COMMONWEALTH OF PENNSYLVANIA

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February 18, 2014

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission
v.
The Columbia Water Company
Docket No. R-2013-2360798

Dear Secretary Chiavetta:

Attached for electronic filing are the Office of Consumer Advocate's Exceptions to Columbia Water Company's compliance filing in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

Erin L. Gannon
Assistant Consumer Advocate
PA Attorney I.D. No. 83487

Attachment
cc: Honorable Dennis J. Buckley
Office of Special Assistants at ra-OSA@pa.gov
Certificate of Service
175747.DOC

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket Nos. R-2013-2360798, *et al.*
The Columbia Water Company	:	

OFFICE OF CONSUMER ADVOCATE'S EXCEPTIONS TO
THE COLUMBIA WATER COMPANY'S COMPLIANCE FILING

I. INTRODUCTION

On February 6, 2014, The Columbia Water Company (CWC or Company) submitted a compliance filing (Compliance Filing), with a February 7, 2014 effective date, pursuant to the Commission's Order entered January 23, 2014 in the above-captioned matter. The OCA submits the following exceptions to The Columbia Water Company's Compliance Filing.

II. EXCEPTIONS

Exception No. 1: CWC Should Be Directed To Establish Rates Designed To Recover The Revenue Increase Allowed By The Commission In Response To The OCA's February 7, 2014 Petition For Reconsideration In This Proceeding.

On January 23, 2014, the Commission entered an Order permitting CWC to increase its base rates to generate an additional $534,970 of annual revenues.[1] On February 6, 2014, CWC made a compliance filing that implemented an increase in annual revenues of $534,970. See Compliance

[1] On January 27, 2014, the Commission issued an Errata Notice, which corrected typographical errors including the amount of the allowed increase.

Filing, Proof of Revenue Schedule ($4,576,634 - $4,041,664 = $534,970). On February 7, 2014, the Office of Consumer Advocate timely filed a Petition for Reconsideration of the Commission's calculation of federal and state income taxes. The OCA submitted that the tax expense was overstated and requested that the Commission reconsider the amount allowed to ensure it is consistent with its Order.[2]

Specifically, when the statutory federal and state income tax rates are applied, the OCA calculates $463,390 in total income taxes, rather than $552,393 as reflected in the Commission Order. This amount reflects federal income taxes of $321,833 and state income taxes of $141,557, which are $80,068 and $8,935 less, respectively, than the federal and state income tax amounts of $401,901 and $150,492 shown on the Commission's Table I.

This difference in income taxes also impacts the assessments amount. As shown in OCA Schedule 1, using the assessment factors that are shown on the Commission's Table I (b) (for the PUC, OCA and OSBA Assessments[3]), the OCA calculates that total assessments should be $26,877, or $1,773 less than the amount of $28,650 reflected in the Commission's Table I.

The total effect of these changes is to reduce the income taxes and assessments (and, thus, the overall revenue requirement) by $90,776.

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[2] As discussed below, this difference in income taxes also impacts the assessments amount. The OCA also requested that this amount be adjusted consistent with the allowed tax expense and resulting net operating income determination. OCA Petition at 3.

[3] To avoid double-recovery, the assessments expense in OCA Schedule 1, attached to its Petition, does not include an Uncollectible Accounts Factor because uncollectibles expense already appears to be included in the $2,030,398 O&M Expenses reflected on the Commission's Table 1.

Accordingly, in its Petition, the OCA requested that the Commission reconsider its determination of federal and state income tax expense and assessments and make it consistent with its January 23, 2014 Opinion and Order.

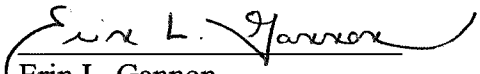
In its Compliance Filing, the Company proposed rates designed to recover an increase in revenues of $534,970. Consistent with its Petition, the OCA excepts to the Company's Compliance Filing because the OCA submits that the allowed revenue increase should be $90,776 lower.

If the Commission permits the compliance filing to become effective as filed and if the Commission subsequently grants OCA's Petition for Reconsideration, then the OCA submits that the difference between the amount the Company has collected since February 7, 2014 and the amount established by the Commission in response to the OCA's Petition for Reconsideration should be refunded to ratepayers. Section 1312 of the Public Utility Code provides the Commission with authority to order a utility to refund any rate received by that utility that was unjust or unreasonable, or was in violation of any regulation or order of the Commission. 66 Pa. C.S. § 1312. Such refunds shall be made along with interest at the legal rate. Id. The decision of whether to require a refund of rates previously collected by a utility is a matter charged to the sound discretion of the Commission. National Fuel Gas Dist. Corp. v. Pa. P.U.C., 464 A.2d 546 (Pa.Commw. 1983). The OCA submits that any refund directed should be returned promptly to customers.

III. CONCLUSION

For the reasons set forth above, the OCA respectfully requests that the Commission direct The Columbia Water Company to modify its Compliance Tariff consistent with the position set forth in the OCA's Exception above and to make any further modifications deemed necessary upon further review conducted by the Commission. The OCA also requests that the Commission direct the Company to promptly return any refund directed.

Respectfully submitted,



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Dated: February 18, 2014
179199

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2013-2360798
Columbia Water Company	:	

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Exceptions to Columbia Water Company's compliance filing upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant) and as modified by the Presiding Officer, in the manner and upon the persons listed below:

Dated this 18th day of February 2014.

SERVICE BY EMAIL AND HAND DELIVERY

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Bureau of Investigation & Enforcement
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Harrisburg, PA 17120

SERVICE BY E-MAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

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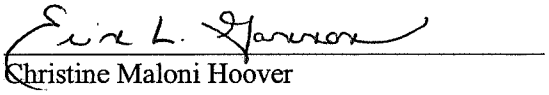

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