

John J. Gallagher

Attorney at Law

711 Forrest Road, Harrisburg, PA 17112

Tel. (717) 599-5839

✉ jgallagher@jglawpa.com

December 20, 2011

VIA HAND DELIVERY

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

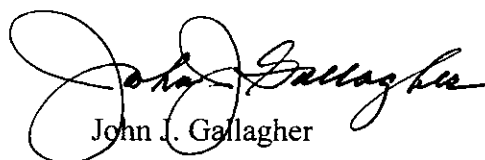
**Re: Pennsylvania Public Utility Commission v Twin Lakes
Utilities, Inc.
Docket No. R-2011-2246415
(Joint Petition for Settlement); (Joint Stipulation for Admission of Evidence)**

Dear Secretary Chiavetta:

Enclosed please find an original and three (3) copies of a Joint Petition for Settlement of Rate Investigation together with the parties Statements in Support of the Petition. Also enclosed are the original and three (3) copies of the parties Joint Stipulation for Admission of Evidence in the above-captioned matter.

Should you have any questions concerning this filing please contact me at your convenience. Copies of these filings have been served on the parties listed in the attached Certificate of Service.

Sincerely,


John J. Gallagher

Enclosures

cc: As Per Certificate of Service
Bruce O'Connor

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**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

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Pennsylvania Public Utility Commission :
Office of Consumer Advocate :
v. :
Twin Lakes Utilities, Inc. :

Docket Nos.: R-2011-2246415,
C-2011-2248403 et al

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

Twin Lakes Utilities, Inc. ("Twin Lakes"), Investigation and Enforcement ("I&E"), and the Office of Consumer Advocate ("OCA"), collectively referred to as "Joint Petitioners" by their respective counsel, respectfully request: (a) that Administrative Law Judges Eranda Vero and Angela T. Jones recommend approval of this Joint Petition for Settlement of Rate Investigation ("Petition for Settlement") as set forth herein; (b) that the Pennsylvania Public Utility Commission ("Commission") approve and adopt this Petition for Settlement as set forth herein; and (c) that the Commission permit Twin Lakes to file tariff supplements attached hereto at Appendix A effective on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement. In support of this Joint Petition for Settlement, the Joint Petitioners set forth the following:

I. INTRODUCTION

1. On or about June 10, 2011, Twin Lakes filed with the Commission Tariff Water-Pa. P.U.C. No. 4 to become effective August 10, 2011. Tariff No. 4 contained proposed changes in Twin Lakes rates, rules, and regulations and set forth a request to adjust current water rates in order to produce \$124,420 in additional annual revenues, a rate increase of approximately

367.91% for jurisdictional customers.

2. On June 10, 2011, Charles Daniel Shields, Esquire filed a Notice of Appearance on behalf of I&E in this matter. On June 15, 2011, Christine Maloni Hoover, Esquire filed a Public Statement, a Notice of Appearance and a formal Complaint on behalf of the OCA in this matter. The Complaint was docketed at C-2011-2248403.

3. By Order entered July 28, 2011, the Commission suspended Twin Lakes filing and instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. Pursuant to the Commission's Order, the new effective date for Tariff Water-Pa. P.U.C. No. 4 became March 10, 2012 unless permitted to become effective at an earlier date. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge for the scheduling of hearings. On August 2, 2011 Twin Lakes filed a formal notice to the Commission requesting that this proceeding be submitted to the mediation process and, further, that the suspension date of February 26 be extended for an additional sixty (60) days to May 10, 2012.

4. In accordance with the Commission's Rules and Regulations, 52 Pa. Code § 5.231, Joint Petitioners engaged in mediation resulting in this Petition for Settlement. Joint Petitioners have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase, thereby resolving all issues meriting consideration by the Joint Petitioners to this proceeding.

5. Unless otherwise stated in this Petition, Joint Petitioners have not agreed upon specific adjustments. Joint Petitioners are in full agreement that Commission approval of the Petition for Settlement results in rates that are just and reasonable and such Commission approval is in the public interest.

II. TERMS AND CONDITIONS

6. Twin Lakes will be permitted to establish rates for Commission jurisdictional customers, that will produce total annual operating revenues of approximately \$75,900 resulting from an agreed-upon three (3) year phase-in period. The first phase, as determined in accordance with the attached proof of revenues and tariff supplement, will begin to be effective on one day's notice for service rendered on and after the date of the Commission's approval of this Petition for Settlement in its entirety. The Proof of Revenues, attached hereto at Appendix B, reflects rates that are designed to eventually recover approximately \$42,060 of additional revenues from customers on an annual basis as a result of the three year phase-in period. In sum, the increases in revenues by class from present rates as proposed in this Petition for Settlement are as follows:

