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February 21, 2014

Daniel P. Delaney
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Via Hand Delivery

Hon. Elizabeth H. Barnes
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg., 2nd Floor
400 North Street
Harrisburg, PA 17120

Re: Public Utility Commission v. Penn Estates Utilities, Inc. - Sewer Division
Docket No. R-2013-2370455

Dear Judge Barnes:

Enclosed please find a copy of the Joint Petition for Settlement of Rate Investigation signed by all of the active parties to this proceeding. Also enclosed is a CD containing a Word version of this document. As indicated in the attached certificate of service, copies of this document have been served on all complainants in this proceeding. This document is also being filed with the Commission Secretary.

Very truly yours,

Daniel P. Delaney
Counsel for Penn Estates - Sewer Division

Enclosures

c: Secretary Rosemary Chiavetta (w/enc.)
Certificate of Service (w/enc.)

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**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES PRESIDING**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2013-2370455
	:	C-2013-2378500
v.	:	C-2013-2375469
	:	C-2013-2376185
Penn Estates Utilities, Inc. - Sewer	:	C-2013-2375482
Division	:	C-2013-2375673
	:	

JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

Penn Estates Utilities, Inc. - Sewer Division ("PEUI" or the "Company"), the Bureau of Investigation and Enforcement ("BI&E"), and the Office of Consumer Advocate ("OCA") collectively, the Joint Petitioners, submit this Joint Petition for Settlement of Rate Investigation ("Joint Petition") and request the presiding Administrative Law Judge ("ALJ") to issue a Recommended Decision which: (1) approves the settlement of this proceeding as requested in this Joint Petition; and (2) recommends that the Public Utility Commission ("Commission") adopt *this Settlement, and permit the Company to file the Sewer Tariff Supplement attached to this Joint Petition as Exhibit A*, and (3) terminates the investigation at the above docket number and mark the docket closed. In support of their request, the Joint Petitioners respectfully represent the following.

BACKGROUND

1. On June 28, 2013, Penn Estates Utilities, Inc. - Sewer Division filed Supplement No. 7 to Tariff Sewer - Pa. P.U.C. No. 3 with the Commission Secretary to become effective August 27, 2013, containing proposed changes in rates, rules and regulations calculated to produce \$184,498, or 23.7% in additional annual service revenues based on a test year ended March 31, 2013. By order entered August 15, 2013, the Commission instituted a formal investigation at Docket No. R-2013-2370455 to determine the lawfulness, justness and reasonableness of the Company's existing and proposed rates, rules and regulations. Supplement No. 7 was suspended by operation of law until March 27, 2014, unless otherwise directed by order of the Commission to become effective at an earlier date. A complaint was

filed against the Company's proposed increase by the OCA which was docketed at C-2013-2378500. BI&E also entered its appearance in the case. The case was assigned to ALJ Elizabeth H. Barnes for purposes of conducting hearings and issuing a Recommended Decision.

2. Complaints were filed against the Company's proposed increase by the following customers: Richard Way (Dkt. No. C-2013-2375482), Jo-Ann DeLibero (Dkt. No. C-2013-2375673), Jody Perkin (Dkt. No. C-2013-2375469), and by Luna Mishoe on behalf of the Penn Estates Property Owners Association (Dkt. No. C-2013-2376185).

3. Penn Estates consented to mediation before Mediator Cynthia Lehman, and on September 10, 2013, Penn Estates filed Supplement No. 9 with the Commission Secretary which suspended the application of rates proposed in Supplement No. 7 until May 28, 2014. Mediation sessions with Mediator Lehman were conducted on October 4, 2013 and December 11, 2013.

4. A prehearing conference was held on October 4, 2013, where a schedule was established for the submission of testimony and evidentiary hearings. Evidentiary hearings were scheduled in the case for January 29 and 30, 2014.

5. A Public Input Hearing was held on October 30, 2013 at the Penn Estates Club House, at which 14 customer witnesses testified. Mr. Yap's rebuttal testimony filed in the case (PEUI Stmt. No. 1-R at p. 5-6) explains the Company's response to the issues identified by one of the customer witnesses.

