



THOMAS, NIESEN & THOMAS, LLC

Attorneys and Counsellors at Law

THOMAS T. NIESEN
Direct Dial: 717.255.7641
tniesen@tntlawfirm.com

April 1, 2015

Via Electronic Filing

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

In re: Docket No. R-2014-2430945, *et al.*
Pa. P.U.C. *et al.* v. Plumer Water Company

Dear Secretary Chiavetta:

Enclosed for filing is a Joint Petition for Settlement of the above referenced rate investigation signed by Plumer Water Company, the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission and the Office of Consumer Advocate. Copies of the Joint Petition are being served upon the persons and in the manner set forth on the certificate of service attached to it. Please contact me if you have any questions concerning this matter.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By

Thomas T. Niesen

Encl.

cc: Certificate of Service (w/encl.)
Randall L. Rhodes (via email, w/encl.)

150401 - Chiavetta (Settlement).wpd

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2014-2430945
David J. Schneider	:	C-2014-2449779
Office of Consumer Advocate	:	C-2014-2449258
	:	
v.	:	
	:	
Plumer Water Company	:	

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

This Joint Petition for Settlement is made and entered into by, between and among the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”) and Plumer Water Company (“PWC”), parties to the above captioned rate proceeding (hereinafter collectively referred to as “Joint Petitioners”), and is hereby submitted for consideration and recommended approval by the Administrative Law Judge for the purpose of settling the above captioned rate proceeding under the terms and conditions set forth below.

Background

1. PWC is a Pennsylvania public utility that provides water service to the public in a portion of Cornplanter Township, including the Village of Plumer, Venango County, Pennsylvania.
2. On September 18, 2014, PWC filed Supplement No. 13 to Tariff Water-Pa. P.U.C. No. 2 (“Supplement No. 13”) to be effective December 5, 2014. If approved,

Supplement No. 13 would increase PWC's annual water revenue by \$11,409 based on a test year ended December 31, 2013.

3. By Order entered November 13, 2014, at Docket No. R-2014-2430945, the Commission suspended Supplement No. 13 and instituted an investigation into the reasonableness of the proposed rates. PWC filed Supplement No. 14 to suspend the application of the proposed water rates until July 5, 2015.

4. Formal Complaints against Supplement No. 13 were filed by David J. Schneider and the OCA at C-2014-2449779 and C-2014-2449258, respectively. A Notice of Appearance was filed by I&E on October 24, 2014.

5. PWC consented to use the mediation process to try to resolve the rate investigation. As required by 52 Pa. Code § 69.392, PWC filed Supplement No. 15 on December 16, 2014, voluntarily extending the effective date of Supplement No. 13 to September 5, 2015.

6. The case was assigned to Administrative Law Judge Mark A. Hoyer. Cynthia Lehman, Esquire was assigned as Mediator.

7. A Telephonic Prehearing Conference was held on December 22, 2014. Counsel for I&E, OCA and PWC attended the prehearing conference.

8. A telephonic public input hearing was held on January 22, 2015.

9. A mediation session was held on January 12, 2015 and on January 28, 2015. PWC, OCA and I&E participated in the mediation sessions.

Terms and Conditions of Settlement

10. Joint Petitioners agree that this rate proceeding can be settled without the need for further formal litigation. The terms and conditions comprising this Joint Petition, to which

Joint Petitioners agree, are as follows:

(a) Revenue Increase, Phase-In and Allocation

Joint Petitioners request that the Commission act as soon as possible to approve this Joint Petition and grant PWC special permission to file a tariff supplement in the form attached hereto as Appendix A, to become effective for service on one day's notice, following the entry of a Commission Order approving this Settlement. The tariff supplement is designed to produce an increase in annual revenue of \$11,409 or 34.92% over two phases. The first phase rates produce an annual increase of \$8,500 and will become effective upon one day's notice following the entry of a Commission Order approving this Joint Petition. The second phase rates, which will produce an additional increase of \$2,909, will become effective upon written confirmation from PWC to the Commission, the OCA and I&E that all conditions contained in Paragraph 10(b) below have been met. The allocation of design of the settlement rates provides for a monthly customer charge of \$23.00. Proofs of revenue for the two phase increases are attached hereto as Appendices B and C.

(b) Electric Generator

PWC, at its cost, will purchase a back-up electric generator for installation by the Borough of Rouseville on the Borough's water system. PWC purchases its water supply from the Borough. The back-up generator will provide a source of back-up electric power for water service provided by the Borough of Rouseville to PWC to enable water service to continue to PWC's customers when there is an outage on the Rouseville system. PWC

agrees to provide written proof and confirmation that the generator has been purchased by PWC and has been installed by Rouseville and is in working order.

(c) Affiliated Interest Agreement

Within 30 days of the issuance of a Final Order in this matter, PWC will file the Revised Schedule I, attached hereto as Appendix D, as an amendment to the Affiliated Interest Agreement addressed by the Commission at G-2014-2439212 and approved by Secretarial Letter of the Commission dated December 11, 2014. It is agreed that the filing will be submitted pursuant to Chapter 21 of the Public Utility Code and that, consistent with submissions under Chapter 21, the amended AIA is not being proposed as a determination that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates.

(d) Stay Out

PWC will not file a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), prior to eighteen (18) months after the entry date of the Commission's Order approving this Joint Petition for Settlement. PWC may, however, file for a change in rates under Sections 1308(a) and (b) of the Public Utility Code, 66 Pa. C.S. § 1308(a) and (b) (governing general rate relief), or Section 1308(e) of the Public Utility Code, 66 Pa. C.S. § 1308(e) (governing extraordinary rate relief), if a legislative body or administrative agency orders or enacts changes in policy, regulation or statutes which directly and substantially affect PWC's rates.

