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January 18, 2013

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

VIA HAND DELIVERY

Re: The City of Lancaster Sewer Fund - Rate Increase, Docket No. R-2012-2310366

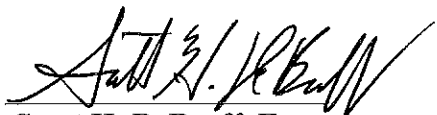
Dear Ms. Chiavetta:

Enclosed herewith please find the signed Joint Petition for Settlement and attachments, including Statements in Support from all signatories and Joint Stipulation for Admission of Testimony and Exhibits in the Evidentiary Record, along with a CD of the Joint Petition for Settlement and all attachments.

Should you have any questions, please do not hesitate to contact me at (717) 237-6716.

Very truly yours,

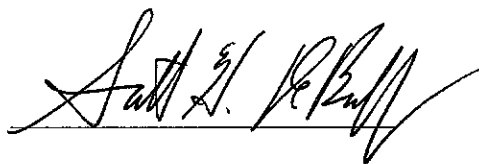
RHOADS & SINON LLP

By: 
Scott H. DeBroff, Esq.
Alicia R. Duke, Esq.
Counsel for the City of Lancaster

Enclosure

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Dated: January 18, 2013



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*Counsel for The City of Lancaster –
Sewer Fund*

I. BACKGROUND

1. On September 28, 2012, The City of Lancaster – Sewer Fund filed Supplement No. 36 to Tariff Sewer-Pa. P.U.C. No. 7, to become effective November 27, 2012, containing proposed changes in rates, rules and regulations calculated to produce \$551,609 in additional revenues, based upon the experienced level of operations in the historic and future test years ending December 31, 2011 and December 31, 2012.

2. Three (3) complaints have been filed against the proposed rate increase, those being the Complaints of the Office of Consumer Advocate (C-2012-2329756); the Office of Small Business Advocate (C-2012-2333112); and Jane O. Larkin (C-2012-2330719). Also, the Bureau of Investigation & Enforcement filed its Notice of Appearance.

3. By Order entered November 8, 2012, at Docket No. R-2012-2310366, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations. The Order directed the Office of Administrative Law Judge to assign the matter to an ALJ for Alternative Dispute Resolution, if possible, or to schedule such hearings as are necessary for the ALJ to render a Recommended Decision.

4. On November 8, 2012, pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law until June 27, 2013. Subsequent to the Commission's November 8, 2012 Order, Tariff supplements evidencing the extensions of the suspension period were filed with the Commission and served on the parties.

5. On November 26, 2012, a Prehearing Conference was conducted by ALJ Buckley. At the Prehearing Conference, a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent

with Commission practice, a schedule was adopted whereby all written direct, rebuttal and surrebuttal testimony would be distributed in advance of the hearings and oral rejoinder by the City witnesses could be provided at the evidentiary hearings, if held. At the Prehearing Conference, the evidentiary hearings were scheduled for February 12-14, 2013, at which time the previously distributed testimony and exhibits would be offered into the record and the parties' individual witnesses would be made available for cross-examination.

6. During the course of the proceeding, ALJ Buckley conducted a Public Input Hearing at 2:00 PM and 6:00 PM on December 10, 2012.

7. Accompanying the original filing of Tariff No. 36, supporting information was provided by the City as required by the Commission's regulations at 52 Pa. Code §53.52 et seq. for both the historic test year ended December 31, 2011, and the future test year ending December 31, 2012. The City's supporting information included the prepared direct testimony of six initial witnesses and the respective exhibits sponsored by each. Additional information was supplied in response to interrogatories and data requests submitted to the City by the other parties to the proceeding.

8. On December 18, 2012, I&E, OCA and OSBA filed their direct testimony and supporting exhibits for a total of eight expert witnesses.

9. On January 18, 2013, the City filed a revised exhibit PRH-1, Cost of Service Allocation Study, to accompany the previously filed Direct Testimony of Paul R. Hebert. The City had previously shared this document with the three active parties during discovery.

10. Pursuant to the "Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record" ("Stipulation of Testimony") that is being provided concurrently with the submission of this Joint Petition, the Joint Petitioners request that all testimony and exhibits

and attachments identified in the Stipulation of Testimony be admitted into the record of this proceeding. The executed Stipulation of Testimony is attached to and incorporated into this Joint Petition as Appendix D.

11. Following the submission of direct testimony, negotiations continued in an effort to achieve a settlement of any and all issues involved with the case. As a result of those negotiations, the parties were able to agree to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. Except to the extent specifically set forth herein, the Joint Petitioners acknowledge that, while they have not sought, nor would they be able, to agree upon specific adjustments to the City's filed revenue requirement claim in reaching this settlement, they are in full agreement that adoption of each and every term and condition of this instant Settlement is in the best interest of the City of Lancaster – Sewer Fund's outside sewer customers and the City of Lancaster – Sewer Fund itself and, therefore is in the public interest.

II. TERMS AND CONDITIONS

12. The Settlement consists of the following terms and conditions:

a. Upon entry of a Commission Order approving this Settlement, the City will be permitted to charge the rates for sewer service set forth in the Tariff attached hereto as Appendix A-1, to become effective in accordance to its terms on one day's notice upon entry of the Commission Order, and A-2 upon implementation of the Other Post Employment Benefits Trust ("OPEB Trust") (hereafter, the Settlement Rates). The Settlement Rates are designed to produce additional annual operating revenue of **\$348,000** shown in Appendix A-1 prior to establishing the OPEB Trust and a subsequent total of **\$399,000** as shown in Appendix A-2 after the establishment of the OPEB Trust, as shown on the Proof of Revenues annexed hereto as

Appendix B-1 and B-2. The Tariff set forth in Appendix A-1 and A-2 complies with the terms of the Settlement.

b. Joint Petitioners respectfully request ALJ Buckley and the Commission to act as expeditiously as possible to ensure timely implementation of the Settlement Rates. Upon the entry of a Commission Order approving this Joint Petition, the City will be permitted to file a tariff in the form attached hereto as Appendix A-1 and A-2 to become effective upon one day's notice.

c. The City agrees that it will not file for another general sewer base rate increase for outside customers under Section 1308(d) of the Public Utility Code prior to **June 29, 2014**. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy or statutes which directly and substantially affect the City's rates, approval and implementation of this Settlement shall not prevent the City from filing tariff supplements to the extent necessitated by such action.

d. The Joint Petitioners also agree to the changes in the tariff rules and regulations and its definitions, as shown in Appendix A-1, that have been revised to better adhere to the Commission's Wastewater Rules and Regulations and to better reflect the actual operations of the City of Lancaster's wastewater system.

e. The Joint Petitioners agree that when the City files its next base rate case, the Industrial Waste Surcharges shall be based on actual costs, as determined by a cost of service study.

f. The Joint Petitioners also agree that the City shall establish the OPEB Trust as per the requirements set forth in the City's settlement of its water case at Docket No. R-2010-2179103. The relevant pages of the settlement agreement are attached hereto in Appendix

C. The City agrees that it shall make deposits into the OPEB Trust starting the first full month after the entry date of the final Commission Order in the rate case or the first full month after the establishment of the Trust, whichever is later. When the Trust is fully established, the City shall be authorized to implement the corresponding portion of the revenue increase agreed to, in the amount of **\$51,000** as shown in Appendix A-2 and B-2.

g. The Settlement Rates set forth in Appendix A-1 and A-2 reflect the Joint Petitioners' agreement with regard to rate structure, rate design and the distribution of the increase in revenues in this case as follows:¹

(1) The Settlement Rates reflect the allocation of the agreed increase in revenue to customer classes in the manner shown in Appendix B-1 and B-2.

(2) Under the Settlement Rates, the minimum charges are as follows **prior** to the implementation of the OPEB Trust (Appendix A-1 and B-1):

| Size of Meter | Per Month/Quarter |
|----------------------|--------------------------|
| 5/8" | \$4.35/ \$13.05 |
| 3/4" | \$4.35/ \$13.05 |
| 1" | \$13.06/ \$39.18 |
| 1 -1/2" | \$26.13/ \$78.39 |
| 2" | \$43.54/ \$130.62 |
| 3" | \$87.09/ \$261.27 |
| 4" | \$123.63/ \$370.89 |
| 6" | \$212.24/ \$636.72 |

¹ Subparagraphs (1) – (5) provide a general description of the rate structure and rate design incorporated in the Settlement Rates. While every effort has been made to ensure that such description is accurate, if any inconsistency exists between such description and the rates set forth in Appendix A-1 and A-2, the latter shall take precedence.

| | |
|-----|----------------------|
| 8" | \$350.39/ \$1,051.17 |
| 10" | \$478.08/ \$1,434,24 |
| 12" | \$708.15/ \$2,124.45 |

(3) Under the Settlement, the parties agreed to have the following volumetric charge (per 1,000 gallons) prior to the implementation of the OPEB trust (Appendix A-1 and B-1):

| Consumption of Water in Gallons per Month | Rate per 1,000 gallons |
|--|-------------------------------|
| First 25,000 | \$4.1840 |
| Next 308,000 | \$2.8091 |
| All Over 333,000 | \$2.1376 |

(4) Under the Settlement Rates, the minimum charges are as follows after the implementation of the OPEB Trust (Appendix A-2 and B-2):

| Size of Meter | Per Month/Quarter |
|----------------------|--------------------------|
| 5/8" | \$4.35/ \$13.05 |
| 3/4" | \$4.35/ \$13.05 |
| 1" | \$13.06/ \$39.18 |
| 1 -1/2" | \$26.13/ \$78.39 |
| 2" | \$43.54/ \$130.62 |
| 3" | \$87.09/ \$261.27 |
| 4" | \$123.63/ \$370.89 |
| 6" | \$212.24/ \$636.72 |

| | |
|-----|----------------------|
| 8" | \$350.39/ \$1,051.17 |
| 10" | \$478.08/ \$1,434,24 |
| 12" | \$708.15/ \$2,124.45 |

(5) Under the Settlement, the parties agreed to have the following volumetric charge (per 1,000 gallons) **after** the implementation of the OPEB trust (Appendix A-2 and B-2):

| Consumption of Water in Gallons per Month | Rate per 1,000 gallons |
|--|-------------------------------|
| First 25,000 | \$4.3543 |
| Next 308,000 | \$2.9234 |
| All Over 333,000 | \$2.2246 |

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

13. The City, I&E, OCA and OSBA have each prepared, and attached to this Joint Petition, their respective Statements in Support identified as Appendices E, F, G and H respectively, setting forth the bases upon which they believe that the Joint Petition is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

14. The Joint Petitioners submit that the Settlement is in the public interest for the following reasons:

a. The Settlement provides an increase in annual operating revenues of **\$399,000** after the implementation of the OPEB trust in lieu of the \$551,609, increase originally requested.

A comparison of an average residential customer's quarterly wastewater bill under current rates, the rates initially proposed by Lancaster and under the Settlement Rates is shown below:

| CURRENT RATES | PROPOSED RATES | SETTLEMENT RATES |
|----------------------|-----------------------|-------------------------|
| \$38.03 | \$63.05 | \$56.61 |

(Based on quarterly usage of 13,000 gallons for an average residential customer.)

b. As stated in Paragraph 10c herein, the City has agreed to not file another general base rate case under Section 1308(d) of the Public Utility Code before **June 29, 2014**, subject to the limited exceptions stated in Paragraph 10c.

c. As described in Paragraph 10f herein, under the Settlement Rates, the minimum charge and the consumption charge per 1,000 gallons is lower than what was initially proposed for all customers, and will mitigate the effect of the increase.

d. Acceptance of the Settlement will avoid the necessity of further administrative and possible appellate proceedings at substantial cost to the Joint Petitioners, other parties and Lancaster's customers.

e. The Joint Petition will allocate the agreed-upon revenue requirement in a manner that is reasonable in light of the rate structure/cost of service evidence filed by the City in the proceeding.

IV. ADDITIONAL TERMS AND CONDITIONS

15. This Settlement, proposed by the Joint Petitioners to settle the instant case, is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case. It is understood, however, that provisions of Paragraph Nos. 10a through 10f above, which by their terms are to have on-going effect, shall be binding upon the Joint Petitioners in future

proceedings once the Commission approves the Settlement. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without any modification. If the Commission should disapprove of the Settlement or modify the terms and conditions herein, then this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners. In such event, the Settlement shall be of no force and effect. In the event that the Commission disapproves the Settlement, or the City or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, the filing of testimony and presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

16. The Joint Petitioners recognize that this Joint Petition does not bind the formal complainant, Ms. Larkin. The OCA is serving a copy of this Joint Petition on the formal complainant. The OCA will, on the same date, send a letter providing instructions concerning the Complainant's opportunity to address the proposed Settlement. The letter explains that the Complainant has until February 4, 2013 to join, comment on, or object to the proposed settlement and provides contact information for ALJ Buckley 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 Complainant.

17. If, in his Recommended Decision, ALJ Buckley recommends that the Commission adopt the Settlement as herein proposed without modification, then the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of

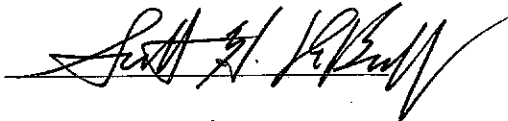
this Settlement, or any additional matters proposed by ALJ Buckley in his Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

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

1. That Administrative Law Judge Dennis J. Buckley and the Commission approve the Joint Petition, including all terms and conditions thereof;
2. That the Commission declare the Settlement Rates to be just and reasonable and thereby grant the City permission to file the Tariff attached hereto as Appendix A-1, to become effective in accordance to its terms on one day's notice upon entry of a Commission Order, and permission to file the Tariff attached hereto as Appendix A-2 upon establishment of the OPEB Trust, for service rendered on and after the effective date established by the Commission's approval of this Settlement.
3. That the Commission terminate its inquiry and investigation in Docket No. R-2012-2310366 and all other related dockets.

Respectfully submitted,

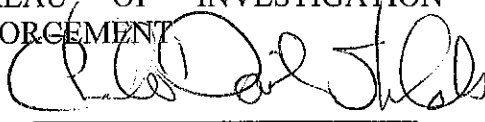
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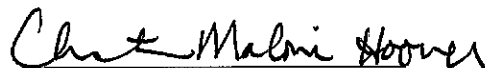
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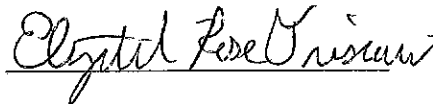
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Dated: January 18, 2013

LIST OF APPENDICES

| | |
|-------------------|---|
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APPENDIX A-1

**PROPOSED TARIFF
(SETTLEMENT RATES PRIOR TO OPEB TRUST)**

CITY OF LANCASTER

RATES AND RULES GOVERNING THE FURNISHING

OF SEWAGE SERVICE BY THE CITY OF LANCASTER,

OUTSIDE THE CORPORATE LIMITS OF SAID CITY,

IN PORTIONS OF THE TOWNSHIPS OF EAST LAMPETER,

EAST HEMPFIELD, LANCASTER, MANHEIM AND MANOR,

ALL LOCATED IN LANCASTER COUNTY, PENNSYLVANIA.

By: Patrick Hopkins
Business Administrator
Lancaster, Pennsylvania

NOTICE

THIS SUPPLEMENT MAKES INCREASES TO EXISTING RATES.
(SEE PAGE NO. 2)

**LIST OF INCREASES AND CHANGES
MADE BY THIS TARIFF**

INCREASES:

Supplement 38 increases rates to produce additional revenue of \$348,000.00. Please refer to the nineteenth revised page 5.

The minimum charge; volumetric charge and industrial waste surcharge were increased.

CHANGES:

The Schedule of Rates/General Service have been placed under Part I of the tariff to more closely align with the format of the Commission's generic Wastewater Tariff. Additional charges have been added for a Returned Check Charge; Late Payment Charge; Billing Service Restoration Charge; Prohibited Infiltration/Inflow Waters Charge; Failure to Cleanup and Remedy Prohibited Discharges Charge and Connection Permit Application and Customer Service Line Inspection Charge.

Under Part I 1. General service the Consumption of Water in Gallons per Month/Quarter second block monthly amount was corrected to 308,333. This correction was necessary so that the monthly amount shown on the block was one-third of the quarter amount shown for consumption.

A section for "Territories Served" was added to the tariff.

The definition section in the tariff has been placed under Part II of the tariff to more closely align with the format of the Commission's generic set of Wastewater Rules and Regulations. Also, additional definitions from Commission's generic Wastewater Rules and Regulations have been added and the initial definition in the City's tariff have also been revised.

The entire set of Rules and Regulations has been revised and renumbered to more closely align with the Commission's generic set of Wastewater Rules and Regulations and to better reflect the actual operations of the City of Lancaster's wastewater system.

The following sections in this supplement were removed from the previous version of the Tariff: Type of Pile-Customer Service Lines; Laying Customer Service Lines; Back-filling Trench-Customer Service Lines; Main Trap and Vent-Customer Service Line; Customer Service Lines and Connection of Company Service Lines; Standard Quality of Construction-Customer Service Lines; Delinquent Sewer Index; Provisions Applicable to Township of Manor and Provisions Applicable to Township of Manheim.

The replacement of the revised Page No. 9 through original page 29 represent the new rules and regulations of Part III.

A temporary surcharge relating to the City's last sewer rate case has expired and is removed.

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Territories Served (C)

Serving portions of the Townships of East Lampeter, East Hempfield, Lancaster, Manheim and Manor located in Lancaster County.

