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July 6, 2012

Via Electronic and First Class Mail

Honorable Christopher P. Pell
Administrative Law Judge
Pennsylvania Public Utility Commission
801 Market Street
Philadelphia, PA 19107

RE: Pennsylvania Public Utility Commission v. Audubon Water Company;
Docket Nos. R-2012-2286118 and C-2012-2291571; **JOINT PETITION FOR
FULL SETTLEMENT OF RATE PROCEEDING**

Dear Judge Pell:

In connection with the above-captioned matter, enclosed is the original Joint Petition for Full Settlement of Rate Proceeding (Joint Petition). The Joint Petition has been executed on behalf of the Pennsylvania Public Utility Commission's (Commission) Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate and Audubon Water Company, the only active parties to this proceeding. The parties' Statements in support of the settlement reached in this matter are attached to the Joint Petition as Appendices C, D and E.

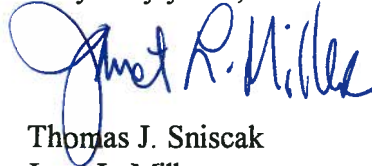
Copies of the Joint Petition are being filed with the Commission's Secretary's Bureau and will be provided as indicated on the attached Certificate of Service.

Concurrently herewith, the parties also are delivering to Your Honor the original Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record and have filed one (1) verified copy of all the prepared testimony and exhibits previously served in this proceeding.

Honorable Christopher P. Pell
Administrative Law Judge
Pennsylvania Public Utility Commission
July 6, 2012
Page Two

If you have any questions, please feel free to contact either of the undersigned.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Janet L. Miller". The signature is fluid and cursive, with the first name being the most prominent.

Thomas J. Sniscak
Janet L. Miller

Counsel for Audubon Water Company

JLM/das
Enclosure

cc: Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the attached letter and the enclosed Joint Petition for Full Settlement of Rate Proceeding upon the parties listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

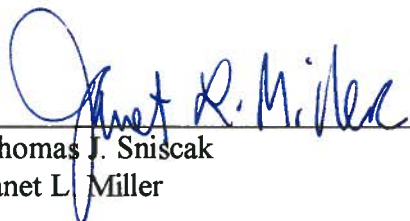
Via Electronic Filing and Hand Delivery

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – 2nd Floor North
Harrisburg, PA 17105

Via Electronic and First Class Mail

Charles Daniel Shields, Senior Prosecutor
Investigation and Enforcement
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Erin L. Gannon, Esquire
Office of Consumer Advocate
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Harrisburg, PA 17101-1923



Thomas J. Smiscak
Janet L. Miller

Counsel for Audubon Water Company

Dated this 6th day of July, 2012.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2012-2286118
v.	:	C-2012-2291571
	:	
Audubon Water Company	:	

JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING

BEFORE ADMINISTRATIVE LAW JUDGE CHRISTOPHER P. PELL:

This Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition”) is entered into and submitted as in the public interest in the above-captioned proceeding by the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”), the Pennsylvania Office of Consumer Advocate (“OCA”), and Audubon Water Company (“Audubon” or “Company”), all of whom may be referred to in their individual capacities or collectively as the Joint Petitioner(s). The Joint Petition is offered as a full settlement (“Settlement”), subject to the terms below, of the issues raised by the Joint Petitioners regarding the Company’s January 27, 2012 base rate filing, the subject of this present proceeding. The Joint Petitioners request that Administrative Law Judge Christopher P. Pell and the Commission: (1) approve the terms of the Settlement set forth in this Joint Petition without modification; (2) approve and permit the supplement to Tariff Water – Pa. PUC No. 4 that is attached to and incorporated into this Joint Petition as **Appendix A** (“Settlement Tariff”) to become effective upon one (1) days’ notice on or after September 30, 2012, including the Phase One Rates set forth in the Settlement Tariff and, if the conditions required by Paragraph 22(g) of this Joint Petition are satisfied, permit the Phase Two

Rates set forth in the Settlement Tariff to become effective upon one (1) days' notice of the Company's filing of the Certification required by Paragraph 22(g) of this Joint Petition; (3) terminate the inquiry and investigation of this proceeding at Docket No. R-2012-2286118; and (4) close and mark satisfied the Formal Complaint proceeding at Docket No. C-2012-2291571.

The Joint Petitioners respectfully recommend approval of the Settlement as set forth in this Joint Petition on the grounds that it is in the public interest, will result in rates that are just and reasonable, and conserves administrative resources by avoiding litigation of the matters involved in this proceeding. In support of the Settlement and this Joint Petition, the Joint Petitioners represent the following:

I. BACKGROUND

1. Audubon is a certified public utility that furnishes water service to approximately 2,584 residential, 153 commercial, 29 multi-family, four (4) public, 100 private and 200 public fire protection customers, or a total of 3,070 customers, in portions of Lower Providence Township, Montgomery County, Pennsylvania. Pursuant to previous Commission Order, Audubon's last general rate increase became effective on October 16, 2007.¹

2. On January 27, 2012, Audubon filed Tariff Water – Pa. PUC No. 4, to become effective March 27, 2012, containing proposed changes in rates, rules and regulations calculated to produce additional annual revenue of \$540,686, or an increase of approximately 27%. Due to various adjustments made or brought to the Company's attention during the pendency of this

¹ The Company's last general rate case (*Pennsylvania Public Utility Commission v. Audubon Water Company*, Docket No. R-00072100, Opinion and Order entered October 12, 2007) provided for a phase-in of rates. Phase One rates became effective on October 16, 2007. Phase Two rates became effective on January 1, 2009.

matter, the Company subsequently decreased its revenue increase request by \$52,202 resulting in an annual revenue increase claim of \$486,483, an increase of 24.2%.

3. By Order entered March 15, 2012, the Commission instituted a formal investigation into the Company's rate filing and suspended Tariff Water – Pa. PUC No. 4 until October 27, 2012, unless permitted by Commission Order to become effective at an earlier date. Audubon filed Supplement No. 1 to Tariff Water – Pa. PUC No. 4 to reflect the terms of the Commission's March 15, 2012 Order and to recognize the suspension.

4. The Commission's Office of Administrative Law Judge assigned Administrative Law Judge Christopher P. Pell as the presiding officer in this case.

5. On March 5, 2012, OCA filed a Formal Complaint and Public Statement against the rates proposed in Tariff Water – Pa. PUC No. 4, which complaint was assigned Docket No. C-2012-2291571.² OCA filed notices of appearance for Christine Maloni Hoover, Esquire and Erin L. Gannon, Esquire on March 5, 2012 and April 4, 2012, respectively.

6. I&E filed a Notice of Appearance for Deputy Chief Prosecutor Richard A. Kanaskie on March 16, 2012 and subsequently for Senior Prosecutor Charles Daniel Shields on April 4, 2012.

7. Pursuant to a Commission Notice issued to all parties, a Prehearing Conference was conducted by Administrative Law Judge Pell on April 10, 2012. Counsel for I&E, OCA and Audubon each submitted a Prehearing Memorandum (identifying potential issues, positions regarding those issues and anticipated witnesses) and participated in the Prehearing Conference. Administrative Law Judge Pell and the parties agreed upon a procedural schedule for the

² No answer is required to complaints filed in connection with a rate increase filing unless directed by the Commission or the presiding Administrative Law Judge. 52 Pa. Code § 5.61(d).

submission of prepared testimony, the holding of evidentiary hearings, and the submission of briefs in this proceeding. No public input hearings were requested by the parties or conducted. Discovery procedures to be used in this proceeding also were agreed upon during the Prehearing Conference. Administrative Law Judge Pell issued a Post Prehearing Conference Order on April 24, 2012 that set forth the schedule and discovery procedures.

8. During the course of this proceeding, Audubon responded to approximately 140 discovery requests, many with subparts, propounded by I&E and OCA regarding issues associated with the Company's rate increase request.

9. Representatives of I&E and OCA participated in a site visit of Audubon's water system facilities on April 26, 2012.

10. In accordance with the agreed-upon procedural schedule, the parties served the following testimony statements and exhibits in this proceeding:

(a) April 23, 2012 Direct Testimony of Dennis M. Kalbarczyk
Audubon Statement DMK-1
Audubon Water Company Exhibit No. 1

(b) May 23, 2012 Direct Testimony of Amanda Gordon
I&E Statement No. 1
I&E Exhibit No. 1, Schedules 1-17

Direct Testimony of Debra Backer
I&E Statement No. 2
I&E Exhibit No. 2, Schedules 1-9

Direct Testimony of Jeremy B. Hubert
I&E Statement No. 3
I&E Exhibit No. 3, Schedules 1-7(Non-Proprietary)
*I&E Exhibit No. 3, Schedules 1-7 (Proprietary)*³

³ I&E had distributed both Proprietary and Non-Proprietary versions of I&E Exhibit No. 3, because page 2 of Schedule 5, contains information deemed Proprietary. As noted in the "Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record," only the Non-Proprietary version of I&E Exhibit No. 3 is being offered for the record.

- Direct Testimony of Marilyn J. Kraus
OCA Statement 1
OCA Exhibit MJK-1
- (c) June 7, 2012 Rebuttal Testimony of Dennis M. Kalbarczyk
Audubon Statement DMK-1R
DMK-1R Exhibit 1, DMK-1R Exhibit 2,
DMK-1R Exhibit 3
- Rebuttal Testimony of J.H. Russell
Audubon Statement JHR-1R
- (d) June 15, 2012 Surrebuttal Testimony of Amanda Gordon
I&E Statement No. 1-SR
I&E Exhibit No. 1-SR, Schedule 1
- Surrebuttal Testimony of Debra Backer
I&E Statement No. 2-SR
- Surrebuttal Testimony of Jeremy B. Hubert
I&E Statement No. 3-SR
I&E Exhibit No. 3-SR, Schedules 1-2
- Surrebuttal Testimony of Marilyn J. Kraus
OCA Statement 1S
OCA Exhibit MJK-1S
- (e) June 18, 2012 Outline of Oral Rejoinder Testimony of
Dennis M. Kalbarczyk
Audubon Statement DMK-1 RJ

11. Pursuant to the “Joint Stipulation for Admission of Testimony and Exhibits Into the Evidentiary Record” (“Stipulation of Testimony”) that is being executed concurrently with this Joint Petition, the Joint Petitioners request that each of the testimony statements and all of the exhibits identified in Paragraph 10 be admitted into the record of this proceeding. A copy of the executed Stipulation of Testimony is attached to and incorporated into this Joint Petition as **Appendix B.**

12. Pending approval of this Joint Petition without any modification, the Company's oral rejoinder testimony and cross-examination of all witnesses are held in abeyance and the rights of the Joint Petitioners to object to testimony or exhibits and to cross-examine witnesses are preserved.

13. In compliance with the Commission's policy encouraging settlements,⁴ I&E, OCA and Audubon engaged in discussions exploring the possibility of resolving this matter without the need for full litigation. The Joint Petitioners were able to arrive at a mutually acceptable agreement on June 19, 2012 that encompasses all issues raised in this proceeding. The terms of that Settlement are delineated in this Joint Petition.

