



COMMONWEALTH OF PENNSYLVANIA

September 12, 2023

**E-FILED**

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

**Re: Columbia Water Company Supplement No. 121 To Tariff – Water Pa. P.U.C.  
No. 7 / Docket No. R-2023-3040258**

Dear Secretary Chiavetta:

Enclosed please find the Main Brief, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Steven C. Gray*

Steven C. Gray  
Senior Supervising  
Assistant Small Business Advocate  
Attorney ID No. 77538

*Enclosures*

cc: Brian Kalcic  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Columbia Water Company 2023 General** :  
**Base Rate Increase Filing - Supplement** : **Docket No. R-2023-3040258**  
**No. 121 To Tariff – Water Pa. P.U.C. No. 7** :  
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**MAIN BRIEF  
ON BEHALF OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE**

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**Steven C. Gray**  
**Senior Supervising**  
**Assistant Small Business Advocate**  
**Attorney ID No. 77538**

**For: NazAarah Sabree**  
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**Date: September 12, 2023**

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Appendix A – Summary of OSBA Recommended Rate Design and Associated Customer Rate Impact, By Division

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## **I. Introduction**

On April 28, 2023, Columbia Water Company (“Columbia Water” or the “Company”) filed Supplement No. 121 to Tariff Water – Pa. P.U.C. No. 7 (“Supplement No. 121”). Supplement No. 121 proposed rate increases for all customers in the Columbia and Marietta Rate Division in order to produce an increase in the Company’s total annual operating revenues for water service of approximately \$999,900.

On May 9, 2023, the Office of Small Business Advocate (“OSBA”) filed Complaint in this proceeding.

On June 15, 2023, Administrative Law Judges (“ALJs”) Mary D. Long and Charece Z. Collins issued their Prehearing Conference Order.

On June 23, 2023, a Prehearing Conference was held before ALJs Long and Collins.

On June 26, 2023, ALJs Long and Collins issued their Prehearing Order.

On August 4, 2023, the OSBA served the Direct Testimony of Brian Kalcic.

On August 14, 2023, the OSBA served the Rebuttal Testimony of Mr. Kalcic.

On August 22, 2023, the OSBA served the Surrebuttal Testimony of Mr. Kalcic.

On August 28, 2023, an Evidentiary Hearing was held before ALJs Long and Collins.

On August 30, 2023, ALJs Long and Collins issued their Interim Order on Briefs and Closing of the Record.

On September 7, 2023, ALJs Long and Collins issued their Interim Order Admitting OCA Statement 3SR – Errata.

The OSBA submits this Main Brief in accordance with the procedural schedule set forth in the ALJ’s June 26<sup>th</sup> Prehearing Order.

## **II. Summary of Argument**

Of the three steps necessary in the execution of a class cost-of-service study (“COSS”) for water service, Columbia Water failed to execute the final step, which is to allocate a utility’s classified costs to individual customer classes. Moreover, no other party sponsored a complete COSS in this proceeding. As a result, there are no cost-based general metered service (“GMS”) class revenue targets in evidence in this proceeding, and therefore no cost basis to assign anything other than uniform increases to the Company’s Columbia Division GMS customer classes at the conclusion of this base rate case.

Despite lacking any cost foundation, Columbia Water’s expert witness sponsored a revised rate design that would assign non-uniform increases to the Company’s Columbia Division GMS classes. The OSBA submits that the Company’s proposed GMS class increases are arbitrary, and therefore unjust and unreasonable.

The Office of Consumer Advocate referenced two unrelated rate cases in support of its preferred revenue allocation. Those cases are distinguishable from the instant proceeding and do not constitute just and reasonable templates for use in this base rate case.

OSBA expert witness Brian Kalcic modified the Company’s COSS in order to develop cost-based GMS customers charges and cost-based fire protection service rates. Mr. Kalcic then sponsored a GMS rate design that appropriately assigns uniform increases to the Company’s Columbia Division GMS customer classes, while consolidating rates across the Company’s Columbia and Marietta Divisions. The OSBA’s recommended class revenue allocation and rate design is reflective of all of the (limited) cost evidence available in this proceeding and would provide just and reasonable rates for all customers served by Columbia Water.

