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March 23, 2016

VIA HAND DELIVERY

Honorable Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

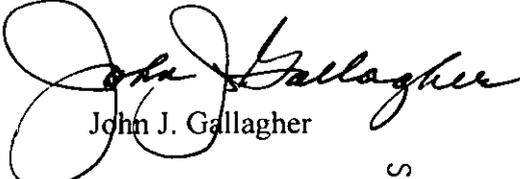
**Re: Joint Petition for Settlement
Docket No. R-2015-2506337**

Dear Secretary Chiavetta:

On behalf of Twin lakes Utilities, Inc. ("Twin Lakes"), the Bureau of Investigation & Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), please find enclosed an original and one (1) copy of the Joint Petition for Settlement in the above-captioned matter.

Please contact me at your convenience should you have any questions concerning these responses.

Sincerely,


John J. Gallagher

Enclosures

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**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

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Pennsylvania Public Utility Commission,
Office of Consumer Advocate, et al.,

v.

Twin Lakes Utilities, Inc.

Docket Nos. R-2015-2506337
C-2015-2514368
C-2015-2515975
C-2016-2523444
C-2016-2524864
C-2016-2528502
C-2016-2532987

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

Twin Lakes Utilities, Inc. ("Twin Lakes"), the Commission's Bureau of Investigation and Enforcement ("I&E"), and the Pennsylvania Office of Consumer Advocate ("OCA"), collectively referred to as "Joint Petitioners" by their respective counsel, respectfully request: (a) that Administrative Law Judge Eranda Verò recommend approval of this Joint Petition for Settlement of Rate Investigation ("Petition for Settlement") as set forth herein; (b) that the Pennsylvania Public Utility Commission ("Commission") approve and adopt this Petition for Settlement as set forth herein; and (c) that the Commission permit Twin Lakes to file tariff supplements attached hereto at Appendix A effective on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement. In support of this Petition for Settlement, the Joint Petitioners set forth the following:

I. INTRODUCTION

1. On or about November 16, 2015, Twin Lakes filed with the Commission Supplement No. 5 to Tariff Water-Pa. P.U.C. No. 4 ("Supplement No. 5") to become effective January 16, 2016. Supplement No. 5 contained proposed changes in Twin Lakes' rates, rules, and regulations and set forth a request to adjust current water rates in order to produce \$195,287

in additional annual revenues, a rate increase of approximately 257% for jurisdictional customers.

2. On November 23, 2015, Phillip Kirchner, Esquire filed a Notice of Appearance on behalf of I&E in this matter. On November 23, 2015, Christine Maloni Hoover, Esquire and Lauren Burge, Esquire filed a Formal Complaint, Public Statement, a Notice of Appearance on behalf of the OCA in this matter. The Complaint was docketed at C-2015-2514368. On December 2, 2015, Virginia W. Pfeiffer filed a Formal Complaint at Docket No. C-2015-2515975 opposing the proposed rate increase. On January 8, 2016, Edward G. Lanza, Esquire entered his appearance as co-counsel for Twin Lakes. On January 11, 2016, Amelia Roraback filed a Formal Complaint at Docket No. C-2016-252344 opposing the proposed rate increase. On January 14, 2016, John Wessleder and Georgette Muller filed a Formal Complaint at Docket No. C-2016-2524864 opposing the proposed rate increase. On February 8, 2016, Anthony Ciuffreda filed a Formal Complaint at Docket No. C-2016-2528502 opposing the proposed rate increase. On March 4, 2016, Neil and Kathleen Joyce filed a Formal Complaint at Docket No. C-2016-2532987 opposing the proposed rate increase.

3. By Order entered December 17, 2015, the Commission suspended Twin Lakes' filing and instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. Pursuant to the Commission's Order, the new effective date for Supplement No. 6 to Tariff Water-Pa. P.U.C. No. 4 became August 16, 2016 unless permitted to become effective at an earlier date. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge for the scheduling of hearings.

4. On January 15, 2016, a Telephonic Pre-Hearing Conference was held with the parties before Administrative Law Judge Eranda Vero. On February 19, 2016, a Public Input

Hearing was held at the Shohola Township Municipal Building in Shohola, Pennsylvania at which time 9 customers testified on the record. The Joint Petitioners engaged in settlement discussions resulting in this Petition for Settlement. Joint Petitioners have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase, thereby resolving all issues meriting consideration by the Joint Petitioners to this proceeding.

5. Unless otherwise stated in this Petition, the Joint Petitioners have not agreed upon specific adjustments. The Joint Petitioners are in full agreement that Commission approval of the Petition for Settlement results in rates that are just and reasonable and such Commission approval is in the public interest.

II. TERMS AND CONDITIONS

6. Twin Lakes will be permitted to establish rates for Commission jurisdictional customers that will produce total annual operating revenues of approximately \$200,969 resulting from an agreed-upon three (3) year phase-in period with approximately 50% of the increase in Year 1 (\$62,500), 25% in Year 2 (\$31,250) and 25% in Year 3 (\$31,250). The first phase, as determined in accordance with the attached proof of revenues and tariff supplement, will begin to be effective on one day's notice for service rendered on and after the date of the Commission's approval of this Petition for Settlement in its entirety. The Proof of Revenues, attached hereto at Appendix B, reflects rates that are designed to eventually recover approximately \$125,000 of additional revenues from customers on an annual basis as a result of the three year phase-in period. In sum, the increases in revenues from present rates as proposed in this Petition for Settlement are as follows:

	Present Revenues	Revenues per Settlement	Revenue Increase	Percentage Increase
Phase I (Year 1)	\$ 75,969	\$138,469	\$ 62,500	82.27%
Phase II (Year 2)	\$138,469	\$169,719	\$ 31,250	22.57%
Phase III (Year 3)	\$169,719	\$200,969	\$ 31,250	18.41%
Total	\$ 75,969	\$200,969	\$125,000	164.54%

7. In addition to, and in consideration of, the agreed-upon overall increase in operating revenues for customers of approximately \$125,000, Joint Petitioners also agree to various terms and conditions for this settlement set forth as follows:

a. *Phase In* – Twin Lakes agrees that the agreed upon revenue increase will be implemented over the course of three (3) years from the effective date of the rates contained in the Petition for Settlement with approximately 50% of the increase in Year 1 (\$62,500), 25% in Year 2 (\$31,250) and 25% in Year 3 (\$31,250). Twin Lakes further agrees that the phase-ins for the revenue increase in Years 2 and 3 will be triggered by the completion of certain system improvements as set forth in subparagraph (c) below.

b. *Stay out* – Twin Lakes agrees that it will not file any new rate increase within thirty-six (36) months after the effective date of the rates first placed into effect resulting from this Petition for Settlement. However, Twin Lakes may file for a change in rates under Sections 1308(a) and (b) (governing general rate relief), or Section 1308(e) (governing extraordinary rate relief) of the Public Utility Code if a legislative body or administrative agency orders or enacts changes in policy,

regulation or statutes that result in a substantial and adverse effect upon Twin Lakes revenues.

c. *System Improvements* – Twin Lakes agrees to implement the following system improvements as threshold events that trigger the following phase-ins for the revenue increase:

1. *Year 2 Revenue Increase Trigger* – Twin Lakes agrees to replace Well #1, the completion and placement into service of this system improvement shall mark the threshold event triggering the 25% revenue increase in Year 2 of the Phase-in.
2. *Year 3 Revenue Increase Trigger* – Twin Lakes agrees to: (a) install a new supply main that will connect the replacement Well #1 to the distribution system; (b) replace 4,000 feet of main, in-kind by diameter, in connection with the following streets: Warpath Place (500 feet), Kenny Road (1,000 feet), Dylan Road (1,000 feet), Susan Road (1,000 feet) and Rock Place (500 feet). Twin Lakes shall retain the right to substitute different streets for this main replacement obligation provided that this obligation remains at minimum 4,000 feet in the aggregate; (c) replace Twin Lakes owned service lines in conjunction with the main installation and replacements identified in this subparagraph; and (d) install a new air relief valve. The completion of these system improvements shall mark the threshold event triggering the 25% revenue increase in Year 3 of the Phase-in.

