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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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PUBLIC HEARINGS -- HOUSE BILL 2082 :
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Transportation Committee :
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University of Pittsburgh
Rogal Room
Pittsburgh, Pennsylvania

Thursday, April 10, 1986

Met, pursuant to notice, at 9:13 a.m.

BEFORE:

- REPRESENTATIVE THOMAS MURPHY, Chairman
- REPRESENTATIVE RON GAMBLE
- REPRESENTATIVE JOSEPH STEIGHNER
- REPRESENTATIVE SCOTT CASPER
- REPRESENTATIVE PAUL LANDIS
- REPRESENTATIVE DAVID MAYERNICK

ORIGINAL

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P R O C E E D I N G S

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2 CHAIRMAN MURPHY: My name is Tom Murphy. I apologize
3 for being late. For a PennDOT scene, there is a little too
4 much work on the North Side with utility companies, and
5 traffic is a mess.

6 I want to call Don Zeigler, Chairman of the
7 National Association of Water Companies, Pennsylvania
8 Chapter. Mr. Ziegler, why don't you just begin.

9 Good morning, my name is Donald H. Zeigler. I
10 appear before you today on behalf of the Pennsylvania
11 Chapter, National Association of Water Companies.

12 The National Association of Water Companies
13 represents 33 Water Utilities in Pennsylvania, however,
14 there are over 300 Investor Owned Water Utilities in
15 Pennsylvania and I believe my testimony represents all of
16 them. Many of these Water Utilities are very small and the
17 impact of a PennDOT construction project could be
18 catastrophic.

19 PB 2082 would be of very real assistance in
20 relieving the burden of expenses imposed by PennDOT
21 construction projects on these small water utilities.

22 Utility relocations are generally required when
23 PennDOT is either building or rebuilding a highway and is
24 changing the grade (its elevation) of the roadway or
25 subsurface drainage facilities. These changes usually

1 create a conflict with the facilities of the water utility
2 requiring a relocation of the water utilities facilities.
3 It is quite common that the utility has no choice in the
4 relocation, but must conform to the requirements of PennDOT
5 regardless of the cost to the utility.

6 Typically PennDOT establishes their plans and
7 designs with little or no input from the Water Utility.
8 PennDOT then expects the Water Utility to relocate their
9 facilities at the utility's expense. PennDOT imposes their
10 standards of construction upon the Water Utility which
11 increases the cost even further.

12 The cost of the relocation of the utilities
13 facilities is usually paid by the utility unless the utility
14 has private right-of-way status. Usually if the utility's
15 facilities are located within the existing limits of the
16 highway right-of-way the cost of relocation must be paid by
17 the utility.

18 When the utility is required to make capital
19 expenditures for highway relocations, the utility is
20 required to request a rate increase in order to earn a return
21 on the additional investment. Therefore the ultimate cost
22 of the relocation is paid for by the utility ratepayer.
23 These PennDOT construction projects cost many times what the
24 normal annual construction budget of a small water utility
25 would be. This can result in normal construction work being

1 postponed, perhaps indefinitely.

2 One project which I am familiar with is Route 10 in
3 Parkesburg Borough, Chester County, also known as LP 274
4 Section B08. This project required the facilities of
5 Octoraro Water Company to be relocated. The gross cost to
6 relocate the utility's facilities was \$319,095, the
7 reimbursement from PennDOT was \$182,160. The net cost to
8 the utility and ultimately the ratepayer was \$136,935. This
9 was an average cost of \$55.46 per customer. The
10 construction extended from April to September 1985. The
11 average annual net construction budget for this company was
12 \$84,000. This company has 2,469 customers.

13 After a PennDOT construction project is completed
14 the Water Utility must seek a rate increase through the
15 Pennsylvania Public Utility Commission to try to earn a
16 return on its investment in the PennDOT construction project
17 and stabilize its financial position. The entire process,
18 from the time the PennDOT construction project is initiated
19 to the stabilization of the Water Utilities finances, could
20 be from 3 to 5 years.

21 At a time when the water utility infrastructure is
22 aging and deteriorating the Water Utility wants to spend
23 every dollar available for improvements by replacing
24 obsolete and worn out equipment. Many times PennDOT
25 construction projects require the replacement of facilities

1 which have a considerable remaining useful life.

2 PennDOT does require the removal of abandoned
3 facilities within their right-of-way which is an additional
4 expense to the Water Utility.

5 Overall the utility relocation costs associated
6 with a PennDOT construction projects are extremely high and
7 any reimbursement would reduce the impact on the Water
8 Utility and on the ratepayers.

9 Proposed HB 2082 would allocate federal funds for
10 utility relocations required by highway projects, this would
11 reduce or eliminate the capital expenditure by the utility
12 and reduce or eliminate the need for a rate filing.

13 I want to thank you for proposing this important
14 legislation and for the opportunity to present our
15 testimony.

16 CHAIRMAN MURPHY: Thank you. A couple questions. You
17 mentioned one example, you used the PennDOT reimbursement
18 from the company, \$182,000. Why were they reimbursed any
19 funds at all; what was the reason for that?

20 MR. ZEIGLER: That particular project was a 24 inch
21 transmission main in a railroad right-of-way. These were
22 facilities we acquired from the railroad company. There
23 were also two crossings of this railroad right-of-way
24 involved. That portion of the overall project was eligible
25 for reimbursement.

1 CHAIRMAN MURPHY: Do you have any idea of the total cost
2 to the utilities, to the water companies in the Commonwealth
3 annually; has your association collected that information?

4 MR. ZEIGLER: No, I don't believe I know. We don't have
5 that information.

6 CHAIRMAN MURPHY: Okay. May I suggest that it would be
7 very helpful, because it would be much easier to make
8 consumers aware how this is important -- this is the bottom
9 line number -- for utilities to indicate it costs \$15
10 million a year to taxpayers, it seems.

11 MR. ZEIGLER: Something like that.

12 CHAIRMAN MURPHY: I guess we are looking at some of the
13 information. At your association meetings, you might want
14 to ask the management, if it is not too difficult, to gather
15 that information.

16 In the legislation -- assuming that we were able to
17 approve this, obviously the life of the various facilities
18 we are talking about would vary. The legislation, as I read
19 it, does not bill any costs of depreciation. Do I assume
20 that that could be calculated, and if you're going to have
21 to relocate and move something that was 40 years old, you
22 would replace the utility anyhow, and that is decrease the
23 value versus something that is of a 50 year life span?

24 MR. ZEIGLER: Under the present arrangement with
25 PennDOT, I can't quote the exact rules, whatever, but

1 PennDOT has an annual calculation for relocation of utility
2 facilities, and there is a provision in that of calculating
3 the remaining useful life, and that calculation is taken
4 into account.

5 CHAIRMAN MURPHY: There is an effect of depreciation
6 that is taken into account?

7 MR. ZEIGLER: That is correct.

8 CHAIRMAN MURPHY: Okay. Mr. Zeigler, I would like to
9 represent to you, Representative Joe Steighner from Butler.

10 Joe, any questions? Scott Casper is the Democratic
11 House person. Do either of you have any questions?

12 REPRESENTATIVE LANDIS: No.

13 REPRESENTATIVE CASPER: Mr. Zeigler, where you mentioned
14 a depreciation, do the water lines have a 100 year
15 depreciation schedule?

16 MR. ZEIGLER: That is generally a 100 year
17 depreciation. That was initiated on cast iron pipe. There
18 are other materials used now. I'm not sure -- I'm not an
19 accountant, I'm not sure if all of these are still 100
20 years.

21 REPRESENTATIVE CASPER: It might vary?

22 MR. ZEIGLER: They might.

23 REPRESENTATIVE CASPER: But some of them would be 100
24 years. For the sake of example, we will take 100 years, a
25 nice round number.

1 MR. ZEIGLER: Certainly.

2 REPRESENTATIVE CASPER: And you have had depreciation of
3 100 years; the waterline is 70 years old, fairly old
4 waterline, and you have 30 more years to go on the
5 depreciation schedule, and you have to take out that old
6 waterline -- I say you have to -- it has to be taken out of
7 the highway project, it is better. Is the bill applied by
8 the difference, for that 30 years remaining? Even though
9 there is no waterline there, aren't you still able to
10 depreciate that in your accounting?

11 MR. ZEIGLER: No. In our accounting that we did, we
12 removed -- once that is retired, that would be removed from
13 utilities ratepayers.

14 REPRESENTATIVE CASPER: So that 100 year depreciation
15 allowance for that line, once that line is gone, whether it
16 is 50 years or 70 years, you no longer can carry any
17 depreciation on that; is that correct?

18 MR. ZEIGLER: Once it is retired, then that
19 depreciation --

20 REPRESENTATIVE CASPER: That's despite the fact that the
21 investment was laid out on that line by water companies. In
22 other words, the utility still made the investment?

23 MR. ZEIGLER: Correct.

24 REPRESENTATIVE CASPER: And that is back when?

25 MR. ZEIGLER: Seventy years ago.

1 REPRESENTATIVE CASPER: And they are predicating that
2 investment, but it is -- if it is taken off, then the
3 utilities wouldn't have the opportunity to depreciate their
4 remaining time period, whether it be 30 years --

5 MR. ZEIGLER: That's correct.

6 REPRESENTATIVE CASPER: Fine, thank you very much.

7 CHAIRMAN MURPHY: Thank you, Mr. Zeigler.

8 Mr. Robert Ross, Vice President of Western
9 Pennsylvania Water Association.

10 MR. ROSS: Good morning. My name is Robert Ross. I am
11 Vice President of Western Pennsylvania Water Company, with
12 corporate offices in Pittsburgh.

13 We furnish water supply service to over 245,000
14 customers in all or a portion of nine wards in the city, as
15 well as in portions of Allegheny, Armstrong, Beaver, Butler,
16 Clarion, Fayette, Indiana, Jefferson, Lawrence, McFean,
17 Warren and Washington Counties.

18 I would like to speak in favor of HB 2082, which we
19 in the water utility industry find to be justified, proper
20 and fair for several reasons.

21 First, federal funds are available to reimburse
22 public utilities for relocation costs, and Pennsylvania
23 should take advantage of these provisions of the Federal Aid
24 Highway Act. Failing to amend the State Highway Law to
25 enable PennDOT to receive federal reimbursements is

1 prejudicial to the state's utility ratepayers. In essence,
2 they are helping to minimize the rates of ratepayers from
3 states eligible for reimbursement funds, while their own
4 rates are increasing rapidly.

5 Another reason for our support of the bill is that
6 we believe that the costs of facility relocation should be
7 borne by the party responsible for the relocation - the
8 Commonwealth. Most relocation projects are undertaken by
9 PennDOT for the benefit of the travelling public, not for
10 the benefit of the utilities and their ratepayers.
11 Actually, utility ratepayers receive no benefit at all in
12 terms of improved facilities.

