

# John J. Gallagher

Attorney at Law

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February 11, 2020

**VIA HAND DELIVERY**

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

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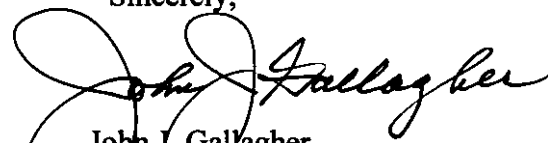
**Re: PA Public Utility Company v. City of Lancaster (Wastewater)**  
**Docket No. R-201-3010955 R-2019-3010955**

Dear Secretary Chiavetta:

On behalf of the City of Lancaster ("City"), The Office of Consumer Advocate ("OCA"), the Bureau of Investigation & Enforcement ("BI&E") and the Office of Small Business Advocate ("OSBA") please find enclosed the Joint Petition for Settlement of this matter which has been executed by all the formal parties to this proceeding which was originally submitted to Administrative Law Judge Joel Cheskis on January 15, 2020. Attached to the Petition are Appendix A (Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs, Appendix B ( Proof of Revenues) and Appendix C ( Parties Statements in Support of Settlement). In addition, included is a Joint Stipulation for Admission of Evidence.

Copies of this document have been served on the parties listed in the attached Certificate of Service.

Sincerely,



John J. Gallagher

cc: Certificate of Service  
Mr. Patrick Hopkins

**BEFORE THE PENNSYLVANIA  
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	Docket Nos.: R-2019-3010955
Office of Small Business Advocate	:	C-2019-3011834
v.	:	C-2019-3012096
City of Lancaster—(Wastewater)	:	

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**JOINT PETITION FOR SETTLEMENT  
OF RATE INVESTIGATION**

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The City of Lancaster—Wastewater ("City"), the Bureau of Investigation and Enforcement ("BI&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), collectively referred to as "Joint Petitioners" individually and by their respective counsel, respectfully request: (a) that Administrative Law Judge Joel H. Cheskis ("ALJ Cheskis") recommend approval of this Joint Petition for Settlement ("Petition for Settlement") as set forth herein; (b) that the Pennsylvania Public Utility Commission ("Commission") approve and adopt this Petition for Settlement as set forth herein; and (c) that the Commission permit the City to file tariff supplements attached hereto at Appendix A effective on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement. In support of this Petition for Settlement, the Joint Petitioners set forth the following:

**I. INTRODUCTION**

1. On July 19, 2019, the City filed Supplement No. 39 to Lancaster Tariff Sewer- PA P.U.C. No.7 proposing to increase its wastewater annual operating revenues for customers located outside the City by approximately 56.1% or 46.7%. The City serves 3,385 customers (3,124 residential, 235 commercial, and 8 industrial) outside of the City in

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portions of the Townships of East Lampeter, East Hempfield, Lancaster, Manheim, and Manor in Lancaster County. On July 29, 2019 the OCA filed a formal Complaint against the City's proposed rate increase. On August 5, 2019, BI&E filed its Notice of Appearance. On August 8, 2019, OSBA filed a Complaint, Verification and Public Statement in this proceeding.

2. On August 29, 2019, the Commission issued an Order suspending the City's proposed Supplement No. 39 to Tariff Sewer—Pa. P.U.C. No. 7 by operation of law until April 17, 2020.
3. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge for the scheduling of hearings and further assigned this proceeding to ALJ Cheskis. A Prehearing Conference was held on September 9, 2019, where a procedural schedule was established and modifications to the Commission's discovery regulations were adopted for this case. All of the parties filed Direct Testimony and the City filed Rebuttal testimony in this proceeding.
4. In accordance with the Commission's Rules and Regulations, 52 Pa. Code § 5.231, Joint Petitioners engaged in settlement negotiations resulting in this Petition for Settlement. Joint Petitioners have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase, thereby resolving all issues raised by the participants to this proceeding.
5. Although Joint Petitioners have not agreed upon specific adjustments reflective of their *respective positions, they join in and request approval of this Petition for Settlement.* Joint Petitioners are in full agreement that Commission approval of the Petition for

Settlement would result in rates that are just and reasonable and would otherwise be in the public interest and in the best interests of the City's outside customers.

**II. TERMS AND CONDITIONS**

5. The City will be permitted to establish rates for outside-City customers which will produce an overall increase in annual operating revenues of approximately \$500,000 in lieu of its originally proposed increase of \$646,727. These rates, as determined in accordance with the attached Proof of Revenues and Tariff Supplement, will be effective prior to April 17, 2020, upon Commission approval. The Proof of Revenues attached hereto at Appendix B, reflects rates that are designed to recover approximately \$500,000 of additional revenues from outside-City customers. In sum, for outside-City customers, the increase in revenues by class from present rates as proposed in this Petition for Settlement are as follows:

**CITY OF LANCASTER - OUTSIDE CUSTOMERS**

<u>Outside City Customers</u>	<u>Revenue Present Rates</u>	<u>Revenue Settlement Rates</u>	<u>Increase</u>
Residential	\$ 602,078	\$ 812,227	\$ 210,149
Commercial	666,135	932,873	266,738
Industrial	43,547	60,984	17,437
Total Outside City	\$ 1,311,760	\$ 1,806,085	\$ 494,325
Outside City Other Revenues	\$ 77,459	\$ 83,050	\$ 5,591
Total Outside City Revenue	\$ 1,389,219	\$ 1,889,135	\$ 499,916

6. In addition to, and in consideration of, the agreed-upon overall increase in operating revenues for outside customers of approximately \$500,000, Joint Petitioners also agree to various terms and conditions set forth as follows:

- a. **Reporting on Plant Additions**—The City agrees to provide to the Joint Petitioners with an update to the response to I&E-RB-13 which was attached to I&E Ex. No. 3 as Sch. 8 and labelled by Lancaster as 2019 Balance Rollforward for the years 2019-2020 no later than six months after Settlement rates go into effect, and an additional update will be provided for the years 2020-2021 no later than January 4, 2021, each to be filed under this docket number. The updated tables will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2019, and December 31, 2020, respectively.
- b. **OCA-OPEB Issue**—All issues related to Other Post-Employment Benefits (OPEBs) are resolved as follows:
- (1) The City shall make monthly deposits into its OPEB Irrevocable Trust equal to 1/12<sup>th</sup> of PUC-jurisdictional customers' share of the Annual Required Contribution ("ARC").
  - (2) The PUC-jurisdictional customers' share of the ARC shall be determined by an Actuarial Study that separately identifies an ARC for PUC-jurisdictional customers, separate and apart from the obligations of the inside-City customers. This provision alters the methodology for calculating the OPEB ARC developed in past rate proceedings to ensure that jurisdictional customers do not bear an increased obligation as a result of the City's decision to not fund the non-jurisdictional portion of the ARC.
  - (3) The City shall maintain an accurate account of all monthly OPEB deposits.
- c. **Stay-Out**—The City agrees that it will not file for another wastewater base rate case before December 31, 2021.

- d. **Rate Effective Date**—Joint Petitioners agree that it is in the public interest for Settlement Rates to go into effect after one day’s notice upon the entry of a Commission Order approving this Settlement, prior to the end of the suspension period.-
- e. **Rate Structure/Rate Design**—Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B. These charges specifically provide for \$17.62 per quarter, or \$5.87 per month, minimum charge for 5/8-inch customers and volumetric charges of 5.872 per 1,000 gallons for the first 25,000 gallons per month, \$4.075 for the next 308,000 gallons per month and \$3.198 per 1,000 gallons for usage over 333,000 gallons per month. The design and structure of rates for outside customers of the City under this Petition for Settlement are developed based upon the customer and volumetric charges contained within the Rate Schedules set forth in Appendix B. Joint Petitioners agree that rates and charges set forth in Appendix B are just and reasonable and are in the public interest.
- f. **Rate Design**—Joint Petitioners agree to use the City’s current rate structure with monthly and quarterly customer minimum charges and volumetric rates. The settlement rates are scaled back to reach sufficiently close to the agreed upon overall revenue increase of \$500,000. The Joint Petitioners agree to design the settlement rates based on the following percentage increases by class: the Residential class has a revenue increase of 34.9% or \$210,148, the Commercial class has a revenue increase of 40.0% or \$266,738, and the Industrial class has a revenue increase of 40.0% or \$17,437.

7. The Joint Petitioners agree that the City's original filing, including all City direct and rebuttal testimony, exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa. Code §§ 53.52, 53.53. The Joint Petitioners also agree that all testimony, exhibits and supporting data filed by the OCA, I&E and OSBA in this proceeding shall be admitted into the record as outlined in the Joint Stipulation for Admission of Evidence which accompanies this Petition for Settlement.
8. Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, the quarterly bill of a typical 5/8" metered residential customer residing outside the City who utilizes 12,000 gallons of water per quarter will increase from \$52.25 to \$70.46, or by approximately 34.9%, rather than from \$52.25 to \$75.66 (44.8%) as originally requested.
9. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of the City, I&E, & OCA. In addition, adoption and approval of the Petition for Settlement will avoid the need for continued litigation of this proceeding.
10. This Petition for Settlement arises from extensive discovery and discussions, and reflects compromises by all sides. It is being proposed to settle the instant case. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw

from this settlement upon written notice of its intent to the Commission and the remaining parties within three (3) business days of the date of the Commission's Order and may resume with the litigation of this proceeding within (10) days of the entry of the Order making any such modifications.

11. Joint Petitioners agree that the Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of rates that are Commission-made rates.
12. In the event that the Commission does not approve this Petition for Settlement, the signatory parties reserve their respective rights to resume litigation. If the ALJ, in his Recommended Decision, recommends that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Settlement recommended by the ALJ in his Recommended Decision.
13. Each Joint Petitioner's individual reason for supporting the Petition for Settlement is set forth at Appendix C. More specifically, Statements in Support have been submitted by the City (Statement 1), the BI&E (Statement 2), the OCA (Statement 3), and the OSBA (Statement 4).

**WHEREFORE**, Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Joel H. Cheskis and the Commission approve this Petition for Settlement inclusive of its terms and conditions *without modification* on or before April 17, 2020;



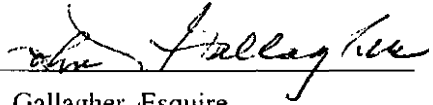
2. That the Commission permit the City of Lancaster— Wastewater to file a tariff supplement on one day's notice for service rendered on and after the entry date of the Commission's Order approving of this Petition for Settlement so as to increase total revenues outside the City by \$499,916 to a level of \$1,889,135 or by 36.0%; and.
3. That the Commission terminate and mark closed its inquiry and investigation at Docket No. R-2019-3010955, including all complaint dockets associated therewith.

Respectfully submitted,

**CITY OF LANCASTER--  
WASTEWATER:**

**OFFICE OF CONSUMER ADVOCATE**

by:

  
\_\_\_\_\_  
John J. Gallagher, Esquire  
711 Forrest Road  
Harrisburg, PA 17112

by:

\_\_\_\_\_  
Christine Maloni Hoover, Esquire  
Harrison Breitman, Esquire  
Phillip Demanchick, Esquire  
Laura Antinucci, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Street  
Harrisburg, PA 17101

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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**WHEREFORE**, Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Joel H. Cheskis and the Commission approve this Petition for Settlement inclusive of its terms and conditions without modification on or before April 17, 2020;
2. That the Commission permit the City of Lancaster— Wastewater to file a tariff supplement on one day's notice for service rendered on and after the entry date of the Commission's Order approving of this Petition for Settlement so as to increase total revenues outside the City by \$499,916 to a level of \$1,889,135 or by 36.0%; and,
3. That the Commission terminate and mark closed its inquiry and investigation at Docket No. R-2019-3010955, including all complaint dockets associated therewith.