The Joint Petitioners stipulate that agreement to these system improvements in this Petition for Settlement are for the purpose of serving as threshold events to permit the revenue increases for Years 2 and 3 as set forth in this Petition for Settlement and for this purpose alone. The Joint Petitioners are not seeking Commission approval for the ratemaking treatment of these system improvements at this time, and nothing in this Petition for Settlement shall preclude Twin Lakes from seeking appropriate ratemaking treatment for these system improvements in a future rate case or preclude I&E and OCA from challenging any proposed ratemaking treatment for these system improvements in a future rate case. Upon completion of each revenue increase trigger, the Twin Lakes will file a verification stating that the required actions have been completed. Twin Lakes may then file a tariff supplement to implement the next phase of the rate increase, effective no sooner than 12 months after the previous phase implementation. Twin Lakes agrees to serve the verification and tariff supplement on each signatory to the settlement and the Commission's Bureau of Technical Services.

d. *Waiver of 52 Pa. Code §65.17(b)* – The Joint Petitioners agree that Twin Lakes shall be permitted to seek, and I&E and OCA will not oppose, a waiver of the Commission's regulation at 52 Pa. Code §65.17(b) to permit Twin Lakes to replace main in-kind for all line replacements except those replacements and/or installations on Ottawa, Warpath Place and Twin Lakes Drive, which shall be completed using 6-inch diameter pipe. The Joint Petitioners further agree that I&E's and OCA's non-opposition to this waiver request shall only remain in effect until the next Twin Lakes rate case filing.

e. *Pressure Survey* – Twin Lakes agrees to conduct an annual pressure survey of its system as provided in 52 Pa. Code § 65.6 and provide a copy of each pressure survey to I&E, OCA and the Commission’s Bureau of Technical Utility Services (“TUS”).

f. *Rate Effective Date* -- Joint Petitioners agree that it is in the public interest for entry of a Commission-approved final order approving the Petition for Settlement as expeditiously as possible.

g. *Rate Structure/Rate Design* – The Joint Petitioners agree to the distribution of revenue among customer in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B.

h. *Plant in Service* – The Joint Petitioners agree upon a December 31, 2015 balance of \$967,553 for Plant in Service for Twin Lakes, less reserve of \$117,000 for a net balance of \$850,553. Such figures thus establish those values for any and all subsequent rate proceedings.

i. *Outage Alert System* – Twin Lakes will include bill messages or inserts twice per year notifying customers of the Company’s outage alert system and how to enroll in order to receive outage notifications. Additionally, any new customer that contacts Twin Lakes to begin service will be informed of the outage alert system.

j. *New Customers* – Twin Lakes agrees to work with the Sagamore Property Association to ensure that new customers contact the Company promptly in order to be added to the system in a timely manner.

k. *Water Pressure* – For customers reporting low water pressure, Twin Lakes agrees to test the pressure drop in the customer’s service line for approximately 1

gallon/minute flow and up to 5 gallons/minute flow to determine adequacy of the service line. After the replacement of Well #1 and connection to the distribution system, Twin Lakes agrees to increase pressure by 1 psi every 2 months during warmer months (May to October), unless increased pressure causes additional line breaks;

1. *Hydrant Replacement for Mr. Zilber* – The Company hydrant was removed from Mr. Zilber’s property in a project that was completed on March 14, 2016, at which time Twin Lakes installed a hydrant in another location. Mr. Zilber agreed to replace his service line in conjunction with Twin Lakes’ removal of the hydrant.

8. The design and structure of rates for customers of Twin Lakes under this Petition for Settlement are developed based upon the customer and volumetric charges contained within the Rate Schedules set forth in Appendix B. The Joint Petitioners agree that rates and charges set forth in Appendix B are just and reasonable and are in the public interest.

9. The Joint Petitioners agree and stipulate that Twin Lakes’ original filing, including all exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa. Code §§ 53.52, 53.53.

10. The Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, and upon the implementation of the Phase III rate increase, the quarterly bill of a typical 5/8" metered residential customer who utilizes 7,800 gallons of water per quarter will increase from \$160.06 to \$430.13, or by approximately 168.73%, rather than to \$582.95 (264.21 %) as originally requested. The quarterly bill for a typical residential customer at each year of the phase-in is included below:

	Current Rates (7,800 Gallons/Qtr)	Co. Proposed Rates (7,800 Gallons/Qtr)	Settlement (7,800 Gallons/Qtr)	Incremental Increase %	Cumulative Increase %
<u>Year 1</u>	\$160.06	\$582.95	\$295.11	84%	84%
<u>Year 2</u>	\$160.06	\$582.95	\$362.66	23%	127%
<u>Year 3</u>	\$160.06	\$582.92	\$430.13	19%	169%

11. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of Twin Lakes and its customers. In addition, adoption and approval of the Petition for Settlement will avoid the need for the filing of direct testimony by I&E and OCA, for briefing, and for continued litigation of this proceeding.

12. This Petition for Settlement arises from extensive discovery and discussions and reflects compromises by all sides and is being proposed to settle the instant case. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this settlement upon written notice of its intent to the Commission and the remaining parties within three (3) business days of the date of the Commission's Order and may resume with the litigation of this proceeding within ten (10) days of the entry of the Order making any such modifications.

13. The Joint Petitioners agree that the Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of Commission-made rates.

14. The Joint Petitioners recognize that this Joint Petition does not bind the Formal Complainants. Twin Lakes is serving a copy of this Joint Petition on the Complainants. The OCA will, on the same date, send a letter providing instructions concerning Complainants' opportunity to address the proposed settlement. The letter explains that the Complainants have fourteen days from the date the settlement is filed with the Commission to join, comment on, or object to the proposed settlement and provides contact information for ALJ Vero and the OCA. Nothing herein is intended to limit in any way any position which any Joint Petitioner may have, or take, concerning any comment or objection to the settlement that may be filed by the Complainants.

15. In the event that the Commission does not approve this Petition for Settlement as submitted, the signatory parties reserve their respective rights to resume litigation. If the ALJ in her Recommended Decision recommends that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters addressed, or any modifications to the terms and conditions of this Petition for Settlement recommended by the ALJ in her Recommended Decision.

16. Each Joint Petitioner has attached a Statement in Support to this Petition for Settlement, identified for Twin Lakes as Appendix C, for I&E as Appendix D, and for OCA as Appendix E.

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

17. That Administrative Law Judge Eranda Vero expeditiously recommend approval of this Petition for Settlement inclusive of its terms and conditions without modification;

18. That the Commission adopt the ALJ's recommended approval and permit Twin Lakes to file a tariff supplement on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement so as to increase total present revenues of \$75,969 to a level of \$200,969 or by 164.5%, in the identified phases over a three year period; and,

19. That the Commission terminate and mark closed its inquiry and investigation at Docket No. R-2015-2506337, including all complaint dockets associated therewith.

Respectfully submitted,

BUREAU OF INVESTIGATION AND ENFORCEMENT:

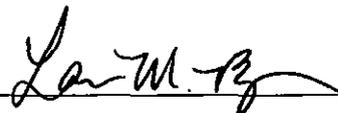
by:



Phillip Kirchner, Esquire
Investigation & Enforcement
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

OFFICE OF CONSUMER ADVOCATE

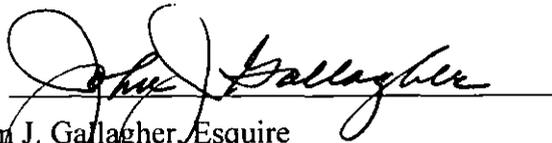
by:



Christine Maloni Hoover, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Street
Harrisburg, PA 17101-1921

TWIN LAKES UTILITIES, INC.

by:



John J. Gallagher, Esquire
711 Forrest Road
Harrisburg, PA 17112

Dated: _____, 2016

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Supplement No. 5 to
Tariff Water-Pa. P.U.C. No. 4

TWIN LAKES UTILITIES, INC.
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN SAGAMORE ESTATES, SHOHOLA TOWNSHIP,
PIKE COUNTY, PA 18458,
including County and Municipal or Political Subdivisions

ISSUED:

EFFECTIVE: , 2016

BY: Richard M. Risoldi
President
1500 Ronson Road
Iselin, NJ 08830
(732) 634-1500 or (800) 729-4030

NOTICE

THIS TARIFF SUPPLEMENT NO. 5 MAKES CHANGES IN EXISTING RATES.

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Issued:

Effective: , 2016

Twin Lakes Utilities, Inc.

Appendix A
Supplement No. 5 to
Tariff Water - Pa. P.U.C. No. 4
Fourth Revised Page No. 2
Replacing Third Revised Page No. 2

LIST OF CHANGES

Increase:

This tariff, specifically Part I Sections A and E, have been modified for an increase in water charges for all customers. Part I Section B has been Reserved.

Twin Lakes Utilities, Inc.

Supplement No. 5 to
Tariff Water - Pa. P.U.C. No. 4
Original Page No. 3

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Twin Lakes Utilities, Inc.

Supplement No. 5 to
Tariff Water - Pa. P.U.C. No. 4
Fourth Revised Page No. 4
Replacing Third Revised Page No. 4

Section A - Rates for Metered Service

(I)

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter Size	Customer Charge	
	Per Month	Per Quarter
5/8 inch	\$ 60.41	\$ 181.23
3/4 inch	\$ 90.62	\$ 271.86
1 inch	\$ 151.03	\$ 453.09
1 1/2 inch	\$ 302.05	\$ 906.15
2 inch	\$ 483.28	\$ 1,449.84

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gallons - \$14.60

(I)

Section B - Rates for Unmetered Service – Reserved

(I)

Section C - Fire Protection Rates - Reserved

1. Private Fire Protection: Reserved
2. Public Fire Protection: Reserved

Section D. Returned Check Charge

A charge of \$20.00 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the bank for any reason.

