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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

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- PAUL NEWMAN
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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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IN THE MATTER OF THE COMMISSION'S
GENERIC EVALUATION OF THE
REGULATORY IMPACT FROM THE USE OF
NON-TRADITIONAL FINANCING
ARRANGEMENTS BY WATER UTILITIES AND
THEIR AFFILIATES

Docket No. W-00000C-06-0149

The Global Utilities,¹ file the attached presentation regarding Distribution System Improvement Charges (DISC), made by Steve L. Klick, Executive Policy Manager to Chairman Robert F. Powelson of the Pennsylvania Public Utilities Commission.

RESPECTFULLY SUBMITTED this 21st day of April, 2011.

Roshka DeWulf & Patten, PLC

By

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1 Original + 13 copies of the foregoing
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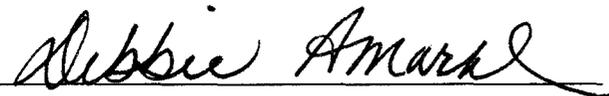
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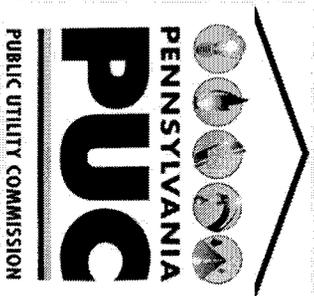
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DSIC

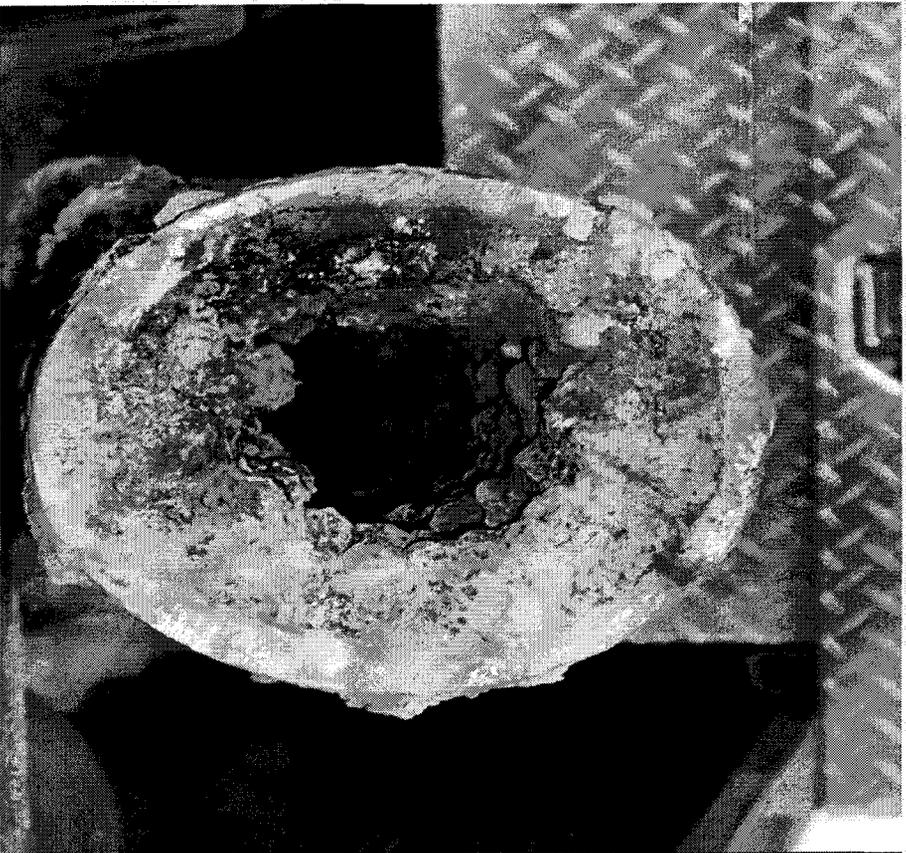
Then, Now, Tomorrow

Chairman Robert F. Powelson

Steve L. Klick, Executive Policy Mgr.