TWIN LAKES

<u>Customer Class</u>	<u>Present Revenues</u>	<u>Revenues per Settlement</u>	<u>Revenue Increase</u>	<u>Percent Increase</u>
<u>Phase I</u>	<u>\$33,840</u>	<u>\$54,876</u>	<u>\$21,036</u>	<u>62.16%</u>
<u>Phase II</u>	<u>\$54,876</u>	<u>\$65,388</u>	<u>\$10,512</u>	<u>19.16%</u>
<u>Phase III</u>	<u>\$65,388</u>	<u>\$75,900</u>	<u>\$10,512</u>	<u>16.08%</u>
<u>Total Sales</u>	<u>\$33,840</u>	<u>\$75,900</u>	<u>\$42,060</u>	<u>124.29%</u>

7. In addition to, and in consideration of, the agreed-upon overall increase in operating revenues for customers of approximately \$42,060, Joint Petitioners also agree to various terms and conditions for this settlement set forth as follows:

a. *Phase In*- Twin Lakes agrees that the agreed upon revenue increase will be implemented over the course of three (3) years from the effective date of the rates contained in the Petition for Settlement with approximately 50% of the increase in year 1 (\$21,036), 25% in year 2 (\$10,512) and 25% in year 3 (\$10,512).

b. *Stay out* – Twin Lakes agrees that it will not propose any new rate increase within thirty (30) months after the effective date of the rates first placed into effect resulting from this Petition for Settlement. However, Twin Lakes may file for a change in rates under Sections 1308(a) and (b) (governing general rate relief), or Section 1308(e) (governing extraordinary rate relief) of the Public Utility Code if a legislative body or administrative agency orders or enacts changes in policy, regulation or statutes that result in a substantial and adverse effect upon Twin Lakes revenues.

c. *Unaccounted-for-Water ("UW")* – Twin lakes agrees to reduce its current level of unaccounted-for-water (55%) by 10% to 49.5% within 18 months from the effective date of the rates contained in this Petition for Settlement. Thereafter, and for a duration of 48 months, Twin Lakes agrees that it will continue to make 10% reductions in its unaccounted-for- water levels for each 12 month period. If Twin Lakes fails to achieve the agreed upon 10% reduction in any period, it agrees that it will install two blow-off valves in its system not to exceed a maximum installation of 12 blow-off valves during the entire 66 month period. Twin Lakes further agrees

that it will provide I&E, OCA, and the Commission's Bureau of Technical Utility Services ("TUS") with its unaccounted-for-water data at the end of each of the previously noted periods. This provision is based upon the Company's calculation of its unaccounted for water and does not bind OCA or I&E in any future proceeding regarding the appropriate calculation of unaccounted for water or any issues in any future proceeding regarding unaccounted for water.

d. *Pressure Survey* – Twin Lakes agrees to conduct an annual pressure survey of its system as provided in 52 Pa. Code § 65.6 and provide a copy of each pressure survey to I&E, OCA and TUS.

e. *Rate Effective Date* -- Joint Petitioners agree that it is in the public interest for entry of a Commission-approved final order approving the Petition for Settlement as expeditiously as possible.

f. *Rate Structure/Rate Design* -- Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B.

g. *Plant in Service* – The Joint Petitioners agree upon a December 31, 2010 balance of \$330,179 for Plant in Service, less reserve of \$57,658, for a net balance of \$272,521. Such figures thus establish those values for any and all subsequent proceedings.

h. *Bill Insert* -- The Company agrees to provide to its customers an annual bill insert that will describe the methods the Company will utilize to contact customers in the event of a boil water advisory or other emergency situation regarding their water system. The annual bill insert will also explain and encourage customers to

update their contact information. Prior to the distribution of the first annual bill insert the Company agrees to provide a draft bill insert to OCA and I&E for their review.

8. The design and structure of rates for customers of Twin Lakes under this Petition for Settlement are developed based upon the customer and volumetric charges contained within the Rate Schedules set forth in Appendix C. Joint Petitioners agree that rates and charges set forth in Appendix C are just and reasonable and are in the public interest.

9. The Joint Petitioners agree and stipulate that Twin Lakes original filing, including all exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa. Code §§ 53.52, 53.53.

10. Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, and upon the implementation of the Phase III rate increase, the quarterly bill of a typical 5/8" metered residential customer who utilizes 15,000 gallons of water per quarter will increase from \$70.50 to \$157.11 , or by approximately 124.29%, rather than \$329.88 (367.91 %) as originally requested.

11. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of Twin Lakes and its customers. In addition, adoption and approval of the Petition for Settlement will avoid the need for the filing of direct testimony by any of parties, for briefing, and for continued litigation of this proceeding.

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

13. Joint Petitioners agree that the Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of Commission-made rates.

14. The Joint Petitioners recognize that this Joint Petition does not bind the formal Complainants. The Company is serving a copy of this Joint Petition on the Complainants. The OCA will, on the same date, send a letter providing instructions concerning Complainants' opportunity to address the proposed settlement. The letter explains that the Complainants have until January 6, 2012 to join, comment on, or, object to the proposed settlement and provides contact information for ALJ Vero, ALJ Jones and the OCA. Nothing herein is intended to limit in any way any position which any Joint Petitioner may have, or take, concerning any comment or objection to the settlement that may be filed by the Complainants.

