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November 16, 2015

Via Hand Delivery

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17105-3265

Re: R-2015-2479955, C-2015-2502642, C-2015-2506329
Pennsylvania Public Utility Commission, *et al.* v. Allied Utility Services, Inc.,

Dear Secretary Chiavetta:

Enclosed for filing in the above matters is a Joint Petition for Full Settlement of Rate Investigation, executed by all of the parties to the consolidated proceeding, Allied Utility Services, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate. The Settlement was reached during a Mediation Session conducted by Commission Mediator Tiffany Hunt, Esquire, following conclusion of the prehearing conference before Administrative Law Judge Steven K. Haas. Supporting Statements by each of the parties are appended to the Petition along with a proposed tariff supplement and a proof of revenues. If the Administrative Law Judge recommends that the Commission adopt the Joint Petition without modification, the Joint Petitioners agree to waive the filing of Exceptions.

If the Commission should need any additional information regarding the Joint Petition, please contact the undersigned or counsel for any of the other Joint Petitioners.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By


Charles E. Thomas, Jr.

cc: Attached Certificate of Service
H. James Wilson

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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge Steven K. Haas, Presiding
Tiffany Hunt, Mediator

Pennsylvania Public Utility Commission, :
et al. :
v. : Docket Nos. R-2015-2479955
: C-2015-2502642
Allied Utility Services, Inc. : C-2015-2506329
:

**JOINT PETITION FOR FULL SETTLEMENT
OF RATE INVESTIGATION**

TO THE HONORABLE STEVEN K. HAAS, ADMINISTRATIVE LAW JUDGE:

Allied Utility Services, Inc. (“Allied” or “Company”), the Bureau of Investigation & Enforcement (I&E), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (hereinafter collectively referred to as the “Joint Petitioners”), by their respective counsel, respectfully submit this Joint Petition for Full Settlement of Rate Investigation (“Joint Petition”) and request that Administrative Law Judge Steven K. Haas recommend approval of the settlement of this proceeding as set forth in this Joint Petition (“Settlement”). Joint Petitioners also request that the Pennsylvania Public Utility Commission (“Commission”) adopt Judge Haas’ recommended approval of the Settlement, permit Allied to file the Tariff Supplement attached hereto as Attachment A to become effective pursuant to the terms set forth herein, terminate its investigation at Docket R-2015-2479955, and

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Formal Complaints filed at Docket Nos. C-2015-2502642 and C-2015-2506324 as satisfied and closed. In support of their request, the Joint Petitioners state as follows:

A. Background

1. Allied is a Pennsylvania public utility that provides wastewater service to the public in the Schnecksville North Sewer District in North Whitehall Township, Lehigh County, Pennsylvania. The Company's executive offices are in Harleysville, Montgomery County, Pennsylvania and its post office address is P.O. Box 1488, Skippack, Pennsylvania, 19474.

2. On June 29, 2015, Allied filed Supplement No. 12 to its Tariff Wastewater-Pa. P.U.C. No. 1 to become effective October 5, 2015, containing proposed changes in rates, rules, and regulations calculated to produce \$154,334, a 61% increase in additional annual revenues from customers based on an historic test year ended December 31, 2014. Previously by Secretarial Letter dated May 26, 2015, the Commission had granted Allied an extension of time to file the proposed rate increase request until July 1, 2015. On October 5, 2015, pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until May 5, 2016, unless permitted by Commission Order to become effective at an earlier date.

3. By Order entered September 17, 2015 ("September 17 Order"), an investigation on Commission motion was instituted to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in suspended Supplement No. 12 to Tariff Sewer - Pa. P.U.C. No. 1, as well as consideration of the lawfulness, justness and reasonableness of the Company's existing rates, rules and regulations.

4. The September 17 Order further provided that within ten days following entry of the Order, a tariff supplement was to be filed with the Commission pursuant to 52 Pa. Code §53.71 and posted at the office of the Company to announce that Supplement No. 12 was

suspended until May 5, 2016. In compliance with the September 17 Order, the Company submitted for electronic filing Supplement No. 13 to its Tariff suspending the application of rates proposed in Supplement No. 12 until May 5, 2016.

5. The matter was assigned to the Office of Administrative Law Judge for *Alternative Dispute Resolution*, if possible, with Judge Haas, presiding, and Tiffany Hunt, Esquire, serving as Mediator.

6. On or about September 9, 2015, the OCA filed a formal Complaint against the proposed increase which was docketed at C-2015-2502642 and on or about October 1, 2015, the OSBA filed a similar Complaint which was docketed at C-2015-2506329. Answers to the OCA Complaint and the OSBA Complaint were filed by Allied on September 29, 2015 and October 14, 2015, respectively. In its Answers, Allied indicated that the Company was not opposed to the consolidation of timely-filed Complaints and by agreement of the parties, the matter would be scheduled for mediation to commence at the conclusion of the Prehearing Conference. The Joint Petitioners are not aware of any other Complaints having been filed against the proposed increase. In addition, I&E has been actively participating in the proceeding.

7. A Prehearing Conference was held before Judge Haas on October 26, 2015 at which the history of the matter was reviewed, the Complaints of the OCA and OSBA were consolidated with the Commission's investigation and other procedural matters addressed. Thereafter, in accordance with the previous agreement of the parties, the Prehearing Conference was concluded and a mediation session called to order by Commission Mediator Tiffany Hunt, Esquire, with all parties participating.

8. Significantly, the parties had engaged in extensive discovery during the 90 days prior to mediation with Allied having responded to four sets of interrogatories from the OCA,

multiple sets of interrogatories and data requests from I&E, grouped by subject matter, and one set of interrogatories from the OSBA. In addition, Allied participated in informal discovery sessions, both on a face-to-face basis and by telephone with individual parties. As of the Prehearing Conference, Allied had responded to all formal discovery propounded and nothing remained outstanding.

9. Rigorous mediation was conducted before Mediator Hunt over the course of more than five hours with the parties reaching a full settlement on all issues in this rate proceeding.