II. SUMMARY OF SETTLEMENT

Revenues and Phase-In

14. Upon entry of the Commission Order approving this Joint Petition without modification, Audubon shall be permitted to establish rates upon one (1) days' notice on or after September 30, 2012, designed to generate \$2,311,942 in total annual revenue, which is an annual increase of \$302,000 over present rate revenue (Phase One Rates). No earlier than March 31, 2013, and only if certain conditions set forth in the Settlement have been met by the Company, Audubon will be permitted to establish rates upon one (1) days' notice designed to generate, prospectively, total annual revenue of \$2,352,443, an additional \$40,500 in annual revenue (Phase Two Rates), for a total annual revenue increase of \$342,500.

⁴ 52 Pa. Code § 5.231.

15. Under the Settlement, the Phase One Rates will change customer bills as follows: The total monthly bill for the average residential customer using 6,000 gallons per month would increase from \$44.35 to \$51.02 (by 15.04%). The total monthly bill for the average 1½” meter commercial customer using 45,000 gallons per month would increase from \$298.15 to \$342.97 (by 15.03%). The total monthly bill for the average 1½” meter multi-family customer using 105,000 gallons per month would increase from \$623.57 to \$717.07 (by 14.99%). The total monthly bill for the average 1½” meter public customer using 123,000 gallons per month would increase from \$690.72 to \$793.50 (by 14.88%). The annual private fire hydrant rate would increase from \$786.06/hydrant to \$921.29/hydrant (by 17.20%), while the annual public fire hydrant rate would increase from \$196.35/hydrant to \$230.32/hydrant (by 17.30%).

16. Under the Settlement, the Phase Two Rates will further change customer bills as follows: The total monthly bill for the average residential customer using 6,000 gallons per month would increase from \$51.02 to \$51.90 (by 1.73%). The total monthly bill for the average 1½” meter commercial customer using 45,000 gallons per month would increase from \$342.97 to \$348.96 (by 1.75%). The total monthly bill for the average 1½” meter multi-family customer using 105,000 gallons per month would increase from \$717.07 to \$729.67 (by 1.76%). The total monthly bill for the average 1½” meter public customer using 123,000 gallons per month would increase from \$793.50 to \$807.70 (by 1.79%). The annual private fire hydrant rate would increase from \$921.29/hydrant to \$933.54/hydrant (by 1.36%), while the annual public fire hydrant rate would increase from \$230.32/hydrant to \$233.46/hydrant (by 1.36%).

Stay-Out

17. The Settlement contains a “stay-out” period precluding Audubon from filing another general rate case, as defined by Section 1308(d) of the Public Utility Code,⁵ within 2½ years (30 months) of the effective date of the Phase One Rates established in this case. Notwithstanding the stay-out provision, and as stated below in greater detail, Audubon shall be permitted to seek general rate relief at any time under certain conditions involving emergencies or changes in law affecting the Company’s finances.

Preventative Maintenance Projects Related to Phase Two Rates

18. To maintain service reliability, Audubon has agreed to undertake certain actions described in Paragraphs 22(g) and 22(h) of this Joint Petition. Such actions, when completed and certified, shall entitle the Company to receive the additional increased revenues identified herein as the Phase Two Rates.

III. TERMS AND CONDITIONS OF SETTLEMENT

19. As previously noted herein, “[i]t is the policy of the Commission to encourage settlements.”⁶ The Settlement as set forth in this Joint Petition is the product of negotiation and compromise by all parties to this proceeding.

20. The Joint Petitioners agree that the public interest is best served by entering into the Settlement, which supports and addresses the interests of all parties, as well as the public interest. In addition, the Joint Petitioners assert that the Settlement amicably resolves the above-captioned proceeding in a reasonable and comprehensive manner, thus promoting administrative efficiency.

⁵ 66 Pa.C.S. § 1308(d).

⁶ 52 Pa. Code § 5.231.

21. This is a “black box” settlement with respect to the individual components that were settled to arrive at the settlement level of revenues. As such, unless otherwise indicated or described herein, the Joint Petitioners have not agreed upon specific adjustments that support their respective positions in this matter. However, the Joint Petitioners all agree to and request approval of the rates proposed in the Settlement as establishing just and reasonable rates for water service provided by Audubon to its customers.

22. The Joint Petitioners agree to the following specific terms and conditions in full settlement of the issues associated with Audubon’s base rate increase request:

Revenues and Phase-In

(a) Upon the Commission’s entry of an Order approving this Joint Petition without modification, Audubon shall be permitted to file Tariff Water – Pa. PUC No. 4, which Tariff was included as part of the Company’s January 27, 2012 base rate case filing and which shall cancel and supersede the Company’s existing Tariff Water – Pa. P.U.C. No. 3. Further, Audubon shall be permitted to file the Settlement Tariff set forth in **Appendix A** to this Joint Petition. The Settlement Tariff contains the Phase One and Phase Two Rates agreed to by the Joint Petitioners.

(b) The Phase One Rates are designed to generate \$2,311,942 in total annual revenue, which is an annual increase of \$302,000 over present rate revenue. The Phase Two Rates are designed to generate, prospectively, \$2,352,443 in total annual revenue (an additional \$40,500 in annual revenue over the Phase One Rates) for a total annual revenue increase of \$342,500.

(c) Upon Commission approval and the Company's filing of the Settlement Tariff, Audubon shall be permitted to implement the Phase One Rates set forth therein, to become effective upon one (1) days' notice, but no earlier than September 30, 2012.

(d) Upon its completion of the Preventive Maintenance Projects defined in Paragraph 22(h) below, but no earlier than March 31, 2013 and only if the conditions set forth in Paragraph 22(g) have been satisfied, Audubon shall be permitted to implement the Phase Two Rates set forth in the Settlement Tariff, to be effective upon one (1) days' notice.

(e) The Phase One and Phase Two Rates agreed to by the Joint Petitioners and set forth in the Settlement Tariff shall be considered to be Commission-made rates.

Stay-Out

(f) Audubon agrees that, for a period of 2½ years (30 months) from the effective date of the Phase One Rates established in this case, the Company will not file a tariff or tariff supplement proposing an increase in base rates that would constitute a general rate increase under Section 1308(d) of the Public Utility Code,⁷ or in any successor statutory provision of similar purpose. However, if a legislative body, the judiciary, or an administrative agency, including the Commission, enacts or orders any fundamental changes in policy or statutes that directly and substantially affect Audubon's cost of service, the stay-out provision of the Settlement shall not prevent Audubon from filing a tariff or tariff supplement to the extent necessitated by such action. In addition,

⁷ 66 Pa.C.S. § 1308(d).

this provision shall not preclude Audubon from filing for rate relief under Sections 1307(g), 1308(e) or Sections 1350-1360 of the Public Utility Code.⁸

Preventative Maintenance Projects Related to Phase Two Rates

(g) Audubon's implementation of the Phase Two Rates is contingent upon the Company's completion of the four (4) preventive maintenance projects identified in Paragraph 22(h) below ("Preventive Maintenance Projects") on or before March 31, 2013, and the filing of a Certification with the Commission stating that the Preventive Maintenance Projects have been completed. Copies of the Certification shall be provided to I&E and OCA concurrent with the filing.

(h) To be entitled to implement the Phase Two Rates, Audubon must complete the following four (4) Preventive Maintenance Projects:

- (i) Borehole/Wellhead protection and well production enhancements to one (1) well within the Company's water system;
- (ii) Cleaning and disinfection of one (1) well within the Company's water system;
- (iii) Cleaning and resetting of Variable Frequency Drives that are part of the Company's water system; and
- (iv) Maintaining and repairing (if necessary) the Chlorine Analyzers that are part of the Company's new monitoring system required by the Pennsylvania Department of Environmental Protection.

(i) If Audubon does not or cannot certify to the Commission, I&E and OCA that the Preventive Maintenance Projects identified in Paragraph 22(h) were completed by March 31, 2013 as required by Paragraph 22(g), the Company shall forego all rights to

⁸ 66 Pa.C.S. § 1307(g), § 1308(e), §§ 1350-1360.

earn the \$40,500 in additional annual revenue that would be provided by the Phase Two Rates.

23. This Joint Petition and the Settlement contained herein may not be cited as precedent in any future proceeding, except to the extent required to implement or enforce the terms contained herein.

24. By agreeing to the terms of the Settlement and by signing this Joint Petition, no Joint Petitioner makes any precedential concessions or admissions as to the law, facts, positions or assumptions upon which the other Joint Petitioners' positions in this matter may be based. Rather, the Joint Petitioners' agreement represents a reasoned compromise for settlement of this particular proceeding and nothing more.

25. Pending approval of this Joint Petition by Administrative Law Judge Pell and the Commission without modification, the Joint Petitioners agree to forego presentation of the Company's oral rejoinder testimony and the cross-examination of each other's witnesses. In the event that either Administrative Law Judge Pell or the Commission decline to accept the Settlement set forth in this Joint Petition under all proposed terms and conditions, the Stipulation of Testimony executed concurrently with the Settlement shall be null and void and the Joint Petitioners shall be permitted to present, without prejudice or admission and subject to any appropriate objection(s), all of their testimony statements and exhibits (including the Company's oral rejoinder) at hearings and each party shall have the right at such hearings to cross-examine witnesses of the other parties as if this Settlement had not existed. Otherwise, the Joint Petitioners agree and stipulate to the admission into the record of the written testimony

statements and associated exhibits identified in Paragraph 10 of this Joint Petition for the purpose of supporting approval of the Settlement.

26. If this Joint Petition is approved by Administrative Law Judge Pell and the Commission without modification, the Joint Petitioners agree that the Formal Complaint filed by OCA and assigned Docket No. C-2012-2291571 should be deemed closed, satisfied or withdrawn by the terms and conditions of the Settlement.

27. This Joint Petition and the Settlement set forth herein represent the exclusive and entire agreement and understanding of the Joint Petitioners on the issues related to Audubon's base rate filing at Docket No. R-2012-2286118, and may be modified only in writing by assent of all Joint Petitioners.

28. This Joint Petition and the Settlement contained herein are subject to all applicable administrative and common law treatments of settlements, settlement offers and/or settlement negotiations.

29. The Settlement is contingent upon Administrative Law Judge Pell recommending, and the Commission adopting and entering an Order accepting, the terms of the Settlement set forth in this Joint Petition in their entirety and without modification, unless otherwise agreed to by the Joint Petitioners. The Joint Petitioners agree to waive the filing of Exceptions to a Recommended Decision of Administrative Law Judge Pell that recommends the Commission adopt this Joint Petition without modification. Likewise, if the Commission ultimately enters an Order approving the Settlement, granting this Joint Petition and deeming the Formal Complaint filed at Docket No. C-2012-2291571 closed, satisfied or withdrawn, the Joint Petitioners agree not to appeal that Order.

30. If Administrative Law Judge Pell recommends modifications to the terms of the Settlement set forth in this Joint Petition in his Recommended Decision, the Joint Petitioners reserve the right to withdraw from the Settlement upon five (5) days' notice to the Administrative Law Judge and the other parties and to continue with the full litigation of this proceeding or to file Exceptions and Replies to Exceptions with the Commission. The Joint Petitioners also reserve the right to file replies that contest any Exceptions that may be filed by any entity or individual who is not a Joint Petitioner.

31. If the Commission's Order withholds approval or alters any material term of the Settlement contained in this Joint Petition, any Joint Petitioner may withdraw from the Settlement upon five (5) days' notice to the parties, Administrative Law Judge Pell and the Commission. In the event of such withdrawal, the parties shall be released from all of the terms and conditions of this Joint Petition and the Settlement and shall not be limited in any way in the litigation of their respective positions in full litigation of this proceeding to the final resolution before the Commission. In the event this proceeding continues to evidentiary hearings, the Joint Petitioners reserve their respective rights to conduct full cross-examination, briefing and argument, and, without prejudice, to take a position different from the terms of the Settlement and/or this Joint Petition.

