



THOMAS, NIESEN & THOMAS, LLC

Attorneys and Counsellors at Law

THOMAS T. NIESEN
Direct Dial: 717.255.7641
tniesen@tntlawfirm.com

September 25, 2018

Via Electronic Filing

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

In re: Docket No. R-2018-3003104, *et al.*
Pa. P.U.C. *et al.* v. Timberlee Valley Sanitation Company

Dear Secretary Chiavetta:

We are counsel to Timberlee Valley Sanitation Company in the above referenced rate investigation and are submitting, via electronic filing with this letter, a Joint Petition for Settlement signed by the Company, the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission and Customer Complainants Ray and Donna McCarthy. 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.)
Robert A. Brennan (via email, w/encl.)
Dennis Kalbarczyk (via email, w/encl.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-3003104
Ray and Donna McCarthy	:	C-2018-3003507
	:	
v.	:	
	:	
Timberlee Valley Sanitation Company	:	

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

This Joint Petition for Settlement is made and entered into by and between the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), Timberlee Valley Sanitation Company (“TVSC”) and Customer Complainants Ray and Donna McCarthy, 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. TVSC is a Pennsylvania public utility that provides wastewater service to the public in portions of Connoquenessing and Lancaster Townships, Butler County, Pennsylvania.
2. On June 29, 2018, TVSC filed Supplement No. 6 to Tariff Wastewater-Pa. P.U.C. No. 1 (“Supplement No. 6”) to be effective September 1, 2018. If approved, Supplement No. 6 would

increase TVSC's annual water revenue by \$22,560 based on a future test year ending December 31, 2018.

3. The rate filing was assigned Docket No. R-2018-3003104.

4. A formal Complaint against Supplement No. 6 was filed by Ray and Donna McCarthy at C-2018-3003507.

5. By Order entered August 23, 2018, the Commission suspended Supplement No. 6 and instituted an investigation into the reasonableness of the proposed rates. TVSC filed Supplement No. 7 to suspend the application of the proposed wastewater rates until April 1, 2019.

6. The case was assigned to Administrative Law Judge Katrina L. Dunderdale.

7. A Telephonic Prehearing Conference was held on September 7, 2018. Counsel for I&E and TVSC participated in the telephonic conference along with Complainants Ray and Donna McCarthy.

Terms and Conditions of Settlement

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

(a) Revenue Increase

Joint Petitioners respectfully request that the Commission act as soon as possible to approve this Joint Petition and grant TVSC 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 implements the \$22,560 increase in annual revenue

as proposed by the Company in Supplement No. 6. The proof of revenue for the rate increase is attached hereto as Appendix B.

(b) Stay Out

TVSC 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 settlement; provided, however, that this provision shall not prevent TVSC 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 TVSC's rates.

Other Provisions

9. Although Joint Petitioners may not be in agreement with respect to each claim in the ratemaking process and would not be able to agree upon specific rate adjustments, if any, that may support their respective conclusions, their agreement to accept the increase in annual wastewater revenue as proposed by TVSC, coupled with the Two Year Stay – Out, provides an appropriate basis for resolution of the instant rate litigation.

10. The Joint Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) addresses, through the participation of I&E, ratepayer questions concerning the proposed rate increase; and (c) provides TVSC with additional and necessary cash flow. Statements of TVSC and I&E supporting the Joint Petition are attached as Appendices C and D.

11. Joint Petitioners have also agreed that it would be appropriate for the Company's rate filing, submitted to the Commission on June 29, 2018, be admitted into the evidentiary record of this proceeding. A copy of the rate filing is attached as Appendix E.

12. 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.

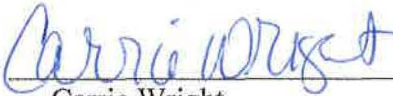
13. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above and the proceeding continues to hearing, the Joint Petitioners reserve their respective right to produce, distribute and offer into the record direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination of other parties witnesses at hearing, briefing and argument in this rate proceeding.

14. 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.

15. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) Administrative Law Judge Dunderdale recommend approval of and the Public Utility Commission approve this Joint Petition for Settlement of Rate Investigation;
 - (b) TVSC 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;
 - (c) The Company's Rate Study, attached hereto as Appendix E, filed with the Public Utility Commission on June 29, 2018 be admitted into the evidentiary record;
 - (d) The Commission's investigation at R-2018-3003104 be terminated and marked closed; and
 - (e) The Complaint of Ray and Donna McCarthy at C-2018-3003507 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

TIMBERLEE VALLEY SANITATION COMPANY

By: _____
Thomas T. Niesen

CUSTOMER COMPLAINANTS

Ray McCarthy

Donna McCarthy

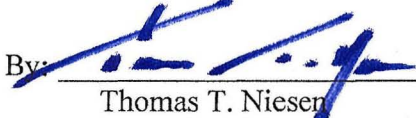
15. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) Administrative Law Judge Dunderdale recommend approval of and the Public Utility Commission approve this Joint Petition for Settlement of Rate Investigation;
 - (b) TVSC be granted special permission to file a 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;
 - (c) The Company's Rate Study, attached hereto as Appendix E, filed with the Public Utility Commission on June 29, 2018 be admitted into the evidentiary record;
 - (d) The Commission's investigation at R-2018-3003104 be terminated and marked closed; and
 - (e) The Complaint of Ray and Donna McCarthy at C-2018-3003507 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

TIMBERLEE VALLEY SANITATION COMPANY

By:  _____
Thomas T. Niesen

CUSTOMER COMPLAINANTS

Ray McCarthy

Donna McCarthy

15. In recognition of the foregoing, the Joint Petitioners respectfully request that:
- (a) Administrative Law Judge Dunderdale recommend approval of and the Public Utility Commission approve this Joint Petition for Settlement of Rate Investigation;
 - (b) TVSC 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;
 - (c) The Company's Rate Study, attached hereto as Appendix E, filed with the Public Utility Commission on June 29, 2018 be admitted into the evidentiary record;
 - (d) The Commission's investigation at R-2018-3003104 be terminated and marked closed; and
 - (e) The Complaint of Ray and Donna McCarthy at C-2018-3003507 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.

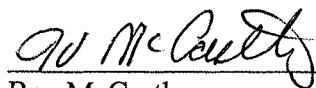
BUREAU OF INVESTIGATION AND ENFORCEMENT

TIMBERLEE VALLEY SANITATION COMPANY

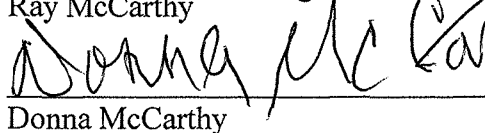
By: _____
 Carrie Wright
 Prosecutor

By: _____
 Thomas T. Niesen

CUSTOMER COMPLAINANTS



 Ray McCarthy



 Donna McCarthy

APPENDIX A

TIMBERLEE VALLEY SANITATION CO., INC.
RATES, RULES AND REGULATIONS GOVERNING
THE FURNISHING OF SEWER SERVICE
IN PORTIONS OF CONNOQUENESSING TOWNSHIP AND
LANCASTER TOWNSHIPS, BUTLER COUNTY, PENNSYLVANIA

Filed in compliance with the Order of the Public Utility Commission entered _____,
2018 at R-2018-3003104

ISSUED:

EFFECTIVE:

By: Robert Brennan, President
800 South Washington Street
Evans City, PA 16033
(412) 865-2929

NOTICE

This tariff makes increases in existing rates

Timberlee Valley
Sanitation Co., Inc.

Supplement No. 8 to
Tariff Wastewater - Pa. P.U.C. No. 1
Fifth Revised Page No. 2
Cancelling Fourth Revised Page No. 2

LIST OF CHANGES

This Supplement No. 8 increases rates to all customers to produce additional revenue of \$22,560.

ISSUED:

EFFECTIVE:

TABLE OF CONTENTS

	<u>Page</u>	
TARIFF COVER PAGE	1- Sup. No. 8	(C)
LIST OF CHANGES	2- Sup. No. 8, 5 th Revised	(C)
TABLE OF CONTENTS	3- Sup. No. 8, 4 th Revised	(C)
SCHEDULE OF RATES	4- Sup. No. 8, 4 th Revised	(C)
RULES AND REGULATIONS	5- Original	
1. Definitions	5- Original	
2. Sewer Rentals	6- Sup. No. 5, 1 st Revised	
3. Wastewater Control Regulations	7- Original	
4. Access to Customer's Premises	8- Original	
5. Amendments to Rules and Regulations	8- Original	
6. Applicability	9- Original	
7. Construction and Severability	9- Original	
8. Contributions in Aid of Construction	9- Original	

(C) Indicates Change

ISSUED:

EFFECTIVE:

SCHEDULE OF RATES

Application

This schedule is available to all customers.

Charges

The charge per dwelling unit is a flat rate of \$75.00 per month.

(I)

Terms of Payment:

Charges will be billed and payable monthly.

Applicable penalties are as set within the Rules and Regulations.

(I) Indicates Increase

ISSUED:

EFFECTIVE:

APPENDIX B

TIMBERLEE VALLEY SANITATION CO., INC.

Proof of Revenue Pro Forma Annualized Revenues Under Proposed Rates for the Twelve Months Ended December 31, 2018

	No. <u>Cust.</u>	No. <u>Units</u>	Billing <u>Cycle</u>	No. <u>Bills</u>	Flat <u>Rate</u>	Pro Forma Revenues 12/31/2018			Percent <u>Increase</u>
						<u>Proposed</u>	<u>Current</u>	<u>Increase</u>	
<u>Pro Forma w/2018 Proposed</u>									
Residential	94	94	12	1,128	\$75.00	\$84,600.00	\$62,040.00	\$22,560.00	36.36%
Total Residential Sales	<u>49</u>	<u>94</u>		<u>1,128</u>		<u>\$84,600.00</u>	<u>\$62,040.00</u>	<u>\$22,560.00</u>	36.36%
Commercial	0	0	12	0	\$0.00	0.00	0.00	0.00	0.00%
Total Commercial Sales	<u>0</u>	<u>0</u>		<u>0</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	0.00%
Total Operating Revenues per proposed rate design						<u>\$84,600.00</u>	<u>\$62,040.00</u>	<u>\$22,560.00</u>	36.36%
Increase Per Rate Study (See Sch. H-1)								<u>24,698.00</u>	
Comparison Rate Design Over/(Under) Rate Study Increase								<u>(\$2,138.00)</u>	
<u>Rate Design Analysis</u>									
Pro Forma Revenue Requirement Per Study - Sch. H-1				\$86,738					
Pro Forma Number of Monthly Bills Per Study				<u>1,128</u>					
Pro Forma Monthly Flat Rate Based Upon Study					\$76.90		\$55.00	\$21.90	39.82%
Proposed Moderated Monthly Rate					\$75.00		\$55.00	\$20.00	36.36%

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-3003104
Ray and Donna McCarthy	:	C-2018-3003507
	:	
v.	:	
	:	
Timberlee Valley Sanitation Company	:	

**STATEMENT IN SUPPORT OF
TIMBERLEE VALLEY SANITATION COMPANY**

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

AND NOW, comes Timberlee Valley Sanitation Company (“TVSC” or “Company”), by its attorneys, and submits the following statement in support of the Joint Petition for Settlement of Rate Investigation (“Joint Petition for Settlement”) submitted to the Public Utility Commission (“Commission”) by TVSC, the Bureau of Investigation and Enforcement (“I&E”) and Customer Complainants Ray and Donna McCarthy.

Introduction

TVSC is a Pennsylvania public utility that provides wastewater service to 94 residential customers in Connoquenessing and Lancaster Townships, Butler County, Pennsylvania.

On June 29, 2018, TVSC filed Supplement No. 6 to Tariff Wastewater-Pa. P.U.C. No. 1 (“Supplement No. 6”) to be effective September 1, 2018. If approved, Supplement No. 6 would increase TVSC’s annual wastewater revenue by \$22,560 based on a future test year ending December 31, 2018.

TVSC, I&E and the McCarthy's (the "Settling Parties") have agreed that this rate proceeding can be settled without further litigation under the terms set forth in the Joint Petition for Settlement. The settlement allows the proposed rate increase to take effect with the filing of the proposed settlement supplement subject to a Two Year Stay – Out.

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.¹ Settlements lessen the time and expense of litigating a case² and, at the same time, conserve administrative hearing resources. This directly benefits all parties concerned.³

The Joint Petition for Settlement 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.⁴ The benchmark for

¹ 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.

² 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.

³ *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2017-2631441, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated May 16, 2018 (“*Recommended Decision of ALJ Dunderdale – RWC 2018*”), mimeo at 23; *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, 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. Jandebour dated March 2, 2010, 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 2010*”), mimeo at 5.

⁴ *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Pa. P.U.C. v. C S 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).

determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.⁵

The Joint Petition for Settlement is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) addresses, through the participation of I&E, ratepayer questions concerning the proposed rate increase; and (c) provides TVSC with additional and necessary cash flow.⁶

Each of the foregoing considerations, which are traditionally recognized as matters that further the public interest in settlement of rate proceedings,⁷ applies here where the settlement minimizes cost prohibitive litigation and administrative burden as set forth above, addresses ratepayer questions and concerns and provides TVSC with additional and necessary cash flow as set forth below. TVSC and I&E also filed individual statements in support of the Joint Petition.

Avoidance of litigation costs as a result of settlement is important to TVSC and, we submit, also important to rate paying customers as the cost of litigation may ultimately be reflected in higher rates for wastewater service. The avoidance of further litigation expense is a recognized public interest benefit of settlement.

The Financial Data Submitted By TVSC 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

⁵ *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).

⁶ Joint Petition for Settlement, paragraph 10.

⁷ *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.

last rate increase was in 2007. In support of its rate request, TVSC filed a detailed rate study consisting of 61 pages setting forth the financial condition of the Company under current and proposed rates. The rate study, which was prepared to meet the Commission's filing requirements when seeking to increase rates pursuant to Title 52 of the Pennsylvania Code, Section 53.52, is included as Appendix E to the Joint Petition for Settlement.

Under the presently suspended Supplement No. 6, the monthly cost of wastewater service for a residential customer would have increased from a flat rate of \$55.00 to a flat rate of \$75.00. The Joint Petition for Settlement would implement the monthly flat rate of \$75.00 as proposed in Supplement No. 6. At the proposed rate level, the Company calculated pro forma net income to be \$17,224 with an overall return of 8.89%.

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 been able to agree that the proposed monthly rate of \$75.00 may take effect.

The financial data submitted by TVSC in support of Supplement No. 6 fully supports the monthly rate of \$75.00. The results of the rate study show that on a pro forma basis, TVSC, at present rate levels, will experience a *net income loss* of \$5,336 during the twelve months ending December 31, 2018 and a *negative return* of 2.75% at its present rate levels. The Company is in need of immediate rate relief.

The financial data was submitted in the form of a traditional rate base/rate of return analysis. The data supported a monthly flat rate of \$76.90 and an annual revenue increase of \$24,698. The Company, however, moderated its proposed request seeking a monthly rate of \$75.00 and an annual revenue increase of only \$22,560.