SURCHARGE

STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, a surcharge of 0.00% will apply to all charges for service rendered on or after the effective date of this tariff.

The above surcharge will be recomputed, using the same elements prescribed by the Commission.

- a. Whenever any of the tax rates used in the calculation of the surcharge are changed.
- b. Whenever the utility makes effective any increased or decreased rates; and
- c. On March 31, 1999, and each year thereafter.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasions such recomputation; and, if the recomputed surcharge is less than the one then in effect, the Company will, and if the recomputed surcharge is more than the one in effect, the Company may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

Section E - Construction Rates

(I)

The flat rate charge for unmetered residential building construction shall be \$124.78 per month per dwelling unit under construction until construction is completed.

Section F - Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$50.00.

Section G - Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code §65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 1/4 inch - 2 inch	\$20.00

These amounts may vary without revision of this tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches or for testing meters so located that testing costs are disproportionate to the stated fees shall be as established by the Company based upon the actual cost of the test.

PART II: Definitions:

The following words and phrases, when used in this tariff, shall have the meanings assigned below unless the context clearly indicates otherwise:

1. Annual Line Extension Costs: The sum of a Company's additional annual operating and maintenance costs, debt costs and depreciation charges associated with the construction, operation and maintenance of the line extension.
2. Annual Revenue:(For Line Extension Purposes) The Company's expected additional annual revenue from the line extension based on the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the bona fide service applicant.
3. Applicant: A person, or entity who applies to become a customer of the Company in accordance with Part III, Section A, of this tariff.

4. Bona Fide Service Applicant:(For Line Extension Purposes) A person or entity applying for water service to an existing or proposed structure within the utility's certificated service territory for which a valid occupancy or building permit has been issued if the structure is either a primary residence of the applicant or a place of business. An applicant shall not be deemed a bona fide service applicant if:
 - (a) applicant is requesting water service to a building lot, subdivision or a secondary residence;
 - (b) The request for service is part of a plan for the development of a residential dwelling or subdivision; or
 - (c) the applicant is requesting special utility service.
5. Commission: The Pennsylvania Public Utility Commission.
6. Company: Twin Lakes Utilities, Inc.
7. Company service line: The water line from the distribution facilities of the Company which connects to the customer service line at the hypothetical or actual line or the actual property line, including the control valve and valve box. The control valve and valve box determine the terminal point for the Company's responsibility for the street service connection.
8. Cross-connection: Any pipe, valve, hose or other arrangement or device connecting the pipelines or facilities of the Company, to and with other pipes or fixtures by which any contamination might be admitted or drawn into the distribution system of the Company from lines other than the Company's.
9. Customer: A person or entity who is an owner or occupant and who contracts with the Company for water service.
10. Customer service line: The water line extending from the curb, property line or utility connection to a point of consumption.
11. Debt Costs: (For Line Extension Purposes) The Company's additional annual cost of debt associated with financing the line extension investment based on the current debt ratio and weighted long-term debt cost rate for that utility or that of a comparable jurisdictional water utility.
12. Depreciation charges: (For Line Extension Purposes) The utility's additional annual depreciation charges associated with the specific line extension investment to be made based on the current depreciation accrual rates for that Company or that of a comparable jurisdictional water Company.

13. Line extension:(For Line Extension Purposes) An addition to the Company's main line which is necessary to serve the premises of a customer.
14. Main: The pipe of a public utility system, excluding service connections, located in a public highway, street, alley or private right-of-way which pipe is used in transporting water.
15. Meter: Any certified device used by the Company, or by the Commission, for the purpose of measuring water consumption.
16. Nonresidential service: Water service supplied to a commercial or industrial facility, including a hotel or motel, or to a master-metered mobile home or multi-tenant apartment building, or to any customer who purchases water from the Company for the purpose of resale.
17. Operating and Maintenance Costs:(For Line Extension Purposes): The utility's average annual operating and maintenance costs associated with serving an additional customer, including customer accounting, billing, collections, water purchased, power purchased, chemicals, and other variable costs based on the current total Company level of such costs, as well as costs particular to the specific needs of that customer, such as line flushing.
18. Private fire protection service: Water service provided exclusively for the purpose of fire protection that is available to the customer only and not for use by the general public, and that is provided through automatic sprinkler systems, fire hydrants or similar mechanisms.
19. Public fire protection service: Water service provided exclusively to a municipal or governmental entity through outdoor hydrants for the purpose of fire protection for the general public.
20. Public Utility: Persons or corporations owning or operating equipment or facilities in this Commonwealth for diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.
21. Residential service: Water service supplied to an individual single-family residential dwelling unit. Utility service supplied to a dwelling including service provided to a commercial establishment if concurrent service is provided to a residential dwelling attached thereto. Utility service provided to a hotel or motel is not considered residential service.
22. Short-term Supply Shortage: An emergency which causes the total water supply of a Company to be inadequate to meet maximum system demand.

23. Special Utility Service: Residential or business service which exceeds that required for ordinary residential purposes. See additional clarification in Section G, Part 2(d) of this tariff.
23. Tariff: All of the service rates, rules and regulations issued by the Company, together with any supplements or revisions thereto, officially approved by the Commission and contained in this document.

PART III: RULES AND REGULATIONS

Section A - Applications for Service

1. Service Application Required: The Company may require applications for service to be completed in writing on a form provided by the Company and signed by the owner or occupant of the property.
2. Change in Ownership or Tenancy: A new application must be made to the Company upon any change in ownership where the owner of the property is the customer, or upon any change in the identity of a lessee where the lessee of the property is the customer. The Company shall have the right to discontinue or otherwise interrupt water service upon three (3) days notice if a new application has not been made and accepted for the new customer.
3. Acceptance of Application: An application for service shall be considered accepted by the Company only upon oral or written approval by the Company. The Company may provide service to the applicant pending formal review and acceptance of the application.
4. Application Forms: Application forms can be obtained at the Company's local business office, presently located at (Company's Business Office Address).
5. Water Used for Construction Purposes: Where water is required for construction purposes, the applicant shall so indicate. Unmetered service may be provided for construction purposes.
6. Temporary Service: In the case of temporary service for short-term use, the Company may require the customer to pay all costs of making the service connection and for its removal after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. If the service connection is physically removed, the customer shall receive a credit for reasonable salvage value.

Section B - Construction and Maintenance of Facilities

1. Customer Service Line: The customer service line shall be furnished, installed, maintained and/or replaced, when necessary, by and at the sole expense of the customer. The Company reserves the right to determine the size, kind and depth of customer service lines.
2. Separate Trench: The customer service line shall not be laid in the same trench with drain or wastewater pipe, the facilities of any other public utility or of any municipality or municipal authority that provides a public utility service, or within three (3) feet of any open excavation, unless a written exception is granted by the Company.
3. Customer's Responsibilities: All service lines, connections and fixtures furnished by the customer shall be maintained by the customer in good working order. All valves, meters and appliances furnished by the Company and on property owned or leased by the customer shall be protected properly by the customer. All leaks in the customer service line or any pipe or fixtures in or upon the customer's premises must be repaired immediately by the customer.
4. Right to Reject: The Company may refuse to connect with any piping system or furnish water through a service already connected if such system or service is not properly installed or maintained. The Company may also refuse to connect if lead based materials, as defined in the Safe Drinking Water Act, have been used in any plumbing beyond the Company's curb control valve. It shall be the customer's responsibility to provide the Company with any such certification which may be required to verify the absence or removal of such materials.
5. Water Use Standards for Certain Plumbing Fixtures: This rule establishes maximum water use criteria for certain plumbing fixtures installed in all new construction or renovation. Such standards have been implemented to achieve maximum efficiency of water use which the Commission has determined is technologically feasible and economically justified.

