not, explain.)

11. Show any income tax loss/OR gain carryovers from previous years that may affect HISTORIC test year income taxes or future TEST year income taxes. Show loss/ OR gain carryovers by years of origin and amounts remaining by years at the end of the HISTORIC test year.

12. Provide a detailed analysis of taxes accrued per books as of the HISTORIC AND FUTURE test year date. Also supply the basis for the accrual and the amount of taxes accrued monthly.

13. Under Section 1552 of the Internal Revenue Code and Regulations at 1.1552-1 thereunder, if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the federal government. (If this interrogatory REQUEST is not applicable, so-state PROVIDE AN EXPLANATION ).

a. State what option has been chosen by the group.

b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return.

c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.

**d. Provide annual income tax return for group, and if income tax return shows net operating loss, provide details of amount of net operating loss allocated to the income tax returns of each of the members of the consolidated group.**

**14. Provide a copy of the corporate federal tax returns and supporting schedules for the preceding three years and, if applicable, a copy of the calculation workpapers for the company's consolidated tax savings adjustment.**

**15. Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories:**

**a. Social security.**

**b. Unemployment.**

**c. Capital stock.**

**d. Public utility realty.**

**e. PUC assessment.**

**f. Other property.**

**g. Any other appropriate categories.**

**16. Submit a schedule showing a breakdown of the deferred income taxes by state and federal per books, pro-forma, existing rates, and under proposed rates.**

**17. With respect to determination of income taxes, federal and state:**

**a. Show income tax results of the annualizing and normalizing adjustments to the HISTORIC test year record before any rate increase.**

**b. Show income taxes for the annualized and normalized test year.**

**c. Show income tax effect of the rate increase requested.**

**d. Show income taxes for the normalized and annualized test year after application of the full rate increase.**

**18. State amount of debt interest utilized for income tax calculations, and details of debt interest computations, under each of the following rate case bases:**

**a. Actual PER BOOK test year.**

b. Annualized HISTORIC test year-end.

c. Proposed FUTURE test year-end.

## V. RATE BASE

1. Provide a schedule showing the measures of value and the rates of return at the original cost in the current case. All claims made on this exhibit should be cross-referenced to appropriate exhibits.

2. If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the HISTORIC AND FUTURE test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project. (This exhibit should be updated at the conclusion of these proceedings.)

3. If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the HISTORIC AND FUTURE test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include A LIST OF ITEMS NEEDED TO COMPLETE EACH PROJECT, SUCH AS LANDSCAPING AND FENCING, ~~final completion data~~ and estimated total amounts to be spent ~~on~~ TO COMPLETE each project. (These exhibits should be updated at the conclusion of these proceedings.)

4. If a claim is made for plant held for future use, supply the following:

a. A brief description of the plant or land site and its original cost.

b. Expected date of use for each item claimed.

c. Explanation as to why it is necessary to acquire each item in advance of its date of use.

d. Date when each item was acquired.

e. Date when each item was placed in the plant held for future use account.

5. If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances, NOTING (quantity and price) for the fuel

inventories by type of fuel for the thirteen months prior to the end of the HISTORIC test year by location, station, etc. (Explain the method of determining THE claim if other than that described above.)

6. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

7. Provide schedules and data in support of the following working capital items:

a. Prepayments-list and identify all items.

b. Federal income tax accrued or prepaid.

c. Pa. PENNSYLVANIA state income tax accrued or prepaid.

d. Pa. PENNSYLVANIA capital stock tax accrued or prepaid.

e. Pa. PENNSYLVANIA public utility realty tax accrued or prepaid.

f. Payroll taxes accrued or prepaid.

g. Any adjustments related to the above items for ratemaking purposes.

8. Supply an exhibit supporting the claim for cash working capital requirement based on the lead-lag method.

a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days.

9. Indicate if amortized expenses have been removed from the lead-lag study. If so, please provide documentation showing such removal. If not, provide a list of such amortization expenses included.

10. Identify the funds availability arrangements or terms which the company has with its banks with respect to deposits of customer checks. For example, does the company have same day or next day access to funds deposited?

11. In reference to materials and supplies:

a. What method of inventory valuation was used to develop the claim for materials and supplies?

b. Does the utility use a material and supply model to calculate needed material and supply levels?



c. If so, provide the model. Supply an illustrative example of how the monthly balances are derived.

d. Provide the actual monthly value for the inventory of materials and supplies for the past 12 months. Supply as of the end of the HISTORIC test year, a 13-month average, by month, for the material and supply account.

e. Provide the monthly level of materials and supplies for three years prior to the conclusion of the historic test year.

12. For each non-blanket or projected plant addition to cost the lesser-GREATER of \$100,000 or 0.5% of current rate base, included in the future test year, please provide:

a. Description of the project.

b. Original budgeted cost (broken down by ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) and non-AFUDC components).

c. Current budgeted cost (broken down by AFUDC and non-AFUDC components).

d. Reason for change in budgeted cost.

e. Original estimated date of completion and in service.

f. Current estimated date of completion and in service.

g. Reason for change in completion date.

h. Anticipated retirement related to the plant addition.

i. Starting date of project.

j. Amount expended to date.

k. Percent of project currently complete.

l. The depreciation rate applicable.

m. Identify which projects are due to a PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (PA-DEP) or FEDERAL ENVIRONMENTAL PROTECTION AGENCY (EPA) requirement.

13. Explain how the future test year plant balances were projected and provide supporting workpapers and documentation.

14. Are all of the assets used in the plant-in-service claim used exclusively by the WATER OR WASTEWATER utility? If not, provide the estimated percentage that each shared asset is used by other entities.

15. Is all plant included in rate base currently being used in providing water OR WASTEWATER service? If not, provide a schedule which presents those plant items which are not, and indicate the corresponding amounts and account numbers. Further, provide a detailed narrative explaining the reason why such plant is not being used and the anticipated future disposition of the plant.

16. Provide all workpapers and supporting documentation showing the derivation of the projected balances of contributions in aid of construction, customer advances for construction and company service line and customer deposits for the future test year.

## VI. DEPRECIATION

**IF ANY OF THE FOLLOWING QUESTIONS UNDER THIS SECTION HAVE BEEN PREVIOUSLY ANSWERED PURSUANT TO 52 PA CODE § 73, PLEASE NOTE IN YOUR RESPONSE. IT IS NOT NECESSARY TO PROVIDE RESPONSES TO QUESTIONS PREVIOUSLY ANSWERED.**

1. Provide a description of the depreciation methods ~~utilized in calculating~~ USED TO CALCULATE annual depreciation amounts and depreciation reserves, together with a discussion of the ~~significant~~ factors which were considered in arriving at estimates of service life and dispersion by account. Supply a comprehensive statement of any changes made in method of depreciation. Provide dates of all field inspections and facilities visited.