Although TVSC believes that it could have readily supported Supplement No. 6 without the Two Year Stay – Out settlement term if it had proceeded to litigation, its decision to avoid litigation and come to a settled resolution avoids costs and expenses as aforesaid. After reviewing the Company’s filing, I&E advised in its Prehearing Memorandum that it had not identified any issues with the Company’s rate filing and that it did not expect to call any witnesses if the investigation went to hearing.

Questions raised by Customer Complainants Ray and Donna McCarthy as to whether the Company’s rate request includes new plant additions to provide service for future potential developer residential growth are answered in the rate filing as the most recent plant asset additions realized occurred during the 2007-2009 period of time.⁸

Under the totality of the circumstances, TVSC believes that cost avoidance is in its interest and also the interest of its customers. The proposed rate level should provide TVSC with the cash flow to continue to provide reasonable and adequate wastewater service.

The Settlement Provides for a Rate Case “Stay Out”

TVSC 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.⁹

Conclusion

The settlement will provide TVSC with additional and necessary cash flow to meet operating expenses and the opportunity to earn a fair return. Through the settlement, ratepayer questions and

⁸ Joint Petition for Settlement, Appendix E, Rate Filing Study Schedules J-1-1 and J-2-2

⁹ See, for example, *Recommended Decision of ALJ Dunderdale – Imperial Point*, mimeo at 20; *Recommended*

matters of concern are addressed through the participation of I&E and the cost and uncertainty of litigation are avoided. TVSC submits that the Joint Petition is reasonable and in the public interest and should be approved without modification.

WHEREFORE Timberlee Valley Sanitation 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  _____

Thomas T. Niesen, Esquire
THOMAS, NIESEN & THOMAS, LLC
212 Locust Street, Suite 302
Harrisburg, PA 17101

*Attorneys for
Timberlee Valley Sanitation Company*

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al.	:	
	:	
v.	:	Docket No. R-2018-3003104
	:	
Timberlee Valley Sanitation Company, Inc.	:	

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

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

The Bureau of Investigation and Enforcement (“I&E”)¹ of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Carrie B. Wright, 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 Timberlee Valley Sanitation Company, Inc. (“Timberlee” or “Company”) and its customers. Accordingly, I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

¹ 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 June 29, 2018, Timberlee filed Supplement No. 6 to Tariff Wastewater Pa. P.U.C. No. 1 (“Supplement No. 6”) to be effective September 1, 2018.

2. Timberlee’s filing contained proposed changes in rates calculated to produce approximately \$22,560 in additional annual revenue.

3. By Order entered August 23, 2018, the Commission suspended the proposed water rates until April 1, 2019 unless permitted by Commission Order to become effective at an earlier date.

4. Administrative Law Judge (“ALJ”) Katrina L. Dunderdale was assigned to this proceeding.

5. A Prehearing Conference was held on September 7, 2018.

6. ALJ Dunderdale was informed of the Settlement by Timberlee’s counsel on September 7, 2018 during the Prehearing Conference.

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.² 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,

² *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.

utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.³

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

18. The Commission has also stated that the "public interest" is the prime determinant in evaluating a proposed settlement.⁴

19. I&E asserts that the Settlement satisfies all applicable legal and regulatory standards. Accordingly, and for the reasons 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. 8(A))

The Settlement provides for an increase of \$22,560 to the Company's annual overall revenue. In order to continue to provide safe and reliable service, utilities often need to make substantial investments in their utility assets. Since Timberlee's last rate increase in 2007, the Company has made substantial investment in its system. Further, in the intervening 11 years since its last rate increase, operating expense have also increase. As noted in its filing, if rates do not increase Timerblee will operate at a loss of \$5,336.⁵ The Company's Sewer Rate Study indicates that Timberlee could support a higher rate

³ See Pa. C.S. §§ 1301, 1304.

⁴ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

⁵ Filing, p. A-4.

increase than the level requested. When taking into account all of these factors, I&E believes Timberlee has supported adequately its request for an increase of \$22,560.

I&E agreed to a settlement in the amount only after I&E conducted an extensive investigation of Timberlee's filing and related information. I&E used this information to determine the amount of revenue Timberlee needs to provide safe, effective, and reliable service without unduly impacting its customers through higher rates.

STAY OUT (JOINT PETITION, PARA. 10(B))

Absent certain circumstances, the Settlement prevents Timberlee 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 this rate increase. Timberlee 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 Timberlee's rates.

This stay out provision will provide rate a level of rate stability to ratepayers for at least two years following the effective date of the rate increase. At the same time, Timberlee 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. Timberlee shall receive sufficient operating funds to provide safe and adequate service.

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 or I&E.

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 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

Prosecutor

Attorney I.D. # 208185

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 783-6170

Dated: 9/25/18

APPENDIX E

Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

TIMBERLEE VALLEY SANITATION CO., INC.

**SUPPLEMENT NO. 6 To
TARIFF SEWER - PA P.U.C. NO. 1**

**ISSUED: June 29, 2018
EFFECTIVE: September 1, 2018**

with

**INFORMATION SUBMITTED PURSUANT TO:
TITLE 52 PENNSYLVANIA CODE, SECTION 53.52**

By
Dennis M. Kalbarczyk
Consultant

**UTILITY RATE RESOURCES
910 PIKETOWN ROAD
HARRISBURG, PA 17112
Phone (717)-469-7232
Email: utilityrate.dmk@verizon.net**

TIMBERLEE VALLEY SANITATION CO., INC.

Supporting Data Required by The Pennsylvania Public Utility Commission

<u>Line</u>	<u>Description</u>	<u>Section</u>
1.	General Information	A
2.	Notice of Proposed Rate Changes	B
3.	Press Release	C
4.	Supplement No. 6 to Tariff Sewer - PA P.U.C. No. 1	D
5.	Balance Sheet	E
6.	Pro Forma Rate Base & Rate of Return	F
7.	Statement of Revenue & Tariff Increase	G
8.	Operating Statement & Adjustments	H
9.	Supporting Adjustment Schedules	I
10.	Depreciation Report	J
11.	Rate Design and Proof of Revenue	K

**CROSS REFERENCE TO INFORMATION SUBMITTED
PURSUANT TO PA PUBLIC UTILITY CODE REGULATIONS**

52 Pa. Code Section 53.52(a)

(1) THE SPECIFIC REASONS FOR EACH CHANGE.

The proposed tariff supplement makes changes to the Company's tariffed rates, which will increase the cost for service to all sewer customers by approximately 36.36%. See Section A of the filing for more detailed reasons for the changes.

(2) THE TOTAL NUMBER OF CUSTOMERS SERVED BY THE UTILITY.

Refer to Section G, Schedule G-3.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHOSE BILLS, WILL BE AFFECTED BY THE CHANGE.

Refer to Section G, Schedules G-3, and Section K; a rate increase is proposed for all customer classes.

(4) THE EFFECT OF THE CHANGE ON THE UTILITY'S CUSTOMERS.

Refer to Section A; Section G, Schedules G-2 and G-4; and, Section K.

(5) THE DIRECT OR INDIRECT EFFECT OF THE PROPOSED CHANGE ON THE UTILITY'S REVENUE AND EXPENSES.

Refer to Section A; Section G, Schedules G-1 and G-2; and, Section H, Schedule H-1.

(6) THE EFFECT OF THE CHANGE ON THE SERVICE RENDERED BY THE UTILITY.

None.

(7) A LIST OF FACTORS CONSIDERED BY THE UTILITY IN ITS DETERMINATION TO MAKE THE CHANGE.

See Section A.

(8) STUDIES UNDERTAKEN BY THE UTILITY IN ORDER TO DRAFT ITS PROPOSED CHANGE.

The instant rate study contained herein provides all information in support of proposed change in rates, i.e., Sections A - K.

- (9) **CUSTOMER POLLS TAKEN AND OTHER DOCUMENTS, WHICH INDICATE CUSTOMER ACCEPTANCE AND DESIRE FOR THE PROPOSED CHANGE. IF THE POLL OR OTHER DOCUMENTS REVEAL DISERNABLE PUBLIC OPPOSITON, AN EXPLANATION OF WHY THE CHANGE IS IN THE PUBLIC INTEREST SHALL BE PROVIDIED.**

None.

- (10) **PLANS THE UTILITY HAS FOR INTRODUCING OR IMPLEMENTING THE CHANGES WITH RESPECT TO ITS RATEPAYERS.**

None.

- (11) **FCC, FERC OR COMMISSION ORDERS OR RULINGS APPLICABLE TO THE FILING.**

None.

52 Pa. Code Section 53.52(b)

(1) THE SPECIFIC REASONS FOR EACH INCREASE OR DECREASE.

The proposed tariff supplement makes changes to the Company's tariffed rates, which will increase the cost for service to all sewer customers' rates by approximately 36.36%. See Section A of the filing for more detailed reasons for the changes.

(2) THE OPERATING INCOME STATEMENT OF THE UTILITY FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 120 DAYS PRIOR TO THE FILING. WATER AND WASTEWATER UTILITIES WITH ANNUAL REVENUES UNDER \$100,000 AND MUNICIPAL CORPORATIONS SUBJECT TO COMMISSION JURISDICTION MAY PROVIDE OPERATING INCOME STATEMENTS FOR A 12-MONTH PERIOD, THE END OF WHICH MAY NOT BE MORE THAN 180 DAYS PRIOR TO THE FILING.

Refer to Section H, Schedules H-1, the Company's revenues are less than \$100,000 and is being submitted under the 180 day filing requirement.

(3) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHO'S BILLS, WILL BE INCREASED.

Refer to Section G, Schedules G-3 and G-4, and Section L; a 45.4% rate increase is proposed for all customer classes.

(4) A CALCULATION OF THE TOTAL INCREASES, IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

Refer to Section G, Schedules G-1, G-2, and Section L.

(5) A CALCULATION OF THE NUMBER OF CUSTOMERS, BY TARIFF SUBDIVISION, WHO'S BILLS, WILL BE DECREASED.

No PUC regulated customer tariff rates will decrease, as illustrated in Schedules G-2 and G-3; and, Section K.

(6) A CALCULATION OF THE TOTAL DECREASES IN DOLLARS, BY TARIFF SUBDIVISION, PROJECTED TO AN ANNUAL BASIS.

No PUC regulated customer tariff rates will decrease, as illustrated in Schedules G-2 through G-3; and, Section K.

52 Pa. Code Section 53.52(c)

- (1) **A STATEMENT SHOWING THE UTILITY'S CALCULATION OF THE RATE OF RETURN OR OPERATING RATIO EARNED IN THE 12-MONTH PERIOD REFERRED TO IN SUBSECTION (b)(2) AND THE ANTICIPATED RATE OF RETURN OR OPERATING RATIO TO BE EARNED WHEN THE TARIFF, REVISION OR SUPPLEMENT BECOMES EFFECTIVE. THE RATE BASE USED IN THIS CALCULATION SHALL BE SUPPORTED BY SUMMARIES OF ORIGINAL COSTS FOR THE RATE OF RETURN CALCULATION.**

Refer to Section F, Schedule F-1.

- (2) **A DETAILED BALANCE SHEET OF THE UTILITY AS OF THE CLOSE OF THE PERIOD REFERRED TO IN SUBSECTION (b)(2).**

Refer to Section E, Schedules E-1 to E-2.

- (3) **A SUMMARY, BY DETAILED PLANT ACCOUNTS, OF THE BOOK VALUE OF THE PROPERTY OF THE UTILITY AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).**

Refer to Section E, Schedules E-1 to E-2; and, Section J.

- (4) **A STATEMENT SHOWING THE AMOUNT OF THE DEPRECIATION RESERVE, AT THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2), APPLICABLE TO THE PROPERTY, SUMMARIZED AS REQUIRED BY PARAGRAPH (3).**

Refer to Section E, Schedule E-1 to E-2; and, Section J.

- (5) **A STATEMENT OF OPERATING INCOME, SETTING FORTH THE OPERATING REVENUES AND EXPENSES BY DETAILED ACCOUNTS FOR THE 12-MONTH PERIOD ENDING ON THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2).**

Refer to Section H, Schedule H-1.

- (6) **A BRIEF DESCRIPTION OF THE MAJOR CHANGE IN THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY OCCURRING BETWEEN THE DATE OF THE BALANCE SHEET REQUIRED BY PARAGRAPH (2) AND THE DATE OF TRANSMITTAL OF THE TARIFF, REVISION OR SUPPLEMENT. AS USED IN THIS PARAGRAPH, A MAJOR CHANGE IS ONE, WHICH MATERIALLY ALTERS THE OPERATING OR FINANCIAL CONDITION OF THE UTILITY FROM THAT REFLECTED IN PARAGRAPHS (1-5).**

None.

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION A

GENERAL INFORMATION

I. SEWER RATE STUDY

In response to Timberlee Valley Sanitation Company's ("Company") request, we have prepared the following sewer rate study in support of sewer rates to be charged to customers. As the Public Utility Commission ("PaPUC or Commission") is aware, Title 52 of the Pennsylvania Code requires the Pennsylvania Public Utility Commission to regulate service provided by the Company. By way of additional background, the Commission's applicable regulation at 52 Pa. code §53.52(b)(2) requires that the operating income statement of the utility for a 12-month period may not be more than 180 days prior to the date of the filing, in other words the instant rate case filing must be filed on or before June 30, 2018.

A. Introduction

A sewer rate study includes a revenue requirement study to determine the total pro forma level of revenue requirement in accordance with generally accepted ratemaking policy and procedures needed to cover the Company's cost of providing service. Further, the sewer rate study may include a cost of service allocation study, if necessary, which allocates the total cost of service or revenue requirement among the classes of customers in accordance with generally accepted procedures to determine the relative cost responsibilities of each class of customer. The cost of service study also provides support for an appropriate rate design to provide for the recovery of the total revenue requirement based upon some reasonable relationship to the relative cost of service for each customer class.

B. Background on Revenue Requirement Study

In simple terms, the revenue requirement study could be referred to as an operating budget which represents the total cost of service which must be derived from rates. There are two widely used methodologies for the development of the revenue requirement, the "cash-needs" approach and "utility" approach.

1. "Cash-Needs" Approach

The cash-needs approach assumes revenues must be sufficient to cover all cash needs, including debt obligations which will become due in the test period. The basic components considered under the cash-needs revenue requirement approach generally include: operating & maintenance expense; capital expenditures not

financed by debt; and, debt service expenses (principal and interest payments) plus a coverage ratio i.e., a margin of income over and above the debt service to provide a measure of security to loan holders. The total revenue requirement under the cash-needs approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Non-Debt Capital Projects} + (\text{Debt Service} \times 1.25 \text{ coverage ratio})$$

2. "Utility" Approach

The utility approach is mandated for investor-owned utilities regulated by state agencies. Generally, the revenue requirement includes operating & maintenance expenses the same as under the cash-needs approach. Where the utility approach differs is how capital expenditures and debt service plus coverage ratio are provided for. Briefly, there are two components, depreciation expense and a net operating income or profit, which provides for capital expenditures, and debt service and coverage requirements. In the case of small water and sewer utilities the net income level can be based upon a rate of return component, expressed as a percentage applied to the utility's net rate base value and/or an operating ratio percentage applied to operating expenses.