6. As required by the adopted procedural schedule, the Company filed the prepared direct testimony of two witnesses and related exhibits on October 4, 2013. On December 19, 2013, the OCA filed direct testimony of one witness and related exhibits, and BI&E filed the direct testimony and exhibits of three witnesses. On January 6, 2014, the Company filed the rebuttal testimony and related exhibits of Company witness Lowell Yap. Throughout the case proceedings, additional information was provided by the Company in response to interrogatories

and data requests served by BI&E and OCA, and also in response to informal discovery requests and discovery conference calls. On January 24, 2014, the parties notified the ALJ that a settlement had been reached in principle and requested that the evidentiary hearings be canceled. At a hearing held on January 30, 2014, the Joint Petitioners identified their direct and rebuttal testimony and related exhibits which were admitted into the record of this proceeding, and the scheduled hearings were suspended.

7. Throughout this case, both formal and informal settlement negotiations were conducted by the parties in an effort to settle some or all of the issues in the case. These negotiations resulted in this Joint Petition for Settlement. Except to the extent identified herein, the Joint Petitioners have not attempted to, nor would they be able to, agree upon the specific rate case adjustments which support their positions in the case. The Joint Petitioners however are in agreement that this Settlement is in the best interest of the Company and its customers and therefore should be approved by the Presiding Officer as in the public interest.

SETTLEMENT TERMS AND CONDITIONS

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

a. Upon the Commission's approval of this Settlement, the Company will be permitted to charge the rates for sewer service set forth in the Tariff Supplement attached to this Joint Petition as Exhibit A. The settlement rates are designed to produce additional annual service revenues of \$100,000 for Penn Estates - Sewer as shown on the proof of revenues attached to this Joint Petition as Exhibit B. The Tariff Supplement contained in Exhibit A has been reviewed by the Joint Petitioners and complies with the terms of this Settlement. The Settlement rates are designed to produce \$878,475 in total annual sewer revenue as shown in Exhibit B. The bill for each sewer customer will increase from \$41.26 per month to \$46.56 per month (12.85%) in lieu of the \$51.04 per month (23.70% increase) proposed by the Company. The availability rate will increase from \$31.05 to \$35.04 quarterly.

b. The Company will not file for another sewer rate increase under Section 1308(d) of the Public Utility Code for one year from the entry date of the Commission Order approving this Joint Petition for Settlement. 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 Company's sewer rates, this Settlement shall not prevent the Company from filing tariff supplements revising rates to the extent required by such action.

c. In next case, Penn Estates agrees to provide detailed time records for Water Service Personnel for rate case expense claims with descriptions of time spent.

d. The parties agree to meet after the filing of the next case to have the Company explain the proposed allocation of salaries and wages.

e. The Company agrees to normalize rate case expenses in this case and future Pennsylvania rate filings, rather than proposing an amortization of rate case expense.

9. The Company, BI&E and the OCA, have prepared and attached statements in support of this Joint Petition which are identified as Exhibits C, D and E, respectively. These statements identify the reasons that the parties believe the Settlement is just and reasonable and in the public interest.

10. The parties submit that the Settlement is in the public interest for the following additional reasons:

a. The Settlement provides for an increase in annual service revenues for sewer service of \$100,000, or approximately 12.85% in lieu of the \$184,498, or 23.70%, increase originally requested.

b. Acceptance of the proposed Settlement will avoid further administrative and possible appellate proceedings at substantial cost to the Joint Petitioners, the Commission, other parties and the Companies' customers.

11. This Settlement is proposed by the Joint Petitioners to resolve the instant case and is made without admission against, or prejudice to, any position which any Joint Petitioner may adopt during subsequent litigation, including further litigation of this case. This Settlement is conditioned upon the Commission's approval of the terms and conditions identified herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within three business days following entry of the Commission's order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event the Commission disapproves the Settlement or the Company 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 presentation of witnesses, cross examination and legal argument through the submission of briefs and exceptions.

12. The Joint Petitioners recognize that this Joint Petition does not bind the formal Complainants, other than OCA. As directed by ALJ Barnes in ordering paragraph number 2 of her Order Suspending Procedural Schedule dated January 30, 2014 (the "Order"), PEUI has served a copy of this Joint Petition upon Complainants Jody Perkin, Penn Estates Property Owners Association, Richard Way, and Jo-Ann DeLibero. As stated on page 2 of the Order, ALJ Barnes will be mailing a letter to these *pro se* Complainants giving them an opportunity to submit comments or objections to the settlement within approximately 10 days. Other parties will then have an opportunity to respond to any objections or comments before a recommended decision is issued. 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 Complainants.

