

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**INVESTIGATION INSTITUTED
INTO WHETHER THE
COMMISSION SHOULD ORDER
A CAPABLE PUBLIC UTILITY TO
ACQUIRE CLEAN TREATMENT
SEWAGE COMPANY PURSUANT
TO 66 Pa. C.S. §529**

**Public Meeting May 24, 2012
2109324-OSA
Docket No. I-2009-2109324**

**STATEMENT OF
CHAIRMAN ROBERT F. POWELSON**

Before us today is a proposed Order for disposition of Exceptions to the Recommended Decision of ALJ Jandebaur in a complex case that was initiated in May 2009. At issue is the acquisition of Clean Treatment Sewage Company (CTSC) by Pennsylvania American Water Company (PAWC) and compliance with Section 529 of the Public Utility Code.

Although several options exist to mitigate future rate increases driven by the needed capital improvements to the CTSC collection system, most involve either changes in billing for availability customers or significant rate increases assuming the waste water divisions of PAWC are consolidated. I encourage PAWC and the other parties to strongly consider two provisions of Act 11 that were enacted to mitigate rate increases for waste water customers and result in more gradual rate changes related to collection system improvements.

Simply put, CTSC's 373 customers cannot reasonably bear the collection system improvements needed that are estimated at \$6 million. The fixed costs of this investment alone could initially increase monthly rates for CTSC customers by approximately \$175 per customer. Act 11 allows the allocation of costs across the combined water and wastewater customer base, if in the public interest. While I'm not suggesting that these costs be equally spread across PAWC's combined customer base, given PAWC's 650,000 customers, the resulting increase in monthly rates related to the CTSC collection system upgrade would be about 10 cents per customer. This also helps to demonstrate that PAWC's pre-acquisition customers will not experience an unreasonable rate increase as a result of the acquisition of CTSC. The use of Act 11's Distribution System Improvement Charge (DSIC) mechanism for waste water is another ratemaking option that can ease the pain of needed collection system improvements for companies and customers.

Additionally, I expect CTSC and PAWC to continue to work on a timely agreement on the purchase price with a realistic consideration of the value of CTSC's system, thereby avoiding the expenses and time associated with an eminent domain proceeding.

I would like to thank ALJ Jandebaur and the Office of Special Assistants for their hard work in a complex and important case.

DATE: May 24, 2012


**ROBERT F. POWELSON
CHAIRMAN**