

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Implementation of Act 11 of
2012**

Public Meeting: August 2, 2012
2293611-LAW
Docket No. M-2012-2293611

STATEMENT OF
CHAIRMAN ROBERT F. POWELSON

Before us today is the Act 11 Implementation Order, which I am pleased to say is moving forward with the same spirit of cooperation that drove passage of the Act. While the Distribution System Improvement Charge (DSIC) is often considered the cornerstone, Act 11 is a three-legged ratemaking stool that provides a stable regulatory framework needed to support accelerated infrastructure replacement with improved gradualism in rate changes and enhanced oversight and customer safeguards. The three components – DSIC, a fully projected Future Test Year, and combining water and wastewater rate cases, will work in concert to facilitate investment by mitigating the disincentive and expense of the previously existing ratemaking process. As noted in a recent American Water Works Association report, "Deferring needed investments today will only result in greater expenses tomorrow and pass on a greater burden to our children and grandchildren." Act 11 gives us the mechanisms to confront our infrastructure challenges now and do so across the board – for gas, electricity, water and wastewater.

The spirit of cooperation, as well as compromise, also permeates our base rate setting process. A fully blown rate case is very expensive, often exceeding \$1 million, which gets paid for by customers. A significant number of base rate cases before us reach settlement. Clearly, this is a good thing - for customers, companies and the Commission, saving a substantial amount of time and expense, and often resulting in alternatives which may not have come to fruition via further litigation. Most settlements are "black-boxed," as parties to the case do not want to disclose positions on individual issues and adjustments and reaching agreement on every issue in a case to calculate a revenue requirement is at best difficult and impractical. I support settlements and see the black-box option as integral to the success of the settlement process. For the record, settlements do not disrupt our ability to monitor utility earnings and performance or implement mechanisms such as those available under Act 11.

I would like to acknowledge and thank all parties that participated in the proceedings that resulted in the Act 11 Implementation Order and specifically thank Buck Pankiw and the Law Bureau for their leadership.

8-2-12

Date

Robert F. Powelson

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Chairman