13 And finally, in May of 1984, the Pennsylvania
14 General Assembly enacted the Safe Drinking Water Act for the
15 benefit of the state's residents. The need for that Act is
16 made obvious daily with media reports of yet another water
17 supply system that has become contaminated and must be
18 improved or replaced. To accomplish this and be in
19 compliance with the Safe Drinking Water Act will require the
20 expenditure of probably billions of dollars over the next
21 decade and will overextend the ability of many water
22 utilities to raise capital. Without HB 2082, water
23 utilities will continue to spend funds on relocation costs
24 and divert monies away from water quality improvement.

25 I urge your support of FB 2082 and thank you for

1 the opportunity to express my company's position on this
2 proposed legislation.

3 CHAIRMAN MURPHY: Thank you, Mr. Ross. You mentioned
4 federal funds are available. Do you want to provide that to
5 us? Are you suggesting there are matching federal funds
6 available and that the state is not drawing those funds
7 out?

8 MR. ROSS: That is my understanding, yes, sir. I feel
9 that when the highway project or relocation involving any
10 utilities is involved, since federal funds are made
11 available to the state, that the utility ought to have an
12 opportunity to include its cost estimate into that
13 relocation project and be reimbursed accordingly.

14 CHAIRMAN MURPHY: What you are saying -- let's take the
15 Interstate East Street Valley Expressway. 90 percent is
16 drawing down \$100 million for one contract, could be drawing
17 \$110 million down to the 10 additional million being for
18 utility relocation, and we would have to match that 1
19 million of state funds, and that instead of drawing 110 we
20 would only be drawing 100 down or matching --

21 MR. ROSS: I'm saying if you get 90 percent, whatever
22 the cost of the total project is for actual highway
23 reconstruction, you merely have included the cost of the
24 utility relocation bill, so whatever the total project is,
25 if it is 110, then you include 10 in the utilities, then you

1 would get 90 percent.

2 CHAIRMAN MURPHY: What you're saying, presently PennDOT
3 is including utility relocation costs, they are only asking
4 for \$100 million match?

5 MR. ROSS: That's correct. That's my understanding.

6 CHAIRMAN MURPHY: That's good.

7 Joe, do you have any questions?

8 REPRESENTATIVE STEIGHNER: No.

9 REPRESENTATIVE CASPER: Now, not drawing down the
10 additional money from the federal government, isn't it a
11 situation that would not -- you say the state or PennDOT
12 would not be drawing down the additional funds for that,
13 given that particular project.

14 In other words, instead of \$110 million and the
15 rest being paid for the utility line reimbursement
16 relocation cost, it would be, say, \$100 million for the
17 highway construction, but if it went to \$110 million,
18 wouldn't that mean that \$10 million would not be available
19 in another highway project?

20 MR. ROSS: I was of the opinion that each project kind
21 of stood on its own.

22 REPRESENTATIVE CASPER: Well, not really. Pennsylvania,
23 as the other 49 states, do have an apportionment in federal
24 highway funds. We have an apportionment, we have our share
25 based upon various considerations. And we have that money

1 up to that maximum amount to spend if we have highway
2 projects and the state's share of those projects to spend,
3 and where it is spent in the state, just so the money with
4 the project qualifies for federal money, is anywhere in the
5 State of Pennsylvania, if it is a federal project.

6 But there would not be additional money coming in,
7 but money that's in the pot, X number of dollars in the pot
8 for us, for the federal government going to different
9 projects, but no more so if we spend \$10 million on one
10 project for utility reimbursement costs for relocating the
11 lines. It would be \$10 million away from another project in
12 another given area. And if you could take \$10 million away
13 from that project, and this is the practice, then you may
14 have to cut out one or two projects; isn't that correct?

15 MR. ROSS: I would agree with that.

16 REPRESENTATIVE CASPER: Okay.

17 CHAIRMAN MURPHY: Paul?

18 REPRESENTATIVE LANDIS: I have a question, since we are
19 talking about federal funds. Would it be safe to assume, if
20 the comparable money would be a million dollar legislation,
21 say 90/10 match, that the utilities would be in favor of
22 putting up 10 percent rather than 100 percent of the cost?

23 MR. ROSS: I think as a compromise question, it is
24 better than what we get now. We have to fund at 100 percent
25 now.

1 REPRESENTATIVE LANDIS: Looking for a possible discount,
2 or we have a 25/75 or 50/50 match, anything less than 100
3 percent, would you be in favor of it?

4 MR. ROSS: Yes, I think our company would support 90.

5 REPRESENTATIVE CASPER: 90 percent reimbursement?

6 REPRESENTATIVE LANDIS: No.

7 REPRESENTATIVE STEIGHNER: Which side of the wagon?

8 REPRESENTATIVE CASPER: Which side of the 90 percent?

9 REPRESENTATIVE LANDIS: I don't think we were that
10 stupid. If we were getting 90 from the federal government,
11 they would be willing to put up 25/75 percent or 50/50.

12 REPRESENTATIVE CASPER: Just checking.

13 CHAIRMAN MURPHY: Representative Steighner?

14 REPRESENTATIVE STEIGHNER: Excuse me, Mr. Ross. The
15 Chairman was saying -- Scott's comments triggered a question
16 to me.

17 Is it sort of by consumers or by federal taxpayers
18 that you pay me now or pay me later your costs involved in
19 the state's projects for you to relocate, what you have to
20 relocate, you have to pass that on; correct?

21 MR. ROSS: That's correct.

22 REPRESENTATIVE STEIGHNER: And so if we pick up at that
23 point the state or federal government, then my -- am I
24 saying this correctly, the customers -- consumers are going
25 to pick up federal or state tax? It seems to be a matter of

1 fairness. If we were telling you we have to move the lines,
2 at least we could be enforcing you to pick up 100 percent or
3 90 percent or 80 percent of the cost; is that basically the
4 issue?

5 MR. ROSS: Yes.

6 REPRESENTATIVE STEIGHNER: That's all.

7 CHAIRMAN MURPHY: Fred Eckardt, Vice President of
8 Suburban Water Company.

9 MR. ECKARDT: Good morning. I am Fred Eckardt, Vice
10 President of Engineering at Philadelphia Suburban Water
11 Company and Philadelphia Suburban Water Company serves
12 approximately 220,000 people in the 300 square mile area of
13 suburban Philadelphia.

14 Philadelphia Suburban Water Company strongly
15 supports House Bill 2082. Relocation costs necessitated by
16 the reconstruction, widening and relocation of highways,
17 bridges and tunnels have a significant financial impact on
18 our company. In 1983, we had unreimbursed relocation costs
19 of \$350,000. In 1984, our unreimbursed relocation costs
20 exceeded \$380,000.

21 In 1985, our unreimbursed relocation costs dropped
22 to \$30,000 due to the nature of the highway projects, such
23 as the Schuylkill Expressway reconstruction, road overlays
24 and traffic safety improvements, that had little or no
25 effect on existing underground utilities. But already in

1 1986 we have incurred \$40,000 of expenses, with the
2 construction season just beginning.

3 For the balance of 1986 and over the next 2 years,
4 we anticipate having to spend over 1 million dollars to
5 relocate our facilities in situations where reimbursement is
6 not now available. Over 70% of this total (or \$760,000)
7 relates directly to work we must do to accommodate
8 construction of the Blue Route. The Blue Route is an
9 interstate highway completion project that cuts through our
10 service territory as it makes the connection between
11 Interstate 95 and the Pennsylvania Turnpike. During the
12 years 1970 to 1976, we spent over \$420,000 to relocate
13 facilities that were in conflict with portions of the Blue
14 Route that have already been completed. When these past
15 costs are combined with our estimated future costs of
16 \$760,000, we can see that this one project alone will cost
17 the Water Company approximately 1.2 million dollars.

18 In addition to the Blue Route, we are also aware of
19 several other projects scheduled for the next few years that
20 will cause us to spend approximately \$290,000 on relocation
21 costs. This estimate must be viewed as conservative since
22 it is likely that other projects, that we are not yet aware
23 of, are planned for this period.

24 We urge passage of House Bill 2082 for three
25 reasons.

1 First, House Bill 2082 will eliminate a
2 disadvantage presently suffered by the citizens of
3 Pennsylvania. We understand that over 35 other states
4 include utility relocation costs in the total project cost
5 eligible for federal funding. As federal taxpayers,
6 Pennsylvania citizens are helping to pay for the utility
7 relocation costs in those other states. But under the
8 current practice in Pennsylvania, our citizens do not get
9 the benefit of federal tax dollars to pay for their own
10 relocation costs. Thus, we end up paying more than our fair
11 share.

12 Second, passage of House Bill 2082 will help
13 utility ratepayers. Utility relocation costs arise as a
14 consequence of highway projects that benefit the traveling
15 public. Accordingly these costs can be included as part of
16 the total highway project when the Department applies for
17 federal funds. The use of federal funds will relieve the
18 ratepayers of the capital costs involved in relocating or
19 replacing utility facilities, which should help minimize
20 rates.

21 Finally, we support House Bill 2082 because it is
22 needed. With the construction of the Blue Route in our
23 service territory, we are facing a large number of conflicts
24 and relocations. The Blue Route is a federal interstate
25 completion project and we understand that utility relocation

1 costs are includable in the total project cost and are
2 reimbursable from federal funds. This project will have a
3 large financial impact on our company, estimated at \$760,000
4 over the next three years, not to mention the impact of
5 other future projects that will be federally funded. The
6 relief provided by House Bill 2082 will help us absorb these
7 costs and maintain adequate public utility service at
8 reasonable rates.

9 For these reasons, we believe that it is fair and
10 reasonable for the Department of Transportation to reimburse
11 utilities for the cost of relocating facilities when
12 federally funded projects are involved.

13 Thank you for this opportunity to express our
14 views.

15 CHAIRMAN MURPHY: Thank you, Mr. Eckardt. You answered
16 a lot of questions that should have come before the last
17 questions.

18 On the federal funds, the question that Paul raised
19 before, I'm curious to your response. Would you support, as
20 a reasonable compromise, utilities putting up the matching
21 if it was a -- 90 percent, ideally; would you like to see
22 PennDOT do that?

23 MR. ECKARDT: Yes. Of course, the relocation costs have
24 to be passed onto our customers at this point in time. We
25 have no reimbursement rate, whatever. If we can work out

1 something else, it certainly will be better than what we are
2 receiving now.

3 CHAIRMAN MURPHY: Do I assume that most of your costs
4 seem to be on federal financed projects? Do you have very
5 few relocation projects that are on 100 percent state
6 finance projects?

7 MR. ECKARDT: The only reimbursement that we really
8 receive, if we happen to be in a private right-of-way. If
9 we have a highway permit, of course, there is no
10 relocation.

11 CHAIRMAN MURPHY: So when you say that in your first
12 paragraph, "In 1983 we had unreimbursed relocation costs of
13 \$350,000.00"; PennDOT, in fact, did reimburse you for some?

14 MR. ECKARDT: What we are saying there, of the relocation
15 costs we had that year, if this bill had been in effect,
16 there was \$380,000.00 that could have been refunded to us.
17 Our relocation costs that year were more than \$380,000.00.