B. Terms and Conditions of Settlement

10. Joint Petitioners agree that this rate proceeding can be settled without the need for further litigation under the following terms and conditions:

(a) Settlement Rates

Upon the Commission's approval of this Settlement, Allied will be permitted to charge the rates for wastewater service set forth in proposed Tariff Supplement No. 14 attached hereto as Attachment A (hereinafter, the "Settlement Rates"), to become effective upon one day's notice for bills, rendered on and after the effective date. It will be the first general rate increase for Allied in eight years. The Settlement Rates are designed to produce additional annual operating revenues from wastewater service of \$80,018 as shown on the Proof of Revenues attached hereto as Attachment B, and reflect a 48% reduction in the rate increase originally requested. The Tariff Supplement in Attachment A complies with the terms of the Settlement.

(i) Residential Rates

The Company has 298 residential customers. If the settlement increases are approved, the total bill for an average residential customer using 13,000 gallons per quarter would increase from \$172 to \$221 per quarter in lieu of the 61% increase originally proposed.

(ii) Metered Commercial Customers

The Company has one metered commercial customer. If the settlement increase were approved, the total bill for a commercial customer using 142,579 gallons per month would increase from \$3,219 to \$4,747, in lieu of the 61% increase originally proposed.

(iii) Black Box

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 analyses and their review of the settlement rates which, upon approval of the settlement, will be Commission made.

(b) Stay Out

Upon approval and implementation of the rates set forth in Attachment A, Allied will not file for another general wastewater service rate increase under Section 1308(d) of the Public Utility Code prior to twenty-four (24) months after the Settlement Rates go into effect. However, Allied may file for a change in rates under Sections 1308(a) and 1308(b) of the Public Utility Code, if a legislative body, the judiciary or an administrative agency, including the Commission, enacts or orders any fundamental changes in policy or statutes that directly and substantially affect Allied’s jurisdictional cost of service and this Settlement shall not prevent Allied from filing a tariff or tariff supplement to the extent necessitated by such action. In addition, this Stay Out provision has no application to state tax adjustment or other surcharge filings required by the Commission and shall not preclude the Company from seeking extraordinary relief under Section 1308(e) of the Public Utility Code.

(c) Net Plant-in-Service

Joint Petitioners agree that, as of December 31, 2014, Allied's Net Plant in Service for ratemaking purposes was \$460,998 with the understanding that this Net Plant in Service value will be brought forward in Allied's next general rate proceeding and updated for plant additions and retirements.

(d) New Tariff

The Company agrees to prepare and file an updated tariff to replace its Tariff Sewer-Pa. P.U.C. No. 1 no later than the Company's next General Rate filing. An updated Tariff will be easier for customers to understand, should reduce customer questions especially with respect to billing, and may contribute to conservation.

(e) Affiliated Interest Filing

The Company agrees to prepare and make an affiliated interest filing within six months of the effective date of this settlement covering and updating affiliated interest arrangements, contracts and other transactions.

C. The Settlement Is in the Public Interest

11. The Joint Petitioners believe that the Settlement is fair, just, reasonable, nondiscriminatory and lawful, and should be approved in its entirety by the presiding Administrative Law Judge and the Commission as being in the public interest.

12. Under the presently suspended Supplement No. 12, the total bill for an average residential customer using 13,000 gallons per quarter would have increased by approximately \$105, or 61%, from \$171 to \$276. Under the Settlement Rates, the quarterly cost of wastewater

service to such residential customer would increase by approximately \$49, or 29%, from \$172 to \$221.

13. The Joint Petition is also in the public interest because it minimizes cost-prohibitive litigation and administrative burden and provides Allied with additional and necessary cash flow. The statements of Allied, I&E, OCA and OSBA supporting the Joint Petition and setting forth the bases upon which they believe the Settlement is fair, just, reasonable, nondiscriminatory, lawful and in the public interest are attached as Attachments C, D, E, and F, respectively, and incorporated herein.

14. 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 Allied's annual sewer service revenues, coupled with the other provisions hereto, provides an appropriate basis for resolution of the instant rate litigation.

D. Other Provisions

15. 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.

16. 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 Haas in his Recommended Decision. The Joint Petitioners reserve their rights to file Replies to any Exceptions which may be filed.

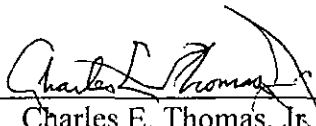
WHEREFORE, the Joint Petitioners, in recognition of the foregoing, respectfully request that:

(a) Allied be granted special permission to file a tariff supplement in the form attached hereto as Attachment A to become effective on one day's notice after entry of a Commission Order approving this Joint Petition for bills rendered on and after the effective date;

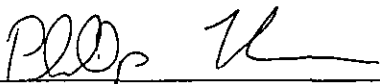
(b) The Commission's investigation at R-2015-2479955 be terminated and marked closed; and

(c) The Complaint of the Office of Consumer Advocate at C-2015-2502642 and the Complaint of the Office of Small Business Advocate at C-2015-2506329 be marked as satisfied and closed consistent with this Joint Petition for Full Settlement of Rate Investigation.

Respectfully submitted,

By: 
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Charles E. Thomas, III, Esq. (ID # 201014)
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Attorneys for Allied Utility Services, Inc.

BUREAU OF INVESTIGATION &
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OFFICE OF CONSUMER ADVOCATE

By: Christ Maloni Hoover

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OFFICE OF SMALL BUSINESS ADVOCATE

By: Elizabeth Rose Triscari

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DATED: November 16, 2015

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ATTACHMENT A

Settlement Supplement No. 14 to Tariff Sewer Pa. P.U.C. No. 1

Supplement No. 14
to
Sewer-PA P.U.C. No. 1

A-R-2015-2479955

ALLIED UTILITY SERVICES, INC.