Respectfully submitted,

**CITY OF LANCASTER--  
WASTEWATER:**

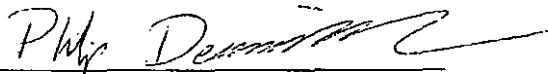
**OFFICE OF CONSUMER ADVOCATE**

by:

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John J. Gallagher, Esquire  
711 Forrest Road  
Harrisburg, PA 17112

by:

  
Christine Maloni Hoover, Esquire  
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Phillip Demanchick, Esquire  
Laura Antinucci, Esquire  
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Harrisburg, PA 17101

**BUREAU OF INVESTIGATION AND  
ENFORCEMENT:**

**OFFICE OF SMALL BUSINESS  
ADVOCATE**

by:

by:

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Carrie Wright, Esquire  
Prosecutor  
Bureau of Investigation & Enforcement  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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Sharon E. Webb, Esquire  
Office of Small Business Advocate  
Forum Place  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

DATED: January 15, 2020

**BUREAU OF INVESTIGATION AND  
ENFORCEMENT:**

**OFFICE OF SMALL BUSINESS  
ADVOCATE**

by: *Carrie Wright*

Carrie Wright, Esquire  
Prosecutor  
Bureau of Investigation & Enforcement  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

by: \_\_\_\_\_

Sharon Webb, Esquire  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17102

DATED: January 15, 2020

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## **APPENDIX A**

### **JOINT PROPOSED FINDINGS OF FACT**

1. The City of Lancaster – Wastewater is a Commission regulated wastewater system serving 3,385 customers outside of the City of Lancaster in portions of the following Townships in Lancaster County, Pennsylvania: East Lampeter, East Hempfield, Lancaster, Manheim and Manor.
2. On July 19, 2019, Lancaster filed Supplement No. 39 to Tariff Sewer – Pa. P.U.C. No. 7 to become effective September 17, 2019.
3. The proposed tariff contained changes in rates calculated to recover an estimated increase in base rate revenues of \$646,727.
4. Rates charged by a public utility must be just and reasonable.
5. This Commission encourages settlements.
6. The instant Settlement is appropriate and in the public interest.
7. The rates produced by this Settlement are just and reasonable.

## APPENDIX B

### JOINT PROPOSED CONCLUSIONS OF LAW

1. Every rate made, demanded, or received by any public utility shall be just and reasonable and in conformity with regulations or orders of the Commission. 66 Pa.C.S. § 1301.
2. The utility requesting the rate increase has the burden of proving that the rate involved is just and reasonable. 66 Pa. C.S. §§ 315(a) and 1301.
3. The Rates as submitted by Lancaster in Tariff Water and in Supplement No. 39 are unreasonable and unjust.
4. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.” *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).
5. The instant Settlement is in the public interest and the rates produced therein are just and reasonable.
6. The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion. *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.
7. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at \*11.
8. 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.” *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

**APPENDIX C**

**JOINT PROPOSED ORDERING PARAGRAPHS**

**THEREFORE, IT IS ORDERED:**

1. That City of Lancaster - Wastewater shall not place into effect the rates contained in its Supplement No. 39 to Tariff Wastewater — Pa. P.U.C. No. 7, the same having been found to be unjust, unreasonable, and unlawful.
2. That the Joint Petition for Settlement of Rate Investigation entered into and filed by the City of Lancaster – Wastewater, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is approved without modification.
3. That the Office of Consumer Advocate’s Complaint filed at C-2019-3011834 and the Office of Small Business Advocate filed at C-2019-3012096 be sustained consistent with this Opinion and Order.
4. That this docket shall be marked closed.

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**CITY OF LANCASTER - SEWER FUND**

**COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

<u>Customer Classification</u> (1)	<u>Cost of Service</u>		<u>Revenues, Present Rates</u>		<u>Revenues, Settlement Rates</u>		<u>Settlement Increase</u>	
	<u>Amount</u> (Schedule B)	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u> Increase
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Outside City</u>								
Residential	852,799	4.6%	602,078	3.7%	812,227	4.3%	210,149	34.9%
Commercial	983,300	5.3%	666,135	4.1%	932,873	4.9%	266,738	40.0%
Industrial	70,526	0.4%	43,547	0.3%	60,984	0.3%	17,437	40.0%
Total Outside City	<u>\$ 1,906,626</u>	<u>10.2%</u>	<u>\$ 1,311,760</u>	<u>8.0%</u>	<u>\$ 1,806,085</u>	<u>9.6%</u>	<u>\$ 494,325</u>	<u>37.7%</u>
Outside City Other Revenues	\$ 83,050		\$ 77,459		\$ 83,050		\$ 5,591	
Total Outside City Revenue	<u>\$ 1,989,676</u>		<u>\$ 1,389,219</u>		<u>\$ 1,889,135</u>		<u>\$ 499,916</u>	



## CITY OF LANCASTER - SEWER

### SUMMARY OF PRESENT AND SETTLEMENT RATES

	<u>Present Outside</u>		<u>Settlement Outside</u>
<b>Minimum Charge</b>			
<b>Quarterly</b>			
5/8"	13.05	\$	17.62
3/4"	13.05		17.62
1"	39.18		52.85
1 1/2"	78.39		105.70
2"	130.62		176.16
3"	261.27		352.32
4"	370.89		501.53
6"	636.72		868.28
8"	1,051.17		1,455.08
10"	1,434.24		1,980.75
12"	2,124.45		2,946.53
 <b>Monthly</b>			
5/8"	4.35		5.87
3/4"	4.35		5.87
1"	13.06		17.62
1 1/2"	26.13		35.23
2"	43.54		58.72
3"	87.09		117.44
4"	123.63		167.18
6"	212.24		289.43
8"	350.39		485.03
10"	478.08		660.25
12"	708.15		982.18
 <b>Volumetric Charge</b>			
First 75 (25 Monthly)	4.3543		5.8720
Next 925 (308 Monthly)	2.9234		4.0750
Over 1,000 (333 Monthly)	2.2246		3.1980

CITY OF LANCASTER - SEWER FUND

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018, DECEMBER 31, 2019 AND 2020  
AND THE CALCULATION OF THE Proposed REVENUE INCREASE FROM OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.52 (b)(4) and (c)(5) of Tariff Regulations

Customer Classification (1)	Revenues Par Books, 12 Months Ended 31-Dec-18 (2)	Historic Test Year Pro Forma Adjustments Under Present Rates*		Pro Forma, Present Rates, 31-Dec-18 (5)	Future Test Year Pro Forma Adjustments Under Present Rates		Pro Forma, Present Rates 31-Dec-19 (8)	Fully Proj. Future Test Year Pro Forma Adjustments Under Present Rates			Under Proposed Rates, Supplement No. ____ to Tariff Sewer Pa-PUC No. 7 Increase Pro Forma, Proposed Rates 31-Dec-20 (14)		
		Ref. (3)	Amount (4)		Ref. (6)	Amount (7)		Ref. (9)	Amount (10)	Pro Forma, Present Rates 31-Dec-20 (11)	Increase		Pro Forma, Proposed Rates 31-Dec-20 (14)
											Percent (12)	Amount (13)	
<b>OUTSIDE-CITY</b>													
<b>Sewer Revenue</b>													
Residential	\$ 502,600	R-2	\$ (104)	\$ 602,496	R-6	\$ (209)	\$ 602,287	R-6	\$ (209)	\$ 602,078	34.9%	\$ 210,149	\$ 812,227
Commercial	658,996	R-2, R-3	1,845	660,841	R-6	\$ 2,647	663,488	R-6	\$ 2,647	666,135	40.0%	266,738	932,873
Industrial	43,547		-	43,547	R-6	\$ -	43,547			43,547	40.0%	17,437	60,984
<b>Total Sewer Revenue</b>	<b>1,305,143</b>		<b>1,741</b>	<b>1,306,884</b>		<b>2,438</b>	<b>1,308,322</b>		<b>2,438</b>	<b>1,311,760</b>	<b>37.8%</b>	<b>494,325</b>	<b>1,806,085</b>
<b>Other Operating Revenues</b>													
Lien Costs	99			99			99			99	0.0%	-	99
Rental Income	3,139			3,139			3,139			3,139	0.0%	-	3,139
Refund of Prior Year Expenditures	1,635			1,635			1,635			1,635	0.0%	-	1,635
Interest Income	184			184			184			184	0.0%	-	184
Misc. Income	6,256			6,256			6,256			6,256	0.0%	-	6,256
Industrial Waste Permits	733			733			733			733	0.0%	-	733
SLSA Operating Charges	14,594			14,594			14,594			14,594	0.0%	-	14,594
Industrial Waste Surcharge	42,421	R-4-REB	8,398	50,819			50,819			50,819	11.0%	5,591	56,410
<b>Total Other Revenues</b>	<b>69,061</b>		<b>8,398</b>	<b>77,459</b>		<b>-</b>	<b>77,459</b>		<b>-</b>	<b>77,459</b>	<b>7.2%</b>	<b>5,591</b>	<b>83,050</b>
<b>Total Outside City</b>	<b>1,374,204</b>		<b>10,139</b>	<b>1,384,343</b>		<b>2,438</b>	<b>1,386,781</b>		<b>2,438</b>	<b>1,389,219</b>	<b>36.0%</b>	<b>499,916</b>	<b>1,889,135</b>

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CITY OF LANCASTER - SEWER FUND PA PUBLIC UTILITY COMMISSION  
 HISTORIC TEST YEAR SECRETARY'S BUREAU

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
 UNDER PRESENT RATES

Adj. Ref.		Adjustment Increase (Decrease)
	<u>Explanation</u>	<u>(Decrease)</u>

R-1 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under present rates.

<u>Customer Classification</u>	<u>4 Year Average Customer Gain/(Loss)</u>	<u>Average Annual Bill, Present Rates</u>	<u>Annualized Revenue Adjustment (Half Year)</u>	
(1)	(4)	(5)	(6)	
Residential	(37)	\$ 334.14	\$ (6,182)	(6,182)
Commercial	5	\$ 2,169.13	\$ 5,423	5,423
Industrial	(1)	5,822.47	(2,911)	(2,911)
	<hr/>		<hr/>	-
<b>Total</b>	<b>(33)</b>		<b>(3,670)</b>	

R-2 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under present rates.