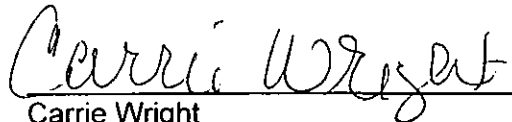
13. If the ALJ recommends that the Commission adopt the Settlement as presented in this Joint Petition, the Joint Petitioners agree to waive the filing of Exceptions. The Joint Petitioners however reserve the right to file Exceptions to any modifications to the terms and

conditions of this Settlement or any additional matters proposed by the ALJ in his Recommended Decision. The Joint Petitioners may also file replies to any Exceptions that may be filed to the Recommended Decision.

WHEREFORE, for all the foregoing reasons, the Joint Petitioners respectfully request:

1. That Presiding Administrative Law Judge Barnes and the Commission approve the settlement identified in this Joint Petition, including all terms and conditions;
2. That the Commission find the settlement rates to be just and reasonable and grant the Company permission to file the Tariff Supplement attached hereto as Exhibit A to become effective on one day's notice after entry of a Commission order approving this Settlement;
3. That the Commission terminate its investigations at Docket No. R-2013-2370455 and close this docket and dismiss any complaints filed against the Companies' proposed rate increases; and
4. Grant any additional relief that is just and reasonable under the circumstances.

Respectfully submitted,



Carrie Wright
Counsel for Bureau of Investigation and
Enforcement

Christine Maloni Hoover
Counsel for Office of Consumer Advocate

Daniel P. Delaney
Counsel for Penn Estates, Utilities, Inc.
- Sewer Division

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Dated: February 21, 2014


conditions of this Settlement or any additional matters proposed by the ALJ in his Recommended Decision. The Joint Petitioners may also file replies to any Exceptions that may be filed to the Recommended Decision.

WHEREFORE, for all the foregoing reasons, the Joint Petitioners respectfully request:


1. That Presiding Administrative Law Judge Barnes and the Commission approve the settlement identified in this Joint Petition, including all terms and conditions;
2. That the Commission find the settlement rates to be just and reasonable and grant the Company permission to file the Tariff Supplement attached hereto as Exhibit A to become effective on one day's notice after entry of a Commission order approving this Settlement;
3. That the Commission terminate its investigations at Docket No. R-2013-2370455 and close this docket and dismiss any complaints filed against the Company's proposed rate increases; and
4. Grant any additional relief that is just and reasonable under the circumstances.

Respectfully submitted,

Carrie Wright
Counsel for Bureau of Investigation and
Enforcement



Christine Maloni Hoover
Counsel for Office of Consumer Advocate



Daniel P. Delaney
Counsel for Penn Estates, Utilities, Inc
- Sewer Division

Dated: February 21, 2014

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Exhibit A

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PENN ESTATES UTILITIES, INC.

Supplement No. 10 to
Tariff Sewer-Pa. P.U.C. No. 3
Fifth Revised Title Page
Canceling Fourth Revised Title Page

PENN ESTATES UTILITIES, INC.

RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WASTEWATER COLLECTION, TREATMENT
AND/OR DISPOSAL SERVICE TO THE PUBLIC IN
STROUD TOWNSHIP AND POCONO TOWNSHIP
MONROE COUNTY, PENNSYLVANIA

ISSUED BY:
Lisa Sparrow, President
Penn Estates Utilities, Inc.
503 Hallet Road
East Stroudsburg, PA 18301
(800) 860-4512

ISSUED:

EFFECTIVE:

PENN ESTATES UTILITIES, INC.

Analomink, Pennsylvania

Supplement No. 10 to
Tariff Sewer-Pa. P.U.C. No. 3
Fifth Revised Page No. 2
Canceling Fourth Revised Page No. 2

LIST OF CHANGES

Change in rates.

ISSUED:

EFFECTIVE:

PART I: SCHEDULE OF RATES AND CHARGES

Section A - Rates for Metered Service

The utility has no approved metered rate. All wastewater customers are subject to flat rates herein within Part I, Section B.

Section B - Flat Rates

The charge per unit is a flat rate either per month or per quarter as follows:

Residential

\$46.56 per month per lot located within Penn Estates and upon which a structure has been erected. This rate will be billed monthly. (I)

Pool

\$46.56 per month per lot located within Penn Estates and at which a community pool or showering facility has been erected. This rate will be billed monthly. (I)

Clubhouse

\$46.56 per month for the Penn Estates Clubhouse. This rate will be billed monthly. (I)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor bank for any reason.