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DSIC eligible pipe

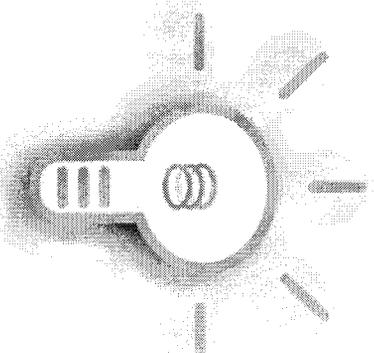


DSIC Then, Now, Tomorrow

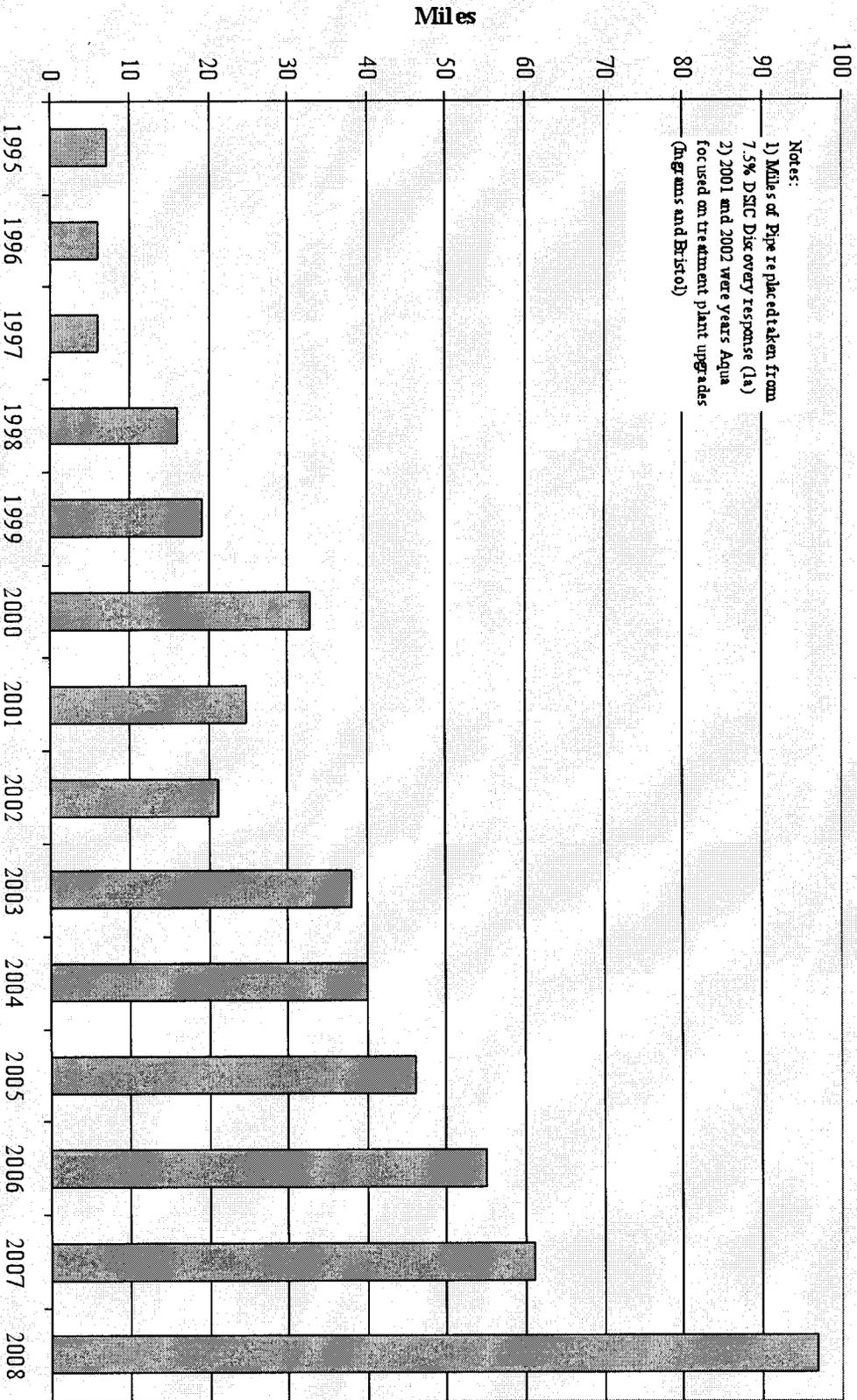
- Then – 1997, Innovative, Authority from General Assembly. PUC Code Amended.
- Now – Pipe replacement rates have tripled. It's more than cost recovery, it has driven real action. “Best Practice”. “Model Legislation”.
- Tomorrow – Gas DSIC, CSIC

Innovative Keystone Regulation 1997

- Distribution System Improvement Charge (DSIC)
 - PUC-approved citing:
 - Economic effects
 - Environmental impact
 - Infrastructure needs and goals
 - “Model Legislation”
 - NARUC – “Best Practice”
 - Successful/clear results