PWC may also, however, file for a change in rates if the Borough of Rouseville changes the rates charged to PWC for water purchased by PWC from the Borough of Rouseville.

Other Provisions

11. Under the presently suspended Supplement No. 13, the monthly cost of water service to a typical residential customer using 2,000 gallons per month would have increased by approximately \$14.30, or 35.01%, from \$40.84 to \$55.14. Under the Joint Petition, the monthly cost of water service to such residential customer would increase by approximately \$13.14, or 32.17%, from \$40.84 to \$53.98 over the two phases. Under Phase I, the monthly cost of water service to such residential customer would increase by approximately \$9.94, or 24.34%, from \$40.84 to \$50.78. Under Phase II, the monthly cost of water service to such residential customer would increase by approximately \$3.20, or 6.30%, from \$50.78 to \$53.98.

12. Although Joint Petitioners are not in agreement with respect to each claim in the ratemaking process and would not be able to agree upon the specific rate adjustments that may support their respective conclusions, their agreement as to the amount of increase in PWC's annual water revenue, coupled with the other provisions hereto, provides an appropriate basis for resolution of the instant rate litigation.

13. The Joint Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides PWC with additional and necessary cash flow. The statements of PWC, I&E and OCA supporting the Joint Petition are attached as Appendices E, F and G.

14. This Joint Petition is proposed to settle the instant matter and is made without any admission against or prejudice to any positions that any Joint Petitioner might adopt

during subsequent litigation in any case, including further litigation in this case if this Joint Petition is rejected by the Commission or withdrawn by any one of the Joint Petitioners as provided below. This Joint Petition is conditioned upon the Commission's approval of all terms and conditions contained herein. Joint Petitioners agree that the Joint Petition does not expressly or implicitly represent approval of any specific claim or claims made in this proceeding and agree not to contend otherwise in any subsequent proceeding. If the Commission should fail to grant such approval or should modify the terms and conditions herein, this Joint Petition may be withdrawn by any Joint Petitioner upon written notice to the Commission and all parties within three business days by any of the Joint Petitioners. In such event, the Joint Petition shall be of no force and effect. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above and the proceeding continues to hearing, the Joint Petitioners reserve their respective right to produce, distribute and offer into the record direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination of other parties witnesses at hearing, briefing and argument in this rate proceeding.

15. If the Administrative Law Judge in his Recommended Decision recommends that the Commission adopt the Joint Petition without modification as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their right to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters, proposed by Judge Hoyer in his Recommended Decision. The Joint Petitioners reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

16. Joint Petitioners recognize that this Joint Petition does not bind the formal Complainant. Complainant is being served with a copy of the Joint Petition. ALJ Hoyer, thereafter, will advise the Complainant of the procedure for him to comment or object to the Joint Petition. 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 formal Complainant.


17. In recognition of the foregoing, the Joint Petitioners respectfully request that:

- (a) PWC be granted special permission to file a tariff supplement in the form attached hereto as Appendix A to become effective for service on one day's notice, following entry of a Commission Order; and
- (b) The Commission's investigation at R-2014-2430945 be terminated and marked closed; and
- (c) The Complaint of the Office of Consumer Advocate at C-2014-2449258 be marked closed consistent with this Joint Petition for Settlement.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement as of the date indicated herein.


**BUREAU OF INVESTIGATION AND
ENFORCEMENT**

By: _____


Gina L. Lauffer
Prosecutor


OFFICE OF CONSUMER ADVOCATE

By: _____


Christine Maloni Hoover
Senior Assistant Consumer Advocate

PLUMER WATER COMPANY

By: _____


Thomas T. Niesen, Esquire

APPENDIX A

A-90122

Supplement No. 16
To
Water - Pa. P.U.C. No. 2

PLUMER WATER COMPANY
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN A PORTION OF
CORNPLANTER TOWNSHIP,
INCLUDING THE VILLAGE OF PLUMER,
VENANGO COUNTY, PENNSYLVANIA

ISSUED:

EFFECTIVE:

BY: Randall L. Rhodes, Secretary
P. O. Box 397
Reno, PA 16343

THIS TARIFF MAKES INCREASES IN EXISTING RATES

Plumer Water Company

Supplement No. 16

To

Tariff Water - Pa. P.U.C. No. 2

Page No. 2

LIST OF CHANGES

INCREASES

Metered Rates to all Domestic, Commercial, Industrial and Public water service customers have been increased.

Issued:

Effective:

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SCHEDULE OF RATES AND CHARGES

Rates for Metered Service

Service Charge: (I)

Each customer will be assessed a monthly service charge based upon the size of the customer's meter as follows:

<u>Customer Charge</u>		
<u>Meter Size</u>		<u>Per Month</u>
5/8	inch	\$23.00
3/4	inch	\$34.50
1	inch	\$57.50
2	inch	\$184.00

The service charges are fixed charges that will be billed to each customer for each meter. In addition to the service charge, each customer will be billed for the water used at each meter in accordance with the consumption charges shown below.

Consumption Charge (Phase I): (I)

Rate per 1000 Gallons, per month \$13.89

Consumption Charge (Phase II) Upon Verification of Generator Installation and Operation: (I)

Rate per 1000 Gallons, per month \$15.49

Special Provision:

Where water service is furnished through a single meter to more than one service unit (fixed or mobile) the service charge for such meter will be the greater of the rate set forth above or the sum produced by multiplying the service charge for a 5/8" meter by the number of service units over one unit and multiplying such amount by 50% and adding the charge for the one unit. In addition to this service charge, billing for water used will be in accordance with the consumption charges shown above.

