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September 13, 2016

VIA ELECTRONIC AND FIRST CLASS MAIL

Administrative Law Judge Eranda Vero
Commonwealth of Pennsylvania Public Utility Commission
801 Market Street,
4th Floor, Suite 4063
Philadelphia, Pennsylvania 19107

RE: Community Utilities of Pennsylvania Inc. Water Division; Docket Nos. R-2016-2538660 and C-2016-2540738; **JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

Dear Judge Vero:

Enclosed is a copy of the Joint Petition for Full Settlement of Rate Proceeding reached between Community Utilities of Pennsylvania Inc. Water Division, I&E and OCA in the above-captioned matter. Copies have been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,

Thomas J. Sniscak
William E. Lehman

*Counsel to Community Utilities of
Pennsylvania Inc. Water Division*

TJS/WEL/das

Enclosure

cc: Rosemary Chiavetta, Secretary (Via hand delivery/filing)
Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY ELECTRONIC AND FIRST CLASS MAIL

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Bureau of Investigation and Enforcement
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Adrian Martenco
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Thomas J. Sniscak
Christopher M. Arfaa
William E. Lehman

Dated this 13th day of September, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:		
	:		
v.	:	Docket No.	R-2016-2538660
	:		C-2016-2540738
Community Utilities of Pennsylvania Inc.	:		
Water Division	:		

**JOINT PETITION FOR FULL SETTLEMENT
OF RATE PROCEEDING**

TO THE HONORABLE ERANDA VERO:

NOW COMES Community Utilities of Pennsylvania Inc. Water Division (“CUPA” or “Company”), the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission” or “PUC”), and the Office of Consumer Advocate (“OCA”), by their attorneys and collectively referred to as “Parties” or “Joint Petitioners,” and submit, as in the public interest, this Joint Petition for Full Settlement of Rate Proceeding (“Settlement”) to resolve all issues among the Parties in the above-captioned proceedings under the terms and conditions specified below:

I. HISTORY OF THE PROCEEDINGS

1. On or about April 6, 2016, CUPA filed Supplement No. 1 to Tariff Water – Pa. PUC No. 1, to become effective on June 5, 2016. This filing contained proposed changes in rates, rules, and regulations intended to unitize rates between its two existing service territories, Penn Estates Utilities, Inc. (“Penn Estates”) and Utilities, Inc. – Westgate (“Westgate”) and produce \$427.817 in additional annual operating revenues based on a historic test year ending December 31, 2015, a future test year ending December 31, 2016, and fully projected future test

year ending December 31, 2017 or a 39.96% increase. The filing contained 55 pages of explanation for the requested increase including detailed financial exhibits.

2. On April 19, 2016, the OCA filed a Formal Complaint docketed at C-2016-2540738. On that same day, I&E filed a Notice of Appearance. On May 23, 2016, Guillermo Barbosa filed a Formal Complaint at docket no. C-2016-2548235. On May 26, 2016, Erle Grubb filed a Formal Complaint at docket no. C-2016-2548262. On May 27, 2016, Yvette Lawson filed a Formal Complaint at docket no. C-2016-2549382. On June 6, 2016, Adrian and Diane Martenco filed a Formal Complaint at docket no. C-2016-2549995.

3. By Order entered May 5, 2016, the Commission suspended the filing by operation of law until January 5, 2017, and instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules, and regulations.

4. On or about May 25, 2016, an E-serve Notice was issued by the Commission setting a Prehearing Conference in the proceeding for Wednesday, June 8, 2016 before the Honorable Eranda Vero (“ALJ Vero”).

5. On June 8, 2016, a prehearing conference was held before ALJ Vero. All Parties attended the prehearing conference.

6. At the prehearing conference a litigation schedule was set based on the filing of Reply Briefs by September 22, 2016.

7. Pursuant to the litigation schedule adopted in this proceeding, on June 16, 2016, the Company served the Direct Testimony of Stephen M. Lubertozi (CUPA Statement No. 1), the president of CUPA. The testimony consisted of 9 pages of questions and answers. The Company represents Mr. Lubertozi’s testimony (1) introduced the other witnesses who would testify in support of the Company’s requested rate relief; (2) provided background on CUPA and

discussed the transition from three Pennsylvania operating subsidiaries to one consolidated company; (3) explained why the rate relief requested by CUPA was necessary and reasonable; and (4) discussed other aspects of the Company's rate request, including the declining consumption adjustment and capitalized time related to rate case expense.

8. Also, on June 16, 2016, the Company served the Direct Testimony of Chuck Madison (CUPA Statement No. 2), the regional operations manager for CUPA. The testimony consisted of 11 pages of questions and answers. The Company represents Mr. Madison's testimony provided a summary of the CUPA operations and systems and described capital improvements made to the system and future capital improvements that will be made within the fully projected future test year.

9. Finally, on June 16, 2016, the Company served the Direct Testimony of Brian Halloran (CUPA Statement No. 3). The Company represents the testimony consisted of Proprietary and Non-Proprietary Versions and contained 27 pages of testimony and 120 pages of financial information and workpapers regarding the components included in determining the appropriate level of revenue relief requested by CUPA. The Company also represents Mr. Halloran sponsored CUPA Exhibit No. 1, which is supporting data as to the rate base, revenue and expense claims of CUPA and CUPA Exhibit No. 2 which contains all the workpapers referenced in his testimony.

10. During the course of this proceeding, the Company provided sworn answers to numerous sets of discovery propounded by OCA and I&E. The Company represents these included thousands of pages of information in response to 388 questions (including subparts) or document requests from the public advocates regarding all aspects of the requested increase.

11. On July 8, 2016, ALJ Vero, OCA, I&E and the Company participated in public input hearings in the territories of Penn Estates (1 p.m.) and Westgate (6 p.m.).

12. The Company, I&E, and the OCA reached a settlement in principle prior to I&E and the OCA submitting any testimony in this proceeding, in which I&E and the OCA represent that they would have challenged portions of the testimony submitted by the Company.

II. THE SETTLEMENT

13. The Company, I&E, and the OCA engaged in discussions to determine if, consistent with the Commission's policy to "encourage settlements," stated at 52 Pa. Code §5.231(a), a settlement was possible. After extensive discovery, described above, by the statutory parties, CUPA, I&E, and OCA engaged in settlement negotiations. The settlement provided by the Joint Petition is the product of those negotiations, representing give-and-take by all Parties. The settlement is a typical "black box" settlement; that is, without admission on any particular issue though the terms agreed to are enforceable upon approval by the Commission. The Joint Petitioners agree that this settlement is a reasonable resolution of competing positions and interests in a way that meets and promotes the public interest. It also represents an outcome that is preferable to the time, expense and uncertainty of litigation before the Commission and potentially, appellate courts, the reasonable costs of which may be borne by the ratepayers.

14. The Settlement consists of the following terms and conditions:

(a) Upon the Commission's approval of this Settlement, but no earlier than January 5, 2017, the Company will be permitted to charge the rates for water service set forth in the proposed Tariff Supplement attached hereto as **Appendix A** ("Settlement Rates"), to become effective upon one day's notice. Instead of the \$427,817 (39.96%) increase requested in the filing,

the Settlement Rates are designed to produce an increase of annual operating revenue of \$345,000 (32.22%) as shown in greater detail on the Proof of Revenues attached hereto as **Appendix B**.

(b) The Company agrees to a consolidated customer charge for Westgate and Penn Estates for a standard 5/8" meter to be \$17.25 per month (down from the proposed rate of \$22.32 per month). Following are the consolidated customer charge rates for all meter sizes:

<u>Meter Size</u>	<u>Base Charge</u>
5/8"	\$17.25
1"	\$43.13
1.5"	\$86.25
2"	\$138.00
Unmetered - Public Fire protection	\$28.13
Unmetered – Other Availability (billed quarterly)	\$18.81

(c) The volumetric rate for all meter sizes per 1,000 gal. per month is as follows:

Penn Estates	\$6.26
Westgate	\$7.27

(d) Upon approval and implementation of the rates set forth in **Appendix A**, the Company will not file for another general rate increase for its Pennsylvania water territories (Penn Estates and Westgate) under Section 1308(d) of the Public Utility Code, 66 Pa. C.S. §101 *et seq.*, prior to January 6, 2018. However, if a legislative body, the judiciary, or an administrative agency, including the Commission, enacts or orders any fundamental changes in policy or statutes that directly and substantially affect the Company's cost of service, the Settlement shall not prevent the Company from filing a tariff or tariff supplement to the extent necessitated by such action. In

addition, this provision shall not preclude the Company from seeking extraordinary rate relief under Section 1308(e) of the Public Utility Code, 66 Pa. C.S. § 1308(e).