18 CHAIRMAN MURPHY: But some of them were reimbursed
19 because they were private right-of-ways?

20 MR. ECKARDT: Yes, but that's not the magnitude of that,
21 that is rather small.

22 CHAIRMAN MURPHY: Very good. Joe, any questions?

23 REPRESENTATIVE STEIGNER: No, not right now.

24 CHAIRMAN MURPHY: Paul?

25 REPRESENTATIVE LANDIS: Only thing I will comment on, of

1 the three points that you made, I think you have real
2 legitimate concerns of points two and three. I disagree
3 with you about point No. 1. A vast disadvantage suffered by
4 citizens of Pennsylvania. Further down you talk about this
5 would help utility ratepayers, and I think if you substitute
6 ratepayers to citizens it would be a bit more correct. Not
7 that they aren't, but the citizens of Pennsylvania are made
8 up of those who pay highway taxes at the pumps and
9 distributors are not at the pumps, but get based on out
10 pumps as well as ratepayers.

11 It is really one hand to another as far as the
12 citizens are concerned. The ratepayers, yes; the drivers,
13 not necessarily. So I just wanted to make that point.

14 CHAIRMAN MURPHY: Thank you. Robert Liptak, President
15 of the Shenango Valley Water Company.

16 MR. LIPTAK: Mr. Chairman and members of the Committee,
17 my name is Robert G. Liptak, Jr. I am President of the
18 Shenango Valley Water Company, an investor-owned water
19 utility, serving customers in Mercer County. I am also
20 President of the Roaring Creek Water Company in Shamokin and
21 the Pennsylvania Water Company located in Sayre,
22 Pennsylvania. In addition, I serve as Secretary-Treasurer
23 of the Pennsylvania Chapter of the National Association of
24 Water Companies, a trade association of the investor-owned,
25 regulated water suppliers in the United States. I am

1 appearing today on behalf of the water companies I serve to
2 speak briefly in support of H.R. 2082 which provides for the
3 reimbursement of relocation costs necessitated by highway
4 construction projects funded by the federal government. I
5 appreciate being given the opportunity to testify today.

6 In our companies a great deal of effort goes into
7 planning a long range capital budget. This includes both
8 new utility plant and scheduled replacement or upgrading of
9 existing plant. Hand in hand with this planned construction
10 budget we prepare a source and application of funds which
11 indicates the manner in which these projects will be
12 financed. Unexpected, unscheduled and unplanned
13 expenditures adversely affect our capital budgets and
14 necessitate either unusual borrowing or the postponement of
15 more important projects.

16 Last year the Shenango Valley Water Company spent
17 \$125,000 relocating a 12" water main for a townscape
18 improvement project in downtown Sharon. I realize this
19 doesn't sound like a great deal of money when compared to
20 some of the numbers mentioned by the gas or electric
21 utilities or even in comparison to the larger water
22 utilities testifying today. But, we only have 16,000
23 customers and average a \$500,000 construction budget each
24 year. Although this was an important project for downtown
25 Sharon, the relocation did not benefit the water customer in

1 any major way and there are many projects where \$125,000
2 could have been put to better use. Still, this money had to
3 be spent for improvements the water company customers didn't
4 want or need at a time when we didn't plan to spend it.
5 These costs were more properly a part of the townscape
6 project and should be reimbursable.

7 The knowledge that "someone else", in this case the
8 utility, will bear the cost of necessary relocations can
9 encourage design without regard to the concerns of the
10 utility and mask the true cost of the project. On the other
11 hand, properly making utility relocations a part of the
12 project cost to be funded by the beneficiary of the project,
13 provides the incentive for cooperation with the utility to
14 design around relocations wherever possible. The potential
15 exists for an actual reduction in the overall true project
16 costs.

17 This proposed bill as I understand it provides that
18 the amount due the utility will be adjusted for any
19 resulting increase in the value of the new facilities or for
20 any salvage value derived from the old facilities.
21 Consequently there can be no subsidizing of the utility
22 ratepayer by the political taxpayer. There is instead a
23 true allocation of costs in a manner bearing a closer
24 relationship to who benefits from the project.

25 Many of the areas served by our companies,

1 especially in western Pennsylvania, have been hard hit
2 economically with plant closings and work force cutbacks. I
3 have argued for a long time that our abundant, reasonably
4 priced water supplies and well maintained, professionally
5 managed and operated systems are a strong attraction that
6 will eventually bring people and industry back to the areas
7 we serve. I do not pretend that increased capital
8 requirements resulting from unexpected highway projects are
9 the major influence in our rates or in any company's
10 possible decision to relocate in our service territories.
11 However, decreasing financial pressures that benefit all of
12 our customers can only have a positive influence on our long
13 overdue economic recovery.

14 I ask your favorable consideration of this
15 important legislation and thank you again for the
16 opportunity to make these comments.

17 CHAIRMAN MURPHY: Thank you, Mr. Liptak. You mentioned
18 a project in Sharon called Townscape Project. Was that
19 conducted by PennDOT, or was it a utility relocation for the
20 highway, or was it for a --

21 MR. LIPTAK: That was on a state highway and federal
22 funds were utilized. It was not particularly a PennDOT
23 project, such as downtown Sharon wants to do sidewalks and
24 other things in connection with roads.

25 CHAIRMAN MURPHY: You raised another issue that would

1 get us out of the bill, that's the question of relocation
2 caused by other highway construction. Let's say there is a
3 beautification project in some town and there are federal
4 funds available, FUD funds, we will say, econmical
5 developmental funds that are available, and I don't know
6 whether that would cover the cost of the utility
7 relocations, you might know that; and do they now?

8 MR. LIPTAK: In most cases, they do not. I can think of
9 one of the reasons.

10 CHAIRMAN MURPHY: I'm wondering if then you could apply
11 for those funds, also if there was an adequate match for
12 utility relocations, and whether they can be reimbursable
13 also. Have you had to relocate water lines where a cable or
14 any utilities were being relocated because of beautification
15 of other highway projects?

16 MR. LIPTAK: Yes, I have.

17 CHAIRMAN MURPHY: You had to do that also?

18 MR. LIPTAK: We had to do that also.

19 CHAIRMAN MURPHY: That would be very interesting to look
20 at. I know in the City of Pittsburgh there has been
21 significant relocations.

22 I don't have any other questions.

23 REPRESENTATIVE STEIGHNER: Along the same lines, have
24 you ever had a project where you have shared the cost with
25 the local municipality or the Commonwealth? What I'm

1 thinking of, we are involved in a situation in Butler that
2 we are putting all new traffic signals in, at the same time
3 the Downtown Renaissance Commission is involved in sidewalks
4 and facades, and so on. I believe the local gas company is
5 involved in moving some of their gas lines.

6 We just came to an agreement earlier this week
7 where the utilities can share the Commonwealth's conduits,
8 so to speak, underneath the ground on Main Street. I
9 believe they are sharing this cost some way. Have you ever
10 been involved in something like that?

11 MR. LIPTAK: I can't remember exactly like that. In all
12 cases, we do get cooperation in the community. There is an
13 attempt made, whenever it is possible, to fund these
14 projects, but I think sometimes the projects only look good
15 because they are able to exclude some of these costs. They
16 don't have to pay because they know somebody else is going
17 to be responsible for paying. So sometimes the benefit,
18 cost relationships or whatever is done, is not to justify a
19 project like this and only includes the majority, someone
20 else is going to have to pay for it.

21 REPRESENTATIVE STEIGHNER: One of the projects -- we had
22 a project, interconnecting line at one particular
23 intersection that PennDOT could use the utilities area
24 underneath to connect those lines, but from intersection to
25 intersection there wasn't an opportunity to do so. So we

1 have got the additional funding from PennDOT, and that's
2 also opened up some new avenues for the utility as well.

3 MR. LIPTAK: It certainly will.

4 REPRESENTATIVE STEIGHNER: I don't know if it is
5 utilized or is common practice or that it happened by
6 happenstance that you were able to work out that project?

7 MR. LIPTAK: I don't know.

8 CHAIRMAN MURPHY: Representative Ron Gamble, do you have
9 any questions?

10 REPRESENTATIVE GAMBLE: No.

11 CHAIRMAN MURPHY: Paul?

12 REPRESENTATIVE LANDIS: Yes. I was wondering what do we
13 do with the township when we decide to rebuild the street.
14 Who pays for the annual relocation there?

15 MR. LIPTAK: That's our responsibility.

16 REPRESENTATIVE LANDIS: You don't bill the township like
17 you do -- for example, I know of an individual who built an
18 apartment house down there, here and the waterline ends
19 here, (indicating). \$600.00 to run the waterline down
20 there, you don't do that?

21 MR. LIPTAK: No. We are in the right right-of-way.
22 With their permission and when they do the relocation
23 project, we are caught. Now, we are often able to encourage
24 ways that they might have missed that they could design
25 around, thus the Stone Grain Project may be able to raise

1 lines or do something to avoid our project. Most cases, we
2 are stuck with the project.

3 REPRESENTATIVE LANDIS: You mentioned Sharon sidewalk
4 and curbing. PennDOT doesn't do sidewalks and curbing on
5 highways, so that would be a local project?

6 MR. LIPTAK: Except as the way I read the bill, if the
7 state's highway and federal funds involved are eligible,
8 that qualifies here.

9 REPRESENTATIVE LANDIS: Even though the highway itself
10 -- nothing was being done?

11 MR. LIPTAK: No, the highway was rebuilt, the whole road
12 was reconstructed.

13 REPRESENTATIVE LANDIS: I thought putting in a curb in a
14 lot of areas -- I thought the purpose in putting in the
15 beautification project would be for curbing and sidewalks?

16 MR. LIPTAK: Here the entire road was dug up and all the
17 work was done in the roadway, but the main reason it was
18 done, to help beautification in downtown Sharon, not that
19 the state highway needed it.

20 REPRESENTATIVE LANDIS: Harrisburg, they didn't do
21 anything to the street but the curbs and sidewalks in the
22 square.

23 CHAIRMAN MURPHY: Scott?

24 REPRESENTATIVE CASPER: Mr. Liptak, one other thing,
25 too. The issue at hand here is whether the relocation costs

1 will take money away from the available water treatment
2 funds.

3 MR. LIPTAK: That's right.

4 REPRESENTATIVE CASPER: That was alluded to earlier.
5 Could you comment on that a little bit. In other words, is
6 there a problem on having the upgrade treatment facilities
7 under statute of law? And we have problems in
8 Pennsylvania. A quarter of a million of people have to boil
9 water everyday in the state before they can drink it.

10 In your view, is that serious; that is, the aspect
11 of seeking capital for better treatment facilities that are
12 available for ratepayers, or are there places where rates
13 are higher, you can't do anything you would like to do?