(C)-Indicates Change

PART I - SCHEDULE OF CHARGES

1. General Service

Charges for wastewater treatment service shall be as follows: (I)

| Consumption of Water in Gallons per Month/ Quarter | | Rate per Thousand Gallons of Water |
|--|----------------------|---|
| First | 25,000/ 75,000 | \$4.1840 (I) |
| Next | 308,333/ 925,000 (C) | \$2.8091 (I) |
| All Over | 333,333/ 1,000,000 | \$2.1376(I) |

Minimum charges: (I)

| Size of Meter | Minimum Charge per Month/ per Quarter |
|------------------|---|
| 5/8" or 3/4" | \$4.35/ \$13.05 |
| 1" | \$13.06/ \$39.18 |
| 1 1/2" | \$26.13/ \$78.39 |
| 2" | \$43.54/\$130.62 |
| 3" | \$87.09/\$261.27 |
| 4" | \$123.63/\$370.89 |
| 6" | \$212.24/\$636.72 |
| 8" | \$350.39/\$1,051.17 |
| 10" | \$478.08/\$1,434.24 |
| 12" | \$708.15/\$2,124.45 |

(C) – Indicates Change

(I) - Indicates Increase

2. RETURNED CHECK CHARGE (C)(I)

A charge of thirty dollars (\$30.00) will be assessed any time a check which has been presented to the City for payment on account has been returned by the payer's bank for any reason. For a jurisdictional customer who receives both water and wastewater services only one returned check fee of thirty (\$30.00) will be charged for each instance of a returned check. (C) (I)

3. LATE PAYMENT CHARGE (C) (I)

A late payment charge will be assessed to any customer who fails to pay all of the amounts invoiced by the City in a timely manner as prescribed in **Part III Rule 3.6**. A late payment charge of one and fifty one-hundredths percent (1.50%) per billing period on any overdue amount will be assessed in the City's subsequent invoice. (C) (I)

4. BILLING SERVICE RESTORATION CHARGE (C)(I)

A customer who only receives sewer services from the City and is discontinuing service remains a customer for purposes of paying a billing service restoration charge pursuant to Part III, Rules 2.5 and 2.6. A charge for restoring billing service shall be eighty-three dollars (\$83.00) payable in advance. (C) (I)

5. PROHIBITED INFILTRATION/INFLOW WATERS CHARGE (C)(I)

The owner of an improved property who fails to repair or correct the defects causing infiltration/ inflow waters to flow into the wastewater system within ninety (90) days, after having received proper notice from the City, will be assessed a penalty of one hundred dollars (\$100.00) per day, until such remedial action is satisfactory completed. (C) (I)

(C) – Indicates Change

(I) - Indicates Increase

A customer could challenge the imposition of such a penalty by showing cause why the proposed action should not be taken. This challenge should be directed to the Control Authority. The Control Authority is defined as, "The individual employed by the City of Lancaster as the Director of Public Works or a qualified authorized deputy, agent or representative of the Director of Public Works." All challenges to penalties shall be in writing and shall be filed with the Director of Public Works within 20 days from the date that the City took the action which is the subject matter of appeal. The appeal shall contain the following information: 1. The name, address and telephone number of the appellant, 2. The date on which the City took the action which is the subject matter of the appeal, 3. The reason(s) for such appeal and specification of objections setting forth the manner in which the appellant is aggrieved, 4. A statement detailing the relief demanded by the appellant. If the differences between the Control Authority and customer can not be resolved, the matter shall be resolved by a Hearing Board appointed by the Mayor.

(C) – Indicates Change

(I) - Indicates Increase

6. **FAILURE TO CLEANUP AND REMEDY PROHIBITED DISCHARGES
CHARGE (C)(I)**

Failure of the owner of an improved property and/or customer to satisfactorily clean up and remedy any prohibited discharge by act or omission, willfully, recklessly or negligently as characterized in Part III, Rule 1.13.2 within twenty-four (24) hours, will result in a penalty of five hundred dollars (\$500.00), plus an additional one hundred dollars (\$100.00) for each day thereafter of non-compliance. The owner and/or customer shall additionally be responsible for payment of the remedial cleanup costs, as well as any costs to or damages or losses suffered by the City as a result of any interference in operation of the wastewater system. (C) (I)

A customer could challenge the imposition of such a penalty by showing cause why the proposed action should not be taken. This challenge should be directed to the Control Authority. The Control Authority is defined as, "The individual employed by the City of Lancaster as the Director of Public Works or a qualified authorized deputy, agent or representative of the Director of Public Works." All challenges to penalties shall be in writing and shall be filed with the Director of Public Works within 20 days from the date that the City took the action which is the subject matter of appeal. The appeal shall contain the following information: 1. The name, address and telephone number of the appellant, 2. The date on which the City took the action which is the subject matter of the appeal, 3. The reason(s) for such appeal and specification of objections setting forth the manner in which the appellant is aggrieved, 4. A statement detailing the relief demanded by the appellant. If the differences between the Control Authority and customer can not be resolved, the matter shall be resolved by a Hearing Board appointed by the Mayor.

7. **CONNECTION PERMIT APPLICATION AND CUSTOMER SERVICE
LINE INSPECTION CHARGE (C)(I)**

A charge of seventy-five dollars (\$75.00) will be assessed to the owner of an improved property to cover the costs incidental to the processing of a Connection Permit Application and the inspection of the customer service line following installation. This charge shall be payable when the Connection Permit Application is filed. (C) (I)

(C) – Indicates Change
(I) - Indicates Increase

PART II. DEFINITIONS (C)

1. Applicant: Any person, association, partnership, corporation, society, trust, religious organization or other group or entity, including municipalities, authorities, school districts, state or federal government agencies and other units of government, who has an interest in improved property located within the service territory, including property owners, tenants renting under a lease of one year or longer, persons who have entered into an agreement, or other persons having a similar interest, who applies to become a customer of the City in accordance with Part III Section 1. The term does **not** include a customer who, within sixty (60) days after termination or discontinuance of service, seeks to transfer service within the service territory or to reinstate service at the same address. (C)
2. Average Monthly Limit (AML): The concentration limit established in the Prohibitive Standards and Pollutant Limitations, which applies to the average of at least two sampling events conducted within a calendar month. When only one sampling event occurs within a calendar month or a more extended period (such as quarterly), the average monthly limit shall apply. (C)
3. Baseline Monitoring Report: Refers to the report required in 40 CFR Part 403.12, to be submitted by all industrial uses subject to national pretreatment standards. (C)
4. B.O.D. (Biochemical Oxygen Demand): The quantity of dissolved oxygen consumed in the biochemical oxidation of the organic matter in waste under standard laboratory procedure in five (5) days at twenty degrees Celsius (20°C) expressed in milligrams per liter (mg/l). It shall be determined by one of the acceptable methods described in 40 CFR Part 136. (C)
5. City: Shall mean City of Lancaster.
6. City Sewer System: Shall mean sewer mains, pumping stations, sewer force mains, sewage treatment plants and all appurtenant facilities operated by the City of Lancaster in furnishing sewage service. (C)
7. City Service Line: The wastewater line from the collection facilities of the City which connects to the customer service line at the hypothetical or actual curb line or actual property line.(C)
8. Commercial Establishment: A property which is intended to be used for the purpose of carrying on a trade, business or profession or for social, religious, educational, charitable or public uses. (C)
9. Commercial Waste: Any and all wastes discharged from a commercial establishment other than domestic sanitary wastewater. (C)

(C) – Indicates Change

10. Commission: The Pennsylvania Public Utility Commission (“PA PUC”). (C)
11. Control Authority: The individual employed by the City of Lancaster as the Director of Public Works or a qualified deputy, agent or representative of the Director of Public Works. (C)
12. Customer Service Lines: The wastewater line extending from the end of the City Service Line or connection to the point of connection at the customer’s premise. (C)
13. Customer: A natural person or entity who is an owner of an improved property connected to the City’s wastewater system or lessee of the property and who contracts with the Company for or receives wastewater collection, treatment and/or disposal service whether or not such contract is in writing. (C)
14. Domestic Sanitary Wastewater: Normal water carrying household and toilet wastes discharged from an improved property. (C)
15. Dwelling Unit: Any room, group of rooms, house trailer, apartment, condominium, cooperative or other enclosure connected, directly or indirectly, to the City’s wastewater system and occupied or intended for occupancy as living quarters by an individual, a single-family or other discrete group of persons, excluding institutional dormitories. (C)
16. Extension: An addition to the wastewater collection system to extend service into the City’s territory in order to accommodate more than one connection. (C)
17. Industrial User: Any connected user which is not a domestic user. (C)
18. Industrial Waste: Solids, liquids or gaseous substances or forms of energy ejected or escaping in the course of any industrial, manufacturing, trade or business process or in the course of development, recovering or processing of natural resources, or any wastes having any of the characteristics described in the Prohibitive Standards and Pollutant Limitations as distinct from but not sewage. (C)
19. Industrial Waste Discharge Permit: A permit issued to an industrial user in accordance with the Prohibitive Standards and Pollutant Limitations. (C)
20. Infiltration: Any groundwater entering the Customer Service Lines through defective joints and cracks in pipes. (C)

(C) – Indicates Change

21. Interference: A discharge which, alone or in conjunction with a discharge from other sources, results in a violation of any requirement of the sewage treatment plant's NPDES permit or prevents sludge use or disposal in compliance with state statutes or regulations, Section 405 of the Clean Water Act (33 U.S.C. § 1345 et seq.) or any criteria, guidelines or regulations developed pursuant to the Solid Waste Substances Control Act (15 U.S.C. § 2601 et seq.) applicable to the method of disposal or use employed by sewage treatment plant, or which causes a pass-through or disruption of operations at the sewage treatment plant. (C)
22. Meter: Any device for the purpose of measuring and recording water consumption or the volume of wastewater discharged. (C)
23. National Pollutant Discharge Elimination System Permit (NPDES Permit): A permit issued under the National Pollutant Discharge Elimination System (NPDES) for discharge to the navigable waters of the United States pursuant to Section 402 of the Clean Water Act. (C)
24. National Pretreatment Standard, Pretreatment Standard or Standard: Any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307(b) and (c) of the Clean Water Act, the general and specific prohibitions found in 40 CFR, Part 403, and categorical pretreatment standards. (C)
25. Nuisance: A public nuisance as known in common law or in equity jurisprudence; whatever is dangerous to human life or detrimental to health. (C)
26. pH: The logarithm of the reciprocal of the concentration of hydrogen ions, in grams per liter of solution, indicating the degree of acidity or alkalinity of a substance. The measurement of pH shall be determined by one of the accepted methods described in 40 CFR Part 136. (C)
27. Pollutants: Any material that, when added to water, shall render that water (either because of the nature or quantity of the material) unacceptable for its original intended use, including but not limited to dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, chemical wastes, biological materials, radioactive materials, heat, sand, cellar dirt and industrial, municipal and agricultural wastes. (C)
28. Pretreatment: The reduction of the amount of pollutants, the elimination of pollutants or the alteration of the nature of pollutant properties in waste to less harmful state prior to or in lieu of discharging or otherwise introducing such pollutants into the sewerage system. The reduction or alteration can be obtained by physical, chemical or biological processes or by process changes by other means. (C)

(C) – Indicates Change

29. Pretreatment Requirement: Any substantive or procedural requirement related to pretreatment, other than a national pretreatment standard, imposed on an industrial user. (C)
30. Pretreatment Program: A program administered by the City that has been approved by the Environmental Protection Agency under 40 CFR 403.11 (related to approval procedures for pretreatment programs and granting of removal credits). (C)
31. Residential Service: Wastewater service supplied to an individual, single-family residential dwelling unit, including service provided to a commercial establishment if concurrent service is provided to a residential dwelling attached thereto. Wastewater service provided to a hotel or motel is not considered residential service. (C)
32. Sanitary Sewage: Shall mean spent water, together with human and household wastes ordinarily removed by water carriage and also industrial wastes. Such definition expressly excludes the effluent from septic tanks or cesspools, as well as rain, storm and ground water which could in any way enter the sewer system as well as roof or surface drainage, drainage of percolating or seeping waters or accumulations thereof, whether underground or in cellars or basements. (C)
33. Sludge Load or Sludge Discharge: Any discharge at a flow rate or concentration which could cause a violation of the prohibited discharge standards in this tariff. A sludge discharge is any discharge of a non-routine, episodic nature, including but not limited to accidental spill or a non-customary batch discharge, which has a reasonable potential to cause interference or pass-through or in any way violate the POTW's regulations, local limits or permit conditions. (C)
34. Storm Water: Any flow occurring during or following any form of natural precipitation, and resulting from such precipitation, including snowmelt. (C)
35. Storm Water Collection System: A separate network of gutters, ditches, swales, pipes and inlets which receives discharges of storm water and/or conveys surface water, subsurface drainage or storm water from buildings, grounds, parking lots, streets, etc. but excludes wastewater. (C)
36. Suspended Solids: Total suspended matter that either floats on the surface of, or is suspended in, wastewater and that is removable by laboratory filtering as prescribed in 40 CFR Part 136. (C)

(C) – Indicates Change

37. Tariff: All of the service rates, charges, rules and regulations issued by the City together with any supplements or revisions thereto, officially approved by the Commission and contained in this document. (C)
38. Total Solids: Solids determined by evaporating at one hundred (100) degrees centigrade a mixed sample of wastewater as determined pursuant to the procedures set forth in 40 CFR 136. Total Solids include floating solids, suspended solids, settled solids and dissolved solids. (C)
39. Toxic Substance: Any substances where gaseous liquid or solid waste which, when discharged to the City's facilities in sufficient quantities, will be detrimental to any biological wastewater treatment process, constitute a hazard to human beings or animals, inhibit aquatic life, or create a hazard to recreation in receiving waters of the effluent from the wastewater treatment plant, or as defined pursuant to PL 92-500 (Federal Water Pollution Control Act Amendments of 1972) or its amendments. (C)
40. Waste: Refers to any sewage, industrial waste or holding tank waste, or any substance defined as waste by state or federal regulations. (C)
41. Wastewater: A combination of the water-carried wastes from an improved property, together with such ground, surface and storm water as may be present in the City's sewer system. (C)
42. Wastewater System: All facilities, at any particular time, acquired, constructed, operated, and/or owned by the City, for collecting, transporting, pumping, treating and disposing of wastewater. (C)

(C) – Indicates Change

PART III. RULES AND REGULATIONS

1.0 CONDITIONS OF SERVICE

1.1 Compliance with Rules and Regulations

No connection shall be made, either directly or indirectly, to the City Sewer System until all requirements of the rules and regulations have been met. No connection or Customer Service Line, through which sanitary sewage does or may enter the City Sewer System, shall be constructed, altered, repaired, or allowed to exist, which does not comply with the rules and regulations.

1.2 Application for Service

All applications for sewage service must be made, in writing, on a form provided by the City. The application and its acceptance by the City shall constitute a contract between the City and the applicant, obligating the applicant to pay rates, as established from time to time, and to comply with rules and regulations, as established from time to time. Connection permits shall be issued by the City upon approval of the application for sewage service.

1.3 Change in Ownership or Tenancy

A new application must be made to the City upon any change in ownership where the owner of the property is the customer, or upon any change in the identity of a lessee where the lessee of the property is the customer. The City shall have the right to discontinue or otherwise interrupt wastewater service in accordance with 52 Pa. Code § 56.91, if a new application has not been made and approved for the new customer. (C)

(C) – Indicates Change

1.4 Application Form:

An Application for Service form can be obtained at the City's local business office, presently located at 39 West Chestnut Street. (C)

1.5 Temporary Service:

In the case of temporary service for short-term use, the City may require the customer to pay all costs of making the City service lateral connection and for its removal/abandonment after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. (C)

1.6 Requirement for Customer Service Lines

Sewage service shall be furnished through the City Sewer System under the following conditions: (1) the owner of premises to be served shall have installed a Customer Service Line, at the owner's expense, and (2) the Control Authority shall have inspected said Customer Service Line and approved such facilities as complying with the rules and regulations. (C)

1.7 Individual Customer Service Lines

Each property must have its own individual Customer Service Line. Each side of a double house shall be considered separate property. (C)

(C) – Indicates Change

1.8 Maintenance and Repair of Customer Service Lines

All Customer Service Lines shall be maintained and repaired at the cost of the owner of the premises served, and such repairs shall be subject to the direction, approval and inspection of the Control Authority. (C)

1.9 Inspection of Customer Service Lines and Sewage

The City, by its agents and employees, shall have the right, at all reasonable times, to enter any premises connected with or about to be connected with the City Sewer System, to inspect Customer Service Lines, sources and nature of sewage and all fixtures and facilities from which sanitary sewage may be discharged into the City Sewer System in order to enforce compliance with the rules and regulations. (C)

1.10 Prohibited Flow - Sanitary Sewage

No flow, other than sanitary sewage, shall be turned into or permitted to enter the City Sewer System, and no connection fixture, device, opening or condition shall be allowed to exist which would permit any flow, other than sanitary sewage, to enter the City Sewer System.