(a) Maximum permitted water usage levels shall be as follows:

<u>Plumbing Fixture</u>	<u>IPC Maximum Water Use</u>
Showerheads	3.0 gallons/minute
Faucets	3.0 gallons/minute
Water Closets	1.6 gallons/flush
Urinals	1.5 gallons/flush

- (b) The Company may exempt particular customers, or classes of customers, when it is determined that the water use standards for plumbing fixtures listed above are unreasonable, cannot be accommodated by existing technology or are otherwise inappropriate.
6. Stop and Waste Valves and Check Valves: The Company requires the installation of stop and waste valves and check valves on all new or reconstructed customer service lines. The responsibility for the proper installation and maintenance of such valves shall be the customer's and at the customer's sole expense.
7. Backflow Prevention Device: The installation of a backflow device of the type approved by the Company may be required by the Company if, in the Company's opinion, such a device is needed to protect the integrity of the Company's system. The backflow prevention device shall be installed, owned and maintained by the customer at the customers' expense. The location of the backflow prevention device shall be approved by the Company. The Company recommends the installation of approved double check valves for service lines providing service to residential units.
8. Pressure: Generally the Company will maintain service pressures from 25 p.s.i.g.(pounds per square inch gauge)to 125 p.s.i.g. at the main, but during periods of peak demand pressures at the main may range from 20 to 150 p.s.i.g. The Company may furnish service at other pressures where necessary to supply adequate service.
- If a customer needs the pressure reduced, the customer must install and maintain, at the customer's expense, a pressure regulator or valve. The pressure regulator will be installed on the inlet side of the meter.
9. Cross-Connections: No cross-connection shall be installed or continued except upon terms and conditions established in writing by the Company. A cross-connection may be considered to be eliminated if a method of backflow prevention is approved by the Company in writing and implemented.
10. Individual Service Lines: Except as otherwise expressly authorized by the Company, each individual customer shall be served only through a separate service line connected directly to the Company's distribution main, and that service line shall not serve any other customer or premise. No additional attachment may be made to any customer's service line for any purpose without the express written approval of the Company.
11. Connection to Company Mains: No connection shall be made to the Company's main, nor detachment from it, except under the direction and control of the Company. All such connections shall be property of the Company and shall be accessible to it and under its control. The Company will furnish, install and maintain all service lines from the main to and including the curb stop and box.

Section C - Discontinuance, Termination and Restoration of Service

1. Discontinuance by Customer: Where a customer requests the Company to discontinue service, the following rules shall apply:
 - (a) A customer who wishes to have service discontinued shall give at least seven (7) days notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the customer shall be responsible for all service rendered until the time that the Company shall have actual or constructive notice of the customer's intent to discontinue service. The customer shall not turn water on or off at any curb stop, or disconnect or remove the meter, or permit its disconnection or removal, without the prior written consent of the Company. A customer discontinuing service remains a customer for purposes of paying turn-on fees pursuant to Rule 3 of this Section for a period of nine (9) months.
 - (b) Where a customer requests turn-on of service within six (6) months of disconnection, the customer shall be subject to monthly minimum billing for the period of disconnection. The request for turn-on of service should be mailed to the same address as the disconnection of service request.
2. Termination by Company: Service to the customer may be terminated for good cause, including, but not limited to, the following:
 - (a) making an application for service that contains material misrepresentations;
 - (b) willful or negligent waste of water through improper or imperfect pipes or fixtures, or for failure to repair leaks in pipes or fixtures;
 - (c) tampering with any service line, curb stop, meter or meter setting, or installing or maintaining cross-connections or any unauthorized connection;
 - (d) theft of service, which may include taking service without having made a proper application for service under Part III, Section A;
 - (e) failure to pay, when due, any charges accruing under this tariff;
 - (f) refusing the Company reasonable access to the property served for purposes of installing, inspecting, reading, maintaining or removing meters;
 - (g) receipt by the Company of an order or notice from the Department of Environmental Protection, a health agency, local plumbing inspector or other

similar authority, to terminate service to the property served on the grounds of violation of any law or ordinance, or upon notice to the Company from any such authority that it has ordered an existing violation on the property to be corrected and that such order has not been complied with or

- (h) material violation of any provisions of this tariff.
3. Turn-on Charge: Whenever service is discontinued or terminated pursuant to Rule 1 or Rule 2 of this Section, service shall be turned on by the Company only upon the payment by the customer of a turn-on charge and the resolution of the problem that gave rise to the termination if under Rule 2.

Section D - Meters

1. All Meters Shall be Owned, Installed and Maintained by the Company:
2. Requirement for Metered Service: All service provided by the Company shall be metered except as authorized by this tariff.
3. Location of Meters: The meter will be set after the customer has had the plumbing arranged to receive the meter at a convenient point approved by the Company so as to measure all water being supplied to the customer's premise. Protection for the meter shall be provided by the customer. In cases where it is not practical to place the meter indoors, or if the customer so desires and the Company approves, the customer shall install, own and maintain a meter pit on the property in a location to be determined by the Company. The Company shall establish standards for outside meter settings. Relocation of meters for the customer's convenience shall be at the customer's expense.
4. Access for Automated Meter Reading Devices: Upon reasonable notice, the customer shall permit the Company access and space for the purpose of installing, maintaining and utilizing a telemetering or other automated meter reading device. Where applicable, the customer must provide the Company with the telephone number of the line to which the equipment will be connected and immediately advise the Company of any changes in the telephone number. Where the use of the customer's facilities results in a utility charge, the Company will compensate the customer.
5. Damages to Meters: Meters shall be maintained by the Company so far as ordinary wear and tear is concerned. Where damage to a meter results from the negligent or willful act of the customer, the actual cost of removing, replacing, repairing or testing a damaged meter shall be paid by the customer.

6. Notification to Company of Non-Working or Damaged Meter: The customer shall notify the Company of a non-working or damaged meter as soon as the customer has notice of either condition.
7. Fees for Meter Tests: Fees for testing meters shall be as specified under Part I, Section F, of this tariff. Testing fees shall be refunded pursuant to Commission regulation at 52 Pa. Code §65.8(g) where the meter is found not operating within the allowable accuracy range specified at 52 Pa. Code §65.8(a).

Section E - Billing and Collection

1. Issuance of Bills: The Company will bill each customer within fifteen (15) days of the last day of each billing period.
2. Billing Due Date: The due date for payment of a bill for nonresidential service shall be no less than fifteen (15) days from the date of transmittal. The due date for payment of a bill for residential service shall be no less than twenty (20) days from the date of transmittal. If the last day for payment falls on a Saturday, Sunday or bank holiday, or on any day when the offices of the Company are not open to the general public, the due date shall be extended to the next business day. The Company may not impose a late-payment charge unless payment is received more than five (5) days after the stated due date.
3. Late-Payment Charge: All amounts not paid when due shall accrue a late-payment charge at the rate not to exceed one and one-half percent (1.50%) per billing period, not to exceed eighteen percent (18%) per year when not paid as prescribed in Rule 2 of this Section.
4. Change in Billing Address: Where a customer fails to notify the Company of a change in billing address, the customer shall remain responsible to remit payment by the billing due date.
5. Application of Payment: Utility bills rendered by the Company shall include only the amount due for water service. Where a customer remittance to the Company includes payment for any non-utility services, proceeds will be applied first to pay all outstanding regulated utility charges.
6. Return Check Charges: The customer will be responsible for the payment of a charge each time a check presented to the Company for payment on that customer's utility bill is returned by the payor bank for any reason including, but not limited to, insufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished, or unauthorized signature. This charge is in addition to any charge which may be assessed against the customer by the bank with interest.

7. Disputed Bills: In the event of a dispute between the customer and the Company with respect to any bill, the Company will promptly make such investigation as may be required by the particular case and report the result to the customer. The customer is not obligated to pay the disputed portion of the bill during the pendency of the Company's investigation. When the Company has made a report to the customer sustaining the bill as rendered, the customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, the Company will issue a corrected bill with a new due date for payment. Any amounts received by the Company in excess of the amount determined to be due by the Company's investigation of the dispute shall be refunded to the customer with interest computed at 1.5% per month.

Section F - Deposits

1. Residential Customers:

- (a) New Applicants--The Company will provide service without requiring a deposit unless the applicant was terminated for nonpayment within the prior twelve (12) months or has an unpaid balance for prior service from the Company. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (b) Existing Customers--If a customer has paid late on two (2) consecutive occasions or a total of three (3) times within the prior 12-month period, the Company may send a letter informing the customer that a deposit may be required if another late payment is received within the next twelve (12) months. An existing customer may be required to pay a deposit as a condition to having service restored after termination for non-payment or for failure to comply with a payment agreement. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (c) Deposit Refunds and Interest--A deposit will be refunded if service is discontinued and the final bill is paid or if the customer has paid the bills for the prior 12-month period without having been late on more than two (2) occasions and is not currently delinquent. Deposits from residential customers shall bear simple interest at the rate of the average of one-year Treasury Bills for September, October and November of the previous year, payable annually without deductions for taxes thereon unless otherwise required by law. The applicable interest rate shall become effective on January 1 of each year.

2. Nonresidential Customers:

- (a) New Applicants--A deposit may be required from any new applicant who does not have prior satisfactory credit history with the Company. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (b) Existing Customers--Deposit requirements for existing nonresidential customers shall be as established for residential customers in Rule 1 of this Section.
- (c) Deposit Refunds and Interest--A deposit will be refunded if the customer pays all bills on time over a 12-month period or if service is disconnected and the final bill has been paid. There will be no interest paid on deposits for nonresidential accounts.

