

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## Formal Complaint

### 1. COMPLAINANT INFORMATION

Tanya J. McCloskey, Acting Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Dauphin County  
(717) 783-5048

### 2. FULL NAME OF UTILITY COMPANY:

Pennsylvania-American Water Company  
Docket No. R-2013-2355276

### 3. TYPE OF UTILITY:

Water and Wastewater

### 4. COMPLAINT:

#### A. Type of Complaint

The Consumer Advocate opposes PAWC's proposed rate changes.

#### B. Facts of Complaint

On April 30, 2013, Pennsylvania-American Water Company (PAWC or Company) filed Tariff Supplement No. 279 to Tariff Water - Pa. P.U.C. No. 4 (Supplement No. 279) and Original Tariff Wastewater Pa. P.U.C. No. 15 (Tariff Wastewater No. 15), with the Public Utility Commission, to become effective June 29, 2013. Through Supplement No. 279 and Tariff Wastewater No. 15, PAWC requests that the Commission approve changes in water and wastewater rates, based upon a net

overall operating revenue increase of approximately \$58.6 million per year or 10.1% over the amount of annual revenues at present rates.

1. PAWC provides utility service to more than 641,000 water customers in portions of Adams, Allegheny, Armstrong, Beaver, Berks, Bucks, Butler, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Washington, Warren, Wayne and York Counties. The Company provides wastewater service to over 17,000 customers in portions of Chester, Clarion, Monroe, Pike and Washington Counties.

2. The case proposes to implement a provision of Act 11, codified at 66 Pa.C.S. §1311(c) and effective on April 15, 2012. That provision enables a water and wastewater operation under a single corporate ownership to petition this Commission for permission to allocate a portion of the wastewater cost of service to the combined water and wastewater customer base where it has demonstrated to do so is in the public interest. PAWC has proposed to shift a portion of the wastewater cost of service (approximately \$9.1 million) to the entire water and wastewater customer base through this filing. This shift will generate varying changes in wastewater rates for the Company's five different wastewater service territories.

3. According to the Company's proposal, a residential water customer in

Zone 1 using 3,960 gallons of water per month will see the monthly bill increase from \$52.51 to \$58.63, an increase of \$6.12 per month, exclusive of future surcharges. Because of the shift in revenue requirement pursuant to Act 11, residential wastewater customers with the same usage (3,960 gallons per month) will see varying changes in the monthly bills depending on the particular part of the service territory. The estimated proposed changes for the five existing wastewater service areas are reflected in the following chart:

<b>Wastewater Territory</b>	<b>Current Monthly Bill: Average Customer</b>	<b>Proposed Allocation of Wastewater Revenue Shift to Water &amp; Wastewater Combined</b>	<b>Proposed Monthly Bill: Residential Customer with Average Usage</b>	<b>Percent Decrease or Increase</b>
Clarion	\$34.78	(\$3,506,231)	\$47.63	36.9%
Claysville	\$91.37	(\$585,487)	\$47.63	(47.9%)
Northeast	\$58.50	(\$1,330,285)	\$47.63	(18.6%)
Coatesville	\$67.50	(\$3,178,688)	\$47.63	(29.4%)
Pocono	\$51.00 (flat rate)	(\$213,326)	\$47.63	(6.6%)

4. The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to an act of the General Assembly, 71 P.S. §§ 309-1, *et seq.*, effective July 1, 1976.

5. A preliminary examination of PAWC's proposed rate increase request indicates that some of the proposed charges, increases and changes in rates, rules and regulations are unjust, unreasonable and in violation of law, may be unduly

discriminatory, will allow the Company an opportunity to recover an excessive rate of return on its utility property investment in violation of the Pennsylvania Public Utility Code, may compensate the Company for providing inadequate service to some of its customers, may be contrary to the provisions of prior Commission-approved settlements, and otherwise may be contrary to sound ratemaking principles and public policy.

