

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et. al	:	R-2018-3003558
	:	R-2018-3003561
v.	:	A-2018-3004108
	:	A-2018-3004109
	:	
Aqua Pennsylvania , Inc.	:	
Aqua Pennsylvania Wastewater, Inc.	:	
	:	
and	:	
	:	
Joint Application of Aqua Pennsylvania, Inc. and	:	
Its Subsidiary, Superior Water Co., Inc.	:	

RECOMMENDED DECISION

Before
Angela T. Jones
F. Joseph Brady
Administrative Law Judges

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I. INTRODUCTION

This matter was filed pursuant to 66 Pa.C.S. § 1308(d) which provides the Commission with seven additional months to make a final decision on whether the proposed rate increase should go into effect as requested. The majority of active parties submitted an opposed settlement agreement to resolve the rate increase, which would constitute a general rate increase under Section 1308 of the Pennsylvania Public Utility Code (Code).

The Company proposed a rate increase of \$66.3 million or 15.39% for total annual operating revenues for water service. The Company proposed a rate increase of \$5.4 million or 40.14% for total annual operating revenues for wastewater services. The combined revenue increase proposed was \$71.8 million or 16.13%. The Company also proposed to recover approximately \$8.1 million of its wastewater revenue requirement from its water operations as authorized by Section 1311(c) of the Code.

The settlement agreement is designed to produce additional annual operating revenue of \$47 million with \$42.3 million for water operations and \$4.7 million for wastewater operations. The settlement agreement incorporates a stay-out provision that restricts the Company from filing a tariff supplement prior to April 30, 2021, for its water and wastewater operations included in this rate case. The settlement agreement also allows for the recovery of approximately \$7.1 million of its wastewater revenue requirement from its water operations. This recommended decision approves the settlement agreement without modification.

This matter consolidated the Joint Application of Aqua Pennsylvania, Inc. (Aqua water) and Superior Water Company, Inc. (Superior) to merge Superior into Aqua water and to abandon the water service of Superior. The recommended decision grants the Joint Application.

II. HISTORY OF THE PROCEEDING

On August 17, 2018, Aqua Pennsylvania, Inc. filed proposed Tariff Water -Pa. P.U.C. No. 2 to become effective October 16, 2018. Also on August 17, 2018, Aqua Pennsylvania Wastewater, Inc. (Aqua wastewater) filed proposed Tariff Sewer – Pa. P.U.C. No. 2 to become effective on October 16, 2018. The water tariff proposed an increase in total annual operating

revenues of approximately \$66.3 million or 15.39%. The sewer tariff proposed an increase in total annual operating revenues of approximately \$5.4 million or 40.14%. Thus, the combined proposed increase for Aqua water and Aqua wastewater (collectively Aqua or Company) is about \$71.8 million or 16.13% in annual revenues based on data for a fully projected test year ending March 31, 2020. Aqua also proposed to recover approximately \$8.1 million of its wastewater revenue requirement from its water operations as authorized by Section 1311(c) of the Code. 66 Pa.C.S. § 1311(c).

Additionally, on August 17, 2018, at Docket No. A-2018-3004108 a Joint Application by Aqua water and Superior was filed to obtain Commission approval for the merger of used and useful property of Superior to Aqua and for Aqua to begin to offer water service in the service territory of Superior. Also, on August 17, 2018, at Docket No. A-2018-3004109, a Joint Application by Aqua water and Superior was filed for Superior to abandon its authority to provide water service.

On August 28, 2018, Christine Hoover, Esquire and Phillip D. Demanchick, Esquire, on behalf of the Office of Consumer Advocate (OCA), filed a Notice of Appearance and a formal complaint (Complaint) against the proposed rate increase for Aqua water and Aqua wastewater at Docket Nos. R-2018-3003558 and R-2018-3003561, respectively, alleging the proposed rates may be unjust and unreasonable and discriminatory against certain customers.

On August 29, 2018, Carrie B. Wright, Esquire, on behalf of the Bureau of Investigation and Enforcement (I&E), filed a Notice of Appearance in the Aqua water proceeding at Docket No. R-2018-3003558.

On August 31, 2018, David Zambito, Esquire, Jonathan Nase, Esquire and Susan Marsh, Esquire, on behalf of Pennsylvania American Water Co. (PAWC) filed a formal complaint (Complaint) against the proposed Aqua water rate increase at Docket No. R-2018-3003558 alleging that the proposed rates may be unjust and unreasonable, and the proposed allocation of the revenue increase and rate design may be discriminatory.

On September 1, 2018 the Joint Applications for merger of Superior with Aqua water and abandonment of water service by Superior were published in the Pennsylvania Bulletin at 48 Pa.B. 5583 (Joint Applications).

On September 10, 2018, Aqua filed a Motion to Consolidate the Joint Applications at Docket Nos. A-2018-3004108 and A-2018-3004109 with this base rate proceeding. There was no objection to the Company's Motion to Consolidate.

On September 18, 2018, Sharon Webb, Esquire, on behalf of the Office of Small Business Advocate (OSBA) filed a Notice of Appearance in the Aqua water and Aqua wastewater proceedings at Docket Nos. R-2018-3003558 and R-2018-3003561, respectively.

By Order entered September 20, 2018, the Commission suspended by operation of law until May 16, 2019, the water and wastewater tariffs of Aqua unless otherwise directed by Commission Order.

On September 21, 2018, a Notice of a Prehearing Conference was sent to all the parties to this proceeding which scheduled a prehearing conference for September 28, 2018. Also on September 21, 2018, the Administrative Law Judges (ALJs) issued a Prehearing Conference Order requesting prehearing memoranda from participating parties of both the water and wastewater dockets of the rate base filings at Docket Nos. R-2018-3003558 and R-2018-3003561.

On September 24, 2018, Coyd Vance¹ filed two Complaints on behalf of the Links at Gettysburg Master Association (LGMA) against the proposed rate increase for both Aqua water and Aqua wastewater at Docket Nos. R-2018-3003558 and R-2018-3003561.

On September 25, 2018, C.J. Zwick, Esquire and Matthew Zwick, Esquire filed a Petition to Intervene in the Aqua water and Aqua wastewater proceedings at Docket Nos. R-2018-

¹ Mr. Vance is the President of the LGMA Homeowners Association. The Complaints are Docket Nos. C-2018-3004912 (water) and C-2018-3004913 (wastewater).

3003558 and R-2018-3003561, respectively on behalf of the Treasure Lake Property Owners Association, Inc. (TLPOA).

On September 27, 2018, Adeolu Bakare, Esquire, Charis Mincavage Esquire and Matthew Garber, Esquire, representing Aqua Large Users Group (Aqua LUG) filed a Complaint at Docket No. C-2018-3004981 against Aqua water alleging the proposed rates may be unjust, unreasonable and discriminatory in violation of Commission regulations.

On September 28, 2018, counsel for the Coalition of Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA), filed a Petition to Intervene in the Aqua water and Aqua wastewater proceedings at Docket Nos. R-2018-3003558 and R-2018-3003561, respectively citing a direct interest for low-income individuals in the service territory of Aqua to obtain affordable water and wastewater.

The following parties filed prehearing memoranda as directed by the Prehearing Conference Order:

- (1) Aqua;
- (2) Aqua LUG;
- (3) I&E;
- (4) OCA;
- (5) OSBA;
- (6) PAWC; and
- (7) TLPOA.

The prehearing conference convened as scheduled on September 28, 2018. At the prehearing conference, the parties agreed to a procedural schedule. Counsel for Aqua voluntarily agreed to change the suspension period to May 24, 2019 to accommodate development of the procedural schedule. The procedural schedule was confirmed by Prehearing Order dated October 12, 2018.

On October 1, 2018, John Povilaitis, Esquire, on behalf of Masthope Mountain Community Property Owners Council (MMPOC), filed a Petition to Intervene in the Aqua water and Aqua wastewater proceedings. On October 2, 2018, MMPOC filed a Complaint at Docket No.

C-2018-3005067 alleging the proposed rates for water and wastewater service may be unjust and unreasonable and inconsistent with Commission regulations and policy.

By Prehearing Order dated October 12, 2018, the Company's unopposed Motion to Consolidate the Joint Applications with the rate base filings at Docket Nos. R-2018-3003558 and R-2018-3003561 was granted.

Consistent with our Prehearing Conference Order dated September 21, 2018, at paragraph 9, the following parties took the appropriate steps to be active participants in this proceeding:

- (1) Aqua;
- (2) Aqua LUG;
- (3) I&E;
- (4) LGMA;
- (5) OCA;
- (6) OSBA;
- (7) PAWC; and
- (8) TLPOA.²

MMPOC and CAUSE-PA filed requests to be treated as active participants in this proceeding. No objection was filed to the active participant requests. MMPOC and CAUSE-PA were granted active participant status by Prehearing Order dated October 19, 2018.

On October 15, 2018, the Company filed a Motion for a Protective Order. By Order dated October 19, 2018, the Company's Motion for Protective Order was granted resulting in a proceeding with rules for treatment of proprietary and confidential information.

By Notice dated October 25, 2018, the schedule of the following public input hearings was provided:

- (1) November 13, 2018 at 1 p.m. and 6 p.m.
Jennersville YMCA, 880 W. Baltimore Pike
West Grove, PA;

² TLPOA's unopposed Petition to Intervene was granted at the prehearing conference.

- (2) November 14, 2018 at 1 p.m.
Montgomery County Community College
Science Center Small Auditorium, 340 DeKalb Pike
Blue Bell, PA;

- (3) November 14, 2018 at 6 p.m.
Bensalem Twp. High School
4319 Hulmeville Rd.
Bensalem, PA;

- (4) November 15, 2018 at 1 p.m.
Springfield Twp. Office
50 Powell Rd.
Springfield, PA;

- (5) November 15, 2018 at 6 p.m.
Upper Dublin High School
800 Loch Alsh Ave.
Fort Washington, PA; and

- (6) November 16, 2018 at 10 a.m.³
Hearing Room 1
Commonwealth Keystone Bldg., Plaza Level
400 North St.
Harrisburg, PA (Smart Hearing).⁴

Because of inclement weather the scheduled public input hearing at 6 p.m. on November 15, 2018 was canceled.

By Notice dated November 20, 2018, the public input hearing scheduled for November 15, 2018 at 6 p.m. was rescheduled for November 27, 2018 at 6 p.m. with no change to the location.

³ On this date the Public Utility Commission had a 3-hour delay because of inclement weather. This hearing started at approximately 11:30 a.m.

⁴ A Smart Hearing is telephonic and video broadcast via the World Wide Web. The link to view on the World Wide Web was <http://www.puc/pa.gov> and then to livestream video.

By Order dated December 17, 2018, the ALJs modified the procedural schedule to reflect a witness that no longer planned to testify and the rescheduled November 15, 2018 public input hearing.

On January 16, 2019, the ALJs received a letter from Robert Curtius stating he would not be attending the scheduled evidentiary hearings. The letter further mentioned that he was not notified of the prehearing conference for this proceeding and his feelings that the case had been mishandled. The letter also asserted his position on the rate increase.

By letter dated January 17, 2019, we replied to Mr. Curtius that our records showed he is an inactive participant and that he did not take the proper steps to be treated as an active participant.⁵ Our letter attached Mr. Curtius' letter and was sent to all parties of record and filed with the Secretary.

On January 18, 2019, an evidentiary hearing convened as scheduled for the sole purpose of admitting uncontested testimony and exhibits into the record. The testimony and exhibits support the settlement reached by the Joint Petitioners. The following testimony and exhibits were admitted into the record without objection:

- (1) Aqua AP Hearing Exhibit 1;⁶

⁵ Mr. Curtius filed his Complaint on October 22, 2018, and the prehearing conference was held on September 28, 2018, so he could not have been informed about the prehearing conference because he did not file his Complaint prior to the prehearing conference. Also, in our Order dated September 21, 2018, we stated that any participant entering their appearance after October 4, 2018, will be treated as an inactive participant unless they take appropriate steps to be treated as active participants. See Prehearing Conference Order at paragraph 9.

⁶ AP Hearing Exhibit 1 references the following testimony and exhibits of Aqua:

- (1) AP Stmt. No. 1;
- (2) Exhibits 1-A, 1-B and Exhibit 2;
- (3) AP Stmt. No. 1-R;
- (4) Exhibits 1-A(a), 1-B(b);
- (5) AP Stmt. No. 2;
- (6) Exhibits 3-A and 3-B;
- (7) Confidential and Public AP Stmt. No. 2-R;
- (8) AP Stmt. No. 3;
- (9) AP Stmt. No. 4;
- (10) Exhibit 4-A;
- (11) AP Stmt. No. 4-R;
- (12) AP Stmt. No. 5;
- (13) Exhibits 5-A, Part I; 5-A, Part II; 5-B, Part I; 5-B, Part II;
- (14) AP Stmt. No. 5-R;
- (15) Exhibits 5-A(a), Part II; 5-B(b), Part II;

- (2) Aqua LUG Stmt. No. 1R – Rebuttal Testimony of Richard A. Baudino and Exhibit RAB 1;
- (3) Aqua LUG Stmt. No. 1S – Surrebuttal Testimony of Richard A. Baudino;
- (4) CAUSE-PA Stmt. No. 1 – Direct Testimony of Harry Geller and appendices A & B;
- (5) CAUSE-PA Stmt. No. 1SR – Surrebuttal Testimony of Harry Geller and appendix A;
- (6) Proprietary and Non-Proprietary I&E Stmt. No. 1 – Direct Testimony of Brenton Grab;
- (7) I&E Stmt. No. 1R – Rebuttal Testimony of Brenton Grab;
- (8) Proprietary and Non-Proprietary I&E Stmt. No. 1SR – Surrebuttal Testimony of Brenton Grab;
- (9) I&E Stmt. No. 2 – Direct Testimony of Christopher Henkel and Exhibit No. 2;
- (10) I&E Stmt. No. 2SR – Surrebuttal Testimony of Christopher Henkel;
- (11) Proprietary and Non-Proprietary I&E Stmt. No. 3 – Direct Testimony of Joseph Kubas and Proprietary and Non-Proprietary Exhibit No. 3;
- (12) I&E Stmt. No. 3R – Rebuttal Testimony of Joseph Kubas;
- (13) I&E Stmt. No. 3SR – Surrebuttal Testimony of Joseph Kubas and Exhibit No. 3SR;
- (14) MMPOC Stmt. No. 1 – Direct Testimony of Robert A. Rosenthal and Exhibits RAR-1 and RAR-2;
- (15) MMPOC Stmt. No. 1-R – Rebuttal Testimony of Robert A. Rosenthal;
- (16) MMPOC Stmt. No. 1-S – Surrebuttal Testimony of Robert A. Rosenthal;
- (17) Confidential and Public OCA Stmt. No. 1 – Direct Testimony of Ralph C. Smith and Exhibits LA-1 through LA-4 and attachment RCS-1;
- (18) OCA Stmt. No. 2 – Direct Testimony of Glenn A. Watkins and schedules GAW-1 through GAW-8;

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- (16) AP Stmt. No. 5-SR;
 - (17) AP Stmt. No. 6;
 - (18) Exhibits 6-A, Part I; 6-A, Part II; 6-A, Part III, 6-B, Part I; 6-B, Part II; 6-B, Part III;
 - (19) AP Stmt. No. 7;
 - (20) AP Stmt. No. 7-R;
 - (21) AP Stmt. No. 8;
 - (22) AP Stmt. No. 8-R;
 - (23) Exhibits 8-A and 8-B;
 - (24) AP Stmt. No. 9-R;
 - (25) AP Stmt. No. 10-R;
 - (26) Exhibit 10-A;
 - (27) AP Stmt. No. 11-R; and
 - (28) Exhibit 11-A.

