

# Utility Customers Lose on Land Deal

By BOB WARNER

Philadelphia Suburban Water Co. has transferred land to its parent corporation at one-fifteenth of its market value and is trying to deny its customers more than \$1 million in profits from the land deal.

The land includes 107 acres near the Geist Reservoir in Delaware County and 40 acres near the Ironworks Creek Reservoir in Bucks County.

Ever since the water company bought the land in the 1920s and 1930s, water customers throughout the Philadelphia suburbs have been paying higher bills to cover the purchases. The water company contended the land acquisitions were necessary to protect its reservoirs from pollution.

**BUT LAST YEAR**, the company decided that it no longer needed so much undeveloped land. An internal study concluded that the tougher environmental laws of the 1960s and 1970s would keep the reservoir water clean even if some of the nearby land was developed, according to company officials.

But instead of selling the suburban real estate directly, the water company turned over the property to its parent corporation, Philadelphia Suburban Corp.

For purposes of the transfer, the land was valued at \$87,128 — the same amount the water company paid for the land up to 50 years ago.

Now the land is worth much more than \$87,000. A private appraisal for the company put the total value at more than \$1.3 million.

**EVEN THAT** figure may be conservative. One portion of the Geist tract already has been sold for \$380,000 and PSC has agreed to sell the remaining Geist land for another \$745,000, according to figures supplied to the state. Both sales were to unidentified private buyers.

A lawyer for the state Public Utility Commission, Gilbert Hamberg, estimates PSC will make at least \$1.2 million on the deal.

But if the water company has its

way, its investors will get those profits, not its customers. Although the water company's rates are controlled by the PUC, the state does not control the profits of the parent corporation, PSC.

**RIGHT NOW** the water company is asking the PUC for a \$4 million rate increase and its lawyers contend PSC's profit from the land deal should not be considered in the case.

A water company spokesman contended that under the public utility laws in Pennsylvania and other states, the company took a risk of losing money on the land and deserves to keep any gains.

But Hamberg has recommended that the PUC cut back the proposed water rate increase by \$400,000 a year for the next three years so customers will benefit from the land deal.

The PUC is expected to decide the case early next year.