(e) The Company will provide to OCA and I&E periodic reports and confirmation of capital projects as set forth in its testimony. The Company reserves the right to substitute or add other projects if necessary and warranted in the Company's reasonable judgment.

(f) The Company will provide a hard copy of future general rate case filings to a designee of the Penn Estates Property Owners Association at the time of filing.

(g) This Settlement represents a step that moves toward consolidation of rates between the existing rates divisions. The Parties specifically agree that rates can be consolidated over time, and that rates are moved toward consolidation in this case. The Company may seek the remaining movement towards consolidation of rates in any subsequent rate case; however, I&E and OCA reserve the right to challenge any such proposed rates.

(h) The purchase water adjustment charge will continue to apply only to Westgate customers for purposes of rates set in this case. The baseline items determined in the Company's most recent PWAC calculation and used in this proceeding are:

$$(61,358,245 \text{ gallons} \times \$3.969/\text{gallon}) + (\$16,307.00 \text{ fixed charges}) = \$259,837.88$$

(i) I&E and OCA agree not to oppose the concept of a consolidated DSIC if and when the Company seeks one. I&E and OCA do not waive any other objections or positions they may take in any future DSIC filings, or related filings, including whether the Company has met the requirements to establish a DSIC of any type. The Company agrees that it will not seek a waiver of the 5% cap on the DSIC for the first three years of a DSIC if the Company receives approval for a DSIC before December 31, 2019. The Company retains the discretion to decide whether to seek a DSIC and the above shall not be construed as mandating a DSIC filing.

(j) During the public input hearing held in Penn Estates on July 8, 2016, several CUPA customers alleged water quality, odor and/or pressure issues. The Company will investigate and provide a report to OCA and I&E on these issues by October 31, 2016.

Additional Settlement Terms

15. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue but rather as an agreed-to compromise of the Joint Petitioners' competing positions. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated. Accordingly, this Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement any term specifically agreed to by the Joint Petitioners or to enforce this Settlement.

16. This Settlement is presented without prejudice to the position any of the Joint Petitioners may advance in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to by the Joint Petitioners in this Settlement.

17. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. In reaching this Settlement, the Joint Petitioners thoroughly considered all issues and give and take of positions. As a result of that consideration, the Joint Petitioners believe that the settlement agreement meaningfully addresses all such issues raised and therefore should be approved without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in

such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

18. All Joint Petitioners shall support the Settlement and make reasonable and good faith efforts to obtain approval of the Settlement by the ALJ and the Commission without modification. If the ALJ, in the Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, to the extent any terms and conditions of the Settlement are modified, or additional matters are proposed by the ALJ in the Recommended Decision, the Joint Petitioners do not waive their rights to file Exceptions in support of the Settlement. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed provided such Replies support the Settlement.

19. The Joint Petitioners recognize that this Joint Petition is a settlement of, and binding upon, only among the parties signing this document. The OCA represents it will, on the date of the signing of this settlement petition, send a letter providing instructions concerning the Complainant's opportunity to address the proposed Settlement. OCA also represents that the letter will explain that the Complainant has until September 27, 2016 to join, disagree but not actively oppose, or object to the proposed settlement and provides contact information for ALJ Vero and the OCA.

20. The Joint Petitioners agree that this document may be signed or executed in separate counterparts or signature pages that shall be binding upon the Joint Petitioners and such counterparts shall be considered as one document.

21. The Joint Petitioners agree and request that if the Settlement is approved, the OCA's Formal Complaint in this matter should be marked satisfied and closed due to the Settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

22. CUPA, I&E, and OCA have each prepared and attached to this Joint Petition their respective Statements in Support as identified in **Appendices C, D, and E** respectively, setting forth the basis upon which each Joint Petitioner believes that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

23. The Joint Petitioners submit that the Settlement is in the public interest for the reasons stated above and for the following reasons:

- By avoiding further litigation, the Settlement will conserve the time, effort and expense of all Joint Petitioners as well as those of the Commission and the Presiding Officer. The Joint Petitioners arrived at the Settlement terms after extensive review of discovery by the statutory advocates, a tour of CUPA's facilities, and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules, practices and procedures encouraging negotiated settlements. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401.

- The Settlement provides an annual increase in operating revenues of \$345,000, or an increase of approximately 32.22% as opposed to the \$427,817 increase (39.96%). The monthly customer charge for a standard residential customer 5/8” meter is \$17.25 as compared to the filed rate request of \$22.32. A comparison of an average water bill of a residential customer under current rates, the rates initially proposed by the Company, and under the Settlement Rates is shown below:

Penn Estates

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$30.75 ¹	\$45.46 ²	\$41.10 ³

Westgate

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$40.36 ⁴	\$48.45 ⁵	\$48.53 ⁶

WHEREFORE, the Settling Parties request the Presiding Judge and the Commission to:

- approve this Joint Petition for Full Settlement of Rate Proceeding without modification;
- issue an Order granting CUPA permission to file the tariff supplement after entry of the Order, attached hereto as **Appendix A**, to become effective upon one (1) day notice but no earlier than January 5, 2017; and,

¹ Penn Estates assumes average usage of 3,943 gallons in 2015.

² Penn Estates assumes average usage of 3,810 gallons in 2016.

³ Penn Estates assumes average usage of 3,810 gallons in 2017.

⁴ Westgate assumes average usage of 4,439 gallons in 2015.

⁵ Westgate assumes average usage of 4,303 gallons in 2016.

⁶ Westgate assumes average usage of 4,303 gallons in 2017.

c) terminate its investigation at Docket No. R-2015-2478098, and mark the Formal

Complaint filed by the OCA as satisfied and closed.

Respectfully submitted,

Thomas J. Sniscak

(Dated) 9.13.16

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(Dated) 9/13/16

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APPENDICES

APPENDIX A	Tariff Supplement
APPENDIX B	Proof of Revenues
APPENDIX C	Community Utilities of Pennsylvania Statement in Support
APPENDIX D	Bureau of Investigation & Enforcement Statement in Support
APPENDIX E	Office of Consumer Advocate Statement in Support

APPENDIX A

COMMUNITY UTILITIES OF PENNSYLVANIA INC.

RATES, RULES AND REGULATIONS GOVERNING

THE PROVISION OF WATER SERVICE

TO THE PUBLIC IN STROUD AND POCONO TOWNSHIPS IN MONROE COUNTY, AND
A PORTION OF HANOVER TOWNSHIP IN NORTHAMPTON COUNTY,

PENNSYLVANIA

Service Territory Formally Known as Penn Estates Utilities, Inc., and
Utilities, Inc. - Westgate

ISSUED:

EFFECTIVE:

ISSUED BY:

Steven M. Lubertozi, President
2335 Sanders Road
Northbrook, IL 60062
(800) 860-4512

NOTICE: THIS TARIFF SUPPLEMENT UPDATES THE SCHEDULE OF RATES
FOR ALL CUSTOMERS PURSUANT TO THE PENNSYLVANIA PUBLIC UTILITY
COMMISSION'S FINAL ORDER IN DOCKET NO. R-2016-2538660

ISSUED:

EFFECTIVE:

LIST OF CHANGES

Supplement No. 4 increases the schedule of rates applicable to all metered customers and fire protection customers in accordance with the Pennsylvania Public Utility Commission's Final Order in Dkt. No. R-2016-2538660. The increase moves rates toward unitization as stated in the Joint Petition filed at the foregoing docket. The increase in annual operating revenue is intended to produce an additional \$345,000 per year.