(I) Indicates Increase

APPENDIX B

Plumer Water Company
Revenue Phase I Verification at Settlement Rates

Residential:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	629		\$23.00	\$14,467.00
Consumption Charge (Per 1,000 Gallons):	Consumption	Annualization	Total	Rate	Revenue
	1765.33	0.00	1765.33	\$13.89	\$24,520.43
Total Residential Revenues					\$38,987.43
Commercial:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	12.00		\$23.00	\$276.00
Consumption Charge (Per 1,000 Gallons)	Consumption	Annualization	Total	Rate	Revenue
	20.00	0.00	20.00	\$13.89	\$277.80
Total Commercial Revenues					\$553.80
Public:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	48.00		\$23.00	\$1,104.00
Consumption Charge (Per 1,000 Gallons)	Consumption	Annualization	Total	Rate	Revenue
	31.20	0.00	31.20	\$13.89	\$433.37
Total Public Revenues					\$1,537.37
Total Operating Revenues					\$41,078.60
Penalties and Forfeitures					\$88.08
Worksheet Calculation Error					\$0.03
Total Revenues					\$41,166.71

APPENDIX C

Plumer Water Company
Revenue Phase II Verification at Settlement Rates

Residential:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	629		\$23.00	\$14,467.00
Consumption Charge (Per 1,000 Gallons):	Consumption	Annualization	Total	Rate	Revenue
	1765.33	0.00	1765.33	\$15.49	\$27,344.96
Total Residential Revenues					\$41,811.96
Commercial:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	12.00		\$23.00	\$276.00
Consumption Charge (Per 1,000 Gallons)	Consumption	Annualization	Total	Rate	Revenue
	20.00	0.00	20.00	\$15.49	\$309.80
Total Commercial Revenues					\$585.80
Public:					
Customer Charge:	Meter Size	Number of Bills		Rate	Revenue
	5/8"	48.00		\$23.00	\$1,104.00
Consumption Charge (Per 1,000 Gallons)	Consumption	Annualization	Total	Rate	Revenue
	31.20	0.00	31.20	\$15.49	\$483.29
Total Public Revenues					\$1,587.29
Total Operating Revenues					\$43,985.05
Penalties and Forfeitures					\$88.08
Worksheet Calculation Error					\$0.03
Total Revenues					\$44,073.16

APPENDIX D

SCHEDULE I

DISTRIBUTION OF WAGES AND BENEFITS TO AFFILIATES

Prior to the use of the equations below, an amount of approximately 20%, but in no event shall be less than 17%, unless proven otherwise, of the total wages and benefits incurred, excluding wages drawn by the owner(s) of the sole proprietorships B. E. Rhodes Sewer Company and West Hickory Water Company, for the calendar year shall be allocated to B. P. Rhodes & Son, Inc. and B. & B. Rhodes Supply.

After applying the allocation to B. P. Rhodes & Son, Inc. and B. & B. Rhodes Supply, use the following calculations, including wages drawn by the owner(s) of the sole proprietorships of B. E. Rhodes Sewer Company and West Hickory Water Company to calculate the percentages to be allocated to the utility affiliates:

To distinguish the average residential customers, non-residential for Venango must be equated to residential. To equate to residential equivalent, perform the following equations:

- A = Venango's total residential customers for the year.
- B = Venango's average monthly residential customers - $A / 12$
- C = Venango's total gross residential revenues.
- D = Venango's average monthly gross residential revenues. - $C / 12$
- E = Venango's average monthly residential bill. - D / B
- F = Venango's total gross non-residential revenues.
- G = Venango's average monthly non-residential revenues. - $F / 12$
- H = Venango's residential equivalent for non-residential customers. - G / D
- I = Venango's average monthly customers equivalent. - $B + H$

For Plumer Water Company, B. E. Rhodes Sewer Company and West Hickory Water Company, deductions are made to the average customers for the wage calculations.

- J = Plumer's total customers for the year.
- K = Plumer's average monthly customers. - $J / 12$
- L = Plumer's average monthly customers after deduction. - $K * .75$
- M = B. E. Rhodes Sewer's total customers for the year.
- N = B. E. Rhodes Sewer's average monthly customers. - $M / 12$
- O = B. E. Rhodes Sewer's average monthly customers after deduction. - $N * .60$
- P = West Hickory's total customers for the year.
- Q = West Hickory's average monthly customers. - $P / 12$
- R = West Hickory's average monthly customers after deduction. - $Q * .60$

For all other affiliates, use average customers.

- S = Sugarcreek's total customers for the year.
- T = Sugarcreek's average monthly customers. - $S / 12$
- U = Fryburg's total customers for the year.
- V = Fryburg's average monthly customers. - $U / 12$
- W = Cooperstown's total customers for the year.
- X = Cooperstown's average monthly customers. - $W / 12$

Calculation for the percentage of Wages and benefits for all utility affiliates:

$$Y = \text{Total average monthly customers for all affiliates} - I + L + O + R + T + V + X$$

- I / Y = Venango Water Company percentage.
- T / Y = Sugarcreek Water Company percentage.
- L / Y = Plumer Water Company percentage.
- V / Y = Fryburg Water Company percentage.
- O / Y = B. E. Rhodes Sewer Company percentage.
- X / Y = Cooperstown Water Company percentage.
- R / Y = West Hickory Water Company percentage.

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2014-2430945
David J. Schneider	:	C-2014-2449779
Office of Consumer Advocate	:	C-2014-2449258
	:	
v.	:	
	:	
Plumer Water Company	:	

**STATEMENT OF PLUMER WATER COMPANY IN SUPPORT OF JOINT PETITION
FOR SETTLEMENT OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

AND NOW, comes Plumer Water Company (“PWC” or “Company”), by its attorneys, and respectfully submits the following statement in support of the Joint Petition for Settlement of Rate Investigation (“Joint Petition”) submitted to the Public Utility Commission (“Commission”) by PWC, the Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”).