- (19) OCA Stmt. No. 3 – Direct Testimony of Scott J. Rubin and schedules SJR-1 through SJR-6 and appendix A;
- (20) OCA Stmt. No. 4 – Direct Testimony of Terry L. Fought and appendix A;
- (21) OCA Stmt. No. 1-S – Supplemental Direct Testimony of Ralph C. Smith and revised exhibits LA-1 and LA-2;
- (22) OCA Stmt. No. 3-S – Supplemental Direct Testimony of Scott J. Rubin and schedules SJR-S1 through SJR-S3;
- (23) OCA Stmt. No. 4-S – Supplemental Direct Testimony of Terry L. Fought;
- (24) OCA Stmt. No. 3R – Rebuttal Testimony of Scott J. Rubin and schedules SJR-RA through SJR-R7;
- (25) OCA Stmt. No. 1SR – Surrebuttal Testimony of Ralph C. Smith and exhibits LA-5 through LA-7;
- (26) OCA Stmt. No. 2SR – Surrebuttal Testimony of Glenn A. Watkins and schedule GAW-SR1;
- (27) OCA Stmt. No. 3SR – Surrebuttal Testimony of Scott J. Rubin;
- (28) OCA Stmt. No. 4SR – Surrebuttal Testimony of Terry L. Fought and exhibits TLF-2 through TLF-8;
- (29) OSBA Stmt. No. 1 – Direct Testimony of Brian Kalcic and exhibits BK-1 through BK-7;
- (30) OSBA Stmt. No. 1R – Rebuttal Testimony of Brian Kalcic; and
- (31) OSBA Stmt. No. 1S – Surrebuttal Testimony of Brian Kalcic.

All testimony was accompanied with verification statements by the corresponding witness.

The Joint Settlement was filed on February 8, 2019 with appendices of support statements. The signatory parties (Joint Petitioners or Joint Parties) to the Joint Settlement are:

- (1) Aqua;
- (2) Aqua LUG;
- (3) CAUSE-PA
- (4) I&E;
- (5) LGMA;
- (6) MMPOC;
- (7) OCA; and
- (8) OSBA.

The Joint Settlement represented that PAWC, while not a signatory party to the proposed Joint Settlement, does not oppose it. The Joint Settlement also noted that TLPOA opposed the settlement due to the rates allocated to Treasure Lake.

By letter served February 11, 2019, the OCA informed the *pro se* Complainants that a Joint Settlement was reached at this docket. The letter referenced a website where the *pro se* Complainants could view the proposed Joint Settlement and offered to mail a hard copy at the Complainant's discretion. The letter welcomed any response to the Joint Settlement but specifically notified the Complainants that any objection to the proposed Joint Settlement must be postmarked by February 25, 2019.

By Interim Order dated February 11, 2019, the undersigned ALJs directed the record to close at the close of business (4:30 p.m.) on February 25, 2019.

The following *pro se* Complainants objected to the proposed Joint Settlement:

- (1) Grace Bowes at Docket No. C-2018-3005069 (wastewater);
- (2) Cedar Knoll Builders at Docket No. C-2018-3004985 (wastewater);
- (3) Robert Curtius at Docket Nos. C-2018-3005639 and C-2018-3005651 (water and wastewater, respectively);
- (4) Douglas and Linda Dudjak at Docket No. C-2018-3005091 (wastewater);
- (5) Lee Euard at Docket No. C-2018-3004097 (water);
- (6) William Finn at Docket No. C-2018-3005329 (wastewater);
- (7) Byron Goldstein at Docket No. C-2018-3004375 (water);
- (8) Sylvia Habecker at Docket No. C-2018-3005320 (wastewater);
- (9) Denise Johnson at Docket No. C-2018-3005123 (water);
- (10) Edward Levy at Docket No. C-2018-3005414 (wastewater);
- (11) Tammy Livziew at Docket No. C-2018-3005220 (wastewater);
- (12) Michael Luciano at Docket Nos. C-2018-3004856 (wastewater);
- (13) Ben Mroz III at Docket No. C-2018-3004531 (wastewater);
- (14) Paul Nice at Docket Nos. C-2018-3005287 and C-2018-3005288 (water and wastewater, respectively);
- (15) Jacqueline Pasquini at Docket No. C-2018-3005153 (wastewater);
- (16) Dony Pierre at Docket No. C-2018-3005077 (water);
- (17) Rafael Rodriguez at Docket No. C-2018-3005235 (wastewater);
- (18) Robert Shafer at Docket Nos. C-2018-3004884 and C-2018-3004883 (water and wastewater, respectively);
- (19) Brian Sheppard at Docket No. C-2018-3004748 (water); and
- (20) Wayne Weismandel at Docket No. C-2018-3005132 (wastewater).

Although Coyd Vance sent a document indicating that he joined the proposed Joint Settlement, at Docket Nos. C-2018-3004912 (water) and C-2018-3004913 (wastewater), those Complaints are attributed to LGMA, which is represented by counsel and a signatory to the proposed Joint Settlement.

The record closed as ordered on February 25, 2019. This matter is ripe for recommended decision.

III. PUBLIC INPUT HEARINGS

A. First Public Input Hearing – Jennersville YMCA, West Grove, PA

On November 13, 2018, an in-person public input hearing convened at 1:00 p.m. Twenty-three people testified under oath. Four witness supported the Company in its proposed rate increase. The remaining witnesses either questioned the proposed rate increase or affirmatively opposed it.

E. Martin Shane, the Chairman of the East Goshen Township Board of Supervisors (Board) located in Chester County, testified as an individual and on behalf of the Board as a customer of Aqua water. Mr. Shane stated that Aqua water cooperates and coordinates with the Board for road construction and pipe replacement. Mr. Shane is troubled by the authority under Act 11, which permits Aqua to request a portion of the revenue requirement for wastewater toward the water revenue increase. Tr. 19-22.

Wayne D. O’Connell is the Supervisor at Penn Township in Chester County, where only Aqua wastewater service is provided. Mr. O’Connell testified on behalf of Penn Township and himself. Mr. O’Connell introduced Dr. Karen Versuk who is employed by Penn Township and testified on behalf of Penn Township. Aqua purchased Penn Township’s wastewater treatment plant in 2014 with an agreed rate freeze to be in effect until March 31, 2017. Dr. Versuk would like to see expenditures for improvement to the wastewater system. She opposed the rate increase as

81% of the residents in Penn Township are seniors on fixed income alleging the increase as burdensome and unfair to the residents in Penn Township. Tr. 24-32. Versuk Exhibit 1.

Wendy Bradley is an Aqua wastewater customer in Penn Township. Ms. Bradley opposed the rate increase as burdensome on a large population of residents with fixed incomes. Tr. 34-35, 39.

Eric Taylor is also an Aqua wastewater customer in Penn Township. Mr. Taylor alleged unequal treatment for the residential rate compared with the commercial rate for wastewater service with the proposed residential rate higher than the proposed commercial rate. Tr. 37-38.

Brian Campbell is an Aqua wastewater customer. He testified the proposed rate increase of 50% for wastewater service is rate shock, especially since the wastewater service only serves the Honeycroft community which is a community of 55+ residents. Tr. 42-43.

Stephen Bailey is an Aqua wastewater customer and testified for himself and on behalf of the Homeowners' Association of Honeycroft as a Director. Mr. Bailey alleged the 50% proposed rate increase for wastewater service is excessive, the proposed rates are discriminatory in that like service is charged different rates across the service territory and the proposed rate of return at 7.77% is unjustified. Tr. 45.

Keith Brubacher is president of Brubacher Excavating, Incorporated, which is a site development contractor. The contractor has 10 years of business doing distribution system upgrades, repairs, and services for Aqua. Mr. Brubacher testified that Aqua is a proactive company, providing positive economic impact in its service territory. Tr. 47-49.

Ann Beitsch is an Aqua wastewater customer who opposes the rate increase for wastewater service. She testified that the proposed rate increase is unreasonable and burdensome for persons with fixed incomes. She also alleged that her service territory should not subsidize wastewater service in other communities. Tr. 51-52.

George Scott has been retired over 30 years and lives in a retirement community, Jenners Pond, that charges him for the wastewater service received from Aqua wastewater. He testified that the proposed rate increase will have a major negative impact on his fixed income and standard of living. Tr. 54-55.

Margie Swart testified on behalf of the Links Homeowners' Association about alleged discriminatory charges for fire hydrants on public roads compared to fire hydrants on private roads as the service provided by Aqua water is the same. Ms. Swart also alleged that her community is being doubled billed for fire hydrant water service—by the developer and by her township. The proximity of the private fire hydrant to the main is closer than the public fire hydrant, yet the private fire hydrant water service is more than the public hydrant water service. Ms. Swart expressed concern over the ability of Aqua to purchase smaller municipal-owned utilities at a higher frequency due to the proposed rate increase. Tr. 58-62; Swart Exhibit 1.

Linda Dudjak is an Aqua wastewater customer and testified that the proposed rate increase for wastewater of more than 50% is excessive and that the variation of rates for the same service is problematic. Tr. 66.

Jonae Luciano is an Aqua wastewater customer. Tr. 95. Ms. Luciano supports the comments of Ms. Dudjak, Mr. Bailey and Mr. Campbell. Tr. 96.

Linda Johnson is an Aqua wastewater customer and testified that she is a captive customer and cannot obtain wastewater service from another entity. She testified that the proposed increase would result in financial hardships for senior citizens and fixed-income customers. Tr. 69.

Paul Kappel is the president of Junior Achievement of Southeastern Pennsylvania and an Aqua water customer. Mr. Kappel testified on behalf of Junior Achievement and asserted that Aqua is a good corporate citizen involved in the community and has assisted 5,000 students over the past 10 years. Tr. 71-73.

Brian Winslow is the conservation director for Brandywine Red Clay Alliance in West Chester, Pennsylvania. He testified that Aqua has been a good partner over the last 20 years by protecting and improving the Brandywine Red Clay creek watersheds quality and education. Tr. 75.

Earl Baker is a former County Commissioner and Senator of Chester County and an Aqua water customer. Mr. Baker testified that Aqua invests in infrastructure and has brought many of its acquisitions up-to-date. Mr. Baker expressed that the rate increase is needed. Tr. 79.

Seth Ross is a resident of Jenners Pond and is charged for wastewater service that Jenners Pond receives from Aqua wastewater. Mr. Ross confirmed that his service territory, Penn Township, would realize an 84% increase in wastewater service through the proposed rate increase, which he alleged is beyond excessive and therefore unreasonable. Tr. 81-83.

Thomas Kretschmaier is an Aqua wastewater customer. Mr. Kretschmaier questioned the legality of charging customers for water service rate increases when they only receive wastewater service and charging customers for wastewater service based on water usage. Mr. Kretschmaier suggested that Aqua provide wastewater usage meters to charge customers for wastewater service. Tr. 83-84.

Daryll Hertsberg is the director of facilities at Jenners Pond and testified on behalf of Jenners Pond, an Aqua wastewater customer. Jenners Pond is a non-profit retirement community that houses 300 residents. Mr. Hertsberg testified that the proposed 84% increase will be passed on to the resident at Jenners Pond who are on fixed incomes. Tr. 86-87.

James Kusko is an Aqua wastewater customer. Mr. Kusko inquired about the use of deductive meters for Aqua wastewater customers so that they are charged only for the water that goes to the sewer. Tr. 89-91.

Shannon Weber is an Aqua wastewater customer. Ms. Weber disputed efforts to make the wastewater rates uniform. Tr. 92-94.

James Spring is an Aqua wastewater customer. Mr. Spring questioned why the acquisition of facilities by Aqua does not lead to reductions because of efficiencies in skills and service. Mr. Spring opposes the proposed rate increase for wastewater service as it is unreasonable and excessive. Tr. 97-98.

B. Second Public Input Hearing -- Jennersville YMCA, West Grove, PA

On November 13, 2018, an in-person public input hearing convened at 6:00 p.m. Twelve people testified under oath. Eleven of the twelve witnesses opposed the rate increase for water and wastewater service.

Curtis Mason is the Chairman of the Penn Township Board of Supervisors and testified individually and on behalf of the Board. Mr. Mason is an Aqua wastewater customer. Aqua wastewater purchased the township's wastewater plant in 2014 and the customers of the township's wastewater system received a rate freeze for approximately three years that ended March 31, 2017. Mr. Mason alleged that the proposed rate increase in excess of 80% is unreasonable and burdensome to a township that is comprised of senior citizens on fixed-incomes and low-income families. Tr. 118-122.

Gregory Cary is a consultant for Aqua water. Mr. Cary is a former township supervisor for Honey Brook Township over a six-year period. Mr. Cary recalled a retirement community project started over his six-year tenure as township supervisor where Aqua provided water service and there were no complaints regarding the Aqua service over the six years. Mr. Cary testified that Aqua water is proactive with its preventive maintenance program. Tr. 124-126.

Guy Chiarrocchi is the president of the Chester County Chamber of Business and Industry and an Aqua water customer. Mr. Chiarrocchi testified on behalf of the Chamber that Aqua water is a good corporate citizen to the community. Mr. Chiarrocchi stated that the Chamber does not oppose the proposed rate increase as it is needed for water quality. Tr. 127-129.

Wayne Weismandel is an Aqua wastewater customer. Mr. Weismandel stated he is a retired Commission ALJ. Mr. Weismandel is a wastewater customer and complained about Aqua wastewater not adequately servicing his account with a required account number and named company on his bill. Tr. 131-139.

