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December 12, 2017

Via Electronic and First Class Mail

Hon. Joel H. Cheskis
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Hon. Andrew M. Calvelli
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Columbia Water Company; Docket No. R-2017-2598203;
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING

Dear Judges Cheskis and Calvelli:

Enclosed is the Joint Petition for Full Settlement of Rate Proceeding of the Columbia Water Company, Office of Consumer Advocate, Office of Small Business Advocate and the Bureau of Investigation and Enforcement in the above-captioned matter. Copies have been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,



Thomas J. Sniscak
Christopher M. Arfaa
William E. Lehman

Counsel to the Columbia Water Company

TJS/WEL/das
Enclosure

cc: Rosemary Chiavetta, Secretary (via efileing)
Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY ELECTRONIC & FIRST CLASS MAIL

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Thomas J. Sniscak
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William E. Lehman

Dated this 12th day of December, 2017

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	Docket No. R-2017-2598203
	:	C-2017-2614724
	:	C-2017-2614985
v.	:	C-2017-2615248
	:	C-2017-2620842
	:	C-2017-2622123
The Columbia Water Company	:	C-2017-2623109

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

TO THE HONORABLES JOEL H. CHESKIS AND ANDREW M. CALVELLI:

NOW COME The Columbia Water Company (“Columbia” or “Company”), the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (the “Commission” or “PUC”), the Office of Consumer Advocate (the “OCA”), and the Office of Small Business Advocate (the “OSBA”), by their attorneys and collectively referred to as “Parties” or “Joint Petitioners,” and submit, as in the public interest, this Joint Petition for Full Settlement of Rate Proceeding (the “Joint Petition” or “Settlement”) to resolve all issues among the Parties in the above-captioned proceedings under the terms and conditions specified below.

I. HISTORY OF THE PROCEEDINGS

1. On or about June 27, 2017, the Company filed Supplement No. 86 to Tariff Water – Pa. P.U.C. No. 7, to become effective on August 29, 2017. This filing contained proposed changes in rates, rules, and regulations intended to produce \$923,668 in additional annual operating revenues. The filing contained 110 pages of explanation for the requested increase including detailed financial exhibits.

2. I&E filed a notice of appearance on July 17, 2017. On July 19, 2017, the OCA and the OSBA filed formal complaints and public statements with the Commission. On July 17, 2017, Donna Hess filed a formal complaint. On August 18, 2017, Vincent E. Collier III filed a formal complaint. On August 30, 2017, Sandra Shaub filed a formal complaint. On August 31, 2017, Joseph Kramer filed a formal complaint.

3. By Order entered August 3, 2017, the Commission suspended the filing until March 29, 2018, and instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules, and regulations. The Commission assigned the case to the Honorable Joel H. Cheskis and the Honorable Andrew M. Calvelli. On or about August 4, 2017, an e-serve notice was issued by the Commission setting a prehearing conference in the above-captioned proceeding for Friday, August 25, 2017 at 2:00 p.m., before ALJs Cheskis and Calvelli.

4. On August 25, 2017, the scheduled prehearing conference was held before ALJs Cheskis and Calvelli. Columbia, the OCA, I&E and the OSBA attended the prehearing conference.

5. At the prehearing conference a litigation schedule was set culminating in the filing of reply briefs by December 8, 2017.

6. Pursuant to the litigation schedule adopted in this proceeding, on September 8, 2017, the Company served the Direct Testimony of David T. Lewis (CWC Statement No. 1 – Proprietary Version) concerning the Company’s operation and performance, and certain going level adjustments; the Direct Testimony of Gary D. Shambaugh (CWC Statement No. 2 – Proprietary Version) concerning the Company’s revenues, expenses, rate base, tariff rate design

and certain going level adjustments; and the Direct Testimony of Dylan W. D'Ascendis (CWC Statement No. 3) concerning the Company's cost of common equity.

7. On October 6, 2017, I&E served the Direct Testimony of Brenton Grab (I&E Statement No. 1) concerning the Company's operating and maintenance expenses and rate base; the Direct Testimony of Rachael Mauer (I&E Statement No. 2) concerning rate of return; and the Direct Testimony of Jeremy Hubert (I&E Statement No. 3) concerning rate base, annual depreciation expense, pro forma revenues and rate design.

8. Also on October 6, 2017, the OCA served the Direct Testimony of Ashley Everette (OCA Statement 1 – Public and Proprietary Versions) concerning rate base, revenues, expenses and rate design; the Direct Testimony of David Parcell (OCA Statement 2) concerning rate of return; and the Direct Testimony of Terry Fought (OCA Statement 3) concerning the Company's operations and maintenance.

9. Also on October 6, 2017, the OSBA served the Direct Testimony of Brian Kalcic (OSBA Statement No. 1) concerning the Company's class revenue allocation and rate design.

10. On October 20, 2017, the Company served the Rebuttal Testimony of David Lewis (CWC Statement No. 1R – Proprietary and Public Versions) concerning the Company's operations and performance and certain OCA and I&E adjustments; the Rebuttal Testimony of Gary Shambaugh (CWC Statement No. 2R) concerning the Company's response to the public advocate's adjustments to revenues, expenses, rate base, and tariff rate design; and the Rebuttal Testimony of Dylan D'Ascendis (CWC Statement No. 3R) concerning the Company's response to the public advocate's cost of common equity.

11. Also on October 20, 2017, the OSBA served the Rebuttal Testimony of Brian Kalcic (OSBA Statement No. 1-R) concerning various rate design proposals sponsored in the direct testimony of OCA and I&E.

12. On October 30, 2017, I&E served the Surrebuttal Testimony of Brenton Grab (I&E Statement No. 1-SR) concerning the Company's operation and maintenance expenses and rate base; the Surrebuttal Testimony of Rachael Mauer (I&E Statement No. 2-SR) concerning rate of return; and the Surrebuttal Testimony of Jeremy Hubert (I&E Statement No. 3-SR) concerning rate base, pro forma revenues and rate design.

13. Also on October 30, 2017, the OCA served the Surrebuttal Testimony of Ashley Everette (OCA Statement 1S) concerning rate base, revenues, expenses, and rate design; the Surrebuttal Testimony of David Parcell (OCA Statement 2S) concerning the Company's cost of common equity testimony; and the Surrebuttal Testimony of Terry Fought (OCA Statement 3S) concerning the Company's operation and maintenance.

14. Also on October 30, 2017, the OSBA filed the Surrebuttal Testimony of Brian Kalcic (OSBA Statement 1-S) concerning rate design.

15. On November 1, the Company served the Rejoinder Testimony Outline of David Lewis concerning the Company's rate base, operations and maintenance, and certain OCA and I&E adjustments; the Rejoinder Testimony Outline of Gary Shambaugh concerning the Company's response to the public advocate's adjustments to revenues, expenses, rate base, and tariff rate design; and, the Rejoinder Testimony Outline of Dylan D'Ascendis concerning the Company's response to the public advocate's cost of common equity.

16. During this proceeding, the Company provided sworn answers to numerous sets of discovery propounded by the OCA, I&E and the OSBA. The Company represents these included thousands of pages of information in response to 580 questions and document requests (including subparts) from the public advocates regarding all aspects of the requested increase.

17. On September 27, 2017, ALJs Cheskis and Calvelli, the OCA, I&E and the Company participated in public input hearings in the territory of Columbia at 2 and 6 p.m.

18. The Company, I&E, the OCA and the OSBA reached a settlement in principle prior to the hearing scheduled for November 3, 2017. The Company, I&E, the OCA and the OSBA participated in the November 3, 2017 hearing for the limited purpose of admitting the above-referenced testimony into the record. At the November 3 hearing, the ALJs requested a Joint Petition for Full Settlement be submitted by December 8, 2017. By mutual agreement of the Parties and approval by the ALJs, on December 7, 2017 this due date was extended until December 12, 2017. This Joint Petition for Full Settlement of Rate Proceeding is filed in compliance with that agreement.

II. THE SETTLEMENT

19. After extensive informal and formal discovery, described above, by the statutory parties, service of direct and rebuttal testimony by all active parties, Columbia, I&E, the OCA and the OSBA engaged in numerous discussions to determine if, consistent with the Commission's policy to "encourage settlements" stated at 52 Pa. Code §5.231(a), a settlement was possible. The Settlement provided by the Joint Petition is the product of those negotiations, representing give-and-take by all Parties. The Settlement is a typical "black box" settlement; that is, without admission on any issue though the agreed terms are enforceable upon approval by the Commission. The Joint Petitioners agree that this Settlement is a reasonable resolution of competing positions and interests in a way that meets and promotes the public interest. It also represents an outcome that is preferable to the time, expense and uncertainty of further litigation before the Commission and, potentially, appellate courts, the reasonable costs of which may be borne by the ratepayers.

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

(a) Upon entry of the final order by the Commission approving this Settlement, the Company will be permitted to charge the rates for water service set forth in the proposed tariff supplement, attached hereto as **Appendix A** (“Settlement Rates”), to become effective upon one day’s notice. Instead of the \$923,668 (17.8%) increase requested in the filing, the Settlement Rates are designed to produce an increase of annual operating revenue of \$635,000 (12.4%), as shown in greater detail on the Proof of Revenues attached hereto as **Appendix B**.

(b) Columbia agrees that it will file a cost of service study in the next general rate case if the Company proposes full consolidation of its Marietta and Columbia Rate Districts¹ rates. The Company may seek consolidation of rates in any subsequent rate case; however, I&E, OCA and OSBA reserve the right to challenge any such proposed rates.

(c) Upon approval and implementation of the Settlement Rates, the Company will not file for another general rate increase for its Columbia or Marietta Rate Districts under Section 1308(d) of the Public Utility Code, 66 Pa. C.S. §101 *et seq.*, prior to thirty-three (33) months from the entry date of the Commission’s final order approving this Settlement in full without revision. However, if a legislative body, a court, or an administrative agency, including the Commission, enacts or orders any fundamental changes in policy, regulations or statutes that directly and substantially affect the Company’s cost of service, the Settlement shall not prevent the Company from filing a tariff or tariff supplement to the extent necessitated due to such action. In addition, this provision shall not preclude the Company from seeking extraordinary rate relief under Section 1308(e) of the Public Utility Code, 66 Pa. C.S. § 1308(e).

(d) The Parties agree that the Settlement is not premised upon inclusion in rate base of any Marietta Rate District PennVest-funded plant.

¹ The Columbia Rate District and the Marietta Rate District were formerly known as the Columbia Division and the Marietta Division, respectively.

(e) The Parties agree that the Company will not make a claim in any future rate case to recover costs, claimed in this case as Franchises & Consents, related to the acquisitions of the Marietta Gravity Water Company and Mountville Water Company.

(f) Columbia will do annual reporting regarding the Company's present isolation valve exercising which includes critical valve exercising per the Commission's 2014 Management Audit at Docket No. D-2014-2405415. This reporting requirement terminates when the Company's next general rate case is decided by final Commission order.

Additional Settlement Terms

21. The Commission's approval of the Settlement shall not be construed as approval or rejection of any Joint Petitioner's position on any issue but rather as an agreed-to compromise of the Joint Petitioners' competing positions. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated. Accordingly, this Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement any term specifically agreed to by the Joint Petitioners or to enforce this Settlement.

22. This Settlement is presented without prejudice to the position any of the Joint Petitioners may advance in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to by the Joint Petitioners in this Settlement.

23. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. In reaching this Settlement, the Joint Petitioners thoroughly considered all issues and give and take of positions. As a result of that consideration, the Joint Petitioners believe that the Settlement agreement meaningfully addresses

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

24. If the ALJs, in the Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, to the extent any terms and conditions of the Settlement are modified, or additional matters are proposed by the ALJs in the Recommended Decision, the Joint Petitioners do not waive their rights to file Exceptions in support of the Settlement. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed provided such Replies support the Settlement.

25. The Joint Petitioners recognize that this Joint Petition is a settlement of, and binding upon, only among the parties signing this document. The OCA represents it will, on the date of the signing of this Settlement petition, send a letter to the individual complainants providing instructions concerning their opportunity to address the proposed Settlement. OCA also represents that the letter will explain that the complainants have until ten days after filing of this Joint Petition, or until December 22, 2017, to join, disagree but not actively oppose, or

object to the proposed Settlement and provide contact information for ALJs Cheskis and Calvelli and the OCA.

26. The Joint Petitioners agree that this document may be signed or executed in separate counterparts or signature pages that shall be binding upon the Joint Petitioners and such counterparts, together, shall be considered as one document.

27. The Joint Petitioners agree and request that if the Settlement is approved, the OCA and OSBA's formal complaints in this matter should be marked satisfied and closed due to the Settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

28. Columbia, I&E, OCA, and OSBA have each prepared and attached to this Joint Petition their respective Statements in Support as identified in **Appendices C, D, E and F** respectively, setting forth the basis upon which each Joint Petitioner believes that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

29. The Joint Petitioners submit that the Settlement is in the public interest for the reasons stated above and for the following reasons:

- By avoiding further litigation, the Settlement will conserve the time, effort and expense of all Joint Petitioners as well as those of the Commission and the Presiding Officers. The Joint Petitioners arrived at the Settlement terms after extensive review of discovery and testimony by the Parties, a tour of Columbia's facilities, and engaging in numerous in-depth discussions.
- The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein.

Thus, the Settlement is consistent with the Commission’s rules, practices and procedures encouraging and promoting negotiated settlements. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401.

- The Settlement provides an annual increase in operating revenues of \$635,000, or an increase of approximately 12.4% as opposed to the \$923,668 increase (17.8%). The monthly customer charge for a standard residential customer with a 5/8” meter for the Columbia Rate District is \$10.31 as compared to the filed rate request of \$10.59 and for a Marietta Rate District customer is \$8.20 as compared to the filed rate request of \$10.59. A comparison of an average monthly water bill of a residential customer under current rates, the rates initially proposed by the Company, and under the Settlement Rates is shown below:²

Columbia Rate District³

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$36.66	\$39.50	\$39.81

Marietta Rate District⁴

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$23.33	\$39.50	\$28.14

² For the Columbia Rate District, these monthly bill amounts include the Pennvest surcharge for a customer with a 5/8” meter.

³ Based on 3,000 gallons per month.

⁴ Based on 3,000 gallons per month.

WHEREFORE, the Settling Parties request the Presiding Judge and the Commission to:

a) approve this Joint Petition for Full Settlement of Rate Proceeding without modification;

b) issue an Order granting Columbia permission to file the tariff supplement, attached hereto as **Appendix A**, after entry of the Order, to become effective upon one (1) day notice;

c) terminate its investigation at Docket No. R-2017-2598203;

d) mark the formal complaints filed by the OCA and OSBA as satisfied and closed;
and

e) dismiss or mark closed or marked satisfied (should there be joinder in, or no opposition to, this settlement) the formal complaints by customers Donna Hess, Vincent E. Collier III, Sandra Shaub, and Joseph Kramer.