Section G - Line Extensions

Whenever a developer, owner or occupant of a property within the service territory of the Company requests the Company to extend service to such property, the Company will extend service under the following conditions:

- I. Requests by Bona Fide Service Applicant: The conditions under which facilities will be extended to supply service to an applicant within the Company's service area are listed below. Upon request by a bona fide service applicant, a utility shall construct line extensions within its franchised territory consistent with the following directives:
 - (a) Line extensions to bona fide service applicants shall be funded without customer advance where the annual revenue from the line extension will equal or exceed the Company's annual line extension costs.
 - (b) If the annual revenue from the line extension will not equal or exceed the Company's annual line extension costs, a bona fide service applicant may be required to provide a customer advance to the utility's cost of construction for the line extension. The utility's investment for the line extension shall be the portion of the total construction costs which generate annual line extension costs equal to annual revenue from the line extension. The customer advance amount shall be determined by subtracting the utility's investment for the line extension from the total construction costs.
 - (c) The Company's investment for the line extension shall be based on the following formula, where X equals the utility's investment attributed to each bona fide applicant:

$$X = [AR - OM] \text{ divided by } [I + D]; \text{ and,}$$

AR = the Company's annual revenue

OM = the Company's operating and maintenance costs
I = the Company's current debt ratio multiplied by the
Company's weighted long-term debt cost rate
D = the Company's current depreciation accrual rate

2. Customer advance financing, refunds and facilities on private property:

SUBSECTION (a) -- FOR USE BY COMPANIES WITH GROSS ANNUAL RECEIPTS OF \$10 MILLION OR MORE

- (a) When a customer advance is required from a bona fide service applicant for service and the bona fide applicant is unable to advance the entire amount due, the company shall either:
- (i) Allow the applicant to pay the advance plus the financing costs equal to the Company's weighted cost of long term debt, over a period of not less than 3 years; or
 - (ii) Provide information to the bona fide service applicant on financial institutions that may offer financing to the applicant for the main extension.
- (b) When a customer advance is required of a service applicant and an additional customer or customers attach service lines to the line extension within ten years, the utility shall refund a portion of the advance to the customer. Deposits made for additional facilities other than the line extension, such as booster pumps, storage tanks and the like, are contributions in aid of construction and need not be refunded.
- (c) The Company will refund to the applicant, during a period of ten (10) years from the date of the extension deposit, a per-customer amount for each additional bona fide service applicant from whom a street service connection shall be directly attached to such main extension as distinguished from extensions or branches thereof. Provided, however, that the total amount refunded shall not exceed the original deposit without interest, and provided that all or any part of the deposit not refunded within said 10 year period shall become the property of the Company and shall be treated as Contributions in Aid of Construction for ratemaking purposes. The per customer refund amount shall equal the utility's investment attributed to each bona fide applicant as calculated in the formula contained in Section G, Part 1, Subsection (c) of this tariff.

- (d) A utility shall require a customer to pay, in advance, a reasonable charge for service lines and equipment installed on private property for the exclusive use of the customer.
- (e) Special Utility Service shall mean residential or business service which exceeds that required for ordinary residential purposes. Section G (1) parts (a) through (c) of this tariff does not apply to special utility service. By way of illustration and not limitation, special utility service shall include: the installation of facilities such as oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet specific pressure criteria, or service to large water consuming commercial and industrial facilities. An otherwise bona fide applicant requesting service which includes a "special utility service" component is entitled to Bona Fide applicant status, including the corresponding Company contribution toward the costs to the line extension which do not meet the special utility service criteria.
3. Requirement for Extension Deposit Agreement: Where extension of facilities is not fully funded by the Company pursuant to Rule 1 of this Section, the execution by the applicant of an Extension Deposit Agreement for customer contribution or advance shall be a condition of extending the facilities. Upon notice that the Company is prepared and able to go forward with the work, the applicant will deposit with the Company the amount specified in the Extension Deposit Agreement.
4. Size of Line: The Company shall have the exclusive right to determine the type and size of lines to be installed and the other facilities required to render adequate service. However, where the Company decides to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Extension Deposit Agreement shall include only the material and installation cost for a pipe the size of which is necessary to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of the Company. All estimated or actual cost figures referred to in the Extension Deposit Agreement shall include a reasonable allowance for overhead costs and taxes as appropriate. The minimum pipe size for main extensions will be six (6) inches pursuant to Commission regulation at 52 Pa. Code §65.17(b).
5. Length of Extension: In determining the necessary length of an extension, the terminal point of such extension shall be at that point in the curb line, which is equidistant from the side property lines of the last lot for which water service is requested. A Company service connection will be provided only for customer service lines that extend at right angles from the curb line in a straight line to the premises to be served.
6. Cost True-up: At the conclusion of the line extension project there shall be a reconciliation of the actual costs incurred to the amount of extension deposit that has

been paid by the customer. If the actual cost exceeds the deposit, the applicant shall be responsible for payment to the Company of the difference. If the deposit exceeds the actual cost, the Company shall refund the difference.

Section H - Fire Protection Service

1. Private Company Fire Service: Where private fire protection service connections are to be made to the Company's system, the Company shall have the right to approve the plans for such installation prior to approval of the application for service. The Company shall make any connection to the distribution system that is required, and the customer shall pay to the Company the actual cost for making such connection.

The Company shall have the right to require a compound-type meter for installation in the private fire line if deemed necessary. Waiver of the requirement for installation of a separate meter at the time the connection is made shall not prohibit the Company from requiring a meter installation at a future date if such installation is warranted in the opinion of the Company.

Any meter required will be supplied and installed by the Company, with the cost for the meter, together with labor and materials for installation, to be borne by the customer. Where a private fire connection is approved by the Company, no other connection for domestic, commercial or industrial use shall be made to the fire connection line unless a compound type meter is installed between the Company's line and the connection for such line.

2. Public Fire Protection: Where public fire protection is offered, service will be available when hydrants are installed and when the municipal entity for which the service will be provided makes application to the Company for that service.
3. Installation of Fire Hydrants: The Company shall approve the installation of any fire hydrants. All fire hydrants shall be located by the Company with due consideration given to local fire fighting authorities and to requirements of insurance underwriters. Developers and private fire protection customers shall be responsible for all costs of purchase and installation of fire hydrants in the same manner as installation of water main extensions. The hydrants will be installed by the Company and shall be the property of the Company.
4. Use of Fire Hydrants: All persons are forbidden to open any fire hydrant or to use any water therefrom for sprinkling streets, for construction or for any purpose, without permission in writing from the Company, except in case of fire and by fire companies to test hydrants. Such tests shall be made directly under the supervision of an authorized agent of the Company.

The Company reserves the right to meter any fire line when evidence indicates that water is being taken from the line for purposes other than fire fighting or as otherwise permitted by agreement, and such metered service shall then be billed in accordance with the regular schedule of metered rates, with proper allowance for water consumed in fire fighting or other authorized use.

Section I - Service Continuity

1. Regularity of Service: The Company may, at any time, shut off water in the mains in case of accident or for the purpose of making connections, alterations, repairs or changes, or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare so requires. The Company will, pursuant to Commission regulations at 52 Pa. Code §56.1 and as circumstances permit, notify customers to be affected by service interruptions.
2. Liability for Service Interruptions
 - (a) Limitation of Damages--The Company's liability to a customer for any loss or damage from any excess or deficiency in the pressure, volume or supply of water, due to any cause other than willful misconduct or negligence by the Company, its employees or agents shall be limited to an amount no more than the customer charge or minimum bill for the period in question. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but cannot and does not guarantee that such will not occur.
 - (b) Responsibility for Customer Facilities--The Company shall not be liable for any loss or damage caused by reason of any break, leak or other defect in a customer's own service pipe, line, fixtures or other installations, except where the damage is a result of the negligence or willful misconduct of the Company, its employees or agents.

Section J - Waivers

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

Section K - Amendment of Commission Regulations

Whenever Commission regulations in Title 52 of the Pennsylvania Code are duly amended in such a way as would produce a difference between them and this tariff, this tariff is deemed to be

amended so as to be consistent with the amendments to the regulations, except that if application of the amendment to Title 52 is discretionary, this tariff will remain unchanged.