2. Set forth, in exhibit form, charts depicting the original and estimated survivor curves and a tabular presentation of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized.

3. Provide the surviving original cost at HISTORIC test year-end by vintage by account and include applicable depreciation reserves and accruals. These calculations should be provided for plant in service as well as other categories of plant, including, ~~but not limited to,~~ contributions in aid of construction and customers' advances for construction.

4. Provide a comparison of ~~respondent's~~ THE calculated depreciation reserve USED FOR RATEMAKING PURPOSES v. THE book reserve by account at the end of the test year, IF THEY DIFFER.

5. Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate:

- a. For the purposes of this filing.
  - b. For the purposes of the most recent rate increase filing prior to the current proceedings.
6. Provide an exhibit showing gross salvage, cost of removal, and net salvage for the five most recent calendar or fiscal years by account.

## VII. RATE OF RETURN

1. Provide capitalization and capitalization ratios for the last 5-year period and projected through the next two years (with short-term debt and without short-term debt) for the company, parent and CONSOLIDATED system (consolidated).
- a. Provide year-end interest coverages before and after taxes for the last three years and at the latest date, INCLUDING (indenture and SECURITIES AND EXCHANGE COMMISSION (SEC) bases,) for the company, parent and CONSOLIDATED system (consolidated).
  - b. Provide year-end preferred stock dividend coverages for THE last three years and at latest date, INCLUDING (charter and SEC bases).
2. Provide latest prospectus FOR THE (company and THE parent).
3. Supply projected capital requirements and THE sources of company, parent and CONSOLIDATED system (consolidated) for the HISTORIC test year and each of three comparable future years.
4. Provide a schedule of debt and preferred stock of company, parent and CONSOLIDATED system (consolidated) as of HISTORIC test year-end and latest date, detailing for each issue (if applicable):
- a. Date of issue.
  - b. Date of maturity.
  - c. Amount issued.
  - d. Amount outstanding.
  - e. Amount retired.
  - f. Amount required.

g. Gain on reacquisition.

h. Coupon rate.

i. Discount or premium at issuance.

j. Issuance expenses.

k. Net proceeds.

l. Sinking fund requirements.

m. Effective interest rate.

n. Dividend rate.

o. Effective cost rate.

p. Total average weighted effective cost rate.

5. Supply financial data of company and/or parent for last five years:

a. Earnings-price ratio (average).

b. Earnings-book value ratio (per share basis) (avg. book value).

c. Dividend yield (average).

d. Earnings per share (dollar).

e. Dividends per share (dollars).

f. Average book value per share yearly.

g. Average yearly market price per share (monthly high-low basis).

h. Pre-tax funded debt interest coverage.

i. Post-tax funded debt interest coverage.

j. Market price-book value ratio.

6. Provide AFUDC charged by company at HISTORIC test year-end and latest date, explain method by which rate was calculated and provide workpaper showing derivation of the company's current AFUDC rate.

7. Set forth provisions of company's and parent's charter and indentures, (if applicable), which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

8. Attach copies of the summaries of the company's projected REVENUES, EXPENSES AND CAPITAL budgets for the next two years, (revenues, expenses and capital).

9. Describe long-term debt reacquisitions by company and parent as follows:

a. Reacquisitions by issue by year.

b. Total gain on reacquisitions by issue by year.

c. Accounting of gain for income tax and book purposes.

10. Provide the following information concerning compensating bank balance requirements for actual PER BOOK test year:

a. Name of each bank.

b. Address of each bank.

c. Type of accounts with each bank (checking, savings, escrow, other services, etc.).

d. Average daily balance in each account.

e. Amount and percentage requirements for compensating bank balances at each bank.

f. Average daily compensating bank balance at each bank.

g. Documents from each bank explaining compensating bank balance requirements.

h. Interest earned on each type of account.

11. Provide the following information concerning bank notes payable for actual PER BOOK test year:

a. Line of credit at each bank.

b. Average daily balances of notes payable to each bank, by name of bank.

c. Interest rate charged on each bank note (prime rate, formula).

d. Purpose of each bank note, (e.g. FOR EXAMPLE, construction, fuel storage, working capital, debt retirement).

e. Prospective future need for this type of financing.

12. Submit details on company or parent common stock offerings FOR THE (past five years to present,) as follows:

a. Date of prospectus.

b. Date of offering.

c. Record date.

d. Offering period INCLUDING dates and number of days.

e. Amount and number of shares of offering.

f. Offering ratio, (if rights offering).

g. Percent subscribed.

h. Offering price.

i. Gross proceeds per share.

j. Expenses per share.

k. Net proceeds per share IN (~~i~~) i AND j ABOVE.

l. Market price per share.

(1) At record date.

(2) At offering date.

(3) One month after close of offering.

m. Average market price during offering.

(1) Price per share.

(2) Rights per share--average value of rights.

n. Latest reported earnings per share at time of offering.

o. Latest reported dividends at time of offering.

13. Attach A chart explaining company's corporate relationship to its affiliates SHOWING (system structure).

14. If the utility plans to make a formal claim for a specified allowable rate of return, provide the following data in statement or exhibit form:

a. Claimed capitalization and capitalization ratios with supporting data.

b. Claimed cost of long-term debt with supporting data.

c. Claimed cost of short-term debt with supporting data.

d. Claimed cost of total debt with supporting data.

e. Claimed cost of preferred stock with supporting data.

f. Claimed cost of common equity with supporting data.

15. Supply copies of the following documents for the company and, if applicable, its parent:

a. Most recent annual report to shareholders including any statistical supplements.

b. Most recent SEC form 10K.

c. All SEC form 10Q reports issued within ~~last year~~ THE PRECEDING 12 MONTHS OF THE DATE OF SUBMITTAL OF THE RATE INCREASE REQUEST.

16. Supply copies of the company's balance sheets for each month/~~quarter~~ for the last two years.

17. Provide the bond rating history for the company and, if applicable, its parent from the major credit rating agencies for the last five years.

18. Provide copies of all bond rating reports relating to the company and, if applicable, its parent for the past two years.

19. Supply copies of all presentations by the company's and, if applicable, its parent's management to AND securities analysts during the past two years. ~~This would include~~ INCLUDING presentations of financial projections.

20. Provide a listing of all securities issuances for the company and, if applicable, its parent projected for the next two years. The response should SHALL identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

21. Identify any plan by the company to refinance high cost long-term debt or preferred stock.

22. Provide copies of all securities analysts' reports relating to the company and/or its parent, OR BOTH, issued within the past two years.