### **III. Rate Base**

The OSBA will not be briefing Section III, Rate Base. This includes sub-sections A through F.

### **IV. Revenues**

The OSBA will not be briefing Section IV, Revenues, since it did not sponsor any revenue adjustments in this base rate case.

However, Columbia Water significantly altered the course of this proceeding in rebuttal testimony by changing its requested increase in base rate revenue. Originally, Columbia Water had requested an increase of \$999,900 in *total revenue*, which consisted of an increase in *base rate revenue* of \$777,345 and an increase in *PENNVEST surcharge revenue* of \$222,555.<sup>1</sup>

As modified in its rebuttal testimony, Columbia Water is now requesting an increase of \$999,900 in *base rate revenue*. As a result of this change, the Company's rebuttal testimony includes a revised rate design that produces an overall increase of \$999,900 or 17.0% in base rate revenue.<sup>2</sup> The Company's rebuttal rate design was further revised in rejoinder testimony to correct an error in its revised rate design identified by Mr. Kalcic.<sup>3</sup>

This mid-proceeding change of course has necessitated that the OSBA update its rate design proposals in its surrebuttal testimony. Specifically, the OSBA's updated rate design and revenue allocation now reflect an overall base rate increase of \$999,900.<sup>4</sup>

### **V. Expenses**

The OSBA will not be briefing Section V, Expenses.

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<sup>1</sup> OSBA Statement No. 1-S, at 1.

<sup>2</sup> *Id.*

<sup>3</sup> Columbia Water Statement No. 3-RJ, at 1.

<sup>4</sup> OSBA Statement No. 1-S, at 2.

**VI. Taxes**

The OSBA will not be briefing Section VI, Taxes.

**VII. Rate of Return**

The OSBA will not be briefing Section VII, Rate of Return.

**VIII. Miscellaneous Issues**

The OSBA will not be briefing Section VIII, Miscellaneous Issues.

**IX. Rate Structure**

Columbia Water provides water service to approximately 12,200 customers in two service territories, designated as the Columbia Division and the Marietta Division. The customers served in the former East Donegal Township Municipal Authority service territory are not part of this proceeding.<sup>5</sup>

The Columbia and Marietta Divisions have separate GMS rate schedules which apply to *all* residential, commercial, industrial, and public authority customers. In other words, Columbia Water's GMS consumption charges, for both Columbia and Marietta customers, do not vary by customer class. In addition, Columbia Water maintains separate private fire service and public fire service rate schedules for both Columbia and Marietta Divisions.<sup>6</sup>

In the Columbia Division, the GMS rate schedule contains a three-step, declining-block consumption charge, with the 3<sup>rd</sup> rate block applicable to usage of more than 250,000 gallons per month. In the Marietta Division, the GMS rate schedule contains a four-step, declining-block consumption charge, with the 4<sup>th</sup> block applicable to usage of more than 50,000 gallons per month. Except for the consumption charge applicable to the first 1,000 gallons of usage, the

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<sup>5</sup> OSBA Statement No. 1, at 3.

<sup>6</sup> OSBA Statement No. 1, at 3.

Company's Marietta Division rates for metered service are lower than the corresponding Columbia Division GMS charges.<sup>7</sup>

In this proceeding, Columbia Water is proposing to consolidate its Columbia Division and Marietta Division GMS rate schedules. Specifically, if approved by the Commission, the Company's water service customers, in both the Columbia and Marietta Divisions, will be charged using a single, *three-step* declining-block, GMS rate schedule.<sup>8</sup>

A. Cost of Service

Columbia Water filed a cost-of-service study in this proceeding based upon a modified form of the Base Extra-Capacity ("BEC") methodology. The initial COSS filed by Company witness David M. Fox is set forth in Exhibits DF-1 through DF-6 in Columbia Water's July 25, 2023, Errata Filing.<sup>9</sup>

The BEC cost-of-service methodology consists of three major steps. First, a utility's system-wide revenue requirement is *functionalized*, or assigned to multiple service categories, such as supply, treatment, storage distribution, etc. Second, a utility's functionalized costs are *classified* into cost categories. These cost categories include base costs, extra capacity costs (which contain maximum day and maximum hour components), customer costs, and fire protection costs. Third, each classified cost category is *allocated* to the utility's rate classes in accordance with a factor that reflects relative cost responsibility.<sup>10</sup>

Once the three steps (functionalization, classification, and allocation) of a cost-of-service study are performed, a measure of *total cost of service*, by customer rate class, is produced.

