

NATIONAL ASSOCIATION OF WATER COMPANIES PENNSYLVANIA CHAPTER

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Testimony by:

**NATIONAL ASSOCIATION OF WATER
COMPANIES (NAWC)**

PENNSYLVANIA CHAPTER

On

"House Bill 60 – Standby Charge Prohibited"

Before

House Consumer Affairs Committee

Presented by:

Louise A. Knight, Esq.
Director, NAWC-PA

Chief Operating Officer
Superior Water Company

October 25, 2011

9:00 a.m.

Room G-50 Irvis Office Building

GOOD MORNING. I'M LOUISE KNIGHT, CHIEF OPERATING OFFICER OF SUPERIOR WATER COMPANY. IN ADDITION, I SERVE AS A DIRECTOR OF THE NATIONAL ASSOCIATION OF WATER COMPANIES (NAWC), PENNSYLVANIA CHAPTER. ON BEHALF OF THE PENNSYLVANIA CHAPTER, I'D LIKE TO THANK THE CHAIRMEN AND THE COMMITTEE FOR INVITING ME TODAY TO TALK ABOUT HOUSE BILL 60. HOUSE BILL 60, SPONSORED BY REPRESENTATIVE KATE HARPER, AMENDS TITLE 66 (PUBLIC UTILITIES), IN RATES AND RATE MAKING, FURTHER PROVIDING FOR STANDBY CHARGE PROHIBITION. SPECIFICALLY, THE LEGISLATION AMENDS SECTION 1326 TO PROHIBIT THE IMPOSITION OF A STANDBY CHARGE ON:

- (1) OWNERS OF RESIDENTIAL STRUCTURES EQUIPPED WITH AUTOMATIC FIRE PROTECTION SYSTEMS.
- (2) VOLUNTEER FIRE COMPANIES, NONPROFIT RESCUE SQUADS AND AMBULANCE SERVICES FOR COSTS ASSOCIATED WITH AUTOMATIC FIRE PROTECTION SYSTEMS.

UNDER § 1326 (B), "THE TERM "STANDBY CHARGE" MEANS AN AMOUNT, IN ADDITION TO THE REGULAR RATE, ASSESSED AGAINST THE OWNER OF A RESIDENTIAL STRUCTURE FOR THE REASON THAT THE RESIDENTIAL STRUCTURE IS EQUIPPED WITH AN AUTOMATIC FIRE PROTECTION SYSTEM."

DISCUSSION

NAWC SUBMITS THAT WATER UTILITIES DO NOT IMPOSE "STANDBY CHARGES" ON ANY CUSTOMER CLASS. WHAT SOME CUSTOMERS, LIKE VOLUNTEER FIRE COMPANIES, HAVE COMPLAINED ABOUT IN THE PAST IS REALLY A METER CHARGE OR A FIRE SERVICE CHARGE.

BY WAY OF BACKGROUND, AROUND 1986 THE COMMISSION REQUIRED UNIVERSAL METERING SO MOST NEW CONSTRUCTION INCLUDES ONE WATER SERVICE LINE GOING INTO A STRUCTURE (RESIDENTIAL OR COMMERCIAL). ALTHOUGH THERE ARE MANY VARIATIONS FOR PROVIDING FIRE PROTECTION, IT USUALLY REQUIRES A LARGER SERVICE LINE AND BACKFLOW PREVENTION OR A SEPARATE/SECOND SERVICE LINE WITH OR WITHOUT A METER FOR FIRE SUPPRESSION. SOME COMPANIES DON'T USE A METER FOR FIRE SERVICE AND SIMPLY CHARGE A FLAT RATE FOR THE FIRE SERVICE LINE INSTEAD OF CHARGING FOR USAGE, WHICH IS DIFFICULT TO CAPTURE AT HIGH PRESSURE. OTHERS USE A LARGER SERVICE LINE, BUT UTILIZE TWO METERS – ONE SMALL METER FOR DOMESTIC WATER USE AND ONE LARGER METER FOR FIRE PROTECTION – BOTH INSIDE A METER HOUSING (PIT OR BOX). THE REASON FOR TWO METERS IS THE LARGER METER ISN'T AS ACCURATE FOR THE SMALL DAILY DOMESTIC USE, BUT ESSENTIAL TO CALCULATE USAGE IN THE EVENT OF A FIRE AND TO HANDLE THE LARGER FLOW FROM THE SERVICE LINE FOR THE FIRE SUPPRESSION SYSTEM. MOST COMMERCIAL STRUCTURES, SUCH AS FIRE HALLS WHERE PEOPLE CONJUGATE FOR SOCIAL EVENTS AS WELL AS FIRE FIGHTING ACTIVITIES, ARE MANDATED TO HAVE SPRINKLERS AND SINGLE AND TWO-DWELLING HOMES MUST HAVE THE OPTION TO INSTALL SPRINKLERS. MOREOVER, DWELLINGS WITH SPRINKLER SYSTEMS RECEIVE REDUCED INSURANCE RATES.

