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ORIGINAL

Morgan, Lewis & Bockius LLP
COUNSELORS AT LAW

Thomas P. Gadsden
215-963-5234

May 23, 1996

RECEIVED
MAY 23 1996
SECRETARY'S OFFICE
Public Utility Commission

BY FEDERAL EXPRESS

John G. Alford, Secretary
Pennsylvania Public Utility Commission
New Filing Section, Room B-20
North Office Building
Commonwealth & North Streets
Harrisburg, PA 17120

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 Secretary Alford:

Enclosed for filing on behalf of Philadelphia Suburban Water Company are three copies of responses to Staff Data Requests issued on May 9, 1996 at the above-captioned docket. In accordance with your instructions, copies of the enclosed responses are also being served on the parties set forth on the attached Certificate of Service.

Sincerely,

Thomas P. Gadsden

Thomas P. Gadsden
Counsel for Philadelphia Suburban
Water Company

DOCUMENT
FOLDER

JLS

TPG:jod
Enclosure

cc: Dennis Dougherty, Bureau of Audits
Judith Koch Carlson, Bureau of Fixed Utility Services
Susan T. Povilaitis, Esquire, Law Bureau

40

ORIGINAL

CERTIFICATE OF SERVICE

I hereby certify that I have, this 23rd day of May, 1996, served a true and correct copy of the foregoing document upon the following and in the manner indicated below:

BY FEDERAL EXPRESS

Carol Pennington, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Pitnick Building - 3rd Floor
901 No. 7th Street - Rear
Harrisburg, PA 17102

Dianne E. Dusman, Esquire
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

L.G. Spielvogel, P.E.
Lawrence G. Spielvogel, Inc.
203 Hughes Road
King of Prussia, PA 19406-3785

Karen Oill Moury, Esquire
Office of Small Business Advocate
300 North Second Street
Harrisburg, PA 17120

Dated: May 23, 1996

Thomas P. Gadsden

Thomas P. Gadsden
Counsel for Philadelphia Suburban Water Company

Docket No. P-00961036
Staff Data Request No. 1

Q. 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?

A. At the time of its quarterly DSIC update, the Company would voluntarily reset the DSIC at zero if the data filed with the Commission in the Company's then most recent Earnings Disclosure Report showed that the Company would earn an overall rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC.

For example, and assuming that the DSIC is approved as proposed, the Company would prepare its first quarterly update in mid-September 1996. At that time, the Company would calculate the applicable pre-tax return for use in the DSIC for the quarter commencing October 1, 1996 in accordance with the procedures set forth in Paragraph 35 of the Petition (p. 24). It would then compare that rate with the rate of return shown in its then most recently filed Earnings Disclosure Report, as set forth at the bottom of Schedule A-1 to the Earnings Disclosure Report.

In the foregoing example, the most recently filed report would be that submitted in late August covering the period ended June 30, 1996. If the return rate set forth in the Earnings Disclosure Report exceeded the DSIC-calculated rate, the DSIC update submitted to the Commission on or before September 20, 1996 would request that the DSIC be reduced to zero effective October 1, 1996. Three months later, in mid-December, the Company would go through the same exercise, i.e. recalculate its allowed DSIC return component and compare it to the return rate contained in its Earnings Disclosure Report for the period ended September 30, 1996 to determine the appropriate DSIC to become effective on January 1, 1997.

PH03/133443.1

Q. 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)

A. As set forth in Paragraph 35 of the Petition, a pro forma pre-tax return rate will be calculated at the time of each DSIC quarterly update, utilizing (1) the Company's then current mix of long-term debt, preferred stock and common equity, (2) the Company's then current embedded cost rates for long-term debt and preferred stock, and (3) the equity return rate authorized in the Company's last fully-litigated base rate proceeding or, if more than two years have passed since the entry of the final order in that proceeding, the equity return rate approved by the Commission in the then most recent fully-litigated base rate proceeding involving another investor-owned water utility having annual revenues in excess of $10.0 million. The pro forma pre-tax return rate would then be compared to the overall pre-tax return rate approved in the Company's last fully-litigated proceeding and the lesser of the two would be utilized in calculating the DSIC.

Attached to this response is a schedule which depicts how the DSIC would operate over a prospective three year period. For simplicity of presentation, it is assumed that the utility is financed entirely by long-term debt and common equity and that it was authorized an 11.25% equity return and a 10.0% overall return in its last fully litigated rate proceeding.

In each of the first eight quarters, the DSIC return calculation utilizes the 11.25% equity figure because two years have not yet elapsed since its last litigated case. In quarters 1, 3 and 6, the utility's actual weighted cost of capital, reflecting then current capital structure ratios and debt costs, exceeds its last authorized overall return rate and, accordingly, its DSIC return rate is capped at 10.0%. In quarters 2, 4, 5, 7 and 8, the utility's actual weighted cost of capital falls below its 10.0% authorized return and the lower actual figure is utilized for DSIC purposes.

Once two years have elapsed since the utility's last fully litigated rate proceeding, it can no longer use the 11.25% authorized equity return, but instead must employ the then most recently authorized equity return for another water company in its DSIC calculations. In quarters 9, 10 and 11, this results in a weighted cost of capital which is less than the 10.0% overall return approved in the utility's last litigated case and the lower pro forma figures are used. In quarter 12, the utility's actual long-term debt cost rate increases to the point that its pro forma overall cost of capital exceeds the 10.0% figure. However, for DSIC purposes, the 10.0% cap is utilized.

Philadelphia Suburban Water Company
Staff Data Request No. 2

Qrtr	Debt Portion	Debt Rate	Wtd Cost	Equity Portion	Equity Rate	Wtd Cost	Wtd Cost of Capital	Wtd Cost of Capital for DSIC
Event	- Litigated rate case determines cost of equity to be 11.25% & Wtd Cost of Capital to be 10%							
1	55.00%	9.10%	5.01%	45.00%	**11.25%**	5.06%	10.07%	**10.00%**
2	54.00%	8.90%	4.81%	46.00%	**11.25%**	5.18%	9.98%	9.98%
Event	- Water surrogate -- full litigation equity determination of 11.5%							
3	53.50%	9.00%	4.82%	46.50%	**11.25%**	5.23%	10.05%	**10.00%**
4	53.00%	8.70%	4.61%	47.00%	**11.25%**	5.29%	9.90%	9.90%
Event	- Settled rate case -- no cost of equity determination							
5	52.50%	8.75%	4.59%	47.50%	**11.25%**	5.34%	9.94%	9.94%
6	54.00%	9.20%	4.97%	46.00%	**11.25%**	5.18%	10.14%	**10.00%**
Event	- Water surrogate -- full litigation equity determination of 11.0%							
7	55.00%	8.80%	4.84%	45.00%	**11.25%**	5.06%	9.90%	9.90%
8	56.00%	8.70%	4.87%	44.00%	**11.25%**	4.95%	9.82%	9.82%
9	54.50%	8.60%	4.69%	45.50%	**11.00%**	5.01%	9.69%	9.69%
Event	- Water surrogate -- full litigation equity determination of 10.8%							
10	53.00%	8.85%	4.69%	47.00%	**10.80%**	5.08%	9.77%	9.77%
11	54.00%	9.15%	4.94%	46.00%	**10.80%**	4.97%	9.91%	9.91%
12	55.00%	9.50%	5.23%	45.00%	**10.80%**	4.86%	10.09%	**10.00%**

Docket No. P-00961036
Staff Data Request No. 3

Q. 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 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.

A. The Company did not reflect retirements in its preliminary DSIC calculations because the retirement of plant does not affect rate base. Moreover, under the remaining life depreciation method, which the Company has utilized consistently since 1986, premature retirements are treated the same as all other retirements. In addition, the Company believes that the incorporation of salvage values into the DSIC calculations is an unnecessary refinement and would only serve to complicate the Commission's review of the quarterly updates. In addition, and as confirmed by the Company's most recent depreciation study (excerpt attached), the Company typically experiences net negative salvage (i.e. cost of removal exceeds salvage value) when it replaces DSIC-eligible property and, consequently, the DSIC would be higher if this component were taken into account.

Exhibit No. 6-A, Part II
Docket No. R-953343
Witness: W. M. Stout

PHILADELPHIA SUBURBAN WATER COMPANY

BRYN MAWR, PENNSYLVANIA

DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AT DECEMBER 31, 1995

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, INC.

HARRISBURG, PENNSYLVANIA

PHILADELPHIA SUBURBAN WATER COMPANY

TABLE 4. AMORTIZATION OF EXPERIENCED AND ESTIMATED NET SALVAGE

	EXPERIENCED NET SALVAGE					5-YEAR
ACCT	1991	1992	1993	1994	1995	AMORT.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
312.13			795-	31,443-	7,475-	7,943
312.20			1,883-		8,909-	2,158
312.30				23,500-		4,700
312.50			22,200-			4,440
312.51				1,422-		284
312.61			3,342-			668
312.62				20,694-		4,139
312.63	6,998-		13,248-			4,049
316.00	6		353-	23,763-	4,820-	5,786
320.00	4,441		18,098-	433-	6,023-	4,023
321.00					1,830	366-
322.00	42,373-	2,948-	35,655-	15,644-	136,694-	46,663
323.00	4,165-	2,027	9,712	5,238-	844-	298-
324.00	109,514	25,395	71,842	18,751		45,100-
324.01					51,104	10,221-
325.00	24,094-	8,901-	14,594-	1,892-	16,965-	13,289
328.00	5,393		12,375		3,675	4,289-
328.30				50		10-
332.20			600	5,000	1,810	1,482-
TOTAL	41,724	15,573	15,639-	100,228-	123,311-	36,376

Q. 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)

A. If less than two years had passed since the entry of the final order in the Company's then most recent fully litigated base rate proceeding, the equity return rate approved in that proceeding would be utilized regardless of whether a subsequent base rate filing had been settled. If more than two years had elapsed, the proxy equity return rate described in Paragraph 35 of the Petition would be utilized.

Q. Explain in detail what is meant by "and projects" in the DSIC eligible property description. (Paragraph 17 of the Petition)

A. The second "and" in the fourth bullet item listed on page 11 of the Petition should be deleted. The phrase should read "main cleaning and relining projects".

Q. 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)

A. The Company does not agree with the question as stated to the extent that it assumes the DSIC will provide the Company with "an automatic DSIC equity return". As set forth in the Petition (p. 17), the Company believes that implementation of the DSIC might, over time, avoid increased perceptions of risk and higher capital costs that might otherwise result as the investment community becomes more aware of the need for water utilities to replace large segments of their distribution systems. However, even if approved as proposed, the DSIC would recover only a small portion of the Company's overall costs. In any event, the impact of the DSIC on the Company's cost of capital will no doubt be addressed and resolved in the Company's next fully-litigated base rate proceeding following which it will no longer be an issue.

Q. 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)

A. The Company believes that projects receiving funding through PENNVest loans should not be eligible for inclusion in the DSIC and has reflected that position in the revised tariff language attached to the response to Staff Data Request No. 8.

Q. 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. (Exhibits A & B)

A. The Company has revised its proposed tariff language to address this concern and has attached that language to this response.

PHILADELPHIA SUBURBAN WATER COMPANY

RATES AND RULES

GOVERNING THE DISTRIBUTION

OF

WATER

IN PORTIONS OF

MONTGOMERY, CHESTER, BUCKS

AND DELAWARE COUNTIES

(Detailed Description - Page 3)

ISSUED: March 20, 1996
by
NICHOLAS DeBENEDICTIS, Chairman
762 Lancaster Avenue
Bryn Mawr, Pennsylvania

EFFECTIVE: July 1, 1996
In accordance with Section 1307(a) of the Pennsylvania Public Utility Commission's Public Utility Code.

N O T I C E

THIS TARIFF ESTABLISHES A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE FOR ALL METERED AND UNMETERED CUSTOMERS EXCEPT FOR PUBLIC FIRE HYDRANT CUSTOMERS.

SEE PAGE 1A

LIST OF CHANGES MADE BY THIS TARIFF

Addition

This tariff establishes a Distribution System Improvement Charge (DSIC) on pages 10 (Sixth Revised)and pages 10A, 10B and 10C (Original)of the Company's tariff. The reasons for the DSIC are enunciated in the Company's petition to the Commission which accompanies this tariff. The rules for identifying appropriate capital projects and components of the charge, calculating the charge, safeguarding and reconciling the charge are also listed on pages 10, 10A, 10B and 10C of this tariff.

INDEX

R I D E R

STATE TAX SURCHARGE APPLICABLE TO ALL RATES

In addition to the net charges provided for in this Tariff, a surcharge of 0.00% will apply to all service rendered on and after October 27, 1995.

The above surcharge will be recomputed, using the same elements prescribed by the Commission:

(a) Whenever any of the tax rates used in the calculation of the surcharge are changed;

(b) Whenever the utility makes effective increased or decreased rates; and

(c) On March 31, 1971, and each year thereafter.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasioned such recomputation; and if the recomputed surcharge is less than the one in effect, the utility will, and if the recomputed surcharge is more than the one in effect, the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

(C)

I. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service between base rate cases and to provide the Company the resources to accelerate the replacement of its aging water distribution infrastructure, comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and develop and implement solutions to regional water supply problems. The DSIC-eligible property will consist of the following:

- services (account 323000), meters (account 324000) and hydrants (account 325000) installed as replacements for existing customers;
- mains and valves (account 322000) installed as replacements for existing facilities that have worn out, are in deteriorated condition or are otherwise at the end of their service lives;
- mains (account 322000) installed to eliminate dead ends;
- main cleaning and relining (account 322000) projects; and
- unreimbursed capital projects to relocate Company facilities due to highway relocations.

Note: Company projects receiving PENNVEST funding are not DSIC-eligible property.

(C) Indicates Change

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

Effective: The DSIC will become effective for service rendered on and after July 1, 1996.

Calculation: The initial charge will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 1996 and May 31, 1996. Thereafter, the charge will be updated on a quarterly basis to reflect eligible plant additions placed inservice during the three month periods ending one month prior to the effective date of each charge update. Thus, changes in the charge rate will occur as follows:

Effective Date Of Change	Date To Which DSIC-Eligible Plant Additions Reflected
July 1	May 31
October 1	August 31
January 1	November 30
April 1	February 28/29

The fixed costs of DSIC-eligible plant additions will consist of depreciation and pre-tax return. The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each capital addition is recorded. The pre-tax return will be calculated using the applicable statutory state and federal income tax rates, the Company's actual capital structure and the Company's actual cost rates for long-term debt and preferred stock as of the last day of the three month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the charge. If more than two years shall have elapsed between the entry of such a final order and the effective date of the charge, then the return rate used in the calculation will be the equity return rate approved by the Commission in a final order entered at the conclusion of the most recent fully litigated proceeding for an investor-owned water utility having annual revenues in excess of $10 million. In any event, if the overall after-tax rate of return calculated in the foregoing manner exceeds the overall after-tax rate of return approved in the Company's last fully-litigated base rate case, the latter will be used to calculate the pre-tax return component of the fixed costs to be recovered on DSIC-eligible property.

The charge will be expressed as a percentage or its decimal equivalent and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the state tax adjustment surcharge (STAS). To calculate the charge on a quarterly basis, the quarterly fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's revenue from sales of water, exclusive of revenues from public fire protection service

(C) Indicates Change

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

and the STAS, as projected for the prospective quarterly application period.

II. Computation

Level of Precision: Four decimal places (i.e. 0.0215 or 2.15%).

Formula: $DSIC = \dfrac{(\text{Eligible Rate Base x ROR}) + \text{Depreciation} + e}{\text{Applicable Sales Revenue}}$

where e = the amount calculated under the annual reconciliation feature, as described in Section III below.

Supporting Data: Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

III. Safeguards

Cap: The charge will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges excluding the State Tax Adjustment Surcharge.

Audits/Annual Reconciliation: The application of the DSIC shall be subject to continuous review and to audit by the Commission at such intervals as the Commission shall determine. It will also be subject to an annual reconciliation based on a reconciliation period consisting of the twelve months ending March 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one year period commencing on July 1.

If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P. S. sec.101, et seq.) and will be refunded in the same manner as an overcollection.

New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions will be reflected in the quarterly updates of the charge.

PUC Earnings Report: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Report show that the Company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC.

(C) Indicates Change

TEMPORARY NEGATIVE SURCHARGE

This Space Intentionally Left Blank

Q. 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.

A. The Company proposes to notify customers of changes in the DSIC by including appropriate information on the first bill they receive following the change.

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

A. The tax multiplier (1.7092118) as shown on page 2 of Exhibit B is calculated below:

PA Taxable Income	100
PA CNI rate	9.99%
PA CNI Tax	9.99
PA Taxable Income	100
Less: PA CNI Tax	9.99
Fed Taxable Income	90.01
Fed CNI rate	35%
Fed CNI Tax	31.5035
PA & Fed CNI Tax	41.4935
Tax Multiplier	1/(1-.414935)=1.7092118

Q. 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)

A. The Company agrees and has incorporated this change in the revised tariff language attached to its response to Staff Data Request No. 8.

Docket No. P-00961036
Staff Data Request No. 12

Q. 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)

A. The Company agrees that billed revenue should be utilized when reconciling DSIC activity.

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ORIGINAL

Morgan, Lewis & Bockius LLP

COUNSELORS AT LAW

Anthony C. DeCusatis
215-963-5034

May 30, 1996

RECEIVED
MAY 30 1996
SECRETARY'S OFFICE
Public Utility Commission

BY FEDERAL EXPRESS

John G. Alford, Secretary
Pennsylvania Public Utility Commission
New Filing Section, Room B-20
North Office Building
Commonwealth & North Streets
Harrisburg, PA 17120

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 Secretary Alford:

Enclosed for filing on behalf of Philadelphia Suburban Water Company ("PSWC") are an original and two copies of each of the following documents: (1) the Petition of PSWC For Leave To File A Reply; and (2) the Reply of PSWC To The Answers/Comments of the Office of Small Business Advocate and the Office of Consumer Advocate.

An additional copy of this letter has also been enclosed, which we request that you date stamp and return to us in the enclosed stamped, self-addressed envelope, as evidence of filing.

Copies of the enclosed Petition and Reply have been served upon the persons indicated on the enclosed Certificate of Service.

