

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1899

Session of
1987

INTRODUCED BY LLOYD, BATTISTO, TIGUE, FARGO, JOHNSON, KUKOVICH,
SWEET, HALUSKA, CARLSON, PISTELLA, YANDRISEVITS, BELARDI,
McVERRY, MOEHLMANN, VROON, DORR, ITKIN AND TELEK, OCTOBER 28,
1987

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, OCTOBER 28, 1987

AN ACT

1 Amending Title 66 (Public Utilities) of the Pennsylvania
2 Consolidated Statutes, further providing for rates.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Title 66 of the Pennsylvania Consolidated
6 Statutes is amended by adding a section to read:

7 § 1311.1. Acquisition of water and sewer utilities.

8 (a) Acquisition cost greater than depreciated original
9 cost.--If a public utility acquires property from another public
10 utility, a municipal corporation or a person at a cost which is
11 in excess of the original cost of the property when first
12 devoted to the public service less the applicable accrued
13 depreciation, that excess, or any portion thereof found by the
14 commission to be reasonable, may be included in the rate base of
15 the acquiring public utility, provided that the acquiring public
16 utility proves that:

17 (1) the property is used and useful in providing water

1 or sewer service;

2 (2) the public utility acquired the property from
3 another public utility, a municipal corporation or a person
4 which had 1,000 or fewer customer connections;

5 (3) the public utility, municipal corporation or person
6 from which the property was acquired was not, at the time of
7 acquisition, furnishing and maintaining adequate, efficient,
8 safe and reasonable service and facilities to the customers
9 served by the property or could not reasonably be expected to
10 furnish and maintain adequate, efficient, safe and reasonable
11 service and facilities to the customers served by the
12 property in the future at rates no higher than those of the
13 acquiring public utility;

14 (4) reasonable and prudent investments will be made to
15 assure that the customers served by the property will receive
16 adequate, efficient, safe and reasonable service;

17 (5) the negotiations which led to the acquisition were
18 conducted at arm's length;

19 (6) the actual purchase price is reasonable;

20 (7) neither the acquiring nor the selling public
21 utility, municipal corporation or person is an affiliated
22 interest of the other;

23 (8) the rates charged by the acquiring public utility to
24 its preacquisition customers will not increase unreasonably
25 because of the acquisition; and

26 (9) the excess of the acquisition cost over the
27 depreciated original cost will be amortized as an addition to
28 expense over a reasonable period of time with corresponding
29 reductions in the rate base.

30 (b) Procedure.--The commission, upon application by a public

utility, person or corporation which has agreed to acquire property from another public utility, municipal corporation or person, may approve an inclusion in rate base in accordance with subsection (a) prior to the acquisition and prior to a proceeding under this chapter to determine just and reasonable rates if:

(1) the applicant has published notice of the application in the legal publication designated for the publication of legal notices by the local rules of court in each county in which the public utility, municipal corporation or person whose property is to be acquired has customers;

(2) the applicant has published notice of the application in at least one newspaper of general circulation in each county in which the public utility, municipal corporation or person whose property is to be acquired has customers;

(3) the applicant has provided notice of the application to the Director of Trial Staff and the Consumer Advocate; and

(4) in addition to any other information required by the commission, the application includes a full description of the proposed acquisition and a plan for reasonable and prudent investments to assure that the customers served by the property to be acquired will receive adequate, efficient, safe and reasonable service.

(c) Hearings.--The commission may hold such hearings on the application as it deems necessary.

(d) Acquisition cost lower than depreciated original cost.-- If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is

1 lower than the original cost of the property when first devoted
2 to the public service less the applicable accrued depreciation
3 and the property is used and useful in providing water or sewer
4 service, that difference may be amortized as an addition to
5 income over a reasonable period of time.

6 Section 2. This act shall take effect in 60 days.