15. In the event that the Commission does not approve this Petition for Settlement as submitted, the signatory parties reserve their respective rights to resume litigation. If the ALJs' in their Recommended Decision, recommend that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Settlement recommended by the ALJ's in their Recommended Decision.

16. Each Joint Petitioner has attached a Statement in Support to this Petition, identified for Twin Lakes as Appendix D, for I&E as Appendix E, and for OCA as Appendix f.

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

17. That Administrative Law Judge Eranda Vero and Angela T. Jones expeditiously recommend for approval this Petition for Settlement inclusive of its terms and conditions without modification;

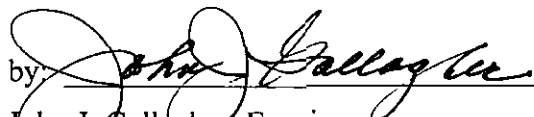
18. That the Commission adopt the ALJs' recommended approval and permit Twin Lakes Utilities, Inc. to file a tariff supplement on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement so as to increase total present revenues of \$33,840 to a level of \$75,900 or by 124.29%, in the identified phases over a three year period; and,


19. That the Commission terminates and mark closed its inquiry and investigation at Docket No. R-2011-2246415, including all complaint dockets associated therewith.

Respectfully submitted,

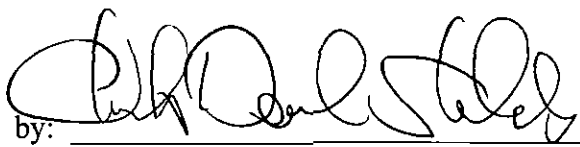
TWIN LAKES UTILITIES, INC.

OFFICE OF CONSUMER ADVOCATE

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

by: 
Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Street
Harrisburg, PA 17101-1921

BUREAU OF INVESTIGATION AND ENFORCEMENT:

by: 
Charles Daniel Shields, Esquire
Investigation & Enforcement
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

DATED: December 20, 2011

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APPENDIX
A
TARIFF SUPPLEMENTS

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Supplement No. 2 to
Tariff Water-Pa. P.U.C. No. 4

TWIN LAKES UTILITIES, INC.
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN SAGAMORE ESTATES, SHOHOLA TOWNSHIP,
PIKE COUNTY, PA 18458,
including County and Municipal or Political Subdivisions

ISSUED: _____, 2012

EFFECTIVE: _____, 2012

BY: Richard M. Risoldi
President
1500 Ronson Road
Iselin, NJ 08830
(732) 634-1500 or (800) 729-4030

NOTICE

THIS TARIFF MAKES CHANGES IN EXISTING RATES

Issued: _____, 2012

Effective: _____, 2012

Twin Lakes Utilities, Inc.

Supplement No. 2 to
Tariff Water - Pa. P.U.C. No. 4
First Revised Page No. 2
Replacing Original Page No. 2

LIST OF CHANGES

Increase:

This tariff, specifically Part I Sections A and B, have been modified for an increase in water charges for all customers and also introduces a tariff rate that charges for water service based upon volume or consumption as well as a fixed charge based on meter size.

This tariff specifically identifies in Part I, Section D, an amount of \$20.00 for a returned check.

This tariff changes the identifying Section for Service Termination and Resumption Charges from Part I, Section B to Part I, Section F, and to increase the amount to Service Termination and Resumption Charges \$50.00 from \$35.00.

Twin Lakes Utilities, Inc.

Tariff Water - Pa. P.U.C. No. 4

Issued: _____, 2012

Effective: _____, 2012

PART I: SCHEDULE OF RATES AND CHARGES

Section A - Rates for Metered Service

I

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter Size	Customer Charge	
	Per Month	Per Quarter
5/8 inch	\$ 23.50	\$ 70.50
3/4 inch	\$ 35.25	\$ 105.75
1 inch	\$ 58.75	\$ 176.25
1 1/2 inch	\$117.50	\$ 352.50
2 inch	\$188.00	\$ 564.00

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gallons - \$ 5.85.

Section B - Rates for Unmetered Service

I

1. Customer Charge: The flat rate charge for full time unmetered residential service shall be \$52.75 per month per dwelling unit upon connection of service.

Section C - Fire Protection Rates - Reserved

1. Private Fire Protection: Reserved
2. Public Fire Protection: Reserved

Section D. Returned Check Charge

I

A charge of \$20.00 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the bank for any reason.

Section E - Construction Rates

The flat rate charge for unmetered residential building construction shall be \$52.75 per month per dwelling unit under construction until construction is completed.

I

Section F - Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$50.00.

I

Section G - Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code §65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 1/4 inch - 2 inch	\$20.00

These amounts may vary without revision of this tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches or for testing meters so located that testing costs are disproportionate to the stated fees shall be as established by the Company based upon the actual cost of the test.