<u>Customer Classification</u>	<u>4 Year Average Customer Gain/(Loss)</u>	<u>Average Annual Bill, Present Rates</u>	<u>Annualized Revenue Adjustment (Half Year)</u>	
(1)	(4)	(5)	(6)	
Residential	(1)	\$ 208.60	\$ (104)	(104)
Commercial	1	2,648.67	1,323	1,323
	<hr/>		<hr/>	-
<b>Total</b>	<b>-</b>		<b>1,219</b>	

CITY OF LANCASTER - SEWER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)									
R-3	To impute Inside-City and Outside-City operating revenues for City-owned properties, not recorded by the City under present rates										
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Customer Classification</th> <th style="text-align: right; border-bottom: 1px solid black;">Revenue</th> <th></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">INSIDE-CITY - Commercial</td> <td style="text-align: right;">\$ 31,695</td> <td style="text-align: right;">31,695</td> </tr> <tr> <td style="padding-left: 20px;">OUTSIDE-CITY - Commercial</td> <td style="text-align: right;">522</td> <td style="text-align: right;">522</td> </tr> </tbody> </table>	Customer Classification	Revenue		INSIDE-CITY - Commercial	\$ 31,695	31,695	OUTSIDE-CITY - Commercial	522	522	
Customer Classification	Revenue										
INSIDE-CITY - Commercial	\$ 31,695	31,695									
OUTSIDE-CITY - Commercial	522	522									
R-4-REB	To adjust Industrial Surcharge revenue for current tariff rates.										
	Per Books Industrial Surcharge Revenue	\$ 578,727									
	Pro Forma Industrial Surcharge Revenue	693,295									
	Total Adjustment	114,569									
	Adjustment Inside (Based on Exhibit CEH-2 - Cost of Service Study)	106,171									
	Adjustment Outside (Based on Exhibit CEH-2 - Cost of Service Study)	8,398									
	* Value adjusted to include \$38,242.71 of other surcharges plus actual										
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates	\$ 144,335									

CITY OF LANCASTER - SEWER FUND  
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
--------------	-------------	--------------------------------------

R-5 To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 334.14	\$ (12,363)	\$ (12,363)
Commercial	5.0	2,169.13	10,846	10,846
Industrial	(1.0)	5,822.47	(5,822)	(5,822)
	-----	-	-----	-
<b>Total</b>	<b>(33.0)</b>		<b>(7,339)</b>	

R-6 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 208.60	\$ (209)	\$ (209)
Commercial	1.0	2,646.67	2,647	2,647
	-----		-----	
<b>Total</b>	<b>-</b>		<b>2,438</b>	

**Total Future Test Year, Pro Forma Operating  
Revenue Adjustments Under Present Rates** **\$ (4,901)**

CITY OF LANCASTER - SEWER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
--------------	-------------	--------------------------------------

R-7 To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 334.14	\$ (12,363)	\$ (12,363)
Commercial	5.0	\$ 2,169.13	10,846	10,846
Industrial	(1.0)	\$ 5,822.47	(5,822)	(5,822)
Total	(33.0)		(7,339)	

R-8 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 208.60	\$ (209)	\$ (209)
Commercial	1.0	\$ 2,646.67	2,647	2,647
Total	-		2,438	

Total Future Test Year, Pro Forma Operating  
Revenue Adjustments Under Present Rates \$ (4,901)

CITY OF LANCASTER - SEWER FUND

SUMMARY OF APPLICATION OF PRESENT RATES TO CONSUMPTION ANALYSIS AS OF 12/31/2018  
AND PRO FORMA REVENUES UNDER PROPOSED RATES AS OF 12/31/2019 AND 12/31/2020

Customer Classification (1)	Revenues Per Books, 12/31/2018 (2)	Application of Present Rates to Bill Analysis (3)	Adjustment Factor (4)=(3)/(2)	Application of Proposed Rates to Bill Analysis (5)	Adjusted Revenues at Present Rates (6)=(5)X(4)	Historic Test Year Pro Forma Adjustments Under Proposed Rates		Pro Forma, Proposed Rates, 31-Dec-19 (9)	Future Test Year Pro Forma Adjustments Under Proposed Rates		Fully Projected Future Test Year Pro Forma Adjustments Under Proposed Rates			
						Ref.	Amount		Ref.	Amount	Pro Forma, Proposed Rates, 31-Dec-19 (12)	Ref.	Amount	Pro Forma, Proposed Rates, 31-Dec-20 (15)
						(7)	(8)		(10)	(11)	(13)	(14)	(15)	
<b>OUTSIDE-CITY</b>														
Residential	\$ 602,800	\$ 604,641	0.996825	\$ 815,685	\$ 812,932	R-10	\$ (141)	812,791	R-14	\$ (282)	812,509	R-16	(282)	812,227
Commercial	858,996	858,360	1.000865	922,007	922,897	R-10, R-11	2,561	925,457	R-14	3,708	929,165	R-16	3,708	932,873
Industrial	43,547	48,294	0.901702	67,632	60,984			60,984		-	60,984			60,984
<b>Total Outside Sewer Revenue</b>	<b>1,305,143</b>	<b>1,311,295</b>		<b>1,805,324</b>	<b>1,796,813</b>		<b>2,420</b>	<b>1,799,233</b>		<b>3,426</b>	<b>1,802,659</b>		<b>3,426</b>	<b>1,806,065</b>
Lien Costs	99	99		99	99			99			99			99
Rental Income	3,139	3,139		3,139	3,139			3,139			3,139			3,139
Refund of Prior Year Expenditures	1,635	1,635		1,635	1,635			1,635			1,635			1,635
Interest Income	184	184		184	184			184			184			184
Misc. Income	6,256	6,256		6,256	6,256			6,256			6,256			6,256
Industrial Waste Permits	733	733		733	733			733			733			733
SLSA Operating Charges	14,594	14,594		14,594	14,594			14,594			14,594			14,594
Industrial Waste Surcharge	42,421	50,819		50,819	50,819	R-12-REB	5,591	56,410			56,410			56,410
<b>Total Other Revenues</b>	<b>69,061</b>	<b>77,459</b>		<b>77,459</b>	<b>77,459</b>		<b>5,591</b>	<b>83,050</b>		<b>-</b>	<b>83,050</b>		<b>-</b>	<b>83,050</b>
<b>Total Outside City Revenues</b>	<b>\$ 1,374,204</b>	<b>\$ 1,388,753</b>		<b>\$ 1,882,783</b>	<b>\$ 1,874,272</b>		<b>\$ 8,011</b>	<b>\$ 1,882,283</b>		<b>\$ 3,426</b>	<b>\$ 1,885,709</b>		<b>\$ 3,426</b>	<b>\$ 1,889,135</b>

CITY OF LANCASTER - SEWER FUND  
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Settlement Number Of Bills (6)	Settlement		
						Consumption (7)	Rate (8)	Revenue (9)
<u>Residential - Quarterly</u>								
Minimum Charge								
5/8"	658	709	13.05	8,587	1,086	1,993	17.62	19,135
3/4"	56	53	13.05	731	75	110	17.62	1,322
1"	85	417	39.18	3,330	102	570	52.85	5,391
1 1/2"	12	118	78.39	941	12	116	105.70	1,268
3"	2	28	130.62	261	2	28	176.16	352
2"	3	13	261.27	784	3	13	352.32	1,057
<b>Total - Minimum</b>	<b>816</b>	<b>1,336</b>		<b>14,634</b>	<b>1,280</b>	<b>2,830</b>		<b>28,525</b>
First 75	10,746	134,096	4.3543	583,894	10,282	132,602	5.8720	778,639
Next 925	32	2,091	2.9234	6,113	32	2,091	4.0750	8,521
Over 1,000	0	0	2.2246	0	0	0	3.1980	0
	<u>10,778</u>	<u>136,187</u>		<u>590,007</u>	<u>10,314</u>	<u>134,693</u>		<u>787,160</u>
<b>Total Residential</b>	<b>11,594</b>	<b>137,523</b>		<b>604,641</b>	<b>11,594</b>	<b>137,523</b>		<b>815,685</b>
<u>Commercial - Quarterly</u>								
Minimum Charge								
5/8"	49	49	13.05	639	67	103	17.62	1,181
3/4"	12	6	13.05	157	17	21	17.62	300
1"	84	247	39.18	3,291	88	283	52.85	4,651
1 1/2"	19	159	78.39	1,489	19	159	105.70	2,008
2"	39	588	130.62	5,094	40	618	176.16	7,048
6"	4	22	636.72	2,547	4	22	868.28	3,473
<b>Total - Minimums</b>	<b>207</b>	<b>1,071</b>		<b>13,218</b>	<b>235</b>	<b>1,206</b>		<b>18,659</b>
First 75	448	13,028	4.3543	58,728	420	12,893	5.8720	75,708
Next 925	37	1,217	2.9234	3,558	37	1,217	4.0750	4,959
Over 1,000	0	0	2.2246	0	0	0	3.1980	0
	<u>485</u>	<u>14,245</u>		<u>60,286</u>	<u>457</u>	<u>14,110</u>		<u>80,667</u>
<b>Subtotal</b>	<b>692</b>	<b>15,316</b>		<b>73,503</b>	<b>692</b>	<b>15,316</b>		<b>99,326</b>



CITY OF LANCASTER - SEWER FUND  
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Settlement Number Of Bills (6)	Settlement		
						Consumption (7)	Rate (8)	Revenue (9)
<u>Commercial - Monthly</u>								
Minimum Charge								
5/8"	9	9	4.35	39	9	9	5.87	53
3/4"	2	0	4.35	9	2	0	5.87	12
1"	6	11	13.06	78	6	11	17.62	106
1 1/2"	0	5	26.13	0	0	5	35.23	0
2"	8	5	43.54	348	8	5	58.72	470
3"	0	0	87.09	0	0	0	117.44	0
4"	9	180	123.63	1,113	9	180	167.18	1,505
6"	25	422	212.24	5,306	25	422	289.43	7,236
Total - Minimums	59	632		6,893	59	632		9,380
First 25	118	20,502	4,3543	89,272	118	20,502	5.8720	120,388
Next 308	621	75,347	2,9234	220,269	621	75,347	4.0750	307,039
Over 333	111	120,661	2,2246	268,422	111	120,661	3.1980	385,874
	850	216,510		577,964	850	216,510		813,301
Subtotal	909	217,142		584,857	909	217,142		822,681
Total Commercial	1,601	232,458		658,360	1,601	232,458		922,007
<u>Industrial - Quarterly</u>								
Minimum Charge								
5/8"	1	1	13.05	13	1	1	17.62	18
1"	3	9	39.18	118	3	9	52.85	159
1 1/2"	4	27	78.39	314	4	27	105.70	423
2"	1	11	130.62	131	1	11	176.16	176
Total - Minimums	9	48		576	9	48		776
First 75	5	581	4,3543	2,530	5	581	5.8720	3,412
Next 925	6	3,435	2,9234	10,042	6	3,435	4.0750	13,998
Over 1,000	0	0	2,2246	0	0	0	3.1980	0
	11	4,016		12,572	11	4,016		17,409
Subtotal	20	4,064		13,148	20	4,064		18,185

CITY OF LANCASTER - SEWER FUND  
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED DECEMBER 31, 2018

Rate Block 1000 Gallons (1)	Present Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Present Revenue (5)	Settlement Number Of Bills (6)	Settlement		
						Consumption (7)	Rate (8)	Revenue (9)
<u>Industrial - Monthly</u>								
Minimum Charge								
2"	0	0	\$ 43.54	\$ -	0	0	\$ 58.72	\$ -
10"	0	0	478.08	0	0	0	660.25	0
Total - Minimums	0	0		0	0	0		0
First 25	0	1,046	4.3543	4,555	0	1,046	5.8720	6,142
Next 308	33	5,270	2.9234	15,406	30	5,270	4.0750	21,475
Over 333	11	6,826	2.2248	15,185	11	6,826	3.1980	21,830
	44	13,142		35,146	41	13,142		49,447
Subtotal	44	13,142		35,146	41	13,142		49,447
Total Industrial	64	17,206		48,294	61	17,206		67,632
Total Outside	13,259	387,187		1,311,295	13,256	387,187		1,805,324