ISSUED:

EFFECTIVE:

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(C) Indicates Change

PART I: SCHEDULE OF RATES AND CHARGES
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

Section A - Rates for Metered Service

Residential

1. **Customer Charge:** Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>		
5/8 inch	\$17.25/per month	(I)
1 inch	\$43.13/per month	(I)
1 1/2 inch	\$86.25/per month	(I)
2 inch	\$138.00/per month	(I)

2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$6.26	(I)
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Pool

1. **Customer Charge:** Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>		
5/8 inch	\$17.25/per month	(I)
1 inch	\$43.13/per month	(I)
1 1/2 inch	\$86.25/per month	(I)
2 inch	\$138.00/per month	(I)

2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$6.26	(I)
----------------------	--------	-----

Rates will be payable in arrears and will be billed monthly.

(I) Indicates Increase

ISSUED:

EFFECTIVE:

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Clubhouse

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter Size

5/8 inch	\$17.25/per month	(I)
1 inch	\$43.13/per month	(I)
1 1/2 inch	\$86.25/per month	(I)
2 inch	\$138.00/per month	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$6.26	(I)
----------------------	--------	-----

Section B - Fire Protection Rates

1. Private Fire Protection:
 Not applicable.
2. Public Fire Protection:
 No separate fee is charged for public fire protection.

Rates will be payable in arrears and will be billed monthly.

(I) Indicates Increase

ISSUED:

EFFECTIVE:

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section D - Availability Rates

The flat rate availability charge for a lot upon which no structure has been erected will be \$18.81 (I) per month. These charges will be payable in arrears and will be billed quarterly.

Section E - Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$30.00 during regular business hours and \$75.00 during non-regular business hours.

Section F - Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code §65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 1/4 inch - 2 inch	\$20.00

These amounts may vary without revision of this tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches or for testing meters so located that testing costs are disproportionate to the stated fees shall be as established by the Company based upon the actual cost of the test.

Section G - Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for water service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tamperings shall be \$200 plus any actual costs to repair.

(I) Indicates Increase

ISSUED:

EFFECTIVE:

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Utilities, Inc. - Westgate)

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

Section A - Rates for Metered Residential Service

1. Customer Charge: Each metered residential customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>	<u>Customer Charge per Month</u>	
5/8 inch	\$ 17.25	(I)
1 inch	\$ 43.13	(I)
1 1/2 inch	\$ 86.25	(I)
2 inch	\$138.00	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:
 Rate per 1,000 Gals. \$7.27 (I)

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales. (D)

Section B - Rates for Metered Commercial Service

1. Customer Charge: Each metered commercial customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>	<u>Customer Charge per Month</u>	
5/8 inch	\$ 17.25	(I)
1 inch	\$ 43.13	(I)
1 1/2 inch	\$ 86.25	(I)
2 inch	\$138.00	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:
 Rate per 1,000 Gals. \$7.27 (I)

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales. (D)

(I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Utilities, Inc. - Westgate)

Section C – Fire Protection Rates

1. Public Fire Protection: For public fire protection, the charge shall be \$28.13 per hydrant per month. (I)

Section D – Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section E – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for water service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200.00 plus any actual costs to repair.

Section F – Service Termination or Resumption Rates

The fee for shut-off or turn-on service at the curb stop shall be \$30.00 during regular business hours and \$75.00 during non-regular business hours. (I)

Section G – Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code Section 65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 ¼ inch – 2 inch	\$20.00

These amounts may vary without revision of this tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches or for testing meters so located that testing costs are disproportionate to the stated fees shall be as established by the Company based upon the actual cost of the test.

Section H – Construction Rates

The rate charge for building construction shall be at regular tariff metered service rates. A monthly deposit of \$20.00, or an amount based on the estimated use for a monthly billing period, will be required in advance.

(I) Indicates increase.

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Utilities, Inc. - Westgate)

Section I - Purchased Water Adjustment Charge

The Company may apply a Purchased Water Adjustment Clause ("PWAC") to its water rates set forth under Schedule of Rates and Charges to reflect an increase or decrease in the rates charged by its wholesale water supplier, the City of Bethlehem ("City").

The PWAC will be calculated based on changes in the customer charges contained in Schedule G Meter Rates-Sales for Resale of the City's Tariff Water PA. P.U.C. No. 6. For purposes of calculating the PWAC, the amount collected or refunded will be the difference between the consumption charge rate per 1,000 gallons contained in the Company's Schedule of Rates and Charges and the customer charges contained in Schedule G of the City's tariff. The Company will revise the Tariff consumption charge in its base rate cases to mirror the customer charges in Schedule G of the City's tariff and set its PWAC to zero. Between rate cases, the Company will use the PWAC to reflect changes in the rates contained in Schedule G of the City's tariff. The Company will provide notice to its customers of changes in rates resulting from application of the PWAC.

The baseline items determined in the Company's most recent PWAC calculation:

$$(61,358,245 \text{ gallons} \times \$3.969/\text{gallon}) + (\$16,307.00 \text{ fixed charges}) = \$259,837.88$$

Determination of Purchased Water Adjustment Charge

A PWAC may be implemented on the effective date of a change in the City's wholesale rates charged to the Company for purchased water but not on less than 45 days notice to the customer. The Company may, at its option, implement a PWAC to recover an increase in purchased water costs. However, if the rate change is a decrease, the Company must implement a credit PWAC to reflect the decrease.

The items used to calculate the PWAC are:

- A. The projected cost of the volume of water purchased from the City in the prior 12 months at the City's revised rate per 1,000 gallons.

APPENDIX B

Community Utilities of Pennsylvania Inc.
 Water Division
 Calculation of Rates - Settlement
 Base Year (Per Books) Ended December 31, 2015
 Future Test Year Ended December 31, 2017

Line No.	Meter Size	A	B	C	D	E	F	G	H	I	J	K	L
			# of bills/units	AMWA Meter Factor	Proposed Base Charge	Base Charge Revenue	Gallons	UIW Gallons	PEUI Gallons	UIW Settled Gallonage Charge	PEUI Settled Gallonage Charge	Gallonage Charge Revenue	Total Revenue
1.	Water Residential												
2.	Meter Size												
3.	5/8"		29,307	1.0	\$ 17.25	\$ 505,543	116,862,345	45,359,064	71,500,281	\$ 7,270	\$ 6,260	\$ 777,371	\$ 1,285,914
4.	1"		-	2.5	\$ 43.13	\$ -	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ -
5.	1.5"		12	5.0	\$ 86.25	\$ 1,035	233,635	233,635	-	\$ 7,270	\$ 6,260	\$ 1,699	\$ 2,734
6.	2"		-	8.0	\$ 138.00	\$ -	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ -
7.	Total Residential Water												\$ 1,285,648
8.													
9.	Water Commercial												
10.	Meter Size												
11.	5/8"		238	1.0	\$ 17.25	\$ 4,105	995,985	846,319	149,666	\$ 7,270	\$ 6,260	\$ 7,040	\$ 11,195
12.	1"		55	2.5	\$ 43.13	\$ 2,352	1,251,593	1,092,556	162,037	\$ 7,270	\$ 6,260	\$ 8,957	\$ 11,309
13.	1.5"		-	5.0	\$ 86.25	\$ -	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ -
14.	2"		12	8.0	\$ 138.00	\$ 1,656	170,621	170,621	-	\$ 7,270	\$ 6,260	\$ 1,210	\$ 2,896
15.	Total Commercial Water												\$ 25,400
16.													
17.	Unmetered - Public Fire Protection (Hydrants)		760		\$ 28.13	\$ 21,379	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ 21,379
18.	Unmetered - Construction Availability		-		\$ -	\$ -	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ -
19.	Unmetered - Other Availability		199		\$ 56.43	\$ 11,229	-	-	-	\$ 7,270	\$ 6,260	\$ -	\$ 11,229
20.	Total Water												\$ 1,343,656
21.	Water Revenue Requirement from Rates Differenc												\$ 1,343,653
22.													\$ 3
23.													\$ -
24.													\$ -
25.													\$ -
26.													\$ -
27.													\$ -
28.													\$ -
29.													\$ -
30.													\$ -
31.													\$ -
32.													\$ -

