



**Pennsylvania American Water Company
Rate Case**

Docket Nos. R-2020-3019369 and R-2020-3019371

Pennsylvania Public Utility Commission

August, 2020

On behalf of AARP's 1.8 million members in Pennsylvania, many of whom reside in the areas served by the Pennsylvania American Water Company. We appreciate the opportunity to comment on AARP Pennsylvania's major concerns with the proposed two-year rate case filing of the Pennsylvania American Water Company.

AARP supports clean, affordable and reliable water service with rates that are fair. However, many of our members are on low or fixed incomes, and many have been adversely impacted by the coronavirus pandemic and have no ability to withstand such a large increase. This is no time to impose such a large two-year rate increase on such essential service, like water and wastewater.

In preparing for today's testimony, AARP Pennsylvania noted that letters opposing the Pennsylvania American Water Company's water and wastewater rate increases have already been submitted, including two from members of the Pennsylvania General Assembly. Upon review, AARP agrees with the comments made by State Representative Austin Davis, who noted that in 2018, the Pennsylvania American Water Company was granted permission to spend \$1.26 billion, and now is back with a similar request. Additionally, we also agree with State Senator Judith Schwan, who noted that a customer's average wastewater bill would increase 80% -- from \$516/year to \$924/year.

AARP Pennsylvania's specific concerns are as follows:

1. *The PUC should allow only a one-year rate increase, if any.*

A two-year rate increase plan should be rejected. Given the uncertainties to the pandemic, there is no need to pre-authorize two years of rate increases. Certainty of a rate increase is no benefit to customers.

2. *The rate increase is too high.*

Customers cannot afford a water increase of 12.5% in 2021, followed by another 5.8% increase in 2022, nor can they afford wastewater rate increases of 16.9% in 2021, followed by another 5.4% increase in 2022. The Company is also seeking to earn a return of 10.8% in this case. This is clearly excessive for a monopoly utility at a time when many businesses are struggling to earn any profit at all. More importantly, interest rates have dropped to historic lows so the requested return should be adjusted downward.

3. *Wastewater costs should not be shifted to water customers.*

The Pennsylvania American Water Company proposes to shift some wastewater costs to water customers. AARP questions this plan. Why should water customers be expected to be responsible for such costs?

4. *The proposed regional and consolidation surcharge should be rejected.*

AARP opposes single-issue surcharges which fast track cost increases and ignore offsetting cost savings. We also question why all customers should be saddled with the costs of the utility acquiring new systems. It is clearly a burden to existing utility water customers. Moreover, recovery of any revenue

deficiencies should not bypass the normal, thorough PUC review via a new surcharge.

5. *AARP opposes the new tracker.*

AARPs opposition to the Pennsylvania American Water Company's request for a new tracker for pension costs rests in the fact that single-issue trackers ignore offsetting cost savings and also should not avoid the traditional PUC review.

6. *The customer charge should not be increased.*

The Pennsylvania American Water Company also wants to raise the customer charge for water from \$16.50 to \$18.50. Higher customer charges makes controlling your water bill more difficult. There should be no change to the customer charge. AARP supports recovering metering and billing costs in customer charges.

7. *The requested increase is unfair to residential customers.*

Too much of the increase is borne by residential customers. Here are the details:

Proposed percentage increases:

Residential 13.3%
Commercial 13.0%
Industrial 9.4%
Municipal 4.5%
Wholesale group a 4.1%
Wholesale group B 19.1%
Private fire 15.3%
Public fire 7.0%
Overall 12.7%

AARP questions why residential customers should pay more than other customer classes such as industrial customers.

AARP urges the PUC to reject the new surcharge, the new tracker, and the increase to the customer charge. Only a one-year rate increase should be approved at this time, if any. We urge the spending plan proposal to be carefully reviewed. Finally, residential customers should pay no more than the overall percentage increase.

We appreciate the opportunity to comment.



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