CITY OF LANCASTER - SEWER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)																															
R-9	To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under Settlement rates.																																
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Customer Classification</th> <th style="text-align: center;">4 Year Customer Gain/(Loss)</th> <th style="text-align: center;">Annual Bill, Settlement Rates</th> <th style="text-align: center;">Annualized Revenue Adjustment (Half Year)</th> <th></th> </tr> <tr> <th style="text-align: center;">(1)</th> <th style="text-align: center;">(4)</th> <th style="text-align: center;">(5)</th> <th style="text-align: center;">(6)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">(37)</td> <td style="text-align: right;">\$ 430.71</td> <td style="text-align: right;">\$ (7,968)</td> <td style="text-align: right;">\$ (7,968)</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">5</td> <td style="text-align: right;">\$ 2,539.77</td> <td style="text-align: right;">\$ 6,349</td> <td style="text-align: right;">\$ 6,349</td> </tr> <tr> <td>Industrial</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">6,603.42</td> <td style="text-align: right;">(3,302)</td> <td style="text-align: right;">\$ (3,302)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(33)</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">(4,921)</td> <td></td> </tr> </tbody> </table>	Customer Classification	4 Year Customer Gain/(Loss)	Annual Bill, Settlement Rates	Annualized Revenue Adjustment (Half Year)		(1)	(4)	(5)	(6)		Residential	(37)	\$ 430.71	\$ (7,968)	\$ (7,968)	Commercial	5	\$ 2,539.77	\$ 6,349	\$ 6,349	Industrial	(1)	6,603.42	(3,302)	\$ (3,302)		(33)		(4,921)			
Customer Classification	4 Year Customer Gain/(Loss)	Annual Bill, Settlement Rates	Annualized Revenue Adjustment (Half Year)																														
(1)	(4)	(5)	(6)																														
Residential	(37)	\$ 430.71	\$ (7,968)	\$ (7,968)																													
Commercial	5	\$ 2,539.77	\$ 6,349	\$ 6,349																													
Industrial	(1)	6,603.42	(3,302)	\$ (3,302)																													
	(33)		(4,921)																														
R-10	To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2018 under Settlement rates.																																
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Customer Classification</th> <th style="text-align: center;">4 Year Average Customer Gain/(Loss)</th> <th style="text-align: center;">Average Annual Bill, Settlement Rates</th> <th style="text-align: center;">Annualized Revenue Adjustment (Half Year)</th> <th></th> </tr> <tr> <th style="text-align: center;">(1)</th> <th style="text-align: center;">(4)</th> <th style="text-align: center;">(5)</th> <th style="text-align: center;">(6)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">\$ 281.87</td> <td style="text-align: right;">\$ (141)</td> <td style="text-align: right;">\$ (141)</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">1</td> <td style="text-align: right;">3,707.93</td> <td style="text-align: right;">1,854</td> <td style="text-align: right;">1,854</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">-</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,713</td> <td></td> </tr> </tbody> </table>	Customer Classification	4 Year Average Customer Gain/(Loss)	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment (Half Year)		(1)	(4)	(5)	(6)		Residential	(1)	\$ 281.87	\$ (141)	\$ (141)	Commercial	1	3,707.93	1,854	1,854		-		1,713								
Customer Classification	4 Year Average Customer Gain/(Loss)	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment (Half Year)																														
(1)	(4)	(5)	(6)																														
Residential	(1)	\$ 281.87	\$ (141)	\$ (141)																													
Commercial	1	3,707.93	1,854	1,854																													
	-		1,713																														
R-11	To impute Inside-City and Outside-City operating revenues for City-owned properties, not recorded by the City under Settlement rates.																																
	INSIDE-CITY - Commercial	\$ 45,438	\$ 45,439																														
	OUTSIDE-CITY - Commercial	707	707																														
	Total Adjustment	\$ 46,146																															
R-12-REB	To calculate Industrial Surcharge revenue based on Settlement Rates																																
	Total Industrial Surcharge revenue under Settlement rates	\$ 769,575	*																														
	Less Pro Forma Revenue	(693,285)																															
	Total Adjustment	\$ 76,280																															
	Inside City Revenue (Based on Exhibit CEH-2 - Cost of Service Study)		70,689																														
	Outside City Revenue (Based on Exhibit CEH-2 - Cost of Service Study)		5,591																														
	* Value adjusted to include \$38,242.71 of other surcharges plus actual																																
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates		\$ 119,218																														

CITY OF LANCASTER - SEWER FUND  
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R-13	To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2019					
		<u>Customer Classification</u>	<u>Average Gain/Loss in Customers</u>	<u>Average Annual Bill, Settlement Rates</u>	<u>Annualized Revenue Adjustment</u>	
		Residential	(37.0)	\$ 430.71	\$ (15,936)	\$ (15,936)
		Commercial	5.0	2,539.77	12,699	12,699
		Industrial	(1.0)	6,603.42	(6,603)	(6,603)
		Total	(33.0)		(9,840)	
R-14	To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013					
		<u>Customer Classification</u>	<u>Average Gain/Loss in Customers</u>	<u>Average Annual Bill, Settlement Rates</u>	<u>Annualized Revenue Adjustment</u>	
		Residential	(1.0)	\$ 281.87	\$ (282)	\$ (282)
		Commercial	1.0	3,707.93	3,708	3,708
		Total	-		3,426	
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates					\$ (6,414)

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CITY OF LANCASTER - SEWER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
R-15	To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020	

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment	
Residential	(37.0)	\$ 430.71	\$ (15,936)	\$ (15,936)
Commercial	5.0	\$ 2,539.77	12,699	12,699
Industrial	(1.0)	\$ 6,603.42	(6,603)	(6,603)
Total	(33.0)		(9,840)	

R-16 To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2020

Customer Classification	4 Year Average Gain/Loss in Customers	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment	
Residential	(1.0)	\$ 281.87	\$ (282)	\$ (282)
Commercial	1.0	\$ 3,707.93	3,708	3,708
Total	-		3,426	

Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates \$ (6,414)

CITY OF LANCASTER  
 COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES  
 RESIDENTIAL - QUARTERLY  
 5/8 INCH METERS

CONSUMPTION GALLONS	BILLS UNDER		INCREASE	
	PRESENT RATES	SETTLEMENT RATES	AMOUNT	PERCENT
(1)	(2)	(3)	(4)	(5)
0	\$ 13.05	\$ 17.62	\$ 4.57	35.0%
1,000	13.05	17.62	4.57	35.0%
2,000	13.05	17.62	4.57	35.0%
3,000	13.05	17.62	4.57	35.0%
4,000	17.42	23.49	6.07	34.9%
5,000	21.77	29.36	7.59	34.9%
6,000	26.13	35.23	9.11	34.9%
7,000	30.48	41.10	10.62	34.9%
8,000	34.83	46.98	12.14	34.9%
9,000	39.19	52.85	13.66	34.9%
10,000	43.54	58.72	15.18	34.9%
11,000	47.90	64.59	16.69	34.9%
12,000	52.25	70.46	18.21	34.9%
13,000	56.61	76.34	19.73	34.9%
14,000	60.96	82.21	21.25	34.9%
15,000	65.31	88.08	22.77	34.9%
16,000	69.67	93.95	24.28	34.9%
17,000	74.02	99.82	25.80	34.9%
18,000	78.38	105.70	27.32	34.9%
19,000	82.73	111.57	28.84	34.9%
20,000	87.09	117.44	30.35	34.9%
21,000	91.44	123.31	31.87	34.9%
22,000	95.79	129.18	33.39	34.9%
23,000	100.15	135.06	34.91	34.9%
24,000	104.50	140.93	36.42	34.9%
25,000	108.86	146.80	37.94	34.9%
26,000	113.21	152.67	39.46	34.9%
27,000	117.57	158.54	40.98	34.9%
28,000	121.92	164.42	42.50	34.9%
29,000	126.27	170.29	44.01	34.9%
30,000	130.63	176.16	45.53	34.9%
31,000	134.98	182.03	47.05	34.9%
32,000	139.34	187.90	48.57	34.9%
33,000	143.69	193.78	50.08	34.9%
34,000	148.05	199.65	51.60	34.9%
35,000	152.40	205.52	53.12	34.9%
36,000	156.75	211.39	54.64	34.9%
37,000	161.11	217.26	56.15	34.9%
38,000	165.46	223.14	57.67	34.9%
39,000	169.82	229.01	59.19	34.9%
40,000	174.17	234.88	60.71	34.9%

CITY OF LANCASTER  
 COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES  
 COMMERCIAL - QUARTERLY  
 1 INCH METERS

CONSUMPTION GALLONS	BILLS UNDER		INCREASE	
	PRESENT RATES	SETTLEMENT RATES	AMOUNT	PERCENT
(1)	(2)	(3)	(4)	(5)
0	\$ 39.18	\$ 52.85	\$ 13.67	34.9%
1,000	39.18	52.85	13.67	34.9%
2,000	39.18	52.85	13.67	34.9%
3,000	39.18	52.85	13.67	34.9%
4,000	39.18	52.85	13.67	34.9%
5,000	39.18	52.85	13.67	34.9%
6,000	39.18	52.85	13.67	34.9%
7,000	39.18	52.85	13.67	34.9%
8,000	39.18	52.85	13.67	34.9%
9,000	39.19	52.85	13.66	34.9%
10,000	43.54	58.72	15.18	34.9%
25,000	108.86	146.80	37.94	34.9%
40,000	174.17	234.88	60.71	34.9%
50,000	217.72	293.60	75.89	34.9%
75,000	326.57	440.40	113.83	34.9%
100,000	399.66	542.28	142.62	35.7%
150,000	545.83	746.03	200.20	36.7%
200,000	692.00	949.78	257.78	37.3%
230,000	779.70	1,072.03	292.33	37.5%
250,000	838.17	1,153.53	315.36	37.6%
300,000	984.34	1,357.28	372.94	37.9%
400,000	1,276.68	1,764.78	488.10	38.2%
500,000	1,569.02	2,172.28	603.26	38.4%
600,000	1,861.36	2,579.78	718.42	38.6%
1,000,000	3,030.72	4,209.78	1,179.06	38.9%
2,000,000	5,255.32	7,407.78	2,152.46	41.0%

CITY OF LANCASTER  
 COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES  
 INDUSTRIAL - MONTHLY  
 2 INCH METERS

CONSUMPTION GALLONS	BILLS UNDER		INCREASE	
	PRESENT RATES	SETTLEMENT RATES	AMOUNT	PERCENT
(1)	(2)	(3)	(4)	(5)
0	\$ 43.54	\$ 58.72	\$ 15.18	34.9%
1,000	43.54	58.72	15.18	34.9%
2,000	43.54	58.72	15.18	34.9%
3,000	43.54	58.72	15.18	34.9%
4,000	43.54	58.72	15.18	34.9%
5,000	43.54	58.72	15.18	34.9%
6,000	43.54	58.72	15.18	34.9%
7,000	43.54	58.72	15.18	34.9%
8,000	43.54	58.72	15.18	34.9%
9,000	43.54	58.72	15.18	34.9%
10,000	43.54	58.72	15.18	34.9%
50,000	108.86	146.80	37.94	34.9%
138,000	439.20	607.28	168.07	38.3%
150,000	474.28	656.18	181.89	38.4%
200,000	620.45	859.93	239.47	38.6%
300,000	912.79	1,267.43	354.63	38.9%
350,000	1,009.26	1,401.90	392.64	38.9%
400,000	1,009.26	1,401.90	392.64	38.9%
450,000	1,009.26	1,401.90	392.64	38.9%
500,000	1,009.26	1,401.90	392.64	38.9%
550,000	1,009.26	1,401.90	392.64	38.9%
600,000	1,009.26	1,401.90	392.64	38.9%
650,000	1,009.26	1,401.90	392.64	38.9%
700,000	1,009.26	1,401.90	392.64	38.9%
750,000	1,009.26	1,401.90	392.64	38.9%
800,000	1,009.26	1,401.90	392.64	38.9%
850,000	1,009.26	1,401.90	392.64	38.9%
900,000	1,009.26	1,401.90	392.64	38.9%
950,000	1,009.26	1,401.90	392.64	38.9%
1,000,000	2,493.07	3,534.97	1,041.89	41.8%
2,000,000	4,717.67	6,732.97	2,015.29	42.7%
3,000,000	6,942.27	9,930.97	2,988.69	43.1%
4,000,000	9,166.87	13,128.97	3,962.09	43.2%



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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3010955
	:	
City of Lancaster – Wastewater	:	

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**JOINT STIPULATION FOR ADMISSION OF EVIDENCE**

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**TO ADMINISTRATIVE LAW JUDGE, JOEL H. CHESKIS:**

The City of Lancaster – Wastewater (“City” or “Lancaster”), the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), being all of the parties to the above-captioned proceeding (hereinafter collectively referred to as the “Stipulating Parties”), file this Joint Stipulation for Admission of Evidence (“Stipulation”) in the above-captioned proceeding. In support of the Stipulation, the Stipulating Parties represent as follows:

1. Paragraphs 1 through 4 of the Joint Petition for Settlement of Rate Investigation (“Petition for Settlement”), filed on this same date in the above-captioned proceeding, are hereby incorporated by reference.
2. The Stipulating Parties hereby jointly stipulate to the authenticity of, and admission into the evidentiary record in this matter, the filings, statements, and exhibits listed below. All such filings, statements, and exhibits are authenticated by verifications from each supporting witness.

