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July 25, 2018

Via Hand Delivery

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

In re: Docket No. R-2018-3003104
Timberlee Valley Sanitation Co., Inc.

Dear Secretary Chiavetta:

We are counsel to Timberlee Valley Sanitation Co., Inc. in the above matter and are submitting, with this letter, the Company's responses to the Bureau of Technical Utility Services Data Request Set 1, Nos. R-1 through R-16.

Please be aware that the 2017 and 2016 Federal Income Tax Returns provided in response to Data Request R-15 are CONFIDENTIAL and are provided in the sealed envelope stamped CONFIDENTIAL included with this letter. Please do not allow any public access to the CONFIDENTIAL information and limit its distribution within the Public Utility Commission to only those Staff persons as necessary for the processing of the rate filing.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By 

Thomas T. Niesen

- cc: Paul Zander (via email, w/encl.)
- Robert Brennan (via email, w/encl.)
- Dennis Kalbarczyk (via email, w/encl.)
- Bureau of Investigation and Enforcement (w/encl.)
- Office of Consumer Advocate (w/encl.)
- Office of Small Business Advocate (w/encl.)

RECEIVED
2018 JUL 25 PM 2:00
PA PUC
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FRONT DESK

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1
Docket No. R-2018-3003104

R-1. Please provide a detailed description of the projects included as construction work in progress identified in the filing's Schedule E-1 and state the projected or actual completion dates.

RESPONSE:

As noted on Schedule F-1, Note 3, the per books Construction Work In Progress balance of \$113,465 as of year end 2009 was not timely cleared to Plant-In-Service and remained on the books at that same value as of year end 2017. The Company's filing made the necessary adjustments on a pro forma basis to clear these assets to the appropriate Plant-In-Service accounts based upon the year they were placed into service. Please refer to the supporting Schedules J-1-2 which reflect the appropriate addition and in-service dates of \$104,487 of asset values, the \$8,978 difference was cleared to retained earnings as this amount was expense related for cost incurred prior to 2017.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-2. Please provide a detailed description of the assets held for future use identified in the filing's Schedule E-1.

RESPONSE:

The asset consist of a 1 acre parcel of ground next to the existing treatment plant to provide for future plant expansion when necessary.

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R-3. In the filing's Schedule F-1, Timberlee Valley Sanitation Co., Inc.'s (Timberlee's) inventory claim equals 1% of Net Plant-In-Service, including contributed property. Please provide a 13-month average of Timberlee's inventory balances, evidencing the appropriateness of this claim.

RESPONSE:

The Company submits it is a small utility and does not maintain an actual inventory of all spare parts and materials. Thus, for ratemaking purposes the inventory claim was based upon an accepted ratemaking approach that valued inventory at 1% of the net plant in service value as of December 31, 2018.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
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R-4. Please explain why Timberlee's contracted operating fees have increased from \$6,227 in 2013 as per Timberlee's 2013 annual report to the \$24,440 amount claimed for 2017 in the filing's Schedule H-1. Please provide documentation supporting that the amount claimed represents a typical annual expense.

RESPONSE:

In 2013 and through part of 2014 until his unexpected death, the plant operating services were provided at a substantially reduced rate by Mr. Kenneth R. Brennan, a family member. Thereafter, outside services were provided by other professionals. In 2016, the Company entered into a formal arrangement with Mr. Dave Bocci to operate the plant and provide for the necessary testing requirements. By way of further comment, the 2017 Contracted Operating Fee of \$24,440 reflects the amount provided for under that agreement to also include the cost of testing; thus, 2017 Testing Fees are appropriately reflected at zero values. A copy of the agreement is attached.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

**Operations and Maintenance Agreement
For
The Timberlee Valley WWTP**

I. Introduction

This agreement is between the Timberlee Valley Sanitation Company and Dave Bocci Operations for the operations of the Timberlee Valley Sewage Treatment Plant.