Very truly yours,

JLS

Anthony C. DeCusatis
Counsel for Philadelphia Suburban Water Company

DOCUMENT FOLDER

ACD:lms
Enclosure

cc: Per Enclosed Certificate of Service

102

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PHILADELPHIA SUBURBAN WATER COMPANY FOR APPROVAL TO IMPLEMENT A TARIFF SUPPLEMENT ESTABLISHING A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	:	Docket No. P-00961036

CERTIFICATE OF SERVICE

I hereby certify that I have, this 30th day of May, 1996, served a true and correct copy of the foregoing upon the following and in the manner indicated below:

BY FEDERAL EXPRESS

Dianne E. Dusman, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

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Harrisburg, PA 17105-3265

BY FIRST CLASS MAIL

Judith Koch Carlson
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Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Dennis Dougherty
Bureau of Audits
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

DATED: May 30, 1996

Anthony C. DeCusatis

Thomas P. Gadsden
Anthony C. DeCusatis
Counsel for Philadelphia Suburban Water Company

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PHILADELPHIA SUBURBAN WATER COMPANY FOR APPROVAL TO IMPLEMENT A TARIFF SUPPLEMENT ESTABLISHING A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	:	Docket No. P-00961036

PHILADELPHIA SUBURBAN WATER COMPANY'S REPLY TO COMMENTS/ANSWER FILED BY THE OFFICE OF CONSUMER ADVOCATE AND THE OFFICE OF SMALL BUSINESS ADVOCATE

Thomas P. Gadsden
Anthony C. DeCusatis
Counsel for Philadelphia
Suburban Water Company

OF COUNSEL:

Morgan, Lewis & Bockius LLP
2000 One Logan Square
Philadelphia, PA 19103
(215) 963-5234

DATED: May 30, 1996

PH03/135554.1

TABLE OF CONTENTS

Page

I. INTRODUCTION

On March 20, 1996, Philadelphia Suburban Water Company ("PSWC") filed the above-captioned Petition ("Petition") requesting the Commission's approval to implement a Distribution System Improvement Charge ("DSIC") pursuant to Section 1307(a) of the Public Utility Code (66 Pa.C.S. § 1307(a)). The DSIC would recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service between base rate cases. A complete explanation of the DSIC and the reasons why such a charge is necessary and proper for PSWC are set forth in the Petition.

Answers to the Petition were filed by the Office of Trial Staff ("OTS") and the Office of Small Business Advocate ("OSBA") on April 9, 1996 and May 3, 1996, respectively. In addition, on May 6, 1996, the Office of Consumer Advocate ("OCA") submitted extensive Comments in response to the Notice of the Petition published in the <u>Pennsylvania Bulletin</u> on April 6, 1996 (the "OCA Comments"), and attached to its Comments a lengthy statement prepared by its consultant, Mr. Randy M. Allen ("OCA Statement 1"). The Company replied to the OTS' Answer on April 22, 1996 and responds herein to the Comments/Answer filed by the OCA and the OSBA.

II. OVERVIEW OF RESPONSE

When stripped of the rhetorical posturing about "regulatory policy" and "risk sharing", the OCA's Comments essentially boil down to a plea to stay the course and maintain the status quo. Thus, in sharp contrast to the views articulated by many, the OCA apparently rejects the notion that water utility infrastructure is badly in need of rehabilitation and replacement. And, having thus willed the problem away, the OCA can confidently assert that existing ratesetting procedures are working well, even if they have led to a pattern of nearly annual base rate filings. In short, the OCA would "just say no" while, at the same time, offering no meaningful alternative proposal.[1]

Moreover, in urging rejection of the Petition, the OCA relies heavily on Mr. Allen's prepared statement, which simply falls apart under closer examination. For example, in an attempt to refute PSWC's claim that it needs to accelerate the pace of distribution system rehabilitation, Mr. Allen presents the results of a "study" which purport to show that PSWC has "the third youngest infrastructure of large water companies across the country" (OCA St. 1, p. 22). However, Mr. Allen's "study" shows no such thing and, in fact, is so fundamentally flawed as to be useless. Similarly, and despite having participated in numerous rate proceedings before this Commission, it is evident that Mr.

[1] In contrast, the OSBA merely questions whether the DSIC, if approved, should be assessed as a percentage of the customer's bill.

Allen still does not understand how the future test year concept is employed in Pennsylvania (see, e.g., OCA St. 1, p. 21). For these and the other reasons discussed below, the Company respectfully submits that Mr. Allen's statement should be accorded little or no weight.

Unlike the OCA, the Company cannot afford to bury its head in the sand, content that tomorrow will dawn a brighter day. Nor can it ignore the challenges that aging infrastructure can and invariably will produce, without, in some sense, sacrificing the future. The DSIC, of course, is not the only possible answer; other measures, such as the use of a truly forward-looking test year, could certainly be tried. Nonetheless, the DSIC is a reasonable response to a mounting problem and, in PSWC's view, is deserving of this Commission's serious consideration and ultimate approval.

III. NEED FOR THE DSIC

Any informed observer of the water utility industry would readily acknowledge that distribution systems in many parts of the country are getting to the point where substantial investments will be required to replace aging infrastructure. Thus, on January 31, 1996, in convening hearings on the Water Supply Infrastructure Assistance Act, Congressman Sherwood Boehlert (R-NY), Chairman of the House Water Resources and Environment Subcommittee, opined that "America's drinking water infrastructure is in an alarming state of disrepair". Dr. Ahmed

Kaloko echoed this theme in his 1994 report entitled The Financial Challenge Of Water Utilities when he noted that "the water utility infrastructure in Pennsylvania is deteriorating".[2/] And, former Assistant Consumer Advocate Scott J. Rubin chose to highlight this developing problem when he addressed the National Conference of Regulatory Attorneys in 1995:

> Even if the SDWA requirements were not changing, the water industry would be spending hundreds of millions of dollars on its infrastructure. Water mains don't last forever. In many of our largest cities, the water mains are more than 100 years old. When you see the news clips of city streets flooding from main breaks - that's not just "accidents will happen" - it's a sign that our basic infrastructure is failing.
>
> * * *
>
> And it's not just water mains. Filter plants, dams, wells, pumps - none of it lasts forever. Many water systems have been able to cut costs, defer maintenance, and put off their problems for the future. And the future is now.[3/]

In an attempt to refute the obvious, Mr. Allen asserts that PSWC has failed to demonstrate the need to accelerate the pace of distribution system improvements. Alternatively, Mr. Allen contends that, even if such a need were shown to exist, current ratesetting procedures and/or the Company's financial health

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[2/] Similarly, this Commission, in its 1994 draft Comprehensive Plan For Water Industry Regulation, observed: "Numerous systems in Pennsylvania are over 100 years old. Many utilities are now in a crisis state, requiring major capital infusions to replace and expand plant" (p. 3).

[3/] Water Magazine, Vol. 36, No. 2, pp. 28-29.

render the DSIC unnecessary (OCA St. 1, pp. 19-23). Mr. Allen's comments, however, evidence a fundamental misunderstanding of depreciation principles and Pennsylvania ratemaking procedures and, as a consequence, simply lack credibility.

A. Mr. Allen's Depreciation Analysis Is Misleading And Proves Nothing

Mr. Allen's description of his qualifications indicates that his background is in the area of accounting (OCA St. 1, pp. 2-4). To the best of the Company's knowledge, Mr. Allen has no engineering expertise and has never been involved in the physical operation of a water supply system. Nor, for that matter, does he profess to have any firsthand knowledge regarding the condition of PSWC's distribution network. He nonetheless suggests that the Company has seriously overstated the magnitude of the problem and goes on to make the incredible assertion that PSWC has "the third youngest infrastructure of large water companies across the country" (OCA St. 1, p. 22). In support of this remarkable claim, Mr. Allen presents the results of a study of "depreciated plant ratios" which he apparently performed in connection with his engagement in this proceeding. Mr. Allen describes his study as follows (OCA St. 1, p. 16):

> I performed a study of the percentage level of mains depreciated by PSWC as of December 31, 1993, compared to other large water utilities with over $100,000,000 of distribution plant. The lower the ratio of depreciation reserve to depreciable plant, the less depreciated and the younger the plant is, and the longer remaining useful life it has. This study, which is presented on Attachment

> 2, reveals that in 1993 PSWC had experienced a reserve to plant ratio of 15.27%. The other large water companies experienced a weighted average ratio of depreciation reserve to depreciable plant of 21.91%, with PSWC being the third lowest of these companies. This suggests that PSWC is only about two-thirds as depreciated as the other large companies and should be further from requiring accelerated main replacements than other water companies.

Though superficially attractive in its simplicity, Mr. Allen's analysis is woefully deficient and quite misleading. For example, Mr. Allen fails to take into account any variations in the depreciation methodologies that may have been employed by his barometer group water companies over the years. If Mr. Allen had researched the matter, he would have discovered that, until the mid-1980s, most Pennsylvania water utilities, including PSWC, utilized the Four Percent Compound Interest Method of depreciation, which results in a considerably slower recovery of invested capital than the Straight Line Method practiced in other jurisdictions. See, e.g., Pa. P.U.C. v. Philadelphia Suburban Water Co., 61 Pa. P.U.C. 328, 334-35 (1986). He also would have learned that Pennsylvania's ratemaking procedures, again unlike the practice in other jurisdictions, prohibit the recovery through current depreciation accruals of prospective net negative salvage (i.e., cost of removal less salvage value). E.g., Pa. P.U.C. v. Pennsylvania-American Water Co., Docket No. R-00932670 (July 26, 1994) (Order, p. 35). For these reasons alone, no conclusions regarding the relative age of depreciable plant can be drawn from Mr. Allen's analysis.

More damaging, however, is the fact that Mr. Allen's study tells us nothing about the relative age of the distribution systems in question. This is because the "depreciable plant" and "depreciated ratio" figures which he develops in Attachment 2 do not reflect solely distribution system investment, as Mr. Allen implies in the portion of his statement quoted previously, but instead include all utility plant. This may be confirmed by reviewing Mr. Allen's source data, which were extracted from a 1993 report published by the National Association of Water Companies ("NAWC").[4/]

One simple calculation, which Mr. Allen neglected to provide, convincingly demonstrates that his analysis is useless for the purpose offered. In his study, Mr. Allen included all water utilities with over $100 million of total plant investment, with one notable exception -- the Pennsylvania Gas & Water Company ("PG&W"). If Mr. Allen had calculated a depreciated ratio for PG&W, he would have derived a figure of 4.50% (see Appendix A, p. 30). According to Mr. Allen, this would suggest that PG&W's distribution system was less than one-third the age of PSWC's, one-fifth the age of the national average and the least in need of rehabilitation of any of the companies

4/ Relevant pages from the NAWC report are attached hereto as Appendix A.

surveyed.[5] This, of course, is nonsense and merely confirms that Mr. Allen's study should be accorded no weight.

B. Mr. Allen's Comments Regarding Attrition Demonstrate A Fundamental Misunderstanding Of How Rates Are Set In Pennsylvania

In its Petition, PSWC argued that, even at existing construction expenditure levels, it is unable to earn its authorized rate of return because of attrition and regulatory lag. The Company also noted that the filing of annual rate increase requests did not solve the problem because there remained, on average, a six to seven month gap when its investment in revenue neutral, replacement plant earned neither a paper nor a cash return (Petition, p. 12).

While not conceding the need to accelerate distribution system improvements, Mr. Allen contends alternatively that the proposed DSIC should be rejected because existing ratemaking procedures already minimize attrition. More specifically, and in response to the Company's claimed six to seven month earnings gap, Mr. Allen states as follows (OCA St. 1, p. 21):

> This type of regulatory lag does not exist in a future test year state because the rates are placed in service on the first day of the 12-month period for which cost of service and rate base are measured.

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[5] It would further suggest that the Commission erred in 1993 when it directed PG&W to increase its level of distribution main replacement work in the Scranton area. See Pa. P.U.C. v. Pennsylvania Gas & Water Co., Docket No. R-00922482 (August 19, 1993).

As the foregoing passage illustrates, Mr. Allen is under the erroneous impression that the "future test year", as utilized in Pennsylvania, coincides with the first "rate year". If this were true, PSWC admittedly would have less to be concerned about. But, of course, it is not. Rather, rates in Pennsylvania are based on data for a twelve-month period which typically ends on or about the date when new rates become effective.[6] Mr. Allen's comments regarding attrition should therefore be ignored.

C. The OCA's Comments Regarding PSWC's Financial Well-Being Are Misguided

The OCA cites PSWC's financial health as an additional reason for rejecting the DSIC. In support of its position, the OCA notes that the Company has not claimed that "its financial integrity would be jeopardized in the near future" without the DSIC (OCA Comments, p. 15). In like fashion, Mr. Allen refers to statements made in Philadelphia Suburban Corporation's ("PSC") annual report and in MONEY magazine, presumably in an attempt to demonstrate that PSC, the Company's parent, is viewed as an attractive investment opportunity (OCA St. 1, pp. 6-7). These observations are irrelevant to the issue at hand and in no way detract from the merits of PSWC's proposal.

Mr. Allen is correct that the Company has not asserted that its financial integrity is in jeopardy or that it lacks access to

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[6] As a result, and as the Company demonstrated in Exhibit F to its Petition, revenue neutral plant additions can significantly erode PSWC's pre-tax income.

the capital markets. However, PSWC's ability to raise capital, and to do so at reasonable cost rates, is unquestionably dependent upon its financial performance. For that reason, it would be extremely difficult for PSWC to significantly accelerate its present pace of infrastructure replacement, and experience the attrition that would come with that expanded effort, without continuously filing for base rate relief.[7] Nonetheless, the OCA and Mr. Allen seem to imply that the Commission should wait until a utility's access to the capital markets is imperilled before arming it with the regulatory tools needed to address the problem of aging infrastructure. This myopic approach is clearly contrary to PSWC customers' best long-term interests and should be flatly rejected.

IV. <u>LEGAL AND "POLICY" CONCERNS</u>

A. <u>The DSIC Is Clearly Permissible Under Section 1307(a) Of The Public Utility Code</u>

1. <u>The OCA Seriously Misstates The Holding In PIEC</u>

The OCA contends that Section 1307 does not grant the Commission authority to approve an adjustment clause to recover the fixed costs of utility plant in service. In support of this interpretation, the OCA relies upon <u>dicta</u> from the Commonwealth

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[7] This prospect apparently does not concern Mr. Allen who claims that "[t]he only operating flexibility the Company needs is to request a reasonable and necessary level of future test year infrastructure investment within the confounds (sic) of a base rate filing" (OCA St. 1, p. 23).

Court's opinion in Pennsylvania Industrial Energy Coalition v. Pa. P.U.C., 653 A.2d 1336, 1347 (Pa. Cmwlth. 1995) (hereafter, "PIEC"). Contrary to the OCA's contentions, and as explained below, PIEC does not preclude the recovery of fixed costs through a Section 1307 adjustment clause.

In PIEC, the appellant challenged, inter alia, the Commission's approval of a Section 1307 adjustment clause for recovery of electric utilities' costs to design and implement demand side management ("DSM") programs. Significantly, the Court affirmed the Commission's Order on that issue, finding that Section 1307 authorized the use of adjustment clauses to recover a wide variety of costs, including the costs of "financing" DSM programs. 653 A.2d at 1349. For that reason, among others, the language the OCA has extracted from PIEC clearly is not a per se prohibition against the use of a Section 1307 clause to recover the fixed costs of utility plant.

Moreover, while the OCA claims that PIEC limits the kinds of costs that may be recovered under Section 1307, the Court's holding in that case is to the contrary. In PIEC, the Commonwealth Court actually rejected the appellant's argument that adjustment clauses should be restricted to the recovery of certain narrow categories of costs, such as fuel expenses and taxes:

> Although we agree that Section 1307 should have limited application and the PUC should not use it to disassemble the traditional rate-making

> process, the General Assembly did not limit the allowance of automatic adjustment to only fuel costs and taxes which are generally beyond the control of the utility. Instead, the General Assembly specifically allowed the recovery of fuel costs and also allowed the PUC or the utilities to initiate the automatic adjustment of costs within specific procedures.

653 A.2d at 1349.

Significantly, in PIEC, the issue of whether the fixed costs of plant in service could be recovered under Section 1307 was not directly presented, principally because all of the challenged costs were operating and maintenance or administrative expenses. See 653 A.2d at 1347. In fact, the single sentence from PIEC upon which the OCA relies actually appears in the Court's discussion of Section 1315.[8] Specifically, the appellant

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[8] Section 1315 provides, in pertinent part, as follows:

> Except for such nonrevenue producing, nonexpense reducing investments as may be reasonably shown to be necessary to improve environmental conditions at existing facilities . . . the cost of construction or expansion of a facility undertaken by a public utility producing, generating, transmitting, distributing or furnishing electricity shall not be made a part of the rate base nor otherwise included in the rates charged by the electric utility until such time as the facility is used and useful in service to the public. Except as stated in this section, no electric utility property shall be deemed used and useful until it is presently providing actual utility service to the customers.

Although Section 1315 is expressly applicable only to electric utilities, subsequent Commission decisions have applied the principles contained therein to all fixed contended that recovery of DSM expenses under a Section 1307 clause would violate Section 1315 because those expenses could be recovered before they were "used and useful." See 653 A.2d at 1346. The Court stated that because Section 1315 and the "used and useful" concept apply only to "rate base" and not to expenses, the DSM expenses at issue in PIEC were not subject to a challenge under that section. This is the Court's holding, and nothing else said by the Court was necessary for the resolution of this issue. However, the Court went on to add the sentence cited by the OCA, which is clearly discernible as dicta, when viewed in context:

> As to the Industrial Coalition's argument that the costs are not related to used and useful expenses, Section 1315 expressly applies only to determine when the costs of construction or expansion of facilities may be included in the rate base. (Citations omitted.) Section 1315 is only applicable to the extent that DSM programs costs relate to physical facilities and is not relevant to determine whether the cost recovery methods approved by the PUC are violative of the Code. Because new physical facilities are appropriate costs only within the rate base under Section 1315, in the unlikely event that DSM programs require new physical facilities, those costs should be raised in a base rate case only, subject to the restrictions of Section 1315, and not through the surcharge mechanism.

653 A.2d at 1347.

From the portion of the PIEC opinion set forth above, it is clear that the focus of the Court's concern was whether the DSM

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utilities. See Final Policy Statement Re Ratemaking Treatment Of Construction Work In Progress (CWIP), Docket No. M-00930497 (January 19, 1995)(Order, p. 4).

adjustment clause could result in an electric utility recovering the costs of "physical facilities" before those facilities were "used and useful." PSWC was keenly aware of this issue and, chiefly for that reason, designed the DSIC to reflect the fixed costs of only those eligible plant additions that are <u>actually placed in service</u> "during the three-month periods ending one month prior to the effective date of each surcharge update" (Petition, p. 23). Accordingly, the issue that precipitated the Court's discussion of Section 1315 in <u>PIEC</u> could not arise with respect to the DSIC.

The OCA also alleges that the DSIC would run afoul of the Commonwealth Court's caveat in <u>PIEC</u> that Section 1307 not be used to "disassemble the traditional rate-making process." In view of the fact that the DSIC is tailored to recover clearly defined costs for specific, narrow categories of plant, there is no basis for the OCA's suggestion that Commission approval of the DSIC would be tantamount to "disassembling" the traditional ratemaking process. Indeed, given that PSWC's investment in DSIC-eligible plant is typically not contested in base rate proceedings, the issue is really one of the timing of cost recovery.

The OCA's argument is also revealed as mere hyperbole by comparing PSWC's investment in DSIC-eligible plant additions to the substantial amount of the Company's investment that will continue to be subject to the so-called "traditional" ratemaking process. For example, for calendar year 1996, the Company projects that, of total plant additions of approximately $29.8 million, approximately $14.4 million -- less than half -- would be DSIC-eligible. Additionally, in the Company's last rate case, which ultimately settled, PSWC claimed a rate base of approximately $382.5 million, and none of that amount would be reflected in the DSIC. Finally, none of the Company's operating and maintenance expenses, other than depreciation on certain DSIC-eligible property, would be recoverable under the DSIC.