SCHNECKSVILLE NORTH SEWER DIVISION

**RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WASTEWATER COLLECTION, TREATMENT
AND/OR DISPOSAL SERVICE TO THE PUBLIC IN**

SCHNECKSVILLE NORTH SEWER DISTRICT

NORTH WHITEHALL TOWNSHIP

LEHIGH COUNTY, PENNSYLVANIA

By: H. James Wilson, Jr.
Allied Utility Services, Inc.
P.O. Box 1488
Skeppack, PA 19474
(610) 584-3593
jimwilsonpa@gmail.com

*** NOTICE ***

THIS TARIFF MAKES CHANGES TO EXISTING RATES

Issued: (Issued Date)

Effective: (Effective Date)

Allied Utility Services, Inc.
SCHNECKSVILLE NORTH SEWER DIVISION

Supplement No. 14
to
Sewer-PA P.U.C. No. 1
Ninth Revised Sheet No. 2
Cancelling Eighth Revised Sheet No. 2

LIST OF CHANGES MADE TO THIS TARIFF AND SUPPLEMENTS THERETO

This Supplement No. 14 makes changes to the existing rates in Sixth Revised Sheet No. 13 of Supplement No. 11 approved by Docket No. R-0061617, effective June 22, 2007 and the proposed rates in Seventh Revised Sheet No. 13 of filed, but suspended, Supplement No. 12.

- (I) Indicates Increase
- (C) Indicates Changes
- (D) Indicates Decrease

Issued: (Issued Date)

Effective: (Effective Date)

Allied Utility Services, Inc.
SCHNECKSVILLE NORTH SEWER DIVISION

Supplement No. 14
to
Sewer-PA P.U.C. No. 1
Eighth Revised Sheet No. 3
Cancelling Seventh Revised Sheet No. 3

INDEX

	Sheet		
Title Page	1	Eleventh Revised	
List of Changes Made by This Tariff	2	Ninth Revised	
Index	3	Ninth Revised	

Sections

1.	Definitions	4	First Revised	
2.	Application for Connection	5	Original	
3.	New Application for Change in Ownership	5	Original	
4.	Service Connections	5-7	Original	
5.	Drainage into Sewer System	7	Original	
6.	Detrimental Waste	7	Original	
7.	Leaks, stoppages &/or Defective Plumbing	7-8	Original	
8.	Vacating Premises	8	Original	
9.	Privilege to Investigate	8	Original	
10.	Extension of Street Mains	8-9	Original	
11.	Bills Due & Payable	9	Original	
12.	Discontinuance of Service	10	Original	
13.	Prohibited Materials	11-12	First Revised	
14.	Schedule of Rates	13	Eighth Revised	(I)(C)
15.	Extension of Service	14	Original	
		15-16	First Revised	

Issued: (Issued Date)

Effective: (Effective Date)

SECTION XIV – SCHEDULE OF SEWER RATES

This schedule of rates applies to residential, commercial, industrial, business and public customers that are furnished sewer service by the Company. An EDU is defined as 200 GPD of domestic sanitary sewerage strength from a single residential housing unit. Each unit of a multiple housing complex shall be considered one (1) EDU. All connected commercial customers shall be metered. Surcharges shall be applied to any waste discharge that exceeds the allowable BOD₅ limit of 400 ppm. All customers that are not a single EDU shall be serviced by an agreement for Special Utility Service per the terms of Company's approved Tariff. Company may grant water usage deductions to applicable commercial or industrial customers if customer furnished data can validate such claim.

QUARTERLY METERED RESIDENTIAL SERVICE CHARGE

For 5/8 and 3/4 Inch Meters:

Quarterly Flat Fee each EDU:	\$163.04	(I)
Usage Fee each 1,000 gallons of water consumed or part thereof:	\$4.48	(I)

MONTHLY METERED COMMERCIAL SERVICE CHARGE

For all Meter Sizes:		(C)(I)
Monthly Flat Fee each EDU:	\$108.70	(C)(I)
Usage Fee each 1,000 gallons of water consumed or part thereof:	\$4.48	(C)(I)
Monthly Base Rate (MBR) = Monthly Flat Fee x No. EDU's		(C)(I)
Net Monthly Flow (NMF) = Total Monthly Flow less approved allowance		(C)(I)
Excess Strength Multiplier (ESM) = Discharge BOD ₅ strength, ppm/400 ppm		(C)(I)
No. EDU's = Total Period Flow, gpd/200 gpd		(C)(I)
Total Monthly Charge = MBR + [{NMF x Usage Fee} x ESM]		(C)(I)

QUARTERLY NON-CONNECTED STANDBY SERVICE CHARGE

For each EDU reserved per Special Utility Service Agreement:		(C)(I)
Flat fee/quarter/EDU	\$163.04	(C)(I)

Allied Utility Services, Inc.
SCHNECKSVILLE NORTH SEWER DIVISION

Supplement No. 14

to

Sewer-PA P.U.C. No. 1

Eighth Revised Sheet No. 3

Cancelling Seventh Revised Sheet No. 3

Base Charge = \$163.04 flat fee/quarter/ EDU x No. EDU's

(C) (I)

(I) Indicates Increase (C) Indicates Changes (D) Indicates Decrease

The End.

Issued: (Issued Date)

Effective: (Effective Date)

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SECRETARY'S BUREAU**

ATTACHMENT B

Proof of Revenues

Allied Utility Services, Inc.
R-2015-2479955

Statements of Revenues - Settlement

Line No.	Account No.	Customer Class	Number of Customers for the Test Year Ended 12/31/2014		Actual Revenues for the Year Ended 12/31		Annualization Adjustments	Totals as Annualized	Settlement Increase	Totals after Increase	Percent Increase
			Beginning of Year	End of Year	Prior Year 2013	Test Year 2014					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Metered Sales:										
2	522.1	Residential	299	299	\$204,382	\$205,240	\$0	\$205,240	\$58,669	\$263,909	28.6%
3	522.2	Commercial			\$41,300	\$38,638	\$0	\$38,638	\$18,320	\$56,958	47.4%
4	522.3	Industrial									
5		Sub-Total	299	299	\$245,682	\$243,877	\$0	\$243,877	\$76,990	\$320,867	31.6%
6	Unmetered Sales:										
7	521.1	Residential									
8	521.2	Commercial	2	2	\$9,363	\$9,363	\$0	\$9,363	\$3,028	\$12,391	32.3%
9	521.3	Industrial									
10	521.4	Other (Availability)									
11		Sub-Total	2	2	\$9,363	\$9,363	\$0	\$9,363	\$3,028	\$12,391	32.3%
12	532.0	Penalties and Forfeitures									
13	536.0	Other Revenue			\$81	\$527	\$0	\$527	\$0	\$527	0.0%
14		Total Revenue			\$255,126	\$253,768	\$0	\$253,768	\$80,018	\$333,785	31.5%