II. Responsibilities

Dave Bocci Operations will include the following responsibilities:

- Manage and operate the facility to meet all DEP requirements.
- Maintain the facility and be responsible for its proper operation.
- Make all repairs within the scope of the operator's knowledge and skills.
- Perform and provide for all the necessary wastewater analyses.
- Submit monthly DMR forms to the DEP.
- Make myself available for any DEP inquiries and audits.
- Properly operate the facility within the parameters of the plant design.

Timberlee Valley Sanitation Company will be responsible:

- Purchasing all necessary chemicals for proper treatment.
- Purchase equipment when necessary to keep the plant within compliance (capital repairs).
- Cover the cost for sludge and grease removal.
- Provide for all utility and ownership costs.
- Maintain the grounds (grass cutting)

III. Compensation

Total Monthly fee \$2000.00

IV. Length of Agreement

This agreement and pay scale is for one month and is renewable each month with mutual consent.

Robert A. R.
10-13-16

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
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R-5. Regarding the filing's Schedule H-1, please explain why the \$4,937 expense claimed for System Repairs and Maintenance represents a typical annual expense.

RESPONSE:

The Company respectfully submits that due to the age of the system its system repairs and maintenance expense increased substantially in 2017 and will require continued ongoing levels of repairs and maintenance at or above the \$4,937 reflected in the instant filing.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-6. Regarding the filing's Schedule H-1, please explain why Timberlee's sludge removal expense has increased from \$3,180 in 2015 to \$7,620 in 2017 and why the 2017 value represents a typical annual expense.

RESPONSE:

The Company respectfully submits that the frequency and cost for sludge removal expense has increased substantially for the 2016 and 2017 years in comparison for those cost incurred in 2015, to also include increases in load due to ongoing customer growth. By way of further comment, the Company's new plant operator has determined that more frequent sludge hauling is necessary to better meet DEP requirement Thus, the Company's claim was based upon a two year normalization of the 2016 and 2017 cost incurred for purposes of determining its pro forma 2018 test year claim.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-7. Please explain why Timberlee's testing expense in the filing's Schedule H-1 was reduced to \$0 in 2017.

RESPONSE:

See response to R-4.

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Timberlee Valley Sanitation Co., Inc.
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R-8. In the filing's Schedule H-1, please explain why Timberlee does not propose an adjustment to remove or annualize Engineering Fees and Bank Charges.

RESPONSE:

The above listed items were only incurred in the 2017 accounting period and are somewhat minimal reflecting a cost of \$392 and \$11, respectively. The Company respectively submits the said cost are reflective of anticipated cost it would incur on a going forward basis and, thus, has been so reflected in its 2018 pro forma claim.

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Timberlee Valley Sanitation Co., Inc.
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R-9. Regarding the filing's Schedule H-2, please provide justification for the pro-forma adjustment of \$3,000 to an annual claim for management fees. Also, please identify the entity or entities providing these services.

RESPONSE:

The Company submits that current general management services required for the day to day operations such as general bookkeeping services, customer billing and collections, as well as oversight of the needed management affairs related to preparation and submissions of necessary financial and regulatory reporting is being provided at no cost by the Company president and his wife. The Company respectively submits that a \$250 monthly fee or a \$3,000 claim on an annualized basis represents a reasonable value for compensation for said services provided.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-10. Please justify the claimed 48-month period for amortization of rate case expenses in the filing's Schedule H-2.

RESPONSE:

The Company submits the normalization period considered the frequency of rate filings and the need for the Company to provide for necessary revenue requirements on a more frequent basis so as to minimize much larger percentage rate increases request which tend to occur when less frequent cases are filed. Additionally, due to the age of the system facilities, the Company believes that more extensive maintenance projects will be required in the future to continue to provide safe, reliable, and adequate service. Further, changing environmental and regulatory requirements continue to place additional demands on the Company's revenue requirement needs. The Company believes that its four year normalization request reflects a reasonable balance of the impact on both the customer and Company.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-11. In the filing's Schedule J-1-1, please explain why the gravity sewer main line extensions on Line Nos. 51-53 are assigned a service life of 50 years where other similar assets in Account 361 are assigned a service life of 75 years.