Robert Shapiro is an Aqua wastewater customer. Mr. Shapiro lives in a 55+ community, comprised of mostly senior citizens on fixed incomes. Mr. Shapiro alleged the proposed rate increase is unreasonable and burdensome and questioned whether it is needed for improvements and repairs. Mr. Shapiro alleged that Aqua purchases other water and wastewater companies with no rate increase for a couple of years, but after that time expires, increases rates significantly. Tr. 140-142.

Stephen McHenry is an Aqua wastewater customer. Mr. McHenry testified to inadequate service alleging that Aqua wastewater didn't seem to know that his household was its customer and erroneously stated the household was not a customer. Mr. McHenry also alleged that the billing he received was problematic in not billing him for service received. Tr. 143-146.

Ralph Churchill is an Aqua wastewater customer indirectly through Jenners Pond. See *supra*. Mr. Churchill inquired about the improvements made in Penn Township to justify an 84% rate increase and how the collected fees are being used by the Company. Mr. Churchill also inquired about the use of deduct meters in the Company's territory. Tr. 148-149.

Don Vymazal is employed by Senator Dinniman and represented the Senator. The Senator is interested in the detail of how the proposed rate increase is to impact his constituents. The Senator is particularly concerned about the 84% increase proposed for Penn Township. Tr. 152-154.

Barry Meister is an Aqua wastewater customer. Mr. Meister alleged inadequate service and, like Mr. Weismandel and Mr. McHenry, testified that the Company didn't seem to know the customers in its service territory. Mr. Meister questioned the need for the proposed rate increase. Tr. 156-158.

Leon Zola is an Aqua water and wastewater customer. Mr. Zola alleged the proposed rate increase is unreasonable and opposed it. Mr. Zola questioned whether the Company looked at other ways to obtain funds. Tr. 159-160.

Ajay Talwar is an Aqua wastewater customer. Mr. Talwar alleged the proposed rate increase is unreasonable and the Company has not provided proof to justify the proposed increase. Tr. 163-164.

Stanley Wolenski is an Aqua wastewater customer. Mr. Wolenski alleged that the strategy undertaken by the CEO of the parent company of Aqua, Aqua America, is to acquire systems on an evaluation (higher, inflated value) rather than a market value and then request a rate increase based on the evaluation which does not provide a business incentive to the acquirer in its purchases as a rate of return on the investment. Whatever it purchases it will receive back through rate increases. Mr. Wolenski questioned what investments justify the increase and whether they are to be made in the future or have already been made. Mr. Wolenski stated the proposed 84% rate increase for Penn Township is burdensome and outrageous and should be denied. Tr. 166-180.

C. Third Public Input Hearing – Montgomery County Community College, Blue Bell, PA

On November 14, 2018, an in-person public input convened at 1:00 p.m. at the small auditorium for the Science Center at Montgomery County Community College. Five people testified. Four witnesses supported the rate increase and one witness opposed the rate increase.

Michael Thompson testified as the commissioner for Abington Township and an Aqua water customer. Mr. Thompson stated that the Perfluoroalkyl substances (PFAS)⁷ levels in the drinking water from the North Hills well in Abington Township are not safe because they are above the Agency for Toxic Substances and Disease Registry (ATSDR) of the Center for Disease Control (CDC) recommended levels for safety as of 2016. Mr. Thompson understands that the North Hills well has been taken off-line to work on its filtration system so that the PFOS and PFOA levels get to or under the recommended level for safety. Mr. Thompson opposed the rate increase

⁷ The most common PFAS are Perfluorooctanoic Acid (PFOA) and Perfluorooctane Sulfonate (PFOS).

and advocated a commitment by the Company to implement new technologies to deliver safe and reliable water service. Tr. 200-206.

Austin Meehan is employed by Utility Line Service, Inc., a contractor for Aqua water and is a former customer of Aqua water from 1994 to 2016. Mr. Meehan supported the rate increase for the infrastructure work it has done to deliver safe and reliable water service. Tr. 207-209.

Ryan Connors is an Aqua water customer that supports the rate increase and recognized that it is needed to maintain the infrastructure to deliver safe and reliable water service. Tr. 211-212.

Abbey Shuster is an Aqua water customer. Ms. Shuster supported the rate increase so that the Company can make needed improvements to its water system to deliver safe and reliable water service. Tr. 215-219.

Ryan Beltz is the executive director of the Perkiomen Watershed Conservancy and testified on its behalf. Mr. Beltz testified that Aqua is a good corporate citizen that helps its community in restoring and maintaining the quality of the water in his community. Tr. 220-222.

D. Fourth Public Input Hearing – Bensalem Township High School, Bensalem, PA

On November 14, 2018, an in-person public input hearing convened at 6:00 p.m. Eight people testified under oath. Four witnesses supported the rate increase and four witnesses opposed the rate increase.

Paul Nice is a customer of Aqua water. Mr. Nice opposes the rate increase as too steep and excessive. Mr. Nice stated that Aqua pays its stockholders cash dividends that have increased 28 times in the past 27 years and a recent reduction in taxes have gained Aqua a 5.4 percent net income return. Mr. Nice argues that, given these facts, Aqua's rate increase should be much lower. Tr. 238-241.

Craig Spitzer spoke on behalf of McWane Ductile, which is a vendor of Aqua. Mr. Spitzer testified that McWane Ductile supplies the pipe that Aqua uses in the ground and has been a partner with Aqua for nine years. Mr. Spitzer stated that Aqua is committed to maintaining the systems they operate, investing in future infrastructure, and continuing to look at new technologies to improve the overall service and quality to their customers. Tr. 242-243.

David Caddick spoke on behalf of Caddick Utilities, which is a vendor of Aqua. Mr. Caddick stated he supports the proposed rate increase because Aqua is committed to maintaining and improving their infrastructure to supply the best quality water to their customers. Tr. 244-247.

Jeff Darwak is the Executive Director of the Redevelopment Authority of the County of Bucks (Redevelopment Authority) and spoke on their behalf. Mr. Darwak spoke about the Redevelopment Authority's experience working with Aqua on an economic redevelopment project in Lower Bucks County. Mr. Darwak stated Aqua was a tremendous participant throughout the process providing professional guidance and expertise. Tr. 248-251.

Stan Mansell is a customer of Aqua water. Mr. Mansell opposed the amount of the proposed rate increase as too high and would support a lower increase. Tr. 252-256.

James Ryan testified on behalf of himself as a customer of Aqua water, as well as, the Director of Public Works for the Public Works Department in Bensalem Township. Mr. Ryan stated that Aqua has made many improvements to the infrastructure throughout Bensalem Township and he has had a good working relationship with Aqua. Tr. 257-259.

Debora Hauser and Barbara-Ann Myers are customers of Aqua water. Ms. Hauser and Ms. Myers oppose the rate increase as burdensome on a large population of elderly residents with fixed incomes. Tr. 260-263, 266-268.

E. Fifth Public Input Hearing – Springfield Township Office, Springfield, PA

On November 15, 2018, an in-person public input hearing convened at 1:00 p.m. Four people testified under oath. Three witnesses supported the rate increase and one witness did not address the rate increase.

Lee Fulton is the Fire Marshall for Springfield Township, which is a customer of Aqua water. Mr. Fulton spoke about the benefits of the improvements to infrastructure in Springfield Township made by Aqua. Mr. Fulton stated the improvements have led to lower insurance rates for the residents of Springfield Township. Tr. 284-288.

Edward Coleman is the Chief Executive Officer of Community Action Agency of Delaware County (CAADC). The CAADC is an anti-poverty agency that has partnered with Aqua to administer the Helping Hand Program, which assists Delaware County residents in paying their water bills. Mr. Coleman expressed that CAADC values Aqua's partnership in assisting Delaware County residents. Tr. 289-291.

William Freed is a customer of both Aqua water and wastewater. Mr. Freed did not discuss the rate increase. Instead, Mr. Freed testified about a personal issue/complaint he had with Aqua regarding work done on his property. Tr. 292-299.

Alfred Conan is a customer of Aqua water. Mr. Conan is also the President of Delmont Utilities, Inc., which is a contractor for Aqua. Mr. Conan spoke on behalf of himself and Delmont Utilities, Inc. Mr. Conan testified that from his perspective, Aqua has always expressed great concern for its customers. Tr. 299-301.

F. Sixth Public Input Session – Keystone Building, Harrisburg, PA (Smart Hearing)

On November 16, 2018, a public input Smart Hearing convened at 11:30 a.m. Twenty-seven people testified under oath. The majority of the testimony opposed the rate increase for water and wastewater service.

Doron and Paige Meizlik testified as customers of Aqua water. The Meizliks oppose the rate increase and were primarily concerned with PFAS in the water. The Meizliks believe Aqua already charges the highest rates for water in the area and are not adequately addressing PFAS in the water supply. Tr. 320-336.

Nicole Ganz testified about PFAS in the water. Ms. Ganz believes that Aqua is not doing enough to filter the PFAS out of the water and opposes the rate increase. Tr. 338-348.

Kathleen Joyce spoke on behalf of State Representative Madeleine Dean, who represents the 153rd Legislative District. Ms. Joyce cautioned against approving any rate increase until there is more communication from Aqua regarding PFAS and how they plan to remove them from the water. Tr. 350-354.

Jerome Linden testified that he opposes the allocation of wastewater across the water customer base. Mr. Linden argues that it is not in the public interest for water ratepayers to subsidize other townships' wastewater customers. Mr. Linden also stated that he believes most of the increase (90%) is not for system improvements, but for profits and taxes. Tr. 357-365.

Patricia Manning is a customer of Aqua wastewater. Ms. Manning objected to a rate increase because it will place an undue burden on low and fixed income customers. Tr. 368-371.

Tammy Livziey, Edward Levy, and Pamela Finn stated that a fifty percent rate increase is too high and would be a financial hardship for most customers in the Blakeslee Township area. Tr. 374-380, 393-396.

Nancy Marano is the Manager for Emlenton Borough. Ms. Marano expressed her gratitude and appreciation for Aqua taking over the water and wastewater utilities in Emlenton Borough in 2008 and 2009 respectively. Tr. 385-389.

Valorie Huckabee is the Manager for South Waverly Borough. She spoke on behalf of South Waverly Borough, which is a Complainant in this matter. Ms. Huckabee stated the increase would be a burden on those customers that are on a fixed income. Ms. Huckabee also listed various other expenses South Waverly Borough has incurred recently. Tr. 400-405.

Margaret Ambrose is a customer of Aqua water. She opposes an increase to the water rate because the increase would be unduly burdensome. Tr. 408-411.

John Jablowski spoke on behalf of Tobyhanna Township. Mr. Jablowski expressed that Tobyhanna Township was pleased with the sale of its sewer system to Aqua in June of 2017. Tr. 416-419.

Brian Edwards is a customer of both Aqua water and wastewater and opposes any increase in rates. Mr. Edwards states Aqua's water and wastewater rates are already more than double the average rate in America and the Commission should examine this discrepancy before approving any rate increase. Tr. 421-425.

Mark Burgess appeared on behalf of Athens Borough, which is a complainant in this case. Mr. Burgess argued that a rate increase will place an undue burden on low and fixed income customers, especially the elderly. Tr. 426-428.

Phillip Biocci is a customer of Aqua water. Mr. Biocci did not have any comment on the proposed rate increases. Rather, Mr. Biocci alleged the water is contaminated and instead of hearings on rate increases, the Commission should be having hearings on that issue. Tr. 430-433.

Jill Florin is a customer of Aqua water. She objects to the rate increase based on concerns about Aqua not adequately addressing alleged water contamination, as well as already charging some of the highest rates for water in the area. Tr. 436-440.

David Jarrett is a customer of both Aqua water and wastewater. He opposes the proposed rate increase because it would be unduly burdensome on residents and the Sayre Borough. Tr. 442-446.

David Saplansky is a customer of Aqua water. Mr. Saplansky requests that the Commission order Aqua to reduce its rates, rather than increase them, based on the net profit Aqua has shown in 2017. Mr. Saplansky also reiterated concerns brought by previous witnesses regarding water contamination and current rates already being too high. Lastly, Mr. Saplansky testified that after he complained of dirt and smell in his water, Aqua sampled his water and provided test results within a week that showed his water met all applicable standards for drinking water. Tr. 448-457.

Michael Tucker is a customer of Aqua water. Mr. Tucker believes that Aqua is not doing enough to filter the PFAS out of the water and opposes the rate increase as a result. Mr. Tucker also expressed concerns with Aqua's current rates compared to the rates of other water suppliers in the area. Tr. 459-462.

John Spiegelman is a customer of Aqua water. Mr. Spiegelman opposes the rate increase until Aqua improves its communication with customers about PFAS in the water supply and provides a specific plan for filtering PFAS out of the water. Tr. 464-469.

Andria Torres is a customer of Aqua water. Ms. Torres opposes an increase to the water rate because the increase would be unduly burdensome. Tr. 471-474.

Sylvia Habecker is a customer of Aqua water and wastewater. She opposes the rate increases because they would be unduly burdensome. Tr. 477-480.

David Larson is a customer of Aqua water and wastewater and a Board Member on the Links at Gettysburg Master Association, which is a complainant in this case. Mr. Larson opposes the rate increase because he sees a lack of infrastructure improvement and believes the increase is being used to subsidize customers in other locations. Tr. 483-485.

Carolyn Braun-Evans is a customer of Aqua water. Ms. Braun-Evans opposes the rate increase until Aqua improves its communication with customers about PFAS in the water supply and provides a specific plan for filtering PFAS out of the water. Tr. 488-494.

Kathleen O'Boyle is a customer of Aqua water. She testified that she has had issues with her water being overly chlorinated in the past. She also questioned what Aqua was doing to address chemicals in the water supply from fracking. Tr. 497-500.

Thomas Driscoll is a customer of Aqua water. Mr. Driscoll is concerned with the return on investment Aqua receives for improving the infrastructure. He also stated concerns about the quality of the water and how a rate increase would affect those on a fixed income. Tr. 506-508.

G. Seventh Public Input Hearing – Upper Dublin High School, Fort Washington, PA

On November 27, 2018, an in-person public input hearing convened at 6:00 p.m. Four people testified under oath and were all opposed to rate increases.

Ben Sanchez is a customer of Aqua water and a Commissioner for Abington Township. Mr. Sanchez's testimony was primarily focused on PFAS in the water and was against approving any rate increase until there is more of a commitment from Aqua regarding filtering PFAS from the water. Tr. 529-536.

