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2018 APR -6 PM 2: 21

PA PUC  
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FRONT DESK

April 6, 2018

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, PA 17105-3265

In re: Docket No. R-2017-2631441, *et al.*  
Pa. P.U.C. *et al.* v. Reynolds Water Company

Dear Secretary Chiavetta:

Enclosed for filing is a Joint Petition for Settlement of the above referenced rate investigation signed by Reynolds Water Company, the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission and the Office of Consumer Advocate. Copies of the Joint Petition for Settlement are being served upon the persons and in the manner set forth on the certificate of service attached to it. Please contact me with any questions concerning this matter.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By 

Thomas T. Niesen

Encl.

cc: Certificate of Service (w/encl.)  
Bradley R. Gosser, CPA (via email, w/encl.)  
Dennis Kalbarczyk (via email, w/encl.)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2017-2631441
James Vessella	:	C-2017-2634797
Bea DeCiancio	:	C-2017-2635838
Office of Consumer Advocate	:	C-2017-2636654
John D'Urso	:	C-2017-2636679
Margaret Foust	:	C-2018-2644372
Plem Patterson	:	C-2018-2647045
Matthew Nestor	:	C-2018-2647060
Ryan Foust	:	C-2018-2647069
Brian Hills	:	C-2018-2647070
Laurel Litwiler	:	C-2018-2647272
Thomas Hanzes	:	C-2018-2647305
Clark Eberhart (VFW)	:	C-2018-2647318
Mildred J. Heile	:	C-2018-3000054
Helen Canady	:	C-2018-3000065
Lucas Shilling	:	C-2018-3000087
Diana Cole	:	C-2018-3000207
Gilbert and Marilyn Brant	:	C-2018-3000208
David Roeder, Sr.	:	C-2018-3000250
Natalie McCloskey	:	C-2018-3000419
Marie Potts	:	C-2018-3000505
Sean Belback	:	C-2018-3000566

v.

Reynolds Water Company

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**JOINT PETITION FOR SETTLEMENT  
OF RATE INVESTIGATION**

---

**TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:**

This Joint Petition for Settlement is made and entered into this 6<sup>th</sup> day of April 2018 by, between and among the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA") and

**RECEIVED**  
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Reynolds Water Company ("RWC"), parties to the above captioned rate proceeding (hereinafter collectively referred to as "Joint Petitioners"), and is hereby submitted for consideration and recommended approval by the Administrative Law Judge for the purpose of settling the proceeding under the terms and conditions set forth below.

### **Background**

1. RWC is a Pennsylvania public utility that provides water service to the public in Pymatuning, Delaware and Hempfield Townships, Mercer County, Pennsylvania.

2. On October 30, 2017, RWC filed Supplement No. 5 to Tariff Water-Pa. P.U.C. No. 4 ("Supplement No. 5") to be effective January 1, 2018. If approved, Supplement No. 5 would increase RWC's annual water revenue by \$236,829 based on a future test year ending June 30, 2018.

3. The rate filing was assigned Docket No. R-2017-2631441. I&E filed a notice of appearance on December 5, 2017.

4. By Order entered December 21, 2017, at Docket No. R-2017-2631441, the Commission suspended Supplement No. 5 and instituted an investigation into the reasonableness of the proposed rates. RWC filed Supplement No. 6 to suspend the application of the proposed water rates until August 1, 2018.

5. Formal Complaints against Supplement No. 5 were filed by the OCA at C-2017-2636654, by James Vessella at Docket No. C-2017-2634797, by Bea DeCiancio at Docket No. C-2017-2635838, by John D'Urso at Docket No. C-2017-2636679, by Margaret Foust at Docket No. C-2018-2644372, by Plem Patterson at Docket No. C-2018-2647045, by Matthew Nestor at Docket No. C-2018-2647060, by Ryan Foust at Docket No. C-2018-2647069, by Brian Hills at Docket No. C-2018-2647070, by Laurel Litwiler at Docket No. C-2018-2647272, by Thomas Hanzes at Docket No. C-2018-2647305, by Clark Eberhart (VFW) at Docket No. C-2018-2647318, by Mildred J. Heile at

Docket No. C-2018-3000054, by Helen Canady at Docket No. C-2018-3000065, by Lucas Shilling at Docket No. C-2018-3000087, by Diana Cole at Docket No. C-2018-3000207, by Gilbert and Marilyn Brant at Docket No. C-2018-3000208, by David Roeder, Sr. at Docket No. C-2018-3000250, by Natalie McCloskey at Docket No. C-2018-3000419, by Marie Potts at Docket No. C-2018-3000505 and by Sean Belback at Docket No. C-2018-3000566.

6. RWC consented to use the mediation process to try to resolve the rate investigation. As required by 52 Pa. Code § 69.392, RWC filed Supplement No. 7 on February 2, 2018, voluntarily extending the effective date of Supplement No. 5 to October 1, 2018.

7. The case was assigned to Administrative Law Judge Katrina L. Dunderdale. Tiffany A. Hunt was assigned as Mediator.

8. A Prehearing Conference was held on December 29, 2017. Counsel for I&E, OCA and RWC attended the prehearing conference.

9. Mediation sessions were held on January 25, 2018 and February 21, 2018. RWC, OCA, I&E and Complainants Vessella and D'Urso participated in the mediation sessions. Complainants DeCiancio, Foust and Patterson were inactive participants in the second mediation session.

#### **Terms and Conditions of Settlement**

10. Joint Petitioners agree that this rate proceeding can be settled without the need for further formal litigation. The terms and conditions comprising this Joint Petition, to which Joint Petitioners agree, are as follows:

(a) **Revenue Increase and Phase In**

Joint Petitioners respectfully request that the Commission act as soon as possible to approve this Joint Petition and grant RWC special permission to file a

tariff supplement in the form attached hereto as Appendix A, to become effective for service on one day's notice, following the entry of a Commission Order approving this Settlement. The settlement provides for a \$160,000 increase in annual revenue along with an offsetting \$1,400 Accumulated Deferred Income Tax normalization credit, as discussed in paragraph b, below. Thus, the tariff supplement is designed to produce a net increase in annual revenue of \$158,600, or 30.4%, over two phases, in lieu of the proposed \$236,829 increase contained in Supplement No. 5. The Phase I rates, which will produce an annual increase of \$111,198, will become effective upon approval of this Joint Petition. The Phase II rates, which will produce an additional increase of \$47,402, will become effective upon written confirmation from RWC to the Commission, the OCA and I&E of the completion of the following three projects:

- i. Water proofing/sealing of the sedimentation walls. This project has an estimated cost of \$152,250;
- ii. Replacement of 500 feet of 8 inch water main under the Shenango River. This project has an estimated cost of \$125,000; and
- iii. Installation of a liner in the filtration plant clear well. This project has an estimated cost of \$50,000.

A proof of revenue for the Phase I and Phase II rate increases is attached hereto as Appendix B.

**(b) Federal Taxes:**

The Tax Cuts and Jobs Act of 2017 ("TCJA") reduces the Federal Income Tax Rate ("FIT"). The settlement revenue requirement calculation reflects the reduced FIT rate of 21% in the TCJA starting with the effective date of new rates.

The TCJA also impacts reserves for deferred income tax liabilities. RWC

calculated the impact of the TCJA on its deferred tax liability at December 31, 2017 to be \$20,784 (“ADIT Adjustment”). The Company also calculated a 15-year normalization period for returning the ADIT Adjustment. The amount of ADIT Adjustment to be amortized on an annual basis (approximately \$1,400) is incorporated into the settlement revenue requirement calculation starting with the effective date of new rates.<sup>1</sup> Joint Petitioners agree that RWC will track the amortization of the ADIT Adjustment against the beginning balance of \$20,784 so that the remaining ADIT Adjustment balance can be determined in RWC’s next case.

The Commission’s Temporary Rates Order entered March 15, 2018 at M-2018-2641242 directs the public utility and parties in pending rate proceedings to address the impact of the reduced FIT on the justness and reasonableness of consumer rates charged during the term of the suspension period. In this proceeding, there are two components to address. First, there is the calculation of any reduced expenses due to the reduction in the federal income tax rate. Reynolds Water’s filing reflects a net loss during the suspension period so there were no federal tax expenses during the suspension period and there are no federal tax expense savings reflected in the settlement.

Second, there is the calculation of the ADIT adjustment during the suspension period. Joint Petitioners agree that the amortization of the ADIT adjustment that will be accrued from January 1, 2018 through June 30, 2018 with the estimated effective date of July 1, 2018 of the settlement rates is \$700. This amount will be returned as a

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<sup>1</sup> Joint Petitioners agreed on a revenue requirement increase of \$160,000. This amount was decreased to \$158,600 to address the ADIT Adjustment (\$160,000 - \$1,400).

one-time bill credit to be reflected on the first billing cycle after Commission approval of the Settlement. The one-time bill credit will be refunded as an equal amount of \$1.00 per customer.

(c) **Monthly Billing**

RWC will prepare an analysis of the potential additional costs and benefits of moving to monthly billing. RWC will include the analysis in its next rate filing.

(d) **Rate Design**

RWC agrees to eliminate the minimum water allowance in its next rate case filing. The Company will provide a bill frequency analysis with that filing.

(e) **Billing Format**

RWC will update its bill format no later than the effective date of the Phase I revenue increase to show the Pennvest surcharge is for Reynolds Disposal Company.

(f) **Stay Out**

RWC will not file a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), until 2 years following the effective date of the Phase II increase; provided, however, that this provision shall not prevent RWC from filing a tariff or tariff supplement proposing a general increase in base rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal or state tax policies affecting RWC's rates.

**Other Provisions**

11. Under the presently suspended Supplement No. 5, the quarterly cost of water service to a typical residential customer using 9,000 gallons per quarter would have increased by

approximately \$42.11, or 45.4%, from \$92.76 to \$134.87. Under the Joint Petition, the quarterly cost of water service to such residential customer would increase by approximately \$28.20, or 30.4%, from \$92.76 to \$120.96 over the two phases. Under Phase I, the quarterly cost of water service to such residential customer would increase by approximately \$19.77, or 21.31%, from \$92.76 to \$112.53. Under Phase II, the quarterly cost of water service to such residential customer would increase by an additional \$8.43, or 7.49%, from \$112.53 to \$120.96.

12. Although Joint Petitioners are not in agreement with respect to each claim in the ratemaking process and would not be able to agree upon the specific rate adjustments that may support their respective conclusions, their agreement as to the amount of increase in RWC's annual water revenue, coupled with the other provisions hereto, provides an appropriate basis for resolution of the instant rate litigation.

13. The Joint Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides RWC with additional and necessary cash flow. The statements of RWC, I&E and OCA supporting the Joint Petition are attached as Appendices C, D and E.

14. This Joint Petition is proposed to settle the instant matter and is made without any admission against or prejudice to any positions that any Joint Petitioner might adopt during subsequent litigation in any case, including further litigation in this case if this Joint Petition is rejected by the Commission or withdrawn by any one of the Joint Petitioners as provided below. This Joint Petition is conditioned upon the Commission's approval of all terms and conditions contained herein. Joint Petitioners agree that the Joint Petition does not expressly or implicitly represent approval of any specific claim or claims made in this proceeding and agree not to contend otherwise in any subsequent proceeding. If the Commission should fail to grant such approval or



should modify the terms and conditions herein, this Joint Petition may be withdrawn by any Joint Petitioner upon written notice to the Commission and all parties within three business days by any of the Joint Petitioners. In such event, the Joint Petition shall be of no force and effect. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above and the proceeding continues to hearing, the Joint Petitioners reserve their respective right to produce, distribute and offer into the record direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination of other parties witnesses at hearing, briefing and argument in this rate proceeding.


