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September 28, 2011

BY HAND

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility Commission et al. v. United Water Pennsylvania, Inc.;
Docket No. R-2011-2232985 et al.; JOINT PETITION FOR SETTLEMENT OF
RATE PROCEEDING

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement of Rate Proceeding in the above-referenced proceedings.

Copies have been provided to the persons as indicated on the certificate of service.

Respectfully Submitted,

Michael W. Hassell

MWH/kmg

Enclosures

cc: Honorable David A. Salapa (*via e-mail and hand delivery*)
Honorable Mary D. Long (*via e-mail and overnight delivery*)
Certificate of Service

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SECRETARY'S BUREAU

CERTIFICATE OF SERVICE
Docket No. R-2011-2232985

I hereby certify that I have this day served true and correct copies of the foregoing document upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA ELECTRONIC MAIL AND FIRST CLASS MAIL:

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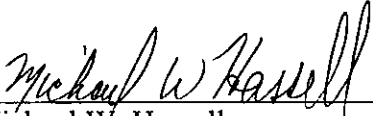
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DATED: September 28, 2011



Michael W. Hassell
Counsel for *United Water Pennsylvania Inc.*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2011-2232985
	:	
Office of Consumer Advocate	:	C-2011-2243242
	:	
Office of Small Business Advocate	:	C-2011-2243146
	:	
	:	
	:	
v.	:	
	:	
United Water Pennsylvania, Inc.	:	

JOINT PETITION FOR SETTLEMENT OF RATE PROCEEDING

TO ADMINISTRATIVE LAW JUDGES DAVID A. SALAPA AND MARY D. LONG:

I. INTRODUCTION

The Bureau of Investigation & Enforcement (“BI&E”) of the Pennsylvania Public Utility Commission (“Commission”),¹ the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and United Water Pennsylvania, Inc. (“United Water” or the “Company”), parties to the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”), hereby join in this “Joint Petition for Settlement of Rate Proceeding” (“Settlement”) and respectfully request that Administrative Law Judges David A. Salapa and Mary D. Long (the “ALJs”) and the Commission approve this Settlement.

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceeding. The Settlement provides for increases in rates, as set forth in the form of the tariff supplement attached hereto as **Appendix A** and the proof of

¹ At the outset of the proceeding, BI&E was known as the Office of Trial Staff.

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revenues attached hereto as **Appendix B**, designed to produce an increase in annual operating revenues of \$1,450,000. In support of this Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. United Water is a public utility subject to the Commission's regulatory jurisdiction. United Water provides water service to over 58,000 customers in portions of eight counties in Pennsylvania.

2. On May 9, 2011, United Water filed Supplement No. 23 to Tariff - Water – Pa. P.U.C. No. 7 (“Supplement No. 23”), together with supporting data for a future test year ending December 31, 2011, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d). As originally filed, Supplement No. 23 proposed an increase in rates designed to produce a net increase of \$2.82 million in revenues.

3. Pursuant to 66 Pa. C.S. § 1308(d) and by Commission order entered June 30, 2011, the filing was suspended by operation of law on July 8, 2011, until February 8, 2012, unless permitted by Commission order to become effective at an earlier date. On June 30, 2011, United Water filed Supplement No. 25 to Tariff Water -- Pa. P.U.C. No. 7 (“Supplement No. 25”) suspending Supplement No. 23 in compliance with the Commission's June 30, 2011 Order.

4. The OCA filed a Formal Complaint at Docket No. C-2011-2243242 that was served by the Commission's Secretary on May 25, 2011.

5. The OSBA filed a Formal Complaint at Docket No. C-2011-2243146 that was served by the Commission's Secretary on May 25, 2011.

6. The BI&E filed a Notice of Appearance on June 7, 2011.

7. On July 13, 2011, United Water served the Supplemental Direct Testimony of James C. Cagle, Statement No. 5 (Supp.), and accompanying Schedules.

8. The Joint Petitioners conducted extensive formal and informal discovery throughout the proceeding.

9. An initial prehearing conference was conducted by the ALJs on July 14, 2011. Parties who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses. A schedule for the distribution of testimony and the conduct of evidentiary hearings was established.

10. In accordance with the schedule established at the prehearing conference, parties other than the Company distributed direct testimony on August 5 and August 9, 2011. Parties submitted rebuttal testimony on August 31 and September 6, 2011. In addition, parties served a portion of surrebuttal testimony on September 9 and 12, 2011.

11. The Joint Petitioners held several settlement conferences. As a result of these conferences and the efforts of the Joint Petitioners to examine the issues raised by the proceedings, a settlement in principle was achieved by the Joint Petitioners prior to the date for submission of accounting surrebuttal testimony by the parties. On September 13, 2011, the Joint Petitioners advised the ALJs of the settlement in principle and, at the request of the Joint Petitioners, the ALJs suspended the procedural schedule and canceled the evidentiary hearings by order entered September 14, 2011.

12. The Joint Petitioners have been able to agree to a rate increase and individual provisions that resolve all issues in the proceeding, and the Joint Petitioners have agreed to a revenue allocation and rate design to recover said increase. The Joint Petitioners are in full agreement that the Settlement is in the best interests of United Water and its customers. The Settlement is set forth in the following Section.

III. SETTLEMENT

13. The Joint Petitioners agree as follows:

- (a) The Settlement Rates are designed to produce \$1.45 million in additional annual operating revenue based upon the pro forma level of operations for the test period ending December 31, 2011, where the Company's State Tax Assessment Surcharge ("STAS") and current Distribution System Improvement Charge ("DSIC") surcharge currently charged will be reset to zero. The increase in annual operating revenue is in lieu of the as filed net increase of approximately \$2.82 million.
- (b) United Water will be permitted to file a tariff supplement in the form attached hereto as **Appendix A** to become effective on the date of the Commission's Order approving the Settlement. Joint Petitioners respectfully request that the ALJs and the Commission act expeditiously to approve this Settlement on or before the public meeting to be held on November 10, 2011.
- (c) The following amortizations are specifically submitted for approval as an integral part of this Settlement and are reflected in the Settlement's base rate allowance:

Description	Amortization Period	Annual Amortization
Storm Damage costs from April and May 2011 storms	5 years from effective date of rates in this case	\$22,100
Post retirement costs	179 months from February 1, 1998	\$91,296
Rabold flood costs	5 years from March 12, 2010	\$9,000

- (d) The Settlement reflects a roll-in of estimated 2012 state taxes and tax rates

into base rates, in particular including the 2012 capital stock tax rate of 1.89 mills. In accordance with the provisions of 52 Pa. Code § 69.55, the STAS for United Water shall be established at 0% effective with the effective date of settlement rates in this proceeding.

- (e) The DSIC for United Water shall be established at 0% effective with the effective date of settlement rates in this proceeding, and shall be subject to change effective January 1, 2012.
- (f) The allowed increase in revenues is shown in the proof of revenues attached as **Appendix B**. **Appendix B** reflects the allocation of the increase to rates among the rate classes as agreed to by the Joint Petitioners. The stipulated rate design incorporates the following elements:
 - (i) Pursuant to the settlement of the Company's 2009 rate case, the Company proposed and the Parties agree to the establishment of separate block rates for residential, commercial, industrial, large industrial and public authority classes;
 - (ii) The proposed increases to the separate customer classes are scaled back proportionately under the settlement, with the exception that no change is made to proposed rates for Public Fire; and,
 - (iii) The 5/8" meter customer charge will be \$11.00, an increase from the current 5/8" meter customer charge of \$10.25. The 3/4" meter customer charge will be \$11.00, a decrease from the current 3/4" meter customer charge of \$15.40. All other customer charges are

increased proportionate to the 5/8" meter customer charge increase.

- (g) Other miscellaneous tariff changes proposed by the Company are approved, as set forth in the form of tariff supplement attached hereto as **Appendix A.**
- (h) Joint Petitioners agree that United Water shall use the depreciation rates as filed in this proceeding and reflected in the Supplemental Direct Testimony of James C. Cagle, United Water Statement No. 5 (Supp.).
- (i) United Water agrees that it will not file with the Commission a tariff or tariff supplement proposing a general increase in rates earlier than May 9, 2012; provided, however, that the foregoing provision shall not prevent United Water from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting United Water's rates.
- (j) United Water will continue the following with respect to unaccounted-for water ("UFW"):
 - (i) United Water will calculate UFW on an individual system basis that includes the system's non-revenue water usage allowances in accordance with Section 500 of the Commission's Annual Report;
 - (ii) The reports that United Water submits to the Commission and the Pennsylvania Department of Environmental Protection shall contain consistent data where applicable;

(iii) United Water will continue its action plan and schedule of implementation for improving UFW, with a focus on minimizing real water losses in each of its water systems. The Company's plans, in addition to the programs outlined in United Water Statement No. 1, include the following:

- Conduct annual general leak surveys of all United Water systems
- Deploy semi-permanent acoustical leak detection loggers at critical locations
- Establish additional District Metered Areas in Harrisburg
- Employ pressure management strategies to reduce real water losses
- Calibrate/test production, plant and distribution system meters to improve meter accuracy
- Reduce apparent losses by enhancing hydrant security and potentially providing bulk water dispensing stations

IV. CONDITIONS OF SETTLEMENT

14. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the

Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

15. This Settlement is proposed by the Joint Petitioners to this Settlement to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights, including the right to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

16. Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

17. Attached as **Appendices C** through **F** are the respective Statements in Support of the Joint Petition for Settlement of Rate Proceeding submitted by United Water, BI&E, OCA and OSBA, setting forth the bases upon which each Joint Petitioner believes the Settlement to be fair, just and reasonable and, therefore, in the public interest.

18. If the ALJs recommend approval of the Settlement without modification, the Joint Petitioners waive their rights to file Exceptions.

V. CONCLUSION

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

(a) That Administrative Law Judges David A. Salapa and Mary D. Long and the Commission approve this Settlement as submitted including all terms and conditions thereof;

(b) That the Commission's Investigation at Docket No. R-2011-2232985 and the complaints of OCA and OSBA at Docket Nos. C-2011-2243242 and C-2011-2243146 be marked closed; and,

(c) That the Commission enter an Order consistent with this Settlement, terminating the proceeding and authorizing United Water Pennsylvania, Inc. to file the tariff supplement attached as **Appendix A** effective as provided herein.

Respectfully submitted,


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Carrie Wright, Prosecutor
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Harrisburg, PA 17105-3265
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Email: rkanaskie@pa.gov
carwright@pa.gov
For Bureau of Investigation & Enforcement

Date: 9/28/11

Candis A Tunilo

Date: 9/28/11

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Candis A. Tunilo, Esquire
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For Office of Consumer Advocate

Daniel G. Asmus

Date: 9/28/11

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For Office of Small Business Advocate

Michael W. Hassell

Date: 9/28/2011

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Counsel for United Water Pennsylvania, Inc.

