

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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September 6, 2017

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

Re: Pa Public Utility Commission
v.
Manwalamink Water Company
Docket No. R-2017-2603026
Manwalamink Sewer Company
Docket No. R-2017-2603038

Dear Secretary Chiavetta:

Attached for electronic filing is the Office of Consumer Advocate's Letter in Lieu of Exceptions in the above-referenced proceeding.

On August 30, 2017, the Secretary served the Recommended Decision of Administrative Law Judges Cheskis and Calvelli (ALJs). In the Recommended Decision, the ALJs recommend approval of the Joint Petition for Settlement (Settlement or Petition) filed by Manwalamink Water Company and the Office of Consumer Advocate "in its entirety without modification." R.D. at 15. The Settlement was a "black box" settlement meaning that the parties did not agree to specific adjustments in arriving at the agreed upon revenue requirement.

In the Recommended Decision, the ALJs refer to the 3.5 percent rate of return that would have resulted from the Company's originally filed request. R.D. at 14. The ALJs state, as follows:

Under the terms of the Settlement, the Company has agreed to reduce its requested rate increase by 25 percent. This would reduce the rate of return correspondingly to 2.81 percent. We conclude that this is a reasonable rate of return and that the rate is not excessive.

R.D. at 14. The OCA submits that the calculation of a rate of return based on the Settlement is not indicated given that there is no information provided or agreed upon by the parties in the "black box" settlement regarding the agreed upon rate base, capital structure, operation and

maintenance expenses or rate of return. See Pa. PUC v. Aqua PA, Docket No. R-2009-2132019, slip op. at 27 (Order entered June 16, 2010) (Commission found that it was unable to make a determination regarding return on equity due to the absence of specific components of the revenue requirement). The calculation is not needed to determine whether the Settlement is in the public interest. See Pa. PUC v. Aqua PA, Docket No. R-2011-2267958 (Order entered June 7, 2012). Even without this calculation, the OCA submits that the settlement is in the public interest and should be adopted, consistent with the ALJs' recommendation.

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

Respectfully submitted,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
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cc: Honorable Joel H. Cheskis, ALJ
Honorable Andrew M. Calvelli, ALJ
Tiffany Hunt, Mediator
Certificate of Service

239682

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2017-2603038
Manwalamink Sewer Company : Docket No. R-2017-2603026
Manwalamink Water Company :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Letter in Lieu of Exceptions upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6th day of September 2017.

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Robert Shebelsky, CEO
Manwalamink Water Company
P.O. Box 48
Fort DePuy, 2nd Floor
Shawnee-on-Delaware, PA 18356-0048

/s/ Christine Maloni Hoover
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Dated: September 6, 2017

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