32. This Joint Petition, resulting from extensive discovery and thorough analysis by the Joint Petitioners and reflecting compromises by all parties, is presented and made without any admission against, or prejudice to, any position(s) that any Joint Petitioner may adopt during subsequent litigation before the Commission in the event this Joint Petition is not approved by

Administrative Law Judge Pell, or any position(s) that any Joint Petitioner might adopt during litigation in this or subsequent proceedings.

33. This Joint Petition may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IV. REASONS IN SUPPORT OF SETTLEMENT

34. I&E, OCA and Audubon have prepared and attached to this Joint Petition as **Appendices C, D and E**, respectively, individual Statements in Support of the Settlement.

35. The Joint Petitioners further agree that the Settlement contained herein is in the public interest for the following reasons:

(a) The Settlement provides Audubon, a small water utility whose last general rate increase became effective on October 16, 2007, with an increase in annual operating revenue on a timely basis at a level that the Joint Petitioners agree is just, reasonable and lawful and that balances the interests of Audubon and its customers.

(b) The stay-out requirement assures that the rates established by the Settlement will remain in effect for at least the 30 month stay-out period and the time involved in any subsequent rate proceeding. Specifically, Audubon's next base rate case can be filed no earlier than 2½ years (30 months) after the effective date of the Phase One Rates established in this case.

(c) By resolving all of the issues associated with Audubon's base rate filing, the Settlement allows all of the Joint Petitioners to avoid the uncertainties and expense associated with full litigation of this matter. The Settlement also will conserve the time and resources of all involved and serves administrative efficiency by allowing the

Joint Petitioners, Administrative Law Judge Pell and the Commission to apply their resources to other matters, while permitting Audubon to obtain needed revenue on a timely basis at a level the Joint Petitioners agree is just, reasonable and lawful.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate and Audubon Water Company respectfully request that:

(1) Administrative Law Judge Christopher P. Pell recommend, and the Commission approve in its entirety and without modification, as in the public interest, the Settlement embodied in this Joint Petition for Full Settlement of Rate Proceeding (including all of the terms and conditions set forth herein) and the various documents attached hereto and incorporated herein as **Appendices A through E**; and

(2) The Commission authorize Audubon to file Tariff Water – Pa. PUC No. 4, which Tariff shall cancel and supersede the Company's existing Tariff Water – Pa. P.U.C. No. 3; and

(3) The Commission authorize Audubon to file the Settlement Tariff, in the form and substance as that attached hereto as **Appendix A**, permitting the rates, rules and regulations contained therein to become effective for service rendered by Audubon as set forth in this Joint Petition; and

(4) The Commission authorize Audubon to implement the Phase One Rates to become effective for service rendered by Audubon upon one (1) days' notice of the filing of the Settlement Tariff, but no earlier than September 30, 2012; and

(5) The Commission authorize Audubon to implement the Phase Two Rates to become effective for service rendered by Audubon upon one (1) days' notice of the Company's filing of a Certification of completion of the Preventive Maintenance Projects required by Paragraphs 22(g) and 22(h) of this Joint Petition; provided, however that the Phase Two Rates shall not become effective earlier than March 31, 2013; and

(6) If the Commission approves this Joint Petition without modification, the Commission terminate its investigation and this proceeding at Docket No. R-2012-2286118, deem the Formal Complaint filed at Docket No. C-2012-2291571 to be satisfied or withdrawn by the Settlement and mark the record in these proceedings closed.

Respectfully submitted,

ON BEHALF OF AUDUBON WATER COMPANY:



Thomas J. Sniscak (Atty. ID #33891)
Janet L. Miller (Atty. ID #63491)
Hawke McKeon & Sniscak LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
717-236-1300 (Voice)
717-236-4841 (Facsimile)
tjsniscak@hmslegal.com
jlmiller@hmslegal.com

Dated: July 6, 2012

[SIGNATURES CONTINUED ON PAGE 18]

[SIGNATURES CONTINUED FROM PAGE 17]

**ON BEHALF OF THE BUREAU OF
INVESTIGATION AND ENFORCEMENT:**



Dated: July 6, 2012

Charles Daniel Shields (Atty. ID #29363)
Senior Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265
717-783-6151 (Voice)
717-772-2677 (Facsimile)
chshields@pa.gov

**ON BEHALF OF THE OFFICE OF
CONSUMER ADVOCATE:**



Dated: July 6, 2012

Christine Maloni Hoover (Atty. ID #50026)
Senior Assistant Consumer Advocate
Erin L. Gannon (Atty. ID #83487)
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
717-783-5048 (Voice)
717-783-7152 (Facsimile)
choover@paoca.org
egannon@paoca.org

Pennsylvania Public Utility Commission

v.

Audubon Water Company

:
: Docket Nos. R-2012-2286118
: C-2012-2291571
:
:

**APPENDIX A TO
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

**SETTLEMENT TARIFF
AND PROOF OF REVENUES**

**AUDUBON WATER COMPANY
AUDUBON, PENNSYLVANIA**

**RATES, RULES AND REGULATIONS
GOVERNING THE DISTRIBUTION OF WATER
IN
PORTIONS OF LOWER PROVIDENCE TOWNSHIP
AND ADJACENT AREAS
MONTGOMERY COUNTY, PENNSYLVANIA**

ISSUED:

EFFECTIVE:

By: Martha M. Russell, President
Audubon Water Company
Valley Forge Corporate Center
2650 Eisenhower Avenue
P.O. Box 7337
Audubon, PA 19407

**NOTICE
THIS TARIFF INCREASES EXISTING RATES**

**THIS TARIFF WATER – Pa. PUC No. 4 REPLACES
AUDUBON WATER COMPANY'S
TARIFF WATER – PA P.U.C. NO. 3 IN ITS ENTIRETY**

ISSUED:

EFFECTIVE:

LIST OF CHANGES MADE BY THIS SUPPLEMENT**Increases:**

1. This Tariff Water – Pa. PUC No. 4 increases rates for all customers in two (2) phases.

Phase One Rates will produce an annual increase in Company revenue of \$302,000. Rates for residential customers are increased by 15.04%. Rates for commercial metered customers are increased by 15.03%. Rates for multi-family customers are increased by 14.99%. Rates for public customers are increased by 14.93%. Public fire protection rates are increased by 17.30%. Private fire protection rates are increased by 17.20%.

Phase Two Rates will produce an additional increase in annual Company revenue of \$40,500. Phase Two Rates for residential customers will be increased by 1.73% over Phase One Rates. Phase Two Rates for commercial metered customers will be increased by 1.75%. Phase Two Rates for multi-family customers are increased by 1.76%. Phase Two Rates for public customers will be increased by 1.79%. Phase Two Rates for public and private fire protection customers will be increased by 1.36%.

PART I: SCHEDULE OF RATES AND CHARGES

Section A: Rates for Metered Service

1. **Application:** To all metered customers.
2. **Consumption Charges:** All water used in any billing period will be charged at the following rates:

<u>All Residential Volumes</u>	<u>Phase 1</u>	<u>Phase 2</u>	
Rate Per 1,000 Gallons	\$6.4159	\$6.5280	(I)
<u>All Remaining Customers – Gallons Per Month</u>	<u>Phase 1</u>	<u>Phase 2</u>	
First 100,000 Gallons/Month	\$6.4159	\$6.5280	(I)
Over 100,000 Gallons/Month	\$4.2462	\$4.3346	(I)

3. **Customer Charge:** In addition to the consumption charge, each customer will be assessed a customer service charge based upon the size of the customer’s meter as follows:

<u>Meter Size</u>	<u>Phase 1 Per Month</u>	<u>Phase 1 Per Quarter</u>	<u>Phase 2 Per Month</u>	<u>Phase 2 Per Quarter</u>	
5/8 inch	\$ 12.52	\$ 37.56	\$ 12.73	\$ 38.19	(I)
3/4 inch	\$ 12.52	\$ 37.56	\$ 12.73	\$ 38.19	(I)
1 inch	\$ 31.86	\$ 95.58	\$ 32.42	\$ 97.26	(I)
1 1/2 inch	\$ 54.25		\$ 55.20		(I)
2 inch	\$ 86.68		\$ 88.19		(I)
3 inch	\$ 162.76		\$ 165.60		(I)
4 inch	\$ 270.88		\$ 275.62		(I)
6 inch	\$ 541.77		\$ 551.23		(I)
8 inch	\$ 866.90		\$ 882.05		(I)
10 inch	\$1,050.09		\$1,068.43		(I)
12 inch	\$1,641.79		\$1,670.48		(I)

(I) Indicates Increase

Section B: Temporary Rates/Water for Building Purposes

The following rates are for the use of water for building purposes and construction in connection therewith, and the water shall not be used for any other purpose.

	<u>Phase 1</u>	<u>Phase 2</u>	
<u>Single Family Dwelling</u>	\$127.26 per month.	\$129.46 per month.	(I)

All other construction shall receive building water through metered service connection, and payment shall be made in accordance with the schedule of rates for metered service.

Section C: Public Fire Protection Rates

1. Application: To Lower Providence Township.

<u>Rate:</u>	<u>Phase 1</u>	<u>Phase 2</u>	
Annual charge per hydrant.	\$230.32	\$233.46	(I)
Or a monthly charge per hydrant.	\$ 19.19	\$ 19.46	(I)

Section D: Private Fire Protection Rates

1. Application: To all private fire protection service.

2. Rate: A customer charge for private fire protection service will be assessed as follows:

<u>Size of Connection With Main</u>	<u>Phase 1</u> <u>Per Month</u>	<u>Phase 1</u> <u>Per Annum</u>	<u>Phase 2</u> <u>Per Month</u>	<u>Phase 2</u> <u>Per Annum</u>	
1 inch	\$ 23.04	\$ 276.39	\$ 23.35	\$ 280.15	(I)
2 inch	\$ 36.47	\$ 437.61	\$ 36.97	\$ 443.57	(I)
3 inch	\$ 42.23	\$ 506.71	\$ 42.81	\$ 513.61	(I)
4 inch	\$ 51.83	\$ 621.87	\$ 52.53	\$ 630.34	(I)
6 inch	\$ 76.78	\$ 921.29	\$ 77.82	\$ 933.84	(I)
8 inch	\$124.76	\$1,497.09	\$126.46	\$1,517.49	(I)
10 inch	\$170.83	\$2,049.86	\$173.15	\$2,077.79	(I)
Hydrants	\$ 76.78	\$ 921.29	\$ 77.82	\$ 933.54	(I)

In the event of fire or testing, consumption charges shall be billed in accordance with the rates for water consumption.