15. If the Administrative Law Judge in her Recommended Decision recommends that the Commission adopt the Joint Petition without modification as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their right to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters, proposed by Administrative Law Judge Dunderdale in her Recommended Decision. The Joint Petitioners reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

16. The Joint Petitioners recognize that this Joint Petition does not bind the pro se formal Complainants. The OCA is serving a copy of this Joint Petition on the Complainants. Administrative Law Judge Dunderdale, thereafter, will advise the formal Complainants that they may comment or object to the Joint Petition by a date certain. Nothing herein is intended to limit in any way any position which any Joint Petitioner may have or take concerning any comment or objection to the settlement that may be filed by the formal Complainants.

17. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) RWC be granted special permission to file a tariff supplement in the form attached hereto as Appendix A to become effective for service on one day's notice, following entry of a Commission Order; and
  - (b) The Commission's investigation at R-2017-2631441 be terminated and marked closed;
  - (c) The Complaint of the Office of Consumer Advocate at C-2017-2636654 be dismissed consistent with this Joint Petition for Settlement and marked closed.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement as of the date indicated herein.

**BUREAU OF INVESTIGATION AND ENFORCEMENT**

By:   
Carrie Wright  
Prosecutor  
John Coogan  
Prosecutor

**OFFICE OF CONSUMER ADVOCATE**

By: \_\_\_\_\_  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate

**REYNOLDS WATER COMPANY**

By: \_\_\_\_\_  
Thomas T. Niesen, Esquire

17. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) RWC be granted special permission to file a tariff supplement in the form attached hereto as Appendix A to become effective for service on one day's notice, following entry of a Commission Order; and
  - (b) The Commission's investigation at R-2017-2631441 be terminated and marked closed;
  - (c) The Complaint of the Office of Consumer Advocate at C-2017-2636654 be dismissed consistent with this Joint Petition for Settlement and marked closed.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement as of the date indicated herein.

**BUREAU OF INVESTIGATION AND ENFORCEMENT**

By: \_\_\_\_\_  
Carrie Wright  
Prosecutor  
John Coogan  
Prosecutor

**OFFICE OF CONSUMER ADVOCATE**

By: Christ Maloni Hoover  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate

**REYNOLDS WATER COMPANY**

By: \_\_\_\_\_  
Thomas T. Niesen, Esquire

17. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) RWC be granted special permission to file a tariff supplement in the form attached hereto as Appendix A to become effective for service on one day's notice, following entry of a Commission Order; and
  - (b) The Commission's investigation at R-2017-2631441 be terminated and marked closed;
  - (c) The Complaint of the Office of Consumer Advocate at C-2017-2636654 be dismissed consistent with this Joint Petition for Settlement and marked closed.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement as of the date indicated herein.

**BUREAU OF INVESTIGATION AND ENFORCEMENT**

By: \_\_\_\_\_  
 Carrie Wright  
 Prosecutor  
 John Coogan  
 Prosecutor

**REYNOLDS WATER COMPANY**

By:  \_\_\_\_\_  
 Thomas T. Nielsen, Esquire

**OFFICE OF CONSUMER ADVOCATE**

By: \_\_\_\_\_  
 Christine Maloni Hoover  
 Senior Assistant Consumer Advocate

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# Appendix A

REYNOLDS WATER COMPANY

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GREENVILLE, MERCER COUNTY, PENNSYLVANIA,

RATES, RULES, AND REGULATIONS

IN

PYMATUNING, DELAWARE, AND HEMPFIELD TOWNSHIPS,

MERCER COUNTY, PENNSYLVANIA

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ISSUED: \_\_\_\_\_, 2018

EFFECTIVE: \_\_\_\_\_, 2018

BY: BRADLEY R. GOSSER  
EXECUTIVE DIRECTOR  
301 ARLINGTON DRIVE  
GREENVILLE, PA 16125

Entered \_\_\_\_\_, 2018  
at Docket No. R-2017-2631441, et al.

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LIST OF CHANGES MADE BY THIS TARIFF

This Tariff Supplement No. to Tariff No.4, pursuant to Commission Rules and Regulations associated with a general rate increase application at Docket No. R-2017-2631441 increases rates for all water service in all rate classes to produce a net annual revenue increase of \$158,600, or by approximately 30.40%.

The rate increase will be implemented in two Phases:

Phase-I - Annual revenue increase of \$111,198 which will increase rates for water service in all rate classes by approximately 21.31%.

Phase-II – Annual revenue increase of \$47,402 which will increase rates for water service in all rate classes by approximately 7.49% over Phase-I rates. Phase-II rates will become effective upon completion of 3 major water improvement projects: installation of approximately 500 LF of 8” water main; installation of a clearwell liner; and, completion of the waterproofing of sedimentation basin walls.

Additionally, this Tariff Supplement addresses the effect of the Federal Tax Cuts and Jobs Act of 2017, which reduced the Federal corporate income tax rate to 21% commencing on January 1, 2018. The Tariff rates in this Supplement are based upon the new 21% Federal tax rate. The reduction in the Federal tax rate to 21% also impacted the Federal corporate accumulated deferred income tax (ADIT) balance as of 12/31/17 which will require a refund to customers of \$20,784 to be normalized over a 15 year period, an annual normalization reduction of \$1,400. The annual revenue increase noted above incorporates the \$1,400 annual normalization reduction within the respective new tariff rates upon their effective date, a \$160,000 increase less the ADIT credit of \$1,400 or a net increase of \$158,600.

This Supplement also addresses the impact of the ADIT \$1,400 annual normalization reduction during the suspension period. In brief, on the first billing cycle following the effective date of the new rates. A one-time bill credit of \$1.00 will be issued to each customer to refund an amount of \$700 associated with this six month period.

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Schedule of Rates:

Meter Rates – All Classes of Service – Phase I	4	Revised	(C)
Meter Rates – All Classes of Service – Phase II	4A	Original	(C)
Blank (Reserved)	5	Original	
State Tax Adjustment Surcharge	6	Original	(C)
Accelerated Deferred Income Tax Customer Credit	6A	Original	(C)
Flat Rates – Public Fire Protection Service – Phase I	7	Revised	(C)
Flat Rates – Public Fire Protection Service – Phase II	7A	Original	(C)
Flat Rates – Private Fire Protection Service – Phase I	8	Revised	(C)
Flat Rates – Private Fire Protection Service – Phase II	8A	Original	(C)

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2.3 Classes of General Metered Service	9B	Original	
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(I) Indicates Increase



(C) Indicates Changes

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21.	Line Extensions	17	Original
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25.	Distribution System Improvement Charge	24	Original
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(I) Indicates Increase

(C) Indicates Change

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 Cancelling Second Revised Page 4

SCHEDULE OF METER RATES  
PHASE I

Application

This schedule is applicable to all classes of customers.

All metered customers shall be subject to a quarterly minimum charge based upon the required size of meter needed to render adequate service plus a quarterly consumption charge determined by applying volumetric rates to the sum of total gallons consumed less an allowance, in gallons, associated with the applicable minimum charge.

<u>Meter Size</u>	<u>Quarterly Charge</u>	<u>Water Allowance</u>	
5/8"	\$49.69	2,000	(I)
3/4"	74.54	3,000	(I)
1"	124.23	5,000	(I)
1½"	248.46	10,000	(I)
2"	397.55	16,000	(I)
3"	745.39	30,000	(I)
4"	1,242.32	50,000	(I)
6"	2,484.67	100,000	(I)
8"	3,975.46	160,000	(I)

VOLUMETRIC RATES

<u>Residential and Commercial</u>	<u>Per 1,000 Gallons</u>	
For the first 20,000 gallons per quarter	\$8.9773	(I)
For the next 480,000 gallons per quarter	8.2251	(I)
All over 500,000 gallons per quarter	4.7919	(I)

(I) Indicates Increase

**SCHEDULE OF METER RATES**  
**PHASE II – EFFECTIVE UPON COMPLETION OF PROJECTS**

**Application**

This schedule is applicable to all classes of customers.

All metered customers shall be subject to a quarterly minimum charge based upon the required size of meter needed to render adequate service plus a quarterly consumption charge determined by applying volumetric rates to the sum of total gallons consumed less an allowance, in gallons, associated with the applicable minimum charge.

<u>Meter Size</u>	<u>Quarterly Charge</u>	<u>Water Allowance</u>	
5/8"	\$53.41	2,000	(I)
3/4"	80.12	3,000	(I)
1"	133.53	5,000	(I)
1½"	267.07	10,000	(I)
2"	427.33	16,000	(I)
3"	801.22	30,000	(I)
4"	1,335.37	50,000	(I)
6"	2,670.76	100,000	(I)
8"	4,273.21	160,000	(I)

**VOLUMETRIC RATES**

<u>Residential and Commercial</u>	<u>Per 1,000 Gallons</u>	
For the first 20,000 gallons per quarter	\$9.6497	(I)
For the next 480,000 gallons per quarter	8.8411	(I)
All over 500,000 gallons per quarter	5.1508	(I)

(I) Indicates Increase

**ONE-TIME BILL CREDIT OR NEGATIVE SURCHARGE****Application**

This one-time bill credit or negative surcharge is applicable to all customers as noted below.

One-time bill credit of \$1.00, or negative surcharge, will be issued to Each Customer on the first billing cycle after the effective date of Phase I rates contained in Supplement No. .

The Federal Tax Cuts and Jobs Act, effective January 1, 2018 has resulted in a credit to be refunded to customers. The decrease in the expected future federal tax rate creates a downward adjustment to Accumulated Deferred Income Taxes (ADIT). The amount of the ADIT adjustment to be amortized on an annual basis is \$1,400 and the amount that will be accrued from January 1, 2018 through the estimated effective date of new rates is \$700. The one-time bill credit of \$1.00 per customer, or negative surcharge, returns \$700 which is the amount of the ADIT adjustment during the 2018 portion of the suspension period at R-2017-2631441, *et al*. Thus, a one-time bill credit of \$1.00, or negative surcharge will be issued to each customer on the first billing cycle after the effective date of Phase I rates contained in Supplement No. .

SCHEDULE OF FLAT RATES  
PHASE I

PUBLIC FIRE PROTECTION SERVICE

Application

This schedule is applicable to all public fire protection service.

PUBLIC FIRE PROTECTION SERVICE RATE

	<u>Rate</u> <u>Per Quarter</u>	
Each Public Fire Hydrant	\$193.29	(I)

(I) Indicates Increase

Issued: \_\_\_\_\_, 2018

Effective: \_\_\_\_\_, 2018

SCHEDULE OF FLAT RATES  
PHASE II – EFFECTIVE UPON COMPLETION OF PROJECTS  
PUBLIC FIRE PROTECTION SERVICE

Application

This schedule is applicable to all public fire protection service.