Settlement Summary	
Incremental Service Revenues Originally Requested	\$ 427,817.23
Settlement Deficiency	(82,817.55)
Settled Incremental Revenue	\$ 344,999.68
Originally Requested Service Revenues	\$ 1,626,470.70
Settlement Deficiency	(82,817.55)
Total Settlement Revenues	\$ 1,343,653.15

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:		
	:		
v.	:	Docket No.	R-2016-2538660
	:		C-2016-2540738
Community Utilities of Pennsylvania Inc.	:		
Water Division	:		

**STATEMENT OF
COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
IN SUPPORT OF THE
JOINT PETITION FOR FULL SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE ERANDA VERO:

I. INTRODUCTION

1. Community Utilities of Pennsylvania, Inc. (“Company” or “CUPA”) hereby submits this Statement in Support¹ of the Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition” or “Settlement”) filed by CUPA, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission” or “PUC”), and the Office of Consumer Advocate (“OCA”) in the above-captioned proceeding. As indicated in the Joint Petition, if approved, the Settlement resolves all issues in the proceeding. Accordingly, as discussed more fully below, CUPA offers its support for the Settlement as being in the public interest and resulting in just and reasonable rates, and requests that the Presiding Administrative Law Judge and the Commission approve the Settlement as submitted and without modification.

¹ Simultaneous with this Statement in Support, the Parties have filed a Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition”). This Statement in Support is included in and made a part of the Joint Petition as Appendix C.

2. On or about April 6, 2016, CUPA filed Supplement No. 1 to Tariff Water – Pa. PUC No. 1, to become effective on June 5, 2016. This filing contained proposed changes in rates, rules, and regulations intended to unitize rates between its two existing service territories, Penn Estates Utilities, Inc. (Penn Estates) and Utilities, Inc. – Westgate (“Westgate”) and produce \$427,817 in additional annual operating revenues based on a historic test year ending December 31, 2015, a future test year ending December 31, 2016 and a fully projected future test year ending December 31, 2017 or a 39.96% increase.

3. On September 13, 2016, the Parties filed a Settlement that allows, instead of the \$427,817 (39.96%) increase requested in the filing, an increase of annual operating revenue of \$345,000 (32.22%). (Joint Petition at ¶14(a))

BACKGROUND

4. On April 19, 2016, the OCA filed a Formal Complaint docketed at C-2016-2540738. On that same day, I&E filed a Notice of Appearance. On May 23, 2016, Guillermo Barbosa filed a Formal Complaint at docket no. C-2016-2548235. On May 26, 2016, Erle Grubb filed a Formal Complaint at docket no. C-2016-2548262. On May 27, 2016, Yvette Lawson filed a Formal Complaint at docket no. C-2016-2549382. On June 6, 2016, Adrian and Diane Martenco filed a Formal Complaint at docket no. C-2016-2549995. All customer complainants, except Mr. Martenco, chose to be inactive participants in this proceeding. In addition, Mr. Martenco did not file any testimony in this case.

5. Pursuant to the litigation schedule adopted in this proceeding, on June 16, 2016, the Company served the Direct Testimony of Stephen M. Lubertozi (CUPA Statement No. 1), the president of CUPA. The testimony consisted of 9 pages of questions and answers. Mr. Lubertozi’s testimony (1) introduced the other witnesses who would testify in support of the

Company's requested rate relief; (2) provided background on CUPA and discussed the transition from three Pennsylvania operating subsidiaries to one consolidated company; (3) explained why the rate relief requested by CUPA was necessary and reasonable; and (4) discussed other aspects of the Company's rate request, including the declining consumption adjustment and capitalized time related to rate case expense.

6. Also, on June 16, 2016, the Company served the Direct Testimony of Chuck Madison (CUPA Statement No. 2), the regional operations manager for CUPA. The testimony consisted of 11 pages of questions and answers. Mr. Madison's testimony provided a summary of the CUPA operations and systems and described capital improvements made to the system and future capital improvements that will be made within the fully projected future test year.

7. Finally, on June 16, 2016, the Company served the Direct Testimony of Brian Halloran (CUPA Statement No. 3). The testimony consisted of Proprietary and Non-Proprietary Versions and contained 27 pages of testimony and 120 pages of financial information and workpapers regarding the components included in determining the appropriate level of revenue relief requested by CUPA. Mr. Halloran also sponsored CUPA Exhibit No. 1, which is supporting data as to the rate base, revenue and expense claims of CUPA and CUPA Exhibit No. 2 which contains all the workpapers referenced in his testimony.

8. As explained in the Joint Petition, the Settlement was achieved only after a comprehensive investigation by the Parties into the Company's request and an analysis of the filing (55 pages of explanation for the requested increase including detailed financial exhibits), discovery (thousands of pages of detailed information in response to 388 questions (including subparts) or document requests from the public advocates regarding all aspects of the requested increase), and CUPA's testimony (47 pages of detailed testimony and 120 pages of

accompanying detailed financial information and workpapers that set forth in detail the components included in determining the appropriate level of revenue relief requested by CUPA.)

9. In the Settlement, the parties agree to unitize or consolidate rates, which is a policy that this Commission promotes.² Unitized rates will allow CUPA to spread capital costs over a larger base of customers, which ultimately benefits all customers and can protect customers from rate shock. In the long-term, unitized rates will strengthen CUPA and allow the customers to enjoy lower rates via fewer rate cases and lower rate case expense. (CUPA Statement No. 1 at 8:24 – 9:2) This Settlement does not move, however, to full unity. Rather, it takes a material and reasonable step towards unitization of rates between CUPA’s water divisions (Penn Estates and Westgate), and the Company may pursue further or complete movement to unity in a future rate filing or filings.

10. The Commission, as stated in its regulations, encourages settlements. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401. This Settlement reflects a carefully balanced compromise of the interests of CUPA, its customers, and the statutory advocates, and is in the public interest as explained in greater detail below and in the Joint Petition for Settlement. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

A. CUPA

11. CUPA is a Pennsylvania corporation and is a wholly-owned subsidiary of Utilities, Inc. (“UI”). UI owns approximately 50 water and sewer utilities operating in 15 states, including CUPA. (CUPA Statement No. 1 at 3:13 – 15) CUPA was incorporated in 2015 for implementation of the merger into a single entity of the three separate wholly-owned Pennsylvania subsidiaries of UI that provided water and sewer services in Pennsylvania. The

² *Superior Water Co., Inc.*, 2009 WL 2501938 at *12 (Pa. P.U.C. 2009) (“[F]or years the Commission’s policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect.”)

water subsidiaries that are the subject of this rate increase proceeding are Penn Estates and Westgate. The merger application was approved by the Commission's December 3, 2015 Order at docket no. A-2015-2504889 *et al.* The application mentioned unitization of rates as a possibility.

12. Pursuant to the terms of the approved Agreement and Plan of Merger, the constituent Pennsylvania utilities, Westgate and Penn Estates merged with and into CUPA, the surviving corporation. (CUPA Statement No. 1 at 3:16 – 4:1)

13. CUPA relies on the same management, technology, processes and people that provided the high quality service enjoyed by the former Pennsylvania operating subsidiaries' customers. (CUPA Statement No. 1 at 4:10-15) CUPA benefits financially from the services provided by the service company of UI pursuant to a Commission-approved Affiliated Interest Agreement. If the Company were to be operated totally on a "stand-alone" basis, it would have to retain outside consultants to provide many of the services provided by its affiliate. (CUPA Statement No. 1 at 5:8 – 11) These additional costs would then be reflected in rates.

