



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 9, 1996

Thomas P. Gadsen, Esquire  
Anthony C. DeCusatis, Esquire  
Morgan, Lewis & Bockius  
2000 One Logan Square  
Philadelphia, PA 19103-6993

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

Dear Mr. Gadsen and Mr. DeCusatis,

Enclosed please find twelve staff data requests concerning the above filing. Please respond to the Commission within 15 days of the date of this letter. In addition, please serve a copy of your response to the parties to this proceeding, as is indicated on the attached certificate of service.

Parties electing to file supplemental comments based on your responses may do so on or before June 13, 1996.

BY THE COMMISSION,

KJR

*John G. Alford*

John G. Alford  
Secretary

**DOCKETED**

MAY 30 1996

cc: as per the attached Certificate of Service  
Dennis Dougherty, Bureau of Audits  
Judith Koch Carlson, Bureau of Fixed Utility Services  
Susan T. Povilaitis, Law Bureau

**DOCUMENT  
FOLDER**

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

STAFF DATA REQUESTS

Staff data requests related to Philadelphia Suburban Water Company's proposed Petition establishing a Distribution System Improvement Charge:

1. Explain in detail, using examples, how the DSIC would be reset to zero if the actual rate of return exceeds the rate of return used to calculate the fixed costs under the DSIC. Is the rate of return used in this determination the pre-tax rate of return described in paragraph 35? Will this resetting to zero be performed voluntarily by the Company immediately upon determination that this condition has been met?
2. Describe how the after-tax rate of return provision of the two equity return rate methodologies, the Company's last rate case as opposed to the most recent fully litigated proceeding for an investor-owned water utility, would work. In the Company's Reply to OTS, it states that the Company's return will always be the lesser of the return rate approved in the last litigated case or a proforma calculation. Provide examples to further clarify the impact of this provision if the most recent rate case resulted in a greater return rate and a lower return rate. (Paragraph 35 of the Petition)
3. The preliminary DSIC calculation (Exhibit B of the Petition) does not reflect retirements and salvage for DSIC eligible plant replacements. Explain how these items will be handled in the calculating the DSIC eligible plant. If any retirements are related to plant that still had a useful life, explain how premature retirements will be handled. Indicate in the DSIC calculation the treatment of these items.
4. The tariff states that the equity return rate utilized in the DSIC calculation will be initially based upon that approved by the Commission in the Company's last fully litigated base rate case. Explain what rate of return is to be utilized should any future base rate case proceedings be settled? (Exhibit A)
5. Explain in detail what is meant by "and projects" in the DSIC eligible property description? (Paragraph 17 of the Petition)
6. In contrast with the market based equity return recommended in PSWC's last base rate case, is it the Company's position that there is not a lower level of investment risk associated with an automatic DSIC equity return? Please explain in detail. (Paragraph 35 of the Petition)

7. The Petition and Tariff are silent regarding DSIC treatment of projects eligible for PENNVest funding. Should projects that are receiving funding through PENNVest loans be excluded from DSIC eligibility? If so, the DSIC tariff should specifically state that these projects are to be excluded. (Exhibit A)

8. The Company's Petition in Exhibit B specifically states what plant accounts are eligible for DSIC inclusion. The petition also describes the nature of the eligible replacement plant (Paragraph 17). The proposed DSIC tariff rider is silent regarding these matters. The DSIC tariff should include the specific plant account numbers and the description of the eligible improvements. (Exhibit A & B)

9. The Petition and Tariff are silent regarding the mechanism through which customers will be notified of the quarterly DSIC rate changes. Provide the mechanism by which customers will be notified of the quarterly DSIC rate changes.

10. Provide the calculation of the Tax Multiplier/Revenue Multiplier as shown in the calculation of the DSIC rate.  
(exhibit B)

11. The formula for calculating the DSIC on the proposed tariff rider should include language that specifically indicates that the divisor is Applicable Sales Revenues. (Exhibit A)

12. In rate cases your revenue requirement is based upon revenues billed rather than collected. Explain why the Company is proposing to use revenues collected when reconciling DSIC activity. (Paragraph 5 of the Petition)

CERTIFICATE OF SERVICE

Petition of Philadelphia Suburban (P-00961036)

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