PUBLIC FIRE PROTECTION SERVICE RATE

	<u>Rate</u> <u>Per Quarter</u>	
Each Public Fire Hydrant	\$207.77	(I)

(I) Indicates Increase

Issued: \_\_\_\_\_, 2018

Effective: \_\_\_\_\_, 2018

SCHEDULE OF FLAT RATESPHASE IPRIVATE FIRE PROTECTION SERVICEApplication

This schedule is applicable to all private fire protection service.

PRIVATE FIRE PROTECTION SERVICE RATE

	Rate <u>Per Quarter</u>	
Each Private Fire Hydrant, installed by Company	\$ 193.29	(I)
Each Private Fire Hydrant, installed by Customer	169.09	(I)
Automatic Sprinklers or Standpipe Connections:		
For each 4-inch connection or less to main	240.68	(I)
This charge includes installation of 250 sprinkler heads of approved type.		
For next 100 heads or less, each	1.20	(I)
For next 100 heads or less, each	0.73	(I)
For all over 450 heads, each	0.47	(I)
For each 6-inch connection or less to main	312.87	(I)
This charge includes the installation of 450 sprinkler heads of approved type.		
For all over 450 heads, each	0.47	(I)
For each 8-inch connection or less to main	361.01	(I)
This charge includes the installation of 850 sprinkler heads of approved type.		
For next 850 heads, each	0.24	(I)

Private fire protection service will not be rendered for any period of less than three years and no deduction or allowances will be made during the initial three-year period.

(I) Indicates Increase

Issued: \_\_\_\_\_, 2018

Effective: \_\_\_\_\_, 2018

SCHEDULE OF FLAT RATES  
PHASE II –EFFECTIVE UPON COMPLETION OF FILTER MEDIA PROJECT

PRIVATE FIRE PROTECTION SERVICE

Application

This schedule is applicable to all private fire protection service.

PRIVATE FIRE PROTECTION SERVICE RATE

	Rate <u>Per Quarter</u>	
Each Private Fire Hydrant, installed by Company	\$ 207.77	(I)
Each Private Fire Hydrant, installed by Customer	181.75	(I)
<i>Automatic Sprinklers or Standpipe Connections:</i>		
For each 4-inch connection or less to main This charge includes installation of 250 sprinkler heads of approved type.	258.71	(I)
For next 100 heads or less, each	1.29	(I)
For next 100 heads or less, each	0.78	(I)
For all over 450 heads, each	0.51	(I)
For each 6-inch connection or less to main This charge includes the installation of 450 sprinkler heads of approved type.	336.30	(I)
For all over 450 heads, each	0.51	(I)
For each 8-inch connection or less to main This charge includes the installation of 850 sprinkler heads of approved type.	388.05	(I)
For next 850 heads, each	0.26	(I)

Private fire protection service will not be rendered for any period of less than three years and no deduction or allowances will be made during the initial three-year period.



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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

# **Appendix B**

**REYNOLDS WATER COMPANY**

**Current Tariff Rates - And Proposed As-Filed and Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Tariff Rates**

		<u>Rates</u>	<u>As-Filed</u>	<u>As-Filed</u>	<u>As-Filed</u>	<u>Phase 1</u>	<u>Phase 1</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 2</u>	<u>Phase 2</u>
		<u>Current</u>	<u>Rate Inc.</u>	<u>Rates</u>	<u>% Increase</u>	<u>Rate Inc.</u>	<u>Rates</u>	<u>% Increase</u>	<u>Rate Inc.</u>	<u>Rates</u>	<u>% Increase</u>
			<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>	<u>Proposed</u>
<b>Minimum Charges:</b>											
<u>Size</u>	<u>Allowance</u>										
5/8"	2,000	\$ 40.96	\$ 18.59	\$ 59.55	45.39%	\$ 8.73	\$ 49.69	21.31%	\$ 3.72	\$ 53.41	7.49%
3/4"	3,000	\$ 61.44	\$ 27.89	\$ 89.33	45.39%	\$ 13.10	\$ 74.54	21.32%	\$ 5.58	\$ 80.12	7.49%
1"	5,000	\$ 102.40	\$ 46.49	\$ 148.89	45.40%	\$ 21.83	\$ 124.23	21.32%	\$ 9.30	\$ 133.53	7.49%
1 1/2"	10,000	\$ 204.81	\$ 92.97	\$ 297.78	45.39%	\$ 43.65	\$ 248.46	21.31%	\$ 18.61	\$ 267.07	7.49%
2"	16,000	\$ 327.70	\$ 148.76	\$ 476.46	45.40%	\$ 69.85	\$ 397.55	21.32%	\$ 29.78	\$ 427.33	7.49%
3"	30,000	\$ 614.43	\$ 278.92	\$ 893.35	45.39%	\$ 130.96	\$ 745.39	21.31%	\$ 55.83	\$ 801.22	7.49%
4"	50,000	\$ 1,024.05	\$ 464.87	\$ 1,488.92	45.40%	\$ 218.27	\$ 1,242.32	21.31%	\$ 93.05	\$ 1,335.37	7.49%
6"	100,000	\$ 2,048.12	\$ 929.76	\$ 2,977.88	45.40%	\$ 436.55	\$ 2,484.67	21.31%	\$ 186.09	\$ 2,670.76	7.49%
8"	160,000	\$ 3,276.99	\$ 1,487.61	\$ 4,764.60	45.40%	\$ 698.47	\$ 3,975.46	21.31%	\$ 297.75	\$ 4,273.21	7.49%
Total Number of Bills											
<b>Volumetric Usage:</b>											
Allow.		\$ -	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	
First	20,000	\$ 7.4000	\$ 3.3593	\$ 10.7593	45.40%	\$ 1.5773	\$ 8.9773	21.31%	\$ 0.6724	\$ 9.6497	7.49%
Next	480,000	\$ 6.7800	\$ 3.0778	\$ 9.8578	45.40%	\$ 1.4451	\$ 8.2251	21.31%	\$ 0.6160	\$ 8.8411	7.49%
Over	500,000	\$ 3.9500	\$ 1.7931	\$ 5.7431	45.39%	\$ 0.8419	\$ 4.7919	21.31%	\$ 0.3589	\$ 5.1508	7.49%
<b>Fire Protection Charges:</b>											
<b>Public Fire</b>											
Hydrant per Qtr		\$ 159.33	\$ 72.33	\$ 231.66	45.40%	\$ 33.96	\$ 193.29	21.31%	\$ 14.48	\$ 207.77	7.49%
<b>Public Fire</b>											
Hydrant (Company) per Qtr		\$ 159.33	\$ 72.33	\$ 231.66	45.40%	\$ 33.96	\$ 193.29	21.31%	\$ 14.48	\$ 207.77	7.49%
Hydrant (Consumer) per Qtr		\$ 139.38	\$ 63.27	\$ 202.65	45.39%	\$ 29.71	\$ 169.09	21.32%	\$ 12.66	\$ 181.75	7.49%
4" Sprinkler (250 Heads)		\$ 198.39	\$ 90.06	\$ 288.45	45.40%	\$ 42.29	\$ 240.68	21.32%	\$ 18.03	\$ 258.71	7.49%
Next 100 Heads		\$ 0.99	\$ 0.45	\$ 1.44	45.45%	\$ 0.21	\$ 1.20	21.21%	\$ 0.09	\$ 1.29	7.50%
Nest 100 Heads		\$ 0.60	\$ 0.27	\$ 0.87	45.00%	\$ 0.13	\$ 0.73	21.67%	\$ 0.05	\$ 0.78	6.85%
Over 450 Heads		\$ 0.39	\$ 0.18	\$ 0.57	46.15%	\$ 0.08	\$ 0.47	20.51%	\$ 0.04	\$ 0.51	8.51%
6" Sprinkler (450 Heads)		\$ 257.90	\$ 117.08	\$ 374.98	45.40%	\$ 54.97	\$ 312.87	21.31%	\$ 23.43	\$ 336.30	7.49%
Over 450 Heads		\$ 0.39	\$ 0.18	\$ 0.57	46.15%	\$ 0.08	\$ 0.47	20.51%	\$ 0.04	\$ 0.51	8.51%
8" Sprinkler (850 Heads)		\$ 297.58	\$ 135.09	\$ 432.67	45.40%	\$ 63.43	\$ 361.01	21.32%	\$ 27.04	\$ 388.05	7.49%
Over 850 Heads		\$ 0.20	\$ 0.09	\$ 0.29	45.00%	\$ 0.04	\$ 0.24	20.00%	\$ 0.02	\$ 0.26	8.33%

**REYNOLDS WATER COMPANY  
PROOF OF REVENUES**

Comparative Statement of Operating Revenues Pro Forma Current, As-Filed Proposed, and Proposed Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Rates  
Twelve Months Ended Pro Forma June 30, 2018

	Rates				Billing Units	# of Bills	Current	As-Filed Proposed	Increase Proposed	Phase 1 Settlement Proposed	Phase 1 Increase Proposed	Phase 2 Settlement Proposed	Phase 2 Increase Proposed
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed									
<b>Residential</b>													
<b>Minimum Charges:</b>													
Size					Allowance								
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	2,205	\$ 90,316.80	\$ 131,307.75	\$ 40,990.95	\$ 109,566.45	\$ 19,249.65	\$ 117,769.05	\$ 8,202.60
<b>Volumetric Usage:</b>													
Allow.	\$ -	\$ -	\$ -	\$ -		Gallons							
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	4,315,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	14,662,800	108,504.72	157,761.46	49,256.74	131,632.35	23,127.63	141,491.62	9,859.27
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	738,000	5,003.64	7,275.06	2,271.42	6,070.12	1,066.48	6,524.73	454.61
Total Volumetric Usage						19,716,200	\$ 113,508.36	\$ 165,036.52	\$ 51,528.16	\$ 137,702.48	\$ 24,194.12	\$ 148,016.35	\$ 10,313.87
Total Residential Revenues							\$ 203,825.16	\$ 296,344.27	\$ 92,519.11	\$ 247,268.93	\$ 43,443.77	\$ 285,785.40	\$ 18,516.47
<b>Trailer Park</b>													
<b>Minimum Charges:</b>													
Size					Allowance								
1"	\$ 102.40	\$ 148.89	\$ 124.23	\$ 133.53	5,000	4	\$ 409.60	\$ 595.56	\$ 185.96	\$ 496.92	\$ 87.32	\$ 534.12	\$ 37.20
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	16	3,276.96	4,764.48	1,487.52	3,975.36	698.40	4,273.12	297.76
2"	\$ 327.70	\$ 476.46	\$ 397.55	\$ 427.33	16,000	8	2,621.60	3,811.68	1,190.08	3,180.40	558.80	3,418.64	238.24
Trailer Park Minimum Charge Revenues						28	\$ 6,308.16	\$ 9,171.72	\$ 2,863.56	\$ 7,652.68	\$ 1,344.52	\$ 8,225.88	\$ 573.20
<b>Volumetric Usage:</b>													
Allow.	\$ -	\$ -	\$ -	\$ -		Gallons							
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	308,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	219,000	1,620.60	2,356.29	735.69	1,966.03	345.43	2,113.28	147.28
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	4,659,800	31,593.44	45,935.38	14,341.93	38,327.32	6,733.88	41,197.76	2,870.44
Total Volumetric Usage						2,305,000	9,104.75	13,237.85	4,133.10	11,045.33	1,940.58	11,872.59	827.26
Total Trailer Park Revenues						7,491,800	\$ 42,318.79	\$ 61,529.51	\$ 19,210.71	\$ 51,338.68	\$ 9,019.89	\$ 55,183.64	\$ 3,844.96
							\$ 48,626.95	\$ 70,701.23	\$ 22,074.27	\$ 58,991.36	\$ 10,364.41	\$ 63,409.52	\$ 4,418.16
<b>Apartments</b>													
<b>Minimum Charges:</b>													
Size					Allowance								
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	108	\$ 22,119.48	\$ 32,160.24	\$ 10,040.76	\$ 26,833.68	\$ 4,714.20	\$ 28,843.56	\$ 2,009.88
<b>Volumetric Usage:</b>													
Allow.	\$ -	\$ -	\$ -	\$ -		Gallons							
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	955,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	811,500	6,005.10	8,731.17	2,726.07	7,285.08	1,279.98	7,830.73	545.65
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	1,584,800	10,744.94	15,622.64	4,877.70	13,035.14	2,290.19	14,011.38	976.24
Total Volumetric Usage						3,351,700	\$ 16,750.04	\$ 24,353.81	\$ 7,603.77	\$ 20,320.22	\$ 3,570.17	\$ 21,842.11	\$ 1,521.89
Total Apartments Revenue							\$ 38,869.52	\$ 56,514.05	\$ 17,644.53	\$ 47,153.90	\$ 8,284.37	\$ 50,685.67	\$ 3,531.77