Irene McCool is a customer of both Aqua water and wastewater. Ms. McCool believes that Aqua is not doing enough to filter PFAS out of the water and opposes the rate increase as a result. Ms. McCool also expressed concerns with Aqua's current rates compared to the rates of other water suppliers in the area. Tr. 538-542.

Tara McSherry-Hurst is a customer of both Aqua water and wastewater. Ms. McSherry-Hurst opposes any rate increase until Aqua commits to reducing PFAS in the water to a non-detectable level. Tr. 543-546.

Michael Foster is a customer of both Aqua water and wastewater. Mr. Foster argued that a rate increase will place an undue burden on low and fixed income customers. Mr. Foster also opposes any rate increase until Aqua commits to reducing PFAS in the water to a non-detectable level. Tr. 546-555.

IV. TERMS AND CONDITIONS OF THE SETTLEMENT PETITION

The Joint Petitioners agree to the following pertinent and relevant terms and conditions for settlement:

A. Revenue Increase, Commission Approval and Implementation of Rates

Upon Commission approval of the Settlement, Aqua will be permitted to charge the rates for water service set forth in the proposed Original Tariff – Water Pa. P.U.C. No. 2 attached to the Joint Petition as Appendix A and the rates for wastewater service set forth in the proposed Original Tariff – Sewer Pa. P.U.C. No. 2 attached to the Joint Petition as Appendix B (hereafter, the Settlement Rates). The Settlement Rates are designed to produce additional annual operating revenue of \$47 million (\$42.3 million for water operations and \$4.7 million for wastewater operations), as shown on the proof of revenues attached to the Joint Petition as Appendix C.

Pursuant to Section 1311(c) of the Public Utility Code and the Commission’s Implementation Order in Docket No. R-2013-2355276, under the Settlement Rates, a portion of the wastewater revenue requirement totaling \$7,087,745 is being allocated to water customers.

The Joint Petitioners agree to exercise their reasonable efforts to obtain approval of this Settlement on or before April 11, 2019, and the implementation of the Settlement Rates on May 24, 2019, when the suspension period, as voluntarily extended by Aqua, will expire. Upon the entry of a Commission Order approving this Settlement, Aqua will be permitted to file a tariff for water service in the form attached to the Joint Petition as Appendix A, and a tariff for wastewater service, in the form attached to the Joint Petition as Appendix B, reflecting the agreed-to additional operating revenue to become effective on May 24, 2019.

B. Base Rate Filing Stay Out

Aqua will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its water and wastewater operations included in this rate case prior to April 30, 2021. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy or statutes which directly and substantially affect the Company's rates, this Settlement shall not prevent the Company from filing tariffs or tariff supplements to the extent necessitated by such action.

C. Distribution System Improvement Charge ("DSIC")

For the purposes of calculating its DSIC for its water and wastewater operations, Aqua shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities (the "Quarterly Earnings Report") and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

The DSIC for Aqua shall be established at 0% of billed revenues effective with the effective date of Settlement Rates. The DSIC shall remain at 0% of billed revenues until the later of: (a) the end of the FPFTY or (b) the quarter following the point in time at which Aqua's DSIC-eligible investment, net of plant funded with customer advances and customer contributions, exceeds the levels projected by Aqua as of March 31, 2020 (i.e., the end of the FPFTY) per Aqua's Exhibit Nos. 6-A, Part III and 6-B, Part III. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

D. Adjustment Clauses

Aqua agrees to withdraw its proposed Energy Cost Adjustment Mechanism (ECAM) and Purchased Water Adjustment Clause (PWAC). This withdrawal is made without prejudice to propose these adjustments in the future.

E. Treatment of Income Taxation – Customer Advances for Construction and Contributions-In-Aid-Of-Construction

Within 30 days of a final, unappealed Commission order on the tariff supplement filing of PAWC at Docket No. R-2018-3002504, Aqua shall file a tariff supplement consistent with the Commission’s resolution in that proceeding of the issue of cost responsibility for, and ratemaking treatment of, state and Federal income taxes owed on Customer Advances for Construction and Contributions-in-Aid-of-Construction (CAC/CIAC). From the effective date of the Settlement Rates until such time as Aqua’s tariff supplement becomes effective and unappealable, the Company shall either require the developer to present a letter of credit in the amount of grossed-up income tax that would be owed on the CAC/CIAC or to hold such amount in escrow; the letter of credit or escrow funds, as the case may be, shall be released to the appropriate party within 15 business days of the tariff supplement becoming effective and unappealable. The amount of grossed-up income tax to be subject to escrow or secured by a letter of credit will be not less than the amount calculated by multiplying the CAC/CIAC by a factor of 1.4063 and then deducting from that figure: (1) the amount of CAC/CIAC; and (2) the present value of state and Federal tax benefits of the future depreciation deductions related to the property funded by such CAC/CIAC. Notwithstanding the foregoing, any CAC/CIAC agreement entered into between Aqua and a developer prior to the effective date of the Settlement Rates shall remain in full force and effect without modification.

F. FPFTY Reporting

As part of this Settlement, the Company has agreed to provide the Commission’s Bureau of Technical Utility Services (TUS), I&E, OCA, and OSBA with an update to AP Statement No. 2, Attachments 1 and 2, p. 1, no later than July 1, 2019, which should include actual capital expenditures, plant additions, and retirements by month from April 1, 2018 through March 31, 2019. Then, no later than July 1, 2020, another update of AP Statement No. 2, Attachments 1 and 2, p. 1, should be submitted showing actuals from April 1, 2019 through March 31, 2020. In Aqua’s next base rate proceeding,⁸ the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended March 31, 2020 to its projections in this case.

⁸ For purposes of the Joint Petition, references to the Company’s next base rate proceeding, next base rate case, or next base rate filing mean its next base rate case, proceeding or filing for water and wastewater operations that were included in this case, unless stated otherwise.

G. Contract Customer Reporting

The Company will include in its next Pennsylvania water base rate filing documentation of the existence of a viable competitive alternative to water service provided by the Company for the following Rider DRS customers and any new Rider DRS customers added after the date of this Joint Petition:

Rider DRS Customers

Chemung County Industrial Development Agency
New Wilmington Municipal Authority
Warwick Township Water and Sewer Authority
Borough of Sharpsville
City of Hubbard
Horsham Water Authority
Schwenksville Borough Authority

Aqua agrees to date each competitive alternative analysis that is submitted regarding the above Rider DRS customers or new Rider DRS customers and provide dates for when the competitive alternative analysis was last considered, if applicable. Additionally, Aqua agrees to provide a competitive alternative for the rates charged to Masury area customers in its next water base rate filing.

Any party to this Joint Petition reserves the right to review and challenge any contract and/or rate in future Aqua base rate filings, or in subsequent litigation related to this proceeding.

H. Revenue Requirement

(a) Income Taxes

The Joint Petitioners agree that the Settlement Rates fully account for the impacts of the Tax Cuts and Jobs Act (TCJA) and no further adjustments, refunds or credits are required. The Joint Petitioners agree that the Settlement Rates reflect a reduction to rate base for the excess Accumulated Deferred Income Taxes (ADIT) amount (regulatory liability) as of the end of the FPFTY. The Company agrees to continue such treatment in future base rate filings until the entire amount has been refunded in future years. The Company agrees to separate ADIT and excess ADIT into two different accounts in future base rate filings.

The Joint Petitioners agree that the revenue requirement incorporates a reduction to current state and Federal income tax expense based on net repairs deductions in the FPFTY of \$154,514,546 for the water utility and \$4,350,142 for the wastewater utility, for a total of \$158,864,688.

If the net repairs deductions for Aqua vary by more than \$3 million above or below that \$158,864,688 amount (i.e. below \$155,864,688 or above \$161,864,688), Aqua will record a regulatory liability or asset for the related income tax expense impacts of the repairs deduction variations below or above \$158,864,688.

Aqua shall report on the regulatory asset or liability amounts of the net repairs deduction income tax impacts in its quarterly earnings reports after the conclusion of the FPFTY. Within 30 days of reporting a regulatory liability with a net cumulative income tax impact amount of \$10 million or larger, Aqua shall file with the Commission and shall copy OCA, I&E, and OSBA, a plan for refunding the regulatory liability amount to customers.

If there are remaining deferrals of the differences in income tax expense for Aqua's net repairs deductions, that balance shall be addressed in Aqua's next base rate case based on the recorded regulatory asset and liability amounts.

Whether similar recording of the impact on current income tax expense from net repairs deduction variations above or below a dollar in a regulatory liability or asset account should continue shall also be re-evaluated in Aqua's next base rate case.

(b) Acquisition Adjustments

The Joint Petitioners agree that this Settlement does not include, and they will not propose, in any future proceeding, to include in rate base or any corresponding amortization expense related to the positive acquisition adjustments for the following water and wastewater acquisitions:

Water:

Mifflin Township
Beech Mountain
Sand Springs
Concord Park

Wastewater:

Township of Tobyhanna

The Joint Petitioners agree that the Settlement Rates reflect the amortizations of positive and negative acquisitions adjustments set forth below:

Water:

Description	Amortization Period	Annual Amortization
Bristol Township Water	7/14 - 6/24	\$ (22,493)
Yalick Farms Water	1/16 - 12/25	\$ (99,396)
Bunker Hill Water	3/16 - 2/26	\$ (1,725)
Robin Hood Lake Water	3/16 - 2/26	\$ (8,723)
East Cameron Twp. Water	4/17 - 3/27	\$ (6,986)
Treasure Lake	4/19 - 3/39	\$ 151,240
Mt Jewett Water	4/19 - 3/39	\$ 2,473
Sun Valley Water	4/19 - 3/39	\$ 194

Wastewater:

Description	Amortization Period	Annual Amortization
Washington Park	3/09 - 2/19	\$ (2,172)
Cove Village	9/09 - 8/19	\$ (14,867)
Eagle Rock	7/04 - 6/24	\$ (105,365)
Links at Gettysburg	1/05 - 12/24	\$ (46,645)
Beech Mountain WW	6/13 - 5/23	\$ (1,765)
Village at Valley Forge	6/13 - 5/23	\$ (118,124)
Kidder Township	2/14 - 1/24	\$ (13,971)
Penn Township Sewer	4/15 - 3/25	\$ (419,031)
Sage Hill	7/16 - 6/26	\$ (77,566)
Honeycroft	1/17 - 12/26	\$ (246,362)
Emlenton	7/17 - 6/27	\$ (168,193)
Treasure Lake	4/19 - 3/39	\$ 64,901
Bunker Hill WW	4/19 - 3/39	\$ 1,780
Avon Grove	4/19 - 3/39	\$ 3,738

I. Cost Allocation and Rate Design

(a) Water

The Settlement Rates set forth in Appendix A reflect the Joint Petitioners' agreement with regard to water rate structure, rate

design and the distribution of the increase in revenues in this case, as follows:⁹

Under the Settlement Rates, the Main Division 5/8-inch customer charge for all customer classes will be \$18.00 per month in lieu of the \$18.50 customer charge proposed by the Company. The same percentage increase as that for 5/8-inch meter customer charge will be applied to the customer charges for all other meter sizes in the Main Division.

Under existing rates, Aqua has a total of 22 water rate divisions. Under the Settlement Rates, various existing rate divisions will be consolidated and, as a result, there will be a total of 14 rate divisions. Twelve of the rate divisions are grouped into three rate zones (Rate Zones 1-3) based on the similarity of their rate structure and rate design, while Bunker Hill and Sun Valley are displayed separately because they are dissimilar from those divisions grouped into Rate Zones 1-3. The existing rate divisions and the corresponding rate divisions that will exist under the Settlement Rates are set forth on page 1 of Schedule 2 of the Proof of Revenues for Water Operations in Appendix C to this Joint Petition. The rates of all of the rate divisions that will continue to exist under the Settlement Rates have been moved closer to each other and to the Rate Zone 1 in order to facilitate further consolidation with the Main Division in future cases.

(b) Wastewater

The Settlement Rates set forth in Appendix B reflect the Joint Petitioners' agreement with regard to wastewater rate structure, rate design and the distribution of the increase in revenues in this case, as follows:¹⁰

Under existing rates, Aqua has a total of 33 wastewater rate divisions. Under the Settlement Rates, various existing rate divisions will be consolidated with each other and, as a result, there will be a total of eleven rate divisions (or subdivisions) under the Settlement Rates. The existing rate divisions and the corresponding rate divisions or subdivisions that will exist under the Settlement Rates are set forth on page 1 of Schedule 2 of the

⁹ The following two paragraphs provide a general description of the water rate structure and water rate design incorporated in the Settlement Rates. The Joint Petitioners aver that while every effort has been made to ensure that the description is accurate, if any inconsistency exists between such description and the rates set forth in Appendix A of the Joint Petition, the latter shall take precedence.

¹⁰ If any inconsistency exists between the information provided in the following two paragraphs and the rates set forth in Appendix B of the Joint Petition, the latter shall take precedence.

Proof of Revenues for Wastewater Operations in Appendix C to this Joint Petition. The rates of the rate divisions that will continue to exist under the Settlement Rates have been moved closer to each other in order to facilitate further consolidation in future cases.

The Settlement Rates for all classes of customers and classes of wastewater service for the rate zones that will exist under the Settlement Rates are set forth in the applicable portions of the Wastewater Tariff attached to the Joint Petition as Appendix B.¹¹

As a result of Public Input Hearing testimony offered by Mr. Kretschmaier and Mr. Kusko, and testimony provided by OCA witness Rubin, Aqua agrees to study the feasibility of implementing in Pennsylvania a summer wastewater usage cap similar to the method used by Aqua Illinois, Inc. The results of that study, including either a proposal to adopt such a billing method or a detailed explanation for why Aqua believes such a method to be infeasible in Pennsylvania, shall be provided in Aqua's next wastewater base rate filing. If Aqua believes that such a method would not be feasible in Pennsylvania, Aqua nevertheless shall be required to provide the billing units and rates that would be used if such a method were adopted in the next consolidated wastewater rate case. In addition, consistent with Aqua's rebuttal testimony in this proceeding, the Company will consider proposing a flat wastewater rate structure in its next rate case for seasonal communities in its service territory.

J. Low Income Issues

(a) Helping Hand

Aqua will contribute \$125,000 per year to the Helping Hand Program for each of the next three years (2019, 2020, and 2021). The Joint Petitioners agree that the Company is not required to contribute more than this amount each year. However, if the funding is not fully expended in any given year, it will be rolled over to the next year and be available for grants and arrearage forgiveness. Aqua will continue to promote awareness of the program to customers and local agencies for each county within the Company's service territory and will work with participants of the Helping Hand Collaborative to identify new ways to promote the program. Aqua will continue to seek customer contributions for the program that will supplement the funding provided by the Company. The Company agrees to re-evaluate its contribution and

¹¹ Aqua notes that consistent with its Direct Testimony in this proceeding, the Company's wastewater lot availability charge will be eliminated from its wastewater tariff as part of this Settlement.

the structure of Helping Hand in its next base rate case. In the event that Aqua does not file its next base rate case in 2021, the annual funding amount agreed to in this Settlement will remain in place until such time as its next base rate case is filed and new rates are in effect.