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Respectfully submitted,

Thomas J. Sniscak

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(Dated) 12/12/2017

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APPENDICES

APPENDIX A	Tariff Supplement
APPENDIX B	Proof of Revenues
APPENDIX C	The Columbia Water Company's Statement in Support
APPENDIX D	Bureau of Investigation & Enforcement's Statement in Support
APPENDIX E	Office of Consumer Advocate's Statement in Support
APPENDIX F	Office of Small Business Advocate's Statement in Support

APPENDIX A

THE COLUMBIA WATER COMPANY

RATES, RULES, AND REGULATIONS GOVERNING
THE DISTRIBUTION OF WATER IN WEST HEMPFIELD, RAPHO,
EAST DONEGAL AND MANOR TOWNSHIPS AND
THE BOROUGHS OF COLUMBIA AND MOUNTVILLE, AND MARIETTA
LANCASTER COUNTY AND HELLAM TOWNSHIP, YORK COUNTY, PENNSYLVANIA

Issued:

Effective:

By: Donald H. Nikolaus, President
The Columbia Water Company
220 Locust Street
Columbia, PA 17512

NOTICE

This Tariff Supplement updates the schedule of rates for all customers pursuant to the Pennsylvania Public Utility Commission’s Final Order in Docket No. R-2017-2598203 (C)

See Page Two

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

Issued:

Effective:

List of Changes Made by this Supplement

Changes:

- Supplement No. 91 increases the schedule of rates for the Columbia Rate District (formerly Columbia Division) and the Marietta Rate District (formerly Marietta Division) in accordance with the Pennsylvania Public Utility Commission's Final Order in Docket No. R-2017-2598203. The increase in operating revenue will produce an additional \$635,000. (See pages 4, 6, 6A-6D) (I)

- Decreases the distribution system improvement charge (DSIC) to 0.00% upon the effective date of this tariff shown below in accordance with the Order of the Commission entered at Docket No. P-00021979. (See page 57) (D)

- Updates the Terms and Conditions of Service. (See pages 15, 16, 20, and 21) (C)

- Removes "Columbia Division." (See pages 53-57) (C)

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

Issued:

Effective:

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

Issued:

Effective:

THE COLUMBIA WATER COMPANY Canceling Fifteenth Revised Page No. 4
SCHEDULE OF RATES APPLICABLE TO COLUMBIA RATE DISTRICT

Schedule of Rates – General Meter Rates

Customer Charge

<u>Size of Meter</u>	<u>Per Customer Unit Per Month</u>	
5/8"	\$10.31	(I)
3/4"	\$15.49	
1"	\$25.82	
1-1/2"	\$51.64	
2"	\$82.62	
3"	\$154.89	
4"	\$258.15	
6"	\$516.32	
8"	\$826.10	
12"	\$2,219.74	(I)

<u>Output Charges</u> (Billed to the nearest 100 gallons)	<u>Price per 1,000 Gallons</u>	
For the First 10,000 gallons per month	\$7.20	(I)
For the Next 240,000 gallons per month	\$2.77	(I)
For all Over 250,000 gallons per month	\$1.95	(I)

Special Provisions

(C)

When service is furnished through a single meter to a building containing eight or more apartment dwelling units or condominium dwelling units, or to a complex of buildings served at single-point meter service prescribed in Rule 19A, the first block rate shall be applied to usage equal to the number of apartment dwelling units or condominium dwelling units times 1,000 gallons per month and the balance of the use shall be billed at the applicable block rates in the regular manner.

For service to federal, state or local governments or to any governmental department, institution or authority, the due date is not less than 30 days from the date the bill is mailed.

Late Charges

A late charge of one and one-quarter percent (1-1/4%) simple interest per month will be applied to the unpaid balance after the due date. The due date is not less than 20 days from the date the bill is mailed.

In addition, all rates for water service are subject to the State Tax Adjustment Surcharge (see page 7).

(I) Indicates Increase (C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY Canceling Eleventh Revised Page No. 6
SCHEDULE OF RATES APPLICABLE TO COLUMBIA RATE DISTRICT

Schedule of Rates – Fire Protection

<u>Public:</u>	<u>Quarterly</u>	
For 104 fire hydrants in Columbia Borough connecting to the piping system and existing as of June 20, 1948	\$5,200.00	
For each additional fire hydrant installed	\$95.48	(I)
<u>Private:</u>		
Each fire hydrant directed connected to main on public highway	\$95.48	(I)
Each 2-inch connection with the main	\$114.58	(I)
Each 3-inch connection with the main	\$143.23	(I)
Each 4-inch connection with the main	\$171.88	(I)
Each 6-inch connection with the main	\$343.74	(I)
Each 8-inch connection with the main	\$611.98	(I)

**Use of Public Fire Hydrants
 For Other than Fire Protection**

	<u>Per Hour</u>
For the first hour or fraction thereof	\$19.50
For each additional hour or fraction thereof	\$11.75

For service to federal, state or local governments; or to any government department, institution, or authority; the due date is not less than 30 days from the date the bill is mailed.

In addition, all rates for water service are subject to the State Tax Adjustment Surcharge. (see page 7).

(I) Indicates Increase

Issued:

Effective:

Supplement No. 91
To Tariff – Water Pa. P.U.C. No. 7
Second Revised Page No. 6A
Cancelling First Revised Page No. 6A

THE COLUMBIA WATER COMPANY

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(C)

THE COLUMBIA WATER COMPANY
SCHEDULE OF RATES APPLICABLE TO MARIETTA RATE DISTRICT
FORMERLY MARIETTA GRAVITY WATER COMPANY SYSTEM

SCHEDULE OF FLAT RATES

PUBLIC FIRE PROTECTION SERVICE

Application

This Schedule is Applicable to Public Fire Protection Service to the Borough of Marietta and East Donegal Township (Portion).

PUBLIC FIRE PROTECTION SERVICE RATE

	Base Rate <u>Per Quarter</u>	
Each Public Fire Hydrant:	\$86.82	(I)

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

Issued:

Effective:

THE COLUMBIA WATER COMPANY
SCHEDULE OF RATES APPLICABLE TO MARIETTA RATE DISTRICT
FORMERLY MARIETTA GRAVITY WATER COMPANY SYSTEM

SCHEDULE OF FLAT RATES

PRIVATE FIRE PROTECTION SERVICE

Application

This Schedule is Applicable to Private Fire Protection Services.

PRIVATE FIRE PROTECTION SERVICE RATE

Each Private Fire Hydrant, Installed by Company:

Base Rate <u>Per Quarter</u>	
\$86.82	(I)

Each Private Fire Hydrant, Installed by Consumer:

Base Rate <u>Per Quarter</u>	
\$69.94	(I)

Automatic Sprinklers or Standpipe Connections Connected with Mains by Direct Line
Used Solely for Fire Protection Purposes:

	Base Rate <u>Per Quarter</u>	
2-inch Service Line	\$114.58	(I)
3-inch Service Line	\$143.23	(D)
4-inch Service Line	\$171.88	(D)
6-inch Service Line	\$343.74	(D)
8-inch Service Line	\$611.98	(D)

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

Issued:

Effective:

**THE COLUMBIA WATER COMPANY
 SCHEDULE OF RATES APPLICABLE TO MARIETTA RATE DISTRICT
 FORMERLY MARIETTA GRAVITY WATER COMPANY SYSTEM**

SCHEDULE OF METERED RATES

APPLICATION

THIS SCHEDULE IS APPLICABLE TO ALL METERED CUSTOMERS

METER RATES FOR ALL WATER USAGE

	<u>BASE RATES PER 1,000 GALLONS</u>	
FIRST 1,000 GALLONS PER MONTH	\$8.86	(I)
1,001 – 5,000 GALLONS PER MONTH	\$5.54	(I)
5,001 – 50,000 GALLONS PER MONTH	\$2.10	(I)
OVER 50,000 GALLONS PER MONTH	\$1.86	(I)

CUSTOMER CHARGE

IN ADDITION, ALL METERED CUSTOMERS SHALL PAY A MONTHLY CUSTOMER CHARGE
 BASED ON THE REQUIRED SIZE OF METER TO RENDER ADEQUATE SERVICE.

<u>SIZE OF METER</u>	<u>CUSTOMER CHARGE PER MONTH</u>	
5/8 OR 5/8 x 3/4 INCH	\$8.20	(I)
3/4 INCH	\$12.30	(I)
1 INCH	\$20.50	(I)
1 1/2 INCH	\$41.00	(I)
2 INCH	\$65.60	(I)
3 INCH	\$123.00	(I)
4 INCH	\$205.00	(I)
6 INCH	\$410.00	(I)
8 INCH	\$738.00	(I)
10 INCH	\$943.00	(I)

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

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF WATER**

(Cont'd)

6.2 Customer's Deposit

(C)

Deposits may be required from all customers in accordance with Chapter 14 of the Public Utility Code, 66 P. C.S.A. § 1401 *et seq.* and Chapter 56 of the Commission's regulations, 52 Pa. Code §§ 56.1 – 56.231.

7. Definitions

7.1 Customer

A Customer is any party contracting for and/or receiving water service through a meter connection.

7.2 Point of Sale

The point of sale of water service or fire protection service contracted for by the customer is the street service connection.

7.3 Street Service Connection

A street service connection is hereby understood to include a connection to the main, pipe to and including the control valve and control valve box; used to carry water from the main to the curb line. The control valve and box terminates the Company's responsibility for expense of the street service connection.

7.4 Single Premise

A single premise is herein construed to cover a structure used by one family or occupant or where used by more than one family or occupant not adaptable to subdivision.

(C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF WATER**

(Cont'd)

7.5 Multiple Premise

A multiple premise is adaptable to subdivision and is used by more than one family or occupant. It shall then be construed to be a double premise, triple premise, etc., depending upon the number of families, occupants, or subdivisions.

7.6 Remote Meter Reading Device

A device which by electrical impulse or otherwise transmits readings from a meter, usually located within a residence, to a more accessible location outside of a residence.

7.7 Normal Working Hours

Normal working hours are 8:00 a.m. to 4:30 p.m., except on weekends and holidays (C)

8. Public Fire Hydrants

8.1 Ownership and Maintenance

All public fire hydrants furnished, installed, and paid for by the Company shall be inspected and maintained by the Company.

8.2 Use Restricted

The use of fire hydrants, whether owned by the Company or by the Customer, will be restricted to the taking of water for the extinguishing of aboveground fires and water shall not be taken from any fire hydrant for construction purposes, extinguishing underground fires, sprinkling streets, flushing sewers or gutters or for any other use unless specifically permitted by the Company for the particular time and occasion. If the Company grants permission to use fire hydrants for purposes other than the extinguishment of fires, such use will be applied only if an approved backflow prevention device is attached to the hydrant. Said device shall be furnished by the customer.

8.3 Change in Location

Whenever a change in location of a fire hydrant is ordered by the municipality, such change will be made at the expense of the municipality.

(C) Indicates Change

Issued:

Effective:

**Rules And Regulations Governing The
Distribution And Sale Of Water**

9. Sales for Resale

9.1 Water Supply Agreement

In the event the Company enters into an Agreement with another public water supply agency to sell water to said agency, under rates to be negotiated with the Company, any condition of said agreement with respect to service thereunder shall be incorporated by reference to these rules and regulations; provided however, that said water supply agreement is filed with the Public Utility Commission pursuant to 66 Pa. C.S. Section 507 of the Public Utility Code where the public water supply agency is a municipal corporation, as defined by said code.

10. Payment Terms

10.1 Billing Period

(C)

All bills shall be rendered monthly. Bills rendered will show a due date of twenty (20) days after the date the bill is mailed. Payment received by the Company after the due date will be charged a penalty of 1-1/4% and such penalty will be calculated monthly thereafter only on the overdue portion of the bill, and in no event shall the penalty charged exceed more than 15% annually. When a quarterly customer's bill has a penalty application on interim monthly bill informing the customer of the applicable late payment charge of 1-1/4% per month on the unpaid balance and the date by which the interim monthly bill must be paid to avoid application of another late payment charge will be rendered.

10.2 Service Discontinued

If a bill is not paid on or before said due date, service will be discontinued after 10 days written notice to the Customer. Except that notwithstanding any other rule of this tariff, service shall be not continued for any reason except under regulations of the Pennsylvania Public Utility Commission applicable thereto and in effect at the time of such contemplated discontinuance.

All federal, state and local government accounts are entitled to a thirty (30) day period from the due date of any bill within which it may pay for water service.

10.3 Consumption not Combined

The use of water by the same Customer in different premises or localities will not be combined and each installation shall stand by itself.

(C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**Rules And Regulations Governing The
Distribution And Sale Of Water
(Continued)**

10.4 Disputed Bills

In the event of a dispute between the Customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the customer. When the Company has made such a report to the Customer, either, (1) sustaining the bill as rendered, or, (2) submitting a corrected bill, the date of the bill for purposes of payment shall be considered to be as of the date of said bill, and the Customer shall pay the amount due within the time provided in these rules and regulations, and failure to pay shall render the Customer and his service liable to the penalties herein provided. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be forthwith returned to the Customer if the error arose from any cause other than the incorrect estimating of a Customer's consumption for the period in dispute.

10.5 Return Check Charge (C)

The Customer will be responsible for the payment of the bank charge when a check has been presented to the Company for payment of any bill and is returned by the bank by reason of nonsufficient funds, account closed, payment stopped, post dated, account garnished, no existing account, balance held or unauthorized signature.

11. Turn-On Charge

11.1 Non-Payment Charge

When water service to any premise has been terminated because of non-payment of a bill or other violation of the rules and regulations, a \$30.00 charge will be required to restore service during normal scheduled working hours. Other than normal working hours, a charge equivalent to the cost incurred by the Company in restoring service, will be made; and this charge together with all other amounts which may be due the Company by the Customer must be paid before the water service is restored.

11.2 Discontinuance Charge

Whenever water service to any premise has been discontinued at the request of the ratepayer, a \$30.00 charge will be required during normal scheduled working hours to re-connect service to the same premises when service remains in the name of the ratepayer who requested the discontinuance. Other than normal working hours, a charge equivalent to the cost incurred by the Company in reconnecting service will be made.

11.3 Temporary or Special Service

Payments in advance of furnishing service may be required for construction of facilities and furnishing special equipment. (Refer to Rule 2.4)

11.4 Payments in Advance

Payments in advance to restoring service may be required for restoration or reconnection of service where service has been actually discontinued for Customer's failure to comply with tariff provisions.

(C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**Rules And Regulations Governing The
Distribution And Sale Of Water
(Cont'd)**

27. Distribution System Improvement Charge (DSIC) (C)

General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between-base rate cases and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property to the extent that such PENNVEST funding is recovered via a PENNVEST surcharge.

Eligible Property: The DSIC-eligible property will consist of the following:

- Services (account 333.4), meters (account 334.4) and hydrants (account 335.4) installed as in-kind replacements for customers;
- Mains and valves (account 331.4) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- Main extensions (account 331.4) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or the acquired Company;
- Main cleaning and relining (account 331.4) projects;
- Unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations, rebuilding or construction (account nos. 331.4, 333.4 and 335.4).
- **Other related capitalized costs.**

(C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**Rules And Regulations Governing The
Distribution And Sale Of Water
(Cont'd)**

27. Distribution System Improvement Charge (DSIC)

(C)

Effective Date: The DSIC will become effective for bills rendered on and after November 1, 2002.

Computation of the DSIC

Calculation: The initial DSIC, effective June 21, 2003, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and have been placed in service by October 15, 2002. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date Of Change</u>	<u>Date To Which DSIC-Eligible Plant Addition Reflected</u>
February 1	December 31
May 1	March 31
August 1	June 30
November 1	September 30

Determination of Fixed Costs:

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

Pre-Tax Return: The pre-tax return will be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully-litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

(C) Indicates Change

Issued:

Effective:

THE COLUMBIA WATER COMPANY

**Rules And Regulations Governing The
Distribution And Sale Of Water
(Cont'd)**

27. Distribution System Improvement Charge (DSIC)

(C)

DSIC Surcharge Amount: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for service under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

Formula: The formula for calculation of the DSIC surcharge is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep} + \frac{e}{\text{PQR}}}{\text{PQR}}$$

Where:

DSI = the original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = the pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = the amount calculated (+/-) under the annual reconciliation feature or Commission audit as described below.

PQR = Projected quarterly revenue for service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period, will be based on the applicable three-month period, including any revenue from acquired companies that are now being charged the rates of the acquiring company.