Allied Utility Services, Inc.
R-2015-2479955
Present and Settlement Rates

Line No.	Meter Size	Customer Class	Present Rate	Quarterly Increase		Settlement Rate
				Amount	Percent	
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1		Metered Service Charge:				
2		Flat Rate				
3	5/8" & 3/4"	All (Residential, Commercial, Public)	\$123.20	\$39.84	32.3%	\$163.04
4			Per			Per
5			1,000			1,000
6		Consumption Charge	Gallons			Gallons
7	5/8" & 3/4"	All (Residential, Commercial, Public)	\$3.76	\$0.72	19.1%	\$4.48

Allied Utility Services, Inc.
R-2015-2479955
Proposed Rate Revenues

Line No.	Customer Class	Number of Customers or EDU	Factor	Settlement Quarterly Rates	Annual Revenue
(A)	(B)	(C)		(D)	(E)
1	Residential				
2	Minimum Charges	298		\$163.04	\$194,344
3				Per	
4		1,000		1,000	
5	Volume Charges:	Gals		Gals	
6	All	15,528		\$4.48	\$69,565
7	Total Residential Revenue				<u>\$263,909</u>
8	Commercial				
9	Kings Plaza Schnecksville (12 Units):	24	2	\$163.04	\$30,652
10				Per	
11		1,000		1,000	
12	Volume Charges:	Gals		Gals	
13	Meter Reads	1,801			
14	5% Consumption Allowance	90			
15	Net Gallons	<u>1,711</u>		\$4.48	\$7,665
16	Subtotal - Volume Charge (After Allowance)				<u>\$7,665</u>
17	Multiply by: Excess Strength Multiplier				3.432
18	Total Volume Charges				<u>\$26,306</u>
19	Total Kings Plaza Schnecksville				<u>\$56,958</u>
20	Flat Rate - Standby				
21	Maryann Plaza (15 Units)	15		\$163.04	\$9,782
22	Dunkin Donuts (4 Units)	4		\$163.04	\$2,609
23	Other Revenues (Availability)				\$527
24	Total Flat Rate - Standby				<u>\$12,918</u>
25	Total Commercial Revenue				<u>\$100,528</u>
26	Total Revenue				<u>\$364,437</u>

Allied Utility Services, Inc.

R-2015-2479955

Customer Consumption

Line No.	Customer Class	Quarterly			Year	Total Gallon	Number of Customer	Total Dollar	Average Dollar/ Customer
		Meter Read Date	Total Gal Quarter						
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
1	<u>Residential</u>								
2		6/25/2015	3,612,000	2015	7,224,000				
3		3/30/2015	3,612,000			298	\$50,236	\$168.58	
4		12/30/2014	3,686,000	2014	15,528,000	298	\$50,456	\$169.32	
5		9/30/2014	3,993,000			298	\$51,564	\$173.03	
6		6/27/2014	4,033,000			298	\$51,614	\$173.20	
7		3/22/2014	3,816,000			297	\$50,851	\$171.22	
8		12/28/2013	3,658,000	2013	15,502,000	299	\$50,591	\$169.20	
9		9/30/2013	4,041,000			299	\$51,617	\$172.63	
10		6/28/2013	4,013,000			297	\$51,937	\$174.87	
11		3/27/2013	3,790,000			299	\$50,976	\$170.49	
12		12/27/2012	3,807,000	2012	16,265,520	299	\$51,054	\$170.75	
13		9/28/2012	4,295,000			299	\$52,907	\$176.95	
14		6/29/2012	4,201,000			297	\$51,960	\$174.95	
15		3/28/2012	3,962,520			298	\$51,501	\$172.82	
16		12/29/2011	3,652,000	2011	16,204,780	299	\$50,265	\$168.11	
17		10/4/2011	4,717,780			299	\$54,465	\$182.16	
18		6/27/2011	4,117,000			299	\$51,971	\$173.82	
19		3/25/2011	3,718,000			299	\$50,751	\$169.74	
20	<u>Commercial</u>								
21		Metered							
22		Kings Plaza							
23									
24		Meter							
25		Read	Meter						
26		Date	Reading	Year	Gallon				
27		7/2/2015	19,246,000	2015	887,000				
28		12/30/2014	18,359,000	2014	1,801,000				
29		12/31/2013	16,558,000	2013	1,942,000				
30		1/3/2013	14,616,000	2012	2,228,000				
31		12/29/2011	12,388,000	2011	2,014,000				
32		12/30/2010	10,374,000						

Allied Utility Services, Inc.
R-2015-2479955
Present Rate Revenues

Line No.	Customer Class	Number of Customers or EDU	Factor	Present Quarterly Rates	Annual Revenue
(A)	(B)	(C)		(D)	(E)
1	Residential				
2	Minimum Charges	298		\$123.20	\$146,854
3				Per	
4		1,000		1,000	
5	Volume Charges:	Gals		Gals	
6	All	15,528		\$3.76	\$58,385
7	Total Residential Revenue				<u>\$205,240</u>
8					
9	Commercial				
10	Kings Plaza Schnecksville (12 Units):	24	2	\$123.20	\$20,266
11				Per	
12		1,000		1,000	
13	Volume Charges:	Gals		Gals	
14	Meter Reads	1,801			
15	5% Consumption Allowance	90			
16	1,000 Allowance Per EDU	282			
17	Net Gallons	<u>1,429</u>		\$3.76	\$5,372
18	Subtotal - Volume Charge (After Allowance)				<u>\$5,372</u>
19	Multiply by: Excess Strength Multiplier				3.420
20	Total Volume Charges				<u>\$18,371</u>
21	Total Kings Plaza Schnecksville				<u>\$38,638</u>
22	Flat Rate - Standby				
23	Maryann Plaza (15 Units)	15		\$123.20	\$7,392
24	Dunkin Donuts (4 Units)	4		\$123.20	\$1,971
25	Other Revenues (Availability)				\$527
26	Total Flat Rate - Standby				<u>\$9,890</u>
27	Total Commercial Revenue				<u>\$68,794</u>
28	Total Revenue				<u>\$274,034</u>

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT C

**Statement of Allied Utility Services, Inc.
in Support of Joint Petition for Full Settlement
of Rate Investigation**

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge Steven K. Haas, Presiding
Tiffany Hunt, Mediator

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	
v.	:	Docket Nos. R-2015-2479955
	:	C-2015-2502642
Allied Utility Services, Inc.	:	C-2015-2506329
	:	

**STATEMENT OF ALLIED UTILITY SERVICES, INC. IN SUPPORT
OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE STEVEN K. HAAS:

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

Background

1. Allied is a Pennsylvania public utility that provides wastewater service to the public in the Schnecksville North Sewer District in North Whitehall Township, Lehigh County, Pennsylvania. The Company’s executive offices are in Harleysville, Montgomery County, Pennsylvania and its post office address is Post Office Box 1488, Skippack, Pennsylvania, 19474. The Company has 298 residential customers and one metered commercial customer.