1.11 Connection to City Sewer System or Extension of Existing Sewer System

Any municipality, person, firm, or corporation which constructs or intends to construct a system of sewers or any extension of any existing system of sewers and who wishes to connect such sewers with the City Sewer System, either directly or indirectly, shall do so in accordance with the provisions of these rules and regulations, and the laws of the Commonwealth relating thereto. Before any such connection or addition shall be made, two copies of the maps or drawings of such system or addition to a system, must be furnished to the Control Authority and must be approved by the Control Authority. All properties served by such system, connected with the City Sewer System, shall become subject to the provisions contained in the rules and regulations, and the furnishing of sewage service to such properties shall be at the rates and charges provided in the tariffs of the City. (C)

(C) – Indicates Change

1.12 Customer Service Lines (C)

1.12.1 Plans and Specifications

Before connecting any proposed drainage or sewers directly or indirectly with the City Sewer System or before making any material alterations of existing drainage or sewers, connected directly or indirectly with the City Sewer System, plans and specifications shall be submitted to the Control Authority, unless such requirement is waived by the Control Authority, showing proposed construction or existing plumbing, as applicable, and, in the case of commercial or industrial establishments, a statement as to the nature of sanitary sewage to be drained shall also be submitted. The Control Authority shall approve or reject such plans and specifications (in writing, if requested) within seven (7) days where reasonably practicable. If the plan is rejected the applicant will have to file a new application. If the plan is approved the approval will last up to one year. If the connection has not been completed within twelve (12) months, the approval will lapse and applicant will have to submit a new approval request. (C)

The size, slope, alignment and materials of construction of a building sewer and the methods to be used in excavating, placing of the pipe, joining, testing and backfilling the trench shall all conform to the requirements of the Uniform Building Code and Plumbing Code and other applicable rules and regulations deemed necessary by the City. The Control Authority may require reconstruction of any work done improperly that in the City's opinion does not meet the recognized standards. (C)

1.13 Special Devices and Treatment (C)

1.13.1 Requirement of Special Devices

All sewage and authorized industrial waste may be discharged to the sewerage system, except those which are deemed harmful to the system by the Control Authority or are specifically prohibited by this section. (C)

If any proposed or present discharge of waste to the sewerage system containing the substances or possessing the characteristics enumerated in this section which, in the judgment of the Control Authority, may have deleterious effect upon the sewerage system, receiving water or sludge management practices or which otherwise creates a hazard to life or constitutes a public

(C) – Indicates Change

- nuisance, the Control Authority may, upon giving notice to the discharger: (C)
- a) Reject the waste. (C)
 - b) Require pretreatment to reduce characteristics to maximum limits permitted by those regulations. (C)
 - c) Require control over the quantities and rates of discharge. (C)
 - d) Require immediate discontinuance of the waste discharge until such time as it meets the requirements of those regulations. (C)

No person shall discharge or cause to be discharged any stormwater, surface water, groundwater, roof runoff, subsurface drainage, uncontaminated cooling water or unpolluted industrial process waters to any sanitary sewer. Where existing surface water or roof drains are connected to the sanitary sewers they shall be removed within six months of receipt of notice from the City to remove such connections. In the event that such connection is not removed, the City shall cause it to be removed at the owner's expense. Groundwater from site contamination cleanup may be authorized by the Control Authority subject to the sewer system regulations as industrial waste. (C)

1.13.2 Prohibited Wastes - Special Treatment (C)

A. Except as hereinafter provided no person shall discharge (or cause or permit to be discharged) into the sewerage system (including any sanitary sewer, storm sewer or combined sewer) any sewage, industrial waste or other matter or substance possessing the following characteristics and properties: (C)

1. That could cause interference or pass-through, alone or in conjunction with a waste or wastes from other sources. (C)

2. Has a temperature higher than 150° Fahrenheit, or contains heat in amounts which will inhibit biological activity in the sewer treatment plant resulting in interference, but in no case heat in such quantities that the temperature of the influent to the sewage treatment plant exceeds 104° Fahrenheit, or inhibits the biological activity of the sewer treatment plant. (C)

3. Contains more than 300 mg/l of oil and grease, of which no more than 100 mg/l of oil and grease if the oil and grease is of unknown or petroleum origin, or more than 200 mg/l of oil or grease, if the oil and grease is determined to be of an animal or vegetable origin. The differentiation between oil and grease of animal or vegetable origin and

(C) – Indicates Change

those petroleum origin shall be made by the control authority according to approved procedures outlined in 40 CFR Part 136. (C)

4. Contains any gasoline, benzene, naphtha, fuel oil, paint products, acid or other flammable or explosive liquids, solids or gases. (C)

5. Has a closed cup flashpoint of less than 140° Fahrenheit. as determined by a method listed under 40 CFR Part 261.21. At no time shall two successive readings on an explosion hazard meter at the point of discharge into the system (or at any point in the system) be more than 5%, nor any single reading over 10%, of the lower explosive limit (LEL) of the meter. (C)

6. Contains unground garbage. (C)

7. Contains but is not limited to any ashes, cinders, sand, clay, mud, straw, shavings, metals, glass, rags, feathers, tar, plastics, wood, whole blood entrails, manure, lye, building materials, rubber, hair, bones, leather, proclaim, china, ceramic wastes or other solid or viscous substance capable of causing obstruction or other interference with the operation of the sewerage system. (C)

8. Has a pH, stabilized, lower than 5.5 or higher than 11.0 or has any other corrosive or scale-forming properly capable of causing damage or hazard to structures, equipment, bacterial action or personnel involved with the sewerage facility. (C)

9. Contains any pollutant or oxygen demand (biological or chemical) discharged at such a flow rate that could cause interference or pass-through. (C)

10. Contains total solids, no filterable residue or BOD of such character or quantity that unusual attention or expense is required to handle such materials in the sewerage system except as may be authorized by the Control Authority; may require analytical characterization to define the nature of the total solids. (C)

11. Contains any noxious or malodorous gas or substance which, alone or by interaction with other wastes, is capable of creating a public nuisance or hazard to life or preventing entry into sewers for their maintenance and repair. The discharge of wastes that result in gases, vapors or fumes in quantities that could cause worker health or safety problems at the sewer treatment plant is specifically prohibited. (C)

12. Contains any dye, pigment or coloration that could cause interference or pass-through. (C)

(C) – Indicates Change

13. Contains radioactive substances and or isotopes of such half-life or concentration as may exceed limits in compliance with applicable state or federal regulations. (C)
14. Has a chlorine demand in excess of 12 mg/l. (C)
15. Is prohibited by any permit issued by the Department of Environmental Protection or the Environmental Protection Agency. (C)
16. Contains wastes that are not amenable to biological treatment or reduction in existing treatment facilities, specifically non-biodegradable complex carbon compounds. (C)
17. Constitutes a sludge discharge as defined in the definition section of this tariff or violates Section 1.14.3. Sludge Discharge Control and Notification. (C)
18. Contains wastes which may cause the sewage treatment plant sludge or other residues to be unsuitable for reclamation, reuse or disposal by land application for agricultural utilization in normal farming operations in accordance with sludge use or disposal criteria, guidelines or regulations as are currently in effect (or any future updates or additions thereto) and are applied to or imposed upon the City by DEP and/or EPA and applicable to such land application of sludge or such other sludge management method used by the City. (C)
19. Contains any of the following pollutants in excess of these technically based local limits, as determined by one of the acceptable methods described in 40 CFR Part 136:

| Parameter | Maximum Daily Limit (mg/l) |
|------------|----------------------------|
| Arsenic | 0.3 |
| Cadmium | 0.2 |
| Chromium | 2.6 |
| Copper | 4.8 |
| Cyanide | 0.6 |
| Lead | 1.2 |
| Mercury | 0.005 |
| Molybdenum | 0.9 |
| Nickel | 3.1 |
| Selenium | 0.4 |
| Silver | 2.1 |
| Zinc | 4.7 |

(C) – Indicates Change

20. Contains any substance that will cause sewage treatment plant's effluent to violate the NPDES permit under which it operates or the water quality standards established for the Conestoga River. (C)

B. Industrial waste may be subject to national pretreatment standards specifying quantities or concentrations of pollutants or pollutant properties which may be discharged to the sewerage system by existing or new industrial users in specific industrial subcategories. These categorical standards, established in separate regulations under 40 CFR Chapter I, Subchapter N Parts 405 to 471, are hereby incorporated into these regulations and shall be in addition to any pretreatment standards and requirements stated explicitly in these regulation. The Control Authority may apply the following provisions where appropriate to modify the manner in which the categorical pretreatment standards are applied: (C)

1. Categorical pretreatment standards expressed only in terms of either mass or concentration of a pollutant in waste may be covered to equivalent concentration or mass limits in accordance with 40 CFR Part 403.6(c); (C)

2. The combined waste stream formula may be used to impose alternative limits in accordance with 40 CFR Part 403.6(e); (C)

3. Variance from categorical pretreatment standards may be obtained in cases of fundamentally different factors regarding limits developed by EPA, if proven by the user in accordance with 40 CFR Part 403.13; (C)

4. A net gross adjustment to a categorical pretreatment standard may be obtained by the user in accordance with 40 CFR Part 403.15. (C)

C. If the Control Authority determines that a waste from any significant industrial user poses a potential for pass-through or interference due to quality or quantity of the discharge, the Control Authority may place special requirements or limits, in addition to or more stringent than those contained in this article, in any industrial waste discharge permit to prevent such pass-through or interference. Such individual control limits may include but are not limited to solvent/organic management plans (STOMPs), toxic reduction evaluation plans (TREs), hazardous waste disposal plans, sludge discharge control plans or more stringent specific numerical limitations on substances. (C)

(C) – Indicates Change

D. Where preliminary treatment flow equalizing facilities are provided for any water or wastes, they shall be maintained continuously in satisfactory and effective operation by the owner, at his expense, and shall be accessible for inspection and testing by the Control Authority. (C)

E. No person shall ever increase the use of process water or in any way attempt to dilute a discharge as a partial or complete substitute for adequate pretreatment to achieve compliance with the limitations contained in the national pretreatment standards or in any other pollutant-specific limitation developed by the City. (C)

F. Except as otherwise provided, discharge of gas trap wastes in quantities that could, in the opinion of the City, cause interference or pass-through at the sewage treatment plant or could otherwise cause operational problems at the sewage treatment plant (including its collection system) is prohibited. In addition, petroleum oil, no biodegradable cutting oil or products of mineral oil origin in amounts causing interference or pass-through at the sewage treatment plant is prohibited. (C)

G. Grease, oil and sand interceptors or traps shall be provided where, in the opinion of the Control Authority, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts or any flammable wastes, sand or other harmful ingredients. All interceptors shall be of a type and capacity acceptable to the Control Authority and shall be located as to be readily and easily accessible for cleaning and inspection. (C)

H. The use of mechanical garbage grinders producing a finely divided mass, properly flushed with an ample amount of water, shall be permitted upon the condition that no such mechanical garbage grinder to serve premises used for commercial purposes shall be installed until permission for such installation shall have been obtained from the Control Authority upon written application therefore. (C)

I. Holding tank waste containing more than 2,000 mg/l solids may be classified as septage or industrial sludge and shall meet the current Pennsylvania guidelines for agricultural use of sewage sludge in order to be accepted. Acceptance of this material may be contingent on the status of any special equipment or operations required for treatment, and the decision of acceptance shall be made by the Control Authority. (C)

(C) – Indicates Change

1.13.3. Sludge Discharge Control and Notification (C)

A. All significant industrial users shall provide and maintain, at their own expense, facilities adequate, in the judgment of the Control Authority, to prevent accidental discharge of prohibited and/or regulated substances and/or sludge discharges and to protect the sewerage system from damages caused by such substances. No industrial user which commences discharge to the sewerage system after the effective date of this section shall be permitted to introduce pollutants into the sewerage system until the Control Authority has reviewed and approved that user's accidental discharge prevention or sludge prevention procedures (if those procedures are required by the Control Authority). If the Control Authority decides that a sludge control plan is needed, the plan shall contain, at a minimum, the elements required in 40 CFR Part 403.8(f)(2)(vii). (C)

B. In the case of an accidental discharge to the sewerage system of any prohibited or regulated substance in such quantity or concentration that may result in violation of this regulation, the user shall immediately telephone and notify the Control Authority of the accident. The notification shall include information regarding the location of the discharge, the type of pollutants involved, the concentration and volume of the discharge and corrective actions taken and/or contemplated. (C)

C. Within five (5) working days following an accidental discharge, the user shall submit to the Control Authority a detailed written report describing the cause of the discharge and measures to be taken by the user to prevent similar future occurrences. Such notification shall not relieve the user of any expense, loss, damage or other liability which may be incurred as a result of damage to the sewerage system, fish kills or any other damage to person or property, nor shall such notification relieve the user of any fines, civil penalties or other liability which may be imposed by this article or other applicable law. 1.13.3. Sludge Discharge Control and Notification (C)

1.13.4 Industrial Waste Surcharges (C)

In the event that the City agrees to accept the discharge of industrial waste from a customer or waste generator into the sewer system which has a biochemical oxygen demand (BOD) concentration greater than 250 milligrams per liter and/or a total suspended solids (SS) concentration greater than 250 milligrams per liter and/or a total nitrogen (TN) concentration greater than 30 milligrams per liter and/or a total

(C) – Indicates Change

phosphorous (TP) concentration greater than 10 milligrams per liter, the following surcharge shall be applicable for the BOD in excess of 250 milligrams per liter, SS in excess of 250 milligrams per liter, TN in excess of 30 milligrams per liter and TP in excess of 10 milligrams per liter: (C)

- a) BOD: \$0.30 per pound (I)
- b) SS: \$0.30 per pound (I)
- c) TN: \$0.45 per pound (I)
- d) TP: \$0.45 per pound (I)

The surcharge shall be computed in accordance with the following formula: (C)

- a) BOD surcharge: (I)

Volume of discharge (gallons) x 0.00000834 x \$0.30 x (quarterly average concentration – 250 mg/L)

- b) SS surcharge: (I)

Volume of discharge (gallons) x 0.00000834 x \$0.30 x (quarterly average concentration – 250 mg/L)

- c) TN surcharge: (I)

Volume of discharge (gallons) x 0.00000834 x \$0.45 x (quarterly average concentration – 30 mg/L)

- d) TP surcharge: (I)

Volume of discharge (gallons) x 0.00000834 x \$0.45 x (quarterly average concentration – 10 mg/L)

1.13.5 Sampling and Analysis (C)

A. When required by the Control Authority, the owner of any improved property serviced by a public sewer carrying industrial waste shall install, at his expense, a suitable control manhole, together with any such necessary meters or appurtenances to facilitate observation, sampling and measurement of the waste. (C)

(C) – Indicates Change
(I) – Indicates Increase

The control manhole shall be accessible at all times to the Control Authority or designated representatives. In cases where the City has made no special requirement for a control manhole, the control manhole shall be considered to be the nearest downstream manhole in the public sewer to the point at which the building sewer is connected. The control manhole shall allow the sampling of the discharge from an individual user, separate from any combined flow from any upstream users. (C)

B. All measurements, tests, and analyses of the characteristics of waters and wastes to which reference is made in this article shall be determined in accordance with procedures contained in 40 CFR Part 136 and shall be determined by or under the direct supervision of a qualified analyst at the control manhole provided or upon suitable samples taken at such control manhole. Sampling shall be carried out by customarily accepted methods to reflect the effect of constituents upon the sewerage system and to determine the existence of hazards to life, limb or property. The particular analysis involved will determine whether a composite of all outfalls on a premises is appropriate or whether a grab sample or samples be taken. Sampling shall be done as to provide data representative of conditions occurring during any particular time within the period covered by the self-monitoring report. All sampling performed shall be done on different days of the week than was done during the previous calendar quarter for the self-monitoring report. (C)

1) Except as indicated in subsections B(2) and (3) below, the user must collect wastewater samples using twenty-four-hour flow proportional composite sampling techniques, unless time-proportional composite sampling or grab sampling is authorized by the Control Authority. Where time-proportional composite sampling or grab sampling is authorized by the Control Authority, the Samples must be representative of the discharge. Using protocols (including appropriate preservation) specified in 40 CFR Part 136 and appropriate EPA guidance, multiple grab samples collected during a twenty-four-hour period may be composited prior to the analysis as follows: for cyanide, total phenols and sulfides, the samples may be composited in the laboratory or in the field; for volatile organics and oil and grease, the samples may be composited in the laboratory. Composite samples for other parameters unaffected by the compositing procedures as documented in approved EPA methodologies may be authorized by the Control Authority, as appropriate. In addition, grab samples may be required to show compliance with instantaneous limits. (C)

(C) – Indicates Change

2) Samples for oil and grease, temperature, pH, cyanide, total phenols, sulfides and volatile organic compounds must be obtained using grab collection techniques. (C)

3) For sampling required in support of baseline monitoring and ninety-day compliance reports required in 40 CFR Part 403.12(b) and (d), a minimum of four grab samples must be used for pH, cyanide, total phenols, oil and grease, sulfide and volatile organic compounds for facilities for which historical sampling data do not exist; for facilities for which historical sampling data are available, the Control Authority may authorize a lower minimum. For the reports required by 40 CFR Part 403.12(e) and (h), the user is required to collect the number of grab samples necessary to assess and assure compliance with applicable pretreatment standards and requirements. (C)

C. If sampling performed by an industrial user indicates a violation, the user shall notify the City within 24 hours of becoming aware of the violation. The user shall also repeat the sampling and analysis and submit the results of the repeat analysis to the City within 30 days after becoming aware of the violation, except if notified by the Control Authority that an alternative re-sampling and analysis frequency is required. (C)

D. The owner of any improved property connected to the sewerage system shall provide the Control Authority or designated representatives and agents the opportunity of access at any time to any part of any improved property served by the sewerage system as shall be required for purposes of inspection, measurement, sampling and testing and for performance of other functions relating to service rendered by the City in regard to the sewerage system. (C)

E. The foregoing provisions and requirements for sampling, flow measurements, testing and inspection shall apply to discharges to sanitary sewers, storm sewers and combined sewers. Fees for inspection, sampling and testing shall be as established by the City. (C)

1.13.6 Penalties (C)

The City reserves the right to deny wastewater service for violation of any provision of these regulations, subject to PA PUC rules and regulations. (C)

(C) – Indicates Change

1.13.7 Damage to System and Indemnification (C)

In the event of any damage to the City's wastewater system caused by a customer, such damage shall be immediately reported to the City and said customer shall reimburse the City for the costs and repairs. (C)

1.13.8 Emergency Termination of Service (C)

If a violation consists of the discharge of an explosive or flammable material or any other material which is highly toxic or creates a toxic gas so that there is imminent danger to the personnel, property or treatment process of the City, or to the public or the environment, then the City shall take whatever action is necessary in order to halt service and to protect life and property. (C)

In the event of a prohibited discharge into the City's system the customer should immediately report such discharge to the Customer Service Line at (717) 735-3425. The customer will be responsible for any system repairs caused by the prohibited discharge. (C)

1.13.9 Approval of Pretreatment Devices (C)

All grease traps, sand traps, or other devices for pretreatment of sanitary sewage or industrial wastes shall be subject to the approval of the Control Authority prior to installation.