Party	Direct Testimony	Rebuttal Testimony
<b>City of Lancaster – Wastewater</b>	Statement No. 1 (Volkay-Hilditch) Exhibit 1-A Exhibit 1-B Exhibit 1-C Supplemental Testimony Statement No. 1 (Volkay-Hilditch)  Statement No. PSH-1 (Hopkins) Exhibit PSH-1  Statement No. CEH-1 (Heppenstall) Exhibit CEH-1 Exhibit CEH-2 Exhibit CEH-3  Statement No. HW-1 (Walker) Exhibit HW-1  Statement No. JJS-1 (Spanos) Appendix A Exhibit JJS-1 Exhibit JJS-2 Exhibit JJS-3	Statement No. CVH-R (Volkay-Hilditch) Exhibit CVH-1-R Exhibit CVH-2-R Exhibit CVH-3-R  Statement No. CEH-R (Heppenstall) Exhibit CEH-1-R Exhibit CEH-2-R Exhibit CEH-3-R Exhibit CEH-4-R Exhibit CEH-5-R  Statement No. HW-1R (Walker) Schedule 1  Statement No. JJS-R-1 (Spanos) Exhibit JJS-1R
<b>Bureau of Investigation and Enforcement</b>	Statement No. 1 (Keller) Exhibit No. 1  Statement No. 2 (Spadaccio) Exhibit No. 2  Statement No. 3 (Gilliland) Exhibit No. 3	
<b>Office of Consumer Advocate</b>	Statement 1 (Sherwood) Appendix A Appendix B Schedules SLS-1 – SLS-12 Appendix C  Statement 2 (Rothschild) Schedules ALR-1 – ALR-7  Statement 3 (Fought) Exhibits TLF-1 – TLF-3  Statement 4 (Rubin) Schedules SJR-1 – SJR-6 Accompanying Attachments	

<b>Office of Small Business Advocate</b>	Statement No. 1 (Kalcic) Schedule BK-1 Schedule BK-2	
--	--	--

3. This Stipulation is presented by the Stipulating Parties in conjunction with the Petition for Settlement, which is intended to settle all issues in the above-captioned proceeding. If the Commission rejects or otherwise modifies the Petition for Settlement, the Stipulating Parties reserve their respective procedural rights to object to the admission of the above-referenced statements and exhibits, submit additional testimony and exhibits, and cross-examine witnesses at on-the-record evidentiary hearings.

4. This Stipulation is being presented, in conjunction with the Petition for Settlement, only to resolve issues in the above-captioned proceeding. Regardless of whether this *Stipulation is approved, no adverse inference shall be drawn, nor shall prejudice result to any Signatory Party in this or any future proceeding as a consequence of this Stipulation, or any of its terms or conditions.*

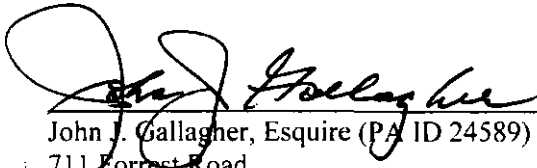
5. Pursuant to Section 5.412a of the Commission’s Regulations, 52 Pa. Code § 5.412a, copies of the foregoing statements and exhibits will be electronically filed with the Pennsylvania Public Utility Commission’s Secretary’s Bureau for inclusion in the official case record upon approval of this Stipulation.

6. Attached hereto as Appendix A is a proposed “Order Granting Joint Stipulation for Admission of Evidence” for consideration by the Honorable Administrative Law Judge Joel H. Cheskis.

WHEREFORE, the Stipulating Parties, by their respective counsel, respectfully request that the Honorable Administrative Law Judge Joel H. Cheskis admit the foregoing statements and exhibits into the record in this proceeding on the terms and conditions set forth in the Stipulation.

(Signatures appear on the next page.)

Respectfully Submitted:



John J. Gallagher, Esquire (PA ID 24589)  
711 Forrest Road  
Harrisburg, PA 17112  
Counsel for: *City of Lancaster - Wastewater*

Date: 1/15/20

Laura J. Antinucci, Esquire (PA ID 327217)  
Phillip D. Demanchick (PA ID 324761)  
Harrison J. Breitman, Esquire (PA ID 320580)  
Assistant Consumer Advocates  
Christine Maloni Hoover, Esquire (PA ID 50026)  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Counsel for: *Office of Consumer Advocate*

Date: \_\_\_\_\_

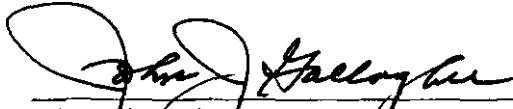
Carrie B. Wright, Esquire (PA ID 208185)  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2 West  
Harrisburg, PA 17120  
Telephone: (717) 783-6156  
Counsel for: *Bureau of Investigation and Enforcement*

Date: \_\_\_\_\_

Sharon E. Webb, Esquire (PA ID 73995)  
Assistant Small Business Advocate  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Counsel for: *Office of Small Business Advocate*

Date: \_\_\_\_\_

Respectfully Submitted:

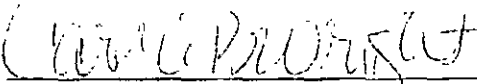


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Counsel for: *Office of Small Business Advocate*

Date: \_\_\_\_\_


Respectfully Submitted:

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Counsel for: *Office of Consumer Advocate*

Date: 1/15/2020

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Date: \_\_\_\_\_

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Harrisburg, PA 17101-1923  
Counsel for: *Office of Small Business Advocate*

Date: \_\_\_\_\_

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Respectfully Submitted:

\_\_\_\_\_  
John J. Gallagher, Esquire (PA ID 24589)  
711 Forrest Road  
Harrisburg, PA 17112  
Counsel for: *City of Lancaster - Wastewater*

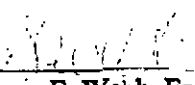
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Date: \_\_\_\_\_

  
\_\_\_\_\_  
Sharon E. Webb, Esquire (PA ID 73995)  
Assistant Small Business Advocate  
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555 Walnut Street  
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Harrisburg, PA 17101-1923  
Counsel for: *Office of Small Business Advocate*

Date: \_\_\_\_\_



**APPENDIX A**

**PROPOSED ORDER GRANTING JOINT STIPULATION  
FOR ADMISSION OF EVIDENCE**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<i>Pennsylvania Public Utility Commission</i>	:	
	:	
v.	:	Docket No. R-2019-3010955
	:	
City of Lancaster – Wastewater	:	

**ORDER GRANTING JOINT STIUPULATION  
FOR ADMISSION OF EVIDENCE**

On January 13, 2020, the City of Lancaster – Wastewater, Pennsylvania Public Utility Commission's Bureau of Investigation & Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate (collectively, the "Stipulating Parties") filed a Joint Stipulation for Admission of Evidence ("Stipulation") in the above-captioned proceeding. Each of the Stipulating Parties stipulated to the authenticity of the statements and exhibits listed in the Stipulation and requested that they be admitted into the record of this proceeding on the terms and conditions set forth in the Stipulation. The Stipulation is attached to this Order.

As this request is reasonable, it will be granted.

THEREFORE, IT IS ORDERED:

1. That the Stipulation, filed on January 13, 2020, is APPROVED;
2. The statements and exhibits listed therein are admitted into the record of this proceeding on the terms and conditions set forth in the Stipulation; and,
3. That copies of each filing, statement, and exhibit listed in the Stipulation be electronically filed with the Secretary's Bureau of the Commission within 30 days.

Date: \_\_\_\_\_

\_\_\_\_\_  
Joel H. Cheskis  
Administrative Law Judge

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2019-3010955</b>
	:	
<b>City of Lancaster - Sewer Fund</b>	:	

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

**Introduction**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint against the rates, terms, and other provisions of Supplement No. 39 to Tariff Sewer-Pa. P.U.C. No. 7 (“Supplement No. 39”) which was filed with the Pennsylvania Public Utility Commission (“Commission”) on July 19, 2019, by the City of Lancaster (the “City”). Supplement No. 39 reflects a proposed increase of the utility’s minimum charge, volumetric charges, and industrial waste surcharges. The total proposed increase for Outside-City customers was \$646,727 per year.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement of Rate Investigation (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

**The Joint Petition**

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of the City's outside small business customers.

**Revenue Allocation**

As part of its rate request, the City allocates costs between inside- and outside-City customers and as such the City submitted a cost of service study ("COSS") with its July 19th filing. *See generally* 52 Pa. Code § 53.53. Based upon that COSS, the City allocated its originally proposed overall revenue increase to its outside-City customer classes. Mr. Kalcic summarized the City's original COSS, as follows:

As shown in Table 1 below, the City's proposal fails to move the outside-City Industrial class to full cost of service, based on the City's filed cost-of-service study ('COSS'). As a result, the revenue shortfall associated with the City's proposed industrial increase must be recovered from residential and commercial customers.

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OSBA Statement No. 1, at 3. Mr. Kalcic's Table 1 is set forth below:

**Table 1**  
Comparison of City Proposed Revenues to Class Cost of Service,  
Outside-City Customers Only

<i>Customer Class</i>	<i>Filed Cost of Service</i>	<i>Proposed Revenue</i>	<i>Difference</i>
	(1)	(2)	(3) = (2)-(1)
Residential	\$869,440	\$871,354	\$1,914
Commercial	\$1,011,107	\$1,016,756	\$5,649
Industrial	<u>\$72,541</u>	<u>\$64,786</u>	<u>(\$7,755)</u>
Tot. Outside City	\$1,953,088	\$1,952,896	(\$192)

Source: Exh. No. CEH-2, Schedule A.

*Id.*

Mr. Kalcic also explained how the City's COSS was updated during this proceeding:

The City reran its COSS as part of its response to OCA-VII-1, which requested that the City identify the functional sub-accounts used in the filed COSS for three projects identified by the OCA.

OSBA Statement No. 1, at 4.

After the City updated its COSS in response to the OCA's discovery request (OCA-VII-

1) Mr. Kalcic observed:

The COSS run contained in OCA-VII-1 shifts approximately \$25,000 of revenue responsibility from outside- to inside-City customers, compared to the City's filed case. In addition, the COSS rerun produces a slight shift in relative revenue responsibility across outside-City customer classes, compared to the City's filed COSS.

*Id.*

Ultimately, Mr. Kalcic continued, as follows:

I recommend that the outside-City class revenues be set at full cost of service, as determined by the COSS provided in response to OCA-VII-1.

OSBA Statement No. 1, at 4.

If the Commission were to award Lancaster a revenue increase less than the full revenue amount requested by the City, Mr. Kalcic testified:

In that event, I would recommend that the outside-City portion increase be allocated to classes in proportion to the increases shown in column 3 of Schedule BK-2.

OSBA Statement No. 1 at 5. Mr. Kalcic's Schedule BK-2 is set forth below as Table 2:

**Table 2**  
OSBA Recommended Allocation of the City's  
Requested Increase in Base Revenue  
Basis: Outside City Only  
(Test Period Ending December 31, 2020)

<u>Classification</u>	<u>Present Base Revenue</u> 1	<u>Cost of Service Base Revenue</u> 2	<u>Recommended Increase</u>	
			<u>Amount</u> 3 = 2 - 1	<u>Percent</u> 4 = 3 / 1
Residential	\$602,078	\$864,304	\$262,226	43.6%
Commercial	\$666,135	\$992,532	\$326,397	49.0%
Industrial	<u>\$43,547</u>	<u>\$71,167</u>	<u>\$27,620</u>	63.4%
Total Outside City	\$1,311,760	\$1,928,003	\$616,243	47.0%

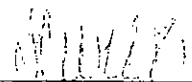
When Mr. Kalcic's recommended revenue allocation is compared to the *Joint Petition's* revenue allocation set forth on page 1 of Appendix B, it is apparent that the *relative class* increases contained in the *Joint Petition* are in keeping with those recommended by Mr. Kalcic.