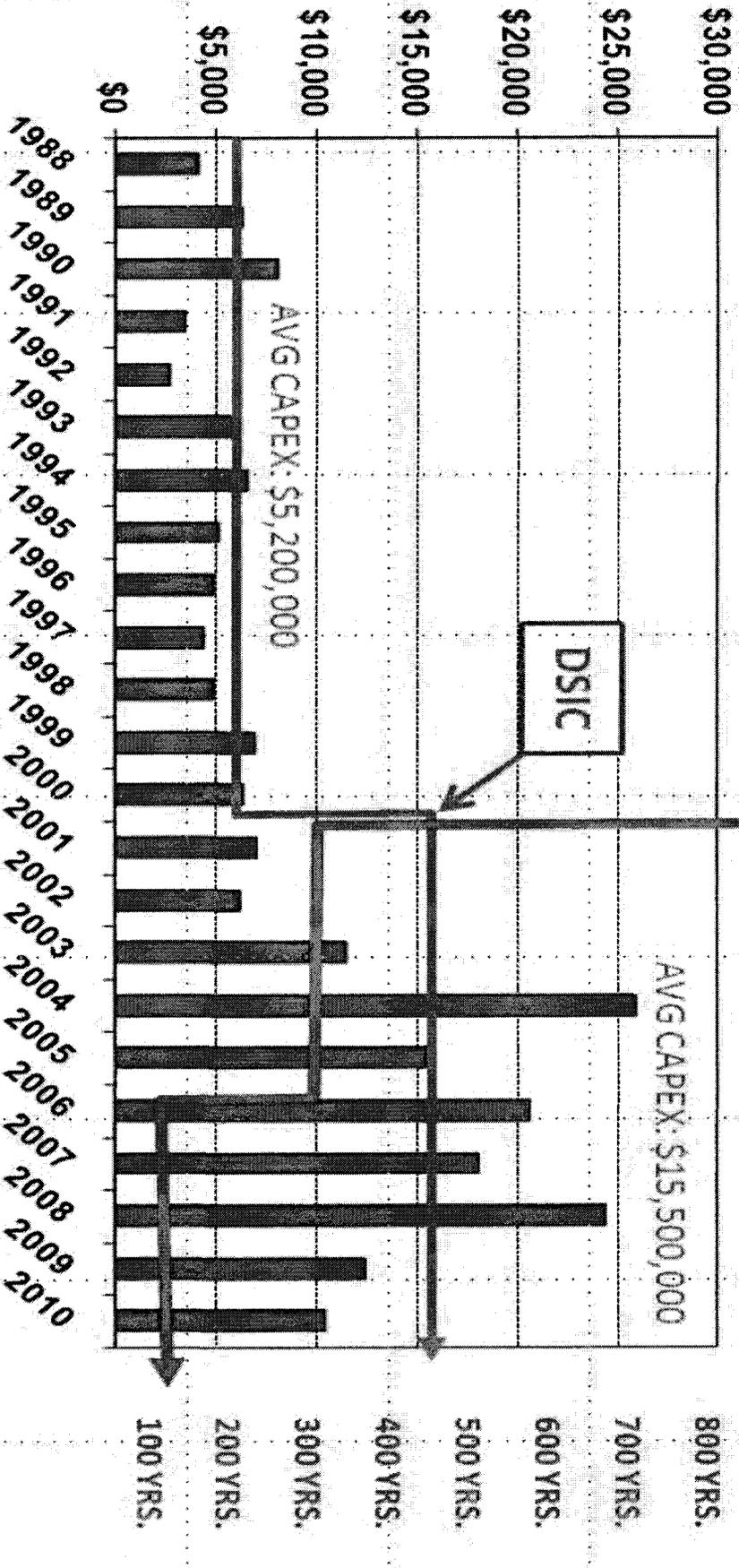
Aqua PA - Miles of Pipe Replaced



Construction Expenditures (\$ Millions)



EST. MAIN REPLACEMENT RATE (IN YEARS)