Within 180 days of the effective date of the Settlement Rates, Aqua will establish a grant program that accompanies and enhances its Helping Hand Program. Aqua will work with participants of the Helping Hand Collaborative, described in Paragraph 41 of this Settlement, to establish eligibility parameters for receiving a grant and the maximum amount of each grant.

Aqua will eliminate its current requirement that customers must make a good faith payment in order to enroll in the Helping Hand Program. Instead, Aqua will continue to advertise and promote for Helping Hand enrollment households who are payment troubled and meet the following criteria:

1. Household income no greater than 200% of poverty
2. Arrears in excess of \$110
3. Payment Troubled as evidenced by one or more of the following:
 - i. A broken payment agreement;
 - ii. Threatened with termination of service for non-payment or service already off;
 - iii. Has evidenced an inability to pay bills.

The Company's current Helping Hand payment is a fixed monthly payment based on the customer's monthly average usage and an installment payment toward the customer's arrears. Within 90 days of the effective date of the Settlement Rates, the Company will cease requiring an installment payment toward arrears for new Helping Hand enrollees. The Company will work with the Helping Hand Collaborative to determine the appropriate means of recalculating average bills going forward for Helping Hand participants on no less than an annual basis.

Aqua will increase the amount of arrearage forgiveness available to each customer enrolled in Helping Hand to \$25 per month for each timely, in-full payment made by the customer.

Within 120 days from the date that the Settlement Rates are effective, the Company will provide a report to the Helping Hand Collaborative on the feasibility of tracking the following listed data, as well as what data it believes provide the best analysis for

whether the intent of the program is working based on its current reporting capabilities and resources.

- (1) Number of estimated and confirmed low income customers
- (2) Number of confirmed low income customers with arrears and the average arrearage amount
- (3) Average monthly bill amount of confirmed low income customers
- (4) Amount of arrearages for customers entering Helping Hand
- (5) Terminations for nonpayment of confirmed low income customers
- (6) Number and amounts of hardship grants disbursed

The Company will host a series of Helping Hand Collaborative meetings between now and its next base rate case for the purpose of soliciting input about ways to improve Helping Hand. The Company will invite to the collaborative meetings OCA, the Commission's Bureau of Consumer Services and CAUSE-PA. The Company will host collaborative meetings quarterly for the first year after the effective date of the Settlement Rates, with the first meeting to be held within 60 days of the effective date of the Settlement Rates. After the first year, the Company will host collaborative meetings not less than twice a year. The collaborative meetings will be to discuss, among other topics:

1. The scope of low income data that it is feasible and useful for the Company to collect;
2. Details of the grant component of the program;
3. The method of calculating the monthly Helping Hand payment;
4. Improving outreach and messaging for programs;
5. Further develop a holistic communications plan;
6. Assessing applicable data; and

7. Developing efforts to fund the grant assistance program on an ongoing basis.

Aqua will have full discretion as to whether to accept feedback from the Helping Hand Collaborative, and as required, submit proposals to the Commission for approval.

(b) Domestic Violence Policy

Aqua will document its domestic violence procedures and have them readily available to its customer service representative (“CSRs”). Aqua commits to review these procedures with CAUSE-PA, OCA and other interested parties. Aqua agrees to implement a policy allowing that victims of domestic violence be provided three days to provide a copy of their order before termination will proceed and will clearly define the payment arrangement rules available for these customers.

(c) Medical Certifications

Aqua agrees to edit the signature line on its Medical Certification Form to include a reference to physician, physician’s assistant, or nurse practitioner.

(d) Termination Notices

Aqua will remove reference to security deposits from its termination notices and tariff, and amend the language related to domestic violence victims as follows: *“If you are a victim of domestic violence and have a Protection From Abuse Order or other court order that shows clear evidence of domestic violence, there are special protections available.”*

K. Service-Related Issues

The Company agrees to continue monitoring its water supply for the presence of the two chemicals, Perfluorooctanesulfonic acid (“PFOS”) and Perfluorooctanoic acid (“PFOA”), in accordance with the United States Environmental Protection Agency’s Third Unregulated Contaminant Monitoring Rule (“UCMR3”).¹² Aqua will also continue to share its sampling results for PFOS and PFOA in Montgomery County on its dedicated website *WaterFacts.com*, consumer confidence reports (“CCRs”), or other

¹² UCMR3 also requires, in addition to PFOS and PFOA, the monitoring and reporting of: (1) perfluorononanoic acid (PFNA), (2) perfluorohexanesulfonic acid (PFHxS), (3) perfluoroheptanoic acid (PFHpA), and (4) perfluorobutanesulfonic acid (PFBS).

appropriate forms and evaluate treatment options and operational initiatives where appropriate. As long as <http://WaterFacts.com> is in use and there is no other new regulatory requirement specifying data collection and communication, the Company agrees to post the results on <http://WaterFacts.com> after completing its testing, review and posting process in an efficient and expeditious manner. The Company agrees to seek available funding from outside sources and governmental agencies to fund prudent improvements needed to further limit the presence of PFOS and PFOA in the affected water sources.

The Company commits to revise its procedures for new developments to ensure that it receives timely and accurate connection information for new service once the homes in new developments are completed. The Company also agrees to provide additional training to its customer service representatives so that they know how to further investigate the situation when a customer contacts the Company about initiating service for a new connection. The Company will provide the Statutory Advocates with an overview of the changes made to the Company's procedures and the training materials. The overview will be provided within 60 days of the entry of the final order in this proceeding.

The Company shall continue to provide water and wastewater customer complaints in a live Excel spreadsheet that shall be made available in future general rate proceedings. The water and wastewater customer complaint logs shall contain separate searchable columns for date of complaint, street number, street name, city (zip code is preferable), and code for the type of complaint. The Company and OCA agree to continue to discuss how to incorporate into a live Excel spreadsheet the following additional information regarding whether a Company employee made a site visit, if the problem was the responsibility of the Company or the customer, and the date the complaint was resolved. The Company and the OCA agree to have that discussion within 90 days after the entry of a final order in this proceeding. Additionally, the Company agrees to provide a legend explaining the abbreviations used in the complaint logs.

The Company agrees to provide a list of existing locations going forward where the Company installs a pressure reducing valve for a residential customer because the static head was anticipated to be greater than 85 psi due to planned engineering changes in the Company's distribution system. The list will include an explanation of how the Company's plan impacts the customer's

pressure. The Company agrees to provide the report to OCA twelve months after the entry of a Commission Order in this proceeding and every twelve months after that until the effective date of base rates in its next base rate proceeding.

During the Company's next general rate proceeding, the Company shall provide to the Statutory Advocates a live Excel spreadsheet of all fire hydrants connected to 4-inch mains or smaller that are not capable of providing 500 gallons per minute of water at 20 psi.

The Joint Petitioners agree that the Company has fully addressed the concerns raised by customers at the Public Input Hearings as follows:

Ralph Churchill testified at the evening hearing held on November 13, 2018 in Chester County. Mr. Churchill is not a direct customer of Aqua and lives in Jenners Pond, a retirement community, which is a commercial customer of Aqua. Mr. Churchill requested information on the improvements made in Penn Township. On December 18, 2018, Aqua sent a letter to Mr. Churchill describing the improvements.

Debora Hauser testified at the evening hearing held on November 14, 2018, in Bucks County. Ms. Hauser stated that she believed the customer charge of \$69.00 was too high. At the conclusion of the hearing, a representative of Aqua spoke to Ms. Hauser to get more information about her billing concern. Ms. Hauser's current customer charge for a 5/8" meter is \$16.00, not \$69.00. Aqua sent a letter confirming this to Ms. Hauser on December 17, 2018.

William Freed testified at the afternoon hearing held on November 15, 2018 in Delaware County. Mr. Freed testified about his previous informal and formal complaints filed with the Commission against Aqua. Aqua confirmed that Mr. Freed had filed both an informal (BCS Case No. 3582179) and a formal complaint (Docket No. C-2018-2645244) with the Commission requesting compensation for damages he alleged were caused by Aqua doing work on his street. The informal complaint was dismissed by the Bureau of Consumer Services because the Commission cannot award damages. Mr. Freed, who was represented by counsel in his formal complaint with the Commission and in a subsequent civil court proceeding, chose not to pursue his complaint at the Commission and filed his claim in municipal court. Aqua and Mr. Freed settled the claim in municipal court.

Andria Torres testified at the Smart Public Input Hearing held on November 16, 2018 alleging damages from jackhammering vibrations when the Company was installing a new water main in the street on December 30, 2017. After investigating the matter, Aqua has confirmed that it was not installing a new water main in her street in December of 2017 and has no record of Ms. Torres contacting the Company in December of 2017 on this issue. The Company believes that a contractor for another utility was in the area in December 2017. The Company contacted Ms. Torres to discuss her concerns and provide the information it learned about the work that was done on her street.

David Saplansky testified at the Smart Public Input Hearing held on November 16, 2018 and mentioned dirt and smell from his pipes. Mr. Saplansky did contact the Company on September 14, 2018 requesting that the water be tested. The Company did sample Mr. Saplansky's water. On September 21, 2018, the Company sent those test results to Mr. Saplansky showing that the water met all applicable standards for drinking water.

Ms. Kathleen O'Boyle testified at the Smart Public Input Hearing held on November 16, 2018 about water quality and concern about chlorine in her water. The Company contacted Ms. O'Boyle to make an appointment to discuss her concerns.

Thomas Driscoll testified at the afternoon hearing held on November 15, 2018 in Delaware County. Mr. Driscoll testified about a chemical taste to his water. The Company contacted Mr. Driscoll to make an appointment to discuss his concerns.

Margie Swart testified at the afternoon hearing held on November 13, 2018 in Chester County. Ms. Swart testified about Aqua's private fire protection rates violating Section 1802 of the Second Class Township Code titled Fire Hydrants and Water Service, which provides that all fire hydrants should be classified as public and billed directly to the municipality if that municipality is governed by the Second Class Township Code. The Company researched this issue and determined that the fire hydrants at issue in Ms. Swart's testimony are located on a private street and are the responsibility of the local Homeowner's Association. As such, the Company has been correctly billing the Homeowner's Association for the two fire hydrants at the appropriate private fire hydrant rate.

L. North Heidelberg Sewer Company

The Company agrees to initiate settlement discussions and will make a reasonable effort to acquire North Heidelberg Sewer Company in accordance with Section 529 of the Public Utility Code at pending Docket No. I-2018-3001161. In February 2018, the Commission appointed Aqua Pennsylvania Wastewater, Inc. as interim receiver to operate the North Heidelberg system, beginning March 5, 2018. Aqua has been operating in that role since its appointment by the Commission.

V. DISCUSSION

A. Rate increases

(a) Applicable Law

The purpose of this investigation is to establish water and wastewater rates for Aqua customers which are “just and reasonable” pursuant to Section 1301 of the Code, 66 Pa. C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Gas and Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239 (Pa. Cmwlth. 1975). In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield* the United States Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and

economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93.

The “burden of proof” standard employed in contested matters is not the standard for deciding whether a proposed settlement should be recommended for approval. *Pa. Pub. Util. Comm’n v. City of Lancaster -- Bureau of Water*, 2010 Pa. PUC LEXIS 1318 (Pa. PUC 2010). *See also Pa. Pub. Util. Comm’n v. Penn Estates Utilities, Inc. Water Division*, 2012 Pa. PUC LEXIS 331 (Pa. PUC 2012). 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. York Water Co.*, Docket No. R-00049165 (Opinion and Order entered October 4, 2004); *Pa. Pub. Util. Comm’n v. C. S. Water and Sewer Assoc.*, 74 Pa. PUC 767 (1991).

Section 315(a) of the Code reads as follows:

§ 315. Burden of proof

(a) 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. The commission shall give to the hearing and decision of any such proceeding preference over all other proceedings, and decide the same as speedily as possible.

66 Pa. C.S. § 315(a). Consequently, in this proceeding, Aqua has the burden to prove that the rate increase it has proposed through the Joint Settlement is just and reasonable. The Joint Parties have reached an accord on the issues and claims that arose in this proceeding and submitted a Joint Settlement Petition for Commission review. In reviewing the Settlement, the question which must be answered is whether it is in the public interest. The Joint Parties have the burden to prove that the Joint Settlement is in the public interest.

In addition, it is the policy of the Commission to encourage settlements. 52 Pa.Code § 5.231(a). The Commission has set forth settlement guidelines and procedures for major rate cases at 52 Pa.Code § 69.401, wherein the Commission states:

§ 69.401. General.

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

In the instant proceeding, there are two active parties that are not signatories to the Joint Settlement, PAWC and TLPOA. TLPOA opposes the Joint Settlement and PAWC does not oppose the Joint Settlement. All other active parties are signatories to the Joint Settlement. There are 20 other non-active, formal Complainants that provided written objections in response to the Joint Settlement.

As defined by 52 Pa.Code § 69.401, the instant Joint Settlement is a partial settlement because it presents a comprehensive resolution of all the issues presented in this matter but it does not enjoy unanimous support by all the interested parties.

The Partial Settlement, in this case, is a "black box" settlement. This means that the parties were not able to agree on each and every element of the revenue requirement calculation. The Commission has recognized that "black box" settlements can serve an important purpose in reaching consensus in rate cases:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases.

Pa. Pub. Util. Comm’n v. Peoples TWP LLC, Docket No. R-2013-2355886 (Order entered December 19, 2013), at 28 (citations omitted).

Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. Rate cases are expensive to litigate and the cost of such litigation at a reasonable level is an operating expense recovered 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 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 expense savings for the company's customers. For this and other sound reasons, settlements are encouraged by long-standing Commission policy. *Pa. Pub. Util. Comm’n v. PECO Energy Co.*, Docket No. R-2018-3000164 (Order entered Dec. 20, 2018), at 14.

Nevertheless, the Commission has also stated:

Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a settlement such as those proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. The focus of the inquiry for determining whether a proposed settlement should be approved by the Commission is whether the proposed terms and conditions foster, promote and serve the public interest. Because the Joint

Petitioners request the Commission enter an order in this proceeding approving the Partial Settlement without modification, they share the burden of proof to show that the terms and conditions of the Partial Settlement are in the public interest.