For example, the relative Commercial increase recommended by Mr. Kalcic is 49.0% divided by 47.0%, or 1.04 times the overall outside-City average increase. In its original filing, the City proposed a Commercial increase of 52.6%, or 1.08 times the overall outside-City increase in rate revenue of 48.9%. (See Schedule BK-1, attached to OSBA Statement No.1.) Finally, the proposed Commercial increase shown in Appendix B to the *Joint Petition* is 40.0%, which is 1.06 times the overall outside-City average increase of 37.7%. Therefore, the OSBA concludes that the revenue allocation proposed by the *Joint Petition* is consistent with Mr. Kalcic's testimony and represents a fair and reasonable resolution of this issue.

**Conclusion**

Therefore, for the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the Administrative Law Judge and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,



---

Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995

Office of Small Business Advocate  
Forum Place  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Dated: January 15, 2020

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
<b>v.</b>	:	<b>DOCKET NO. R-2019-3010955</b>
	:	
<b>CITY OF LANCASTER – (WASTWATER)</b>	:	
	:	

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

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**TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE JOEL CHESKIS:**

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor, Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing *Joint Petition for Settlement* (Joint Petition or Settlement) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of City of Lancaster – Wastewater (Lancaster or City) and its customers. The parties to this Settlement Agreement have



conducted extensive formal and informal discovery and have participated in Settlement Conferences. The extensive discussions and sharing of information has culminated in the submission of the attached Settlement Agreement. The request for approval of the Joint Petition is based on I&E's conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."<sup>1</sup> The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."<sup>2</sup> The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the City and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

The Bureau of Investigation and Enforcement is of the opinion that the terms and conditions of the Joint Petition are in the public interest. In support of this position, I&E offers the following:

## **I. INTRODUCTION**

### **A. Legal Landscape**

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.<sup>3</sup> In order to protect consumers, the public utility's rates and

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

<sup>2</sup> *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 Pa.PUC 767, 771 (1991).

<sup>3</sup> *James C. Bonbright, Principles of Public Utility Rates*, Columbia University Press: New York (1961) at 3-14; 66 Pa.C.S. § 102.

services are regulated.<sup>4</sup> Price regulation strives to replicate the results of effective competition.<sup>5</sup> A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.<sup>6</sup> A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereto.<sup>7</sup>

### **B. I&E's Role**

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.<sup>8</sup> The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters and to enforce compliance with the Public Utility Code.<sup>9</sup> By representing the public interest in rate proceedings before the Commission, I&E works to balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.<sup>10</sup>

### **C. Procedural History**

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<sup>4</sup> *Principles of Public Utility Rates*, at 3-14; 66 Pa.C.S. §§ 1301, 1501.

<sup>5</sup> *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

<sup>6</sup> *City of Lancaster v. Pennsylvania Public Utility Commission*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see also Hope*, 320 U.S. at 602-603.

<sup>7</sup> 66 Pa.C.S. § 1501.

<sup>8</sup> Act 129 of 2008, 66 Pa.C.S. § 308.2(a)(11); 66 Pa.C.S. § 101 *et seq.*; 52 Pa.Code § 1.1 *et seq.*

<sup>9</sup> *Implementation of Act 129 of 2008: Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

<sup>10</sup> *See* 66 Pa.C.S. §§ 1301, 1304.

On July 19, 2019, Lancaster filed proposed Tariff Sewer-PA. P.U.C. No. 7 setting forth proposed rates designed to produce an increase in Lancaster's annual revenue of approximately \$646,727, or 46.7% above existing operating revenues.

On August 29, 2019, the Commission entered an Order instituting an investigation into the lawfulness, justness and reasonableness of the Lancaster's proposed rates. Pursuant to 66 Pa.C.S. Section 1308(d), proposed Tariff Sewer-PA. P.U.C. No. 7 was suspended by operation of law until April 17, 2020, unless permitted by Commission Order to become effective on an earlier date.

The Commission assigned the City's filing to the Office of Administrative Law Judge (OALJ) for the development of an evidentiary record culminating in a Recommended Decision (RD). The OALJ subsequently assigned the suspended proceeding to Deputy Chief Administrative Law Judge Joel Cheskis for investigation and scheduling of hearings to consider the lawfulness, justness and reasonableness of the City's rate increase request.

Pursuant to its charge to represent the public interest in matters impacting rates, I&E filed its initial Notice of Appearance on August 5, 2019.

A Prehearing Conference was held on September 9, 2019, at which time a procedural schedule was established. The procedural schedule included filing dates for written Direct, Rebuttal, and Surrebuttal Testimony and Main Briefs and Reply Briefs, as well as dates for Evidentiary Hearings.

In accordance with the procedural, I&E filed Direct Testimony on October 17, 2019. The parties informed the ALJs that they had reached a settlement in principal on December 3, 2019.

## II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.<sup>11</sup> Here, the Joint Petitioners successfully achieved a Settlement Agreement of most of the issues.

The Settlement Agreement is a “Black Box” agreement, which does not specifically identify the resolution of certain disputed issues.<sup>12</sup> Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.<sup>13</sup>

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, three days of litigious hearings, briefing, and further involvement of both ALJs would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.<sup>14</sup> The request for approval of the *Joint Petition for Settlement* is based on the I&E conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for

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

<sup>12</sup> *See id.* at \*11.

<sup>13</sup> *See id.*

<sup>14</sup> *See id.*

approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”<sup>15</sup> The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”<sup>16</sup> The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by Lancaster and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

**A. Revenue Increase (Joint Petition ¶ 5)**

The proposed Settlement will allow Lancaster to file new tariff rates designed to provide an overall distribution base rate increase of \$500,000 in revenues, instead of the City’s requested approximately \$646,727 increase. The parties to the Joint Settlement have agreed upon the additional annual revenues as a Black Box settlement.

Based on I&E’s analysis of the filing and discovery responses received, the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event that the case was fully litigated. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is both just and reasonable and in the public interest.

As noted above, the additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a Black Box settlement. A Black Box agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to

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<sup>15</sup> *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

<sup>16</sup> *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A Black Box settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. The involvement of the ALJ would have added time and expense to an already cumbersome proceeding. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with this filing at a reasonable level. The previous Chairman of the Commission has commented on Black Box settlements and stated that the “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black Box settlements are an integral component of the process of delivering timely and cost-effective regulation.”<sup>17</sup>

This increased level of Black Box revenue adequately balances the interests of ratepayers and Lancaster. Lancaster will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. Mitigation of the level of the rate increase

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<sup>17</sup> See Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (Order entered January 13, 2011). See also Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, Pennsylvania*, Docket No. R-2010-2172665 (Order entered January 13, 2011).

benefits ratepayers and results in rates that satisfy the regulatory standard requiring just and reasonable rates. As such, this element supports the standard for approval of a settlement as the resulting rates are just and reasonable and in accordance with the Public Utility Code and all pertinent case law.

**B. Fully Projected Future Test Year Reporting (Joint Petition ¶ 6.a)**

The City uses a Fully Projected Future Test Year (FPFTY) in its filing. Lancaster used a FPFTY ending December 31, 2020, resulting in a total plant in service claim for the FPFTY of \$150,089,977, which includes \$8,705,000 of plant additions and \$222,500 of retirements.<sup>18</sup> I&E witness Holly Gilliland recommended that the City provide interim reports to allow the Commission to measure and verify the accuracy of Lancaster's projected investments in future facilities.<sup>19</sup>

In paragraph 5.b of the Joint Petition, Lancaster agrees to provide to I&E, the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), and the Commission's Bureau of Technical Utility Services (TUS) updates which will include actual capital expenditures, plant additions, and retirements. This can be used as a comparison of its actual expenses and rate base additions for the instant case to gauge how accurate Lancaster's projects in fact were.

This provision is in the public interest as it ensures that the Commission will receive data sufficient to allow for the evaluation and confirmation of the accuracy of Lancaster's projections. As noted by I&E witness Gilliland, Lancaster "...is requiring

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<sup>18</sup> I&E St. No. 3 p. 14.

<sup>19</sup> I&E St. No. 3 pp. 14-15.

ratepayers to pay a return on its projected investment in future facilities that are not in place and providing service at the time the new rates take effect, but are also not subject to any guarantee of being completed...[t]herefore, requiring the Sewer Fund to provide updates demonstrating that actual investments comport with projections used in setting rates in the FPFTY provides the Commission with actual data to gauge the accuracy of the Sewer Fund's projected investments.”<sup>20</sup>

**C. OPEBs (Joint Petition ¶ 6.b)**

I&E took no position in this proceeding on this particular issue. However, the Settlement provides that Lancaster will provide an actuarial study in its next base rate proceeding that separately identifies the annual required OPEB contribution for jurisdictional and non-jurisdictional customers. I&E submits that this provision will allow the Parties to the next Lancaster base rate proceed to accurately determine that the proper amounts are being allocated between jurisdictional and non-jurisdictional ratepayers. This also allows the Parties to determine that the appropriate amount is being collected from jurisdictional and non-jurisdictional customers.

**D. Base Rate Filing Stay Out and Rate Effective Date (Joint Petition ¶ 6.c-6.d)**

The Settlement provides that Lancaster will not file for another general rate increase under Section 1308(d) of the Public Utility Code prior to December 31, 2021. This would not however, preclude Lancaster from filing a tariff or supplement proposing

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<sup>20</sup> *Id* at 15.



a rate increase in compliance with Commission orders or in response to fundamental changes in regulatory policy which substantially affect the City's rates.

While I&E did not propose a rate case stay-out in testimony, I&E supports this provision as being in the public interest. A stay-out provides customers with a level of rate stability for a certain period of time that is generally not available as part of a fully litigated base rate proceeding.

Further, the Settlement provides that rates will go into effect after one day's notice upon entry of a Commission Order approving this Settlement, prior to the end of the suspension period. This ensure that Lancaster receives the necessary revenue in a reasonable time frame.

**E. Rate Structure and Rate Design (Joint Petition ¶¶ 6.e-6.f)**

The allocation of a rate increase is a significant issue in base rate proceedings. It is important to allow the utility to recover only those direct monthly costs that vary with the addition or loss of a customer. This charge provides the utility with a steady, predictable level of income that will allow for the proper maintenance and upkeep of the system. Establishing the proper minimum charge also protects ratepayers by ensuring that Lancaster *is not being overcompensated. Moderating the requested increase in this proceeding also* benefits ratepayers as it allows them to reap a greater portion of the benefit of conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage. Designing rates this way allows customers to *have greater control of their bills and is in the public interest.*

Based on I&E's review, I&E views the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case. Further, the Settlement in this area demonstrates a compromise of the interests of all of the parties. As such, these provisions are in the public interest.

#### **F. I&E's Remaining Issues**

The remaining issues raised in I&E's Prehearing Memo and testimony have been satisfactorily resolved through discovery and discussions with Lancaster and are incorporated into the black box resolution of the revenue requirement in this proceeding. The very nature of a settlement is that it incorporates compromise on the part of all parties. This particular settlement agreement exemplifies this principle. In addition, a black box settlement makes the specific identification of the resolution of disputed issues impossible. Each signatory acknowledges the ultimate revenue allowance but makes no representation as to how this addition to base rate revenue was achieved.