PART II: Definitions:

The following words and phrases, when used in this tariff, shall have the meanings assigned below unless the context clearly indicates otherwise:

1. Annual Line Extension Costs: The sum of a Company's additional annual operating and maintenance costs, debt costs and depreciation charges associated with the construction, operation and maintenance of the line extension.
2. Annual Revenue:(For Line Extension Purposes) The Company's expected additional annual revenue from the line extension based on the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the bona fide service applicant.
3. Applicant: A person, or entity who applies to become a customer of the Company in accordance with Part III, Section A, of this tariff.

APPENDIX
B
PROOF OF REVENUES

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PHASE IDOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE

	Historical Test Year		Adjusted Test Year		Settlement	
	Present Rates	Annual Revenue	Present Rates	Pro Forma Revenue	Settlement Rates	Pro Forma Revenue
Customer Count		120		120		120
Flat Rate (5/8" Meter)	\$ 282.00	\$ 33,840.00	\$ 282.00	\$ 33,840.00	\$ 282.00	\$ 33,840.00
Consumption (TG)						3,595.615
Volumetric (Metered) Rate	\$ -	\$ -	\$ -	\$ -	\$ 5.85	\$ 21,034.00
Total Operating Revenue		<u>\$ 33,840.00</u>		<u>\$ 33,840.00</u>		<u>\$ 54,874.00</u>

PHASE I

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2010

<u>Monthly</u>	<u>Number Of Bills</u>	<u>(000,s) Total Consumption</u>	<u>Present Rate</u>	<u>Revenue</u>	<u>Settlement Rate</u>	<u>Settlement Revenue</u>
5/8" Meter	1,440		\$ 23.50	\$ 33,840.00	\$ 23.50	\$ 33,840.00
Residential		3,595.615	\$ -	-	\$ 5.85	\$ 21,034.00
Total				<u>\$ 33,840.00</u>		<u>\$ 54,874.00</u>

PHASE II

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE

	Historical Test Year		Adjusted Test Year		Settlement	
	Present Rates	Annual Revenue	Present Rates	Pro Forma Revenue	Settlement Rates	Pro Forma Revenue
Customer Count		120		120		120
Flat Rate (5/8" Meter)	\$ 282.00	\$ 33,840.00	\$ 282.00	\$ 33,840.00	\$ 366.00	\$ 43,920.00
Consumption (TG)		3,595.615		3,595.615		3,595.615
Volumetric (Metered) Rate	\$ 5.85	\$ 21,034.00	\$ 5.85	\$ 21,034.00	\$ 5.97	\$ 21,466.00
Total Operating Revenue		<u>\$ 54,874.00</u>		<u>\$ 54,874.00</u>		<u>\$ 65,386.00</u>

PHASE II

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2010

<u>Monthly</u>	<u>Number Of Bills</u>	<u>(000,s) Total Consumption</u>	<u>Present Rate</u>	<u>Revenue</u>	<u>Settlement Rate</u>	<u>Settlement Revenue</u>
5/8" Meter	1,440		\$ 23.50	\$ 33,840.00	\$ 30.50	\$ 43,920.00
Residential		3,595.615	\$ 5.85	21,034.00	\$ 5.97	\$ 21,466.00
Total				<u>\$ 54,874.00</u>		<u>\$ 65,386.00</u>

PHASE IIIDOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE

	Historical Test Year		Adjusted Test Year		Settlement	
	Present Rates	Annual Revenue	Present Rates	Pro Forma Revenue	Settlement Rates	Pro Forma Revenue
Customer Count		120		120		120
Flat Rate (5/8" Meter)	\$ 366.00	\$ 43,920.00	\$ 366.00	\$ 43,920.00	\$ 444.00	\$ 53,280.00
Consumption (TG)		3,595.615		3,595.615		3,595.615
Volumetric (Metered) Rate	\$ 5.97	\$ 21,466.00	\$ 5.97	\$ 21,466.00	\$ 6.29	\$ 22,616.00
Total Operating Revenue		<u>\$ 65,386.00</u>		<u>\$ 65,386.00</u>		<u>\$ 75,896.00</u>

PHASE III

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2010

<u>Monthly</u>	<u>Number Of Bills</u>	(000,s) <u>Total Consumption</u>	<u>Present Rate</u>	<u>Revenue</u>	<u>Settlement Rate</u>	<u>Settlement Revenue</u>
5/8" Meter	1,440		\$ 30.50	\$ 43,920.00	\$ 37.00	\$ 53,280.00
Residential		3,595.615	\$ -	-	\$ 6.29	\$ 22,616.00
Total				<u>\$ 43,920.00</u>		<u>\$ 75,896.00</u>

APPENDIX
C
RATE SCHEDULES

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PHASE I

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

COMPARISON OF PRESENT AND SETTLEMENT RATES

	<u>Present Customer Charges</u>		<u>Settlement Customer Charges</u>	
	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8" Meter	\$ 23.50	\$ 70.50	\$ 23.50	\$ 70.50
		<u>Rate Per TG</u>		<u>Rate Per TG</u>
		<u>All Usage</u>		<u>All Usage</u>
Consumption		\$ -		\$ 5.85

PHASE II

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

COMPARISON OF PRESENT AND SETTLEMENT RATES

	<u>Present Customer Charges</u>		<u>Settlement Customer Charges</u>	
	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8" Meter	\$ 23.50	\$ 70.50	\$ 30.50	\$ 91.50
		<u>Rate Per TG</u>		<u>Rate Per TG</u>
		<u>All Usage</u>		<u>All Usage</u>
Consumption		\$ 5.85		\$ 5.97

PHASE III

DOCKET NO. R-2011-2246415
TWIN LAKES UTILITIES, INC.