PART IV: WATER CONSERVATION CONTINGENCY PLAN

1. Restriction of Nonessential Uses: As provided in Commission regulations at 52 Pa. Code §65.11, if the Company is projecting a short term supply shortage, the Company may request voluntary conservation by both residential and nonresidential customers and may impose mandatory conservation measures to reduce or eliminate nonessential uses of water. As defined at 52 Pa. Code §65.1, nonessential uses of water include, at a minimum, the following:
 - (a) Watering of lawns, gardens, landscape areas, trees, shrubs or other outdoor vegetation except with a hand-held hose equipped with an automatic shut-off nozzle.
 - (b) Non-commercial washing of vehicles or other equipment except with hand-held hose equipped with an automatic shut-off nozzle.
 - (c) Washing streets, driveways, parking lots, tennis courts, commercial and residential building exteriors, sidewalks, patios or other outdoor surfaces.
 - (d) Ornamental water uses, including fountains, artificial waterfalls, reflecting pools and the like.
 - (e) Filling or topping-off swimming or wading pools except for public or private pools serving 25 or more dwelling units and health care facility pools used for patient care or rehabilitation.
 - (f) *The operation of water-cooled comfort air conditioning not equipped with a cooling tower or other evaporative system.*
 - (g) Flushing wastewater lines or manholes.
 - (h) Irrigation at commercial farms and nurseries other than as minimally necessary to preserve livestock, crops and plants.
 - (i) The use of water from fire hydrants for construction purposes or fire drills.
2. Implementation of Voluntary Restrictions: Prior to implementation of mandatory restrictions under Rule 3 of this Part, the Company shall first request voluntary customer conservation. Notice of voluntary conservation restrictions shall be sent to all customers or be provided by local radio, television or newspaper advertisements within the

Company's service territory. Written notice of request for voluntary restrictions shall also be provided to the Commission.

3. Imposition of Mandatory Restrictions: If voluntary cooperation does not achieve satisfactory results, mandatory restrictions will be imposed upon notice to customers and the Commission as provided in Rule 2 of this Part. If any customer refuses to comply with such mandatory measures, the Company may either adjust the outside water valve connection in a manner which will restrict water flow by up to one-half, or otherwise restrict flow such as by the insertion of a plug device.

Prior to any such other flow restriction being imposed, the Company must make a bona fide attempt to deliver notice of the proposed flow restriction to a responsible person at the affected premises and fully explain the reason for the restriction. Less restrictive means may be imposed to secure compliance with mandatory use restrictions.

Complete service termination may be imposed by the Commission after an expedited administrative proceeding has been held to provide the affected customer with an opportunity to be heard.

4. Pennsylvania Emergency Management Agency (PEMA) Responsibilities: In addition to the provisions as set forth in this Part, the Pennsylvania Emergency Management Agency, authorized to promulgate, adopt and enforce a Water Rationing Plan by virtue of the Emergency Management Services Code, 35 Pa. C.S. §§7101, et seq., may impose restrictions pursuant to a Drought Emergency Proclamation by the Governor of the Commonwealth of Pennsylvania. Where inconsistent with Company-imposed restrictions pursuant to this tariff, PEMA restrictions shall control.

In the event of a drought emergency as defined by proclamation or executive order, the Company is authorized to collect fines set forth in its Local Water Rationing Plan as filed with and approved by PEMA.

5. Termination of Use Restrictions: Conservation measures imposed pursuant to this Part shall be terminated at such time as the supply shortage is eliminated, with appropriate notice provided to affected customers.

DOCKET NO. R-2015-2506337
TWIN LAKES UTILITIES, INC.
PROOF OF REVENUES

	Phase I	Phase II	Phase III
Quarterly Facilities Charge	\$ 181.23	\$ 216.33	\$ 251.43
Monthly Facilities Charge	\$ 60.41	\$ 72.11	\$ 83.81
Volumetric Charge	\$ 14.60	\$ 18.76	\$ 22.91

<u>Metered Rate</u>	Present	Phase I	Phase II	Phase III
Number of Customers	115	115	115	115
Test Year Annual Usage (TG)	3,633.8	3,633.8	3,633.8	3,633.8
Test Year Average Monthly Usage (TG)	302.8	302.8	302.8	302.8
Average Monthly Usage/Customer (TG)	2.6	2.6	2.6	2.6
Volumetric Rate (TG)	\$ 6.29	\$ 14.60	\$ 18.76	\$ 22.91
Average Volumetric Revenue Per Month	\$ 16.56	\$ 38.44	\$ 49.40	\$ 60.33
Proposed Volumetric Revenue	\$ 22,857	\$ 53,054	\$ 68,171	\$ 83,251
		132.1%	28.5%	22.1%

<u>Flat/Fixed Rate</u>	Present	Phase I	Phase II	Phase III
Number of Customers	115	115	115	115
Facility Charge Per Month (5/8" Meter)	\$ 37.00	\$ 60.41	\$ 72.11	\$ 83.81
# Months	12	12	12	12
Proposed Facility Charge Revenue	\$ 51,060	\$ 83,366	\$ 99,512	\$ 115,658
		63.3%	19.4%	16.2%
Rounding	\$	(3)	(16)	8
Miscellaneous Revenue	\$ 2,052	\$ 2,052	\$ 2,052	\$ 2,052
Residential Revenue-Metered Customers	\$ 75,969	\$ 138,468	\$ 169,718	\$ 200,969
		82.27%	22.57%	18.41%

Cummulative Revenue Increase	\$ 62,500	\$ 93,750	\$ 125,000
Incremental Revenue Increase	\$ 62,500	\$ 31,250	\$ 31,250

	Present Rates		Facility Charge Increase %	Phase I Rates	
	Month	Quarter		Month	Quarter
3/4 Inch	\$ 55.50	\$ 166.50	63.27%	\$ 90.62	\$ 271.86
1 Inch	\$ 92.50	\$ 277.50	63.27%	\$ 151.03	\$ 453.09
1 1/12 Inch	\$ 185.00	\$ 555.00	63.27%	\$ 302.05	\$ 906.15
2 Inch	\$ 296.00	\$ 888.00	63.27%	\$ 483.28	\$ 1,449.84
	Phase I Rates		Facility Charge Increase %	Phase II Rates	
	Month	Quarter		Month	Quarter
3/4 Inch	\$ 90.62	\$ 271.86	19.37%	\$ 108.17	\$ 324.51
1 Inch	\$ 151.03	\$ 453.09	19.37%	\$ 180.28	\$ 540.84
1 1/12 Inch	\$ 302.05	\$ 906.15	19.37%	\$ 360.55	\$ 1,081.65
2 Inch	\$ 483.28	\$ 1,449.84	19.37%	\$ 576.88	\$ 1,730.64
	Phase II Rates		Facility Charge Increase %	Phase III Rates	
	Month	Quarter		Month	Quarter
3/4 Inch	\$ 108.17	\$ 324.51	16.23%	\$ 125.72	\$ 377.16
1 Inch	\$ 180.28	\$ 540.84	16.23%	\$ 209.53	\$ 628.59
1 1/12 Inch	\$ 360.55	\$ 1,081.65	16.23%	\$ 419.05	\$ 1,257.15
2 Inch	\$ 576.88	\$ 1,730.64	16.23%	\$ 670.48	\$ 2,011.44

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 SECRETARY'S BUREAU

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	Docket Nos.: R-2015-2506337,
	:	C-2015-2514368
v.	:	C-2015-2515975
	:	C-2016-252344
Twin Lakes Utilities, Inc.	:	C-2016-2524864
	:	C-2016-2528502

**TWIN LAKES UTILITIES, INC.
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

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SECRETARY'S BUREAU

TO: ADMINISTRATIVE LAW JUDGE ERANDA VERO:

Twin Lakes Utilities, Inc. ("Twin Lakes") by and through counsel hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Twin Lakes and its customers.

A. BACKGROUND

1. All active parties to this proceeding participated in settlement discussions and as a result, Twin Lakes, the Commission's Bureau of Investigation and Enforcement ("I&E"), and the Pennsylvania Office of Consumer Advocate ("OCA") have agreed upon the terms embodied in the foregoing Joint Petition.

2. Twin Lakes provides water service in Sagamore Estates, Shohola Township, situated in Pike County, Pennsylvania. At present, Twin Lakes serves approximately 115 customers.

3. On or about November 16, 2015, Twin Lakes filed with the Commission Supplement No. 5 to Tariff Water-Pa. P.U.C. No. 4 (“Supplement No. 5”) to become effective January 16, 2016. Supplement No. 5 contained proposed changes in Twin Lakes’ rates, rules, and regulations and set forth a request to adjust current water rates in order to produce \$195,287 in additional annual revenues, a rate increase of approximately 257% for jurisdictional customers.

4. By Order entered December 17, 2015, the Commission suspended Twin Lakes’ filing and instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. Pursuant to the Commission’s Order, the new effective date for Supplement No. 6 to Tariff Water-Pa. P.U.C. No. 4 became August 16, 2016 unless permitted to become effective at an earlier date. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge for the scheduling of hearings.

5. The case was assigned to Administrative Law Judge Eranda Vero for the purposes of conducting hearings and issuing a Recommended Decision.

6. On January 15, 2016, a Telephonic Pre-Hearing Conference was held with the parties before Administrative Law Judge Vero. On February 19, 2016, a Public Input Hearing was held at the Shohola Township Municipal Building in Shohola, Pennsylvania at which time 9 customers testified on the record. The Joint Petitioners engaged in settlement discussions resulting in the development of the settlement agreement set forth in the Joint Petition.