**REYNOLDS WATER COMPANY  
PROOF OF REVENUES**

Comparative Statement of Operating Revenues Pro Forma Current, As-Filed Proposed, and Proposed Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Rates  
Twelve Months Ended Pro Forma June 30, 2018

	Rates				Billing Units	Current	As-Filed Proposed	Increase Proposed	Phase 1 Settlement Proposed	Phase 1 Increase Proposed	Phase 2 Settlement Proposed	Phase 2 Increase Proposed	
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed									
<b>Commercial</b>													
<b>Minimum Charges:</b>													
<b>Size</b>					<b>Allowance</b>	<b># of Bills</b>							
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	221	\$ 9,052.16	\$ 13,160.55	\$ 4,108.39	\$ 10,981.49	\$ 1,929.33	\$ 11,803.61	\$ 822.12
1"	\$ 102.40	\$ 148.89	\$ 124.23	\$ 133.53	5,000	12	1,228.80	1,786.68	557.88	1,490.76	261.96	1,602.36	111.60
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	12	2,457.72	3,573.36	1,115.64	2,981.52	523.80	3,204.84	223.32
2"	\$ 327.70	\$ 476.46	\$ 397.55	\$ 427.33	16,000	9	2,949.30	4,288.14	1,338.84	3,577.95	628.65	3,845.97	268.02
3"	\$ 614.43	\$ 893.35	\$ 745.39	\$ 801.22	30,000	4	2,457.72	3,573.40	1,115.68	2,981.56	523.84	3,204.88	223.32
<b>Commercial Minimum Charge Revenues</b>						<b>258</b>	<b>\$ 18,145.70</b>	<b>\$ 26,382.13</b>	<b>\$ 8,236.43</b>	<b>\$ 22,013.28</b>	<b>\$ 3,867.58</b>	<b>\$ 23,661.66</b>	<b>\$ 1,648.38</b>
<b>Volumetric Usage:</b>													
<b>Allow.</b>	\$ -	\$ -	\$ -	\$ -		<b>Gallons</b>							
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	748,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	1,184,400	8,764.56	12,743.31	3,978.75	10,632.71	1,868.15	11,429.10	796.39
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	3,724,500	25,252.11	36,715.38	11,463.27	30,634.38	5,382.27	32,928.68	2,294.29
<b>Total Volumetric Usage</b>						<b>5,657,300</b>	<b>\$ 34,016.87</b>	<b>\$ 49,458.69</b>	<b>\$ 15,442.02</b>	<b>\$ 41,267.10</b>	<b>\$ 7,250.43</b>	<b>\$ 44,357.78</b>	<b>\$ 3,090.68</b>
<b>Total Commercial Revenues</b>							<b>\$ 52,162.37</b>	<b>\$ 75,840.82</b>	<b>\$ 23,678.45</b>	<b>\$ 63,280.38</b>	<b>\$ 11,118.01</b>	<b>\$ 68,019.44</b>	<b>\$ 4,739.06</b>
<b>Industrial</b>													
<b>Minimum Charges:</b>													
<b>Size</b>					<b>Allowance</b>	<b># of Bills</b>							
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	32	\$ 1,310.72	\$ 1,905.60	\$ 594.88	\$ 1,590.08	\$ 279.36	\$ 1,709.12	\$ 119.04
1"	\$ 102.40	\$ 148.89	\$ 124.23	\$ 133.53	5,000	16	1,638.40	2,382.24	743.84	1,987.68	349.28	2,136.48	148.80
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	32	6,553.92	9,528.96	2,975.04	7,950.72	1,396.80	8,546.24	595.52
6"	\$ 2,048.12	\$ 2,977.88	\$ 2,484.67	\$ 2,670.76	100,000	4	8,192.48	11,911.52	3,719.04	9,938.68	1,746.20	10,683.04	744.36
<b>Industrial Minimum Charge Revenues</b>						<b>84</b>	<b>\$ 17,695.52</b>	<b>\$ 25,728.32</b>	<b>\$ 8,032.80</b>	<b>\$ 21,467.16</b>	<b>\$ 3,771.64</b>	<b>\$ 23,074.88</b>	<b>\$ 1,607.72</b>
<b>Volumetric Usage:</b>													
<b>Allow.</b>	\$ -	\$ -	\$ -	\$ -		<b>Gallons</b>							
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	757,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	496,900	3,677.06	5,346.30	1,669.24	4,460.82	783.76	4,794.94	334.12
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	6,302,320	42,729.73	62,127.01	19,397.28	51,837.21	9,107.48	55,719.44	3,892.23
<b>Total Volumetric Usage</b>						<b>12,033,700</b>	<b>47,533.12</b>	<b>69,110.74</b>	<b>21,577.63</b>	<b>57,664.29</b>	<b>10,131.17</b>	<b>61,983.18</b>	<b>4,318.89</b>
<b>Total Industrial Revenues</b>							<b>\$ 93,939.90</b>	<b>\$ 136,584.05</b>	<b>\$ 42,644.14</b>	<b>\$ 113,962.32</b>	<b>\$ 20,022.42</b>	<b>\$ 122,497.56</b>	<b>\$ 8,535.24</b>
<b>Total Industrial Revenues</b>							<b>\$ 111,635.42</b>	<b>\$ 162,312.37</b>	<b>\$ 50,676.94</b>	<b>\$ 135,429.48</b>	<b>\$ 23,794.06</b>	<b>\$ 145,572.44</b>	<b>\$ 10,142.96</b>

**REYNOLDS WATER COMPANY**  
**PROOF OF REVENUES**

Comparative Statement of Operating Revenues Pro Forma Current, As-Filed Proposed, and Proposed Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Rates  
Twelve Months Ended Pro Forma June 30, 2018

	Rates				Billing Units	Current	As-Filed Proposed	Increase Proposed	Phase 1 Settlement Proposed	Phase 1 Increase Proposed	Phase 2 Settlement Proposed	Phase 2 Increase Proposed	
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed									
<b>Public Minimum Charges:</b>													
<b>Size</b>					<b>Allowance</b>	<b># of Bills</b>							
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	4	\$ 163.84	\$ 238.20	\$ 74.36	\$ 198.76	\$ 34.92	\$ 213.64	\$ 14.88
2"	\$ 327.70	\$ 476.46	\$ 397.55	\$ 427.33	16,000	4	1,310.80	1,905.84	595.04	1,590.20	279.40	1,709.32	119.12
3"	\$ 614.43	\$ 893.35	\$ 745.39	\$ 801.22	30,000	4	2,457.72	3,573.40	1,115.68	2,981.56	523.84	3,204.88	223.32
<b>Public Minimum Charge Revenues</b>						<b>12</b>	<b>\$ 3,932.36</b>	<b>\$ 5,717.44</b>	<b>\$ 1,785.08</b>	<b>\$ 4,770.52</b>	<b>\$ 838.16</b>	<b>\$ 5,127.84</b>	<b>\$ 357.32</b>
<b>Volumetric Usage:</b>													
<b>Allow.</b>	\$ -	\$ -	\$ -	\$ -	<b>Gallons</b>								
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	41,500	307.10	446.51	139.41	372.56	65.46	400.46	27.90
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	1,975,800	13,395.92	19,477.04	6,081.12	16,251.15	2,855.23	17,468.25	1,217.09
<b>Total Volumetric Usage</b>						<b>2,207,300</b>	<b>\$ 13,703.02</b>	<b>\$ 19,923.55</b>	<b>\$ 6,220.53</b>	<b>\$ 16,623.71</b>	<b>\$ 2,920.69</b>	<b>\$ 17,868.71</b>	<b>\$ 1,245.00</b>
<b>Total Public Revenues</b>							<b>\$ 17,635.38</b>	<b>\$ 25,640.99</b>	<b>\$ 8,005.61</b>	<b>\$ 21,394.23</b>	<b>\$ 3,758.85</b>	<b>\$ 22,996.55</b>	<b>\$ 1,602.32</b>
<b>Total Metered Sales</b>							<b>\$ 472,754.82</b>	<b>\$ 687,353.73</b>	<b>\$ 214,598.92</b>	<b>\$ 573,518.27</b>	<b>\$ 100,763.46</b>	<b>\$ 616,469.01</b>	<b>\$ 42,950.74</b>
<b>Fire Protection Charges:</b>													
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed	Pro Forma								
<b>Public Fire</b>	<b>Qtr. Unit \$</b>	<b>Qtr. Unit \$</b>	<b>Qtr. Unit \$</b>	<b>Qtr. Unit \$</b>	<b>Qtr. Units</b>	<b>Annual Units</b>							
Hydrant per Qtr	\$ 159.33	\$ 231.66	\$ 193.29	\$ 207.77	1	4	\$ 637.32	\$ 926.64	\$ 289.32	\$ 773.16	\$ 135.84	\$ 831.08	\$ 57.92
<b>Public Fire</b>													
Hydrant (Company) per Qtr	\$ 159.33	\$ 231.66	\$ 193.29	\$ 207.77	20	80	\$ 12,746.40	\$ 18,532.80	\$ 5,786.40	\$ 15,463.20	\$ 2,716.80	\$ 16,621.60	\$ 1,158.40
Hydrant (Consumer) per Qtr	\$ 139.38	\$ 202.65	\$ 169.09	\$ 181.75	6	24	3,345.12	4,863.60	1,518.48	4,058.16	713.04	4,362.00	303.84
4" Sprinkler (250 Heads)	\$ 198.39	\$ 288.45	\$ 240.68	\$ 258.71	3	12	2,380.68	3,461.40	1,080.72	2,888.16	507.48	3,104.52	216.36
Next 100 Heads	\$ 0.99	\$ 1.44	\$ 1.20	\$ 1.29	0	0	-	-	-	-	-	-	-
Over 450 Heads	\$ 0.60	\$ 0.87	\$ 0.73	\$ 0.78	0	0	-	-	-	-	-	-	-
6" Sprinkler (450 Heads)	\$ 0.39	\$ 0.57	\$ 0.47	\$ 0.51	0	0	-	-	-	-	-	-	-
Over 450 Heads	\$ 257.90	\$ 374.98	\$ 312.87	\$ 336.30	22	88	22,695.20	32,998.24	10,303.04	27,532.56	4,837.38	29,594.40	2,061.84
8" Sprinkler (850 Heads)	\$ 0.39	\$ 0.57	\$ 0.47	\$ 0.51	0	0	-	-	-	-	-	-	-
Over 850 Heads	\$ 297.58	\$ 432.67	\$ 361.01	\$ 388.05	6	24	7,141.92	10,384.08	3,242.16	8,664.24	1,522.32	9,313.20	648.96
<b>Total Public Fire</b>	<b>\$ 0.20</b>	<b>\$ 0.29</b>	<b>\$ 0.24</b>	<b>\$ 0.26</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>57</b>	<b>228</b>	<b>\$ 48,309.32</b>	<b>\$ 70,240.12</b>	<b>\$ 21,930.80</b>	<b>\$ 58,606.32</b>	<b>\$ 10,297.00</b>	<b>\$ 62,995.72</b>	<b>\$ 4,389.40</b>
<b>Total Fire Protection</b>							<b>\$ 48,946.64</b>	<b>\$ 71,166.76</b>	<b>\$ 22,220.12</b>	<b>\$ 59,379.48</b>	<b>\$ 10,432.84</b>	<b>\$ 63,826.80</b>	<b>\$ 4,447.32</b>
<b>Total Proof of Revenue From Rates</b>							<b>\$ 521,701.48</b>	<b>\$ 758,520.49</b>	<b>\$ 238,819.04</b>	<b>\$ 632,897.75</b>	<b>\$ 111,196.30</b>	<b>\$ 680,295.81</b>	<b>\$ 47,398.06</b>
Settlement Agr. Revenue Inc. - Phase 1 \$112,598 Less ADIT \$1,400 Annual Cr. Or \$111,198; Phase 2 \$47,402, total settl. Inc. \$160,000 - \$1,400 ADIT Credit = \$158,600.										111,198.00			47,402.00
Over/(Under) Settlement Agreement										<b>\$ (1.70)</b>			<b>\$ (3.94)</b>