14 MR. LIPTAK: It is going to depend on your -- for the
15 most part if the organization is well managed, the better
16 operated, the better funded type of water companies are
17 going to be able to find a way to finance those projects
18 somehow, regardless of these things that are thrown out,
19 whether it is a special project or federal relocation or
20 what have you.

21 REPRESENTATIVE CASPER: What about the small water
22 companies?

23 MR. LIPTAK: There are very small water companies that
24 can't afford to meet regulations they are required to meet
25 now by Public Utility Commission or DER, Environmental

1 Protection Agency, let alone the special project from a
2 federally funded highway, that I don't know how they would
3 finance it. To begin, it would be where the small water
4 company finds \$125,000.00, for us 25 percent of that year's
5 budget. We worked around it. We don't do this. Some other
6 places we look for money. We had to raise rates as a result
7 of it. For a very small company, I'm not sure what they
8 could do. We have companies now that can't go to the water
9 facility, a loan board, because they don't have the money to
10 put together a feasibility plan in order to decide whether
11 or not that project can be financed by the board. They
12 don't have enough money. Let's say \$20,000.00 to the
13 engineer study, so they can show to the board that they are
14 eligible for money, refinance may be needed.

15 REPRESENTATIVE CASPER: These are companies in
16 Pennsylvania?

17 MR. LIPTAK: Companies in Pennsylvania. As a result,
18 there is a bill before the Senate or the House to try to
19 make grant monies available to -- just so they can do
20 feasibility studies; so small, so poorly financed and in
21 such bad condition they can't even afford to do a study to
22 show the board that they badly need new plants, new mains
23 and new service, that type of thing. So there are many
24 serious problems.

25 CHAIRMAN MURPHY: Thank you, Mr. Liptak.

1 John Milantoni, Vice President of Equitable Gas
2 Company. I know this company has a few dollars in
3 relocations.

4 MR. MILANTONI: Mr. Chairman and members of the
5 committee, my name is John V. Milantoni and I am Vice
6 President-Gas Operations of Equitable Gas Company.
7 Equitable appreciates this opportunity to present testimony
8 before this House Subcommittee of Highways pertaining to
9 House Bill 2082. It is Equitable's hope and expectation
10 that this testimony will assist the members of the committee
11 in their consideration of the merits of Pouse Bill 2082.

12 Equitable is a publicly owned gas utility that
13 sells, transports and distributes natural gas in
14 Pennsylvania to approximately 245,000 residential,
15 commercial and industrial consumers. Equitable's primary
16 service areas are confined to the southwestern counties of
17 Pennsylvania: Allegheny, Armstrong, Indiana, Butler,
18 Washington, Westmoreland and Greene. During calendar year
19 1985 Equitable delivered approximately 60.0 billion cubic
20 feet (bcf) of natural gas to these consumers.

21 During the past two years (1984-1985) Equitable has
22 expended approximately \$2.2 million on various federally
23 funded projects in Pennsylvania including bridges and
24 highways, where Equitable has renewed and relocated its
25 facilities and has not been reimbursed for these relocation

1 expenditures. Various utilities and utility organizations
2 such as the Pennsylvania Gas Association have demonstrated
3 support for utility reimbursement and have attempted to
4 encourage solutions and address the problems of the cost of
5 utility relocation. Equitable expects the level of
6 construction investment to escalate in the future due to
7 increased emphasis by City, County and State governments in
8 renewing and relocating highways and bridges in
9 Pennsylvania. This construction trend will continue to
10 influence and impact Equitable's service area. Equitable
11 supports this legislation in the expectation that it will
12 prevent unnecessary increases in the rates of its consumers.
13 Further, federal law permits allocation of monies in
14 federally funded projects to utility relocation but as you
15 are aware, the states must approve corresponding enabling
16 legislation to permit this occurrence.

17 The majority of the states have enabling
18 legislation which permits them to receive federal
19 reimbursement for various types and varieties of
20 construction projects where its public utilities must
21 partially or totally relocate or renew facilities. Through
22 enactment of similar legislation in Pennsylvania an
23 evenhanded distribution of costs incurred by utilities would
24 essentially return tax dollars to Pennsylvania to be used
25 for utility relocation reimbursement, thus preventing the

1 utility's ratepayers who paid their fair share of the tax
2 dollars initially from having to incur this expense again in
3 their utility bills. I say this because if the utilities
4 are required to pay for their relocation costs, they have
5 the ability to recover such costs in their rates if such is
6 approved by the PUC, and these increased costs will in turn
7 be reflected in the ratepayer's bills.

8 I now would like to turn your attention to the
9 specifics of cost reimbursement for utility relocations
10 under the scenario which presently exists. Utility
11 relocations generally involve the modification or
12 reconstruction of existing utility plant serving the public
13 in order to permit the completion of a public or a private
14 construction project. The utility is reimbursed for the
15 costs associated with renewing and/or relocating its
16 facilities necessitated by private construction projects by
17 the entities who sponsor the project.

18 When the facility to be relocated is within the
19 limits of the public right of way, then the cost of
20 relocation is initially borne by the utility which later
21 usually recovers the expenditure from its ratepayers after
22 approval of such costs by the PUC. There are two
23 exceptions. The first exception to the utility initially
24 bearing these costs occurs where the Public Utility
25 Commission has assumed jurisdiction (primarily in highway

1 rail crossing areas), in which case the PUC equitably
2 decides on the percentage of costs for relocation of
3 facilities to be awarded to the parties involved in the
4 project. This exception remains unaffected by House Bill
5 2082 due to its specific exclusion at page 2, lines 2-6 of
6 PUC jurisdictional proceedings. The second exception to the
7 utility initially bearing these costs occurs where an
8 existing private property right of way has been overtaken by
9 an extension of the public right of way. In this case, the
10 utility facility retains its private property status, and
11 the utility would be reimbursed for any required relocation.
12 If the utility facility to be relocated is on private
13 property, the utility would be reimbursed for the required
14 relocation.

15 As I've previously stated, if not reimbursed for
16 their relocation costs, utilities presently have the ability
17 to recover the cost of such relocations as a capital
18 expenditure and such is normally recovered from the
19 ratepayer through his utility bill. Any additional capital
20 costs which a utility must bear for relocating its
21 facilities generally result in larger utility bills for its
22 ratepayers.

23 I now would like to address the specifics of House
24 Bill 2082 and how such will benefit the utility's
25 ratepayers. House Bill 2082 would amend the State Highway

1 Law to enable Pennsylvania to receive federal funds for
2 utility relocations necessitated by those public projects
3 which entail federal aid participation. Two main benefits
4 to the utility ratepayers are:

5 (1) the proposal utilizes federal funds to a
6 greater extent, thereby lessening the local cost impact; and
7 (2) the proposal allocates the cost of utility relocations
8 in a manner which bears a closer relationship to the
9 beneficiaries of the project, the travelling public or
10 general public rather than the utility ratepayer.

11 Under House Bill 2082, the cost of relocation of
12 the facilities of public utilities necessitated by the
13 construction, reconstruction, widening or relocation of any
14 state highway, bridge or tunnel or any part thereof which is
15 part of a project for which some portion of the cost is to
16 be reimbursed to the highway department from federal funds
17 shall be reimbursed to the owner of the public utility
18 facilities by the Pennsylvania Department of Transportation.
19 The cost of relocation shall include the entire amount paid
20 by the owner of the public utility for relocation of the
21 utility facilities after deducting from that amount any
22 increase or improvement in the value of the new facilities
23 and any salvage value.

24 House Bill 2082 should be enacted because
25 Pennsylvania taxpayers' dollars are presently being used to

1 reimburse utility relocations in those states having
2 legislation allocating federal funds for utility relocations
3 necessitated by those public projects which entail federal
4 aid participation. Hence, Pennsylvania utility ratepayers
5 and taxpayers are contributing to minimize rates of other
6 states' utility consumers while the Pennsylvania utility
7 consumers do not enjoy the same economic benefit.

8 As previously noted, Equitable spent \$1,150,000 in
9 1984 and \$1,012,000 in 1985 for non-reimbursable
10 federal-funded projects, primarily in the East St. Valley
11 Expressway and associated project(s). Equitable occupies
12 dozens of bridges and highways with viable and worthwhile
13 facilities, and the Company believes that unnecessary
14 utility relocation expenses to replace and relocate
15 pipelines, regulators, meters, valves, cathodic protection
16 systems and other facilities is not a worthwhile utilization
17 of the Company's resources or ultimately of its ratepayers'
18 dollars.

19 In summation, the impact of this legislation on
20 Pennsylvania's utility consumers will enable a potential for
21 minimizing utility relocation costs which do not produce a
22 system or service improvement for the utility's consumers.
23 Equitable respectfully submits its support of this
24 legislation.

25 CHAIRMAN MURPHY: Thank you. Do you have any idea

1 of the total cost in Pennsylvania that gas companies spent
2 for -- has your association compiled those numbers by any
3 chance?

4 MR. MILANTONI: Yes. Over the last approximately six
5 years the expenditure has been approximately \$6 million.

6 CHAIRMAN MURPHY: Totally, state wide?

7 MR. MILANTONI: Yes.

8 CHAIRMAN MURPHY: Freely company owned?

9 MR. MILANTONI: For the state. Not just Equitable gas.

10 CHAIRMAN MURPHY: Most of these are federally funded.
11 Is that just federally funded highways or is that total
12 expenditures?

13 MR. MILANTONI: It would be the types of construction
14 projects which would be affected by this House bill.

15 CHAIRMAN MURPHY: By the House bill. On a major project
16 like the East Street Valley Expressway -- or I think you
17 also relocated gas lines on Marshall Avenue, for example,
18 which is one smaller project on the North Side --

19 MR. MILANTONI: That's correct.

20 CHAIRMAN MURPHY: Does the work -- do you hire --
21 subcontract that out or do you have your own employees that
22 do that relocation work?

23 MR. MILANTONI: The work is done on an as needed basis.
24 A great deal of the work can be done by Equitable's
25 employees and some construction maintenance crews is done by

1 the company. Some of the projects are so large that we have
2 the expert -- neither expertise nor the equipment to do,
3 therefore, we contract it out.

4 CHAIRMAN MURPHY: On the East Street Valley Expressway,
5 the million dollars that were spent this last year, that was
6 largely subcontracted out; would that be correct?

7 MR. MILANTONI: Yes, I would suggest it was primarily
8 contracted out.

9 CHAIRMAN MURPHY: How would you react if we amended this
10 bill knowing that it might not be the best of all worlds for
11 you, but to require the utilities to put up a match for
12 Federal funds be it 90/10 or 75/25 or 50/50?

13 MR. MILANTONI: We certainly would support that split.
14 However, there does seem to be some question as to the
15 wording in the federal law in terms of whether that is
16 permitted. That's unclear, I think.

17 CHAIRMAN MURPHY: I guess we have created perhaps a
18 district that at least permits that to be done for
19 transportation projects. We have to look and see if we do
20 it.