2.0 DISCONTINUANCE, TERMINATION AND RESTORATION OF SERVICE (C)

2.1 Sewer Rental Charges - Discontinuance of Service (C)

Sewer rental charges shall accrue and be payable for all periods during which sewage service is furnished. Any customer may discontinue sewage service by giving the City notice not less than twenty-four (24) hours prior to such discontinuance and shall continue to be responsible for all sewer rental charges until such notice is given. (C)

2.2 Termination by City (C)

Service to the customer may be terminated for good cause, including, but not limited to the following:

(C) – Indicates Change

- (a) making an application for service that contains material misrepresentations; (C)
- (b) failure to repair any known leaks in customer service line; (C)
- (c) connecting, or failure to remove the connection, of any source of storm water, surface water, ground water, roof runoff and/or uncontaminated water from air-conditioning system, swimming pools and so forth; (C)
- (d) tampering with any customer service line, lateral connection, or installing or maintaining any unauthorized connection; (C)
- (e) theft of service, which shall include taking service without having made a proper application for service under **Part III Rule 1**; (C)
- (f) failure to pay, when due, any charges accruing under this tariff; (C)
- (g) discharge of any prohibited substance listed in the tariff under **Part III Rule 1.13.2** into the City's system; (C)
- (h) failure to allow the City reasonable access to customer's property to inspect, investigate, read, sample, notify, maintain, repair, shutoff, etc.; (C)
- (i) receipt by the City of any order or notice from the Department of Environmental Protection, a health agency, local code enforcement officer, or other similar authority, to terminate service to the property served on the grounds of violation of any law or ordinance, or upon notice to the City from any such authority that it has ordered an existing violation on the property to be corrected and that such order has not been complied with; (C) or
- (j) material violation of any provision of this tariff. (C)

2.3 Notice (C)

The City will notify the customer in writing when a condition(s) that warrants termination is discovered. Notice of termination will be given in such a manner as may be specified in the Commission Regulations 52 Pa. Code §§56.91-56.100 (C)

(C) – Indicates Change

2.4 Timing (C)

Service will be terminated without notice for violation of Rule 2.2(d) and (e) of this Section. A reasonable time will be allowed to investigate, correct or cure the condition(s) specified when the customer provides written notification to the City of a realistic time schedule. A customer who does not notify the City is subject to having its service terminated without further notice from Monday through Friday. The termination of service may also include the termination of water service to the premise. (C)

Restoration of Service (C)

2.5 Conditions of Restoration (C)

Whenever service is discontinued by termination pursuant to **Rule 2.2** of this Section, service shall be permitted by the City upon payment by the customer of a billing service restoration charge and/or the curing of the problem(s) that gave rise to the termination. (C)

2.6 Timing (C)

When service to a customer has been terminated and, provided the Customer has met applicable conditions, the City shall reconnect service by close of the next business day unless there are extenuating circumstances. (C)

2.7 Damages (C)

The City shall not be liable for any damage or expense, occurring to or within any premises, resulting from leaks or stoppage in the City Sewer System or from any other cause. (C)

3.0 TERMS (C)

3.1 Quarterly Bill Delinquency as a Cause for Termination of Service (C)

Bills shall be rendered and shall be due and payable for sewage service rendered during the previous period, in accordance with the City's filed rates. If bills are not paid within thirty-five (35) days after they have been rendered, said bills shall be considered delinquent, and the City may, after due notice, in accordance with 52 Pa.

(C) – Indicates Change

Code §56.81, shut off water service to such property and shall restore water service upon payment of all delinquent bills, together with a charge of \$83.00 for restoring sewage service. For a jurisdictional customer who receives both water and wastewater services only one restoration charge of \$83.00 will be charged when the City restores service. (C)

3.2 Late Payment Charge (C)

A late payment charge will be assessed to any customer who fails to pay all of the amount invoiced by the City in a timely manner as prescribed in **Section 3.1**. A late payment charge of one and fifty one-hundredths percent (1.50%) per billing period, not to exceed eighteen percent (18%) per annum, on any overdue amount will be assessed in the City's subsequent invoice. (C)

3.3 Billing Address (C)

The Billing Address is the current address on file with the City for the wastewater service account. (C)

3.4 Change in Billing Address (C)

Where a customer fails to notify the City of a change in billing address, the customer shall remain responsible to remit payment by the billing due date. (C)

3.5 Return Check Charges (C)

The customer will be responsible for the payment of a charge, for each time a check, presented to the City for payment on a customer's utility bill, for either wastewater or non-wastewater service, is returned by the payer bank for any reason including, but not limited to, insufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished, or unauthorized signature. This charge is in addition to any charge which may be assessed against the customer by his or her bank. (C)

3.6 Disputed Bills (C)

In the event of a dispute between the customer and the City with respect to any bill, the City will promptly make such investigation as may be required by the particular case and report the result to the customer. The customer is not obligated to pay the disputed amount during the pendency of the City's investigation.

(C) – Indicates Change

4.0 **DEPOSITS** (C)

4.1 **Residential Customers** (C)

(a) **New Applicants:** The City will provide service without requiring an initial deposit unless the applicant was terminated for nonpayment within the prior twelve (12) months or has an unpaid balance for prior service from the City. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service. (C)

(b) **Existing Customers:** If a customer has paid late on two (2) consecutive occasions or a total of three (3) times within the prior twelve (12) month period, the City may send a letter informing the customer that a deposit may be required if another late payment is received within the next twelve (12) months. An existing customer may be required to pay a deposit as a condition to having service restored after termination for non-payment or for failure to comply with a payment agreement. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service. (C)

(c) **Deposit Refunds:** A deposit will be refunded if service is discontinued and the final bill is paid or if the customer has paid the bills for the prior twelve (12) month period without having been late on more than two (2) occasions and is not currently delinquent. Interest on deposits will be paid at the rate governed by 52 Pa. Code §56.57. On deposits held for more than a year, the City will pay to the depositor, at the end of each calendar year, the interest accrued thereon.(C)

4.2. **Non-residential Customers** (C)

(a) **New Applicants:** An initial deposit may be required from any new applicant who does not have prior satisfactory credit history with the City. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service. (C)

(b) **Existing Customers:** Deposit requirements for existing non-residential customers shall be as established for residential customers in Rule 4.1 of this Section. (C)

(C) – Indicates Change

(c) **Deposit Refunds:** A deposit will be refunded if the customer pays all bills on time over a twelve (12) month period or if service is discontinued and the final bill has been paid. There will be no interest paid on deposits for nonresidential accounts.(C)

5.0 SERVICE CONTINUITY (C)

5.1 Regularity of Service (C)

The City may, at any time, interrupt service in case of accident or for the purpose of making connections, alterations, repairs or changes, or for other reasons. The City will, pursuant to Commission regulations at 52 Pa. Code § 67.1 and as circumstances permit, notify customer to be affected by service interruptions. The City reserves the right to restrict the use of wastewater collection service whenever the public welfare may require it. (C)

5.2 Liability for Damages (C)

(a) Responsibility for Owner's and Customer's Facilities – The City shall not be liable for any loss or damage caused by reason of any breaks, leaks, stoppages or other defects in a customer service line, pipes, joints, fixtures or other installations except where the expense or damage is a result of the negligence or willful misconduct of the City, its employees or agents. (C)

(b) Limitation of Damages for Service Interruptions – The City's liability to a customer for any loss or damage from any deficiency in the wastewater collection service due to any cause other than negligent or willful misconduct by the City, its employees or agents, shall be limited to an amount no more than the minimum charge per month bill or per quarter bill for the period in question. The City will undertake to use reasonable care and diligence in order to prevent and avoid interruptions in service, but does not guarantee that such will not occur. (C)

6.0 WAIVER (C)

The City may at its sole discretion, waive any of the Rules contained herein that operate for the benefit of the City, provided that no such waiver shall be valid unless in writing and signed by an authorized representative of the City, and provided that no waiver shall be allowed where the waiver would constitute a violation of the Public Utility Code, the regulations of the Commission or of any other applicable statute, law or regulation. (C)

(C) – Indicates Change

**7.0 INDUSTRIAL AND COMMERCIAL ESTABLISHMENTS SERVICE
LIMITATIONS (C)**

The U.S. Environmental Protection Agency (EPA) Regional Administrator has determined that the City needs a Pretreatment Program meeting the criteria established in Title 40 Code of Federal Regulations (CFR) Part 403. Therefore, the City's NPDES permit currently does require it to administer an approved Pretreatment Program to control the discharges from non-domestic sources. All industrial and commercial waste proposed for discharge into the City's system shall be studied to determine the degree of pretreatment, if any, necessary, in order that the waste will not adversely affect the collection system and/or the wastewater treatment facilities. The City will have the authority to properly control any waste discharged into its system by regulating the rate of any waste discharge, by requiring necessary equalization and/or pretreatment, and by excluding certain waste, if necessary, to protect the integrity of the system. (C)

7.1 Customer Limitations (C)

No commercial or industrial waste, whether pretreated or not, may be discharged without prior written authorization from the City. Customers specifically agree that service applies exclusively for domestic sanitary wastewater. If any customer discharges industrial or commercial waste that: (C)

- (a) the existing wastewater treatment plant is unable to satisfactorily treat; (C) or,
- (b) is not in compliance with discharge permit standards, disrupts the normal functioning of the existing wastewater treatment plant; (C) or,
- (c) is more costly to treat than typical domestic sanitary wastewater; (C) or,
- (d) requires the utilization of more wastewater treatment plant capacity per gallon of effluent than that required by average typical domestic sanitary wastewater, then; (C)

the customer shall provide at the customer's own expense, such primary treatment as may be necessary before such waste is discharged into the City's mains. (C)

7.2 City Limitations (C)

The City will not be liable nor bound to increase wastewater treatment plant capacity and/or operations to accommodate industrial or commercial waste. (C)

(C) – Indicates Change

7.3 Specific Dangers (C)

In general, any waste will be considered harmful to the City wastewater system if it may cause any of the following damaging effects: (C)

(a) chemical reaction either directly or indirectly with the materials of construction of the system in such a manner as to impair the strength or durability of the structures; (C)

(b) mechanical action that will destroy the structures; (C)

(c) restriction of the hydraulic capacity of the structures or system; (C)

(d) restriction of the normal inspection or maintenance of the structures or system; (C)

(e) danger to public health and safety; (C) or

(f) noxious condition contrary to public interest. (C)

8.0 AMENDMENT OF COMMISSION REGULATIONS (C)

Whenever Commission regulations in Title 52 of the Pennsylvania Code are duly amended in such a way as would produce a difference between Commission regulations and this tariff, this tariff is deemed to be amended so as to be consistent with the amendments to the regulations, except that if application of the amendment to Title 52 is discretionary this tariff will remain unchanged. (C)

9.0 PRIVILEGE TO INVESTIGATE/RIGHT OF ACCESS (C)

The City's authorized representatives or agents of the City shall have the right to access and/or enter at all reasonable hours the customer's private property including the access to all parts of any premise connected to the system, for the purpose of examining and inspecting connections and fixtures, including the water and/or wastewater metering arrangement, or for the disconnecting service for any proper cause. The inspections of premises will occur on a regular basis. The inspection of Commercial Establishments and Industrial Users may also occur at any hour the facility is in operation to aid in compliance monitoring. (C)

(C) – Indicates Change

10.0 RULE VARIANCE (C)

No employee of the City can vary these Rules and Regulations, and no authorized representatives, agent or employee of the City can bind it by an agreement or representation except when authorized in writing by the City delinquent account exceptions not withstanding. (C)

11.0 SEWER MAIN EXTENSIONS

11.1 General Provisions

(a) The Utility shall agree to the extension of existing sewer mains for any bona fide prospective Customer or Developer making application for sewerage service therefrom for a period of one (1) year or more under these Rules and Regulations. Such extensions will be made at the cost of such Customer(s) subject to the provisions of Subsection (b) below.

(b) When an extension to serve a bona fide prospective Customer or Developer is required or requested, such extension will be made under the terms of a "Non-Refundable Contribution Agreement," as hereinafter set forth. The Utility shall have the exclusive right to determine the type and size of mains to be installed and the other facilities required to render adequate service. All estimated or actual cost figures referred to in the "Non-Refundable Contribution Agreement" shall include a reasonable allowance for overhead costs.

The bona fide prospective Customer or Developer will either deposit with the Utility, upon notice that the Utility is prepared and able to go forward with the work, an amount in cash equal to the Estimated Cost, or alternatively, at the discretion of the Utility, the prospective Customer will be required to construct the main extension to the City's specifications and, after inspection and approval by the City, to transfer to the City said mains, free and clear. In the event that the Utility performs the work, the Estimated Cost of the Deposit shall include estimates of the cost of said main(s) and of any other facilities which the Utility shall have decided are required to render adequate service.

In the event that the bona fide prospective Customer or Developer performs the work, the Customer shall agree to indemnify and hold harmless the Utility concerning construction of the main extension.

(C) – Indicates Change

(c) For the purpose of this rule: (C)

"Bona fide prospective customer" shall mean any owner or lessee who is or will be the occupant of an existing developed premise abutting on that part of a street or public highway in which there is, or is to be, located a sewer main of the Utility, who shall file a signed application for a new sewer lateral to such premises and for sewerage service to begin immediately following installation for the sewer lateral. This definition does not include applicants for temporary service. (C)

"Developer" shall mean any owner, promoter, broker, builder, or contractor or similar individual or entity engaged in the development or improvement of real estate or in the construction of residences, as opposed to a person who will occupy the subject property or premises at the time permanent sewer service is established. (C)

"Sewer lateral" shall mean a pipe with appurtenances used to collect sewage from the customer's premises to the sewer main. C)

(e) Sewer lateral serving a premises shall not pass through or across any premises or property other than that to be supplied, and no laterals or plumbing in any premises shall be extended therefrom to adjacent or other premises. Sewer lateral connections will not be permitted to cross intervening properties even with the protection of easements. Only Customers owning property in fee which directly abuts a street wherein there is an existing main of the Utility will be permitted to attach a sewer lateral connection to the Utility's main for the purpose of discharging sewage. It is understood that such property owned in fee by the said prospective Customer shall be a complete standard building lot which complies with the existing zoning laws and regulations of the municipality in which such property is located. It is further understood that if such property owned in fee by a Customer is subsequently sold, the purchaser of such property will be entitled to receive sewer service upon compliance with all of the provisions of this tariff. (C)

(C) – Indicates Change

APPENDIX A-2

**PROPOSED TARIFF
(SETTLEMENT RATES AFTER OPEB TRUST)**

CITY OF LANCASTER

RATES AND RULES GOVERNING THE FURNISHING

OF SEWAGE SERVICE BY THE CITY OF LANCASTER,

OUTSIDE THE CORPORATE LIMITS OF SAID CITY,

IN PORTIONS OF THE TOWNSHIPS OF EAST LAMPETER,

EAST HEMPFIELD, LANCASTER, MANHEIM AND MANOR,

ALL LOCATED IN LANCASTER COUNTY, PENNSYLVANIA.

By: Patrick Hopkins
Business Administrator
Lancaster, Pennsylvania

NOTICE

THIS SUPPLEMENT MAKES INCREASES TO EXISTING RATES.
(SEE PAGE NO. 2)

CITY OF LANCASTER
Lancaster, Pennsylvania

Supplement No. 39 to
Sewer – PA P.U.C. No. 7
Twenty-Third Revised Page No. 2
Cancelling Twenty-Second Revised Page No. 2

**LIST OF INCREASES AND CHANGES
MADE BY THIS TARIFF**

INCREASES:

Supplement No. 39 increases rates by \$51,000 over existing rates. The volumetric rates are increased. Please refer to the Twentieth Revised Page No. 5.

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PART I - SCHEDULE OF CHARGES

1. General Service

Charges for wastewater treatment service shall be as follows: (I)

| Consumption of Water in Gallons per Month/ Quarter | | Rate per Thousand Gallons of Water |
|--|--------------------|---|
| First | 25,000/ 75,000 | \$4.3543 (I) |
| Next | 308,333/ 925,000 | \$2.9234 (I) |
| All Over | 333,333/ 1,000,000 | \$2.2246(I) |

Minimum charges:

| Size of Meter | Minimum Charge per Month/ per Quarter |
|------------------|---|
| 5/8" or 3/4" | \$4.35/ \$13.05 |
| 1" | \$13.06/ \$39.18 |
| 1 1/2" | \$26.13/ \$78.39 |
| 2" | \$43.54/ \$130.62 |
| 3" | \$87.09 /\$261.27 |
| 4" | \$123.63/ \$370.89 |
| 6" | \$212.24/ \$636.72 |
| 8" | \$350.39/ \$1,051.17 |
| 10" | \$478.08/ \$1,434.24 |
| 12" | \$708.15/ \$2,124.45 |

(I) – Indicates Increase

APPENDIX B-1

**PROOF OF REVENUES
(PRIOR TO OPEB TRUST)**

CITY OF LANCASTER - SEWER FUND

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 - SETTLEMENT RATES STEP 1

| Customer Classification (1) | Cost of Service | | Revenues, Present Rates | | Revenues, Settlement Rates | | Settlement Increase | |
|-----------------------------------|-------------------------------|----------------|-------------------------|----------------|----------------------------|----------------|---------------------|----------------------------|
| | Amount (Schedule B) (2) | Percent (3) | Amount (4) | Percent (5) | Amount (6) | Percent (7) | Amount (8) | Percent Increase (9) |
| <u>Inside City</u> | | | | | | | | |
| Residential | \$ 3,393,565 | 27.8% | \$ 4,038,099 | 34.0% | \$ 4,038,099 | 33.1% | \$ - | 0.0% |
| Commercial | 1,831,703 | 15.0% | 2,908,002 | 24.5% | 2,908,002 | 23.8% | - | 0.0% |
| Industrial | 291,934 | 2.4% | 429,295 | 3.6% | 429,295 | 3.5% | - | 0.0% |
| Municipal Partners | 5,219,292 | 42.8% | 3,549,906 | 29.9% | 3,549,906 | 29.1% | - | 0.0% |
| Total Inside City | \$ 10,736,495 | 88.0% | \$ 10,925,302 | 92.1% | \$ 10,925,302 | 89.4% | \$ - | 0.0% |
| <u>Outside City</u> | | | | | | | | |
| Residential | 805,440 | 6.6% | 482,716 | 4.1% | 685,349 | 5.6% | 202,633 | 42.0% |
| Commercial | 641,662 | 5.3% | 441,115 | 3.7% | 581,065 | 4.8% | 139,940 | 31.7% |
| Industrial | 23,425 | 0.2% | 17,822 | 0.2% | 23,359 | 0.2% | 5,538 | 31.1% |
| Total Outside City | \$ 1,470,528 | 12.0% | \$ 941,653 | 7.9% | \$ 1,289,763 | 10.5% | \$ 348,110 | 37.0% |
| Total Sales | \$ 12,207,023 | 100.0% | \$ 11,866,955 | 100.0% | \$ 12,215,055 | 100.0% | \$ 348,110 | 2.9% |
| Other Revenues | \$ 808,155 | | \$ 808,155 | | \$ 808,155 | | 0 | 0.0% |
| Total | \$ 13,015,178 | | \$ 12,675,110 | | \$ 13,023,220 | | \$ 348,110 | 2.7% |