23. If applicable, supply a listing of all common equity infusions from the parent to the company over the past five years. In each case, identify date and dollar amount.

24. If applicable, identify the company's common dividend payments to its parent for each of the last five years.

25. Provide the latest year-by-year financial projections for the company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies. The information will be treated in a confidential manner, if requested BY THE COMPANY IN WRITING, AS SET FORTH IN 52 PA CODE § 5.423.

26. Provide the company's 5-year construction budget.

27. Identify the company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

28. For each month, of the most recent 24 months, supply the company's:

a. Short-term debt balance.

b. Short-term debt interest rate.

c. Balance of construction work in progress.

d. Balance of construction work in progress which is eligible for AFUDC accrual:

29. Fully identify all debt, (other than instruments traded in public markets), owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.



30. Provide a summary statement of all stock dividends, splits, or par value changes during the 2- year calendar period preceding the rate case filing.

31. If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and CONSOLIDATED system (consolidated), the reasons for this claim must be fully stated and supported.

32. To the extent not provided elsewhere, supply financial data of THE company and/or ITS parent, IF APPLICABLE, for the last five years.

a. Times interest earned ratio--pre and post tax basis.

b. Preferred stock dividend coverage ratio--post tax basis.

c. Times fixed charges earned ratio--pre tax basis.

d. Dividend payout ratio.

e. AFUDC as a percent of earnings available for common equity.

f. Construction work in progress as a percent of net utility plant.

g. Effective income tax rate.

h. Internal cash generations as a percent of total capital requirements.

## VIII. RATE STRUCTURE AND COST OF SERVICE

1. Provide a complete, (fully allocated), cost of service study if an interval of approximately three years has passed between a previous cost of service study and the historic test year date of the current filing. The cost of service study shall provide the necessary data to determine if the water OR WASTEWATER rate structure is fair and equitable to all classifications of water OR WASTEWATER users CUSTOMERS (including public and private fire protection customers) and reflects, as nearly as possible, the cost of providing the service. The study shall correspond to the test year proposed revenue requirements (future test year only, if used). Summaries of conclusions and all back-up calculations shall be made part of the submission of the cost of service study, and shall include the following:

a. A description of the allocation methods used. A comparison of the allocated cost of service by class with the present and proposed revenues. A cost of service schedule showing the rate of return produced by present and proposed rates by class of service.

b. Indicate if the method used for establishing the allocation factors in the cost of service study deviates from the previous study submitted in the last rate case. If yes,

**indicate which allocation factors were changed and discuss the reason for the changes.**

**c. Supply the average day, the maximum day and the maximum hour deliveries to the system adjusted for storage for the HISTORIC test year and two prior years. Also provide workpapers, analyses, comparative data or other documentation supporting the estimated maximum day and peak hour demands by customer class reflected in the company's cost of service study.**

**d. Explain thoroughly the methodology employed if the company distinguishes between transmission and distribution OR COLLECTION mains in its allocation of costs.**

**e. Provide a detailed explanation of how storage is utilized to meet base, maximum day and maximum hour demands.**

**f. Provide workpapers, calculations and supporting documentation which develop the equivalent meters and equivalent service line weights reflected in the company's cost of service study.**

**g. Provide all workpapers and supporting documentation for the fire flow requirement and duration utilized in the cost of service study.**

**h. Provide a breakdown of the number and size of private fire services according to the general water service class of customer.**

**i. Provide a calculation of the company's base cost of water OR WASTEWATER per unit of consumption OR USAGE.**

**j. Provide a detailed cost analysis that supports the company's customer charges, by meter size, showing all direct and indirect costs included.**

**2. Provide a listing of negotiated special rate contracts which includes a comparison of revenues under special rate contracts and under tariff rates. Provide the cost of service treatment of any deficiency in revenues resulting from the negotiated special rate contracts. SPECIAL RATES ARE DEFINED AS RATES NOT CONTAINED IN THE CURRENTLY EFFECTIVE TARIFF.**

## **IX. QUALITY OF SERVICE**

**1. Indicate whether the company is in violation of any provision of the Pennsylvania Safe Drinking Water Act (SDWA) or any rule, regulation or order, or any condition of any permit, variance or exemption granted by the PENNSYLVANIA Department of Environmental Protection (PA-DEP), or its predecessor.**

**a. Provide information indicating whether the company is in compliance with SDWA provisions at 25 Pa. Code, § ~~109.401~~ 109.407 regarding general public notification requirements:**

**(i) Provide a copy of each public notification given in accordance with this section, since the last rate proceeding.**

**(ii) Provide a detailed explanation of all actions taken to remedy an acute violation, and/or to comply with the requirements prescribed by a variance or exemption.**

**(iii) State whether any fines or penalties were assessed by PA-DEP, and indicate the amounts paid by the company.**

**b. Provide the most recent copies of all annual consumer confidence reports issued pursuant to SDWA Amendments of 1996 since the last rate proceeding.**

**(i) Provide any annual consumer confidence reports which reflect violations of state and federal safe drinking water requirements.**

**(ii) Explain how these violations were resolved.**

**2. Indicate whether the company is in compliance with 52 Pa. Code, § ~~65.5(a)~~ 65.6(a) regarding normal operating pressure standards, and with 52 Pa. Code, § 65.6(d) regarding pressure surveys at regular intervals.**

**a. Provide details on any major water pressure problems, LASTING LONGER THAN FIVE DAYS, which had occurred since the last rate proceeding in any part of the water TRANSMISSION AND distribution system.**

**b. Describe any action taken on a temporary basis, and the long term solutions developed to address any major water pressure problems.**

**3. Provide support to demonstrate that water OR WASTEWATER service is being furnished on a continuous basis by supplying a summary of the company's records of each service interruption greater than 24 hours since the last rate proceeding.**

**4. Provide a discussion of the company's policy, or provide a copy of the policy if in written form, on tracking and responding to customer complaints.**

**a. Provide a summary report demonstrating the company's compliance with 52 Pa. Code, § 65.3 regarding the full and prompt investigation of service or facility complaints and the record keeping requirements of such complaints.**

5. Indicate whether the company is in compliance with 52 Pa. Code, § 65.4(b) regarding complete and current mapping of the entire distribution OR COLLECTION system.

6. Provide a summary report demonstrating the company's efforts in water conservation, since the last rate proceeding, pursuant to 52 Pa. Code, § 65.20.

7. Provide a discussion of the company's policy regarding meter requirements, replacements and testing. State if the company's procedures are in compliance with 52 Pa. Code, § 65.8(b).

a. Provide meter test records as required in 52 Pa. Code, § 65.8(c) for the 50 meters most recently removed from service.

b. Provide a discussion of the company's policy and history of compliance with 52 Pa. Code, § 65.9 regarding adjustment of bills for meter error within the last year.