14. It has been four years (Penn Estates) and 6 years (Westgate) since the rates of these divisions have increased. The basic rates and charges for CUPA's operating divisions were previously approved in separate rate proceedings for each division. Penn Estates' basic water rates and charges were most recently approved by the Commission's March 29, 2012 Order at Dkt. No. R-2011-2255159. Westgate's base rates and charges were most recently approved by the Commission's January 28, 2010 Order at docket no. R-2009-2117389. (CUPA Statement No. 1 at 5:19 – 22)

B. PENN ESTATES

15. Penn Estates is a residential subdivision located in Monroe County Pennsylvania. As of May 2016, there were approximately 1,727 residential connections served by the water company and approximately 58 available connections. Water is supplied by seven (7) deep wells drilled in three aquifers. The distribution system consists of approximately 158,400 feet of 6-inch and 8-inch PVC water mains. All service connections are metered. (CUPA Statement No. 2 at 2:19 – 3:11)

C. WESTGATE

16. The water supply source for the Westgate system is from the City of Bethlehem. Water flows through two bulk water interconnects equipped with compound meters and backflow prevention devices. The water distribution system consists of 69,000 feet of water main. There are approximately 962 customer connections. (CUPA Statement No. 2 at 7:10 – 17)

II. LEGAL PRINCIPLES

17. In deciding this or any other general rate increase case brought under Section 1308(d) of the Public Utility Code (Code), 66 Pa. C.S. § 1308(d), certain general principles always apply. A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Pub. Util. Comm'n v. Pennsylvania Gas and Water Co.* 341 A.2d 239, 251 (Pa.Cmwlt. 1975). The burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility in all proceedings filed under Section 1308(d) of the Code. The standard to be met by the public utility is set forth in Section 315(a) of the Code, 66 Pa.C.S. § 315(a), as follows:

Reasonableness of rates. – In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.

In reviewing Section 315(a) of the Code, the Pennsylvania Commonwealth Court interpreted a public utility's burden of proof in a rate proceeding as follows:

Section 315(a) of the Public Utility Code, 66 Pa.C.S. § 315(a), places the burden of proving the justness and reasonableness of a proposed rate hike squarely on the public utility.

Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n, 409 A.2d 505, 507 (Pa.Cmwlth. 1980) (emphasis added). *See also, Brockway Glass Co. v. Pa. Pub. Util. Comm'n*, 437 A.2d 1067 (Pa.Cmwlth. 1981). In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C S Water and Sewer Assoc.*, 74 Pa.PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 60 Pa.PUC 1 (1985).

18. Additionally, Commission policy “encourage[s]” settlements. 52 Pa. Code §5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserves the resources of the Commission. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code §69.401. Many proceedings are expensive to litigate. Under longstanding Pennsylvania law,³ reasonable rate case expense is recovered 100% from customers in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-

³ *Butler Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 473 A.2d 219 (Pa. Cmwlth. 1984).

examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yields significant rate case expense savings for the company's customers. This is one reason why settlements are encouraged by long-standing Commission policy.

19. CUPA has met its burden in this case and the Settlement is in the public interest and sets rates which meet the just and reasonable legal standard in Chapter 13 of the Public Utility Code. As explained in detail below, the testimony of CUPA witnesses, Mr. Halloran and Mr. Madison show that the Company has spent significant time and funds in maintaining and investing in the water systems' plant since Penn Estates and Westgate's last rate cases. Moreover, the Company outlines in detail that it will expend significant funds for additional projects included and detailed its rate base claim that will allow customers to continue to enjoy high quality service. (CUPA Statement No. 2 at 5:18 – 7:4 and 9:13 – 19). Notably, the settlement at ¶14(e) provides for periodic reports and confirmation of capital projects to OCA and I&E regarding the projects set forth in the testimony of Chuck Madison cited above.

20. In addition, CUPA witness, Mr. Halloran, provided the accounting schedules that supported the original rate request in this proceeding and addressed how the Company developed the new consolidated rates that are necessary to recover the requested revenues. Mr. Halloran also explained the projections incorporated in the future test year developed by the company and explained their reasonableness. Mr. Halloran's testimony fully supports the Company's original revenue request of \$427,817 and, as such, more than supports the settlement revenue amount of \$345,000.

III. SPECIFIC SETTLEMENT TERMS

21. The specific settlement terms are set forth in the Joint Petition for Settlement in ¶ 14 and are incorporated here by reference.

22. The Settlement provides for rates designed to produce an annual increase in operating revenue of \$345,000 (32.22%) instead of the \$427,817 (39.96%) increase requested in the filing. (Joint Petition at 14(a)) The \$345,000 annual increase, although less than that requested by the Company, will enable the Company to cover its expenses and to continue to invest in facilities that will allow the Company to continue to provide a high quality of service and water to its customers, as well as, respond to the ever increasing demands of Pennsylvania Department of Environmental Protection regulation.

23. As explained by CUPA witness Mr. Lubertozi, under present rates, the Company is not able to meet its operating costs and earn a reasonable return on its investment. For the 12 months ended December 31, 2015, CUPA earned a -2.22% return on equity. Without appropriate rate relief, CUPA's ability to continue to provide environmentally safe, reliable and efficient water services to its customers and meet its financial obligations would be placed in jeopardy. During the 12 months ended December 31, 2015, which is referred to as the "per books base year" in its testimony, the Company realized an overall 1.88% rate of return on the funds that finance the assets used in providing service to our customers. (CUPA Statement No. 1 at 6:6 – 14)

24. As further explained by Mr. Lubertozi, CUPA has invested a significant amount in water infrastructure improvements in the past 3 years. These improvements are a reasonable and necessary cost of providing service and are appropriately included in the revenue requirement. (CUPA Statement No. 1 at 6:19 – 22) Another phenomenon that is driving the need

for this rate case is the shortfall in revenues that the water divisions are experiencing due to declining usage. While a large part of the increase in rates proposed in this case is needed simply to put CUPA in a position to achieve a level of revenues the Commission has already approved, declining usage will continue to erode at revenues, impacting the opportunity for the Company to earn a reasonable return. Because the Company has invested significantly in infrastructure improvement in the Westgate and Penn Estates territories since the last rate cases, the increase in revenue will allow the Company to continue to make improvements which will insure the continued provision of reliable service that the Company provides to its customers. (CUPA Statement No. 1 at 7:1 – 6)

25. As explained by CUPA witness, Mr. Madison, facilities improvements since the last rate case for Penn Estates and Westgate have been significant. Penn Estates has completed a hydrant and valve replacement project in 2014 for approximately \$60,000, replaced the well pump and motor in Well #4 in 2014 for approximately \$13,000, purchased two hand-held meter reading devices in 2013 for approximately \$9,000, completed a leak sweep of the entire system and restoration of leaking pipe in 2014 for approximately \$12,015. The leak sweep revealed a broken main on Stonehenge Drive that required 15 feet of pipe replacement for \$3,950 and a broken saddle tap on Stonehenge Drive that required replacement for \$1,600. (CUPA Statement No. 2 at 4:6 – 18) Mr. Madison further explained the benefits provided to the customers by these improvements:

The valve and hydrant project involved the replacement of (12) broken gate valves within the distribution system along with the installation of three new hydrants. The benefit to the customers is that Penn Estates is able to isolate the distribution system in smaller increments which in turn reduces the number of customers impacted in the case of a main break. The hydrant installations allow Penn Estates to more effectively flush areas of the water distribution system. The well pump & motor replacement for Well #4 was necessary after the unit failed. In order to maintain pressure and storage capacity, the unit was replaced.

Adequate pressure and storage helps to ensure that customers have uninterrupted water service.

The hand-held meter devices were replaced due to failure. These devices are used to read meters and will be used as part of the meter replacement project as they will be converted to radio readers.

The 2014 leak sweep covered the entire distribution system and included all water mains, valves, and service connections.

(CUPA Statement No. 2 at 5:1 – 16)

26. Mr. Madison also detailed the facilities improvements to the Westgate system since the last rate case. From 2009 to 2015, Westgate purchased \$14,160 in residential water meters, spent \$8,136 to upgrade the meter reading equipment and software to replace obsolete touch readers that were no longer supported by the manufacturer, and spent \$35,524 on pipe, fittings, and service line replacements. (CUPA Statement No. 2 at 8:14 – 20) Mr. Madison further explained the benefits to customers by these improvements:

New meters were purchased to replace customer meters as they age or malfunction. As a meter ages, it may not be as reliable in accuracy and performance.

Upgrading meter reading equipment allowed the company to continue to obtain accurate meter reads and provide correct bills to our customers.

The replacement of piping, fittings, and service lines was completed as infrastructure failed. These replacements were necessary to provide quality, uninterrupted service to the customers.

