

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility
Commission, *et al.* v. Emporium Water
Company**

**Public Meeting: January 15, 2015
2402324-OSA
Docket R-2014-2402324**

**JOINT MOTION OF CHAIRMAN ROBERT F. POWELSON
AND COMMISSIONER GLADYS M. BROWN**

Before the Commission today are the Exceptions and Reply Exceptions to the Recommended Decision of Administrative Law Judge Dennis J. Buckley in the base rate case filed by Emporium Water Company (Emporium or the Company) on April 30, 2014.

Issue 2: Sale of Bulk Water

We believe it is necessary to clarify and modify the outcome of this issue. In the Recommended Decision, the ALJ describes how Emporium would accept \$14,000 of revenue imputation, which is approximately 50% of the \$28,883 of bulk water revenue generated in 2013. Regardless, the ALJ ultimately recommends including no revenues related to the sale of bulk water into the calculation. We disagree with the ALJ's conclusion. As such, we believe that the 50% of 2013 revenues calculation represents a prudent outcome. Therefore, we will modify the outcome of this issue by directing \$14,000 of revenues to be imputed for the sale of bulk water.

Issue 10: Capital Structure

Small water companies often present differing and significant challenges when determining the appropriate capital structure used to determine rates. This case is no different, as evidenced by the range of capital structures presented. Equity ratios range from below 18% to above 53% and debt ratios vary from about 46% to above 82%. Based on the record in this case, including financing terms and the end result company-specific consequences of our decision, we move that a capital structure consisting of 60% debt and 40% equity is appropriate for Emporium.

Emporium's finances are being stressed by the decision to use traditional rate base/rate of return regulation, while at the same time paying off its PENNVEST loan over a twenty year period, which is significantly shorter than the asset depreciation lives. While the Commission has employed actual capital structure for ratemaking purposes in Emporium's last two rate cases and would prefer to do so now, the cash position of the Company requires that we do more.

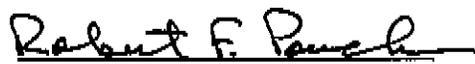
We do not consider our use of a hypothetical capital structure in this proceeding as precedent setting. Rather, the adjustment is an attempt to enable the Company to recover from an actual operating loss position. We encourage Emporium to explore other possible solutions, including the use of a PENNVEST surcharge, in an effort to ameliorate the company's cash flow challenge on a going forward basis.

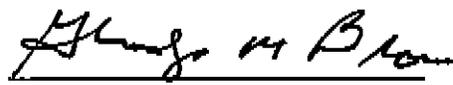
Issue 12: Return on Equity

Additionally, rate of return on common equity (ROE) is frequently a material and contested item in base rate case proceedings. In this case, the range of ROE recommendations presented by the parties is 8.89% to 11.05%. Based upon our review of the testimony, data, and cost models presented, and considering the small size of the Company, the associated financial risk, and the results of ROE models other than the DCF, the ROE in this case should be 10.0%.

THEREFORE, WE MOVE THAT:

1. The Office of Special Assistants prepare an Order consistent with this Motion.


Robert F. Powelson
Chairman


Gladys M. Brown
Commissioner

Date: January 15, 2015