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<sup>7</sup> OSBA Statement No. 1, at 3-4.

<sup>8</sup> OSBA Statement No. 1, at 4.

<sup>9</sup> OSBA Statement No. 1, at 4.

<sup>10</sup> OSBA Statement No. 1, at 4-5.



Then, by comparing each customer class's total cost of service to the actual revenue provided by each customer class, a determination can be made whether a utility's various rate classes are paying more or less than their cost of service.<sup>11</sup>

Unfortunately, in this proceeding, Company Witness Mr. Fox did not perform the third step when preparing his cost-of-service study. Specifically, Mr. Fox did not take the Company's classified costs and allocate those costs to Columbia Water's residential, commercial, industrial, and public authority (or GMS) rate classes.<sup>12</sup>

When executing a BEC cost-of-service study, certain cost categories are allocated to a utility's rate classes based on excess class demand during *maximum day* and *maximum hour* conditions, respectively. Specifically, the BEC methodology uses a "max-day" factor, which is designed to reflect the ratio of a class's maximum day usage to its average day usage, to allocate maximum day costs. Similarly, the BEC methodology employs a "max-hour" factor, which is designed to reflect the ratio of a class's maximum hour usage to its average hourly usage, to allocate maximum hour costs. However, there is an assumption embedded in this allocation – that a utility has the data to measure a customer class's daily and hourly usage. In other words, the BEC cost of service methodology requires a measurement of class maximum-day and class maximum hour-peaking factors.<sup>13</sup>

The OSBA is aware that Columbia Water, like almost all water public utilities across the Commonwealth, does not possess daily or hourly consumption data, by customer class.<sup>14</sup> The workaround for a water utility is to gather 24/7/365 usage data from a statistically valid sample

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<sup>11</sup> OSBA Statement No. 1, at 5.

<sup>12</sup> *Id.*

<sup>13</sup> OSBA Statement No. 1, at 6.

<sup>14</sup> *Id.*

of each of the utility's GMS customer classes. This is typically called a "customer class demand study" in the industry.<sup>15</sup> It is the OSBA's understanding that Columbia Water does not possess a customer class demand study.<sup>16</sup> Due to a lack of customer class demand information, Mr. Fox declined to execute the third step of the BEC cost methodology. Consequently, the Company's COSS does not provide cost-based GMS class revenue targets, which would otherwise be available to guide GMS rate design in this proceeding.<sup>17</sup>

OSBA witness Mr. Kalcic did recommend one change to Columbia Water's BEC cost of service study. When Mr. Fox classified the Company's Transmission and Distribution ("T&D") Operation and Maintenance ("O&M") expenses, he classified 30% of those expenses to meters and services, making those costs customer related. Mr. Fox provided no analysis in support of this classification, other than his professional opinion. Mr. Kalcic disagreed and argued that 15.7% of T&D O&M expenses should be classified to meters and services, as 15.7% is the ratio of the Company's total meters and services plant investment to the Company's total T&D plant in service.<sup>18</sup>

Mr. Kalcic re-ran the Company's BEC cost-of-service study with this change in T&D O&M classification from 30% to 15.7% in both his direct and surrebuttal testimony.<sup>19</sup> Mr. Kalcic then used the results of this modified cost study to develop the OSBA's recommended cost-based GMS customer and fire protection charges.

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<sup>15</sup> OSBA Statement No. 1, at 7.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> OSBA Statement No. 1, at 8-9.

<sup>19</sup> OSBA Statement No. 1, at 9-10; OSBA Statement No. 1-S, at 8.