Section D - Availability

\$11.68 per month per lot if located within Penn Estates and upon which no structure has been erected for an availability charge. This rate will continue to be billed quarterly. (I)

Section E - Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized

Exhibit B

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Penn Estates Utilities, Inc.
Docket No. R-2013-2370455
Proof of Revenues Per Settlement

Present Revenues

WASTEWATER

Bill Code		Usage		BFC	Min Charge	Revenues	Monthly Rate	
		Gallage	Charge					
<u>All Subs:</u>								
25521	5/8" Res. Swr.	-	\$ -	18,672	\$ 41.26	\$ -	\$ 770,407	\$ 41.26
25527	5/8" Pool Swr.	-	-	24	41.26	-	990	41.26
25528	5/8" Clubhouse Swr.	-	-	12	41.26	-	495	41.26
25627	Availabilty (Stated Quarterly)	-	-	212	31.05	-	6,583	10.35
Total		-		<u>18,920</u>			<u>\$ 778,475</u>	

Revenues Per Settlement

WASTEWATER

Bill Code		Usage		BFC	Min Charge	Revenues	Monthly Rate	
		Gallage	Charge					
<u>All Subs:</u>								
25521	5/8" Res. Swr.	-	\$ -	18,672	\$ 46.56	\$ -	\$ 869,371	\$ 46.56
25527	5/8" Pool Swr.	-	-	24	46.56	-	1,117	46.56
25528	5/8" Clubhouse Swr.	-	-	12	46.56	-	559	46.56
25627	Availabilty (Stated Quarterly)	-	-	212	35.04	-	7,428	11.68
Total		-		<u>18,920</u>			<u>\$ 878,475</u>	

Current	\$ 778,475
Difference	\$ 100,000
% Increase	12.85%

Exhibit C

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**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES, PRESIDING**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2013-2370455
	:	C-2013-2378500
	:	C-2013-2375469
v.	:	C-2013-2376185
	:	C-2013-2375482
Penn Estates Utilities, Inc. - Sewer Division	:	C-2013-2375673
	:	

**STATEMENT OF PENN ESTATES UTILITIES, INC. - SEWER DIVISION
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

Penn Estates Utilities, Inc. - Sewer Division (the "Company") submits that the proposed Settlement is in the best interest of the Company and its customers and is therefore in the public interest. The Settlement is the result of extensive discovery, the submission of testimony by the parties and negotiations among the Joint Petitioners as to the appropriate level of revenue increase. The Company supports the Presiding Officer's and Commission's approval of the proposed Settlement and offers the following reasons why the Settlement should be approved.

1. Penn Estates Utilities, Inc. - Sewer Division is a regulated public utility engaged in the collection and treatment of sewage. The Company is located in Monroe County, Pennsylvania, where it serves approximately 1,556 sewer customers, three pool and clubhouse connections, and maintains available service to an additional 53 availability customers. Penn Estates Utilities is a wholly owned subsidiary of Utilities, Inc.

2. By order entered February 10, 1997, the Commission approved the acquisition by Penn Estates Utilities, inc. of Stroud Water's and Penn Utilities' assets and operating rights. See Application of Penn Estates Utilities, Inc. at Commission Docket Nos. A-210072, *et. seq.* (Order entered February 10, 1997). Since that time, the

Company has made significant improvements to the utility systems and is in the process of making additional improvements. Total combined (water and sewer) improvements exceed \$4.0 million since acquisition. These improvements assist the sewer utility in providing safe, adequate and proper service to the public and in maintaining compliance with the requirements of the Pennsylvania Department of Environmental Protection.

3. The Company has not filed a request for a rate increase since 2009 and has not increased its rates since 2010. An increase in the Company's sewer rates is required to establish an income level which will permit the Company to finance essential and continuing plant investment so as to comply with ongoing environmental and health regulations, to permit the Company to earn a fair and accurate return on investment and to enable the Company to continue to provide safe, adequate and proper service to customers.

4. The sewer revenue increases identified in this Settlement are less than the increases originally requested by the Company. In this Settlement, the Company has agreed to an increase in annual service revenues for sewer service of \$100,000 in lieu of the increase of \$184,498 originally proposed. While less than originally requested, this increase in annual sewer revenue will permit the Company to finance continuing plant investment so as to comply with environmental and health regulations, permit the Company to earn a fair and adequate rate of return on investment in property used and useful in public utility service, enable the Company to maintain financial integrity and raise such funds as are necessary for the proper discharge of its duties, and to continue to provide adequate and safe and proper service to its customers.