## X. BALANCE SHEET

1. Provide a comparative balance sheet for the HISTORIC test year-end and the preceding year-end.

2. Provide a detail of other physical property, investments in affiliated companies and other investments.

3. Provide the amounts and purpose of special cash accounts as of the HISTORIC test-year end.

4. Describe the nature and amounts of notes receivable, accounts receivable from associated companies, and any other ~~significant~~ receivables, other than customers' accounts, GREATER THAN 15% OF THE TOTAL. Limit the explanation to variances greater than \$10,000.

5. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written-off in each of the last three years.

6. Provide a list of prepayments and give an explanation of special prepayments.

7. BREAK DOWN AND Explain in detail any other significant ITEMS, (in amount), GREATER THAN 15% OF THE TOTAL, IN THE current assets ACCOUNT listed on THE balance sheet. Limit the explanation to variances greater than \$10,000.

8. Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to eAffect or will at a later date affect the operating account supplying:

a. Origin of these accounts.

b. Probable changes to this account in the near future.

c. Amortization of these accounts currently charged to operations or to be charged in the near future.

9. Explain the nature of accounts payable to associated companies, ~~and note amounts of significant items.~~ PROVIDE A BREAKDOWN BY CATEGORY.

10. Provide details BREAKDOWN AND EXPLANATION of other deferred credits as to their origin and disposition policy, (e. g., FOR EXAMPLE, amortization).

11. Provide details AN EXPLANATION AND METHOD OF FUNDING of any significant reserves, other than depreciation and bad debt, appearing on HISTORIC balance sheet.

12. Provide an analysis of unappropriated retained earnings for the HISTORIC test year and two preceding years.

13. Describe the purpose of any advances made by the company to its parent corporation and describe all terms and conditions associated with such advances, including an estimate of future advances or repayments that are expected to occur.

## XI. OTHER DATA

1. Provide the company's monthly balance sheets and income statements for each month of the historic and future test year.

2. Supply a copy of internal and independent audit reports of the HISTORIC test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

3. Provide all monthly and/or quarterly, OR BOTH budget variance reports to management, and/or the board of directors, OR BOTH, submitted during the past year. Please provide the most recent detailed budget variance report which the company compiled, and update as additional reports are issued.

4. Provide a copy of the company's most recent operating and capital budgets.

**5. Provide a schedule that shows the percentage of unaccounted for water for the test year and two prior years. Describe how this amount was determined and explain any steps taken to reduce unaccounted for water. PROVIDE A SIMILAR ANALYSIS OF INFILTRATION FOR WASTEWATER UTILITIES.**

**6. Provide a corporate history (include the dates of original incorporation, subsequent mergers, and/or acquisitions, OR BOTH). Indicate all counties and cities and other governmental subdivisions to which service is provided, (including service areas outside the state), and the total population in the area served.**

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560 (in PA only)

IRWINA. POPOWSKY  
Consumer Advocate

COPY

FAX (717) 783-7152  
consumer@paoca.org

October 18, 2004

James J. McNulty, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

RECEIVED  
OCT 18 PM 3:49  
SECRETARY'S BUREAU

Re: Final Rulemaking re Updating and Revising  
Existing Filing Requirements Relating to  
Water and Wastewater Utilities  
Docket No. L-00940096

Dear Secretary McNulty:

Enclosed please find for filing an original and ten (10) copies of the Office of Consumer Advocate's Comments in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Dianne E. Dusman  
Senior Assistant Consumer Advocate

Enclosures

cc: All parties of record  
81401.doc;1/DED/smm

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Final Rulemaking Re: :  
Updating and Revising Filing Requirements : Docket No. L-00940096  
Relating To Water and Wastewater Utilities :

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**COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE  
ON THE TENTATIVE FINAL RULEMAKING ORDER**

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OCT 18 4 00 PM '01

**I. Introduction**

On October 25, 2001, the Pennsylvania Public Utility Commission (Commission or PUC) initiated the development of revised regulations governing the general base rate filings of large water utilities by issuing an Advanced Notice of Proposed Rulemaking. Various stakeholders, including the Office of Consumer Advocate (OCA), the Office of Trial Staff (OTS), the Office of Small Business Advocate, and the Pennsylvania Chapter of the National Association of Water Companies (PA-NAWC) submitted comments.

After a series of meetings among the parties named above, facilitated by the Commission's Fixed Utility Services, proposed regulations were submitted to the Commission. The Commission then adopted an Order on October 25, 2001, directing that the regulations be submitted through the regulatory review process. The proposed regulations, however, were not published until March 1, 2003, after which the Independent Regulatory Review Commission (IRRC) submitted comments to the Commission. The OCA did not comment at that time because the published comments were consistent in every respect with those submitted to the



Commission by the collaborative whose members unanimously agreed on virtually every change contained therein.

The Tentative Order explains the manner in which the IRRC comments have been incorporated and Annex A to the Tentative Order illustrates the proposed revisions to the regulations. In the September 10, 2004 Motion in this docket, Commissioner Kim Pizzigrilli expressed concern over the passage of time since the inception of the proceeding and has afforded interested parties an additional period during which to submit comments.

In many respects, the Commission has responded to the IRRC concerns in such a way that the meaning and scope of the proposed regulations, as agreed upon by the participants in the collaborative process, has not been altered. In several instances, however, changes have been made that unnecessarily limit or change the data required to be provided in the initial rate filing. The OCA submits these comments to draw the Commission's attention to those instances and propose that the initial language be restored in most cases or that an alternative be adopted. Limiting the scope of the data that the collaborative agreed should be provided initially would prompt rounds of discovery by the usual intervenors that would otherwise be unnecessary and would impede the ratemaking process rather than streamline it.

The OCA would also note that all major water utilities sought and received waivers from the Commission, without objection from any governmental intervenor, to use the last-published version of the filing requirements, 33 Pa. B. 1106-1116 (March 1, 2003), for purposes of rate cases filed during the pendency of the rulemaking. The last-published version of the proposed regulations appears to have been applied by the major water utilities in a way that is consistent with the intent of the collaborative and without any apparent problems. In some cases, revising

the regulations yet again would require modifications of software and forms used by the utilities in preparing their filings.

## II. COMMENTS ON THE PROPOSED REVISED RULES.

### A. The Limitation of Required Test Year Data To The Historic Test Year Only Would Severely Reduce The Amount of Data Provided In the Initial Filing.