Introduction

1. PWC is a Pennsylvania public utility that provides water service to the public in a portion of Cornplanter Township, including the Village of Plumer, Venango County, Pennsylvania.
2. PWC purchases its water supply from the Borough of Rouseville (“Rouseville”). On June 25, 2014, Rouseville provided PWC with 6 month notice of an increase in the price of water supply to PWC. The increase to PWC became effective December 25, 2015.
3. On September 18, 2014, PWC filed its Supplement No. 13 to Tariff Water-Pa. P.U.C. No. 2 (“Supplement No. 13”) to be effective December 5, 2014. If approved, Supplement No. 13

would increase PWC's annual water revenue by \$11,409 based on a test year ended December 31, 2013. The filing included claims for increased purchased water costs charged by Rouseville.

4. PWC, I&E and the OCA (the "Joint Petitioners") have agreed that this rate proceeding can be settled without further litigation under the terms set forth in the Joint Petition. The Joint Petitioners have agreed *inter alia* that PWC may file a tariff supplement increasing its annual revenue by \$11,409, in two phases, in lieu of the proposed single phase increase of \$11,409 contained in Supplement No. 13. Mediation preceded the filing of the Joint Petition.

The Proposed Settlement is Consistent with Commission Regulations and In the Public Interest. It Minimizes Cost Prohibitive Litigation and Administrative Burden.

5. It is the stated policy of the Commission to encourage parties in contested proceedings to enter into settlements.¹ Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. A settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and replies to exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yields significant expense savings. Such savings directly benefit the individual parties to a proceeding. At the same time, these savings also benefit the Commission and all ratepayers of the utility, who otherwise may have to bear the financial burden such litigation necessarily entails.² The avoidance of further litigation expense in this proceeding is in the public interest.

¹ 52 Pa. Code § 5.231(a). The Commission, moreover, has stated that the results achieved from a negotiated settlement or stipulation in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

² *Pa. P.U.C. v. Imperial Point Water Service Company*, Docket No. R-2012-2315536, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated June 25, 2013, mimeo at 11; *Pa. P.U.C. v. The Newtown Artesian Water Company*, Docket No. R-2011-2230259, Recommended Decision of Administrative Law Judge Elizabeth H. Barnes dated September 20, 2011 ("*Recommended Decision of ALJ Barnes*"), mimeo at 9; *Pa. P.U.C. v.*

6. The Joint Petition proposes a settled resolution of all issues in the rate proceeding. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.³ The benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.⁴

7. The Joint Petitioners agree that the Joint Petition is in the public interest because it (a) minimizes cost prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides PWC with additional and necessary cash flow.⁵ These three considerations are traditionally recognized as matters that further the public interest in settlement of rate proceedings.⁶ Each of these considerations applies here where the settlement minimizes cost prohibitive litigation and administrative burden as set forth above and recognizes ratepayers' concerns and provides PWC with additional and necessary cash flow as set forth below. The Joint Petitioners are also filing individual statements in support of the Joint Petition.

Reynolds Disposal Company, Docket No. R-2010-2171339, Recommended Decision of Administrative Law Judge Conrad A. Johnson dated January 11, 2011, mimeo at 12; *Pa. P.U.C. v. Lake Spangenberg Water Company*, Docket No. R-2009-2115743, Recommended Decision of Administrative Law Judge Ember S. Jandebour dated March 2, 2010, mimeo at 11; *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2009-2102464, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated February 16, 2010, mimeo at 5.

³ *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Pa. P.U.C. v. C S Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) and *Pa.P.U.C. v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985).

⁴ *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996 and *Pa.P.U.C. v. CS Water and Sewer Associates*, 74 Pa. P.U.C. 767 (1991).

⁵ Joint Petition, paragraph 13.

⁶ *See Recommended Decision of ALJ Barnes*, mimeo at 9 – 10, wherein Judge Barnes concludes that the joint petition in settlement of a water rate proceeding is in the public interest because it (a) minimizes cost prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides [the utility] with additional and necessary cash flow.

8. PWC submits that the proposed comprehensive resolution of this proceeding, presented by the Joint Petitioners after review and analysis and Commission encouraged mediation,⁷ is in the public interest and consistent with the requirements of the Public Utility Code and established Commission policy. While it may not always be the case, it is the case here that the participation of the Joint Petitioners in Commission encouraged mediation supports the conclusion that the Joint Petition furthers and is consistent with the public interest.

The Financial Data Submitted By PWC Supports the Settlement Increase Which Will Provide the Company with Additional and Necessary Cash Flow

9. Under the presently suspended Supplement No. 13, the monthly cost of water service to a typical residential customer using 2,000 gallons per month would have increased by approximately \$14.30, or 35.01%, from \$40.84 to \$55.14. Under the Joint Petition, the monthly cost of water service to such residential customer would increase by approximately \$13.14, or 32.17%, from \$40.84 to \$53.98 over the two phases. Under Phase I, the monthly cost of water service to such residential customer would increase by approximately \$9.94, or 24.34%, from \$40.84 to \$50.78. Under Phase II, the monthly cost of water service to such residential customer would increase by approximately \$3.20, or 6.30%, from \$50.78 to \$53.98.

10. As is common in general base rate proceedings, the settlement is “black box,” meaning that the parties have not negotiated each and every revenue and expense line item but rather have, after considerable effort, been able to agree upon a final revenue number based on their individual revenue and expense analysis.

⁷ The Commission’s Order entered November 13, 2014, in this matter assigned the case to the Office of Administrative Law Judge for Alternate Dispute Resolution, if possible.