Section 1307 invests the Commission with a great deal of flexibility to fashion adjustment clauses that will provide "a just and reasonable return on . . . rate base." The language of Section 1307 would therefore seem to acknowledge that a utility's achieved return is directly affected not only by changes in operating and maintenance expenses, but by changes in plant investment as well. The Commission has recognized the effect of expense changes by permitting the recovery of various categories of expense under Section 1307 adjustment clauses. And, in many instances, the expenses recovered under such clauses, such as purchased gas costs for gas utilities[9/] and fuel and purchased power costs for electric utilities, represent a substantial percentage of total revenue requirement. Yet, no one could

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[9/] Although Section 1307(f) is the statutory basis for gas cost recovery by most gas utilities, those companies with annual revenues of $40 million or less still recover such costs under the authority of Section 1307(b). Of course, prior to the adoption of Section 1307(f), all gas utilities reflected changes in purchased gas costs through the Gas Cost Rate established under Section 1307(b).

reasonably contend that the Commission's approval of the Gas Cost Rate and the Energy Cost Rate "disassembled" the traditional ratemaking process.

Fuel costs would be a major cause of attrition for electric and gas utilities in the absence of their applicable adjustment clauses. On the other hand, for water utilities the need to replace substantial amounts of plant and equipment causes a persistent erosion of earnings that is not adequately redressed through base rate increase requests, even if made on a more or less annual basis. The fact that water utilities face unique challenges to their continued provision of safe and reliable utility service should weigh heavily in favor of the use of Section 1307 to alleviate one of their principal causes of earnings erosion. Unfortunately, the OCA seeks to preclude water utilities from using Section 1307 to achieve even a small fraction of the earnings stabilization effect that gas and electric companies regularly obtain from recovering large portions of their total cost of service under Section 1307 adjustment clauses.

The OCA also attempts to distinguish the DSM adjustment clause approved in PIEC on the grounds that "unique" factors were present in that case (OCA Comments, pp. 6-10). However, the allegedly "unique" factors either are also present here or create no valid basis for distinguishing DSM costs.

Statutory Requirements. The OCA contends that DSM costs are "unique" because there are provisions of the Public Utility Code dealing with DSM. Specifically, Section 524 requires the filing of Annual Resource Planning Reports by electric utilities containing information about DSM initiatives, and Section 1319 authorizes the Commission to permit electric and gas utilities to recover the costs of DSM programs that are "prudent and cost-effective." However, neither of those provisions addresses the appropriate recovery mechanism for DSM costs. Consequently, it cannot be alleged that the Legislature intended DSM costs to be treated differently from other costs for purposes of Section 1307.

DSM Is "Unique;" Infrastructure Replacement Is "Routine." The OCA's characterization masks a distinction that, if anything, cuts in favor of Section 1307 recovery for the costs of DSIC-eligible plant. DSIC-eligible costs are incurred to meet PSWC's statutory duty under Section 1501 to provide safe and reliable service and, to that extent, are essential to the Company's public utility function.[10/] By contrast, DSM programs, while undoubtedly of economic importance to electric utilities and their customers, are decidedly outside the "core" duties and responsibilities of public utilities as expressed in the service obligations imposed by Section 1501. As the OCA sees it, Section

[10/] This factor is particularly significant because water service is the only public utility function that provides a product for human consumption.

1307 should be available for the recovery of costs tangential to a utility's fundamental obligations but not for those costs that have a direct and immediate impact on essential aspects of public utility service. This makes no sense.

The DSM Adjustment Clause Will Recover DSM Costs For Only a Limited Time. Overlooked by the OCA is the fact that the same is true for the DSIC. It will provide for cost recovery only between base rate cases. When a base rate filing takes place, DSIC-eligible plant will be claimed in the Company's rate base and, upon the effectiveness of new base rates, the DSIC will be reduced to zero.

DSM Costs Are Subject To Annual Prudence Review. In offering this factor as "unique" to the DSM clause, the OCA seems to suggest that DSIC-eligible costs will evade regulatory review. Of course, that is simply not the case. Under Section 1307 and the Commission's practices and procedures, there will be ample opportunity to review all of the costs claimed for recovery under the DSIC. In fact, the end-of-period review and reconciliation procedures, periodic audits and availability of complaint proceedings would actually provide a far greater degree of scrutiny of DSIC-eligible projects than they would receive within the time constraints of a Section 1308 base rate proceeding. Additionally, the OCA's implicit assertion that DSIC costs should be subject to a heightened level of review is completely at odds with its observation that DSIC-eligible investment consists of "routine plant costs for which claims are made in every base rate case" (OCA Comments, p. 10). As the OCA is aware, the Company's distribution system replacement projects have consistently been found to be prudent, necessary and "used and useful."

DSM Reduces Electric Demand And Revenues. It is true that DSM is designed to reduce electric demand and usage and, therefore, will likely reduce electric revenues.[11/] However, that fact alone does not distinguish the DSM clause from the DSIC charge proposed by PSWC. As explained in PSWC's Petition, and notwithstanding the OCA's assertions to the contrary, DSIC investment is neither revenue producing nor expense reducing. And, while revenue loss may have been a factor favoring Section 1307 recovery of DSM costs, the earnings erosion impact of DSIC expenditures is equally significant for water utilities.

Finally and perhaps most importantly, the OCA ignores this Commission's prior decisions approving the use of Section 1307 adjustment clauses to recover fixed costs associated with other utility plant investments, such as up-grades to coal-fired generating units[12/], principal and interest on PennVest

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11/ All the same, the DSM adjustment clause at issue in PIEC did not provide for recovery of "lost" revenue, only the recovery of DSM expenditures. 653 A.2d at 1350.

12/ 52 Pa. Code § 57.124. This provision was expressly approved in Investigation Into Demand Side Management By Electric Utilities: UNIFORM COST RECOVERY MECHANISM, 127 PUR4th 516, 522 (1991).

obligations[13] and gas company costs "related to new facilities to implement restructuring brought about by FERC Order 636."[14] As Pennsylvania's Appellate Courts have repeatedly held, an agency's own interpretation of the statutes it administers is a legitimate and important indication of legislative intent and is entitled to "great weight."[15] Under these circumstances, the OCA's reliance upon dicta from PIEC to reverse the Commission's own, well-founded interpretation of Section 1307 is unwarranted and unavailing.

2. The DSIC Will Not Enable PSWC To Earn More Than A Just And Reasonable Return

Both Mr. Allen in his prepared statement (OCA St. 1, pp. 10, 14) and the OCA in its Comments (pp. 14-15) allege that the DSIC could enable the Company to earn more than a just and reasonable return because the return component of the DSIC charge will not reflect a new determination of market-based capital

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[13] 52 Pa. Code § 69.363. The interest on a PennVest obligation is the utility's capital cost associated with the plant funded by that loan. In addition, the principal payments on such obligations are also a fixed cost of utility plant, and their recovery under a Section 1307 clause represents a return of capital to the utility. In that respect, such principal payments are the same as the depreciation component of the fixed costs claimed for recovery under the DSIC.

[14] 52 Pa. Code § 69.341(b)(4).

[15] Chappell v. Pa. P.U.C., 57 Pa. Cmwlth. 17, 425 A.2d 873, 875-76 (1981). Accord Carol Lines, Inc. v. Pa. P.U.C., 83 Pa. Cmwlth. 393, 477 A.2d 601 (1984); Spicer v. Dept. of Public Welfare, 58 Pa. Cmwlth. 558, 428 A.2d 1608 (1981). See also Section 1921(c)(8) of the Statutory Construction Act, 1 Pa.C.S. § 1921(c)(8).

costs at the time of each quarterly update. This criticism is meritless for several reasons.[16]

First, it is important to reiterate that the DSIC is designed to take into account changes in the Company's capital structure and cost rates for debt and preferred stock. Consequently, if changes in those components would result in a lower overall rate of return than the Commission granted in the then most recent fully litigated case, those changes would automatically be reflected in the DSIC calculation.

Second, and as should be obvious, changes in the capital markets are equally likely to yield equity return rates that are higher than the equity return awarded in a prior rate case. Moreover, while excursions in capital cost indicators may occur over a one or two-year period, this Commission has typically employed methods for determining equity cost rates that are designed to smooth out erratic short-term movements. Indeed, it is for this very reason that the Commission has typically

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[16] The return component of the DSIC will be based upon the lesser of (1) the pre-tax overall rate of return allowed in the Company's last base rate case; or (2) a pro forma return rate. The pro forma return rate will be based upon the Company's actual capital structure and actual cost rates for long term debt and preferred stock and the equity return rate granted in the Company's last litigated base rate case within two years of the calculation. If more than two years have elapsed since the Company's last litigated rate case, then the equity return rate will be based upon the equity return rate approved by the Commission in a final order entered at the conclusion of the most recent fully litigated proceeding for an investor-owned water utility having annual revenues in excess of $10.0 million.

rejected the use of purely "spot" yields in the Discounted Cash Flow ("DCF") analysis.

Third, if a marked change in capital costs were to occur, nothing would prohibit the Commission, on its own motion or upon the complaint of any interested party, from launching an investigation into the reasonableness of the Company's existing base rates. The DSIC does not change that. Rather, to the extent that the DSIC generates heightened scrutiny of Earnings Disclosure Reports, it may well add another layer of customer protection.

Fourth, Mr. Allen takes issue with the use, in the DSIC calculation, of an equity return rate granted to another major water utility in the event more than two years had elapsed between the DSIC calculation and a prior litigated base rate case for the Company. In Mr. Allen's view, the use of such a proxy would never be appropriate because "the financial risks of PSWC are not necessarily as high as other water utilities in Pennsylvania" (OCA St. 1, p. 14). However, Mr. Allen has offered no evidence to support his contention. Moreover, a review of prior rate awards would show that PSWC's authorized equity return rates have been comparable to, and in some instances in excess of, those granted other water companies.[17]

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[17] At page 15 of his prepared statement (ftn. 7), Mr. Allen notes that PSWC should be required to recalculate its DSIC utilizing the 10.8% equity allowance awarded the Citizens Water Company of Pennsylvania in late March. The Company

Additionally, criticism of the use of a proxy equity return rate for the DSIC calculation ignores the fact that it is similar to the procedure proposed by the OTS, and approved by the Commission, for calculating the Company's AFUDC rate. In the Company's 1992 base rate case, the OTS' witness, Mr. Donald Muth, proposed that the Company's AFUDC rate should be calculated in a manner generally consistent with Federal Energy Regulatory Commission ("FERC") Order No. 561. Under the method recommended by Mr. Muth, a proxy equity return rate is similarly utilized if a utility has not had a litigated equity determination in the past two years.[18] The OCA did not oppose Mr. Muth's proposal, and it was adopted by the Commission.

Finally, Mr. Allen and the OCA claim that use of either the equity return rate approved in the Company's last case or the equity return rate approved in a more recent case for another company will overstate PSWC's equity costs because neither would reflect the risk-reductive effect of the DSIC itself. However, this argument assumes that the DSIC will insulate the Company from the effects of attrition and "guarantee" that the Company will achieve its authorized rate of return. Clearly, that is not the case. The DSIC will apply to only a small proportion of the Company's total rate base, exposing the bulk of the Company's

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agrees and will employ the 10.8% rate when it updates its DSIC calculation in mid-June.

[18] Relevant excerpts from Mr. Muth's testimony at Docket No. R-00922476 are attached to this Reply as Appendix B.

capital costs and expenses to the effects of attrition. In any event, the impact, if any, of the DSIC on the Company's cost of capital will no doubt be addressed and resolved in the Company's next base rate proceeding and, thereafter, will cease to be an issue.

B. The DSIC Is Not Inconsistent With <u>Fundamental Ratemaking Principles</u>

1. The DSIC Will Not "Guarantee" PSWC <u>A Fair Return On Its Investment</u>

Throughout their written submissions, the OCA and Mr. Allen repeatedly assert that the DSIC would "guarantee" PSWC a fair return on its investment. Apparently, they are of the view that any ratemaking methodology that does not put a utility at a substantial risk of underrecovering its costs is inappropriate and unlawful. <u>See</u> OCA Comments, pp. 11-13. This position should be rejected for several reasons.

First, the DSIC does <u>not</u> provide a comprehensive "guarantee" of cost recovery as the OCA and Mr. Allen suggest. As discussed previously, the DSIC will recover only a small portion of the Company's total costs. The bulk of the Company's rate base and all of its operating and maintenance expenses, except for depreciation on new DSIC-eligible property, will remain elements of the Company's base rate claims. As a consequence, even after the implementation of the DSIC, PSWC will continue to be at risk of underrecovery based on the interplay of all of the factors that affect the margin between the Company's revenues and net income.

Second, the DSIC will not eliminate the effects of attrition even with respect to new plant additions. As previously explained, less than half of the Company's new plant additions will be DSIC-eligible. And, because the DSIC applies only to eligible plant additions actually placed in service during a <u>preceding</u> calendar quarter, the Company will continue to be exposed to attrition even from DSIC-eligible investment.[19]

Finally, the OCA's legal analysis is fatally flawed. The authorities relied upon by the OCA stand for the proposition that Constitutional due process considerations do not <u>require</u> that utilities be "guaranteed" an adequate return on their investment. However, nothing in those cases <u>prohibits</u> regulators from establishing ratesetting procedures that create a reasonable assurance of a utility's actually achieving the rate of return nominally allowed in a rate order. In fact, Section 1307(a) expressly states that adjustment clauses may be established for that purpose: "Any public utility . . . may establish a . . . method for the automatic adjustment of rates . . . as shall provide a just and reasonable return on [its] rate base."

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[19] Moreover, it should be noted that the DSIC will not recover certain incremental costs incurred by the Company (e.g., PUC, OCA and OSBA assessments, capital stock tax).

2. The OCA's Discussion Of The "Matching" Principle And Concerns Over "Negative Attrition" Are Misplaced

Mr. Allen (OCA St. 1, pp. 9-10) and the OCA (OCA Comments, pp. 18-19) also assert that approval of the DSIC would violate the "matching" principle. In addition, Mr. Allen claims that there are certain offsetting changes in revenues and costs that might generate "negative attrition" and thereby serve to reduce PSWC's overall revenue requirement (OCA St. 1, pp. 11-12, 22). These observations, however, are flawed in theory and in fact and should be disregarded.

At the outset, it must be recognized that there is nothing sacrosanct about the "matching" principle -- it is not an end in itself. To the contrary, it is merely a general precept designed to guide the ratemaking process. This Commission clearly has the discretion, and has repeatedly exercised its authority, to depart from rigid adherence to the "matching" principle where necessary and appropriate to advance more important policy goals.[20/] Indeed, Section 1307 surcharge mechanisms are, by definition, an acceptable and statutorily sanctioned form of single issue ratemaking. See UGI Utilities, Inc. - Gas Division v. Pa. P.U.C., No. 25 C.D. 1995 (March 14, 1996) (Slip. Op., p. 6).

[20/] In making this statement, PSWC does not mean to suggest that approval of the DSIC would constitute a departure from the "matching" principle. To the contrary, the Company submits that the DSIC would produce a much better "matching" of the incurrence of DSIC capital costs and their recovery from customers.

Nor should the Commission attach much credence to Mr. Allen's strained attempts to identify potential sources of "negative attrition". For example, at page 11 Mr. Allen notes that the Company is recovering outstanding investment in the form of depreciation expense, implying that PSWC's capital costs decline between rate cases as its rate base shrinks. This, of course, would be true if PSWC were depreciating plant at a faster rate than it was adding it. However, that is not the case. Rather, the Company's rate base continues to grow because its annual investment in non-DSIC eligible plant exceeds its annual depreciation accruals.

Citing PSC's 1994 annual report, Mr. Allen next observes that total average consumption per customer increased between 1992 and 1994 by 0.69% (OCA St. 1, p. 12). What Mr. Allen neglects to mention is that the 1992 consumption figure which he utilized was the lowest of the five years' worth of data depicted. In other words, if Mr. Allen had used any other year as his baseline, he would have calculated a continuation in the long-term downward trend in per customer water usage.

Finally, Mr. Allen notes that PSWC indicated, in its notice advising customers of the Petition, that the DSIC should allow it to level the cost of water losses and leak repair (OCA St. 1, p. 12). Unfortunately, Mr. Allen jumps to the conclusion that the accelerated replacement of water mains will not simply "level" costs, but actually will reduce them in aggregate terms.

Approval of the DSIC might enable PSWC to stem the growth in unaccounted for water which would otherwise occur if it failed to meaningfully address the problems presented by its aging distribution network. But, to suggest that this is a potential source of significant cost reduction is ridiculous.

As the foregoing makes clear, and as the Company's rate filing history attests, the cost of providing water service continues to climb and, as such, the prospect of "negative attrition" is not a realistic expectation. And, in any event, all of this is somewhat irrelevant given PSWC's commitment to suspend operation of the DSIC if it exceeds the Company's previously allowed rate of return. This commitment, which the OCA and Mr. Allen largely ignore, should be sufficient to address many, if not all, of their concerns.

3. Approval Of The DSIC Will Not Create An Improper Incentive To Spend Nor Result In A Relaxation Of Regulatory Oversight

Mr. Allen contends that the approval of the DSIC would be "bad policy" because, by reducing one element of attrition, it will better position the Company to absorb increases in other categories of costs. As Mr. Allen sees it, this will remove an incentive for the Company to control costs. In addition, Mr. Allen seems to suggest that the presence of a rate of return "cap," as proposed by the Company, is not beneficial:

> [B]ecause of the Rate of Return Cap included in the Petition, an incentive exists to hold down

> return by <u>not</u> reducing above-the-line expenses already in rates, so that the Cap mechanism would not result in an elimination of the DSIC.

From any perspective, Mr. Allen's argument makes no sense. First and foremost, it is silly to assume that the Company would deliberately choose to incur expenses unnecessarily in order to depress its rate of return. That would result in exactly the kind of erosion of the "bottom line" that the DSIC is intended to help prevent. Apparently, in his rush to craft every conceivable argument against the DSIC, Mr. Allen did not see the forest for the trees.[21/]

Second, contrary to Mr. Allen's assumption, hitting the return "cap" would not "eliminate" the DSIC. Rather, it would result in the DSIC charge being reduced to zero until such time as a subsequent calculation demonstrates that the Company's return is again below the cap.

Third, if anyone seriously believes that the rate of return "cap" actually would create the kind of perverse incentives Mr. Allen alleges, the mechanism can be fine-tuned to eliminate that concern. Fundamentally, however, the rate of return cap is an important and useful procedural device that will give the Commission and the Company's customers added protection against

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[21/] As discussed in the Company's Petition (p. 18), one of the benefits of the DSIC is that it might enable PSWC to lengthen the time between base rate filings. This, in turn, would provide PSWC with an <u>added</u> incentive to control costs and mitigate attrition.

the possibility that the DSIC might produce more than a fair return.