Quarterly updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

(C) Indicates Change

Issued:

Effective:

**RULES AND REGULATIONS GOVERNING THE
DISTRIBUTION AND SALE OF WATER**

(Cont'd)

27. Distribution System Improvement Charge (DSIC)

(C)

Customer Safeguards

Cap: The DSIC will be capped at 5% of the amount billed to customers for service (including all applicable clauses and riders) as determined on an annualized basis.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa. C.S. §§ 1350, *et seq.* shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the 12 months ending December 31 of each year or the utility may elect to subject the DSIC to quarterly reconciliation but only upon request and approval of the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1, of each year or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. sec. 101, *et seq.*) and will be refunded in the same manner as an over-collection. The Company is not permitted to accrue interest on under-collections.

New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rate or rate base will be reflected in the quarterly updates of the DSIC.

All Customer Classes: The DSIC shall be applied equally to all customer classes.

Earning Reports: The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section. The Company shall file a tariff supplement implementing the reset to zero due to over-earning on one day's notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Company has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs.

(C) Indicates Change

Issued:

Effective:

27. Distribution System Improvement Charge (DSIC)

(C)

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

Residual E-Factor Recovery Upon Reset to Zero: The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any over-collection to customers and is entitled to recover any under-collections as set forth in the Audit/Reconciliation Section. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

Public Fire Protection: The DSIC will not apply to public fire protection customers.

27.1 In addition to the charges provided in this tariff, a distribution system improvement charge of 0.00% will apply to all charges for service, except public fire protection on or after the effective date of this tariff shown below.

(D)

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

Issued:

Effective:

APPENDIX B

The Columbia Water Company
R-2017-2598203
SETTLEMENT Present and Proposed Rate Revenue

Customer Class	Per Books Revenue 12/31/2016 (A)	Adjustment From Per Books Revenue to Billing Analysis Rev. (Ref: A-1) (B)	Billing Analysis Revenues 12 Months Ended 12/31/2016 (C)	Historic Test Year		Pro Forma Present Rates 12/31/2016 (F)	Future Test Year		Pro Forma Present Rates 12/31/17 (I)	Increase (J)	Pro Forma Revenues Under Settlement Rates 12/31/17 (K)	Percent Increase (L)
				Pro Forma Adjustments Under Present Rates (D)	Pro Forma Adjustments Under Present Rates (E)		Pro Forma Adjustments Under Present Rates (G)	Pro Forma Adjustments Under Present Rates (H)				
Residential	\$3,707,300	(\$129)	\$3,707,171	A-2, A-7 (Ref.)	(\$27,122)	\$3,680,050	A-3 (Ref.)	\$15,803	\$3,695,852	\$439,309	\$4,135,161	11.9%
Commercial	\$799,452	(\$45,277)	\$754,175	A-2, A-7	(\$6,991)	\$747,184	A-3	(\$26,690)	\$720,493	\$115,669	\$836,162	16.1%
Industrial	\$270,034	\$251	\$270,285	A-7	(\$9,023)	\$261,262			\$261,262	\$40,069	\$301,331	15.3%
Public	\$58,953	(\$940)	\$58,013	A-2, A-7	\$1	\$58,014			\$58,014	\$7,288	\$65,302	12.6%
Fire Protection	\$360,407	\$2,019	\$362,426	A-7	(\$8,078)	\$354,348			\$354,348	\$32,666	\$387,013	9.2%
DSIC Revenue	\$33,816	\$0	\$33,816	A-4	(\$33,816)	\$0			\$0	\$0	\$0	
PennVest Surcharge	\$1,045,875	\$0	\$1,045,875	A-5	(\$1,045,875)	\$0			\$0	\$0	\$0	
Subtotal	\$6,275,837	(\$44,075)	\$6,231,762		(\$1,130,904)	\$5,100,858		-\$10,887	\$5,089,970	\$635,000	\$5,724,970	12.5%
Other Revenue												
Revenue/Sale of Water Billin	\$4,134	\$0	\$4,134		\$0	\$4,134		\$0	\$4,134	\$0	\$4,134	
Sales of Bulk Water	\$6,166	\$0	\$6,166		\$0	\$6,166		\$0	\$6,166	\$0	\$6,166	
Late Fees	\$13,160	\$0	\$13,160		\$0	\$13,160		\$0	\$13,160	\$0	\$13,160	
Turn On Fees	\$2,970	\$0	\$2,970		\$0	\$2,970		\$0	\$2,970	\$0	\$2,970	
Rents from Water Property	\$45,913	\$0	\$45,913		\$0	\$45,913	A-8	(\$37,212)	\$8,701	\$0	\$8,701	
Total Other	\$72,343	\$0	\$72,343		\$0	\$72,343		(\$37,212)	\$35,131	\$0	\$35,131	
Total Operating Revenue	\$6,348,180	(\$44,075)	\$6,304,105		(\$1,130,904)	\$5,173,201		(\$48,099)	\$5,125,101	\$635,000	\$5,760,101	12.4%

- A-1: Adjustment to reflect revenues based on billing analysis.
- A-2: Adjustment to reflect revenues based on the number of customers for the year ended December 31, 2016
- A-3: Adjustment to reflect revenues for projected customers gained during the year ended December 31, 2017 (Adjusted to reflect a billing error and 2016 refund for a commercial 3" meter)
- A-4: Adjustment to reset the DSIC to \$0 for the base rate case
- A-5: Adjustment to remove the PennVest Surcharge from the base rate case
- A-6: Sale of bulk water to Marietta Division will be eliminated with the consolidation of the 2 systems
- A-7: Adjustment to reflect a full years loss of revenue with the elimination of the Marietta PennVest Surcharge
- A-8: Adjustment to reflect the anticipated increase from the rental of Company property (Adjusted to reflect the loss of the cell tower revenue)

APPENDIX B

The Columbia Water Company
 SETTLEMENT Rates Applied to Bill Analysis (Including Annualizations)
 R-2017-2598203

RESIDENTIAL - Columbia Rate District				
Residential - Columbia Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(A)	(B)	(C)	(D)	(E)
5/8	101,402		\$10.31	\$1,045,455
3/4	60		\$15.49	\$929
1	687		\$25.82	\$17,738
1 1/2	36		\$51.64	\$1,859
2	24		\$82.62	\$1,983
Total Customer Charges	102,209			\$1,067,964
First 10,000 gallons		361,368	\$7.20	\$2,601,729
10,001 - 250,000 gallons		9,980	\$2.77	\$27,646
Over 250,000 gallons		10,994	\$1.95	\$21,438
Total Output Charges		382,342		\$2,650,812
Total Residential - Columbia Rate District	102,209	382,342		\$3,718,776

RESIDENTIAL - Marietta Rate District (Q1)				
Residential - Marietta Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(F)	(G)	(H)	(I)	(J)
5/8	1,045		\$8.20	\$25,715
3/4	35		\$12.30	\$1,292
1	4		\$20.50	\$246
1 1/2	0		\$41.00	\$0
2	9		\$65.60	\$1,771
Total Customer Charges	1,093			\$29,024
Per Quarter				
First 3,000 gallons		3,424	\$8.86	\$30,332
3,001 - 15,000 gallons		6,434	\$5.54	\$35,645
15,001 - 150,000 gallons		2,941	\$2.10	\$6,175
Over 150,000 gallons		209	\$1.86	\$389
Total Output Charges		13,007		\$72,541
Residential - Marietta Rate District (Q1)	1,093	13,007		\$101,565

RESIDENTIAL - Marietta Rate District (Q2 - Q4)				
Residential - Marietta Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
5/8	3,123		\$8.20	\$76,826
3/4	103		\$12.30	\$3,801
1	12		\$20.50	\$738
1 1/2	0		\$41.00	\$0
2	27		\$65.60	\$5,314
Total Customer Charges	3,265			\$86,678
Per Month				
First 1,000 gallons		9,524	\$8.86	\$84,378
1,001 - 5,000 gallons		21,733	\$5.54	\$120,399
5,001 - 50,000 gallons		10,501	\$2.10	\$22,052
Over 50,000 gallons		708	\$1.86	\$1,317
Total Output Charges		42,466		\$228,147
Residential - Marietta Rate District (Q2 - Q4)	3,265	42,466		\$314,825
Total Residential - Marietta Rate District	4,358	55,473		\$416,390

APPENDIX B

The Columbia Water Company
 SETTLEMENT Rates Applied to Bill Analysis
 R-2017-2598203

COMMERCIAL - Columbia Rate District				
Commercial - Columbia Rate District Meter Size and Blocks	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(A)	(B)	(C)	(D)	(E)
5/8	2,401		\$10.31	\$24,754
3/4	96		\$15.49	\$1,487
1	688		\$25.82	\$17,764
1 1/2	577		\$51.64	\$29,796
2	1039		\$82.62	\$85,842
3	67		\$154.89	\$10,378
4	70		\$258.15	\$18,071
8	0		\$826.10	\$0
Total Customer Charges	4,938			\$188,092
First 10,000 gallons		32970.04	\$7.20	\$237,374
10,001 - 250,000 gallons		86985.5	\$2.77	\$240,950
Over 250,000 gallons		50123.2	\$1.95	\$97,740
Total Output Charges		170,079		\$576,064
Total Commercial - Columbia Rate District	4,938	170,079		\$764,156

COMMERCIAL - Marietta Rate District (Q1)				
Commercial - Marietta Rate District Meter Size and Blocks	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(F)	(G)	(H)	(I)	(J)
5/8	32		\$8.20	\$787
3/4	29		\$12.30	\$1,070
1	15		\$20.50	\$923
1 1/2	2		\$41.00	\$246
2	7		\$65.60	\$1,378
3	1		\$123.00	\$369
4	1		\$205.00	\$615
8	0		\$738.00	\$0
Total Customer Charges	87			\$5,387
Per Quarter				
First 3,000 gallons		203.7	\$8.86	\$1,805
3,001 - 15,000 gallons		630.9	\$5.54	\$3,495
15,001 - 150,000 gallons		1746.6	\$2.10	\$3,668
Over 150,000 gallons		1,320	\$1.86	\$2,456
Total Output Charges		3,902		\$11,424
Total Commercial - Marietta Rate District (Q1)	87	3,902		\$16,811

COMMERCIAL - Marietta Rate District (Q2 - Q4)				
Commercial - Marietta Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
5/8	100		\$8.20	\$2,460
3/4	84		\$12.30	\$3,100
1	45		\$20.50	\$2,768
1 1/2	6		\$41.00	\$738
2	21		\$65.60	\$4,133
3	3		\$123.00	\$1,107
4	3		\$205.00	\$1,845
8	0		\$738.00	\$0
Total Customer Charges	262			\$16,150
Per Month				
First 1,000 gallons		628	\$8.86	\$5,562
1,001 - 5,000 gallons		1,990	\$5.54	\$11,026
5,001 - 50,000 gallons		6,621	\$2.10	\$13,903
Over 50,000 gallons		4,599	\$1.86	\$8,554
Total Output Charges		13,838		\$39,046
Commercial - Marietta Rate District (Q2 - Q4)	262	13,838		\$55,196
Total Commercial - Marietta Rate District	349	17,739		\$72,007

APPENDIX B

The Columbia Water Company
 SETTLEMENT Rates Applied to Bill Analysis
 R-2017-2598203

INDUSTRIAL - Columbia Rate District				
Industrial - Columbia Rate District Meter Size and Blocks	Number of Bills (B)	Total Consumption 1,000 Gallons (C)	Rates (D)	Revenue (E)
5/8	132		\$10.31	\$1,361
1	82		\$25.82	\$2,117
1-1/2	34		\$51.64	\$1,756
2	85		\$82.62	\$7,023
3	12		\$154.89	\$1,859
4	60		\$258.15	\$15,489
6	12		\$516.32	\$6,196
Total Customer Charges	417			\$35,800
First 10,000 gallons		2112.8	\$7.20	\$15,211
10,001 - 250,000 gallons		8365.8	\$2.77	\$23,173
Over 250,000 gallons		45,900	\$1.95	\$89,505
Total Output Charges	0	56,379		\$127,890
Total Industrial - Columbia Rate District	417	56,379		\$163,690

INDUSTRIAL - Marietta Rate District (Q1)				
Industrial - Marietta Rate District Meter Size and Blocks	Number of Bills (G)	Total Consumption 1,000 Gallons (H)	Rates (I)	Revenue (J)
5/8	0		\$8.20	\$0
1	0		\$20.50	\$0
1 1/2	0		\$41.00	\$0
2	3		\$65.60	\$197
3	0		\$123.00	\$0
4	0		\$205.00	\$0
6	3		\$410.00	\$1,230
Total Customer Charges	6			\$1,427
Per Month				
First 1,000 gallons		2	\$8.86	\$18
1,001 - 5,000 gallons		8	\$5.54	\$44
5,001 - 50,000 gallons		90	\$2.10	\$189
Over 50,000 gallons		10,355	\$1.86	\$19,260
		10,455		\$19,511
First 1,000 gallons		1	\$8.86	\$9
1,001 - 5,000 gallons		4	\$5.54	\$22
5,001 - 50,000 gallons		45	\$2.10	\$95
Over 50,000 gallons		5,954	\$1.86	\$11,074
		6,004		\$11,200
Total Output Charges		16,459		\$30,711
Total Industrial - Marietta Rate District (Q1)	6	16,459		\$32,138

INDUSTRIAL - Marietta Rate District (Q2 - Q4)				
Industrial - Marietta Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
5/8	0		\$8.20	\$0
1	0		\$20.50	\$0
1 1/2	0		\$41.00	\$0
2	9		\$65.60	\$590
3	0		\$123.00	\$0
4	0		\$205.00	\$0
6	9		\$410.00	\$3,690
Total Customer Charges	18			\$4,280
Per Month				
First 1,000 gallons		14	\$8.86	\$124
1,001 - 5,000 gallons		40	\$5.54	\$222
5,001 - 50,000 gallons		450	\$2.10	\$945
Over 50,000 gallons		53,727	\$1.86	\$99,932
Total Output Charges		54,231		\$101,223
Industrial - Marietta Rate District (Q2 - Q4)	18	54,231		\$105,503
Total Industrial - Marietta Rate District	24	70,690		\$137,641

APPENDIX B

The Columbia Water Company
 SETTLEMENT Rates Applied to Bill Analysis
 R-2017-2598203

PUBLIC - Columbia Rate District				
Public - Columbia Rate District Meter Size and Blocks	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(A)	(B)	(C)	(D)	(E)
5/8	78		\$10.31	\$804
3/4	0		\$15.49	\$0
1	70		\$25.82	\$1,807
1 1/2	91		\$51.64	\$4,699
2	120		\$82.62	\$9,914
3	24		\$154.89	\$3,717
4	24		\$258.15	\$6,196
8	0		\$826.10	\$0
Total Customer Charges	407			\$27,138
First 10,000 gallons		2,049	\$7.20	\$14,750
10,001 - 250,000 gallons		3,826	\$2.77	\$10,597
Over 250,000 gallons		0	\$1.95	\$0
Total Output Charges		5,875		\$25,347
Total Public - Columbia Rate District	407	5,875		\$52,486

PUBLIC - Marietta Rate District (Q1)				
Public - Marietta Rate District Meter Size and Blocks	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
(F)	(G)	(H)	(I)	(J)
5/8	2		\$8.20	\$49
3/4	1		\$12.30	\$37
1	3		\$20.50	\$185
1 1/2	0		\$41.00	\$0
2	1		\$65.60	\$197
3	0		\$123.00	\$0
4	1		\$205.00	\$615
8	0		\$738.00	\$0
Total Customer Charges	8			\$1,082
Per Quarter				
First 3,000 gallons		16.6	\$8.86	\$147
3,001 - 15,000 gallons		49	\$5.54	\$271
15,001 - 150,000 gallons		536.9	\$2.10	\$1,127
Over 150,000 gallons		205	\$1.86	\$381
Total Output Charges		808		\$1,927
Total Public - Marietta Rate District (Q1)	8	808		\$3,010