B. Revenue Allocation

As set forth, *supra*, Columbia Water did not complete the third step when executing the Company's BEC cost of service methodology. So, without the availability of cost-based GMS class revenue targets to guide the Company's revenue allocation proposal, Mr. Fox instead attempted to assign classified max-day and max-hour costs to *GMS rate blocks* (rather than GMS customer classes).<sup>20</sup> When asked to provide support for the factors he used to assign such classified costs to GMS rate tiers, Mr. Fox responded that his chosen factors "were simply assumptions for purposes of rate design to reasonably maintain the Company's existing (Columbia) volumetric rate structure," and that no other supporting documentation was available.<sup>21</sup> Indeed, throughout this proceeding, Mr. Fox declined to present *any* cost basis for his proposed method of designing GMS volumetric charges, having had the opportunity to do so in his direct testimony, his response to OSBA discovery, and his rebuttal testimony.<sup>22</sup> In the end, the only "support" offered for the Company's GMS rate design (and its resulting class revenue allocation) is Mr. Fox's professional opinion that the factors he used to assign classified costs to GMS rate tiers are reasonable and "more accurately reflect the true cost of providing volumetric service to each rate tier."<sup>23</sup>

Respectfully, Columbia Water's position regarding GMS rate design is unreasonable. The parties, the ALJs, and the Commission need a factual, provable basis upon which to allocate revenue responsibility among any utility's customer classes. Other than Mr. Fox's word on the subject, there is no way to verify that his professional-opinion-based GMS rate design is

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<sup>20</sup> OSBA Statement No. 1, at 11-12.

<sup>21</sup> *Id.*

<sup>22</sup> OSBA Statement No. 1-S, at 6.

<sup>23</sup> Columbia Water Statement No.3-R at 11.

anywhere close to the “true cost” incurred by Columbia Water in providing water service to its GMS customers. Simply put, the entire point of conducting a rate case before the Commission is to ascertain the facts underlying a utility’s operation without having to rely on anyone’s “educated guess.”

OSBA witness Brian Kalcic has been a public utility rate consultant for over 40 years. Mr. Kalcic testified that he has never encountered an expert witness who argued that their professional opinion alone can be relied upon to assign classified max-day and max-hour costs to *GMS rate tiers* in a cost-based manner, much less one who convinced a regulatory authority to adopt such a rate design approach, grounded, at best, upon some type of “educated guess.”<sup>24</sup>

Office of Consumer Advocate (“OCA”) witness Jerome Mierzwa approached the issue of revenue allocation in a different manner. Mr. Mierzwa, while not sponsoring a separate COSS in this proceeding, approved of the “cost of service analysis” provided by the Company, for the first time, in his surrebuttal testimony.<sup>25</sup> However, under cross examination by the OSBA, Mr. Mierzwa admitted that he has never sponsored a cost-of-service study that attempted to allocate max-day and max-hour classified costs to GMS rate tiers, as Mr. Fox has done in this proceeding.<sup>26</sup>

Instead, Mr. Mierzwa indicated his support for Columbia Water’s proposed GMS volumetric rate design is based upon two recent rate cases involving Pennsylvania American Water Company (“PAWC”) and The York Water Company (“York”).<sup>27</sup> Mr. Mierzwa testified that the ratios of the GMS consumption charges approved in those two cases are similar enough

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<sup>24</sup> OSBA Statement No. 1-S, at 5-6.

<sup>25</sup> OCA Statement No. 3-S, at 7.

<sup>26</sup> Transcript at 78, lines 19-25.

<sup>27</sup> OCA Statement No. 3-S, at 8-9.

to the GMS consumption charges proposed by the Company in this proceeding to conclude that the Company's proposed GMS rate block differentials are cost based. Therefore, based upon that observation, Mr. Mierzwa concluded that Columbia Water's proposed GMS rate design analysis should be relied upon for calculating the Company's ultimately approved rates.<sup>28</sup>

However, the PAWC and York cases are not an appropriate template to be grafted onto this case. For example, the tariff charges that were approved in the PAWC and York cases are significantly different from any proposal in this proceeding. PAWC and York have residential customer charges of \$17.50 or \$17.25 per month, much higher than proposed by the OCA in this proceeding.<sup>29</sup>