IRRC expressed concern that the use of various phrases to describe the time frames that underlie the utility filing could generate confusion. IRRC Comments at 1-2. To the best of the our recollection of the undersigned, the initial participants opted to use the phrase “test year” intending the expense and revenue data to be provided for *both* periods if, in fact, a *future* test year claim is also made for a particular expense. This also avoided the cumbersome use of the more specific phrase “historic and future, if any, test year”claims. The revised regulations, by inserting the word “historic” in Exhibit D, I.1., II.1.,II.6.-13., III.2., 5. and so on, has inadvertently limited what is required in the initial filing to historic test year data *only*. Also, the use of the phrase “historic and future test year” in III.5.b.,d.,h. and III.6., relating to salary and wage claims, tends to imply that future test year data need *not* be supplied in the initial filing for the other categories of expense. The OCA submits that it is far more preferable and simpler to use the phrase “test year,” such that the required data would be supplied for a particular item for *both* the historic period and the future test year, if in fact such *pro forma* claims are made.

The OCA would add that the filings that have been received during the pendency of the rulemaking have interpreted the regulations consistent with the participants’ intent as expressed during the collaborative to the best of our recollection and no misinterpretations have been detected.

B. The Terms “Major” and “Significant” Should Be Restored In Lieu of The 15% Limiter.

In the interest of clarity, the IRRC recommended substituting a percentage threshold of 15% for the words “major” and “significant.” If taken literally, this could result in the exclusion of data associated with some major and significant changes in expenses or other items and the inclusion of many insignificant ones.<sup>1</sup> The parties to the collaborative reached a consensus to use the words “major” and “significant,” as generally understood and in accord with their common dictionary definitions, believing that it is preferable to leave the decision concerning the particular data to include in the filing to the discretion of the utility. The OCA submits that the use of the descriptive adjectives continues to be preferable to a percentage threshold.

Along a similar line, the proposed revisions would substitute “5,000 gallon consumption increments” for “various monthly uses” in Section II.3. The OCA would point out that for large water users at the level of millions of gallons per month, this would require a massive amount of data that would be of little, if any, use at all. The OCA submits that the phrase “various monthly uses” should be retained and the decision on the degree of granularity of the data to be provided for each customer group should be left to the discretion of the utility.

C. Miscellaneous Details.

The OCA would point out that some minor changes in language in the revised filing requirements would inadvertently change the meaning or modify the applicability of the requirement in some cases. A list of these issues follows:

---

<sup>1</sup> For example, 15% of \$1000 is \$150 and data associated with an expense changed by \$160 would be required. In contrast, 15% of \$100,000 is \$15,000 and data associated with an expense changed by \$14,000 would be excluded.

- In Sections II.1.b. and II.2.a., the phrase “forfeited discounts” has been stricken, however, this phrase is commonly understood in the industry and, in fact, is the terminology used in the National Association of Regulatory Commissioners Uniform System of Accounts that all water and wastewater utilities must use.<sup>2</sup>
- In Section II.12., insertion of the phrase “at current rates” could require a massive amount of recalculations of billings by the utility in the event that the “current rates” have not been in place for the historic and two prior years. The phrase should be deleted and, as noted earlier, the word “historic” should be deleted from the first sentence. Also, insertion of the word “future” in the second sentences would eliminate the data necessary to compare the historic and future test year consumption data at proposed rates and should also be deleted. In the alternative, the phrase “both historic and future test year” could be used in the second sentence.
- In Section III.5.h., words were inadvertently deleted. The sentence should read: “Submit a schedule showing any deferred income and consultant fees to corporate officers and employees.” *See* 33 Pa. B. at 1109.
- In Section III.7., the phrase “if allocated from the parent company” would imply that utilities which are not part of a holding company system need not provide the explanation for calculating the monthly or annual payments made pursuant to various leases. The phrase should be deleted.
- In Section III.11., the phrase “regulatory commission” modifying “expenses” has been deleted and the proposed change limits the data requested to “expenses relating to rate cases.” This is an inadvertent change in meaning, as “regulatory commission expense” is broader in meaning than “expenses related to rate cases.” The phrase “regulatory commission expense” encompasses not only the regulatory costs of rate proceedings, but also other types of proceedings, tariff filings, etc. The OCA would also suggest that the phrase “by major components” be reinserted.
- In Section III.15., insertion of the word “historic” should be replaced by “future” or, in the alternative, deleted.
- In Section III.20., the “?” should be replaced with a “.”.

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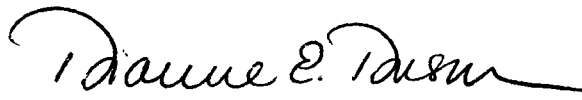
<sup>2</sup> *See* Pa. P.U.C. v. Pennsylvania-American Water Co., Docket No. R-00038304, Order of January 16, 2004, at 39-41.

- In Section IV.4.a., the word “future” should be deleted so that the requirement generates data for both the historic and future test years, as noted earlier with respect to other categories. The same is true for IV.7. and IV.12. Section IV.11, related to tax loss/gain carryovers, is improved as revised in the Tentative Order and the proposed changes should be retained.
- In Section IV.13., the term “interrogatory” is stricken and the phrase “data request” is substituted. Neither is correct and the word “requirement” should be used instead.
- In Section IV.18.a.-c., the changes proposed in the Tentative Order improve clarity and should be retained.
- In Section V., the OCA would again note that the required data should not be limited and should be required for both the historic *and* future test years.
- In Section VII.16., the use of “month and/or quarter” has been stricken in favor of “month or quarter”. The OCA submits that large water utility filers routinely submit monthly data, so the requirement should read “for each month for the last two years.” Monthly data is critical to rate of return analysis and the utility should not have the option of providing only quarterly data.
- In Section VII.32., the utility should not be given the option of filing data for either the utility or the parent. The requirement should apply to both and should be changed to read “...supply financial data of the company and its parent, if any...”.
- In Section VIII.1., line 5, insertion of the words “or wastewater” is not correct, because there are no wastewater “users.” To make the requirement applicable to both types of utility, it would be preferable to substitute the word “customers” for the word “users.”
- In Section IX.2.a., the insertion of the words “or wastewater” is not correct because water pressure is not an issue in wastewater systems.

**III. Conclusion**

The OCA respectfully requests that the Public Utility Commission modify and revise its Tentative Order and the attached regulations consistent with the above comments.

Respectfully submitted,



Dianne E. Dusman  
Senior Assistant Consumer Advocate

Counsel for:  
Irwin A. Popowsky  
Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101  
(717) 783-5048  
(717) 783-5142 (fax)

Dated: October 18, 2004

00081359.wpd

CERTIFICATE OF SERVICE

Re: Final Rulemaking re Updating and Revising Existing Filing Requirements Relating  
to Water and Wastewater Utilities  
Docket No. L-00940096

I hereby certify that I have this day served a true copy of the foregoing document,  
Comments of the Office of Consumer Advocate, upon parties of record in this proceeding in  
accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the  
manner and upon the persons listed below:

Dated this 18th day of October, 2004.