CITY OF LANCASTER - SEWER FUND

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2012
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE FROM OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION - STEP 1

Pursuant To Subsection 53.52, (b)(4) and (c)(5) of Tariff Regulations

| Customer Classification (1) | Revenues Per Books, 12 Months Ended 31-Dec-11 (2) | Historic Test Year Pro Forma Adjustments Under Present Rates* (3) | | Historic Test Year Pro Forma Adjustments Under Present Rates* Ref. Amount (4) | Future Test Year Pro Forma Adjustments Under Present Rates (5) | | Future Test Year Pro Forma Present Rates 31-Dec-12 (6) | Under Settlement Rates, Supplement No. 38 to Tariff Sewer Pa-PUC No. 7 (7) | |
|-----------------------------|---|---|--------------|---|--|-----------------|--|--|---------------------------------------|
| | | R3 | R4 | | R8 | Ref. Amount (7) | | Pro Forma Present Rates 31-Dec-11 (8) | Pro Forma Present Rates 31-Dec-12 (9) |
| OUTSIDE-CITY | | | | | | | | | |
| Sewer Revenue | \$ 483,411 | \$ (386) | \$ 483,025 | R8 \$ (309) | \$ 482,716 | \$ 482,716 | \$ 202,633 | 42.0% | \$ 685,349 |
| Residential | 440,175 | 940 | 441,115 | | 441,115 | 441,115 | 139,940 | 31.7% | 581,055 |
| Commercial | 17,822 | - | 17,822 | | 17,822 | 17,822 | 5,538 | 31.1% | 23,359 |
| Industrial | | | | | | | | | |
| Total Sewer Revenue | 941,408 | 554 | 941,962 | 554 | 941,962 | 941,962 | 348,110 | 37.0% | 1,289,763 |
| Other Operating Revenues | 837 | | 837 | | 837 | 837 | | | 837 |
| Lien Costs | 3,443 | | 3,443 | | 3,443 | 3,443 | | | 3,443 |
| Rental Income | 11,267 | (11,267) | | | | | | | |
| Prior Year Expenditures | 799 | | 799 | | 799 | 799 | | | 799 |
| Sale of City Property | 362 | | 362 | | 362 | 362 | | | 362 |
| Interest Income | 4,503 | | 4,503 | | 4,503 | 4,503 | | | 4,503 |
| Misc. Income | 786 | | 786 | | 786 | 786 | | | 786 |
| Industrial Waste Permits | 7,231 | | 7,231 | | 7,231 | 7,231 | | | 7,231 |
| Industrial Waste Penalty | 21,072 | | 21,072 | | 21,072 | 21,072 | | | 21,072 |
| SLSA Operating Charges | 207 | | 207 | | 207 | 207 | | | 207 |
| Sewer Entrance | 33,234 | | 33,234 | | 33,234 | 33,234 | | | 33,234 |
| Industrial Waste Surcharge | | | | | | | | | |
| Total Other Revenues | 83,741 | (11,267) | 72,474 | (11,267) | 72,474 | 72,474 | | 0.0% | 72,474 |
| Total Outside City | 1,025,149 | (10,713) | 1,014,436 | (10,713) | 1,014,436 | 1,014,436 | 348,110 | 34.3% | 1,362,237 |
| Total Inside & Outside City | \$ 11,377,566 | \$ 1,300,207 | \$12,677,774 | \$ 1,300,207 | \$12,677,774 | \$12,677,774 | \$ 348,110 | 2.7% | \$ 13,023,220 |

CITY OF LANCASTER - SEWER FUND

SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS AS OF 12/31/2011
AND PRO FORMA REVENUES UNDER PROPOSED RATES AS OF 12/31/2012 - STEP 1

| (1) Customer Classification | (2) Revenues Per Books, 12/31/2011 | (3) Application of 2010 and 2011 Rates to Bill Analysis | (4)=(3)/(2) Adjustment Factor | (5) Application of Settlement Rates to Bill Analysis | (6)=(5)*(4) Adjusted Revenues at Settlement Rates | Historic Test Year | | Future Test Year | | | | | |
|-----------------------------------|---|---|-------------------------------------|--|---|-------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--|--|
| | | | | | | (7) Ref. Adj. Amount | (8) Ref. Adj. Amount | (9) Ref. Adj. Amount | (10) Ref. Adj. Amount | (11) Ref. Adj. Amount | (12) Ref. Adj. Amount | | |
| INSIDE-CITY | | | | | | | | | | | | | |
| Residential | \$ 2,696,865 | \$ 2,893,424 | 1,001,191 | \$ 4,003,832 | \$ 4,008,636 | R9 | \$ 1,074 | \$ 4,038,710 | R12 | \$ (1,611) | \$ 4,038,099 | | |
| Commercial | 2,097,740 | 2,095,245 | 1,001,191 | 2,875,763 | 2,883,192 | R8, R11 | 25,664 | 2,908,746 | R12 | (744) | 2,908,002 | | |
| Industrial | 514,153 | 313,779 | 1,001,191 | 428,784 | 429,295 | | | 429,295 | | | 429,295 | | |
| Total Inside | 5,308,762 | 5,302,448 | | 7,342,379 | 7,361,122 | | 26,828 | 7,377,750 | | (2,355) | 7,375,395 | | |
| OUTSIDE-CITY | | | | | | | | | | | | | |
| Residential | \$ 483,411 | \$ 482,836 | 1,001,191 | \$ 684,177 | \$ 684,962 | R10, R11 | \$ 795 | \$ 685,787 | R13 | \$ (438) | \$ 685,349 | | |
| Commercial | 440,175 | 439,652 | 1,001,191 | 580,364 | 581,055 | | | 581,055 | | | 581,055 | | |
| Industrial | 17,822 | 17,800 | 1,001,191 | 23,331 | 23,359 | | | 23,359 | | | 23,359 | | |
| Total Outside | 941,408 | 940,288 | | 1,287,873 | 1,289,406 | | 795 | 1,290,201 | | (438) | 1,289,763 | | |
| Total Sewer Revenue | \$ 6,250,170 | \$ 6,262,736 | | \$ 8,630,252 | \$ 8,640,528 | | \$ 27,423 | \$ 8,667,951 | | \$ (2,793) | \$ 8,665,158 | | |

CITY OF LANCASTER

SUMMARY OF PRESENT AND SETTLEMENT RATES

| | Present Rates | | Settlement Rates - Step 1 | |
|--------------------------|---------------|----------|---------------------------|----------|
| | Inside | Outside | Inside | Outside |
| Minimum Charge | | | | |
| Quarterly | | | | |
| 5/8" | \$ 13.53 | \$ 12.20 | \$ 13.53 | \$ 13.05 |
| 3/4" | 13.53 | 12.20 | 13.53 | 13.05 |
| 1" | 32.56 | 29.35 | 32.56 | 39.18 |
| 1 1/2" | 61.60 | 55.54 | 61.60 | 78.39 |
| 2" | 99.89 | 90.05 | 99.89 | 130.62 |
| 3" | 195.35 | 178.11 | 195.35 | 261.27 |
| 4" | 308.02 | 277.67 | 308.02 | 370.89 |
| 6" | 616.02 | 555.34 | 616.02 | 636.72 |
| 8" | 685.62 | 888.53 | 685.62 | 1,051.17 |
| 10" | 1,311.24 | 1,182.07 | 1,311.24 | 1,434.24 |
| 12" | | 1,585.08 | - | 2,124.45 |
| Monthly | | | | |
| 5/8" | 4.51 | 4.07 | 4.51 | 4.35 |
| 3/4" | 4.51 | 4.07 | 4.51 | 4.35 |
| 1" | 10.85 | 9.78 | 10.85 | 13.06 |
| 1 1/2" | 20.53 | 18.51 | 20.53 | 28.13 |
| 2" | 33.30 | 30.02 | 33.30 | 43.54 |
| 3" | 65.12 | 58.70 | 65.12 | 87.09 |
| 4" | 102.67 | 92.56 | 102.67 | 123.63 |
| 6" | 205.34 | 185.11 | 205.34 | 212.24 |
| 8" | 228.54 | 296.18 | 228.54 | 350.39 |
| 10" | 437.08 | 394.02 | 437.08 | 478.08 |
| 12" | | 528.36 | | 708.15 |
| Volumetric Charge | | | | |
| First 75 (25 Monthly) | 5.0088 | 2.9254 | 5.0068 | 4.1840 |
| Next 925 (308 Monthly) | 3.7754 | 2.2059 | 3.7754 | 2.8091 |
| Over 1,000 (333 Monthly) | 2.8139 | 1.6442 | 2.8139 | 2.1376 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement- Step 1 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|--------------------|-------------|----------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Residential - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 6/8" | 1,604 | 3,891 | 12.20 | 18,349 | 1,009 | 1,711 | 13.05 | 13,167 |
| 3/4" | 125 | 270 | 12.20 | 1,525 | 91 | 134 | 13.05 | 1,188 |
| 1" | 139 | 655 | 29.35 | 4,080 | 118 | 845 | 39.18 | 4,623 |
| 1 1/2" | 12 | 103 | 55.54 | 866 | 12 | 103 | 78.39 | 941 |
| 2" | 8 | 79 | 90.05 | 720 | 8 | 79 | 130.62 | 1,045 |
| Total - Minimum | 1,788 | 4,998 | | 25,340 | 1,238 | 2,072 | | 20,904 |
| First 75 | 10,665 | 154,549 | 2.9254 | 452,118 | 11,215 | 166,875 | 4.1840 | 666,365 |
| Next 925 | 50 | 2,438 | 2.2059 | 5,378 | 50 | 2,438 | 2.8091 | 8,848 |
| Over 1,000 | 0 | 0 | 1.6442 | 0 | 0 | 0 | 2.1376 | 0 |
| | <u>10,715</u> | <u>166,987</u> | | <u>457,496</u> | <u>11,265</u> | <u>169,313</u> | | <u>683,214</u> |
| Total Residential | 12,503 | 161,985 | | 482,836 | 12,503 | 161,985 | | 684,177 |
| <u>Commercial - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 110 | 211 | 12.20 | 1,342 | 89 | 127 | 13.05 | 1,181 |
| 3/4" | 22 | 60 | 12.20 | 288 | 16 | 36 | 13.05 | 209 |
| 1" | 82 | 331 | 29.35 | 2,407 | 79 | 301 | 39.18 | 3,095 |
| 1 1/2" | 21 | 177 | 55.54 | 1,188 | 21 | 177 | 78.39 | 1,845 |
| 2" | 37 | 521 | 90.05 | 3,332 | 37 | 521 | 130.62 | 4,833 |
| Total - Minimums | 272 | 1,300 | | 8,515 | 242 | 1,162 | | 10,945 |
| First 75 | 400 | 13,215 | 2.9254 | 38,058 | 498 | 13,353 | 4.1840 | 55,888 |
| Next 925 | 40 | 1,244 | 2.2059 | 2,744 | 40 | 1,244 | 2.8091 | 3,486 |
| Over 1,000 | 0 | 0 | 1.6442 | 0 | 0 | 0 | 2.1376 | 0 |
| | <u>446</u> | <u>14,459</u> | | <u>41,403</u> | <u>478</u> | <u>14,597</u> | | <u>59,383</u> |
| Subtotal | 718 | 16,759 | | 49,919 | 718 | 15,759 | | 70,308 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement- Step 1 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|--------------------|-------------|----------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Commercial - Monthly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 0 | 0 | 4.07 | 0 | 0 | 0 | 4.35 | 0 |
| 3/4" | 0 | 0 | 4.07 | 0 | 0 | 0 | 4.35 | 0 |
| 1" | 24 | 0 | 9.78 | 235 | 24 | 0 | 13.08 | 313 |
| 1 1/2" | 2 | 4 | 18.51 | 37 | 2 | 4 | 26.13 | 52 |
| 2" | 36 | 179 | 30.02 | 1,081 | 36 | 179 | 43.54 | 1,587 |
| 3" | 2 | 33 | 58.70 | 117 | 2 | 33 | 87.09 | 174 |
| 4" | 2 | 7 | 92.68 | 185 | 2 | 7 | 123.63 | 247 |
| 6" | 18 | 544 | 186.11 | 3,332 | 17 | 480 | 212.24 | 3,808 |
| 8" | 1 | 82 | 298.18 | 298 | 1 | 82 | 350.39 | 350 |
| Total - Minimums | 85 | 848 | | 5,283 | 84 | 785 | | 6,313 |
| First 25 | 139 | 21,134 | 2.9254 | 61,826 | 139 | 21,158 | 4.1840 | 88,629 |
| Next 308 | 642 | 73,788 | 2.2059 | 162,789 | 643 | 73,827 | 2.8081 | 207,387 |
| Over 333 | 107 | 97,224 | 1.0442 | 159,856 | 107 | 97,224 | 2.1376 | 207,826 |
| | 888 | 192,146 | | 384,450 | 889 | 192,210 | | 503,743 |
| Subtotal | 973 | 192,995 | | 388,733 | 973 | 192,995 | | 510,066 |
| Total Commercial | 1,861 | 208,754 | | 439,852 | 1,861 | 208,764 | | 580,304 |
| <u>Industrial - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 0 | 0 | 12.20 | 0 | 0 | 0 | 13.05 | 0 |
| 1" | 3 | 24 | 29.35 | 88 | 3 | 24 | 39.18 | 118 |
| 1 1/2" | 1 | 1 | 55.54 | 56 | 1 | 1 | 78.39 | 78 |
| 2" | 0 | 0 | 90.05 | 0 | 0 | 0 | 130.82 | 0 |
| Total - Minimums | 4 | 25 | | 144 | 4 | 25 | | 196 |
| First 75 | 9 | 543 | 2.9254 | 1,588 | 9 | 543 | 4.1840 | 2,272 |
| Next 925 | 3 | 47 | 2.2059 | 104 | 3 | 47 | 2.8081 | 132 |
| Over 1,000 | 0 | 0 | 1.0442 | 0 | 0 | 0 | 2.1376 | 0 |
| | 12 | 590 | | 1,692 | 12 | 590 | | 2,404 |
| Subtotal | 16 | 615 | | 1,836 | 16 | 615 | | 2,600 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement- Step 1 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|--------------------|-------------|-------------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Industrial - Monthly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 2" | 0 | 0 | 30.02 | 0 | 0 | 0 | 43.54 | 0 |
| 6" | 0 | 0 | 185.11 | 0 | 0 | 0 | 212.24 | 0 |
| 8" | 5 | 426 | 296.16 | 1,481 | 3 | 176 | 350.39 | 1,051 |
| Total - Minimums | 5 | 426 | | 1,481 | 3 | 176 | | 1,051 |
| First 25 | 0 | 825 | 2,8254 | 2,708 | 0 | 875 | 4,1840 | 4,078 |
| Next 308 | 28 | 4,846 | 2,2059 | 10,248 | 30 | 4,048 | 2,8091 | 13,513 |
| Over 333 | 9 | 930 | 1,8442 | 1,628 | 9 | 930 | 2,1370 | 1,988 |
| | 37 | 6,501 | | 14,484 | 39 | 6,751 | | 19,680 |
| Subtotal | 42 | 8,927 | | 15,965 | 42 | 6,827 | | 20,731 |
| Total Industrial | 68 | 7,542 | | 17,800 | 68 | 7,542 | | 23,331 |
| Total Outside | 14,252 | 378,281 | | 940,288 | 14,262 | 378,281 | | 1,287,873 |
| Increase | | | | | | | | \$ 347,584 |

APPENDIX B-2

**PROOF OF REVENUES
(AFTER OPEB TRUST)**

CITY OF LANCASTER - SEWER FUND

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 - SETTLEMENT RATES STEP 2

| Customer Classification (1) | Cost of Service | | Revenues, Present Rates | | Revenues, Settlement Rates | | Settlement Increase | |
|-----------------------------------|-------------------------------|----------------|-------------------------|----------------|----------------------------|----------------|---------------------|----------------------------|
| | Amount (Schedule B) (2) | Percent (3) | Amount (4) | Percent (5) | Amount (6) | Percent (7) | Amount (8) | Percent Increase (9) |
| <u>Inside City</u> | | | | | | | | |
| Residential | \$ 3,393,666 | 27.8% | \$ 4,038,099 | 34.0% | \$ 4,038,099 | 32.9% | \$ - | 0.0% |
| Commercial | 1,831,703 | 15.0% | 2,908,002 | 24.5% | 2,908,002 | 23.7% | - | 0.0% |
| Industrial | 291,934 | 2.4% | 429,295 | 3.6% | 429,295 | 3.5% | - | 0.0% |
| Municipal Partners | 5,219,292 | 42.8% | 3,549,906 | 29.9% | 3,549,906 | 28.9% | - | 0.0% |
| Total Inside City | \$ 10,736,495 | 88.0% | \$ 10,925,302 | 92.1% | \$ 10,925,302 | 89.1% | \$ - | 0.0% |
| <u>Outside City</u> | | | | | | | | |
| Residential | 805,440 | 6.6% | 482,716 | 4.1% | 712,396 | 5.8% | 229,680 | 47.6% |
| Commercial | 641,662 | 5.3% | 441,115 | 3.7% | 503,989 | 4.9% | 162,884 | 36.9% |
| Industrial | 23,425 | 0.2% | 17,822 | 0.2% | 24,259 | 0.2% | 6,437 | 36.1% |
| Total Outside City | \$ 1,470,528 | 12.0% | \$ 941,653 | 7.9% | \$ 1,340,654 | 10.9% | \$ 399,002 | 42.4% |
| Total Sales | \$ 12,207,023 | 100.0% | \$ 11,866,955 | 100.0% | \$ 12,265,956 | 100.0% | \$ 399,002 | 3.4% |
| Other Revenues | \$ 808,155 | | \$ 808,155 | | \$ 808,155 | | 0 | 0.0% |
| Total | \$ 13,015,178 | | \$ 12,675,110 | | \$ 13,074,111 | | \$ 399,002 | 3.1% |