**REYNOLDS WATER COMPANY**  
 Typical Bill Residential, Commercial, Industrial, and Public Customers  
 Under Current, As-Filed Proposed, and Proposed Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Rates

	Rates				Billing Units	Current	As-Filed Proposed	Increase Proposed	Phase 1 Settlement Proposed	Phase 1 Increase Proposed	Phase 2 Settlement Proposed	Phase 2 Increase Proposed		
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed										
<b>Residential</b>														
<b>Minimum Charges:</b>														
Size					Allowance	# of Bills								
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	1	\$ 40.96	\$ 59.55	\$ 18.59	\$ 49.69	\$ 8.73	\$ 53.41	\$ 3.72	
<b>Volumetric Usage:</b>														
Allow.	\$ -	\$ -	\$ -	\$ -		Gallons								
First	\$ 7,400.00	\$ 10,759.3	\$ 8,977.3	\$ 9,849.7	20,000	7,000	\$ 51.80	\$ 75.32	\$ 23.52	\$ 62.84	\$ 11.04	\$ 67.55	\$ 4.71	
Next	\$ 6,780.00	\$ 9,857.8	\$ 8,225.1	\$ 8,841.1	480,000	-	-	-	-	-	-	-	-	
Over	\$ 3,950.00	\$ 5,743.1	\$ 4,791.9	\$ 5,150.8	500,000	-	-	-	-	-	-	-	-	
Total Volumetric Usage						9,000	\$ 51.80	\$ 75.32	\$ 23.52	\$ 62.84	\$ 11.04	\$ 67.55	\$ 4.71	
Total Residential Revenues							\$ 92.76	\$ 134.87	\$ 42.11	\$ 112.53	\$ 19.77	\$ 120.96	\$ 8.43	Ph 1 & 2 Inc. \$ 28.20
Rates							Current	\$ 92.76	Current	\$ 92.76	Phase 1	\$ 112.53	Current	\$ 92.76
% Increase Over Rates							Inc. %	45.39%	Inc. %	21.31%	Inc. %	7.49%	Inc. %	30.40%
<b>Commercial</b>														
<b>Minimum Charges:</b>														
Size					Allowance	# of Bills								
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	1	\$ 40.96	\$ 59.55	\$ 18.59	\$ 49.69	\$ 8.73	\$ 53.41	\$ 3.72	
1"	\$ 102.40	\$ 148.89	\$ 124.23	\$ 133.53	5,000	0	-	-	-	-	-	-	-	
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	0	-	-	-	-	-	-	-	
2"	\$ 327.70	\$ 478.46	\$ 397.55	\$ 427.33	16,000	0	-	-	-	-	-	-	-	
3"	\$ 614.43	\$ 893.35	\$ 745.39	\$ 801.22	30,000	0	-	-	-	-	-	-	-	
Commercial Minimum Charge Revenues						1	\$ 40.96	\$ 59.55	\$ 18.59	\$ 49.69	\$ 8.73	\$ 53.41	\$ 3.72	
<b>Volumetric Usage:</b>														
Allow.	\$ -	\$ -	\$ -	\$ -		Gallons								
First	\$ 7,400.00	\$ 10,759.3	\$ 8,977.3	\$ 9,849.7	20,000	7,000	\$ 51.80	\$ 75.32	\$ 23.52	\$ 62.84	\$ 11.04	\$ 67.55	\$ 4.71	
Next	\$ 6,780.00	\$ 9,857.8	\$ 8,225.1	\$ 8,841.1	480,000	-	-	-	-	-	-	-	-	
Over	\$ 3,950.00	\$ 5,743.1	\$ 4,791.9	\$ 5,150.8	500,000	-	-	-	-	-	-	-	-	
Total Volumetric Usage						9,000	\$ 51.80	\$ 75.32	\$ 23.52	\$ 62.84	\$ 11.04	\$ 67.55	\$ 4.71	
Total Commercial Revenues							\$ 92.76	\$ 134.87	\$ 42.11	\$ 112.53	\$ 19.77	\$ 120.96	\$ 8.43	Ph 1 & 2 Inc. \$ 28.20
Rates							Current	\$ 92.76	Current	\$ 92.76	Phase 1	\$ 112.53	Current	\$ 92.76
% Increase Over Rates							Inc. %	45.39%	Inc. %	21.31%	Inc. %	7.49%	Inc. %	30.40%

**REYNOLDS WATER COMPANY**  
 Typical Bill Residential, Commercial, Industrial, and Public Customers  
Under Current, As-Filed Proposed, and Proposed Phase 1 w/ADIT \$1,400 Annual Credit and Phase 2 Settlement Rates

	Rates				Billing Units	Current	As-Filed Proposed	Increase Proposed	Phase 1 Settlement Proposed	Phase 1 Increase Proposed	Phase 2 Settlement Proposed	Phase 2 Increase Proposed		
	Current	As-Filed Proposed	Phase 1 Proposed	Phase 2 Proposed										
<b>Industrial</b>														
<b>Minimum Charges:</b>														
<b>Size</b>					<b>Allowance</b>	<b># of Bills</b>								
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1"	\$ 102.40	\$ 148.89	\$ 124.23	\$ 133.53	5,000	0	-	-	-	-	-	-	-	-
1 1/2"	\$ 204.81	\$ 297.78	\$ 248.46	\$ 267.07	10,000	1	204.81	297.78	92.97	248.46	43.65	267.07	18.61	
6"	\$2,048.12	\$2,977.88	\$2,484.67	\$2,670.76	100,000	0	-	-	-	-	-	-	-	-
<b>Industrial Minimum Charge Revenues</b>						<b>1</b>	<b>\$ 204.81</b>	<b>\$ 297.78</b>	<b>\$ 92.97</b>	<b>\$ 248.46</b>	<b>\$ 43.65</b>	<b>\$ 267.07</b>	<b>\$ 18.61</b>	
<b>Volumetric Usage:</b>														
<b>Allow.</b>	\$ -	\$ -	\$ -	\$ -		<b>Gallons</b>								
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	10,000	74.00	107.59	33.59	89.77	15.77	96.50	6.72	
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	300,000	2,034.00	2,957.34	923.34	2,467.53	433.53	2,652.33	184.80	
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	-	-	-	-	-	-	-	-	-
<b>Total Volumetric Usage</b>						<b>320,000</b>	<b>\$ 2,108.00</b>	<b>\$3,064.93</b>	<b>\$ 956.93</b>	<b>\$2,557.30</b>	<b>\$ 449.30</b>	<b>\$2,748.83</b>	<b>\$ 191.52</b>	
<b>Total Industrial Revenues</b>							<b>\$ 2,312.81</b>	<b>\$3,362.71</b>	<b>\$1,049.90</b>	<b>\$2,805.76</b>	<b>\$ 492.95</b>	<b>\$3,015.90</b>	<b>\$ 210.13</b>	Ph 1 & 2 Inc. \$ 703.09
<b>Rates</b>							<b>Current</b>	<b>\$2,312.81</b>	<b>Current</b>	<b>\$2,312.81</b>	<b>Phase 1</b>	<b>\$2,805.76</b>	<b>Current</b>	<b>\$2,312.81</b>
<b>% Increase Over Rates</b>							<b>Inc. %</b>	<b>45.40%</b>	<b>Inc. %</b>	<b>21.31%</b>	<b>Inc. %</b>	<b>7.49%</b>	<b>Inc. %</b>	<b>30.40%</b>
<b>Public</b>														
<b>Minimum Charges:</b>														
<b>Size</b>					<b>Allowance</b>	<b># of Bills</b>								
5/8"	\$ 40.96	\$ 59.55	\$ 49.69	\$ 53.41	2,000	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2"	\$ 327.70	\$ 476.46	\$ 397.55	\$ 427.33	16,000	1	327.70	476.46	148.76	397.55	69.85	427.33	29.78	
3"	\$ 614.43	\$ 893.35	\$ 745.39	\$ 801.22	30,000	0	-	-	-	-	-	-	-	-
<b>Public Minimum Charge Revenues</b>						<b>1</b>	<b>\$ 327.70</b>	<b>\$ 476.46</b>	<b>\$ 148.76</b>	<b>\$ 397.55</b>	<b>\$ 69.85</b>	<b>\$ 427.33</b>	<b>\$ 29.78</b>	
<b>Volumetric Usage:</b>														
<b>Allow.</b>	\$ -	\$ -	\$ -	\$ -		<b>Gallons</b>								
First	\$ 7.4000	\$ 10.7593	\$ 8.9773	\$ 9.6497	20,000	4,000	29.60	43.04	13.44	35.91	6.31	38.60	2.69	
Next	\$ 6.7800	\$ 9.8578	\$ 8.2251	\$ 8.8411	480,000	280,000	1,762.80	2,583.03	800.23	2,138.53	375.73	2,298.69	160.16	
Over	\$ 3.9500	\$ 5.7431	\$ 4.7919	\$ 5.1508	500,000	-	-	-	-	-	-	-	-	-
<b>Total Volumetric Usage</b>						<b>280,000</b>	<b>\$ 1,792.40</b>	<b>\$2,606.07</b>	<b>\$ 813.67</b>	<b>\$2,174.44</b>	<b>\$ 382.04</b>	<b>\$2,337.28</b>	<b>\$ 162.85</b>	
<b>Total Public Revenues</b>							<b>\$ 2,120.10</b>	<b>\$3,082.53</b>	<b>\$ 962.43</b>	<b>\$2,571.99</b>	<b>\$ 451.89</b>	<b>\$2,764.61</b>	<b>\$ 192.63</b>	Ph 1 & 2 Inc. \$ 644.51
<b>Rates</b>							<b>Current</b>	<b>\$2,120.10</b>	<b>Current</b>	<b>\$2,120.10</b>	<b>Phase 1</b>	<b>\$2,571.99</b>	<b>Current</b>	<b>\$2,120.10</b>
<b>% Increase Over Rates</b>							<b>Inc. %</b>	<b>45.40%</b>	<b>Inc. %</b>	<b>21.31%</b>	<b>Inc. %</b>	<b>7.49%</b>	<b>Inc. %</b>	<b>30.40%</b>