11. The financial data submitted by PWC in support of Supplement No. 13 fully supported the original, as-filed for annual increase of \$11,409, and, consequently, fully supports the two phase increase of \$11,409 provided for in the Joint Petition. The financial data was submitted in the form of a traditional rate base/rate of return analysis.

12. Considering all of the foregoing, PWC submits that it is clear that the Joint Petition and the two phase revenue increase that is reflected in the settlement rates are in the public interest. PWC could have supported the requested increase on a single phase basis if it had proceeded to litigation. Its decision, however, to avoid litigation and mediate a settled resolution avoids costs and expenses as aforesaid. Under the totality of the circumstances presented in this case, PWC believes that cost avoidance is in its interest and also the interest of its customers. The settlement, moreover, will provide PWC with additional and necessary cash flow to pay the increased purchased water charges from Rouseville (in effect since December 25, 2014) and which should be sufficient to allow it to continue to provide reasonable and adequate service.⁸

The Electric Generator

13. The second phase of the settlement revenue increase is contingent upon PWC's purchase of an electric generator and the installation of the generator by Rouseville. The electric generator will provide back-up electric power to enable water service to continue to PWC's customers when there is an electric power outage on the Rouseville system. The purchase of the generator is a significant investment by PWC, the cost of which was not part of PWC's ratemaking claims. The

⁸ The public interest is furthered when a utility is provided with sufficient revenue to meet its obligations under Section 1501 of the Public Utility Code, 66 Pa. C.S. §1501, to provide safe, reliable and adequate service. The courts have long recognized that, in order to function in the public interest, the utility must have rates which are sufficient to recover legitimate operating costs, and at the same time not result in an excessive return. *Recommended Decision of ALJ Barnes*, citing *Orlosky v. Pa. P.U.C.*, 171 Pa. Superior. Ct. 409, 89 A.2d 903 (1952).

purchase and installation of the generator was identified as a way of enhancing service reliability. PWC accepts the settlement term as part of the reasonable and appropriate resolution of this proceeding.

The Filing of a Revised Affiliated Interest Agreement Schedule

14. Chapter 21 of the Public Utility Code requires Commission approval of contracts or arrangements between a utility and its affiliates. PWC has an affiliated interest agreement on file with the Commission that was approved at G-2014-2439212. The Joint Petitioners agree that PWC will file a revised affiliated interest agreement schedule with the Commission. The revised schedule will be submitted pursuant to Chapter 21 of the Public Utility Code. Consistent with submissions under Chapter 21 and significant to the interests of the Company in maintaining rate flexibility going forward, the revised schedule is not being proposed as a binding determination in future rate proceedings. The revised schedule addresses an affiliated interest issue that has been a matter of controversy between and among the Company, I&E and OCA. PWC accepts the settlement term as part of the reasonable and appropriate resolution of this proceeding.

The Stay-Out Provision

15. PWC has agreed as part of the settlement to an eighteen (18) month rate case stay out. A rate case “stay out” gives ratepayers a specified level of rate security – one and one half years here – that would not exist absent the stay out. A rate case “stay out” is a traditionally recognized part of the public’s interest in settlement of a rate proceeding.⁹

⁹ See, for example, *Pa. P.U.C. v. Reynolds Disposal Company*, Docket No. R-2010-2171339, Recommended Decision of Administrative Law Judge Johnson, *supra*, mimeo at 16 and *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2009-2102464, Recommended Decision of Administrative Law Judge Dunderdale, *supra*, mimeo at 8-9.

Conclusion

16. The Joint Petition, which arose only after discovery and discussion, is the result of mediation between PWC, I&E and OCA. The settlement increase will provide PWC with additional and necessary cash flow to meet operating expenses. Through the settlement, ratepayer and regulatory concerns are addressed and the cost and uncertainty of litigation are avoided. PWC submits that the Joint Petition is reasonable and in the public interest and should be approved without modification.

WHEREFORE Plumer Water Company respectfully requests that Administrative Law Judge Mark A. Hoyer and the Pennsylvania Public Utility Commission accept the foregoing in support of the Joint Petition for Settlement of Rate Investigation and further that Administrative Law Judge Hoyer recommend approval of and the Commission approve the Joint Petition for Settlement of Rate Investigation.

Respectfully submitted,

By  _____

Thomas T. Niesen, Esquire
THOMAS, NIESEN & THOMAS, LLC
212 Locust Street, Suite 600
Harrisburg, PA 17101

Attorneys for
Plumer Water Company

APPENDIX F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2014-2430945
	:	
Plumer Water Company	:	

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

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor Gina L. Lauffer, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Petition (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of the Plumer Water Company (Plumer or the Company) and its customers:

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of Plumer's base rate filing, acceptance of

this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On September 18, 2014, Plumer filed Supplement No. 13 to Tariff Water-PA P.U.C. No. 2 (Supplement No. 13) to become effective December 5, 2014, calculated to produce approximately \$11,409 in additional annual revenue, or 35.17% over present revenues.

3. Plumer customer David J. Schneider filed a Formal Complaint against Supplement No. 13 at docket C-2014-2449779 on October 17, 2014.

4. The Office of the Consumer Advocate (OCA) filed a Formal Complaint against Supplement No. 13 at docket C-2014-2449258 on October 22, 2014.

5. I&E entered the Notice of Appearance of Prosecutor Gina L. Lauffer in this proceeding on October 24, 2014.

6. By Order entered November 13, 2014 at Docket No. R-2014-2430945, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of Plumer's existing and proposed rates, rules, and regulations.

7. Pursuant to 66 Pa. C.S. §1308 (d), Supplement No. 13 was suspended by operation of law until July 5, 2015, unless permitted by Commission Order to become effective at an earlier date.