B. TERMS AND CONDITIONS OF SETTLEMENT

7. Twin Lakes represents that the settlement reached by the parties is the result of extensive discovery, negotiations and compromises by all parties. Twin Lakes submits that the settlement reached in these proceedings is in the public interest for the following reasons:

a. *Revenue Requirement* (Joint Petition ¶ 6). The settlement allows Twin Lakes to increase operating revenues by approximately \$125,000 or 164.54% over existing revenues. The settlement represents a reduction of \$70,287 from Twin Lakes' original filed request.

b. *Phase-In* (Joint Petition ¶7a). In order to avoid rate shock for its customers, Twin Lakes has agreed to a phase-in of the rate increase over a period of three (3) years.

c. *Stay-Out* (Joint Petition ¶7b). The settlement provides for Twin Lakes to refrain from filing a general base rate increase (with certain general and emergent condition exceptions) for a period of thirty-six (36) months after the effective date of the rates first placed into effect. Such a restriction provides for stable rates for Twin Lakes' customers for a significant period of time.

d. *System Improvements* (Joint Petition ¶7c). The settlement provides for Twin Lakes to implement certain system improvements, the completion of which will serve as the threshold events for triggering the revenue increases for Years 2 and 3 of the Phase-In.

e. *Outage Alert System* (Joint Petition ¶7i). Twin Lakes will include bill messages or inserts twice per year notifying customers of the Company's outage alert system and

how to enroll in order to receive outage notifications. Additionally, any new customer that contacts Twin Lakes to begin service will be informed of the outage alert system.

f. *New Customers* (Joint Petition ¶7j). Twin Lakes agrees to work with the Sagamore Property Association to ensure that new customers contact the Company promptly in order to be added to the system in a timely manner.

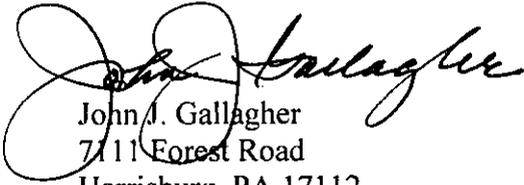
g. *Water Pressure* (Joint Petition ¶7k). Twin Lakes agrees that for customers reporting low water pressure, it will test the pressure drop in the customer's service line to determine the adequacy of the service line and, once Well #1 is replaced, to increase water pressure during warmer months (May to October) unless the increased pressure causes additional line breaks.

8. Settlement of the rate case is consistent with the Commission's stated policy to encourage negotiated settlements in lieu of incurring the time, expense and uncertainty of litigation.

9. Finally, the Settlement obviates the need for further litigation and possible appellate proceedings, thereby resulting in substantial savings for the Joint Petitioners and Twin Lakes' customers.

WHEREFORE, Twin Lakes Utilities, Inc. represents that it fully supports the instant settlement as being in the public interest and respectfully requests that the presiding Administrative Law Judge recommend, and the Commission subsequently approve without modification, the proposed Settlement as set forth in the Joint Petition.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John J. Gallagher". The signature is fluid and cursive, with the first name "John" being particularly prominent and stylized.

John J. Gallagher
7111 Forest Road
Harrisburg, PA 17112
jgallagher@jglawpa.com
Counsel for Twin Lakes Utilities, Inc.

Dated March ___, 2016

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUC
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC
UTILITY COMMISSION

v.

TWIN LAKES UTILITIES, INC.

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DOCKET NO. R-2015-2506337

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

TO ADMINISTRATIVE LAW JUDGE ERANDA VERO:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor, Phillip C. Kirchner, hereby respectfully submit that the terms and conditions of the foregoing *Joint Petition For 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 the Twin Lakes Utilities, Inc. ("Twin Lakes") and its customers. The parties to this Settlement Agreement have conducted extensive Formal and Informal Discovery and have participated in numerous Settlement 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 the Company 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. On November 16, 2015, Twin Lakes filed Supplement No. 5 to Tariff Water-Pa. P.U.C. No. 4 ("Supplement No. 5") with the Commission to become effective on January 16, 2016. Supplement No. 5 contained proposed changes in Twin Lakes' rates and regulations, including a request to adjust current water rates in order to produce \$195,287 in additional annual revenues, a rate increase of approximately 257% for consumers.

2. On November 23, 2015, undersigned prosecutor filed a Notice of Appearance on behalf of I&E in this matter. Also on November 23, 2015, Attorneys

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).

Hoover and Burge from the Office of Consumer Advocate filed a formal Complaint, Public Statement, a Notice of Appearance and a formal Complaint in this matter.

3. Private formal complaints were also filed by Virginia W. Pfeiffer, Amelia Roraback, John Wesslerer, Georgette Muller, and Anthony Ciuffreda opposing the proposed rate increase.

4. By order dated December 17, 2015, the Public Utility Commission suspended Twin Lakes' filing and initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase.

5. A public input hearing was held in this matter on February 19, 2016 with multiple members of the public participating and providing input in this matter.

II. DISCUSSION

5. 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, and Twin Lakes ("Joint Petitioners") were successful in achieving a Settlement Agreement of all issues through comprehensive Discovery and several Settlement Conferences.

6. The Settlement Agreement provides for a revenue increase of \$125,000 as opposed to the initial filing of \$195,000. This increase will be tied to a multistep infrastructure investment program by Twin Lakes that will be phased in over three years with approximately fifty percent (50%) of the increase occurring in the first year and twenty-five percent (25%) in the subsequent two years in conjunction with verifications from the company regarding infrastructure upgrades that have been completed. 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 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 Administrative Law Judge 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.”³

This increased level of “Black Box” revenue adequately balances the interests of ratepayers and the Company. Twin Lakes has implemented an aggressive pipeline

³ 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.

replacement program already and is seeking to expand that program with this filing in a measured way, as noted on page five (5) of the Joint Petition. This program will address many significant infrastructure issues and allow Twin Lakes to continue providing safe and reliable service to its customers.

As noted above, Twin Lakes shall receive sufficient operating funds in order to provide continued safe and adequate service now and continuing forward with this settlement. Consumers are protected since the resulting increase blunts the impact of the initial proposal and, with the infrastructure replacement program, ensures that consumers will continue to have safe and reliable service. The negotiated compromise represents approximately 64% of the filed request after the third and final level of the increase has been implemented. Mitigation of the level of the rate increase is achieved through the tiered implementation of the increase 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.

7. This settlement also ensures that Twin Lakes will not be allowed to file for a rate increase as defined in 66 Pa. C.S. §1308 for three (3) years, which is an additional benefit for ratepayers since data adjustments are known, scheduled, and quantifiable.

8. Through this settlement, Twin Lakes agrees to file a verification of work completed prior to implementing the next phase of rate adjustments, ensuring that

infrastructure improvements are going according to plan and that increases are tied to a known and quantifiable metric.

9. I&E avers that the remaining issues raised in I&E's Prehearing Memorandum have been satisfactorily resolved through Discovery and discussions with Twin Lakes and are incorporated into the "Black Box" resolution of the revenue requirement in this proceeding.

III. CONCLUSION

10. Based on I&E's analysis of the base rate revenue increase requested by Twin Lakes, 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.

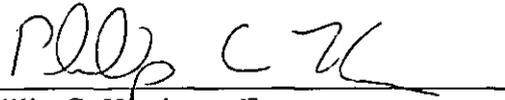
11. I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of multiple levels of testimony as well as Main Briefs, Reply Briefs, Exceptions and Reply Exception. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of the Company and its customers since such expenses are recoverable from ratepayers.

12. 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.

13. If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E agrees 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 her 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 Settlement Of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Eranda Vero recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Phillip C. Kirchner", written over a horizontal line.

Phillip C. Kirchner, Esq.
Attorney ID# 313870
Prosecutor
Bureau of Investigation and Enforcement

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 783-6151

Dated: March 23, 2016

BEFORE THE 2016 MAR 25 AM 9:30
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PA PUC
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	Docket Nos. R-2015-2506337
	:	C-2015-2514368
v.	:	C-2015-2515975
	:	C-2016-2523444
	:	C-2016-2524864
TWIN LAKES UTILITIES, INC.	:	C-2016-2528502
	:	C-2016-2532987
	:	

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

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

I. INTRODUCTION

Twin Lakes Utilities, Inc. (Twin Lakes or the Company) provides water service to approximately 115 water customers, all of which are residential, in the Sagamore Estates development of Shohola Township, Pike County, Pennsylvania. On November 16, 2015, Twin Lakes filed Supplement No. 5 to Tariff Water – Pa. P.U.C. No. 4 with the Pennsylvania Public Utility Commission (Commission), to become effective as of January 16, 2016. In its filing, Twin Lakes requested an annual increase in base rate revenues of \$195,287 per year, or an approximate 257% increase. Under the Company’s proposal, the total bill for a residential customer using 2,500 gallons of water per month would increase from \$52.73 to \$188.26 per

month, or by 257%. This includes a proposed increase in the volumetric charge from \$6.29 to \$22.46 per 1,000 gallons, as well as an increase in the monthly customer charge for a customer with a 5/8 inch meter from \$37.00 to \$132.11 per month.