2. On June 29, 2015, Allied filed Supplement No. 12 to its Tariff Wastewater-Pa. P.U.C. No. 1 to become effective October 5, 2015, containing proposed changes in rates, rules, and regulations calculated to produce \$154,334, a 61% increase in additional annual revenues from customers based on an historic test year ended December 31, 2014. Previously by Secretarial Letter dated May 26, 2015, the Commission had granted Allied an extension of time to file the proposed rate increase request until July 1, 2015. On October 5, 2015, pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law until May 5, 2016, unless permitted by Commission Order to become effective at an earlier date.

3. By Order entered September 17, 2015 (“September 17 Order”), an investigation on Commission motion was instituted to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in suspended Supplement No. 12 to Tariff Sewer - Pa. P.U.C. No. 1, as well as consideration of the lawfulness, justness and reasonableness of the Company’s existing rates, rules and regulations.

4. The September 17 Order further provided that within ten days following entry of the Order, a tariff supplement was to be filed with the Commission pursuant to 52 Pa. Code §53.71 and posted at the office of the Company to announce that Supplement No. 12 was suspended until May 5, 2016. In compliance with the September 17 Order, the Company submitted for electronic filing Supplement No. 13 to its Tariff suspending the application of rates proposed in Supplement No. 12 until May 5, 2016.

5. The matter was assigned to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible, with Judge Haas, presiding, and Tiffany Hunt, Esquire, serving as Mediator.

6. On or about September 9, 2015, the OCA filed a formal Complaint against the proposed increase which was docketed at C-2015-2502642 and on or about October 1, 2015, the OSBA filed a similar Complaint which was docketed at C-2015-2506329. Answers to the OCA Complaint and the OSBA Complaint were filed by Allied on September 29, 2015 and October 14, 2015, respectively. In its Answers, Allied indicated that the Company was not opposed to the consolidation of timely-filed Complaints and by agreement of the parties, the matter would be scheduled for mediation to commence at the conclusion of the Prehearing Conference. The Joint Petitioners are not aware of any other Complaints having been filed against the proposed increase. In addition to the OCA and OSBA, I&E has been actively participating in the proceeding.

7. A Prehearing Conference was held before Judge Haas on October 26, 2015 at which the history of the matter was reviewed, the Complaints of the OCA and OSBA were consolidated with the Commission's investigation and other procedural matters addressed. Thereafter, in accordance with the previous agreement of the parties, the Prehearing Conference was concluded and a mediation session called to order by Commission Mediator Tiffany Hunt, Esquire, with all parties participating.

8. Significantly, the parties had engaged in extensive discovery during the 90 days prior to mediation with Allied having responded to four sets of interrogatories from the OCA, multiple sets of interrogatories and data requests from I&E, grouped by subject matter, and one set of interrogatories from the OSBA. In addition, Allied participated in informal discovery sessions, both on a face-to-face basis and by telephone with individual parties. As of the Prehearing Conference, Allied had responded to all formal discovery propounded and nothing remained outstanding.

9. Rigorous mediation was conducted before Mediator Hunt over the course of more than five hours with the parties reaching a full settlement on all issues in this rate proceeding.

The Settlement

10. Allied, I&E, the OCA and the OSBA (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 further agreed *inter alia* that Allied may file a tariff supplement increasing its annual revenue by \$80,018, in lieu of the proposed \$154,334 annual revenue increase contained in Supplement No. 12.

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

11. 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, Slip Op. at 11; *Pa. P.U.C. v. The Newtown Artesian Water Company*, Docket No. R-2011-2230259, Recommended Decision of Administrative Law Judge Elizabeth

12. 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

13. 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 Allied 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 Allied with additional and necessary cash flow as set forth below. The Joint Petitioners are also filing individual statements in support of the Joint Petition.

H. Barnes dated September 20, 2011 (“*Recommended Decision of ALJ Barnes*”), Slip Op. at 9; *Pa. P.U.C. v. Reynolds Disposal Company*, Docket No. R-2010-2171339, Recommended Decision of Administrative Law Judge Conrad A. Johnson dated January 11, 2011, Slip Op. 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, Slip Op. 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, Slip Op. at 5.

³ *Recommended Decision of ALJ Barnes*, at 9, citing *Pa. P.U.C. v. CS 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*, 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 12.

⁶ See *Recommended Decision of ALJ Barnes*, 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.

14. Allied 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 Allied Supports the Settlement Increase Which Will Provide the Company with Additional and Necessary Cash Flow

15. Under the presently suspended Supplement No. 12, the monthly cost of wastewater service for a typical residential customer using 13,000 gallons per quarter would have increased by approximately \$104, or 61%, from \$172 to \$276. Under the settlement proposed in the Joint Petition, the quarterly cost of wastewater service to such residential customer would increase by approximately \$49, or 29%, from \$172 to \$221. If the settlement increase were approved, the total monthly bill for a commercial customer using 142,579 gallons per month would increase from \$3,219 to \$4,747 in lieu of the 61% increase originally proposed.

16. 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 and their review of the settlement rates which upon approval of the settlement will be Commission made.