A

UNITED WATER PENNSYLVANIA INC.

Harrisburg, Pennsylvania,

Rates, Rules and Regulations

Governing the Distribution of Water in

(See Page 5 for Territories Served)

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ISSUED:

EFFECTIVE:

Issued in Compliance with Title 66 Pa. C.S. § 1308(d) and
Commission Order entered xx/xx/xx at Docket No. R-2011-2232985

BY: John D. Hollenbach, Vice President & General Manager
United Water Pennsylvania Inc.
4211 East Park Circle
Harrisburg, PA 17111

NOTICE

This Supplement Tariff supersedes Supplement No. 23, and makes increases and decreases to rates and changes to existing rules and regulations as approved by Commission Order entered xx/xx/xx at Docket No. R-2011-2232985

LIST OF CHANGES MADE BY THIS SUPPLEMENT

This Supplement implements changes proposed in Supplement No. 23 to Tariff Water – Pa. P.U.C. No. 7 as such changes have been modified by the Commission's Order entered xx/xx/xx at Docket No. R-2011-2232985. Changes are as follows:

- Index, Page 3 – Reflects changes for revisions per this supplement.
- Page 5 – Makes a correction in the page heading.
- Schedule of Meter Rates, Pages 6, 6A, 6B, 6C and 7 – Reflects allowed rate increase.
- Rates for Public Fire Hydrant Service, Page 8 – Reflects allowed rate increase and updates description.
- Rates for Private Fire Hydrant Service, Page 9 – Reflects allowed rate increase and updates description.
- Rates for Private Fire Sprinkler and Hose Service, Page 10 – Reflects allowed rate increase as well as certain conditions.
- Schedule of Meter Rates, Page 11 – Reflects Brown Manor Water Company Customers move to UWPA rates.
- Schedule of Miscellaneous Fees and Charges, Page 13 – Reflects certain condition changes.
- Definitions, Pages 17, 19, and 20 – Reflect definitions or changes to commercial service, private and public hydrants, and residential service
- Meters and Meter Setting, Pages 42, and 43 – Reflects certain miscellaneous changes.
- Customer Deposits, Pages 49, 50, and 51– Update description.
- Pages 54, 55, and 56– Update miscellaneous provisions.
- Distribution System Improvement Charge, Page 63 – Resets surcharge to 0.0%.

- (A) Indicates an addition
- (I) Indicates an increase
- (D) Indicates a decrease
- (C) Indicates a change

INDEX

Title Page	Supplement No. 26	(C)
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Meter Rates – Commercial and Commercial Residence/Apartments	First Revised Page 6A	(A)
Meter Rates - Industrial Service	First Revised Page 6B	(A)
Meter Rates – Public Authority	First Revised Page 6C	(A)
Meter Rates - Large Industrial Customers	Fifth Revised Page 7	(C)
Rates for Public Fire Hydrant Service	Second Revised Page 8	(C)
Rates for Private Fire Hydrant Service	Fifth Revised Page 9	(C)
Rates for Private Fire Sprinkler and Hose Service	Fifth Revised Page 10	(C)
BLANK	Sixth Revised Page 11	(A)
Miscellaneous Fees and Charges	First Revised Page 12	
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Miscellaneous Fees and Charges (Cont'd.)	First Revised Page 14	
Industrial Economical Rate	Third Revised Page 15	

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Water Conservation Contingency Plan	Original Page 57 - 58	
Distribution Systems Improvement Charge	Original Page 59 - 62	
Distribution Systems Improvement Charge	Nineteenth Revised Page 63	(C)

UNITED WATER PENNSYLVANIA INC.

TERRITORIES SERVED

The Boroughs of Dauphin, Highspire, Hummelstown, Paxtang and Penbrook; the Townships of Lower Paxton, Middle Paxton and Swatara; Portions of the Townships of Derry, Lower Swatara, South Hanover and Susquehanna; all in Dauphin County, Pennsylvania; and Portions of East Pennsboro Township, in Cumberland County, Pennsylvania; and in the Borough of Marysville, Rye Township and Penn Township in Perry County, Pennsylvania; and Newberry Township in York County, Pennsylvania
The Borough of Dallas, Dallas Township, Village of Shavertown and Vicinity, Kingston Township, Harvey's Lake Borough, Lake Township and Lehman Township, Luzerne County, Pennsylvania; and Village of Noxen and Vicinity, Noxen Township, Wyoming County, Pennsylvania;

The Borough of Mechanicsburg and portions of the Townships of Upper Allen, Lower Allen, Hampden, Silver Spring and Monroe, All in Cumberland County, Pennsylvania, and Portions of Monaghan Township, in York County Pennsylvania

The Town of Bloomsburg, The Townships of South Centre and Scott; and Portions of the Townships of Hemlock and Montour, Columbia County, Pennsylvania The Village of Nuremberg, Township of North Union, Schuylkill County, Pennsylvania.

Issued:

Effective:

UNITED WATER PENNSYLVANIA INC.

SCHEDULE OF METER RATES

Application:

To all residential customers residing in all territories served by United Water Pennsylvania.

Volume Charges:

All consumption at \$0.59111 per 100 gallons (I)

Customer Service Charges:

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>	
5/8"	\$11.00	\$33.00	(I)
5/9"	11.00	33.00	(C)
3/4"	11.00	33.00	(D)
1"	22.80	68.40	(I)
1 1/2"	45.60	136.80	(I)
2"	78.10	234.30	(I)
3"	146.50	439.50	(I)
4"	244.20	732.60	(I)
6"	488.40	1,465.20	(I)
8"	781.50	2,344.50	(I)
10"	1,123.40	3,370.20	(I)

Conditions of Contract:

The rate will consist of the total of (A) the Volume Charge and (B) the Customer Service charge. The volume charge is based on all metered water for the billing period.

Terms of Payment:

All bills shall be rendered monthly. Bills rendered will show a due date of twenty (20) days after the date the bill is mailed for residential customers and fifteen (15) days after the date the bill is mailed for commercial, industrial, sales for resale, public fire and private fire customers. All municipal accounts are entitled to a (30) day period from the due date of any bill within which it may pay for water service. Payment received by the Company more than five (5) days after the due date will be charged a penalty of 1.50%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Issued:

Effective:

SCHEDULE OF METER RATES

Application:

To all commercial and commercial residence/apartments customers residing in all territories served by United Water Pennsylvania.

Volume Charges:

	<u>Per Month</u>	<u>Rate Per 100 Gallons</u>	
First	25,000 Gallons	\$ 0.59111	(I)
Over	25,000 Gallons	\$ 0.40642	(I)

Customer Service Charges:

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>	
5/8"	\$ 11.00	\$ 33.00	(I)
3/4"	11.00	33.00	(D)
1"	22.80	68.40	(I)
1 1/2"	45.60	136.80	(I)
2"	78.10	234.30	(I)
3"	146.50	439.50	(I)
4"	244.20	732.60	(I)
6"	488.40	1,465.20	(I)
8"	781.50	2,344.50	(I)
10"	1,123.40	3,370.20	(I)

Conditions of Contract:

The rate will consist of the total of (A) the Volume Charge and (B) the Customer Service charge. The volume charge is based on all metered water for the billing period.

Terms of Payment:

All bills shall be rendered monthly. Bills rendered will show a due date of twenty (20) days after the date the bill is mailed for residential customers and fifteen (15) days after the date the bill is mailed for commercial, industrial, sales for resale, public fire and private fire customers. All municipal accounts are entitled to a (30) day period from the due date of any bill within which it may pay for water service. Payment received by the Company more than five (5) days after the due date will be charged a penalty of 1.50%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Issued:

Effective:

SCHEDULE OF METER RATES

Application:

To all regular industrial customers residing in all territories served by United Water Pennsylvania.

Volume Charges:

	<u>Per Month</u>	<u>Rate Per 100 Gallons</u>	
First	25,000 Gallons	\$ 0.59111	(I)
Over	25,000 Gallons	\$ 0.43340	(I)

Customer Service Charges:

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>	
5/8"	\$ 11.00	\$ 33.00	(I)
3/4"	11.00	33.00	(D)
1"	22.80	68.40	(I)
1 1/2"	45.60	136.80	(I)
2"	78.10	234.30	(I)
3"	146.50	439.50	(I)
4"	244.20	732.60	(I)
6"	488.40	1,465.20	(I)
8"	781.50	2,344.50	(I)
10"	1,123.40	3,370.20	(I)

Conditions of Contract:

The rate will consist of the total of (A) the Volume Charge and (B) the Customer Service charge. The volume charge is based on all metered water for the billing period.

Terms of Payment:

All bills shall be rendered monthly. Bills rendered will show a due date of twenty (20) days after the date the bill is mailed for residential customers and fifteen (15) days after the date the bill is mailed for commercial, industrial, sales for resale, public fire and private fire customers. All municipal accounts are entitled to a (30) day period from the due date of any bill within which it may pay for water service. Payment received by the Company more than five (5) days after the due date will be charged a penalty of 1.50%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Issued:

Effective:

UNITED WATER PENNSYLVANIA INC.

SCHEDULE OF METER RATES

Application:

To all public authority customers residing in all territories served by United Water Pennsylvania.

Volume Charges:

	<u>Per Month</u>	<u>Rate Per 100 Gallons</u>	
First 25,000 Gallons		\$ 0.59111	(I)
Over 25,000 Gallons		\$ 0.42559	(I)

Customer Service Charges:

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>	
5/8"	\$ 11.00	\$ 33.00	(I)
3/4"	11.00	33.00	(D)
1"	22.80	68.40	(I)
1 1/2"	45.60	136.80	(I)
2"	78.10	234.30	(I)
3"	146.50	439.50	(I)
4"	244.20	732.60	(I)
6"	488.40	1,465.20	(I)
8"	781.50	2,344.50	(I)
10"	1,123.40	3,370.20	(I)

Conditions of Contract:

The rate will consist of the total of (A) the Volume Charge and (B) the Customer Service charge. The volume charge is based on all metered water for the billing period.

Terms of Payment:

All bills shall be rendered monthly. Bills rendered will show a due date of twenty (20) days after the date the bill is mailed for residential customers and fifteen (15) days after the date the bill is mailed for commercial, industrial, sales for resale, public fire and private fire customers. All municipal accounts are entitled to a (30) day period from the due date of any bill within which it may pay for water service. Payment received by the Company more than five (5) days after the due date will be charged a penalty of 1.50%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Issued:

Effective:

UNITED WATER PENNSYLVANIA INC.

SCHEDULE OF METER RATES

Application:

To all large industrial customers.

Large Industrial Tariff - All Customers Using 7 Million per Month or 84 Million on an Annual Basis

<u>Service Charge</u>	<u>Per Month</u>	
3"	\$ 146.50	(l)
4"	244.20	(l)
6"	488.40	(l)
 Consumption Charge		
All Usage per 100 gallons.	\$0.26960	(l)

Conditions of Contract:

The rate will consist of the total of (A) the Volume Charge and (B) the Customer Service charge. The volume charge is based on all metered water for the billing period.