(I) Indicates Increase

AUDUBON WATER COMPANY

Current, As-Filed and Updated Proposed, Phase 1 and 2 Settlement Tariff Rates

	Current Rates		As-Filed Proposed Rates		%Inc. Over Current		Updated Proposed Rates		%Inc. Over Current		Settlement Phase 1 Rates		%Inc. Over Current		Settlement Phase 2 Rates		%Inc. Over Current			
	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly		
Customer Charge Based on Meter Size																				
5/8" & 3/4" Meter	\$ 32.64	\$ 10.88	\$ 41.46	\$ 13.82	\$ 27.02%	\$ 13.49	\$ 40.47	\$ 13.49	\$ 23.99%	\$ 37.56	\$ 12.52	\$ 38.19	\$ 12.73	\$ 15.07%	\$ 97.26	\$ 32.42	\$ 38.19	\$ 12.73	\$ 17.00%	
1" Meter	\$ 83.08	\$ 27.70	\$ 105.54	\$ 35.18	\$ 27.00%	\$ 34.35	\$ 103.05	\$ 34.35	\$ 24.01%	\$ 95.58	\$ 31.86	\$ 97.26	\$ 32.42	\$ 15.02%		\$ 55.20	\$ 97.26	\$ 32.42	\$ 17.04%	
1 1/2" Meter		\$ 47.16		\$ 59.89	\$ 26.99%	\$ 58.48		\$ 58.48	\$ 24.00%		\$ 54.25		\$ 55.20	\$ 17.05%		\$ 88.19		\$ 88.19	\$ 17.04%	
2" Meter		\$ 75.35		\$ 95.69	\$ 23.99%	\$ 93.43		\$ 93.43	\$ 23.99%		\$ 86.68		\$ 88.19	\$ 17.04%		\$ 165.60		\$ 165.60	\$ 17.04%	
3" Meter		\$ 141.49		\$ 179.69	\$ 27.00%	\$ 175.45		\$ 175.45	\$ 24.00%		\$ 162.76		\$ 165.60	\$ 17.04%		\$ 275.62		\$ 275.62	\$ 17.04%	
4" Meter		\$ 235.49		\$ 299.07	\$ 27.00%	\$ 292.01		\$ 292.01	\$ 24.00%		\$ 541.77		\$ 551.23	\$ 17.04%		\$ 882.05		\$ 882.05	\$ 17.04%	
6" Meter		\$ 470.98		\$ 598.14	\$ 27.00%	\$ 584.02		\$ 584.02	\$ 24.00%		\$ 866.90		\$ 882.05	\$ 17.04%		\$ 1,068.43		\$ 1,068.43	\$ 17.04%	
8" Meter		\$ 753.63		\$ 957.11	\$ 27.00%	\$ 934.50		\$ 934.50	\$ 24.00%		\$ 1,050.09		\$ 1,068.43	\$ 17.04%		\$ 1,670.48		\$ 1,670.48	\$ 17.04%	
10" Meter		\$ 912.88		\$ 1,159.36	\$ 27.00%	\$ 1,131.97		\$ 1,131.97	\$ 24.00%											
12" Meter		\$ 1,427.27		\$ 1,812.63	\$ 27.00%	\$ 1,769.81		\$ 1,769.81	\$ 24.00%											
Volumetric Rates per 1,000 gallons																				
Residential Customers- all volumes	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836	\$ 27.00%	\$ 6.9525	\$ 6.9525	\$ 6.9525	\$ 24.65%	\$ 6.4159	\$ 6.4159	\$ 6.5280	\$ 6.5280	\$ 15.03%		\$ 6.5280	\$ 6.5280	\$ 6.5280	\$ 17.04%	
Non-Residential Customers																				
First 300,000 quarterly/100,000 monthly	\$ 5.5776	\$ 5.5776	\$ 7.0836	\$ 7.0836	\$ 27.00%	\$ 6.9525	\$ 6.9525	\$ 6.9525	\$ 24.65%	\$ 6.4159	\$ 6.4159	\$ 6.5280	\$ 6.5280	\$ 15.03%		\$ 6.5280	\$ 6.5280	\$ 6.5280	\$ 17.04%	
Over 300,000 quarterly/100,000 monthly	\$ 3.7304	\$ 3.7304	\$ 4.6724	\$ 4.6724	\$ 25.25%	\$ 4.5635	\$ 4.5635	\$ 4.5635	\$ 22.33%	\$ 4.2462	\$ 4.2462	\$ 4.3346	\$ 4.3346	\$ 13.83%		\$ 4.3346	\$ 4.3346	\$ 4.3346	\$ 16.20%	
Temporary Rates/Water for Building Purposes																				
Single Family Dwelling	\$ 110.82		\$ 140.49	\$ 140.49	\$ 27.00%	\$ 137.68	\$ 137.68	\$ 137.68	\$ 24.46%	\$ 127.26	\$ 127.26	\$ 129.46	\$ 129.46	\$ 15.04%		\$ 129.46	\$ 129.46	\$ 129.46	\$ 17.03%	
Public Fire Protection																				
Hydrants	\$ 16.37	\$ 196.35	\$ 21.08	\$ 252.98	\$ 28.84%	\$ 20.39	\$ 244.62	\$ 20.39	\$ 244.62	\$ 24.58%	\$ 19.19	\$ 230.32	\$ 19.46	\$ 233.46	\$ 17.30%	\$ 19.46	\$ 233.46	\$ 19.46	\$ 233.46	\$ 18.90%
Private Fire Protection																				
1" Sprinkler	\$ 235.82	\$ 303.57	\$ 25.30	\$ 303.57	\$ 28.73%	\$ 24.47	\$ 293.54	\$ 24.47	\$ 293.54	\$ 24.48%	\$ 23.04	\$ 276.39	\$ 23.35	\$ 280.15	\$ 17.20%	\$ 23.35	\$ 280.15	\$ 23.35	\$ 280.15	\$ 18.80%
2" Sprinkler	\$ 373.38	\$ 480.65	\$ 40.06	\$ 480.65	\$ 28.73%	\$ 38.74	\$ 464.77	\$ 38.74	\$ 464.77	\$ 24.48%	\$ 36.47	\$ 437.61	\$ 36.97	\$ 443.57	\$ 17.20%	\$ 36.97	\$ 443.57	\$ 36.97	\$ 443.57	\$ 18.80%
3" Sprinkler	\$ 432.33	\$ 556.54	\$ 46.38	\$ 556.54	\$ 28.73%	\$ 44.85	\$ 538.15	\$ 44.85	\$ 538.15	\$ 24.48%	\$ 42.23	\$ 506.71	\$ 42.81	\$ 513.61	\$ 17.20%	\$ 42.81	\$ 513.61	\$ 42.81	\$ 513.61	\$ 18.80%
4" Sprinkler	\$ 530.59	\$ 683.03	\$ 56.92	\$ 683.03	\$ 28.73%	\$ 55.04	\$ 660.46	\$ 55.04	\$ 660.46	\$ 24.48%	\$ 51.83	\$ 621.87	\$ 52.53	\$ 630.34	\$ 17.20%	\$ 52.53	\$ 630.34	\$ 52.53	\$ 630.34	\$ 18.80%
6" Sprinkler	\$ 786.06	\$ 1,011.90	\$ 84.33	\$ 1,011.90	\$ 28.73%	\$ 81.54	\$ 978.46	\$ 81.54	\$ 978.46	\$ 24.48%	\$ 76.78	\$ 921.29	\$ 77.82	\$ 933.84	\$ 17.20%	\$ 77.82	\$ 933.84	\$ 77.82	\$ 933.84	\$ 18.80%
8" Sprinkler	\$ 1,277.34	\$ 1,644.33	\$ 137.03	\$ 1,644.33	\$ 28.73%	\$ 132.50	\$ 1,589.99	\$ 132.50	\$ 1,589.99	\$ 24.48%	\$ 124.76	\$ 1,497.09	\$ 126.46	\$ 1,517.49	\$ 17.20%	\$ 126.46	\$ 1,517.49	\$ 126.46	\$ 1,517.49	\$ 18.80%
10" Sprinkler	\$ 786.06	\$ 2,251.47	\$ 187.63	\$ 2,251.47	\$ 28.73%	\$ 181.43	\$ 2,177.07	\$ 181.43	\$ 2,177.07	\$ 24.48%	\$ 170.83	\$ 2,049.86	\$ 173.15	\$ 2,077.79	\$ 17.20%	\$ 173.15	\$ 2,077.79	\$ 173.15	\$ 2,077.79	\$ 18.80%
Hydrants	\$ 65.50	\$ 1,011.90	\$ 84.32	\$ 1,011.90	\$ 28.73%	\$ 81.54	\$ 978.46	\$ 81.54	\$ 978.46	\$ 24.48%	\$ 76.78	\$ 921.29	\$ 77.82	\$ 933.84	\$ 17.20%	\$ 77.82	\$ 933.84	\$ 77.82	\$ 933.84	\$ 18.80%

AUDUBON WATER COMPANY

Typical Bills - Current, As-Filed and Updated Proposed, Phase 1 and 2 Settlement Tariff Rates

