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April 10, 2013

***VIA ELECTRONIC FILING***


Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Advance Notice of Proposed Rulemaking for Revision of the Commission's  
Regulations on Water Conservation Measures at 52 Pa. Code Section 65.20  
Docket No. L-2012-2319361**

Dear Secretary Chiavetta:

Enclosed for filing are the Comments of Aqua Pennsylvania, Inc. in the above-referenced proceeding.

Respectfully submitted,



Andrew S. Tubbs

AST/jl  
Enclosure

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Advance Notice of Proposed Rulemaking  
for Revision of the Commission's Regulations  
on Water Conservation Measures at 52 Pa. Code  
Section 65.20

L-2012-2319361

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**COMMENTS OF AQUA PENNSYLVANIA, INC.**

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Aqua Pennsylvania, Inc. ("Aqua PA") appreciates the opportunity to comment on the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Proposed Rulemaking Order entered January 24, 2013 regarding the Water Audit Methodology established by the International Water Association (IWA)/American Water Works Association (AWWA).

Aqua PA was an active participant in the Pilot Project and included fifteen systems in the Pilot Project during the two year time period. Aqua PA is supportive of the Water Audit Methodology and believes it is a balanced way to track, identify, and estimate water loss in a water utility's distribution system. Specifically, Aqua PA appreciates the AWWA Water Audit Tool's focus on the value of water loss rather than the percentage of loss as the principal driver for control measures. As discussed during participation in the pilot program, Aqua PA also appreciates the recognition that utilities

adopting the tool utilize weighted averages and estimates where input data is not readily available from company financial or operational reporting systems. The challenge of compiling input data on the basis needed for the tool was a concern voiced by many, if not all utilities who participated in the Commission's audit program.

While the Commission considers a rulemaking, it should be emphasized that Aqua PA and other private water companies can already be required to adopt this methodology and report to other agencies. For example, water companies, including Aqua PA, are already required to utilize this methodology for systems that fall within the Delaware River Basin Commission in Pennsylvania.<sup>1</sup> This requirement covers at least 80% of Aqua PA's water system in Pennsylvania.

Rather than have two agencies requiring the same method and reports, Aqua PA submits that both the Commission's prior order or a policy statement may be more efficient and effective in moving other water companies to adopting this methodology. In fact, almost all the major water companies have moved to this methodology already. A policy statement may be a better avenue in recognizing the Commission's support of the methodology and its use when reviewing unaccounted for water data, particularly in a rate case proceeding.

If the Commission moves forward with a full rulemaking, Aqua PA provides the

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<sup>1</sup> See DRBC Water Code, Article 2: CONSERVATION, DEVELOPMENT AND UTILIZATION OF DELAWARE RIVER BASIN WATER RESOURCES, Section 2.1.8. Aqua PA has been identified by the Delaware River Basin Commission as an owner/operator of several public water supply systems within the Delaware River Basin that are subject to a rule that was approved in 2009 and became effective January 1, 2012. In 2009, the Commission amended its Comprehensive Plan and Water Code to require an updated water audit approach to identify and control water loss in the Basin. The new approach is consistent with the International Water Association and American Water Works Association Water Audit Methodology.

following comments for consideration to ensure that the accounting and engineering data gathered for the specific tool does not negatively impact the Commission's long standing support of single tariff pricing and a consolidated revenue requirement and make certain that future interpretations of any new regulation do not conflict with the general intent of the Water Audit Tool.

When considering adopting a regulation addressing the Water Audit Tool, Aqua PA requests that the Commission carefully evaluate the required number of "system" reports. Aqua PA supports the filing of one consolidated Summary Report for the company. In reviewing and utilizing the AWWA Water Audit tool, the requested information is often more readily assembled for large, stand alone systems, like the City of Philadelphia, than it will be for a utility that has multiple entry points and is highly interconnected and contiguous.

This is a significant issue for Aqua PA, considering the fact that it has over 100 PWSID numbers in Pennsylvania, 21 of which are in southeast Pennsylvania, with 10 of those interconnected. Taken literally, the Water Audit Tool could require a water utility company, like Aqua PA, to file over 100 summary reports. However, Aqua PA does not believe that is the intention and purpose of utilizing the Water Audit Tool based on the conversations that took place during the Pilot Program.

Aqua PA currently utilizes Water Utility Distribution System (WUDS) numbers for Chapter 110 reporting to the Pennsylvania Department of Environmental Protection, rather than PWSID numbers. Although, Aqua PA supports the filing of one consolidated Summary Report per Company, should the Commission mandate reporting on a "system"

level in the future, Aqua PA proposes adopting the WUDS number to define the “systems”.

From a ratemaking perspective, the Commission should review the specific data that is being requested in the tool and its impact on single tariff pricing. Single tariff pricing allows companies to file for rate relief under one revenue requirement. It is the Commission’s support of a consolidated revenue requirement that has allowed Aqua PA to make prudent infrastructure investment at reasonable costs that are spread over a larger customer base. In addition, it has allowed companies to acquire and fix troubled systems in the Commonwealth.

Taking a narrow view, the Water Audit Tool is requesting data that is in conflict with the concept of a consolidated revenue requirement. For example, taken prescriptively and literally, cost data would be required for each individual system that Aqua PA operates. This includes the variable cost of water to produce an additional gallon of water in each and every stand alone system that Aqua PA operates.

Again, taken prescriptively, it would be similar to Aqua PA filing over 100 mini rate cases each year which would break down the annual cost to operate each individual system. Aqua would have to change its entire cost tracking and accounting system to allow for all of the costs of each system to be accurately detailed for the water audit, rather than the present methodology that is sufficiently utilized. There are obvious costs associated with this if the Commission were to adopt this type of prescriptive requirement within the regulation. This approach seems to be in conflict with the Commission’s long standing single tariff pricing methodology which spreads costs over larger customer

bases. Aqua PA raises this as an issue so that the benefits of the tool are considered along with the ratemaking and single tariff pricing considerations. Any regulation should make clear that estimates may be used with the understanding that system specific data may not be available.

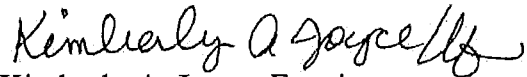
As such, a policy statement or the Commission's prior order could be more effective in moving all water companies to adopt this methodology.

If the Commission proceeds with a policy statement or rulemaking process, Aqua PA recommends that:

- 1) the Commission make clear that the Water Audit Tool is not intended to supersede or override the Commission's long standing policy of single tariff pricing;
- 2) water utilities may file one consolidated Summary Report;
- 3) the Commission specifically allow estimates and recognize that weighted averages be used in utilizing the Water Audit Tool; and
- 4) the Commission supports this methodology when analyzing unaccounted for water in rate case proceedings.

Aqua PA appreciates the opportunity to comment on the Tentative Order and commends the Commission for once again taking the lead on water industry issues.

Respectfully submitted,



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Dated: April 10, 2013