Id. at 15 (citations omitted).

(b) Analysis

i. Statements in Support of the Joint Settlement

1. Revenue Requirement and Rationale for Increase

The instant Joint Settlement was achieved without specific ratemaking adjustments to support the specific components it contains. However, the Joint Settlement balances the interests of the Joint Parties to the proceeding and provides reasonable resolutions for the issues that were pending producing fair results. The Joint Petitioners have agreed to an overall outcome that they find reasonable under the unique circumstances of the proceeding and have not identified individual components of the overall revenue requirement to settle upon.

The Commission has noted that “black box” settlements are an important aspect in the process of delivering timely and cost-effective regulation.” *Pa. Pub. Util. Comm’n v. Citizens’ Electric Co. of Lewisburg, Pa.*, Docket No. R-2010-2172665 (Final Order, entered January 13, 2011); see also *Pa. Pub. Util. Comm’n v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. Pub. Util. Comm’n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Final Order entered December 19, 2013); *Pa. Pub. Util. Comm’n v. Borough of Ambler Water Dept.*, Docket No. R-2014-2400003 (Final Order entered December 4, 2014); *Pa. Pub. Util. Comm’n v. PECO Energy Co.*, Docket No. R-2015-2468981 (Final Order entered Dec. 17, 2015); *Pa. Pub. Util. Comm’n v. Pennsylvania-American Water Co.*, Docket No. R-2017-2595853 (Final Order entered Dec. 7, 2017); and *Pa. Pub. Util. Comm’n v. PECO Energy Co.*, Docket No. R-2018-3000164 (Final Order entered Dec. 20, 2018).

A black box settlement is a means to reach agreement on a rate increase in a case where the issues raised are varied and complex. To delineate and specify each component of the rate increase to the issues would be difficult, time-consuming, expensive and costly to the consumers as a rate case expense. To curtail any delineation is to save time, expense and costs of the parties and the ratepayers. The Commission has in the past found such black box settlements to be reasonable and in the public interest. See for example, *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2014-2406274 (Final Order entered December 10, 2014) (approving black box settlement for a base rate increase of \$32.5 million); *Pa. Pub. Util. Comm'n v. Duquesne Light Co.*, Docket No. R-2013-2372129 (Final Order entered April 23, 2014) (approving black box settlement for a base rate increase of \$48 million); *Pa. Pub. Util. Comm'n v. PPL Electric Utilities Corp.*, Docket No. R-2010-2161694 (Final Order entered December 16, 2010) (approving black box settlement for a base rate increase of \$77.5 million).

Also persuasive are the comments of former Commission Chairman Powelson, who stated,

Determination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affect revenue, expenses, rate base and the company's cost of capital. To reach agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.

See, Statement of Commissioner Robert F. Powelson, *Pa. Pub. Util. Comm'n v. Citizens' Elec. Co. of Lewisburg, Pa.*, Docket No. R-2010-2172665 (Final Order entered Jan. 13, 2011); and *Pa. Pub. Util. Comm'n v. Wellsboro Elec. Co.*, Docket No. R-2010-2172662 (Final Order entered Jan. 13, 2011).

The instant case is consistent with Commission precedent.

The Aqua filing requested a \$71.8 million increase in operating revenues (approximately \$66.3 million increase in operating revenues for water and approximately \$5.4

million increase in operating revenues for wastewater). The Joint Settlement provides an increase in total operating revenues of \$47 million (\$42.3 million for water operations and \$4.7 million for wastewater operations) or about 34.5% less than what the Company requested. Joint Settlement at 6, ¶ 15; Statement E at 2. Aqua also requested a portion of the wastewater revenue requirement in the amount of \$8.1 million be allocated to water customers. The Joint Settlement reduces that amount by approximately 12% to \$7.1 million. *Id.* at ¶ 16. I&E asserted that the result of the Joint Settlement minimized the impact of the initial proposal, mitigates the level of the rate increase to the benefit of ratepayers but satisfies the regulatory standard for just and reasonableness without the additional expense of a fully litigated case. *Id.*, Statement B at 7-8. OSBA stated that the reduction in the overall revenue increase is beneficial to small business customers. *Id.*, Statement D at 4-5. OCA stated that the revenue increase provides adequate funding for the Company to provide safe and adequate service and make service quality improvements. *Id.*, Statement D at 7.

Aqua noted that its last increase in base rates for its water operations was approved by Commission Order entered June 7, 2012 at Docket No. R-2011-2267958 and its last increase in wastewater rates occurred on October 29, 2010. Thus, Aqua customers have not experienced an increase in distribution base rates for seven years or more. *Id.*, Statement A at 16.

Aqua asserted that the typical residential water customer in the Main Division will experience an increase of 9.47% from \$59.85 per month to \$65.52 per month. Joint Settlement Statement A at 15. The Company through the Joint Settlement will consolidate 22 water divisions into 14 division and 33 wastewater divisions to 11 divisions. This facilitates moving customers to one rate and mitigates rate shock. Aqua asserted that the weighted average monthly rate across all wastewater divisions will increase approximately 13.39% from \$57.64 to \$66.55. *Id.*, (footnote omitted).

I&E and OCA stated that the rate increases for both water and wastewater represented a result that is within the range of likely outcomes of a fully litigated proceeding. *Id.*, Statement B at 7; Statement C at 7.

OSBA stated that the cost allocation for water service should move all rate classes closer to their respective cost-of-service revenue levels. OSBA Stmt. No. 1 at 6. The Joint Settlement increases commercial customers' rates higher than OSBA's litigated position but lower than what was originally proposed by Aqua (\$278,000 less than Aqua water's originally proposed rate). *Id.*, Statement D at 7.

While Aqua has undertaken efforts to reduce Federal and State tax expenses and made investments to enhance its infrastructure, it has experienced a decline in water usage per customer at approximately 1.3% per year. *Id.*, Statement A at 17 citing AP St. 1 at 6. The Company asserted that this investment and decline in load growth have comprised its fair rate of return. Its water and wastewater operations are projected to produce an overall return on invested capital of 6.29% on a *pro forma* basis and a return on common equity of 7.95% over the fully projected future test year ending March 31, 2020. *Id.*, at 18, (footnote omitted). Aqua asserted that absent rate relief, its financial results may deteriorate and could jeopardize its ability to appropriately invest in infrastructure needed to improve safety and reliability and to adequately service customers. *Id.*

2. Water Revenue Subsidizing Wastewater Revenue Allocation

Through the Joint Settlement Aqua will reduce the wastewater revenue requirement allocated to its water operation's cost of service by one million or 12.3%. *Id.*, Statement A at 6. OCA stated that this level of wastewater revenue allocation is a reasonable level to be subsidized by water customers while balancing the impact of the increase on wastewater customer rates. *Id.*, Statement C at 8. The OSBA's litigated position was that the subsidy to wastewater from water should be recovered from like classes—i.e. a subsidy provided to residential wastewater customers should be recovered from residential water customers and a subsidy provided to non-residential wastewater customers should be recovered from non-residential wastewater customers. OSBA Stmt. No. 1 at 10. OSBA asserted that the Joint Settlement adopted its position in that it provides the wastewater subsidies from water customers on a class basis. Joint Settlement, Statement D at 6.

We find that the provision concerning the revenue requirement mitigating what was initially proposed by Aqua is reasonable, appears to eliminate or moderate subsidies across customer classes and is supported by substantial record evidence. Consequently, we conclude that this provision is in the public interest.

3. Base Rate Filing Stay Out

The Joint Settlement provides that Aqua will not file for another general rate increase under Section 1308(d) of the Public Utility Code prior to April 30, 2021 for water and wastewater operations included in this rate case. Joint Settlement at 7, ¶ 18. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy or statutes which directly and substantially affect the Company's rates, this Settlement shall not prevent the Company from filing tariffs or tariff supplements to the extent necessitated by such action. *Id.*

The stay-out provision will ensure that Aqua keeps its base rates at the levels proposed in the Joint Settlement for a period of approximately three years (2019-2022 – reflecting the notice and suspension period if a rate filing were made on April 30, 2021), which is two years beyond the end of the FPFTY in this case. *Id.*, Statement A at 26-27; Statement C at 8. Furthermore, a stay-out provides customers with a level of rate stability for a certain period of time that is generally not available as part of a fully litigated base rate proceeding. *Id.*, Statement B at 9. Accordingly, we find the stay-out provision set forth in the Joint Settlement is in the public interest.

4. Distribution System Improvement Charge (DSIC)

As mentioned above the Joint Settlement is a “black box” settlement. The Joint Parties recognized that stipulating a rate of return on equity is necessary to compute the Company's DSIC revenue requirement for water and wastewater operations. The Joint Parties have agreed that the Company will use the rate of return calculated for water utilities as published by the Commission's Bureau of Technical Utility Service in its Report on the

Quarterly Earnings of Jurisdictional Utilities (TUS Quarterly Report) for the most recent quarter to calculate the Company's return on equity component of the DSIC. *Id.*, Statement A at 27.

The Company has agreed to reset its DSIC and set its baselines for water and wastewater operations in accordance with Commission Orders and statutes. Through the Joint Settlement the Company has agreed not to reinstitute a DSIC charge prior to April 1, 2020. *Id.* at 7, ¶ 20.

I&E stated that the above agreements for the DSIC benefit both the Company and its ratepayers because it provides the mechanism for Aqua to access funding for infrastructure improvements for safe, reliable and adequate service to its customers while the customers will continue to obtain safe, reliable service and a definite period where there will be no DSIC charged. *Id.*, Statement B at 9-10.

OCA asserted that the DSIC provisions contained in the Joint Settlement will prevent duplicative recovery of DSIC-eligible expenditures in base rates and DSIC rates and will result in the proper calculation of the DSIC. *Id.*, Statement C at 9.

We find that providing the benefits of a known period for not charging a DSIC, an accurate calculation of the DSIC based on a known and reliable quarterly report as an index for the DSIC and the assurance of no duplicative recovery of DSIC-eligible expenditures in base rates yields substantial evidence of concluding the provision is in the public interest.

5. Adjustment Clauses

In its initial filing, Aqua sought approval of a Purchased Water Adjustment Clause (PWAC) and Energy Cost Adjustment Mechanism (ECAM) under Section 1307(a) of the Code. AP Statement 1 at 30-32. As proposed by Aqua, the PWAC would in effect allow Aqua to automatically adjust its retail rates if a supplier increases or decreases its rates for selling water to Aqua. *Id.*, Statement C at 9. Similarly, the ECAM would allow Aqua to automatically reflect changes in the average cost of electricity per thousand gallons of water sold. *Id.* The adjustment

clauses were opposed by I&E, the OCA, OSBA and CAUSE-PA. *Id.*, Statement B at 10, Statement C at 9-10, Statement D at 7-9.

Generally, the Commission only grants this type of surcharge treatment when there has been a demonstration that the expense in question was volatile. In this case, parties in opposition did not believe that Aqua had demonstrated that its purchased water expense or purchased energy expense increased or decreased frequently. *Id.*, Statement B at 10. Furthermore, OSBA averred if the PWAC and ECAM were to be approved, Aqua would have no incentive to control its water or energy costs, since any cost increases would be automatically passed along to customers. *Id.*, Statement D at 8-9.

Based on the foregoing opposition, and in order to reach the Joint Settlement, Aqua agreed to withdraw its proposed PWAC and ECAM without prejudice. *Id.* at 8, ¶ 21. Accordingly, we find that the withdrawal of these surcharge mechanisms is in the public interest.

6. Treatment of Income Taxation—Customer Advances for Construction and Contributions-In-Aid-Of-Construction (CAC/CIAC)

On December 22, 2017, Public Law No. 115-97 was signed into law by the President of the United States. The short title of this law is the Tax Cuts and Jobs Act (TCJA), which became effective January 1, 2018. The TCJA requires water and wastewater utilities to treat Customer Advances for Construction (CAC) and Contributions in Aid of Construction (CIAC) as taxable income. The Company proposed to use the no gross-up method for CAC/CIAC that are made taxable by the TCJA. I&E opposed the no-gross up method and proposed gross-up methods based on the gross-up methods adopted by a Commission Order that followed the enactment of the Tax Reform Act of 1986 at Docket No. I-880083. I&E Stmt. No. 1 at 6-9.

The Joint Settlement resolves the tax treatment method issue by agreeing to use Commission precedent that is adopted concerning the Pennsylvania-American tariff filings at Docket Nos. R-2018-3002502 and R-2018-3002504. No modification will be made to any

CAC/CIAC agreement between Aqua and a developer prior to the date of the Joint Settlement rates are in effect. Joint Settlement at 8, ¶ 22. This provision gives the Company certainty for how CAC/CIAC for agreements entered into prior to the effective date of new rates are to be treated for income tax purposes and provides consistency such that all wastewater and water utilities and customers will be affected the same regarding this issue. I&E asserted that the approach taken under the Joint Settlement is reasonable. *Id.*, Statement B at 11.

We find the Joint Settlement on this issue provides certainty to Aqua on how to treat income tax on CAC/CIAC and promotes consistency and uniformity among Pennsylvania utilities. Thus, we find that the treatment is reasonable, beneficial, in the public interest and supported by substantial evidence.

7. FPFTY Reporting

In its filing, Aqua calculated its proposed revenue increase using a Fully Projected Future Test Year (FPFTY) ending March 31, 2020. AP Statement 1 at 3. This resulted in a claim of \$372,363,675 for rate base associated solely with the FPFTY. I&E Statement 3 at 4. I&E witness, Joseph Kubas, recommended that Aqua provide interim reports until the filing of its next base rate case to allow the Commission to measure and verify the accuracy of Aqua's projected investments in future facilities. I&E Statement 3 at 5-6.

As part of this Settlement, Aqua has agreed to provide the Commission's Bureau of Technical Utility Services (TUS), I&E, OCA, and OSBA with an update to AP Statement No. 2, Attachments 1 and 2, p. 1, no later than July 1, 2019, which should include actual capital expenditures, plant additions, and retirements by month from April 1, 2018 through March 31, 2019. Then, no later than July 1, 2020, another update of AP Statement No. 2, Attachments 1 and 2, p. 1, should be submitted showing actuals from April 1, 2019 through March 31, 2020. In Aqua's next base rate proceeding,¹³ the Company will prepare a comparison of its actual

¹³ For purposes of the Joint Settlement, references to the Company's next base rate proceeding, next base rate case, or next base rate filing mean its next base rate case, proceeding or filing for water and wastewater operations that were included in this case, unless stated otherwise.

expenses and rate base additions for the twelve months ended March 31, 2020 to its projections in this case.