CITY OF LANCASTER - SEWER FUND

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2012
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE FROM OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION - STEP 2

Pursuant To Subsection 53.52 (b)(4) and (c)(8) of Tariff Regulations

| Customer Classification (1) | Revenues Per Books, 12 Months Ended 31-Dec-11 (2) | Historic Test Year Pro Forma Adjustments Under Present Rates* (3) | | Future Test Year Pro Forma Adjustments Under Present Rates (4) | | Pro Forma, Present Rates 31-Dec-11 (5) | | Pro Forma, Present Rates 31-Dec-12 (6) | | Under Settlement Rates, Supplement No. 36 to Tariff Sewer Pa-PUC No. 7 (7) | | Pro Forma, Settlement Rates 31-Dec-12 (8) | |
|-----------------------------|---|---|--------------|--|---------------|--|------------|--|---------------|--|------------|---|---------------|
| | \$ | Ref. | Amount | Ref. | Amount | Ref. | Amount | Ref. | Amount | Percent | Amount | Percent | Amount |
| OUTSIDE-CITY | | | | | | | | | | | | | |
| Sewer Revenue | 483,411 | R3 | (386) | R3 | \$ 483,025 | R3 | \$ (309) | R3 | \$ 482,716 | 47.6% | \$ 229,680 | 47.6% | \$ 712,396 |
| Residential | 440,175 | R4 | 940 | R4 | 441,115 | | - | | 441,115 | 36.9% | 162,884 | 36.9% | 603,999 |
| Commercial | 17,822 | | - | | 17,822 | | - | | 17,822 | 36.1% | 6,437 | 36.1% | 24,259 |
| Industrial | | | | | | | | | | | | | |
| Total Sewer Revenue | 941,408 | | 554 | | 941,962 | | (309) | | 941,653 | 42.4% | 399,002 | 42.4% | 1,340,654 |
| Other Operating Revenues | | | | | | | | | | | | | |
| Lien Costs | 837 | | | | 837 | | | | 837 | | | | 837 |
| Rental Income | 3,443 | | | | 3,443 | | | | 3,443 | | | | 3,443 |
| Prior Year Expenditures | 11,267 | R5 | (11,267) | | - | | | | - | | | | - |
| Sale of City Property | 799 | | | | 799 | | | | 799 | | | | 799 |
| Interest Income | 362 | | | | 362 | | | | 362 | | | | 362 |
| Misc. Income | 4,503 | | | | 4,503 | | | | 4,503 | | | | 4,503 |
| Industrial Waste Permits | 786 | | | | 786 | | | | 786 | | | | 786 |
| Industrial Waste Penalty | 7,231 | | | | 7,231 | | | | 7,231 | | | | 7,231 |
| SLSA Operating Charges | 21,072 | | | | 21,072 | | | | 21,072 | | | | 21,072 |
| Sewer Entrance | 207 | | | | 207 | | | | 207 | | | | 207 |
| Industrial Waste Surcharge | 33,234 | | | | 33,234 | | | | 33,234 | | | | 33,234 |
| Total Other Revenues | 83,741 | | (11,267) | | 72,474 | | | | 72,474 | 0.0% | - | 0.0% | 72,474 |
| Total Outside City | 1,025,149 | | (10,713) | | 1,014,436 | | (309) | | 1,014,127 | 39.3% | 399,002 | 39.3% | 1,413,128 |
| Total Inside & Outside City | \$ 11,377,566 | | \$ 1,300,207 | | \$ 12,677,774 | | \$ (2,664) | | \$ 12,675,110 | 31.1% | \$ 399,002 | 31.1% | \$ 13,074,111 |

CITY OF LANCASTER

SUMMARY OF PRESENT AND SETTLEMENT RATES

| | Present Rates | | Settlement Rates - Step 2 | |
|--------------------------|---------------|----------|---------------------------|----------|
| | Inside | Outside | Inside | Outside |
| Minimum Charge | | | | |
| Quarterly | | | | |
| 5/8" | \$ 13.53 | \$ 12.20 | \$ 13.53 | \$ 13.05 |
| 3/4" | 13.53 | 12.20 | 13.53 | 13.05 |
| 1" | 32.56 | 29.35 | 32.56 | 39.18 |
| 1 1/2" | 61.60 | 55.54 | 61.60 | 78.39 |
| 2" | 99.89 | 90.05 | 99.89 | 130.62 |
| 3" | 195.35 | 176.11 | 195.35 | 261.27 |
| 4" | 308.02 | 277.67 | 308.02 | 370.89 |
| 6" | 616.02 | 556.34 | 616.02 | 636.72 |
| 8" | 685.62 | 888.53 | 685.62 | 1,051.17 |
| 10" | 1,311.24 | 1,182.07 | 1,311.24 | 1,434.24 |
| 12" | | 1,585.08 | | 2,124.45 |
| Monthly | | | | |
| 5/8" | 4.51 | 4.07 | 4.51 | 4.35 |
| 3/4" | 4.51 | 4.07 | 4.51 | 4.35 |
| 1" | 10.85 | 9.78 | 10.85 | 13.08 |
| 1 1/2" | 20.53 | 18.51 | 20.53 | 26.13 |
| 2" | 33.30 | 30.02 | 33.30 | 43.54 |
| 3" | 65.12 | 58.70 | 65.12 | 87.09 |
| 4" | 102.67 | 92.56 | 102.67 | 123.63 |
| 6" | 205.34 | 185.11 | 205.34 | 212.24 |
| 8" | 228.54 | 296.18 | 228.54 | 350.39 |
| 10" | 437.08 | 394.02 | 437.08 | 478.08 |
| 12" | | 528.36 | | 708.16 |
| Volumetric Charge | | | | |
| First 75 (25 Monthly) | 5.0068 | 2.9254 | 5.0068 | 4.3543 |
| Next 925 (308 Monthly) | 3.7754 | 2.2059 | 3.7754 | 2.9234 |
| Over 1,000 (333 Monthly) | 2.8139 | 1.6442 | 2.8139 | 2.2246 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement - Step 2 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|---------------------|-------------|----------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Residential - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 1,504 | 3,691 | 12.20 | 18,349 | 650 | 634 | 13.05 | 8,483 |
| 3/4" | 126 | 270 | 12.20 | 1,525 | 61 | 44 | 13.05 | 786 |
| 1" | 139 | 856 | 29.35 | 4,000 | 105 | 528 | 39.18 | 4,114 |
| 1 1/2" | 12 | 103 | 55.54 | 680 | 12 | 103 | 78.39 | 841 |
| 2" | 8 | 79 | 90.05 | 720 | 8 | 79 | 130.62 | 1,046 |
| Total - Minimum | 1,788 | 4,998 | | 25,340 | 836 | 1,308 | | 15,378 |
| First 75 | 10,865 | 154,549 | 2.9254 | 462,118 | 11,617 | 158,159 | 4.3543 | 688,672 |
| Next 925 | 50 | 2,438 | 2.2059 | 5,378 | 50 | 2,438 | 2.9234 | 7,127 |
| Over 1,000 | 0 | 0 | 1.6442 | 0 | 0 | 0 | 2.2246 | 0 |
| | <u>10,715</u> | <u>156,987</u> | | <u>467,496</u> | <u>11,667</u> | <u>160,597</u> | | <u>695,799</u> |
| Total Residential | 12,503 | 181,985 | | 482,836 | 12,503 | 161,985 | | 711,177 |
| <u>Commercial - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 110 | 211 | 12.20 | 1,342 | 64 | 52 | 13.05 | 836 |
| 3/4" | 22 | 60 | 12.20 | 288 | 10 | 18 | 13.05 | 131 |
| 1" | 82 | 331 | 29.35 | 2,407 | 76 | 274 | 39.18 | 2,978 |
| 1 1/2" | 21 | 177 | 55.54 | 1,100 | 21 | 177 | 78.39 | 1,546 |
| 2" | 37 | 521 | 90.05 | 3,332 | 35 | 461 | 130.62 | 4,672 |
| Total - Minimums | 272 | 1,300 | | 8,516 | 208 | 982 | | 10,161 |
| First 75 | 408 | 13,216 | 2.9254 | 38,859 | 472 | 13,533 | 4.3543 | 59,927 |
| Next 925 | 40 | 1,244 | 2.2059 | 2,744 | 40 | 1,244 | 2.9234 | 3,637 |
| Over 1,000 | 0 | 0 | 1.6442 | 0 | 0 | 0 | 2.2246 | 0 |
| | <u>448</u> | <u>14,460</u> | | <u>41,603</u> | <u>512</u> | <u>14,777</u> | | <u>62,563</u> |
| Subtotal | 718 | 15,759 | | 49,919 | 718 | 15,759 | | 72,726 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement - Step 2 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|---------------------|-------------|----------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Commercial - Monthly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 6/8" | 0 | 0 | 4.07 | 0 | 0 | 0 | 4.36 | 0 |
| 3/4" | 0 | 0 | 4.07 | 0 | 0 | 0 | 4.36 | 0 |
| 1" | 24 | 0 | 9.79 | 235 | 24 | 0 | 13.06 | 313 |
| 1 1/2" | 2 | 4 | 18.51 | 37 | 2 | 4 | 28.13 | 62 |
| 2" | 36 | 179 | 30.02 | 1,081 | 36 | 179 | 43.54 | 1,597 |
| 3" | 2 | 33 | 58.70 | 117 | 2 | 33 | 87.09 | 174 |
| 4" | 2 | 7 | 92.66 | 185 | 2 | 7 | 123.63 | 247 |
| 6" | 18 | 544 | 185.11 | 3,332 | 17 | 480 | 212.24 | 3,608 |
| 8" | 1 | 62 | 296.18 | 266 | 1 | 62 | 350.30 | 350 |
| Total - Minimums | 85 | 849 | | 5,293 | 84 | 785 | | 8,313 |
| First 25 | 139 | 21,134 | 2.9254 | 61,825 | 139 | 21,169 | 4.3543 | 92,103 |
| Next 308 | 642 | 73,788 | 2.2059 | 162,709 | 643 | 73,827 | 2.9234 | 215,826 |
| Over 333 | 107 | 97,224 | 1.6442 | 169,866 | 107 | 97,224 | 2.2246 | 216,285 |
| | <u>888</u> | <u>192,146</u> | | <u>394,450</u> | <u>889</u> | <u>192,210</u> | | <u>624,243</u> |
| Subtotal | 973 | 192,995 | | 389,733 | 973 | 192,806 | | 630,656 |
| Total Commercial | 1,691 | 208,754 | | 439,662 | 1,691 | 208,754 | | 603,281 |
| <u>Industrial - Quarterly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 5/8" | 0 | 0 | 12.20 | 0 | 0 | 0 | 13.05 | 0 |
| 1" | 3 | 24 | 20.36 | 88 | 2 | 15 | 39.10 | 78 |
| 1 1/2" | 1 | 1 | 55.54 | 68 | 1 | 1 | 78.39 | 78 |
| 2" | 0 | 0 | 90.05 | 0 | 0 | 0 | 130.62 | 0 |
| Total - Minimums | 4 | 25 | | 144 | 3 | 16 | | 167 |
| First 75 | 9 | 543 | 2.9254 | 1,588 | 10 | 552 | 4.3543 | 2,404 |
| Next 925 | 3 | 47 | 2.2059 | 104 | 3 | 47 | 2.9234 | 137 |
| Over 1,000 | 0 | 0 | 1.6442 | 0 | 0 | 0 | 2.2246 | 0 |
| | <u>12</u> | <u>590</u> | | <u>1,692</u> | <u>13</u> | <u>599</u> | | <u>2,541</u> |
| Subtotal | 16 | 615 | | 1,836 | 16 | 615 | | 2,698 |

CITY OF LANCASTER - SEWER FUND
OUTSIDE THE CITY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2011

| Rate Block 1000 Gallons (1) | Present Number Of Bills (2) | Present Consumption (3) | Present Rate (4) | Revenue (5) | Proposed Number Of Bills (6) | Settlement - Step 2 | | |
|-----------------------------------|--------------------------------------|-------------------------------|------------------------|----------------|---------------------------------------|---------------------|-------------|-------------------|
| | | | | | | Consumption (7) | Rate (8) | Revenue (9) |
| <u>Industrial - Monthly</u> | | | | | | | | |
| Minimum Charge | | | | | | | | |
| 2" | 0 | 0 | 30.02 | 0 | 0 | 0 | 43.54 | 0 |
| 6" | 0 | 0 | 185.11 | 0 | 0 | 0 | 212.24 | 0 |
| 8" | 5 | 426 | 296.18 | 1,481 | 3 | 176 | 350.39 | 1,051 |
| Total - Minimums | 5 | 426 | | 1,481 | 3 | 176 | | 1,051 |
| First 25 | 0 | 825 | 2.9254 | 2,706 | 0 | 976 | 4.3543 | 4,246 |
| Next 300 | 28 | 4,848 | 2.2059 | 10,249 | 30 | 4,848 | 2.9234 | 14,167 |
| Over 333 | 9 | 930 | 1.6442 | 1,620 | 9 | 830 | 2.2246 | 2,089 |
| | <u>37</u> | <u>6,601</u> | | <u>14,484</u> | <u>39</u> | <u>6,751</u> | | <u>20,481</u> |
| Subtotal | 42 | 6,927 | | 15,965 | 42 | 6,927 | | 21,532 |
| Total Industrial | 58 | 7,542 | | 17,800 | 58 | 7,542 | | 24,230 |
| Total Outside | 14,252 | 378,281 | | 940,288 | 14,252 | 378,281 | | 1,335,688 |
| Increase | | | | | | | | \$ 398,400 |

APPENDIX C

**OPEB SETTLEMENT AGREEMENT
DOCKET No. R-2010-2179103**

Petition may be withdrawn upon written notice to the Commission and all parties within three business days of the Commission's action by any of the Joint Parties and, in such event, shall be of no force and effect.

12. If the Administrative Law Judge, in her Recommended Decision, recommends that the Commission adopt the Joint Petition as herein proposed, the Joint Parties agree to waive the filing of Exceptions related to matters addressed by the Joint Petition. The Joint Parties, however, do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters proposed by the Administrative Law Judge in her Recommended Decision. The Joint Parties reserve the right to file Reply Exceptions to any Exceptions that may be filed.

WHEREFORE, the Joint Parties, by their respective counsel, respectively request that the following issues be settled as indicated:

OPEB: Other than Pension Employee Benefits

The OPEB issue is settled as follows:

The city receives an annual amount for outside-City customers of \$810,618, provided that it agrees to:

- a. No later than April 1, 2011, the City of Lancaster will begin the process to establish an OPEB Trust Fund; and
- b. Provide to the Commission and the active parties to this proceeding, a complete copy of the Irrevocable Trust Agreement in a subsequent submission filed with the Commission to inform them that the Trust Agreement has been finalized. The Irrevocable Trust shall be established prior to the effective date for the portion of the rate increase specifically required to fund the OPEB Trust Fund; and
- c. Begin monthly OPEB deposits into the Irrevocable Trust in the first full month following Commission approval of this Settlement or the filing of the Trust Agreement, whichever is later.

Understanding that during the transition year of 2011, the entire Annual Required Contribution will not be deposited into the Irrevocable Trust, and the monthly Trust contributions shall be equal to 1/12th of the 2011 Annual Required Contribution of \$1,191,735 (\$810,618 jurisdictional) less the actual expenses paid for retiree medical insurance premiums paid directly from the Water Fund in 2011, prior to the establishment of the Trust; and

d. For 2012 and beyond, the monthly Trust contributions shall be equal to 1/12th of the Annual Required Contribution amount for the current year as shown in the then current OPEB Actuarial Valuation; and

e. The City shall also deposit into the OPEB Trust Fund any payments from Water Fund retirees paid to the City as contributions for retiree medical insurance and the City will make a corresponding reduction to medical insurance pro forma expense of \$204,000 or \$138,761 jurisdictional; and

f. Maintain an accurate account of all monthly OPEB deposits and during the initial five (5) year period, provide a quarterly report and a yearly summary to the Commission and the active parties to this case; and

g. If, in any year, the required contribution is not made, then the active parties shall have the right to take action before the PA PUC in order to enforce these provisions and request penalties.

Depreciation

a. The City agrees to improve its plant accounting and reporting before implementing the Equal Life Group (ELG) procedure in its next base rate case for calculating depreciation of its existing plant as well as its new membrane plant investment. No party is prohibited from addressing the appropriateness of the City's use of the ELG procedure in its next base rate case; and

b. The City agrees to upgrade its plant and depreciation accounting and records and obtain verification from its auditors that its accounting procedures and reporting are consistent with PaPUC requirements for Class A Water Utilities as well as with GASB requirements; and

c. The City agrees to have its consultant calculate depreciation rates without ELG and calculate resulting depreciation rates designed to approximately equally split the

APPENDIX D

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

2. By Order entered November 8, 2012, at Docket No. R-2012-2310366, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and regulations. The Order directed the Office of Administrative Law Judge to assign the matter to an ALJ for Alternative Dispute Resolution, if possible, or to schedule such hearings as are necessary for the ALJ to render a Recommended Decision.

3. On November 8, 2012, pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law until June 27, 2013. Subsequent to the Commission's November 8, 2012 Order, Tariff supplements evidencing the extensions of the suspension period were filed with the Commission and served on the parties.