Finally, Mr. Allen's contentions, like those mirrored in the OCA's Comments (pp. 9 and 20-21), assume that the DSIC will be accompanied by a relaxation of regulatory oversight. That certainly is not the case. As explained in Section IV.A.2., <u>supra</u>, the Commission's practices and procedures under Section 1307 provide ample opportunity to review all of the costs claimed for recovery under the DSIC. In addition, approval of the DSIC will not eliminate the Company's need to file base rate cases where all of the Company's costs are subject to review. Obviously, this would provide the forum for the OCA to fully explore all of the Company's expense levels to ensure that reducible expenses were not being maintained at unnecessarily high levels. Of course, if the OCA has concerns in that regard, it is also free to file a complaint at any time.

V. MISCELLANEOUS CRITICISMS AND MISSTATEMENTS

A. The OCA Ignores The Various Benefits Of The DSIC To Customers

The OCA contends that the DSIC will unfairly alter the balance of risks between shareholders and customers to the detriment of the latter. In particular, the OCA asserts that the DSIC, while providing the Company with a supplemental revenue stream, offers nothing to customers in the form of "offsetting benefits" (OCA Comments, p. 22). This simply is not true.

As the Company pointed out in its Petition (pp. 16-19), there are numerous reasons why approval of the proposed DSIC would advance the public interest. Perhaps most importantly, establishment of the DSIC would enable the Company to address, in an orderly and comprehensive manner, the problems presented by an aging distribution system. This work will have a direct effect upon water quality, service reliability and the ability of PSWC to maintain adequate fire flows. Mr. Allen does not dispute any of this, but instead complains that PSWC has failed to demonstrate that there is a threat of "imminent degradation" (OCA St. 1, p. 20). The Company respectfully submits that the adoption of such a standard would be bad business and even worse regulatory policy.

In addition, PSWC believes that the DSIC might enable it to stretch out the period between base rate filings and, at the same time, minimize the potential for "rate shock" (Petition, p. 18). Rather than acknowledging these benefits, Mr. Allen cites this as evidence that PSWC will be able to reduce its costs (OCA St. 1, pp. 12-13). What Mr. Allen seems unable to grasp, much less appreciate, is that if PSWC is successful in extending the interval between rate requests, the resulting cost savings will be passed on to customers. This will occur as prospective rate case expense claims are "normalized" over longer periods.

B. The DSIC-Eligible Property Will Not Reduce Aggregate Expenses

At page 17 of its Comments, the OCA seeks to link the Company's request in this proceeding to Section 1315 of the Public Utility Code (66 Pa.C.S. § 1315). More specifically, the OCA implies that PSWC is attempting to take advantage of an exception to the "used and useful" principle which has been carved out for "non-revenue producing, non-expense reducing" investments. Unfortunately, the OCA has misconstrued and/or mischaracterized the nature of the Company's request.

The simple answer, as noted previously, is that all DSIC-eligible property will be "used and useful" prior to its inclusion in the DSIC. On this point, the Company's Petition (pp. 3-4) could not be clearer:

> The initial charge will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 1996 [footnote omitted] and May 31, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three month periods ending one month prior to the effective date of each DSIC update.

Unlike other Section 1307 cost recovery mechanisms which may be based, in whole or in part, on projected data, the DSIC has been carefully designed to avoid any "used and useful" concerns.

The OCA's assertion that DSIC property will reduce expenses (OCA Comments, p. 17) must similarly be dismissed. This allegation finds its roots in Mr. Allen's statement wherein he concludes that approval of the DSIC will (1) reduce depreciation and operating expenses and (2) lower the Company's capital costs (OCA St. 1, pp. 12-13). Once again, however, Mr. Allen misconstrues the likely effect of the DSIC on the Company's overall cost of service.

Mr. Allen first argues that the acceleration of distribution system rehabilitation will serve to reduce depreciation expense. (OCA St. 1, p. 13). This conclusion is simply in error for reasons which should be self-evident. A change in the average remaining life of an account will occur as new facilities, with expectations of longer remaining life, replace older facilities with limited remaining life. However, the change in remaining life does <u>not</u> necessarily result in a lower annual accrual rate.

The annual accrual rate, as determined on a remaining life basis, is a function of <u>both</u> the remaining life and the percent of original cost that has not been recorded to the depreciation reserve. As facilities are replaced, the increase in the average remaining life will be offset by increases in the original cost not recorded to the depreciation reserve. Thus, it is unlikely that the DSIC will have a significant impact -- either up or down -- on the annual accrual rate.

Mr. Allen next suggests that the rehabilitation of the distribution system will cut operating and maintenance expenses. While this may be true in individual instances, the Company's aggregate maintenance costs will continue to rise until it is able to substantially reduce the average age of its facilities. As noted previously (Petition, p. 8), this will not begin to occur until PSWC is able to triple its current main replacement efforts.

Lastly, Mr. Allen asserts that the Company will generate capital cost savings as it "moves from its current debt ratio of 50.15% toward 60%" (OCA St. 1, p. 13). In fact, the Company has no intention of "moving" its debt ratio "toward 60%" and one can only conclude that Mr. Allen has PSWC confused with some other water utility. In this regard, the Company further notes that Mr. Allen's Attachment 1 manages to combine data for PSWC with data for Pennsylvania-American Water Company and, as a result, is of no value whatsoever.

C. The Company's Proposal To Apply The DSIC As A Percentage To Customers' Bills Is Reasonable And Should Be Approved

In its Answer (p. 2), the OSBA has raised an issue concerning the manner in which the DSIC will be applied to customers' bills:

> 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.

At the outset, it should be noted that the 5% figure cited by the OSBA is the <u>maximum</u> allowable level of the DSIC. As shown by the data in Exhibit B to the Company's Petition, the DSIC will start far below that level. In addition, the application of the DSIC as an equal percentage to customers' bills is comparable to an "across-the-board" allocation of a revenue increase in a base rate proceeding. As a result, after the application of the DSIC, the revenues provided by each customer class will represent the same proportion of the Company's total revenues as existed under the pre-DSIC base rates established in the Company's last base rate case. Although it may be appropriate to alter that relationship in a future base rate proceeding, those kinds of rate structure refinements are not necessary at this time.

D. <u>Mr. Allen's Assumption That The Company Has Up To 132 Years To Replace Its Distribution System Is Wrong</u>

Because the average remaining life of the Company's distribution system is 66 years, Mr. Allen concludes that as much of the Company's distribution mains will have to be replaced after 66 years as before. Based solely upon this observation, Mr. Allen contends that the Company will have up to 132 years to replace its distribution system. This analysis and the conclusion Mr. Allen has drawn from it are entirely incorrect.

First, even Mr. Allen's flawed analysis indicates that the Company's current replacement rate must be substantially accelerated. If anything, Mr. Allen's calculations support the Company's claim that it needs to step up the pace of replacement.

Second, the rate of replacement is a function of average service life (approximately 100 years for PSWC's distribution mains, based on the latest actuarial life studies). Mr. Allen's analysis incorrectly assumes that all distribution mains will survive for the maximum life likely to be achieved by any individual retirement unit. Clearly, that is not the case.[22/] And, if a utility were to plan a replacement program on that basis, it would unquestionably fall far behind the pace needed to maintain a sound distribution system.

Finally, and as should be apparent, Mr. Allen does not bring any practical understanding of the nature of water system operation, maintenance or replacement to his analysis. Instead, he has crafted his arguments based entirely on the manipulation of figures without reference to the physical realities that PSWC has to deal with every day.

[22/] The error in Mr. Allen's analysis is illustrated by reference to what he assumes about the future life of newly-installed, 1996 vintage property. As Mr. Allen sees it, none of the current years' installations will have to be replaced before the year 2146.

VI. CONCLUSION

For the reasons set forth above and in the Company's March 20, 1996 Petition, the Commission is requested to enter an order granting its approval for PSWC to implement a tariff supplement establishing a Distribution System Improvement Charge to be effective for service rendered on or after July 1, 1996.

Respectfully submitted,

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DATED: May 30, 1996

APPENDIX A

Excerpts From <u>1993 Financial & Operating Data For Investor-Owned Water Utilities</u>, Published By The National Association Of Water Companies.

1993

FINANCIAL & OPERATING DATA

FOR

INVESTOR-OWNED WATER UTILITIES

ECONOMIC RESEARCH PROGRAM

NATIONAL ASSOCIATION OF WATER COMPANIES
1725 K Street, N.W. Suite 1212
Washington, DC 20006

TABLE J-2: BALANCE SHEETS

		ADELPHIA	ARTESIAN WATER AR	AVON WATER	BATON ROUGE WH	BECKLEY WATER CO	BIRMING-HAM
43	UTILITY PLANT NON-DEPREC	367,202	441,609	0	13,978,228	421,039	660,736
44	UTILITY PLANT DEPRECIABLE	6,022,968	83,212,297	9,887,112	110,388,963	29,812,756	14,142,185
45	UTILITY PLANT TOTAL	6,390,170	83,653,906	9,887,112	124,367,191	30,233,795	14,802,921
46	RESERVE FOR DEPRECIATION	1,178,838	17,773,332	2,851,598	39,517,584	7,574,414	4,484,956
47	NET UTILITY PLANT	5,211,332	65,880,574	7,035,514	84,849,607	22,659,381	10,317,965
48	CONSTRCT WORK IN PROGRESS	26,393	744,621	571,900	1,587,373	0	300,011
49	PLANT HELD FOR FUTURE USE	50,406	162,202	0	0	0	0
50	UTILITY PLANT ADJUSTMENTS	0	0	(150,178)	0	0	0
51	OTHER PROPERTY	3,455	0	0	0	3,434	0
52	INVEST. IN SUBSIDIARIES	0	0	0	0	0	0
53	OTHER INVESTMENTS	0	0	0	13,310,566	0	1,213,222
54	CASH	550	1,016,348	287,539	4,191,236	1,081,998	66,700
55	TEMPORARY CASH INVESTMENTS	0	0	334,495	4,478,803	0	0
56	NET ACCOUNTS RECEIVABLE	0	1,447,170	211,341	2,192,998	393,784	783,295
57	ACCRUED WATER REVENUES	255,123	1,201,000	92,229	0	180,414	336,155
58	MATERIALS AND SUPPLIES	5,943	510,953	23,745	374,987	336,580	49,891
59	OTHER CURRENT ASSETS	925,802	758,594	10,292	426,344	49,583	52,275
60	TOTAL CURRENT ASSETS	1,187,418	4,934,065	959,641	11,664,368	2,042,359	1,288,316
61	DEFERRED CHGS & OTH ASSETS	248,694	6,284,623	1,792,889	3,868,536	224,131	1,496,371
62	TOTAL ASSETS	6,727,698	78,006,085	10,209,766	115,280,450	24,929,305	14,615,885
63	COMMON STOCK	100,000	1,000	528,000	7,955,359	5,000,000	2,142,318
64	ADDITIONAL PAID IN CAPITAL	0	7,286,330	2,035	0	3,593	0
65	RETAINED EARNINGS	805,192	5,009,216	314,039	32,748,987	3,188,795	1,074,266
66	TOTAL COMMON EQUITY	905,192	12,296,546	844,074	40,704,346	8,192,388	3,216,584
67	PREFERRED STOCK	0	1,438,200	0	1,306,896	0	0
68	LONG TERM DEBT	0	22,661,943	911,234	40,826,833	11,348,776	5,814,692
69	NOTES PAYABLE	0	0	32,732	0	0	0
70	ACCOUNTS PAYABLE	0	2,634,999	95,931	920,742	53,623	210,722
71	DIVIDENDS PAYABLE	0	0	0	1,469,416	0	0
72	INCOME TAXES PAYABLE	82,760	154,296	73,382	0	174,896	96,516
73	OTHER CURRENT LIABILITIES	45,973	897,232	39,447	3,521,570	432,213	295,981
74	TOTAL CURRENT LIABILITIES	128,733	3,686,527	241,492	5,911,728	660,732	603,219
75	CUST. ADVANCES FOR CONSTRCT	207,792	22,130,501	661,755	1,722,502	1,224,186	1,129,496
76	CONTRIB IN AID OF CONSTRCT	5,455,384	13,061,612	5,275,172	14,110,612	2,328,209	707,184
77	DEFERRED FED INCOME TAXES	30,597	0	1,885,725	6,655,698	695,880	776,214
78	DEFERRED INVEST TAX CREDIT	0	1,129,485	55,819	0	479,134	408,061
79	OTHER LIABILITIES	0	1,601,271	334,495	4,041,835	0	1,960,435
80	TOTAL LIABILITIES	5,822,506	64,271,339	9,365,692	73,269,208	16,736,917	11,399,301
81	TOTAL NET WORTH & LIABS	6,727,698	78,006,085	10,209,766	115,280,450	24,929,305	14,615,885

TABLE J-2: BALANCE SHEETS

		BLOOMSBURG WATER CO GN	BOISE WATER CORP GN	BRIDGEPORT HYDRAULIC AQ	CALIF AMERICAN AM	CALIF WATER CO	CAMDEN & ROCKLAND CS
43	UTILITY PLANT NON-DEPREC	43,242	1,287,350	5,447,311	3,093,812	7,688,140	2,163,386
44	UTILITY PLANT DEPRECIABLE	5,754,891	83,896,784	276,322,114	154,183,185	522,614,109	11,849,488
45	UTILITY PLANT TOTAL	5,798,133	85,184,134	281,769,425	157,276,997	530,302,249	14,012,874
46	RESERVE FOR DEPRECIATION	860,273	18,169,145	85,157,292	41,321,905	141,509,386	2,517,408
47	NET UTILITY PLANT	4,937,860	67,014,989	196,612,133	115,955,092	388,792,863	11,495,466
48	CONSTRCT WORK IN PROGRESS	49	12,787,249	4,667,257	4,544,360	3,465,777	2,557,096
49	PLANT HELD FOR FUTURE USE	0	0	471,958	37,740	0	0
50	UTILITY PLANT ADJUSTMENTS	0	(24,158)	0	2,047,533	(555,190)	0
51	OTHER PROPERTY	42,156	23,336	855,730	443,452	571,364	275,477
52	INVEST. IN SUBSIDIARIES	0	27,312,061	17,268,134	0	0	0
53	OTHER INVESTMENTS	0	1,850	351,999	0	0	7,250
54	CASH	68,546	518,563	92,864	3,883,360	1,368,761	953
55	TEMPORARY CASH INVESTMENTS	0	0	7,611,000	0	92,271	0
56	NET ACCOUNTS RECEIVABLE	149,212	793,824	5,399,489	3,051,913	10,834,807	344,130
57	ACCRUED WATER REVENUES	182,359	1,775,970	7,344,813	3,246,400	7,547,899	222,746
58	MATERIALS AND SUPPLIES	17,134	297,816	639,284	309,365	2,853,342	73,432
59	OTHER CURRENT ASSETS	24,064	338,424	7,139,561	924,055	3,715,431	122,036
60	TOTAL CURRENT ASSETS	441,315	3,724,597	28,227,011	11,415,093	26,412,511	763,297
61	DEFERRED CHGS & OTH ASSETS	825,781	1,877,458	53,585,009	6,773,153	54,897,920	1,360,024
62	TOTAL ASSETS	6,247,161	112,717,382	302,039,231	141,216,423	473,585,245	16,458,610
63	COMMON STOCK	270,000	750,000	10,093,850	27,500,000	25,059,100	2,159,700
64	ADDITIONAL PAID IN CAPITAL	0	(7,825,480)	53,252,657	3,486,323	0	1,653,735
65	RETAINED EARNINGS	1,860,140	46,590,149	40,667,451	13,667,199	98,940,325	1,149,556
66	TOTAL COMMON EQUITY	2,130,140	39,514,669	104,013,958	44,653,522	123,999,425	4,962,991
67	PREFERRED STOCK	0	847,300	0	0	3,475,000	275,000
68	LONG TERM DEBT	2,510,687	47,572,605	83,400,000	60,000,000	129,184,749	2,400,000
69	NOTES PAYABLE	0	0	11,550,000	0	15,000,000	5,077,000
70	ACCOUNTS PAYABLE	73,515	3,878,430	4,380,209	1,915,859	11,233,722	330,460
71	DIVIDENDS PAYABLE	0	7,060	2,341,773	0	19,113	69,956
72	INCOME TAXES PAYABLE	84,570	217,703	1,180,226	325,942	2,810,367	27,418
73	OTHER CURRENT LIABILITIES	72,642	589,875	1,568,009	3,705,947	8,893,188	236,658
74	TOTAL CURRENT LIABILITIES	230,727	4,693,068	21,020,217	5,947,748	37,956,390	5,741,492
75	CUST. ADVANCES FOR CONSTRCT	55,924	3,033,748	21,882,306	5,284,735	90,811,800	677,473
76	CONTRIB IN AID OF CONSTRCT	433,740	10,442,942	17,586,371	13,608,210	34,915,778	991,335
77	DEFERRED FED INCOME TAXES	822,135	4,137,674	53,360,122	3,917,585	38,378,538	906,928
78	DEFERRED INVEST TAX CREDIT	21,772	1,701,734	752,248	2,322,573	3,341,144	168,486
79	OTHER LIABILITIES	42,036	773,642	24,009	5,482,050	11,522,421	334,905
80	TOTAL LIABILITIES	4,117,021	72,355,413	198,025,273	96,562,901	346,110,820	11,220,619
81	TOTAL NET WORTH & LIABS	6,247,161	112,717,382	302,039,231	141,216,423	473,585,245	16,458,610