PUBLIC - Marietta Rate District (Q2 - Q4)				
Public - Marietta Rate District Meter Size and Block	Number of Bills	Total Consumption 1,000 Gallons	Rates	Revenue
5/8	7		\$8.20	\$172
3/4	3		\$12.30	\$111
1	9		\$20.50	\$554
1 1/2	0		\$41.00	\$0
2	3		\$65.60	\$590
3	0		\$123.00	\$0
4	3		\$205.00	\$1,845
8	0		\$738.00	\$0
Total Customer Charges	25			\$3,272
Per Month				
First 1,000 gallons		52	\$8.86	\$460
1,001 - 5,000 gallons		153	\$5.54	\$849
5,001 - 50,000 gallons		1,312	\$2.10	\$2,755
Over 50,000 gallons		1,329	\$1.86	\$2,472
Total Output Charges		2,846		\$6,535
Public - Marietta Rate District (Q2 - Q4)	25	2,846		\$9,807
Total Public - Marietta Rate District	33	3,653		\$12,817

The Columbia Water Company
 SETTLEMENT Rates Applied to Bill Analysis
 R-2017-2598203

PRIVATE FIRE SERVICE - Columbia Rate District				
(A)	Units (B)	Number of Bills (C)	Rates (D)	Revenue (E)
2" Connection	12	48	\$114.58	\$5,500
4" Connection	8	32	\$171.88	\$5,500
6" Connectino	29	116	\$343.74	\$39,873
8" Connection	11	44	\$611.98	\$26,927
				<u>\$77,801</u>
Private Fire Hydrants	0	0	\$0.00	\$0
TOTAL PRIVATE FIRE				<u>\$77,801</u>
PUBLIC FIRE SERVICE - Columbia Rate District				
	Units	Bills		
Columbia Fire Hydrants	104	416	\$50.00	\$20,800
Public Fire Hydrants	590	2,358	\$95.48	\$225,143
TOTAL PUBLIC FIRE		<u>2,774</u>		<u>\$245,943</u>
TOTAL Fire Protection - Columbia Rate District				<u>\$323,744</u>
TOTAL COLUMBIA RATE DISTRICT REVENUE	0			<u>\$5,022,851</u>

PRIVATE FIRE SERVICE - Marietta Rate District (Q1)				
(F)	Units (G)	Number of Bills (H)	Rates (I)	Revenue (J)
2" Connection	2		\$114.58	\$229
4" Connection	3		\$171.88	\$516
6" Connectino	10		\$343.74	\$3,437
8" Connection	2		\$611.98	\$1,224
				<u>\$5,406</u>
Private Fire Hydrants	21		\$69.94	\$1,469
TOTAL PRIVATE FIRE				<u>\$6,875</u>
PUBLIC FIRE SERVICE - Marietta Rate District (Q1)				
	Units	Bills		
Columbia Fire Hydrants	0	0	\$0.00	\$0
Public Fire Hydrants	103		\$86.82	\$8,942
TOTAL PUBLIC FIRE		<u>0</u>		<u>\$8,942</u>
TOTAL Fire Protection - Marietta Rate District (Q1)				<u>\$15,817</u>

PRIVATE FIRE SERVICE - Marietta Rate District (Q2 - Q4)				
	Units	Number of Bills	Rates	Revenue
2" Connection	2	6	\$114.58	\$687
4" Connection	3	9	\$171.88	\$1,547
6" Connectino	10	30	\$343.74	\$10,312
8" Connection	2	6	\$611.98	\$3,672
				<u>\$16,218</u>
Private Fire Hydrants	21	63	\$69.94	\$4,406
TOTAL PRIVATE FIRE				<u>\$20,625</u>
PUBLIC FIRE SERVICE - Marietta Rate District (Q2 - Q4)				
	Units	Bills		
Columbia Fire Hydrants	0	0	\$0.00	\$0
Public Fire Hydrants	103	309	\$86.82	\$26,827
TOTAL PUBLIC FIRE		<u>309</u>		<u>\$26,827</u>
TOTAL Fire Protection - Marietta Rate District (Q2 - Q4)				<u>\$47,452</u>
Total Fire Protection - Marietta Rate District				<u>\$63,269</u>
TOTAL MARIETTA RATE DISTRICT REVENUE				<u>\$702,124</u>

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	Docket No. R-2017-2598203
	:	C-2017-2614724
	:	C-2017-2614985
v.	:	C-2017-2615248
	:	C-2017-2620842
	:	C-2017-2622123
The Columbia Water Company	:	C-2017-2623109

**STATEMENT OF
THE COLUMBIA WATER COMPANY
IN SUPPORT OF THE
JOINT PETITION FOR FULL SETTLEMENT**

TO THE HONORABLES JOEL CHESKIS AND ANDREW CALVELLI:

I. INTRODUCTION

1. The Columbia Water Company (“Columbia” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Full Settlement of Rate Proceeding (the “Joint Petition” or “Settlement”) filed in the above-captioned proceeding by Columbia, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (the “Commission” or “PUC”), the Office of Consumer Advocate (the “OCA”), and the Office of Small Business Advocate (the “OSBA”) (collectively, the “Parties”).¹ As indicated in the Joint Petition, the Settlement, if approved, resolves all issues in the proceeding. Accordingly, as discussed more fully below, Columbia offers its support for the Settlement as being in the public interest and resulting in just and reasonable rates, and requests that the presiding Administrative Law Judges and the Commission approve the Settlement as submitted and without modification.

¹ This Statement in Support is attached to and made a part of the Joint Petition as **Appendix C** thereto.

2. On or about June 27, 2017, the Company filed Supplement No. 86 to Tariff Water – Pa. P.U.C. No. 7, to become effective on August 29, 2017. This filing contained proposed changes in rates, rules, and regulations intended to produce \$923,668 in additional annual operating revenues. The filing contained 110 pages of explanation for the requested increase including detailed financial exhibits.

3. On December 12, 2017, the Parties filed the Settlement. Instead of the \$923,668 (17.8%) increase requested in the filing, the Settlement Rates are designed to produce an increase of annual operating revenue of \$635,000 (12.4%). (Joint Petition at ¶ 20(a).)

II. BACKGROUND

4. I&E filed a notice of appearance on July 17, 2017. On July 19, 2017, the OCA and the OSBA filed formal complaints and public statements with the Commission. On July 17, 2017, Donna Hess filed a formal complaint. On August 18, 2017, Vincent E. Collier III filed a formal complaint. On August 30, 2017, Sandra Shaub filed a formal complaint. On August 31, 2017, Joseph Kramer filed a formal complaint. None of the individual complainants has been an active participant in this proceeding, and none has submitted testimony.

5. Pursuant to the litigation schedule adopted in this proceeding, on September 8, 2017, the Company served the Direct Testimony of David T. Lewis, Vice President and General Manager of the Company (CWC Statement No. 1 – Proprietary Version), comprising 23 pages of testimony and an appendix, which addressed the Company's operation and performance, and certain going level adjustments. Mr. Lewis's direct testimony provided a summary of the Columbia operations and systems and described capital improvements made to the system and future capital improvements that will be made within the future test year. The Company also served the Direct Testimony of Gary D. Shambaugh, Managing Principal of Shambaugh Utility Consulting, Inc. (CWC Statement No. 2 – Proprietary Version), comprising 20 pages of

testimony and an appendix, and three exhibits sponsored by Mr. Shambaugh: GDS Exhibit No. 1 (supporting data), GDS Exhibit No. 2 (Supplement No. 86 to tariff – Water Pa. P.U.C. No. 7), and GDS Exhibit No. 3 (changes to GDS Exhibit No. 1 from June 27, 2017, to September 8, 2017). Mr. Shambaugh’s direct testimony addressed the Company’s revenues, expenses, rate base, tariff rate design and appropriate ratemaking adjustments. Also on September 8, 2017, the Company served the Direct Testimony of Dylan W. D’Ascendis, Director of ScottMadden, Inc. (CWC Statement No. 3), comprising 38 pages of testimony and eight schedules, which addressed the Company’s cost of common equity.

6. Columbia has two rate districts: the Marietta Rate District covers water service provided in Marietta Borough and East Donegal Township in Lancaster County and in Hellam Township in York County. The Columbia Rate District covers water service provided in Columbia and Mountville Boroughs and in West Hempfield, East Donegal and Manor Townships, all located in Lancaster County. (See CWC St. No. 1 at 2:16 - 2:20.)² As of June 30, 2017, Columbia served a total of 10,288 customers. (CWC St. No. 1 at 3:2.) The Company’s customers’ average daily water demand is 2.3 million gallons per day (“MGD”). Peak flows reach 2.9 MGD. Its recently-upgraded water treatment plant has a permitted capacity of 4.0 MGD, and its Chickies and Dugan wells have an additional permitted capacity of 1.2 MGD. (CWC St. No. 1 at 5:20 – 5:22.) Columbia meets or exceeds all Federal and State water quality standards and requirements, and its water pressure throughout its system meets all standards. (CWC St. No. 1 at 6:2 -6:3, 6:11.)

7. As demonstrated by Columbia witnesses Mr. Lewis and Mr. Shambaugh, under present rates, the Company is not able to meet its operating costs and earn a reasonable return on

² The Columbia and Marietta Rate Districts were previously called the Columbia and Marietta Water Divisions. The shift in nomenclature from divisions to rate districts reflects the fact that functionally, the Company operates as a single unit. (See CWC St. No. 1 at 2:21 - 2:22.)

its investment. Without appropriate rate relief, Columbia's ability to continue to provide environmentally safe, reliable and efficient water services to its customers and meet its financial obligations would be placed in jeopardy.

8. As explained by Mr. Lewis, Columbia has invested a significant amount in capital improvements for the benefit of customers over the past three years (i.e., in 2014, 2015 and 2016). These improvements are a reasonable and necessary cost of providing service and are appropriately included in the revenue requirement:

Year 2014:

- Established the e-billing system which provides the customers with additional options for receiving and paying their bills.
- Updated the Company website making it more customer friendly.
- Began Phase 1 of a 3-phase system-wide security upgrade. The Company invested \$65,000 in upgrades that included additional fencing, door and hatch sensors, motion detection, and camera frameworks. This provides for more secure facilities which increases the reliability of service to the customer.
- Continued with the \$17.3 million upgrade to the water treatment facility.
- Installed 3,000 feet of water main extension in Manor Township at a cost of \$184,000 to provide water service to existing communities with troubled on-lot wells.
- Replaced 500 feet of old age water main on Fairview Avenue at a cost of \$52,000 to provide improved water service to the customers.
- Replaced 650 feet of old age water main on South Eighth Street at a cost of \$48,000 to provide improved water service to the customers.
- Installed \$455,000 of disinfectant byproduct removal equipment in four (4) water storage tanks to meet changing water quality regulations and to continue to provide high water quality to customers.
- Installed a new bulk water fill station at a cost of \$10,000 to allow bulk water customers to fill large trucks at any hour of the day or week and to do so in a location that can be done safely.

- Installed a new chlorine booster station along Marietta Avenue to increase the chlorine levels in the interconnection with the Marietta Division without increasing the chlorine levels system wide. This provides for more uniform chlorine levels for all customers.
- Replaced 310 old-age meters and installed radio read devices at the same locations at a cost of \$108,000.

Year 2015:

- Substantially completed the \$17.3 million upgrade to the water treatment facility.
- Installed 4,500 feet of water main extension in Manor Township at a cost of \$267,000 to provide water service to existing communities with troubled on-lot wells.
- Replaced 820 feet of old age water main on Chestnut Street at a cost of \$51,000 to provide improved water service to the customers.
- Replaced 500 feet of old age water main on Spruce Street at a cost of \$45,000 to provide improved water service to the customers.
- Finalized Phase 1 of a 3-phase system-wide security upgrade and began Phase 2. The Company invested \$120,000 in upgrades that included fencing, door and hatch sensors, motion detection, and camera frameworks. This provides for more secure facilities which increases the reliability of service to the customer.
- Replaced the office server at a cost of \$16,000 to improve the reliability of the software systems used to interact with the customers.
- Updated the Company's safety manual which sets the framework for the employees to complete their work duties in a safe manner.
- Replaced two (2) aging company vehicles at a cost of \$69,000.
- Replaced 430 old-age meters and installed radio read devices at the same locations at a cost of \$151,000.

Year 2016:

- Installed 4,240 feet of water main extension in Manor Township at a cost of \$229,000 to provide water service to existing communities with troubled on-lot wells.
- Replaced 240 feet of old age water main on North Tenth Street at a cost of \$22,000 to provide improved water service to the customers.

- Replaced 420 feet of old age water main on Chestnut Street at a cost of \$32,000 to provide improved water service to the customers.
- Replaced 850 feet of old age water main on Walnut Street at a cost of \$71,000 to provide improved water service to the customers.
- Extended a water main along Franklin Road at a cost of \$87,000 to provide water to new customers who have been experiencing poor well water conditions.
- Continued Phase 2 of a 3-phase system-wide security upgrade and began Phase 3. The Company invested \$148,000 in upgrades that included fencing, door and hatch sensors, motion detection, and camera frameworks. This provides for more secure facilities which increases the reliability of service to the customer.
- Upgraded the corporate office security system at a cost of \$18,000 which will reduce the chance of an intruder compromising company or customer records.
- Developed a geographic information system (GIS) which improves the Company's mapping data, Pa One Call responses and customer service location data.
- Replaced one aging company vehicle at a cost of \$28,000 which allows employees to respond to system and customer needs in a safe, reliable and timely manner.
- Purchased a backhoe at a cost of \$96,000 which allows the Company to continue to install/replace water mains, replace/repair water service lines and repair main breaks more economically and expeditiously than using outside contractors. This minimizes water service interruption time due to improvements and repairs.
- Replaced 520 old-age meters and installed radio read devices at the same locations at a cost of \$138,000.

(CWC St. No. 1 at 11:20 – 15:9.)

9. Mr. Lewis also detailed the projects the Company that will be completed in the near future which are also reasonable and necessary to providing service and thus appropriately included in the revenue requirement:

- An emergency generator is being installed at the Walnut Street Water Treatment Plant. This emergency generator will allow the treatment plant to continue to treat and pump water during power outages providing reliability of service to our customers. This project is expected to cost \$585,000 and be completed by October 31, 2017. Construction began in July 2017.

- The Company is in the process of developing back-up water supply wells. These wells will provide a back-up water supply during events when water cannot be drawn from the river due to contamination or other unexpected events. This will allow the Company to supply water to the system without interruption providing reliability of service to its customers. This project will cost \$90,000. The well has been drilled and testing is scheduled for the week of August 28, 2017.
- The Company is moving a chlorine analyzer from a below grade vault to a cabinet located above grade. This will eliminate the need for employees to enter confined spaces to service the analyzer. The work on this project is nearly complete at an expected final cost of \$7,500.
- The Company is installing a pressure reducing valve and chlorine booster station along Donnerville Road in Manor Township. This station will provide improved pressures and chlorine residuals to the customers downstream of the station. The design was completed and the permit applications submitted in June 2017. We expect the project to cost \$49,800 and be completed by December 31, 2017.
- The Company is replacing old-age water main on Walnut Avenue, Ninth Street and Tenth Street in Columbia Borough. These three projects are expected to cost \$100,200 and will be completed by December 31, 2017. The replacement of this old-age main will provide improved water service and fire flows to the customers.
- The Company is replacing old-age water meters and installing radio read devices throughout the system at an expected cost of \$66,625. This is expected to be completed by December 31, 2017.
- The Company is purchasing a dump truck at a cost of \$100,000 which allows the Company to continue to install/replace water mains, replace/repair water service lines and repair main breaks more economically and expeditiously than using outside contractors. This minimizes water service interruption time due to improvements and repairs.
- The Company is purchasing a trailer mounted VAC system at a cost of \$70,000. This system will allow the Company to excavate around existing utilities and without the chance of damaging them. The system uses water and a vacuum to safely remove dirt from around the utility. This will eliminate customer service disruption due to a damage utility line, will provide a safer way for employees to excavate around utilities and will reduce the amount of time needed to complete a project.
- The Company will finalize Phase 2 and 3 of a system-wide security upgrade. The Company will invest \$256,000 in upgrades that includes fencing, door and hatch sensors, motion detection, and cameras. This provides for more secure facilities which increases the reliability of service to the customer.