**REYNOLDS WATER COMPANY**

**Development of One-time ADIT Customer Bill Credit Or Surcharge  
And Proof of Revenue - Based Upon \$1.00 Credit Per Customer**

	<u># Cust.</u> (1)		ADIT Refund Customer Cr. \$ (1.00) (2=C11 x (\$1.00))
<b><u>Meter Size:</u></b>			
5/8"	616		\$ (616.00)
3/4"	-		-
1"	8		(8.00)
1 1/2"	42		(42.00)
2"	5		(5.00)
3"	2		(2.00)
4"	-		-
6"	1		(1.00)
8"	-		-
<b>Total Metered Customers</b>	<u>674</u>	<b>Refund</b>	<u>\$ (674.00)</u>
<b><u>Fire Protection Charges:</u></b>			
	<u># Units</u>		
<b><u>Public Fire</u></b>			
Hydrant per Qtr	<u>1</u>	<b>Refund</b>	<u>\$ (1.00)</u>
<b><u>Public Fire</u></b>			
Hydrant (Company) per Qtr	20		\$ (20.00)
Hydrant (Consumer) per Qtr	6		(6.00)
4" Sprinkler (250 Heads)	3		(3.00)
Next 100 Heads	0		-
Nest 100 Heads	0		-
Over 450 Heads	0		-
6" Sprinkler (450 Heads)	22		(22.00)
Over 450 Heads	0		-
8" Sprinkler (850 Heads)	6		(6.00)
Over 850 Heads	0		-
<b>Total Public Fire</b>	<u>57</u>	<b>Refund</b>	<u>\$ (57.00)</u>
<b>Total Number of Customers</b>	732	<b>Total Refunded</b>	\$ (732.00)
Annual ADIT Credit	\$ (1,400.00)		
Quarterly ADIT Bill Credit	(350.00)		
No. Quarters at Current Rate	<u>2.00</u>		
<b>Total ADIT One-time Bill Credit</b>	<u>\$ (700.00)</u>	<b>Total ADIT Cr.</b>	<u>(700.00)</u>
		<b>(Over)/Under</b>	<u>\$ (32.00)</u>
<b>One-Time ADIT Customer Bill Cr.</b>	<u>\$ (0.96)</u>		



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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**Appendix C**



the Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”).

### **Introduction**

RWC is a Pennsylvania public utility that provides water service to 722 customers in Pymatuning, Delaware and Hempfield Townships, Mercer County, Pennsylvania.

On October 30, 2017, RWC filed Supplement No. 5 to Tariff Water-Pa. P.U.C. No. 4 (“Supplement No. 5”) to be effective January 1, 2018. If approved, Supplement No. 5 would increase RWC’s annual water revenue by \$236,829 based on a future test year ending June 30, 2018.

RWC, I&E and the OCA (the “Settling Parties”) have agreed that this rate proceeding can be settled without further litigation under the terms set forth in the Joint Settlement Petition. The settlement provides for a \$160,000 increase in annual revenue along with an offsetting \$1,400 Accumulated Deferred Income Tax normalization credit, as discussed below and in more detail a net \$158,600 annual revenue increase. The Settling Parties have agreed, *inter alia*, that RWC may file a tariff supplement increasing its annual revenue by \$158,600 in two Phases, in lieu of the proposed \$236,829 annual increase contained in Supplement No. 5.

Mediation preceded the filing of the Joint Petition.

### **The Proposed Settlement is Consistent with Commission Regulations and In the Public Interest. It Minimizes Cost Prohibitive Litigation and Administrative Burden.**

It is the stated policy of the Commission to encourage parties in contested proceedings to enter into settlements.<sup>1</sup> Settlements lessen the time and expense of litigating a case<sup>2</sup> and, at the same time, conserve administrative hearing resources. This directly benefits all parties concerned.<sup>3</sup>

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<sup>1</sup> 52 Pa. Code § 5.231(a). The Commission, moreover, has stated that the results achieved from a negotiated settlement or stipulation in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

The Joint Settlement Petition proposes the resolution of all issues in this rate proceeding. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.<sup>4</sup> The benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.<sup>5</sup>

The Settling Parties agree that the Joint Settlement Petition is in the public interest because it (a) minimizes cost prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides IPWSC with additional and necessary cash flow.<sup>6</sup> These three considerations are traditionally recognized as matters that further the public interest in settlement of rate proceedings.<sup>7</sup>

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<sup>2</sup> The substantial cost of litigation avoided through settlement includes the cost of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the cost of preparing and serving briefs, reply briefs, exceptions and replies to exceptions, together with the cost of briefs and reply briefs necessitated by any appeal of the Commission's decision.

<sup>3</sup> *Pa. P.U.C. v. Imperial Point Water Service Company*, Docket No. R-2012-2315536, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated June 25, 2013 (“*Recommended Decision of ALJ Dunderdale – Imperial Point*”), mimeo at 11; *Pa. P.U.C. v. The Newtown Artesian Water Company*, Docket No. R-2011-2230259, Recommended Decision of Administrative Law Judge Elizabeth H. Barnes dated September 20, 2011 (“*Recommended Decision of ALJ Barnes*”), mimeo at 9; *Pa. P.U.C. v. Reynolds Disposal Company*, Docket No. R-2010-2171339, Recommended Decision of Administrative Law Judge Conrad A. Johnson dated January 11, 2011 (“*Recommended Decision of ALJ Johnson*”), mimeo at 12; *Pa. P.U.C. v. Lake Spangenberg Water Company*, Docket No. R-2009-2115743, Recommended Decision of Administrative Law Judge Ember S. Jandebaur dated March 2, 2010 (“*Recommended Decision of ALJ Jandebaur*”), mimeo at 11; *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2009-2102464, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated February 16, 2010 (“*Recommended Decision of ALJ Dunderdale – RWC*”), mimeo at 5.

<sup>4</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Pa. P.U.C. v. CS Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) and *Pa. P.U.C. v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985).

<sup>5</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996 and *Pa. P.U.C. v. CS Water and Sewer Associates*, 74 Pa. P.U.C. 767 (1991).

<sup>6</sup> Joint Settlement Petition, paragraph 13.

<sup>7</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9 – 10 wherein Judge Barnes concludes that the joint petition in settlement of a water rate proceeding is in the public interest because it (a) minimizes cost prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides [the utility] with additional and necessary cash flow.

Each of the foregoing considerations applies here where the settlement minimizes cost prohibitive litigation and administrative burden as set forth above and recognizes matters of interest to ratepayers and provides RWC with additional and necessary cash flow as set forth below. The Settling Parties also filed individual statements in support of the Joint Petition.

The resolution of issues through Commission encouraged mediation, moreover, was achieved only after I&E and OCA had conducted extensive discovery. Mediator Hunt, of course, assisted the Settling Parties in arriving at the resolution. While it may not always be the case, it is the case here that the participation of the Settling Parties in Commission encouraged mediation supports the conclusion that the Joint Settlement Petition furthers and is consistent with the public interest.

Avoidance of litigation costs as a result of settlement is important to RWC and, we submit, also important to rate paying customers as the cost of litigation may ultimately be reflected in higher rates for water service. Settlement of a small utility rate proceeding is a worthwhile use of the Commission's mediation process. The avoidance of further litigation expense is a recognized public interest benefit of settlement.

**The Financial Data Submitted By RWC Supports the Settlement Increase Which Will Provide the Company with Additional and Necessary Cash Flow**

The Company is increasing its rates to bring its operating income to a reasonable level. Its last rate increase was in 2009. On a *pro forma* basis, RWC, at present rate levels, will experience a *net income loss* of \$64,257 during the twelve months ending June 30, 2018 and a *negative return* of 4.49% at its present rate levels. The Company is in need of immediate rate relief.

Under the presently suspended Supplement No. 5, the quarterly cost of water service to a typical residential customer using 9,000 gallons of water per quarter would have increased from \$92.76 to \$134.87. At the proposed rate level, the Company calculated *pro forma* net income to be \$112,195.76 with an overall return of 7.84%.

Under the Joint Settlement Petition, the quarterly cost of water service to a typical residential customer will increase from \$92.76 to \$120.96 over the two Phases. Under Phase I, the quarterly cost of water service to such residential customer will increase by approximately \$19.77 from \$92.76 to \$112.53. Under Phase II, the quarterly cost of water service to such residential customer will increase by an additional \$8.43, or from \$112.53 to \$120.96.

As is common in general base rate proceedings, the settlement is “black box,” meaning that the Settling Parties have not negotiated each and every revenue and expense line item but rather have, after considerable effort, been able to agree upon a final revenue number based on their individual revenue and expense analysis.

It must be emphasized, moreover, that RWC agreed to accept the settlement increase in two phases. The Phase 1 increase will take effect upon Commission approval of the Joint Settlement Petition. The Company, however, will not receive the Phase II increase until it completes its water proofing/sealing, Shenango River main replacement and filtration plant liner projects. The Company anticipates completion of the projects during the Summer of 2018.

The financial data submitted by RWC in support of Supplement No. 5 fully supports the substantially reduced increase of \$158,600 provided for in the Joint Petition. The financial data was submitted in the form of a traditional rate base/rate of return analysis. The financial data submitted by RWC supported a rate increase of \$236,829.

Although RWC believes that it could have readily supported a higher revenue requirement if it had proceeded to litigation, its decision to avoid litigation and mediate a settled resolution avoids costs and expenses as aforesaid. Under the totality of the circumstances, RWC believes that cost avoidance is in its interest and also the interest of its customers. Although less than the increase

supported by RWC's filing, the Company accepts the settlement increase as a reasonable and appropriate resolution of this rate proceeding which should be sufficient to allow it to continue to provide reasonable and adequate service.<sup>8</sup>

### **The Settlement Addresses the Tax Cuts and Jobs Act of 2017**

The Tax Cuts and Jobs Act of 2017 ("TCJA") reduces the Federal Income Tax Rate ("FIT") and also impacts the reserve for accumulated deferred income tax ("ADIT") liabilities. Although the TCJA was enacted while the rate proceeding was pending, the Settling Parties were able to address the impact of the TCJA in the settlement rates. The settlement revenue requirement calculation reflects the reduced FIT of 21%. RWC calculated the impact of the TCJA on its deferred tax liability at December 31, 2017 to be \$20,784 ("ADIT Adjustment"). RWC also calculated an annual ADIT adjustment based on a 15-year normalization period. The annual adjustment which is reflected in the settlement revenue requirement is \$1,400. Finally, in compliance with the Commission's Temporary Rates Order entered March 15, 2018 at M-2018-2641242, the Settling Parties have addressed the impact of the TCJA during the suspension period and provided, in settlement, a one-time bill credit of \$1.00 per customer to address the suspension period ADIT amortization of \$700. The Federal Tax term addresses the totality of tax matters under the TCJA and RWC submits that the negotiated settlement term is a just and reasonable resolution of the impact of the TCJA.