Issued:

Effective:

UNITED WATER PENNSYLVANIA INC.

Rates for Public Fire Hydrant Service

Application:

To all political subdivisions.

Rates:

For fire hydrant installed and maintained by the Company at its expense. (C)

		<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Annum</u>	
(Harrisburg)	Each fire hydrant	\$24.17	\$72.50	\$290.00	
(Dallas)	Each fire hydrant	\$17.67	\$53.00	\$212.00	(I)
(Mechanicsburg)	Each fire hydrant	\$25.83	\$77.50	\$310.00	
(Bloomsburg)	Each fire hydrant	\$18.33	\$55.00	\$220.00	

Conditions:

Water from fire hydrants shall not be used for purposes other than fire fighting without the Company's permission in writing.

Issued:

Effective:

Rates for Private Fire Hydrant Service

Application:

To all customers having private fire hydrant installations.

Rates:

For a lateral connection from the main in a private easement to a hydrant valve at the curb, easement boundary or property line to serve a fire hydrant installed and maintained by the Company at its expense. (C)

	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Annum</u>	
Each fire hydrant	\$58.30	\$174.90	\$699.60	(I)

For fire hydrant installed and maintained by the customer at his expense:

	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Annum</u>	
Each fire hydrant	\$36.89	\$110.67	\$442.68	(I)

Conditions of Contract:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire fighting, and such metered service shall then be billed in accordance with the regular Schedule of Meter Rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Rates for Private Fire Sprinkler and Hose Service

Application:

To all customers having a separate fire sprinkler system and/or inside hose connection for fire fighting purposes.

Rates:

For fire service through a separate fire service line.

	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Annum</u>	
For each 2" service line(or smaller)	\$ 17.67	\$ 53.01	\$ 212.04	(I)
For each 3" service line	47.66	142.98	571.92	(I)
For each 4" service line	61.13	183.39	733.56	(I)
For each 6" service line	101.62	304.86	1,219.44	(I)
For each 8" service line	151.48	454.44	1,817.76	(I)
For each 10" service line	216.89	650.67	2,602.68	(I)
For each 12" service line	300.94	908.82	3,611.28	(I)
For each 14" service line	552.83	1,658.49	6,633.96	(I)

There will be no additional charge for sprinkler heads, or hose connections, supplied from the service line. There shall be no additional charge for hydrants installed on a private fire sprinkler line if the customer elects to maintain the hydrant. If the customer desires the hydrant be maintained by the Company they shall be billed in accordance with the rates covered under the private fire hydrant tariff.

Conditions of Contract:

All unmetered fire services shall be equipped with a backflow preventor device and a detector check approved by the Company. The customer must notify the Company of any time the fire line is used for the purpose of fire fighting.

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire fighting, and such metered service shall then be billed in accordance with the regular Schedule of Meter Rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

The Company reserves the right to require the fire service line to be separate from the domestic service line.

The company reserves the right to require the detector check be installed in a vault at the customer's property line. The design of the vault shall be approved by the Company.

Any Company improvements required to meet the requested fire flow shall be the sole responsibility of the customer requesting the fire service.

The Customer must notify the Company three business days prior to any testing of the fire flow system. The company will determine the acceptable rate of flow for testing purposes.

The Company reserves the right to make system changes that may impact both the static and residual pressures. In such events, as long as the pressures meet the PUC pressure requirements, the Company will not be held responsible, or otherwise liable, for any required changes to the customer's fire suppression system as a result of the change to the Company's pressure.

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SCHEDULE OF MISCELLANEOUS FEES AND CHARGES (Cont'd.)

4. Meter Test Charge (Deposit)

Application:

This charge is applicable to all customers who request a test of a water meter for accuracy.

Rates:

	<u>Per Test</u>
For each meter, 1" diameter or smaller	\$ 10.00
For each meter greater than 1" or smaller than 2"	\$ 20.00
For other meters, including those which are so located that the cost is out of proportion to the fee specified	As approved by the Pa. P.U.C., pursuant to 52 Pa. Code § 65.8 (h)

Terms of Payment:

Payment must accompany customer's request for the test of a meter for accuracy. If the meter so tested shall be found to have an error in registration of less than four percent (4%), the deposit shall be retained by the Company as compensation for such test; if the error in registration is found to be four percent (4%) or more, then the cost of the test shall be borne by the Company and the amount of the deposit shall be returned to the customer.

5. Damaged Meter/ Radio Read Unit Charge

Application:

This charge is applicable to all customers for damage or loss by any meter or the radio read device (C) arising out of or caused by the customer's negligence or carelessness or that of his servants, employees, members of his household, or any person upon his premises under or by his consent of sufferance. Damage means theft, freezing, water damage, or damage to the meter or radio read unit.

Rates:

	<u>Each Occurrence</u>
For all 5/8" (during normal business hours)	\$100.00
For all 5/8" (other than normal business hours)	\$150.00
For all meters larger than 5/8" diameter, the Company will bill the actual cost of the meter plus the actual fee for labor and overheads.	

Terms of Payment:

The damaged meter charge will be added to the customer's bill once the service has been provided.

DEFINITIONS

Annual Line Extension Cost. The sum of a utility's additional annual operating and maintenance costs, debt costs and depreciation charges associated with the construction, operation and maintenance of the line extension. For Non Bona Fide customers, equity costs are included.

Annual Revenue (as related to line extensions). The utility's expected additional annual revenue from the line extension based on the utility's currently effective tariff rates and on the average annual usage of customers similar in nature and size and/or class.

Applicant. Any person seeking to contract for utility service, other than a transfer of service from a residence or dwelling within the Company's service area; or to reinstitute service more than 60 days following a termination or discontinuance of service.

"Backflow Preventor". A device designed to prevent a potential backflow of contaminants from the customer's activities or property into the Company's distribution system.

Billing Period. A billing period may be monthly, bi-monthly or quarterly as provided in the Company's tariff.

Bona Fide Service Applicant. A person or entity applying for water service to an existing or proposed structure within the utility's service territory for which a valid occupancy or building permit has been issued if the structure is either a primary residence of the applicant or a place of business (see also Non Bona Fide Service Applicant).

Commercial Service. Service supplied to multiple residences that are served through a single meter (A) with three or more units, private institutions and businesses such as, but not limited to: car washes, hotels, offices, retail and wholesale establishments, laundries, churches, private education institutions, hospitals, restaurants, golf courses, nurseries, etc.

Company. United Water Pennsylvania Inc.

Company Service Line. The connection between the Company's distribution main and the inlet connection of the customer's service line at the curb or property line.

Customer. A Customer shall mean the party contracting for a supply of water through a connection to a property, as hereinafter classified, i.e.:

- (a) A building under one roof and occupied as one residence or business; or
- (b) A building owned by a party or parties of more than one living unit or business and using a common and/or individual outside entrance; or
- (c) Each unit in a building with multiple living units individually owned, with individual outside entrances; or
- (d) A group of buildings on one tract of land owned by a single business or governmental entity, provided, however, that leasing or operating property for occupancy by tenants, for buildings on the tract, shall not be considered a single business and each building which is leased or operated shall be considered as a separate customer; or

UNITED WATER PENNSYLVANIA INC.

Industrial Service. Service supplied to manufacturing or processing establishments such as factories, refineries, bottling plants, food processing plants.

Line Extension. An addition to the utility's main line which is necessary to serve the premises of a customer.

Main. The pipe of the public utility system, excluding service connections, located in a public highway, street, alley or private right-of-way which pipe is used in transporting water.

Non Bona Fide Service Applicant. An applicant shall be deemed a Non Bona Fide Service Applicant if:

- (i) Applicant is requesting water service to a building lot, subdivision or a secondary residence;
- (ii) The request for service is part of a plan for development of a residential dwelling or subdivision;
- (iii) The applicant is requesting special utility service.

Occupant. Any person, business or corporation who resides in the premises to which utility service is provided.

Operating and Maintenance Costs (as related to bona fide line extension). The utility's average annual operating and maintenance cost associated with serving an additional customer, including customer accounting, billing, collections, water purchased, power purchased, chemicals, and other variable costs based on the current total company level of such costs, as well as costs particular to the specific needs of that customer, such as line flushing.

Payment Agreement. A mutually satisfactory agreement whereby a customer who admits liability for billed service, is permitted to amortize or pay the unpaid balance of the account in one or more payments over a reasonable period of time typically not to exceed the time period it took to accumulate the bill.

Person. An individual, partnership, corporation, association, including any lessee, assignee, trustee, receiver, executor, administrator, and other successors in interest.

Physician. An individual licensed under the laws of this Commonwealth to engage in the practice of medicine and surgery in all of its branches within the scope of the act of June 3, 1911 (P.L. 639) relating to medicine and surgery as amended, or in the practice of osteopathy or osteopathic surgery within the scope of the act of March 19, 1909 (No. 29) as amended.

Premises or Affected Premises. Unless otherwise indicated, the residence of the occupant.

Private Hydrant. A privately owned hydrant not available to protect the general public. In all cases, the hydrant would be located on private property. If the hydrant is connected to a private main (customer owned and maintained), each hydrant will be billed at the private hydrant rate unless the customer is billed for a private fire service. (A)

Public Hydrant. A Company-owned fire hydrant that is available for use to protect the general public and is paid for by a municipal government. The hydrant is typically located along a public road, street or highway. (A)

Remote Meter. A device that transmits readings from a meter. (C)

Issued:

Effective:

UNITED WATER PENNSYLVANIA INC.

Residential Service. Service supplied to a dwelling, including service provided to a commercial establishment if concurrent service is provided to a residential premise attached thereto. Residential service as it pertains to line extensions can be further defined as single family dwellings, multi-family, and townhouses serving less than three dwelling units. (C)

Special Utility Service. Residential or business service which exceeds that required for ordinary residential purposes. Special utility service may include, but not be limited to, installation of facilities such as, additional mains, oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet required pressure criteria, and service to large water consuming commercial and industrial facilities.

Temporary Service. A water service connection which, at the time of application, is anticipated to be in service for less than a 12-month period. Temporary service shall include any meter installed to a hydrant.

Termination of Service. Cessation of service, whether temporary or permanent, without the consent of the customer.

United Cares Program. The Company's payment assistance program.

UNITED WATER PENNSYLVANIA INC.