6. For ratemaking purposes, PAWC proposes an overall rate of return of 8.68% that includes a common equity cost rate of 11.25%. This proposed rate of return is excessive and if accepted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1301, *et seq.*, sound ratemaking principles, and public policy.

7. Further, a preliminary examination of PAWC's existing rates, rules and regulations indicates that certain rates, rules and regulations may not be just and reasonable or otherwise proper under the Pennsylvania Public Utility Code and applicable ratemaking principles.

**5. RELIEF:**

The Consumer Advocate respectfully requests that the Public Utility Commission:

A. Suspend and investigate the operation of the Company's proposed Supplement No. 279 and Tariff Wastewater No. 15, pursuant to Section 1308(d) of the

Pennsylvania Public Utility Code, 66 Pa.C.S. § 1308(d);

B. Consolidate all complaints filed against PAWC's proposed Supplement No. 279 and Tariff Wastewater No. 15;

C. Hold full evidentiary hearings to examine the reasonableness and justness of the Company's current rates and its proposed increase and/or changes in rates;

D. After providing the public with adequate notice, hold public input hearings in portions of the Company's service territories, in order to provide the Company's customers with an opportunity to be heard on the record;

E. Deny or modify any rate or tariff changes in Supplement No. 279 and Tariff Wastewater No. 15 that PAWC proposes but cannot justify, or that otherwise are contrary to the Pennsylvania Public Utility Code, sound ratemaking principles and public policy;

F. Investigate the Company's quality of service to its customers and access to service for prospective customers, and

G. Grant such other relief which the Commission may deem to be necessary and proper.

**6. PROTECTION FROM ABUSE:**

Not applicable to Formal Complaints against rate increase filings by the Office of Consumer Advocate.

**7. PRIOR UTILITY CONTACT:**

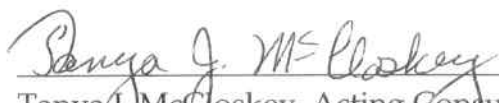
Not applicable.

**8. LEGAL REPRESENTATION:**

Christine Maloni Hoover, Senior Assistant Consumer Advocate  
Candis A. Tunilo, Assistant Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048

**9. VERIFICATION AND SIGNATURE:**

I, Tanya J. McCloskey, Acting Consumer Advocate, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

  
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Tanya J. McCloskey, Acting Consumer Advocate

May 8, 2013

PUBLIC STATEMENT OF THE CONSUMER ADVOCATE  
ISSUED IN ACCORDANCE WITH 71 P.S. § 309-2

Act 161 of the Pennsylvania General Assembly, 71 P.S. § 309-2, enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC). In accordance with Act 161, and for the following reasons, the Consumer Advocate has determined to file a Formal Complaint and participate in proceedings before the PUC involving Pennsylvania-American Water Company (PAWC or Company).

On April 30, 2013, PAWC filed a request with the Commission to increase its total annual operating revenues by 10.1%. PAWC proposes increasing the customer rates of more than 641,000 water customers and the Clarion wastewater customers and reducing wastewater rates for the Claysville, Northeast, Coatesville and Pocono wastewater customers in order to produce a net \$58.6 million in additional annual operating revenues. The Company has proposed shifting a portion of its wastewater cost of service to its entire water and wastewater customer base pursuant to Act 11. Customers that will be affected by PAWC's proposed rate increase include those in portions of Adams, Allegheny, Armstrong, Beaver, Berks, Bucks, Butler, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Washington, Warren, Wayne and York Counties.

The OCA will fully examine and investigate PAWC's claimed need for increased revenues and its claimed fair rate of return. Additionally, the OCA will assess the Company's quality of service, investigate access to service for unserved areas of the Company's territory and

examine the fairness of the Company's revenue allocation and rate design. During the course of these proceedings, the OCA will fully participate in the evaluation of the justness and reasonableness of PAWC's rates and will ask the Commission to deny all changes, increases, and charges that PAWC cannot show to be reasonable, justified, not unduly discriminatory, or otherwise in accordance with the law and sound ratemaking principles.