TABLE J-2: BALANCE SHEETS

		CAPITAL CITY GN	CITIZENS UTIL HOME CI	CITIZENS UTIL / CAL CI	CITIZENS UTIL / ILL CI	CITIZENS UTIL / OH CI	COLLEGE UTIL CORP
43	UTILITY PLANT NON-DEPREC	32,769	379,181	1,303,425	974,469	288,297	153,679
44	UTILITY PLANT DEPRECIABLE	9,331,679	21,782,505	73,816,756	42,331,218	7,736,284	13,428,172
45	UTILITY PLANT TOTAL	9,364,448	22,161,686	75,120,181	43,305,687	8,024,581	13,581,851
46	RESERVE FOR DEPRECIATION	2,148,871	1,541,445	18,347,996	8,248,955	2,124,634	4,243,985
47	NET UTILITY PLANT	7,215,577	20,620,241	56,772,185	35,056,732	5,899,947	9,337,866
48	CONSTRCT WORK IN PROGRESS	68,141	1,067,891	3,397,549	539,716	501,071	5,928
49	PLANT HELD FOR FUTURE USE	0	15,119	0	128,854	6,344	20,317
50	UTILITY PLANT ADJUSTMENTS	0	(137,339)	1,423	0	(93,169)	0
51	OTHER PROPERTY	0	0	512,089	0	0	69,148
52	INVEST. IN SUBSIDIARIES	0	0	NA	NA	NA	243,865
53	OTHER INVESTMENTS	0	0	NA	NA	NA	0
54	CASH	213,926	14,692	NA	NA	NA	229,989
55	TEMPORARY CASH INVESTMENTS	0	0	NA	NA	NA	0
56	NET ACCOUNTS RECEIVABLE	349,316	(25,316)	NA	NA	NA	237,757
57	ACCRUED WATER REVENUES	222,456	0	NA	NA	NA	55,600
58	MATERIALS AND SUPPLIES	69,046	36,994	NA	NA	NA	238,507
59	OTHER CURRENT ASSETS	58,147	0	NA	NA	NA	73,001
60	TOTAL CURRENT ASSETS	912,891	26,370	NA	NA	NA	834,854
61	DEFERRED CHGS & OTH ASSETS	1,182,060	1,017,390	NA	NA	NA	663,480
62	TOTAL ASSETS	9,378,669	22,609,672	NA	NA	NA	11,175,458
63	COMMON STOCK	600,000	200,500	NA	NA	NA	0
64	ADDITIONAL PAID IN CAPITAL	72,906	2,509,154	NA	NA	NA	0
65	RETAINED EARNINGS	2,117,875	8,962,190	NA	NA	NA	1,983,670
66	TOTAL COMMON EQUITY	2,790,781	11,671,844	NA	NA	NA	1,983,670
67	PREFERRED STOCK	0	0	NA	NA	NA	0
68	LONG TERM DEBT	3,289,351	0	NA	NA	NA	1,862,122
69	NOTES PAYABLE	0	0	NA	NA	NA	36,357
70	ACCOUNTS PAYABLE	222,737	22,763	NA	NA	NA	37,020
71	DIVIDENDS PAYABLE	0	0	NA	NA	NA	424,750
72	INCOME TAXES PAYABLE	(7,088)	233,023	NA	NA	NA	263,715
73	OTHER CURRENT LIABILITIES	127,455	5,612	NA	NA	NA	76,764
74	TOTAL CURRENT LIABILITIES	343,104	261,398	NA	NA	NA	838,606
75	CUST. ADVANCES FOR CONSTRCT	212,040	12,653,616	25,566,142	8,915,157	0	46,330
76	CONTRIB IN AID OF CONSTRCT	1,466,552	541,397	4,184,028	266,188	1,613,277	5,115,890
77	DEFERRED FED INCOME TAXES	1,092,898	(1,713,310)	623,283	0	0	1,176,788
78	DEFERRED INVEST TAX CREDIT	122,326	129,959	1,418,891	0	0	112,919
79	OTHER LIABILITIES	61,617	(935,232)	NA	NA	NA	39,133
80	TOTAL LIABILITIES	6,587,888	10,937,828	NA	NA	NA	9,191,788
81	TOTAL NET WORTH & LIABS	9,378,669	22,609,672	NA	NA	NA	11,175,458

TABLE J-2: BALANCE SHEETS

		CONN AMERICAN AM	CONN WATER SERV	CONSOL. WATER UTIL	CONSUMERS ILLINOIS CS	DAUPHIN CONSOL GN	DECCA UTIL
43	UTILITY PLANT NON-DEPREC	1,305,482	11,903,000	194,326	1,267,064	467,716	0
44	UTILITY PLANT DEPRECIABLE	63,671,216	163,848,000	6,185,509	57,501,011	44,362,022	4,393,380
45	UTILITY PLANT TOTAL	64,976,698	175,751,000	6,379,835	58,768,075	44,829,738	4,393,380
46	RESERVE FOR DEPRECIATION	11,346,727	40,130,000	2,971,233	14,638,867	5,184,493	799,566
47	NET UTILITY PLANT	53,629,971	135,621,000	3,408,602	44,129,208	39,645,245	3,593,814
48	CONSTRCT WORK IN PROGRESS	1,678,408	2,596,000	760,154	724,615	112,687	0
49	PLANT HELD FOR FUTURE USE	0	557,000	440,374	860,177	0	0
50	UTILITY PLANT ADJUSTMENTS	0	(1,206,000)	139,037	17,466	(29,407)	0
51	OTHER PROPERTY	3,315	73,000	0	0	0	0
52	INVEST. IN SUBSIDIARIES	0	35,000	0	0	0	0
53	OTHER INVESTMENTS	0	654,000	0	184,213	14,642	0
54	CASH	3,300	44,000	24,998	373,096	284,693	22,717
55	TEMPORARY CASH INVESTMENTS	0	0	270,318	0	0	0
56	NET ACCOUNTS RECEIVABLE	1,231,938	3,423,000	186,485	1,808,543	572,512	67,737
57	ACCRUED WATER REVENUES	1,761,695	2,800,000	0	356,647	1,832,786	0
58	MATERIALS AND SUPPLIES	175,354	681,000	41,104	279,230	177,295	0
59	OTHER CURRENT ASSETS	1,011,341	255,000	164,949	410,089	202,533	31,000
60	TOTAL CURRENT ASSETS	4,183,628	7,203,000	687,854	3,227,605	3,069,819	121,454
61	DEFERRED CHGS & OTH ASSETS	2,420,023	17,547,000	22,500	1,269,872	3,786,432	0
62	TOTAL ASSETS	61,915,345	163,080,000	5,458,521	50,413,156	46,599,418	3,715,268
63	COMMON STOCK	2,460,000	37,068,000	0	2,187,500	431,000	0
64	ADDITIONAL PAID IN CAPITAL	13,085,125	0	3,074,474	7,641,811	(882,590)	0
65	RETAINED EARNINGS	5,356,940	8,092,000	(795,797)	2,806,083	14,115,608	1,035,940
66	TOTAL COMMON EQUITY	20,902,065	45,160,000	2,278,677	12,635,394	13,664,018	1,035,940
67	PREFERRED STOCK	906,500	3,748,000	0	400,000	0	0
68	LONG TERM DEBT	25,000,000	51,600,000	1,347,182	15,902,000	16,105,084	0
69	NOTES PAYABLE	1,308,687	3,950,000	0	1,600,000	0	1,050,111
70	ACCOUNTS PAYABLE	186,763	2,574,000	234,641	674,491	182,827	0
71	DIVIDENDS PAYABLE	4,067	10,000	0	0	0	0
72	INCOME TAXES PAYABLE	(51,645)	1,466,000	429,768	279,934	354,811	45,001
73	OTHER CURRENT LIABILITIES	1,237,907	2,479,000	512,793	888,025	458,385	0
74	TOTAL CURRENT LIABILITIES	2,685,779	10,479,000	1,177,202	3,442,450	996,023	1,095,112
75	CUST. ADVANCES FOR CONSTRCT	3,680,522	11,584,000	577,107	989,719	4,049,240	0
76	CONTRIB IN AID OF CONSTRCT	2,569,313	18,128,000	78,353	12,783,077	6,790,685	1,584,216
77	DEFERRED FED INCOME TAXES	4,303,093	9,408,000	0	2,028,152	3,363,037	0
78	DEFERRED INVEST TAX CREDIT	594,097	2,333,000	0	671,247	617,540	0
79	OTHER LIABILITIES	1,273,976	10,640,000	0	1,561,117	1,013,791	0
80	TOTAL LIABILITIES	40,106,780	114,172,000	3,179,844	37,377,762	32,935,400	2,679,328
81	TOTAL NET WORTH & LIABS	61,915,345	163,080,000	5,458,521	50,413,156	46,599,418	3,715,268

TABLE J-2: BALANCE SHEETS

		DEL ESTE WATER	DOMINGUEZ WATER DS	ELIZABETH-TOWN ET	FLORIDA CITIES AV	GARDEN STATE CS	GARY HOBART CN
43	UTILITY PLANT NON-DEPREC	605,844	316,429	5,234,784	1,043,944	788,537	516,205
44	UTILITY PLANT DEPRECIABLE	19,558,819	51,485,698	418,802,383	139,952,572	41,611,967	71,910,865
45	UTILITY PLANT TOTAL	20,164,663	51,802,127	424,037,167	140,996,516	42,400,504	72,427,070
46	RESERVE FOR DEPRECIATION	5,547,408	18,182,777	78,609,028	35,271,707	6,871,033	20,382,399
47	NET UTILITY PLANT	14,617,255	33,619,350	345,428,139	105,724,809	35,529,471	52,044,671
48	CONSTRCT WORK IN PROGRESS	1,105,919	457,552	17,020,358	424,602	4,815,488	258,141
49	PLANT HELD FOR FUTURE USE	0	0	16,245	0	0	0
50	UTILITY PLANT ADJUSTMENTS	0	0	734	0	0	(195,199)
51	OTHER PROPERTY	0	30,629	87,582	0	2,960	0
52	INVEST. IN SUBSIDIARIES	0	0	2,609,482	0	12,935	0
53	OTHER INVESTMENTS	0	517,357	382,306	0	0	32,268
54	CASH	283,214	1,820,138	1,888,023	226,252	34,471	88,531
55	TEMPORARY CASH INVESTMENTS	808,280	6,000	1,258,737	0	0	0
56	NET ACCOUNTS RECEIVABLE	102,199	1,536,732	15,635,323	1,871,355	756,473	1,589,816
57	ACCRUED WATER REVENUES	284,284	698,500	6,948,725	1,057,328	830,922	1,381,486
58	MATERIALS AND SUPPLIES	118,402	57,488	1,523,383	191,720	239,377	467,035
59	OTHER CURRENT ASSETS	212,320	1,003,448	1,592,163	81,826	568,068	157,967
60	TOTAL CURRENT ASSETS	1,808,699	5,122,306	28,846,354	3,428,481	2,429,311	3,684,835
61	DEFERRED CHGS & OTH ASSETS	1,576,987	3,805,296	37,629,519	13,745,219	2,063,668	4,179,734
62	TOTAL ASSETS	19,108,860	43,552,490	432,020,719	123,323,111	44,853,833	60,004,450
63	COMMON STOCK	219,125	1	15,740,602	2,103,300	2,028,170	12,000,000
64	ADDITIONAL PAID IN CAPITAL	99,096	3,093,985	63,037,892	2,088,192	3,036,282	0
65	RETAINED EARNINGS	3,753,476	9,365,142	46,986,485	15,390,423	4,450,455	6,004,628
66	TOTAL COMMON EQUITY	4,071,697	12,459,128	125,764,979	19,581,915	9,514,907	18,004,628
67	PREFERRED STOCK	0	0	12,000,000	9,000,000	0	0
68	LONG TERM DEBT	5,380,626	7,492,964	143,000,000	26,432,500	12,705,175	9,800,000
69	NOTES PAYABLE	0	0	0	2,800,000	975,000	5,380,874
70	ACCOUNTS PAYABLE	328,849	1,954,587	7,823,192	1,194,666	1,892,981	295,658
71	DIVIDENDS PAYABLE	0	0	89,178	0	0	0
72	INCOME TAXES PAYABLE	189,444	254,061	12,993,342	823,531	223,107	1,633,504
73	OTHER CURRENT LIABILITIES	215,745	2,150,111	5,517,939	1,955,313	1,151,726	2,038,378
74	TOTAL CURRENT LIABILITIES	734,038	4,358,759	26,423,651	6,773,510	4,242,814	9,348,414
75	CUST. ADVANCES FOR CONSTRCT	3,674,098	5,272,899	41,633,267	234,675	11,350,008	1,265,269
76	CONTRIB IN AID OF CONSTRCT	3,725,986	6,471,251	19,628,930	54,447,205	5,717,147	10,136,724
77	DEFERRED FED INCOME TAXES	851,886	2,498,277	54,567,234	1,207,412	0	7,621,803
78	DEFERRED INVEST TAX CREDIT	0	322,135	8,675,068	1,840,881	761,463	1,219,396
79	OTHER LIABILITIES	670,529	4,677,077	327,590	3,805,013	562,319	2,608,216
80	TOTAL LIABILITIES	15,037,163	31,093,362	294,255,740	94,741,196	35,338,926	41,999,822
81	TOTAL NET WORTH & LIABS	19,108,860	43,552,490	432,020,719	123,323,111	44,853,833	60,004,450

TABLE J-2: BALANCE SHEETS

		GEN WATER CT GN	GEN WATER PA GN	GEN WATER PINE BLUFF GN	HACKENSACK WATER CO UW	HAMPTON WATER WORKS AM	HOOSIER WATER CO GN
43	UTILITY PLANT NON-DEPREC	113,226	106,747	176,305	31,376,227	217,154	71,095
44	UTILITY PLANT DEPRECIABLE	11,837,056	4,219,086	21,339,694	419,163,649	12,807,805	10,067,804
45	UTILITY PLANT TOTAL	11,950,282	4,325,833	21,515,999	450,539,876	13,024,959	10,138,899
46	RESERVE FOR DEPRECIATION	2,812,839	501,183	5,978,024	72,689,768	2,134,250	2,474,324
47	NET UTILITY PLANT	9,137,443	3,824,650	15,537,975	377,850,108	10,890,709	7,664,575
48	CONSTRCT WORK IN PROGRESS	2,829	37,661	89,240	2,360,047	0	1,859
49	PLANT HELD FOR FUTURE USE	0	0	0	49,303	315,302	0
50	UTILITY PLANT ADJUSTMENTS	(47,437)	180,225	0	18,424	0	0
51	OTHER PROPERTY	189,389	0	0	0	96,642	0
52	INVEST. IN SUBSIDIARIES	0	0	0	18,669,308	0	0
53	OTHER INVESTMENTS	0	2,148	2	0	0	0
54	CASH	141,298	83,808	628,050	1,282,376	(151,293)	49,377
55	TEMPORARY CASH INVESTMENTS	0	0	0	6,200,000	619,638	0
56	NET ACCOUNTS RECEIVABLE	297,756	79,213	742,176	11,513,974	328,450	172,351
57	ACCRUED WATER REVENUES	315,143	137,691	388,428	9,294,699	210,194	193,338
58	MATERIALS AND SUPPLIES	24,073	26,901	129,122	1,324,209	72,350	66,162
59	OTHER CURRENT ASSETS	22,260	26,673	77,129	9,019,352	165,084	52,465
60	TOTAL CURRENT ASSETS	800,530	354,286	1,964,905	38,634,610	1,244,423	533,693
61	DEFERRED CHGS & OTH ASSETS	1,200,040	189,480	1,218,740	54,897,272	1,767,561	763,506
62	TOTAL ASSETS	11,282,794	4,588,450	18,810,862	492,479,072	14,314,637	8,963,633
63	COMMON STOCK	25,000	1,000	22,000	20,805,730	1,867,325	0
64	ADDITIONAL PAID IN CAPITAL	1,986,184	1,818,448	4,269,165	79,180,948	682,700	1,313,212
65	RETAINED EARNINGS	1,237,145	49,147	1,282,943	37,396,341	1,430,482	1,363,580
66	TOTAL COMMON EQUITY	3,248,329	1,868,595	5,574,108	137,383,019	3,980,507	2,676,792
67	PREFERRED STOCK	0	0	0	24,840,000	187,200	0
68	LONG TERM DEBT	3,828,640	2,202,417	6,569,919	175,000,000	5,650,000	3,155,000
69	NOTES PAYABLE	0	0	0	0	0	0
70	ACCOUNTS PAYABLE	120,722	34,670	98,290	7,238,411	68,415	70,010
71	DIVIDENDS PAYABLE	0	0	0	0	3,121	0
72	INCOME TAXES PAYABLE	30,511	24,887	164,456	21,608,973	(21,023)	230,386
73	OTHER CURRENT LIABILITIES	90,438	40,798	572,710	16,451,396	197,029	123,020
74	TOTAL CURRENT LIABILITIES	241,671	100,355	835,456	45,298,780	247,542	423,416
75	CUST. ADVANCES FOR CONSTRCT	521,084	17,462	266,019	3,767,812	300,642	127,026
76	CONTRIB IN AID OF CONSTRCT	2,419,989	134,033	3,700,462	4,964,800	1,414,563	1,644,398
77	DEFERRED FED INCOME TAXES	859,265	258,466	1,408,609	61,794,087	1,612,170	614,541
78	DEFERRED INVEST TAX CREDIT	141,809	0	369,208	15,830,030	315,486	197,701
79	OTHER LIABILITIES	22,007	7,122	87,081	23,600,544	606,527	124,759
80	TOTAL LIABILITIES	8,034,465	2,719,855	13,236,754	330,256,053	10,146,930	6,286,841
81	TOTAL NET WORTH & LIABS	11,282,794	4,588,450	18,810,862	492,479,072	14,314,637	8,963,633

TABLE J-2: BALANCE SHEETS

		HYDRAU-LICS	ILLINOIS AMERICAN AM	INDIANA AMERICAN AM	INDIANA CITIES AM	INDIAN-APOLIS IN	INTER-STATE CS
43	UTILITY PLANT NON-DEPREC	292,534	4,276,506	4,281,311	1,152,897	9,829,056	1,079,845
44	UTILITY PLANT DEPRECIABLE	1,098,334	213,867,812	146,547,334	81,489,486	306,076,358	36,548,503
45	UTILITY PLANT TOTAL	1,390,868	218,144,318	150,828,645	82,642,383	315,905,414	37,628,348
46	RESERVE FOR DEPRECIATION	447,419	55,106,584	29,109,377	13,876,799	69,338,153	6,024,559
47	NET UTILITY PLANT	943,449	163,037,734	121,719,268	68,765,584	246,567,261	31,603,789
48	CONSTRCT WORK IN PROGRESS	0	733,038	9,315,654	3,115,305	7,657,748	505,900
49	PLANT HELD FOR FUTURE USE	0	67,724	57,628	0	77,339	57,788
50	UTILITY PLANT ADJUSTMENTS	0	0	0	1,630,819	0	0
51	OTHER PROPERTY	487,286	292,597	337,746	0	165,414	0
52	INVEST. IN SUBSIDIARIES	0	0	48,062,761	0	0	0
53	OTHER INVESTMENTS	0	5,500	90,965	0	0	499,108
54	CASH	51,128	279,780	15,230	50,062	416,423	76,842
55	TEMPORARY CASH INVESTMENTS	140,000	0	0	0	0	0
56	NET ACCOUNTS RECEIVABLE	55,203	6,125,771	2,598,259	643,553	4,613,970	567,159
57	ACCRUED WATER REVENUES	0	5,868,934	2,483,437	1,256,428	2,541,426	264,700
58	MATERIALS AND SUPPLIES	0	877,361	635,979	325,706	1,721,956	186,790
59	OTHER CURRENT ASSETS	4,932	1,228,151	837,254	175,761	2,510,620	269,738
60	TOTAL CURRENT ASSETS	251,263	14,379,997	6,570,159	2,451,510	11,804,395	1,365,229
61	DEFERRED CHGS & OTH ASSETS	4,900	17,577,082	12,232,951	3,069,630	8,042,477	1,288,206
62	TOTAL ASSETS	1,686,898	196,093,672	198,387,132	79,032,848	274,314,634	35,320,020
63	COMMON STOCK	(34,335)	30,827,855	15,460,900	5,515,000	17,003,750	13,600
64	ADDITIONAL PAID IN CAPITAL	0	1,895,866	4,145,378	2,900,000	24,394,401	3,546,400
65	RETAINED EARNINGS	284,481	26,247,596	26,203,226	11,878,388	15,379,785	6,336,536
66	TOTAL COMMON EQUITY	250,146	58,971,317	45,809,504	20,293,388	56,777,936	9,896,536
67	PREFERRED STOCK	0	1,778,000	593,000	720,000	4,504,900	0
68	LONG TERM DEBT	180,153	62,594,326	58,984,126	25,884,000	85,375,000	16,333,192
69	NOTES PAYABLE	67,386	17,831,000	41,880,620	5,000,000	7,000,723	1,996,650
70	ACCOUNTS PAYABLE	84,042	1,781,087	1,596,364	896,300	7,081,161	246,946
71	DIVIDENDS PAYABLE	0	28,050	13,614	0	50,811	0
72	INCOME TAXES PAYABLE	7,482	1,178,196	2,655,339	2,153,592	5,681,915	192,954
73	OTHER CURRENT LIABILITIES	52,630	4,008,320	2,374,417	851,599	7,216,515	631,966
74	TOTAL CURRENT LIABILITIES	211,540	24,826,653	48,520,354	8,901,491	27,031,125	3,068,516
75	CUST. ADVANCES FOR CONSTRCT	0	2,416,943	2,624,548	3,429,294	40,879,431	322,619
76	CONTRIB IN AID OF CONSTRCT	1,045,059	13,492,501	5,833,185	13,667,280	27,651,838	2,180,249
77	DEFERRED FED INCOME TAXES	0	17,019,451	27,682,581	2,101,322	24,288,849	1,453,360
78	DEFERRED INVEST TAX CREDIT	0	3,750,696	2,518,513	1,270,206	4,980,698	573,967
79	OTHER LIABILITIES	0	11,243,785	5,821,321	2,765,867	2,824,857	1,491,581
80	TOTAL LIABILITIES	1,436,752	135,344,355	151,984,628	58,019,460	213,031,798	25,423,484
81	TOTAL NET WORTH & LIABS	1,686,898	196,093,672	198,387,132	79,032,848	274,314,634	35,320,020

