

COMMONWEALTH OF PENNSYLVANIA

December 12, 2016

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

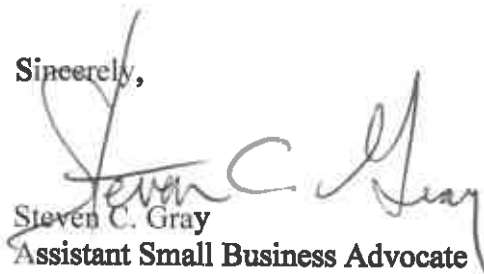
**Re: City of DuBois-Bureau of Water Request for Approval to Increase Water Rates
Docket No. R-2016-2554150**

Dear Secretary Chiavetta:

Enclosed please find the Reply Brief, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding. As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

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

Sincerely,



Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Mr. Brian Kalcic
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
v.	:	Docket No. R-2016-2554150
	:	C-2016-2556342
CITY OF DUBOIS – BUREAU OF WATER	:	

**REPLY BRIEF
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

Steven C. Gray
Assistant Small Business Advocate
Attorney ID # 77538

For: John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: December 12, 2016

I. Introduction

On June 30, 2016, the City of DuBois - Bureau of Water (the “City” or “DuBois”) filed Supplement No. 22 to Tariff Water - Pa. P.U.C. No. 4 with the Pennsylvania Public Utility Commission (“Commission”). The proposed tariff would provide the City with a general rate increase of \$257,604 per year.

On July 13, 2016, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint.

On September 9, 2016, a Prehearing Conference was held before Administrative Law Judge (“ALJ”) Mark A. Hoyer.

On September 14, 2016, ALJ Hoyer issued a Prehearing Order setting forth the procedural schedule in this case.

On October 5, 2016, the OSBA served the Direct Testimony of Brian Kalcic.

On November 10, 2016, an Evidentiary Hearing was held before ALJ Hoyer.

On November 29, 2016, the OSBA submitted its Main Brief.

The OSBA submits this Reply Brief in accordance with the procedural schedule set forth in the ALJ’s Prehearing Order.

II. Summary of Argument

The City of DuBois, in its Main Brief, mischaracterized the OSBA's testimony on revenue allocation as also advocating a rate design position. The OSBA takes no position on rate design in this proceeding.

The City of DuBois, in its Main Brief, states that it intends to implement a proportional scale back to the filed increase for each customer class through an adjustment to its proposed usage charges, but not to its proposed customer charges. The OSBA is concerned that this approach will further restrict the City's rate design flexibility at the compliance filing stage of this proceeding, and may result in inaccurate final class increases.

III. Rate Base

The OSBA will not be briefing this issue.

IV. Revenues

The OSBA will not be briefing this issue.

V. Expenses

The OSBA will not be briefing this issue.

VI. Taxes

The OSBA will not be briefing this issue.

VII. Rate of Return

The OSBA will not be briefing this issue.

VIII. Miscellaneous Issue(s)

The OSBA will not be briefing this issue.

IX. Rate Structure

A. Cost of Service

The OSBA set forth its position supporting the City’s class cost of service study (“COSS”) in its Main Brief. The OSBA has nothing to add on this issue in this Reply Brief.

B. Revenue Allocation

The OSBA set forth its position on the City’s proposed revenue allocation, and OSBA witness Brian Kalcic’s proposed scale back methodology in its Main Brief. The OSBA has nothing to add on these issues in this Reply Brief.

C. Tariff Structure

In its Main Brief, the City stated, as follows:

The City agrees with I&E and OSBA that, upon approval of an increase lower than the proposed increase, the filed increase for each customer class should be scaled back through an adjustment to the usage charges.

* * *

That reduction would be accomplished through a reduction in the volumetric rates, not the customer charge.

City of DuBois Main Brief, at 57-58.

The OSBA respectfully points out that while it did address *revenue allocation* in testimony and in its Main Brief, it did not make any specific *rate design* proposals. Thus, the City’s claim that the OSBA supports a scale back “through an adjustment to the usage charges” is incorrect. To be clear, the OSBA did not take a position on how the City should adjust its proposed rates in order to implement a proportional scale back to its filed class increases.