- The Company is repainting the Marietta 1.0 million gallon finished water storage tank at a cost of \$290,000. This project will ensure that the water quality in the finished water storage tank remains at the highest quality for all the customers served by this tank.
- The Company is replacing old-age water main on Market Street in Marietta Borough in two locations. These two projects are expected to cost \$225,300 and will be completed by December 31, 2017. The replacement of this old-age main will provide improved water service and fire flows to the customers.

(CWC St. No. 1 at 15:11 – 17:23.)

10. With regard to the accounting aspect of the rate increase, Mr. Shambaugh testified that Columbia proposed and prepared all of the attachments and schedules using a future test year ended December 31, 2017, and a historical test year ended December 31, 2016. (CWC St. No. 2.) The Company proposed the use of a future test year because it will enable it to recover costs for large forecasted projects and increasing operating expenses without seeking recovery through multiple rate proceedings (which will increase rate case expense).

11. The Company's revenue requirement was developed by matching the revenues for the future test year with the operating expenses and rate base for such year. This will help provide the Company a reasonable opportunity to earn a fair rate of return. The Company's testimonies demonstrated that the expenses are reasonable and are justifiable. Additionally, Columbia's work papers were created in such a way that the other parties and the Commission were and are able to test their appropriateness and reasonableness.

12. Mr. Shambaugh's testimony demonstrated that under present rates, Columbia nor is unable to cover its operating expenses, costs of capital, and earn a reasonable return on its system investments. The Company's current rates do not reflect rising operational costs and capital investments in infrastructure which have been realized since Columbia's water rates were

last established.³ Columbia is requesting rate relief using a future test year for the twelve months ended December 31, 2017 so that it can continue to provide safe, reliable and efficient water and sewer utility services to its customers while earning a reasonable return for its investors.

13. Mr. Shambaugh's testimony and supporting documentation provided detailed support for net income changes to water revenue due to increased salaries and wages, pensions and other benefits costs, contractual services fees (engineering, accounting, legal, bank, testing), building rent, insurance premiums (vehicle, general liability, workman's compensation), and rate case costs. (CWC St. No. 2 at 6:17 – 9:23; GDS Exh. No. 1 at 1-14 through 1-19.) All of these reasonable costs are allowed to be recovered in rates.

14. Mr. Shambaugh further provided detailed support for the Company's changes to utility plant in service including accumulated depreciation, materials and supplies, cash working capital, net contributions in aid of construction, and accumulated deferred income taxes. (CWC St. No. 2 at 10:17 – 13:6.)

15. On October 20, 2017, the Company served the Rebuttal Testimony of David Lewis (CWC Statement No. 1R – Proprietary and Public Versions), comprising 22 pages of testimony and three exhibits (DTL Exhibits No. 1R, 2R and 3R), which addressed the Company's operations and performance and certain OCA and I&E adjustments. The Company also served the Rebuttal Testimony of Gary Shambaugh (CWC Statement No. 2R), comprising 40 pages of testimony and three exhibits (GDS Exhibits No. 1R, 2R and 3R), which presented the Company's response to the public advocate's adjustments to revenues, expenses, rate base, and tariff rate design. Also on October 20, 2017, the Company served the Rebuttal Testimony of Dylan

³ Rates were last established in 2005 for the former Marietta Water Division and in 2013 for the former Columbia Water Division.

D'Ascendis (CWC Statement No. 3R), comprising 61 pages of testimony and 15 schedules, which presented the Company's response to the public advocate's cost of common equity.

16. On November 1, the Company served the Rejoinder Testimony Outline of David Lewis, which consisted of six pages of points concerning the Company's rate base, operations and maintenance, and certain OCA and I&E adjustments; the Rejoinder Testimony Outline of Gary Shambaugh, which consisted of ten pages of points and an exhibit presenting the Company's further response to the public advocate's adjustments to revenues, expenses, rate base, and tariff rate design; and the Rejoinder Testimony Outline of Dylan D'Ascendis, which consisted of six pages of points and four exhibits presenting the Company's further response to the public advocate's testimony regarding the cost of common equity.

17. The foregoing testimonies, exhibits and rejoinder outlines, together with an errata sheet, were admitted into the record at hearing held on November 3, 2017.

18. As explained in the Joint Petition, the Settlement was achieved only after a comprehensive investigation by the Parties into the Company's request and an analysis of the filing (110 pages of explanation for the requested increase including detailed financial exhibits), discovery (thousands of pages of detailed information in response to hundreds of interrogatories and document requests from the public advocates regarding all aspects of the requested increase), and review of Columbia's testimony (226 pages of detailed testimony and rejoinder points and 228 pages of accompanying exhibits including financial information and workpapers that set forth in detail the components included in determining the appropriate level of revenue relief requested by Columbia).

19. In the Settlement, the parties did not agree to the Company's proposed full unitization or consolidation of the rates of the Company's Columbia and Marietta rate districts.

Such unitization or consolidation is a policy that this Commission promotes.⁴ Unitized rates would allow Columbia to spread capital costs over a larger base of customers, which ultimately benefits all customers and can protect customers from rate shock. In the long-term, unitized rates will strengthen Columbia and allow the customers to enjoy lower rates via fewer rate cases and lower rate case expense. While this Settlement does not permit full consolidation, it takes a reasonable step towards unitization of rates between Columbia's rate districts, and the Company may pursue further or complete movement to unity in a future rate filing or filings.

20. The Commission, as stated in its regulations, encourages settlements. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401. This Settlement reflects a carefully balanced compromise of the interests of Columbia, its customers, and the statutory advocates, and is in the public interest as explained in greater detail below and in the Joint Petition for Settlement. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

III. LEGAL PRINCIPLES

21. In deciding this or any other general rate increase case brought under Section 1308(d) of the Public Utility Code (Code), 66 Pa. C.S. § 1308(d), certain general principles always apply. A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Pub. Util. Comm'n v. Pennsylvania Gas and Water Co.* 341 A.2d 239, 251 (Pa. Cmwlth. 1975). The burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility in all proceedings filed under Section 1308(d) of the Code. The standard to be met by the public utility is set forth in Section 315(a) of the Code, 66 Pa. C.S. § 315(a), as follows:

⁴ *Superior Water Co., Inc.*, 2009 WL 2501938 at *12 (Pa. P.U.C. 2009) (“[F]or years the Commission’s policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect.”).

Reasonableness of rates. – In any proceeding upon the motion of the commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.

In reviewing Section 315(a) of the Code, the Pennsylvania Commonwealth Court interpreted a public utility's burden of proof in a rate proceeding as follows:

Section 315(a) of the Public Utility Code, 66 Pa.C.S. § 315(a), places the burden of proving the justness and reasonableness of a proposed rate hike squarely on the public utility.

Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n, 409 A.2d 505, 507 (Pa.Cmwlt. 1980) (emphasis added). *See also Brockway Glass Co. v. Pa. Pub. Util. Comm'n*, 437 A.2d 1067 (Pa.Cmwlt. 1981). In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C S Water and Sewer Assoc.*, 74 Pa.PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 60 Pa.PUC 1 (1985).

22. Additionally, Commission policy “encourage[s]” settlements. 52 Pa. Code §5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserves the resources of the Commission. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code §69.401. Many proceedings are expensive to litigate. Under longstanding Pennsylvania law,⁵ reasonable rate case expense is recovered 100% from customers in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of

⁵ *Butler Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 473 A.2d 219 (Pa. Cmwlt. 1984).

witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yields significant rate case expense savings for the company's customers. This is one reason why settlements are encouraged by long-standing Commission policy.

23. Columbia has met its burden in this case. The Settlement is in the public interest and sets rates which meet the just and reasonable legal standard in Chapter 13 of the Public Utility Code. As explained in detail above, the testimony of Columbia witness, Mr. Lewis, shows that the Company has spent significant time and funds in maintaining and investing in the Company's water system plant since its last rate case.

24. In addition, Columbia witness, Mr. Shambaugh, provided the accounting schedules that supported the original rate request in this proceeding and addressed how the Company developed the new consolidated rates that are necessary to recover the requested revenues. Mr. Shambaugh also explained the projections incorporated in the future test year developed by the company and explained their reasonableness. Mr. D'Ascendis explained the basis for the Company's requested rate of return. Mr. Shambaugh's and Mr. D'Ascendis's testimonies fully support the Company's original revenue request of \$923,668 and, as such, more than support the settlement revenue amount of \$635,000.

IV. SPECIFIC SETTLEMENT TERMS

25. The specific settlement terms are set forth in the Joint Petition for Settlement in ¶¶ 20-27, which are hereby incorporated by this reference.

26. The Settlement provides for rates designed to produce an annual increase in operating revenue of \$635,000 (12.4%) instead of the \$923,668 (17.8%) increase requested in the filing. (Joint Petition ¶ 20(a).) The \$635,000 annual increase, although less than that requested

by the Company, will enable the Company to cover its expenses and to continue to invest in facilities that will allow the Company to continue to provide a high quality of service and water to its customers, as well as respond to the ever-increasing demands of Pennsylvania Department of Environmental Protection regulation.

27. The monthly customer charge for a standard residential customer with a 5/8” meter for the Columbia Rate District is \$10.31 as compared to the filed rate request of \$10.59 and for a Marietta Rate District customer is \$8.20 as compared to the filed rate request of \$10.59. A comparison of an average monthly water bill of a residential customer under current rates, the rates initially proposed by the Company, and under the Settlement Rates is shown below:⁶

Columbia Rate District⁷

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$36.66	\$39.50	\$39.81

Marietta Rate District⁸

<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Settlement Rates</u>
\$23.33	\$39.50	\$28.14

28. While fully within its right to do so, in return for avoiding the additional costs associated with continued litigation of the issues in this rate case, the Company has agreed not to file another rate case under Section 1308(d) of the Public Utility Code, 66 Pa. C.S. §101 *et seq.*, prior to thirty-three (33) months from the entry date of the Commission’s final order approving this Settlement in full without revision. (Joint Petition ¶ 20(c).) Of course, if a legislative body, the judiciary, or an administrative agency, including the Commission, enacts or orders any

⁶ For the Columbia Rate District, these monthly bill amounts include the PennVest surcharge for a customer with a 5/8” meter.

⁷ Based on 3,000 gallons per month.

⁸ Based on 3,000 gallons per month.

fundamental changes in policy or statutes that directly and substantially affect the Company's cost of service, the Settlement shall not prevent the Company from filing a tariff or tariff supplement to the extent necessitated by such action. (*Id.*) In addition, this provision shall not preclude the Company from seeking extraordinary rate relief under Section 1308(e) of the Public Utility Code, 66 Pa, C.S. § 1308(e). (*Id.*)

29. Columbia will do annual reporting regarding the Company's present isolation valve exercising which includes critical valve exercising per the Commission's 2014 Management Audit at Docket No. D-2014-2405415. This reporting requirement terminates when the Company's next general rate case is decided by final Commission order. (Joint Petition ¶ 20(f).)

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

30. The Settlement establishes rates which are just and reasonable. These rates economically benefit the Company's customers by setting lower rates than originally requested. The Settlement also benefits customers because it provides the Company with additional revenues which will allow it to continue to provide a high quality of service. The Settlement further benefits ratepayers by reducing the Company's rate case costs.⁹

31. This Settlement is in the public interest also because it represents an initial step toward consolidation or unitization of rates between the Columbia and Marietta Rate Districts. Consolidation or unitization of rates between a water company's divisions is a concept that is favored by the Commission.¹⁰ Rates have started moving toward consolidation in this case. The

⁹ Rate case costs permitted by the Commission are borne by ratepayers of the Company.

¹⁰ *Superior Water Co., Inc.*, 2009 WL 2501938 at *12 (Pa. P.U.C. 2009) (“[F]or years the Commission’s policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect.”)

Company may seek the remaining movement towards consolidation of rates in any subsequent rate case; however, I&E and OCA reserve the right to challenge any such proposed rates.

32. Customers also benefit by the Company's waiving its right to file for a standard general rate increase prior to thirty-three (33) months from the entry date of the Commission's final order approving this Settlement in full without revision. (Joint Petition at ¶20(c))

33. The Settlement also resolves the positions taken by the OCA and the Company regarding isolation valve exercising in a manner consistent with the last Commission management audit.

34. The Settlement is also in the public interest because it amicably and expeditiously resolves a number of important and potentially contentious issues which would have been very expensive and time-consuming to litigate before this Commission, and likely would have spawned expensive and time-consuming appeals. This Settlement represents a mutually acceptable and reasonable compromise, and upon adoption it will conserve the time, effort and rate case expense of all parties, as well as those of the Commission, the Presiding Officer and the Company's customers.

35. The Parties arrived at the Settlement terms after extensive review of discovery by the statutory advocates, a tour of Columbia's facilities, and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement, including its terms and conditions and just and reasonable rates, is consistent with the Commission's rules, practices and procedures encouraging negotiated settlements and is therefore in the public interest. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401.

36. Significantly, three of the signatories, I&E, OCA and OSBA, are charged with specific legal obligations to scrutinize carefully all aspects of a utility's request to increase rates. I&E functions as an independent prosecutorial bureau within the Commission and, as such, is charged with representing the public interest in utility rate proceedings.¹¹ The OCA has a statutory obligation to protect the interests of consumers of public utility service.¹² The OSBA is similarly authorized and directed by statute to represent the interests of small business consumers of utilities services.¹³ As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have discharged their statutory obligations. Their joining in, and fully supporting the Settlement, is strong evidence that the Settlement's rates, terms and conditions are just, reasonable and in the public interest.

37. The Settlement is also presented without admission or prejudice to any position any party, including Columbia, may take in any subsequent or different proceeding.

¹¹ See *Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Dkt. No. M-2008-2071852 (Final Order entered August 11, 2011), p.5 ("BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters...").

¹² See 71 Pa. C.S. §§ 309-1 *et seq.*

¹³ See 73 P.S. §§ 399.41 – 399.50.

38. For all of these reasons, and those stated in the Joint Petition, the Columbia Water Company believes that the Settlement is in the public interest and requests that the Presiding Administrative Law Judges and the Commission so find and approve the Settlement and the just and reasonable rates contained in the proposed settlement tariff supplement (**Appendix “A”** to the Joint Petition), without modification.

Respectfully submitted,



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Counsel for The Columbia Water Company

Dated: December 12, 2017

APPENDIX D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2017-2598203
	:	
The Columbia Water Company	:	
Base Rates	:	

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

**TO: ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS
AND ANDREW M. CALVELLI:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutors, Scott B. Granger and Erika L. McLain, hereby respectfully submit that the terms and conditions of the foregoing Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of The Columbia Water Company. (“Columbia” or “Company”), its customers, and the Parties.

I&E requests approval of the Joint Petition based on I&E’s determination that the Settlement 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 As a product of negotiation and compromise between multiple parties, this Joint Petition reflects concessions from Columbia’s original rate request. Accordingly, I&E believes that the terms and conditions of the Joint Petition are in the public interest; and, in support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape on Public Utilities

A business may acquire “public utility status” when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure (e.g., in Columbia’s case, mains, valves pumps, treatment facilities, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural monopoly as the sole service provider in the extended geographic service territory.⁴ In order to protect consumers, the public utility’s rates and services are regulated.⁵ Price regulation strives to replicate the results of effective competition.⁶

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).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961), at 3-14; 66 Pa. C.S. § 102.

⁴ *See id.*; 66 Pa. C.S. § 102 “Public utility.”

⁵ *See id.*; 66 Pa. C.S §§ 1301, 1501.