	Current Rates		As-Filed Proposed Rates		%Inc. Over Current		Updated Proposed Rates		%Inc. Over Current		Settlement Phase 1 Rates		%Inc. Over Current		Settlement Phase 2 Rates		%Inc. Over Current	
	Monthly		Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.	Monthly	\$ Inc.
Irr. Mthly Res - 5/8" & 3/4" Meter-Gals	6,000		6,000															
Customer Charge 5/8" & 3/4" Meter	\$ 10.88		\$ 13.82	\$ 2.94	\$ 13.49	\$ 2.61	\$ 13.49	\$ 2.61	\$ 12.52	\$ 1.64	\$ 12.52	\$ 1.64	\$ 12.73	\$ 1.85	\$ 12.73	\$ 1.85	\$ 12.73	\$ 1.85
Volumetric Rate	33.47		42.50	\$ 9.03	41.72	\$ 8.25	41.72	\$ 8.25	38.50	\$ 5.02	38.50	\$ 5.02	39.17	\$ 5.70	39.17	\$ 5.70	39.17	\$ 5.70
Total Charge / Increase over Current & % Ph 2 Increase over Ph 1 & %	\$ 44.35		\$ 56.32	\$ 11.98	\$ 55.21	\$ 10.86	\$ 55.21	\$ 10.86	\$ 51.02	\$ 6.67	\$ 51.02	\$ 6.67	\$ 51.90	\$ 7.55	\$ 51.90	\$ 7.55	\$ 51.90	\$ 7.55
Irr. Mthly Comm - 1 1/2" Meter-Gals	45,000		45,000															
Customer Charge 1 1/2" Meter	\$ 47.16		\$ 59.89	\$ 12.73	\$ 58.48	\$ 11.32	\$ 58.48	\$ 11.32	\$ 54.25	\$ 7.09	\$ 54.25	\$ 7.09	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04
Volumetric Rate	250.99		318.76	\$ 67.77	312.86	\$ 65.90	312.86	\$ 65.90	288.72	\$ 34.14	288.72	\$ 34.14	293.76	\$ 5.04	293.76	\$ 5.04	293.76	\$ 5.04
Total Charge / Increase over Current & % Ph 2 Increase over Ph 1 & %	\$ 298.15		\$ 378.65	\$ 80.50	\$ 371.34	\$ 73.19	\$ 371.34	\$ 73.19	\$ 342.97	\$ 44.81	\$ 342.97	\$ 44.81	\$ 348.96	\$ 50.81	\$ 348.96	\$ 50.81	\$ 348.96	\$ 50.81
Irr. Mthly Multi-Fam - 1 1/2" Meter-Gals	105,000		105,000															
Customer Charge 1 1/2" Meter	\$ 47.16		\$ 59.89	\$ 12.73	\$ 58.48	\$ 11.32	\$ 58.48	\$ 11.32	\$ 54.25	\$ 7.09	\$ 54.25	\$ 7.09	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04
Volumetric Rate 1st blk	557.76		708.36	\$ 150.60	695.25	\$ 137.49	695.25	\$ 137.49	641.59	\$ 83.73	641.59	\$ 83.73	652.80	\$ 10.71	652.80	\$ 10.71	652.80	\$ 10.71
Volumetric Rate 2nd blk	18.65		23.36	\$ 4.71	22.82	\$ 4.17	22.82	\$ 4.17	21.23	\$ 1.59	21.23	\$ 1.59	21.67	\$ 0.44	21.67	\$ 0.44	21.67	\$ 0.44
Total Charge / Increase over Current & % Ph 2 Increase over Ph 1 & %	\$ 623.57		\$ 791.61	\$ 168.04	\$ 776.55	\$ 152.98	\$ 776.55	\$ 152.98	\$ 717.07	\$ 93.50	\$ 717.07	\$ 93.50	\$ 729.67	\$ 106.10	\$ 729.67	\$ 106.10	\$ 729.67	\$ 106.10
Irr. Mthly Public - 1 1/2" Meter-Gals	123,000		123,000															
Customer Charge 1 1/2" Meter	\$ 47.16		\$ 59.89	\$ 12.73	\$ 58.48	\$ 11.32	\$ 58.48	\$ 11.32	\$ 54.25	\$ 7.09	\$ 54.25	\$ 7.09	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04	\$ 55.20	\$ 8.04
Volumetric Rate 1st blk	557.76		708.36	\$ 150.60	695.25	\$ 137.49	695.25	\$ 137.49	641.59	\$ 83.73	641.59	\$ 83.73	652.80	\$ 10.71	652.80	\$ 10.71	652.80	\$ 10.71
Volumetric Rate 2nd blk	85.80		107.47	\$ 21.67	104.96	\$ 19.16	104.96	\$ 19.16	97.66	\$ 12.30	97.66	\$ 12.30	99.70	\$ 2.04	99.70	\$ 2.04	99.70	\$ 2.04
Total Charge / Increase over Current & % Ph 2 Increase over Ph 1 & %	\$ 690.72		\$ 875.72	\$ 185.00	\$ 858.69	\$ 167.97	\$ 858.69	\$ 167.97	\$ 793.50	\$ 102.78	\$ 793.50	\$ 102.78	\$ 807.70	\$ 116.98	\$ 807.70	\$ 116.98	\$ 807.70	\$ 116.98
Fire Protection	Annual		Annual															
Annual Priv. Hyd Rate/ Inc. over Cur. & % Ph 2 Increase over Ph 1 & %	\$ 786.06		\$ 1,011.90	\$ 225.84	\$ 978.46	\$ 192.40	\$ 978.46	\$ 192.40	\$ 921.29	\$ 135.23	\$ 921.29	\$ 135.23	\$ 933.84	\$ 147.78	\$ 933.84	\$ 147.78	\$ 933.84	\$ 147.78
Annual Public Hyd Rate/ Inc. over Cur. & % Ph 2 Increase over Ph 1 & %	\$ 196.35		\$ 252.98	\$ 56.63	\$ 244.62	\$ 48.27	\$ 244.62	\$ 48.27	\$ 230.32	\$ 33.97	\$ 230.32	\$ 33.97	\$ 233.46	\$ 37.11	\$ 233.46	\$ 37.11	\$ 233.46	\$ 37.11

AUDUBON WATER COMPANY

Summary Analysis Of Pro Forma Revenues By Customer Class -% to Total and % Increase - Under Current, As-Filed and Updated Proposed, and Phase 1 & 2 Settlement Rates

Customer Classes	Pro Forma Existing Rates		Pro Forma As-Filed Rates		Pro Forma 6/7/12 Updated Rates		Pro Forma Phase 1 Rates		Pro Forma Phase 2 Rates	
	Prof. Of Rev.	To Total %	Sch. M-2 Prof. Of Rev.	To Total %	Sch. M-2 Prof. Of Rev.	To Total %	Appendix C Prof. Of Rev.	To Total %	Appendix D Prof. Of Rev.	To Total %
Residential	\$ 1,202,450	59.83%	\$ 1,527,194	59.88%	\$ 1,496,606	59.95%	\$ 1,383,324	59.83%	\$ 1,407,221	59.82%
Commercial	260,391	12.96%	330,332	12.95%	323,363	12.95%	299,282	12.95%	304,583	12.95%
Multi-Family	400,990	19.95%	505,541	19.82%	494,714	19.82%	458,701	19.84%	467,526	19.87%
Public	25,411	1.26%	32,160	1.26%	31,464	1.26%	29,153	1.26%	29,687	1.26%
Private Fire Prot.	81,414	4.05%	104,806	4.11%	101,344	4.06%	95,424	4.13%	96,722	4.11%
Public Fire Prot.	39,286	1.95%	50,593	1.98%	48,935	1.96%	46,057	1.99%	46,703	1.99%
Totals	\$ 2,009,942	100.00%	\$ 2,550,625	100.00%	\$ 2,496,426	100.00%	\$ 2,311,942	100.00%	\$ 2,352,443	100.00%
Increase in Revenues Under Existing Rates			\$ 540,683		\$ 486,484		\$ 302,000		\$ 342,500	
Increase Phase 2									\$ 40,500	
Customer Classes			Proposed Increase	Proposed % Increase	Proposed Increase	Proposed % Increase	Proposed Increase	Proposed % Increase	Proposed Increase	Proposed % Increase
Residential			\$ 324,744	27.01%	\$ 294,156	24.46%	\$ 180,874	15.04%	\$ 204,771	17.03%
Commercial			69,941	26.86%	62,972	24.18%	38,891	14.94%	44,192	16.97%
Multi-Family			104,551	26.07%	93,725	23.37%	57,712	14.39%	66,536	16.59%
Public			6,749	26.56%	6,053	23.82%	3,742	14.73%	4,276	16.83%
Private Fire Prot.			23,391	28.73%	19,930	24.48%	14,010	17.21%	15,308	18.80%
Public Fire Prot.			11,307	28.78%	9,649	24.56%	6,771	17.24%	7,417	18.88%
Totals			\$ 540,683	26.90%	\$ 486,484	24.20%	\$ 302,000	15.03%	\$ 342,500	17.04%

AUDUBON WATER COMPANY

Proof Of Revenues Under Phase 1 Settlement Rates by Customer Class
For the Pro Forma Twelve Months Ended September 30, 2012

Customer Classifications	Pro Forma TME		# Of Bills	Usage Totals			Typical Bill Usage*	Customer Charge Rates		Volumetric Charge Revenue		Pro Forma 9/30/2012 Current Charges	Pro Forma 9/30/2012 Phase 1 Charges	Pro Forma Base Rate Increase	
	9/30/11	9/30/12		No. Cust.	1st Block	2nd Block		Total	1st Block	2nd Block	1st Block				2nd Block
Residential															
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	90,511	14	\$ 37.56	\$ 239,708						
1" Quarterly	2	2	8	172	-	172	22	\$ 95.58	765						
1" Monthly	4	4	48	300	-	300	6	\$ 31.86	1,529						
5/8" & 3/4" Monthly	757	762	9,141	56,537	-	56,537	6	\$ 12.52	114,445						
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	6,984	2	\$ 12.52	35,594						
Total Residential	2,579	2,584	18,422	154,504	-	154,504			\$ 392,042	\$ 991,282	\$ 991,282	\$ 1,383,324	\$ 1,202,450	\$ 180,874	
Commercial															
5/8"	62	62	739	2,452	-	2,452	3	\$ 12.52	9,252						
3/4"	3	3	36	170	-	170	5	\$ 12.52	451						
1"	14	14	168	381	-	381	2	\$ 31.86	5,352						
1 1/2"	28	28	336	3,731	-	3,731	11	\$ 54.25	18,228						
2"	32	32	384	13,114	4,832	17,946	47	\$ 86.68	33,285						
3"	5	5	60	2,446	762	3,208	53	\$ 162.76	9,766						
4"	3	3	37	491	-	491	13	\$ 270.88	10,023						
6"	5	5	60	1	-	1	0	\$ 541.77	32,506						
8"	1	1	12	11	-	11	1	\$ 866.90	10,403						
10"	-	-	-	-	-	-	15	\$ 1,050.09	-						
Total Commercial	153	153	1,832	22,797	5,594	28,391			\$ 129,266	\$ 146,263	\$ 23,753	\$ 170,017	\$ 299,282	\$ 260,391	\$ 38,891
Multi-Family															
1"	1	1	12	236	-	236	20	\$ 31.86	382						
1 1/2"	22	22	264	22,190	5,478	27,668	105	\$ 54.25	14,322						
2"	3	3	36	2,400	23,542	25,942	721	\$ 86.68	3,120						
3"	2	2	24	2,400	3,070	5,470	228	\$ 162.76	3,906						
10"	1	1	12	1,200	24,900	26,100	2175	\$ 1,050.09	12,601						
Total Multi-Family	29	29	348	28,426	56,990	85,416			\$ 34,332	\$ 182,378	\$ 241,991	\$ 424,369	\$ 458,701	\$ 400,990	\$ 57,712
Public															
5/8"	-	-	-	-	-	-			\$ 12.52						
1 1/2"	2	2	24	1,247	1,715	2,962	123	\$ 54.25	1,302						
4"	1	1	12	399	-	399	33	\$ 270.88	3,251						
6"	1	1	12	40	-	40	3	\$ 541.77	6,501						
Total Public	4	4	48	1,686	1,715	3,401	71		\$ 11,054	\$ 10,817	\$ 7,282	\$ 18,099	\$ 29,153	\$ 25,411	\$ 3,742
Total Res, Comm, MF, Pub	2,765	2,770	20,650	207,413	64,299	271,712			\$ 566,693	\$ 1,330,741	\$ 273,026	\$ 1,603,767	\$ 2,170,461	\$ 1,889,242	\$ 281,219
See Sch. L-3 for Res, Comm, MF, Pub Customers and Usage details * Typical Bill Current/Proposed Rates See Sch.'s M-3															
Fire Protection:															
Private - Billing Units															
4" Sprinkler - Annual	14	14	1						\$ 621.87	8,706					
6" Sprinkler - Annual	37	37	1						\$ 921.29	34,088					
8" Sprinkler - Annual	13	13	1						\$ 1,497.09	19,462					
10" Sprinkler - Annual	-	-	-												
Hydrants - Mthly	27	28	12						\$ 76.78	25,798					
Hydrants - Annual	8	8	1						\$ 921.29	7,370					
Total Private Fire Units	99	100							\$ 95,424			\$ 95,424	\$ 61,414	\$ 14,010	
Public - Hydrants Units Mthly	175	175	12						\$ 19.19	40,299					
Public - Hydrants Units Annual	25	25	1						\$ 230.32	5,758					
Total Private Fire Units	200	200							\$ 46,057			\$ 46,057	\$ 39,286	\$ 6,771	
Total Fire Protection Units	299	300							\$ 141,481			\$ 141,481	\$ 120,700	\$ 20,781	
Total Customers/Billing Units	3,064	3,070							\$ 708,175	\$ 1,330,741	\$ 273,026	\$ 1,603,767	\$ 2,311,942	\$ 2,009,942	\$ 302,000

AUDUBON WATER COMPANY

Proof Of Revenues Under Phase 2 Settlement Rates by Customer Class
For the Pro Forma Twelve Months Ended September 30, 2012