(CUPA Statement No. 2 at 9:1 – 11)

27. Mr. Madison also detailed the planned projects for Penn Estates and Westgate during 2016 and 2017. In Penn Estates, there is a storage tank painting project that will cost \$135,000, a \$406,000 meter replacement project that will replace old-style reciprocating meters with electronic units that will be read via radio and will save the Company approximately \$13,000 in meter reading expense per year (the savings of which will be reflected in the next rate case.) (CUPA Statement No. 2 at 5:18 – 7:4) In Westgate, the Company will undertake a \$54,701 valve replacement project which will benefit the customers with less down time and

smaller sections of the system being shut down during emergency work. (CUPA Statement No. 2 at 9:13 – 19) The Settlement provides for the Company to provide periodic reports to OCA and I&E regarding the status of these projects. (Joint Petition at 14(e))

28. With regard to the accounting aspect of the rate increase, Mr. Halloran testified that CUPA proposed and prepared all of the attachments and schedules using a fully projected future test year (“FPFTY”) ended December 31, 2017. CUPA’s schedules also include a “per books base period” for the fiscal year (“FY”) ended December 31, 2015 and a forecasted period for the FY ended December 31, 2016. The Company proposed the use of a future test year because it will enable it to recover costs for large forecasted projects and increasing operating expenses without seeking recovery through multiple rate proceedings (which will increase rate case expense). The use of a forecasted test year will enable the Company to reduce regulatory lag and provide the Company with a reasonable opportunity to earn its authorized return. (CUPA Statement No. 3 at 3:9 – 19)

29. The Company’s revenue requirement was developed by matching the revenues for the year the rate increase is authorized with the forecasted operating expenses and forecasted rate base for such year. This will help provide the Company a reasonable opportunity to earn a fair rate of return. (CUPA Statement No. 3 at 4:8-11) Mr. Halloran testified that the projections are reasonable and are justifiable. Additionally, CUPA’s work papers and planned projects and forecasts were created in such a way that the other parties and Commission will be able to test their appropriateness and reasonableness. (CUPA Statement No. 3 at 4:19 – 21)

30. Mr. Halloran further testified that under present rates, neither CUPA nor any of its service territories are able to cover their operating expenses, costs of capital, and earn a reasonable return on their system investments. The utility’s current operating income statement

for twelve months ended December 31, 2015, (“Per Books”) is shown in Section 1, Page 11 of CUPA Exhibit No. 1. The current rates for CUPA’s territories do not reflect rising operational costs and capital investments in infrastructure which have been realized since CUPA’s territories’ water rates were last established. CUPA is requesting rate relief using a FPFTY for the twelve months ended December 31, 2017 so that it can continue to provide safe, reliable and efficient water and sewer utility services to its customers while earning a reasonable return for its investors. (CUPA Statement No. 3 at 5:14 – 6:5)

31. Mr. Halloran’s testimony and supporting documentation provided detailed support for forecasted net income changes to water revenue due to the decline in water usage, uncollectible accounts, operation and maintenance expenses, salaries and wages, purchased power costs, purchased water costs, materials, supplies and other maintenance expense costs, testing, meter reading and miscellaneous expense costs, chemical costs, transportation costs, engineering fees, contractual services (accounting and legal) costs, office utilities, supplies and other office expenses costs, regulatory Commission expenses, pension and other benefits costs, rent costs, insurance costs, taxes and other income taxes. (CUPA Statement No. 3 at 6:10 – 22:2) All of these reasonable costs are allowed to be recovered in rates.

32. Mr. Halloran also provided detailed support for forecasted changes to depreciation, amortization, taxable income, and interest during construction. (CUPA Statement No. 3 at 22:3 – 14)

33. Mr. Halloran further provided detailed support for the Company’s forecasted changes to utility plant in service including accumulated depreciation, cash working capital, net contributions in aid of construction, accumulated deferred income taxes, net plant acquisition adjustment, and net pro-forma plant. (CUPA Statement No. 3 at 22:20 – 25:11)

34. While fully within its right to do so, in return for avoiding the additional costs associated with continued litigation of the issues in this rate case, the Company has agreed not to file another rate case for its Pennsylvania water territories (Penn Estates and Westgate) under Section 1308(d) of the Public Utility Code, 66 Pa. C.S. §101 *et seq.*, prior to January 6, 2018. Of course, if a legislative body, the judiciary, or an administrative agency, including the Commission, enacts or orders any fundamental changes in policy or statutes that directly and substantially affect the Company's cost of service, the Settlement shall not prevent the Company from filing a tariff or tariff supplement to the extent necessitated by such action. In addition, this provision shall not preclude the Company from seeking extraordinary rate relief under Section 1308(e) of the Public Utility Code, 66 Pa, C.S. § 1308(e).

35. As requested at the public input hearings, the Company will provide a hard copy of future general rate case filings to a designee of the Penn Estates Property Owners Association at the time of filing.

36. The monthly customer charge for a standard residential customer 5/8" meter of \$17.25 is a significant reduction from the filed rate request of \$22.32 which allows customers more control over the charges on their total bill by using water conservation measures that will reduce the consumptive portion of their bill. A comparison of an average water bill of a residential customer under current rates, the rates initially proposed by the Company, and under the Settlement Rates is shown below:

Penn Estates

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$30.75 ⁴	\$45.46 ⁵	\$41.10 ⁶

Westgate

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$40.36 ⁷	\$48.45 ⁸	\$48.53 ⁹

37. This Settlement represents a reasonable step that moves toward consolidation or unitization of rates between the existing rates divisions. The Parties specifically agree that “rates shall be consolidated over time,” (Joint Petition at ¶14(g)) Consolidation or unitization of rates between a water company’s divisions is a concept that is favored by the Commission.¹⁰ Rates are moved materially toward consolidation in this case. The Company may seek the remaining movement towards consolidation of rates in any subsequent rate case; however, I&E and OCA reserve the right to challenge any such proposed rates.

38. As Mr. Lubertozi testified, “Unitized rates will allow CUPA to spread capital costs over a larger base of customers, which ultimately benefits all customers and can protect customers from rate shock... In the long-term, unitized rates will strengthen CUPA and allow the customers to enjoy lower rates via fewer rate cases and lower rate case expense.” (CUPA Statement No. 1 at 8:24 – 9:2)

⁴ Penn Estates assumes average usage of 3,943 gallons in 2015.

⁵ Penn Estates assumes average usage of 3,810 gallons in 2017.

⁶ Penn Estates assumes average usage of 3,810 gallons in 2017.

⁷ Westgate assumes average usage of 4,439 gallons in 2015.

⁸ Westgate assumes average usage of 4,303 gallons in 2017.

⁹ Westgate assumes average usage of 4,303 gallons in 2017.

¹⁰ *Superior Water Co., Inc.*, 2009 WL 2501938 at *12 (Pa. P.U.C. 2009) (“[F]or years the Commission’s policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect.”)

39. The Settlement also provides that the purchase water adjustment charge will continue to apply only to Westgate customers for purposes of rates set in this case. Only Westgate customers receive such purchased water. (Joint Petition at ¶14(h))

40. As part of the Settlement, I&E and OCA agree not to oppose the concept of a consolidated DSIC if and when the Company seeks one. I&E and OCA do not waive any other objections or positions they may take in any future DSIC filings, or related filings, including whether the Company has met the requirements to establish a DSIC of any type. The Company agrees that it will not seek a waiver of the 5% cap on the DSIC for the first three years of a DSIC if and when the Company receives approval for a DSIC before December 31, 2019. The Company retains the discretion to decide whether to seek a DSIC and the above shall not be construed as mandating a DSIC filing.

41. During the public input hearing held in Penn Estates on July 8, 2016, a few CUPA customers alleged water quality, odor and/or pressure issues. The Company will investigate and provide a report to OCA and I&E on these issues by October 31, 2016.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

42. The Settlement establishes rates which are just and reasonable. These rates economically benefit the Company's customers by setting lower rates than originally requested.¹¹ The Settlement also benefits customers because it provides the Company with additional revenues which will promote its continuing to provide a high quality of service.