5. Acceptance of this Settlement by the Presiding Officer and Commission will allow the parties and Commission to avoid expending additional effort and

resources that would be required to fully litigate this proceeding and also avoid the possibility of any appellate litigation following the entry of the Commission's final order. This Settlement reflects a compromise by all parties to the case which has resulted in just and reasonable settlement rates.

WHEREFORE, for all the foregoing reasons, Penn Estates Utilities, Inc. submits that this Settlement is in the best interest of both the Company and its customers and is therefore in the public interest and should be approved by the Commission. The Company respectfully requests the Presiding Officer's and Commission's prompt review and approval of this Settlement and the issuance of a Commission order which permits the revised sewer rates to be implemented for service rendered on one day's notice after the Commission's approval of the Joint Petition for Settlement of Rate Investigations.

Respectfully submitted,



Daniel P. Delaney
PA Attorney I.D. 23955
dan.delaney@klgates.com

Counsel for Penn Estates Utilities, Inc.

K&L Gates LLP
17 North Second Street, 18th Floor
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Dated: February 21, 2014

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

Penn Estates Utilities, Inc. – Sewer Division

:
:
:
:
:
:

Docket No. R-2013-2370455

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

TO ADMINISTRATIVE LAW JUDGE ELIZABETH BARNES:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation ("Settlement") are in the public interest and represent a *fair, just, reasonable and equitable balance of the interest of Penn Estates Utilities, Inc. – Sewer Division ("Penn Estates" or "Company") and its customers.*

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is

incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

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

3. On June 29, 2013, Penn Estates filed Supplement No. 7 to Tariff Sewer-Pa. P.U.C. No. 3, containing proposed changes in rates, rules, and regulations calculated to produce \$184,498 in additional annual revenues.

4. By Order entered August 15, 2013, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations.

5. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until March 27, 2014, unless permitted by Commission Order to become effective at an earlier date.

6. Penn Estates consented to mediation and on September 10, 2013 filed Supplement No 9 with the Commission suspending the application of rates proposed in Supplement No. 7 until May 28, 2014.

7. Administrative Law Judge Elizabeth Barnes conducted a Prehearing Conference on October 4, 2013.

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

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

- (a) the settlement provides for a level of additional operating revenues of \$100,000. I&E, as one of the Joint Petitioners, agrees this is reasonable and lawful. The proposed rate increase is in the public interest because it allows the Company additional annual revenue while significantly moderating the amount of the increase for Penn Estates ratepayers;
- (b) the settlement avoids the necessity of further administrative and possible appellate court proceedings, which would have been at substantial cost to the involved parties and the Company's ratepayers and thereby conserves time and expenses for all involved;
- (c) the settlement provides that Penn Estates will not file another base rate increase for one year from the entry date of a Commission Order approving this Settlement Petition – a provision that provides a level of rate stability that would not exist if the case were fully litigated;
- (d) the settlement provides that Penn Estates will provide detailed time records for Water Service Personnel in the next rates case along with descriptions of time spent. This provision is important as it will assure that only those costs which are prudently incurred are passed along to ratepayers;
- (e) the settlement provides that after the filing of the next case, Penn Estates will meet with the parties to explain the proposed salaries and wages allocation. Having this information upfront will allow the parties to better analyze the Company's salaries and wages claim;

- (f) the Company has also agreed as part of the settlement or normalize rate case expense in this case, as well, as future Pennsylvania rate case filings. Traditionally, in Pennsylvania rate case expense is normalized. The Commission has stated that it considers prudently incurred rate case expense as an ongoing, although recurring at irregular intervals, expense related to the rendering of utility service;
- (g) I&E represents that all issue have been satisfactorily resolved through discovery and discussions with the Company and are incorporated in the settlement. *Line by line identification of the ultimate resolution of the disputed issues is not necessary as I&E represents that the settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.*

10. In conclusion, the Bureau of Investigation and Enforcement has been thoroughly involved in the instant base rate proceeding for sewer service provided by Penn Estates. I&E reiterates that it fully supports the settlement as being in the public interest and respectfully requests that Administrative Law Judge Elizabeth Barnes recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition and approve the respective tariff supplements as submitted with the proposed settlement.