Furthermore, the PAWC and York cases involved both water and wastewater service. Both cases involved Act 11, whereby PAWC and York were allowed to recover a portion of their awarded wastewater revenue requirement in water rates. Act 11 and wastewater service are not at issue in this proceeding. Even Mr. Mierzwa, on cross examination, admitted that the PAWC and York GMS consumption rates could be quite different if the Act 11 wastewater subsidies were excluded from PAWC's and York's tariffed water rates.<sup>30</sup>

Thus, the OCA did not rely upon any record evidence to support the Company's GMS consumption charges. Instead, the OCA used two dissimilar rate cases which involved water service, wastewater service, and Act 11 subsidies to buttress its argument. The attempt to use the outcomes reached in the PAWC and York cases as a template for determining Columbia Water's GMS consumption charges in this proceeding is wholly inappropriate and would not result in just and reasonable rates.

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<sup>28</sup> OCA Statement No. 3-S, at 7.

<sup>29</sup> Transcript at 81, lines 8-22.

<sup>30</sup> Transcript at 86, lines 11-16.

The OSBA approach to rate design and revenue allocation, as set forth in the testimony of Mr. Kalcic, recognizes the lack of GMS-related record evidence in this proceeding.

Consequently, the OSBA recommends that the Commission adopt a GMS rate design that provides for uniform increases to the Company’s Columbia Division GMS customer classes, to the extent feasible, while maintaining the Company’s existing Columbia Division rate structure.<sup>31</sup> Indeed, there is no record evidence that provides cost justification for anything other than assigning uniform increases to the Company’s Columbia Division residential, commercial, industrial, and public authority classes at the conclusion of this base rate case.<sup>32</sup>

The OSBA’s recommended class increases, reflective of Columbia Water’s revised base rate revenue request, are shown in Exhibit BK-1S, at Schedule BK-2S, and summarized in Table A below.

**Table A**

Summary of OSBA Updated Class Increases, by Division

<i>Customer Class</i>	<i>Consolidated Classes</i>	<i>Columbia Division</i>	<i>Marietta Division</i>
	(1)	(2)	(3)
Residential	17.8%	15.5%	31.5%
Commercials	17.5%	15.5%	41.1%
Industrial	18.0%	15.5%	22.6%
Public	18.7%	14.8%	37.0%
Private Fires	6.9%	5.0%	12.3%
Public Fire	6.1%	4.6%	15.5%
Total Sales	17.0%	14.7%	29.7%

Source: Schedule BK-2S in Exhibit BK-1S.

<sup>31</sup> OSBA Statement No. 1, at 13.

<sup>32</sup> OSBA Statement No. 1, at 13; OSBA Statement No. 1-S, at 5.

C. Tariff Structure: Rate Design and Scale Back

The OSBA developed cost-based GMS customer charges and fire protection rates, based on the OSBA’s recommended modification to the Company’s COSS. In order to develop the OSBA’s recommended GMS volumetric rates, Mr. Kalcic assigned the required residual increase to GMS consumption charges, adjusting the increases to individual GMS rate blocks so as to equalize, to the extent permitted by the Company’s existing Columbia Division rate structure, the Columbia Division GMS customer class increases.<sup>33</sup> The OSBA’s updated GMS rate design is shown in Exhibit BK-1S, at Schedule BK-4S, pages 1-2, and also in Appendix A to this Main Brief. For convenience, the OSBA’s recommended customer charges are set forth in Table B below:

**Table B**

OSBA Updated GMS Customer Charges

<i>Meter Size</i>	<i>Monthly Customer Charge</i>	<i>Meter Size.</i>	<i>Monthly Customer Charge.</i>
	(1)	(2)	(3)
5/8”	\$13.88	4”	\$290.09
3/4”	\$19.63	6”	\$577.81
1”	\$31.14	8”	\$923.08
1 ½”	\$59.91	10”	\$1,325.89
2”	\$94.44	12”	\$2,476.77
3””	\$186.51.		

Source: Schedule BK-4S in Exhibit BK-1S.