METERS:

13. All water service, except water for fire fighting purposes, will be rendered only through meters.

14. Each customer shall have a separate service line and meter to measure the amount of water consumed. Meters will typically be installed in a pit at the property line unless conditions prohibit the installation of a pit. Meter pits remain the property of the customer and the customer is required to maintain, at the customer's expense, the pit in good operating and safe condition. (C)

15. All meters shall be furnished, installed and remain the property of the Company. The Company reserves the right to establish the size of meters required by each customer including whether such meter shall be a manual read meter or a meter that can be read via a radio signal. As a condition of providing service and continuing to provide service, the Company shall have the right to install such equipment, connections and wiring in the manner and location it deems appropriate and, in the case where the meter is to be read over the telephone lines at a property with existing or proposed telephone service, the Customer must provide the Company with the current telephone number used or to be used for meter reading purposes at the property, including any such number that may be unlisted in which event the Company shall keep that number confidential. The equipment necessary to read meters using the designated mode of communication will be installed by the Company and will remain the property of the Company. (C)

16. Any tampering with the meter or meter seals is cause for discontinuance of service, in accordance with Paragraph 29. (C)

17. Meters will be maintained by the Company for ordinary wear and tear, but the customer shall be responsible to the Company for damage or loss of any meter, meter pit and radio read appurtenances arising out of or caused by the customer's negligence or carelessness or that of his servants, employees, members of his household, or any person upon his premises under or by his consent or sufferance. The customer shall not permit anyone except an agent of the Company or other lawfully authorized person to remove, inspect or repair the Company's meter or other property of the Company on his premises. Any damages accordingly will be repaired or replaced by the Company and the customer shall be billed for all labor and material charges, as specified in the Company's tariffs. (C)

17A. It shall be the customer's responsibility to provide unobstructed access of the remote register or radio reading device. Should the customer desire to fence or otherwise restrict the free access of the remote register, it shall be the customer's responsibility to compensate the Company for all costs incurred in moving the register to an area which is accessible. (C)

18. The Customer shall notify the Company of any damage to, or of any cessation in registration of, the meter as soon as it comes to their knowledge. (C)

METER SETTING:

19. When the meter is installed inside the home or building, it shall be the responsibility of the customer to install the meter setting in a safe and readily accessible and protected location in the home or building in accordance with Company plans and specifications. The meter shall be installed at such a point where the customer service line enters the premise foundation wall so as to ensure all water is metered. Said location must be acceptable to the Company as most convenient for examination, reading, maintenance and/or removal of the meter.

20. The Customer shall install a meter pit or vault in accordance with Company plans and specifications. The meter pit or pit or vault shall be placed within the street or highway right-of-way at or just inside the Customer's property line, or at such other location as may be ordered by the Company. (C)

21. The cover and locking device for each outside meter vault or meter box shall conform to a uniform standard established by the Company.

For meters requiring a confined space pit the meter shall have remote reading capability so as to eliminate the need to enter the pit to read the meter.

Meter pit lids shall be set flush with the surrounding surface and shall not have any obstruction overhanging the meter pit, such as shrubbery, porches or steps which would prevent reasonable ease in obtaining a meter reading or installing or replacing the meter.

22. An appropriately specified and sized backflow preventor, as approved by the American Water Works Association, will be installed at the customer's expense on the discharge side of the meter at a point prior to the installation of any branch piping to prevent the backflow of water into the Company's meter. The type of backflow preventor will be determined by the Company and will be based on the customer's usage hazard classification.

In the case of meters two (2") inches and larger, the customer shall provide suitable piping and valves to by-pass the meter in order to provide uninterrupted service during testing and/or changing of the meter. All bypasses shall be fitted with a lockable control valve to prevent unauthorized and unmetered water use during normal periods of service. In the case of an unmetered fire sprinkler system, a double check valve backflow with a detector check shall be installed.

CUSTOMER DEPOSITS:

35. **GENERAL** - A deposit may be required from an Applicant for service or an existing Customer in accordance with, and to the maximum extent permitted by, the Commission's regulations. If an Applicant for service or an existing Customer receives more than one type of service, a separate deposit may be required for each type of service. Deposits collected shall have interest paid to the depositing Customer in accordance with the Commission's regulations. Upon termination or discontinuance of service, the Company shall within 30 days apply the Customer's deposit, including accrued interest, to any outstanding balance and refund the remainder to the Customer. (C)
36. **DEPOSIT NOT TO APPLY TO A CURRENT BILL** – Any Customer having made a deposit shall currently pay bills for water service as rendered and the deposit shall not be considered as payment on account of a bill during the time the Customer is receiving water service. At the option of the Company, deposits may be used to pay delinquent bills for water service and, if appropriate, a new deposit may thereafter be required. (C)
- (A) Application of Deposit:
- (1) Where a customer has paid a deposit but has failed to pay an undisputed bill, or portion of an undisputed bill, immediately prior to the termination of service to that customer the Company shall apply that customer's deposit insofar as it is necessary to satisfy such bill and to avoid termination, and may require that the deposit be restored to its original amount. The Utility shall mail or deliver a statement showing the amount of the original cash deposit, accrued interest, the amount of any unpaid bills satisfied, and balances remaining. Said statement may be included in a termination notice.
- (B) Refund of Deposit:
- (1) Interest on a deposit will be paid at the rate governed by 52 Pa Code Chapter 56. (C)
- (2) Termination or discontinuance of service. Upon termination or discontinuance of service, the Company shall promptly apply the customer's deposit, including accrued interest, to any outstanding balance for utility service and refund the remainder to the customers. (C)
- (3) Prompt payment of bills (except for deposits that apply to unmetered fire services and services that provide both domestic and fire protection). After a customer has paid bills for service for 12 consecutive months without having service termination and without having paid his bill subsequent to the due date or other permissible period as stated in this Chapter on more than two occasions, the utility shall refund any cash deposit, plus accrued interest, so long as the customer currently is not delinquent. (C)

UNITED WATER PENNSYLVANIA INC.

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Issued:

Effective:

TEMPORARY SERVICE:

37. Temporary service for short-term use. The Company will require the customer to pay all costs in advance for making the service connection and removing the service equipment after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. However, if such equipment is removed within four years, the customer shall be credited with the reasonable salvage which the Company will receive on discontinuance of service.
38. Where the customer is temporary he shall make application for service and advance an amount equal to an estimated gross bill for any single billing period plus one month. The customer shall pay for water at the Company's metered rates and upon discontinuance of service, the Company shall refund the deposit, less any gross water charges unpaid.
39. The Company reserves the right to refuse temporary service between October 15 and April 15 to prevent freezing of water lines and meters.
40. Bills for temporary water service are payable and due after service is rendered and upon presentation.

THIRD PARTY NOTIFICATION:

43. The Company shall permit its customers to designate a consenting individual or agency which is to be sent, by the Company, a duplicate copy of all reminder notices, past due notices, delinquent account notices or termination notices of whatever kind issued by the Company. When contact with a third party is made, the Company shall advise the third party of the pending action and the efforts which must be taken to avoid termination. The Company shall institute and maintain a program:
- (1) To allow customers to designate third parties to receive copies of a customer's or group of customers' notices of termination of service;
 - (2) To advise customer of the availability of such a third party notification program and to encourage their use thereof; and
 - (3) To solicit community groups and police to accept third party notices in order to assist in preventing unnecessary terminations and protecting the public health and safety.

DISPUTES; TERMINATION DISPUTE; INFORMAL AND FORMAL COMPLAINTS:

44. Any notice of dispute, including termination disputes, shall proceed in the first instance, according to the provisions set forth in Chapter 56 of Title 52 of the Pennsylvania Code (regarding "Disputes"). (C)

RESTORATION OF SERVICE:

45. When service to a dwelling has been terminated, the Company shall reconnect service by the end of the first full working day after receiving:
- (1) Full payment of any outstanding charges plus a reasonable reconnection fee as specified in the Company's tariffs or that which may be the subject to a Payment agreement; or
 - (2) Payment of all amounts currently due according to a Payment agreement, plus a reasonable reconnection fee which may be a part of the Payment agreement; or
 - (3) Adequate assurances that any unauthorized use or practice will cease, plus full payment of the Company's reasonable reconnection fee which must be subject to a Payment agreement; and
 - (4) Compliance or adequate assurance of compliance with any applicable provision for the *establishment of credit, posting of deposits or guarantees.*

PERSONNEL AVAILABLE TO RESTORE:

46. The Company shall have adequate personnel available between 8:00 a.m. and 4:00 p.m. on each working day, or for the commensurate period of eight consecutive hours, to restore service when required under these Rules and Regulations. (C)

MISCELLANEOUS:

47. Water shall not be turned into any customer's premises by any person who is not an agent of the Company, except temporarily by a plumber, with Company approval, to enable him to test his work, provided it shall be turned off immediately after the test is made.
48. The authorized agents of the Company shall have the right of access, at all reasonable hours, to the premises supplied with water for the purpose of reading meters, examining pipes and fixtures, observing manner of using water, and for any other purpose which is proper and necessary in the conduct of the Company's business. Such agents shall carry proper credentials evidencing their employment by the Company.
49. No customer shall open or close any of the Company's corporation stops or valves in any public or private line.
50. No agent or employee of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these rules and regulations.
51. The Company reserves the right to alter or amend these rules and regulations in the manner provided by law.

FIRE PROTECTION:

52. Water from fire hydrants or other fire fighting facilities shall be used only for fire fighting purposes.
53. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but it cannot and does not guarantee that such will not occur. The Company shall have no greater duty, with regard to fire hydrant service or private fire hydrant sprinkler and hose service, than to supply only such volumes of water at such pressures as may be available in the normal operation of the waterworks facilities at the time of use. (C)
54. The Company shall not be considered an insurer of property or persons or to have undertaken to extinguish fire or to protect persons or property against loss or damage by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever. (C)

55. Where metered or unmetered service is provided to any customer, the Company shall not be responsible for the quantities of water or pressure which may be available for any fire fighting facilities or purposes where the customer installs such facilities, or makes connection to his water system for such purposes, on the discharge side of the meter in his service line, and shall not be held liable for any claim based upon loss due to fire or fire fighting. The customer will indemnify, save harmless, and defend the Company from all claims, loss, costs, or damage on account of injury to persons or property occurring as a result of the installation, operation, performance, or existence of such customer-installed fire fighting facilities, including but not limited to injury or damage to persons or property by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever, to the extent that the injury to persons or property is the result of the intentional or negligent acts of the customer, its employees, or agents. (C)
56. Company will consider installation of public fire hydrants only upon authorization from the political subdivision in which the unit is to be installed which will be responsible for payment or for services rendered.