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<sup>8</sup> The public interest is furthered when a utility is provided with sufficient revenue to meet its obligations under Section 1501 of the Public Utility Code, 66 Pa. C.S. §1501, to provide safe, reliable and adequate service. The courts have long recognized that, in order to function in the public interest, the utility must have rates which are sufficient to recover legitimate operating costs, and at the same time not result in an excessive return. *Recommended Decision of ALJ Barnes*, citing *Orlosky v. Pa. P.U.C.*, 171 Pa. Superior. Ct. 409, 89 A.2d 903 (1952).

### **The Settlement Addresses Significant Capital Projects**

The Joint Settlement Petition acknowledges three important capital projects planned by RWC for the water system: water proofing/sealing of the sedimentation walls with an estimated cost of \$152,250; replacement of 500 feet of 8 inch water main under the Shenango River with an estimated cost of \$125,000; and installation of a liner in the filtration plan clear well with an estimated cost of \$50,000. The projects are necessary and proper. By holding implementation of the Phase II increase until their completion, the Joint Settlement Petition incentivizes the Company to complete the three projects as soon as possible.

### **The Settlement Addresses Matters of Interest to Ratepayers**

The Joint Settlement Petition addresses matters of monthly billing, rate design and billing format that are of interest to ratepayers.<sup>9</sup> Addressing ratepayer matters is a traditionally recognized part of the public's interest in settlement.<sup>10</sup> The additional settlement terms, which are summarized as follows, are the result of the mediation efforts of the Settling Parties. In each instance, the Company accepts the settlement terms as reasonable and appropriate efforts in settlement to address ratepayer matters and submits that they are consistent with the public interest:

#### **Monthly Billing**

RWC will prepare an analysis of the potential additional costs and benefits of moving to monthly billing. RWC will present the analysis in its next rate filing.

#### **Rate Design**

Company agrees to eliminate the minimum water allowance in its next rate case filing. The Company will provide a bill frequency analysis with that filing.

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<sup>9</sup> Joint Petition, paragraph 10 (c) through 10 (e).

<sup>10</sup> See, for example, *Recommended Decision of ALJ Jandebour*, mimeo at 12 – 15 and *Recommended Decision of ALJ Barnes*, mimeo at 9 – 10, cited in footnote 3 above, wherein Judge Barnes concludes that the joint petition in settlement of a water rate proceeding is in the public interest, in part, because it recognizes ratepayers' concerns.



## **Billing Format**

RWC will update its bill format no later than the effective date of the Phase I revenue increase to show the Pennvest surcharge is for Reynolds Disposal Company.

## **The Settlement Also Provides for a Rate Case “Stay Out”**

As a final matter, RWC has agreed as part of the settlement to a two year rate case stay out. A rate case “stay out” gives ratepayers a specified level of rate security – two years here – that would not exist absent the stay out. A rate case “stay out” is a traditionally recognized part of the public’s interest in settlement of a rate proceeding.<sup>11</sup>

## **Conclusion**


The Joint Settlement Petition, which arose only after much discovery and discussion, is the result of mediation between RWC, I&E and OCA. The settlement increase will provide RWC with additional and necessary cash flow to meet operating expenses and the opportunity to earn a return on important capital projects. Through the settlement, ratepayer matters of interest are addressed and the cost and uncertainty of litigation are avoided. RWC submits that the Joint Petition is reasonable and in the public interest and should be approved without modification.

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<sup>11</sup> See, for example, *Recommended Decision of ALJ Dunderdale – Imperial Point*, mimeo at 20; *Recommended Decision of ALJ Johnson*, mimeo at 16; and *Recommended Decision of ALJ Dunderdale - RWC*, mimeo at 8-9.

WHEREFORE Reynolds Water Company respectfully requests that Administrative Law Judge Katrina L. Dunderdale and the Public Utility Commission accept the foregoing in support of the Joint Petition for Settlement of Rate Investigation and further that Administrative Law Judge Dunderdale recommend approval of and the Public Utility Commission approve the Joint Petition for Settlement of Rate Investigation.

Respectfully submitted,

By  \_\_\_\_\_  
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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**Appendix D**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission, et al.</b>	:	
	:	
	:	<b>Docket No. R-2017-2631441 et al.</b>
<b>v.</b>	:	
	:	
<b>Reynolds Water Company</b>	:	

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**BUREAU OF INVESTIGATION AND ENFORCEMENT  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT  
OF RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:**

The Bureau of Investigation and Enforcement (“I&E”)<sup>1</sup> of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutors, Carrie B. Wright and John M. Coogan, hereby submits that the terms and conditions of the foregoing Joint Settlement Petition (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of Reynolds Water Company (“Reynolds” or “Company”) and its customers. Accordingly, I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

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<sup>1</sup>I&E is the Commission’s independent prosecutory bureau, which represents the public interest in Commission proceedings related to ratemaking and service matters. *See Implementation of Act 129 of 2008; Organization of Bureaus and Offices*. Docket No. M-2008-2071852 (Order entered August 11, 2011).

## I. BACKGROUND

1. On October 30, 2017, Reynolds filed Supplement No. 5 to Tariff Water Pa. P.U.C. No. 4 (“Supplement No. 5”) to be effective January 1, 2018.

2. Reynolds’ filing contained proposed changes in rates calculated to produce approximately \$236,640<sup>2</sup> in additional annual revenue based upon data for a future test year ending June 30, 2018. This would increase rates for all Company rate classes by approximately 45.4%.

3. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint against Supplement No. 5 at docket C-2017-2636654 on December 1, 2017.

4. I&E filed Notice of Appearances for Prosecutors Carrie B. Wright and John M. Coogan on December 5, 2017.

5. By Order entered December 21, 2017 at docket R-2017-2631441, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of the Company’s existing and proposed rates, rules, and regulations.

6. Pursuant to 66 Pa. C.S. §1308(d), Supplement No. 5 was suspended by operation of law until August 1, 2018, unless permitted by Commission Order to become effective at an earlier date.

7. Administrative Law Judge (“ALJ”) Katrina L. Dunderdale was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

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<sup>2</sup>Although Reynolds’ revenue requirement study reflected a \$236,829 increase, a 45.5% increase would produce \$236,640 due to rounding of rates. See Supplement No. 5 at Supporting Data Section A-4.

8. On December 28, 2017, the Company filed Supplement No. 6 with the Commission suspending the application of rates proposed in Supplement No. 5 until August 1, 2018.

9. A Prehearing Conference was held on December 29, 2017 at which OCA, I&E, and Reynolds (“Parties” or “Joint Petitioners”) indicated they wished to seek mediation for this matter. Reynolds indicated it would file Supplement No. 7 to postpone the effective date of the proposed rates by an additional sixty days, or to October 1, 2018, to make use of the Commission’s mediation procedures.

10. ALJ Dunderdale issued an Order on January 2, 2018 requiring that Reynolds Water inform ALJ Dunderdale prior to February 28, 2018 if the parties reach an amicable resolution and anticipate filing a settlement in the proceeding. Issuance of a litigation schedule was postponed pending such resolution.

11. The Parties participated in an initial mediation session on January 25, 2018.

12. On February 2, 2018, the Company filed Supplement No. 7 with the Commission suspending the application of rates proposed in Supplement No. 5 until October 1, 2018.

13. The Parties participated in a subsequent mediation session on February 21, 2018, which culminated in this Settlement.

14. ALJ Dunderdale was informed of the Settlement by Reynolds’ counsel on February 27, 2018.

## II. TERMS AND CONDITIONS OF SETTLEMENT

15. The Commission encourages settlements to eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.<sup>3</sup> Here, the Joint Petitioners successfully achieved a settlement of all issues.

16. In negotiated settlements, I&E seeks to identify how amicable resolution of any such proceeding serves the public interest by balancing the interests of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.<sup>4</sup>

17. Prior to agreeing to the Settlement, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses, and actively participated in settlement discussions with the Parties.

18. 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."<sup>5</sup> The Commission has also stated that the "public interest" is the prime determinant in evaluating a proposed settlement.<sup>6</sup>

19. I&E asserts that the Settlement satisfies all applicable legal and regulatory standards, is a product of negotiation and compromise, reflects concessions from Reynold's original rate request, and contains terms preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, and for the reasons

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<sup>3</sup> *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at \*3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

<sup>4</sup> *See* Pa. C.S. §§ 1301, 1304.

<sup>5</sup> *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

<sup>6</sup> *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

**REVENUE INCREASE AND PHASE IN (JOINT PETITION, PARA. 10(A))**

The Settlement provides for an increase of \$160,000 to the Company's annual overall revenue along with an offsetting \$1,400 Accumulated Deferred Income Tax ("ADIT") normalization that is discussed below. This produces a net increase in annual revenue of approximately \$158,600 phased in over two years. This increase is a reduction of approximately 33.0% from the original request of \$236,829. This increase will be instituted over two phases. Phase I will increase rates by \$111,198 or 21.3%, effective upon approval by the Commission. Phase II will increase rates by \$47,402, or 7.5%, effective after completion of the three capital projects detailed in the Settlement.

I&E agreed to a settlement in the amount of \$160,000 with a \$1,400 offset related to ADIT only after I&E conducted an extensive investigation of Reynolds' filing and related information through the discovery process. I&E used this information to determine the amount of revenue Reynolds needs to provide safe, effective, and reliable service without unduly impacting its customers through higher rates. Additionally, instituting a rate increase over two phases will mitigate the rate impact on customers, and Phase II will only be effective after completion of the three capital projects. Moderation of the level of the rate increase benefits ratepayers and results in just and reasonable rates in accordance with the Public Utility Code, regulatory standards, and governing case law, and should therefore be approved.



## **FEDERAL TAXES (JOINT PETITION, PARA. 10(B))**

As a result of the recently passed Tax Cuts and Jobs Act (“TCJA”), the federal corporate income tax (“FCIT”) rate was reduced from 35% to 21%, effective January 1, 2018. By Secretarial Letter dated February 12, 2018, the PUC opened docket number M-2018-2641242 to determine the effects of the TCJA on Commission-regulated public utilities. After receiving comments and responses to data requests, the Commission issued a Temporary Rates Order (“Order”) on March 15, 2018. Among other things, the Commission’s Order stated that parties in pending Section 1308(d) proceedings should address the effects of the reduction in tax rate through current proceedings.

Accordingly, I&E supports the Settlement revenue requirement calculation based on a 21% FCIT rate. For customer rates to be just and reasonable, they should reflect actual cost, which is the new FCIT rate. The rate increase proposed in this Settlement was based on a 21% FCIT.

