



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Kenneth R. Stark
Direct Dial: 717.237.5378
kstark@mcneeslaw.com

October 1, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Pennsylvania Public Utility Commission v. Eaton Sewer and Water Company, Inc.;
Docket Nos. R-2019-3009559 and R-2019-3009567 (Consolidated)

Please find attached for filing with the Pennsylvania Public Utility Commission the Joint Petition for Settlement in the above-referenced proceedings. As shown by the attached Certificate of Service, the statutory parties are being duly served with a copy of this filing. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

A handwritten signature in blue ink that reads 'Kenneth R. Stark'.

By

Kenneth R. Stark

Eaton Sewer & Water Company, Inc.

c: Administrative Law Judge Andrew Calvelli (via E-Mail and First-Class Mail)
Cynthia Lehman, Mediation Coordinator (via E-Mail and First-Class Mail)
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2019-3009559
	:	R-2019-3009567
	:	
Eaton Sewer & Water Company, Inc.	:	

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO THE HONORABLE ANDREW M. CALVELLI, ADMINISTRATIVE LAW JUDGE:

Eaton Sewer & Water Company, Inc. (together, "Eaton" or "Company" and individually, "Eaton Sewer" and "Eaton Water"), the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate (hereinafter collectively referred to as the "Joint Petitioners"), by their respective counsel, respectfully submit this Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") and respectfully request that the Administrative Law Judge ("ALJ"): (1) approve the resolution of this proceeding as set forth in this Joint Petition; and (2) recommend that the PUC adopt the Settlement and permit Eaton to implement rates to allow for the revenues reflected hereto in Appendices A–B, to become effective pursuant to the terms set forth in the Tariff Supplements in Appendices C–D, to terminate its investigations at Docket Nos. R-2019-3009559 and R-2019-3009567, and to mark the dockets closed. In support of their request, the Joint Petitioners state as follows:

I. BACKGROUND

1. Eaton is a public utility that provides water and wastewater service to approximately 131 water and wastewater customers in portions of Eaton Township, Wyoming County, Pennsylvania.

2. On April 29, 2019, Eaton Sewer filed at Docket No. R-2019-3009559 Supplement No. 2 to Wastewater – PA P.U.C. No. 3 ("Wastewater Supplement No. 2") proposing an annual increase in rates of \$73,973 (45%) to be effective August 1, 2019.

3. On April 29, 2019, Eaton Water filed at Docket No. R-2019-3009567 Supplement No. 2 to Water – PA P.U.C. No. 3 ("Water Supplement No. 2"), proposing an annual increase in rates of \$61,573 (35%) to be effective August 1, 2019.

4. On May 10, 2019, the OSBA filed Formal Complaints against Eaton Sewer and Eaton Water at Docket Nos. C-2019-3009809 and C-2019-3009811, respectively. On May 29, 2019, the OCA filed a Formal Complaint against Eaton Sewer at Docket No. C-2019-3010191 and Eaton Water at C-2019-3010186. On June 7, 2019, I&E filed a Notice of Appearance in Docket No. R-2019-3009559 and became active in both the water and wastewater rate proceedings.

5. By Order entered on May 23, 2019, the Commission suspended Sewer Supplement No. 2 and Water Supplement No. 2 by operation of law until March 1, 2020, and instituted an investigation to determine the lawfulness, justness and reasonableness of Eaton's existing and proposed rates, rules, and regulations contained in the Sewer and Water supplements. In addition, the Order assigned these proceedings to ALJ Andrew M. Calvelli for the prompt scheduling of hearings. These proceedings were also assigned to PUC Mediators Cynthia Lehman and Matthew Homsher for formal mediation.

6. On May 31, 2019, Eaton filed Tariff Wastewater Supplement No. 3 and Tariff Water Supplement No. 3 voluntarily suspending its Wastewater Supplement No. 2 and Water Supplement No. 2 for an additional 60 days, from March 1, 2020, to May 1, 2020, to facilitate mediation and possible settlement.

7. ALJ Calvelli presided over a Prehearing Conference held in Harrisburg on July 11, 2019. On that same day, PUC Mediator Lehman presided over a mediation conference among representatives from the Company, OCA, OSBA, and I&E.

8. On or around July 26, 2019, complaints against both Eaton Sewer and Eaton Water were filed by Michael Kelly at Docket Nos. C-2019-3011775 and C-2019-3011776. On or around August 29, 2019, complaints against both Eaton Sewer and Eaton Water were filed by Mark and Barbara Stamer at Docket Nos. C-2019-3012551 and C-2019-3012546.

9. On August 1, 2019, the parties participated in a second in-person mediation conference. On August 21, 2019, and September 4, 2019, the parties participated in mediation teleconferences.

10. As a result of the mediation conferences, the Joint Petitioners were able to agree to the Settlement as set forth herein. While the Joint Petitioners acknowledge that they have not sought, nor would they be able, to agree upon the specific rate case adjustments that support their respective conclusions, they are in full agreement that this Settlement is in the best interest of the Company and its customers and, therefore, is in the public interest.

II. TERMS AND CONDITIONS

11. Revenue Requirement

a. Upon the Commission's approval of this Joint Petition, Eaton Sewer will be permitted to charge the rates for wastewater service to provide for the revenues set forth in the Statement of Revenues in Appendix A (hereinafter, the "Wastewater Settlement Rates").¹ The Wastewater Settlement Rates are designed to produce \$42,006 in additional total annual operating revenue based on present rate annual revenues of \$164,472. Settlement Rates for Eaton Sewer are designed to result in total annual revenue of \$206,478 from customers, which is an increase in annual revenues by approximately 25.5%. The Tariff Supplement for the Wastewater Settlement Rates in Appendix C shall become effective upon one day's notice of the entry of a Commission order approving the Joint Petition, but no earlier than January 1, 2020.

b. Upon the Commission's approval of this Joint Petition, Eaton Water will be permitted to charge the rates for water service to provide for the revenues set forth in the Statement of Revenues in Appendix B (hereinafter, the "Water Settlement Rates").² The Water Settlement Rates are designed to produce \$10,028 in additional total annual operating revenue based on present rate annual revenues of \$174,499. Settlement Rates for Eaton Water are designed to result in total annual revenue of \$184,526 from customers, which is an increase in annual revenues by approximately 5.7%. The Tariff Supplement for the Water Settlement Rates in Appendix D shall become effective upon one day's notice of the entry of a Commission order approving the Joint Petition, but no earlier than January 1, 2020.