LIABILITY

1. In the course of furnishing service that needs to be adequate, but not perfect, it is recognized that there will be times when service is subject to interruption or disruption as a result of water main breaks, the failure of equipment or facilities, and for other reasons. Accordingly, the liability of the Company shall in all such events be limited to either \$2,000 or an amount equivalent to the customer's average monthly bill (calculated using the four billing periods prior to the billing period during which the deficiency occurred), whichever is less in any legal action brought against the Company for damages in connection with: 1) a service interruption or delay, or cessation or lack of adequate, efficient, safe and reasonable service and facilities; and/or 2) a failure of equipment or supply, including, but not limited to, a break or leak in a water main, service line or meter owned by the Company. (C)

In any legal action where a court does not recognize, or is being asked to interfere with or hamper, the jurisdiction of the Commission to authorize limitations of liability or to exclusively determine whether the service and facilities of the Company are in conformity with the regulations and Orders of the Commission, the Company may certify to the Commission the question of the appropriateness of such court action by filing a petition for declaratory order with the Commission. (C)

Furthermore, the Company shall not be liable in any action where the loss or damage involves an act of God or does not involve a duty of the Company, including, but not limited to, breaks or leaks on facilities that are not owned by the Company, such as breaks, leaks, defects or conditions in the Customer's own service line, meter pit, internal plumbing or fixtures, or due to the materials out of which those facilities are made. Further, the Company shall not be liable in any action where the loss or damage does not involve a breach of a duty of the Company, including, but not limited to, where the Company does not receive actual notice, either written or oral, that a Company facility (located within the public right-of-way, in a sidewalk or on a customer's property) is in need of repair, such as the condition or elevation of a curb box or valve box that is not proven to have been in that condition at the time of installation or that is caused by a plumber, developer, or the person or event.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
EXCEPT PUBLIC FIRE PROTECTION

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to all charges for bills rendered on or after xx/xx/xx. (D)

The above charge will be recomputed quarterly, using the elements prescribed by the Commission in its Order dated August 26, 1996 at Docket No. P-00961031.

B

UNITED WATER PENNSYLVANIA INC.

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TEST YEAR ENDED DECEMBER 31, 2011

Customer Classification (1)	Cost of Service		Revenues, Present Rates		Revenues, Settlement Rates		Settlement Increase	
	Amount (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 21,861,680	61.6%	\$ 19,613,473	61.4%	\$ 21,005,410	61.5%	\$ 1,391,937	7.1%
Commercial	8,547,797	24.1%	7,849,486	24.6%	8,351,055	24.5%	501,569	6.4%
Industrial	883,391	2.4%	715,375	2.2%	802,078	2.3%	86,703	12.1%
Large Industrial	732,914	2.1%	465,524	1.5%	522,020	1.6%	56,497	12.1%
Public Authority	1,356,688	3.8%	1,162,875	3.6%	1,283,954	3.8%	121,079	10.4%
Private Fire Service	1,235,072	3.5%	1,261,475	3.9%	1,279,757	3.7%	18,282	1.4%
Public Fire Service	895,826	2.5%	894,440	2.8%	895,826	2.6%	1,386	0.2%
Total Sales	35,513,367	100.0%	31,962,648	100.0%	34,140,101	100.0%	2,177,453	6.8%
Other Revenues	\$198,079		\$925,619		198,079		(727,540)	-78.6%
Total	\$ 35,711,446		\$ 32,888,267		\$ 34,338,180		\$ 1,449,913	4.4%

PA PUC
SECRETARY'S BUREAU

2011 SEP 28 PM 4: 25

RECEIVED

UNITED WATER PENNSYLVANIA
FUTURE TEST YEAR FOR THE 12 MONTHS ENDED 12/31/2011
GENERAL METERED AT SETTLEMENT RATES

Line No.	MTR. SIZE	Residential			Commercial			Industrial			Total	
		# of Bills	Rate	RES	# of Bills	Rate	COM	# of Bills	Rate	IND	Total Bills	Total at Settlement Rate
1	5/8"	615,621	\$ 11.00	\$ 6,771,830	30,183	\$ 11.00	\$ 332,008	228	\$ 11.00	\$ 2,510	647,923	\$ 7,127,154
2	5/9"	24	\$ 11.00	\$ 269	-	\$ 11.00	\$ -	-	\$ 11.00	\$ -	24	\$ 269
3	3/4"	25	\$ 11.00	\$ 280	12	\$ 11.00	\$ 135	11	\$ 11.00	\$ 123	49	\$ 539
4	1"	2,293	\$ 22.80	\$ 52,286	8,101	\$ 22.80	\$ 184,698	102	\$ 22.80	\$ 2,324	15,612	\$ 355,951
5	1-1/2"	324	\$ 45.60	\$ 14,780	3,447	\$ 45.60	\$ 157,181	56	\$ 45.60	\$ 2,559	6,668	\$ 304,072
6	2"	84	\$ 78.10	\$ 6,527	3,876	\$ 78.10	\$ 302,728	160	\$ 78.10	\$ 12,490	6,528	\$ 509,807
7	3"	12	\$ 146.50	\$ 1,792	366	\$ 146.50	\$ 53,597	111	\$ 146.50	\$ 16,305	704	\$ 103,172
8	4"	-	\$ 244.20	\$ -	701	\$ 244.20	\$ 49,162	55	\$ 244.20	\$ 13,475	490	\$ 119,623
9	6"	-	\$ 488.40	\$ -	29	\$ 488.40	\$ 13,975	45	\$ 488.40	\$ 21,925	110	\$ 59,600
10	8"	-	\$ 781.50	\$ -	24	\$ 781.50	\$ 18,369	11	\$ 781.50	\$ 8,771	35	\$ 27,139
11	10"	-	\$ 1,123.40	\$ -	-	\$ 1,123.40	\$ -	-	\$ 1,123.40	\$ -	13	\$ 14,376
12	Service Charge	618,384		\$ 6,847,764	46,238		\$ 1,111,851	780		\$ 80,483	678,156	\$ 8,621,703
13	First 5 MGL	1,963,614	\$ 5.9111	\$ 11,607,117	143,293	\$ 5.9111	\$ 847,019	2,988	\$ 5.9111	\$ 17,664	2,352,092	\$ 13,298,392
14	Next 5 MGL	323,242	\$ 5.9111	\$ 1,910,716	83,501	\$ 5.9111	\$ 493,585	2,276	\$ 5.9111	\$ 13,451	458,615	\$ 2,710,919
15	Next 15 MGL	81,009	\$ 5.9111	\$ 478,850	139,136	\$ 5.9111	\$ 822,447	5,619	\$ 5.9111	\$ 33,216	346,281	\$ 2,046,901
16	Next 50 MGL	21,016	\$ 5.9111	\$ 124,227	192,774	\$ 4.0642	\$ 783,473	14,138	\$ 4.3340	\$ 61,275	418,367	\$ 1,747,477
17	Over 75MGL	6,215	\$ 5.9111	\$ 36,735	311,351	\$ 4.0642	\$ 1,265,391	137,515	\$ 4.3340	\$ 595,990	849,062	\$ 3,539,126
18	Volume Charge	2,395,095		\$ 14,157,646	870,055		\$ 4,211,915	162,536		\$ 721,595	4,424,416	\$ 23,342,815

Line No.	MTR. SIZE	Public Authority			Apartment			Large Industrial		
		# of Bills	Rate	PUB	# of Bills	Rate	APT	# of Bills	Rate	Large IND
19	5/8"	1,151	\$ 11.00	\$ 12,657	741	\$ 11.00	\$ 8,150	-		\$ -
20	5/9"	-	\$ 11.00	\$ -	-	\$ 11.00	\$ -	-		\$ -
21	3/4"	-	\$ 11.00	\$ -	-	\$ 11.00	\$ -	-		\$ -
22	1"	519	\$ 22.80	\$ 11,841	4,597	\$ 22.80	\$ 104,802	-		\$ -
23	1-1/2"	322	\$ 45.60	\$ 14,685	2,519	\$ 45.60	\$ 114,868	-		\$ -
24	2"	670	\$ 78.10	\$ 52,302	1,738	\$ 78.10	\$ 135,760	-		\$ -
25	3"	154	\$ 146.50	\$ 22,496	61	\$ 146.50	\$ 8,983	-	\$ 146.50	\$ -
26	4"	64	\$ 244.20	\$ 15,624	157	\$ 244.20	\$ 38,431	12	\$ 244.20	\$ 2,930
27	6"	-	\$ 488.40	\$ -	25	\$ 488.40	\$ 11,979	12	\$ 976.80	\$ 11,722
28	8"	-	\$ 781.50	\$ -	-	\$ 781.50	\$ -	-		\$ -
29	10"	13	\$ 1,123.40	\$ 14,376	-	\$ 1,123.40	\$ -	-		\$ -
30	Service Charge	2,892		\$ 143,981	9,838		\$ 422,972	24		\$ 14,652
31	First 5 MGL	7,830	\$ 5.9111	\$ 46,284	46,174	\$ 5.9111	\$ 272,940	188,193	\$ 2.6960	\$ 507,368
32	Next 5 MGL	5,696	\$ 5.9111	\$ 33,672	43,900	\$ 5.9111	\$ 259,495	-		\$ -
33	Next 15 MGL	12,899	\$ 5.9111	\$ 76,246	107,618	\$ 5.9111	\$ 636,141	-		\$ -
34	Next 50 MGL	23,590	\$ 4.2559	\$ 100,395	166,849	\$ 4.0642	\$ 678,108	-		\$ -
35	Over 75MGL	207,565	\$ 4.2559	\$ 883,377	186,416	\$ 4.0642	\$ 757,633	-		\$ -
36	Volume Charge	257,580		\$ 1,139,973	550,957		\$ 2,604,318	188,193		\$ 507,368

UNITED WATER PENNSYLVANIA
PRIVATE FIRE PROTECTION
AT CURRENT AND SETTLEMENT RATES

Line #	Meter Size	HTY		HTY Revenue		FTY		FTY Revenue		FTY Revenue	
		# of Units	# of Bills	Current Rate	@ Current Rate	# of Units	# of Bills	@ Current Rate	Settlement Rate	@ Settlement Rate	
1	2"	62	744	\$ 17.42	\$ 12,960	67	804	\$ 14,006	\$ 17.67	\$ 14,207	
2	3"	4	48	\$ 46.98	\$ 2,255	4	48	\$ 2,255	\$ 47.66	\$ 2,288	
3	4"	155	1,860	\$ 60.26	\$ 112,084	162	1,944	\$ 117,145	\$ 61.13	\$ 118,837	
4	6"	267	3,204	\$ 100.17	\$ 320,945	275	3,300	\$ 330,561	\$ 101.62	\$ 335,346	
5	8"	213	2,556	\$ 149.31	\$ 381,636	219	2,628	\$ 392,387	\$ 151.48	\$ 398,089	
6	10"	28	336	\$ 213.79	\$ 71,833	29	348	\$ 74,399	\$ 216.89	\$ 75,478	
7	12"	10	120	\$ 296.63	\$ 35,596	10	120	\$ 35,596	\$ 300.94	\$ 36,113	
8	14"	-	-	\$ 544.92	\$ -	-	-	\$ -	\$ 552.83	\$ -	
9	HY 1	301	3,612	\$ 57.47	\$ 207,582	309	3,708	\$ 213,099	\$ 58.30	\$ 216,176	
10	HY 2	180	2,160	\$ 36.36	\$ 78,538	188	2,256	\$ 82,028	\$ 36.89	\$ 83,224	
11					<u>\$ 1,223,428</u>			<u>\$ 1,261,475</u>		<u>\$ 1,279,757</u>	