21 MR. MILANTONI: Are you referring to federal
22 legislation?

23 CHAIRMAN MURPHY: I'm talking about federal
24 legislation. We have done that, tried to match for
25 transportation projects except in Allegheny County. And so

1 that is possible to do for actual construction of highways
2 or other facilities like that; whether it is also true for
3 reimbursement for utility relocation, we will look at that.

4 MR. MILANTONI: Because -- the answer obviously to your
5 question, we could live with that.

6 CHAIRMAN MURPHY: Joe?

7 REPRESENTATIVE STEIGHNER: Briefly, do you know are
8 there other states that have a match?

9 MR. MILANTONI: I'm not aware of legislation of other
10 states.

11 REPRESENTATIVE STEIGHNER: At the bottom of page 4 of
12 your testimony -- just again so I understand where we are
13 coming from -- if I live in another state whose utilities
14 are reimbursed for relocation costs, then the federal
15 taxpayer -- in other words, I pay the tax to the federal
16 government. That share of tax money in Pennsylvania right
17 now is not coming back to me right now because my utilities
18 are not reimbursed, and in addition to that, federal tax
19 money that I'm paying is not coming back. I'm also a
20 ratepayer paying additionally because my utilities are not
21 reimbursed.

22 MR. MILANTONI: That's correct.

23 REPRESENTATIVE STEIGHNER: So I'm really getting burned
24 both ways.

25 REPRESENTATIVE CASPER: Maybe we could have a

1 clarification here. The money that's ostensibly not coming
2 in, it is coming in, there is federal highway money as I
3 alluded to earlier, we are talking about highway
4 construction money. We are not talking about a special
5 program for beautification or whatever. We are talking
6 about federal highway construction money that the federal
7 government is saying -- correct me if I'm wrong -- is that
8 legitimate highway construction expense for the East Street
9 Valley Expressway or Schuylkill Expressway or whatever, is
10 to provide reimbursement to the utilities for relocation of
11 their lines.

12 So if you want to throw that into the price of the
13 project, that's up to you, because Pennsylvania -- if you
14 can match all of the feds available up to the ceiling in
15 your portion, you get can X number of dollars to spend,
16 approximately \$400 million to spend in the state in highway
17 construction projects, where you spend them in the state and
18 how they are spent, just so according to Hoyle, as far as
19 the federal government is concerned is up to the states.

20 So it is not a situation that we don't have money
21 coming into Pennsylvania because we don't have this law. It
22 is a question of how we spend the money we get within
23 Pennsylvania, within the projects and from project to
24 project within the state; isn't that correct?

25 MR. MILANTONI: I'm not sure that is correct. I'm not

1 absolutely sure as to how the funding is allocated to the
2 federal level. I do believe that the pot is adjustable
3 based upon the types and varieties of projects that are
4 forthcoming from PennDOT to the federal government, and I do
5 believe there is some flexibility as to what is going to be
6 reimbursed to the states from federal funds.

7 REPRESENTATIVE CASPER: Yes. If there aren't state
8 matching funds available, which was the case a few years
9 ago, we couldn't reach our maximum apportionment in federal
10 funds, because we didn't have enough state funds to match.
11 That is not the case now. We are hitting the ceiling right
12 now. We can't get any federal funds in Pennsylvania
13 reassessed, it is -- I don't think -- more of our share
14 because of falling back.

15 CHAIRMAN MURPHY: Ron?

16 REPRESENTATIVE GAMBLE: This 2.2 million for two years,
17 is that a good average or is that high? You pointed out in
18 the last two years 2.2 million.

19 MR. MILANTONI: 2.2 million is significantly high
20 because of involvement in the East Street Valley
21 Expressway. And obviously that type of project is not
22 coming down the so-called pike every year. It just so
23 happens that almost every year the construction projects
24 going on happens to affect our pipeline facilities.

25 REPRESENTATIVE CASPER: And you have 245,000 customers.

1 So if you took that into account, the 2 million, each
2 customer, if you averaged it, is not a real fair average, it
3 would cost \$4.50 a year for those two years. And then if we
4 did the 90/10 match and utilities were to pick it up,
5 instead of the consumer paying \$4.50, it is paying 45
6 cents. If this is high -- I really don't see the real
7 importance of it if, in fact, this money to the --
8 construction money can go into the projects, into our roads,
9 rather than reimbursement.

10 MR. MILANTONI: Into the reimbursement for the utility
11 installations. I would suggest to you, I am testifying that
12 the 2.2 million is high for two years. We anticipate that
13 the level of expenditures is going to be somewhere
14 approaching that 2 to 4 year 50 percent level on an ongoing
15 basis for somewhere between the next five, ten years in our
16 estimation.

17 There are a great number of bridges and highways in
18 Allegheny County, for example, which are scheduled for
19 either reconstruction, relocation or renewal, that Equitable
20 has pipelines occupying those facilities, that we would have
21 to be reinvesting or investing our capital dollars into
22 simply because of construction projects, not for system
23 improvement of pipelines.

24 REPRESENTATIVE CASPER: But the fewer projects we will
25 be able -- the state will be able to do fewer projects. If

1 we did the 90/10 match, those bridges may not be done, and
2 we were to go into the program, I'm playing the devil's
3 advocate, knowing that PennDOT is going to be saying --

4 MR. MILANTONI: What you're doing is it -- well,
5 however, I would suggest to you that Equitable's ratepayer
6 is also a taxpayer, is certainly not getting anything for
7 his tax dollars, and he is getting double-dipped because
8 Equitable must survive by passing on its costs to its
9 consumers, and he pays then again for relocation and renewal
10 facilities that were, for no other reason, were renewed and
11 relocated except for the reconstruction of highways and
12 bridges.

13 REPRESENTATIVE CASPER: Your point is well taken.

14 CHAIRMAN MURPHY: Paul, anything?

15 REPRESENTATIVE LANDIS: No.

16 CHAIRMAN MURPHY: Scott?

17 REPRESENTATIVE CASPER: No.

18 CHAIRMAN MURPHY: Thank you.

19 Richard Atkinson, Special Assistant for Associated
20 Pennsylvania Constructors.

21 MR. ATKINSON: Representative Murphy, Representative
22 Gamble, Representative Steighner, good morning. My name is
23 Richard Atkinson, and I am the Legislative Director to the
24 Associated Pennsylvania Constructors, an Association of more
25 than 500 Pennsylvania firms involved in highway and bridge

1 construction and related businesses. Thank you for the
2 opportunity to present the views of the Association on House
3 Bill 2082, legislation that would require the Department of
4 Transportation to reimburse utility companies, from federal
5 highway funding, for utility line relocation on
6 federally-aided highway projects.

7 The members of the Associated Pennsylvania
8 Constructors understand the problems caused by spiralling
9 utility rates. We are, after all, ratepayers both as
10 businesses and as individuals. Efforts to reduce rates or
11 at least hold them in check are laudable.

12 We believe, however, that it is not in the best
13 public interest to subsidize utility rates at the expense of
14 our highway and bridge program, which, we believe, is what
15 House Bill 2082 would do.

16 Pennsylvania depends heavily on its highways and
17 bridges. Nowhere is that more evident than here in
18 Pittsbrgh, a city that is coming to life as its highway
19 system is completed and again highway and bridge facilities
20 are reconstructed. Pennsylvania is using every available
21 dollar, both state and federal, to best advantage in serving
22 the transportation needs of the highway users who have
23 provided the money.

24 The program is making progress, as you have clearly
25 seen on jobs like the Parkway East reconstruction and the

1 Pittsburgh Interstate System, which is currently under
2 construction. But even the progress is not enough, because
3 as we reconstruct, other existing transportation facilities
4 age and deteriorate.

5 For example, in 1982 the Legislature enacted a
6 six-year, \$1.4 billion program to replace or reconstruct 970
7 bridges throughout Pennsylvania. It is an outstanding
8 program which is on target and achieving results.
9 Nevertheless, PennDOT is currently placing weight
10 restrictions on more than 2,000 bridges statewide that are
11 either too old or too weak, by federal standards, to carry
12 legal weight limits.

13 If we are to continue to progress in solving
14 highway and bridge problems, for the benefit of all
15 Pennsylvanians, as the General Assembly has worked so hard
16 to do in this decade, we must continue to commit all
17 available resources to the task, rather than diverting them
18 to other uses.

19 As you know, Pennsylvania has a very sophisticated
20 highway plan, developed every two years, looking forward for
21 12 years. The plan is designed to construct priority
22 highway and bridge projects as quickly as the plans can be
23 developed and cash flow allows.

24 I have received only rough estimates of the amount
25 of federal highway funding that would be diverted from the

1 highway program under House Bill 2082, but a ballpark figure
2 seems to be about \$10 million per year. I'm told that that
3 could be as high as 14 to 15 million in terms of relocation
4 projects that are involved under this piece of legislation.
5 That \$10 million, which would be paid to utilities, has
6 already been figured into the projected highway and bridge
7 program. If it is diverted, obviously adjustments in the
8 program would be required. That means that projects that
9 have been determined as priorities, as needs of the
10 Pennsylvanians who have put up the money to pay for them,
11 will be shelved or delayed. We believe that is a situation
12 which should be avoided.

13 An additional consideration in eliminating or
14 postponing highway and bridge projects is that they mean
15 jobs to the highway construction contractors who do the
16 work. Federal Highway Administration statistics indicate
17 that \$1 million in highway project funding supports 75
18 direct and indirect jobs. Construction industry employment
19 is always tenuous, and we would hope that the Legislature
20 would continue on its current course of trying to enhance it
21 rather than detract from it by diverting highway
22 construction money.

23 Utility companies in Pennsylvania have always
24 gotten a good deal when it comes to using highway real
25 estate. In most cases, they pay an administrative permit

1 fee of \$35 for the right to locate in highway right-of-way
2 in perpetuity. No purchase price is required. No permit
3 renewal is required. No rental rate is required. Additional
4 costs are incurred only when the utilities cut into the
5 right-of-way to service the facilities, in which case they
6 pay a permit fee and an inspection fee to ensure that their
7 repair of the cut is up to Department of Transportation
8 safety standards, or when facilities must be moved
9 accordingly to accommodate highway construction work.

10 Facilities placed on or under bridges are treated
11 differently, however. An annual permit fee is charged based
12 on the weight of the facilities, \$10 per 1,000 lbs. But
13 even this fee cannot be imposed when the Public Utility
14 Commission orders the location of the facilities on or under
15 the bridge, a situation which covers roughly one-third of
16 all bridge-carried utilities.

17 Highway users have paid for the right-of-way with
18 their tax dollars. They have provided it, in most cases,
19 rent-free and cost-free to utilities to help them manage
20 costs and keep utility rates low. House Bill 2082 would
21 require highway users to pay to move utilities from the
22 rent-free, cost-free locations the highway users have
23 already provided, to other cost-free, rent-free locations,
24 again purchased by highway users.

