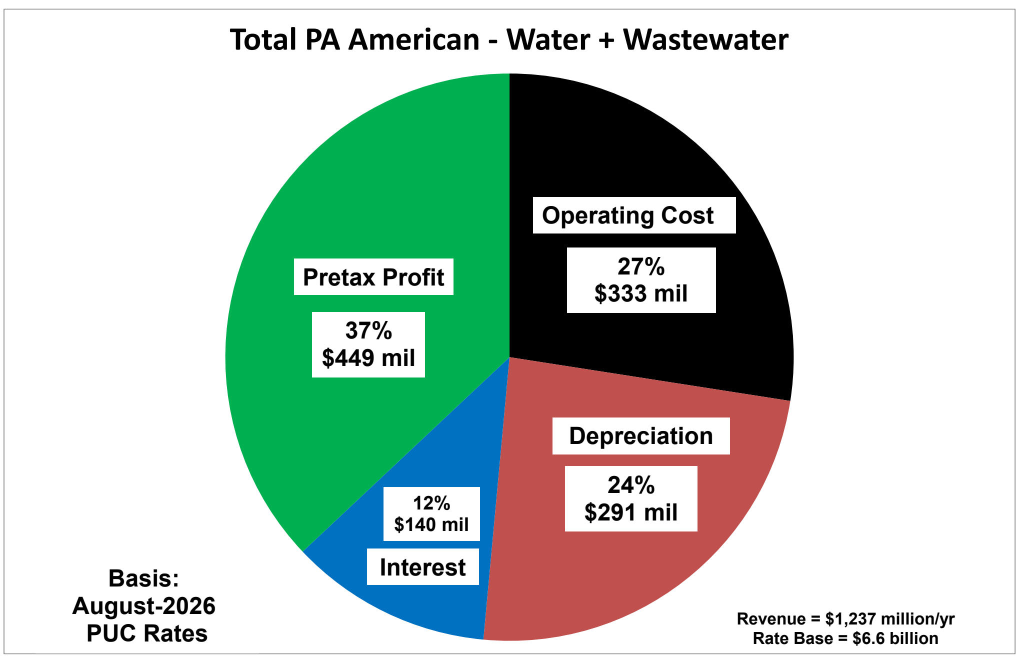
Summary

PAWC proposed a rate increase of $169 million/yr and the PUC granted less than half of that. The following chart has the details:

Rate Case Revenue Summary			
PAWC Proposal	**Water**	**Sewer**	**Total**
Revenue Increase	$99.4	$69.3	$168.7
Act 11 revenue shift	$53.0	($53.0)	$0.0
Total Increase	$152.4	$16.3	$168.7
% Increase	16.1%	7.8%	14.6%
PUC Allowed			
Revenue Increase	$23.0	$52.0	$74.9
Act 11 revenue shift	$22.3	$22.3	$0.0
Total Increase	$45.3	$29.6	$74.9
% Increase	4.8%	14.2%	6.5%

It is notable that without Act 11, the water increase would only have been 2.5%. The last chart on page four has more detail.

PAWC has almost $1.25 billion/yr in revenue and is highly profitable:



Thirty Seven cents of every ratepayer dollar goes to PAWC's profits. That, by its self explains why investor owned utilities are much more expensive than municipal utilities.

Rate Case Frequency and ROE

The frequency of rate increases has been an issue in the past. The PUC notes this in its Opinion and Order with the following table:

Table 2: Summary of PAWC's Base Rate Proceedings Since 2013

Base Rate Case Docket Nos.	Filing Date	Filing Interval - Months	Rate Increase ($ and %)
R-2025-3057983 and 3058051	November 14, 2025	24 months	$168.72M 14.6%
R-2023-3043189 and 3043190	November 8, 2023	18 months	$182.82M 18.1%
R-2022-3031672 and 3031673	April 29, 2022	24 months	$173.18M 20.8%
R-2020-3019369 and 3019371	April 29, 2020	36 months	$138.60M 18.7%
R-2017-2595853	April 28, 2017	48 months	$107.93M 16.4%
R-2013-2355276	April 30, 2013	--	$58.60M 10.1%

Over the 12 ½ years revenue growth has been 5.6%/year. That is over twice the rate of the Consumer Price Index (CPI) which was 2.7%/year.

PUC Chairman DeFrank noted that frequent rate cases reduced “regulatory risk” for PAWC and proposed that the allowed ROE be reduced by 0.25%. That was adopted by the full Commission. That reduced the revenue increase by about $11 million/year.

However, as part of the same motion, Chairman DeFrank also proposed to increase the ROE by 0.1% for PAWC’s bailout of Rock Spring Water Company. That is tantamount to taking about $4.5 million/yr of ratepayer money to say “thank you” to PAWC.