United Water Pennsylvania
Public Fire Protection Customers
@ 12/31/2010

<u>Operation</u>	<u># of Hydrants Billed</u>		<u>Monthly Rate</u>	<u>Present Annual Rate</u>	<u>Present Pro-forma Billing</u>	<u>Settlement Annual Rate</u>	<u>Settlement Pro-forma Billing</u>
Bloomsburg	176	@	\$ 18.33	\$ 220.00	\$ 38,720	\$ 220.00	38,720
Bloomsburg	25	@	\$ 18.33	\$ 220.00	\$ 5,500	\$ 220.00	5,500
Bloomsburg	7	@	\$ 18.33	\$ 220.00	\$ 1,540	\$ 220.00	1,540
Bloomsburg	64	@	\$ 18.33	\$ 220.00	\$ 14,080	\$ 220.00	14,080
Bloomsburg	19	@	\$ 18.33	\$ 220.00	\$ 4,180	\$ 220.00	4,180
Bloomsburg Total	291						
Dallas	23	@	\$ 15.83	\$ 190.00	\$ 4,370	\$ 212.00	4,876
Dallas	26	@	\$ 15.83	\$ 190.00	\$ 4,940	\$ 212.00	5,512
Dallas	4	@	\$ 15.83	\$ 190.00	\$ 760	\$ 212.00	848
Dallas	10	@	\$ 15.83	\$ 190.00	\$ 1,900	\$ 212.00	2,120
Dallas Total	63						
Harrisburg	25	@	\$ 24.17	\$ 290.00	\$ 7,250	\$ 290.00	7,250
Harrisburg	1	@	\$ 24.17	\$ 290.00	\$ 290	\$ 290.00	290
Harrisburg	1	@	\$ 24.17	\$ 290.00	\$ 290	\$ 290.00	290
Harrisburg	37	@	\$ 24.17	\$ 290.00	\$ 10,730	\$ 290.00	10,730
Harrisburg	85	@	\$ 24.17	\$ 290.00	\$ 24,650	\$ 290.00	24,650
Harrisburg	801	@	\$ 24.17	\$ 290.00	\$ 232,290	\$ 290.00	232,290
Harrisburg	190	@	\$ 24.17	\$ 290.00	\$ 55,100	\$ 290.00	55,100
Harrisburg	57	@	\$ 24.17	\$ 290.00	\$ 16,530	\$ 290.00	16,530
Harrisburg	12	@	\$ 24.17	\$ 290.00	\$ 3,480	\$ 290.00	3,480
Harrisburg	65	@	\$ 24.17	\$ 290.00	\$ 18,850	\$ 290.00	18,850
Harrisburg	35	@	\$ 24.17	\$ 290.00	\$ 10,150	\$ 290.00	10,150
Harrisburg	18	@	\$ 24.17	\$ 290.00	\$ 5,220	\$ 290.00	5,220
Harrisburg	-	@	\$ 24.17	\$ 290.00	\$ -	\$ 290.00	-
Harrisburg	8	@	\$ 24.17	\$ 290.00	\$ 2,320	\$ 290.00	2,320
Harrisburg	371	@	\$ 24.17	\$ 290.00	\$ 107,590	\$ 290.00	107,590
Harrisburg	477	@	\$ 24.17	\$ 290.00	\$ 138,330	\$ 290.00	138,330
Harrisburg Total	2,183						
Mechanicsburg	47	@	\$ 25.83	\$ 310.00	\$ 14,570	\$ 310.00	14,570
Mechanicsburg	12	@	\$ 25.83	\$ 310.00	\$ 3,720	\$ 310.00	3,720
Mechanicsburg	163	@	\$ 25.83	\$ 310.00	\$ 50,530	\$ 310.00	50,530
Mechanicsburg	1	@	\$ 25.83	\$ 310.00	\$ 310	\$ 310.00	310
Mechanicsburg	10	@	\$ 25.83	\$ 310.00	\$ 3,100	\$ 310.00	3,100
Mechanicsburg	120	@	\$ 25.83	\$ 310.00	\$ 37,200	\$ 310.00	37,200
Mechanicsburg	245	@	\$ 25.83	\$ 310.00	\$ 75,950	\$ 310.00	75,950
Mechanicsburg Total	598						
Grand Total	3135				\$ 894,440		\$ 895,826

C

The Settlement, if approved, will resolve all of the issues raised by the Joint Petitioners in this proceeding, including revenue requirement, revenue allocation, and certain other rate design, operational and tariff issues. The Settlement is in the best interest of United Water, its customers, and the Joint Petitioners and is otherwise in the public interest. It should accordingly be approved.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

As an initial matter, the fact that the Settlement is unopposed in this major base rate proceeding is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest -- particularly given the diverse interests of the parties and the active role that they have taken in this proceeding. Moreover, the Settlement was achieved only after a comprehensive investigation of United Water's claims and operations. In addition to informal discovery, United Water responded to hundreds of formal discovery requests (many of which had multiple subparts). The active parties filed four rounds of testimony and accompanying exhibits, including United Water's direct testimony, other parties' direct testimony, rebuttal testimony, and surrebuttal testimony. Moreover, the active parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the active parties in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the settled issues.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. Revenue Requirement

The Settlement provides for a net revenue increase of \$1.45 million annually based upon the *pro forma* level of operations for the twelve months ended December 31, 2011, or approximately 51% of United Water's original request of \$2.82 million.² The Settlement reflects a roll-in of estimated 2012 state taxes and tax rates into base rates, in particular including the 2012 capital stock tax rate of 1.89 mills. In accordance with the provisions of 52 Pa. Code § 69.55, the state tax adjustment surcharge ("STAS") for United Water shall be established at 0% effective with the effective date of Settlement rates in this proceeding. (Settlement ¶ 13(d).) Further, the current Distribution System Improvement Charge ("DSIC") for United Water shall be established at 0% effective with the effective date of Settlement. (Settlement ¶ 13(e).)

As explained by John D. Hollenbach, United Water's General Manager and Vice President, the Company requires additional revenues to maintain its financial health in order to provide high quality service to its customers. (United Water Statement No. 1, pp. 6-7.) The need for rate relief at this time arises principally from the following factors: (1) energy and

² Base rates will increase approximately \$2.18 million, but this is offset by approximately \$0.73 million as a result of resetting the existing Distribution System Improvement Charge and State Tax Adjustment Surcharges to zero. (Settlement, ¶¶ 9(d), 9(e)).

chemical costs; (2) reduction in overall consumption; (3) personnel expenses; (4) post retirement and pension costs; and (5) United Water's capital additions since its last base rate case in 2009. (United Water Statement No. 1, pp. 7, 17-22, 30-32.) Due to these factors, United Water's return on equity has declined since its last base rate case in 2009 to unacceptable levels, despite United Water's substantial efforts to control costs. (United Water Statement No. 1, pp. 7-8.) The \$1.45 million increase, although less than that requested by the Company, will provide United Water the opportunity to earn a reasonable return and, thereby, attract capital on reasonable terms and conditions to allow United Water to continue to provide safe and reliable service to its customers.

Overall, the increases resulting from the Settlement are reasonable in light of the significant costs incurred by United Water since its prior base rate case in 2009. As explained by Mr. Hollenbach, United Water has made significant investment and commitments to enhance service to its customers, including: e-billing; answering all customer calls within 30 seconds or less; having an average call abandonment rate of 3% or less; completing service appointments on time; obtaining 95% actual meter reads; maintaining the Company's United Water Cares program to assist low-income and payment troubled customers; and on-going customer service training for employees. (United Water Statement No. 1, p. 17-18.) Further, United Water has taken several proactive steps to improve customer outreach and education programs, as well as to receive input and feedback from customers. (United Water Statement No. 1, pp. 18-23.) In addition, United Water is implementing its first phase of its Business Technology Master Plan to allow the Company to keep pace with technology and reduce the risks related to outdated and unsupported systems, which will help insure the continuity of service and, where appropriate, enhance service to customers. (United Water Statement No. 1, pp. 34-35; *see also* United Water

Statement No. 8, *passim*.) It is expected that the increase in annual operating revenues will enable United Water to meet the economic challenges caused by the significant increases in the Company's costs, coupled with the reduction in overall consumption, and to fund projects needed to maintain a high quality of service and reinforce its infrastructure. (United Water Statement No. 1, p. 6.)

In this proceeding, United Water, I&E, OCA, and OSBA presented testimony on United Water's overall revenue requirement. All four principal parties on revenue requirement issues are joining in this Settlement. The Settlement on revenue requirement reflects a compromise of these competing litigation positions. United Water believes the Settlement is in the best interests of United Water and its customers, and is therefore in the public interest and should be approved.

B. Class Revenue Requirements and Rate Design

The Settlement resolves issues related to class revenue requirements and rate design that arose during the course of this proceeding. I&E, OCA, OSBA, and United Water were in substantial accord with respect to class revenue requirement allocations, but with certain disagreements concerning customer charges and rate designs. The Joint Petitioners were able to reach a consensus regarding a fair allocation of the revenue requirement between classes, and the design of rates for each class.

The Settlement contains a number of important provisions related to rate design, both with respect to customer charges and block rates. The 5/8 inch customer charge is increased by 6.82%, to \$11.00. (Settlement ¶ 13(f)(iii).) This increase is significantly less than the Company's original proposed 5/8 inch meter customer charge of \$14.50, but continues to move towards the allocated cost of service. (United Water Statement No. 6, p. 14.)

The 3/4 inch meter customer charge is decreased by 28.57%, to \$11.00, a significant decrease from the current 3/4 inch meter customer charge of \$15.40. (Settlement ¶ 13(f)(iii).)

This decrease is attributable to the recently amended Section 901 of the Pennsylvania Construction Code, 35 P.S. § 7210.901.³ Under Section 901 of the Pennsylvania Construction Code, builders of one- and two- family residential dwellings are required to offer the buyer the option to install or equip, at the buyer's expense, an automatic fire sprinkler system in a new residential home. Such residential sprinkler systems will require larger meters, *i.e.*, 3/4 inch residential meters rather than 5/8 inch residential meters. As a result of this amendment, it is anticipated that there will be an increase in the need for larger residential meters to accommodate these sprinkler systems. However, in order to avoid charging different customer charges to residential customers, the Company concluded that the 3/4 inch meter customer charge should be equivalent to the 5/8 inch customer meter charge. United Water believes that setting the 3/4 inch and 5/8 inch customer meter charge to be the same will avoid discouraging residential customers from exercising their statutory option to install fire sprinkler systems in new residential dwellings.