8. Administrative Law Judge (ALJ) Mark A. Hoyer was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

9. The Parties consented to mediation and on December 16, 2014, Plumer filed Supplement No. 15 with the Commission suspending the application of rates proposed in Supplement 13 until September 5, 2015.

10. The ALJ held a prehearing conference on December 22, 2014, during which the Parties agreed to a schedule for the conduct of the case, including the Parties' participation in a mediation session scheduled for January 12, 2015, and setting the dates for evidentiary hearings.

11. During the prehearing conference, the Parties scheduled a telephonic public input hearing for January 22, 2015 at 1:00 p.m. During the public input hearing, three Plumer customers provided testimony under oath.

12. Using and expanding upon the information derived from the extensive discovery process undertaken in this matter, the Parties participated in a mediation session on January 12, 2015, and then in a subsequent mediation session on January 28, 2015, which ultimately culminated in the instant settlement.

13. Prior to agreeing to the settlement, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses and submitted filing data, public input, and contributed to the forthright discussions amongst the Parties during settlement discussions.

14. The provisions of the settlement represent a revenue increase that I&E agrees is just, reasonable, and in the public interest, but is not based upon any specific adjustments or ratemaking approach, unless otherwise specified.

15. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Company and other Parties to the proceeding. Following extensive settlement negotiations, the Parties reached a full and complete settlement of all issues.

II. TERMS AND CONDITIONS OF SETTLEMENT

16. It is the policy of the Commission to encourage settlements.¹ The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.²

17. This policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on September 18, 2014, and over the past six months, the Parties engaged in extensive formal and informal discovery and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery, discussions, and mediation sessions with the Parties and are

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

A. Revenue Increase and Allocation (Joint Petition ¶ 9(a))

As proposed, Plumer requested a revenue increase of \$11,409. The allocation of design of the settlement rates provides for a monthly customer charge of \$23.00. I&E analyzed the ratemaking claims contained in the Company's filing including, but not limited to, operating and maintenance expenses, rate base, and the cost of common equity. After careful and thorough analysis, I&E recommended a revenue increase of the full amount requested, \$11,409, as such was fully supported by Plumer's filing and supporting information. Under the presently suspended Supplement No. 13, the monthly cost of water service to a typical residential customer using 2,000 gallons per month would have increased by approximately \$14.30, or 35.01%, from \$40.84 to \$55.14. Under the Joint Petition, the monthly cost of water service to such residential customer would increase by approximately \$13.14, or 32.17%, from \$40.84 to \$53.98.

However, the Parties agree that the increase should be done in two steps, in conjunction with the installation of the electric generator, as outlined in section 9(D) below. Therefore, the tariff supplement is designed to produce an increase in annual revenue of \$11,409 or 34.92% over two phases. The first phase rates produce an annual

increase of \$8,500 and will become effective upon approval of this Joint Petition. The second phase rates, which will produce an additional increase of \$2,909, will become effective upon written confirmation from Plumer to the Commission, the OCA and I&E that Plumer has fully complied with the conditions contained in Paragraph 9(b) of the Joint Petition.

It is important to note that Plumer's need for rate relief results, in part, from an unavoidable increase in its purchased water rate pursuant to its purchased water contract with the Borough of Rouseville ("Rouseville"). Specifically, Attachment No. 6 of Supplement No. 13, "Operating Expenses, Cont." reveals that alongside an adjustment for leaks repaired in 2013 and 2014, the purchased water increase imposed by Rouseville is estimated to cost Plumer \$5,433.84. Additionally, as a condition of the settlement rate, Plumer has agreed to purchase a generator in order to provide better service to customers. Accordingly, the proposed rate increase is in the public interest because it allows Plumer to recoup additional annual revenue needed in order to provide reliable service, while ensuring that Plumer's ratepayers are paying only necessary costs and that, in turn, they receive safe, effective service.

After thorough review and engagement in extensive discovery and settlement discussions, I&E fully supports the revenue level compromised upon in the Settlement. Due to the "black box" nature of the Settlement, the Settlement does not reflect agreement upon individual issues; rather, the Parties have agreed to an overall increase to base rates only in an amount necessary for the provision of safe and reliable service. Line-by-line identification and ultimate resolution of every issue raised in the proceeding

is not necessary to find that the Settlement is in the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation.

Black box settlements are not uncommon in Commission practice. Indeed, the Commission has endorsed the use of black box settlements, as discussed in a recent Order approving such a settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.³

Public utility regulation allows for the recovery of prudently incurred expenses as well as the opportunity to earn a reasonable return on the value of assets used and useful

³ *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

in public service. The increase proposed in this Settlement respects this principle. Ratepayers will continue to receive safe and reliable service at just and reasonable rates while allowing the Company sufficient additional revenues to meet its operating and capital expenses and providing the opportunity to earn a reasonable return on its investment. I&E believes that the Settlement properly balances the interests of all Parties. Accordingly, I&E submits that the proposed Settlement is in the public interest and requests that it be approved by the ALJ and the Commission without modification.

B. Amendment of the Affiliated Interest Agreement (Joint Petition ¶9(c))

As a condition of the Settlement, Plumer has agreed to file a Revised Schedule I, attached to the Joint Petition for Settlement as Appendix C, as an amendment to the Affiliated Interest Agreement (AIA) addressed by the Commission at G-2014-2439212 and approved by Secretarial Letter of the Commission dated December 11, 2014. The amendment to Schedule I is in the public interest because it ensures that ratepayers are not funding the wages and benefits of two of Plumer's unregulated affiliates that share employees in common with the regulated utilities covered under the current Affiliated Interest Agreement. More specifically, the amended AIA will account for a total wage and benefit allocation of 17%-20% for the unregulated affiliates: B. P. Rhodes & Son, Inc. and B. & B. Rhodes Supply. Such allocation will address customer concerns regarding "how much of the company's money comes from Plumer Water Company to service or take care of the other [affiliated] companies."⁴

⁴ Public Input Hearing, Tr. 50.