In the event that the Commission awards Columbia Water less than its requested base rate increase of \$999,900, Mr. Kalcic recommends that the Commission scale back proportionately

<sup>33</sup> OSBA Statement No. 1, at 13.

the dollar increases applied to each element of the Columbia Division's rates under the OSBA recommended rate design, which are shown in Schedule BK-4S, page 1 of 2. Doing so will retain the relative magnitude of the OSBA's recommended Columbia Division class increases shown on Schedule BK-2S, page 2 of 3, while facilitating the consolidation of Columbia Division and Marietta Division rates at the conclusion of this case.<sup>34</sup>

D. Summary and Alternatives

There is no record evidence upon which the ALJs or the Commission can assign cost-based revenue increases among Columbia Water's residential, commercial, industrial, and public authority classes. The OSBA respectfully submits that the only just and reasonable solution, in this proceeding, is to assign uniform increases to the Company's Columbia Division GMS customer classes, while consolidating Columbia Division and Marietta Division rates at the conclusion of this case.

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<sup>34</sup> OSBA Statement No. 1, at 16.



**X. Conclusion**

The Office of Small Business Advocate respectfully requests that the ALJs and the Commission:

Recognize that there is no record evidence upon which the ALJs or the Commission can assign cost-based revenue increases among Columbia Water's GMS customer classes;

Assign uniform increases to the Company's Columbia Division GMS customer classes;

Adopt the OSBA's recommended rate design as set forth, *supra*; and

Adopt the OSBA's recommended scale back methodology.

Respectfully submitted,

/s/ Steven C. Gray

Steven C. Gray

Senior Supervising

Assistant Small Business Advocate

Attorney I.D. No. 77538

For:

NazAarah Sabree

Small Business Advocate

Date: September 12, 2023

Summary of OSBA Recommended  
Rate Design and Associated Customer Rate Impacts,  
by Division

	<u>Present Rate</u>	<u>Updated OSBA Rate</u>	<u>% Change</u>	<u>\$ Change</u>
<b>Columbia Division</b>				
<u>Volumetric Rates (per Kgal)</u>				
First 10 Kgal	\$7.20	\$7.70	6.9%	\$0.50
Next 240 Kgal	\$2.77	\$3.36	21.3%	\$0.59
Over 250 Kgal	\$1.95	\$2.26	15.6%	\$0.31
<u>Fixed Charges (monthly)</u>				
5/8"	\$10.31	\$13.88	34.6%	\$3.57
3/4"	\$15.49	\$19.63	26.7%	\$4.14
1"	\$25.82	\$31.14	20.6%	\$5.32
1 1/2"	\$51.64	\$59.91	16.0%	\$8.27
2"	\$82.62	\$94.44	14.3%	\$11.82
3"	\$154.89	\$186.51	20.4%	\$31.62
4"	\$268.15	\$290.09	8.2%	\$21.94
6"	\$516.32	\$577.81	11.9%	\$61.49
8"	\$826.10	\$923.08	11.7%	\$96.98
10"	NA	\$1,325.89	NA	NA
12"	\$2,219.74	\$2,476.77	11.6%	\$257.03
<u>Monthly Customer Bill Impacts</u>				
Typical Residential	\$37.67	\$43.14	14.5%	\$5.47
Typical Commercial	\$149.07	\$170.28	14.2%	\$21.22
Typical Industrial	\$769.50	\$887.74	15.4%	\$118.24
Typical Public Authority	\$21.83	\$26.20	20.0%	\$4.37
Average Residential	\$34.61	\$39.96	15.5%	\$5.35
Average Commercial	\$137.94	\$159.34	15.5%	\$21.39
Average Industrial	\$508.10	\$586.65	15.5%	\$78.55
Average Public Authority	\$133.14	\$152.89	14.8%	\$19.74

Summary of OSBA Recommended  
Rate Design and Associated Customer Rate Impacts,  
by Division