Depreciation expense is the annual loss in value of a utility plant facility over its economic useful life. The return on rate base or profit can be somewhat complicated. In general, the amount of return is determined by multiplying the overall rate of return component, usually expressed as a percentage, times a utility's net rate base values.

The overall rate of return component consists of a return for the weighted cost of debt and equity capital used to finance physical facilities to provide sewer service. For example, a utility with 50% debt to total capital with a 5% weighted cost of debt would produce a weighted average cost of debt of a 2.5% (50% x 5%). Further, assume the remaining 50% equity to total capital would have a market value return of 10% similar to other utilities; the weighted average return on equity would be 5.0% (50% x 10%). Thus, the overall rate of return component would be 7.5% (2.5% Debt + 5.0% Equity) to be multiplied times the net rate base value to determine the return or profit.

Rate base consists of the net book value of the facilities used to provide service (book cost less accumulated depreciation) plus materials and supplies inventory, along with an allowance for cash working capital allowance. For small sewer companies and municipalities, the PaPUC has accepted what is referred to as the 45 day rule for determining a CWC allowance. This methodology simply recognizes 1/8th (45 days / 360 days) of the total operating and maintenance expense as the CWC allowance.

Other taxes, such as property taxes, assessments, or payroll taxes not provided elsewhere would also be recognized. Lastly, if the investor owned utility is subject to local, state and federal income taxes, this amount would also be appropriately included in the revenue requirement.

The total revenue requirement under the utility approach could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Depreciation Exp.} + \text{Other Taxes} + \text{Income Taxes} + (\text{Return} = \text{Rate of Return} \times \text{Rate Base})$$

Under the operating ratio approach net income is based upon an appropriate percentage applied to pro forma normalized and/or annualized operating and maintenance expenses, in other words a margin mark-up to provide for a sufficient profit level to fund ongoing capital expenditures and debt service plus coverage ratio requirements. The total revenue requirement under the operating ratio method could be expressed as the following formula:

$$\text{Rev. Req.} = \text{O\&M} + \text{Depreciation Exp.} + \text{Other Taxes} + \text{Income Taxes} + (\text{Return} = \text{O\&M} \times \text{Operating Ratio})$$

C. Results of Sewer Rate Study

In the instant sewer rate study, we utilized the “utility” approach for the development of the Company’s revenue requirement. Included in the development of the revenue requirement was a review of the books and operations of the Company for the twelve

months ended December 31, 2017 of which pro forma adjustments were made to reflect operations for a pro forma future test year for the twelve months ended December 31, 2018. The study included a review of current and pro forma utility plant assets, financing arrangements, customer levels, operating revenues, operation & maintenance expenses, depreciation expense, and levels of net operating income.

In summary, the pro forma revenue requirement study indicates that current annual revenues of \$62,040 less \$63,562 of operating expenses and \$3,814 of depreciation expenses will produce a positive net operating loss of \$5,336. (See Schedule H-1) From a financial perspective this translates into a negative overall rate of return of 2.75%; \$5,336 of net loss divided by \$193,817 of total pro forma rate base, i.e., net utility plant, inventory, and cash working capital allowances (See Schedule F-1). Further, the rate study supports a total annual revenue requirement of \$86,738 as compared to the \$62,040 of revenues provided for under current rates or an increase of \$24,698 or 39.81%. As reflected in the pro forma study annual revenues of \$86,738 less \$63,562 of operating expenses and \$3,814 of depreciation expenses will produce a positive net operating income of \$19,362. (See Schedule H-1) From a financial perspective this translates into a positive overall rate of return of 9.99%; \$19,362 of net income divided by \$193,817 of total pro forma rate base (See Schedule F-1). Finally, if pro forma current revenues of \$62,040 are increased by \$24,698 to produce the \$86,738 of annual revenue requirements, the flat rates to customers would increase to \$76.90 per month as compared to the current rate of \$55.00 per month; an increase of \$21.90 or 39.81%. (See Schedule K-1, Rate Design Analysis)

However, the Company in an effort to minimize the impact on customers has chosen to moderate its proposed rate increase and request an annual increase of \$22,560 or 36.36% over pro forma current operating revenues under existing rates. Thus, pro forma current revenues of \$62,040 under current rates would only increase by \$22,560 for a total annual revenue stream of only \$84,600. As reflected in the filing, the moderated claim would result in a flat rate of only \$75.00 per month as compared to the current rate of \$55.00 per month; and increase of \$20.00 or 36.36%. (See Schedules G1 and K-1)

The Company's decision to moderate the \$24,698 increase as supported by the study to a requested level of only \$22,560 translates into \$2,138 of lesser revenues than that

supported by the rate study. From a net income perspective, this means the \$19,362 of net income supported by the study would then be adjusted downward by \$2,138 producing a net income of \$17,224 or an overall rate of return of 8.99% on a total pro forma rate base of \$193,817 (See Schedule F-4). As discussed later the Company's rate study reflects the cost of a fully litigated rate case over a three year normalization period. While the Company decision to moderate its claim reflected an effort to minimize the impact on customers it also hopes that it will negate the need for a fully litigated rate case; thus, minimizing expenses and improving the Company's final net income position.

The development of the operating ratio net income or profit requirement was determined to be approximately \$19,364. This amount is based upon a 1.10 debt service coverage requirement of \$23,178 (\$21,071 principal and interest payment x 1.10) less \$3,814 of depreciation expenses, a net income requirement of \$19,364. As shown on Schedule F-3, the \$19,364 requirement divided by \$63,562 of Operation and Maintenance expenses produces a 30.46% operating ratio or margin gross-up factor. As noted above, the Company's proposal to moderate its revenue increase request will only produce \$17,224 of net income or an operating ratio of 27.10% (\$17,224 divided by \$63,562 of O&M Expenses).

A detailed description of the rate study by section is as follows.

1. Section A, I contains a brief description of the rate study; Section A, II a statement of the reasons for the rate increase; and, Section A, III contains background and system operating information on the Company.
2. Notice of Proposed Rate Changes in Section B of the rate study contains a copy of the PaPUC mandated notice sent to customers served by the Company. This notice explains the total amount of the \$22,560 or 36.36% increase over existing rates to customers. If the Company's entire request is approved, the total bill for a typical residential customer would increase from \$55.00 per month to \$75.00 per month, or by 36.36%. Additionally, the notice provides a brief overview of the impact of the proposed rates on a customer. Finally, the notice explains the rights of the customer as it relates to the instant rate case filing before the PaPUC.
3. The Press Release in Section C of the rate study is an actual copy sent to local press organizations briefly explaining the Company's request to increase rates as filed with the PaPUC. The requirement to notify the press regarding rate increases is required under PaPUC regulations. The press release also explains that the Company's rates have not increased since March 2007.
4. Section D contains the PaPUC proposed tariff rates to customers that need to be implemented to produce the revenue levels and increases explained in Section B.
5. The Balance Sheet contained in Section E of the rate study is part of the revenue requirement study. This section sets forth the current and pro forma assets, liabilities, and equity in the Company. The plant assets along with liability and equity positions are factors which are utilized in the development of the net rate base values and overall rate of return more fully detailed in Section F - Rate of Return, Pro Forma Plant Values.
6. Section F, Pro Forma Rate Base and Rate of Return as explained earlier, is a major component in the revenue requirement study. Briefly, Section F, Schedule F-1 shows that on a pro forma basis under current rates, the Company would experience a net

loss of \$5,336 when divided by the net rate base of \$193,817 produces a negative overall rate of return of 2.75%. If the Company increased rates by \$24,698 as supported by the rate study, the Company's net operating income would be \$19,362 and would produce a positive overall rate of return of 9.99% when divided by the \$193,817 of net rate base values. Schedule F-2 provides the calculation for Inventory and Cash Working Capital Claim, while Schedule F-3 provides the supporting calculation for the overall rate of return claim of 9.99% and/or operating ratio claim of 30.46%. Schedule F-4 provides an overall analysis of the resultant overall rate of return and/or operating ratio results based upon the Company's proposal to moderate its rate increase, a requested increase of \$22,560 which will produce a 8.89% overall rate of return and a 27.10% operating ratio requirement.

7. Section G Statement of Revenues & Tariff Increases sets forth the current and pro forma number of customers and revenues under existing and proposed rates, as well as the proposed increase by customer class. This section incorporates the Company's moderate proposal to increase rates by only \$22,560 or 36.36%. (See Schedule G-1 and G-2). Schedule G-3 provides the historical number of customer gains/(losses) for the calendar years ended 12/31/15 to 12/31/17 and pro form 12/31/18. The Company shows a total of 89 customers as of 12/31/17 and projects 5 additional customers in the future test period for a total number of customers of 94. Schedule G-4 provides a summary of the current and proposed monthly flat rate which reflects a 36.36% increase consistent with the Company's decision to moderate its request in lieu of the revenue requirement study in Section H which supported a 39.81% increase. If the Company's moderated request is approved, the total bill for a typical residential customer would increase from \$55.00 per month to \$75.00 per month, a \$20.00 per month increase or 36.36%.
8. Schedule H-1 shows that the \$62,040 of current pro forma revenues less \$63,562 of operating expenses and \$3,814 of depreciation expenses will produce a pro forma net loss of \$5,336. As shown on Schedule H-1, a \$24,698 increase in revenues will produce total operating revenues of \$86,738 of which the reduction of operating and depreciation expenses of \$63,562 and \$3,814, respectively will produce a net operating income level of \$19,362; an overall rate of return of 9.99%, as supported by Schedule F-1.

9. More specifically, Section H at Schedule H-1 of the revenue requirement study also sets forth a summary income statement which reflects the per books revenues, operating deductions, depreciation expense, and net income on a calendar year 12/31/15 through 12/31/17 per books basis. Schedule H-1 also provides a summary of the pro forma adjustments to the 12/31/17 per book elements so as to reflect pro forma adjusted values under existing and proposed rates for the pro forma December 31, 2018 period. All pro forma adjustments are fully detailed and explained on Schedule H-2. In some cases, the individual pro forma adjustments may reference additional supporting schedules, which are clearly cross-referenced to their appropriate schedule in Section I of the rate study. In brief, the type of pro forma adjustments reflected on Schedule H-2 includes adjustments to operating revenues due to customer gains or losses; adjustments to reflect normalized and/or annualized expenses associated with operating cost, i.e., accounting, postage, and management fees; normalized sludge removal cost, chemical and a rate case expense claim for the instant filing; and, depreciation expense. The rate case expense claim reflects the cost for preparing the as filed rate study, cost associated with PaPUC review period, and necessary services through the litigation period, i.e., prepared testimony, hearings, legal briefs, review of ALJ recommended decision, filing of exceptions, review of Commission final order, and preparation of compliance filing. The estimated costs provide for the service of a rate consultant, consulting engineer, and regulatory legal counsel. The Company reserves the right to amend its rate case claim, as necessary, based upon the level of services required to support its filing through out the regulatory rate increase process.
10. Section I provides the schedules in support of the various pro forma adjustments to: revenues, management fees, accounting fees, postage, sludge removal, chemicals, rate case fees, and depreciation expenses as noted above.
11. Section J of the rate study contains the Company's depreciation study. The study includes an analysis of the plant assets as of 12/31/17 and pro forma 12/31/18. By way of background, the 12/31/17 depreciation study reflects the original cost values of the assets in-service and calculates the accumulated reserves for depreciation values and annual depreciation expense of these assets based upon lives consistent with

those generally accepted by the Commission for wastewater systems. Finally, the 12/31/18 study updates the 12/31/17 study and also includes all pro forma additions, retirements, and net rate base values based upon a pro forma future test year ended 12/31/18, if any.

12. Section K of the filing contains the Company's rate design under proposed rates, and provides a detailed proof of revenue schedule under proposed rates. Please refer to Section I, Schedule I-1 for the detail analysis of the pro forma adjusted revenues under current rates; this schedule also provides detail related to customer growth during the period ended 12/31/17 and the Company's proposed customer growth and annualized revenue levels for the pro forma future test year ended 12/31/18. In that the Company services only residential, no customer class cost of service study was performed. Thus, the proposed increase was applied to the single tariff monthly flat rate which is charged to all customers.

II. STATEMENT OF REASONS FOR INCREASE

The reasons for Timberlee Valley Sanitation Co., Inc.'s proposed general rate increase are as follows:

To restore the Company's rate of return and net operating income to a more reasonable level to recover a return on and a return of the Company's increase of investments in sewer plant that have occurred on a pro forma basis since its last rate increase which went into effect in March 2007. Under pro forma adjusted existing rates, \$62,040 of operating revenues less \$63,562 of operating expenses and \$3,814 depreciation expenses will produce a net loss of \$5336 or a overall negative rate of return of 2.75% on the total pro forma rate base of \$193,817. The pro forma revenue requirement study supports a total annual revenue requirement of \$86,738 as compared to the \$62,040 of revenues provided for under current rates or an increase of \$24,698 or 39.81%. As reflected in the pro forma study annual revenues of \$86,738 less \$63,562 of operating expenses and \$3,814 of depreciation expenses will produce a positive net operating income of \$19,362 or overall rate of return of 9.99% on the total pro form rate base of \$193,817.

Timberlee Valley Sanitation has made substantial investment in sewer utility assets since its last tariff rate increase went into effect in 2007. Additionally, the Company has incurred and/or will realize increased operating expenses since its last tariff rate increase due to increased sewer regulations as well as other increased operating cost that have increased over time due to normal operating conditions and/or other regulatory demands to meet customer service requirements.

However, the Company in an effort to minimize the impact on customers has chosen to moderate its proposed rate increase and request an annual increase of \$22,560 or 36.36% over pro forma current operating revenues under existing rates. Thus, pro forma current revenues of \$62,040 under current rates would only increase by \$22,560 for a total annual revenue stream of only \$84,600.

III. Background Information

A. Corporate History

Timberlee Valley Sanitation Co., Inc. is a Pennsylvania corporation, and has charter power to furnish sewer service to the public within portions of Connoquenessing Township and Lancaster Township, Butler County, Pennsylvania. Timberlee Valley Sanitation Co., Inc. was incorporated on July 5, 1996. The Company was granted certificates of public convenience by the Commission on March 28, 1997 at Docket No. A-230068 to service portions of Connoquenessing Township and on October 25, 2000 at Docket No. A-230068F002 to service portions of Lancaster Township. Under the two approved applications Timberlee Valley primarily serves the Timberlee Farms Development (Phases I and II) and Timber Ridge Development which currently consist of 55 customers with a possible build-out to 82 units. On April 6, 2006 at Docket Number A-230068F003 the Commission approved Timberlee Valley's request for an additional Certificate of Public convenience to serve residential housing developments known as Timberlee Farms, (Phase III), Timberlee Woods, Brennan Farm, Kenneth C. Brennan, Subdivision #2, Clearview Acres, and the Plantations at Stone Church, which approximate 230 additional units at full build-out. Considerable expansion of the existing system will be necessary to accommodate the new service area, of which the projected cost and customer additions have not been reflected in the instant filing.