43. Customers also benefit by the Company's waiving its right to file for a standard general rate increase prior to January 6, 2018. (Joint Petition at ¶14(d))

¹¹ Rate case costs permitted by the Commission are borne by ratepayers of the Company.

44. Although the Company meets or exceeds all federal and state water quality standards (CUPA Statement No. 2 at 11:1-2), to address certain service concerns raised by a very small number of Company customers during the Penn Estates public hearing, the Company will personally meet with each customer who so testified to service related issues in an attempt to resolve these issues. The Company will investigate and provide a report to OCA and I&E on these issues by October 31, 2016. (Joint Petition at ¶14(j))

45. In terms of rate design, the settlement provides that the purchase water adjustment charge will continue to apply only to Westgate customers for purposes of rates set in this case, as only Westgate customers use the water which is the subject of the adjustment charge. (Joint Petition at ¶14(h))

46. The Settlement promotes DSIC options for the Company that are acceptable to the Joint Petitioners. The Settlement provides that should the Company pursue a consolidated DSIC in the future, the Company agrees that it will not seek a waiver of the 5% cap on the DSIC for the first three years of a DSIC if and when the Company receives approval for a DSIC before December 31, 2019. (Joint Petition at ¶14(i))

47. The Settlement is also in the public interest because it balances the Company's need to have funds for upcoming projects versus confirmation of such projects or substitute projects being undertaken and completed. Under the Settlement at paragraph 14(e), the Company will provide to OCA and I&E periodic reports and confirmation of capital projects as set forth in the testimony of Chuck Madison (CUPA Statement No. 2), and the Company reserves the right to substitute or add other projects if necessary and warranted in the Company's reasonable judgment. (Joint Petition at ¶14(e)).

48. The settlement benefits customers by providing additional notice regarding future rate case filings. Under the Settlement at paragraph 14(f), the Company will provide a hard copy of future general rate case filings to a designee of the Penn Estates Property Owners Association at the time of filing

49. The Settlement is also in the public interest because it amicably and expeditiously resolves a number of important and potentially contentious issues which would have been very expensive and time-consuming to litigate before this Commission, and likely would have spawned expensive and time-consuming appeals. This Settlement represents a mutually acceptable and reasonable compromise, and will conserve the time, effort and rate case expense of all parties, as well as those of the Commission, the Presiding Officer and the Company's customers.


50. The Parties arrived at the Settlement terms after extensive review of discovery by the statutory advocates, a tour of CUPA's facilities, and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement, including its terms and conditions and just and reasonable rates, is consistent with the Commission's rules, practices and procedures encouraging negotiated settlements and is therefore in the public interest. See 52 Pa. Code §§ 5.231, 69.391, 69.401.

51. Significantly, two of the signatories, I&E and OCA are charged with specific legal obligations to carefully scrutinize all aspects of a utility's request to increase rates. I&E functions as an independent prosecutorial bureau within the Commission and, as such, is charged

with representing the public interest in utility rate proceedings.¹² The OCA has a statutory obligation to protect the interest of consumers of public utility service.¹³ As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have discharged their statutory obligations. Their joining in, and fully supporting the Settlement, is strong evidence that the Settlement's rates, terms and conditions are just, reasonable and in the public interest.

52. The Settlement is also without prejudice or admission to any position any party, including CUPA, may take in any subsequent or different proceeding.

53. For all of these reasons, and those stated in the Joint Petition, Community Utilities of Pennsylvania, Inc. believes that the Settlement is in the public interest and requests that the Presiding Administrative Law Judge and the Commission so find and approve the Settlement and the just and reasonable rates contained in the proposed settlement tariff supplement (**Appendix "A"** to the Joint Petition).

Respectfully submitted,

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¹² See *Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Dkt. No. M-2008-2071852 (Final Order entered August 11, 2011), p.5 (“BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters...”).

¹³ See 71 Pa. C.S. §§ 309-1 *et seq.*

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**COMMUNITY UTILITIES OF
PENNSYLVANIA INC.**

DOCKET NO. R-2016-2538660

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT'S
STATEMENT IN SUPPORT OF
JOINT PETITION FOR FULL SETTLEMENT
OF RATE PROCEEDING**

TO ADMINISTRATIVE LAW JUDGE ERANDA VERO:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor, Phillip C. Kirchner, hereby respectfully submit that the terms and conditions of the foregoing *Joint Petition For Full Settlement Of Rate Proceeding* ("Joint Petition" or "Settlement Agreement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of the Community Utilities of Pennsylvania, Inc. – Water Division ("CUPA") and its customers. The parties to this Settlement Agreement have conducted extensive Formal and

Informal Discovery and have participated in numerous Settlement Discussions. The extensive discussions have resulted in the submission of the attached Settlement Agreement. The request for approval of the *Joint Petition for Settlement of Rate Investigation* is based on I&E's conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² In support of this position, I&E respectfully avers the following:

I. INTRODUCTION

1. On April 6, 2016, Community Utilities of Pennsylvania Inc. Water Division (Community Utilities or Respondent), filed Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 1 containing proposed changes in rates, rules, and regulations calculated to produce \$427,817 in additional annual revenues from customers. This matter was suspended on May 5, 2016 until January 5, 2017 by Commission Order pursuant to 66 Pa.C.S. §1308(d) to allow for an investigation into the lawfulness, justness and reasonableness of the proposed rate increase.

2. An appearance was entered by undersigned attorney on April 19, 2016 on behalf of I&E. The Office of Consumer Advocate filed a formal complaint on this date as well.

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

3. Private formal complaints were also filed by Guillermo Barbosa, Erle Grubb, Yvette Lawson, and Adrian and Diane Martenco opposing the proposed rate increase.

4. A prehearing conference was held before Administrative Law Judge Eranda Vero on June 8, 2016.

5. Two public input hearings were held in this matter on July 8, 2016 with multiple members of the public participating and providing input in this matter.

II. DISCUSSION

6. In accordance with the Commission's policy at 52 Pa. Code §5.231 that encourages settlements over costly and time-consuming litigation, I&E, OCA, and CUPA ("Joint Petitioners") were successful in achieving a Settlement Agreement of all issues through comprehensive Discovery and several Settlement Conferences.

7. The Settlement Agreement provides for a revenue increase of \$345,000 as opposed to the initial filing of \$427,817 with a 'stay-out' provision until January 6, 2018. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement. A "Black Box" agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A "Black Box" settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E avers that an agreement to the resolution of each and every disputed issue in this proceeding

between all the parties would have been highly unlikely. Avoiding protracted litigation will benefit ratepayers by minimizing the expenses associated with this filing. Commissioner Powelson has commented on “Black Box” settlements in his statement that the “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.”³

8. This settlement also places heightened reporting requirements on CUPA. The Company has agreed to provide updates and reports of the progress on capital projects set forth in their testimony (See generally Direct Testimony of Chuck Madison – CUPA Statement No. 2). This will ensure that the detailed capital improvement plan laid out by CUPA is being adhered to. This increased transparency will help ensure accountability and provide consumers with a better idea of what their payments are being utilized for.

9. In response to a repeated complaint at the public input hearings, the Company has also agreed to provide a hard copy of future general rate case filings to the Property Owners Associations in the Penn Estates territory that CUPA operates in. This change will allow ratepayers to more easily review and analyze any proposed rate increases in the

³ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

future. Making this information more easily accessible will allow for more inclusion of the public in the ratemaking process and promote a greater public understanding of the ratemaking process.

10. The Company has also agreed to provide a report to the advocates in this case regarding alleged water quality, odor, and pressure issues in the Penn Estates territory. This was not a universal complaint but this complaint was repeated enough to warrant a follow-up investigation, which the company has agreed to provide. This will be done prior to October 31, 2016 in accordance with the Settlement.

11. CUPA shall receive sufficient operating funds in order to provide the continued safe and adequate service that is expected of Public Utilities in the Commonwealth of Pennsylvania. Consumers are protected since the resulting increase blunts the impact of the initial proposal but ensures that consumers will continue to have safe and reliable service.