¹ Pursuant to this Joint Petition, Eaton is canceling Tariff Supplement – Wastewater Pa. PUC Nos. 2 and 3. Eaton is filing Tariff- Water Pa. PUC No. 4, which is attached as Appendix C.

² Pursuant to this Joint Petition, Eaton is canceling Tariff Supplement – Water Pa. PUC Nos. 2 and 3. Eaton is filing

c. This Settlement is not premised upon any inclusion in rate base of a "utility plant acquisition adjustment" related to the acquisition of Eaton from Eaton Hills, Inc.

d. Within thirty (30) days after completion of the capital projects required for compliance with the Company's approved Uninterrupted System Service Plan, Eaton will provide the Bureau of Technical Utility Services ("TUS") and the signatory parties to this Settlement with copies of final invoices and proof of payment for the completed projects.

12. Petitioners respectfully request that the Commission approve this Settlement expeditiously. Upon the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file wastewater and water tariff supplements in the form set forth in Appendices C and D to become effective upon one day's notice, but no earlier than January 1, 2020.

13. Rate Design/Revenue Allocation

a. The parties agree to the wastewater rates and resulting revenues set forth in Appendix A (Statement of Revenues).

b. The parties agree to the water rates and resulting revenues set forth in Appendix B (Statement of Revenues).

c. The parties agree to the wastewater rates set forth in Appendix C (Wastewater Tariff).

d. The parties agree to the water rates set forth in Appendix D (Water Tariff).

e. Eaton agrees that, prior to its next base rate filing, the Company will examine the viability of implementing separate rates for small and large commercial customers. Eaton will provide its findings with respect to the viability of this proposal as part of its next base rate filing.

Tariff- Water Pa. PUC No. 4, which is attached as Appendix D.

14. The Company agrees to update the 2007 chlorination report agreed to by the parties as part of the settlement achieved in Eaton's last water base rate proceeding at Docket No. R-00061646. The Company will provide the new report to TUS and the signatory parties within ninety (90) days following the date of a Commission order approving this proposed Settlement. In preparing the new chlorination report, the Company will review its chlorination practices to ensure an optimal level of chlorine from a safety perspective, while considering the impact on the water provided at the tap. The report will:

- a. Describe the Company's review and analysis of its current chlorination practices;
- b. Explain whether the Company is using the same chlorination process discussed in the 2007 report, and, if the process has changed, identify the changes; and
- c. The new report will specify the designated points in the distribution system where chlorination levels are tested, in addition to providing the monthly results of those tests.

15. The Company agrees to investigate complainants Mark and Barbara Stamer's claim that their water has an unpleasant chlorine taste. As part of that investigation, Eaton agrees to the following:

- a. As soon as reasonably practicable, Eaton will contact the complainants to make arrangements to test chlorine levels at an outside tap at the Stamer's home.
- b. Eaton will test the chlorine levels at this outside tap at least three (3) times over a period of at least three (3) weeks.

c. Within ninety (90) days following the entry date of an Order approving this Settlement, Eaton will report to TUS, the signatory parties and the complainants regarding the chlorine test results and any steps taken by the Company to address this claim.

16. The Joint Petitioners recognize that this Joint Petition does not bind formal complainants that have not joined herein. The Joint Petition and the attached Appendices, including any Statements in Support, are being served upon all formal complainants. The OCA will also send a letter with the Joint Petition to the two formal customer complainants in this proceeding. The letter notification will specifically provide that the formal customer complainants may file comments to this Joint Petition within fourteen (14) days of service of the Joint Petition. Nothing herein is intended to limit in any way any position that any Joint Petitioner may have or take concerning any comment to the Joint Petition filed by a customer complainant.

17. By their agreement to this Settlement, the Joint Petitioners do not waive and expressly reserve their rights in any subsequent case to litigate issues pertaining to the issues mentioned above.

III. PUBLIC INTEREST CONSIDERATIONS

18. Eaton, I&E, OSBA, and OCA have each prepared and attached to this Joint Petition, Statements in Support identified as Appendices E, F, G, and H, setting forth the bases upon which they believe the Settlement is fair, just, reasonable, non-discriminatory, lawful, and in the public interest.

a. The Settlement provides for an increase in annual operating revenues of \$42,006, which is approximately 56.7% of Eaton's overall requested rate increase of \$73,973 for wastewater operating revenues.

b. The Settlement provides for an increase in annual operating revenues of \$10,028, which is approximately 16.2% of Eaton's overall requested rate increase of \$61,573 for water operating revenues.

c. Acceptance of the Settlement will avoid the necessity of further administrative and possible appellate proceedings at substantial cost to the Joint Petitioners and the Company's customers.

IV. ADDITIONAL TERMS AND CONDITIONS

19. This Settlement is proposed by the Joint Petitioners to settle the instant cases and is made without any admission against, or prejudice to, any position that any Joint Petitioner might adopt during subsequent litigation, including further litigation in this case. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within three (3) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement, or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate these cases including, but not limited to, presentation of witnesses, cross-examination, and legal argument through submission of Brief, Reply Brief, Exceptions and Reply Exceptions.

20. If the ALJ, in his Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any

modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJ in his Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that:

1. Administrative Law Judge Calvelli and the Commission approve the Settlement as embodied in this Joint Petition, including all terms and conditions thereof;
2. The Commission find the Wastewater and Water Settlement Rates to be just and reasonable and grant the Company permission to file the Tariffs attached hereto as Appendices C and D upon entry of a Commission Order to become effective as expeditiously as possible, but no earlier than January 1, 2020; and

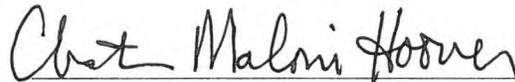
3. The Commission terminate the inquiries and investigations at Docket Nos. R-2019-3009559 and R-2019-3009567, mark the Formal Complaints of OSBA at Docket Nos. C-2019-3009809 and C-2019-3009811 and OCA at Docket Nos. C-2019-3010191 and C-2019-3010186 as satisfied and closed, and close the customer complainants in Docket Nos. C-2019-3011775, C-2019-3011776, C-2019-3012551 and C-2019-3012546.