The Parties agree that the filing will be submitted pursuant to Chapter 21 of the Public Utility Code and that, consistent with submissions under Chapter 21, the amended AIA is not being proposed as a determination that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates.

However, the amendment will memorialize the existence of the unregulated affiliates so that appropriate allocations may be made in the future, serving to protect ratepayers from paying unreasonable and imprudent costs. Additionally, the amendment will ensure that Plumer has a guideline to facilitate an accurate accounting of and the separation of costs resulting from unregulated affiliates, making any of its future rate filings for regulated utilities more efficient for all Parties.

C. Stay Out (Joint Petition ¶ 9(d))

Absent exigent circumstances, the settlements prevent the Company from filing for a general base rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), prior to eighteen (18) months after the entry date of the Commission's Order approving this Joint Petition for Settlement. The exceptions to this "stay out" provision are those that allow the Company file for a change in rates under Sections 1308(a) and (b) of the Public Utility Code, 66 Pa. C.S. § 1308(a) and (b) (governing general rate relief), or Section 1308(e) of the Public Utility Code, 66 Pa. C.S. § 1308(e) (governing extraordinary rate relief), if a legislative body or administrative agency orders or enacts changes in policy, regulation or statutes which directly and substantially affect its rates. Also, as Plumer is subject to a purchase water contract with

Rouseville, an additional exception allows for Plumer to file for a rate change, regardless of the stay out, if Rouseville changes the purchased water rates charged to Plumer.

This stay out provision provides stability and certainty to rate payers who will experience rate continuity for at least 18 months from the date of settlement approval. At the same time, the Company will not be prejudiced, as in the event that it experiences unforeseeable hardship beyond its own control, warranting a rate change, it would be able to seek a rate relief.

D. Electric Generator (Joint Petition ¶ 9(b))

Plumer is under a contract to purchase water from Rouseville, and no other viable water source is available. Unfortunately, significant transmission issues have developed to frustrate water delivery to Plumer's customers. Specifically, Rouseville pumps the water into Plumer's system, and when power outages occur in Rouseville, Plumer's customers are left without water service. Furthermore, once service is reinstated after such outages, customers must flush their systems to clean out debris resulting from the outages.⁵ While the pumping issue stems from Rouseville, a non-jurisdictional municipal water utility, the Parties have devised a solution that will ensure that Plumer ratepayers are no longer left stranded during Rouseville's power outages.

Plumer, at its cost, will purchase a back-up electric generator for installation by Rouseville on Rouseville's water system. The back-up generator will provide a source of back-up electric power for water service provided by the Rouseville to Plumer to enable water service to continue to Plumer's customers when there is an outage on the

⁵ Transcript, Public Input Hearing, Tr. 42, 50-51

Rouseville system. The second phase rates, which will produce an additional increase of \$2,909, will become effective only upon Plumer's written confirmation to the Commission, the OCA and I&E that Plumer has purchased the generator and that the generator has been installed by Rouseville, and is in working order.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

18. I&E represents that all issues raised in the Company's rate case filing were satisfactorily resolved through discovery and discussions with the Company or addressed in the proposed in the Settlement. The very nature of a settlement requires compromise on the part of all Parties. This Settlement exemplifies the benefits derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement 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.

19. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

20. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all Parties, and ultimately all customers. This settlement conserves time and expenses for all involved

IV. RESERVATION OF RIGHTS

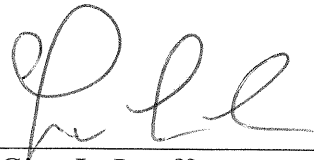
21. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

22. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement.

23. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E waives the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with to any modifications of the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in the Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Mark A. Hoyer recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gina L. Lauffer', written over a horizontal line.

Gina L. Lauffer
Attorney I.D. #313863

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

Dated: April 1, 2015

APPENDIX G

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	
v.	:	Docket No. R-2014-2430945
	:	C-2014-2449258
PLUMER WATER COMPANY	:	

**STATEMENT IN SUPPORT OF SETTLEMENT PETITION
ON BEHALF OF THE
OFFICE OF CONSUMER ADVOCATE**

The Office of Consumer Advocate (OCA), one of the signatory Parties to the Joint Petition for Settlement of Rate Investigation (Settlement), finds that the terms and conditions of the proposed settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (PUC or Commission) approve the Settlement without modification for the following reasons:

I. INTRODUCTION

On September 18, 2014, Plumer Water Company (Plumer) filed Supplement No. 13 to Tariff Water - Pa. P.U.C. No. 2, to become effective December 5, 2014. The Company, by filing this tariff supplement, sought Commission approval of rates and rate changes that would increase the level of rates that it charges for providing service to its customers. If the proposed tariff supplement were to become effective, Plumer would have benefited from an opportunity to recover an estimated annual increase in base rate revenues of \$11,409 from its customers. This

represents an approximate 34.92% increase in Plumer's annual revenues at present rates. Under Plumer's proposal, the bill would have increased from \$40.84 to \$55.14 per month, or by 35.01% for the typical residential customer using 2000 gallons of water per month. Plumer serves 57 customers in portions of Cornplanter Township including the Village of Plumer, Venango County, PA.

Pursuant to 66 Pa.C.S. §1308(d), by Order entered on November 13, 2014, the filing was suspended by operation of law until July 5, 2015, unless permitted by Commission Order to become effective at an earlier date, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in the Tariff Filing.