COMPARISON OF PRESENT AND SETTLEMENT RATES

	<u>Present Customer Charges</u>		<u>Settlement Customer Charges</u>	
	<u>Per Month</u>	<u>Per Quarter</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8" Meter	\$ 30.50	\$ 91.50	\$ 37.00	\$ 111.00
		<u>Rate Per TG</u>		<u>Rate Per TG</u>
		<u>All Usage</u>		<u>All Usage</u>
Consumption		\$ -		\$ 6.29

APPENDIX

D

**STATEMENT IN SUPPORT
TWIN LAKES UTILITIES, INC.**

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SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	DOCKET NO. R-2011-2246415
COMMISSION	:	C-2011-2248403 et al
v	:	
	:	
TWIN LAKES UTILITIES, INC.	:	

**TWIN LAKES UTILITIES, INC.
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT OF
RATE INVESTIGATION**

**TO ADMINISTRATIVE LAW JUDGES ERANDA VERO AND ANGELA
T. JONES:**

Twin Lakes Utilities, Inc. (“Twin Lakes”), by and through Counsel, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of Twin Lakes and its customers.

A. BACKGROUND

1. All active parties to this proceeding participated in settlement discussions and as result, Twin Lakes, the Bureau of Investigation Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) have agreed upon the terms embodied in the foregoing Joint Petition.

2. Twin Lakes provides water service to customers in Sagamore Estates, Shohola Township, situated in Pike County, Pennsylvania. At present, Twin Lakes serves approximately 121 customers.

3. On June 10, 2011 Twin Lakes filed Tariff Water-Pa. P.U.C. No. 4 requesting an increase of its total annual operating revenues of \$124,420 representing a rate increase of approximately 367.91% for Twin Lakes’ customers. By Order entered July 28, 2011, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of Twin Lake’s existing and proposed rates, rules and regulations. Twin Lake’s filing was originally suspended by operation of law until March 10, 2012, unless permitted by Commission order to become effective at an earlier date. This suspension was extended sixty (60) days, at Twin Lake’s request, to May 10, 2012 in order to facilitate the Commission’s mediation process.

4. The case was assigned to Administrative Law Judges Eranda Vero and Angela T. Jones for the purposes of conducting hearings and issuing a Recommended Decision.

5. A telephonic prehearing conference was held on August 24, 2011, which was followed by several formal mediation sessions.

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

B. TERMS AND CONDITIONS OF SETTLEMENT

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

a. *Revenue Requirement* (Joint Petition ¶ 6) The settlement allows Twin Lakes to increase operating revenues by approximately \$42,060 or 124.29% over existing revenues. This settlement represents a reduction of \$82,360 from Twin Lakes original filed request. This general rate increase filing is the first

such increase since Twin Lakes acquired the predecessor company in 2009. This fact highlights the reasonableness of the settled revenue increase.

b. *Phase-In* (Joint Petition ¶ 7 a) In order to avoid rate shock for its customers, Twin Lakes has agreed to a phase-in of the rate increase over a period of three (3) years.

c. *Stay Out* (Joint Petition ¶ 7 b) The settlement provides for Twin Lakes to refrain from filing a general base rate increase (with a general exception) for a period of thirty (30) months after the effective date of the rates first placed into effect. Such a restriction provides for stable rates for Twin Lakes’ customers for a significant period of time.

d. *Unaccounted-for-Water* (“UW”) (Joint Petition ¶ 7 c) Twin Lakes in its continuing efforts to increase the integrity of its system has agreed to reduce its unaccounted-for-water at a rate of 10% annually for a period of 5.5 years as shown on the following chart:

UW% Decline per Period		[REDACTED]	UW% at End of Period	
Months	55%		Months	55%
18	10%		18	49.5%
12	10%		12	44.6%
12	10%		12	40.1%
12	10%		12	36.1%
12	10%		12	32.5%

Such an investment will reduce future operating expenses which benefits will inure to the customers.

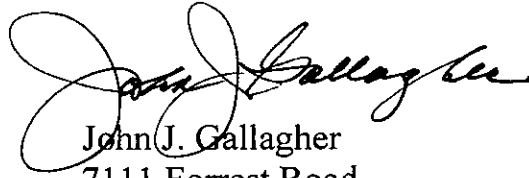
e. Annual Bill Insert—(Joint Petition ¶ 7 h) In order to facilitate greater communication between Twin Lakes and its customers, Twin Lakes will provide an annual bill insert which will describe the methods that it will utilize to contact customers in the event of a boil advisory or other emergency situation. Customers will be encouraged to update their contact information at that time.

