

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17120**

**Alternative Ratemaking  
Methodologies**

**Public Meeting March 2, 2017  
2518883-LAW  
Docket No. M-2015-2518883**

**STATEMENT OF COMMISSIONER DAVID W. SWEET**

Before the Commission is a Tentative Order continuing our investigation into alternative rate methodologies, which began in March 2016 with an *en banc* hearing.<sup>1</sup> In addressing the questions outlined in the Tentative Order being adopted today, I would like to highlight two issues that I find to be of great importance and on which I specifically reiterate the need for stakeholder feedback.

First, in investigating potential rate methodologies, I believe it necessary for stakeholders and this Commission to be fully informed and prepared to address any impacts on all customers, especially those who are considered low-income<sup>2</sup> or income-challenged.<sup>3</sup> Because these segments of the population are most vulnerable and are affected by even the slightest of rate changes, a careful approach must be taken in making any rate methodology changes. I strongly encourage all parties, when submitting comments and reply comments, to inform this Commission as to how any methodology(ies) they and/or other parties propose may impact customers, especially the low-income and income-challenged populations. This feedback should include both potentially positive and negative effects. In reviewing the *en banc* testimony and the written comments provided last year, it was not clear as to how many of the proposed rate methodologies would positively benefit *all* ratepayers, including the sensitive populations. I reiterate the need for any methodologies to provide real, not just theoretical, benefits to ratepayers without harming the most vulnerable portion of the population.

Additionally, I also believe it critical that utilities continue repairing and replacing aging and unsafe infrastructure across the Commonwealth through the implementation of Commission-approved Long-Term Infrastructure Improvement Plans (LTIIPs),<sup>4</sup> with the associated costs recovered through Distribution System Improvement Charges (DSICs).<sup>5</sup> In implementing the DSIC, the General Assembly outlined a process necessitating a regular course of rate case

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<sup>1</sup> The Commission held an *en banc* hearing on March 3, 2016, seeking information from experts on the efficacy and appropriateness of alternative ratemaking methodologies. The Commission also allowed for any interested party to submit written comments no later than March 16, 2016.

<sup>2</sup> Low-income customers are those at 150% or below the Federal Poverty Income Guidelines (FPIG). The annual gross income for a family of four living at 150% of the 2017 FPIG is \$36,900. See the Federal Poverty Guideline - <https://aspe.hhs.gov/poverty-guidelines>.

<sup>3</sup> In this context, income-challenged customers would be those near, but not below, the Federal Poverty Income Guidelines or those that are identified as payment troubled customers (e.g., large arrearages).

<sup>4</sup> See 66 Pa. C.S. § 1352.

<sup>5</sup> See 66 Pa. C.S. § 1353.

filings,<sup>6</sup> which I believe aids the utilities in implementing the surcharge in a cost-effective and appropriate manner. Therefore, I request that all parties, when submitting comments and reply comments, inform this Commission as to how any methodology(ies) they and/or other parties propose may impact the replacement of infrastructure and the associated DSIC. For example, in some of the responses to the *en banc* proceeding last March, it was envisioned that certain rate methodologies may reduce the frequency of and need for rate case filings. How would such a rate methodology impact the possible need for rate case filings associated with the implementation of the DSIC?

I would like to thank all the parties to this proceeding thus far and in responding to this Tentative Order for their thoughtful consideration of the merits of this investigation and for addressing my concerns presented this morning.

**Date: March 2, 2017**



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**David W. Sweet, Commissioner**

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<sup>6</sup> See 66 Pa. C.S. § 1353(2)(4-5) which, in summary, requires that a utility, in petitioning the Commission for use of a DSIC, has filed a base rate case within five years before the filing date of its DSIC petition. If not, said utility must file a base rate case in order to be eligible for a DSIC.