

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**GENERAL RATE INCREASE FILINGS -
PENNSYLVANIA AMERICAN WATER
COMPANY – WATER & WASTEWATER**

**PUBLIC MEETING OF DECEMBER 21, 2023
3043189 & 3043190-TUS
DOCKET NOS. R-2023-3043189
R-2023-3043190**

**JOINT STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK &
COMMISSIONER RALPH V. YANORA**

Before the Commission are the general rate increase filings of Pennsylvania American Water Company (PAWC or Company) for its water and wastewater operations. PAWC proposes increases in annual revenues of \$199.2 million, or 24.2%, for water operations and \$4.7 million, or 2.5%, for wastewater operations. Formal complaints were filed in both dockets, and as such, these proposed orders would suspend both tariffs for further investigation and send the proceedings to the Office of Administrative Law Judge for hearings as appropriate. We support such action.

Numerous factors contribute to water and wastewater rates, including environmental compliance, infrastructure replacement, operational expenses, acquisitions, costs of debt, rate case filing cadence, and rate design elements such as the cross-subsidization of water and wastewater rates permitted under §1311(c) of the Public Utility Code.¹ We acknowledge that some factors are outside the scope of water utility management. However, we take this opportunity to focus on factors within a utility's control.

The Company is seeking an overall annual revenue increase of \$204 million among both operational divisions, and proposes that \$71.09 million, or approximately 34% of that overall increase be reallocated from wastewater to water customers. Active participants in this proceeding should focus on PAWC's proposed use of the Act 11 reallocation. We find this particularly important when reviewing this proposal through the lens of affordability. It is incumbent on this Commission to determine the public interest, which includes the utility, investors, customers, and the affected communities the utilities serve. We must be deliberate and diligent when applying relatively recent legislation permitting alternatives to polestar cost of service principles, while nonetheless considering the legal rights of combined water and wastewater utilities to prudently avail themselves to the rate design tools established under Act 11. Further, we note the frequency of rate case filings. This Commission recently disposed of a base rate case filing by PAWC on December 8th of 2022.² Therein we approved an overall annual water and wastewater increase in revenue of \$138.0 million. This approval included a cross-subsidization of \$26.9 million reallocated from wastewater rates into water rates, representing approximately 19% of the overall increase. We make these observations without prejudging the legal and substantive merits of these proceedings.

¹ 66 Pa.C.S. § 1311(c) as modified by Act 11 of 2021.

² *Pa. Pub. Util. Comm'n, et al. v. Pennsylvania-American Water Company and Pennsylvania-American Water Company (Wastewater)*, Docket Nos. R-2022-3031672, *et al.* (Order entered December 8, 2022).

We look forward to a robust discussion that considers affordable access to safe water and wastewater utility service. Such evidentiary and public input testimony should prove invaluable in assisting the Commission toward an ultimate disposition of these proceedings, including a determination on the justness and reasonableness of the proposed rates.

December 21, 2023

Date



Stephen M. DeFrank
Chairman



Ralph V. Yanora
Commissioner