12. This settlement also ensures that CUPA will not be allowed to file for a rate increase as defined in 66 Pa. C.S. §1308 until January 6, 2018, which is an additional benefit for ratepayers since the rate adjustments for the near future are known and scheduled.

13. I&E respectfully avers that the remaining issues raised in I&E's Prehearing Memorandum have been satisfactorily resolved through Discovery and discussions with CUPA and are incorporated into the "Black Box" resolution of the revenue requirement in this proceeding.

III. CONCLUSION

14. Based on I&E's analysis of the base rate revenue increase requested by CUPA, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Pursuing litigation through to its conclusion would have driven expenses even higher which may have impacted the agreed upon increase in revenue. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

15. I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of multiple levels of testimony as well as Main Briefs, Reply Briefs, Exceptions and Reply Exception. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of the Company and its customers since such expenses are recoverable from ratepayers.

16. The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by I&E, or any of the signatories.

17. If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E agrees to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms

and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the ALJ in her Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement avers that it supports the *Joint Petition For Full Settlement Of Rate Proceeding* as being in the public interest and respectfully requests that Administrative Law Judge Eranda Vero recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



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Prosecutor
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Dated: September 12, 2016

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2016-2538660
Office of Consumer Advocate	:	C-2016-2540738
	:	
v.	:	
	:	
Community Utilities of Pennsylvania, Inc.	:	
(Water Division)	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Full Settlement of Rate Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

Community Utilities of Pennsylvania, Inc. (Community Utilities or the Company) provides water service to approximately 2,605 customers in Stroud Township and Pocono Township, Monroe County, and portions of Hanover Township, Northampton County, Pennsylvania. On April 6, 2016, Community Utilities filed Supplement No. 1 to Tariff Water - Pa. P.U.C. No. 1 with the Pennsylvania Public Utility Commission (Commission), to become effective June 5, 2016. The Company, by filing its tariff supplement, sought Commission approval to consolidate the rates of all customers in the service territories formerly known as Penn Estates Utilities, Inc. (Penn Estates) and Utilities, Inc.- Westgate (Utilities Westgate) and rate changes that would increase the level of rates that it charges for providing service to its customers. Specifically, the Company sought an annual increase in base rate revenues of

\$427,817, or approximately 39.96%. The Company's proposal included a proposed usage charge of \$6.073 per 1,000 gallons and a customer charge of \$22.32 for a typical residential customer with a 5/8" meter. Under the Company's proposal, a customer in the service territory formerly known as Penn Estates, using 5,000 gallons of water per month, would experience a rate increase from \$34.96 to \$52.69, or by 50.7%. A customer in the service territory formerly known as Utilities Westgate, using 5,000 gallons of water per month, would experience a rate increase from \$43.33 to \$52.69 per month, or by 21.6%.

On April 19, 2016, the OCA filed a Formal Complaint and Public Statement with the Commission (Docket No. C-2016-2540738). The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on April 19, 2016.

On May 5, 2016, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this tariff filing, and suspended the effective date of the proposed Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 1 until January 5, 2017, by operation of law. The Commission assigned the case to Administrative Law Judge Eranda Vero (ALJ Vero). ALJ Vero conducted a telephonic Prehearing Conference on June 8, 2016, at which time a procedural schedule was established.

Pursuant to the procedural schedule, on June 16, 2016, the Company served the Direct Testimonies of Steven M. Lubertozi (CUPA Statement No. 1), Chuck Madison (CUPA Statement No. 2), and Brian Holloran (CUPA Statement No. 3). Public input hearings were held on July 11, 2016 in the Penn Estates and Utilities Westgate services territories. Approximately twenty-three (23) consumers testified on the record during the public input hearing at the Penn Estates location, and Senator Mario Scavello and approximately fourteen (14) consumers testified on the record during the public input hearing at the Utilities Westgate location.

The Company, I&E, and OCA engaged in a number of settlement discussions during the course of the proceeding. During settlement discussions, the Company, I&E, and OCA jointly requested several modifications to the procedural schedule, which were granted by ALJ Vero. As a result of the settlement discussions and meetings, the Company, I&E, and OCA were able to agree to resolve all issues prior to the OCA or I&E filing any testimony, resulting in the comprehensive settlement terms and conditions set forth herein. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. SETTLEMENT TERMS AND CONDITIONS

A. REVENUE AND RATE DESIGN

The proposed Settlement provides for an overall annual revenue increase of \$345,000, or 32.22%. See Settlement ¶ 14(a). Based on the OCA's analysis of the Company's filing, the proposed increase under the Settlement represents an amount which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

Under the proposed Settlement, the parties agree that rates can be consolidated over time, and the Company will move to consolidation in this case. See Settlement ¶ 14(g). Specifically, the parties agree that the Company will consolidate its customer charge, wherein typical Penn Estates residential customers and typical Utilities Westgate residential customers with 5/8" meters will be charged a customer charge of \$17.25 per month. See Settlement ¶ 14(b). Additionally, Penn Estates customers will be charged a volumetric rate of \$6.26 per 1,000 gallons and Utilities Westgate customers will be charged a volumetric rate of \$7.27 per 1,000 gallons. See Settlement ¶ 14(c). Under this proposal, a customer in the service territory formerly known as Penn Estates, using 5,000 gallons of water per month, would experience a rate increase from \$34.96 to \$48.55, or by 38.9%. A customer in the service territory formerly known as Utilities Westgate, using 5,000 gallons of water per month, would experience a rate

increase from \$43.33 to \$53.60 per month, or by 23.7%. Under the terms of the Settlement, the OCA and I&E reserve the right to challenge future rate design proposals. See Settlement at ¶ 14(g).

The OCA submits that the gradual consolidation of rates between customers in the Penn Estates and Utilities Westgate service territories is in the public interest, as it will help to ensure the avoidance of rate shock for customers in the Penn Estates service territory who were paying a rate lower than that of Utilities Westgate customers prior to the Company's filing. Moreover, under the terms of the Settlement, the customer charge will be lower from that originally requested by the Company, which allows consumers a better opportunity to control the overall charges on their bills. As such, the OCA submits that the revenue and rate design provisions of the Settlement are in the public interest.

B. STAY-OUT PROVISION

Under the proposed Settlement, the Company cannot file for another general rate increase prior to January 6, 2018. Settlement at ¶ 14(d). If the Company files as soon as the stay out expires and if the next case is fully litigated, then the current rates would be in effect for approximately 21 months. Thus, the stay out will provide for some level of rate stability for the Company's customers in the Penn Estates and Utilities Westgate service territories.

C. OTHER PROVISIONS

- **Periodic Reports and Confirmation of Capital Projects**

Pursuant to the terms of the Settlement, the Company will provide the OCA and I&E periodic reports and confirmation of capital projects as set forth in the Company's testimony. Settlement at ¶ 14(e). This Settlement provision is in the public interest, because it helps to ensure that the Company is making necessary capital improvements to its distribution system in order for customers to receive quality, uninterrupted water services.

- **Future General Rate Case Filings**

Under the terms of the Settlement, the Company has agreed to provide a hard copy of future general rate case filings to a designee of the Penn Estates Property Owners Associations at the time of filing. Settlement at ¶ 14(f). This provision addresses concerns raised by the Company's customers at the public input hearings that customers had difficulty accessing information related to the rate case. See e.g. Tr. at 63, 109. Specifically, this provision will help to ensure that the Company's customers have a reasonable means of accessing information relating to any future rate cases. As such, the OCA submits that this provision is in the public interest.

- **Water Quality Issues**

The Company has agreed to investigate the quality of service issues raised by consumers at the Penn Estates public input hearing and provide a report on its investigation to the OCA and I&E. Settlement at ¶ 14(j); see also e.g. Tr. at 59, 70-72, 83. This provision will also help to ensure that customers receive quality, uninterrupted water service. As such, the OCA submits that this provision is in the public interest.

III. CONCLUSION

The terms and conditions of the proposed Settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of \$345,000 from customers in annual revenues. This amount is reduced from the \$427,817 annual increase proposed in the Company's filing. In addition, the ratepayers will benefit from gradual consolidation, the stay-out, and other provisions addressing ratemaking issues. Finally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest.

Respectfully Submitted,

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DATE: September 13, 2016

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