On November 23, 2015, the Office of Consumer Advocate filed a Formal Complaint and Public Statement in this proceeding (Docket No. C-2015-2514368). The OCA also filed a Notice of Appearance on November 25, 2015. The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on November 23, 2015. The following consumers filed Formal Complaints in this proceeding:

- Virginia W. Pfeiffer on December 2, 2015 (Docket No. C-2015-2515975);
- Amelia Roraback on January 11, 2016 (Docket No. C-2016-2523444);
- John Weissleder and Georgette Muller on January 14, 2016 (Docket No. C-2016-2524864);
- Anthony Ciuffreda on February 8, 2016 (Docket No. C-2016-2528502); and
- Neil and Kathleen Joyce on March 4, 2016 (Docket No. C-2016-2532987).

On December 17, 2015, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increase in this tariff filing, and suspended the effective date of Supplement No. 5 to Tariff Water – Pa. P.U.C. No. 4 until August 16, 2016, by operation of law. The Commission assigned the case to Administrative Law Judge Eranda Vero, and a prehearing conference was held on January 15, 2016.

The Company filed its Direct Testimony on January 29, 2016. A public input hearing was held on February 19, 2016 at the Shohola Township Building in Shohola, Pennsylvania, at which time nine (9) customers testified on the record. The parties participated in a number of settlement conference calls. As a result of these 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. SETTLEMENT

A. Revenue Increase (Settlement ¶¶ 6, 7, 10)

The proposed settlement is designed to produce an increase in annual revenues of \$125,000 (164.54%), in lieu of the originally proposed \$195,287 increase (257%). Settlement ¶ 6. In order to lessen the impact of this increase on customers, the increase will be phased in over three years and will be contingent upon implementation of various system improvements, as discussed in greater detail below. While this increase is still sizeable, it represents a significant reduction from Twin Lakes' original rate increase request. 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 a reasonable.

Under the proposed Settlement, the rates for a typical residential customer using 7,800 gallons of water per quarter will increase from \$160.06 to \$430.13, or by approximately 168.73%, rather than to \$582.95 (264.21%) as originally requested. Settlement ¶ 10. The quarterly bill for a typical residential customer at each year of the phase-in is included below:

	Current Rates (7,800 Gallons/Qtr)	Co. Proposed Rates (7,800 Gallons/Qtr)	Settlement (7,800 Gallons/Qtr)	Incremental Increase %	Cumulative Increase %
<u>Year 1</u>	\$160.06	\$582.95	\$295.11	84%	84%
<u>Year 2</u>	\$160.06	\$582.95	\$362.66	23%	127%
<u>Year 3</u>	\$160.06	\$582.92	\$430.13	19%	169%

B. Phase-In and System Improvements (Settlement ¶¶ 6, 7)

1. Phase-In

The Settlement provides that the rate increase will be phased in over three (3) years. Settlement ¶ 6. Approximately 50% of the increase will occur in Year 1 (\$62,500), 25% in Year 2 (\$31,250), and the remaining 25% in Year 3 (\$31,250). In order to implement the Year 2 and Year 3 increases, Twin Lakes will be required to complete certain improvements to its water supply and to its distribution system before those increases can go into effect. Settlement ¶ 7(a). The phase-in will lessen the impact on customer bills by spreading the increase over three years, and will ensure that various improvements are completed so that customers are receiving improved service quality as a result of higher rates.

2. System Improvements

As part of the Settlement, Twin Lakes has agreed to make a number of improvements to its distribution system and completion of these improvements will act as triggers that will allow subsequent phases of the rate increase to be placed into effect. Settlement ¶ 7(c). The Company's system has significant issues, including very high levels of unaccounted for water and the need to replace Well #1 which recently collapsed. These improvements will help to address these concerns.

In order to trigger the Year 2 rate increase, Twin Lakes will replace Well #1 and place the new well into service. Settlement ¶ 7(c)(1). The Year 3 rate increase trigger requires Twin Lakes to:

- Install a new supply main connecting replacement Well #1 to the distribution system;
- Replace 4,000 feet of main, in-kind by diameter, on Warpath Place (500 feet), Kenny Road (1,000 feet), Dylan Road (1,000 feet), Susan Road (1,000 feet), and Rock Place (500 feet);

- Replace service lines owned by Twin Lakes in conjunction with the above main installations and replacements; and
- Install a new air relief valve.

Settlement ¶ 7(c)(2). After each set of capital improvements are completed, Twin Lakes must file a verification and a tariff supplement to implement the next phase of the rate increase, effective no sooner than 12 months after implementation of the previous phase. Settlement ¶ 7. These improvements will provide necessary repairs to this aging and leaky system which has unaccounted for water of around 80%, and will help to ensure that customers receive improved service quality as a result of the rate increase.

3. Stay Out

The Settlement provides that Twin Lakes will not file for a rate increase within 36 months after the effective date of the rates agreed to in the Settlement. Settlement ¶ 7(b). This three year stay out will provide customers with a measure of rate stability and an assurance that another rate increase will not be requested before the current increase is fully phased in.

C. **Customer Service and Other Issues (Settlement ¶ 7)**

At the public input hearing, customers raised concerns about a number of issues related to customer service provided by Twin Lakes. The following Settlement provisions address those concerns.

1. Outage Alert System

Customers testified at the public input hearing that they are not notified of outages in the Twin Lakes system. To address this, Twin Lakes agreed to include bill messages or inserts twice per year notifying customers of the Company's existing outage alert notification system and how to enroll in order to receive notifications. Settlement ¶ 7(i). The Company will also inform any new customers of the outage alert system when they contact Twin Lakes to begin service. Id.

2. Billing Enrollment for New Customers

Two customers testified at the public input hearing that when they purchased their homes in Sagamore Estates, they had difficulty being added to 'Twin Lakes' billing system. In response, the Company agreed to work with the Sagamore Property Association to ensure that new customers contact the Company promptly in order to be added to the system in a timely manner. Settlement ¶ 7(j).

3. Water Pressure

Some customers complained of low water pressure in their homes. To address water pressure issues, Twin Lakes will conduct annual pressure surveys of the system pursuant to 52 Pa. Code § 65.6. Settlement ¶ 7(e). Additionally, for customers reporting low water pressure, the Company has agreed to test the pressure drop in the customer's service line to determine if the service line is adequate. Settlement ¶ 7(k). After Well #1 is replaced and connected to the distribution system, Twin Lakes will also increase overall pressure in the system by 1 psi every two months during the warmer months (May to October), unless this causes additional line breaks. These measures will help ensure that customers receive adequate water pressure in their homes.

4. Hydrant Replacement for Mr. Zilber

Andrew Zilber is a Twin Lakes customer that contacted the Company and the OCA regarding a leaking hydrant located on his property. Mr. Zilber also testified about problems with the hydrant at the public input hearing. Tr. at 16-28, 79-80. As part of the Settlement, Twin Lakes removed the hydrant from Mr. Zilber's property on March 14, 2016 and installed a new hydrant in another location. Settlement ¶ 7(l). Mr. Zilber agreed to replace his service line in

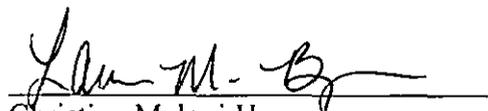
conjunction with the Company's removal of the hydrant. These steps should address the issues identified by Mr. Zilber.

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 \$125,000 from customers in annual revenues. This amount is reduced from the \$195,287 annual increase proposed in the Company's filing. In addition, rate payers will benefit from the phase-in and the stay out, as well as other provisions addressing system improvements and customer service issues. Finally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by the 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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Dated: March 24, 2016
217649

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

VIA HAND DELIVERY

Phillip Kirchner, Esquire
Bureau of Investigation and Enforcement
PA Public Utility Commission
P.O. Box 3265
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VIA HAND DELIVERY

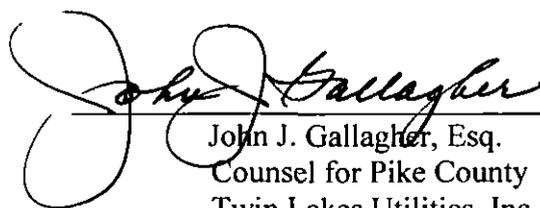
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VIA EXPRESS MAIL

Hon. Eranda Vera
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Dated: March 23, 2016



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MAR 25 2016

PA PUBLIC UTILITY COMMISSION
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