	<u>Present Rate</u>	<u>Updated OSBA Rate</u>	<u>% Change</u>	<u>\$ Change</u>
<b>Marietta Division</b>				
<u>Volumetric Rates (per Kgal)</u>				
First 1 Kgal	\$8.86	\$7.70	-13.1%	(\$1.16)
Next 4 Kgal	\$5.54	\$7.70	39.0%	\$2.16
Next 5 Kgal	\$2.10	\$7.70	266.7%	\$5.60
Next 40 Kgal	\$2.10	\$3.36	60.0%	\$1.26
Next 200 Kgal	\$1.86	\$3.36	80.6%	\$1.50
Over 250 Kgal	\$1.86	\$2.26	21.2%	\$0.40
<u>Fixed Charges (monthly)</u>				
5/8"	\$8.20	\$13.88	69.3%	\$5.68
3/4"	\$12.30	\$19.63	59.6%	\$7.33
1"	\$20.50	\$31.14	51.9%	\$10.64
1 1/2"	\$41.00	\$59.91	46.1%	\$18.91
2"	\$65.60	\$94.44	44.0%	\$28.84
3"	\$123.00	\$186.51	51.6%	\$63.51
4"	\$205.00	\$290.09	41.5%	\$85.09
6"	\$410.00	\$577.81	40.9%	\$167.81
8"	\$738.00	\$923.08	25.1%	\$185.08
10"	\$943.00	\$1,325.89	40.6%	\$382.89
12"	NA	\$2,476.77	NA	NA
<u>Monthly Customer Bill Impacts</u>				
Typical Residential	\$32.57	\$43.14	32.4%	\$10.57
Typical Commercial	\$100.87	\$170.28	68.8%	\$69.41
Typical Industrial	\$544.42	\$887.74	63.1%	\$343.32
Typical Public Authority	\$20.38	\$26.20	28.5%	\$5.82
Average Residential	\$44.38	\$58.42	31.6%	\$14.03
Average Commercial	\$59.54	\$84.02	41.1%	\$24.48
Average Industrial	\$4,902.38	\$6,009.51	22.6%	\$1,107.13
Average Public Authority	\$149.89	\$205.36	37.0%	\$55.48

## **APPENDIX B**

### **Findings of Fact**

- 1) On April 28, 2023, Columbia Water Company (“Columbia Water” or the “Company”) filed Supplement No. 121 to Tariff Water – Pa. P.U.C. No. 7 (“Supplement No. 121”). Supplement No. 121 proposed rate increases for all customers in the Columbia and Marietta Rate Division in order to produce an increase in the Company’s total annual operating revenues for water service of approximately \$999,900.
- 2) On May 9, 2023, the Office of Small Business Advocate (“OSBA”) filed Complaint in this proceeding.
- 3) Columbia Water filed for a requested an increase of \$999,900 in total revenue, which consisted of an increase in base rate revenue of \$777,345 and an increase in PENNVEST surcharge revenue of \$222,555. In its Rebuttal Testimony, Columbia Water modified its request and is now seeking an increase of \$999,900 in base rate revenue. OSBA Statement No. 1-S, at 1.
- 4) Columbia Water provides water service to approximately 12,200 customers in two service territories, designated as the Columbia Division and the Marietta Division. The customers served in the former East Donegal Township Municipal Authority service territory are not part of this proceeding. OSBA Statement No. 1, at 3.
- 5) The Columbia and Marietta Divisions currently have separate General Metered Service rate schedules which apply to all residential, commercial, industrial, and public authority customers. OSBA Statement No. 1, at 3.
- 6) Columbia Water maintains separate private fire service and public fire service rate schedules for both Columbia and Marietta Divisions. OSBA Statement No. 1, at 3.
- 7) In the Columbia Division, the GMS rate schedule contains a three-step, declining-block consumption charge, with the 3rd rate block applicable to usage of more than 250,000 gallons per month. In the Marietta Division, the GMS rate schedule contains a four-step, declining-block consumption charge, with the 4th block applicable to usage of more than 50,000 gallons per month. OSBA Statement No. 1, at 3-4.
- 8) Columbia Water filed a cost-of-service study in this proceeding based upon a modified form of the Base Extra-Capacity (“BEC”) methodology. OSBA Statement No. 1, at 4.
- 9) The BEC cost-of-service methodology consists of three major steps. First, a utility’s system-wide revenue requirement is functionalized, or assigned to multiple service categories, such as supply, treatment, storage distribution, etc. Second, a utility’s functionalized costs are classified into cost categories. These cost categories include base costs, extra capacity costs (which contain maximum day and maximum hour components), customer costs, and fire protection costs. Third, each classified cost

category is allocated to the utility's rate classes in accordance with a factor that reflects relative cost responsibility. OSBA Statement No. 1, at 4-5.