Respectfully submitted,



Charis Mincavage
Kenneth R. Stark
McNEES WALLACE & NURICK LLC
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
kstark@mcneeslaw.com

Counsel to Eaton



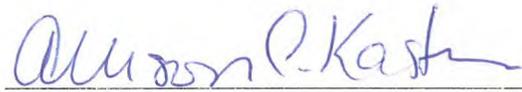
Christine Maloni Hoover
Erin L. Gannon
Lauren E. Guerra
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
CHoover@paoca.org
EGannon@paoca.org
LGuerra@paoca.org

Counsel to OCA



Shelby A. Linton-Keddie
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101
slinton-ke@pa.gov

Counsel to OSBA



Allison C. Kaster
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, PA 17105-3265
akaster@pa.gov

Counsel to I&E

Dated: October 1, 2019

APPENDIX A

Name of Utility: EATON SEWER & WATER CO., INC. (WASTEWATER DIVISION)

Statements of Revenues

Per Billing Analysis

CUSTOMER CLASS	9/6/2019		
	Totals as <u>Annualized</u> (1)	Settlement <u>Increase</u> (2)	Totals after <u>Increase</u> (3)=(1)+(2)
Metered Sales:			
522.1 Residential	\$ 37,494	\$ 10,868	\$ 48,362
522.2 Commercial	\$ 126,186	\$ 30,874	\$ 157,060
522.3 Industrial	\$ -		\$ -
	\$ -		\$ -
SUB-TOTAL	\$ 163,680	\$ 41,742	\$ 205,422
Unmetered Sales:			
521.1 Residential	\$ -		\$ -
521.2 Commercial	\$ -		\$ -
521.3 Industrial	\$ -		\$ -
521.6 Other (Availability)	\$ -		\$ -
	\$ -		\$ -
	\$ -		\$ -
SUB-TOTAL	\$ -	\$ -	\$ -
532.0 Penalties and Forfeitures	\$ -		\$ -
536.0 Other Revenue	\$ 792	\$ 264	\$ 1,056
TOTAL REVENUE	\$ 164,472	\$ 42,006	\$ 206,478

Name of Utility: EATON SEWER & WATER CO., INC. (WASTEWATER DIVISION)

9/6/2019

	<u>Current</u>	<u>Settlement</u>	<u>Increase in Revenues</u>
<u>RESIDENTIAL</u>			
Residential Gallons for 2018	3,278,645	3,278,645	
Divided by 1,000	<u> / 1,000</u>	<u> / 1,000</u>	
	3,279	3,279	
Rate	<u> 9.13</u>	<u> 11.83</u>	
	29,934	38,786	
Monthly rate charge	105	105	
	\$6.00	7.60	
	<u> 7,560</u>	<u> 9,576</u>	
PROJECTED WASTEWATER REVENUE	<u> 37,494</u>	<u> 48,362</u>	
INCREMENTAL INCREASE IN REVENUE-RESIDENTIAL			10,868
<u>COMMERCIAL</u>			
Commercial Gallons for 2018:			
Up to 50,000	3,355,316	3,355,316	
Divided by 1,000	<u> / 1,000</u>	<u> / 1,000</u>	
	3,355	3,355	
Rate	<u> 21.37</u>	<u> 23.71</u>	
	<u> 71,703</u>	<u> 79,555</u>	
Over 50,000	4,375,000	4,375,000	
Divided by 1,000	<u> / 1,000</u>	<u> / 1,000</u>	
	4,375	4,375	
Rate	<u> 11.59</u>	<u> 16.51</u>	
	<u> 50,706</u>	<u> 72,231</u>	
Total Water Revenue-Usage Rate	122,409	151,786	
Monthly rate charge	25	25	
	12.59	17.58	
	<u> 3,777</u>	<u> 5,274</u>	
PROJECTED WASTEWATER REVENUE	<u> 126,186</u>	<u> 157,060</u>	
INCREMENTAL INCREASE IN REVENUE-COMMERCIAL			30,874
<u>AVAILABILITY FEES</u>			
Number of Available Lots	11	11	
Monthly Charge	<u> 6</u>	<u> 8.00</u>	
Monthly Fee	66	88.00	
	<u> x 12</u>	<u> x 12</u>	
Annual Availability Fees	<u> 792</u>	<u> 1,056</u>	264
INCREMENTAL INCREASE IN TOTAL WASTEWATER REVENUE			42,006
	164,472	206,478	

APPENDIX B

Name of Utility: EATON SEWER & WATER CO., INC. (WATER DIVISION)

Statements of Revenues
Per Billing Analysis

<u>CUSTOMER CLASS</u>	<u>Totals as Annualized</u> (1)	9/6/2019 Settlement Increase (2)	<u>Totals after Increase</u> (3)=(1)+(2)
Metered Sales:			
461.1 Residential	\$ 28,084	\$ 2,171	\$ 30,255
461.2 Commercial	\$ 136,754	\$ 6,908	\$ 143,662
461.3 Industrial	\$ -		\$ -
461.6 Other	\$ -		\$ -
SUB-TOTAL	\$ 164,838	\$ 9,080	\$ 173,917
Unmetered Sales:			
460.1 Residential	\$ -		\$ -
460.2 Commercial	\$ -		\$ -
460.3 Industrial	\$ -		\$ -
462.1 Public Fire	\$ -		\$ -
462.2 Private Fire	\$ -		\$ -
468.0 Other	\$ -		\$ -
SUB-TOTAL	\$ -	\$ -	\$ -
470.0 Penalties and Forfeiture:	\$ -		\$ -
474.0 Other Revenue	\$ 9,661	\$ 948	\$ 10,609
TOTAL REVENUE	\$ 174,499	\$ 10,028	\$ 184,526