SERVICE BY INTER-OFFICE MAIL

Richard Kanaskie, Esq.  
PA Public Utility Commission  
Office of Trial Staff  
P. O. Box 3265  
Harrisburg, PA 17105-3265

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Carol F. Pennington, Esq.  
Office of Small Business Advocate  
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300 North Second Street  
Harrisburg, PA 17101

Anthony C. DeCusatis, Esq.  
Thomas P. Gadsden, Esq.  
Morgan, Lewis & Bockius LLP  
1701 Market Street  
Philadelphia, PA 19103-1921

Kathy L. Pape, Esq.  
Robert M. Griffin, Mgr.  
Aqua Pennsylvania, Inc.  
762 West Lancaster Avenue  
Bryn Mawr, PA 19010-3489

Jeff Osman  
The York Water Company  
130 East Market Street  
York, PA 17405-7089



Dianne E. Dusman  
Senior Assistant Consumer Advocate

Counsel for  
Office of Consumer Advocate  
555 Walnut Street 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048  
81403.doc;1/DED/smn



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

**COPY**

IN REPLY PLEASE  
REFER TO OUR FILE

October 18, 2004

James J. McNulty, Secretary  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

RECEIVED

OCT 18 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S OFFICE

Re: Final Rulemaking Re: Updating and Revising Existing  
Filing Requirements Relating to Water and Wastewater  
Public Utilities  
Docket No. L-00940096

Dear Secretary McNulty:

Enclosed for filing please find an original and three (3) copies of the  
**Comments of the Office of Trial Staff**, in the above-captioned proceeding.

Copies are being served on all active parties of record.

Sincerely,

Richard A. Kanaskie  
Prosecutor  
Office of Trial Staff

RAK:cer

c: Parties of Record



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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OCT 1 8 2004

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
SECRETARY'S OFFICE

Final Rulemaking Re: Updating and :  
Revising Existing Filing Requirements : Docket No. L-00940096  
Relating to Water and Wastewater :  
Public Utilities :

COMMENTS OF THE  
OFFICE OF TRIAL STAFF  
ON THE  
TENTATIVE FINAL RULEMAKING ORDER

I. INTRODUCTION

The Pennsylvania Public Utility Commission ("Commission") issued an Advance Notice of Proposed Rulemaking on October 25, 2001 for the purposes of initiating the development of revised regulations governing the filing requirements of large water utilities in base rate cases. Comments were received by the various parties that would be most directly affected by these revised regulations.

Extensive meetings had been conducted by the affected parties resulting in a proposed set of regulations that had been presented to the Commission. On October 25, 2001 the Commission issued an Order directing the regulations be submitted through the regulatory review process. The proposed regulations were published on March 1, 2003 drawing no comments as the published comments mirrored those presented to the Commission as a result of the initial collaborative.

Subsequent to the publishing of the proposed regulations, the Independent Regulatory review Commission ("IRRC") submitted comments to the Commission.

A review of the proposal reveals proposals consistent with the intent of the original participants to the collaborative process. However, there are several instances where the insertion of certain terms has dramatically altered the necessary data that should be included in a utility's initial filing. To the extent these limiting terms affect the inclusion of necessary data, it is the opinion of the Office of Trial Staff that the initial language should be restored with no qualifiers. OTS contends that this language would unnecessarily hinder the ratemaking process as its requirements would materially alter the information that is needed to review a utility's claim. Failure to require this information will necessitate the production of extensive Interrogatories requesting this information that has traditionally been included in the filing requirements. This additional layer of Discovery is not what the collaborative process envisioned in its recommendation.

## II. COMMENTS

The inclusion and delineation of the terms "historic" and "future" in reference to test years is cumbersome and confusing. Furthermore, in many instances, it actually limits the information included in the filing to the detriment of all parties involved. OTS offers that continued use of the term "test year" is

preferable. This creates a less cumbersome filing as it is understood that, in the case where a pro forma claim is made, the filing will contain both historic and future test year data. The offered delineation of "Historic" and "Future" before the words test year is misleading and confusing and will result in the failure to include certain required data.

For example, the arbitrary assignment of the terms "Historic" and "Future" in Exhibit D, Section II, parts 1-13, implies that only this limited data is required. This is misleading as data for both historic and future test years is needed in the evaluation of a utility's claim. Failure of a utility to include this information will require the Intervenors to acquire this information through formal discovery.

A percentage threshold of 15% as a replacement for the description of "major" and "significant" is inappropriate and inconsistent with the descriptions used in other regulated utilities. An interpretation as to "major" and "significant" is best left to the party with the burden of proof. Filing utilities are better suited to determine the thresholds that are necessary to include in its filing to support its claim. An arbitrary level of 15% may be too extensive in some categories and unduly limiting in others. These descriptions are readily understood and offer more guidance as to information to be included in comparison to a stated percentage. The currently utilized descriptions should be continued as they are more appropriate than the suggested 15% threshold.

**III. CONCLUSION**

The Office of Trial Staff respectfully requests that the Pennsylvania Public Utility Commission revise its Tentative Order to reflect the spirit and intent of the proposals submitted by the parties to the collaborative process.

Respectfully submitted,



**Richard A. Kanaskie  
Prosecutor**

**Office of Trial Staff**

**Pennsylvania Public Utility Commission  
Office of Trial Staff  
P.O. Box 3265  
Harrisburg, PA 17105**

**Dated: October 18, 2004**



Jeff Osman, Chairman  
Pennsylvania Chapter  
Nat Assoc of Water Companies  
130 East Market Street  
York, PA 17405-7089

A handwritten signature in black ink, appearing to read "Richard A. Kanaskie", written over a horizontal line.

Richard A. Kanaskie  
Prosecutor

Dated: October 18, 2004  
Docket No.L-00940096

COMMONWEALTH OF PENNSYLVANIA



COPY

OFFICE OF SMALL BUSINESS ADVOCATE  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.  
Small Business Advocate

(717) 783-2525  
(717) 783-2831 (FAX)

October 15, 2004

**HAND DELIVERED**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 171050-3265

RECEIVED  
2004 OCT 15 PM 3:47  
SECRETARIAT'S BUREAU

**Re: Final Rulemaking Re: Updating and Revising  
Existing Filing Requirements Relating to  
Waste and Wastewater Public Utilities  
Docket No. L-00940096**

Dear Secretary McNulty:

I am delivering for filing today the original plus nine copies of the Comments of the Office of Small Business Advocate on the Tentative Final Rulemaking Order in the above-captioned matter.

If you have any questions, please contact me.