However, as the OSBA observed in its Main Brief, the OSBA is concerned that the City’s current rate structure may not provide sufficient rate design flexibility to implement a cost-based

class revenue allocation in a future rate proceeding. *See* OSBA Statement No. 1, at 6. If the City intends to implement a proportional scale back to the filed increase for each customer class solely through an adjustment to its proposed usage charges (*i.e.*, without also adjusting its proposed customer charges), the City may find its already limited rate design flexibility to be even further restricted. Ultimately, the City's rate design flexibility may be so restricted that the City is unable to implement a proportional scale back to the filed increase for each customer class at the compliance filing stage of this proceeding.

The OSBA and the City agree that, upon approval of a final increase *lower* than the City's requested increase, the filed increase for each customer class should be scaled back proportionately. The City retains the burden of proof that it can implement such a scale back solely through an adjustment to its proposed usage charges.

D. Summary and Alternatives

As set forth in the OSBA's Main Brief, the OSBA supports the City's COSS methodology and the City's proposed revenue allocation.

As set forth in the OSBA's Main Brief, if the ALJ and Commission grant a revenue increase less than the \$257,604 amount, the OSBA recommends that Mr. Kalcic's proportional scale back methodology be employed to determine the final rate increases for the various customer classes.

The OSBA also respectfully observes that the City mischaracterized the OSBA's testimony on revenue allocation as also advocating a rate design position.

As set forth in the OSBA's Main Brief, the OSBA also recommends that the City should consider addressing its limited tariffed rate structure in its next base rates filing. The OSBA also expresses its concern that relying solely on an adjustment to usage charges to implement a scale

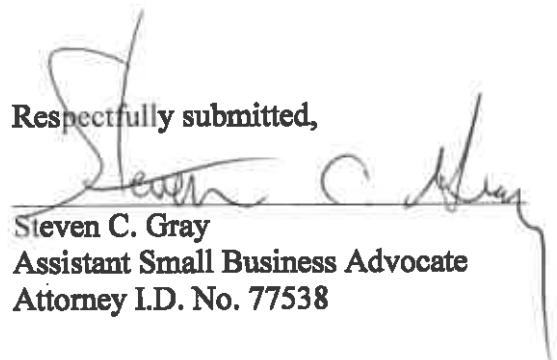
back will further restrict the City's rate design flexibility at the compliance filing stage of this proceeding, and may result in inaccurate final class increases.

X. Conclusion

As set forth in the OSBA's Main Brief, and as set forth above, the OSBA respectfully requests that the ALJ and the Commission:

- (a) Approve the cost of service study methodology employed by the City;
- (b) Approve the revenue allocation proposed by the City, if the full revenue request is granted;
- (c) Employ Mr. Kalcic's proportional scale back methodology to assign rate increases to the outside-City customer classes, if a revenue increase is granted that is less than the City's original request; and
- (d) Instruct the City to consider revising its limited rate structure in the City's next base rates case filing.

Respectfully submitted,



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Assistant Small Business Advocate
Attorney I.D. No. 77538

For:
John R. Evans
Small Business Advocate

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**BEFORE THE
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City of DuBois-Bureau of Water Request :
for Approval to Increase Water Rates : **Docket No. R-2016-2554150**
: **C-2016-2556342**

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (unless other noted below) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Mark A. Hoyer
Administrative Law Judge
Pennsylvania Public Utility Commission
Piatt Place
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Pittsburgh, PA 15222
mhoyer@pa.gov

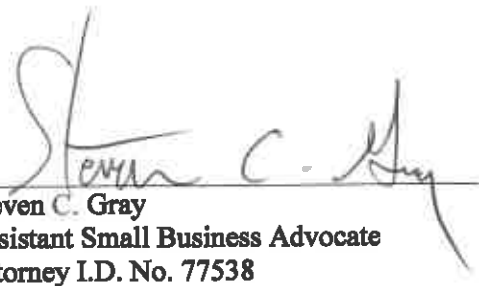
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DATE: December 12, 2016


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