<u>Name of Utility: EATON SEWER & WATER CO., INC. (WATER DIVISION)</u>			
	9/6/2019		
	<u>Current</u>	<u>Settlement</u>	<u>Increase in Revenues</u>
RESIDENTIAL			
Residential Gallons for 2018	3,278,645	3,278,645	
Divided by 1,000	<u>/ 1,000</u>	<u>/ 1,000</u>	
	3,279	3,279	
Rate	<u>6.26</u>	<u>6.73</u>	
Total Water Revenue-Usage Rate	20,524	22,065	1,541
Monthly rate charge (percentage increase)	105	105	
	6.00	6.50	
	<u>7.560</u>	<u>8.190</u>	<u>630</u>
PROJECTED WATER REVENUE	28,084 A	30,255	
INCREMENTAL INCREASE IN REVENUE-RESIDENTIAL			2,171
COMMERCIAL			
Commercial Gallons for 2018:			
Up to 50,000	3,355,316	3,355,316	
Divided by 1,000	<u>/ 1,000</u>	<u>/ 1,000</u>	
	3,355	3,355	
Rate	<u>21.69</u>	<u>21.83</u>	
	<u>72,777</u>	<u>73,247</u>	
Over 50,000	4,375,000	4,375,000	
Divided by 1,000	<u>/ 1,000</u>	<u>/ 1,000</u>	
	4,375	4,375	
Rate	<u>13.71</u>	<u>15.10</u>	
	<u>59,981</u>	<u>66,063</u>	
Total Water Revenue-Usage Rate	132,758	139,309	6,551
Monthly rate charge (percentage increase)	25	25	
	13.32	14.51	
	<u>3,996</u>	<u>4,353</u>	<u>357</u>
PROJECTED WATER REVENUE	136,754 B	143,662	
INCREMENTAL INCREASE IN REVENUE-COMMERCIAL			6,908
OTHER WATER REVENUES			
	<u>Current</u>	<u>Settlement</u>	<u>Increase in Revenues</u>
HYDRANT CHARGES			
Number of Hydrants	21	21	
Quarterly Charge	<u>62.50</u>	<u>66.06</u>	
Quarterly Fee	1,312.50	1,387.26	
	<u>x 4</u>	<u>x 4</u>	
Annual Hydrant Fees	<u>5,250</u>	<u>5,549</u>	299
SPRINKLER CHARGES			
Number of Sprinklers	2,513	2,513	
Monthly Charge	<u>0.12</u>	<u>0.14</u>	
Monthly Fee	301.56	351.82	
	<u>x 12</u>	<u>x 12</u>	
Annual Sprinkler Fees	<u>3,619</u>	<u>4,222</u>	603
AVAILABILITY FEES			
Number of Available Lots	11	11	
Monthly Charge	<u>6</u>	<u>6.35</u>	
Monthly Fee	66	69.85	
	<u>x 12</u>	<u>x 12</u>	
Annual Sprinkler Fees	<u>792</u>	<u>838</u>	46
INCREMENTAL INCREASE IN OTHER WATER REVENUE			948
INCREMENTAL INCREASE IN TOTAL WATER REVENUE			10,028

APPENDIX C

EATON SEWER & WATER COMPANY, INC.
RATES, RULES AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER IN PORTIONS OF
EATON TOWNSHIP, WYOMING COUNTY, PENNSYLVANIA

NOTICE

This Tariff increases existing rates.

Issued By:
Jack Middleton
5468 Station Hill Road
Nicholson, PA 18446

LIST OF CHANGES

Supplement No. XX increases jurisdictional rates effective XXXXX, as follows:

- Page No. 3 Increases base wastewater usage rates per month, customer charges per month and availability fees per month (assessed quarterly) for all Residential and Commercial customers.

RATES

Residential

The rate for all wastewater service shall be measured by metered water usage and charged at the rate of eleven dollars and eighty-three cents (\$11.83) per one thousand (1,000) gallons. (I)

In addition, all residential customers will pay a monthly fee of seven dollars and sixty cents (\$7.60). (I)

Commercial

The rate for all wastewater service shall be measured by metered water usage and charged at the rate of twenty-three dollars and seventy-one cents (\$23.71) per one thousand (1,000) gallons for the first fifty thousand (50,000) gallons and sixteen dollars and fifty-one cents (\$16.51) thereafter. (I)

In addition, all commercial customers will pay a monthly fee of seventeen dollars and fifty-eight cents (\$17.58). (I)

Availability Fee

The Availability Fee for all customers receiving Availability Fee Service is eight dollars (\$8.00) per month. (I)

(C) Indicates Change (I) Indicates Increase

Issued: XXXXX

Effective: XXXXX

APPENDIX D

EATON SEWER & WATER COMPANY, INC.
RATES, RULES AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER IN PORTIONS OF
EATON TOWNSHIP, WYOMING COUNTY, PENNSYLVANIA

NOTICE

This Tariff increases existing rates.

Issued By:
Jack Middleton
5468 Station Hill Road
Nicholson, PA 18446

LIST OF CHANGES

Supplement No. XX increases jurisdictional rates effective XXXXX, as follows:

- Page No. 3 Increases base water usage rates per month, customer charges per month, availability fees per month (assessed quarterly), and sprinkler rates per month (assessed quarterly) for all Residential and Commercial customers.

- Page No. 4 Increases fire protection systems rates per month (assessed quarterly) for all Residential and Commercial customers.

RATES

Residential

Rates for all water service to residential customers will be six dollars and seventy-three cents (\$6.73 per one thousand (1,000) gallons. (I)
(I)

In addition, all residential customers will pay a monthly fee of seven dollars and sixty cents (\$6.50). (I)
(I)

Commercial

Rates for all water service to commercial entities will be twenty-one dollars and eighty-three cents (\$21.83) per one thousand (1,000) gallons for the first fifty thousand (50,000) gallons and fifteen dollars and ten cents (\$15.10) thereafter. (I)
(I)

In addition, all commercial customers will pay a monthly fee of fourteen dollars and fifty-one cents (\$14.51). (I)
(I)

Availability Fee

The Availability Fee for all customers receiving Availability Fee Service is six dollars and thirty-five cents (\$6.35) per month. (I)
(I)

Sprinklers

The rates for sprinklers will be fourteen cents (\$0.14) per sprinkler per month. (I)

(I) Indicates Increase

Issued: XXXXX

Effective: XXXXX

RATES (CONTINUED)

Fire Protection Service

The annual rate for each fire hydrant shall be two-hundred and sixty-four dollars (l)
and twenty-four cents (\$264.24), which sum shall be assessed quarterly at the rate (l)
of sixty-six dollars and six cents (\$66.06) per hydrant. (l)

The annual rate for each private fire protection system (*e.g.*, sprinkler system) shall
be two-hundred and sixty-four dollars and twenty-four cents (\$264.24), which sum (l)
shall be assessed quarterly at the rate of sixty-six dollars and six cents (\$66.06) (l)
per stand-by system.

(l) Indicates Increase

Issued: XXXXX

Effective: XXXXX

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2019-3009559
	:	R-2019-3009567
	:	
Eaton Sewer & Water Company, Inc.	:	

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION OF EATON SEWER & WATER COMPANY, INC.**

On October 1, 2019, Eaton Sewer & Water Company, Inc. (together, "Eaton" or "Company" and individually, "Eaton Sewer" and "Eaton Water"), the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (hereinafter collectively referred to as the "Joint Petitioners"), submitted to the Commission a Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") proposing a negotiated resolution of all outstanding issues in the above-captioned proceedings. Eaton hereby provides this Statement in Support that explains the background and provisions of the Joint Petition, and sets forth the reasons that approval, without modification, of the Joint Petition is in the public interest.