B. Sewer Company Current and Pro Forma Operations

1. Treatment Plant

The Company's initial sewage treatment plant (STP) was installed in 1997. The initial STP, which included a settling tank was designed to provide extended aeration, phosphorus removal and chlorination treatment for household sewage. The wastewater treatment plant has a designed hydraulic operating capacity of 30,000 Gallons Per Day (GPD). There also are two aeration tanks and a clarifier in the settling tank. The plant under its current NPDES Part I Discharge Permit it has a permitted hydraulic capacity of 18,000 GPD. The treatment plant includes one block building which houses the controls, blowers, pumps, motors, measuring and switching devices, testing laboratory, and a repair and storage shop. The six tanks include a comminutor with a bar screen bypass, a flow equalization system with submersible pumps and controls, an aeration system, a clarifier system, and a UV system. The plant is operated by certified operators licensed by the

Department of Environmental Protection or DEP. The average monthly hydraulic loading permit limit is 0.018 MGD and the organic loading is 34.5 lbs/day based on an influent BOD5 concentration of 230 mg/l. A commercial laboratory conducts all BOD5, total suspended solids, phosphorus, and fecal coliform analyses for NPDES compliance. The flow rate is measured by an ultrasonic flow meter. A hydraulic overload is not anticipated within the next five years. The current plant is sufficient to serve the existing and/or estimated number of customer connections in the near term.

2. Collection System

The current sanitary sewer collection system serves the Timberlee Farms Development (Phases I, II and III), Timber Ridge Development, Brennan Farms Plan, and the Plantations I Development. The service area contains two gravity services areas and three force (pressure) service areas. There is approximately 18,166 linear feet (L.F.) of installed piping for the 8-Inch SDR-35 gravity wastewater system. The forced main system consist of approximately 6,856 L.F. of 1 ½", 4,664 L.F. of 2", 1,133 L.F. of 2 ½" and 19,418 L.F. of 3" HDP piping and 13,372 L.F. of 4" HDP piping for a total of 45,443 L.F. of force mains. The collection system also has 51 installed manholes.

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION B

NOTICE OF PROPOSED RATE CHANGES

NOTICE OF PROPOSED RATE CHANGE

To Our Customers:

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.

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION C

PRESS RELEASE

PRESS RELEASE

.....

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.

SECTION D

**SUPPLEMENT NO. 6 TO
TARIFF SEWER - PA P.U.C. NO. 1**

TIMBERLEE VALLEY SANITATION CO., INC.
RATES, RULES AND REGULATIONS GOVERNING
THE FURNISHING OF SEWER SERVICE
IN PORTIONS OF CONNOQUENESSING TOWNSHIP AND
LANCASTER TOWNSHIPS, BUTLER COUNTY, PENNSYLVANIA

ISSUED: June 29, 2018

EFFECTIVE: September 1, 2018

This tariff makes increases in existing rates

Timberlee Valley Sanitation Co., Inc.

By: Robert Brennan, President
800 South Washington Street
Evans City, PA 16033
(412) 865-2929

LIST OF CHANGES

Supplement No. 6 increases rates to all customers to produce additional revenue of \$22,560.

TABLE OF CONTENTS

	<u>Page</u>
TARIFF COVER PAGE	1- Sup. No. 6, 3 rd Revised
LIST OF CHANGES	2- Sup. No. 6, 3 rd Revised
TABLE OF CONTENTS	3- Sup. No. 6, 3 rd Revised
SCHEDULE OF RATES	4- Sup. No. 6, 2 nd Revised
RULES AND REGULATIONS	5- Original
1. Definitions	5- Original
2. Sewer Rentals	6- Sup. No. 5, 1 st Revised
3. Wastewater Control Regulations	7- Original
4. Access to Customer's Premises	8- Original
5. Amendments to Rules and Regulations	8- Original
6. Applicability	9- Original
7. Construction and Severability	9- Original
8. Contributions in Aid of Construction	9- Original

SCHEDULE OF RATES

Application

This schedule is available to all customers.

Charges

The charge per dwelling unit is a flat rate of \$75.00 per month. (I)

Terms of Payment:

Charges will be billed and payable monthly.

Applicable penalties are as set within the Rules and Regulations.

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION E

BALANCE SHEET

TIMBERLEE VALLEY SANITATION CO., INC.Balance Sheet
December 31, 2017ASSETS

<u>Utility-Plant-In-Service</u>		
Utility Plant at Original Cost	\$741,265	
Less Accumulated Depreciation	66,912	
Total Net Utility-Plant-In-Service	<u>\$674,353</u>	
Construction Work in Progress	113,435	
Assets Held for Future Use	20,000	
Total Net Utility Plant Cost		\$807,788
<u>Current Assets</u>		
Cash	\$2,662	
Customer Accounts Receivable	(1,881)	
Misc Current and Accrued Assets	6,200	
Total Current Assets		\$6,981
TOTAL ASSETS		<u><u>\$814,769</u></u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>		
Advances from Associated Companies	\$233,256	
Other Long Term Debt	162,197	
Long Term Debt		\$395,453
<u>Current Liabilities</u>		
Accounts Payable	<u>\$15,806</u>	
Total Current Liabilities		\$15,806
Contributions In Aid Of Construction		\$548,464
<u>Equity</u>		
Common Stock	\$1,000	
Retained Earnings	<u>(145,954)</u>	0
Total Equity		(\$144,954)
TOTAL LIABILITIES AND EQUITY		<u><u>\$814,769</u></u>

TIMBERLEE VALLEY SANITATION CO., INC.Pro Forma Balance Sheet
December 31, 2018ASSETS

<u>Utility-Plant-In-Service</u>		
Utility Plant at Original Cost	\$845,752	
Less Accumulated Depreciation	<u>286,635</u>	
Total Net Utility-Plant-In-Service	\$559,117	
Construction Work in Progress	0	
Assets Held for Future Use	<u>20,000</u>	
Total Net Utility Plant Cost		\$579,117
<u>Current Assets</u>		
Cash	\$2,886	
Customer Accounts Receivable	-	
Misc Current and Accrued Assets	<u>6,200</u>	
Total Current Assets		\$9,086
TOTAL ASSETS		<u><u>\$588,203</u></u>

LIABILITIES AND EQUITY

<u>Long Term Debt</u>		
Advances from Associated Companies	\$233,256	
Other Long Term Debt	<u>149,075</u>	
Long Term Debt		\$382,331
<u>Current Liabilities</u>		
Accounts Payable	<u>\$15,806</u>	
Total Current Liabilities		\$15,806
<u>Contributed Capital</u>		
Contributions In Aid Of Construction	548,464	
Less Accumulated Depreciation	<u>169,628</u>	
Contributions In Aid Of Construction Net of Depr.		\$378,836
<u>Equity</u>		
Common Stock	\$1,000	
Retained Earnings	<u>(189,770)</u>	
Total Equity		(\$188,770)
TOTAL LIABILITIES AND EQUITY		<u><u>\$588,203</u></u>

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION F

**PRO FORMA RATE BASE
&
RATE OF RETURN**

TIMBERLEE VALLEY SANITATION CO., INC.

Rate Base At Original Cost / Overall Rate of Return

Per Books December 31, 2017 and Pro Forma December 31, 2018

Line No.	Description	Per Books 12/31/2017	Pro Forma Rates	
			Current 12/31/2018	Proposed 12/31/2018
1	Plant-In-Service (See Schedules E-1, E-2, and J-2-1)	\$741,265	\$845,752	\$845,752
2	Less: Accumulated Provisions For Depreciation (1) (See Schedules E-1, E-2, and J-2-1)	66,912	286,635	286,635
3	Net Plant-In-Service (L1 + L2) (See Schedules E-1, E-2, and J-2-1)	\$674,353	\$559,117	\$559,117.00
Additions:				
4	Inventory (1% of Net Plant-In-Service)	\$6,744	\$5,591	\$5,591
5	Cash Working Capital (See Schedule F-2)	6,301	7,945	7,945
Deductions:				
6	Contributions In Aid of Construction Net of Accumulated Depreciation (2) (See Schedules E-1, E-2, and J-2-2)	548,464	378,836	378,836
7	Total Rate Base (L3 + L4+ L5 -L6)	\$138,934	\$193,817	\$193,817
Rate of Return per books 12/31/17				
8	Income per Books Available for Return (Sch. H-1)	\$3,097		
9	Overall Rate of Return (L8 / L7)	2.23%		
Pro Forma Rate of Return Under Current Rates 12/31/18				
10	Pro forma Income under existing rate available for return (Sch. H-1)		(\$5,336)	
11	Overall Rate of Return (L10 / L7)		-2.75%	
Pro Forma Rate of Return Under Proposed Rates 12/31/18				
12	Pro forma Income available for return per rate study (Sch. H-1)			\$19,362
13	Overall Rate of Return (L12/L7, See also Schedule F-3)			9.99%

- Notes:
- 1 Per Books Accumulated Reserves for Depreciation on total Plant was calculated exclusive of CIAC assets.
Pro Forma Adjusted - reflects more accurate lives & Accum. Depr. on all Plant Assets. (See Sch. J-1-1 & J-2-1)
 - 2 Per Books CIAC was listed at its total value and did not calculate any depr. on same.
Pro Forma Adjusted - reflects more accurate lives & Accum. Depr. on CIAC Assets. (See Sch. J-1-2 & J-2-2)
 - 3 Per Books CWIP Balance of \$113,465 as of year end 2009 was not timely cleared to Plant-In-Service Accounts,
Pro Forma Adjusted - reflects \$104,487 of CWIP cleared to PIS Accounts by year, See Sch. J-1-2 & J-2-2;
and, \$8,948 balance were expense related and thus, was cleared to Retained Earnings.

TIMBERLEE VALLEY SANITATION CO., INC.

Cash Working Capital Calculations
Per Books December 31, 2017 and Pro Forma December 31, 2018

<u>Line No.</u>	<u>Description</u>	<u>Per-Books 12/31/2017 (1)</u>	<u>Pro-Forma 12/31/2018 (2)</u>
1	Operating Deduction (exclusive of Depr. Exp.) (See Schedule H-1)	\$50,410	\$63,562
2	Bad Debt Expense (See Schedule H-1)	_____	_____
3	Operating Deductions Exclusive of Bad Debt (L1 - L2 = L3)	\$50,410	\$63,562
4	Cash Working Capital Claim (1/8th of L3 = L4)	<u>\$6,301</u>	<u>\$7,945</u>

TIMBERLEE VALLEY SANITATION CO., INC.

Rate of Return / Operating Ratio Requirement

Rate of Return
Hypothetical Capital Structure
Pro Forma Claim 12/31/18

Line No.	Description	Ratio (1)	Cost Of Capital (2)	Average Weighted Cost (3)
1	Debt	40.00%	5.00%	2.00%
2	Equity	60.00%	13.32%	7.99%
3	Total	<u>100.00%</u>		<u>9.99%</u>

Development of Net Income Requirement

4	Monthly Debt Service		\$1,755.93	
5	Number of Months		<u>12</u>	
6	Annual Debt Service (Line 4 x Line 5)		\$21,071.16	
7	Debt Service Coverage Ratio Requirement		<u>1.10</u>	
8	Debt Service Coverage Requirement (Line 6 x Line 7)		\$23,178.00	
9	Less Depreciation Expense Recovery (Sch. H-1, Line 29)		<u>\$3,814.00</u>	
10	Net Income Return Requirement (Line 8 - Line 9)		\$19,364.00	

Development of Equity Cost of Capital Rate

11	Pro Forma 12/31/18 Rate Base Value (Sch. F-1 Line 7)		\$193,817.00	
12	Total Average Weighted Cost Rate of Return Requirement (Line 10 / Line 11)			9.99%
13	Less Average Weighted Cost of Debt Recovery Rate of Return (Line 1)			<u>2.00%</u>
14	Equity Average Weighted Cost Rate of Return Requirement (Line 12 - Line 13)			7.99%
15	Equity Ratio (Line 2)			<u>60.00%</u>
16	Equity Weighted Cost Rate (Line 14 / Line 15)			<u>13.32%</u>

Alternative Return Development Based Upon Operation Ratio

17	Net Income Return Requirement (Line 10)		\$19,364.00	
18	Operating Deductions, Exclusive of Depr. Exp. (Sch. H-1 Line 27)		\$63,562.00	
19	Operating Ratio (Line 17 / Line 18)			<u>30.46%</u>

TIMBERLEE VALLEY SANITATION CO., INC.

Analysis of Overall Rate of Return
Based Upon Proposed Increase at Amount Lower Than Supported by Rate Study

Line No.	Description	
1	Proposed Base Rate Increase (See Sch. G-1 and G-2)	\$22,560
2	Revenue Increase Supported by Rate Study (See Sch. H-1)	<u>\$24,698</u>
3	Revenues Over/(Under) Amount Supported by Rate Study (L1-L2)	(\$2,138)
4	Net Income as Supported by Rate Study (See Sch. H-1)	<u>\$19,362</u>
5	Adjusted Net Income (Loss) to be realized before changes in tax claim (L3-L4)	\$17,224
6	Pro Forma Tax Claim Under Rate Study	\$0
7	Taxes Under Proposed Rates	<u>0</u>
8	Reduced Tax Savings (L6-L7)	\$0
9	Adjusted Net Income (Loss) to be realized based upon Proposed Rates after taxes (L5-L8)	<u>\$17,224</u>
10	Pro Forma Rate Base (See Sch. F-1)	\$193,817
11	Overall Rate of Return Produced at Proposed Rates (L9/L10)	<u>8.89%</u>
12	Overall Rate of Return Per Study (Sch. F-1)	9.99%
13	Overall Rate of Return Over (Under) Rate Study (L11-L12)	<u><u>-1.10%</u></u>

Analysis of Overall Operating Ratio
Based Upon Proposed Increase at Amount Lower Than Supported by Rate Study

14	Adj. Net Income (Loss) to be realized based upon Proposed Rates (L9 above)	\$17,224	
15	Operating Deductions Exclusive of Depreciation Expense	\$63,562	
16	Operating Ratio at Reduced Request (L14 / L15)		27.10%
17	Net Income as Supported by Rate Study (See Sch. H-1 or Line 4 above)	\$19,364	
18	Operating Deductions Exclusive of Depreciation Expense	\$63,562	
19	Operating Ratio at Level Supported by Rate Study (L14 / L15)		30.46%
20	Overall Operating Ratio Over (Under) Rate Study (L16-L19)		<u><u>-3.37%</u></u>

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION G

STATEMENT OF REVENUES AND TARIFF INCREASE

TIMBERLEE VALLEY SANITATION CO., INC.

