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|  | **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA. 17105-3265** |  |

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| --- | --- |
|  | Public Meeting held August 21, 2014 |
| Commissioners Present: |  |

|  |  |
| --- | --- |
| Robert F. Powelson, Chairman |  |
| John F. Coleman, Jr., Vice Chairman |  |
| James H. Cawley |  |
| Pamela A. Witmer |  |
| Gladys M. Brown |  |

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| Pennsylvania Public Utility Commission  v.  Manwalamink Sewer Company | Docket Number:  R-2014-2419115 |

**ORDER**

**BY THE COMMISSION:**

On April 28, 2014, Manwalamink Sewer Company (Respondent) filed Supplement No. 17 to Tariff Sewer - Pa. P.U.C. No. 1 to become effective

July 1, 2014, containing proposed changes in rates, rules, and regulations calculated to produce $54,106 (10.00%) in additional annual revenues based on the test year ended December 31, 2013. Supplement No. 17 was voluntarily postponed by Supplement No. 18 until August 1, 2014, and by Supplement No. 19 until September 1, 2014.

Manwalamink Sewer Company is a small wastewater system serving approximately 1,208 residential and commercial customers in the Village of Shawnee on Delaware and surrounding vicinity in Monroe County. The collection system consists of gravity sewers, low pressure collection mains and pumping stations. The treatment plant is a 700,000 gallon per day sequential batch reactor.

Approximately 96% of the customers are billed on the basis of metered water usage. The metered rate schedule is a declining block structure comprised of a Customer Charge and two rate blocks. The first rate block is applied for usage up to 10,000 gallons per month and the second rate block is applied for usage over 10,000 gallons per month.

The Commission analysis of the rate structure requires a redistribution of a greater percentage of the increase proposed by the Company to the second rate block for all metered usage over 10,000 gallons per month. The restructuring will allow recovery of the incremental expense of treatment and disposal of wastewater plus a share of overhead expense. The rate for customers using less than 10,000 gallons per month will receive a smaller rate increase as shown in Appendix B, attached. The overall increase in revenue is the same as proposed by the Company.

Analysis of the tariff filing and supporting data indicates that the proposed changes in rates, rules and regulations may be unlawful, unjust, unreasonable, and contrary to the public interest. At the same time, analysis of the tariff filing and supporting data indicates that if rates are restructured that the rates may be just and reasonable; **THEREFORE,**

**IT IS ORDERED:**

1. That if, on or before ten (10) days after the date of entry of this Order, the Respondent files a revised Supplement No. 20 to Tariff Sewer - Pa. P.U.C. No. 1 incorporating the schedule of rates shown on Attachment A, attached hereto, the proposed rates (as revised) are permitted to become effective September 1, 2014.
2. That if the Respondent has not filed a revised tariff supplement as described in Ordering Paragraph No. 1 above on or before ten (10) days of entry of this Order, or has been granted additional time to do so by order of the Commission, the following shall apply:

* Supplement No. 19 to Tariff Sewer - Pa. P.U.C. No. 1 shall be deemed suspended until January 28, 2015, unless otherwise directed by order of the Commission.
* An investigation is instituted to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 19 to Tariff Water-Pa. P.U.C. No. 1.
* Said investigation shall be assigned to the Office of Administrative Law Judge for an Alternative Dispute Resolution, if possible, or the prompt scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision.

1. That a copy of this Order shall be served upon the Respondent, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and the Office of Administrative Law Judge.

**BY THE COMMISSION**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: August 21, 2014

ORDER ENTERED: August 21, 2014

**Attachment A**

Manwalamink Sewer Company

Docket No. R-2014-2419115

Restructured Rates per Commission

**Flat Rate – (Non-Metered)**

**Customer Category Monthly Rates**

1. Residential Users $44.80
2. Commercial Users

1. Small Commercial Users $58.00
2. Large Commercial Users

* Ridge Top Recreational Area Pool $124.29
* River Village Recreational Area Pool $124.29
* Sun Mountain Recreational Area Pool $124.29
* Shawnee Mountain Ski Area $426.12

**Metered Rates**

**Service Charge:** Customer Category $16.92 per Month

**Volume Charge**

In addition to a monthly Service Charge, a volume charge will be added based on metered water usage as follows:

For the First 10,000 gallons per month $6.59 per 1,000 gallons

For All Over 10,000 gallons per month $2.53 per 1,000 gallons

Provisions for Multiple Unit Billing remain unchanged.