Customer Classifications	Pro Forma TME		# Of Bills	Usage Totals		Typical Bill Usage*	Customer Charge Rates		Volumetric Charge Revenue		Pro Forma 9/30/2012 Current Charges	Pro Forma 9/30/2012 Base Rate Increase		
	9/30/11 Cusst. No.	9/30/12 Cusst. No.		1st Block	2nd Block		Total	1st Block	2nd Block	1st Block			2nd Block	Total Usage
Residential														
5/8" & 3/4" Quarterly	1,596	1,596	6,382	90,511	-	14	\$ 38.19	\$ 243,729						
1" Quarterly	2	2	8	172	-	22	\$ 97.26	778						
1" Monthly	4	4	48	300	-	6	\$ 32.42	1,556						
5/8" & 3/4" Monthly	757	762	9,141	56,537	-	6	\$ 12.73	116,365						
5/8" Monthly Trailer Park	220	220	2,843	6,984	-	2	\$ 12.73	36,191						
Total Residential	2,579	2,584	18,422	154,504	-			\$ 398,619	\$ 1,008,602	\$ -	\$ 1,008,602	\$ 1,202,450	\$ 204,771	
Commercial														
5/8"	62	62	739	2,452	-	3	\$ 12.73	\$ 9,407						
3/4"	3	3	36	170	-	5	\$ 12.73	458						
1"	14	14	168	381	-	2	\$ 32.42	5,447						
1 1/2"	28	28	336	3,731	-	11	\$ 55.20	18,547						
2"	32	32	384	13,114	4,832	47	\$ 88.19	33,865						
3"	5	5	60	2,446	762	53	\$ 165.60	9,936						
4"	3	3	37	491	-	13	\$ 275.62	10,198						
6"	5	5	60	1	-	0	\$ 551.23	33,074						
8"	1	1	12	11	-	1	\$ 882.05	10,585						
10"	-	-	-	-	-	15	\$ 1,068.43	-						
Total Commercial	153	153	1,832	22,797	5,594			\$ 131,517	\$ 148,819	\$ 24,248	\$ 173,067	\$ 304,583	\$ 260,391	\$ 44,192
Multi-Family														
1"	1	1	12	236	-	20	\$ 32.42	\$ 389						
1 1/2"	22	22	264	22,190	5,478	105	\$ 55.20	14,573						
2"	3	3	36	2,400	23,542	721	\$ 88.19	3,175						
3"	2	2	24	2,400	3,070	228	\$ 165.60	3,974						
10"	1	1	12	1,200	24,900	2175	\$ 1,068.43	12,821						
Total Multi-Family	29	29	348	28,426	56,990	245		\$ 34,932	\$ 185,565	\$ 247,029	\$ 432,594	\$ 467,526	\$ 400,990	\$ 66,536
Public														
5/8"	-	-	-	-	-		\$ 12.73	\$ -						
1 1/2"	2	2	24	1,247	1,715	123	\$ 55.20	1,325						
4"	1	1	12	399	-	33	\$ 275.62	3,307						
6"	1	1	12	40	-	3	\$ 551.23	6,615						
Total Public	4	4	48	1,686	1,715	71		\$ 11,247	\$ 11,006	\$ 7,434	\$ 18,440	\$ 29,687	\$ 25,411	\$ 4,276
Total Res. Comm. MF, Pub	2,765	2,770	20,650	207,413	64,299			\$ 576,315	\$ 1,353,992	\$ 278,710	\$ 1,632,703	\$ 2,209,018	\$ 1,889,242	\$ 319,776
See Sch. L-3 for Res, Comm, MF, Pub Customers and Usage details * Typical Bill Current/Proposed Rates See Sch.'s M-3														
Fire Protection:														
Private - Billing Units														
4" Sprinkler - Annual	14	14	1				\$ 630.34	8,825						
6" Sprinkler - Annual	37	37	1				\$ 933.84	34,552						
8" Sprinkler - Annual	13	13	1				\$ 1,517.49	19,727						
10" Sprinkler - Annual	-	-	-											
Hydrants - Mthly	27	28	12				\$ 77.82	26,148						
Hydrants - Annual	8	8	1				\$ 933.84	7,471						
Total Private Fire Units	99	100						\$ 96,722				\$ 96,722	\$ 81,414	\$ 15,308
Public - Hydrants Units Mthly	175	175	12				\$ 19.46	40,866						
Public - Hydrants Units Annual	25	25	1				\$ 233.46	5,837						
Total Public Fire Units	200	200						\$ 46,703				\$ 46,703	\$ 39,286	\$ 7,417
Total Fire Protection Units	299	300						\$ 143,425				\$ 143,425	\$ 120,700	\$ 22,725
Total Customers/Billing Units	3,064	3,070						\$ 719,740	\$ 1,353,992	\$ 278,710	\$ 1,632,703	\$ 2,352,443	\$ 2,009,942	\$ 342,500

Pennsylvania Public Utility Commission

v.

Audubon Water Company

:
:
: Docket Nos. R-2012-2286118
:
: C-2012-2291571
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**APPENDIX B TO
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

**STIPULATION FOR ADMISSION OF
TESTIMONY AND EXHIBITS
INTO THE EVIDENTIARY RECORD**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2012-2286118
v.	:	C-2012-2291571
	:	
Audubon Water Company	:	

**JOINT STIPULATION FOR ADMISSION
OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD**

This “Joint Stipulation For Admission of Testimony and Exhibits into the Evidentiary Record” (“Joint Stipulation”) is entered into by the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Pennsylvania Office of Consumer Advocate (“OCA”) and Audubon Water Company (“Audubon” or “Company”) in connection with the above-captioned matter. I&E, OCA and Audubon are collectively referred to in this Joint Stipulation as the Joint Petitioners. The Joint Petitioners respectfully request that Administrative Law Judge Christopher P. Pell admit into the evidentiary record of this proceeding the previously distributed written testimony and exhibits prepared by each of the Joint Petitioners as identified below. In support of this request, the Joint Petitioners aver and state as follows:

1. On January 27, 2012, Audubon filed Tariff Water - Pa. PUC No. 4, to become effective March 27, 2012, containing proposed changes in rates, rules and regulations calculated to produce additional annual revenue of \$540,686, or an increase of approximately 27%.

2. By Order entered March 15, 2012, the Commission instituted a formal investigation into the Company's filing and suspended Tariff Water – Pa. PUC No. 4 until October 27, 2012, unless permitted by Commission Order to become effective at an earlier date.

3. The Commission assigned Administrative Law Judge Christopher P. Pell as the presiding officer in this case.

4. During a Prehearing Conference held on April 10, 2012, Administrative Law Judge Pell and the Joint Petitioners mutually agreed upon a procedural schedule for, *inter alia*, the submission of prepared testimony and the holding of evidentiary hearings. The procedural schedule was set forth in Administrative Law Judge Pell's April 24, 2012 Post Prehearing Conference Order.

5. In accordance with the procedural schedule, and in preparation for the evidentiary hearings to be held in this matter, the Joint Petitioners each served Administrative Law Judge Pell and each other with the following documents:

Audubon Water Company

Direct Testimony of Dennis M. Kalbarczyk
Audubon Statement DMK-1
Audubon Water Company Exhibit No. 1

Rebuttal Testimony of Dennis M. Kalbarczyk
Audubon Statement DMK-1R
DMK-1R Exhibit 1, DMK-1R Exhibit 2,
DMK-1R Exhibit 3

Rebuttal Testimony of J.H. Russell
Audubon Statement JHR-1R

Outline of Oral Rejoinder Testimony of
Dennis M. Kalbarczyk
Audubon Statement DMK-1 RJ

Bureau of Investigation and
Enforcement

Direct Testimony of Amanda Gordon
I&E Statement No. 1
I&E Exhibit No. 1, Schedules 1-17

Surrebuttal Testimony of Amanda Gordon
I&E Statement No. 1-SR
I&E Exhibit No. 1-SR, Schedule 1

Direct Testimony of Debra Backer
I&E Statement No. 2
I&E Exhibit No. 2, Schedules 1-9

Surrebuttal Testimony of Debra Backer
I&E Statement No. 2-SR

Direct Testimony of Jeremy B. Hubert
I&E Statement No. 3
I&E Exhibit No. 3, Schedules 1-7
(Non-Proprietary Version)¹

Surrebuttal Testimony of Jeremy B. Hubert
I&E Statement No. 3-SR
I&E Exhibit No. 3-SR, Schedules 1-2

Office of Consumer Advocate

Direct Testimony of Marilyn J. Kraus
OCA Statement 1
OCA Exhibit MJK-1

Surrebuttal Testimony of Marilyn J. Kraus
OCA Statement 1S
OCA Exhibit MJK-1S

¹ I&E had distributed both Proprietary and Non-Proprietary versions of I&E Exhibit No. 3, but is only offering the Non-Proprietary version into the evidentiary record as part of this instant Joint Stipulation.

6. On June 19, 2012, one (1) day prior to the beginning of the scheduled evidentiary hearings, the Joint Petitioners were able to reach a comprehensive settlement of all issues raised in connection with Audubon's rate increase request ("Settlement"). On the basis of the Settlement, the hearings scheduled for Wednesday and Thursday, June 20 and 21, 2012, were cancelled and the Joint Petitioners have concurrently entered into a "Joint Petition For Full Settlement of Rate Proceeding" ("Joint Petition") setting forth the terms and conditions of their agreements. A copy of this Joint Stipulation will be attached to and will be incorporated into the Joint Petition.

7. In support of the Settlement, each Joint Petitioner will submit, as an appendix to the Joint Petition, individual Statements in Support of the Settlement. If Administrative Law Judge Pell and the Commission approve the terms and conditions set forth in the Joint Petition without modification, this matter will be deemed to be fully resolved and no hearings will be held in connection with Audubon's rate increase request.

8. In order to further support the Settlement, the Joint Petitioners stipulate to the admission of the above-identified written testimony and exhibits prepared in connection with this proceeding by witnesses on behalf of I&E, OCA and Audubon into the evidentiary record of this proceeding. For this purpose, each Joint Petitioner has filed one (1) verified copy of the testimony and exhibits identified in Paragraph 5, above, with the Commission's Secretary's Bureau as directed by Administrative Law Judge Pell.

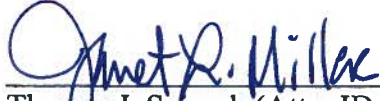
9. This Joint Stipulation may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

NOW, THEREFORE, desiring to enter into this Joint Stipulation and intending to be bound hereby, the Joint Petitioners agree and stipulate to the following with respect to this proceeding:

- A. That, upon the issuance of an Order or the inclusion of a provision in the Recommended Decision to be issued by Administrative Law Judge Christopher P. Pell in the above-captioned matter, the testimony statements and all exhibits of each Joint Petitioner referenced in Paragraph 5 of this Joint Stipulation shall be deemed to be made a part of the official evidentiary record of this proceeding and may be used for all proper and legal purposes permitted as if hearings had been conducted in this matter; and
- B. By entering into this Joint Stipulation, no Joint Petitioner makes any precedential concession or admission as to the sufficiency of the law, facts, positions or assumptions upon which the other Joint Petitioners' testimony statements, exhibits or positions in this matter may be based. In addition, the Joint Petitioners agree that this Joint Stipulation may not be cited as precedent in any future proceeding, except to the extent required to implement and enforce the Joint Stipulation.

By their signatures below, the Joint Petitioners consent to the terms of this Joint Stipulation and represent that they are authorized to execute this Joint Stipulation on behalf of the respective clients for whom they sign.

