



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF  
INVESTIGATION  
&  
ENFORCEMENT

March 2, 2020

*Via Electronic Filing*

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

Re: Pennsylvania Public Utility Commission v.  
Twin Lakes Utilities, Inc.  
Docket No. R-2019-3010958  
**I&E Exceptions**

Dear Secretary Chiavetta:

Enclosed for filing, please find the Bureau of Investigation and Enforcement's (I&E) **Exceptions** for the above-captioned proceeding.

Copies are being served on parties as identified in the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Erika L. McLain".

Erika L. McLain  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 320526  
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ELM/ac  
Enclosure

cc: Honorable Marta Guhl (*ALJ, PUC Philadelphia*)  
Office of Special Assistants (*via E-Mail only RA-OSA@pa.gov*)  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3010958
	:	
Twin Lakes Utilities, Inc.	:	

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**EXCEPTIONS  
OF THE  
BUREAU OF INVESTIGATION & ENFORCEMENT**

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Erika L. McLain  
Prosecutor  
PA Attorney I.D. No. 320526

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

Dated: March 2, 2020

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## I. INTRODUCTION

On July 23, 2019, Twin Lakes Utilities, Inc. (“Twin Lakes” or “Company”) filed Supplement No. 8 to Tariff Water-Pa. P.U.C. No. 4 (“Supplement No. 8”) to become effective September 19, 2019. Supplement No. 8 contained rates, rules, and regulations designed to increase the Company’s distribution rates by approximately \$211,793. The requested revenue increase equates to an approximate 158.63% increase over existing distribution rates.

Pursuant to 66 Pa. C.S. § 1308(d), on August 29, 2019, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) suspended the filing by operation of law and assigned it to the Office of Administrative Law Judge (“OALJ”) for the development of an evidentiary record and Recommended Decision. The Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance on July 29, 2019. The case was assigned to Administrative Law Judge Marta Guhl (“ALJ” or “ALJ Guhl”), who conducted a prehearing conference on September 23, 2019. In addition to the Commission’s Bureau of Investigation and Enforcement and the Company, the Office of Consumer Advocate (“OCA”) also actively participated in the case.

Two public input hearings were held in Shohola, Pennsylvania on October 17, 2019. Pursuant to the procedural schedule agreed to at the prehearing conference, the parties exchanged direct, rebuttal, and surrebuttal testimony. I&E introduced the following statements of testimony and exhibits:

- I&E Statement No. 1, I&E Exhibit No. 1, and I&E Statement No. 1-SR, the prepared direct and surrebuttal testimony and exhibit of John Zalesky;

- I&E Statement No. 2, I&E Exhibit No. 2, I&E Statement No. 2-SR, and I&E Exhibit No. 2-SR, the prepared direct and surrebuttal testimony and exhibits of Christopher M. Henkel;
- I&E Statement No. 3, I&E Exhibit No. 3, and I&E Statement No. 3-SR, the prepared direct and surrebuttal testimony and exhibit of Esyan A. Sakaya.

Cross-examination was waived by the parties and evidentiary hearings were cancelled by ALJ Guhl. The Parties sought to enter their respective testimony and exhibits into the record through a Motion and Stipulation filed on December 17, 2019. ALJ Guhl issued an Order on December 18, 2019 granting the Motion and Stipulation. On December 19, 2019, I&E filed its testimony and exhibits along with witness verifications with the Commission's Secretary's Bureau.

Pursuant to the procedural schedule and in accordance with Sections 5.501- 5.502<sup>1</sup> of the Public Utility Code, I&E submitted its Main Brief on January 7, 2020 and its Reply Brief on January 15, 2020.

On February 19, 2020, the ALJ issued a Recommended Decision ("RD") accepting all of I&E's recommendations. I&E agrees with ALJ Guhl's acceptance of the I&E positions. However, upon review I&E files these exceptions to correct inconsistencies within Table 1. Accordingly, in these Exceptions, I&E requests that the Commission correct the numbers in Table 1 to be consistent with ALJ Guhl's Recommended Decision.

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<sup>1</sup> 52 Pa. Code §§ 5.501- 5.502.

## II. EXCEPTIONS

Upon review of ALJ Guhl's Recommended Decision, I&E became aware of an error contained in Table 1 of Appendix A. Specifically, the RD's adjustment for state and federal income tax adjustment based upon I&E's recommendation is incorrectly stated within Table 1. As was advocated in I&E's Direct Testimony<sup>2</sup> and Surrebuttal Testimony,<sup>3</sup> the Company's allowance for PA corporate net income tax ("CNI") should be \$6,063. Further, I&E advocated for the disallowance of the Company's federal tax claim in both its Direct Testimony<sup>4</sup> and Surrebuttal Testimony.<sup>5</sup> Twin Lakes failed to respond to either of I&E's recommendations for state and federal income tax. In the RD, ALJ Guhl appropriately recommended the Commission adopt I&E's state and federal income tax proposals as those proposals went uncontested by the Company.<sup>6</sup>

Table 1 of the RD incorrectly reflects I&E's accepted position on state and federal income tax. I&E requests Table 1 be corrected to reflect ALJ Guhl's recommendation for a state income tax allowance of \$6,063 and a federal income tax allowance of \$0. When these corrections are made, I&E's total recommended revenue increase would change from \$111,777 to \$96,124. As I&E recognizes this matter is within the Exception phase of litigation, I&E is not advocating for the lower revenue requirement but simply requesting that the spreadsheet reflects an accurate depiction of the income tax recommendations.

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<sup>2</sup> I&E St. No. 1, p. 18.

<sup>3</sup> I&E St. No. 1-SR, p. 10.

<sup>4</sup> I&E St. No. 1, p. 21.

<sup>5</sup> I&E St. No. 1-SR, p. 11.

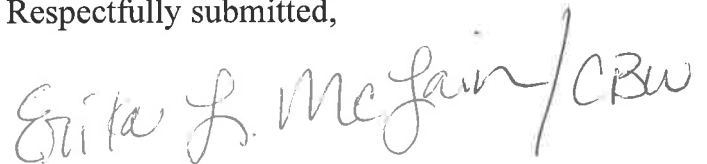
<sup>6</sup> Recommended Decision, p. 48.

To be clear, this correction in no way undermines the underlying rationale of ALJ Guhl's adoption of I&E's adjustments to state and federal income taxes. Nevertheless, with these corrections, I&E believes the Recommended Decision accurately reflects the adjustments accepted by ALJ Guhl and the proper recommended revenue increase based upon all of I&E's accepted positions.

### III. CONCLUSION

The Bureau of Investigation and Enforcement respectfully requests that the Commission make the corrections to Table 1 of the Recommended Decision.

Respectfully submitted,



Erika L. McLain  
Prosecutor  
PA Attorney ID No. 320526

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

Dated: March 2, 2020

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Twin Lakes Utilities, Inc.	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Exceptions** dated March 2, 2020 in the manner and upon the parties listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

**Served via First Class and Electronic Mail**

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