TABLE J-2: BALANCE SHEETS

		IOWA AMERICAN AM	JACKSON -VILLE GN	JAMAICA WATER CO JA	LINCOLN WATER CORP GN	LONG ISLAND CN	LOUIS-VILLE
43	UTILITY PLANT NON-DEPREC	279,180	NA	1,384,260	46,944	588,274	2,876,480
44	UTILITY PLANT DEPRECIABLE	61,548,613	NA	169,630,910	10,479,485	59,808,011	394,192,829
45	UTILITY PLANT TOTAL	61,827,793	NA	171,015,170	10,526,429	60,396,285	397,069,309
46	RESERVE FOR DEPRECIATION	12,144,396	NA	37,964,431	3,599,431	19,866,378	114,850,929
47	NET UTILITY PLANT	49,683,397	NA	133,050,739	6,926,998	40,529,907	282,218,380
48	CONSTRCT WORK IN PROGRESS	191,115	NA	1,965,388	12,181	1,038,606	13,992,503
49	PLANT HELD FOR FUTURE USE	0	NA	0	0	110,933	0
50	UTILITY PLANT ADJUSTMENTS	11,713	NA	0	0	487,057	(730,363)
51	OTHER PROPERTY	100,681	NA	0	0	63,368	85,140
52	INVEST. IN SUBSIDIARIES	0	NA	0	0	0	0
53	OTHER INVESTMENTS	0	NA	0	0	0	33,895,963
54	CASH	5,085	NA	765,080	3,538,484	0	3,886,184
55	TEMPORARY CASH INVESTMENTS	0	NA	8,714,542	0	0	11,376,402
56	NET ACCOUNTS RECEIVABLE	1,215,394	NA	6,861,766	201,182	2,741,384	6,805,208
57	ACCRUED WATER REVENUES	1,672,433	NA	4,303,000	220,366	1,973,492	0
58	MATERIALS AND SUPPLIES	165,115	NA	561,493	58,897	686,022	4,002,898
59	OTHER CURRENT ASSETS	290,397	NA	1,629,775	44,739	1,047,298	1,489,716
60	TOTAL CURRENT ASSETS	3,348,424	NA	22,835,656	4,063,668	6,448,196	27,560,408
61	DEFERRED CHGS & OTH ASSETS	9,426,211	NA	13,767,855	282,912	7,507,947	5,900,098
62	TOTAL ASSETS	62,761,541	NA	171,619,638	11,285,759	56,186,014	362,922,129
63	COMMON STOCK	10,271,000	NA	10,615,809	6,000,000	10,000,000	1,275,100
64	ADDITIONAL PAID IN CAPITAL	0	NA	0	(4,162,276)	0	0
65	RETAINED EARNINGS	4,241,539	NA	47,180,218	2,922,255	10,396,268	172,405,781
66	TOTAL COMMON EQUITY	14,512,539	NA	57,796,027	4,759,979	20,396,268	173,680,881
67	PREFERRED STOCK	4,319,000	NA	5,718,369	0	1,125,000	0
68	LONG TERM DEBT	21,548,653	NA	50,258,227	5,610,346	18,980,000	74,835,000
69	NOTES PAYABLE	4,832,000	NA	0	0	(3,792,080)	0
70	ACCOUNTS PAYABLE	307,452	NA	4,930,694	87,527	1,038,287	3,429,997
71	DIVIDENDS PAYABLE	169,997	NA	0	0	0	0
72	INCOME TAXES PAYABLE	1,182,229	NA	901,450	(75,926)	368,091	170,627
73	OTHER CURRENT LIABILITIES	1,244,376	NA	21,240,679	56,230	8,643,318	8,383,220
74	TOTAL CURRENT LIABILITIES	7,736,054	NA	27,072,823	67,831	6,257,616	11,983,844
75	CUST. ADVANCES FOR CONSTRCT	2,593,786	NA	105,908	8,702	317,616	5,210,748
76	CONTRIB IN AID OF CONSTRCT	663,541	NA	0	452,677	0	89,405,994
77	DEFERRED FED INCOME TAXES	6,964,529	NA	13,830,654	202,905	8,130,001	0
78	DEFERRED INVEST TAX CREDIT	879,172	NA	3,241,744	128,437	523,617	0
79	OTHER LIABILITIES	3,544,267	NA	13,595,886	54,882	455,896	7,805,662
80	TOTAL LIABILITIES	43,930,002	NA	108,105,242	6,525,780	34,664,746	189,241,248
81	TOTAL NET WORTH & LIABS	62,761,541	NA	171,619,638	11,285,759	56,186,014	362,922,129

TABLE J-2: BALANCE SHEETS

		MAINE WATER CS	MARYLAND AMERICAN AM	MASS AMERICAN AM	MECHANICS -BURG GN	MIDDLESEX WATER CO MS	MISSOURI AMERICAN AM
43	UTILITY PLANT NON-DEPREC	1,288,110	9,943	227,468	67,250	2,024,900	424,026
44	UTILITY PLANT DEPRECIABLE	4,323,047	7,261,007	19,573,279	14,725,303	115,371,341	49,171,564
45	UTILITY PLANT TOTAL	5,611,157	7,270,950	19,800,747	14,792,553	117,396,241	49,595,590
46	RESERVE FOR DEPRECIATION	1,114,235	1,542,256	3,997,547	1,342,614	19,349,885	10,978,751
47	NET UTILITY PLANT	4,496,922	5,728,694	15,803,200	13,449,939	98,046,356	38,616,839
48	CONSTRCT WORK IN PROGRESS	319,058	30,644	5,162,684	30,130	46,860	1,105,751
49	PLANT HELD FOR FUTURE USE	15,408	0	0	0	0	85,763
50	UTILITY PLANT ADJUSTMENTS	0	0	0	59,000	0	279,301
51	OTHER PROPERTY	0	640	325	0	154,096	222,254
52	INVEST. IN SUBSIDIARIES	0	0	0	0	1,700,601	15,916,517
53	OTHER INVESTMENTS	0	0	0	3,342	165,812	28,859
54	CASH	48,533	381,381	2,610	158,937	990,275	(11,700)
55	TEMPORARY CASH INVESTMENTS	0	0	0	0	2,923,205	0
56	NET ACCOUNTS RECEIVABLE	104,940	92,448	485,069	172,158	3,190,190	1,110,274
57	ACCRUED WATER REVENUES	89,237	268,695	452,465	572,941	2,096,847	1,228,650
58	MATERIALS AND SUPPLIES	53,850	55,543	148,089	42,545	891,371	281,893
59	OTHER CURRENT ASSETS	43,145	119,598	336,595	59,875	410,610	405,494
60	TOTAL CURRENT ASSETS	339,705	917,665	1,424,828	1,006,456	10,502,498	3,014,611
61	DEFERRED CHGS & OTH ASSETS	247,555	703,307	1,674,142	1,125,508	7,645,568	9,963,611
62	TOTAL ASSETS	5,418,648	7,380,950	24,065,179	15,674,375	118,261,791	69,233,506
63	COMMON STOCK	804,363	824,900	3,292,800	100,000	26,223,214	6,994,075
64	ADDITIONAL PAID IN CAPITAL	484,983	460,100	1,343,800	792,722	0	0
65	RETAINED EARNINGS	459,967	954,769	1,573,365	4,145,501	16,615,467	5,745,590
66	TOTAL COMMON EQUITY	1,749,313	2,239,769	6,209,965	5,038,223	42,838,681	12,739,665
67	PREFERRED STOCK	0	0	0	0	3,951,500	2,628,000
68	LONG TERM DEBT	0	2,700,000	8,400,000	5,938,298	37,000,000	14,796,745
69	NOTES PAYABLE	1,820,000	0	1,211,764	0	8,500,000	23,074,245
70	ACCOUNTS PAYABLE	112,067	234,406	382,495	112,742	1,431,605	629,016
71	DIVIDENDS PAYABLE	0	0	0	60	63,184	117,530
72	INCOME TAXES PAYABLE	(16,056)	2,913	9,850	88,413	4,265,150	13,417
73	OTHER CURRENT LIABILITIES	24,344	146,948	311,779	90,509	1,615,133	1,457,265
74	TOTAL CURRENT LIABILITIES	1,940,355	384,267	1,915,888	291,724	15,875,072	25,291,473
75	CUST. ADVANCES FOR CONSTRCT	439,460	183,708	1,264,237	893,087	2,798,138	1,109,108
76	CONTRIB IN AID OF CONSTRCT	722,374	1,098,985	2,914,742	2,178,791	2,656,530	2,640,807
77	DEFERRED FED INCOME TAXES	320,853	562,559	2,332,725	954,817	9,750,939	6,954,238
78	DEFERRED INVEST TAX CREDIT	108,274	80,984	320,016	142,240	2,523,776	797,749
79	OTHER LIABILITIES	138,019	130,678	707,606	237,195	867,155	2,275,721
80	TOTAL LIABILITIES	3,669,335	5,141,181	17,855,214	10,636,152	71,471,610	53,865,841
81	TOTAL NET WORTH & LIABS	5,418,648	7,380,950	24,065,179	15,674,375	118,261,791	69,233,506

TABLE J-2: BALANCE SHEETS

		MOUNT HOLLY ET	MOUNTAIN WATER PK	NEW JERSEY AMERICAN AM	NEW MEXICO AMERICAN AM	NEW MEXICO UTILITIES SW	NEW ROCH-ELLE WATER GN
43	UTILITY PLANT NON-DEPREC	45,957	812,571	12,711,841	1,797,691	272,976	190,507
44	UTILITY PLANT DEPRECIABLE	13,311,467	21,227,150	609,693,502	18,515,889	9,325,378	43,396,791
45	UTILITY PLANT TOTAL	13,357,424	22,039,721	622,405,343	20,313,580	9,598,354	43,587,298
46	RESERVE FOR DEPRECIATION	3,090,867	6,247,332	91,254,625	5,500,827	1,705,654	10,123,633
47	NET UTILITY PLANT	10,266,557	15,792,389	531,150,718	14,812,753	7,892,700	33,463,665
48	CONSTRCT WORK IN PROGRESS	221,730	161,791	42,042,427	160,985	174,656	160,474
49	PLANT HELD FOR FUTURE USE	0	38,391	134,591	0	0	0
50	UTILITY PLANT ADJUSTMENTS	337,274	0	772,419	658,762	39,332	0
51	OTHER PROPERTY	0	26,795	278,112	9,527	5,486,739	0
52	INVEST. IN SUBSIDIARIES	0	0	0	0	0	0
53	OTHER INVESTMENTS	0	0	0	0	0	0
54	CASH	96,494	819	21,920	573,051	583,018	1,647,385
55	TEMPORARY CASH INVESTMENTS	0	0	0	398,767	1,500,000	0
56	NET ACCOUNTS RECEIVABLE	229,174	373,778	9,713,958	246,219	274,428	1,577,181
57	ACCRUED WATER REVENUES	299,597	0	15,868,280	197,500	20,000	2,112,418
58	MATERIALS AND SUPPLIES	100,319	28,997	2,256,882	77,947	25,900	183,939
59	OTHER CURRENT ASSETS	31,994	76,776	6,495,535	92,311	26,360	396,445
60	TOTAL CURRENT ASSETS	757,578	480,370	34,356,575	1,585,795	2,429,706	5,917,368
61	DEFERRED CHGS & OTH ASSETS	804,314	471,521	30,142,488	819,619	841,401	5,017,078
62	TOTAL ASSETS	12,387,453	16,971,257	638,877,330	18,047,441	16,864,534	44,558,585
63	COMMON STOCK	186,500	6,940,078	56,708,525	56,000	1,911,659	50,000
64	ADDITIONAL PAID IN CAPITAL	50,000	2,008,000	92,911,298	5,544,000	0	(6,317,987)
65	RETAINED EARNINGS	2,371,130	3,109,325	51,978,444	415,360	1,604,600	24,334,764
66	TOTAL COMMON EQUITY	2,607,630	12,057,403	201,598,267	6,015,360	3,516,259	18,066,777
67	PREFERRED STOCK	0	0	3,893,500	0	0	0
68	LONG TERM DEBT	228,300	940,339	212,300,000	8,500,000	2,000,000	16,630,577
69	NOTES PAYABLE	3,880,000	0	72,083,000	0	0	0
70	ACCOUNTS PAYABLE	374,610	366,176	6,340,723	32,981	126,791	771,970
71	DIVIDENDS PAYABLE	0	0	65,775	0	30,587	0
72	INCOME TAXES PAYABLE	280,874	208,581	96,190	95,540	38,636	244,279
73	OTHER CURRENT LIABILITIES	141,448	306,913	15,124,128	425,996	171,973	842,070
74	TOTAL CURRENT LIABILITIES	4,676,932	881,670	93,709,816	554,517	367,987	1,858,319
75	CUST. ADVANCES FOR CONSTRCT	2,321,274	1,052,169	32,758,004	327,679	2,139,665	50,002
76	CONTRIB IN AID OF CONSTRCT	1,040,936	1,155,250	27,377,051	358,322	2,728,967	0
77	DEFERRED FED INCOME TAXES	1,388,132	429,988	43,892,061	1,971,434	578,038	6,388,838
78	DEFERRED INVEST TAX CREDIT	177,419	163,005	8,425,326	0	114,174	775,852
79	OTHER LIABILITIES	(53,170)	291,433	14,923,305	320,129	5,419,444	788,220
80	TOTAL LIABILITIES	9,779,823	4,913,854	433,385,563	12,032,081	13,348,275	26,491,808
81	TOTAL NET WORTH & LIABS	12,387,453	16,971,257	638,877,330	18,047,441	16,864,534	44,558,585

TABLE J-2: BALANCE SHEETS

		NEW YORK AMERICAN AM	NEW YORK WATER SER	NEWTOWN ARTESIAN	NORTHERN ILLINOIS CN	OHIO AMERICAN AM	OHIO SUBURBAN AM
43	UTILITY PLANT NON-DEPREC	53,633	4,686	88,591	2,339,549	538,705	0
44	UTILITY PLANT DEPRECIABLE	20,418,601	46,559,476	20,271,366	71,180,017	37,123,595	17,404,727
45	UTILITY PLANT TOTAL	20,472,234	46,564,162	20,359,957	73,519,566	37,662,300	17,404,727
46	RESERVE FOR DEPRECIATION	4,095,730	12,357,542	1,270,530	17,715,707	10,569,772	2,932,148
47	NET UTILITY PLANT	16,376,504	34,206,620	19,089,427	55,803,859	27,092,528	NA
48	CONSTRCT WORK IN PROGRESS	67,612	415,206	159,840	2,929,373	1,267,266	NA
49	PLANT HELD FOR FUTURE USE	0	0	1,250,937	38,879	0	NA
50	UTILITY PLANT ADJUSTMENTS	0	35,145	0	0	(294,074)	NA
51	OTHER PROPERTY	239,001	0	0	0	49,561	NA
52	INVEST. IN SUBSIDIARIES	0	12,416,735	0	0	8,282,140	NA
53	OTHER INVESTMENTS	0	3,798,268	0	0	0	NA
54	CASH	1,500	11,120	50,687	10,605	7,125	NA
55	TEMPORARY CASH INVESTMENTS	0	3,783,257	1,110,898	0	0	NA
56	NET ACCOUNTS RECEIVABLE	572,082	2,778,067	331,553	1,236,567	903,989	NA
57	ACCRUED WATER REVENUES	918,737	962,581	468,350	1,239,146	1,306,821	NA
58	MATERIALS AND SUPPLIES	57,940	358,740	130,913	882,376	223,452	NA
59	OTHER CURRENT ASSETS	271,273	6,882,788	85,832	95,308	751,503	NA
60	TOTAL CURRENT ASSETS	1,821,532	14,776,553	2,178,233	3,464,002	3,192,890	NA
61	DEFERRED CHGS & OTH ASSETS	2,574,215	1,368,161	620,906	6,874,795	4,822,722	NA
62	TOTAL ASSETS	21,078,864	67,016,688	23,299,343	69,110,908	44,413,033	NA
63	COMMON STOCK	1,685,000	3,674,470	227,500	8,256,000	1,865,234	NA
64	ADDITIONAL PAID IN CAPITAL	2,500,000	1,984,857	450,773	451,750	535,497	NA
65	RETAINED EARNINGS	1,440,922	36,293,173	2,159,415	13,071,717	6,246,181	NA
66	TOTAL COMMON EQUITY	5,625,922	41,952,500	2,837,688	21,779,467	8,646,912	NA
67	PREFERRED STOCK	1,000,000	0	0	0	1,526,000	NA
68	LONG TERM DEBT	9,000,000	15,858,185	2,850,000	26,310,000	9,209,990	NA
69	NOTES PAYABLE	741,897	0	0	2,129,836	15,283,198	NA
70	ACCOUNTS PAYABLE	508,295	491,559	209,670	612,089	394,446	NA
71	DIVIDENDS PAYABLE	19,175	0	0	0	57,019	NA
72	INCOME TAXES PAYABLE	(161,740)	3,701,689	(52,626)	207,356	948,872	NA
73	OTHER CURRENT LIABILITIES	451,442	499,069	122,770	2,168,618	1,557,444	NA
74	TOTAL CURRENT LIABILITIES	1,559,069	4,692,317	279,814	5,117,899	18,240,979	NA
75	CUST. ADVANCES FOR CONSTRCT	1,254,019	327,247	675,649	2,431,821	1,321,188	NA
76	CONTRIB IN AID OF CONSTRCT	0	111,937	15,392,369	5,896,603	0	NA
77	DEFERRED FED INCOME TAXES	1,773,379	2,086,503	966,252	4,369,949	4,044,051	NA
78	DEFERRED INVEST TAX CREDIT	111,375	0	235,198	416,821	361,063	NA
79	OTHER LIABILITIES	755,100	1,987,999	62,373	2,788,348	1,062,850	NA
80	TOTAL LIABILITIES	14,452,942	25,064,188	20,461,655	47,331,441	34,240,121	NA
81	TOTAL NET WORTH & LIABS	21,078,864	67,016,688	23,299,343	69,110,908	44,413,033	NA