RESPONSE:

The Company respectfully submits that its use of 50 year life for more recent sewer main line additions is consistent with other mains installed post 2000 which was reflected in its 2006 rate case filing. The Company notes that other pipes and sewer lines such as that identified on lines 28 to 31, along with items on lines 89 and 90, installed post 2000 have service lives of 50 years which was reflected in its 2006 rate case filing. The Company respectfully submits that the use of a 50 year life is appropriate for a small wastewater company of its size.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
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R-12. Please state why the costs for permits, applications and planning modules are included in Account 380 (treatment and disposal equipment) in the filing's Schedule J-1-1.

RESPONSE:

The cost of permits, applications and planning modules were related to plant upgrades and the full cost associated with bringing the project into service was so reflected as an asset and depreciated accordingly. Additionally, the Company respectively submits that these 2001 cost and depreciation methods were reflected in its 2006 rate case filing and the Commission did not authorize any changes to the referenced items reflected in that proceeding.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
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R-13. Pursuant to 52 Pa. Code § 1.36, please provide a verification statement for the filing.

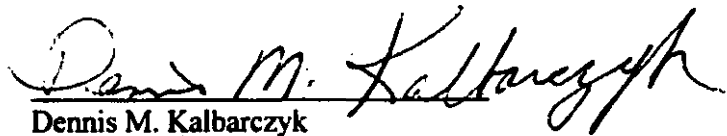
RESPONSE:

See attached verification statement.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

VERIFICATION

I, Dennis M. Kalbarczyk of Utility Rate Resources, Inc. hereby state, as Rate Consultant for Timberlee Valley Sanitation, Co, Inc., that the facts set forth in the Rate Study filed with the Public Utility Commission on June 29, 2108 and docketed at PaPUC Docket No. R-2018-3003104 are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).


Dennis M. Kalbarczyk

Timberlee Valley Sanitation Co., Inc.
Response to Bureau of Technical Utility Services
Water/Wastewater Division
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Docket No. R-2018-3003104

R-14. Pursuant to 52 Pa. Code § 53.45 (h), please provide an affidavit confirming that notice requirements have been met.

RESPONSE:

See attached affidavit regarding notice requirements.

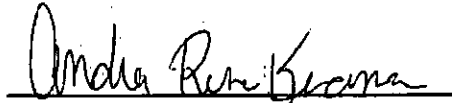
PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

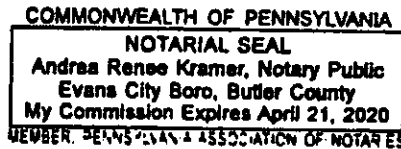
AFFIDAVIT

I, Robert A. Brennan, being duly sworn according to law, depose and say that I am authorized to make this affidavit on behalf of Timberlee Valley Sanitation Co., Inc., being the President of that corporation; that, as required by 52 Pa. Code Section 53.45(h), the Notice attached hereto as Exhibit A is posted at the Company's Office and was mailed to each customer on June 28, 2018, and the Press Release attached hereto as Exhibit B was provided to the local newspaper serving the service territory on June 29, 2018; and that I expect to be able to prove the same at a hearing held in this matter.


Robert A. Brennan

Sworn and subscribed before me this 24 day of July, 2018.





RECEIVED

NOTICE OF PROPOSED RATE CHANGE

JUL 25 2018

To Our Customers:

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Timberlee Valley Sanitation Company, Inc., (Company) is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your wastewater rates as of September 1, 2018. This Notice describes the Company's request, the PUC's role and what actions you can take.

The Company has requested a rate increase of \$22,560 per year. If the Company's entire request is approved, the total bill for each residential customer would increase from the flat rate charge of \$55.00 per month to \$75.00 per month or by 36.36%.