Sincerely,

William R. Lloyd, Jr.  
Small Business Advocate

RECEIVED  
2004 OCT 19 PM 2:38  
PA P.U.C.  
LAW BUREAU

Enclosures

cc: Bohdan R. Pankiw, Chief Counsel  
Law Bureau

Robert A. Rosenthal, Director  
Bureau of Fixed Utility Services

See Attached Service List

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Final Rulemaking Re: Updating and :  
Revising Existing Filing Requirements : Docket No. L-00940096  
Relating to Water and Wastewater :  
Public Utilities :

**COMMENTS OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE  
ON THE  
TENTATIVE FINAL RULEMAKING ORDER**

RECEIVED  
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SECRETARIAT BUREAU

**INTRODUCTION**

By Order entered October 29, 2001, the Pennsylvania Public Utility Commission (“Commission”) proposed regulations to revise filing requirements for water and wastewater utilities seeking a rate increase in excess of \$1,000,000.

The October 29, 2001, Order was published in the Pennsylvania Bulletin of March 1, 2003. The only entity to provide comments was the Independent Regulatory Review Commission (“IRRC”).

By Tentative Order entered September 27, 2004, the Commission amended its proposed regulations in response to the IRRC comments. However, because of the lapse of time since the regulations were initially proposed, Ordering paragraph 2 invited comments on the revised proposed regulations by October 18, 2004.

The Office of Small Business Advocate (“OSBA”) is submitting these comments in accordance with the aforementioned Ordering paragraph 2.



## COMMENTS

1. The stated purpose of the proposed regulations is to streamline the filing requirements and reduce the regulatory burden when a water or wastewater utility seeks a rate increase in excess of \$1,000,000. Tentative Order, at 1. By definition, a utility which seeks a rate increase of more than \$1,000,000 far exceeds the size and revenue base of the small water and wastewater utilities for which the General Assembly and the Commission have prescribed special treatment.<sup>1</sup> Therefore, whether a particular existing filing requirement should be relaxed for these large and medium-sized utilities must be determined by an especially careful weighing of the potential savings to the utility, in comparison to the potential cost to the consumer. Furthermore, if the OSBA and other parties are required to file interrogatories in order to obtain data currently included as part of the filing, the anticipated savings to the utilities from the streamlined filing requirements may be eclipsed – or at least substantially offset – by increased post-filing litigation costs.

2. At present, 52 Pa. Code §53.53(IV)(A)(1)(d) requires that the utility submit a complete cost of service study if the interval between the last previous cost of service study and the test year in the current rate filing is three or more years. Furthermore, Section 53.53(IV)(A)(1)(e) presently requires the utility to file a production-only cost of service study if the interval since the last complete study is less than three years. As a practical matter, a utility seeking a rate increase of \$1,000,000 or

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<sup>1</sup> Section 529 of the Public Utility Code, 66 Pa.C.S. §529, authorizes the Commission to order a “capable public utility” to acquire a troubled “small sewer utility” or “small water utility.” Under Section 529(m), 66 Pa.C.S. §529(m), “small” is defined to mean a utility having 1,200 or fewer customer connections. Similarly, Section 1327 of the Public Utility Code, 66 Pa.C.S. §1327, provides an incentive to acquire a troubled water or sewer utility, provided that the troubled utility has no more than 3,300 customer connections.

more typically files a complete cost of service study even if a complete study might not be legally required. Proposed Section 53.53(Ex. D)(VIII)(1) would require the filing of a complete cost of service study if the interval between the last one and the historic test year in the current filing is more than three years. This difference implies that there could be more than the presently-permitted three-year lapse between the last required complete cost of service study and the future test year in the current filing. Furthermore, because the proposed regulations would drop the alternative requirement that a production-only cost of service study be filed, the typical practice of filing a complete cost of service study with each request for a rate increase of \$1,000,000 or more might end. As a consequence of these changes, if a utility were to choose not to file a complete cost of service study, it would be impossible (without extensive discovery) to evaluate whether the utility is making progress in eliminating inter- and intra-class subsidies and moving rates toward cost of service.

3. At present, Section 53.53(IV)(A)(1)(f) requires the filing of testimony and exhibits to explain the extent of shifting of revenue burdens between customer classes when such shifting is indicated by a cost of service study. The proposed regulations would drop this requirement. In those instances in which the proposed regulations would require the filing of a cost of service study, it is unclear why the utility should be relieved of the requirement to file testimony and exhibits explaining, and attempting to defend, the revenue allocation. Submitting such testimony and exhibits would appear to be necessary in order for the utility to meet its burden of proof. At a minimum, filing the testimony and exhibits would likely reduce the amount of discovery necessary.

4. At present, Section 53.53(IV)(A)(2)(d) requires the utility to file both the current tariff and the proposed tariff. Proposed Section 53.53(Ex. D)(II)(3) would require the filing of the proposed tariff but would not require the filing of the current tariff. Relieving the utility of having to file a copy of the current tariff would simply shift the burden of retrieval to the OSBA and the other parties. In some instances, that burden might be relatively small. However, if the utility has multiple, non-contiguous divisions, that burden could be unreasonable. As a compromise, the utility should be relieved of filing the current tariff but should be required to file the proposed tariff on a red-lined basis so that the changes could be readily identified.

5. At present, Section 53.53(IV)(A)(2)(e) requires the utility to provide information regarding customers billed at flat rate charges. Under 52 Pa. Code §65.7(d), a utility is required to provide metered service unless either flat rates are charged pending implementation of a reasonable metering program or the Commission permits flat rates for good cause. The OSBA has no first-hand knowledge of how many, if any, customers are still being served without meters. However, if there are such customers, the utility should continue to be required to provide a statement or feasibility study showing why those customers should not be metered.

6. At present, Section 53.53(IV)(A)(2)(g) requires the utility to file a statement indicating unaccounted for water in the test year and in four prior years. Proposed Section 53.53(Ex. D)(XI)(5) would require the filing of such data for only the test year and two prior years. Because the utility presumably maintains such data on an annual basis, it is questionable whether relaxing the filing requirement would be of significant benefit to the utility. In fact, relaxing the filing requirement could simply

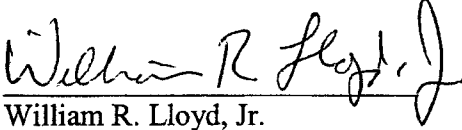
increase the amount of discovery needed in cases involving utilities for which unaccounted for water has been a problem.