- 10) Company Witness Mr. Fox did not perform the third step of the BEC methodology when preparing his cost-of-service study. Mr. Fox did not take the classified cost categories and allocate those costs to Columbia Water's residential, commercial, industrial, and public authority (or GMS) rate classes. OSBA Statement No. 1, at 5.
- 11) Columbia Water does not possess a customer class demand study. OSBA Statement No. 1, at 7.
- 12) Due to a lack of customer class demand information, Company witness Mr. Fox declined to execute the third step of the BEC cost methodology. OSBA Statement No. 1, at 7.
- 13) Because the Company did not have cost-based GMS class revenue targets to guide the Company's revenue allocation proposal, Company witness Mr. Fox instead attempted to assign classified max-day and max-hour costs to GMS rate blocks rather than GMS customer classes. OSBA Statement No. 1, at 11-12.
- 14) Mr. Fox stated that his GMS rate block allocation choices "were simply assumptions for purposes of rate design to reasonably maintain the Company's existing (Columbia) volumetric rate structure," and that no other supporting documentation was available. OSBA Statement No. 1, at 11-12.
- 15) The only record evidence offered for the Company's GMS rate design (and its resulting class revenue allocation) is Mr. Fox's professional opinion that the factors he used to assign classified costs to GMS rate tiers are reasonable and "more accurately reflect the true cost of providing volumetric service to each rate tier." CWC Statement No.3-R at 11.
- 16) Office of Consumer Advocate witness Mr. Mierzwa indicated his support for Columbia Water's proposed GMS volumetric rate design is based upon two recent rate cases involving Pennsylvania American Water Company and The York Water Company. OCA Statement No. 3-S, at 8-9.
- 17) The PAWC and York cases are not an appropriate template to be used in this proceeding to guide rate design. PAWC and York cases both involved water and wastewater service. Both cases involved Act 11, whereby PAWC and York were allowed to recover a portion of their awarded wastewater revenue requirement in water rates. Act 11 and wastewater service are not at issue in this proceeding. Transcript at 86, lines 11-16.

## APPENDIX C

### Conclusions of Law

- 1) Section 1301 of the Public Utility Code, 66 Pa. C.S. § 1301, provides that “every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission.”
- 2) The burden of proof to establish the justness and reasonableness of every element of the utility’s rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a). “It is well-established that the evidence adduced by a utility to meet this burden must be substantial.” *Lower Frederick Township. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).
- 3) Although the burden of proof remains with the public utility throughout the rate proceeding, when a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Order entered July 17, 2008). “Section 315(a) of the Code, 66 Pa. C.S. § 315(a), applies since this is a proceeding on Commission Motion. However, after the utility establishes a prima facie case, the burden of going forward or the burden of persuasion shifts to the other parties to rebut the prima facie case.” *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-00061931 (Order entered September 28, 2007), at 12.
- 4) Cost of service is the “polestar” of rate making. *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006), *appeal denied*, 591 Pa. 676 (2007).

## **APPENDIX D**

### **Proposed Ordering Paragraphs**

- 1) The rates and tariff changes proposed by Columbia Water in its April 28, 2023 shall not go into effect.
- 2) No Party to this proceeding has provided record evidence that permits a cost-based assignment of revenue increases among Columbia Water's GMS customer classes.
- 3) Without record evidence for cost-based revenue increases, the Company shall assign uniform increases to its Columbia Division GMS customer classes.
- 4) As set forth herein, the OSBA's recommended rate design shall be implemented by Columbia Water, subject to scale back.
- 5) As set forth herein, the OSBA's recommended scale back methodology shall be applied to arrive at the overall awarded revenue increase.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Columbia Water Company 2023 General Base** :  
**Rate Increase Filing - Supplement No. 121 To** : **Docket No. R-2023-3040258**  
**Tariff – Water Pa. P.U.C. No. 7** :  
: :  
: :  
: :

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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*/s/ Steven C. Gray*

DATE: September 12, 2023

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