⁶ *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁷ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereof.⁸

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.⁹ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters, and to enforce compliance with the Public Utility Code.¹⁰ By representing the public interest in rate proceedings before the Commission, I&E works to balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹¹

C. History of the Proceeding

1. On June 27, 2017, The Columbia Water Company filed Supplement No. 86 To Tariff – Water Pa. P.U.C. No. 7 (“Supplement 86”) to become effective August 29, 2017. Supplement 86 proposed to increase Columbia's total annual operating revenues

⁷ *City of Lancaster v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see Hope*, 320 U.S. at 602-603.

⁸ 66 Pa. C.S. § 1501.

⁹ Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(11); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

¹⁰ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

¹¹ *See* 66 Pa. C.S. §§ 1301, 1304.

by approximately \$923,668 or 17.8% above the level of pro forma revenues for the future test year ending December 31, 2017.¹² The overarching objective of Supplement 86 is to consolidate the tariffs for Columbia’s two divisions; (1) Columbia Division and (2) Marietta Division; into one consolidated tariff.¹³

2. I&E filed its Notice of Appearance on July 17, 2017.

3. The Office of Consumer Advocate (“OCA”) filed its Notice of Appearance and Formal Complaint on July 19, 2017.

4. The Office of Small Business Advocate (“OSBA”) also filed its Notice of Appearance and Complaint on July 19, 2017.

5. The parties actively¹⁴ participating in this proceeding include I&E, the Company, OCA, and the OSBA, (collectively, the “Joint Petitioners” or “Parties”).

6. On August 3, 2017, the Commission entered an order suspending the implementation of Supplement 86 by operation of law until March 29, 2018, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement 86. Further, the matter was assigned to the Office of Administrative Law Judge (“OALJ”) to schedule such hearings as necessary to develop a record in this proceeding.

7. A telephonic Prehearing Conference was held on Friday, August 25, 2017, at 2:00 p.m., before Administrative Law Judge Joel H. Cheskis (“ALJ Cheskis”) and Administrative Law Judge Andrew M. Calvelli (“ALJ Calvelli”) (the “ALJs”).

¹² See Supporting Data for Supplement No. 86, 52 Pa. Code § 53.52, Sect 1.

¹³ CWC St. No. 1, pp. 2, 8-9. See also CWC St. No. 2, p. 6; GDS Ex. No. 1, Supp. Sch. No. 11.

¹⁴ Additionally, four Columbia ratepayers identified in the Joint Petition, ¶ 2, filed formal complaints.

8. Two public input hearings were held on September 27, 2017, the first at 2:00 pm and the second at 6:00 pm, in the Marietta Borough Hall, Marietta, Pennsylvania.

9. All parties undertook comprehensive discovery in this proceeding. I&E commenced discovery within the first weeks after the filing was made and continued to conduct discovery throughout the litigation process.

10. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following 6 pieces of testimony and accompanying 4 exhibits from 3 I&E witnesses addressing issues including, but not limited to, overall revenue requirement, rate of return, return on equity, operating and maintenance expenses, cash working capital, rate case expense, rate base, annual depreciation expense, present rate revenue, pro forma revenues, customer charges, PENNVEST surcharges, rate structure, and rate design:

I&E Statement No. 1 and I&E Exhibit No. 1 - the Direct Testimony of I&E witness Brenton Grab;

I&E Statement No. 2 and I&E Exhibit No. 2 - the Direct Testimony of I&E witness Rachel Maurer;

I&E Statement No. 3 and I&E Exhibit No. 3 - the Direct Testimony of I&E witness Jeremy B. Hubert;

I&E Statement No. 1-SR - the Surrebuttal Testimony of I&E witness Breton Grab;

I&E Statement No. 2-SR - Surrebuttal Testimony of I&E witness Rachel Maurer;
and,

I&E Statement No. 3-SR and I&E Exhibit No. 3-SR - the Surrebuttal Testimony of I&E witness Jeremy B. Hubert.

11. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Company and other Joint Petitioners.

12. Following extensive settlement negotiations, the Joint Petitioners reached a full settlement of all the issues as set forth in detail in the Joint Petition.

13. An evidentiary hearing was held on November 3, 2017 at which time the Parties moved their pre-served testimonies and exhibits into the record sans cross examination.

II. STANDARD FOR APPROVAL OF SETTLEMENT

14. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Resolution of any proceeding by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty. The very nature of a settlement requires a review and discussion of all issues raised in the Parties' testimony and a negotiated compromise on the part of all Parties. It is the negotiated compromise on the part of all the Parties that must ultimately be found to be in the public interest.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. GENERAL:

15. I&E submits that this Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

Accordingly, based upon I&E's analysis of Columbia's base rate filing; the testimonies and exhibits served by the Joint Petitioners; the specific reasons articulated below; and, to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by the ALJ and approved by the Commission in its entirety and without modification.

B. REVENUE REQUIREMENT (Joint Petition ¶ 20):

1. "Black Box" Revenue Increase (Joint Petition ¶¶ 19-20(a)).

In the settlement, the Joint Petitioners agree that Columbia will be permitted to submit a revised tariff supplement designed to produce an annual distribution rate revenue increase of \$635,000 (or 12.4%) to become effective for service rendered after entry of the final Commission Order on one day's notice. The increase in annual distribution rate revenue is in lieu of the as filed net increase of approximately \$923,668 (or 17.8%). The Joint Petitioners also agree that the Settlement as to revenue requirement shall be a "black box" settlement, except for the items identified in the Joint Petition and discussed *infra*.

I&E fully supports the negotiated level of overall distribution rate revenue increase as compared to Columbia's original proposal. While the overall revenue

requirement is a “black box” compromise, the overall revenue levels are within the levels advanced on the evidentiary record and reflect a full compromise of all revenue-related issues raised by the Parties. I&E’s discussion of the issues and recommendations were set forth in I&E’s extensive direct, and surrebuttal testimony.¹⁵ And, as a “black box” settlement, unless specifically addressed below, the Settlement does not reflect agreement upon individual issues.

C. RATE STRUCTURE / RATE DESIGN (Joint Petition ¶ 20(b)):

In the Settlement, the Joint Petitioners agreed the Company submit a revised tariff based on the rate structure set forth in Appendix A attached to the Joint Petition.

As stated *supra*, the overarching objective of Supplement 86 is to consolidate Columbia’s two divisions (Columbia Division and Marietta Division) into one rate structure.¹⁶ As explained by I&E witness Hubert, currently the Company’s tariff has two divisions, the Columbia Division and the Marietta Division.¹⁷ The two divisions have different customer charges for each meter size.¹⁸ Both divisions use declining block rates, but utilize different usage blocks (Columbia uses three blocks and Marietta uses four blocks) and rates.¹⁹ Additionally, the Columbia Division tariff currently includes both a Distribution System Improvement Charge (“DSIC”) and a PENNVEST surcharge.²⁰

¹⁵ See I&E pre-served testimony identified in paragraph 10 *supra*.

¹⁶ CWC St. No. 2, p. 6, *citing* CWC St. No. 2, Sect. 2, Sch. 11, pp. 1-3.

¹⁷ I&E St. No. 3, p. 15.

¹⁸ *Id.* See also I&E Ex. No. 3, Sch. 9.

¹⁹ *Id.*

²⁰ *Id.*

1. Customers Charges (Joint Petition ¶ 29).

Focusing on the 5/8 Meter Size customer class, Columbia proposed to increase the customer charge for the Columbia Division 5/8 Meter Size class from \$9.35/month to \$10.59/month (an increase of 12.3%).²¹ And, Columbia proposed to increase the customer charge for the Marietta Division 5/8 Meter Size class from \$6.80/month to \$10.59/month (an increase of 55.7%).²² The net result would move all 5/8 Meter Size customers to the \$10.59/month customer charge.²³

I&E witness Hubert opined that while a full consolidation of rates may be appropriate in the future, a full rate consolidation is not supported by the Company's filing in this proceeding.²⁴ I&E is concerned that the Company's proposed customer charges will have a disparate and extreme impact on the Marietta Division customers.²⁵ Instead, Mr. Hubert recommended an alternative rate design with alternative proposed customer charges.²⁶ Mr. Hubert recommended the Columbia customer charge only be increased to \$10.50/month (an increase of 12.3%);²⁷ and, the Marietta customer charge only be increased to the same \$10.50/month (an increase of 54.4%)²⁸ which is still a significant increase to the Marietta customers.

²¹ I&E St. No. 3, pp. 15-15, *citing* I&E Ex. No. 3, Sch. 9.

²² *Id.*

²³ CWC St. No. 2, Sect. 2, Sch. 11, pp. 1-3.

²⁴ I&E St. No. 3, pp. 19-20; I&E St. No. 3-SR, p. 12.

²⁵ *Id.*

²⁶ I&E St. No. 3, p. 20, *citing* I&E Ex. No. 3, Sch. 9, cols. F, G, M and N.

²⁷ I&E Ex. No. 3, Sch. 9, col. F; I&E Ex. No. 3-SR, Sch. 6, col. F.

²⁸ I&E Ex. No. 3, Sch. 9, col. M; I&E Ex. No. 3-SR, Sch. 6, col. M.

OCA witness Ashley Everette also recommended that the Company's proposal to consolidate rates not be approved in this proceeding.²⁹ Ms. Everette reasoned that consolidation is not advisable, at this time, because the, Company did not submit a Cost of Service Study in this case, and therefore, the Company has not presented evidence to show that the consolidation of rates is appropriate or fair to either division.³⁰ Ms. Everette added that the Company's proposed increase to the Marietta Division customers to bring them immediately to the same rates as the Columbia Division would violate the important rate making principles of gradualism and fairness.³¹ Ms. Everette concluded by recommending that any increase in revenue approved by the Commission be applied across-the-board on an equal percentage basis to the existing customers of Columbia and Marietta, maintaining the existing rate structure.³² Therefore, any percentage increase in one division's customer charge would be mirrored with the same percentage increase in the other division's customer charge.³³

Ultimately the Parties negotiated the agreed to the customer charges as set forth in Appendix A attached to the Joint Petition. And, in consideration of all the above, I&E fully supports the settled upon customer charges as a full and fair compromise that provides stability to Columbia and provides all parties protection from volatility; all of which is in the public interest. The settled upon customer charges are within the levels

²⁹ OCA St. 1, p. 38.

³⁰ OCA St. 1, p. 38.

³¹ *Id.*

³² OCA St. 1, p. 39; OCA St. 1S, p. 48.

³³ OCA St. 1S, p. 42.

advanced on the evidentiary record and reflect a full compromise of the concerns raised by the parties.

2. Usage Block Rates / Output Charges.

Again, consistent with its overarching objective of rate consolidation, the Company proposed to allocate the requested revenue increase on an “across-the-board” basis to all Columbia customers.³⁴ Currently the Columbia Division and the Marietta Division both utilize declining block rates for usage charges but the divisions have different usage blocks and different rates for each usage block.³⁵ To achieve the desired result of consolidation, Columbia proposed to apply the Columbia Division Tariff to the customers of the Marietta Division thereby moving all Company customers to the existing Columbia Division Tariff.³⁶ This proposed consolidation includes converting the existing Marietta declining usage blocks and associated rates to the existing Columbia declining usage blocks and rates.³⁷

I&E fixed utility valuation engineer Jeremy Hubert expressed his concerns regarding the Company’s proposed “across-the-board” application of the requested rate increase.³⁸ More specifically, I&E expressed concerns regarding the effect the proposed conversion of the existing Marietta declining usage blocks and rates over to the Columbia declining usage blocks and rates would have on the Marietta customers.³⁹ Mr. Hubert

³⁴ CWC St. No. 2, p. 14. *See also* CWC St. No. 2, Supporting Sch. No. 11, pp. 1-3.

³⁵ I&E St. No. 3, pp. 15-16. *See also* I&E Ex. No. 3, Sch. 8, cols. B and I.

³⁶ CWC St. No. 2, pp. 14-15. *See also* CWC St. No. 2, Supporting Sch. No. 11, pp. 1-3.

³⁷ *Id.*

³⁸ I&E St. No. 3, pp. 15-20.

³⁹ I&E St. No. 3, pp. 16-19.

calculated that the proposed usage block consolidation at proposed rates would cause the total bill for the typical Marietta Division residential customer to increase from \$23.33 to \$39.51 per month for an increase of 69.3%;⁴⁰ the total bill for Marietta Division typical commercial and industrial customer would increase from \$14.15 to \$24.86 per month for an increase of 75.5%;⁴¹ and the total bill for the Marietta Division typical public customer would increase from \$61.75 to \$147.76 per month for an increase of 139.3%.⁴²

In consideration of I&E's concerns regarding the impact Columbia's "across-the-board" proposed rate structure would have on the Marietta Division customers, I&E witness Hubert recommended an alternative rate structure for the declining usage block rates.⁴³ Mr. Hubert's rate design consists of a partial consolidation of rates with the goal of avoiding the worst of the substantial rate impacts that would be caused by attempting to consolidate the rates all at once, while moving toward the possibility of a future consolidated rate structure.⁴⁴ Mr. Hubert's rate design maintains the current separate usage declining blocks and rates for each division.⁴⁵ Mr. Hubert made slight modifications to I&E's proposed rate structure after considering the Parties rebuttal testimony, but nevertheless, continued to maintain the current separate usage declining blocks and rates for the Columbia Division and the Marietta Division.⁴⁶

⁴⁰ I&E St. No. 3, p. 19, *citing* I&E Ex. No. 3, Sch. 12, col. L, ln. 6.

⁴¹ *Id.* at p. 19, *citing* I&E Ex. No. 3, Sch. 12, col. L, ln. 3.

⁴² *Id.* at p. 19, *citing* I&E Ex. No. 3, Sch. 13, col. L, ln. 3.

⁴³ I&E St. No. 3, pp. 19-26.

⁴⁴ I&E St. No. 3, p. 20.

⁴⁵ *Id.*, *citing* I&E Ex. No. 3, Sch.9, cols. F, G, M and N.

⁴⁶ I&E St. No. 3-SR, pp. 11-17. *See also* I&E Ex. No. 3-SR, Sch. 6, cols F, G, M and N.

The OCA also expressed its concerns regarding the Company's proposed consolidated rate structure.⁴⁷ OCA witness Ashley Everette warned that the Company's proposed consolidated rate structure would constitute rate shock for the Marietta Division customers primarily due to the proposed consolidated usage rate block structure.⁴⁸ Ultimately the OCA advised that if the Company wishes to consolidate the rates for its two divisions, the Company should be ordered to first provide a cost-of-service study so that movement toward consolidation can be addressed with proper information in hand.⁴⁹

Ultimately the Parties negotiated and agreed to the usage blocks and output charges as set forth in Appendix A. And, in consideration of all the above, I&E fully supports the settled upon output charges as a full and fair compromise that provides stability to Columbia and provides all parties protection from volatility; all of which is in the public interest. The settled upon usage blocks and output charges are within the levels advanced on the evidentiary record and reflect a full compromise of the concerns raised by the parties.

3. PENNVEST Loan 80180 Surcharge - Columbia Division Plant (Joint Petition 20(a)).

In the Settlement, the Joint Petitioners agree the PENNVEST surcharge currently applied to the Columbia Division customers only would continue to be applied to the Columbia Division customers only, and would not also be proportionately applied to the Marietta Division customers.

⁴⁷ OCA St. 1, pp. 30-39.

⁴⁸ OCA St. 1, p. 31.

⁴⁹ OCA St. 1, pp. 38-39. OCA St. 1S, pp. 42-43.