Comparative Statement of Operating Revenues
Twelve Months Ended December 31, 2017 and Pro Forma December 31, 2018 Current and Proposed Rates

<u>Description</u>	<u>12/31/2017</u> <u>Per Books</u> (1)	<u>Pro Forma</u> <u>Adjustments *</u> (2)	<u>12/31/2018</u> <u>Pro Forma</u> <u>Adjusted</u> <u>Total</u> (3)	<u>12/31/2018</u> <u>Proposed</u> <u>Base Rate</u> <u>Increase</u> (4)	<u>12/31/2018</u> <u>Proposed</u> <u>Adjusted</u> <u>Total</u> (5)
<u>Operating Revenues</u>					
Residential	\$57,463	\$4,577	\$62,040	\$22,560	\$84,600
Commercial	0	0	0	0	0
Operating Revenues	<u>\$57,463</u>	<u>\$4,577</u>	<u>\$62,040</u>	<u>\$22,560</u>	<u>\$84,600</u>
<u>Other Revenues:</u>					
Late Payment Fees	0	0	0	0	0
Total Operating Revenues	<u>\$57,463</u>	<u>\$4,577</u>	<u>\$62,040</u>	<u>\$22,560</u>	<u>\$84,600</u>

*Refer to Schedules H-1,H-2, and Supporting Schedule I-1 regarding adjustments.

TIMBERLEE VALLEY SANITATION CO., INC.Calculation of Proposed Revenue and Percentage Increase by Customer Class

<u>Description</u>	<u>Pro Forma Revenues Existing Rates</u>	<u>Percentage Increase</u>	<u>Proposed Base Rate Increase</u>	<u>Proposed Adjusted Total</u>
Residential	\$62,040	36.36%	\$22,560	\$84,600
Commercial	0	0.00%	0	0
Operating Revenues	<u>\$62,040</u>	36.36%	<u>\$22,560</u>	<u>\$84,600</u>

TIMBERLEE VALLEY SANITATION CO., INC.Number of Customers Served at
December 31, 2015 to December 31, 2017; and, Pro Forma December 31, 2018

	<u>12/31/2015</u>	<u>12/31/2016</u>	12/31/2017	<u>Additions</u>	12/31/2018
<u>Customer Classifications</u>					
Residential	78	82	89	5	94
Commercial	0	0	0	0	0
Total Customers	<u>78</u>	<u>82</u>	<u>89</u>	<u>5</u>	<u>94</u>

TIMBERLEE VALLEY SANITATION CO., INC.

Current and Proposed Monthly Rates

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>% Increase</u>
Flat Rate Charge	\$55.00	\$75.00	\$20.00	36.36%

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION H

OPERATING STATEMENT AND ADJUSTMENTS

TIMBERLEE VALLEY SANITATION CO., INC.

Statement of Sewer Income & Deductions
For The Twelve Months Ended December 31, 2015 to 2017, and Pro Forma Adjusted 2018 Rate Study

Line No.	Description	Per Books			Pro Forma		Pro Forma Adjusted	Rate Study Base Rate	Pro Forma Adjusted
		12/31/2015	12/31/2016	12/31/2017	Adjustments	(Ref.)	12/31/2018	Increase	Totals
1	Sewer Billings	\$51,567	\$54,467	\$57,463	\$4,577	(1)	\$62,040	\$24,698	\$86,738
2		0	0	0	0		0	0	0
3		0	0	0	0		0	0	0
4	Operating Revenues (L1to L3)	\$51,567	\$54,467	\$57,463	\$4,577		\$62,040	\$24,698	\$86,738
5	Operating Deductions							39.81%	
6	Contracted Operating Fees	\$9,340	\$16,010	\$24,440			\$24,440	\$0	\$24,440
7	Testing	2,880	3,090	0			0	0	0
8	Utilities	6,690	6,309	8,184			8,184	0	8,184
9	System Repairs & Maintenance	2,011	2,873	4,937			4,937	0	4,937
10	Sludge Removal expense	3,180	8,205	7,620	293	(5)	7,913	0	7,913
11	Chemicals	1,368	1,268	977	227	(6)	1,204	0	1,204
12	Accounting	950	950	950	200	(3)	1,150	0	1,150
13	Legal Fees (Service Area)	0	0	0			0	0	0
14	Engineering Fees	0	0	392			392	0	392
15	Management Fee	0	0	0	3,000	(2)	3,000	0	3,000
16	Insurance-Other	2,616	1,308	1,526			1,526	0	1,526
17	Rate Case Expense	0	0	0	9,000	(7)	9,000	0	9,000
18	Communication Expense	618	651	683			683	0	683
19	Permits and Licenses	0	0	0			0	0	0
20	Postage	147	202	98	432	(4)	530	0	530
21	Bank Charges	0	0	11			11	0	11
22	Assoc. Dues - Pa Rural Water Assoc.	239	241	243			243	0	243
23	Operating Expenses (L6 to L24)	\$30,039	\$41,107	\$50,061	\$13,152		\$63,213	\$0	\$63,213
24	Taxes-Other:								
25	State Capital Stock Tax	\$0	\$0	\$0	\$0		\$0	\$0	\$0
26	Other Taxes-Real Estate Tax	324	340	349			349	0	349
27	Total Operating Expenses (L25 to L28)	\$30,363	\$41,447	\$50,410	\$13,152		\$63,562	\$0	\$63,562
28	Amortization Expenses	0	0	0			0		
29	Depreciation	3,956	3,956	3,956	(142)	(8)	3,814	0	3,814
30	Total Operating Expenses (L29 to L31)	\$34,319	\$45,403	\$54,366	\$13,010		\$67,376	\$0	\$67,376
31	Net Income Before Taxes (L4-L32)	\$17,248	\$9,064	\$3,097	(\$8,433)		(\$5,336)	\$24,698	\$19,362
32	Corporate Income Taxes								
33	State	\$0	\$0	\$0	\$0		\$0	\$0	\$0
34	Federal	0	0	0	0		0	0	0
35	Deferred Income Taxes	0	0	0	0		0	0	0
36	Total Corp. Income Taxes (L35 to L37)	\$0	\$0	\$0	\$0		\$0	\$0	\$0
37	Net Utility Income (Loss) [L33 - L38]	\$17,248	\$9,064	\$3,097	(\$8,433)		(\$5,336)	\$24,698	\$19,362

TIMBERLEE VALLEY SANITATION CO., INC.

Pro Forma Adjustments to Operating Revenues and Expenses
For the Twelve Months Ended December 31, 2018

Pro Forma Operating Revenue Adjustments

Ref.

- | | | |
|---|--|---------|
| 1 | Pro Forma Adjustment to reflect annualized level of revenues under current rates at pro forma annualized level of customers as of 12/31/18
(See Schedule I-1) | \$4,577 |
|---|--|---------|

Total Pro Forma Operating Revenue Adjustments

\$4,577

TIMBERLEE VALLEY SANITATION CO., INC.

Pro Forma Adjustments to Operating Revenues and Expenses
For the Twelve Months Ended December 31, 2018

Pro Forma Operating Expense Adjustments

Ref.

2	Pro Forma Adjustment to an annual claim for Management Fees to include Professional Services, Billing and Office Space @ \$250/month.; which said fees have not been reflected on Company books. (See Schedule I-2)	\$3,000
3	Pro Forma Adjustment to reflect an annualized claim for Accounting fees; 2018 Fees at \$1,150 as compared to 2017 Fees of \$950. (See Schedule I-2)	\$200
4	Pro Forma Adjustment to reflect an annualized claim for Postage fees; based upon annualized number of bills times \$.47 metered postage rate. (See Schedule I-2)	\$432
5	Pro Forma Claim to reflect a normalized claim for Sludge Removal Services, based on a 2 year average of actual expenses. (See Schedule I-3)	\$293
6	Pro Forma Claim to reflect a normalized claim for Chemcial Expense, based on a 3 year average of actual expenses. (See Schedule I-3)	\$227
7	Pro Forma Adjustment to reflect the cost of a fully litigated rate case expense normalized over a fourty-eight month period. (See Schedule I-4)	\$9,000
8	Pro Forma Adjustment to reflect annualized level of depreciation expense to include all current and proposed new plant asset additions as of 12/31/18 (See Schedule I-5)	(\$142)
	Total Operating Expense Adjustments	<u>\$13,010</u>
	Net Utility Income/(Loss) Adjustments	<u>(\$8,433)</u>

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION I

SUPPORTING ADJUSTMENT SCHEDULES

TIMBERLEE VALLEY SANITATION CO., INC.

Pro Forma Annualized Revenues Under Existing Rates for the Twelve Months Ended December 31, 2017

	<u>No.</u> <u>Cust.</u>	<u>No.</u> <u>Units</u>	<u>Billing</u> <u>Cycle</u>	<u>No.</u> <u>Bills</u>	<u>Flat</u> <u>Rate</u>	<u>Revenues</u>		
						<u>Pro Forma</u> <u>12/31/2018</u>	<u>Per Books</u> <u>12/31/2017</u>	<u>Pro Forma</u> <u>Adjustment</u>
<u>Pro Forma Current 2017</u>								
Residential	89	89	12	1,068	\$55.00	\$58,740.00		
Total Residential Sales	<u>89</u>	<u>89</u>		<u>1,068</u>		<u>\$58,740.00</u>	<u>\$57,463.00</u>	<u>\$1,277.00</u>
Commercial	0	0	12	0	\$0.00	0.00		
Total Commercial Sales	<u>0</u>	<u>0</u>		<u>0</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Operating Revenues	<u>89</u>	<u>89</u>				<u>\$58,740.00</u>	<u>\$57,463.00</u>	<u>\$1,277.00</u>

TIMBERLEE VALLEY SANITATION CO., INC.

Pro Forma Annualized Revenues Under Existing Rates for the Twelve Months Ended December 31, 2018

	No. <u>Cust.</u>	No. <u>Units</u>	Billing <u>Cycle</u>	No. <u>Bills</u>	Flat <u>Rate</u>	Pro Forma Revenues		
						<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Adjustment</u>
Pro Forma w/2018 Customer Gains								
Residential	94	94	12	1,128	\$55.00	\$62,040.00	\$58,740.00	\$3,300.00
Total Residential Sales	<u>94</u>	<u>94</u>		<u>1,128</u>		<u>\$62,040.00</u>	<u>\$58,740.00</u>	<u>\$3,300.00</u>
Commercial	0	0	12	0	\$0.00	0.00	0.00	0.00
Total Commercial Sales	<u>0</u>	<u>0</u>		<u>0</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Operating Revenues					\$0.00	<u>\$62,040.00</u>	<u>\$58,740.00</u>	<u>\$3,300.00</u>

Pro Forma Adjustment Annualized 2017 Residential Sales vs. Books	\$1,277	
Pro Forma Adjustment Annualized 2018 Residential Sales vs. Pro Forma 2017	3,300	
Total Residential Adjustments		\$4,577
Pro Forma Adjustment Annualized 2017 Commercial Sales vs. Books	\$0	
Pro Forma Adjustment Annualized 2018 Commercial Sales vs. Pro Forma 2017	0	
Total Commercial Adjustments		0
Total Pro Forma Revenue Adjustments		<u>\$4,577</u>

TIMBERLEE VALLEY SANITATION CO., INC.Pro Forma Adjustment - Management Fee

Pro Forma Claim for Management Fee 12/31/18 (\$250/month)	\$3,000
Per Books 12/31/2017 Management Fee	0
Pro Forma Adjustment Management Fee Claim	<u>\$3,000</u>

Pro Forma Adjustment - Accounting

Pro Forma Claim for Accounting Fees 12/31/18	\$1,150
Per Books 12/31/2017 Accounting Fees	950
Pro Forma Adjustment Accounting Fee Claim	<u>\$200</u>

Pro Forma Adjustment - Postage

Pro Forma Annual Number of Bills	1,128
Metered Postage Rate	<u>\$0.47</u>
Pro Forma Annual Postage Expense Claim	\$530
Per Books 12/31/2017 Postage Fees	98
Pro Forma Adjustment Postage Expense Claim	<u>\$432</u>

TIMBERLEE VALLEY SANITATION CO., INC.Pro Forma Claim - Sludge Removal

Sludge Removal Expense 12/31/2016	\$8,205
Sludge Removal Expense 12/31/2017	7,620
Three Year Sludge Removal Total	<u>\$15,825</u>
Number of Years- Normalized Period	2
Pro Forma Claim- Based on Two Year Sludge Removal Average	<u>\$7,913</u>
Per Books 12/31/17 Sludge Removal Costs	<u>7,620</u>
Pro Forma Adjustment to reflect Sludge Removal Claim	<u><u>\$293</u></u>

Pro Forma Claim - Chemical Expenses

Chemical Expense 12/31/2016	\$1,368
Chemical Expense 12/31/2016	1,268
Chemical Expense 12/31/2017	977
Three Year Chemical Expense Total	<u>\$3,613</u>
Number of Years- Normalized Period	3
Pro Forma Claim- Based on Two Year Sludge Removal Average	<u>\$1,204</u>
Per Books 12/31/17 Sludge Removal Costs	<u>977</u>
Pro Forma Adjustment to reflect Sludge Removal Claim	<u><u>\$227</u></u>

TIMBERLEE VALLEY SANITATION CO., INC.Pro Forma Analysis of Rate Case Expense Claim

	<u>Estimated Cost of Rate Case Proceeding by Phase</u>			Total
	<u>To File</u>	<u>Review</u>	<u>Litigation</u>	Estimated Cost For <u>Litigated Case</u>
Legal	\$3,000	\$6,000	\$15,000	\$24,000
Consulting	3,000	3,000	4,000	10,000
Engineering/Accounting	0	500	500	1,000
Expenses	250	250	500	1,000
Total	<u>\$6,250</u>	<u>\$9,750</u>	<u>\$20,000</u>	<u>\$36,000</u>
Normalization Period in Months				<u>48</u>
Rate Per Month				<u>\$750</u>
Annualized No. of Months				<u>12</u>
Pro Forma Annualized Rate Case Expense Claim				<u>\$9,000</u>
Rate Case Expense per books 12/31/05				<u>0</u>
Pro Forma Rate Case Expense Adjustment				<u>\$9,000</u>

TIMBERLEE VALLEY SANITATION CO., INC.Pro Forma Depreciation Expense Claim

Pro Forma 12/31/18 Depr Expense (See Schedule J-2-1)	\$13,144
Less Pro Forma 12/31/18 CAC/CIAC Depr Expense (See Schedule J-2-2)	<u>9,330</u>
Total Pro Forma 12/31/17 Depr. Expense Claim	\$3,814
Depreciation Expense Per Books 12/31/17 (See Schedule H-1)	<u>3,956</u>
Pro Forma Depreciation Expense Adjustment	<u><u>(\$142)</u></u>

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION J

DEPRECIATION REPORT

TIMBERLEE VALLEY SANITATION CO., INC.