4. On November 26, 2012, a Prehearing Conference was conducted by ALJ Buckley. At the Prehearing Conference, a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all written direct, rebuttal and surrebuttal testimony would be distributed in advance of the hearings and oral rejoinder by the City witnesses could be provided at the evidentiary hearings, if held. At the Prehearing Conference, the evidentiary hearings were scheduled for February 12-14, 2013, at which time the previously distributed testimony and exhibits would be offered into the record and the parties' individual witnesses would be made available for cross-examination.

5. Accompanying the original filing of Tariff No. 36, supporting information was provided by the City as required by the Commission's regulations at 52 Pa. Code §53.52 et seq. for both the historic test year ended December 31, 2011, and the future test year ending December 31, 2012. The City's supporting information included the prepared direct testimony of six initial witnesses and the respective exhibits sponsored by each.

6. On December 18, 2012, I&E, OCA and OSBA filed direct testimony and supporting exhibits for eight expert witnesses.

7. On January 18, 2013, the City filed a revised exhibit PRH-1, Cost of Service Allocation Study, to accompany the previously filed Direct Testimony of Paul R. Hebert. Lancaster had previously shared this documents with the three active parties during discovery.

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

| | |
|---|--|
| City of Lancaster-Sewer Fund | Direct Testimony of Charlotte Katzenmoyer City of Lancaster Statement No. 1 Exhibit CK-1 |
| | Direct Testimony of Patrick Hopkins City of Lancaster Statement No. 2 Exhibits PH-1 through Exhibit PH-4 |
| | Direct Testimony of Connie E. Heppenstall City of Lancaster Statement No. 3 Exhibit CEH-1 |
| | Direct Testimony of Paul Herbert City of Lancaster Statement No. 4 Exhibit PRH-1 and Revised Exhibit PRH-1 |
| | Direct Testimony of John Spanos City of Lancaster Statement No. 5 Exhibit JJS-1 and Exhibit JJS-2 |
| | Direct Testimony of Harold Walker, III City of Lancaster Statement No. 6 Exhibit HW-1 Rate of Return |
| Bureau of Investigation and Enforcement | Direct Testimony of Emily Sears I&E Statement No. 1 I&E Exhibit No. 1, Schedules 1-21 |

Direct Testimony of Debra Backer
I&E Statement No. 2
I&E Exhibit No. 2, Schedules 1-4

Direct Testimony of Ethan H. Cline
I&E Statement No. 3
I&E Exhibit No. 3, Schedules 1-3

Office of Consumer Advocate

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

Direct Testimony of Aaron L. Rothschild
OCA Statement 2
OCA Schedules ALR-1-7 and attachments

Direct Testimony of Ashley E. Everette
OCA Statement 3
OCA Exhibit AEE-1 and attachments

Direct Testimony of Scott J. Rubin
OCA Statement 4
OCA Exhibit SJR-1 and attachments

Office of Small Business Advocate

Direct Testimony of Brian Kalcic
OSBA Statement No. 1
OSBA Exhibit No. 1, Schedules BK-1 through
BK-5

9. The Joint Petitioners were able to reach a comprehensive settlement of all issues raised in connection with the City's rate increase request ("Settlement"). On the basis of the Settlement, the hearings scheduled in this proceeding were cancelled by ALJ Buckley and the Joint Petitioners have concurrently entered into and submit 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 is attached to and incorporated into the Joint Petition in Appendix D.

10. 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 Buckley 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 Lancaster's rate increase request.

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

12. 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:

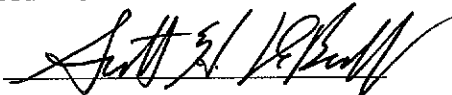
A. That, upon the issuance of a separate Order or the inclusion of a provision in the Recommend Decision to be issued by Administrative Law Judge Dennis J. Buckley in the above-captioned matter approving the Settlement, the testimony and all exhibits of each Joint Petitioner referenced in Paragraph 8 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 potions 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 agree to the terms of this Joint Stipulation and represent that they are authorized to execute this Joint Stipulation on behalf of their respective clients/offices.

Respectfully submitted,

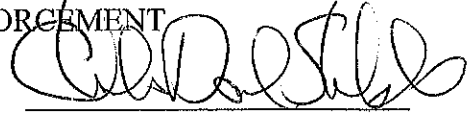
THE CITY OF LANCASTER – SEWER FUND

By: 

Scott H. DeBroff, Esq.
Alicia R. Duke, Esq.
Rhoads & Sinon LLP
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(717) 237-6716
Attorneys for The City of Lancaster –
Sewer Fund

BUREAU OF INVESTIGATION &
ENFORCEMENT

By:



Charles Daniel Shields,
Senior Prosecutor
Bureau of Investigation &
Enforcement
Pennsylvania Public Utility
Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 783-6151
Attorney for The Bureau of
Investigation & Enforcement

OFFICE OF CONSUMER ADVOCATE

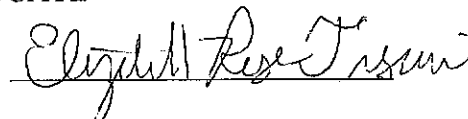
By:



Christine Maloni Hoover, Esq.
Brandon J. Pierce, Esq.
Office of Consumer Advocate
555 Walnut Street, 5th Floor,
Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
Attorneys for The Office of
Consumer Advocate

OFFICE OF SMALL BUSINESS
ADVOCATE

By:

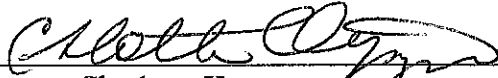


Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101
(717) 783-2525
Attorney for The Office of Small
Business Advocate

Dated: January 18, 2013

VERIFICATION

I, Charlotte Katzenmoyer, City of Lancaster Director of Public Works, Sewer Fund, hereby state that the facts set forth in the City of Lancaster Statement No. 1 and Exhibit CK-1 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.

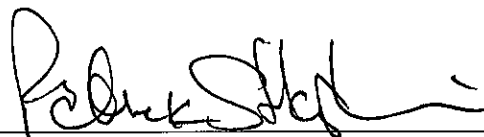


Charlotte Katzenmoyer
Director of Public Works
The City of Lancaster, Sewer Fund

DATED: 1/18/13

VERIFICATION

I, Patrick Hopkins, City of Lancaster Director of Administrative Services, Sewer Fund, hereby state that the facts set forth in the City of Lancaster Statement No. 2 and Exhibits PH-1, PH-2, PH-3 and PH-4 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.



Patrick Hopkins
Director of Administrative Services
The City of Lancaster, Sewer Fund

DATED: 1/18/13

VERIFICATION

I, Constance E. Heppenstall, Rate Analyst for Gannett Fleming, Inc., hereby state that the facts set forth in the City of Lancaster Statement No. 3 and Exhibit CBH-1 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.

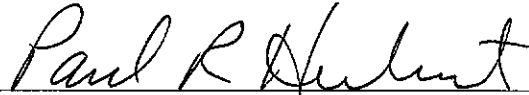


Constance E. Heppenstall
Rate Analyst
Gannett Fleming, Inc.
Valuation and Rate Division

DATED: 1/18/13

VERIFICATION

I, Paul R. Herbert, President of the Valuation and Rate Division for Gannett Fleming, Inc., hereby state that the facts set forth in the City of Lancaster Statement No. 4, Exhibit PRH-1 and Revised Exhibit PRH-1 are true and correct with the exception of only minor technical corrections to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.

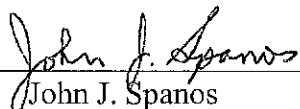


Paul R. Herbert
President
Gannett Fleming, Inc.
Valuation and Rate Division

DATED: 1/18/13

VERIFICATION

I, John J. Spanos, Senior Vice President of the Valuation and Rate Division for Gannett Fleming, Inc., hereby state that the facts set forth in the City of Lancaster Statement No. 5 and Exhibits JJS-1 and JJS-2 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.



John J. Spanos
Senior Vice President
Gannett Fleming, Inc.
Valuation and Rate Division

DATED: _____

1/18/13

VERIFICATION

I, Harold Walker, III, Manager of Financial Studies of the Valuation and Rate Division for Gannett Fleming, Inc., hereby state that the facts set forth in the City of Lancaster Statement No. 6 and Exhibit HW-1 are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 relating to unsworn falsification to authorities.



Harold Walker, III
Manager, Financial Studies
Gannett Fleming, Inc.
Valuation and Rate Division

DATED: 1/18/13

Verification of Emily Sears
Fixed Utility Financial Analyst

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

I hereby attest, affirm and verify that the testimony and exhibit identified below were prepared by me or under my supervision and previously distributed to the presiding Administrative Law Judge and the active parties in the present proceeding, *Pennsylvania Public Utility Commission v. City of Lancaster - Sewer Fund* at Docket No. R-2012-2310366:

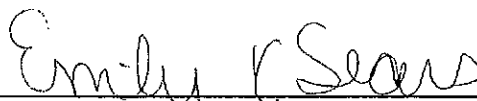
Direct Testimony and Exhibit of Emily Sears
I&E Statement No. 1
I&E Exhibit No. 1

The questions and answers and facts and figures provided in I&E Statement No. 1 are true and correct to the best of my knowledge, information and belief.

Said testimony and exhibits were produced and/or acquired in the normal course of business while performing my duties as a Fixed Utility Financial Analyst assigned to this proceeding as an expert witness on behalf of the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement.

By agreement of the parties, it is not necessary for me to personally appear and this instant Verification signed by me serves to authenticate all of the above identified documents.

Signed in Harrisburg, Pennsylvania, this 16th day of January, 2013.



Emily Sears
Fixed Utility Financial Analyst

Verification of Debra Backer
Fixed Utility Financial Analyst

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

I hereby attest, affirm and verify that the testimony and exhibit identified below were prepared by me or under my supervision and previously distributed to the presiding Administrative Law Judge and the active parties in the present proceeding, *Pennsylvania Public Utility Commission v. City of Lancaster - Sewer Fund* at Docket No. R-2012-2310366:

Direct Testimony and Exhibit of Debra Backer
I&E Statement No. 2
I&E Exhibit No. 2

The questions and answers and facts and figures provided in I&E Statement No. 2 are true and correct to the best of my knowledge, information and belief.

Said testimony and exhibits were produced and/or acquired in the normal course of business while performing my duties as a Fixed Utility Financial Analyst assigned to this proceeding as an expert witness on behalf of the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement.

By agreement of the parties, it is not necessary for me to personally appear and this instant Verification signed by me serves to authenticate all of the above identified documents.

Signed in Harrisburg, Pennsylvania, this 16th day of January, 2013.



Debra Backer
Fixed Utility Financial Analyst

Verification of Ethan H. Cline
Fixed Utility Valuation Engineer

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

I hereby attest, affirm and verify that the testimony and exhibit identified below were prepared by me or under my supervision and previously distributed to the presiding Administrative Law Judge and the active parties in the present proceeding, *Pennsylvania Public Utility Commission v. City of Lancaster - Sewer Fund* at Docket No. R-2012-2310366:

Direct Testimony and Exhibit of Ethan H. Cline
I&E Statement No. 3
I&E Exhibit No. 3

The questions and answers and facts and figures provided in I&E Statement No. 3 are true and correct to the best of my knowledge, information and belief.

Said testimony and exhibits were produced and/or acquired in the normal course of business while performing my duties as a Fixed Utility Valuation Engineer assigned to this proceeding as an expert witness on behalf of the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement.

By agreement of the parties, it is not necessary for me to personally appear and this instant Verification signed by me serves to authenticate all of the above identified documents.

Signed in Harrisburg, Pennsylvania, this 16th day of January, 2013.



Ethan H. Cline
Fixed Utility Valuation Engineer

**BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : **Docket No. R-2012-2310366**
 :
City of Lancaster – Sewer Fund :

VERIFICATION

I, Marilyn J. Kraus, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: _____



Marilyn J. Kraus, Senior Regulatory Analyst
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101

DATED: January 15, 2013

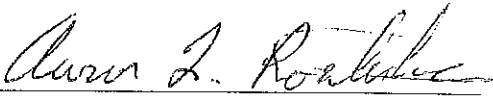
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**BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|----------------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2012-2310366 |
| | : | |
| City of Lancaster – Sewer Fund | : | |

VERIFICATION

I, Aaron L. Rothschild, hereby state that the facts set forth in my Direct Testimony, OCA Statement 2, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: 
Aaron L. Rothschild

Consultant Address: Rothschild Financial Consulting
15 Lake Road
Ridgefield, CT 06877

DATED: January 15, 2013

**BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|----------------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2012-2310366 |
| | : | |
| City of Lancaster – Sewer Fund | : | |

I, Ashley E. Everette, hereby state that the facts set forth in my Direct Testimony, OCA Statement 3, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: *Ashley E. Everette*
Ashley E. Everette, Regulatory Analyst
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101

DATED: January 15, 2013

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**BEFORE
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|----------------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2012-2310366 |
| | : | |
| City of Lancaster – Sewer Fund | : | |

VERIFICATION

I, Scott J. Rubin, hereby state that the facts set forth in my Direct Testimony, OCA Statement 4, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:  _____
Scott J. Rubin

Consultant Address: Scott J. Rubin
333 Oak Lane
Bloomsburg, PA 17815

DATED: January 15, 2013

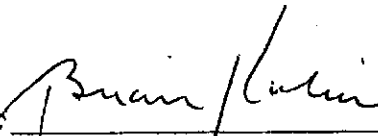
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : **Docket No. R-2012-2310366**
City of Lancaster - Sewer Fund :

VERIFICATION OF BRIAN KALCIC

I, Brian Kalcic, hereby state that I am employed as a consultant by the Pennsylvania Office of Small Business Advocate, having qualifications as set forth in the Appendix to my Direct Testimony at OSBA Statement No. 1 and have been authorized to make this verification on its behalf, and that the facts set forth in my Direct Testimony (OSBA Statement No. 1) and accompanying Exhibits are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at any hearing hereof.

Signed:  Date: 1/14/2013
BRIAN KALCIC

Witness for:

Office of Small Business Advocate
300 North Second Street - # 1102
Harrisburg, PA 17101
717-783-2525
717-783-2831 (fax)

APPENDIX E

CITY OF LANCASTER STATEMENT

I. INTRODUCTION AND OVERVIEW

The City of Lancaster last filed for a base rate case eight (8) years ago in 2004. Additionally, as explained below, the Joint Petition (Paragraph 12c) contains a stay-out provision under which the City can not file another general base rate case under Section 1308(d) of the Public Utility Code, subject to certain exception noted therein, prior to June 29, 2014.

The Settlement provides that the City will increase its rates to produce additional annual operating revenue of not more than \$399,000, or approximately (42.4%), in lieu of the \$551,609 or (58.6%), proposed by the City in its initial filing. A comparison of an average residential customer's quarterly sewer bill under current rates, the rates the City initially proposed and the Settlement Rates are shown below:

| Current Rates | Proposed Rates | Settlement Rates |
|----------------------|-----------------------|-------------------------|
| \$38.03 | \$63.05 | \$56.61 |

(Based on quarterly usage of 13,000 gallons for an average residential customer.)

The rate structure aspect of this case was also the subject of extensive negotiations among the parties. The rate structure and rate design elements, are set forth in detail in Paragraph 12f of the Joint Petition.

II. REASONS FOR THE INCREASE

The need to increase the City's sewer rates is driven by several factors. During the intervening period, the City has engaged in concerted efforts to control discretionary operating expenditures. However, various operating expenses such as labor, chemicals, and healthcare costs have increased consistent with national trends, and these increases are reflected in the filing.

In addition, the City has made a very substantial investment in new utility plant. Since its last rate case, the City has completed several major projects such as a Biological Nutrient Reduction (BNR) Improvement Project; various Act 537 upgrades to increase the capacity of the treatment plant; a Lime Stabilization Project; and repair and replacement of sewer lines.

More information about these projects and other expenses can be found in Statement No. 1, Direct Testimony of Ms. Charlotte Katzenmoyer, the Director of Public Works for the City of Lancaster.

The current and future projects are critical to the City's ability to meet the stringent state and federal environmental regulations and to maintain the high quality service its customers have come to expect. The City needs this increase in order to promote the financial integrity of its sewer system and to place it on a more sound financial footing, from the perspective of both present operations and future needs, including consideration by lenders of the sewer system's internal financial condition future borrowing, which will be necessary to fund capital additions and improvements.

III. THE SETTLEMENT

The Settlement provides for a lower overall increase in annual operating revenue than the City requested in its initial filing.

All of the substantive terms and conditions of the Settlement are set forth in Paragraph No. 12 of the Joint Petition. The principal terms and conditions are explained below.

Subparagraph a. expresses the Joint Petitioners' agreement to an increase of **\$348,000** in annual sewer revenue prior to the filing of the Other Post Employment Benefits Trust ("OPEB Trust") and an annual sewer revenue increase of **\$399,000** after the filing of the OPEB Trust in lieu of the increase originally proposed by the City and also evidences the Joint Petitioners'

agreement to the specific rates, rules and terms of service set forth in the tariff annexed to the Joint Petition as Appendix A-1 and A-2. A detailed Proof of Revenues is provided in Appendix B-1 and B-2.

Subparagraph b. is the Joint Petitioners' request that Administrative Law Judge Buckley and the Commission act as expeditiously as possible to ensure implementation of the Settlement Rates.

Subparagraph c. is the City's agreement not to file a general sewer base rate case under 1308(d) of the Public Utility Code, subject to the usual exceptions, prior to **June 29, 2014**.

Subparagraph d. is the City's agreement to implement the new tariff rules and regulations and changes to the definitions shown in Appendix A-1.

Subparagraph e. is the City's agreement that when it files its next base rate case, the Industrial Waste Surcharges shall be based on actual costs, as determined by a cost of service study.

Subparagraph f. is the City's agreement to establish the OPEB Trust as per the requirements set forth in the City's settlement of its water case in Docket No. R-2010-2179103. The City agrees that it will only implement the corresponding portion of the revenue increase agreed to, in the amount of **\$51,000** only after the Trust is fully established.