25 In summary, the Associated Pennsylvania

1 Constructors oppose House Bill 2082 for two reasons:

2 First, it would divert needed highway dollars from
3 the highway program. The result of the diversion will be
4 projects planned and anticipated by Pennsylvania's highway
5 users needlessly delayed. Regardless of the amount of the
6 diversion, we believe this is contrary to the public
7 interest.

8 Second, highway users have already made a
9 significant contribution to keeping utility costs down by
10 providing right-of-way for utility lines free of purchase
11 price or rent. No one can calculate how much money
12 utilities and ratepayers have saved over the years, but it
13 surely has been an extremely large amount.

14 Diverting highway funds to utilities is a classic
15 case of robbing Peter to pay Paul, and we encourage the
16 Legislature to refrain from doing so.

17 Thank you again for the opportunity to present
18 these views. I'll be happy to try to answer any questions
19 you may have.

20 Before I conclude, there was one point that was
21 raised earlier that I think I would like to address, and
22 that is the notion that Pennsylvania taxpayers are
23 subsidizing utility line relocations in other states.
24 Pennsylvania, at one point in time, was what was known as
25 donor state in regard to highway federal funding, which

1 means we received back from the federal government less
2 dollars than what we sent to them.

3 That is no longer the case. We are now a recipient
4 state, that we receive more federal highway funding back
5 than Pennsylvania residents pay in federal gasoline taxes.
6 It is close, almost one to one, it is dollar to dollar,
7 something of that order. But if we are receiving back more
8 funds than Pennsylvanians are paying into the federal
9 highway trust funds, I don't understand how it can be.

10 A certain person said that we are subsidizing
11 operations that are taking place in other states. Realizing
12 highway federal funds, I don't think that follows on that
13 kind of order.

14 I would simplify the point that Scott Casper made
15 about the rigidity of the amount of federal highway funding
16 that is available to Pennsylvania. It is not based on the
17 amount of projects that is in Pennsylvania pipeline. It is
18 an allocated portion amount. Spend it as you will within
19 federal guidelines. Granted, those federal guidelines could
20 include the possibility of using the utility line
21 relocation. It is still your allocation, spend it as you
22 see fit.

23 Thank you very much for an opportunity to express
24 my views.

25 CHAIRMAN MURPHY: Richard, if I can follow up on what

1 you just said. It is my understanding for the last few
2 years that Pennsylvania has been maxing out, so to speak,
3 draining out money available, too. Is that true, only in
4 this category, not only the 90 match?

5 MR. ATKINSON: Pennsylvania has not only utilized the
6 entire initial allocation, but in at least the majority of
7 the years, since 1982, I believe, they have pulled in
8 federal funding from other states as additional allocations
9 when the states have not used federal highway funding.

10 CHAIRMAN MURPHY: In cases before 1982 though, where for
11 reasons there was probably not available a state match, but
12 did not draw all our money down in the future, if we do not
13 for whatever reasons have sufficient state matched funds to
14 draw our money down, would you have any objection at that
15 point permitting utility reimbursement if they were willing
16 to put up the match?

17 MR. ATKINSON: I feel that we are getting into an area
18 of trying to subsidize one problem out of the funding that
19 is clearly intended for another problem area, and it doesn't
20 seem to me to be a matter of proportion or a matter of how
21 much money you're going to allocate to the particular
22 problem. I think the concept of trying to address the
23 relocation problem out of federal highway funding is not a
24 good one, I don't think really it is one we can support. I
25 think if a problem is severe, one problem like for --

1 another way to address it, I'm not sure what that way is.

2 CHAIRMAN MURPHY: You're simply suggesting you are not
3 supporting any case even if money is returned back to the
4 federal government that we would --

5 MR. ATKINSON: If money is going to be returned back.

6 CHAIRMAN MURPHY: Prior to 1982 we lost enormous sums of
7 money turned back to the federal government in that
8 particular case, and again we did not have a sufficient
9 stack of cash flow to put up the match. Even in that case
10 you would not support -- if we support these utilities
11 compiled, we would put up the match, even get federal funds
12 and federal funds not drawing in any case would not support
13 that.

14 MR. ATKINSON: I misunderstood your question. In case
15 you decide that it would be legitimate --

16 CHAIRMAN MURPHY: Much of the recent year in the states
17 and of the Department of Highway that is, in fact, what has
18 happened.

19 MR. ATKINSON: To utilize money that is, otherwise,
20 drawn back to the states, I would think that would be
21 legitimate.

22 CHAIRMAN MURPHY: Do you have any questions?

23 REPRESENTATIVE STEIGHNER: No.

24 CHAIRMAN MURPHY: Scott?

25 REPRESENTATIVE CASPER: No.

1 CHAIRMAN MURPHY: Jim Pearson, Director of Governmental
2 and Owner Relations, Constructors Association.

3 MR. PEARSON: Mr. Chairman, if I may, my reason for
4 being here, in the past we still work with and we will
5 continue to work with, affiliated with APC. They have and
6 held most of the tasks like this force in the past, but this
7 particular legislation near and dear to my heart, I have
8 been working on many years, and now that we have our highway
9 trust funds and we finally have enough money to do the job,
10 I felt that one point we made -- certainly the endorsement
11 made by Richard, he just said, and these recommendations are
12 100 percent correct.

13 Mr. Chairman and Members of the Special Committee
14 on House Bill 2082, my name is James R. Pearson, Director of
15 Government and Owner Operations of the Constructors
16 Association of Western Pennsylvania. The Constructors
17 Association represents 110 heavy and highway contractors and
18 80 associate members in the 33 Counties of Western
19 Pennsylvania.

20 I have been with the Association since 1948 and
21 since that time have witnessed the periodic peaks and
22 valleys in the highway program. As you are aware, we have
23 had legislation for many years which provided for dedicated
24 funding of our highways. Prior to that time, highways were
25 always last on the list at budget time.

1 Since the dedicated funding, we have had periods
2 where the funding was simply not enough to provide us with
3 the funds necessary to build or to maintain our highways.

4 The legislature has recognized that need in recent
5 years and has been providing the revenue which is now being
6 utilized to provide the transportation system to revitalize
7 our state. At no time during all this period has there been
8 any serious attempts at using the available funds for other
9 than the purpose for which they were dedicated.

10 During this critical time in which we are trying to
11 rebuild our economic base, it would be the worst time to
12 consider such a move.

13 Using funds provided for the maintenance and repair
14 of our highways for any other purpose would be a violation
15 of the trust of those who are paying for the system.

16 In the case of the present proposed legislation,
17 the so-called "User Fee," which is and should be paid by the
18 utility customers for the use of the utility service would
19 be dumped again on the motorist. The motoring public would
20 again be eventually faced with increased fees for their use
21 of the highways.

22 Once this parceling out of a part of our dedicated
23 transportation fund is permitted, it would be only the
24 beginning. Others would follow and the deterioration of the
25 very transportation system we have struggled so hard to

1 build would begin.

2 I urge you to vote no not only to this attempt to
3 invade the fund but to all such attempts in the future.

4 CHAIRMAN MURPHY: Jim, I am going to ask you the same
5 question I asked Mr. Atkinson before; that is, I'm assuming
6 your association will have no objection, if like we had done
7 in previous years, that they are going to turn back federal
8 funds and federal funds not be drawn as a lack of the
9 match. You would have no objections permitting utilities to
10 get reimbursement?

11 MR. PEARSON: I second that. Basically, the federal
12 trust fund is the same type of thing. I don't think it is
13 -- it ought to be used. It is being used and permissible
14 under federal law. I have no objection to that.

15 CHAIRMAN MURPHY: Your only concern, if we are maxing
16 out on the amount of money that we are drawing down, this
17 money be diverted from highway users?

18 MR. PEARSON: Right. I'm more concerned in recent years
19 -- as I ended up here, in recent years we have come to the
20 term user fee, and the public is buying that. They see what
21 they are getting for it, and they are paying it -- for
22 that. They established that acceptance. I would hate to
23 see that start to be taken away.

24 CHAIRMAN MURPHY: I'm curious as to what other ghosts
25 you see besides utility relocation as a potential cost,

1 because you referred to others will follow, and I'm curious
2 as to what other efforts there are to divert highway funds
3 from highway construction.

4 MR. PEARSON: When we have the money, which we have
5 now. Thank goodness there are a lot of people out there who
6 are going to find ways to come up with legitimate loans.
7 Now, Rick said, I believe, utility customers -- I believe,
8 there is a problem. It might be something else which I
9 can't even foresee now. But I'm sure there are people out
10 there who will find a way to want to get into funds if it is
11 diverted. I can't directly answer the question. But
12 somebody will come up with the answer.

13 CHAIRMAN MURPHY: Joe?

14 REPRESENTATIVE STEIGHNER: I don't think we have the
15 time.

16 CHAIRMAN MURPHY: Let me introduce Representative David
17 Mayernick. Do you have any questions?

18 REPRESENTATIVE MAYERNICK: No, I don't.

19 CHAIRMAN MURPHY: Jim, thank you.

20 Ed Berckmiller, Duquesne Light Company. Why don't
21 you begin.

22 MR. BERCKMILLER: Thank you very much for giving us the
23 opportunity to comment on this proposed legislation.

24 Duquesne Light Company supports HB-2082 which would
25 require the Department of Highways to reimburse utility

1 companies when the relocation of their facilities is
2 necessitated by a project involving the construction or
3 relocation of a State highway, bridge or tunnel and the
4 project is at least partially federally funded. This
5 legislation would not only benefit Duquesne Light Company
6 customers but the customers of our utilities throughout
7 Pennsylvania.

8 The proposed bill will reduce the amount of money
9 which a utility has to provide to relocate their facilities
10 affected by the Department of Highways construction
11 projects. During 1984 and 1985, Duquesne Light Company
12 spent \$4,475,000 and \$1,443,000 respectively on relocation
13 cost for the Department of Highways bridge and highway
14 projects. These are capital expenditures which eventually
15 result in higher utility bills for the rate payer.

16 During the five year period from 1982 through 1986,
17 Duquesne Light Company will have spent approximately
18 \$7,800,000 to relocate facilities affected by the Department
19 of Highways projects.

20 There are several ways this Legislation will
21 benefit all the residents of Pennsylvania who are all
22 utility rate payers to some extent.

23 First, the bill utilizes Federal funds to a greater
24 extent in order to lessen the local cost impact. Federal
25 law permits the reimbursement for utility relocations on

1 federally funded projects provided such payment does not
2 violate state law. Numerous states, including Delaware, New
3 Jersey, New York, West Virginia and most recently New
4 Hampshire, have laws which allow reimbursement. Thus, when
5 a motorist drives their automobile on a highway in those
6 states, they are doing so at the expense of Pennsylvania tax
7 payers who have contributed through their Federal tax
8 dollars to the cost of the required utility relocations. At
9 some time, Pennsylvania tax payers are also paying for
10 substantially 100% of public utility relocations in the
11 Commonwealth via their utility bills.

