

KJR

IRWIN A. POPOWSKY, CONSUMER ADVOCATE

P-00961036

NOTICE OF COMPLAINT filed by Office of
Consumer Advocate in the Commonwealth
Court of Pennsylvania, Docket No. 2554
C.D. 1996, in the above-captioned
proceeding.

B-00963607 Filed: 09/20/96

DOCKETED
OCT 29 1996

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

IN REPLY PLEASE
 REFER TO OUR FILE

August 30, 1996

Gary R. Hoffman, Esquire
 Director, Pennsylvania Code & Bulletin
 Room 647, Main Capitol Building
 Harrisburg, PA 17120

JAF
 RECEIVED
 96 SEP -3 AM 9:14
 PA. P. U. C.
 INFO. CONTROL DIV.

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

Dear Mr. Hoffman:

Enclosed please find two (2) copies of a notice as
 captioned above. The Commission requests this notice be
 published in the Pennsylvania Bulletin.

Very truly yours,

John L. Dial
 John L. Dial
 Executive Director

DOCUMENT
 FOLDER

Enclosure

cc: First Deputy Chief Counsel Pankiw
 Regulatory Coordinator Leming
 Assistant Counsel Povilaitis
 New Filings and Assignments ✓

DOCKETED
 SEP 03 1996

**Philadelphia
Suburban
Water Company**

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489 610-525-1400

ORIGINAL

December 19, 1996

BTL

Mr. John G. Alford
Secretary
Pennsylvania Public Utility Commission
North Office Building, Room B-18
North St. and Commonwealth Avenue
Harrisburg, PA 17120

RECEIVED

DEC 18 1996

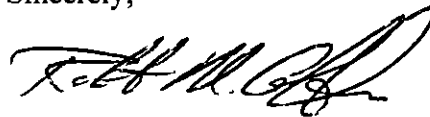
PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Dear Secretary Alford:

Enclosed are eight copies of PSW's initial Distribution System Improvement Charge (DSIC) Supplement No. 34 to Tariff Water - PA PUC No. 15, filed in compliance with the PUC Order at Docket No. P-00961036 which was entered on August 26, 1996. This filing updates DSIC Supplement No. 31 to Tariff Water - PA PUC No. 15, originally filed on October 30, 1996, by inclusion of actual DSIC-eligible plant closings instead of forecasted. As noted in the PUC Order, these documents are also being served on the Office of Consumer Advocate, the Office of Trial Staff and the Office of Small Business Advocate. PSW is also serving these documents to the PUC Bureau of Audits.

If you have any questions regarding this filing, please contact me at (610) 645-1130.

Sincerely,



Robert M. Griffin
Manager of Rates

RMG/wg
Certificate of Service



PHILADELPHIA SUBURBAN WATER COMPANY
CERTIFICATE OF SERVICE

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

DEC 18 1996

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

PHILADELPHIA SUBURBAN
WATER COMPANY

:
:
Distribution System
Improvement Charge (DSIC)
filed in compliance with
the P.U.C. Order at
Docket No. P-00961036

CERTIFICATE OF SERVICE

I hereby certify that I have this day filed PSW's initial DSIC filing including Supplement No. 34 of Tariff Water-PA P.U.C. No. 15 and supporting workpapers with the PA Public Utility Commission and upon the person(s) and in the manner indicated below:

VIA FEDERAL EXPRESS

Irwin A. Popowsky, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

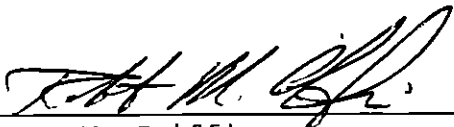
Bernard A. Ryan, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Bldg.
300 N. Second Street
Harrisburg, PA 17101

Charles Hoffman, Director
Office of Trial Staff
Pitnick Building, Third Floor
901 N. 7TH St., Rear
Harrisburg, Pa. 17102

Glenn Bartron, Director
Bureau of Audits
901 Rear North Seventh Street
Harrisburg, PA 17102

Thomas P. Gadsden, Esq.
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103-6933

Dated: December 19, 1996


Robert M. Griffin
Manager of Rates

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

EFFECTIVE: January 1, 1997
In accordance with Section
1307(a) of the Pennsylvania
Public Utility Commission's
Public Utility Code and Docket
No. P-00961036 entered Aug. 26,
1996.