ADMITTEDLY, ALL COMPANIES DO NOT HAVE THE SAME REQUIREMENTS AND CONSTRUCTION STANDARDS, BUT THE FUNDAMENTAL ISSUE IS UNIFORM – WATER UTILITIES MAKE INVESTMENTS IN THEIR FACILITIES TO ACCOMMODATE

FIRE PROTECTION, WHICH IS IN ADDITION TO ALL OTHER DISTRIBUTION SYSTEM INVESTMENTS.

IT'S REALLY A METER CHARGE OR A CHARGE THAT REPRESENTS INVESTMENT IN A CERTAIN CATEGORY OF SERVICE (I.E., SERVICE LINE, BACKFLOW PREVENTION DEVICE OR FLOW DETECTION ALARM) AND NOT A STANDBY CHARGE, WHICH IS PROHIBITED UNDER TITLE 66. THE COMMISSION DECIDED IN *PUC V. SUPERIOR WATER COMPANY*, DOCKET NO. R-00994672 (ORDER ENTERED MARCH 3, 2000) (199 PUR4TH 603 (2000), THAT CHARGES FOR SPRINKLER SERVICE ARE NOT STANDBY CHARGES UNDER SECTION 1326 OF THE CODE. SPRINKLER SERVICE IS A SERVICE THAT IS AVAILABLE FOR USE AT ANY TIME; A SERVICE FOR WHICH THE UTILITY HAS MADE A CLEARLY—DEFINED INVESTMENT, AS SUPPORTED BY A COST OF SERVICE STUDY; AND THE USE OF LARGE METERS FOR SPRINKLER SERVICE RESULTS IN A FEE THAT CORRELATES TO THE COSTS THAT THE LARGER METER SERVICE IMPOSES ON THE UTILITY.

THE SIZE OF THE SERVICE, METER AND APPROPRIATE RATE(S) ARE DERIVED FROM THE WATER UTILITY'S ABILITY TO PROVIDE THE LEVEL OF WATER SERVICE REQUIREMENTS (E.G. FIRE PROTECTION) IN SUFFICIENT VOLUMES AND PRESSURES TO MEET THE FIRE DEMAND NEEDS TO SUPPRESS FIRES WITHIN THE CUSTOMER'S DWELLINGS OR STRUCTURES. WATER UTILITIES BUILD AND SIZE INFRASTRUCTURE TO MEET THESE NEEDS (E.G. PLANT CAPACITY, PUMPING, TANKS, WATERLINE SIZES, BOOSTER STATIONS, AND ETC.). THEREFORE, THE COST ASSOCIATED TO MEET FIRE SUPPRESSION NEEDS CAN AND IS A DIRECT CORRELATION TO THE LEVEL OF SERVICE RENDERED.

THE QUESTIONS THAT ARISE, UNDER THIS PROPOSED LEGISLATION, ARE WHO PAYS FOR THIS EXEMPTION AND WHY SHOULD ONE CLASS OF CUSTOMER BE GIVEN SPECIAL RATE TREATMENT AND WHERE DO YOU DRAW THE LINE? THE COST FOR FIRE PROTECTION SERVICE WILL NOT DISAPPEAR – WATER UTILITIES HAVE TO RECOVER THOSE COSTS FROM SOMEONE AND THAT SOMEONE IS SIMPLY OTHER CUSTOMERS. IT SEEMS UNFAIR FOR A CUSTOMER WHO HAS SPRINKLER SERVICE THROUGH A SEPARATE SERVICE LINE OR LARGER METER (WHICH PUTS MORE DEMAND ON THE WHOLE SYSTEM) TO PAY THE SAME AS A CUSTOMER WHO DOES NOT REQUIRE THAT INVESTMENT OR MAKE THE SAME DEMANDS ON THE SYSTEM. THIS IS THE REASON THAT UTILITIES HAVE COST OF SERVICE STUDIES – TO ALLOCATE COSTS REASONABLY AND RESPONSIBLY.

THE CHAPTER THANKS YOU FOR CONSIDERING OUR COMMENTS ON THIS IMPORTANT LEGISLATION ON BEHALF OF OUR MEMBERS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS FROM THE COMMITTEE. THANK YOU.

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National Association of Water Companies

The National Association of Water Companies (NAWC) represents all aspects of the private water service industry. The range of our members' business includes ownership of regulated drinking water and wastewater utilities and the many forms of public-private partnerships and management contract arrangements.

- Founded in 1895 by 16 small water companies in Pennsylvania, NAWC today has members in every region of the U.S.
- NAWC's membership ranges in size from large companies owning and/or operating many hundreds of utilities in multiple states to individual utilities with only a few hundred customers.
- Many NAWC members trace their roots back nearly 200 years, to the early 1800s.
- Every day, about 33.5 million Americans receive water service from a private water utility.
- Private water utilities produce about 1.7 trillion gallons of water per year.

The Pennsylvania Chapter consists of 12 member companies that provide reliable drinking water to more than 3.5 million Pennsylvanians everyday in 43 of the Commonwealth's 67 counties. In addition, two of our member companies own and operate several wastewater systems.

Superior Water Company

Superior Water is an established utility company in operation over 20 years in portions of Montgomery, Berks and Chester Counties and operates under the regulations and guidelines of the Public Utility Commission, DRBC, PADEP, and USAEPA. It has about 3,300 connections, 97 percent of which are residential customers.

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