On October 22, 2014, the Office of Consumer Advocate filed a Formal Complaint, Public Statement and Notice of Appearance. In its Formal Complaint, the OCA submitted that a preliminary examination of Plumer's rate increase request indicated that present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request may be unjust, unreasonable, and in violation of law; may allow the Company an opportunity to recover an excessive rate of return in violation of the Public Utility Code; may discriminate against certain customers; may compensate the Company for providing inadequate service to some or all of its customers; and otherwise may be contrary to sound ratemaking principles and public policy. In addition, a formal complaint was filed by a customer of Plumer Water Company.

The proceeding was assigned to Administrative Law Judge (ALJ) Mark A. Hoyer. On December 16, 2014 Plumer filed an additional supplement postponing the effective date of the proposed rates by an additional sixty days, or until September 5, 2015, in order to make use of the Commission's mediation process. On December 22, 2014 the ALJ held a telephonic

prehearing conference. A telephonic public input hearing was held on January 22, 2015 at which time, three customers testified.

Mediation sessions were held on January 12, and January 28, 2015. Plumer, I&E and OCA participated in the mediation sessions. Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the Joint Petitioners also held a number of discussions to resolve the proceeding. The mediations sessions and discussions resulted in this proposed comprehensive Settlement. As discussed below, the OCA submits that the proposed Settlement is in the interests of the Company's ratepayers and is in the public interest.

II. RATES

A. Revenue Increase and Allocation

The proposed settlement is designed to produce an increase in annual revenue of \$11,409 in two phases. In the first phase, the Company will be permitted to increase its annual revenues by \$8,500, or 26%, to become effective on one day's notice after entry of a Commission Order approving the Settlement. Settlement ¶9(a). In the second phase, the Company will be permitted to increase its annual revenues by \$2,909, or 7% over Phase I revenues, which will become effective upon written confirmation from Plumer to the Commission, OCA and I&E that all conditions contained in Settlement paragraph 9(b) (related to the purchase, installation, and testing of an electric generator on the Rouseville Borough system) have been met. Although the two step phase in equals Plumer's original rate increase request, based on the OCA's analysis of the Company's filing, and discovery responses, the result would be within the range of likely outcomes in the event of full litigation of the case. This increase is appropriate when accompanied by other important conditions contained in the Settlement and yields a result that is just and reasonable.

The Settlement proposes that the monthly customer charge will be set at \$23 (Settlement, ¶ 9(a)), rather than \$27.78 as originally proposed by Plumer. Under the proposed Settlement, the monthly cost of water service to a residential customer using 2,000 gallons of water per month would increase by approximately \$13.14, or 32.17%, from \$40.84 to \$53.98 over two phases. Under Phase I, the monthly cost of water service to a residential customer using 2,000 gallons per month would increase by approximately \$9.94, or 24.34%, from \$40.84 to \$50.78. Under Phase II, the monthly cost of water service to a residential customer using 2,000 gallons of water would increase by approximately \$3.20, or 6.30%, from \$50.78 to \$53.98.

B. Electric Generator

The proposed settlement requires Plumer to purchase a back-up electric generator for installation by the Borough of Rouseville on the Borough's water system. Settlement ¶ 9(b). Plumer purchases all of its water supply from the Borough. Id. When there is an electric outage on the Rouseville system, customers on Plumer's system experience water outages as well. The back-up generator should enable water service to continue to Plumer's customers in the event of future electric outages on the Rouseville system. This will provide a benefit to the Plumer customers. Requiring the generator to be purchased, installed and tested before the second phase of the increase takes effect provides some assurance that the conditions in this section will be met.

C. Stay Out

The proposed settlement bars the Company from filing a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), prior to eighteen (18) months after the entry date of the Commission's Order approving this Joint Petition for Settlement. Settlement ¶9(c). The proposed stay-out provision should prevent another rate

increase before July 2017, 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.

D. Affiliated Interest Agreement

The proposed settlement requires the Company to file a revised Schedule I as an amendment to its Affiliated Interest Agreement pursuant to Chapter 21 of the Public Utility Code. Settlement ¶ 9(c). Plumer must file the revised schedule within 30 days of the issuance of a final order in this proceeding. Id. Based on OCA's analysis of the Company's filing, and discovery responses, the proposed Revised Schedule I should assist parties in future cases to develop a more accurate expense allocation which will help to ensure that ratepayers only bear expenses incurred by the regulated companies.

III. CONCLUSION

For the foregoing reasons, the OCA respectfully requests that the Administrative Law Judge and the Public Utility Commission approve the terms and conditions of the Settlement Petition submitted in this proceeding without modification as being in the public interest.

Respectfully Submitted,



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

April 1, 2015
203764

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2014-2430945
David J. Schneider	:	C-2014-2449779
Office of Consumer Advocate	:	C-2014-2449258
	:	
v.	:	
	:	
Plumer Water Company	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this 1ST day of April 2015, served a true and correct copy of the Joint Petition for Settlement of Rate Investigation in the above matter, upon the persons and in the manner indicated below:

EMAIL

Cynthia Lehman, Mediator
Pennsylvania Public Utility Commission
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265
cylehman@pa.gov


EMAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

Honorable Mark A. Hoyer
Administrative Law Judge
Pennsylvania Public Utility Commission
Piatt Place, Suite 220
301 5th Avenue
Pittsburgh, PA 15222
mhoyer@pa.gov

Gina L. Lauffer, Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265
ginlauffer@pa.gov

Christine Maloni Hoover
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
CHoover@paoca.org

David J. Schneider
1305 State Route 227
Oil City, PA 16301
Schnides11@zoominternet.net


Thomas T. Niesen
Attorney I.D. # 31379