8. Settlement of this rate case is consistent with the Commission's stated policy to encourage negotiated settlements in lieu of incurring the time, expense and uncertainty of litigation.

9. Finally, the Settlement obviates the need for further litigation and possible appellate proceedings, thereby resulting in substantial savings for the Joint Petitioners and Twin Lakes' customers.

WHEREFORE, Twin Lakes Utilities, Inc. represents that it fully supports the instant settlement as being in the public interest and respectfully requests that presiding Administrative Law Judges recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "John J. Gallagher". The signature is fluid and cursive, with the first name "John" being particularly prominent.

John J. Gallagher
7111 Forrest Road
Harrisburg, PA 17112
jgallagher@jglawpa.com
Counsel for Twin Lakes Utilities, Inc.

Dated: December 20, 2011

APPENDIX

E

**STATEMENT IN SUPPORT
BUREAU OF INVESTIGATION
AND ENFORCEMENT**

REC'D. 77

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FBI
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2011-2246415
	:	
Twin Lakes Utilities, Inc.	:	

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

TO ADMINISTRATIVE LAW JUDGES ANGELA T. JONES AND ERANDA VERO:

The Investigation and Enforcement Bureau (“Investigation and Enforcement” or “I&E”) of the Pennsylvania Public Utility Commission, (“Commission”) by and through Senior Prosecutor Charles Daniel Shields and Chief Prosecutor Johnnie E. Simms hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Proceeding (“Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Twin Lakes Utilities, Inc. (“Twin Lakes” or “Company”) and its customers.

1. The Company, Investigation and Enforcement and the Office of Consumer Advocate (“OCA”) participated in the mediation process and as result, have agreed upon the terms embodied in the foregoing Settlement.

2. Investigation and Enforcement is charged with the representation of the public interest in proceedings relating to rates, rate-related services and a distinct range of other proceedings affecting the public interest that are conducted by the Commission. Consequently, in negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to identify and quantify to what extent amicable resolution of any such proceeding will benefit the public interest. We respectfully submit that I&E has met that responsibility here and has vigorously represented the public interest at all times during this base rate proceeding.

3. Prior to agreeing to the instant settlement reached through mediation, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses, submitted filing data and participated in the mediation session and subsequent discussions among the parties. 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 noted in the settlement petition.

4. On June 10, 2011, the Company filed Tariff Water - Pa. P.U.C. No. 4, to become effective August 10, 2011, containing proposed changes in rates, rules, and regulations calculated to produce \$124,420 (367.67%) in additional annual revenues based on a historic test year ending December 31, 2010.

5. By Order entered July 28, 2011, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), Tariff Water - Pa. P.U.C. No. 4 was

suspended by operation of law until March 10, 2012, unless permitted by Commission Order to become effective at an earlier date. Said Order provided that the case be assigned to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible, or the prompt scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision.¹

6. On August 24, 2011, presiding Administrative Law Judges Angela T. Jones and Eranda Vero (“ALJs” or “ALJs Jones and Vero”) conducted the Prehearing Conference from a Philadelphia hearing room with counsel for the three parties participating telephonically from a hearing room in the Keystone Building in Harrisburg.

7. A mediation session with Mediator Herbert R. Nurick was conducted in Harrisburg immediately following the conclusion of the Prehearing Conference with counsel for I&E, OCA and the Company participating in person.²

8. Formal and informal discovery to the Company was conducted by I&E during the course of the proceeding. Specifically, I&E legal and technical staff scrutinized the provided responses in order to develop a thorough perspective and understanding of each relevant base rate issue.

9. Two public input hearings were conducted by the ALJs in the service territory on October 6, 2011, with active participation from counsel for I&E and OCA.

¹ “Alternative Dispute Resolution” refers to the mediation process conducted by the Commission’s Office of Administrative Law Judge.

² By letter from Company counsel dated August 2, 2011, Twin Lakes consented to utilizing the Commission’s mediation services and agreed to the required sixty (60) day extension of the March 10, 2012, end of suspension date.

10. Investigation and Enforcement considers Commission approval of the terms and conditions of the settlement resulting from the mediation process to have the same effect as full and complete litigation and further recognizes that final resolution of this proceeding by approval of the settlement will result in Commission-made rates.