TABLE J-2: BALANCE SHEETS

		OHIO WATER SER CS	PALM COAST	PARADISE VALLEY AM	PARK WATER PK	PENN AMERICAN AM	PENN GAS & WATER
43	UTILITY PLANT NON-DEPREC	2,680,199	1,628,025	42,751	249,779	14,876,648	1,952,000
44	UTILITY PLANT DEPRECIABLE	108,265,838	105,356,630	8,315,814	21,467,482	669,653,701	337,217,000
45	UTILITY PLANT TOTAL	110,946,037	106,984,655	8,358,565	21,717,261	684,530,349	339,169,000
46	RESERVE FOR DEPRECIATION	16,991,771	32,347,796	2,981,070	7,695,541	83,400,448	15,158,000
47	NET UTILITY PLANT	93,954,266	74,636,859	5,377,495	14,021,720	601,129,901	324,011,000
48	CONSTRCT WORK IN PROGRESS	1,752,545	1,507,487	24,175	287,231	6,669,646	5,702,000
49	PLANT HELD FOR FUTURE USE	65,904	3,272,466	0	0	29,924	1,549,000
50	UTILITY PLANT ADJUSTMENTS	67,023	0	0	48,726	(1,038,544)	14,576,000
51	OTHER PROPERTY	0	9,445	90,844	0	1,027,951	NA
52	INVEST. IN SUBSIDIARIES	0	0	0	34,328,658	0	NA
53	OTHER INVESTMENTS	0	7,480,479	0	0	1,000	NA
54	CASH	2,830,321	165,919	24,511	19,843	6,045,745	NA
55	TEMPORARY CASH INVESTMENTS	0	119,284	0	4,237,801	0	NA
56	NET ACCOUNTS RECEIVABLE	1,390,237	603,042	99,705	740,833	11,805,254	NA
57	ACCRUED WATER REVENUES	1,356,400	0	60,900	0	9,152,189	NA
58	MATERIALS AND SUPPLIES	452,265	166,571	28,293	68,778	1,235,755	NA
59	OTHER CURRENT ASSETS	4,566,695	131,868	66,359	4,425,672	4,473,384	NA
60	TOTAL CURRENT ASSETS	10,595,918	1,186,684	279,768	9,492,927	32,712,327	NA
61	DEFERRED CHGS & OTH ASSETS	3,304,552	111,325	137,823	2,384,930	105,803,987	NA
62	TOTAL ASSETS	109,740,208	88,204,745	5,910,105	60,564,192	746,336,192	NA
63	COMMON STOCK	2,598,000	500	177,950	690,225	19,548,199	NA
64	ADDITIONAL PAID IN CAPITAL	6,778,355	20,736,447	425,000	1,963,455	76,108,015	NA
65	RETAINED EARNINGS	17,596,979	(1,973,032)	1,255,865	17,440,034	95,063,537	NA
66	TOTAL COMMON EQUITY	26,973,334	18,763,915	1,858,815	20,093,714	190,719,751	NA
67	PREFERRED STOCK	0	0	0	0	18,745,000	NA
68	LONG TERM DEBT	34,845,000	13,625,000	166,579	32,370,221	301,530,000	NA
69	NOTES PAYABLE	0	650,000	1,400,000	164,697	7,471,168	NA
70	ACCOUNTS PAYABLE	1,146,924	344,240	175,563	1,315,431	6,938,133	NA
71	DIVIDENDS PAYABLE	0	0	0	0	357,835	NA
72	INCOME TAXES PAYABLE	8,457,145	521,408	73,266	(569,295)	1,525,796	NA
73	OTHER CURRENT LIABILITIES	3,384,409	1,282,771	102,530	917,316	5,385,169	NA
74	TOTAL CURRENT LIABILITIES	12,988,478	2,798,419	1,751,359	1,828,149	21,678,101	NA
75	CUST. ADVANCES FOR CONSTRCT	6,361,551	3,092,348	445,554	761,854	37,219,359	NA
76	CONTRIB IN AID OF CONSTRCT	23,167,077	54,892,584	670,920	2,437,035	31,698,236	NA
77	DEFERRED FED INCOME TAXES	2,434,760	(7,431,861)	319,054	2,485,747	117,159,708	NA
78	DEFERRED INVEST TAX CREDIT	1,619,181	2,464,340	112,186	409,575	10,511,596	NA
79	OTHER LIABILITIES	1,350,827	0	585,638	177,897	17,074,441	NA
80	TOTAL LIABILITIES	82,766,874	69,440,830	4,051,290	40,470,478	536,871,441	NA
81	TOTAL NET WORTH & LIABS	109,740,208	88,204,745	5,910,105	60,564,192	746,336,192	NA

TABLE J-2: BALANCE SHEETS

		PENNA. WATER CS	PENNI-CHUCK PE	PHIL. SUBURBAN PS	PLAIN-VILLE	RIO RANCHO GN	ROARING CREEK CS
43	UTILITY PLANT NON-DEPREC	52,026	219,759	10,229,000	25,850	0	554,529
44	UTILITY PLANT DEPRECIABLE	4,608,338	49,180,161	425,284,000	7,569,134	0	17,368,587
45	UTILITY PLANT TOTAL	4,660,364	49,399,920	435,513,000	7,594,984	0	17,923,116
46	RESERVE FOR DEPRECIATION	859,164	11,338,832	64,945,000	2,107,188	0	3,633,883
47	NET UTILITY PLANT	3,801,200	38,061,088	370,568,000	5,487,796	0	14,289,233
48	CONSTRCT WORK IN PROGRESS	71,089	39,929	2,307,000	19,592	0	6,578,168
49	PLANT HELD FOR FUTURE USE	0	0	615,000	0	0	0
50	UTILITY PLANT ADJUSTMENTS	0	0	(7,806,000)	0	0	537,880
51	OTHER PROPERTY	0	0	415,000	12,129	0	260,525
52	INVEST. IN SUBSIDIARIES	0	0	0	0	0	0
53	OTHER INVESTMENTS	0	0	0	500	0	8,876,200
54	CASH	24,914	3,647	(1,168,000)	5,841	0	60,131
55	TEMPORARY CASH INVESTMENTS	0	166,880	0	0	0	32,229
56	NET ACCOUNTS RECEIVABLE	84,278	593,136	7,521,000	214,755	0	598,710
57	ACCRUED WATER REVENUES	197,500	1,232,651	10,531,000	97,960	0	507,890
58	MATERIALS AND SUPPLIES	45,256	219,904	1,721,000	41,974	0	115,259
59	OTHER CURRENT ASSETS	35,352	308,295	516,000	14,167	0	208,905
60	TOTAL CURRENT ASSETS	387,300	2,524,513	19,121,000	374,697	0	1,523,124
61	DEFERRED CHGS & OTH ASSETS	381,125	611,497	53,323,000	802,804	0	3,446,982
62	TOTAL ASSETS	4,640,714	41,237,027	438,543,000	6,697,518	0	35,512,112
63	COMMON STOCK	167,575	30,000	4,526,000	187,500	0	20,000
64	ADDITIONAL PAID IN CAPITAL	89,523	5,413,488	95,918,000	251,361	0	8,781,762
65	RETAINED EARNINGS	1,087,478	4,960,912	35,490,000	724,549	0	2,606,568
66	TOTAL COMMON EQUITY	1,344,576	10,404,400	135,934,000	1,163,410	0	11,408,330
67	PREFERRED STOCK	0	681,000	10,000,000	0	0	0
68	LONG TERM DEBT	1,500,000	12,224,058	150,176,000	1,867,082	0	18,426,019
69	NOTES PAYABLE	725,000	5,431,250	819,000	0	0	290,600
70	ACCOUNTS PAYABLE	42,518	805,716	3,344,000	272,200	0	302,425
71	DIVIDENDS PAYABLE	0	0	216,000	0	0	0
72	INCOME TAXES PAYABLE	(22,478)	240,175	1,928,000	164,250	0	64,266
73	OTHER CURRENT LIABILITIES	113,577	39,259	9,645,000	131,452	0	414,811
74	TOTAL CURRENT LIABILITIES	858,617	6,516,400	15,952,000	567,902	0	1,072,102
75	CUST. ADVANCES FOR CONSTRCT	52,663	88,689	24,379,000	843,465	0	33,452
76	CONTRIB IN AID OF CONSTRCT	178,335	6,902,920	21,641,000	1,469,077	0	697,045
77	DEFERRED FED INCOME TAXES	439,818	1,847,062	66,779,000	786,582	0	3,594,011
78	DEFERRED INVEST TAX CREDIT	100,297	1,296,498	4,500,000	0	0	281,153
79	OTHER LIABILITIES	166,408	1,276,000	9,182,000	0	0	0
80	TOTAL LIABILITIES	3,296,138	30,151,627	292,609,000	5,534,108	0	24,103,782
81	TOTAL NET WORTH & LIABS	4,640,714	41,237,027	438,543,000	6,697,518	0	35,512,112

TABLE J-2: BALANCE SHEETS

		ROTUNDA WEST	SALIS-BURY AM	SAN GABRIEL VALLEY	SAN JOSE WATER CO SJ	SHENANGO VALLEY CS	SHORE-LANDS
43	UTILITY PLANT NON-DEPREC	400,248	56,161	1,282,749	2,603,520	208,607	170,786
44	UTILITY PLANT DEPRECIABLE	5,465,216	6,971,830	125,352,698	287,746,360	28,010,816	17,708,093
45	UTILITY PLANT TOTAL	5,865,464	7,027,991	126,635,447	290,349,880	28,219,423	17,878,879
46	RESERVE FOR DEPRECIATION	839,247	812,646	32,286,121	90,029,529	6,243,054	5,847,445
47	NET UTILITY PLANT	5,026,217	6,215,345	94,349,326	200,320,351	21,976,369	12,031,434
48	CONSTRCT WORK IN PROGRESS	0	5,165	344,869	3,232,687	563,315	0
49	PLANT HELD FOR FUTURE USE	3,232,744	0	0	100,376	4,335	0
50	UTILITY PLANT ADJUSTMENTS	0	0	(39,575)	0	0	0
51	OTHER PROPERTY	0	0	0	108,494	96,469	0
52	INVEST. IN SUBSIDIARIES	0	0	0	0	0	0
53	OTHER INVESTMENTS	0	0	297,417	0	51,188	0
54	CASH	228,482	(19,522)	418,350	1,159,445	67,277	1,857,722
55	TEMPORARY CASH INVESTMENTS	43,589	659,070	3,224,964	0	0	0
56	NET ACCOUNTS RECEIVABLE	106,681	154,138	1,889,159	4,957,896	541,460	444,651
57	ACCRUED WATER REVENUES	0	0	1,556,963	2,600,000	448,300	622,083
58	MATERIALS AND SUPPLIES	11,006	868	341,030	518,275	155,690	158,006
59	OTHER CURRENT ASSETS	137,015	71,525	28,414	454,117	115,329	194,351
60	TOTAL CURRENT ASSETS	526,773	866,079	7,458,880	9,689,733	1,328,056	3,276,813
61	DEFERRED CHGS & OTH ASSETS	28,476	568,975	5,178,886	8,800,088	3,546,483	177,713
62	TOTAL ASSETS	8,814,210	7,655,564	107,589,803	222,251,729	27,566,215	15,485,960
63	COMMON STOCK	10,500	919,700	2,400,000	6	2,208,000	1,005,200
64	ADDITIONAL PAID IN CAPITAL	2,134,000	820,300	249,352	22,271,075	1,505,000	108,520
65	RETAINED EARNINGS	(1,081,015)	728,661	28,796,486	53,379,561	3,797,233	2,221,728
66	TOTAL COMMON EQUITY	1,063,485	2,468,661	31,445,838	75,650,642	7,510,233	3,335,448
67	PREFERRED STOCK	0	16,000	0	0	1,046,142	0
68	LONG TERM DEBT	3,836,406	3,875,000	23,672,500	66,000,000	10,226,563	4,000,000
69	NOTES PAYABLE	55,012	0	0	1,000,000	1,555,000	0
70	ACCOUNTS PAYABLE	18,099	121,872	5,421,362	218,889	279,036	307,558
71	DIVIDENDS PAYABLE	0	210	0	0	4,167	0
72	INCOME TAXES PAYABLE	49,978	44,400	425,714	(1,469,227)	59,600	1,062,135
73	OTHER CURRENT LIABILITIES	274,022	2,957	7,003,739	7,551,323	594,775	1,707,338
74	TOTAL CURRENT LIABILITIES	397,111	169,439	12,850,815	7,300,985	2,492,578	3,077,031
75	CUST. ADVANCES FOR CONSTRCT	0	45,754	15,938,761	32,615,576	610,634	965,437
76	CONTRIB IN AID OF CONSTRCT	3,517,208	279,605	12,742,075	28,163,666	1,432,056	3,633,173
77	DEFERRED FED INCOME TAXES	0	0	6,628,342	8,126,835	3,162,474	172,338
78	DEFERRED INVEST TAX CREDIT	0	0	992,484	2,523,900	452,672	302,533
79	OTHER LIABILITIES	0	801,105	3,318,988	1,870,125	632,863	0
80	TOTAL LIABILITIES	7,750,725	5,170,903	76,143,965	146,601,087	19,009,840	12,150,512
81	TOTAL NET WORTH & LIABS	8,814,210	7,655,564	107,589,803	222,251,729	27,566,215	15,485,960

TABLE J-2: BALANCE SHEETS

		SOUTH GATE GN	SOUTHERN CALIF	SOUTHERN NEW HAMPSHIRE CS	SOUTHERN STATES MP	SPRING VALLEY UW	ST LOUIS COUNTY CN
43	UTILITY PLANT NON-DEPREC	337,293	3,486,692	2,948,541	1,388,775	8,085,334	4,978,983
44	UTILITY PLANT DEPRECIABLE	1,538,587	347,332,954	28,841,084	150,738,625	122,548,141	370,339,089
45	UTILITY PLANT TOTAL	1,875,880	350,819,646	31,789,625	152,127,400	130,633,475	375,318,072
46	RESERVE FOR DEPRECIATION	833,476	77,506,728	2,421,180	32,442,454	30,084,638	73,856,777
47	NET UTILITY PLANT	1,042,404	273,312,918	29,368,445	119,684,946	100,548,837	301,461,295
48	CONSTRCT WORK IN PROGRESS	0	12,539,794	211,940	6,412,744	1,536,089	2,096,828
49	PLANT HELD FOR FUTURE USE	0	NA	199,978	19,445,889	7,938,667	648,949
50	UTILITY PLANT ADJUSTMENTS	0	NA	407,142	573,083	614,004	0
51	OTHER PROPERTY	0	NA	0	NA	662	54,885
52	INVEST. IN SUBSIDIARIES	0	NA	0	NA	0	0
53	OTHER INVESTMENTS	0	NA	0	NA	(237,512)	0
54	CASH	15,853	NA	36,811	NA	8,516,061	451,528
55	TEMPORARY CASH INVESTMENTS	0	NA	0	NA	0	0
56	NET ACCOUNTS RECEIVABLE	193,878	NA	490,326	NA	3,814,321	3,624,415
57	ACCRUED WATER REVENUES	154,823	NA	120,086	NA	0	7,927,351
58	MATERIALS AND SUPPLIES	11,088	NA	107,465	NA	537,383	2,134,235
59	OTHER CURRENT ASSETS	9,854	NA	436,233	NA	4,165,002	600,709
60	TOTAL CURRENT ASSETS	385,496	NA	1,190,921	NA	17,032,767	14,738,238
61	DEFERRED CHGS & OTH ASSETS	(63,169)	NA	2,039,920	NA	22,182,736	42,131,850
62	TOTAL ASSETS	1,364,731	NA	33,418,346	NA	149,616,250	361,132,045
63	COMMON STOCK	223,900	NA	2,440,000	NA	13,856,490	31,900,000
64	ADDITIONAL PAID IN CAPITAL	0	NA	5,606,497	NA	4,546,082	2,764,716
65	RETAINED EARNINGS	83,826	NA	1,006,282	NA	23,145,518	58,473,640
66	TOTAL COMMON EQUITY	307,726	NA	9,052,779	NA	41,548,090	93,138,356
67	PREFERRED STOCK	0	NA	0	NA	8,200,000	0
68	LONG TERM DEBT	362,701	NA	12,577,755	NA	53,700,000	138,551,800
69	NOTES PAYABLE	0	NA	1,650,000	NA	9,500,000	(15,417,091)
70	ACCOUNTS PAYABLE	159,849	NA	155,514	NA	2,495,759	6,903,611
71	DIVIDENDS PAYABLE	0	NA	0	NA	0	0
72	INCOME TAXES PAYABLE	8,183	NA	0	NA	209,228	734,146
73	OTHER CURRENT LIABILITIES	125,782	NA	476,549	NA	1,130,664	5,462,216
74	TOTAL CURRENT LIABILITIES	293,814	NA	2,282,063	NA	13,335,651	(2,317,118)
75	CUST. ADVANCES FOR CONSTRCT	0	NA	388,042	NA	5,950,289	39,728,873
76	CONTRIB IN AID OF CONSTRCT	378,051	NA	5,680,896	NA	0	28,719,575
77	DEFERRED FED INCOME TAXES	(40,961)	NA	2,496,471	NA	17,776,539	43,369,805
78	DEFERRED INVEST TAX CREDIT	35,890	NA	408,706	NA	1,057,753	5,176,831
79	OTHER LIABILITIES	27,510	NA	531,634	NA	8,047,928	14,763,923
80	TOTAL LIABILITIES	1,057,005	NA	24,365,567	NA	99,868,160	267,993,689
81	TOTAL NET WORTH & LIABS	1,364,731	NA	33,418,346	NA	149,616,250	361,132,045