**Appendix A**

**R-2014-2419115**

**Manwalamink Sewer Company**

**Commission Adjustments**

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| **Revenue Adjustments** | | | | |
| The Company lost customers during the test year. The bill analysis however, uses the actual number of bills sent during the test year. This approach overstates the revenue because the company will receive no revenue for the customers lost to the system. An adjustment is made to remove revenue for customers who left the system during the test year assuming customers left mid-year on average. | | | | |
|  | | | | |
|  | **Residential** | |  |  |
|  | Number of customers end of test year | 1,123.0 |  |  |
|  | Number of customers beginning of test year | 1,126.0 |  |  |
|  | Average Number of Customers | 1124.5 |  |  |
|  |  |  |  |  |
|  | Test Year Metered Residential Revenue | $509,180 |  |  |
|  | Average Residential Bill $509,180 / 1,124.5 |  | $452.81 |  |
|  |  |  |  |  |
|  | Number of Customers who left system during test year | | (3) |  |
|  |  |  |  |  |
|  | Revenue adjustment( assuming customers left mid-year) | |  |  |
|  | $452.81 X (3) X 0.5 Year = | | | ($679.22) |
|  |  | |  |  |
|  | **Commercial** | |  |  |
|  | Number of customers end of test year | | 43 |  |
|  | Number of customers beginning of test year | | 45 |  |
|  | Average number of customers | | 44 |  |
|  |  | |  |  |
|  | Test year metered commercial revenue $54,315 | | |  |
|  |  | |  |  |
|  | Average commercial bill $54,315 / 44 = $1,234.43 | | |  |
|  |  | |  |  |
|  | Number of customers who left system during test year | | (2) |  |
|  |  | |  |  |
|  | Revenue adjustment(assuming customers left mid-year) | |  |  |
|  | $1,234.43 X (2) X 0.5 Year | | | ($1,234.43) |
|  |  | |  |  |
|  | Adjustment to Operating Revenue | |  | ($1,913.69) |
|  |  | |  |  |
| **Non-Operating Income** | | |  |  |
| Adjustment to reflect gain from sale of utility vehicle. Vehicles used for utility operations are owned by the water system. For rate purpose, costs are split between water and wastewater operations on a 50/50 basis. Similarly, revenue from the sale must be allocated to benefit customers. | | | | |
|  |  | |  |  |
|  | $3,000 / 2 | |  | $1,500 |
|  |  | |  | $1,500 |

**Appendix A, Contd.**

**R-2014-2419115**

**Manwalamink Sewer Company**

**Commission Adjustments**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rate Case Expenses** | | |  |
|  |  |  |  |
| The Company claimed rate case expenses of $13,000 comprised of $12,500 for preparation of tariff and $500 for mailing and preparation of the customer notice.  The Company claim is based on the cost if they were to retain a consultant. Expenses based on hypothetical circumstances are not acceptable for rate purpose. The filing was prepared by in-house personnel. The Company submitted documentation of Company personnel based on actual hours over and above normal working hours at an average of $96 hourly rate. Commission adjustment rejects the company claim based on preparation by others and reduces the hourly rate to actual rate paid to the employees plus a provision for pension and benefits of 31%.  The Commission adjustment is calculated as follows: | | | |
| Sewer Filing | |  |  |
| Hours Rate | | Amount | Adjustment |
| Treasurer 80 X $40.20 = | | $3,216 |  |
| Secretary 50 X $20.19 = | | 1,010 |  |
| Payroll | | $4,226 |  |
|  | |  |  |
| Pension and Benefits | |  |  |
| $4,226 X 31% = | | $1,310 |  |
| Plus Postage | | 500 |  |
| Total Rate Case Expense Allowed | | $6,035 |  |
|  | |  |  |
| Amortize Expense over 3 years | |  |  |
| $6,035 / 3 = | | $2,012 |  |
| Less Company claimed amortization | | (4,333) |  |
| Adjustment | |  | ($2,321) |
|  | |  |  |
| Total Adjustment to Operation and Maintenance Expense | |  | ($8,635) |
|  | |  |  |
| **Taxes Other Than Income Taxes** | |  |  |
| Corresponding Adjustment to reflect Taxes Other than Income Taxes at Commission adjusted rates | |  |  |
|  | |  |  |
| Commission Adjustment to Company proposed PUC Assessment | |  |  |
| ($1,914) X 0.00518 = | |  | ($10) |

Appendix A, Contd.

R-2014-2419115

Manwalamink Sewer Company   
Commission Adjustments

Operating Expenses

Adjustment to modify Company claim for on-going manhole rehabilitation.

|  |  |  |
| --- | --- | --- |
| Contractor Estimate for one manhole rehab." $3,610 |  |  |
| Estimate for two manholes to be rehabilitated in 2014 |  | $7,220 |
| Contractor Estimate for rehab interceptor pump station |  | 3,140 |
|  |  | 10,360 |
| Less Company Claim |  | (10,000) |
| Adjustment to Company Claim |  | $360 |
| *\*See Response to Data Request No. A-6. Attachment No.1* |  |  |
| Adjustment to modify Company claim for Flow Equalization Tank\*\* |  |  |
| Contractor Estimate | $1,655 |  |
| Amortize over 3 years |  | 552 |
| Less Company Claim |  | (4,000) |
| Adjustment to Company Claim |  | ($3,448) |
| *\*See Response to Data Request No. A-7. Attachment No.3* |  |  |
| Adjustment to modify Company claim for membrane sleeve replacement\*\*\* |  |  |
| Contractor Estimate | $3,525 |  |
| Amortize over 3 years |  | 1,175 |
| Less Company Claim |  | (1,067) |
| Adjustment to Company Claim |  | $108 |
| *\*\*\*See Response to Data Request No. A-8. Attachment No.4* |  |  |
| Adjustment to remove Company claim for handrail at sewage treatment plant |  | ($3,333) |
| *(The cost of the handrail is added to the cost of utility plant)* |  |  |

Appendix A, contd.