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 (Seventh Revised) and pages 10A, 10B and 10C (First Revised) of the Company's tariff, effective January 1, 1997, as approved by the Commission at Docket No. P-00961036 on August 26, 1996. 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.

I N D E X

Page

RATES AND RULES	1 Supplement No. 34
LIST OF CHANGES MADE BY THIS TARIFF	1A Thirtieth Revised
INDEX	2 Thirtieth Revised
INDEX	2A Original
DESCRIPTION OF TERRITORY SERVED	3 Thirteenth Revised
DESCRIPTION OF TERRITORY SERVED	3A Original
SCHEDULE OF RATES:	
Meter Service-PSW Main Division	4 Seventh Revised
Rates for Water Consumed-PSW Main Division	4 Seventh Revised
Rates for Water Consumed-PSW Main Division	4A Seventh Revised
Fire Service-PSW Main Division	4B Seventh Revised
Residential Multiple Meter Sets-PSW Main Division	4C Second Revised
Meter Service-Uwchlan Division	5 Seventh Revised
Rates for Water Consumed-Uwchlan Division	5 Seventh Revised
Rates for Water Consumed-Uwchlan Division	5A Seventh Revised
Fire Service-Uwchlan Division	5B Seventh Revised
Residential Multiple Meter Sets-Uwchlan Division	5C Fourth Revised
Meter Service-W. Whiteland Division	6 Ninth Revised
Rates for Water Consumed-W. Whiteland Division	6 Ninth Revised
Fire Service-W. Whiteland Division	6A Second Revised
Residential Multiple Meter Sets-W. Whiteland Div	6B Second Revised
Meter Service - Malvern Division	7 Third Revised
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Rates for Water Consumed - Malvern Division	7A Second Revised
Fire Service - Malvern Division	7B Second Revised
Residential Multiple Meter Sets - Malvern Division	7C First Revised
Unmetered Service - Castle Rock Division	8 Second Revised
Meter Service- Schuylkill Division	8A Third Revised
Rates for Water Consumed- Schuylkill Division	8A Third Revised
Fire Service- Schuylkill Division	8B Original
Meter Service - La Reserve Division	8C Original
Rates for Water Consumed - La Reserve Division	8C Original
Fire Service - La Reserve Division	8D Original
Meter Service - Franklin Division	8E Original
Rates for Water Consumed - Franklin Division	8E Original
Fire Service - Franklin Division	8F Original
Meter Service - Perkiomen Division	8G Original
Rates for Water Consumed - Perkiomen Division	8G Original
Fire Service - Perkiomen Division	8H Original
Meter Service - Media Division	9 First Revised
Rates for Water Consumed - Media Division	9 Original
Fire Service - Media Division	9A Original
Unmetered Residential & Building Water - Media Div.	9A Original
State Tax Surcharge Applicable to All Rates	10 Seventh Revised
Distribution System Improvement Charge	10A First Revised
Distribution System Improvement Charge	10B First Revised
Distribution System Improvement Charge	10C First Revised

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)

In addition to the net charges provided for in this Tariff, a surcharge of 0.50% will apply to all service, excluding public fire hydrants, rendered on or after January 1, 1997.

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 and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of its aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. Company projects receiving PENNVEST funding are not DSIC - eligible property.

Eligible Property: The DSIC-eligible property will consist of the following:

- services (account 323), meters (account 324) and hydrants (account 325) installed as in-kind replacements for customers;

(C) Indicates Change

Issued: December 20, 1996

-10-

EFFECTIVE: January 1, 1997

Distribution System Improvement Charge

- (C)
- mains and valves (account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
 - main extensions (account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or the acquired Company;
 - main cleaning and relining (account 322) projects; and
 - unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations. (account 322)

Effective Date: The DSIC will become effective for service rendered on and after January 1, 1997.

II. Computation of the DSIC

Calculation: The initial charge, effective January 1, 1997, 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 September 1, 1996 and November 30, 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. Thus, changes in the DSIC rate will occur as follows:

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

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: 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 retirement unit of DSIC-eligible property is recorded.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and 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

(C) Indicates Change

Distribution System Improvement Charge

(C)

proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission and labeled Distribution System Improvement Charge Return in its Value Line Water Company Group analysis.