I. BACKGROUND

On April 29, 2019, Eaton Sewer filed at Docket No. R-2019-3009559 Supplement No. 2 to Wastewater – PA P.U.C. No. 3 ("Wastewater Supplement No. 2"), requesting an increase in its total annual operating revenues of \$73,973 (45%) effective August 1, 2019.

On April 29, 2019, Eaton Water filed at Docket No. R-2019-3009567 Supplement No. 2 to Water – PA P.U.C. No. 3 ("Water Supplement No. 2"), requesting an increase in its total annual operating revenues of \$61,573 (35%) effective August 1, 2019.

On May 10, 2019, the OSBA filed Formal Complaints against Eaton Sewer and Eaton Water at Docket Nos. C-2019-3009809 and C-2019-3009811, respectively. On May 29, 2019, the OCA filed a Formal Complaint against Eaton Sewer at Docket No. C-2019-3010191 and Eaton Water at C-2019-3010186. On June 7, 2019, I&E filed a Notice of Appearance in Docket No. R-2019-3009559 and became active in both the water and wastewater rate proceedings.

By Order entered on May 23, 2019, the Commission suspended Sewer Supplement No. 2 and Water Supplement No. 2 by operation of law until March 1, 2020, and instituted an investigation to determine the lawfulness, justness and reasonableness of Eaton's existing and proposed rates, rules and regulations contained in the Sewer and Water supplements. In addition, the Order assigned these proceedings to Administrative Law Judge ("ALJ") Andrew M. Calvelli for the prompt scheduling of hearings. These proceedings were also assigned to PUC Mediators Cynthia Lehman and Matthew Homsher for formal mediation.

On May 31, 2019, Eaton filed tariff supplements voluntarily suspending its Wastewater Supplement No. 2 and Water Supplement No. 2 for an additional 60 days, from March 1, 2020, to May 1, 2020, to facilitate mediation and possible settlement.

ALJ Calvelli presided over a Prehearing Conference held in Harrisburg on July 11, 2019. On that same day, PUC Mediator Lehman presided over a mediation conference between representatives from the Company, OCA, OSBA, and I&E.

On or around July 26, 2019, complaints against both Eaton Sewer and Eaton Water were filed by Michael Kelly at Docket Nos. C-2019-3011775 and C-2019-3011776. On or around August 29, 2019, complaints were filed by Mark and Barbara Stamer at Docket Nos. C-2019-3012551 and C-2019-3012546.

On August 1, 2019, the parties participated in a second in-person mediation conference. On August 21, 2019, and September 4, 2019, the parties participated in mediation teleconferences.

As a result of the mediation conferences, the Joint Petitioners were able to reach a consensus settlement in principle to resolve all issues in these proceedings, which was subsequently memorialized in the Joint Petition.

II. STATEMENT IN SUPPORT

The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, Joint Petitioners engaged in negotiations in an effort to settle the issues raised by the complainants. These ongoing discussions produced the Joint Petition submitted on September 30, 2019.

Specifically, the Settlement recognizes that approval of the proposed Joint Petition is the product of compromise that is in the best interest of all parties involved. For example, the Settlement implements rates that are just, reasonable, and appropriate. Although Eaton has not sought a rate increase since 2007 and believes that the Commission would find it is entitled to receive all or a substantial portion of its requested sewer increase of \$73,973 and water increase of \$61,573 if these proceedings were fully litigated, Eaton has agreed to accept a wastewater increase

of \$42,006 and a water increase of only \$10,028 in the interest of avoiding the expense and uncertainty of continued litigation. Eaton's customers and all parties involved thus benefit from this Settlement.

Additionally, this Settlement permits Eaton to file, upon Commission approval, wastewater and water tariff supplements to become effective on one day's notice, but no earlier than January 1, 2020.

The Joint Petition also provides that, prior to its next base rate filing, Eaton will examine the viability of implementing separate rates for small and large commercial customers and will provide its findings with respect to the viability of this proposal as part of its next base rate filing.

Moreover, the Settlement provides that the Company will update the 2007 chlorination report of its most recent rate case at Docket No. R-00061646. In preparing the new report, the Company will review its chlorination practices to ensure an optimal level of chlorine from a safety perspective, while considering the impact on the water provided at the tap. Eaton will provide the new report to the Commission's Bureau of Technical Utility Services ("TUS") and the signatory parties within ninety (90) days following the entry date of a Commission order approving the Settlement.

Finally, the Settlement addresses the customer complainants' concerns by providing that Eaton will investigate the claim by complainants Mark and Barbara Stamer that their water has an unpleasant chlorine taste.

Accordingly, Eaton submits that the Joint Petition is in the public interest and adheres to the Commission's policies promoting negotiated settlements. The Joint Petition was achieved after numerous and extensive settlement discussions. While Joint Petitioners have invested considerable time and resources in the negotiation of the Joint Petition, this process has allowed the parties, and

the Commission, to avoid expending the substantial resources that would have been required to fully litigate these proceedings to reach a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to these disputes as embodied in the Joint Petition. Approval of the Joint Petition for Settlement of Rate Investigation will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation. *See* 52 Pa. Code § 69.391.

WHEREFORE, for the public interest considerations set forth herein, Eaton Water & Sewer Company, Inc., respectfully requests that the Commission adopt the Joint Petition for Settlement of Rate Investigation, without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
Charis Mincavage (P.A. I.D. No. 82309)
Kenneth R. Stark (P.A. I.D. No. 312945)
100 Pine Street, P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: 717-232-8000
Fax: 717-237-5300
cmincavage@mcneeslaw.com
kstark@mcneeslaw.com

Dated: October 1, 2019

APPENDIX F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:		
	:		
v.	:	Docket No.	R-2019-3009559
	:		R-2019-3009567
Eaton Sewer and Water Company, Inc.	:		

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

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

I. INTRODUCTION

On April 29, 2019, Eaton Sewer & Water Company, Inc. (Eaton or Company) filed Supplement No. 2 to Water – PA P.U.C. No. 3 (Water Supplement No. 2) and Supplement No. 2 to Wastewater – PA P.U.C. No. 3 (Wastewater Supplement No. 2) with the Pennsylvania Public Utility Commission (Commission), to become effective August 1, 2019. Through these filings, Eaton requested that the Commission approve changes in water and wastewater rates which would increase the Company’s annual operating revenues by \$61,573, or 35%, for water service and by \$73,973, or 45%, for wastewater service.