We find that this provision is in accordance with Section 315(e) of the Code. 66 Pa. C.S. § 315(e). Furthermore, we find that this provision is in the public interest as it ensures that the Commission will receive data sufficient to allow for the evaluation and confirmation of the accuracy of Aqua's projections. As noted by I&E witness Kubas, "...there is value in determining how closely Aqua's projected investments in future facilities comport with the actual investments that are made by the end of the [future test year] and FPFTY." *Id.*

8. Contract Customer Reporting

I&E questioned whether the Company was providing appropriate information about competitive alternatives regarding the water contracts for sale of water to resale customers under the Company's Rider Demand-Based Resale Service (DRS). The Joint Settlement stipulates that the Company will provide updated competitive alternative data in its next water base rate filing and any party may challenge any contract or rate under Rider DRS after this case. *Id.*, at 9-10, ¶¶ 24-27.

I&E found this provision appropriate so that any party can determine whether viable competitive alternatives exist and that the terms of Aqua's Rider DRS have been satisfied. *Id.*, Statement B at 13. We agree. Accordingly, we find the resolution obtained through the Joint Settlement is reasonable and just. We conclude that this provision is supported by substantial evidence and in the public interest.

9. Revenue Requirement

a. Income Taxes

The Joint Settlement acknowledges the change in the federal corporate income tax rate from 35% to 21% due to the enactment of the TCJA beginning in 2018. *Id.*, at 10, ¶ 28;

Statement A at 19. The Company has forborne providing credits, refunds or adjustments to its ratepayers based on the favorable change in the corporate tax rate. *Id.*, Statement A at 19.

The Joint Settlement provides that excess ADIT will be flowed back to customers over the amortization period required by the Internal Revenue Code's tax normalization rules. If ADIT is not subject to these tax rules, the period for flowing back to customers is 10 years. Any excess ADIT will be recorded by the Company as a regulatory liability until fully refunded to customers. *Id.*, at 10, ¶ 29; Statement A at 19.

The Joint Settlement provides adjustments for the difference in book accounting and tax accounting in timing and treatment for tax repairs and to report separately excess ADIT and ADIT. Joint Settlement at 10, ¶ 29. The OCA questioned the Company's treatment of tax repairs for the years after the FPFTY and contends that the tax benefits of tax repairs be recorded as a regulatory asset or liability subject to review in subsequent base rate case following the FPFTY. OCA St. No. 1 at 63-64; OCA St. No. 1-S at 7-8.

The Joint Settlement adopts a modified form of OCA's recommended treatment of tax repair deductions. The Company will record a regulatory liability or asset if there is a variance of more than \$3 million above or below the agreed upon total Company net repairs deduction amount for the FPFTY and yields reporting by the Company to the public advocates a plan for refunding any regulatory liability over \$10 million to its customers. Joint Settlement at 10, ¶ 30; Statement A at 21-22.

The OCA advocates that the approach concerning the tax repairs under the Joint Settlement protects the ratepayers in monitoring whether the Company has sufficiently estimated its tax repairs and whether the Company has realized excess earnings. *Id.*, Statement C at 11-12; OCA St. 1 at 93-94. Consequently, the tax benefits from treatment of the tax repairs are accurately reflected in the rates paid by the customers. Joint Settlement, Statement C at 12.

b. Acquisition Adjustments

The Joint Settlement recognizes the treatment of specific water and wastewater acquisitions and corresponding amortization adjustments forborne or reflected in the Joint Settlement rates. Joint Settlement at 11-12, ¶¶ 31-32. The treatment of the acquisitions reflects a compromise of the Joint Parties to their litigated positions since the Company had positive and negative acquisition adjustment resulting in a filing under 66 Pa.C.S. § 1327(a)¹⁴ to claim the amounts as additions and reductions to rate base. I&E and OCA disputed some of the positive acquisition adjustments for water and wastewater systems. See I&E Stmt. No. 3; I&E Stmt. No. 3SR at 7-9, 11-17, 68-79; OCA Stmt. No. 1 at 28-41; OCA Stmt. No.1SR at 9-22, 29-32. OCA further advocated a 10-year amortization period rather than the 20-year period proposed by the Company. See OCA Stmt. No. 1SR at 32.

I&E contends that the Joint Settlement terms curtailed the litigation time of the Joint Parties over this issue and resulted in a reasonable and agreeable solution. Joint Settlement, Statement B at 14-15. The OCA asserts that the Joint Settlement terms also prevent the customers from paying for acquisition adjustments that may be inconsistent with Section 1327(a) of the Code and the adjustments will retired more quickly. *Id.*, Statement C at 13-14.

c. Conclusion

We find that the time saved in reaching a compromise on this issue is beneficial. We also find that the compromise is reasonable, adequate and just. Thus, we conclude that the Joint Parties have sustained their burden by substantial evidence to prove this provision is in the public interest.

¹⁴ 66 Pa.C.S. § 1327(a) states, in pertinent part,

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost of which is in excess of the original cost of the property when first devoted to the public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility provided that the acquiring public utility proves [certain delineated conditions].

10. Cost Allocation and Rate Design

Through Company witness Paul Herbert, Aqua submitted cost of service studies for its water and wastewater operations. AP St. 5 at 4-12; 19-24. All parties agreed that the Company's cost of service studies reasonably identified the customer class costs of service for the water and wastewater operations and served as a guide to move classes closer to their cost of service mitigated by gradualism where necessary to prevent rate shock for a particular customer class.

The Joint Parties agreed on the allocation among customer classes of the revenue increase for the Joint Settlement rates referenced in the appendices of the Joint Petition.

Aqua asserted that the allocation reached through the Joint Settlement is within the range proposed by the witnesses of the Joint Parties that testified on this issue. Aqua contends that the allocation of rates moves customers reasonably toward the system average rate of return for the various customer classes as measured by the Company's cost of service study. Joint Settlement, Statement A at 32. Aqua states that the Joint Settlement rates comply with Commission precedent. See *Executone of Philadelphia, Inc. v. Pa. Pub. Util. Comm'n*, 415 A.2d 445, 448 (Pa.Cmwlth. 1980) (no set methodology or single cost of service study can be used pertaining to answer all cost questions); *Peoples Natural Gas Co. v. Pa. Pub. Util. Comm'n*, 409 A.2d 446, 456 (Pa.Cmwlth. 1979) (no set formula for determining proper rations among rates of different customer classes).

The rates of the Joint Settlement move closer together and toward Rate Zone 1 to facilitate consolidation with Rate Zone 1 in the future. The Rate Zone 1 5/8-inch meter customer charge for all customer classes in water operations is \$18.00 which is \$0.50 less than originally proposed by Aqua water. All other meter sizes in Rate Zone 1 will see the same percentage increase in the customer charge as the 5/8-inch meter customer class. Joint Settlement, Statement A at 33. Similarly, the wastewater division rates under the Joint Settlement move closer to each other to facilitate consolidation in the future. *Id.*, at 14, ¶ 34(a). Thus, the Joint Settlement makes progress in moving classes closer to cost of service consistent with the

principle of gradualism to mitigate rate shock for customer classes. Aqua contended that the balancing of parties' interests based on the cost of service analysis and reasonable allocations yields rates that are within the range of reasonableness and complies with Commission precedent. See *U.S. Steel Corp. v. Pa. Pub. Util. Comm'n*, 390 A.2d 865, 872 (Pa.Cmwlth. 1978). Aqua asserted this rate design is well suited for a reasonable outcome through the negotiations of the settlement process. We agree.

I&E noted, "it is important to allow ...recover[y of] only those direct monthly costs that vary with the addition or loss of a customer through the [c]ustomer [c]harge." Joint Settlement, Statement B at 15. The customer charge is a stream of revenue for the Company that is steady and predictable and can be used for maintenance and upkeep of the water system. Moderating the requested increase of the customer charge permits the ratepayer to reap the benefit of conservation efforts and provides more control over bills by adjusting usage. *Id.*, 15-16.

The OCA advocated for any consolidation of water rate zones not to result in a rate increase well above the system average increase and suggested that the residential consumption charge should be limited such that the overall increase in residential revenues per zone is no more than 50%. OCA Stmt. No. 3 at 20-21, 23-29. The OCA found that the rate design is "a reasonable compromise and accomplishes some amount of rate consolidation while recognizing the need for gradualism in rate increases." Joint Settlement, Statement C at 17.

OCA also showed concern over wastewater bills calculated based on 100% of the metered water usage for residential customers. OCA suggested the Company cap the amount of water consumption used for determining wastewater flows during the summer months. OCA Stmt. No. 3S at 8-10. The provisions in the Joint Settlement that the Company will study the feasibility of a summer wastewater cap is the result of negotiation on this issue. Joint Settlement at 14-15, ¶ 34 c.

Masthope disputed the proposed water customer charge Aqua water proposed at \$30.10 for its 5/8" customers and contended that the magnitude of the increase was not

consistent with the cost of service study of the Company and should be reduced. Masthope Stmt. No. 1 at 8-10. The Joint Settlement provides Masthope water customers with a residential customer charge of \$28.00 in Rate Zone 3. Joint Settlement, Appendix C, Exhibit No. 5-A, Part II, Schedule 5, page 17 of 35.

Aqua wastewater proposed for Masthope a customer charge set at \$31.00 combined with a wastewater usage charge increase from \$.05 per hundred gallons to \$.76 per hundred gallons. While Masthope agreed the customer charge should be increased based on the cost of service study it disputed the wastewater usage rate increase and advocated for its decrease. Masthope Stmt. No. 1 at 10-12. The Joint Settlement increased the customer charge for Masthope wastewater customers to \$39.64 but increased the usage charge to just \$0.10 per hundred gallons. Joint Settlement, Appendix C, Exhibit No. 5-B, Part II, Schedule 5, page 17 of 37.

Masthope recommended Aqua wastewater study alternatives to metered wastewater service to be addressed in its next base rate case, which will be considered by the Company. Joint Settlement, at 15, ¶ 34 c.

Masthope asserted that the Joint Settlement provides reasonable resolutions to its issues without incurring full litigation costs. We agree.

We find the rate design and cost allocation as provided through the Joint Settlement are just and reasonable and result in benefits to the ratepayers and the Company. We find that the results are supported by substantial record evidence, and therefore, are in the public interest.

11. Low-Income Customer Issues

CAUSE-PA witness, Harry Geller, testified that Aqua's proposed rate increase was not just and reasonable given the significant deficiencies in its existing low-income program, the Helping Hand Program, because the program was insufficient to resolve significant and

substantial concerns about the continued affordability of water and wastewater service in Aqua's service territory. CAUSE-PA Statement 1 at 24-27. Mr. Geller explained that the program, as constructed, did not provide adequate or sufficient rate relief to address long-term affordability issues. *Id.* at 25. Mr. Geller also pointed to the Helping Hand program's already low levels of enrollment that were continuing to drop precipitously within the past few years. As a result, less than 0.2% of Aqua's residential water customers were enrolled in the program. *Id.* at 26. Mr. Geller explained that, given the number of low-income households in Aqua's service territory, it is unlikely that this lack of enrollment is due to a lack of need, but rather it is more likely due to programmatic insufficiencies. *Id.* at 27.

a. Helping Hand Program

As Mr. Geller explained in his direct testimony, the Helping Hand Program as constructed did little to assist customers who could not afford their bills and was useful principally for customers who could otherwise afford their bill but had fallen behind due to a temporary setback. *Id.* at 22-25. Specifically, Aqua's current requirement that customers make an up-front good faith payment of 10% of their outstanding account balance, combined with the requirement that enrolled customers pay their average monthly bill plus make installments of approximately \$25 per month toward their arrears, effectively meant that many low-income customers were unable to participate because these terms were simply unaffordable. *Id.* at 24.

To continue to alleviate affordability issues, Aqua has agreed to eliminate both the requirement of an upfront payment and the required installment toward enrolled customer arrearage. Joint Settlement at 16, ¶¶ 37, 38. The program will now only require that an otherwise eligible customer make ongoing monthly payments approximately equivalent to the customer's average bill. Joint Settlement at 16, ¶ 38. If the customer has arrearages at the time of enrollment, those arrearages will be deferred and forgiven through earned arrearage forgiveness credited by making Helping Hand payments. To incentivize payment, Aqua has agreed to increase the amount of arrearage forgiveness earned for each on time payment from \$20 to \$25. Joint Settlement at 16, ¶ 39. In addition, Aqua has agreed to add a new component to Helping Hand – a grant assistance component that will provide bill payment assistance to

Helping Hand eligible customers. Joint Settlement at 15-16, ¶ 36. To ensure that the program is initially funded, Aqua has agreed to contribute \$125,000 per year to the program to be used for grant assistance and arrearage forgiveness, as well as continue to solicit customer contributions to supplement this funding. Joint Settlement at 15, ¶ 35. Because additional program details need to be worked out, Aqua has agreed to host a series of Helping Hand collaborative meetings with representatives from CAUSE-PA, the OCA, and the Commission's Bureau of Consumer Services. Joint Settlement at 17, ¶ 41. The purpose of the meetings will be to solicit input about how to improve the Helping Hand Program, addressing a range of topics including but not limited to: low income data collection; methods of calculating the Helping Hand payment; messaging and outreach; details about the grant assistance; and ways to fund the grant assistance program on an ongoing basis. *Id.* The meetings will occur quarterly for the first year and at least twice per year for each following year. *Id.*

b. Domestic Violence Policy

Mr. Geller also addressed issues related to Aqua's policies and procedures about dealing with customers who are victims of domestic violence. (CAUSE-PA Statement 1 at 43, 45). Mr. Geller recommended that Aqua's policies and procedures needed to be documented and clarified to ensure that eligible customers are provided the special protections afforded to domestic violence victims. *Id.*

Aqua has agreed to document its domestic violence procedures and have them readily available to its customer service representative and to review those procedures with CAUSE-PA and other interested parties. Joint Settlement at 18, ¶ 42. Aqua has also agreed to implement a policy providing victims of domestic violence three days to produce a copy of their court order before termination, and has agreed to clearly define its domestic violence payment arrangement rules. *Id.*

c. Medical Certifications

Mr. Geller pointed out that the current version of Aqua’s medical certification states that it may be completed by a physician, nurse practitioner, or physician’s assistant, but that the signature block only allowed for a “Physician’s Signature,” which could be confusing or prohibitive to medical providers when they are asked to complete the form. CAUSE-PA Statement 1 at 41. Aqua has agreed to edit the signature line on its Medical Certification Form to include a reference to physician, physician’s assistant, or nurse practitioner. Joint Settlement at 18, ¶ 43.

d. Termination Notices

Mr. Geller pointed out that, although Aqua does not require security deposits as a condition of reconnection, its termination notices and tariff still contain references to a requirement of a security deposit. CAUSE-PA Statement 1 at 46. Mr. Geller recommended that Aqua remove all references to security deposits from its termination notices and tariff. *Id.* In addition, Mr. Geller recommended that Aqua change the language on its termination notices to indicate that special protections exist for victims of domestic violence. *Id.* at 47. Aqua has agreed with these recommendations. Specifically, it has agreed to remove all references to security deposits in its termination notices and tariff and amend its termination notice language to make it clear that victims of domestic violence have access to special protections. Joint Settlement at 18, ¶ 44.