Subparagraph g. consists of five parts. Part (1) acknowledges that the Settlement Rates reflect the allocation of the agreed increase in revenues among customer classes in the manner shown in Appendix B-1 and B-2, which is the Proof of Revenues for the Settlement Rates pre and post implementation of the OPEB Trust. Part (2) acknowledges the Settlement Rates for the minimum charges prior to the implementation of the OPEB trust. Part (3) acknowledges the Settlement Rates for the volumetric charge (per 1,000 gallons) prior to the implementation of the

OPEB trust. Part (4) acknowledges the Settlement Rates for the minimum charges after the implementation of the OPEB trust. Part (5) acknowledges the Settlement Rates for the volumetric charge (per 1,000 gallons) after the implementation of the OPEB trust.

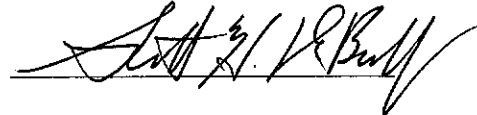
Resolution of this investigation by full settlement on all issues avoids significant cost and expense associated with full litigation of this matter. The Joint Petition results in a settlement that is fair and reasonable in that it represents a reduction to the City's as-filed request and results in rate stability for customers.

The Joint Petition is a result of compromises by all parties to this case and is in the public interest. The City supports the Joint Petition. The Presiding Administrative Law Judge and the Commission should approve the Joint Petition without modification.

Respectfully submitted,

CITY OF LANCASTER – SEWER FUND

By:



Scott H. DeBroff, Esq.
Alicia R. Duke, Esq.
Rhoads & Sinon LLP
One South Market Square
P.O. Box 1146
Harrisburg, PA 17108-1146
(717) 237-6716

Attorneys for The City of Lancaster

Dated: January 18, 2013

APPENDIX F

I & E STATEMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2012-2310366 |
| | : | |
| City of Lancaster - Sewer Fund | : | |

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

TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its prosecutorial counsel, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of All Issues in Rate Proceeding (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of the City of Lancaster - Sewer Fund (“City”) and its customers served outside the city limits.

1. Counsel for City, I&E, the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) actively participated in extensive settlement negotiations and have all agreed upon the terms embodied in the foregoing Settlement. This amicable resolution of this proceeding represents yet another positive outcome resulting

from the Commission's encouragement of settlements determined to be in the public interest.

2. The Bureau of Investigation and Enforcement is charged by the Commission with the representation of the public interest in proceedings relating to rates, 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 performed the following duties: (1) conducted a thorough review of the City's filing, accompanying testimony and supporting information; (2) submitted discovery and analyzed the provided responses; (3) distributed the direct testimonies of the three assigned I&E technical experts; and (4) actively participated in several settlement conferences among the parties.

4. This settlement provides for an annual revenue increase to the City for utility service provided to outside-the-city customers 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 September 28, 2012, the City of Lancaster - Sewer Fund (again, "City") filed Supplement No. 36 to Tariff Sewer-Pa. P.U.C. No. 7 to

become effective November 27, 2012, containing proposed changes in rates, rules, and regulations calculated to produce \$551,609 (58.6%) in additional annual revenues from (Commission jurisdictional) customers located outside the City. A Formal Complaint against the proposed increase was filed by the Office of Consumer Advocate ("OCA") and one was filed the Office of Small Business Advocate ("OSBA"). In response to the base rate case filing, I&E filed its Notice of Appearance. Additionally, one Formal Complaint was filed by an individual residential customer and a number of other residential customers filed informal complaints.

6. By Order entered November 8, 2012, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of both existing and proposed rates, rules and regulations. Pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. §1308(d), the filing will be suspended by operation of law on November 27, 2012, until June 27, 2013, 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 the prompt scheduling of such hearings as may be necessary and culminating in the issuance of a Recommended Decision.

7. On November 26, 2012, presiding Administrative Law Judge Dennis J. Buckley ("ALJ Buckley") conducted the Prehearing Conference from a hearing room in the Keystone Building here in Harrisburg.

8. Public Input Hearings were also conducted on December 10, 2012, by ALJ Buckley at 2:00 p.m. and 6:00 p.m. in the service territory.

9. As noted above, formal and informal discovery to the City was conducted by I&E during the course of the proceeding. I&E Legal and assigned Technical Experts scrutinized the provided responses in order to develop a complete perspective and understanding of each relevant base rate issue prior to participating in the settlement discussions.

10. I&E Senior Prosecutor Shields fully participated in the Prehearing Conference and was subsequently assisted by the I&E experts and technical supervisors during the frank and forthright confidential settlement discussions among the parties.

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

12. 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 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 City's outside sewer customers and thereby conserves time and expenses for all involved. Specifically, acceptance of the foregoing Settlement will eliminate the need for the preparation of additional Rebuttal Testimony, Surrebuttal Testimony, Main Briefs, Reply Briefs, Exceptions and Reply Exceptions and the filing of possible appeals;
- (c) provides for a "stay out" whereby the City cannot make another base rate case filing, except for certain extraordinary circumstances identified in the Joint Petition, until June 29, 2014;

- (d) provides that the corresponding portion of the settlement level of additional revenues related to the establishment of an OPEB Trust, in the amount of \$51,000, be implemented only after the OPEB Trust is fully established.

13. 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 through sufficient discovery responses or those provided during the mediation discussions.

14. For the foregoing reasons and those presented in the foregoing Joint Petition for Settlement of All Issues in 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 Dennis J. Buckley 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

Richard A. Kanaskie
Deputy Chief Prosecutor
PA Attorney I.D. No. 80409

Johnnie E. Simms
Chief Prosecutor

PA Attorney I.D. No. 33911

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

Dated: January 16, 2013

APPENDIX G

OCA STATEMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|----------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket Nos. R-2012-2310366 |
| | : | C-2012-2329756 |
| City of Lancaster—Sewer Fund | : | |

**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 following reasons:

I. INTRODUCTION

On September 28, 2012, the City of Lancaster – Sewer Fund (City) filed Supplement No. 36 to Tariff Sewer - Pa. P.U.C. No. 7 to become effective November 27, 2012, containing proposed changes in rates, rules, and regulations calculated to produce \$551,609 in additional annual revenues, a 58.6% increase in present rates for its customers who resided outside the City.

The City serves 3,374 customers (3,106 residential, 261 commercial, and 7 industrial) outside of the City in a portion of the Townships of East Lampeter, East Hempfield, Lancaster, Manheim, and Manor in Lancaster County, Pennsylvania.

On October 17, 2012, the OCA filed a Formal Complaint against the proposed increase in rates. On October 24, 2012, Jane Larkin filed a Formal Complaint against the proposed increase in rates. On November 8, 2012, the Office of Small Business Advocate (OSBA) filed a Formal Complaint against the proposed increase in rates. Between September 30, 2012 and October 14,

2012, approximately seven residential customers filed informal complaints. On November 8, 2012, the Commission issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rates in Supplement No. 36 to Tariff Sewer - Pa. P.U.C. No. 7, and suspending the effective date until June 27, 2013, by operation of law.

The Commission assigned the case to Administrative Law Judge Dennis J. Buckley and notified the parties. A Prehearing Conference was held on November 26, 2012. Two Public Input Hearings were held on December 10, 2012. The OCA filed direct testimony of four witnesses on December 18, 2012. Specifically, OCA filed accounting testimony (OCA Statement 1-Kraus), setting forth its overall recommendation of additional revenues of no more than \$289,966, or 28.59%, as well as rate of return testimony (OCA Statement 2-Rothschild), testimony reviewing the City's proposed tariff changes and resulting OCA recommendations (OCA Statement 3-Everette), and cost of service/rate design testimony (OCA Statement 4-Rubin).

The Joint Petitioners participated in settlement discussions which resulted in the Joint Petition for Settlement. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. REVENUES

The proposed Settlement provides for an overall annual sewer revenue increase not in excess of \$348,000, or approximately 37%. Settlement ¶ 12.a, Appendix B-1. Based on the OCA's analysis of the City's filing, the proposed increase under the Settlement represents an amount which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

Under the City's rate request, the quarterly bill for a PUC-jurisdictional residential customer using 13,000 gallons of water per quarter would have increased from \$38.03 to \$63.05 per quarter, or by 65.8%. However, under the proposed Settlement, the bill for a residential customer using 13,000 of water per quarter would be \$54.39 per quarter, or 43%. See Appendix A-1.

If the City meets the conditions regarding the establishment of the OPEB trust (see Section V, *infra*), then it may increase its annual revenues from PUC-jurisdictional customers by an additional \$51,000. Settlement ¶12.f. The OCA submits that this provision is reasonable because customers will pay rates reflecting the additional \$51,000 only if the City meets the conditions set forth in the Settlement. If the City does not meet those conditions, then PUC-jurisdictional customers will not have to bear those costs.

If the City meets the conditions and increases its rates for the OPEB costs, in accordance with Appendix B-2 of the Settlement, then the impact on a PUC-jurisdictional customer using 13,000 gallons per quarter would be an increase from \$54.39 to \$56.61 per quarter, or 4%. Appendix A-2.

III. STAY-OUT PROVISION

Under the proposed Settlement, the City cannot file for another sewer general rate increase until June 29, 2014. Settlement ¶ 12.c. The proposed stay-out provision should prevent another rate increase before March 29, 2015, assuming the City files as soon as the stay-out expires and assuming the next case is fully litigated. Thus, the City's outside-city ratepayers will be assured of some level of rate stability.

IV. RATE DESIGN

The proposed rate design reflects a compromise of the litigation positions of the parties. Settlement ¶ 12.g, Appendices A-1, A-2, B-1, and B-2. The minimum charge is increased by a smaller amount than proposed by the City. Additionally, because of the overall reduction in the additional annual revenues from what was originally proposed by the City, all customers benefit from a reduction in the rates as originally proposed by the City. It is the OCA's opinion that the rate design is reasonable and within a range of possible outcomes if the case had been litigated.

OCA also recommended that the City's industrial waste surcharge be set in the next case based on actual costs, as determined by a cost of service study. OCA St. 3. The City agreed to this recommendation. Settlement at ¶12.e.

V. OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

Under the proposed Settlement, the City agrees to establish the OPEB Trust (Trust), as per the requirements set forth in the City's settlement of its water case at Docket No. R-2010-2179103. Settlement ¶ 12.f, Appendix C. Deposits shall be made into the Trust starting the first full month after the establishment of the trust. Once the Trust is fully established, the City may implement the corresponding portion of the revenue increase agreed to, in the amount of \$51,000. This provision appropriately puts the responsibility on the City to establish the Trust before it can reflect the deposit amount in rates.

VI. TARIFF CHANGES

The City made a number of changes in its proposed tariff. OCA witness Everett provided additional changes and recommendations. OCA Statement 3. In the Settlement, the

City has accepted the changes to its proposed tariff as set forth in OCA Statement 3 and have incorporated those modifications in Appendix A-1, attached to the Settlement. The OCA believes the tariff changes and recommendations made by OCA and accepted by the City will make the proposed tariff consistent with PUC rules and regulations.

VII. CONCLUSION

The terms and conditions of the proposed Settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of \$348,000 in annual revenues with additional revenues of \$51,000 if the City meets the conditions related to OPEB Trust. These amounts are reduced from the \$551,609 annual increase proposed in the City's filing. In addition, the ratepayers will benefit from the stay-out and other provisions. Finally, the Commission and all parties would benefit from 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 interest of the customers of the City of Lancaster—Sewer Fund.

Respectfully Submitted,



Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. # 307665
E-Mail: BPierce@paoca.org

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

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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

January 17, 2013

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APPENDIX H

OSBA STATEMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|----------------------------------|
| PENNSYLVANIA PUBLIC UTILITY COMMISSION | : | |
| | : | |
| v. | : | DOCKET NO. R-2012-2310366 |
| | : | |
| CITY OF LANCASTER – SEWER FUND | : | |

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

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of the City of Lancaster – Sewer Fund (“Lancaster” or the “City”) who reside outside of the City (and are therefore subject to the Commission’s jurisdiction) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On September 28, 2012, the City filed Supplement No. 36 to Tariff Sewer Pa. P.U.C. No. 7 (“Tariff Supplement”) with the Commission. The proposed Tariff Supplement, if approved by the Commission, would increase the City’s base rate

revenues (from customers outside the City) by \$551,609 per year, representing an approximate 58.6% increase in annual revenues. The rates for an average outside-City commercial customer using 200,000 gallons per quarter with a one-inch meter would increase from \$495.14 to \$775.00 per quarter, or by 56.5%. The rates for an average outside-City industrial customer using 213,000 gallons per quarter with a two-inch meter would increase from \$523.82 to \$817.77 per quarter, or by 56.1%.

On November 5, 2012, the OSBA filed a Complaint alleging that the City's proposed rates, rate design, and class revenue allocation are or may be unjust, unreasonable, and unlawfully discriminatory in violation of, *inter alia*, Sections 1301 and 1304 of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304, and contrary to appropriate public policy and sound ratemaking considerations, and may not be supported by the materials filed by the City.

A formal complaint was also filed by the Office of Consumer Advocate ("OCA") on October 17, 2012. The Commission's Bureau of Investigation and Enforcement ("I&E") filed a notice of appearance on November 15, 2012.

By Order entered November 8, 2012, the proposed Tariff Supplement was suspended by operation of law until June 27, 2013. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariff Supplement. The Commission also ordered an investigation into the reasonableness of the City's existing rates, rules, and regulations.

Administrative Law Judge ("ALJ") Dennis J. Buckley was assigned to this proceeding and issued a First Prehearing Order on November 9, 2012.

A Prehearing Conference was held on November 26, 2012, before ALJ Buckley, at which time the the parties agreed to a procedural schedule and discovery modifications.

Extensive discovery was conducted by the parties prior to and subsequent to the Prehearing Conference.

The OSBA filed the Direct Testimony and Exhibits of Brian Kalcic, on December 18, 2012, marked as OSBA Statement No. 1.

The parties successfully negotiated a settlement in principle of all issues. By agreement of the parties, and with the consent of ALJ Buckley, the procedural schedule was suspended and the evidentiary hearings scheduled for February 12, 13, and 14 were cancelled. The testimony of the parties will be admitted into the record by stipulation.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement of All Issues in Rate Proceeding (“Joint Petition”). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF THE JOINT PETITION

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The issues of class revenue allocation and rate design were of significance to the OSBA when it concluded that the Joint Petition was in the best interests of the City’s Small C&I customers.

A. Class Revenue Allocation

In Direct Testimony, OSBA witness Brian Kalcic accepted the City’s cost of

service study (“COSS”), as revised in response to discovery.¹ However, Mr. Kalcic rejected the City’s proposed class revenue allocation and recommended that the Commission instead adopt the OSBA’s proposed revenue allocation, which is also based on the City’s revised COSS.² Mr. Kalcic stated that while the City’s proposed class revenue allocation would move all classes closer to cost of service, a greater degree of movement could be attained in this proceeding for Commercial and Industrial customers.³

Specifically, Mr. Kalcic recommended an increase of \$210,745 for the Commercial class and \$7,286 for the Industrial class, at the Company’s revised revenue requirement level.⁴ Scaled back proportionately to the agreed upon settlement rate increase of \$399,000, Mr. Kalcic’s recommended increases for the Commercial and Industrial classes are \$158,988 and \$5,496, respectively.

The City’s proposed class revenue allocation (scaled back proportionately to the agreed upon settlement rate increase of \$399,000) provides for an increase of \$167,419 and \$6,713 for the Commercial and Industrial classes, respectively.

The settlement class revenue allocation proposed in the Joint Petition provides for an increase of \$162,884 for Commercial customers and \$6,437 for Industrial customers.⁵ While the Joint Petition does not adopt any one of the parties’ class revenue allocation proposals, the settlement revenue allocation is within the range of these competing proposals and is consistent with the City’s revised COSS. The Commonwealth Court has

¹ OSBA Statement No. 1 at 3.

² OSBA Statement No. 1 at 5.

³ *Id.*

⁴ OSBA Statement No. 1, Schedule BK-3.

⁵ Joint Petition at Appendix B-2.

ruled that a COSS is to be the polestar for the setting of rates in a proceeding such as this.⁶

The settlement revenue allocation contained in the Joint Petition represents a just and reasonable outcome to a difficult and complex issue, and therefore is in the public interest. Settlement of the revenue allocation issue avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately the Company's customers, as well. Moreover, the OSBA notes that the settlement proposed in the Joint Petition was reached without the need for parties to file rebuttal or surrebuttal testimony in this proceeding. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas. Because the class increases in the Joint Petition are consistent with the increases proposed by Mr. Kalcic, the OSBA concludes that the class revenue allocation is reasonable with regard to the Commercial and Industrial classes.

B. Rate Design

To implement his proposed class revenue allocation, Mr. Kalcic recommended a rate design in Schedule BK-5, attached to his Direct Testimony. Mr. Kalcic's proposed rate design retained the City's existing single rate schedule for outside-city customers, a three-step declining block rate structure.⁷ However, Mr. Kalcic also recommended that the Commission direct the City to investigate the propriety of its existing single rate

⁶ *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006), *appeals denied*, 916 A.2d 1104 (Pa. 2007).

⁷ OSBA Statement No. 1 at 7.

structure in its next base rate proceeding.⁸ Mr. Kalcic's concern was that it is not always feasible to implement a fully cost-based revenue allocation without imposing undue rate impacts on certain customers in the rate design process and such concerns would be eliminated if the City were to implement separate rate schedules for outside-City Residential, Commercial, and Industrial customers.⁹

One of the primary benefits of separate rate schedules is to allow greater movement toward class cost of service (due to the fact that separate rate schedules eliminate certain rate design constraints). However, because the parties were able to implement the cost-based settlement revenue allocation using the City's existing single rate structure, the OSBA chose not to pursue its rate structure recommendation at this time. The settlement rates proposed in the Joint Petition implement the agreed upon class revenue allocation. Therefore, the OSBA concludes that the rate design is reasonable with regard to the Commercial and Industrial classes.

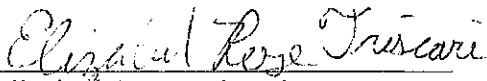
⁸ *Id.* at 8.

⁹ *Id.*

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Buckley and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,


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