Drivers of the PUC’s nearly $94 million/yr revenue reduction

Three factors drove the revenue reduction:

#1 – A $30 million reduction in rate base resulted in about $2 million/yr lower revenue.

#2 - $7 million/yr lower allowed costs – which is dollar for dollar revenue reduction.

#3 – Reducing PAWC’s proposed 10.95% ROE to 9.55%. That resulted in about $65 million/yr lower revenue.

Clearly, ROE is a HUGE factor in setting rates and the rate base reduction was trifling.

Other Highlights of this rate case

This outcome was NOT a “black box” settlement. That means that none of the important details are hidden from public view. Definitely, a good thing.

99% of PAWC’s water customers are rate zone 1. There are five other zones, mostly small acquisitions in the system for the first time. Four of those are enjoying 35% - 60% discounts versus zone 1. Those discounts will likely disappear with the next rate case. The dollars involved are small – they represent about 0.5% of PAWC’s water revenue.

PAWC’s tariff filings are not consistent. These filings have a tariff section and a compliance section. Both sections present data by rate zone. However, each section uses different rate zone definitions. If you want to dig into the data it is very confusing. The PUC should require PAWC to fix that – but, probably will not.

The rate increase percentages understate actual. The best example is PAWC’s rate zone 1 for water customers. If you compare the previous tariff filing with the current one, the rate increase is 6.3%. Yet, PAWC makes the claim that customers rates will only go up by 3%. That is the effect of a 3% DSIC charge previously being added to each bill. When the new rates go into effect, DSIC resets to zero. BUT, by the time of the next increase there will be an additional 2% - 3% added DSIC charge. This is an example of three card monte. Not sure what three card monte is? Click here for a three minute fun and interesting video about this age old con game (LINK)

Here is a more detailed comparison of what PAWC originally proposed and what the PUC finally granted:

($ in millions)		Total PAWC	PAWC Water	Total Sewer	General SSS	BASA Sewer	CSS Sewer	CSS Elizabeth
Revenue Summary								
PAWC Original Filing								
Revenue At Current Rates		$1,156.6	$947.8	$208.8	$108.6	$12.7	$85.8	$1.8
Proposed Increase		$168.7	$99.4	$69.3	$20.0	$35.4	$10.4	$3.5
	% Increase	14.6%	10.5%	33.2%	18.5%	277.5%	12.1%	197.3%
Proposed Act 11 Adjustment		$0.0	$53.0	($53.0)	($12.7)	($30.3)	($7.1)	($3.0)
Net Revenue Increase		$168.7	$152.4	$16.3	$7.3	$5.1	$3.3	$0.5
	% Increase	14.6%	16.1%	7.8%	6.8%	40.0%	3.9%	30.0%
PUC final Order								
PUC Allowed Increase		$74.9	$23.0	$52.0	$11.3	$32.8	$4.7	$3.2
	% of PAWC proposal	44.4%	23.1%	75.0%	56.3%	92.6%	45.1%	92.6%
PUC Act 11		$0.0	$22.3	$22.3	$0.0	$31.3	$11.6	$2.7
	% of PAWC proposal		42.2%	42.2%	0.0%	103.4%	-164.7%	90.3%
Scale Back		($0.0)	$0.0	($0.0)	$2.5	$2.6	($5.4)	$0.3
Final PUC revenue increase		$74.9	$45.3	$29.6	$13.8	$4.1	$10.9	$0.8
	% Increase	6.48%	4.78%	14.19%	12.74%	31.82%	12.74%	46.28%

Highlights:

On a total company basis, PAWC asked for $169 million/yr – a 14.6% increase. Using Act 11 PAWC wanted to lay $53 million/yr of sewer costs off on their water customers. That would have resulted in their water customer seeing twice the percentage increase as their sewer customers. I find that incredulous. The sewer cost increases are largely Act 12 driven. It amounts to making their water customers pay for their over priced sewer acquisitions.

The PUC cut both the proposed increase and Act 11 shift by over half.

There is also a new wrinkle called a Scale Back. This is a shift of revenue among the sewer rate zones. The Opinion and Order addresses this at some length, but I have no idea of what they are talking about or why it is being done. The net effect is to take some of the cost off of the CSS zone (mostly Scranton) and lay it on other sewer customers.

I find it interesting that the BASA sewer increase is less than 32%. If BASA had to pay their own way, rates would almost triple. Back when Aqua was raising rates for its first five Act 12 acquisitions, 50% - 80% increases were considered reasonable – in fact, were deserved because they had been free riding. My, how times have changed.