17. The financial data submitted by Allied with Supplement No. 12 fully supports the original, as-filed for annual increase of \$154,334 and, consequently, fully supports the substantially

⁷ Pursuant to the September 17 Order, the matter was assigned to the Office of Administrative Law Judge for

reduced increase of \$80,018 provided for in the Joint Petition. Although the financial data was submitted as a short form filing, it is sufficient to permit a traditional rate base/rate of return analysis appropriate for a black box settlement and Commission made rates.

18. Allied has agreed in settlement to a substantial reduction in its rate request from the as-filed for annual increase of \$154,334 to the settlement annual increase of \$80,018 as set forth above. Although less than the increase supported by its filing, Allied accepts the settlement increase as a reasonable and appropriate resolution of this rate proceeding which should be sufficient to allow it to continue to provide reasonable and adequate service.⁸

19. Considering all of the foregoing, Allied submits that it is clear that the Joint Petition and the revenue level that is reflected in the settlement rates are in the public interest. Allied could have supported a higher revenue requirement 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, Allied believes that cost avoidance is in its interest and also the interest of its customers. The settlement, moreover, will provide Allied with additional and necessary cash flow.

The Stay-Out Provision

20. Allied has agreed as part of the settlement to a two year general rate filing stay out. A rate case “stay out” gives ratepayers a specified level of rate security – two years in the instant case –

Alternative Dispute Resolution.

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).

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

Commitment to Make Updated Affiliated Interest Filing

21. The Company agrees to prepare and make an affiliated interest filing within six months of the effective date of the settlement rates in this proceeding covering and updating affiliated interest arrangements, contracts and other transactions.

Commitment to File Updated Tariff

22. As part of the settlement, Allied has agreed to prepare and file an updated tariff to replace its Tariff Sewer Pa. P.U.C. No. 1 no later than the Company’s next General Rate Filing. An updated tariff will be easier to understand for customers, should reduce customer questions especially with respect to billing, and may contribute to conservation.

Conclusion

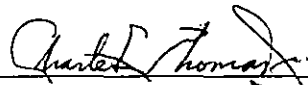
23. The Joint Petition, which arose only after substantial discovery, is the result of mediation among Allied, I&E, OCA and OSBA conducted under the supervision of Commission Mediator Tiffany Hunt, Esquire. The settlement increase will provide Allied with additional and necessary cash flow to meet operating expenses. Through the settlement, ratepayer and regulatory

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

concerns are addressed and the cost and uncertainty of litigation are avoided. Allied submits that the Joint Petition is reasonable and in the public interest and should be approved without modification.

WHEREFORE Allied Utility Services, Inc. respectfully requests that Administrative Law Judge Steven K. Haas and the Pennsylvania Public Utility Commission accept the foregoing in support of the Joint Petition for Full Settlement of Rate Investigation and further that Administrative Law Judge Haas recommend approval of and the Commission approve the Joint Petition for Full Settlement of Rate Investigation.

Respectfully submitted,

By: 
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Attorneys for Allied Utility Services, Inc.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ATTACHMENT D

Statement of Bureau of Investigation and Enforcement
in Support of Joint Petition for Full Settlement
of Rate Investigation

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

v.

ALLIED UTILITY SERVICES, INC.

:
:
:
:
:
:

**DOCKET NO.
R-2015-2479955**

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT'S
STATEMENT IN SUPPORT OF
JOINT PETITION FOR FULL SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE STEVEN K. HAAS:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutors, Allison C. Kaster and Phillip C. Kirchner, hereby respectfully submit that the terms and conditions of the foregoing *Joint Petition For Full Settlement Of Rate Investigation* (“Joint Petition” or “Settlement Agreement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Allied Utility Services, Inc. (“Allied”) and its customers. The parties to this Settlement Agreement have conducted extensive Formal and Informal Discovery, have engaged in Mediation and have participated in numerous

Settlement Conferences and Discussions. The extensive discussions and sharing of information has culminated in the submission of the attached Settlement Agreement. The request for approval of the *Joint Petition for Settlement of Rate Investigation* is based on I&E's conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by Allied and the negotiated agreement reflects the compromises throughout the Joint Petition. In support of this position, I&E respectfully avers the following:

I. INTRODUCTION

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 Allied's base rate filing, acceptance of the Joint Petition is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement Agreement without modification.

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

2. On June 29, 2015, Allied filed Supplement No. 12 to its Tariff Wastewater-Pa. P.U.C. No. 1 to become effective October 5, 2015, containing proposed changes in rates, rules, and regulations calculated to produce \$154,334, a 61% increase in additional annual revenues from customers based on an historic test year ended December 31, 2014.

3. This filing was suspended by operation of law on September 17, 2015 by the Commission to determine if the proposed modifications are just, reasonable, lawful, and in accordance with the public interest.

4. The Commission assigned the Company's filing to the Office of Administrative Law Judge ("OALJ") for the development of an evidentiary record culminating in a Recommended Decision ("RD"). The OALJ subsequently assigned the suspended proceeding to Administrative Law Judge Steven K. Haas for investigation and scheduling of hearings as well as to Tiffany A Hunt, Esq. for Mediation.

5. Pursuant to its charge to represent the public interest in matters impacting rates, I&E filed its initial Notice of Appearance in this matter. In addition to I&E's appearance, Formal Complaints were filed by Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA")(collectively, "Advocates")

6. Following the prehearing conference before ALJ Haas, an extensive mediation session was held between all the parties, which resulted in the following settlement.

II. TERMS AND CONDITIONS OF SETTLEMENT

7. In accordance with the Commission's policy at 52 Pa. Code §5.231 that encourages settlements over costly and time-consuming litigation, I&E, OCA, OSBA, and Allied ("Joint Petitioners") were successful in achieving a Settlement Agreement of all issues through comprehensive Discovery and the Commission's Mediation process. The Commission issued the following policy statement that highlights the importance of settlement in Commission proceedings:

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.³

8. The Joint Petitioners engaged in extensive discovery, Mediation 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 identified by I&E have been satisfactorily resolved through Discovery and discussions with the parties and are incorporated in the Joint Petition.

³ 52 Pa. Code § 69.401.

9. The Settlement Agreement provides for a revenue increase of \$80,000 as opposed to the initial filing of \$154,334. This represents a \$74,334 savings for Allied customers. I&E analyzed the ratemaking claims contained in the Company's filing including operating and maintenance expenses, rate base, rate structure, capital structure, and the cost of common equity and debt. After this review and engaging in extensive discovery and settlement discussions, I&E fully supports the revenue level compromised upon in the Settlement.

