

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Harrisburg, Pennsylvania 17105-3265

Re: Pennsylvania Public Utility  
Commission, *et al.* v.  
Pennsylvania-American Water  
Company

Public Meeting: December 19, 2013  
2355276-OSA  
Docket R-2013-2355276

STATEMENT OF CHAIRMAN ROBERT F. POWELSON

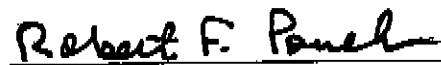
Before us for consideration today is a decision from the Office of Administrative Law Judges (ALJ) that recommends approving a Settlement in the rate case filed by Pennsylvania-American Water (PAWC) earlier this year. The Settlement provides for an increase in PAWC's annual operating revenue of \$26 million, or 4.5%, which is considerably lower than the originally requested increase of \$58.6 million, or 10.1%. The ALJs found the Settlement to be in the public interest and recommended approval by the Commission.

I commend all of the parties for reaching such a beneficial outcome in this case. This Settlement is undoubtedly in the public interest, in that it results in reasonable rates for customers and avoids the need for further administrative and appellate proceedings at significant cost savings to the parties and customers.

Additionally, this is the first case to implement all three ratemaking tools permitted under Act 11 of 2012. In its filing, PAWC used a fully-projected Future Test Year (FTY), and under the Settlement, it will continue to use a Distribution System Improvement Charge (DSIC) to fund infrastructure upgrades synchronized with the FTY. Through the combination of these two ratemaking tools, customers will receive the benefit of rate certainty for several years. The Settlement provides that PAWC will not file for another rate increase until March 31, 2016, meaning base rates will not increase for customers until 2017, at the earliest. This, in combination with PAWC's commitment to invest \$10 million in water main extensions identified in the Settlement, mean real benefits for customers.

The Settlement also combines a portion of PAWC's water and wastewater revenue requirements for the purposes of setting rates. By taking advantage of perhaps the least recognized tool permitted under Act 11, the Settlement significantly mitigates the rate increase for PAWC's wastewater customers. Doing so prevents rate shock for those wastewater customers and only results in an increase to water rates of less than 1%.<sup>1</sup> Additionally, PAWC's water customers will benefit in the future when large capital projects are needed and the costs of those water projects can be spread over the combined customer base.

This Settlement demonstrates why Pennsylvania continues to be a national leader in water and wastewater regulation. Thanks to the foresight of the legislature in passing Act 11 and the spirit of cooperation between all of the parties, PAWC's water and wastewater customers will see real benefits, as evidenced by today's Settlement.

  
Robert F. Powelson

December 19, 2013

<sup>1</sup> The total unrecovered wastewater cost of service which will be transferred to the water cost of service under the Settlement is \$5,410,115. This is less than 1% of the total water revenue of \$588,251,723. Settlement, Appendix C, Schedule 1, and Appendix G.