

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Pennsylvania Public Utility Commission
et al.**

v.

Public Meeting July 12, 2018
2624240-OSA
Docket No. R-2017-2624240

Newtown Artesian Water Company

STATEMENT OF COMMISSIONER NORMAN J. KENNARD

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the request of Newtown Artesian Water Company (NAWC or Company) to increase their Distribution System Improvement Charge (DSIC) cap from 5% to 7.5%.

Act 11 of 2012 (Act 11) allowed wastewater, electric, natural gas, and city natural gas distribution operations to file a DSIC, but capped the charge at 5% of distribution revenue with the allowance that the Commission may grant a waiver of the cap. Unlike other industries, water utilities have a DSIC cap of 7.5%. The only limitation placed on the water industry was that the practice and procedures of a water utility in place before Act 11 would remain in effect unless specifically amended or revoked by the Commission.¹

NAWC's request to increase its DSIC cap is *not* a waiver request since the 7.5% rate is expressly permitted by Section 1358 of the Public Utility Code (Code), 66 Pa. C.S. § 1358. To be clear, the Code does not set the same limitations on the DSIC cap for water as it does the other industries and that should be taken into consideration when the cap is set by the Commission. Accordingly, NAWC should not be compelled to present the same evidence as would be required of an electric or natural gas distribution company petitioning for a waiver of their statutory DSIC cap.


I would also like to note that NAWC has already exceeded its current 5% DSIC cap. Therefore, to enable the Company to continue to comply with its Commission-approved Long-Term Infrastructure Improvement Plan, we should increase NAWC's DSIC cap to 7.5%. The DSIC not only provides a utility with the funding for much-needed infrastructure replacement, but also protects customers by resetting the charge to zero if, in any quarter, a utility's quarterly earnings report shows it to be earning a rate of return that exceeds the Commission's allowable rate of return for the DSIC.

In Pennsylvania, we have multiple tools available to utilities for infrastructure replacement, such as the DSIC and filing a base rate case with a fully projected future test year. The choice of which of these two tools to utilize to make necessary infrastructure replacements remains with the Company.

¹ 66 Pa.C.S. §1358 (a).

I fully support the DSIC legislation and think it is a very important tool available to utilities to encourage needed investment in infrastructure throughout the Commonwealth. Therefore, I believe that NAWC's request to increase its DSIC cap to 7.5%, which is fully in compliance with Section 1358 (a) of the Code, should be approved.

Date: July 12, 2018



NORMAN J. KENNARD
COMMISSIONER