11. Investigation and Enforcement agrees that the terms and conditions of the Settlement are in the public interest for a number of reasons, including that the settlement:

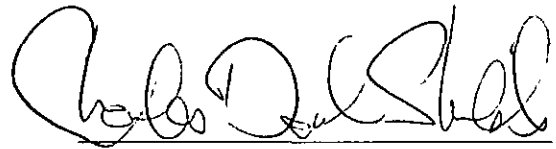
- (a) provides for a level of annual operating revenues that I&E, as one of the Joint Petitioners, agrees is reasonable and lawful;
- (b) avoids the necessity of further administrative and possible appellate court proceedings, which would have been at substantial cost to the involved parties and the Company's ratepayers and thereby conserves time and expenses for all involved. Acceptance of the foregoing settlement will eliminate the need for the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions and the filing of possible appeals;
- (c) effectively and successfully utilizes the Commission's invaluable mediation services provided by the Office of Administrative Law Judge;
- (d) provides for a three year phase-in of the revenue increase with approximately fifty percent of the increase included in the first year, twenty five percent in the second year and the remaining twenty five percent in the third year. Such a phase-in represents an effort to seek to mitigate the financial impact of the revenue increase upon customers;
- (e) provides for a "stay out" whereby Twin Lakes cannot make another base rate case filing, except for certain extraordinary circumstances identified in the Joint Petition, until thirty months have elapsed from the effective date of the settlement rates in this proceedings;

- (f) identifies a net balance for Plant in Service as of December 31, 2010, thus providing a definitive figure for any future rate proceedings;
- (g) establishes parameters to reduce the current level of unaccounted-for-water , including provisions for the periodic installation of up to twelve blow-off valves if certain period target reductions are not achieved;
- (h) ensures that Twin Lakes will conduct an annual pressure survey of its system and report the results to I&E, OCA and the Commission's Bureau of Technical Utility Services;
- (i) provides for an annual bill insert to customers with instructions as to how to update their contact information to timely notices of boil water advisories or other emergency situations regarding the water system. Also provides that Twin Lakes will annually consult with I&E and OCA regarding the bill insert language and provide copies of each such annual bill insert when mailed to customers.

12. Investigation and Enforcement reiterates that we have been thoroughly involved in the instant base rate proceeding. Any issues raised in the I&E Prehearing Memorandum that have not been specifically addressed in the foregoing Joint Petition have been satisfactorily resolved through discovery and/or the results of the mediation discussions with all parties.

13. Investigation and Enforcement fully support the foregoing settlement as being in the public interest and respectfully requests that Administrative Law Judges Angela T. Jones and Eranda Vero 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 therewith.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Charles Daniel Shields". The signature is written in a cursive style with a horizontal line underneath.

Charles Daniel Shields
Senior Prosecutor
Pa. Attorney I.D. No. 29363

Johnnie E. Simms
Chief Prosecutor
Pa. Attorney I.D. No. 33911

Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated: December 15, 2011

APPENDIX

F

**STATEMENT IN SUPPORT
OFFICE OF CONSUMER ADVOCATE**

REC-41-20

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FACUC
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:		
COMMISSION, et al.	:		
	:		
v.	:	Docket No.	R-2011-2246415
	:		C-2011-2248403
	:		
TWIN LAKES UTILITIES, INC.	:		

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

The Office of Consumer Advocate of the Commonwealth of Pennsylvania (OCA), one of the signatory Parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the reasons discussed below. The OCA submits that the Settlement, taken as a whole, is in the public interest and satisfactorily addresses the issues raised in the OCA's complaint and analysis undertaken in this proceeding. While the Settlement does not reach all the recommendations the OCA may have proposed in its litigation position, the OCA recognizes that settlement is a product of compromise by all the Parties.

I. INTRODUCTION

On June 10, 2011, Twin Lakes Utilities, Inc. (Company or Twin Lakes) filed Tariff Water - Pa. P.U.C. No. 4, to become effective August 10, 2011. If the proposed tariff had become effective, Twin Lakes would have had an opportunity to recover an estimated annual

increase in base rate revenues of \$126,416. This would have represented an approximate 367.7% increase in Twin Lake's annual revenues. A typical usage customer using 3,000 gallons of water per month would have seen an increase from \$23.50 to \$120.96, or 415% per month. The Company also proposed to move from flat rates to metered rates. Twin Lakes serves approximately 120 customers in portions of Shohola Township, Pike County.

The OCA filed a formal complaint on June 23, 2011. Office of Trial Staff (now Bureau of Investigation and Enforcement or I&E) filed a notice of appearance on June 28, 2011. By Order entered July 28, 2011 the Public Utility Commission (PUC or Commission) suspended the filing until March 10, 2012, and instituted an investigation into the reasonableness of the proposed rates. Twin Lakes requested mediation and subsequently extended the suspension date until May 9, 2012. A prehearing conference was held on August 24, 2011 and mediation sessions were held as well as informal settlement discussions. Two public input hearings were held on October 6, 2011 at which time 13 customers testified.

II. REVENUES

The proposed Settlement provides for total annual operating revenues of \$75,900 after a three year phase in period. Settlement at ¶ 6. In Phase 1, the Company would be permitted to increase revenues by \$21,036, or 62.16%. Id. In Phase 1, a typical residential customer using 3,000 gallons of water per month would see an increase from \$23.50 to \$41.05 per month.

In Phase 2, the Company would be permitted to increase annual revenues by an additional \$10,512, or 19.16%. Settlement at ¶ 6. In Phase 2, a typical residential customer using 3,000 gallons of water per month would see an increase from \$41.05 to \$48.41 per month.