12 Secondly, the proposal will allocate the cost of
13 utility relocations in a manner which bears a closer
14 relationship to the beneficiaries of the project. Utility
15 relocation costs are presently borne by the utility's rate
16 payers. Depending upon the utilities geographic size and
17 location, the costs may either be distributed over a large
18 number of rate payers or the costs may fall
19 disproportionately heavily on a small number of rate payers,
20 who bear little if any relationship to the beneficiaries of
21 the highway project. Utility bills fall particularly hard
22 upon the unemployed, poor and the elderly, and their bills
23 should not be increased in order to subsidize public
24 construction projects.

25 And third, the bill will minimize the total project

1 costs. Reimbursement for utility relocation costs will
2 further ensure the lowest overall cost for a project. At
3 the present time, the designers of the highway projects are
4 concerned with obtaining the greatest benefit at the lowest
5 cost for the dollars which they supply for a highway
6 project. However, the associated utility relocations costs
7 which are borne by the utilities generally do not receive
8 the same consideration by the project designers as do the
9 immediate project costs. Presently, the designers exhibit
10 little, if any, concern for the impact of the project on
11 utility rate payers.

12 Under the proposed legislation, the Department of
13 Highways would know from the outset that they are
14 responsible for the total project cost (which includes the
15 required utility relocations) and their efforts will be
16 focused on minimizing this amount. Such an approach will
17 provide the greatest benefits to the rate payer and tax
18 payer.

19 In summary, the total costs of the Department of
20 Highways project to the Pennsylvania rate payer and tax
21 payer will be reduced by virtue of the use of Federal funds
22 for utility relocation costs. Federal funds are presently
23 being used by other states to support utility relocation; it
24 is time for Pennsylvania to do the same. Under this
25 legislation, the total project cost including the previously

1 hidden utility relocation costs will be identified. The
2 reimbursement to utilities for required relocations on
3 Federally aided projects will allocate the costs of the
4 highway project to the beneficiaries of the project in the
5 most reasonable and equitable ways.

6 This legislation would impose on the Department of
7 Highways the costs of utility relocations which are properly
8 a part of the total cost of the highway project and not a
9 cost of rendering public utility service.

10 I have one other comment. One of the previous
11 questions, there was a mention that the total amount of
12 money that a ratepayer will have to support for a particular
13 utility relocation seems small, talking about 40 cents or 50
14 cents, but if you multiply that amount times the various
15 utilities of water, the gas, the telephone, and the
16 electric, it starts to mount up, and even on a utility rate
17 increase as small as raising a utility bill 25 cents a
18 month, there is a cry from the general public as to these
19 rate increases which seem very small.

20 But that's the end of my comments.

21 CHAIRMAN MURPHY: Thank you, Mr. Berckmiller. A couple
22 comments. Do you have any idea state-wide what electric
23 companies have; their situation?

24 MR. BERCKMILLER: No, I do not have the information.

25 CHAIRMAN MURPHY: Could I ask maybe you contact the

1 State Electric Association.

2 MR. PERCKMILLER: There is what they call Pennsylvania
3 Electric Association. It is made up of roughly 8 to 10 main
4 utilities.

5 CHAIRMAN MURPHY: May I suggest that they develop that
6 information. Second, you made a comment that interested
7 me. Highway construction -- the highway engineers do not
8 give much consideration to the project design, to the
9 utility companies in the project design.

10 MR. BERCKMILLER: That's not what I said. I said that
11 they give very little consideration to the effects of the
12 relocation on the ratepayers. In other words --

13 CHAIRMAN MURPHY: I guess I'm going to ask you, how do
14 the -- do your engineers -- do the PennDOT engineers work
15 closely on these, or do they in effect present you with the
16 plans and tell you this is what you have to do?

17 MR. BERCKMILLER: On many occasions -- in fact, most
18 highway projects we do try to work very closely with PennDOT
19 engineers, but there are a lot of times that, you know, the
20 decisions that are made would benefit the highway
21 department, not necessarily the utilities that are involved
22 in the project.

23 CHAIRMAN MURPHY: But generally you characterize your
24 relationship as cooperative?

25 MR. BERCKMILLER: Yes.

1 CHAIRMAN MURPHY: Ron?

2 REPRESENTATIVE GAMBLE: You mentioned the consumers.
3 What utility consumers did you mention again; water, gas,
4 electric?

5 MR. BERCKMILLER: Telephone.

6 REPRESENTATIVE GAMBLE: Telephone. So they would have
7 -- would you be getting a break if this were to pass?

8 MR. BERCKMILLER: Yes.

9 REPRESENTATIVE GAMBLE: Then again, on the other hand --
10 there are two sides of the issue, unfortunately for us. On
11 the other hand, if we -- you know, this did affect the
12 water, gas, electric and telephone consumers across the
13 state, this could be a statement on millions and millions of
14 dollars of displaced federal funds, do you agree? And if we
15 were going to do this to all these utilities --

16 MR. BERCKMILLER: I agree with you, but it is at the
17 present time costing millions and millions of dollars to a
18 particular small group of utility customers depending
19 geographically how large a territory happens to be, and that
20 the Department of Highways has decided to build a highway
21 through your service area.

22 Secondly, many of the streets and roads that the
23 utilities occupy are not presently state highways. This
24 East Street Valley Expressway is a perfect example of many
25 streets that interchanges are being constructed on are City

1 of Pittsburgh streets and our permits are with the City of
2 Pittsburgh.

3 REPRESENTATIVE GAMBLE: I think the biggest question,
4 which obviously no one can answer today is, just how much --
5 for example last year would -- of federal funds had this
6 been the law, not gone into the project but gone into
7 reimbursement. I think that's the bottom line question for
8 me. What is going to be the impact on our road system in
9 bridge building, but I don't know if the others feel that,
10 that's what I feel.

11 CHAIRMAN MURPHY: Joe?

12 REPRESENTATIVE STEIGHNER: No questions.

13 CHAIRMAN MURPHY: Dave?

14 REPRESENTATIVE MAYERNICK: Not right now.

15 CHAIRMAN MURPHY: Paul?

16 REPRESENTATIVE LANDIS: You said most of the highways --
17 City of Pittsburgh highways, you know Pittsburgh itself is
18 allowed to issue permits for state highways?

19 MR. PERCKMILLER: I realize that.

20 REPRESENTATIVE LANDIS: And I would say quite a few of
21 these streets that they are building are state highways,
22 even though Pittsburgh is issuing the permit for it?

23 MR. BERCKMILLER: McKnight Road is a state highway.

24 REPRESENTATIVE LANDIS: That's one of the highways the
25 big investigation is on. The asphalt fell apart. But

1 that's a state highway even though issued by the city.

2 MR. BERCKMILLER: But the East Street Valley is a very
3 extensive project, including extensive interchanges on one
4 of Pittsburgh's side of the river, Allegheny river, north
5 side of Allegheny river and interchanges all along the main
6 corridor of the highway. What I am saying, many of those
7 roads are these interchanges that we have to remove our
8 facilities from.

9 REPRESENTATIVE LANDIS: That they were interchanges
10 going down --

11 MR. PERCKMILLER: Our City of Pittsburgh streets.

12 REPRESENTATIVE LANDIS: Most of this stuff, interchange
13 and highway will be part of the state system?

14 MR. BERCKMILLER: It will, yes.

15 REPRESENTATIVE LANDIS: It is now. It would have been
16 condemned?

17 MR. BERCKMILLER: All I'm saying is that is the total
18 part of our overall project and it should be considered.

19 CHAIRMAN MURPHY: Scott, do you have any questions?

20 REPRESENTATIVE CASPER: No.

21 CHAIRMAN MURPHY: Thank you, Mr. Berckmiller. Is Mr.
22 Seaman here?

23 MP. SEAMAN: Yes, sir.

24 CHAIRMAN MURPHY: Why don't you come up. Thomas Seaman,
25 Director of Research of Legislative Analysis, Pennsylvania

1 Gas Association.

2 MR. SEAMAN: Other than the parkway traffic, I'm glad to
3 be here. My statement is brief. I will read it and be glad
4 to respond to any questions.

5 Mr. Chairman, and members of the subcommittee, my
6 name is Thomas F. Seaman. I am Director of Research for the
7 Pennsylvania Gas Association (PGA). PGA has a membership of
8 21 natural gas distribution utilities, 7 interstate pipeline
9 companies and several allied organizations serving the
10 natural gas industry. The gas utility members account for
11 approximately 99% of the natural gas delivered to more than
12 2.3 million customers in Pennsylvania.

13 PGA thanks you for the opportunity to express its
14 views on the provisions of House Bill 2082. This bill would
15 amend the State Highway Law to enable Pennsylvania to
16 receive Federal reimbursements for the relocation of utility
17 facilities necessitated by Federally-aided highway
18 construction projects.

19 A provision in the Federal Aid Highway Act of 1956
20 authorizes the Federal Highway Administration to reimburse a
21 state for the cost of relocation of utility facilities
22 necessitated by Federally-aided highway construction
23 projects: Provided the state, in accordance with state law,
24 already reimburses such utility relocation costs.
25 Approximately 30 states have enacted statutes which

1 authorize such reimbursements. Pennsylvania has not.

2 Utility facility relocations generally involve the
3 modification or reconstruction of an existing utility
4 facility to permit the completion of a construction project.
5 A utility is presently reimbursed for any required
6 relocation of its facilities located in a private property
7 right-of-way.

8 If the facility to be relocated is within the
9 limits of a public right-of-way, the cost of relocation is
10 initially paid by the utility, which later recovers the
11 expenditure from its ratepayers. There are two exceptions.
12 The first exception occurs when the Public Utility
13 Commission assumes jurisdiction (and these are mostly in
14 highway-rail crossing areas), in which case the PUC
15 equitably allocates the costs of relocation to the parties
16 involved in the project. The second exception occurs when
17 an existing private property right-of-way has been overtaken
18 by an extension of a public right-of-way. In this case, the
19 utility facility retains its private property status, and
20 the utility is reimbursed for any required relocation.

21 Nonreimbursed utility relocation costs are
22 presently paid by utility ratepayers. These costs are
23 treated by the utility as capital costs and are included in
24 base rate filings before the Public Utility Commission. PGA
25 member gas distribution utilities incurred approximately

1 \$5.4 million in nonreimbursed relocation expenses for
2 Federally-aided highway construction projects in public
3 right-of-way during the past six years. This cost is
4 unevenly distributed and can place a disproportionate burden
5 on the ratepayers of an effected utility.

6 PGA has identified two major benefits which would
7 accrue to ratepayers and taxpayers by the enactment of House
8 Bill 2082:

9 First, the cost of utility relocations
10 necessitated by Federally-aided highway construction
11 projects in public right-of-way would be allocated in a more
12 equitable manner.

13 And second, federal funds would be used to a
14 greater extent in order to lessen local cost impacts.

15 Utility relocation costs are presently borne by
16 that utility's ratepayers. Depending upon the happenstance
17 of the utilities' geographic size and location, the costs
18 may either be distributed over a large number of ratepayers
19 or the costs may fall disproportionately on a small number
20 of ratepayers, who bear little if any relationship to the
21 beneficiaries of the project. Utility bills are a
22 particular concern for the poor and the elderly and their
23 bills should not be increased in order to subsidize public
24 construction projects.