TABLE J-2: BALANCE SHEETS

		STAMFORD WATER AQ	SUBURBAN WATER SYS SW	SUN CITY WATER CI	TENESSEE AMERICAN AM	TIDE-WATER MS	TOMS RIVER WATER GN
43	UTILITY PLANT NON-DEPREC	3,004,704	1,462,849	178,764	280,522	96,410	935,964
44	UTILITY PLANT DEPRECIABLE	46,515,869	70,569,662	27,060,943	100,289,595	7,478,816	58,816,756
45	UTILITY PLANT TOTAL	49,520,573	72,032,511	27,239,707	100,570,117	7,575,226	59,752,720
46	RESERVE FOR DEPRECIATION	14,954,640	22,443,375	9,185,741	22,592,019	326,710	8,546,801
47	NET UTILITY PLANT	34,565,933	49,589,136	18,053,966	77,978,098	7,248,516	51,205,919
48	CONSTRCT WORK IN PROGRESS	629,651	1,244,988	642,961	67,527	50,720	22,060
49	PLANT HELD FOR FUTURE USE	0	0	0	0	0	0
50	UTILITY PLANT ADJUSTMENTS	0	0	0	186,045	0	22,032
51	OTHER PROPERTY	0	1,431,834	0	0	0	3,974
52	INVEST. IN SUBSIDIARIES	0	0	0	0	0	2,318,407
53	OTHER INVESTMENTS	5,166	0	0	0	0	0
54	CASH	32,660	1,565,677	20,396	461,962	155,970	280,901
55	TEMPORARY CASH INVESTMENTS	0	128,690	0	0	0	0
56	NET ACCOUNTS RECEIVABLE	1,044,413	4,064,157	131,851	1,342,139	488,707	850,930
57	ACCRUED WATER REVENUES	0	0	0	1,779,106	149,768	1,515,422
58	MATERIALS AND SUPPLIES	238,231	235,225	0	315,631	75,636	266,849
59	OTHER CURRENT ASSETS	260,264	1,114,782	0	2,421,510	23,702	452,295
60	TOTAL CURRENT ASSETS	1,575,568	7,108,531	152,247	6,320,348	893,783	3,366,397
61	DEFERRED CHGS & OTH ASSETS	9,513,255	2,293,748	2,711,984	15,046,413	1,730,656	2,709,096
62	TOTAL ASSETS	46,289,573	61,668,237	21,561,158	99,598,431	9,923,675	59,647,885
63	COMMON STOCK	254,100	745,380	900,000	11,912,179	66,639	61,100
64	ADDITIONAL PAID IN CAPITAL	5,723,178	5,008,394	13,450,000	2,624,013	489,641	1,532,192
65	RETAINED EARNINGS	11,192,025	10,680,902	12,085,765	10,172,821	1,144,320	17,381,626
66	TOTAL COMMON EQUITY	17,169,303	16,434,676	26,435,765	24,709,013	1,700,600	18,974,918
67	PREFERRED STOCK	375,000	3,982,267	0	3,048,000	0	0
68	LONG TERM DEBT	8,981,000	19,400,000	0	36,970,058	0	22,364,772
69	NOTES PAYABLE	1,100,000	0	0	0	500,000	0
70	ACCOUNTS PAYABLE	222,129	3,619,597	175,289	1,418,399	176,807	367,029
71	DIVIDENDS PAYABLE	437,500	228,543	0	51,421	0	0
72	INCOME TAXES PAYABLE	155,056	521,127	154,167	2,138,969	101,772	72,392
73	OTHER CURRENT LIABILITIES	1,337,474	3,270,667	24,046	4,456,529	342,650	495,065
74	TOTAL CURRENT LIABILITIES	3,252,159	7,639,934	353,502	8,065,318	1,121,229	934,486
75	CUST. ADVANCES FOR CONSTRCT	820,113	4,877,171	1,446,408	2,460,134	5,903,600	6,632,809
76	CONTRIB IN AID OF CONSTRCT	4,362,261	5,303,611	131,681	2,886,509	1,121,791	3,525,573
77	DEFERRED FED INCOME TAXES	9,681,294	2,510,933	1,493,752	16,536,365	0	4,728,630
78	DEFERRED INVEST TAX CREDIT	270,906	1,007,775	602,372	2,185,413	0	1,003,048
79	OTHER LIABILITIES	1,377,537	511,870	(8,902,322)	2,737,621	76,455	1,483,649
80	TOTAL LIABILITIES	28,745,270	41,251,294	(4,874,607)	71,841,418	8,223,075	40,672,967
81	TOTAL NET WORTH & LIABS	46,289,573	61,668,237	21,561,158	99,598,431	9,923,675	59,647,885

TABLE J-2: BALANCE SHEETS

		TORRING -TON	VIRGINIA AMERICAN AM	WAKE- FIELD GN	WANAKAH WATER CS	WEST LAFAYETTE GN	WEST VA AMERICAN AM
43	UTILITY PLANT NON-DEPREC	0	580,058	0	711,498	39,924	3,537,655
44	UTILITY PLANT DEPRECIABLE	16,375,388	89,215,010	8,871,394	5,295,667	8,487,834	197,976,919
45	UTILITY PLANT TOTAL	16,375,388	89,795,068	8,871,394	6,007,165	8,527,758	201,514,574
46	RESERVE FOR DEPRECIATION	4,243,645	11,716,157	2,266,649	1,786,755	1,348,579	35,473,302
47	NET UTILITY PLANT	12,131,743	78,078,911	6,604,745	4,220,410	7,179,179	166,041,272
48	CONSTRCT WORK IN PROGRESS	116,220	196,351	0	2,080,371	5,357	706,160
49	PLANT HELD FOR FUTURE USE	125,177	0	50,144	400	0	69,892
50	UTILITY PLANT ADJUSTMENTS	(489,718)	0	0	(183,045)	2,699,373	60,000
51	OTHER PROPERTY	428,963	250	0	0	0	72,878
52	INVEST. IN SUBSIDIARIES	0	0	0	0	13,083,426	0
53	OTHER INVESTMENTS	0	0	0	0	0	0
54	CASH	38,553	324,338	137,727	4,482	63,704	5,608,082
55	TEMPORARY CASH INVESTMENTS	0	0	0	0	0	0
56	NET ACCOUNTS RECEIVABLE	267,192	1,946,787	203,746	182,916	98,042	3,160,153
57	ACCRUED WATER REVENUES	281,618	2,185,206	260,084	87,059	147,924	3,098,293
58	MATERIALS AND SUPPLIES	90,934	408,294	31,796	80,973	43,807	766,592
59	OTHER CURRENT ASSETS	76,766	490,651	24,915	42,005	36,883	2,108,420
60	TOTAL CURRENT ASSETS	755,063	5,355,276	658,268	397,435	390,360	14,741,540
61	DEFERRED CHGS & OTH ASSETS	1,256,672	5,416,179	(158,440)	81,042	90,591	26,572,741
62	TOTAL ASSETS	14,324,120	89,046,967	7,154,717	6,596,613	23,448,286	208,264,483
63	COMMON STOCK	1,800,000	12,240,000	500,000	215,150	825,000	1,432,235
64	ADDITIONAL PAID IN CAPITAL	0	3,808,000	1,692,603	1,619,154	307,475	24,133,591
65	RETAINED EARNINGS	2,173,401	8,411,386	(70,680)	1,395,403	8,337,525	27,592,686
66	TOTAL COMMON EQUITY	3,973,401	24,459,386	2,121,923	3,229,707	9,470,000	53,158,512
67	PREFERRED STOCK	0	2,742,000	0	0	0	4,785,700
68	LONG TERM DEBT	2,128,000	32,500,000	2,501,004	0	11,161,810	82,187,432
69	NOTES PAYABLE	40,000	2,187,000	0	1,887,000	0	0
70	ACCOUNTS PAYABLE	747,476	805,353	34,152	128,525	121,158	1,850,055
71	DIVIDENDS PAYABLE	0	49,153	0	0	0	107,613
72	INCOME TAXES PAYABLE	361,323	45,012	109,883	(41,706)	151,786	1,703,741
73	OTHER CURRENT LIABILITIES	85,857	2,345,775	72,308	161,055	96,395	6,879,626
74	TOTAL CURRENT LIABILITIES	1,234,656	5,432,293	216,343	2,134,874	369,339	10,541,035
75	CUST. ADVANCES FOR CONSTRCT	4,307,984	4,795,004	598,282	112,848	96,041	7,790,474
76	CONTRIB IN AID OF CONSTRCT	965,329	9,306,853	1,364,156	495,347	1,762,113	18,888,923
77	DEFERRED FED INCOME TAXES	1,136,681	5,760,534	65,570	56,343	487,383	25,825,944
78	DEFERRED INVEST TAX CREDIT	111,006	1,882,266	184,356	0	64,286	1,955,432
79	OTHER LIABILITIES	467,063	2,168,631	103,083	567,494	37,314	3,131,031
80	TOTAL LIABILITIES	10,350,719	61,845,581	5,032,794	3,366,906	13,978,286	150,320,271
81	TOTAL NET WORTH & LIABS	14,324,120	89,046,967	7,154,717	6,596,613	23,448,286	208,264,483

TABLE J-2: BALANCE SHEETS

		WILMINGTON SUBURBAN GN	YORK WATER CO
43	UTILITY PLANT NON-DEPREC	186,323	1,288,426
44	UTILITY PLANT DEPRECIABLE	57,028,112	75,805,775
45	UTILITY PLANT TOTAL	57,214,435	77,094,201
46	RESERVE FOR DEPRECIATION	10,774,046	9,303,706
47	NET UTILITY PLANT	46,440,389	67,790,495
48	CONSTRCT WORK IN PROGRESS	105,582	992,092
49	PLANT HELD FOR FUTURE USE	0	0
50	UTILITY PLANT ADJUSTMENTS	0	(844,925)
51	OTHER PROPERTY	0	401,183
52	INVEST. IN SUBSIDIARIES	0	0
53	OTHER INVESTMENTS	20,560	0
54	CASH	403,535	42,634
55	TEMPORARY CASH INVESTMENTS	0	1,997,824
56	NET ACCOUNTS RECEIVABLE	987,215	1,395,570
57	ACCRUED WATER REVENUES	1,533,138	763,853
58	MATERIALS AND SUPPLIES	208,530	260,136
59	OTHER CURRENT ASSETS	556,740	173,614
60	TOTAL CURRENT ASSETS	3,689,158	4,633,631
61	DEFERRED CHGS & OTH ASSETS	6,174,376	11,765,686
62	TOTAL ASSETS	56,430,065	84,738,162
63	COMMON STOCK	250,000	6,218,171
64	ADDITIONAL PAID IN CAPITAL	0	12,765,743
65	RETAINED EARNINGS	15,964,846	1,613,526
66	TOTAL COMMON EQUITY	16,214,846	20,597,440
67	PREFERRED STOCK	0	0
68	LONG TERM DEBT	19,111,615	32,000,000
69	NOTES PAYABLE	0	452,000
70	ACCOUNTS PAYABLE	805,655	604,503
71	DIVIDENDS PAYABLE	0	462,162
72	INCOME TAXES PAYABLE	575,257	238,332
73	OTHER CURRENT LIABILITIES	382,593	1,803,426
74	TOTAL CURRENT LIABILITIES	1,763,505	3,560,423
75	CUST. ADVANCES FOR CONSTRCT	1,986,916	15,201,610
76	CONTRIB IN AID OF CONSTRCT	11,421,931	4,170,890
77	DEFERRED FED INCOME TAXES	6,214,310	5,981,297
78	DEFERRED INVEST TAX CREDIT	702,882	1,494,594
79	OTHER LIABILITIES	(985,940)	1,731,908
80	TOTAL LIABILITIES	40,215,219	64,140,722
81	TOTAL NET WORTH & LIABS	56,430,065	84,738,162

APPENDIX B

Excerpts From The Direct Testimony Of
Donald H. Muth At Docket No. R-00922476

OTS Statement 3
Witness: D. H. Muth
Date: March, 1993

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA SUBURBAN WATER COMPANY

Docket No. R-00922476

Direct Testimony

of

Donald H. Muth

Concerning The Proper Calculation of
The Allowance for Funds Used During Construction (AFUDC) Rate

it basically requires that electric utilities determine their capital structures by using the balances of long-term debt, preferred stock and common equity capital at the end of the prior year (or prior month if special permission was granted by FERC to recalculate the AFUDC rate each month). The cost rates for long-term debt and preferred stock are weighted average cost rates. The cost rate for common equity is normally the rate allowed in the last proceeding before the regulatory Commission having primary rate jurisdiction. However, FERC Order No. 561 also permits the equity cost rate to be based upon the average return on equity earned in the three prior years if a utility has not had a recent rate order. In addition, the formula requires that short-term debt be used in the calculation in an amount up to but not exceeding the estimated CWIP balance plus nuclear fuel for the current year. While FERC does not have any jurisdiction over Pennsylvania water utilities, the procedures set forth in FERC Order 561 could be applied to Pennsylvania water utilities as long as they provide reasonable results from a ratemaking standpoint.

Q. PLEASE DESCRIBE THE METHOD THAT YOU RECOMMEND PSWC UTILIZE TO ACCRUE AFUDC ON ITS CONSTRUCTION PROJECTS.

A. PSWC should adopt the following procedures:

1. Determine the amount of CWIP being supported by short-term debt by dividing average monthly short-term debt balances by average monthly CWIP balances.

2. The remaining percentage of the CWIP balance should be considered to be financed with a mix of the Company's capital based on the prior month's (or quarter's) capital structure.

3. Apply the average monthly weighted cost of short-term debt to the percentage of CWIP supported by short-term debt as calculated in (1), above.

4. Multiply the percentage of other capital supporting CWIP by an overall cost rate developed as follows:
   (a) The cost rate for long-term debt should be the embedded weighted cost rate for the Company at the end of the prior month (or quarter).
   (b) The cost rate for preferred stock should be the embedded weighted cost rate for the Company at the end of the prior month (or quarter).
   (c) The cost rate for common equity should be the return allowed on common equity capital in the

Company's most recent rate proceeding times the common equity ratio at the end of the prior month (or quarter). If the Company has not received a rate order in two years, the average return on equity allowed by the Commission for large publicly traded water companies in rate orders issued in the preceding twelve months may be substituted.

(5) Add the two components determined in steps (3) and (4) above and divide by 12 to obtain the monthly AFUDC accrual rate.

This methodology will permit the Company to capitalize the cost of securities used to finance CWIP and will provide ratepayers with the benefit of low cost short-term debt financing when utilized by the Company.

Q. HAVE YOU PREPARED AN EXHIBIT WHICH DEMONSTRATES THE EFFECT SHORT-TERM DEBT WOULD HAVE IN PSWC'S AFUDC RATE IF IT HAD BEEN INCLUDED IN THE AFUDC CALCULATION?

A. Yes, I have. OTS Exhibit 3, Schedule 5, Page 1 provides such a comparison. Column 1 is the pre-tax AFUDC rate, excluding short-term debt, that PSWC would presumably have used based upon its response to OTS-TX-10 (See OTS Exhibit 3, Schedule 2, Page 2). I have calculated these rates from the capital structures and cost rates shown on Schedule 2, Page 2. Column 2 shows the comparable AFUDC rate, including short-term debt, as calculated on Schedule 5, Page 2. The actual monthly

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PHILADELPHIA SUBURBAN WATER COMPANY FOR APPROVAL TO IMPLEMENT A TARIFF SUPPLEMENT ESTABLISHING A DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	:	Docket No. P-00961036

PETITION OF THE PHILADELPHIA SUBURBAN
WATER COMPANY
FOR LEAVE TO FILE A REPLY

To Answers/Comments Filed In The
Above-Captioned Matter

RECEIVED
MAY 30 1996
SECRETARY'S OFFICE
Public Utility Commission

Philadelphia Suburban Water Company ("PSWC" or the "Company") hereby requests permission to file the enclosed Reply to the Answers/Comments filed by the Office of Small Business Advocate ("OSBA") and the Office of Consumer Advocate ("OCA").

For the reasons set forth below, the Company's Reply will help to provide a full development of the issues in this case and, therefore, will assist the Commission in reaching an informed decision in this matter. In addition, acceptance of the Reply is necessary to permit the Company a reasonable opportunity to respond to the arguments and averments made in the extensive Comments submitted by the OCA and its consultant.

1. On March 20, 1996, PSWC filed the above-captioned Petition requesting the Commission's approval to implement a Distribution System Improvement Charge ("DSIC") pursuant to

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Section 1307(a) of the Public Utility Code (66 Pa.C.S. § 1307(a)).

2. Copies of the Petition were served upon the OCA, the Office of Trial Staff ("OTS") and the OSBA. Upon filing the Petition, the Company also began inserting notices of the filing with the bills mailed to all affected customers. In addition, on April 6, 1996, a Notice of the filing of the Petition was published in the Pennsylvania Bulletin. In that Notice, the Commission stated that Comments on the Petition could be filed within 30 days of the publication of the Notice, or by May 6, 1996.

3. On May 6, 1996, the OCA filed Comments (the "OCA Comments") to the Company's Petition together with a statement prepared by its consultant, Mr. Randy M. Allen ("OCA St. 1"). On May 3, 1996, the OSBA filed an Answer to the Petition in response to the published Notice.[1/]

4. The OCA's Comments consist of 24 pages and one attachment. Mr. Allen's statement consists of 23 pages and two exhibits. In these documents, the OCA and Mr. Allen present a number of arguments in opposition to the Company's Petition. In many instances, these arguments are based upon misunderstandings and misstatements that, while not apparent on their face, may be

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1/ Prior to the publication of the Notice, on April 9, 1996, the OTS filed an Answer opposing PSWC's Petition. On April 22, 1996, the Company responded to the OTS' Answer.

identified as errors by reference to prior Commission Orders, information contained in the record in prior proceedings or other equally accessible sources.[2] In addition, the OCA and Mr. Allen frequently draw inferences and conclusions that can be demonstrated to be incorrect when placed in context.[3]

5. Although the April 6, 1996 Notice made no provision for responding to the Comments, PSWC believes, as a matter of fundamental fairness, that it should be afforded the opportunity to address the inaccuracies in the OCA's submission through the filing of this Reply. Just as important, the Company's Reply will greatly assist the Commission by providing a full development of the issues and assuring that the Commission's ultimate decision is based upon information that is accurate and complete. Consequently, the public interest will be advanced by permitting the Company to file the enclosed Reply.

6. The OSBA's Answer, which is relatively short, raises an issue concerning the manner in which the proposed DSIC charge is to be applied. The Company believes that its Reply may help to

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[2] Two prime examples are Mr. Allen's erroneous statements concerning the nature of the future test year permitted by the Commission and his averments concerning the relative age of the Company's distribution system based upon a flawed analysis of the accrued ratios of PSWC and a comparison group of water companies. <u>See</u> Reply, pp. 5-9.

[3] For example, Mr. Allen claims that the acceleration of distribution system rehabilitation will serve to reduce depreciation expense. In reality, given the way the remaining life method of depreciation operates, the DSIC will not have a significant impact on the annual accrual rate. <u>See</u> Reply, p. 33.

resolve this issue and, in any event, provide a different perspective on the issue that will assist the Commission in reaching a final decision.

THEREFORE, for the reasons set forth above, Philadelphia Suburban Water Company requests that the Commission permit the filing of the enclosed Reply and that the same be included in the record in the above-captioned proceeding.

Respectfully submitted,

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Dated: May 30, 1996