In Phase 3, the Company would be permitted to increase annual revenues by an additional \$10,512, or 16.08%. Settlement at ¶ 6. In Phase 3, a typical residential customer using 3,000 gallons of water per month would see an increase from \$48.41 to \$55.87 per month.

At the end of the phase in, the Company will be collecting total revenues of \$75,900, or 124.29% above the current annual revenues. Thus, after the three year phase in, a customer using 3,000 gallons per month would see a bill increase from \$23.50 per month to \$55.87 per month, rather than \$120.96 as originally proposed by the Company.

The proposed Settlement also establishes the metered rate for the first time. Settlement, Appendix C. Thus, the impact on individual customers will vary because all customers, regardless of usage, are currently being charged \$23.50 per month.

Based on the OCA's analysis of Twin Lakes' filing, the proposed revenues in the Settlement represent amounts which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the cases. The three year phase in represents a more gradual increase to the agreed upon revenue level than originally proposed by the Company. Thus, along with the stay out discussed below, the overall revenue requirement and the phase in of the agreed upon revenue requirement provides benefits that would not be available to the parties if we litigated the case.

III. STAY OUT

Twin Lakes has agreed that it will not file another rate case any sooner than thirty months after the effective date of Phase 1 rates in this proceeding. Settlement at ¶ 7.b. If Twin Lakes files another rate increase request as soon as its stay out expires and if that case is fully litigated, customers would receive the benefit of no additional rate increase, for six months after the

effective date of the Phase 3 rates. Thus, the stayout will provide some level of rate stability for the customers after the end of the phase in period.

IV. OTHER PROVISIONS

Unaccounted for water: Twin Lakes has agreed to reduce its current level of unaccounted for water by 10% within 18 months from the effective date of rates in this proceeding. Settlement at ¶ 7.c. Twin Lakes currently has unaccounted for water levels of 55%. Within 18 months, it will reduce that to 49.5%. Over the next 48 months, Twin Lakes will reduce the unaccounted for water levels by 10% each year, so that at the end of the agreed upon term, it will have unaccounted for water levels of no more than 32.5%.

If Twin Lakes does not meet its annual unaccounted for water reduction goal, it agrees to install two blow off valves in its system, not to exceed 12 blow off valves over the 66 month period. Settlement at ¶ 7.c.

This provision is a reasonable way to address the high level of unaccounted for water. By having specific time frames and goals, there are easily measurable provisions that can be monitored by the parties. In addition, if Twin Lakes does not meet each annual goal, there is a requirement (installation of blow off valves) that will provide benefits to the entire water system. The OCA submits that this provision is an important part of the overall agreement and it addresses issues identified by OCA in its analysis of this case.

Pressure survey: Twin Lakes has agreed to conduct an annual pressure survey as required by 52 Pa. Code § 65.6. Settlement at ¶ 7.d. In addition, Twin Lakes has agreed to provide a copy of each survey to OCA, I&E, and TUS. Id. This provision will allow OCA to monitor the pressures in the system and to help identify pressure problems.

Plant in Service: The parties have agreed to a December 31, 2010 balance of \$330,179 for plant in service, less a reserve of \$57,658, for a net balance of \$272,521. Settlement at ¶ 7.g. This agreement establishes these historic values for future rate proceedings and will eliminate the need for the parties to address this historic balances in future cases, thus, streamlining potential issues in future cases.

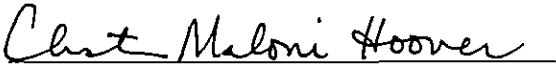
Notification procedures: The Company has agreed to provide an annual bill insert that describes the methods it will use to contact customers if there is a boil water advisory or other emergency situation. Settlement at ¶ 7.h. This annual bill insert will provide ongoing information to the customers regarding the means the Company will use to get important information to them. This provision is important because it is in the interests of the customers and the Company to ensure that the existing notification system is effective in reaching the customers whether they are part time or full time residents.

V. CONCLUSION

The terms and conditions of the proposed Settlement of the rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would reasonably addresses the rate increase request and produce revenues within a range of anticipated litigation outcomes, and under the Settlement, ratepayers will from the phase in and the stay out. The remaining provisions provide additional benefits that might not have been available if the parties litigated this proceeding. Finally, the Commission and all Parties would benefit by the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the best interests of Twin Lakes' customers.

Respectfully submitted,


Christine Maloni Hoover
Senior Assistant Consumer Advocate
Pa. I.D. No. 50026
choover@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

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

Date: December 20, 2011
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CERTIFICATE OF SERVICE

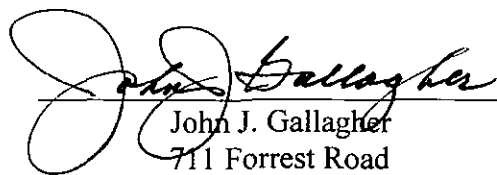
I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

VIA FIRST CLASS MAIL

Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101- 1923

Charles Daniel Shields, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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John J. Gallagher
711 Forrest Road
Harrisburg, PA 17112
(717) 599-5839
jgallagher@jglawpa.com

Dated: December 20, 2011