Under the Company’s proposal, the average monthly bill for a residential water customer using 5,000 gallons per month would increase by \$13.05, from \$37.30 to \$50.35. The average monthly bill for a residential wastewater customer would increase by \$23.25, from \$51.65 to \$74.90. The Company serves approximately 131 customers, 106 of which are residential and 25

of which are commercial, in portions of Eaton Township in Wyoming County, Pennsylvania.

On May 29, 2019, the OCA filed Formal Complaints docketed at C-2019-3010186 (water) and C-2019-3010191 (wastewater) against the proposed rate increases. The Office of Small Business Advocate filed Formal Complaints on May 10, 2019. On July 26, 2019, Michael Kelly filed Formal Complaints against the proposed rate increases docketed at C-2019-3011775 (wastewater) and C-2019-3011776 (water). On August 29, 2019, Mark and Barbara Stamer filed Formal Complaints against the proposed rate increases docketed at C-2019-3012551 (wastewater) and C-2019-3012546 (water).

By Order entered on May 31, 2019, the Commission suspended the effective date of the rate increases proposed in Water Supplement No. 2 and Wastewater Supplement No. 2, from August 1, 2019 to May 1, 2020.

The Commission assigned the case to Administrative Law Judge Andrew Calvelli. An in-person prehearing conference was held on July 11, 2019, immediately followed by a mediation session, in which the Company, OSBA, I&E and OCA participated. A second in-person mediation session with those parties present was held on August 1, 2019. On August 21, 2019 and September 4, 2019, the third and fourth mediation sessions were held telephonically. As a result of these discussions, the signatory parties were able to reach an agreement in principle to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. SETTLEMENT TERMS AND CONDITIONS

A. Revenue Increase and Allocation

The proposed Settlement provides for an overall increase in annual water revenues of \$10,000 and annual wastewater revenues of \$42,000. Settlement ¶¶ II.11.a and II.11.b. This compromise represents a 61.6% reduction from the Company's combined original rate increase request.

Under the proposed Settlement, a bill for a typical residential water customer using 5,000 gallons of water per month would increase from \$37.30 to \$40.15, or by 7.6%, rather than to \$50.35 (35%) as originally proposed by the Company. Settlement, Appendix B. Additionally, a bill for a typical wastewater customer using 5,000 gallons of water per month would increase from \$51.65 to \$66.75, or by 29.2%, rather than to \$74.90 (45%), as originally requested by Eaton. Settlement, Appendix A.

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

B. Quality of Service

In this proceeding, concerns were raised regarding the level of chlorine in the water. Pursuant to the Settlement, the Company will test chlorine levels at the home of Formal Complainants Mark and Barbara Stamer and provide a report to all parties regarding the results and steps taken by the Company to address the complaint. Also, the Company will review its chlorination practices to ensure an optimal level of chlorine from a safety perspective while

considering the impact on the water provided at the tap, and provide a report to all parties. Settlement ¶¶ II.14.a through c, II.15.a through c. The Company is required to provide the report to the Commission's Bureau of Technical Utility Services (TUS) and all parties within ninety (90) days following the entry date of the PUC Order approving the Settlement. Settlement ¶¶ II.14.a through c, II.15.a through c.

Pursuant to Pennsylvania Department of Environmental Protection requirements, Eaton must have adequate power sources to ensure uninterrupted system service to users. 25 Pa. Code § 109.708; 48 Pa.B. 4974. As part of the Settlement, the Company will notify the signatory parties when it has complied with its DEP-approved Uninterrupted System Service Plan and will provide copies of invoices for its actual costs. Settlement ¶ 11.d.

Both of these Settlement provisions are in the public interest, because they help to ensure that that customers are receiving safe, adequate and uninterrupted service.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of these rate proceedings represent a fair and reasonable resolution of the issues and claims raised by the OCA. If approved, the proposed Settlement would provide for a combined increase of approximately \$52,000 in annual revenues. This amount is reduced from the \$135,546 annual increase proposed in Eaton's filing. In addition, customers will benefit from the provisions addressing service quality issues. Finally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

Respectfully Submitted,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-mail: CHoover@paoca.org

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
E-mail: EGannon@paoca.org

Lauren Guerra
Assistant Consumer Advocate
PA Attorney I.D. # 323192
E-Mail: LGuerra@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

October 1, 2019
278126

APPENDIX G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Eaton Sewer & Water Company, Inc.

Docket No. R-2019-3009559
R-2019-3009567

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

TO ADMINISTRATIVE LAW JUDGE ANDREW CALVELLI:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through Prosecutor Allison C. Kaster, hereby respectfully requests that the terms and conditions of the foregoing Joint Petition for Settlement (“Joint Petition” or “Settlement”) be approved by Administrative Law Judge Andrew Calvelli (“ALJ”) and the Commission without modification. I&E submits that the terms and conditions of the Settlement are in the public interest for the following reasons:

I. INTRODUCTION

On April 29, 2019, Eaton Sewer and Water Company, Inc. (“Eaton” or “Company”) filed Supplement No. 2 to Tariff Water - Pa. P.U.C. No. 3 requesting an increase to total annual operating revenues by \$61,573, or 34.75%. On the same date, Eaton filed Supplement No. 2 to Tariff Wastewater - Pa. P.U.C. No. 3 requesting an increase to total annual operating revenues by \$73,973 or 45.14%. By order entered May 23, 2019, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the Company’s existing and proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filings were suspended by operation of law until March 1, 2020, unless permitted by Commission Order to become effective at an earlier date. Due to the parties’ agreement to engage in mediation, the Company voluntarily agreed to extend the Tariff suspensions by an additional two months until May 1, 2020.

The Office of Small Business Advocate filed its Formal Complaint on May 10, 2019 and the Office of Consumer Advocate filed its Formal Complaint on May 29, 2019. I&E filed its Notice of Appearance on June 7, 2019.

A Prehearing Conference was held on Thursday, July 11, 2019, with ALJ Calvelli presiding. The parties engaged in the first mediation session at the conclusion of the Prehearing Conference with Mediators Cynthia Lehman and Matthew Homsher. Subsequent mediation sessions were held on August 1, August 21 and September 4.

Pursuant to the Commission’s policy of encouraging settlements, the parties engaged in extensive settlement discussions during the course of mediation. I&E

participated in those discussions to ensure that all interests, including those of Eaton and its customers, were represented. Through those discussions, the parties were able to reach a settlement of all issues.