DSIC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of 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 DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected applicable revenue for sales of water for the quarterly period during which the charge will be effective.

Formula: The formula for calculation of the DSIC surcharge is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep} + e}{\text{PQR}}$$

Where:

- DSI= the original cost of eligible distribution system improvement projects.
- PTRR= the pre-tax return rate applicable to eligible distribution system improvement projects.
- Dep= depreciation expense related to eligible distribution system improvement projects.
- e= the amount calculated under the annual reconciliation feature as described below.
- PQR= projected quarterly revenue including revenue from existing customers plus revenue from any customers which will be acquired by the beginning of the applicable service period.

Quarterly updates: 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.

(C) Indicates Change

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

III. Safeguards

Cap: The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges.

Audits/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to an annual reconciliation based on a reconciliation period consisting of the twelve months ending December 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 April 1 of each year. 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, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC.

Earning Reports: 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 (Schedule D-2, line 14) show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section (or, where two years have elapsed since an applicable ROE determination in a rate order, the top of the ROE range as specified in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities, labeled Market Indicated Common Equity Cost Rate in its Value Line Water Company Group analysis).

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

(C) Indicates Change

PHILADELPHIA SUBURBAN WATER COMPANY

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE ("DSIC") CALCULATION

ACCT	Description	Sept. 1996 Actual	Oct. 1996 Actual	Nov. 1996 Actual	Total	Depr Rate	A. D. @ 12/31/96	Qrtly Dep
322000	Main Cleaning & Relining	0	1,280,639	543,372	1,824,011	2.12%	7,096	9,667
322000	Major Main Replacements	0	298,215	259,083	557,298	1.20%	1,134	1,672
322000	Minor Changes in Mains	40,201	0	23,331	63,532	1.20%	176	191
322000	Minor Main Replacements	66,460	166,692	123,175	356,327	1.20%	834	1,069
322000	Tie in Dead End Mains	0	46,389	21,472	67,861	1.20%	148	204
322000	Unreimbursed Imprvmts due to highway relocations	0	10,729	0	10,729	1.20%	27	32
322000	Valve Replacement Program	63,965	74,098	78,024	216,087	2.06%	903	1,113
323000	Repl Services	44,373	82,059	48,480	174,912	1.83%	661	800
323000	Repl Services due to Main Cleaning & Repl.	15,507	22,613	33,455	71,575	1.83%	246	327
324000	Replacement Meters	132,920	220,769	167,760	521,449	5.94%	6,280	7,744
325000	Replacement Fire Hydrants	0	0	0	0	1.74%	0	0
TOTAL ADDITIONS		363,426	2,202,203	1,298,152	3,863,781		17,505	22,819

PHILADELPHIA SUBURBAN WATER COMPANY

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE ("DSIC") CALCULATION

	DSIC EFFECTIVE
	1/1/97
Applicable Additions	3,863,781
Less Accumulated Depreciation @ December 31, 1996	(17,505)
Net Rate Base Includable in DSIC Calculation	<u>3,846,276</u>
Annual Revenue Requirement Rate	12.83%
Quarterly Revenue Requirement Rate	3.21%
Quarterly Capital Cost Recovery	<u>123,369</u>
Quarterly Depreciation Expense	<u>22,819</u>
Total Quarterly DSIC Revenue Requirement	<u>146,188</u>
Applicable Base Rate Revenue	29,145,892
DSIC RATE	0.50%

WEIGHTED COST OF CAPITAL AT 11/30/96:

	Proforma Per Books	Capital Structure	Cost Rate	Weighted Avg. Cost Rate	Tax Multiplier	Rev Req
Debt	200,439,928	51.20%	8.04%	4.12%		4.12%
Preferred	5,643,000	1.44%	8.93%	0.13%	1.709211797	0.22%
Equity	185,363,295	47.35%	10.50%	4.97%	1.709211797	8.49%
	<u>391,446,223</u>	<u>100.0%</u>		<u>9.22%</u>		<u>12.83%</u>

Note: The cost rate of debt and preferred stock are the Company's actual cost rates at 11/30/96. The equity cost rate is the equity return rate calculated by the Commission staff and presented in the latest Quarterly Report on the Earnings of Jurisdictional Utilities (per Attachment B-1, pg. 4b of 7, line 9).