R-2014-2419115

Manwalamink Sewer Company   
Commission Adjustments

Annual Depreciation

Adjustment to Company Claimed Annual Depreciation Expense

|  |  |  |
| --- | --- | --- |
| The Company claimed $62,725 for annual depreciation expense. For rate making purposes, Annual Depreciation is calculated using service lives consistent with the experience of comparable waterworks property. The Commission's calculated depreciation is $63,007. The difference reflects a change to life span a roof replacement for the control building with the estimated life of the building and for change in service life for mechanical equipment. | |  |
| Commission Calculated Depreciation Less Company Calculated Depreciation |  | $63,007  (62,725) |
|  |  |  |

|  |  |
| --- | --- |
| Adjustment  Calculate Rate of Return on Equity | $ 282 |
|  |

Capital Structure Debt 0.5 Cost 5.10%

Equity 0.5 X%

0.5 x 5.10% + 0.5 x X = 8.07%

X = 8.07% - 2.55%

50%

X = 11%

**Appendix B**

**R-2014-2419115**

**Manwalamink Sewer Company**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Rate Structure** | | | | | |  | |  |
|  |  | | | | |  | |  |
| The Company’s rate structure consists of a Service Charge and a two block declining rate structure. Bills are rendered on a monthly basis. The objective of rate design is to ensure that no class of service results in subsidizing service to one class at the expense of another class.  The Company’s proposed second rate block for sales volumes greater than 10,000 gallons per month is $2.27 per 1,000 gallons, an increase of approximately 10% over the existing rate of $2.06. As a general rule, no rate should be below the incremental cost of treatment & disposal, as well as covering a percentage of fixed costs.  As a test, an estimate of the incremental cost was developed resulting in a unit cost per 1,000 gallons of approximately $2.53. In this case, the increase to the second rate block would be approximately 22.8%  To the extent that the second rate block increases by a greater than average increase, other rates will decrease correspondingly. In this case, the incremental increase to revenue from the second rate block will go to reduce the first rate block. The usage data is taken from the consumer usage analysis as shown in the Company rate filing. | | | | | | | | |
| Commission’s design of the first rate block (10,000 gallons per month) is shown in Appendix C, Proof of Revenue.  Using a first rate block of $6.59 per 1,000 gallons, revenue from metered sales and flat rate sales equals $593,337 of the Commission Adjusted Revenue. Total Revenue including Non-Operating Income equals $594,837. | | | | | | | | |
|  | | |  |  | |  | | |
| **Average Bill per Commission Rates** | | |  |  | |  | | |
| The average monthly residential bill for a metered residential customer at Commission rates is $37.22 resulting in an increase of **8.67%** and for a commercial customer $107.47, an increase of **16.49%.** | | | | | | | | |
|  | | | | | | | | |
| **Appendix B, Contd.**  **R-2014-2419115**  **Manwalamink Sewer Company**  **Estimated Cost Of Treatment & Disposal** | | | | | | | | |
|  | | | | | | | | |
| The cost of treatment and disposal includes direct treatment expenses and a share of overhead expenses of 20% | | | | | | | | |
| **Direct Variable Expenses** | | |  |  | |  | | |
| Sludge Removal Expenses | | |  |  | | $17,600 | | |
| Purchases Power | | |  |  | | 65,015 | | |
| Chemicals | | |  |  | | 43,623 | | |
| Other | | |  |  | | 4,256 | | |
|  | | |  |  | |  | | |
| Total Direct Variable Treatment Expenses | | | |  | | $130,494 | | |
|  | | | | | | | | |
| **Overhead Expenses** | | | |  | |  | | |
| Plus provision for a portion of labor and administrative expenses of 20% | | | | | | | | |
| $130,494 X 20% = | | | | | $26,099 | |  | |
|  | |  | | | $156,593 | |  | |
| Total Sales volume 61,981 (1,000 gallons) | | | | |  | |  | |
|  | | | | |  | |  | |
| Estimated Unit Cost $156,593 | | | | |  | |  | |
|  | 61,981 = | | | | $2.53 \* | |  | |
| \*Rate for Sales over 10,000 gallons per month | | | | | | | | |