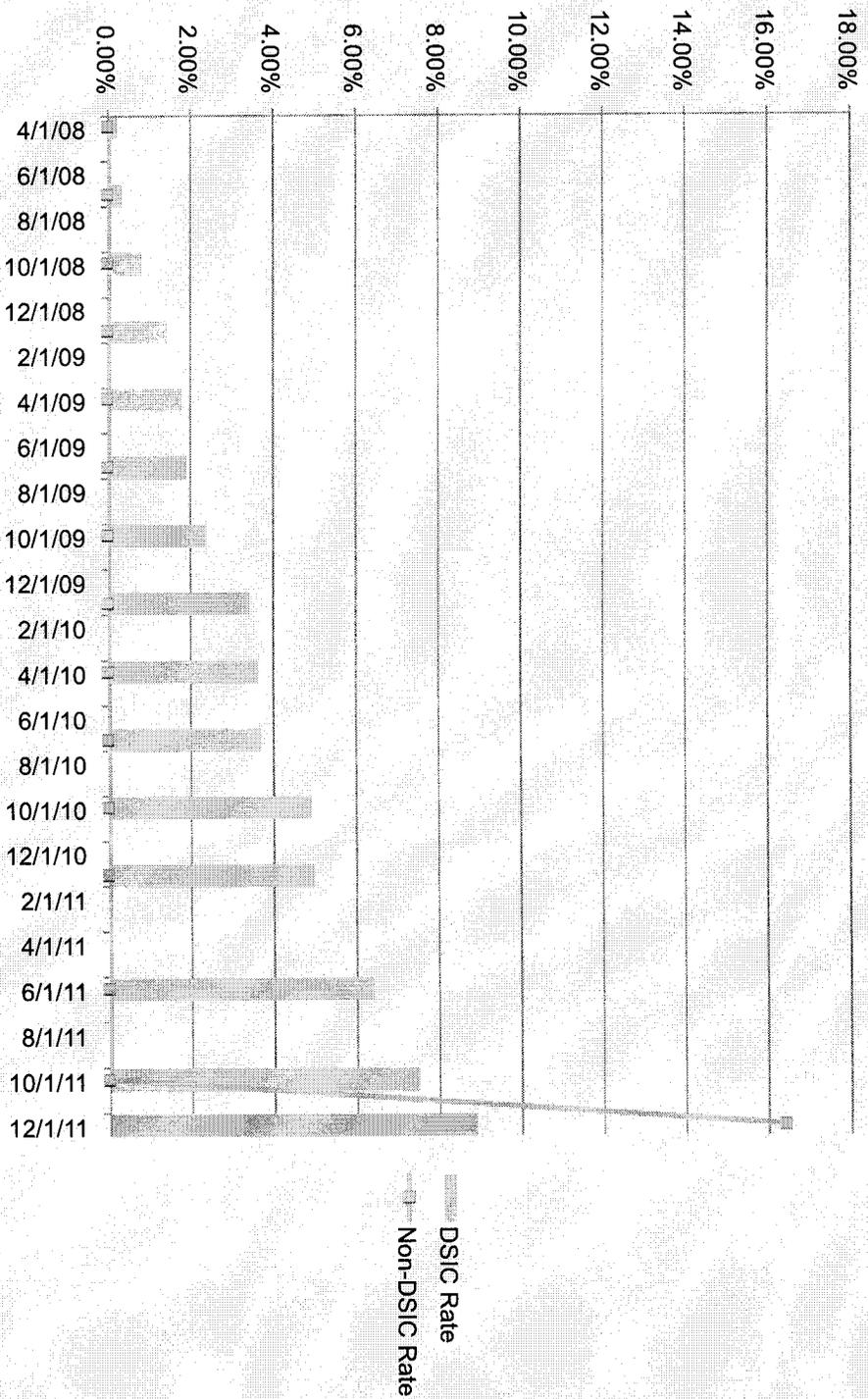


Benefits of a DSIC Program

- Accelerates the replacement of aging infrastructure, improving water quality and service
- Proactively addresses main breaks, using cost and reliability measures to prioritize projects
- Allows coordination and sharing of paving costs with DOTs, local government, and other utilities
- Promotes acquisition of small and non-viable water systems
- Includes a number of customer safeguards: cap on DSIC rate, annual reconciliation and hearing, earnings test, audits, customer notice requirements

DSIC Rate Gradualism

Smaller rate increases over time



DSIC – More than a Surcharge Drives Action + Phase-In Tool

- **Base Rates, over time, reduced for:**
 - ✓ Unaccounted for Water
 - ✓ Rate Case Expense
 - ✓ Capital Costs (Higher Credit Ratings)
 - ✓ Capital Costs (Mitigates Future Backlog)
 - ✓ Labor OT related to Main Breaks
- **Other Benefits**
 - ✓ Promotes Economic Development
 - ✓ Less Property Damage
 - ✓ Less Traffic Disruption
 - ✓ Facilitates Street Repaving Projects