7. At present, Section 53.53(IV)(A)(2)(h) requires the utility to file a statement showing the number of customers and water consumption by customer classification for the test year and four prior years. Proposed Section 53.53(Ex. D)(II)(9) would require the filing of this data for the test year, two years prior to the historic test year, and two years after the historic test year. In many instances, five years of historical data would provide a more accurate basis for judging the future test year data than three years of historical data and projected data for the year following the future test year. Furthermore, requiring the utility to file two years of projected data (including the future test year) would be more likely to increase the filing burden than to reduce it. Therefore, the current filing requirement should be retained.

8. At present, Section 53.53(IV)(A)(1)(g) requires the filing of consumption data and a bill analysis at current and proposed rates in order to prove that the billings total the proposed revenue requirement. Proposed Section 53.53(Ex. D)(II)(4) would require the filing of similar data “to support present and proposed rates by customer classification and tariff rate schedule.” (emphasis added) In that proposed Section 53.53(Ex. D)(II)(4) is presumably intended to require a proof of revenues, the aforementioned underscored word “rates” should be deleted and replaced by the word “revenues.”

WHEREFORE, the OSBA respectfully requests that the Commission further revise the proposed regulations in a manner consistent with the aforementioned comments.

Respectfully submitted,

  
\_\_\_\_\_  
William R. Lloyd, Jr.  
Small Business Advocate

Dated: October 15, 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Final Rulemaking Re: Updating and :  
Revising Existing Filing Requirements : Docket No. L-00940096  
Relating to Water and Wastewater :  
Public Utilities :

**CERTIFICATE OF SERVICE**

I certify that I am today serving a copy of the Comments of the Office of Small Business Advocate on the Tentative Final Rulemaking Order by first class mail upon the persons addressed below:

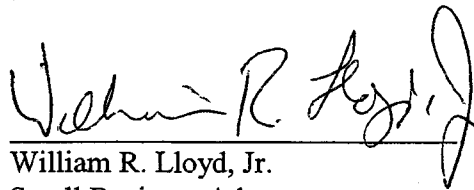
Susan Simms Marsh, Esquire  
Pennsylvania-American Water Co.  
800 West Hershey Park Drive  
P.O. Box 888  
Hershey, PA 17033-0888  
(717) 531-3208

Diane Dusman, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> FL Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048  
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Kathy Pape, Esquire  
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726 West Lancaster Avenue  
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(610) 645-1142

Jeffrey Osman, President  
The York Water Company  
130 East Market Street  
P.O. Box 15089  
York, PA 17405-7089  
(717) 845-3601

Tony Harding, President  
United Water  
200 Old Hook Road  
Harrington Park, NJ 07640-1799  
(201) 784-9434

  
William R. Lloyd, Jr.  
Small Business Advocate

Dated: October 15, 2004

**AQUA**  
America.

**OPY**

Via Federal Express

December 20, 2004

Aqua America, Inc.  
762 W. Lancaster Avenue  
Bryn Mawr, PA 19010

Kathy L. Pape  
Vice President,  
Treasurer and Rate Counsel

T: 610.645.1142  
F: 610.519.0989  
klpape@aquaamerica.com  
www.aquaamerica.com

**RECEIVED**

DEC 20 2004

Mr. James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Two North Keystone  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

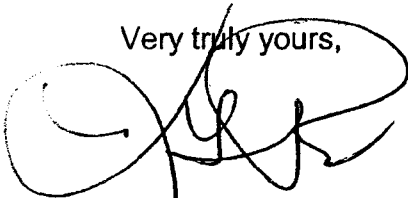
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Final rulemaking regarding updating and revising filing requirements for  
water and wastewater utilities  
Docket # L-00940096

Dear Secretary McNulty:

Please be advised that Aqua Pennsylvania, Inc. concurs with the comments of  
the Office of Consumer Advocate on the above referenced docket.

Very truly yours,



Kathy L. Pape  
Vice President, Treasurer  
And Rate Counsel

KLP/kab

cc: The Honorable Wendall F. Holland, Commissioner  
The Honorable Robert K. Bloom, Commissioner  
The Honorable Kim Pizzingrilli, Commissioner  
The Honorable Glenn R. Thomas, Commissioner

104



PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG, PENNSYLVANIA

WENDELL F. HOLLAND  
CHAIRMAN

March 2, 2005

The Honorable John R. McGinley, Jr.  
Chairman  
Independent Regulatory Review Commission  
14th Floor, Harristown II  
333 Market Street  
Harrisburg, PA 17101

Re: L-00940096/57-223  
Final Rulemaking  
Updating and Revising Existing Filing Requirements  
Relating to Water and Wastewater Public Utilities  
52 Pa. Code Chapter 53

Dear Chairman McGinley:

Enclosed please find one (1) copy of the regulatory documents concerning the above-captioned rulemaking. Under Section 745.5(a) of the Regulatory Review Act, the Act of June 30, 1989 (P.L. 73, No. 19) (71 P.S. §§745.1-745.15) the Commission, on February 19, 2003, submitted a copy of the Notice of Proposed Rulemaking to the House Committee on Consumer Affairs, the Senate Committee on Consumer Protection and Professional Licensure and to the Independent Regulatory Review Commission (IRRC). This notice was published at 33 Pa.B. 1106, on March 1, 2003. In compliance with Section 745.5(b.1) copies of all comments received were provided to your Commission and the Committees.



In preparing this final form rulemaking, the Public Utility Commission has considered all comments received from the Committees, IRRC and the public.

Very truly yours,

A handwritten signature in black ink that reads "Wendell F. Holland". The signature is written in a cursive style with a large, prominent initial 'W'.

Wendell F. Holland  
Chairman

Enclosures

cc: The Honorable Robert M. Tomlinson  
The Honorable Lisa Boscola  
The Honorable Robert J. Flick  
The Honorable Joseph Preston, Jr.  
Legislative Affairs Director Perry  
Chief Counsel Pankiw  
Regulatory Coordinator DelBiondo  
Assistant Counsel Scott  
Ms. Carlson  
Donna Cooper, Governor's Policy Office

TRANSMITTAL SHEET FOR REGULATIONS SUBJECT  
TO THE REGULATORY REVIEW ACT

ID Number: L-00940096/57-223

Subject: Updating and Revising Existing Filing Requirements  
Relating to Water and Wastewater Public Utilities

Pennsylvania Public Utility Commission

# 2323

TYPE OF REGULATION

- Proposed Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted.
- Final Regulation
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor

FILING OF REPORT

<u>Date</u>	<u>Signature</u>	<u>Designation</u>
3/2/05	Linda Lubowski	HOUSE COMMITTEE Consumer Affairs
3-2-05	Jim Seyer	SENATE COMMITTEE Consumer Protection and Professional Licensure
3/2/05	Steph J. Hoff	Independent Regulatory Review Commission
		Attorney General
		Legislative Reference Bureau

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2005 MAR -2 AM 11:02  
REGULATORY  
REVIEW COMMISSION