All other customer charges are increased proportionate to the 5/8" meter customer charge increase. (Settlement ¶ 13(f)(iii).) The customer charges under the Settlement reflect a substantial compromise of United Water's original proposal.

To implement the provisions of the settlement of the United Water's 2009 base rate case, United Water proposed and the Joint Petitioners agree to the establishment of separate block rates for residential, commercial, industrial, large industrial, and public authority classes. (Settlement ¶ 13(f)(i).) The residential customer class is moved to a single block rate structure, and separate two block rate structures are established for the commercial, industrial and public authority classes. A single consumption rate continues to be used for the Large Industrial class. In conjunction with the elimination of the current 5-block declining rate structure, the use of

³ Act of November 10, 1999, P.L.491, No.45, *as amended by* Act of April 25, 2011, P.L. 1, § 3.

separate block rates for each customer class will simplify the existing rate structures, avoid intra-class subsidies, and provide United Water with the rate design flexibility needed to move all classes to full cost of service in future rate proceedings. (United Water Statement No. 6, pp. 12-13; OCA Statement No. 3, p. 12; OSBA Statement No. 1, p. 8.)

One issue that arose in United Water's 2009 base rate case was whether the Company should use a separate rate class block for apartments. The Company determined, based upon the results of its customer load study, that the maximum day coincident and non-coincident ratios for apartments are not sufficiently different from the ratios for the commercial class to warrant separate treatment of apartments as a separate customer class. Consequently, in this proceeding, United Water proposed to include apartments in the commercial customer class. (United Water Exhibit No. 6-B, II-6 through II-8.) No parties opposed this proposal.

The class revenue requirements and monthly customer charges under the terms of the Settlement are set forth in **Appendix B** to the Settlement. As shown in Appendix B, the Settlement achieves progress in the movement toward cost-based rates. United Water believes the terms and conditions of Settlement related to class revenue requirement and rate design are in the best interests of United Water and its customers, and are therefore in the public interest and should be approved.

C. Amortization and Depreciation

In this proceeding, United Water proposed to amortize a deferred flood expense (Rabold) from Docket No. R-2009-2122887 and a deferred post retirement expense from Docket No. R-00973947. No parties proposed adjustments to these claimed deferred expenses.

United Water also incurred expenses as a result of damages incurred due to the extreme weather conditions experienced in United Water's service territory in April and May, 2011. The Settlement rates reflect an amortization of the storm expenses incurred in April and May, 2011.

Under the Settlement, these expenses shall be amortized over 5 years from the effective date of rates in this case, at an annual amortization amount of \$22,100. (Settlement ¶ 13(c).)

Importantly, it must be noted that the Company's claim for storm expenses does not include the costs related to the extreme weather conditions and flooding attributable to Hurricanes Irene and Lee in August and September, 2011. At the time the parties entered into the Settlement, the damages and costs related to these events were too speculative to be included in this proceeding. Consequently, the Settlement provides for a one-year rate case stay out. (Settlement ¶ 13(i).) This relatively short rate case stay out is appropriate because the costs and capital expenditures required to repair the damage cause by these two storms could be substantial.

United Water believes the terms and conditions of Settlement related to amortization and depreciation are in the best interests of United Water and its customers, and are therefore in the public interest and should be approved.

D. Unaccounted for Water.

All of United Water's service is metered and each customer has a separate service line and meter, with the exception of water provided for firefighting purposes. The Company has undertaken significant steps to educate customers about efficient water use practices and the availability of water-saving plumbing fixtures. (United Water Statement No. 1, pp. 19-22.) In addition, United Water has vigorous practices aimed at reducing Non-Revenue Water ("NRW"), which have resulted in a consistent downward trend. These practices are in addition to the slightly more reactive leak survey activities that are conducted within each of the Company's thirteen (13) systems. (United Water Statement No. 1, pp. 24-25; United Water Statement No. 1-R, pp. 3, 5.)

United Water, through the support of DSIC, has a strong program to replace mains, services, and meters, all of which can contribute to NRW. As of July 2011, the Company has surveyed 298 miles of main (nearly 40%) using acoustical data loggers and has completed leak surveys in each of its thirteen systems. From those surveys, the Company has located and repaired 183 leaks on both services and mains. United Water continues to invest capital in NRW projects and the latest leak detection technology. In addition, the Company has undertaken measures to ensure that fire hydrants are preserved only for emergency use. (United Water Statement No. 1-R, pp. 5-6.)

Finally, United Water has volunteered to participate in the Commission's Water Audit pilot program. The Water Audit methodology was established by the International Water Association ("IWA") and the American Water Works Association ("AWWA") and is widely considered to be a best practice by providing a more-structured audit for drinking water utilities and an alternative to the conventional percentage Unaccounted-for-Water methodology. The Water Audit derives an index referred to as the Infrastructure Leakage Index ("ILI"), which is a ratio of the current annual real losses to the unavoidable annual real losses.⁴ The Commission implemented the new Water Audit methodology on a pilot basis in 2009. (United Water Statement No. 1-R, pp. 6-7.)

United Water completed a company-wide Water Audit for both 2009 and 2010 as part of its voluntary participation in the Commission's pilot program. The ILI rating for UWPA is currently 4.7, which, according to the guidelines contained in the Water Audit Software, indicates that "the existing water supply infrastructure is sufficient to meet long term demand as

⁴ The ILI is a numerical ranking that provides an operational benchmark for determining the effectiveness of the Company's water loss program. A numerically low ILI reflects a lower amount of leakage and real losses existing in the system. (United Water Statement No. 1-R, pp. 6-7.)

long as reasonable leakage management controls are in place.” Finally, United Water’s ILI has shown consistent improvement since 2007. (United Water Statement No. 1-R, pp. 8-9.)

Under the terms of the Settlement, the Joint Petitioners agree that United Water will continue its action plan for improving unaccounted for water. The Settlement further provides that United Water will continue to calculate unaccounted for water on an individual system basis, which includes the system’s non-revenue water usage allowances in accordance with Section 500 of the Commission’s Annual Report, and that the reports submitted by United Water to the Commission and the Pennsylvania Department of Environmental Protection shall contain consistent data where applicable. (Settlement ¶ 13(j).) United Water believes that these terms and conditions of the Settlement will help insure that United Water continues its trend of reducing unaccounted for water, and are therefore in the public interest and should be approved.

E. Effective Date.

Under the terms of the Settlement, United Water will be permitted to submit tariff supplements to Tariff Water -- Pa. P.U.C. No. 7, which will become effective on one day’s notice after entry of a final order approving the Settlement. In the Settlement, Joint Petitioners respectfully request that the Presiding Administrative Law Judges and the Commission act expeditiously to approve this Settlement on or before the public meeting to be held on **November 10, 2011**. (Settlement ¶ 13(b).) The potential for early implementation of rates is an important element of the Settlement from United Water’s perspective.

III. CONCLUSION

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of United Water’s finances and operations through hundreds of discovery responses, multiple rounds of testimony and

accompanying exhibits, and extensive settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evident by the fact that United Water, I&E, OCA, and OSBA all have agreed to the resolution of a broad array of issues in this proceeding. United Water fully supports this Settlement and respectfully requests that the Honorable Administrative Law Judges David A. Salapa and Mary D. Long recommend approval of, and the Commission approve, the Settlement in its entirety, without modification and in an expeditious manner.

WHEREFORE, United Water Pennsylvania, Inc. respectfully requests that the Honorable Administrative Law Judges David A. Salapa and Mary D. Long recommend approval of, and that the Commission approve, the Settlement, including all terms and conditions thereof, and that the Commission enter an order consistent with the Settlement that terminates the proceeding, closes the above-referenced dockets, and authorizes United Water Pennsylvania, Inc. to issue the tariff supplement in the form attached as **Appendix A** to the Settlement to become effective on the date of the Commission's Order approving the Settlement.

Respectfully submitted,



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Dated: September 28, 2011

Counsel for United Water Pennsylvania Inc.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

United Water Pennsylvania, Inc.

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:
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Docket No. R-2011-2232985

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

PA PUUC
SECRETARY'S BUREAU

2011 SEP 28 PM 4: 25

RECEIVED

TO ADMINISTRATIVE LAW JUDGES DAVID A. SALAPA AND MARY D. LONG:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Senior Prosecutor Richard A. Kanaskie and its Prosecutor Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of United Water Pennsylvania, Inc. ("UWPA" or "Company") and its customers.

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public

interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

2. Prior to agreeing to the instant settlement, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses and submitted filing data and contributed to the forthright discussions amongst the parties during settlement talks. The provisions of this settlement represent a revenue increase that I&E agrees is just and reasonable and in the public interest, but is not based upon any specific adjustments or ratemaking approach, unless otherwise specifically indicated.

3. On May 9, 2011, UWPA filed Supplement No. 23 to Tariff Water-Pa. P.U.C. No. 7, containing proposed changes in rates, rules, and regulations calculated to produce \$2,823,179 (8.6%) in additional annual revenues in additional annual revenues.

4. By Order entered July 8, 2011, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations.

5. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until February 8, 2012, unless permitted by Commission Order to become effective at an earlier date.

6. Administrative Law Judges David A. Salapa and Mary D. Long conducted a Prehearing Conference on July 14, 2011.

7. I&E considers Commission approval of the terms and conditions of the settlement to have the same effect as full and complete litigation and further recognizes that final resolution of this proceeding by approval of the settlement shall result in Commission-made rates.

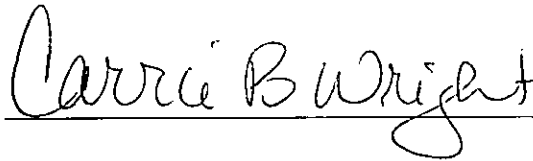
8. I&E agrees that the terms and conditions of the Settlement are in the public interest for a number of reasons, including the following:

- (a) the settlement provides for a level of additional operating revenues of \$1.45 million. I&E, as one of the Joint Petitioners, agrees this is reasonable and lawful. The proposed rate increase is in the public interest because it allows the Company additional annual revenue while significantly moderating the amount of the increase for UWPA ratepayers;
- (b) the settlement avoids the necessity of further administrative and possible appellate court proceedings, which would have been at substantial cost to the involved parties and the Company's ratepayers and thereby conserves time and expenses for all involved;
- (c) the settlement provides that UWPA will not file another base rate increase before May 9, 2012 – a provision that provides a level of rate stability that would not exist if the case were fully litigated;
- (d) the settlement avoids the rate shock to customers of a \$2,823,179 million rate increase as proposed in the Company's filing by reducing that to a \$1.45 million increase;
- (e) the settlement provides that UWPA will provide the parties with its action plan and schedule of implementation for improving lost and unaccounted-for water. This settlement term is designed to potentially reduce the expense to pump, treat and distribute unaccounted for water.
- (f) I&E represents that all issues have been satisfactorily resolved through discovery and discussions with the Company and are incorporated in the settlement. Line by line identification of the ultimate resolution of the disputed issues is not necessary as I&E represents that the settlement maintains the proper balance of the interests of all parties. I&E is satisfied

that no further action is necessary and considers its investigation of this rate filing complete.