### **III. CONCLUSION**

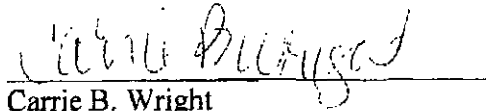
Based on I&E's analysis of the base rate revenue increase requested by the City of Lancaster – (Wastewater), acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may cause an increase in revenue beyond that agreed to in the Joint Petition. Acceptance of the foregoing Settlement Agreement will negate the need to engage in the preparation of Main Briefs, Reply Briefs, Exceptions, and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation proceeding best serves the interests of Lancaster and its customers. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a black box agreement. 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 or the continuation of this litigation in the event the settlement agreement is *rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.*

If the ALJ recommends that the Commission adopt the settlement agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the settlement agreement, or any additional matters, that may be proposed by the ALJs in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any party to this proceeding. The settlement agreement is also conditioned upon the Commission's approval of all terms and conditions contained therein, and should the Commission fail to approve or otherwise modify the terms and conditions of the settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

**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 Deputy Chief Administrative Law Judges Joel Cheskis recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Carrie B. Wright  
Prosecutor  
Attorney ID #208185

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Bureau of Investigation and Enforcement  
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Dated: January 13, 2020

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU **Statement 3**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	Docket No. R-2019-3010955
v.	:	Docket No. C-2019-3011834
	:	
City of Lancaster – Wastewater	:	

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STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF THE JOINT PETITION FOR  
FULL SETTLEMENT OF RATE PROCEEDING

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The Office of Consumer Advocate (“OCA”), one of the signatory parties to the Joint Petition for Full Settlement of Rate Proceeding (“Petition for Settlement”), finds the terms and conditions of the Settlement to be in the public interest and in the interest of City of Lancaster – Wastewater (“City”) outside-city ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (“Commission”) approve the Settlement, without modification, for the following reasons:

**I. BACKGROUND**

On July 19, 2019, the City filed Tariff Supplement No. 39 to Tariff Sewer – Pa. P.U.C. No. 7 (Supplement No. 39) to become effective September 17, 2019. Through Supplement No. 39, the City proposed changes in rates, rules, and regulations designed to produce \$646,727 in additional annual operating revenues, or approximately 46.7%, over the amount of annual revenues at present rates for its customers who reside outside the City anticipated for the Fully Projected Future Test Year (“FPFTY”) ended December 31, 2020.

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The City serves approximately 3,385 customers (3,124 residential, 235 commercial, and 8 industrial) outside of the City in a portion of the Townships of East Lampeter, East Hempfield, Lancaster, Manheim, and Manor in Lancaster County, Pennsylvania. Under the City's original proposal, the proposed metered usage rates would increase from \$52.25 to \$75.66 per quarter, or by 44.8%, for the average residential customer using 12,000 gallons of water per quarter. See City Exh. CEH-2, App. at 25.

On July 29, 2019, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance, opposing the proposed increase in rates. On August 5, 2019, the Commission's Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance in this case. On August 8, 2019, the Office of Small Business Advocate ("OSBA") filed a Formal Complaint and Public Statement opposing the proposed increase in rates.

On August 29, 2019, the Commission issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rates in Supplement No. 39 to Tariff Sewer - Pa. P.U.C. No. 7, and suspending the effective date until April 17, 2020, by operation of law. The Commission assigned the case to the Office of Administrative Law Judge and further assigned the case to Administrative Law Judge Joel H. Cheskis ("ALJ Cheskis") and notified the parties. A Prehearing Conference was held on September 9, 2019, during which the parties mutually agreed to a procedural schedule and modifications were made to the Commission's discovery regulations.

In its investigation of the rate filing and development of its position, the OCA analyzed the City's claims, written testimony, and discovery responses. In accordance with the procedural schedule, on October 17, 2019, the OCA served the following Direct Testimony to the Presiding

### Statement 3

Officer and all parties of record: the Direct Testimony of Stacy L. Sherwood<sup>1</sup>, OCA Statement 1, the Direct Testimony of Aaron L. Rothschild<sup>2</sup>, OCA Statement 2, the Direct Testimony of Terry L. Fought<sup>3</sup>, OCA Statement 3, and the Direct Testimony of Scott J. Rubin<sup>4</sup>, OCA Statement 4.

On November 22, 2019, a settlement conference was held to attempt to reach a settlement in principle on the issues raised in this proceeding. As a result of this conference, the Joint Petitioners reached a comprehensive agreement on all issues on December 3, 2019, prior to the evidentiary hearing. Upon notifying the Presiding Officer of the Settlement, the litigation schedule was suspended and evidentiary hearings were cancelled. The Presiding Officer indicated that a Petition for Settlement should be filed by the parties no later than January 15, 2020, along with Statements in Support and a Joint Stipulation for the admission of testimony and exhibits into the record. Pursuant to this directive, the OCA submits the following Statement in Support.

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<sup>1</sup> Ms. Sherwood is an Economist with Exeter Associates, Inc. At Exeter, Ms. Sherwood develops utility service assessments, provides bill and rate analysis, and assesses and evaluates the effectiveness of energy conservation and efficiency programs. Additionally, Ms. Sherwood has participated in numerous water rate cases in Rhode Island, New Jersey, and Pennsylvania, performing revenue requirement analyses in proceedings such as Hidden Valley Utility Services, LP and Newtown Artesian Water Company's most recent base rate cases. Her full background and qualifications are provided in Appendix A, attached to OCA Statement 1.

<sup>2</sup> Mr. Rothschild is a financial consultant specializing in cost of capital issues in utility regulation. He has over twenty years of experience providing utility financial analysis. Mr. Rothschild has applied his expertise in numerous proceedings before the Pennsylvania Public Utility Commission, over twenty other state public service commissions, and the Federal Energy Regulatory Commission.

<sup>3</sup> Mr. Fought is a consulting engineer with more than forty years of experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to and designed water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984.

<sup>4</sup> Mr. Rubin is an independent attorney and public utility industry consultant who has testified as an expert witness before utility commissions or courts in twenty states, the District of Columbia, and the province of Nova Scotia. Over the past 35 years, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings, developed substantial expertise in matters relating to the economic regulation of public utilities, and has published articles, contributed to books, written speeches, and delivered numerous presentations, on both the national and state level, relating to regulatory issues.



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The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of the City's outside-city ratepayers, and should be approved by the Commission without modification.

## II. SETTLEMENT TERMS AND CONDITIONS

### A. Revenue Requirement (Settlement ¶ 5)

The City initially proposed to increase its annual operating revenues by \$646,727, or approximately 46.7%, over the amount of annual revenues at present rates for its customers who reside outside the City. City Exh. CEH-1 at 9. This increase was based, in part, upon an increase in rate base projected for the FPFTY, a proposed return on equity of 10.85%, and several proposed increases to the City's annual operating expenses. See City St. CEH-1.

In the OCA's direct testimony, it initially recommended that the City receive an increase no higher than \$350,283 allocated to outside-city customers—\$296,444 less than the increase of \$646,727 requested by the City in this case. See OCA St. 1 at 3. This recommendation was based

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in part upon numerous revenue requirement adjustments to the City's rate base and expenses for the future test year and FPFTY. See OCA St. 1, App. B, Sch. SLS-2. In addition, OCA witness Aaron Rothschild recommended a lower return on equity of 8.78%, rather than 10.85% as recommended by the City. See OCA St. 2 at 3.

Under the Settlement, the City will be permitted a total annual revenue increase of approximately \$500,000 for its jurisdictional wastewater operations. Settlement ¶ 5. Overall, this represents an increase of approximately 37.7% over present outside-city customer revenues. This is approximately \$146,727 less than the amount originally requested by the City.

The Settlement represents a "black box" approach to the revenue requirement including cost of capital issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

Based on the OCA's analysis of the City's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is reasonable and yields a result that is in the public interest, particularly when accompanied by other important conditions contained in the Settlement. The increase agreed to in the Settlement provides adequate funding to allow the City to continue to provide safe, adequate, reliable, and continuous service. As such, the OCA submits that the increase agreed to in this Settlement is in the public

interest and in the interest of the outside-city ratepayers, and should be approved by the Commission.

**B. Sewer Rate Design/Cost Allocation (Settlement ¶¶ 6.e., 6.f.)**

The City's rate design consists of a declining block structure that is composed entirely of a volumetric charge. City St. CEH-1 at 22. The City does not necessarily recover fixed costs through a fixed customer charge. Rather, the City implements a minimum charge that must be applied to a customer's bill if their usage amount falls below a certain threshold. See City Exh. CEH-2, App. at 22. The City did not attempt to change its rate design structure in this rate case, but applied a portion of the increase to each block to closer align each customer class with the cost of service allocation results and increased the minimum charge in a like manner. City St. CEH-1 at 22. In response to this filing, the OCA did not object to the City's rate design proposal. OCA St. 4 at 9.

The Settlement maintains the same rate design, but scales back each block rate to account for the reduced revenue under Settlement Rates. Settlement ¶ 6.f. Based upon this Settlement, a typical outside-city residential wastewater customer with a 5/8" meter will see an increase from \$52.25 to \$70.46 per quarter, or by \$18.21, or 34.9%. In comparison, the City's original proposal would have increased the average residential customer's quarterly bill by \$23.41 assuming an average usage of 12,000 gallons per quarter. Accordingly, this rate design is in the public interest.

**C. OPEB Expense (Settlement ¶ 6.b.)**

The Settlement contains a provision addressing how the City will calculate its Annual Retired Contribution (ARC) for jurisdictional customers to meet its other post-employment benefit (OPEB) obligations. In the City's previous wastewater rate case in 2012, the parties entered into a settlement where the City agreed to create an OPEB trust fund that would allow the City to fully

### Statement 3

fund its OPEB obligation, thereby reducing variability in the annual OPEB expense. See City of Lancaster – Sewer Fund v. Pennsylvania Public Utility Commission, Docket No. R-2012-2310366, Joint Petition for Settlement of All Issues in Rate Proceeding at ¶ 12(f) (Jan. 18, 2013) (2012 Settlement). To that end, the 2012 Settlement provided that the City would contribute to the trust fund annually, an amount equal to the total ARC multiplied by the jurisdictional customers' share of the overall cost of service. Id. As stated in the 2012 Settlement, the City would collect from outside-city customers approximately \$51,013 to contribute to the OPEB trust fund. Id. The intention was for the City to also deposit the remaining ARC of approximately \$364,000 on behalf of the inside-city, or non-jurisdictional, customers.

In the present rate filing, the City proposed to collect from jurisdictional customers their share of the OPEB ARC in accordance with the 2012 Settlement. City Exh. CEH-1 at 20. In discovery, however, the City stated that it had not funded the non-jurisdictional portion of the OPEB ARC since the last rate case and would not do so in the future. See OCA St. 1, App. C, City Response to OCA VI-2.

In response, the OCA's witness, Stacy Sherwood, proposed a more accurate and just assessment of City's OPEB ARC expense allocated to the outside-city customers. OCA St. 1 at 14-15. The OCA's witness noted that the City was underfunding the OPEB ARC trust fund, which could have potentially held the outside-city customers accountable for the shortage despite the fact that they had been funding their portion of the expense in full. Id., at 15-16. The OCA's witness recommended, in part, that the City demonstrate that the projected level of expense was not elevated as a result of the City's decision to not fund the non-jurisdictional portion of the OPEB trust fund. OCA St. 1 at 15.

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The Settlement resolves the issues raised by the OCA in a reasonable manner. The Settlement provides that the City will work with its actuary to determine a separate ARC for jurisdictional customers, separate and apart from the obligations of the non-jurisdictional customers. See Settlement ¶ 6.b. That is, going forward, the actuary will determine a revised jurisdictional-only OPEB ARC for outside-city customers beginning January 2020 to ensure that the jurisdictional customers do not overpay their share of the OPEB obligations as a result of the City's decision to not fund the non-jurisdictional customers' portion of the OPEB ARC.