II. SETTLEMENT TERMS

A. Commission Encourages Settlements

It is the policy of the Commission to encourage settlements.¹ The following policy statement articulates general settlement guidelines and procedures for major rate cases:

In the Commission’s judgment, the results achieved from a negotiated settlement or stipulation, or both, 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. It is also the Commission’s judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.²

This policy statement highlights the importance of settlement in Commission proceedings. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”³ I&E believes this Settlement balances the interests of the Company and its existing customers in a fair and equitable manner that best serves the public interest. A comparison of the original filings submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

³ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

Accordingly, I&E maintains that the Settlement should be approved without modification.

B. Revenue Requirement Increase (Settlement ¶ 11(a)-(b))

I&E fully supports the negotiated \$42,006 increase to Eaton's sewer rates in lieu of Eaton's requested \$73,973 increase and further supports the agreed upon \$10,028 increase to water rates in lieu of Eaton's \$61,573 request. I&E analyzed the ratemaking claims contained in the Company's base rate filings including operating and maintenance expenses, rate base, taxes, cash working capital, capital structure, and the cost of common equity and debt. I&E did not prepare formal testimony given that these cases went through the Commission's mediation process; however, I&E did perform a full rate analysis and presented its issues and adjustments to the Company and other parties during the course of the mediation sessions. Accordingly, the overall revenue levels reflect I&E's ratemaking analysis and represents a full compromise of all revenue-related issues raised by the parties.

Due to the "black box" nature of the Settlement, there is no agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is less than what was requested by the Companies. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement satisfies the public interest, nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure

of time and resources related to further litigation. Black box settlements are commonly used in proceedings before this Commission. Indeed, the Commission has endorsed the use of black box settlements, as discussed in an Order approving such a settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.⁴

Accordingly, I&E respectfully requests that the revenue requirement increases reflected in the Join Petition be approved without modification.

C. Acquisition Adjustment (Settlement ¶ 11(c))

The Settlement specifically notes that the acquisition adjustment related to the acquisition of Eaton Hills, Inc. is not included in rate base. The Company’s filing originally included this in rate base; however, that acquisition occurred many years ago and is fully depreciated. Therefore, this Settlement term memorializes the appropriate ratemaking treatment of this acquisition adjustment.

⁴ *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

D. Rate Design/Revenue Allocation(Settlement ¶¶ 13)

Revenue allocation and rate design were fully discussed by the parties. Although no cost of service study is available or required, I&E approached this issue to appropriately assign costs and design rates based on the cost to serve. The agreed upon revenue allocations and rate design are in the public interest as they represent a fair and reasonable rate increase to Eaton customers.

Additionally, Eaton agrees that it will examine implementing separate rates for large and small commercial customers and present the viability of that proposal in its next base rate filing. Exploring this possibility will help the Company and other parties ensure that all customer classes are paying their appropriate cost to serve on a going forward basis.

E. Chlorine (Settlement at ¶¶ 14, 15)

The Settlement reflects that the Company will update its 2007 chlorination report that was agreed upon in its 2007 base rate proceeding and that it will provide the report to the signatory parties and to the Commission's Bureau of Technical Utility Service within 90 days of the date of Commission Order. This term is in the public interest to ensure that the Company is providing safe and reliable service pursuant to its statutory obligation under Section 1501 of the Public Utility Code.

Additionally, paragraph 15 of the Settlement provides that it will investigate the complaints of customers Mark and Barbara Stamer that their water has an unpleasant chlorine test. This investigation is designed to determine the chlorine levels at the

Stamer's home over different points in time to determine whether and to what extent the chlorine levels are elevated. Investigating this potential issue at the Stamer residence is responsive to the issues raised by Eaton's customers and is in the public interest.

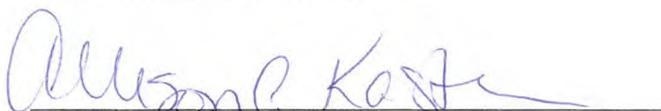
III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

I&E represents that all issues have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving regulatory differences. The parties have carefully discussed and negotiated all issues raised in this proceeding and the Settlement maintains the proper balance of the interests of all parties.

Additionally, resolution of this case by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty. I&E further submits that the acceptance of this Settlement negates the need for testimony, 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, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all the parties agree benefits their discrete interests.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Calvelli recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,



Allison C. Kaster
Attorney I.D. #93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street
Keystone Building
Harrisburg, Pennsylvania 17120

Dated: October 1, 2019

APPENDIX H

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:		
v.	:		
	:	Docket Nos.	R-2019-3009559
Eaton Sewer & Water Company, Inc.	:		R-2019-3009567
	:		
	:		

**OFFICE OF SMALL BUSINESS ADVOCATE STATEMENT IN SUPPORT
OF THE
JOINT PETITION FOR SETTLEMENT**

I. Introduction

The Office of Small Business Advocate (“OSBA”) is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers of utility services as a party in proceedings before the Pennsylvania Public Utility Commission (“PUC” or “Commission”).

II. Filing Background

On April 29, 2019, Eaton Sewer and Water Company, Inc. (“Eaton” or “Company”) filed Supplement No. 2 to Wastewater PA P.U.C. No. 3 (“Wastewater Supplement No. 2”), proposing an annual increase in rates of \$73,973 (45%) to be effective August 1, 2019. Concurrently, Eaton also filed Supplement No. 2 to Water – PA P.U.C. No. 3 (“Water Supplement No. 2”), proposing an annual increase in rates of \$61,573 (35%) to be effective August 1, 2019.

On May 10, 2019, the OSBA filed Formal Complaints, Notices of Intervention, and Public Statements against both supplements, alleging that the materials filed by Eaton may be insufficient to justify the rate increase requested and that the Company's present and proposed rates, rules, and conditions of service may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law, particularly as they pertain to small business customers.

By Order entered May 23, 2019, the filings were suspended by operation of law until March 1, 2020, and, upon receipt and review of the OSBA's Complaints, the Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in both proposed tariffs. While these proceedings were assigned to Administrative Law Judge Andrew M. Calvelli for the prompt scheduling of hearing, at the request of the Company, the proceedings were also assigned to PUC Mediators Cynthia Lehman and Matthew Homsher for formal mediation.

On May 31, 2019, Eaton filed Tariff Wastewater Supplement No. 3 and Tariff Water Supplement No. 3, voluntarily suspending its Wastewater Supplement No. 2 and Water Supplement No. 2 for an additional 60 days, from March 1, 2020, to May 1, 2020, to facilitate mediation and possible settlement.