ON BEHALF OF AUDUBON WATER COMPANY:



Dated: July 6, 2012

Thomas J. Sniscak (Atty. ID #33891)
Janet L. Miller (Atty. ID #63491)
Hawke McKeon & Sniscak LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
717-236-1300 (Voice)
717-236-4841 (Facsimile)
tjsniscak@hmslegal.com
jlmiller@hmslegal.com

ON BEHALF OF THE BUREAU OF INVESTIGATION AND ENFORCEMENT:



Dated: July 6, 2012

Charles Daniel Shields (Atty. ID #29363)
Senior Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265
717-783-6151 (Voice)
717-772-2677 (Facsimile)
chshields@pa.gov

[SIGNATURES CONTINUED ON PAGE 7]

[SIGNATURES CONTINUED FROM PAGE 6]

**ON BEHALF OF THE OFFICE OF
CONSUMER ADVOCATE:**



Dated: July 6, 2012

Christine Maloni Hoover (Atty. ID #50026)

Senior Assistant Consumer Advocate

Erin L. Gannon (Atty. ID #83487)

Assistant Consumer Advocate

Office of Consumer Advocate

555 Walnut Street

Forum Place, 5th Floor

Harrisburg, PA 17101-1923

717-783-5048 (Voice)

717-783-7152 (Facsimile)

choover@paoca.org

egannon@paoca.org

Pennsylvania Public Utility Commission

v.

Audubon Water Company

:
: Docket Nos. R-2012-2286118
: C-2012-2291571
:
:

**APPENDIX C TO
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

**STATEMENT IN SUPPORT OF SETTLEMENT OF THE
COMMISSION'S BUREAU OF INVESTIGATION AND ENFORCEMENT**

rate-related services and a broad range of other types of proceedings affecting the public interest. 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 such amicable resolution of any such proceeding serves the public interest. I&E respectfully submits that such responsibility has been met here by virtue of its resolute representation of the public interest throughout the conduct of this base rate investigation.

3. Prior to agreeing to the instant settlement, I&E has (1) conducted a thorough review of the Company's filing and supporting information, discovery responses and submitted filing data; (2) participated in a site visit on April 26, 2012; and (3) produced and distributed testimony and exhibits of three I&E technical staff experts in advance of potential evidentiary hearings.

4. This settlement provides for an initial annual revenue increase and a potential second step increase that I&E considers to be just and reasonable and thereby in the public interest, but is not based upon any particular adjustments or ratemaking approach, unless otherwise specifically identified in the foregoing Joint Petition.

5. By way of background, on January 27, 2012, Audubon Water Company ("Audubon" or "Company") filed Tariff Water-Pa. P.U.C. No. 4 to become effective March 27, 2012, containing proposed changes in rates, rules, and regulations calculated to produce \$540,686 (27%) in additional annual revenues based on a future test year ended September 30, 2012. In response to the base rate case filing, I&E and OCA made their respective filings to participate at the instant docket number. Specifically, on March 16, 2012, I&E filed a Notice of Appearance for Deputy Chief Prosecutor Richard A.

Kanaskie, Esquire and subsequently filed an Amended Notice of Appearance reflecting that Senior Prosecutor Charles Daniel Shields, Esquire would instead be representing I&E in this proceeding.

6. By Order entered December 15, 2011, the Commission instituted an investigation at this docket number to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law on March 15, 2012, until October 27, 2012, unless permitted by Commission Order to become effective at an earlier date.

7. On April 10, presiding Administrative Law Christopher P. Pell conducted the Prehearing Conference from Philadelphia with counsel for the active three parties participating telephonically from Hearing Room 4 in the Keystone Building in Harrisburg.

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

9. I&E Senior Prosecutor Shields fully participated in the Prehearing Conference and interacted with the assigned I&E Technical Experts throughout the proceeding, including a review of the site visit, assistance with the production of discovery and review of provided responses, the conduct of rate case team meetings, discussions regarding the production and submission of the I&E testimonies and exhibits, and consultation regarding the I&E approach to settlement discussions.

10. The Joint Petitioners have stipulated to the admission of their respective testimony and exhibits as specifically identified in the Joint Petition. Each Joint Petitioner has provide two (2) verified copies of each of the testimony and exhibits.¹

10. For the record, I&E 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. I&E 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 an initial and potential second phase increase in 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) provides that if certain conditions required by the Joint Petition are satisfied by the Company, they will be permitted to charge the Phase Two rates on one (1) days' notice of the Company's filing of a certification representing that such conditions have been met;²

¹ As noted in the Joint Petition, I&E had distributed both Proprietary and Non-Proprietary versions of one of its exhibits, but only offered the Non-Proprietary version into the evidentiary record.

² Implementation of the Phase Two Rates is contingent upon the Company's completion of four (4) preventive maintenance projects identified in the Joint Petition on or before March 31, 2013, and their filing of a certification with the Commission stating that those projects have been completed.

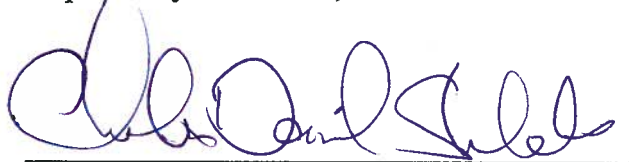
- (d) provides for a “stay out” whereby Audubon cannot make another base rate case filing, except for certain extraordinary circumstances identified in the Joint Petition, until at least thirty (30) months from the effective date of the Phase One Rates identified in this case;

12. I&E reiterates its thorough involvement in the instant base rate investigation.

Any issues raised in the I&E Prehearing Memorandum not specifically addressed in the foregoing Joint Petition have been satisfactorily resolved and taken into consideration in entering into the present “black box” Settlement and the proposed revenue increase(s). As such, I&E makes no precedential concessions or admissions as to the law, facts, positions or assumptions relied by the other Joint Petitioners. As stated in the Joint Petition, this instant agreement represents a reasoned compromise for settlement of this particular proceeding and nothing more.

13. For the foregoing reasons and those presented in the Joint Petition for Full Settlement of Rate Investigation, the Bureau of Investigation and Enforcement herewith asserts our full and complete support for the settlement terms and conditions as being in the public interest and therefore respectfully requests that Administrative Law Judge Christopher P. Pell recommend, and the Commission subsequently approve without modification, the Joint Petition and the tariff supplements submitted therewith.

Respectfully submitted,



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

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

Dated: July 2, 2012

Pennsylvania Public Utility Commission

v.

Audubon Water Company

:
: Docket Nos. R-2012-2286118
: C-2012-2291571
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**APPENDIX D TO
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

**STATEMENT IN SUPPORT OF SETTLEMENT OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

AUDUBON WATER COMPANY

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Docket No. R-2012-2286118

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

TO ADMINISTRATIVE LAW JUDGE CHRISTOPHER PELL:

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

I. INTRODUCTION

Audubon Water Company (Audubon or Company) provides water service to approximately 3,064 customers that reside in portions of Lower Providence Township and adjacent areas of Montgomery County, Pennsylvania. On January 27, 2012, Audubon filed Supplement No. 1 to Tariff Water- Pa. P.U.C. No. 4 (Supplement No. 4), to become effective March 27, 2012. The tariff contains proposed changes in rates designed to produce approximately \$540,686 in additional water revenues.

The OCA filed a Complaint against the proposed tariff on March 5, 2012. Since February 6, 2012, at least two Rate Protests were filed against the Tariff Supplement. On March 15, 2012, the Commission suspended the effective date of the proposed Supplement until October 27, 2012, and assigned the case to the Office of Administrative Law Judge (OALJ) for

alternative dispute resolution or prompt scheduling of hearings. The case was further assigned to Administrative Law Judge Christopher Pell (ALJ). On March 16, 2012, the Bureau of Investigation and Enforcement (BI&E) filed a Notice of Appearance.

The parties engaged in several days of settlement discussions, which resulted in this proposed Joint Petition. The OCA submits that the proposed settlement is in the public interest for the reasons discussed below. The Joint Petition is proposed to resolve all issues raised in this proceeding.

II. REVENUES AND PHASE-IN

The proposed settlement provides for a two-phase revenue increase, which ties the revenue increase to a number of important conditions that, in the OCA's view, contribute to a just and reasonable result. On September 30, 2012, annual revenues will increase by \$302,000. Joint Petition, ¶¶22(a)-(c). This is approximately 55% of the increase originally proposed by the Company. Further, although the parties have reached a settlement, customers will not begin paying higher rates for several months, or until close to the end of the suspension period. Joint Petition, ¶¶22(a), (c).

The Company identified a number of projects that it expects to perform by or in the months following the end of future test year. To help ensure that customers benefit from projects to maintain the system but do not contribute toward the cost of those projects before they are carried out, the Joint Petition provides that the Company will only receive an additional \$40,500 in annual revenue (Phase Two Rates) if it demonstrates that four projects are complete by March 31, 2013. Joint Petition, ¶¶22(d), (g), (h). If Audubon does not or cannot provide such certification, it will forego any right to earn the additional \$40,500 in annual revenues. Joint Petition, ¶22(i). Further, if Audubon certifies the projects are complete prior to March 31, 2013,

the customers will get the benefit of the preventative maintenance projects but will continue paying Phase One rates until March 31, 2013.

If Audubon meets the conditions, on March 31, 2013, it will receive an additional \$40,500 in annual revenues, for a total Phase One and Phase Two annual revenue increase of \$342,500. Joint Petition, ¶22(b). The Company’s total annual revenue after the Phase Two rates go into effect will be \$2,352,443. *Id.* The bill impact on a typical residential customer using 6,000 gallons of water per month will be as follows:

		Percentage Increase
Current Rates	\$44.35	--
As-Filed Proposed Rates	\$56.32	27%
Settlement Rates (Phase One)	\$51.02	15%
Settlement Rates (Phase Two)	\$51.90	17%

Joint Petition, Appendix A. Based on the OCA’s analysis of Audubon’s 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. Thus, along with the stay out discussed below, the overall revenue requirement provides benefits that would not be available to the parties if we litigated the case.

III. STAY-OUT PROVISION

The proposed Settlement prohibits the Company from proposing another general rate increase for 30 months from the effective date of Phase One rates in this case, or March 31, 2015. Joint Petition, ¶22(f). In the current case, the Company filed for the proposed base rate increase on January 27, 2012; the increase resulting from the proposed settlement will not be effective for approximately nine months after the date of filing. Assuming a similar timeframe,

the proposed stay-out provision would prevent another rate increase before December 31, 2015, if the Company were to file as soon as the stay-out expires on March 31, 2015. Thus, for at least 33 months after Phase Two rates take effect, Audubon's ratepayers will be assured of rate stability.

IV. 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 Audubon Water Company's customers.

Respectfully submitted,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
Email: CHoover@paoca.org

Erin L. Gannon
Assistant Consumer Advocate
PA Attorney I.D. # 83487
E-Mail: EGannon@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 (telephone)
(717) 783-7152 (facsimile)

DATED: July 6, 2012

158152

Pennsylvania Public Utility Commission

v.