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2017

Line No.	Acct. Code	Date Acquired (1)	Item Description (2)	Original		Salvage or Adjustments (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Dec. 31, 2017 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)	
				Cost (3)	Additions (4)						Retirements (5)	Annual Depreciation (11)	Accumulated Depreciation (12)		Remaining Basis (13)
1				-	-	\$0.00	\$0.00	-	0	0.00%	0.0	\$0.00	\$0.00	\$0.00	\$0.00
2	351.00	1995	Legal Document Prep for PUC/DEP	516	-	0	0	516	n/a	n/a	n/a	0.00	0.00	516.00	0.00
3	351.00	1996	DEP Initial Part II Permit	55	-	0	0	55	n/a	n/a	n/a	0.00	0.00	55.00	0.00
4	351.00	1997	PUC Application Process	1,869	-	0	0	1,869	n/a	n/a	n/a	0.00	0.00	1,869.00	0.00
5	351.00	2006	PUC Application A-230068F0003	-	37,961	0	0	37,961	n/a	n/a	n/a	0.00	0.00	37,961.00	0.00
6	353.00	1997	Lot No. 301/Deed	15,474	-	0	0	15,474	n/a	n/a	n/a	0.00	0.00	15,474.00	0.00
7	354.00	1997	Treatment Plant Bldg	6,297	-	0	0	6,297	50	2.00%	29.5	125.94	2,581.77	3,715.23	125.94
8	354.00	1997	Precast Concrete Tanks (6)	22,680	-	0	0	22,680	50	2.00%	29.5	453.60	9,298.80	13,381.20	453.60
9	354.00	1997	Precast Hoppers for Clarifiers (2)	1,600	-	0	0	1,600	50	2.00%	29.5	32.00	656.00	944.00	32.00
10	354.00	1997	Wall Fan & Thermostat	348	-	0	0	348	20	5.00%	0.5	8.70	348.00	0.00	8.70
11	354.00	1997	Wall Heater & 2 Circuits	200	-	0	0	200	20	5.00%	0.5	5.00	200.00	0.00	5.00
12	354.00	2002	Repair Shop & Storage Room	29,944	-	0	0	29,944	50	2.00%	34.5	598.88	9,282.64	20,661.36	598.88
13	354.00	2005	Pre Cast Concrete Tank	26,318	-	0	0	26,318	50	2.00%	37.5	526.36	6,579.50	19,738.50	526.36
14	354.00	2005	Pump Station Improvements	28,745	-	0	0	28,745	50	2.00%	37.5	574.90	7,186.25	21,558.75	574.90
15	354.00	2005	Land-Stone	3,248	-	0	0	3,248	50	2.00%	37.5	64.96	812.00	2,436.00	64.96
16	354.00	2007	Treatment Plant Expansion	-	40,594	0	0	40,594	50	2.00%	39.5	811.88	8,524.74	32,069.26	811.88
17	354.00	2008	Pump Station Improvements	-	10,543	0	0	10,543	50	2.00%	40.5	210.86	2,003.17	8,539.83	210.86
18	355.00	1997	Transfer Switch 200 AMP	2,965	-	0	0	2,965	20	5.00%	0.5	74.13	2,965.00	0.00	74.13
19	355.00	1997	Commercial Breaker Panel 200 AMP	1,244	-	0	0	1,244	20	5.00%	0.5	31.10	1,244.00	0.00	31.10
20	355.00	1997	Copper Wiring-to pump control panel 70 AM	300	-	0	0	300	20	5.00%	0.5	7.50	300.00	0.00	7.50
21	355.00	1997	Circuits Installed 220v-20 AMP (4)	780	-	0	0	780	20	5.00%	0.5	19.50	780.00	0.00	19.50
22	355.00	1997	Circuits Installed 210v-20 AMP (4)	400	-	0	0	400	20	5.00%	0.5	10.00	400.00	0.00	10.00
23	355.00	1997	GFI Circuits Installed-30 AMP (2)	326	-	0	0	326	20	5.00%	0.5	8.15	326.00	0.00	8.15
24	355.00	1997	Pull Box for Control Panel	120	-	0	0	120	20	5.00%	0.5	3.00	120.00	0.00	3.00
25	355.00	2000	Electric Overload Relay	119	-	0	0	119	20	5.00%	2.5	5.95	104.13	14.88	5.95
26	355.00	2005	Pump Stations Pwr Generation Equip.	8,540	-	0	0	8,540	20	5.00%	7.5	427.00	5,337.50	3,202.50	427.00
27	355.00	2005	Pump Station Fans	1,498	-	0	0	1,498	20	5.00%	7.5	74.90	936.25	561.75	74.90
28	360.00	2001	HDP Pipe - 1 1/2" (2,453 lf)	33,950	-	0	0	33,950	50	2.00%	33.5	679.00	11,203.50	22,746.50	679.00
29	360.00	2001	HDP Pipe - 2" (4,664 lf)	67,208	-	0	0	67,208	50	2.00%	33.5	1,344.16	22,178.64	45,029.36	1,344.16
30	360.00	2001	SRD Pipe - 2 1/2" (1,133 lf)	16,678	-	0	0	16,678	50	2.00%	33.5	333.56	5,503.74	11,174.26	333.56
31	360.00	2001	SDR Pipe - 3" (6,046 lf)	90,630	-	0	0	90,630	50	2.00%	33.5	1,812.60	29,907.90	60,722.10	1,812.60
32	360.00	2001	Ball Valve - 1 1/2" (2)	461	-	0	0	461	50	2.00%	33.5	9.22	152.13	308.87	9.22
33	360.00	2001	Ball Valve - 2" (4)	969	-	0	0	969	50	2.00%	33.5	19.38	319.77	649.23	19.38
34	360.00	2001	Ball Valve - 2 1/2"	231	-	0	0	231	65	1.54%	48.5	3.55	58.64	172.36	3.55
35	360.00	2001	Ball Valve - 3" (5)	1,297	-	0	0	1,297	65	1.54%	48.5	19.95	329.24	967.76	19.95
36	360.00	2001	Service Valves - 1 1/2" (68)	9,018	-	0	0	9,018	65	1.54%	48.5	138.74	2,289.18	6,728.82	138.74
37	360.00	2002	Boring Casings (8" at 35')	2,018	-	0	0	2,018	75	1.33%	59.5	26.91	417.05	1,600.95	26.91
38	360.00	2002	Concrete Encasement	1,080	-	0	0	1,080	75	1.33%	59.5	14.40	223.20	856.80	14.40
39	361.00	1996	SDR - 8" (1,187)	14,992	-	0	0	14,992	75	1.33%	53.5	199.89	4,297.71	10,694.29	199.89
40	361.00	1996	SDR - 6" (117)	1,592	-	0	0	1,592	75	1.33%	53.5	21.23	456.37	1,135.63	21.23
41	361.00	1996	Installed Manholes	6,450	-	0	0	6,450	75	1.33%	53.5	86.00	1,849.00	4,601.00	86.00
42	361.00	1997	SDR - 8" (5,190)	116,048	-	0	0	116,048	75	1.33%	54.5	1,547.31	31,719.79	84,328.21	1,547.31
43	361.00	1997	SDR - 6" (117)	1,526	-	0	0	1,526	75	1.33%	54.5	20.35	417.11	1,108.89	20.35
44	361.00	1997	Installed Manholes	26,074	-	0	0	26,074	75	1.33%	54.5	347.65	7,126.89	18,947.11	347.65
45	361.00	1999	SDR - 8" (837)	14,940	-	0	0	14,940	75	1.33%	56.5	199.20	3,685.20	11,254.80	199.20
46	361.00	1999	SDR - 6" (78)	2,098	-	0	0	2,098	75	1.33%	56.5	27.97	517.51	1,580.49	27.97
47	361.00	1999	Installed Manholes	8,750	-	0	0	8,750	75	1.33%	56.5	116.67	2,158.33	6,591.67	116.67
48	361.00	2000	SDR - 8" (4,452)	67,537	-	0	0	67,537	75	1.33%	57.5	900.49	15,758.63	51,778.37	900.49
49	361.00	2000	SDR - 6" (260)	5,294	-	0	0	5,294	75	1.33%	57.5	70.59	1,235.27	4,058.73	70.59
50	361.00	2000	Installed Manholes	22,875	-	0	0	22,875	75	1.33%	57.5	305.00	5,337.50	17,537.50	305.00
51	361.00	2007	Sewer Main Line Extension	-	6,669	0	0	6,669	50	2.00%	39.5	133.38	1,400.49	5,268.51	133.38
52	361.00	2008	Sewer Main Line Extension	-	4,047	0	0	4,047	50	2.00%	40.5	80.94	768.93	3,278.07	80.94
53	361.00	2009	Sewer Main Line Extension	-	4,673	0	0	4,673	50	2.00%	41.5	93.46	794.41	3,878.59	93.46
54	363.00	1995	Residential Service Connections (5)	200	-	0	0	200	75	1.33%	52.5	2.67	60.00	140.00	2.67
55	363.00	1997	Residential Service Connections (5)	250	-	0	0	250	75	1.33%	54.5	3.33	68.33	181.67	3.33
56	363.00	1999	Residential Service Connections (4)	300	-	0	0	300	75	1.33%	56.5	4.00	74.00	226.00	4.00

TIMBERLEE VALLEY SANITATION CO., INC.

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2017

Line No.	Acct. Code	Date Acquired	Item Description	Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense							Twelve Months Ended Dec. 31, 2017				
				Original Cost	Additions	Retirements	Salvage or Adjustments	Adjusted Cost	Life	Depr. Rate %	Remaining Life	Annual Depreciation	Accumulated Depreciation	Remaining Basis	Pro Forma Annualized Depreciation
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
57	363.00	2000	Residential Service Connections (16)	1,440	-	0	0	1,440	75	1.33%	57.5	19.20	336.00	1,104.00	19.20
58	363.00	2002	Residential Service Connections (6)	726	-	0	0	726	75	1.33%	59.5	9.68	150.04	575.96	9.68
59	363.00	2003	Residential Service Connections (5)	750	-	0	0	750	75	1.33%	60.5	10.00	145.00	605.00	10.00
60	364.00	1997	Ultrasonic Flow Meter	6,500	-	0	0	6,500	20	5.00%	0.5	162.50	6,500.00	0.00	162.50
61	364.00	1997	Aluminum Flow Box	450	-	0	0	450	20	5.00%	0.5	11.25	450.00	0.00	11.25
62	364.00	1997	RACO Chatterbox/Dialer	2,300	-	0	0	2,300	20	5.00%	0.5	57.50	2,300.00	0.00	57.50
63	364.00	2003	Installed Flow Meter & Transensor	1,092	-	0	0	1,092	20	5.00%	5.5	54.60	791.70	300.30	54.60
64	364.00	1997	Submersible Decanting Pump 1/3Hp	1,050	-	0	0	1,050	20	5.00%	0.5	26.25	1,050.00	0.00	26.25
65	364.00	1997	Duplex Submersible FE Pumps 1/2Hp (2)	2,100	-	0	0	2,100	20	5.00%	0.5	52.50	2,100.00	0.00	52.50
66	364.00	1997	Spare Pump	1,050	-	0	0	1,050	20	5.00%	0.5	26.25	1,050.00	0.00	26.25
67	364.00	1997	Air Lift Sludge Pumps (2)	3,300	-	0	0	3,300	20	5.00%	0.5	82.50	3,300.00	0.00	82.50
68	364.00	1997	Froth Spray System	650	-	0	0	650	20	5.00%	0.5	16.25	650.00	0.00	16.25
69	380.00	1996	System Design	290	-	0	0	290	20	5.00%	0.0	0.00	290.00	0.00	0.00
70	380.00	1997	Revise Plant Plans	350	-	0	0	350	20	5.00%	0.5	8.75	350.00	0.00	8.75
71	380.00	1997	Disk Diffusers (6)	4,800	-	0	0	4,800	20	5.00%	0.5	120.00	4,800.00	0.00	120.00
72	380.00	1997	Barscreen	350	-	0	0	350	20	5.00%	0.5	8.75	350.00	0.00	8.75
73	380.00	1997	Surface Skimmer	450	-	0	0	450	20	5.00%	0.5	11.25	450.00	0.00	11.25
74	380.00	1997	Comminutor	4,800	-	0	0	4,800	20	5.00%	0.5	120.00	4,800.00	0.00	120.00
75	380.00	1997	Chlorinator	3,600	-	0	0	3,600	20	5.00%	0.5	90.00	3,600.00	0.00	90.00
76	380.00	1997	Roots Blower 5Hp (2)	6,000	-	0	0	6,000	20	5.00%	0.5	150.00	6,000.00	0.00	150.00
77	380.00	1997	Roots Blower 2Hp	1,600	-	0	0	1,600	20	5.00%	0.5	40.00	1,600.00	0.00	40.00
78	380.00	1997	Pressure Relief Valves (Air) (2)	3,400	-	0	0	3,400	20	5.00%	0.5	85.00	3,400.00	0.00	85.00
79	380.00	1997	Gate Valves (2)	866	-	0	0	866	20	5.00%	0.5	21.65	866.00	0.00	21.65
80	380.00	1997	Blower Control Panel	3,500	-	0	0	3,500	20	5.00%	0.5	87.50	3,500.00	0.00	87.50
81	380.00	1997	Chemical Feed Equipment	2,300	-	0	0	2,300	20	5.00%	0.5	57.50	2,300.00	0.00	57.50
82	380.00	2000	Baldor Motor 5Hp	600	-	0	0	600	20	5.00%	2.5	30.00	525.00	75.00	30.00
83	380.00	2000	Baldor Motor 2Hp	270	-	0	0	270	20	5.00%	2.5	13.50	236.25	33.75	13.50
84	380.00	2001	Permits, Applications & Planning Modules	2,905	-	0	0	2,905	50	2.00%	33.5	58.10	958.65	1,946.35	58.10
85	380.00	2002	On Site Well, Well Pump, Tank and Piping	1,500	-	0	0	1,500	50	2.00%	34.5	30.00	465.00	1,035.00	30.00
86	380.00	2005	Ultraviolet Equipment	6,254	-	0	0	6,254	20	5.00%	7.5	312.70	3,908.75	2,345.25	312.70
87	380.00	2005	Diffuser	522	-	0	0	522	20	5.00%	7.5	26.10	326.25	195.75	26.10
88	381.00	1997	Pipes & Couplings, Reloc. Drain Lines to Sewer Lines, and 3 PVC Plugs	1,297	-	0	0	1,297	50	2.00%	29.5	25.94	531.77	765.23	25.94
89	381.00	2002	500' U-Drain, Bore Pit for Centerline, 3 Brass Tees, 25 Stiffners, 2 Couplers, Vents, Surveys and Plumbing Supplies	2,588	-	0	0	2,588	50	2.00%	34.5	51.76	802.28	1,785.72	51.76
90	381.00	2005	Piping to Tank	1,665	-	0	0	1,665	50	2.00%	37.5	33.30	416.25	1,248.75	33.30
91	389.00	2005	Magnetic Locator	747	-	0	0	747	7	14.29%	0.0	0.00	747.00	0.00	0.00
92	390.00	1997	Computer System *	300	-	0	0	300	7	14.29%	0.0	0.00	300.00	0.00	0.00
93	390.00	1997	Computer Desk & Chair *	100	-	0	0	100	7	14.29%	0.0	0.00	100.00	0.00	0.00
94	390.00	1997	Office Desk & Chair *	200	-	0	0	200	7	14.29%	0.0	0.00	200.00	0.00	0.00
95	390.00	1997	Business Files Drawers *	250	-	0	0	250	7	14.29%	0.0	0.00	250.00	0.00	0.00
96	390.00	1997	Telephone Set w/ Answering Machine *	150	-	0	0	150	7	14.29%	0.0	0.00	150.00	0.00	0.00
97	390.00	1997	Calculator Machines (3) *	100	-	0	0	100	7	14.29%	0.0	0.00	100.00	0.00	0.00
98	390.00	1997	Copier *	300	-	0	0	300	7	14.29%	0.0	0.00	300.00	0.00	0.00
99	390.00	1997	Conference Desk & Chairs *	1,000	-	0	0	1,000	7	14.29%	0.0	0.00	1,000.00	0.00	0.00
100	390.00	2002	Cell Ohone for Operator *	40	-	0	0	40	7	14.29%	0.0	0.00	40.00	0.00	0.00
101	394.00	1997	Hach Co. Test Kit	232	-	0	0	232	7	14.29%	0.0	0.00	232.00	0.00	0.00
102	394.00	2003	Water Heater w/ Laundry Tray	244	-	0	0	244	7	14.29%	0.0	0.00	244.00	0.00	0.00
103	396.00	1997	Install Telephone in Pump House w/ 2 Jack:	235	-	0	0	235	7	14.29%	0.0	0.00	235.00	0.00	0.00
104				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
105				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
106				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
107			Total Plant Assets	\$741,265	\$104,487	\$0	\$0	\$845,752				\$14,546.18	\$273,491.15	\$572,260.85	\$14,546.18

* Shared by 6 affiliates with cost allocated accordingly

TIMBERLEE VALLEY SANITATION CO., INC.