The Company has proposed, as part of its proposed across-the-board consolidation of rates, to begin merging a PENNVEST surcharge from only the Columbia Division customers to both the Columbia Division and the Marietta Division customers.⁵⁰

I&E witness Hubert recommended that the PENNVEST surcharge related to PENNVEST loan 80180 continue to be applied to only the Columbia Division customers and not the Marietta Division customers.⁵¹ Mr. Hubert reminds us that Columbia stated in its September 30, 2014 Notice of Proposed Rate Changes at Docket No. R-2014-2445660, “[b]ecause the new PennVest facilities will only serve the customers of the Columbia Division, Company customers located in the Marietta Division ... will not be impacted by the proposed surcharge.”⁵² Further, the application of the PENNVEST surcharge to Marietta customers, as proposed, would result in a large increase in the average Marietta customer’s bill.⁵³ Ultimately I&E recommended that a flat monthly surcharge of \$7.92 should be uniformly applied to all classes of customers in the Columbia Division only, excluding public fire protection customers, based on the number of assigned equivalent dwelling units (“EDUs”).⁵⁴

The OCA also recommended that the Columbia Division surcharge continue to be paid by customers of the Columbia Division only.⁵⁵ The OCA noted that the Columbia Division PENNVEST surcharge is to pay the debt service on a loan that was incurred to

⁵⁰ CWC St. No. 3, pp. 14-15. *See also* CWC St. No. 3, GDS Ex. No. 1, Supp. Sch. No. 12, pp. 1-10.

⁵¹ I&E St. No. 3, pp. 20-22.

⁵² I&E St. No. 3, p. 21, *citing* I&E Ex. No. 3, Sch. 15. *See also* Order, Entered December 4, 2014, Docket No. R-2014-2445660.

⁵³ *Id.*

⁵⁴ I&E St. No. 3, p. 21, *citing* I&E Ex. No. 3, Sch. 20.

⁵⁵ OCA St. 1, p. 37.

pay for Columbia Division plant.⁵⁶ Ms. Everette also reminded us that the payment on this PENNVEST loan commenced in 2015 and on July 30, 2015, following a Settlement with the OCA and I&E, the Company received approval for a principal and interest surcharge for the Columbia Division only.⁵⁷ The surcharge for this PENNVEST loan is referred to as PENNVEST loan 80180 in Columbia's tariff⁵⁸ and no surcharge for this PENNVEST loan was ever charged to the Marietta Division customers.⁵⁹ Ms. Everette argues that the Company provided no testimony or evidence to support its proposal to begin charging a portion of the Columbia Division PENNVEST surcharge to Marietta Division customers as well.⁶⁰ Ms. Everette recommended that the Columbia Division PENNVEST surcharge continue to be paid by the Columbia Division customers only because the Columbia Division PENNVEST surcharge is to pay the debt service on a loan that was incurred to pay for Columbia Division plant and it would be unjust to have Marietta Division customers pay for plant used by the Columbia Division.⁶¹

Ultimately the Parties agreed that the PENNVEST surcharge currently applied to the Columbia Division customers only, would continue to be applied to the Columbia Division customers only. I&E, in consideration of all the above, fully supports the negotiated treatment of the Columbia Division PENNVEST surcharge as set forth in the Joint Petition. The final negotiated treatment of the PENNVEST surcharge is within the

⁵⁶

Id.

⁵⁷

OCA St. 1, p. 36. *See* Docket No. R-2014-2445660.

⁵⁸

Id. *See also* Columbia Water Company, Supp. 86 to Tariff – Water Pa. P.U.C. No. 7, Sixth Rev. Pg. No. 5.

⁵⁹

Id.

⁶⁰

OCA St. 1, p. 37.

⁶¹

Id.

positions advanced on the evidentiary record and reflects a full and fair compromise of all concerns and issues raised by the Parties. I&E believes the treatment of the Columbia Division PENNVEST surcharge maintains the proper balance of the interests of all Parties and is in the public interest.

D. Cost of Service Study (Joint Petition ¶ 20(b)).

In the Settlement, the Joint Petitioners agree that the Company will file a cost of service study in the next general rate case if the Company proposes full consolidation of its Marietta Division and Columbia Division rates. The Company may seek consolidation of rates in any subsequent rate case; however, I&E, OCA, and OSBA reserve the right to challenge any such proposed rates.

OCA raised this issue in direct testimony stating that the Company's request for consolidation of rates among Columbia and Marietta customers should not be approved because Columbia did not submit a cost of service study in this case and therefore, did not present information necessary to show that the consolidation of rates is appropriate or fair for either division.⁶² The Company responded and pointed out that the Commission's rules do not require cost of service studies for rate increases of less than \$1 million.⁶³ Company witness Gary Shambaugh also pointed out that it has been his experience that consolidations of customers rates and "across the board" rate increases have been approved by the Commission in the past without the use of cost of service studies.⁶⁴

⁶² OCA St. 1, pp. 38-39, 41. *See generally* OCA St. 1, pp. 30-39.

⁶³ CWC St. No. 2R, p. 35.

⁶⁴ *Id.*

Nevertheless, in the settlement, the Company agreed to provide a cost of service study in its next general base rate proceeding if it is proposing a full consolidation of rates.

I&E did not raise this issue in testimony. Nevertheless, I&E supports the Parties' agreement with the OCA's request for a cost of service study if the Company proposes a full consolidation of rates in the future. I&E believes this agreement with the OCA's request is reasonable; maintains the proper balance of the interests of the Company's ratepayers and the Parties; and, is in the public interest.

E. Stay-Out Provision (Joint Petition ¶ 20(c)).

In the Settlement, the Joint Petitioners agree that the Company will agree to a 33-month stay-out for filing its next request for a base rate increase from the entry date of the Commission's Final Order. Even though no party raised this issue in the evidentiary record, OCA raised this issue during Settlement negotiations and the Company agreed to a 33-month stay-out as defined in the Joint Petition.

I&E did not raise this issue in testimony, nor did I&E raise this issue in Settlement negotiations; nevertheless, I&E supports the Company's acquiescence to the OCA's request for a stay-out. I&E believes the Company's acquiescence to the OCA's request is reasonable; maintains the proper balance of the interests of the Company's ratepayers and the Parties; and, is in the public interest.

F. PENNVEST Financed Marietta Division Plant (Joint Petition ¶ 20(d)).

In the Settlement, the Joint Petitioners agree that the Settlement is not premised upon inclusion of the PENNVEST financed plant, purchased and installed by the former

Marietta Gravity Water Company (“MGWC”) and recovered through the Marietta PENNVEST surcharge, in rate base.

The Company proposed to include the plant associated with the Marietta Division PENNVEST surcharge in its rate base claim in this proceeding.⁶⁵ OCA argues that this inclusion of the Marietta PENNVEST-financed plant in the Company’s rate base is not consistent with the recovery of PENNVEST-financed plant that has already been recovered through a principal and interest surcharge.⁶⁶

To provide context, the Marietta Gravity Water Company (prior to being purchased by Columbia) secured two loans, a PENNVEST loan and a Co-Bank loan,⁶⁷ to purchase and install water mains and valves, fire hydrants, treatment equipment, piping equipment, and a storage tank.⁶⁸ A surcharge for repayment of the PENNVEST and Co-Bank loans was applied to the MGWC customers. The loans were subsumed by Columbia when Columbia purchased MGWC.⁶⁹ The surcharge was continued after the acquisition but remained isolated and applied only to the Marietta Division customers.⁷⁰ The MGWC PENNVEST loan was repaid in full in May 2015 and the Co-Bank loan was repaid in full in February 2016.⁷¹ Columbia filed to decrease rates for the Marietta Division to reflect the removal of the surcharge, effective March 11, 2016.⁷² Now fast

⁶⁵ OCA St. 1, p. 11. *citing* CWC St. No. 2, GDS Ex. No. 1, Supp. Sch. No. 6, pp. 4-8.

⁶⁶ OCA St. 1, pp. 11-20.

⁶⁷ OCA St. 1, pp. 10, 19.

⁶⁸ OCA St. 1, p. 19. *citing* OCA St. 1, Att. 9, *Original Cost Evaluation for Marietta Gravity Water Company*, June 18, 2003. App. B. Original Cost Opinion.

⁶⁹ OCA St. 1, p. 10.

⁷⁰ *Id.*

⁷¹ *Id.*, pp. 10-11.

⁷² *Id.*, p. 11. *citing* Docket No. R-2016-2525128.

forward to the instant proceeding and Columbia's proposal to now include this plant in its rate base.

The OCA, to bolster its argument that the as filed proposed inclusion of the plant financed by the original MGWC PENNVEST loan in the Company's rate base is not proper, proffered a comprehensive review of the Commission's policy regarding the recovery of PENNVEST funded plant.⁷³ Ms. Everette accurately portrays the Commission's PENNVEST policy stated in the Pennsylvania Code.⁷⁴ Ms. Everette notes in the case of the Marietta PENNVEST financed plant, the utility chose a principal and interest surcharge that was collected from Marietta customers over the 20-year term of the PENNVEST loan.⁷⁵ The Company was fully compensated for the debt, and now that the loan is repaid, the Company has fulfilled its obligation to PENNVEST.⁷⁶ Ms. Everette correctly concludes, if the Company were allowed to now claim the PENNVEST financed plant in rate base, it would result in ratepayers providing a "return of" and now a "return on" plant that Marietta customers already paid for through the utility elected surcharge.⁷⁷

Ultimately the Parties agreed that the Settlement is not premised upon inclusion of the PENNVEST financed plant by the former MGWC, and recovered through the PENNVEST surcharge, in rate base. Even though I&E did not submit testimony regarding this issue, I&E, in consideration of all the record evidence submitted by the

⁷³ OCA St. I, pp. 12-18.

⁷⁴ OCA St. I, p. 12, *quoting* 52 Pa. Code § 69.361.

⁷⁵ OCA St. I, p. 16.

⁷⁶ *Id.*

⁷⁷ *Id.*

parties, fully supports the negotiated treatment of the PENNVEST financed Marietta plant as set forth in the Joint Petition. The final negotiated treatment of the PENNVEST financed Marietta plant is within the positions advanced on the evidentiary record and reflects a full and fair compromise of all concerns and issues raised by the Parties. I&E believes the treatment of the PENNVEST financed Marietta plant maintains the proper balance of the interests of all Parties and is in the public interest.

**G. Marietta and Mountville Acquisition Franchises
(Joint Petition ¶ 20(e)).**

In the Settlement, the Joint Petitioners agree that the Company will not make a claim in any future proceeding to recover the costs claimed in this case as Franchises related to the acquisition of the Marietta and Mountville facilities.

In its filing, the Company proposed to add a claim for \$349,361 for “Franchises” (\$225,582 related to Marietta and \$123,779 related to Mountville) to the Company’s rate base.⁷⁸ The Company claims the acquisition costs for the Marietta water system (valuation, consulting, legal and related expenses) and the acquisition costs for the Mountville water system were amortized for book purposes but were never recovered through customers’ rates.⁷⁹ The Company claims further the costs of acquiring both going concerns should have been capitalized for rate making purposes as Franchise and Consents.⁸⁰

⁷⁸ CWC St. No. 2, p. 19. *See also* OCA St. 1, p. 3.

⁷⁹ *Id.*

⁸⁰ *Id.*

OCA witness Everette, however, argues that the costs Columbia is claiming in its Account 302 - Franchises are instead transaction costs related to the acquisitions of the water systems, not Franchises.⁸¹ Ms. Everette notes the costs incurred by Columbia that it is claiming here are part of the total costs of the acquisition of the water systems.⁸² Which means that the costs would be included in rate base if the Columbia is eligible for a Section 1327 acquisition adjustment.⁸³ However, Ms. Everette argues the Marietta acquisition does not meet the criteria for a Section 1327 acquisition adjustment. In fact, Ms. Everette argues that no information was presented by Columbia to suggest that either system was non-viable in the absence of acquisition.⁸⁴ Further, OCA argues, Columbia did not address any of the other criteria to attempt to demonstrate that it would qualify for a Section 1327 acquisition adjustment and the claimed costs are therefore incorrectly categorized as Franchises by Columbia and should be denied.⁸⁵

Ultimately the Parties agreed that the Company will not make a claim in any future proceeding to recover the costs claimed in this case as Franchises related to the acquisition of the Marietta and Mountville facilities. Even though I&E did not submit testimony regarding this issue, I&E, in consideration of all the record evidence submitted by the Parties,⁸⁶ fully supports the negotiated treatment of the Marietta and Mountville acquisition costs as set forth in the Joint Petition. The final negotiated treatment of the

⁸¹ OCA St. 1, pp. 8-9, *quoting* Uniform System of Accounts, Class A Water Utilities, Account 302 - Franchises.

⁸² OCA St. 1, p. 9.

⁸³ *Id.*, *citing* 66 Pa. C.S. § 1327. Acquisition of water and sewer utilities.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *See* OCA St. 1, pp. 3-9.

Marietta and Mountville acquisition costs is within the positions advanced on the evidentiary record and reflects a full and fair compromise of all concerns and issues raised by the Parties. I&E believes the treatment of the Marietta and Mountville acquisition costs maintains the proper balance of the interests of all Parties and is in the public interest.

H. Annual Reporting – Valve Exercising (Joint Petition ¶ 20(f)).

In the Settlement, the Joint Petitioners agree that the Company will do annual reporting regarding the Company's present isolation valve exercising which includes critical valve exercising per the Commission's 2014 Management Audit at Docket No. D-2014-2405415. This reporting requirement will terminate upon the date of the Commission's final order in the Company's next general rate case.

OCA witness Terry Fought raised this issue in his direct testimony noting The National Environmental Services at West Virginia University recommends exercising isolation valves annually, if possible, or at least once every two years.⁸⁷ Mr. Fought discussed the importance of exercising the isolation valves and highlighted that the Company had only exercised 120 of its total of 2440 isolation valves over the last 3 years.⁸⁸ In response, the Company stated that it complies with all standard operating procedure guidelines with respect to exercising its isolation valves and has experienced no problems with these valves working properly.⁸⁹ The Company also noted that in prior Management Audits performed by the Commission it identified 107 critical valves and all

⁸⁷ OCA St. 3, p. 5.

⁸⁸ OCA St. 3, pp. 4-8.

⁸⁹ CWC St. No. 1R, p. 17. *See generally* CWC St. No. 1R, pp. 19-21.

107 critical valves are exercised on a three year cycle as recommended by the Commission.⁹⁰ Further, the cost to exercise the Company's 2,815 isolation valves every one to two years is cost prohibitive in the extreme.⁹¹ Nevertheless, in the Settlement, the Company agreed to do annual reporting regarding the Company's present isolation valve exercising which includes critical valve exercising per the Commission's 2014 Management Audit at Docket No. D-2014-2405415.

I&E did not raise this issue in testimony. Nevertheless, I&E supports the Parties compromise regarding the OCA's request for the annual reporting. I&E believes the Parties compromise regarding the OCA's request is reasonable; maintains the proper balance of the interests of the Company's ratepayers and the Parties; and, is in the public interest.

IV. CONCLUSION

16. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of

⁹⁰ *Id.* at p. 18.

⁹¹ *Id.* at pp. 17-20.

the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

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

18. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

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

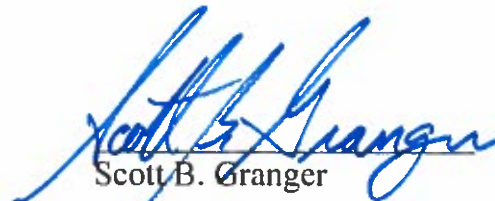
20. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event

the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

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

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli recommend, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement.

Respectfully Submitted,



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Dated: December 12, 2017

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i> v. The Columbia Water Company	: : : : : : : : : :	Docket No. R-2017-2598203 C-2017-2614724 C-2017-2614985 C-2017-2615248 C-2017-2620842 C-2017-2622123 C-2017-2623109
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**STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT
PETITION FOR SETTLEMENT**

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Full Settlement of Rate Proceeding (Joint Petition or Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli (ALJs Cheskis and Calvelli) and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the customers of Columbia Water Company (Columbia Water or the Company).