The tax multiplier is calculated as follows: $1/[(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed. Tax Rate})]$ where the Pa. tax rate is 9.99% and Fed. tax rate is 35%.
B-1, pg. 4b of 7, line 9).

Philadelphia Suburban Water Company
 DSIC Eligible Projects Closed To Utility Plant By Month

Project Name	Auth	Acct	Actual September	Actual October	Actual November	Total
Main Replacement-Central Ave.	a1007162	322000	0	4,845	0	4,845
Main Replacement-Ridley Creek Rd.	a1007218	322000	0	8,293	0	8,293
Main Replacement-Lancaster Ave. Ave.	b1006256	322000	0	4,021	0	4,021
Main Replacement - Meetinghouse Rd	c1005245	322000	0	281,056	8,374	289,430
Main Replacement-Washington St, Conshohoc	c1005254	322000	0	0	162,386	162,386
Main Replacement-Wells St., Conshohocken	c1005264	322000	0	0	27,732	27,732
Main Replacement-Washington St.	c1005275	322000	0	0	60,591	60,591
			0	298,215	259,083	557,298
Tie In-Michigan Ave., Springfield Twp.	a1507308	322000	0	8,546	7,810	16,356
Tie In-Pilgrim La., Haverford Twp.	a1507309	322000	0	29,013	(138)	28,875
Tie In-Lynmere Rd. also b1506356	b1506388	322000	0	8,830	13,800	22,630
			0	46,389	21,472	67,861
Main Cleaning-Blythe Ave., Upper Darby	a2001901	322000	0	536,762	56,224	592,986
Main Cleaning-Youngs Ave, Ridley Twp.	a2001645	322000	0	0	246,456	246,456
Main Cleaning-Nassau Blvd, Prospect Park	a2002334	322000	0	0	142,938	142,938
Main Cleaning-Conshohocken State Rd.	b2000126	322000	0	190,339	13,902	204,241
Main Cleaning-Lynmere Rd & Glenview Rd	b2000854	322000	0	0	57,336	57,336
Main Cleaning-Waverly Rd.	b2001484	322000	0	99,405	8,834	108,239
Main Cleaning-Woodbine Ave., L. Merion	b2001580	322000	0	324,673	662	325,335
Main Cleaning-Darby Rd., Haverford Twp.	b2001678	322000	0	17,981	5,650	23,631
Main Cleaning-Monroe Rd., L M	b2001701	322000	0	111,479	11,370	122,849
			0	1,280,639	543,372	1,824,011
Minor Main Replacements		322000	66,460	166,692	123,175	356,327
			66,460	166,692	123,175	356,327
8" Main Replacement (Hiway)-Gaelor Rd.	a3007172	322000	0	4,433	0	4,433
6" Main Replacement (Hiway)-Manor Rd.	b3006227	322000	0	6,296	0	6,296
			0	10,729	0	10,729
VALVE REPLACEMENT PROGRAM		322000	63,965	74,098	78,024	216,087
			63,965	74,098	78,024	216,087
MINOR CHANGES IN MAINS, VALVES, ETC.		322000	40,201	0	23,331	63,532
			40,201	0	23,331	63,532
REPLACEMENT METERS		324000	132,920	220,769	167,760	521,449
			132,920	220,769	167,760	521,449
SERVICE RENEWALS		323000	44,373	82,059	48,480	174,912
			44,373	82,059	48,480	174,912
SERVICE RENEWALS (PIPE CLEANING)		323000	15,507	22,613	33,455	71,575
			15,507	22,613	33,455	71,575

Philadelphia Suburban Water Company
 DSIC Eligible Projects Closed To Utility Plant By Month

Project Name	Auth	Acct	Actual September	Actual October	Actual November	Total
Fire Hydrants-Relocate/Replace		325000	0	0	0	0
Fire Hydrants - No Drain		325000	0	0	0	0
Fire Hydrants-2 way Replacement		325000	0	0	0	0
			0	0	0	0
GRAND TOTAL			363,426	2,202,203	1,298,152	3,863,781