A Prehearing Conference was held on July 11, 2019, and a mediation conference immediately followed. Further mediation conferences (either in-person or telephonically) were held on August 1, August 21, and September 4, 2019.

Throughout these mediation sessions, and upon the review of numerous sets of discovery, the parties conducted settlement negotiations which resulted in a full settlement of the issues in the proceeding, without the need for the filing of testimony or the need for evidentiary hearings.

The Joint Petition for Settlement, which is the culmination of these discussions, is filed concurrent with this OSBA Statement in Support.

III. Summary of the OSBA's Principal Concerns

On July 10, 2019, the OSBA filed separate Prehearing Memoranda, at Docket Nos. R-2019-3009559 and R-2019-3009567, as these cases had not yet been consolidated. In its Complaints and Prehearing Memoranda, the OSBA identified several issues of concern, including the following:

1. Whether Eaton has properly justified its revenue requirement requests;
2. Whether the Company's claimed rate of return of common equity in each proceeding is excessive;
3. Whether the Company's proposed revenue allocation and rate design would result in unjust and/or unreasonable rates; and
4. Any other issues that may affect Eaton's small business customers.

The OSBA has actively participated in the negotiations which have led to the filing of the Joint Petition for Settlement ("Settlement"). The OSBA is a signatory to the Settlement and urges the Commission's approval of the Settlement without modification.

IV. Settlement

The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for joining the Settlement. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of small business customers:

A. Revenue Requirement

In the Company's original filings, Eaton proposed a revenue increase of \$73,973 (45%) for its wastewater customers, and \$61,573 (35%) for its water customers. In contrast, the Settlement provides only \$42,006 additional annual operating wastewater revenues (25.5%), and \$10,028 additional annual operating water revenues (5.7%).¹ At a time when all types of utility service are becoming more expensive, the significant reduction in the overall revenue increase provided by the Settlement will benefit all Eaton's 131 consumers, including the Company's small business customers.

While the OSBA did not sponsor specific adjustments to the Company's requested revenue requirements, the OSBA did agree with or did not oppose every modification suggested by the Office of Consumer Advocate or the Bureau of Investigation and Enforcement, which were ultimately approved by the Company. As revised, both Eaton's wastewater and water operations will have revenue it needs to ensure the same consistent level of service its customers have come to expect. In addition, the level of revenue will allow the Company to meet changing DEP requirements, and also affords Eaton's customers gradualism and avoidance of rate shock, which would not have been available had the Company's tariffs been accepted as proposed.

B. Revenue Allocation

Because the Company is so small (approximately 131 customers total), and because Eaton operates with less than one million dollars for both wastewater and water, there have been no class cost of service studies done for this utility. Similarly, because this is Eaton's first rate

¹ Joint Petition for Settlement, at 5, para. 11(a), 11(b).

case in over a decade and the Company lacks the sophistication of other larger utilities, the Company proposed across the board increases for its customers in its original filings.

As proposed in the April filings, Eaton's wastewater customers would have had an increase of approximately 45%. Similarly, Eaton's water customers would have had an increase of approximate 35%, with an even greater increase of 40% increase to hydrant charges, sprinkler charges, and availability fees. Because commercial customers currently pay more for water and wastewater service than residential customers, Eaton's proposed rate structure, if accepted, would have had a disproportionate negative effect on Eaton's 25 or so commercial customers.

While the settlement increases, in and of themselves, significantly reduce the bill impacts of Eaton's filed "across the board" increases for all customers, the OSBA, primarily through the work of its technical expert Brian A. Kalcic, sought in this proceeding to begin the process of reducing the current difference in rates paid by residential and commercial customers for water and wastewater service..

The Settlement includes a revenue allocation and rate design for wastewater and water service that reflects a compromise among the parties' positions. Specifically, the rate design incorporates increases that are smaller than proposed for both the customer charge and volumetric portions of the bill, and produces a small reduction in the rate differential paid by Eaton's residential and commercial customers. This is especially important to commercial customers in the first block of usage, as that rate affects all Eaton's commercial customers.

To make further progress toward an appropriate allocation methodology going forward, the OSBA requested (and the Company agreed) that Eaton examine the viability of implementing separate rates for small and large commercial customers prior to its next base rate filing. While not a definitive conclusion on allocation going forward, this information could

better inform the parties of the feasibility of making further changes to Eaton's rate structure in the absence of a cost of service study. As Eaton's customer base (and usage) continues to grow, this analysis could be helpful regarding both its wastewater and water operations.

Collectively, with these compromises and commitments in the Settlement, the OSBA finds that the Settlement provides a meaningful benefit to Eaton's wastewater and water commercial customers.

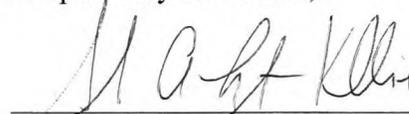
C. Judicial Efficiency

Lastly, settlement of this proceeding avoids the litigation, time, and expense of complex, competing proposals and saves customers the possible significant costs of further administrative proceedings. Such costs are borne not only by Joint Petitioners, but also the Office of Administrative Law Judge and the Commission itself, and ultimately Eaton's 131 customers. Avoiding further litigation of this matter by approving this reasonable, compromised proposal will serve judicial efficiency, and will allow all Joint Petitioners, including OSBA, to more efficiently employ its time and attention to other matters.

V. **Conclusion**

For the reasons set forth in the Joint Petition for Settlement, as well as the additional factors enumerated in this statement of support, the OSBA supports the proposed Settlement as submitted and respectfully requests that the ALJ and the Commission approve the Settlement in its entirety, without modification.

Respectfully submitted,



Shelby A. Linton-Keddie
Assistant Small Business Advocate
Attorney I.D. No. 206425

For: John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)

Dated: October 1, 2019

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST-CLASS MAIL

Shelby A. Linton-Keddie, Esq.
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101
slinton-ke@pa.gov

Allison C. Kaster, Esq.
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, PA 17105-3265
akaster@pa.gov

Christine Maloni Hoover, Esq.
Erin L. Gannon, Esq.
Lauren E. Guerra, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
CHoover@paoca.org
EGannon@paoca.org
LGuerra@paoca.org

VIA E-MAIL

Brian Kalcic
Excel Consulting
excel.consulting@sbcglobal.net

Stacy L. Sherwood
Exeter Associates, Inc.
sherwood@exeterassociates.com

Terry L. Fought
tlfengr@aol.com



Kenneth R. Stark

Counsel to Eaton Sewer and Water Company, Inc.

Dated this 1st day of October, 2019, at Harrisburg, Pennsylvania.