9. In conclusion, the Bureau of Investigation and Enforcement has been thoroughly involved in the instant base rate proceeding for water service provided by UWPA. I&E reiterates that it fully supports the settlement as being in the public interest and respectfully requests that Administrative Law Judges David A. Salapa and Mary D. Long recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition and approve the respective tariff supplements as submitted with the proposed settlement.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carrie B. Wright". The signature is written in black ink and is positioned above a solid horizontal line.

Carrie B. Wright
Prosecutor

Richard A. Kanaskie
Senior Prosecutor

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: September 28, 2011

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	
v.	:	Docket No. R-2011-2232985
	:	
UNITED WATER PENNSYLVANIA, INC.	:	

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

TO ADMINISTRATIVE LAW JUDGES DAVID A. SALAPA AND MARY D. LONG:

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

I. INTRODUCTION

United Water Pennsylvania, Inc. (UWPA or Company) provides water service to approximately 58,000 customers in portions of eight counties. On May 9, 2011, UWPA filed Supplement No. 23 to Tariff Water- Pa. P.U.C. No. 7 (Supplement No. 23), to become effective July 8, 2011. The tariff contains proposed changes in rates designed to produce approximately \$2.82 million in additional water revenues.

The OCA filed a Complaint against the proposed tariff on May 24, 2011. The Office of Small Business Advocate (OSBA) filed a Formal Complaint on May 13, 2011, and the Bureau of Investigation & Enforcement (BI&E, formerly OTS) filed a Notice of Appearance on June 7, 2011. By Order entered June 30, 2011, the Public Utility Commission (Commission) suspended the proposed effective date of Supplement No. 23 to February 8, 2012, and instituted an investigation into the reasonableness of the proposed rates. The case was assigned to

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Administrative Law Judges David A. Salapa and Mary D. Long (ALJs). On July 14, 2011, a Prehearing Conference was held, and a litigation schedule was established.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the OCA, BI&E, OSBA and UWPA (Joint Petitioners) held settlement discussions on numerous occasions. These discussions resulted in this proposed Settlement. The Settlement is proposed to resolve all issues raised in this proceeding.

The terms and conditions of the Settlement are in the public interest and satisfactorily address issues raised in the OCA's analyses of UWPA's filing. The OCA submits that the Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. Therefore, the OCA submits that the Settlement is in the public interest and supports Commission approval of the Settlement without modification.

While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that settlement is a product of compromise. The Commission encourages settlement; to do so it must recognize the balance of compromises struck by the settling parties. The OCA does not address all issues addressed by the Settlement in this Statement in Support; the OCA does not oppose terms and conditions not expressly addressed herein. The OCA urges the Commission to weigh the Settlement as a whole. The OCA also looks to each party to discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Partial Settlement support the public interest standard required for Commission approval.

II. REVENUES -- ¶ 13(a)

The proposed Settlement provides for an annual revenue increase of \$1.45 million, where the Company's State Tax Assessment Surcharge (STAS) and current Distribution System

Improvement Charge (DSIC) will be reset to zero. This is approximately one-half the increase originally proposed by the Company. The Settlement ties the revenue increase to a number of important conditions that, in the OCA's view, contribute to a just and reasonable result.

III. RATE IMPACT, STRUCTURE AND DESIGN -- ¶ 13(f)(iii)

In addition to challenging the overall level of rate increase, the OCA strongly opposed UWPA's proposed increase to the residential (5/8") customer charge from \$10.25 per month to \$14.50 month, a 29% increase.

As a term of the Settlement, the Joint Petitioners agreed to a customer charge of \$11.00 for 5/8" meters, an increase of approximately 7%. This charge allows lower-usage customers to avoid an even greater percentage increase in bills than they would have experienced had the Company's proposed customer charge of \$14.50 been implemented.

Based on the OCA's analysis of UWPA's filing, the proposed revenues and rate design are more favorable overall for the residential customers than the Company's originally proposed rates and are within the range of probable outcomes in the event of full litigation of the case.

IV. STAY-OUT PROVISION -- ¶ 13(i)

The proposed Settlement prohibits the Company from proposing another general rate increase for twelve months from the date this base rate case was filed, or May 9, 2012. In the current case, the Company filed for the proposed base rate increase on May 9, 2011, and rates will likely not go into effect for approximately five months after the matter was filed because it is estimated that the rates will go into effect in late October 2011 at the earliest. Assuming a similar timeframe, the proposed stay-out provision would prevent another rate increase before October 2012, if the Company were to file as soon as the stay-out expires on May 9, 2012. Thus, for at least twelve months, UWPA's ratepayers will be assured of rate stability.

V. CONCLUSION

For all of the foregoing reasons, the OCA submits that the terms and conditions of the Settlement are in the interest of the public and of United Water Pennsylvania, Inc.'s customers.

Respectfully submitted,

Candis A. Tunilo

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DATED: September 28, 2011
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

v.

**UNITED WATER
PENNSYLVANIA, INC.**

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DOCKET NO. R-2011-2232985

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

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 at Docket No. R-2011-2232985, against Supplement No. 23 to Tariff – Water – Pa. P.U.C. No. 7 (“Supplement No. 23”). United Water Pennsylvania, Inc. (“UWPA”) filed Supplement No. 23 on May 9, 2011, seeking a rate increase of \$2.82 million.

The OSBA filed the direct, rebuttal, and surrebuttal testimony of its witness, Brian Kalcic; actively participated in the negotiations that led to the Joint Petition for Settlement (“Settlement”) of the issues in this case; and is a signatory to the Settlement. The OSBA submits this statement in support of the Settlement.

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OSBA's Concerns with Filed Case

Supplement No. 23 raised several issues of concern which were identified by the OSBA in its Complaint and in the testimony of OSBA witness Brian Kalcic. Those issues include the following:

Revenue Requirement--UWPA's proposed rate increase of \$2.82 million was based, in part, on a proposed 10.95% return on equity ("ROE"). Mr. Kalcic testified that the ROE should be no greater than 10.0%. A 10.0% ROE would cap any rate increase awarded to UWPA at \$1.82 million.¹

As Mr. Kalcic explained his rationale as follows::

Counsel advises that the Commission recently awarded an ROE of 10.00% to the City of Lancaster – Bureau of Water ('Lancaster') in Docket No. R-2010-2179103, via its Opinion and Order entered July 14, 2011.

Q. Is the Company's requested ROE of 10.95% consistent with the Commission's ROE findings in Docket No. R-2010-2179103?

A. Certainly not. It is apparent that the Commission has a much different view than UWPA of the overall level of equity returns available in today's capital markets.

Unless the Commission determines that an equity investment in UWPA is inherently more risky than a corresponding investment in Lancaster, the Commission should limit its awarded ROE in this proceeding to 10.00%.²

Further, Mr. Kalcic responded to UWPA witness Pauline M. Ahern's opposition to his 10.0% ROE recommendation as follows:

On pages 53-54 of her rebuttal testimony, Ms. Ahern argues, in part, as follows:

'The 10.00% return on common equity awarded to the City of Lancaster was based upon the market data of proxy groups of water companies similar to

¹ OSBA Statement No. 1, Direct Testimony of Brian Kalcic at 9.

² *Id.*

those used by myself, OTS Witness Gordon and OCA Witness Parcell in this proceeding. Therefore, the 10.00% return on common equity award to the City of Lancaster does not reflect the greater business risk of UWPA based upon its greater relative size as discussed above and in UWPA Statement No. 7. As previously discussed, the size premia associated with the various proxy groups utilized by the rate of return witnesses in this proceeding range from 3.71% – 4.48% as shown on page 1 of Schedule PMA-22. Thus, adjusting the 10.00% return on common equity awarded to the City of Lancaster based upon the proxy water group market data to reflect UWPA’s greater business risk would result in a range of common equity cost rate of 13.71% – 14.48%.’

Q. How do you respond?

A. The risk premia derived by Ms. Ahern are based on her observations that ‘UWPA is significantly smaller than the average company in OTS Witness Gordon’s barometer group,’ and that UWPA is small relative to the companies in OCA Witness Parcell’s proxy groups. In other words, it is Ms. Ahern’s contention that (all else equal) smaller companies are riskier than larger companies.

However, when commenting on the Commission’s ROE findings in the recent Lancaster rate case, Ms. Ahern effectively reverses course and concludes instead that ‘the 10.00% return on common equity award to the City of Lancaster *does not reflect the greater business risk of UWPA based upon its greater relative size* [compared to Lancaster].’ With all due respect, Ms. Ahern cannot have it both ways.

All else equal, if smaller is indeed riskier (as Ms. Ahern contends when deriving her risk premia in this proceeding), then the 10.00% ROE awarded Lancaster in Docket No. R-2010-2179103 *should be adjusted downward* (not upward), since UWPA is almost four (4) times larger than Lancaster (based on the total present revenues of the two utilities before any revenue award).³

Revenue Allocation--Mr. Kalcic recommended approval of the Company’s revenue allocation at the full revenue requirement. In his Direct Testimony, Mr. Kalcic noted that under UWPA’s proposed revenue allocation, all customer classes would move closer to cost of service. Therefore, Mr. Kalcic agreed with the proposed class revenue allocation, but he

³ OSBA Statement No. 3, Surrebuttal Testimony of Brian Kalcic at 1-2. (footnotes omitted)

recommended a proportional scaleback in the proposed increases to the individual classes in the event that the revenue increase is less than requested.⁴

Settlement

The OSBA's concerns with the filed case have been resolved satisfactorily because of the following provisions in the Settlement:

- a. The Settlement reduces the rate increase from \$2.82 million to \$1.45 million. Therefore, the rate increase is below the \$1.82 million cap advocated by Mr. Kalcic.⁵

- b. The rate design in the Settlement scales back the revenue increases for each class proportionally, as advocated by Mr. Kalcic.⁶

Conclusion

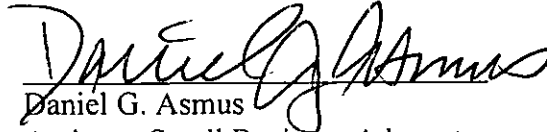
For the reasons set forth in the Settlement, as well as the additional factors that are enumerated in this statement, the OSBA believes that the Settlement is in the public interest. Therefore, the OSBA supports the proposed Joint Petition for Settlement and respectfully requests that the ALJ and the Commission approve the Settlement in its entirety.

⁴ OSBA Statement No. 1, Direct Testimony of Brian Kalcic at 5.

⁵ Settlement at ¶ 13(a).

⁶ Settlement at ¶ 13(f)(ii).

Respectfully submitted,



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Date: September 28, 2011