I. INTRODUCTION

Columbia Water serves approximately 10,223 customers (9,537 residential) in the Townships of West Hempfield, Rapho, East Donegal, and Manor and the Boroughs of Columbia, Mountville, and Marietta in Lancaster County and Hellam Township in York County. On June 27, 2017, Columbia Water filed Supplement No. 86 to Tariff Water - Pa. P.U.C. No. 7 with the

Commission, to become effective August 29, 2017. The Company, by filing this tariff supplement, sought to recover an estimated annual increase in base rate revenues of \$923,668 from its customers. This represents an approximate 17.8% increase in the Company's annual revenues at present rates. The Company also sought Commission approval to consolidate the rates of the customers in the Marietta Division with the Columbia Division.

The current monthly bill for a customer using 3,000 gallons of water with a 5/8" meter is \$36.97 for a Columbia Division customer and \$23.88 for a Marietta Division customer. The calculation of these amounts are shown below:

	Customer Charge	Volumetric Charge (3,000 gall.)	Total Bill Before Surcharges	DSIC	Pennvest Surcharge	Total Bill Including Surcharges
Columbia Division	\$9.35	\$19.41	\$28.76	\$0.31	\$7.90	\$36.97
Marietta Division	\$6.80	\$16.53	\$23.33	-	-	\$23.33

Under the Company's proposals, the Company would charge a customer with a 5/8" meter using 3,000 gallons a month a monthly bill of \$39.50, including a Pennvest surcharge of \$6.95. The Company's proposed rates would apply to customers of both the Columbia Division and the Marietta Division.

The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on July 17, 2017. On July 19, 2017, the OCA and the Office of Small Business Advocate (OSBA) filed Formal Complaints and Public Statements with the Commission. In addition, four customers filed formal complaints.

On August 3, 2017, 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 the proposed Supplement No. 86 to Tariff Water – Pa. P.U.C. No.

7 until March 29, 2018, by operation of law. The Commission assigned the case to the Office of Administrative Law Judge (OALJ) and the case was assigned to ALJs Cheskis and Calvelli. On August 25, 2017, a Prehearing Conference was held, at which time a litigation schedule was adopted.

Pursuant to the litigation schedule, on September 8, 2017, the Company served the Direct Testimonies of David T. Lewis (CWC St. No. 1), Gary D. Shambaugh (CWC St. No. 2), and Dylan W. D'Ascendis (CWC St. No. 3).

On September 27, 2017, two Public Input Hearings were held in the Columbia Water service territory.

On October 6, 2017, the OCA served the Direct Testimonies of Ashley Everette (OCA St. 1), David Parcell (OCA St. 2), and Terry Fought (OCA St. 3). Additionally, on October 6, 2017, I&E and OSBA served Direct Testimony.

On October 20, 2017, the Company served the Rebuttal Testimonies of David Lewis (CWC St. No. 1R), Gary Shambaugh (CWC St. No. 2R), and Dylan D'Ascendis (CWC St. No. 3R). Also on October 20, 2017, the OSBA served the Rebuttal Testimony of Brian Kalcic (OSBA St. No. 1-R).

On October 30, 2017, the OCA served the Surrebuttal Testimonies of Ashley Everette (OCA St. 1-S), David Parcell (OCA St. 2-S), and Terry Fought (OCA St. 3-S). Additionally, on October 30, 2017, I&E and OSBA served Surrebuttal Testimony.

On November 1, the Company served the Rejoinder Testimony Outlines of David Lewis, Gary Shambaugh, and Dylan D'Ascendis.

The Company, I&E, OCA, and OSBA engaged in a number of settlement discussions during the course of the proceeding. As a result of the settlement discussions and meetings, the parties were able to agree to resolve all issues prior to the evidentiary hearings scheduled in this

proceeding, resulting in the comprehensive settlement terms and conditions outlined in the Joint Petition. The parties participated in the November 3, 2017 hearing for the limited purpose of admitting the above-referenced testimony into the record. As discussed below, the OCA submits that the Settlement is in the public interest, is in the best interests of the Company's ratepayers, and should be adopted without modification.

II. SETTLEMENT TERMS AND CONDITIONS

A. REVENUE REQUIREMENT (Settlement at ¶ 20(a))

In its filing, the Company sought an increase in annual base rate revenues of \$923,668, or a 17.8% increase in the Company's annual revenues at present rates. After reviewing the Company's filing, the OCA recommended a base rate revenue increase of no more than \$466,057. OCA St. 1-S at 49.

The proposed Settlement provides for an overall annual revenue increase of \$635,000. Settlement ¶ 20(a). This represents an increase of 12.5% over present revenues. This overall increase is \$168,943 less than the amount originally requested by CWC.

Based on the OCA's analysis of the Company's filing, testimony by all parties, and discovery responses received, the proposed revenue increase under the Settlement represents an amount which, in the OCA's view, would be within the range of likely outcomes in the event of full litigation of the case. Moreover, the proposed settlement rates represent a reasonable compromise, while recognizing the need for gradualism in rate increases. The OCA submits that the proposed increase, when accompanied by other important conditions contained in the Settlement, yields a result that is just and reasonable under the facts of this case.

B. STAY-OUT PROVISION (Settlement ¶ 21(c))

Under the proposed Settlement, the Company cannot file for another general rate increase prior to 33 months from the entry date of the Commission's Final Order. Settlement ¶ 21(c).

This means that at the very earliest time, new rates could not go into effect for approximately three years. This stay-out provision will provide for some level of rate stability for the Company's customers and will prevent rate increases in quick succession. As such, the OCA submits that the stay-out provision of the Settlement is in the public interest and the interests of CWC's customers.

C. REVENUE ALLOCATION (Settlement ¶ 20(a-b), (d))

The following chart is a summary of the monthly customer charge for a customer with a 5/8" meter under present, proposed, and settlement rates:

	Present Rates	Proposed Rates	Settlement Rates
Columbia Division	\$9.35	\$10.59	\$10.31
Marietta Division	\$6.80	\$10.59	\$8.20

The proposed Settlement provides for some movement of the Marietta Division towards Columbia Division rates but does not result in full consolidation of the Columbia and Marietta divisions. Under the proposed Settlement, the Company agrees that it will file a cost of service study in the next rate case if it proposes to consolidate Marietta Division rates with Columbia Division rates. Settlement ¶ 20(b). This provision is in the public interest because it will permit all parties to review the proposed consolidation in the context of a cost of service study in order to determine the extent to which revenues derived from each service area and customer classification are aligned with the cost of serving that classification.

In its filing, the Company proposed to decrease the Pennvest surcharge applied to the Columbia Division from \$7.90 to \$6.95 and to begin to charge a \$6.95 Pennvest surcharge to the Marietta Division. Under the proposed Settlement, the Pennvest surcharge charged to Columbia Division customers remains the same and the Pennvest surcharge for the Columbia Division water treatment plant will not be charged to the Marietta Division customers.

As noted by OCA witness Everette, Marietta Division customers are served by wells and not by the Columbia Division's water treatment plant. See OCA St. 1 at 34. The OCA submits that the treatment of the Columbia Division water treatment plant Pennvest surcharge under the proposed Settlement is in the public interest.

The Settlement rates for customers with a 5/8" meter using 3,000 gallons per month, including the Pennvest surcharge, are summarized in the chart below:

Division	Present Rates (incl. DSIC)	Proposed Rates ¹	Proposed Increase Amount	Proposed Increase %	Settlement Rates	Settlement Increase Amount	Settlement Increase %
Columbia	\$29.07	\$32.55	\$3.48	12.0%	\$31.91	\$2.84	9.8%
Pennvest	\$7.90	\$6.95	-\$0.95		\$7.90	\$0	
Marietta	\$23.33	\$32.55	\$9.22	39.5%	\$28.14	\$4.81	20.6%
Pennvest	\$0	\$6.95	\$6.95		\$0	\$0	

D. ISOLATION VALVE REPORTING (Settlement ¶ 20(f))

In his Direct Testimony, OCA witness Fought identified concerns with the exercising of the Company's non-critical isolation valves. OCA St. 3 at 4-8. Mr. Fought recommended that the Company exercise all of its isolation valves. OCA St. 3 at 7. Mr. Fought further recommended that if there are isolation valves that are found to be inoperable, the isolation valves should be repaired. OCA St. 3 at 7. Moreover, Mr. Fought recommended that if isolation valves are not repaired, then the Company should be required to submit a schedule to the OCA and other parties for replacing or repairing isolation valves that could not be properly exercised. OCA St. 3 at 7.

The Settlement provides that CWC will provide annual reports regarding the Company's present isolation valve exercising, including critical valve exercising in accordance with the

¹ The DSIC is set to zero when new rates go into effect and will be applied to both Columbia and Marietta customers on a going-forward basis.

PUC's most recent Management Audit. Settlement ¶ 20(f). This reporting requirement terminates when the next general rate case is decided by final Commission Order. Settlement ¶ 20(f).

The OCA submits that these annual reporting requirements are in the public interest and should be adopted. As noted by OCA witness Fought, an isolation valve that cannot be fully closed will increase the water loss during a water main break and increase the number of customers affected. OCA St. 3 at 5. Moreover, it is always more expensive to repair or replace an isolation valve than it is to exercise it. OCA St. 3-S at 7. The Company currently exercises a small percentage of their isolation valves on an annual basis. OCA St. 3-S at 7; OCA Exh. TLF-3. By annually reporting the exercising of isolation valves, CWC should be able to develop a reasonable schedule for exercising its isolation valves in the future.

E. MISCELLANEOUS (Settlement ¶ 20(d-e))

1. Acquisition Costs of Marietta and Mountville Will Not Be Claimed as "Franchises" (Settlement ¶ 20(e))

In its filing, the Company sought to add to rate base a claim for \$349,631 for "Franchises" related to the Marietta and Mountville acquisitions. OCA St. 1 at 3. OCA witness Everette noted that claiming acquisition costs as Franchises is untimely and inappropriate. OCA St. 1 at 5.

Under the proposed Settlement, the parties agree that the Company will not make a claim in any future case to recover the costs claimed in this case as Franchises related to the acquisitions of Marietta and Mountville. Settlement ¶ 20(e).

The OCA submits that this provision is in the public interest. As noted by OCA witness Everette, CWC acquired the Mountville water system in June 1998 and the Marietta Gravity Water Company in October 2012. OCA St. 1 at 3. Moreover, OCA witness Everette noted that the costs were previously identified in a Commission Order as acquisition expenses and that the

Company did not provide invoices to support the expenses. OCA St. 1 at 5. Thus, CWC did not provide support that these costs are recoverable from ratepayers as “Franchises.” OCA St. 1 at 5. This provision will ensure that these costs are not claimed as “Franchises” in the future.

2. The Settlement Is Not Premised Upon Any Inclusion In Rate Base Of Marietta Division PennVest-Financed Plant (Settlement ¶ 20(d))

Under the proposed Settlement, all parties agree that the Settlement is not premised upon any inclusion of Marietta Division Pennvest-financed Plant in rate base. Settlement ¶ 20(d). This provision comports with the OCA’s position that the Marietta plant, which was funded by a Pennvest loan and collected via a 20 year Pennvest surcharge that ended in 2016, should not also be collected in base rates. See OCA St. 1 at 18-20. The OCA’s position is based on the collection of the plant through a 20 year Pennvest surcharge that ended in the year 2016. See OCA St. 1 at 14.

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 \$635,000 from customers in annual revenues. This amount is reduced from the \$923,668 annual increase from customers proposed in CWC’s filing. In addition, the ratepayers will benefit from the stay-out and other provisions addressing ratemaking issues. Finally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest.

Respectfully Submitted,



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Dated: December 12, 2017
242297

APPENDIX F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2017-2598203
	:	
COLUMBIA WATER COMPANY	:	

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

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, on July 19, 2017, the Office of Small Business Advocate (“OSBA”) filed a complaint against the rates, terms, and other provisions of Supplement No. 86 to Tariff Water-Pa. P.U.C. No. 7 (“Supplement No. 86”) which was filed with the Pennsylvania Public Utility Commission (“Commission”) on June 27, 2017, by Columbia Water Company (“Columbia” or “the Company”). Supplement No. 86 reflects a general rate increase in water rates of \$923,668 per year, consolidates the Columbia and Marietta divisions of the Company and resets the distribution system improvement charge (“DSIC”) to zero.

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

The Joint Petition

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

Revenue Requirement

The parties agreed to an increase in revenues of \$635,000 rather than the \$923,668 annual increase initially proposed by Columbia.

Revenue Allocation

Because Columbia's requested increase is under \$1 million, the Company did not submit a cost of service study ("COSS") with its June 27th filing. *See generally* 52 Pa. Code § 53.53. In its direct testimony, Columbia witness Gary Shambaugh proposed a revenue allocation which was based upon 1) a uniform increase of approximately 13.2% to all of its current Columbia Division rates; and 2) full consolidation of its Marietta and Columbia Division rate schedules at the conclusion of this proceeding.

Although a uniform increase of 13.2% does not appear to be unreasonable on its face, the impact of such an increase, when combined with the Company's rate consolidation proposal, would lead to unprecedented percentage increases in the bills of commercial customers in the Marietta division. OSBA witness Brian Kalcic summarized those bill impacts in his direct testimony as follows:

Table A
Summary of the Impact of CWC's Rate Consolidation Proposal
on Marietta Division Commercial Customers,
by Meter Size ¹

<i>Meter Size / Monthly Usage</i>	<i>Present Monthly Bill</i>	<i>Proposed Increase</i>	<i>Percent Increase</i>
	(1)	(2)	(3)
5/8" / 4,000 gallons	\$27.92	\$18.90	67.7%
3/4" / 13,000 gallons	\$49.83	\$58.17	116.7%
1" / 13,000 gallons	\$56.63	\$68.93	121.7%
2" / 55,000 gallons	\$166.11	\$174.43	105.0%

While the OSBA agrees that rate consolidation and single tariff pricing are appropriate goals, the full consolidation of Marietta and Columbia Divisions in this case would produce bill impacts that are simply too great to implement in one proceeding. As Mr. Kalcic stated:

- Q. Do you agree with the Company's proposal to consolidate the base rates and Pennvest Surcharge applicable to its Marietta and Columbia Division customers?**
- A. Not completely. I agree that rate consolidation (or single tariff pricing) is an appropriate goal. However, in my view, the magnitude of the rate impacts associated with implementing single tariff pricing at the conclusion of this proceeding are simply too onerous to impose on Marietta Division customers.²

In Settlement, the parties have negotiated a rate design that moves the Marietta Division closer to the rates of the Columbia Division. While that rate design/revenue allocation does not completely consolidate the two divisions in this one rate proceeding, it does make progress toward that goal while protecting Marietta Division customers from rate shock. The resulting settlement rate increases for the commercial class of customers are outlined in the following table:

¹ OSBA Statement No. 1, Direct Testimony of Brian Kalcic at 7.

² Id. At 7-8.

Table B
Summary of the Impact of Settlement Rate Design
on Select Marietta Division Customers

<i>Meter Size / Monthly Usage</i>	<i>Present Monthly Bill</i>	<i>Settlement Increase</i>	<i>Percent Increase</i>
	(1)	(2)	(3)
5/8" / 4,000 gallons	\$27.92	\$5.76	20.6%
3/4" / 13,000 gallons	\$49.83	\$10.29	20.7%
1" / 13,000 gallons	\$56.63	\$11.69	20.6%
2" / 55,000 gallons	\$166.11	\$34.31	20.7%

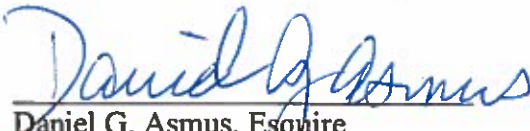
Source: Settlement Proof of Revenue.

As is clear from Table B, the 20.6% – 20.7% increases resulting from the settlement are far lower than the initially proposed increases shown in Table A. Therefore, the OSBA concludes that the rate design/revenue allocation contained in the *Joint Petition* is consistent with Mr. Kalcic's testimony and represents a fair and reasonable resolution of this issue.

Conclusion

Therefore, for the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the Administrative Law Judges and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,


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Dated: December 12, 2017