This increased level of "Black Box" revenue adequately balances the interests of ratepayers and the Company. The distribution of this increase between classes of customers is detailed in the proof of revenues in Appendix B to this Joint Petition. Allied shall receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. The negotiated compromise represents approximately 52% of the filed request. Mitigation of the level of the rate increase benefits ratepayers and results in rates that satisfy the regulatory standard. As such, this element supports the standard for approval of a settlement as the resulting rates can be deemed just and reasonable and in accordance with the Public Utility Code and all pertinent case law.

10. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement. A "Black Box" agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in

subsequent proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E maintains that an agreement as to the resolution of each and every disputed issue in this proceeding between all the parties would have been highly unlikely. The involvement of the ALJ would have added time and expense to a proceeding that is already burdensome. Avoiding this will benefit ratepayers by minimizing the expenses associated with this filing. Commissioner Powelson has commented on “Black Box” settlements in his statement that the “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.”⁴

11. The Company’s tariff has been updated to accurately reflect the Company’s rates for metered and standby commercial customers. The Company’s current tariff does not contain these commercial rates; therefore, the agreed upon tariff language ensures that the rates for all customer classes are properly included in the Company’s tariff.

Additionally, the Joint Petition ensures compliance with the tariff as modified through this settlement by requiring Allied to provide the Advocates with copies of a bill from each

⁴ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

customer class after the rates go into effect. This will allow the Advocates to verify the accuracy of the Company's billing practices and confirm its compliance with the tariff as filed.

12. Through this Settlement Agreement, Allied and the Advocates have agreed upon a Net Plant in Service amount of \$460,998 as of December 31, 2014 for ratemaking purposes. Rate base is a fundamental component of the ratemaking equation because a utility is entitled to an opportunity to earn a fair return on the fair value of its plant, used and useful, in providing service to its customers. Although the Company's rate base will change as plant is added, agreeing to the amount of plant in service as of December 31, 2014 will greatly expedite and streamline future base rate proceedings involving Allied and prevent unnecessarily duplicative work by the Advocates in determining the appropriate rate base amount.

13. The Settlement Agreement provides that, prior to the next base rate filing, Allied will file an updated tariff to replace its current tariff.

14. Allied also agrees that it will not file a base rate case, as defined in 66 Pa. C.S. §1308, for at least two years from the entry date of the rates being approved in this case. This provision, however, may be circumvented if necessary due to drastic changes in regulatory or federal policies that may impact the Company.

This "stay-out" provision will benefit ratepayers by providing a level of stability in their rates, which is a benefit to all impacted parties. Allied can make operational plans

based on certain rates while customers can budget their activities knowing that the cost of their services will not fluctuate until years in the future.

15. The very nature of a settlement agreement incorporates compromise on the part of all parties. This particular Settlement Agreement exemplifies this principle. In addition, a “Black Box” settlement makes the specific identification of the resolution of disputed issues impossible. Each signatory acknowledges the ultimate revenue allowance but makes no representation as to how this addition to base rate revenue was achieved. Because of the characteristics of “Black Box” settlements, no representation of the resolution of any issue not specifically identified is possible in future proceedings.

III. CONCLUSION

16. Based on I&E’s analysis of the base rate revenue increase requested by Allied, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Pursuing litigation through to its conclusion would have driven expenses even higher which may have impacted the agreed upon increase in revenue. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

17. I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of multiple levels of testimony as well as Main Briefs, Reply Briefs, Exceptions and Reply

Exception. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation best serves the interests of the Company and its customers.

18. The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by I&E, or any of the signatories.

19. I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a "Black Box" agreement with limited exceptions. I&E's agreement to settle this case is respectfully made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

20. If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement avers that it supports the *Joint Petition For Full Settlement Of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Steven K. Haas recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Phillip C. Kirchner – Attorney ID# 313870
Allison C. Kaster – Attorney ID#93176
Prosecutors
Bureau of Investigation and Enforcement

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

Dated: November 13, 2015

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

ATTACHMENT E

**Statement of Office of Consumer Advocate
in Support of Joint Petition for Full Settlement
of Rate Investigation**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	Docket Nos. R-2015-2479955
	:	C-2015-2502642
	:	C-2015-2506329
ALLIED UTILITY SERVICES, INC.	:	

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

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

I. INTRODUCTION

Allied Utility Services, Inc. (Allied or Company) provides wastewater service to approximately 299 customers, of which 298 are residential, within North Whitehall Township, Lehigh County, Pennsylvania. On June 29, 2015, the Company filed Supplement No. 12 to Tariff Wastewater – Pa. P.U.C. No. 1 with the Pennsylvania Public Utility Commission (Commission), to become effective October 5, 2015. In its filing, Allied requested an annual increase in base rate revenues of \$154,334 per year, or an approximate 61% increase. Under the Company's filing, a typical residential customer, using 13,000 gallons of water per quarter, would see a total increase from \$172 to \$277 per quarter, or 61%.

On September 9, 2015, the OCA filed a Formal Complaint and Public Statement. The Office of Small Business Advocate filed a Formal Complaint and Public Statement on October 1,

2015. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance.

By Order entered September 17, 2015, the Commission initiated an investigation into the lawfulness, justness and reasonableness of the proposed rate increase and suspended the effective date of Supplement No. 12 to Tariff Wastewater – Pa. P.U.C. No. 1 until May 5, 2016, by operation of law. The Commission assigned the case to the Office of Administrative Law Judge. Administrative Law Judge (ALJ) Hass was assigned to the proceeding.

The Company chose to participate in the Commission's mediation process. On October 26, 2015, a prehearing conference was held before ALJ Haas, at which time the complaints of OCA and OSBA were consolidated with the Commission's investigation. A mediation session was held with Mediator Tiffany Hunt after the conclusion of the prehearing conference.