25 If, on the other hand, Federal funds are used to

1 pay utilities' relocation costs, the costs are allocated in
2 a manner which is more closely related to the beneficiaries
3 of the project. That is, the cost of public construction
4 projects sponsored by governmental agencies would be
5 allocated in accordance with the Congressional determination
6 of the public benefits to be achieved.

7 Federal law permits reimbursement for utility
8 relocations so long as such payment does not violate state
9 law or a contract between the utility and the governmental
10 entity. At the present time, as I pointed out,
11 approximately 30 states have enacted legislation providing
12 reimbursement to utilities for their relocation costs.
13 Thus, when a New York resident drives his automobile on a
14 new highway he is doing so at the partial expense of
15 Pennsylvania taxpayers who have contributed their Federal
16 taxes to the cost of the required utility relocations in New
17 York. At the same time, the Pennsylvania taxpayers are also
18 paying for most public right-of-way utility relocation costs
19 here in Pennsylvania via their utility bills.

20 Enactment of House Bill 2082 would permit a greater
21 utilization of Federal funds to the ultimate benefit of
22 utility ratepayers and taxpayers in Pennsylvania. PGA
23 supports enactment of this legislation.

24 I thank you for this opportunity to be here. I'll
25 be happy to try and answer any of your questions.

1 CHAIRMAN MURPHY: Mr. Seaman, you mentioned that
2 you assumed the average cost was \$5.6 million for your --
3 \$5.4 million for your members of the last ten years; is that
4 annually over the last ten years?

5 MR. SEAMAN: Over the past six years. We poll our
6 members to determine the cost of 2082, that is federal aid
7 and highway bridge work. That's the number we also have for
8 other circumstances, but directly related to this bill over
9 the last six years, it will be \$6 million.

10 CHAIRMAN MURPHY: When you're talking about there are
11 other federal reimbursement programs in at lower rates, does
12 that include that number also?

13 MR. SEAMAN: What I meant by that, in previous years
14 there has been legislation introduced for reimbursement, but
15 some of that legislation would have included mass transit,
16 some of it would have included projects paid for solely with
17 state money, so we ran the numbers to cover all of that.

18 CHAIRMAN MURPHY: Okay. And the 5.4 million, does that
19 include only 90/10 match or 75/25?

20 MR. SEAMAN: Everything.

21 CHAIRMAN MURPHY: All federal highway?

22 MR. SEAMAN: All highways.

23 CHAIRMAN MURPHY: That is not annually, but over six
24 years?

25 MR. SEAMAN: It is a very uneven distribution year to

1 year in utility bills because of projects.

2 CHAIRMAN MURPHY: I'm sure.

3 MR. SEAMAN: This is where it happened to be.

4 CHAIRMAN MURPHY: You say you have a number also for
5 other types of relocation?

6 MR. SEAMAN: Yes, sir, for gas distribution.

7 CHAIRMAN MURPHY: Would you get that to us at a later
8 date?

9 MR. SEAMAN: Sure.

10 CHAIRMAN MURPHY: To Scott Casper?

11 MR. SEAMAN: Sure.

12 CHAIRMAN MURPHY: It seems to me that we have come to,
13 at least, some discussion about the possibility of having
14 utilities reimburse, to put up the match. If there was an
15 opportunity to do that, is it your assumption that your
16 membership would have no opposition to that; is that
17 correct?

18 MR. SEAMAN: When you say put up the match, what do you
19 mean?

20 CHAIRMAN MURPHY: If we were going to reimburse with
21 federal funds, with utility relocation to get that federal
22 funded money, it is a 10 percent match, generally, or 25
23 percent match depending on what sources the money was being
24 drawn down from.

25 MR. SEAMAN: You mean cost sharing?

1 CHAIRMAN MURPHY: No, sir. This is to match the federal
2 funds for the program for the East Street Valley Expressway
3 or 90/10, match, with the federal government paying 90
4 percent of the cost and the state will pay 10 percent of the
5 cost.

6 Are you suggesting that utilities get 90 percent on
7 federal funds, they would put up 10 percent of the match,
8 the state would not have to do that?

9 MR. SEAMAN: I'd have to check with membership. That
10 would certainly be a possibility I presume.

11 CHAIRMAN MURPHY: Obviously -- I'm wondering what level
12 of the match -- at what level of the match would you
13 continue to support that? I'm assuming until it is 99
14 percent?

15 MR. SEAMAN: I would guess anything is better than
16 nothing, which is what we have now.

17 CHAIRMAN MURPHY: Okay. Joe, do you have any
18 questions?

19 REPRESENTATIVE STEIGHNER: Just a comment. That would
20 be 90 percent of what you want I guess?

21 MR. SEAMAN: We will negotiate.

22 CHAIRMAN MURPHY: Dave?

23 REPRESENTATIVE MAYERNICK: Yes, I do. The second to the
24 last page of your testimony, you state that 30 states have
25 enacted legislation, provided free reimbursement to

1 utilities relocation. What number of those states had to
2 raise gas tax or other revenues to provide for those monies
3 that were paid to utilities instead of going to roads?

4 MR. SEAMAN: I got that number from the study that the
5 American Association conducted, and I'd be glad to look into
6 the study and give an answer.

7 REPRESENTATIVE MAYERNICK: Basically what I see here in
8 this bill, the short time I have been here today, in essence
9 is robbing Peter to pay Paul, with all due respect to the
10 Chairman, here, one of the cosponsors of the bill. What we
11 are asking, approximately 16 million be taken out of
12 transportation funds, but used for roads and bridges to
13 subsidize the utilities. And it will help bring your rates
14 down, but help bring up our gas tax or other subsidies
15 needed to pay for that, if we intend to continue services to
16 roads and bridges in a manner we have been. Is that
17 basically what's happening here?

18 MR. SEAMAN: That's the difficult dilemma we are faced
19 with, but I would respond in this way: One, the government
20 elects to build, let's say, an expressway, a complete
21 segment that hasn't been completed. That's to the public
22 good. But it's not obvious and direct public good of the
23 people who will commute and use that road every day. In a
24 city such as Pittsburgh, the beneficiary would not
25 necessarily be the ratepayers of the utility company who are

1 elderly, either use mass transit or travel very limited.

2 So their utility bill will be higher than otherwise
3 have to be to pay for that by drawing down some of the
4 federal monies for reimbursement. You would lessen that
5 person's utility which is exactly correct. To the extent
6 you do that, you're lessening the total overall pot of money
7 that the federal government has for these reimbursements.
8 You're lessening it in a sense that some of the dollars that
9 would go to the reimbursement relocation costs obviously
10 could not be spent for initial relocation construction.
11 That's the difficult dilemma that we face.

12 REPRESENTATIVE MAYERNICK: Yes, that's the dilemma. One
13 additional question. Here in your testimony you say that a
14 New York resident drives his automobile on new highways. He
15 is doing it partially at the expense of the Pennsylvania
16 taxpayer. Could you explain that further relationship on
17 that?

18 MR. SEAMAN: Sure. Because New York State has presently
19 been enabling legislation, that enables them to take
20 advantage of federal reimbursements. So in the sense that
21 all of us pay federal taxes, that money goes to Washington
22 and then can be allocated back for these reimbursements. So
23 the New York taxpayer is getting some subsidy money from
24 Pennsylvania taxpayers, because Pennsylvania doesn't have
25 the enabling legislation for relocation for reimbursement.

1 We get nothing, so we are in effect subsidizing New York
2 because we are not taking advantage of it like we should.

3 REPRESENTATIVE MAYERNICK: I have a comment here. Maybe
4 you can clarify it. If I'm wrong, please correct me. My
5 understanding, staff people here -- for every dollar we
6 contribute in taxes to federal government we receive one,
7 two cents back.

8 REPRESENTATIVE CASPER: Public tax.

9 REPRESENTATIVE MAYERNICK: So if those are true and the
10 statistics are correct, we could be subsidizing. If
11 anything, we are taking money from other states. We are
12 receiving one, two cents back for every dollar from the
13 highway taxpayer.

14 MR. SEAMAN: In the case of the highway taxes -- I'm not
15 that familiar with the numbers. Our example is meaning to
16 point out, as long as we pay federal taxes we are not taking
17 advantage of every opportunity and other states are. In
18 that sense we are subsidizing, we are certainly paying --

19 REPRESENTATIVE MAYERNICK: Well, maybe Scott Casper
20 could address that.

21 REPRESENTATIVE CASPER: We are, per se, not taking
22 advantage of those funds. They are not extra funds. If
23 these were x-ray funds that we could use to pay for utility
24 reimbursement, I think the members of the committee would
25 leap quickly to enact this legislation as quickly as

1 possible. We are not talking about bringing any more money
2 in. We are maximizing our share, New York might be too.
3 New York isn't getting Pennsylvania money because we are not
4 getting a sufficient share. We are not getting everything
5 available. We are getting everything available to us. The
6 money that goes to pay for reimbursement will be part of the
7 money we are already getting.

8 Now, there are valid reasons, as eloquently has
9 been pointed out today in testimony, why that might be a
10 fair thing to do. I'm not arguing with that. I think
11 that's rational and there are two sides to the coin, but we
12 are maxing out. We are getting one, two cents back on each
13 dollar we put in. Right now we are not losing any money.
14 We are not taking advantage of extra money coming in. It is
15 money we get in which is a maximum amount which -- how do
16 you spend that?

17 MR. SEAMAN: Exactly right.

18 REPRESENTATIVE CASPER: So the Pennsylvania taxpayer is
19 not subsidizing a New York highway program.

20 REPRESENTATIVE MAYERNICK: Nor any highway program.

21 CHAIRMAN MURPHY: Let's say prior to 1982, if you had
22 come to us in 1980, your argument would be much stronger.
23 Prior to 1982 we were subsidizing heavily other state
24 highway programs. I think at one point we were getting 7¢
25 cents on the dollar.

1 Paul, any questions?

2 REPRESENTATIVE LANDIS: No.

3 CHAIRMAN MURPHY: Thank you for coming. Let me say I
4 appreciate everybody coming. You were very helpful to all
5 of us. Frankly, many of us did not have any opinions on
6 this issue. You helped to focus the issue. I think out of
7 it comes some ideas that we are working on and at the future
8 committee meeting in Harrisburg I suspect that we will have
9 a discussion on the legislation. Probably some of us
10 hopefully will vote before the the recess in June.

11 With some amendments, clearly at least there is
12 middle ground in this whole thing. If it exceeds federal
13 funds and we are not drawing down, no, I don't think any of
14 us see any problems with utility companies drawing down
15 those funds, provided they put up the match. Beyond that,
16 there will probably be further discussion from that basis.
17 I thank you.

18 (Whereupon, the hearing djourned at 11:15 o'clock a.m.)
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C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

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