

PA American Water seeks higher rates, greater profits from customers

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Published: May 4, 2011

Water company seeks rate hike

Pennsylvania American Water has requested state Public Utility Commission approval for the following increases to pay for infrastructure improvements:

	Current	Proposed	Increase
Water rate per 100 gallons	78.9¢	94.87¢	20.2%
Monthly service charge	\$13	\$15.50	19.2%
Average total bill for use of 4,100 gallons	\$48.45	\$54.87	13.3%

Pennsylvania American Water has proposed double-digit hikes in water rates and customer charges, which would push customers' bills up 13 percent or more - a portion of which would be used to expand the utility's profit margin.

The Hershey-based company petitioned the state Public Utility Commission for the hike, which would cost the average customer using 4,100 gallons per month \$6.42 more. The request also includes a 10 percent increase in the utility's allowed profits, or rate of return, for its shareholders, from 8.11 to 8.88 percent. Last year, the utility's parent company, Voorhees, N.J.-based American Water Works Co. Inc. reported net profits of \$268 million.

The controversial part of the request is the increase in profits, said state Consumer Advocate Irwin "Sonny" Popowsky.

"Sure, they have to spend money to maintain the system," he said. "But how much of a return is necessary? Consider that this is a monopoly and look around. Who is getting that sort of a return?"

Pennsylvania American Water has a good track record in maintaining water systems, Mr. Popowsky said, particularly when acquiring other smaller systems that need investment.

The Hershey-based Pennsylvania unit of the company says it needs the increase to help maintain and upgrade its aging infrastructure. The company maintains a 9,200-mile network of water lines and treatment plants and many are in need of ongoing repair and replacement, said utility Chief Executive Officer Kathy Pape in a statement.

The rate Pennsylvania American customers pay for 100 gallons, now 78.9 cents, would go to 94.9 cents, a 20.2 percent increase.

The monthly service charge, a flat rate that covers the utility's cost of customer service and billing, would go from \$13 to \$15.50 per month, a 19.2 percent hike.

The company says the increased revenue would cover \$533 million it invested in upgrades and repairs since its last rate case in 2009, which includes upgrades to water treatment facilities, storage tanks, wells and pumping stations. During that time, about \$70 million was invested in the Scranton/Wilkes-Barre area, said Pennsylvania American spokesman Terry Maenza, including new mains in the Bellview section of Scranton,

and parts of Abington Twp. and Olyphant. The company will have replaced approximately 177 miles of aging water main statewide by the time the rate hikes would kick in.

The company typically requests increases in the low- to mid-teens every three to four years, with regulators eventually approving less. In 2007, a rate hike drove the average bill up 9.4 percent. In 2009, the rate hike increased bills by 6.6 percent.

The PUC typically puts a stay on proposed increases and schedules public hearings and an investigation into the need for the additional revenue and profit. Mr. Popowsky said his office would file a formal complaint.

"It's a big increase and we need to take a good look at it," Mr. Popowsky said.