Audubon Water Company

:
: Docket Nos. R-2012-2286118
: C-2012-2291571
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**APPENDIX E TO
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

**STATEMENT IN SUPPORT OF SETTLEMENT
OF AUDUBON WATER COMPANY**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge Christopher P. Pell

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2012-2286118
v.	:	C-2012-2291571
	:	
Audubon Water Company	:	

**STATEMENT OF AUDUBON WATER COMPANY
IN SUPPORT OF JOINT PETITION FOR FULL
SETTLEMENT OF RATE PROCEEDING**

Audubon Water Company (Audubon or Company) hereby submits its Statement in Support of the Settlement set forth in the “Joint Petition for Full Settlement of Rate Proceeding” (Joint Petition or JP) reached between Audubon, the Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission) and the Pennsylvania Office of Consumer Advocate (OCA) (collectively, the Joint Petitioners).¹ The Joint Petitioners are the only active parties in this matter. Audubon urges Your Honor and the Commission to consider and approve the terms and conditions of the Settlement contained in the Joint Petition without modification, and to allow the Settlement Tariff attached to the Joint Petition as Appendix A to become effective at the earliest possible date. In support of the Settlement, Audubon states and avers as follows:

¹ Terms not specifically defined in this Statement in Support shall have the meanings set forth in the Joint Petition.

I. BACKGROUND

1. Audubon currently furnishes water service to approximately 2,584 residential, 153 commercial, 29 multi-family, four (4) public, 100 private and 200 public fire protection customers, or a total of 3,070 customers, in portions of Lower Providence Township, Montgomery County, Pennsylvania. Audubon's last general rate increase became effective on October 16, 2007.²

2. On January 27, 2012, Audubon filed Tariff Water – Pa. PUC No. 4, to become effective March 27, 2012, containing proposed changes in rates, rules and regulations calculated to produce additional annual revenue of \$540,686, or an increase of approximately 27%. Due to various adjustments made during the pendency of this matter, the amount of the Company's requested increase in revenue was subsequently decreased by \$52,202, representing total additional revenue of \$486,483, an increase of approximately 24.2%.³

3. By Order entered March 15, 2012, the Commission instituted a formal investigation into the Company's filing and suspended Tariff Water – Pa. PUC No. 4 until October 27, 2012, unless permitted by Commission Order to become effective at an earlier date.⁴

4. Based on terms and conditions agreed to by the Joint Petitioners, the Company has accepted a total additional annual revenue increase in the amount of \$342,500, an average increase of 17.37%, in full settlement of its rate increase request (Settlement).⁵ This rate increase

² JP at ¶ 1.

³ JP at ¶ 2.

⁴ JP at ¶ 3.

⁵ JP at ¶¶ 14-16 and 22(b).

will be implemented in two (2) phases, with implementation of the Phase Two Rates dependent on the Company's completion of four (4) Preventive Maintenance Projects.⁶

5. Audubon believes the Settlement is in the interest of the Company and its ratepayers because it will result in rates that are just and reasonable, and will conserve the time and resources of the Administrative Law Judge, the Commission and the Joint Petitioners by avoiding litigation of the matters involved in this proceeding. The Settlement further provides Audubon with much needed revenue to cover increased operating expenses and to allow the Company to undertake and/or complete capital improvement and preventive maintenance projects that will increase system reliability so Audubon can continue to provide safe, adequate and reasonably continuous service to its customers.

6. Audubon submits it is desirable both to the Company and its ratepayers for this rate case to be resolved without full litigation for the following reasons:

(a) Under the current state of regulation in the Commonwealth, the time and expense incurred by small utilities such as Audubon to fully litigate a rate case is substantial. Therefore, the Settlement benefits both the Company and its ratepayers by minimizing rate case expenses, allows new rates to go into effect at an earlier date, maintains these rates for a specific period of time to provide rate stability for Audubon's customers, and eliminates the possibility of appellate proceedings; and

⁶ JP at ¶ 14 and ¶¶ 22(b), 22(d), 22(g) and 22(h).

(b) In order to comply with an ever increasing array of environmental standards and requirements imposed upon public water suppliers by federal and state laws and regulations, Audubon will continue to face increased costs. It is important that rate relief from the Commission keep pace with these regulatory requirements and that rates be set promptly to avoid lag that is inherent in the ratemaking process.

II. SUMMARY OF SETTLEMENT TERMS

Revenues and Phase-In

7. The Settlement allows Audubon to increase rates to a level that will generate \$2,352,443 in total annual revenue, which is an increase of \$342,500 over present rate revenue as compared to the \$540,686 in annual increased revenue originally proposed by Audubon in its rate filing or the \$486,483 in annual increased revenue that resulted from subsequent modifications to the Company's filing.⁷

8. Upon entry of a Commission Order approving the Settlement set forth in the Joint Petition without modification, Audubon initially will be permitted to establish rates that provide an opportunity for the Company to generate \$2,311,942 in total annual revenue, or an annual increase of \$302,000 over present rate revenue (Phase One Rates). The Settlement allows the Phase One Rates to go into effect on one (1) days' notice, but no earlier than September 30, 2012, of Audubon's filing of the Settlement Tariff agreed to by the Joint Petitioners, thereby providing Audubon with a much needed operating revenue increase at an earlier date than if full litigation of this case were necessary.⁸

⁷ Audubon Water Company Exhibit No. 1; JP at ¶¶ 14 and 22(b), Appendix A.

⁸ JP at ¶ 14, ¶¶ 22(b) and 22(c), Appendix A.

9. Under the Settlement, the Phase One Rates will change customer bills as follows: The total monthly bill for the average residential customer using 6,000 gallons per month would increase from \$44.35 to \$51.02 (by 15.04%). The total monthly bill for the average 1½” meter commercial customer using 45,000 gallons per month would increase from \$298.15 to \$342.97 (by 15.03%). The total monthly bill for the average 1½” meter multi-family customer using 105,000 gallons per month would increase from \$623.57 to \$717.07 (by 14.99%). The total monthly bill for the average 1½” meter public customer using 123,000 gallons per month would increase from \$690.72 to \$793.50 (by 14.88%). The annual private fire hydrant rate would increase from \$786.06/hydrant to \$921.29/hydrant (by 17.20%), while the annual public fire hydrant rate would increase from \$196.35/hydrant to \$230.32/hydrant (by 17.30%).⁹ These rate increases are substantially less than the 27% increase proposed in the Company’s original rate case filing.¹⁰

10. No earlier than March 31, 2013, and only if the Company completes four (4) Preventive Maintenance Projects and certifies such completion to the Commission, I&E and OCA, the Settlement allows Audubon to establish rates that will generate, prospectively, an additional \$40,500 in annual revenue (Phase Two Rates); allowing Audubon an opportunity to realize total annual revenue of \$2,352,443, or a total annual revenue increase of \$342,500.¹¹

⁹ Audubon Water Company Exhibit No. 1; JP at ¶ 15, Appendix A.

¹⁰ Audubon Water Company Exhibit No. 1.

¹¹ JP at ¶ 14 and ¶¶ 22(d), 22(g) and 22(h).

11. The Phase Two Rates will further change customer bills as follows: The total monthly bill for the average residential customer using 6,000 gallons per month would increase from \$51.02 to \$51.90 (by 1.73%). The total monthly bill for the average 1½” meter commercial customer using 45,000 gallons per month would increase from \$342.97 to \$348.96 (by 1.75%). The total monthly bill for the average 1½” meter multi-family customer using 105,000 gallons per month would increase from \$717.07 to \$729.67 (by 1.76%). The total monthly bill for the average 1½” meter public customer using 123,000 gallons per month would increase from \$793.50 to \$807.70 (by 1.79%). The annual private fire hydrant rate would increase from \$921.29/hydrant to \$933.54/hydrant (by 1.36%), while the annual public fire hydrant rate would increase from \$230.32/hydrant to \$233.46/hydrant (by 1.36%).¹² The rates to be paid by Audubon’s customers even under the Phase Two Rates will be substantially lower than the 27% increase proposed in the Company’s original filing.¹³

12. Audubon submits that the rates agreed to in the Settlement and set forth in the Joint Petition are just, reasonable, non-discriminatory, and lawful. Audubon’s customers will benefit from the Settlement in that the rates agreed to by the parties are substantially lower than those proposed in the Company’s rate case filing. In addition, the additional revenue provided by the Phase One and Phase Two Rates will result in increased operating revenues for the Company that will allow it to continue furnishing safe, adequate, and reasonably continuous water service to its customers as well as to make upgrades to its water facilities to increase system reliability.

¹² Audubon Water Company Exhibit No. 1; JP at ¶ 16, Appendix A.

¹³ Audubon Water Company Exhibit No. 1.

Stay-Out

13. The Settlement contains a “stay-out” period precluding Audubon from filing another general rate case, as defined by Section 1308(d) of the Public Utility Code,¹⁴ within 2½ years (30 months) of the effective date of the Phase One Rates established in this case.¹⁵ The stay-out agreed to by the Joint Petitioners provides Audubon’s customers with rate stability for a specific period of time and is, therefore, in the public interest.

Preventive Maintenance Projects Related to Phase Two Rates

14. As noted in Paragraph 10, above, the Settlement provides that Audubon may establish Phase Two Rates only under certain conditions. Specifically, the Company must complete four (4) identified Preventive Maintenance Projects and must certify completion of those projects to the Commission, I&E and OCA. Audubon is entitled to the increased annual revenue provided by the Phase Two Rates only if the Preventive Maintenance Projects are completed and certified before March 31, 2013, which is the earliest date on which the Phase Two Rates can become effective.¹⁶ Completion of the Preventive Maintenance Projects required for implementation of the Phase Two Rates will provide additional reliability in the Company’s water system and will allow Audubon’s customers to continue to receive safe, adequate, and reasonably continuous water service. This term of the Settlement ensures that Audubon will complete Preventive Maintenance Projects, the costs of which were included in its rate case filing, for the benefit of its customers.

¹⁴ 66 Pa.C.S. § 1308(d).

¹⁵ JP at ¶¶ 17 and 22(f).

¹⁶ JP at ¶¶ 22(d), 22(g) and 22(h).

III. APPROVAL OF THE SETTLEMENT IS IN THE PUBLIC INTEREST

15. The Settlement is the result of extensive negotiations between the Company, I&E and OCA and was achieved after substantial discovery conducted by I&E and OCA related to Audubon's rate filing.

16. The Settlement fully and adequately addresses all issues presented in the Company's base rate case filing and fairly compromises the opposing interests of the parties, while also taking into account the interests of Audubon's customers.


17. The Settlement resulted from a compromise by all parties that is in the public interest because it (a) establishes rates that are reasonable, non-discriminatory and lawful; (b) provides increased operating revenues for Audubon; (c) gives the Company's customers rate stability for a specific period of time; and (d) allows the Company to undertake and continue capital improvement and facility maintenance projects that will increase system reliability.

18. The Commission has an established policy to encourage settlements and has memorialized that policy in its Regulations.¹⁷ Audubon believes that approval of the Settlement in its entirety by Your Honor and the Commission is in the public interest as it will avoid the necessity of further administrative proceedings and litigation (including possible appeals), which will conserve the valuable resources of Your Honor, the Commission and all of the parties.

¹⁷ 52 Pa. Code § 5.231 ("It is the policy of the Commission to encourage settlements.").

WHEREFORE, for all of the foregoing reasons, and for those reasons set forth in the Joint Petition for Full Settlement of Rate Proceeding, Audubon Water Company submits that the Settlement is in the interest of all parties, as well as in the public interest, and requests that Your Honor and the Commission approve the Joint Petition for Full Settlement of Rate Proceeding in its entirety without modification.

Respectfully submitted,



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