Further, the decrease in the federal tax rate produced by the TCJA creates excess ADIT which must be refunded to customers. The Company has calculated its excess ADIT at December 31, 2017, to be \$20,788 with a 15-year amortization period for returning the excess ADIT. Therefore, the amount of excess ADIT to be amortized on an annual basis is approximately \$1,400. This amount has been incorporated into the agreed upon revenue increase in this proceeding as noted above. The amortization will be tracked by the Company against the beginning balance of \$20,784 so that in the Company’s next base rate case, the remaining excess ADIT balance can be easily determined.

Further, the Company will continue to collect excess ADIT until the new rates proposed in this Settlement go into effect. The Parties estimate that the amortization of excess ADIT that will be accrued through the effective date of new rates is approximately \$700. This amount will be returned to customers through a one-time bill credit as an equal amount per customer. This will be reflected on the first billing cycle after Commission approval of the Settlement. This ensures that the excess ADIT is returned quickly and efficiently to customers.

**MONTHLY BILLING (JOINT PETITION, PARA. 10(C))**

Reynolds customers are currently billed on a quarterly basis. Customers may benefit from switching to monthly billing, but presently there is no cost-benefit analysis supporting such change. I&E therefore supports Reynolds inclusion of a cost-benefit analysis for monthly billing in its next rate filing, which will be evaluated by I&E.

**RATE DESIGN (JOINT PETITION, PARA. 10(D))**

I&E supports Reynolds' elimination of a minimum allowance and provision of a bill frequency analysis in its next rate case filing. Reynolds' minimum allowance charges customers a flat rate without regard to usage. Elimination of the minimum allowance, supported by a bill frequency analysis, will permit all rates to reflect individual customer usage, leading to more precise bills based on consumption.

**BILLING FORMAT (JOINT PETITION, PARA. 10(E))**

I&E supports Reynolds' update to its bill format no later than the effective date of the Phase I revenue increase to reflect that the Pennvest surcharge is for the Reynolds Disposal Company. Currently, Reynolds' customer bills include a line item charge for

“PENNVEST”, without specification whether such surcharge is from a loan to Reynolds Water Company or Reynolds Disposal Company. This change is necessary to identify which utility service this surcharge is for.

### **STAY OUT (JOINT PETITION, PARA. 10(F))**

Absent certain circumstances, the Settlement prevents Reynolds from filing for a general base rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, until two years following the effective date of the Phase II increase. Reynolds may only file a proposal for a general base rate increase before such time (1) in compliance with Commission orders or (2) in response to fundamental changes in regulatory policies or federal or state tax policies affect Reynolds’ rates.

This stay out provision will provide rate continuity to ratepayers for at least two years following the effective date of the Phase II increase. At the same time, Reynolds will avoid hardship if certain unforeseeable events necessitate it to propose rate relief. For these reasons, the stay out provision is in the public interest and should be approved.

### **III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST**

20. I&E asserts that the provisions of the Settlement resolve the issues raised by I&E and represent a revenue increase that I&E agrees is fair, just, reasonable, and in the public interest.

21. The Settlement represents approximately 67% of the filed request for additional revenues. Reynolds shall receive sufficient operating funds to provide safe and adequate service while the impact on ratepayers is less than initially proposed.

22. Resolution of this case by settlement rather than litigation will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, yielding substantial savings for Parties and customers, as well as certainty on the disposition of issues.

#### **IV. RESERVATION OF RIGHTS**

23. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or the OCA.

24. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation if the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement.

25. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions if any terms and conditions of the Settlement are modified or any additional matters may be proposed by the ALJ in the Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement supports the Joint Settlement Petition as being in the public interest and respectfully requests that Administrative Law Judge Katrina L. Dunderdale recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,



Carrie B. Wright  
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Dated: April 6, 2018

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**Appendix E**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	Docket Nos. R-2017-2631441
	:	C-2017-2636654
v.	:	
REYNOLDS WATER COMPANY	:	

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**STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

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

**I. INTRODUCTION**

Reynolds Water Company (Reynolds Water or Company) provides water service to approximately 722 customers in Pymatuning, Delaware and Hempfield Townships, Mercer County, Pennsylvania. On October 30, 2018, the Company filed Supplement No. 5 to Tariff Water – Pa. P.U.C. No. 4 with the Pennsylvania Public Utility Commission (Commission), to become effective January 1, 2018. In its filing, Reynolds Water requested an annual increase in base rate revenues of \$236,829 per year, or an approximate 45.1% increase. Under the Company’s filing, a typical residential customer, using 9,000 gallons of water per quarter, would see a total increase from \$92.76 to \$134.87 per quarter, or 45.4%.

On December 1, 2018, the OCA filed a Formal Complaint and Public Statement. The Commission’s Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on December 5, 2018. Formal complaints were filed by twenty customers.

By Order entered December 21, 2018, the Commission initiated an investigation into the lawfulness, justness and reasonableness of the proposed rate increase and suspended the effective date of Supplement No. 5 until August 1, 2018, by operation of law. The Commission assigned the case to the Office of Administrative Law Judge. Administrative Law Judge (ALJ) Dunderdale was assigned to the proceeding.

On December 29, 2017, a prehearing conference was held before ALJ Dunderdale. The Company chose to participate in the Commission's mediation process and filed Supplement No. 7 on February 2, 2018 to extend the suspension period to October 1, 2018. Mediation sessions were held with Mediator Tiffany Hunt on January 25 and February 21, 2018. OCA, I&E and complainants Vessella and D'Urso participated in the mediation sessions. Complainants DeCiancio, Foust and Patterson were additional participants in the second mediation session.

As a result of the discussions, the signatory parties were able to reach an agreement in principle to resolve all issues, 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 Increase and Allocation**

The proposed Settlement provides for an overall increase in annual revenues of \$160,000, reduced by \$1,400 to reflect an Accumulated Deferred Income Tax (ADIT) credit. The net annual increase in revenues is \$158,600, or 30.4%, in lieu of the proposed \$236,829 increase originally proposed by Reynolds Water. See Settlement ¶ 10(a); see also Appendices A and B. This compromise represents a 33% reduction from Reynolds Water's original rate increase request.



The \$158,600 increase will be accomplished over two phases. In Phase I, the rates will produce an annual revenue increase of \$111,198 or 21.31%. Settlement ¶ 10(a). Phase II will produce an additional revenue increase of \$47,402, or 7.49%. Id. The Phase II revenue increase will become effective after written confirmation from Reynolds Water to the Commission, OCA and I&E that it has completed three projects:

- i. Water proofing/sealing of the sedimentation walls. This project has an estimated cost of \$152,250;
- ii. Replacement of 500 feet of 8 inch water main under the Shenango River. This project has an estimated cost of \$125,000; and
- iii. Installation of a liner in the filtration plant clear well. This project has an estimated cost of \$50,000.

Id.

Under the proposed Settlement, the bill for the typical residential customer using 9,000 gallons of water per quarter would increase from \$92.76 to \$112.53 per quarter, or 21.31% rather than \$277 as originally proposed by the Company. Settlement ¶ 11. Under Phase II, the quarterly cost of water for the typical residential customer would increase from \$112.53 to \$120.96, or 7.49%. Id. Overall, after both phases are implemented, the quarterly bill for a typical residential customer would increase from \$92.76 to \$120.96, or by 30.4%. Id.

Based on the OCA's analysis of the Company's filing, and discovery responses, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. This increase is appropriate when accompanied by other important conditions contained in the Settlement and yields a result that is just and reasonable.

## **B. Federal Taxes**

### **a. Reduced Federal Tax Rate Reflected in Proposed Revenue Increase**

The federal Tax Cuts and Jobs Act reduced the corporate income tax rate to 21%. The parties have reflected the reduced federal income tax rate in calculating the proposed annual revenue increase of \$158,600. Settlement ¶ 10(b). Reflecting the lower federal income tax rate in calculating the prospective revenue requirement is reasonable and appropriate and benefits the customers of Reynolds Water.

### **b. Impact of Reduced Federal Income Tax Rate on Rates Charged During The Suspension Period**

In an Order entered on March 15, 2018, at Docket No. M-2018-2641242 (Temporary Rates Order), the Commission directed the utility and parties in pending rate proceedings to address the impact of the reduced Federal Income Tax rate, resulting from the federal Tax Cuts and Jobs Act, effective January 1, 2018, on the justness and reasonableness of rates charged during the term of the suspension period.

The decrease in the future federal tax rate creates excess Accumulated Deferred Income Taxes (ADIT). Reynolds Water calculated the ADIT adjustment to be \$20,784 and calculated that it is to be returned over a 15-year normalization period. Settlement ¶ 10(b). Thus, the amount of Reynolds Water's excess ADIT to be amortized on an annual basis is \$1,400 and the amount that will be accrued from January 1, 2018 through the estimated effective date of new rates is \$700. Id. The Settlement addresses the return of the \$700 as a one-time bill credit of \$1.00 per customer. Id.; Appendix A, Original Page No. 6A. The credit will be reflected on the first billing cycle after Commission approval of the Settlement. Id.

The other component related to the impact of the reduced federal income tax rate during the suspension period is to account for reduced expenses due to the reduction in the federal

income tax rate. Reynolds Water's filing reflects a net loss during the suspension period so there were no federal tax expenses during the suspension period. Thus, due to the net loss reflected by Reynolds Water, there are no federal tax expense savings reflected in the settlement.

These provisions properly address the impact of the reduced federal income tax rate during the suspension period and benefit the customers of Reynolds Water.

**C. Stay Out**

Under the proposed settlement the Company has agreed not to file a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), prior to two (2) years following the effective date of the Phase II increase. Settlement ¶ 10(f). This provision will provide a level of rate stability that benefits the ratepayers.

**D. Company's Next Rate Filing**

**a. Monthly Billing**

Reynolds Water agrees to prepare an analysis of the additional costs and benefits of going to monthly billing. Settlement ¶ 10(c). The Company agrees to include the analysis in its next rate filing. Id. This provision will assist the OCA in assessing the cost effectiveness of monthly billing which is one component in considering whether it is reasonable for Reynolds Water customers.

**b. Rate Design**

Reynolds Water agrees to eliminate the minimum allowance in the next rate case. Settlement ¶ 10(d). The current quarterly minimum allowance ranges from 2,000 gallons for a customer with a 5/8" meter and 160,000 gallons for a customer with an 8" meter. See Appendix A, Third Revised Pages No. 4, 4A. Reynolds also agrees to provide a bill frequency analysis in its next rate filing. Settlement ¶ 10(d). These provisions will aid the OCA in reviewing Reynolds Water's proposed rate design in its next rate filing.

### **E. Other Issues**

Reynolds Water agrees that it will change its bill format to show that the Pennvest surcharge on the bill is for the Reynolds Disposal Company's Pennvest loan. Settlement ¶10 (e). The surcharge for the Pennvest loan was approved in Pa. P.U.C. v. Reynolds Disposal Co., Docket No. R-00061492 Order (May 14, 2007). This clarification will assist in ensuring that the bills (which include water and sewer charges) are more easily understood and that the charges for each utility service are clearly identified.

### 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 approximately \$158,600 in annual revenues phased in over two steps. This amount is reduced from the \$236,829 annual increase proposed in Reynolds Water's filing. In addition, the ratepayers will benefit from 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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**VIA EMAIL AND FIRST CLASS MAIL, POSTAGE PREPAID**

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