As a result of the discussions, the parties were able to reach an agreement in principle to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. REVENUES

A. Revenue Increase and Allocation

The proposed Settlement provides for an overall annual revenue increase of \$80,000, or 31.72%, in lieu of the proposed \$154,334 increase contained in Supplement No. 123. See Settlement ¶ 10(a); see also Appendices A and B. This compromise represents a 48% reduction from Allied's original rate increase request. Under the proposed Settlement, the bill for the average residential customer using 13,000 gallons of water per quarter would increase from \$172 to \$221 per quarter, rather than \$277 as originally proposed by the Company. Settlement ¶ 10(b).

Based on the OCA's analysis of the Company's filing, and discovery responses, the rate increase under the proposed Settlement represents a result that 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.

B. Stay Out

Under the proposed settlement the Company has agreed not to 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 two (2) years after the entry date of the Commission's Order approving this Joint Petition for Settlement. Settlement ¶ 10(b). If the Company files as soon as the stay out expires and if the next case is fully litigated, this provision would ensure that proposed rates would stay in effect for 33 months after the entry of a Commission order in this proceeding. This level of rate stability would benefit the ratepayers.

C. Net Plant in Service

The Joint Petitioners agree that Allied's net plant in service for ratemaking purposes, as of December 31, 2014 will be \$460,998. Settlement ¶ 10(c). Allied agrees that this number will be brought forward in the next rate proceeding to reflect plant additions and retirements and associated accumulated depreciation. An agreement on the net plant in service and the agreement that it will be brought forward in the next case will allow the OCA to more accurately review the Company's claims in its next filing.

D. Affiliated Interest Agreement

The proposed settlement requires the Company to file an Affiliated Interest Agreement ("AIA"), pursuant to Chapter 21 of the Public Utility Code, within six months following the entry date of the Commission order approving this Settlement. Settlement ¶ 10(e). Consistent

with submissions under Chapter 21, the AIA that will be filed 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. This provision will allow the OCA to review Allied's affiliate relationships in the next filing.

E. Company's Next Rate Filing

Allied agrees to file an updated tariff no later than its next general rate filing. Settlement ¶ 10(d). This provision will assist the OCA in ensuring that the tariff is full and complete and addresses all necessary tariff issues.

III. 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 approximately \$80,000 from customers in annual revenues. This amount is reduced from the \$154,334 annual increase from customers proposed in Allied'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 public interest.

Respectfully Submitted,



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November 16, 2015
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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

ATTACHMENT F

**Statement of Office of Small Business Advocate
in Support of Joint Petition for Full Settlement
of Rate Investigation**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

ALLIED UTILITY SERVICES, INC.

:
:
:
:
:
:

DOCKET NO. R-2015-2479955

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

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of commercial customers of Allied Utility Services, Inc. (“Allied” or the “Company”) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On June 29, 2015, Allied filed Supplement No. 12 to Tariff Wastewater Pa. P.U.C. No. 1 (“Tariff Supplement”) with the Commission. The proposed Tariff Supplement, if approved by the Commission, would increase Allied’s base rate revenues by \$154,334 per year, representing an approximate 61% increase in annual revenues.

On September 30, 2015, the OSBA filed a Complaint alleging that the Company’s proposed rates, rate design, and class revenue allocation are or may be unjust, unreasonable, and

unlawfully discriminatory in violation of, *inter alia*, Sections 1301 and 1304 of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304, and contrary to appropriate public policy and sound ratemaking considerations, and may not be supported by the materials filed by the Company.

A formal complaint was also filed by the Office of Consumer Advocate (“OCA”) on September 9, 2015. The Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a notice of appearance on September 22, 2015.

By Order entered September 17, 2015, the proposed Tariff Supplement was suspended by operation of law until May 5, 2016. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariff Supplement. *The Commission also ordered an investigation into the reasonableness of the Company’s existing rates, rules, and regulations.*

Administrative Law Judge (“ALJ”) Stephen K. Haas was assigned to this proceeding. On October 2, 2015, a Prehearing Conference/Mediation Notice was issued scheduling a prehearing conference followed by a mediation session for October 26, 2015 with Mediator, Tiffany A. Hunt.

A Prehearing Conference was held on October 26, 2015, before ALJ Haas, at which time procedural matters were addressed, including consolidation of the OSBA and OCA complaints. Following the Prehearing Conference, the parties participated in a mediation session lasting several hours at which time the parties successfully negotiated a settlement in principle of all issues. Extensive discovery was conducted by the parties prior to the mediation.

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

III. STATEMENT IN SUPPORT

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the Joint Petition was in the best interests of Allied’s small business customers.

A. Revenue Increase

The Joint Petition proposes to reduce the Company’s requested annual base rate revenue increase of \$154,334 to \$80,018. This will result in an average increase of 31.5% rather than the 61% increase that would have resulted from Allied’s filed request. The OSBA submits that the increase proposed by the Joint Petition fairly balances the financial needs of the Company while significantly reducing the rate impact upon the Company’s small business customers. Therefore, the OSBA supports the overall revenue increase proposed by the Joint Petition.

B. Revenue Allocation and Rate Design

Due to certain billing mistakes made by Allied when implementing the rates agreed to and approved in the Company’s last base rates case, the OSBA was concerned about the impact of the proposed rate increase on Allied’s metered commercial customer. This customer is facing not only an increase resulting from this base rate proceeding, but also an increase to correct how it should have been billed since Allied’s last base rates case. Because the Joint Petition limits the proposed increase to the metered commercial class to 47.4%, which is 1.5 times the system average increase of 31.5%, the OSBA determines that the Joint Petition is reasonable and in the best interest of the metered commercial customer.

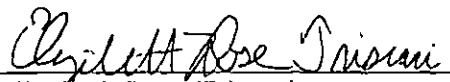
C. Judicial Efficiency

Lastly, settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

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

Respectfully submitted,



Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
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Dated: November 12, 2015

Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
<i>et al.</i>	:	
v.	:	Docket Nos. R-2015-2479955
	:	C-2015-2502642
Allied Utility Services, Inc.	:	C-2015-2506329
	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this 16th day of November, 2015, served a true and correct copy of the foregoing Joint Petition for Full Settlement of Rate Investigation upon the persons and in the manner set forth below:

By Email and Hand Delivery

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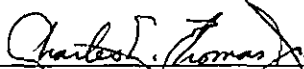
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