Contributed Facilities Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2017

Line No.	Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage or Adjustments (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Dec. 31, 2017 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
												Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
1				-	-	\$0.00	\$0.00	-	0	0.00%	0.0	\$0.00	\$0.00	\$0.00	\$0.00
2	354.00	2005	Pump Station Improvements	28,745	-	0	0	28,745	50	2.00%	37.5	574.90	7,186.25	21,558.75	574.90
3	354.00	2005	Land-Stone	3,248	-	0	0	3,248	50	2.00%	37.5	64.96	812.00	2,436.00	64.96
4	355.00	2005	Pump Stations Pwr Generation Equip.	8,540	-	0	0	8,540	20	5.00%	7.5	427.00	5,337.50	3,202.50	427.00
5	355.00	2005	Pump Station Fans	1,498	-	0	0	1,498	20	5.00%	7.5	74.90	936.25	561.75	74.90
6	360.00	2001	HDP Pipe - 1 1/2" (2,453 lf)	33,950	-	0	0	33,950	50	2.00%	33.5	679.00	11,203.50	22,746.50	679.00
7	360.00	2001	HDP Pipe - 2" (4,664 lf)	67,208	-	0	0	67,208	50	2.00%	33.5	1,344.16	22,178.64	45,029.36	1,344.16
8	360.00	2001	SRD Pipe - 2 1/2" (1,133 lf)	16,678	-	0	0	16,678	50	2.00%	33.5	333.56	5,503.74	11,174.26	333.56
9	360.00	2001	SDR Pipe - 3" (6,046 lf)	90,630	-	0	0	90,630	50	2.00%	33.5	1,812.60	29,907.90	60,722.10	1,812.60
10	360.00	2001	Service Valves - 1 1/2" (57)	7,604	-	0	0	7,604	65	1.54%	48.5	116.98	1,930.25	5,673.75	116.98
11	361.00	1996	SDR - 8" (1,187)	14,992	-	0	0	14,992	75	1.33%	53.5	199.89	4,297.71	10,694.29	199.89
12	361.00	1996	SDR - 6" (117)	1,592	-	0	0	1,592	75	1.33%	53.5	21.23	456.37	1,135.63	21.23
13	361.00	1996	Installed Manholes	6,450	-	0	0	6,450	75	1.33%	53.5	86.00	1,849.00	4,601.00	86.00
14	361.00	1997	SDR - 8" (5,190)	116,048	-	0	0	116,048	75	1.33%	54.5	1,547.31	31,719.79	84,328.21	1,547.31
15	361.00	1997	SDR - 6" (117)	1,526	-	0	0	1,526	75	1.33%	54.5	20.35	417.11	1,108.89	20.35
16	361.00	1997	Installed Manholes	26,074	-	0	0	26,074	75	1.33%	54.5	347.65	7,126.89	18,947.11	347.65
17	361.00	1999	SDR - 8" (837)	14,940	-	0	0	14,940	75	1.33%	56.5	199.20	3,685.20	11,254.80	199.20
18	361.00	1999	SDR - 6" (78)	2,098	-	0	0	2,098	75	1.33%	56.5	27.97	517.51	1,580.49	27.97
19	361.00	1999	Installed Manholes	8,750	-	0	0	8,750	75	1.33%	56.5	116.67	2,158.33	6,591.67	116.67
20	361.00	2000	SDR - 8" (4,452)	67,537	-	0	0	67,537	75	1.33%	57.5	900.49	15,758.63	51,778.37	900.49
21	361.00	2000	SDR - 6" (260)	5,294	-	0	0	5,294	75	1.33%	57.5	70.59	1,235.27	4,058.73	70.59
22	361.00	2000	Installed Manholes	22,875	-	0	0	22,875	75	1.33%	57.5	305.00	5,337.50	17,537.50	305.00
23	380.00	2005	Diffuser	522	-	0	0	522	20	5.00%	7.5	26.10	326.25	195.75	26.10
24	381.00	2005	Piping to Tank	1,665	-	0	0	1,665	50	2.00%	37.5	33.30	416.25	1,248.75	33.30
25				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
26				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
27				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
28			Total Plant Assets	<u>\$548,464</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$548,464</u>				<u>\$9,329.81</u>	<u>\$160,297.83</u>	<u>\$388,166.17</u>	<u>\$9,329.81</u>

TIMBERLEE VALLEY SANITATION CO., INC.

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2018

Line No.	Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage or Adjustments (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Dec. 31 2018 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
												Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
1				-	-	\$0.00	\$0.00	-	0	0.00%	0.0	\$0.00	\$0.00	\$0.00	\$0.00
2	351.00	1995	Legal Document Prep for PUC/DEP	516	-	0	0	516	n/a	n/a	n/a	0.00	0.00	516.00	0.00
3	351.00	1996	DEP Initial Part II Permit	55	-	0	0	55	n/a	n/a	n/a	0.00	0.00	55.00	0.00
4	351.00	1997	PUC Application Process	1,869	-	0	0	1,869	n/a	n/a	n/a	0.00	0.00	1,869.00	0.00
5	351.00	2006	PUC Application A-230068F0003	37,961	-	0	0	37,961	n/a	n/a	n/a	0.00	0.00	37,961.00	0.00
6	353.00	1997	Lot No. 301/Deed	15,474	-	0	0	15,474	n/a	n/a	n/a	0.00	0.00	15,474.00	0.00
7	354.00	1997	Treatment Plant Bldg	6,297	-	0	0	6,297	50	2.00%	28.5	125.94	2,707.71	3,589.29	125.94
8	354.00	1997	Precast Concrete Tanks (6)	22,680	-	0	0	22,680	50	2.00%	28.5	453.60	9,752.40	12,927.60	453.60
9	354.00	1997	Precast Hoppers for Clarifiers (2)	1,600	-	0	0	1,600	50	2.00%	28.5	32.00	688.00	912.00	32.00
10	354.00	1997	Wall Fan & Thermostat	348	-	0	0	348	20	5.00%	0.0	0.00	348.00	0.00	0.00
11	354.00	1997	Wall Heater & 2 Circuits	200	-	0	0	200	20	5.00%	0.0	0.00	200.00	0.00	0.00
12	354.00	2002	Repair Shop & Storage Room	29,944	-	0	0	29,944	50	2.00%	33.5	598.88	9,881.52	20,062.48	598.88
13	354.00	2005	Pre Cast Concrete Tank	26,318	-	0	0	26,318	50	2.00%	36.5	526.36	7,105.86	19,212.14	526.36
14	354.00	2005	Pump Station Improvements	28,745	-	0	0	28,745	50	2.00%	36.5	574.90	7,761.15	20,983.85	574.90
15	354.00	2005	Land-Stone	3,248	-	0	0	3,248	50	2.00%	36.5	64.96	876.96	2,371.04	64.96
16	354.00	2007	Treatment Plant Expansion	40,594	-	0	0	40,594	50	2.00%	38.5	811.88	9,336.62	31,257.38	811.88
17	354.00	2008	Pump Station Improvements	10,543	-	0	0	10,543	50	2.00%	39.5	210.86	2,214.03	8,328.97	210.86
18	355.00	1997	Transfer Switch 200 AMP	2,965	-	0	0	2,965	20	5.00%	0.0	0.00	2,965.00	0.00	0.00
19	355.00	1997	Commercial Breaker Panel 200 AMP	1,244	-	0	0	1,244	20	5.00%	0.0	0.00	1,244.00	0.00	0.00
20	355.00	1997	Copper Wiring-to pump control panel 70 AW	300	-	0	0	300	20	5.00%	0.0	0.00	300.00	0.00	0.00
21	355.00	1997	Circuits Installed 220v-20 AMP (4)	780	-	0	0	780	20	5.00%	0.0	0.00	780.00	0.00	0.00
22	355.00	1997	Circuits Installed 210v-20 AMP (4)	400	-	0	0	400	20	5.00%	0.0	0.00	400.00	0.00	0.00
23	355.00	1997	GFI Circuits Installed-30 AMP (2)	326	-	0	0	326	20	5.00%	0.0	0.00	326.00	0.00	0.00
24	355.00	1997	Pull Box for Control Panel	120	-	0	0	120	20	5.00%	0.0	0.00	120.00	0.00	0.00
25	355.00	2000	Electric Overload Relay	119	-	0	0	119	20	5.00%	1.5	5.95	110.08	8.93	5.95
26	355.00	2005	Pump Stations Pwr Generation Equip.	8,540	-	0	0	8,540	20	5.00%	6.5	427.00	5,764.50	2,775.50	427.00
27	355.00	2005	Pump Station Fans	1,498	-	0	0	1,498	20	5.00%	6.5	74.90	1,011.15	486.85	74.90
28	360.00	2001	HDP Pipe - 1 1/2" (2,453 lf)	33,950	-	0	0	33,950	50	2.00%	32.5	679.00	11,882.50	22,067.50	679.00
29	360.00	2001	HDP Pipe - 2" (4,664 lf)	67,208	-	0	0	67,208	50	2.00%	32.5	1,344.16	23,522.80	43,685.20	1,344.16
30	360.00	2001	SRD Pipe - 2 1/2" (1,133 lf)	16,678	-	0	0	16,678	50	2.00%	32.5	333.56	5,837.30	10,840.70	333.56
31	360.00	2001	SDR Pipe - 3" (6,046 lf)	90,630	-	0	0	90,630	50	2.00%	32.5	1,812.60	31,720.50	58,909.50	1,812.60
32	360.00	2001	Ball Valve - 1 1/2" (2)	461	-	0	0	461	50	2.00%	32.5	9.22	161.35	299.65	9.22
33	360.00	2001	Ball Valve - 2" (4)	969	-	0	0	969	50	2.00%	32.5	19.38	339.15	629.85	19.38
34	360.00	2001	Ball Valve - 2 1/2"	231	-	0	0	231	65	1.54%	47.5	3.55	62.19	168.81	3.55
35	360.00	2001	Ball Valve - 3" (5)	1,297	-	0	0	1,297	65	1.54%	47.5	19.95	349.19	947.81	19.95
36	360.00	2001	Service Valves - 1 1/2" (68)	9,018	-	0	0	9,018	65	1.54%	47.5	138.74	2,427.92	6,590.08	138.74
37	360.00	2002	Boring Casings (8" at 35')	2,018	-	0	0	2,018	75	1.33%	58.5	26.91	443.96	1,574.04	26.91
38	360.00	2002	Concrete Encasement	1,080	-	0	0	1,080	75	1.33%	58.5	14.40	237.60	842.40	14.40
39	361.00	1996	SDR - 8" (1,187)	14,992	-	0	0	14,992	75	1.33%	52.5	199.89	4,497.60	10,494.40	199.89
40	361.00	1996	SDR - 6" (117)	1,592	-	0	0	1,592	75	1.33%	52.5	21.23	477.60	1,114.40	21.23
41	361.00	1996	Installed Manholes	6,450	-	0	0	6,450	75	1.33%	52.5	86.00	1,935.00	4,515.00	86.00
42	361.00	1997	SDR - 8" (5,190)	116,048	-	0	0	116,048	75	1.33%	53.5	1,547.31	33,267.09	82,780.91	1,547.31
43	361.00	1997	SDR - 6" (117)	1,526	-	0	0	1,526	75	1.33%	53.5	20.35	437.45	1,088.55	20.35
44	361.00	1997	Installed Manholes	26,074	-	0	0	26,074	75	1.33%	53.5	347.65	7,474.55	18,599.45	347.65
45	361.00	1999	SDR - 8" (837)	14,940	-	0	0	14,940	75	1.33%	55.5	199.20	3,884.40	11,055.60	199.20
46	361.00	1999	SDR - 6" (78)	2,098	-	0	0	2,098	75	1.33%	55.5	27.97	545.48	1,552.52	27.97
47	361.00	1999	Installed Manholes	8,750	-	0	0	8,750	75	1.33%	55.5	116.67	2,275.00	6,475.00	116.67
48	361.00	2000	SDR - 8" (4,452)	67,537	-	0	0	67,537	75	1.33%	56.5	900.49	16,659.13	50,877.87	900.49
49	361.00	2000	SDR - 6" (260)	5,294	-	0	0	5,294	75	1.33%	56.5	70.59	1,305.85	3,988.15	70.59
50	361.00	2000	Installed Manholes	22,875	-	0	0	22,875	75	1.33%	56.5	305.00	5,642.50	17,232.50	305.00
51	361.00	2007	Sewer Main Line Extension	6,669	-	0	0	6,669	50	2.00%	38.5	133.38	1,533.87	5,135.13	133.38
52	361.00	2008	Sewer Main Line Extension	4,047	-	0	0	4,047	50	2.00%	39.5	80.94	849.87	3,197.13	80.94
53	361.00	2009	Sewer Main Line Extension	4,673	-	0	0	4,673	50	2.00%	40.5	93.46	887.87	3,785.13	93.46
54	363.00	1995	Residential Service Connections (5)	200	-	0	0	200	75	1.33%	51.5	2.67	62.67	137.33	2.67
55	363.00	1997	Residential Service Connections (5)	250	-	0	0	250	75	1.33%	53.5	3.33	71.67	178.33	3.33
56	363.00	1999	Residential Service Connections (4)	300	-	0	0	300	75	1.33%	55.5	4.00	78.00	222.00	4.00

TIMBERLEE VALLEY SANITATION CO., INC.