Respectfully submitted,



Carrie B. Wright
Prosecutor

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

Dated: February 20, 2014

Exhibit E

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2013-2370455
	:	C-2013-2378500
Penn Estates Utilities, Inc. – Sewer Division	:	

**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 of Rate Investigation (Settlement or Petition), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On June 28, 2013, Penn Estates Utilities, Inc. – Sewer Division (PEUI or Company) filed Supplement No. 7 to Tariff Sewer-Pa. P.U.C. No. 3, to become effective August 27, 2013, containing proposed changes in rates, rules and regulations calculated to produce \$184,498 in additional revenues, or 23.7%, based upon the experienced level of operations in the test year ending March 31, 2013. On August 12, 2013, the OCA filed a formal complaint against the proposed rate increase (C-2013-2378500). The Bureau of Investigation & Enforcement (I&E) entered an appearance. Formal complaints were also filed by Richard Way (Dkt. No. C-2013-2375482), Jo-Ann DeLibero (Dkt. No. C-2013-2375673), Jody Perkin (Dkt. No. C-2013-2375469), and by Luna Mishoe on behalf of the Penn Estates Property Owners Association (Dkt. No. C-2013-2376185).

By Order entered August 15, 2013, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules and

regulations. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law until March 27, 2014. PEUI subsequently extended the suspension period until May 28, 2014 as part of its participation in the PUC's mediation process. The case was assigned to Administrative Law Judge (ALJ) Barnes.

On October 4, 2013, a Prehearing Conference was conducted by ALJ Barnes, at which time a schedule was set. Following the Prehearing Conference, the parties entered into a mediation session seeking to achieve a settlement of the issues in the case. A second mediation session was held on December 11, 2013.

A public input hearing was held on October 30, 2014 at the Penn Estates Club House at which time 14 customers testified. PEUI served its direct testimony on October 4, while the non-Company parties served direct testimony on December 19. The Company served its rebuttal testimony on January 6.

As a result of a number of discussions and meetings during the course of the proceeding, the parties were able to agree to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. On January 30, 2014, a hearing was held by ALJ Barnes at which time the parties stipulated to the admission of written testimony and exhibits. 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 revenue increase of \$100,000, or approximately 58.2%. Settlement ¶ 8. (a), Appendix B. Based on the OCA's analysis of the Company'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 Company's rate request, the monthly bill for a sewer customer would have increased from \$41.26 to \$51.04 per month, or by 23.7%. However, under the proposed Settlement, the monthly bill for a sewer customer would be \$46.56, or 12.85%. See Exhibit B. The availability fee will increase from \$31.05 to \$35.04 per quarter.

III. STAY-OUT PROVISION

Under the proposed Settlement, PEUI cannot file for another general rate increase prior to twelve months after the entry date of the final order in this proceeding. Settlement ¶ 8.(b). The proposed stay-out provision should prevent another rate increase before January 2016, assuming the Company files as soon as the stay-out expires and assuming the next case is fully litigated. Thus, the Company's ratepayers will be assured of some level of rate stability.

IV. OTHER ISSUES

Requirements for Next Rate Case:

In its next rate filing, the Company agreed to provide detailed time records for Water Service Personnel related to rate case expense claims. The records must include descriptions of time spent on the rate filing. Settlement ¶ 8(c).

The Company agreed that it will meet with the signatory parties after the filing of the next case to explain its proposed allocation of salaries and wages in the filing. Settlement ¶ 8.(d). Both of these provisions will aid the parties in determining the reasonableness of these ratemaking claims in the next filing.

The Company also agreed to normalize rate case expense in future filing rather than proposing an amortization of rate case expense. Settlement ¶ 8(e). This provision will align the Company's claim with the established ratemaking treatment of rate case expense.

V. 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 \$100,000 in annual revenues. This amount is reduced from the \$184,498 annual increase proposed in the Company's filing. In addition, the ratepayers will benefit from the stay-out and other provisions addressing ratemaking issues. 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 Penn Estates Utilities, Inc. - Sewer Division.

Respectfully Submitted,



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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Penn Estates Utilities, Inc. Sewer Division

Docket No. R-2013-2370455

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed by U.S Mail in accordance with the requirements of Section 1.54 (relating to service by a party).

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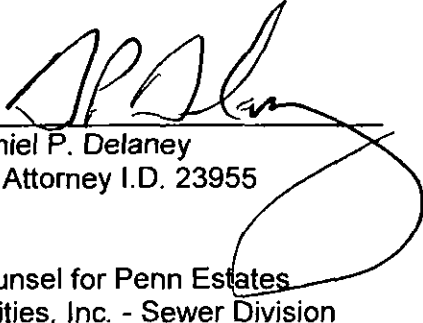
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