To find out how the requested increase may affect your wastewater bill, contact the Timberlee Valley Sanitation Company, Inc., at 724-865-2929. The rates requested by the Company may be found in Supplement No. 6 to Tariff-Sewer Pa. P.U.C. No. 1. You may examine the material filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at the Company's office. Upon request, the Company will send you the Statement of Reasons for Supplement No. 2, explaining why the rate increase has been requested.

The state agency which approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.

The PUC may change the amount of the increase or decrease requested by the utility for each customer class. As a result, the rate charged to you may be different than the rate requested by the Company and shown above.

There are three ways to challenge the Company's request to change its rates:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before September 1, 2018. If no formal complaints are filed, the PUC may grant all, some or none of the request without holding a hearing before a judge.

2. You can send us a letter telling why you object to the requested rate increase. Sometimes there is information in these letters that makes us aware of problems with the Company's service or management. This information can be helpful when we investigate the rate request.

Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA. 17105-3265.

3. You can be a witness at a public input hearing. Public input hearings are held if the PUC opens an investigation of the Company's rate increase request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your view in person to the PUC judge hearing the case and the Company representatives. All testimony given "under oath" becomes a part of the official rate case record. These hearings are held in the service area of the Company.

For more information, call the PUC at 1-800-692-7380. You may leave your name and address so you can be notified of any public input hearings that may be scheduled in this case.

TIMBERLEE VALLEY SANITATION COMPANY, INC.

EXHIBIT A

RECEIVED

JUL 25 2018

PRESS RELEASE

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

.....

Timberlee Valley Sanitation Company, Inc.
800 S. Washington St.
Evans City, PA 16033

Dated: June 29, 2018

Timberlee Valley Sanitation Co., Inc. (Company) today filed a request to increase its existing wastewater (sewer) rates applicable to all customers effective September 1, 2018. The Company has requested a rate increase of \$22,560 per year. If the Company's entire request is approved, the total bill for a typical residential customer will increase from \$55.00 per month to \$75.00 per month, or by 36.36% over existing rates.

The rate increase is required in order to cover the substantial investment in sewer utility assets since its last tariff rates went into effect in March 2007. Additionally, the Company has incurred and/or will realize increased operating expenses since its last increase in tariff rates due to increased sewer regulations as well as other increased operating costs that have increased over time due to normal operating conditions and/or other regulatory demands to meet customer service requirements.

Mr. Robert Brennan, President of Timberlee Valley Sanitation Co, Inc, stated,

“The Company’s current rate has been in effect since March 2007 and the Company has worked hard to continue to provide service at those rates without a rate increase. The requested increase is necessary to cover increased costs of operations and provide the necessary funds related to plant investments to serve customers within its service area, and to improve sewer service and service reliability. The Company will be cooperative with the Pennsylvania Public Utility Commission as the state agency conducts its review of the rate filing.”

Customers can contact the Company at 724-865-2929 to get further information on the proposed increase or to find out what actions they may take.

Timberlee Valley Sanitation Co., Inc.
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R-15. Please provide a copy of Timberlee's two most recent Federal Income Tax Returns.

CONFIDENTIAL RESPONSE:

See attached CONFIDENTIAL 2017 and 2016 Federal Income Tax Returns.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

Timberlee Valley Sanitation Co., Inc.
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R-16. Please quantify the impact of the Tax Cuts and Jobs Act of 2017 on Timberlee's accumulated deferred income tax liability at December 31, 2017.

RESPONSE:

The Company has not incurred income taxes nor has it reflected a tax claim in its last rate case filing nor has it reflected a claim for income taxes in its current rate case filing.

PROVIDED BY: Dennis M. Kalbarczyk, Consultant Utility Rate Resources, Date: 7/25/18

VERIFICATION

I, Dennis M. Kalbarczyk of Utility Rate Resources, Inc. hereby state, as Rate Consultant for Timberlee Valley Sanitation, Co, Inc., that the facts set forth in the foregoing responses to the Set 1 Data Requests of the Bureau of Technical Utility Services at PaPUC Docket No. R-2018-3003104 are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: July 25, 2018


Dennis M. Kalbarczyk