Original Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2018

Line No.	Acct. Code	Date Acquired	Item Description	Original Cost	Additions	Retirements	Salvage or Adjustments	Adjusted Cost	Life	Depr. Rate %	Remaining Life	Twelve Months Ended Dec. 31 2018			Pro Forma Annualized Depreciation
												Annual Depreciation	Accumulated Depreciation	Remaining Basis	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
57	363.00	2000	Residential Service Connections (16)	1,440	-	0	0	1,440	75	1.33%	56.5	19.20	355.20	1,084.80	19.20
58	363.00	2002	Residential Service Connections (6)	726	-	0	0	726	75	1.33%	58.5	9.68	159.72	566.28	9.68
59	363.00	2003	Residential Service Connections (5)	750	-	0	0	750	75	1.33%	59.5	10.00	155.00	595.00	10.00
60	364.00	1997	Ultrasonic Flow Meter	6,500	-	0	0	6,500	20	5.00%	0.0	0.00	6,500.00	0.00	0.00
61	364.00	1997	Aluminum Flow Box	450	-	0	0	450	20	5.00%	0.0	0.00	450.00	0.00	0.00
62	364.00	1997	RACO Chatterbox/Dialer	2,300	-	0	0	2,300	20	5.00%	0.0	0.00	2,300.00	0.00	0.00
63	364.00	2003	Installed Flow Meter & Transensor	1,092	-	0	0	1,092	20	5.00%	4.5	54.60	846.30	245.70	54.60
64	364.00	1997	Submersible Decanting Pump 1/3Hp	1,050	-	0	0	1,050	20	5.00%	0.0	0.00	1,050.00	0.00	0.00
65	364.00	1997	Duplex Submersible FE Pumps 1/2Hp (2)	2,100	-	0	0	2,100	20	5.00%	0.0	0.00	2,100.00	0.00	0.00
66	364.00	1997	Spare Pump	1,050	-	0	0	1,050	20	5.00%	0.0	0.00	1,050.00	0.00	0.00
67	364.00	1997	Air Lift Sludge Pumps (2)	3,300	-	0	0	3,300	20	5.00%	0.0	0.00	3,300.00	0.00	0.00
68	364.00	1997	Froth Spray System	650	-	0	0	650	20	5.00%	0.0	0.00	650.00	0.00	0.00
69	380.00	1996	System Design	290	-	0	0	290	20	5.00%	0.0	0.00	290.00	0.00	0.00
70	380.00	1997	Revise Plant Plans	350	-	0	0	350	20	5.00%	0.0	0.00	350.00	0.00	0.00
71	380.00	1997	Disk Diffusers (6)	4,800	-	0	0	4,800	20	5.00%	0.0	0.00	4,800.00	0.00	0.00
72	380.00	1997	Barscreen	350	-	0	0	350	20	5.00%	0.0	0.00	350.00	0.00	0.00
73	380.00	1997	Surface Skimmer	450	-	0	0	450	20	5.00%	0.0	0.00	450.00	0.00	0.00
74	380.00	1997	Comminutor	4,800	-	0	0	4,800	20	5.00%	0.0	0.00	4,800.00	0.00	0.00
75	380.00	1997	Chlorinator	3,600	-	0	0	3,600	20	5.00%	0.0	0.00	3,600.00	0.00	0.00
76	380.00	1997	Roots Blower 5Hp (2)	6,000	-	0	0	6,000	20	5.00%	0.0	0.00	6,000.00	0.00	0.00
77	380.00	1997	Roots Blower 2Hp	1,600	-	0	0	1,600	20	5.00%	0.0	0.00	1,600.00	0.00	0.00
78	380.00	1997	Pressure Relief Valves (Air) (2)	3,400	-	0	0	3,400	20	5.00%	0.0	0.00	3,400.00	0.00	0.00
79	380.00	1997	Gate Valves (2)	866	-	0	0	866	20	5.00%	0.0	0.00	866.00	0.00	0.00
80	380.00	1997	Blower Control Panel	3,500	-	0	0	3,500	20	5.00%	0.0	0.00	3,500.00	0.00	0.00
81	380.00	1997	Chemical Feed Equipment	2,300	-	0	0	2,300	20	5.00%	0.0	0.00	2,300.00	0.00	0.00
82	380.00	2000	Baldor Motor 5Hp	600	-	0	0	600	20	5.00%	1.5	30.00	555.00	45.00	30.00
83	380.00	2000	Baldor Motor 2Hp	270	-	0	0	270	20	5.00%	1.5	13.50	249.75	20.25	13.50
84	380.00	2001	Permits, Applications & Planning Modules	2,905	-	0	0	2,905	50	2.00%	32.5	58.10	1,016.75	1,888.25	58.10
85	380.00	2002	On Site Well, Well Pump, Tank and Piping	1,500	-	0	0	1,500	50	2.00%	33.5	30.00	495.00	1,005.00	30.00
86	380.00	2005	Ultraviolet Equipment	6,254	-	0	0	6,254	20	5.00%	6.5	312.70	4,221.45	2,032.55	312.70
87	380.00	2005	Diffuser	522	-	0	0	522	20	5.00%	6.5	26.10	352.35	169.65	26.10
88	381.00	1997	Pipes & Couplings, Reloc. Drain Lines to Sewer Lines, and 3 PVC Plugs	1,297	-	0	0	1,297	50	2.00%	28.5	25.94	557.71	739.29	25.94
89	381.00	2002	500' U-Drain, Bore Pit for Centerline, 3 Brass Tees, 25 Stiffners, 2 Couplers, Vents, Surveys and Plumbing Supplies	2,588	-	0	0	2,588	50	2.00%	33.5	51.76	854.04	1,733.96	51.76
90	381.00	2005	Piping to Tank	1,665	-	0	0	1,665	50	2.00%	36.5	33.30	449.55	1,215.45	33.30
91	389.00	2005	Magnetic Locator	747	-	0	0	747	7	14.29%	0.0	0.00	747.00	0.00	0.00
92	390.00	1997	Computer System *	300	-	0	0	300	7	14.29%	0.0	0.00	300.00	0.00	0.00
93	390.00	1997	Computer Desk & Chair *	100	-	0	0	100	7	14.29%	0.0	0.00	100.00	0.00	0.00
94	390.00	1997	Office Desk & Chair *	200	-	0	0	200	7	14.29%	0.0	0.00	200.00	0.00	0.00
95	390.00	1997	Business Files Drawers *	250	-	0	0	250	7	14.29%	0.0	0.00	250.00	0.00	0.00
96	390.00	1997	Telephone Set w/ Answering Machine *	150	-	0	0	150	7	14.29%	0.0	0.00	150.00	0.00	0.00
97	390.00	1997	Calculator Machines (3) *	100	-	0	0	100	7	14.29%	0.0	0.00	100.00	0.00	0.00
98	390.00	1997	Copier *	300	-	0	0	300	7	14.29%	0.0	0.00	300.00	0.00	0.00
99	390.00	1997	Conference Desk & Chairs *	1,000	-	0	0	1,000	7	14.29%	0.0	0.00	1,000.00	0.00	0.00
100	390.00	2002	Cell Ohone for Operator *	40	-	0	0	40	7	14.29%	0.0	0.00	40.00	0.00	0.00
101	394.00	1997	Hach Co. Test Kit	232	-	0	0	232	7	14.29%	0.0	0.00	232.00	0.00	0.00
102	394.00	2003	Water Heater w/ Laundry Tray	244	-	0	0	244	7	14.29%	0.0	0.00	244.00	0.00	0.00
103	396.00	1997	Install Telephone in Pump House w/ 2 Jack:	235	-	0	0	235	7	14.29%	0.0	0.00	235.00	0.00	0.00
104				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
105				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
106				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
107			Total Plant Assets	\$845,752	\$0	\$0	\$0	\$845,752				\$13,143.71	\$286,634.86	\$559,117.14	\$13,143.71

* Shared by 6 affiliates with cost allocated accordingly

TIMBERLEE VALLEY SANITATION CO., INC.

Contributed Facilities Cost, Accumulated Depreciation, Remaining Basis, Book Depreciation and Pro Forma Annualized Depreciation Expense
For the Pro Forma Twelve Months Ended December 31, 2018

Line No.	Acct. Code	Date Acquired (1)	Item Description (2)	Original Cost (3)	Additions (4)	Retirements (5)	Salvage or Adjustments (6)	Adjusted Cost (7)	Life (8)	Depr. Rate % (9)	Remaining Life (10)	Twelve Months Ended Dec. 31 2018 Book Values For the Above Period			Pro Forma Annualized Depreciation (14)
												Annual Depreciation (11)	Accumulated Depreciation (12)	Remaining Basis (13)	
1				-	-	\$0.00	\$0.00	-	0	0.00%	0.0	\$0.00	\$0.00	\$0.00	\$0.00
2	354.00	2005	Pump Station Improvements	28,745	-	0	0	28,745	50	2.00%	36.5	574.90	7,761.15	20,983.85	574.90
3	354.00	2005	Land-Stone	3,248	-	0	0	3,248	50	2.00%	36.5	64.96	876.96	2,371.04	64.96
4	355.00	2005	Pump Stations Pwr Generation Equip.	8,540	-	0	0	8,540	20	5.00%	6.5	427.00	5,764.50	2,775.50	427.00
5	355.00	2005	Pump Station Fans	1,498	-	0	0	1,498	20	5.00%	6.5	74.90	1,011.15	486.85	74.90
6	360.00	2001	HDP Pipe - 1 1/2" (2,453 lf)	33,950	-	0	0	33,950	50	2.00%	32.5	679.00	11,882.50	22,067.50	679.00
7	360.00	2001	HDP Pipe - 2" (4,664 lf)	67,208	-	0	0	67,208	50	2.00%	32.5	1,344.16	23,522.80	43,685.20	1,344.16
8	360.00	2001	SRD Pipe - 2 1/2" (1,133 lf)	16,678	-	0	0	16,678	50	2.00%	32.5	333.56	5,837.30	10,840.70	333.56
9	360.00	2001	SDR Pipe - 3" (6,046 lf)	90,630	-	0	0	90,630	50	2.00%	32.5	1,812.60	31,720.50	58,909.50	1,812.60
10	360.00	2001	Service Valves - 1 1/2" (57)	7,604	-	0	0	7,604	65	1.54%	47.5	116.98	2,047.23	5,556.77	116.98
11	361.00	1996	SDR - 8" (1,187)	14,992	-	0	0	14,992	75	1.33%	52.5	199.89	4,497.60	10,494.40	199.89
12	361.00	1996	SDR - 6" (117)	1,592	-	0	0	1,592	75	1.33%	52.5	21.23	477.60	1,114.40	21.23
13	361.00	1996	Installed Manholes	6,450	-	0	0	6,450	75	1.33%	52.5	86.00	1,935.00	4,515.00	86.00
14	361.00	1997	SDR - 8" (5,190)	116,048	-	0	0	116,048	75	1.33%	53.5	1,547.31	33,267.09	82,780.91	1,547.31
15	361.00	1997	SDR - 6" (117)	1,526	-	0	0	1,526	75	1.33%	53.5	20.35	437.45	1,088.55	20.35
16	361.00	1997	Installed Manholes	26,074	-	0	0	26,074	75	1.33%	53.5	347.65	7,474.55	18,599.45	347.65
17	361.00	1999	SDR - 8" (837)	14,940	-	0	0	14,940	75	1.33%	55.5	199.20	3,884.40	11,055.60	199.20
18	361.00	1999	SDR - 6" (78)	2,098	-	0	0	2,098	75	1.33%	55.5	27.97	545.48	1,552.52	27.97
19	361.00	1999	Installed Manholes	8,750	-	0	0	8,750	75	1.33%	55.5	116.67	2,275.00	6,475.00	116.67
20	361.00	2000	SDR - 8" (4,452)	67,537	-	0	0	67,537	75	1.33%	56.5	900.49	16,659.13	50,877.87	900.49
21	361.00	2000	SDR - 6" (260)	5,294	-	0	0	5,294	75	1.33%	56.5	70.59	1,305.85	3,988.15	70.59
22	361.00	2000	Installed Manholes	22,875	-	0	0	22,875	75	1.33%	56.5	305.00	5,642.50	17,232.50	305.00
23	380.00	2005	Diffuser	522	-	0	0	522	20	5.00%	6.5	26.10	352.35	169.65	26.10
24	381.00	2005	Piping to Tank	1,665	-	0	0	1,665	50	2.00%	36.5	33.30	449.55	1,215.45	33.30
25				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
26				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
27				-	-	0	0	-		0.00%	0.0	0.00	0.00	0.00	0.00
28			Total Plant Assets	<u>\$548,464</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$548,464</u>				<u>\$9,329.81</u>	<u>\$169,627.64</u>	<u>\$378,836.36</u>	<u>\$9,329.81</u>

TIMBERLEE VALLEY SANITATION CO., INC.

SECTION K

**RATE DESIGN
&
PROOF OF REVENUE**


TIMBERLEE VALLEY SANITATION CO., INC.

Proof of Revenue Pro Forma Annualized Revenues Under Proposed Rates for the Twelve Months Ended December 31, 2018

	No. <u>Cust.</u>	No. <u>Units</u>	Billing <u>Cycle</u>	No. <u>Bills</u>	Flat <u>Rate</u>	Pro Forma Revenues 12/31/2018			Percent <u>Increase</u>
						<u>Proposed</u>	<u>Current</u>	<u>Increase</u>	
<u>Pro Forma w/2018 Proposed</u>									
Residential	94	94	12	1,128	\$75.00	\$84,600.00	\$62,040.00	\$22,560.00	36.36%
Total Residential Sales	<u>49</u>	<u>94</u>		<u>1,128</u>		<u>\$84,600.00</u>	<u>\$62,040.00</u>	<u>\$22,560.00</u>	36.36%
Commercial	0	0	12	0	\$0.00	0.00	0.00	0.00	0.00%
Total Commercial Sales	<u>0</u>	<u>0</u>		<u>0</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	0.00%
Total Operating Revenues per proposed rate design						<u>\$84,600.00</u>	<u>\$62,040.00</u>	<u>\$22,560.00</u>	36.36%
Increase Per Rate Study (See Sch. H-1)								<u>24,698.00</u>	
Comparison Rate Design Over/(Under) Rate Study Increase								<u>(\$2,138.00)</u>	
<u>Rate Design Analysis</u>									
Pro Forma Revenue Requirement Per Study - Sch. H-1				\$86,738					
Pro Forma Number of Monthly Bills Per Study				<u>1,128</u>					
Pro Forma Monthly Flat Rate Based Upon Study					\$76.90		\$55.00	\$21.90	39.82%
Proposed Moderated Monthly Rate					\$75.00		\$55.00	\$20.00	36.36%

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-3003104
Ray and Donna McCarthy	:	C-2018-3003507
	:	
v.	:	
	:	
Timberlee Valley Sanitation Company	:	

CERTIFICATE OF SERVICE


I hereby certify that I have this 25th day of September, 2018, served a true and correct copy of the foregoing Joint Petition for Settlement of Rate Investigation, upon the persons and in the manner indicated below:

VIA EMAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

The Honorable Katrina L. Dunderdale
Administrative Law Judge
Pennsylvania Public Utility Commission
Piatt Place
Suite 220
301 5th Avenue
Pittsburgh, PA 15222
kdunderdal@pa.gov

Carrie Wright, Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265
carwright@pa.gov

Ray and Donna McCarthy
260 Fassinger Road
Evans City, PA 16033
Raymondmccarthy16@msn.com



Thomas T. Niesen, Esquire
PA Attorney ID No. 31379