#### **D. Reporting on Plant Additions (Settlement ¶ 6.a.)**

In its filing, the City calculated its proposed revenue increase using the FPFTY ending December 31, 2020. Under the Settlement, the City agrees to provide to the Joint Petitioners with an update to the response to I&E-RB-13, which was attached to I&E Ex. No. 3 as Sch. 8 and labelled by the City as "2019 Balance Rollforward" for the years 2019-2020, no later than six months after Settlement rates go into effect, and an additional update will be provided for the years 2020-2021, no later than January 4, 2021, to be filed under this docket number. Settlement ¶ 6.a. The updated tables will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2019, and December 31, 2020, respectively.

The requirement of reporting on plant additions is consistent with Section 315 of the Public Utility Code, which states that a utility utilizing a future test year and an FPFTY shall provide "appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year..." 66 Pa. C.S. § 315(e). This provision provides the statutory parties and the Commission with additional information that may be helpful in the City's next base rate case and is therefore in the public interest and in the interest of the City's outside-city ratepayers.

**E. Stay-Out Provision (Settlement ¶ 6.c.)**

Under this Settlement, the City has agreed that it will not file for another wastewater base rate case before December 31, 2021. See Settlement ¶ 6.c. The base rate filing stay-out provision ensures that the City will keep its base rates at the levels proposed in the Settlement for over two years, or until December 31, 2021 if the City files for a general rate increase as soon as the stay out provision ends.

**F. Effective Dates of Rates (Settlement ¶ 6.d.)**

The OCA agrees that it is in the public interest for Settlement Rates to go into effect after one day's notice upon the entry of a Commission Order approving this Settlement prior to the end of the suspension period. Settlement ¶ 6.d. Due to the fact that the City's FPPTY began on January 1, 2020, the OCA has determined that, in this particular case, it would be in the public interest to allow rates to go into effects prior to the end of the suspension period of April 17, 2020.

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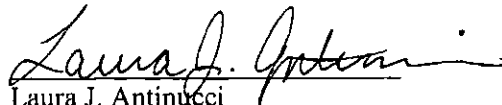
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**III. CONCLUSION**

The OCA submits that the terms and conditions of the proposed Settlement, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest and in the interest of the outside-city ratepayers.

Respectfully Submitted,



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DATE: January 15, 2020  
281965

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	DOCKET Nos. R-2019-3010955
	:	C-2019-3011834
v	:	C-2019-3012096
	:	
THE CITY OF LANCASTER- WASTEWATER	:	

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**CITY OF LANCASTER  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT OF  
RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS:**

The City of Lancaster ("City"), by and through Counsel, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of the City and its water customers.

**A. BACKGROUND**

1. All active parties to this proceeding participated in settlement discussions and as result, the City, the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA") have agreed upon the terms embodied in the foregoing Joint Petition for Settlement.



2. The City of Lancaster Wastewater System is a public wastewater system owned and operated by the City of Lancaster, a Third Class City in the Commonwealth of Pennsylvania. The City's jurisdictional territory is small (approximately 3,400 customers) compared to the number of inside City customers (approximately 16,700). As shown on the Cost of Service Study submitted with this rate filing (Exhibit CEH-2), the outside City customers represent only 10.2% of the City's total cost of service. Lancaster's first major sewer was constructed in the 1860s, and by the mid 1870s sewers were installed in practically all major arteries. These early sewers were of brick construction and in some instances involved enclosing a surface stream. These brick sewers total approximately 20 miles. After the mid-1920s all sewers installed were concrete or vitrified clay.

The City sewer system encompassed approximately 140 miles of collection lines, six pumping stations and two treatment plants, the North Plant and the South Plant. The North Plant was placed in operation in December of 1934 at a cost of \$416,000. The South Plant became operational in May of 1935 at a cost of \$476,000. Both plants handled an average flow of 6 million gallons daily (MGD). The North Plant was expanded to 9.8 MGD in 1962 and provided service to the northeast section of the City of Lancaster, as well as parts of Manheim and East Lampeter Townships. The South Plant was expanded to 12 MGD in 1972 and its service area extended from the central and western portions of the city and portions of Lancaster and Manheim Townships to include areas of East Lampeter Township, West Lampeter Township and Strasburg Borough.

In April 1988, to satisfy the requirements of the Pennsylvania Department of Environmental Resources (DER – now PaDEP) and the U.S. Environmental Protection

Agency (EPA), the City placed into full operation an upgraded and expanded treatment plant at a cost of \$52 million. The project also upgraded and expanded the Lancaster Municipal Authority's (now the City of Lancaster) two existing treatment plants to accommodate the growth within the service area during the next 20 years.

The structures and piping of the South Plant were retained in their entirety, although modifications were completed to provide upgraded levels of treatment. The North Plant was abandoned. Combining all treatment operations at the South Plant site proved to be the most cost effective.

A pumping station and force main were constructed to convey the sewage to the South Plant which was expanded to handle future flows and was upgraded to provide the additional required treatment. The construction of additional facilities increased the design capacity to 30 MGD. The South Plant now includes screening and grit removal, primary clarification, a pure oxygen activated sludge system which provides biological phosphorus removal, final clarification, disinfection by sludge thickening and dewatering.

3. On July 19, 2019, 2014, the City Filed Supplement No. 39 to Tariff Water-Pa. P.U.C. No. 7 requesting an increase of its total annual operating revenues for outside-City customers by approximately \$646,727 representing a rate increase of approximately 46.7 % for the City's jurisdictional customers. By Order entered July 9, 2014, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of the City's existing and proposed rates, rules and regulations. The City's filing was suspended by

operation of law until April 17, 2020, unless permitted by Commission order to become effective at an earlier date.

4. The case was assigned to Administrative Law Joel H. Cheskis for the purposes of conducting hearings and issuing a Recommended Decision.

5. A prehearing conference was held on September 19, 2019.

6. The Joint Petitioners engaged in several settlement discussions which resulted in the development of the settlement agreement set forth in the Joint Petition.

#### **B. TERMS AND CONDITIONS OF SETTLEMENT**

7. The City represents that the settlement reached by the parties is the result of extensive discovery, negotiations and compromises by all parties. The City submits that the settlement reached in this proceeding is in the public interest for the following reasons:

a. *Revenue Requirement* (Joint Petition ¶5) The City will be permitted to establish rates for outside customers, which will produce an overall increase in annual operating revenues of approximately \$500,000 in lieu of its original proposed \$647,727 increase. These rates, as determined in accordance with the attached proof of revenues and tariff supplement, will be effective prior to April 17, 2020. The Proof of Revenues reflect rates that are designed to recover approximately \$500,000 of additional revenues from outside customers.

b. The City agrees to provide to the Joint petitioners and the Commission's Bureau

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of Technical Utility Services (TUS) Fully Projected Future Test Year ("FPFTY") updates to City plant additions at 6 months and 1 year after rates go into effect, plus full updates at the time of the City's next rate filing.

**c. OCA-OPEB Issue—OCA-OPEB Issue**—All issues related to Other Post-Employment Benefits (OPEBs) are resolved as follows:

- (1) The City shall make monthly deposits into its OPEB Irrevocable Trust equal to 1/12<sup>th</sup> of PUC-jurisdictional customers' share of the Annual Required Contribution ("ARC").
- (2) The PUC-jurisdictional customers' share of the ARC shall be determined by an Actuarial Study that separately identifies an ARC for PUC-jurisdictional customers, separate and apart from the obligations of the inside-City customers. This provision alters the methodology for calculating the OPEB ARC developed in past rate proceedings to ensure that jurisdictional customers do not bear an increased obligation as a result of the City's decision to not fund the non-jurisdictional portion of the ARC.
- (3) The City shall maintain an accurate account of all monthly OPEB deposits.

**d. Stay-Out**—The City agrees that it will not file for another wastewater base rate case before December 31, 2021.

**e. Rate Effective Date** -- Joint Petitioners agree that it is in the public interest for entry of a Commission-approved final order approving the Petition for Settlement with the proposed effective date of the agreed-upon rate increase to be no earlier than December 31, 2019, the earliest date as of the date of filing of this Joint Settlement Petition and April 17, 2020.

**f. Rate Structure/Rate Design** -- Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B. These charges specifically provide for a \$17.62 per quarter or \$5.87 per month for 5/8-inch minimum and volumetric charges of 5.872 per 1,000 gallons for the first

25,000 gallons per month, \$4.075 for the next 308,000 gallons per month and \$3.198 per 1,000 gallons for usage over 333,000 monthly. The design and structure of rates for outside customers of the City under this Petition for Settlement are developed based upon the customer and volumetric charges contained within the Rate Schedules set forth in Appendix B of the Joint Petition. Joint Petitioners agree that rates and charges set forth in Appendix B of the Joint Petition are just and reasonable and are in the public interest.

**g. Rate Design** – Joint Petitioners agree to use the City’s current rate structure with minimum monthly and quarterly customer minimums and volumetric rates. The settlement rates are scaled back to reach as close to the agreed upon overall revenue increase of \$500,000. The Joint Petitioners agree to use the OSBA’s target revenue increases by class that were set during settlement discussions to reach the \$500,000 revenue increase. The Joint Petitioners agree to design the settlement rates based on the following percentage increases by class. The Residential class has a revenue increase of 34.9% or \$210,148, the Commercial class has a revenue increase of 40.0% or \$266,738, and the Industrial class has a revenue increase of 40.0% or \$17,437.

8. The Joint Petitioners agree that the City's original filing, including all testimony, exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa.Code §§ 53.52, 53.53. The Joint Petitioners also agree that all testimony, exhibits and supporting data filed by the OCA, I&E and OSBA in this proceeding shall be admitted into the record as outlined in the Joint Stipulation for Admission of Evidence which accompanies this Joint Petition.

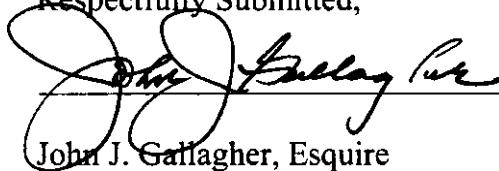
9. Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, the quarterly bill of a typical 5/8" metered residential customer residing outside the City who utilizes 12,000 gallons of water per quarter will increase from \$52.25 to \$70.46, or by approximately 34.9%, rather than from \$52.25 to \$75.66 (44.8%) as originally requested.

10. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of the City, I&E, & OCA. In addition, adoption and approval of the Petition for Settlement will avoid the need for the filing of direct testimony by any of parties, for briefing, and for continued litigation of this proceeding.

11. This Petition for Settlement arises from extensive discovery and discussions, and reflects compromises by all sides. It is being proposed to settle the instant case. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this settlement upon written notice of its intent to the Commission and the remaining parties within three (3) business days of the date of the Commission's Order and may resume with the litigation of this proceeding within (10) days of the entry of the Order making any such modifications.

**WHEREFORE**, the City of Lancaster represents that it fully supports the instant settlement as being in the public interest and respectfully requests that presiding Administrative Law Judge Cheskis recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "John J. Gallagher", is written over a horizontal line.

John J. Gallagher, Esquire  
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jgallagher@jglawpa.com  
*Counsel for the City of Lancaster*

Dated: January 15, 2020

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**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 the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

**VIA ELECTRONIC MAIL AND  
HAND DELIVERY**

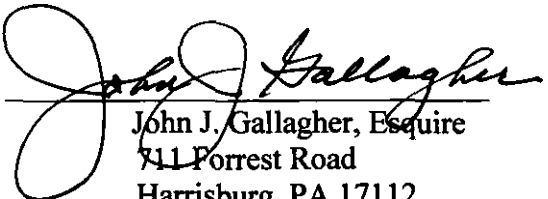
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Dated: February 11, 2020



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