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OFFICE OF SMALL BUSINESS ADVOCATE

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Bernard A. Ryan, Jr.
Small Business Advocate

May 3, 1996

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PA. P. U. C.
INFO. CONTROL DIV.

John G. Alford, Secretary
Pa. Public Utility Commission
Room B-18, North Office Building
P. O. Box 3265
Harrisburg, PA 17105

Re: Petition of Philadelphia Suburban Water Company
for Approval to Implement a Tariff Supplement
Establishing a Distribution System Improvement
Charge at Docket No. P-00961036

Dear Secretary Alford:

JLS

I am delivering for filing today the original plus three
copies of the:

1. Notice of Intervention of the Small Business Advocate in the above captioned matter;
2. Public Statement of the Small Business Advocate relating to the filing of that Notice of Intervention; and
3. The Answer of the Office of Small Business Advocate to the Petition of Philadelphia Suburban Water Company.

Copies of each of the documents listed above are being served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

Sincerely,

Karen Oill Moury
Assistant Small Business Advocate

Enclosures

cc: Susan T. Povilaitis, Esquire
Law Bureau

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Petition of Philadelphia Suburban :
Water Company for Approval to :
Implement A Tariff Supplement :
Establishing a Distribution :
System Improvement Charge :

Docket No. P-00961036

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**ANSWER OF THE OFFICE OF SMALL BUSINESS ADVOCATE
TO THE PETITION OF PHILADELPHIA SUBURBAN WATER COMPANY**

The Philadelphia Suburban Water Company ("PSWC" or "Company") filed a Petition for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge ("DSIC"), pursuant to Section 1307(a) of the Public Utility Code, 66 Pa.C.S. §1307(a). By this Petition, PSWC requests permission from the Commission to recover from its customers some of the costs associated with infrastructure improvements, without the need for filing a base rate case. In particular, implementation of the proposed DSIC would enable the Company to automatically increase rates through a quarterly surcharge on the customers' bills. The first surcharge, which would go into effect on July 1, 1996, is projected to increase revenues by 0.5% over the amount currently billed to all customers other than public fire customers. Subsequent quarterly surcharges would increase non-public fire revenues by as much as 5%.

The Office of Small Business Advocate filed a notice of intervention in this case in order to protect the interests of small business customers which may be affected by PSWC's proposal. Of primary concern to the OSBA is that a full review of all aspects


of the proposal, including a consideration of legal and factual issues, is necessary before the Commission approves it for implementation.

By way of Answer to PSWC's Petition, the OSBA submits that if the Commission determines that the proposed DSIC is legally permissible under Section 1307(a), the Commission should not approve the proposal before conducting an investigation and reaching conclusions as to the reasonableness and lawfulness of the proposed tariff supplement. In particular, the OSBA observes that certain components of the DSIC may adversely affect some groups of customers without a valid basis.

Specifically, the OSBA notes that the surcharge would be assessed as a percentage of the customer's bill. Prior to approval of the DSIC, the Commission should thoroughly analyze the appropriateness of assessing a surcharge on the basis of a customer's level of consumption. In that regard, the Commission should consider whether the amount of water consumed by a customer is germane to the way that costs are incurred by the Company for infrastructure improvements. Further, it is critical for the Commission to review the impact of a potential 5% increase on various customer classes at varying levels of consumption to determine whether just and reasonable rates would result. Finally, the Commission should approve a recovery mechanism only after concluding that the costs are fairly distributed among the Company's classes of customers, with no ratepayers being treated in an unreasonably discriminatory manner.

For these reasons, the Office of Small Business Advocate respectfully recommends that the Commission reject Philadelphia Suburban Water Company's Distribution System Improvement Charge, unless and until the Company establishes that the proposal meets all requirements of the Public Utility Code relating to lawfulness, justness and reasonableness of rates.

Respectfully submitted,


Karen Oill Moury
Assistant Small Business Advocate

Dated: May 3, 1996

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Suburban :
Water Company for Approval to :
Implement A Tariff Supplement : Docket No. P-00961036
Establishing a Distribution :
System Improvement Charge :

CERTIFICATE OF SERVICE

I certify that I am serving copies of the Notice of Intervention, Public Statement and Answer on behalf of the Office of Small Business Advocate by hand delivery upon the persons addressed below:


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Date: May 3, 1996