We find that the program enhancements contained within the Joint Settlement provide significant improvement to Aqua’s residential customer service and low-income customer programs, including the Helping Hand Program, domestic violence policy, termination notices and medical certification forms. These enhancements are critical in ensuring that Aqua’s low-income consumers have access to programs necessary to assist with their ability to maintain access to service in the face of increasing costs. Further, each enhancement was the product of collaboration by the Joint Petitioners on a practical and reasonable basis that, in all

probability, could not have been achieved in a litigated proceeding. Accordingly, we find the foregoing provisions of the Joint Settlement to be just, reasonable, and in the public interest.

12. Service Related Issues

a. PFOS/PFOA

Several of the Company's customers expressed concerns at the Public Input Hearings about the presence of perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) in their drinking water, particularly those customers located in Montgomery County. Tr. 16-21, 24-31, 35-43, 47-50, 132-136, 155-158, 162-165, 186-190. Currently, Aqua maintains a website with information about its PFOS and PFOA testing practices and results at *www.WaterFacts.com*. However, OCA witness, Scott Rubin, identified significant delays in the Company providing testing results to the public. OCA Statement 3S at 12.

Under the Joint Settlement, Aqua will continue testing for PFOS and PFOA in accordance with the United States Environmental Protection Agency's Third Unregulated Contaminant Monitoring Rule (UCMR3). Joint Settlement at 19, ¶ 45. Also, Aqua will continue providing water sampling results for PFOS and PFOA "on its dedicated website *WaterFacts.com*, consumer confidence reports, or other appropriate forms[.]" *Id.* Aqua agrees "to post the results on *WaterFacts.com* after completing its testing, review and posting process in an efficient and expeditious manner." *Id.* Finally, the Company is required by the Settlement to seek additional funding or governmental grants to finance treatment improvements to further limit the presence of PFOS and PFOA in the affected water sources. *Id.* These provisions are meant to improve the timeliness of the posting of the test results. The Company agrees to seek funding, including grants that, if secured, will mitigate the costs of addressing the presence of PFOS and PFOA.

b. New Wastewater Customer Service

Several wastewater customers at the Public Input Hearings testified that they attempted to contact Aqua for various reasons and were informed by Aqua's customer service representatives that the Company had no record of them. Tr. 29-41, 44-45, 54-57. Some Aqua representatives also failed to acknowledge that the Company provided wastewater service at all. OCA Statement 3S at 3.

Under the Joint Settlement, Aqua is required to revise its internal procedures to ensure that Aqua receives "timely and accurate connection information" about new customers that purchase homes in new developments. Joint Settlement at 19-20, ¶ 46. Additionally, Aqua agrees to provide its customer service representatives with additional training to ensure that its representatives are competent and able to field questions from new Aqua customers. *Id.* An explanation of these changed internal procedures will be provided to the OCA within 60 days of the entry of the final order in this proceeding. *Id.*

c. Specific Public Input Hearing Testimony

While the majority of the testimony provided by customers at the Public Input Hearings involved the general nature of the rate increase or the presence of PFOS and PFOA in the water, several customers testified about various service-related issues. In response to service issues raised by customers in the public input hearings, Aqua has both reached out to individual customers and agreed to improve certain business practices. More importantly, the Joint Petitioners agree that Aqua's individualized customer follow-up, as detailed in Paragraph 50 of the Joint Settlement, fully addresses the concerns raised by those customers. Joint Settlement at 21-23, ¶50; Statement A at 37-38; Statement C at 19-20.

We find that service-related portion of this Joint Settlement represents a reasonable compromise that aides those consumers with particular concerns regarding the quality of their water and the quality of Aqua's customer service while preserving Aqua's operational efficiency, and therefore, is in the public interest.

13. North Heidelberg Sewer Company

On February 9, 2018, pursuant to 66 Pa.C.S. § 529(g), the Commission directed Aqua to act as the receiver for the North Heidelberg Sewer Company (“NHSC”) beginning March 5, 2018, and to continue during the pendency of a Section 529 proceeding. *Pa. Pub. Util. Comm’n v. North Heidelberg Sewer Co.*, M-2018-2645983 (Order entered Feb. 9, 2018). The Commission found that financial and operational circumstances surrounding NHSC, which serves approximately 273 residential customers and one commercial customer, represented “a clear threat to public health and safety.” *Id.* at 12. The Section 529 proceeding at Docket No. I-2018-3001161 remains ongoing, and Aqua has been meeting its obligations as receiver, including the submission of regular status reports to the Commission.

Under the Joint Settlement, Aqua agrees to initiate settlement discussions in the Section 529 proceeding and make a reasonable effort to acquire NHSC. Joint Settlement at 23, ¶ 51. In light of the significant financial and operational concerns regarding the current owner of NHSC, we find that this provision is in the public interest as it will allow the NHSC customers to continue to receive the level of service they have come to expect with Aqua as the receiver of NHSC. Further, this provision could serve to save Aqua and its ratepayers the time and expense of litigating who will ultimately own NHSC.

14. Conclusion

It is noted that the statutory advocates, I&E, OCA and OSBA, are part of the Joint Parties in full support of the Joint Settlement. When the statutory advocates fully support a settlement, it is strong evidence that the terms and conditions are just and reasonable and in the public interest. See *Pa. Pub. Util. Comm’n v. T.W. Phillips Gas and Oil Co.*, Docket No. R-2010-2167797 (Final Order entered November 4, 2010) (support of OTS which is the predecessor of I&E, OCA and OSBA was evidence that the settlement was reasonable and in the public interest). Considering the Joint Settlement in its totality finding that the above sections are in the public interest, we find that the Joint Parties sustained their burden to prove by substantial evidence that the Joint Settlement is in the public interest.

ii. Comments in Opposition

1. Active Participant—TLPOA (Intervenor)

TLPOA is the sole active participant that objected to the proposed Joint Settlement. TLPOA did not file testimony in this proceeding. TLPOA did not provide documents for the basis of its opposition. The communication of TLPOA's rationale for its opposition was found in the proposed Joint Settlement stating, "[TLPOA] is not a signatory party to the Joint [Settlement] and opposes the level of the increases to Treasure Lake." Joint Settlement at 2, note 1.

If the Company and the Joint Parties present evidence sufficient to satisfy the burden of proof, the burden of going forward with the evidence to rebut the evidence of the Joint Parties shifts to the parties that object to the Joint Settlement. *Burleson v. Pa. Pub. Util. Comm'n*, 443 A.2d 1373 (Pa.Cmwlt. 1982), *aff'd*, 461 A.2d 1234 (Pa. 1983). If the objector to the Joint Settlement presents evidence of co-equal weight, the Joint Parties have not satisfied their burden of proof.

As stated above, the Company has the burden to show that the proposed rates are just and reasonable. Based on the analysis above, the Company and the Joint Parties have sustained their burden of proof that the proposed Joint Settlement is just and reasonable.

TLPOA has provided no record evidence to sustain its burden to persuade that the proposed Joint Settlement is unjust and unreasonable.

The Commission's decision must be supported by "substantial evidence" which consists of evidence that a reasonable mind might accept as adequate to support a conclusion. *Harmon v. Mifflin County Sch. Dist.*, 713 A.2d 620, 623 (Pa. 1998) (*Harmon*). A mere "trace of evidence or suspicion of the existence of a fact" is insufficient. *Norfolk and Western Railway Co. v. Pa. Pub. Util. Comm'n*, 413 A.2d 1037 (Pa.Cmwlt. 1980) (*Norfolk and Western*).

TLPOA has not provided substantial evidence to support its position to object to the proposed Joint Settlement. TLPOA's objection to the proposed Joint Settlement is overruled as it is not supported and is not based on substantial evidence, which is required for a Commission decision. *Id.*

2. Inactive Participants

(i) Grace Bowes – Docket No. C-2018-3005069 (wastewater)

Grace Bowes filed a Complaint against the proposed rate increase of Ms. Bowes comments, "You have not taken into consideration that there are: (1) single person households; (2) couple households; and (3) family households in the Honeycroft development. All using varying amounts of water." Bowes Objection Page dated February 19, 2019.

Ms. Bowes makes her allegation without any additional information, documents or evidence supporting her claim to demonstrate that the Joint Parties overlooked the varying sizes of households in Honeycroft. We do not find record evidence to support Ms. Bowes' allegation. Consequently, Ms. Bowes' claim is not substantiated.

Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). A suspicion of fact is insufficient. *Norfolk and Western*, 413 A.2d 1037 (Pa.Cmwlth. 1980). Ms. Bowes' objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Ms. Bowes is denied and dismissed.

(ii) Cedar Knoll Builders – Docket No. C-2018-3004985
(wastewater)

Brian Campbell filed a Complaint on behalf of Cedar Knoll Builders on September 24, 2018. Mr. Campbell lists as legal representation in this matter, J. Charles Gerbron, Jr. Mr. Campbell indicated that he is the President of Cedar Knoll Builders and lists 15 wastewater accounts that are involved in his Complaint.

52 Pa.Code §§ 1.21(a) and (b) state,

- (a) Individuals may represent themselves.
- (b) Except as provided in subsection (a), persons in adversarial proceedings shall be represented in accordance with § 1.22 (relating to appearance by attorneys and legal intern). For purposes of this section, any request for a general rate increase under § 1307(f) or § 1308(d) of the act (relating to sliding scale of rates; adjustments; and voluntary changes in rates) shall be considered to be an adversarial proceeding.

This is a general rate increase proceeding under 66 Pa. C.S. § 1308(d), and therefore, pursuant to 52 Pa.Code § 1.21(b), this is an adversarial proceeding where non-individuals are to be represented by counsel. Additionally, Cedar Knoll Builders is not an individual.

52 Pa.Code § 1.23(a) states, “Persons may not be represented at a hearing before the Commission or a presiding officer except as stated in § 1.21 or § 1.22 (relating to appearance; and appearance by attorney or certified legal intern).” 52 Pa.Code § 1.22 states,

- (a) Subject to § 1.21(a) (relating to appearance), an attorney at law admitted to practice before the Supreme Court of Pennsylvania shall represent persons in Commission proceedings.
- (b) An attorney not licensed in this Commonwealth may appear before the Commission in accordance with the Pennsylvania Bar Admission Rules.
- (c) A law student meeting the requirements of Pa.B.A.R. No. 321 (relating to requirements for formal participation in legal matters by law students) may appear in a Commission proceeding consistent with Pa.B.A.R. No. 322 (relating to authorized activities of certified legal interns).

The Commission regulation relevant to the procedure for an attorney to appear in a proceeding is 52 Pa.Code § 1.24(b), which states,

(b) *Attorneys.*

(1) *Appearance by initial pleading.* An attorney who signs an initial pleading in a representative capacity shall be considered to have entered an appearance in that proceeding.

(2) *Appearance in all other instances.* An attorney shall file with the Secretary a written notice of appearance.

There is no record of an initial pleading signed by Attorney Gerbron or any other attorney authorized by the Commonwealth of Pennsylvania. There is no notice of appearance filed by Attorney Gerbron or any other attorney authorized by the Commonwealth of Pennsylvania. There is no record evidence of any attorney participating in this proceeding on behalf of Cedar Knoll Builders.

We find that the Complaint at Docket No. C-2018-3004985 is not viable because of the Complainant's failure to follow Commission procedure to be represented. We conclude that the objection raised by Mr. Campbell is prohibited because Mr. Campbell is not an attorney and the Complaint is filed by an entity that is not an individual, and thus, should be represented by counsel. Because there is no legal representation of the Complainant, the Complaint at Docket No. C-2018-3004985 is denied and dismissed.

(iii) Robert Curtius – Docket Nos. C-2018-3005639 and C-2018-3005651 (water and wastewater, respectively)

Robert Curtius filed a Complaint on October 22, 2018. The Complaint indicated that it concerned both water and wastewater services of Aqua. Mr. Curtius stated he pays his township for wastewater service. Mr. Curtius contended that he should not pay Aqua water for wastewater operations that are not rendered to him. Mr. Curtius asserted that rates should be based on costs and that if a division's costs are higher then that division should pay higher rates.

Mr. Curtius objected to the proposed Joint Settlement.¹⁵ Mr. Curtius objected to charges for Aqua wastewater systems and allocation of a portion of the wastewater revenue requirement assessed to water customers. Mr. Curtius contended that a rate stay-out should be no less than four years. Mr. Curtius asserted he was not properly informed as a formal complainant in this proceeding.

66 Pa. C.S. § 1311(c) states,

When any public utility furnished more than one of the different types of utility service, the commission shall segregate the property used and useful in furnishing each type of such service, and shall not consider the property of such public utility as a unit in determining the value of the rate base of such public utility for the purpose of fixing base rates. **A utility that provides water and wastewater service shall be exempt from this subsection upon petition of a utility to combine water and wastewater revenue requirements. The commission, when setting base rates, after notice and opportunity to be heard, may allocate a portion of the wastewater revenue requirement to the combined water wastewater customer base if in the public interest.**

(Emphasis added).

Aqua provides water and wastewater services. Mr. Curtius received notice and an opportunity to be heard on the setting of a portion of wastewater requirement assessed on water customers. Nothing in the objection by Mr. Curtius shows that Aqua violated Section 1311(c) of the Code. Furthermore, nothing in Mr. Curtius' objection rebuts our finding that to allocate a portion of the wastewater revenue requirement as proposed by the Joint Settlement is in the public interest. The objection by Mr. Curtius on this ground is overruled.

Mr. Curtius provided no documents, exhibits, evidence to substantiate that a stay-out provision for less than four years is unreasonable. Mr. Curtius does not provide any

¹⁵ Mr. Curtius submitted his objection dated February 15, 2019 and a revised submission dated February 18, 2019.

authority, precedent, case law, statute or regulation to support that a stay-out provision should be no less than four years.

Mr. Curtius is an inactive participant. We communicated to him that status by letter dated January 17, 2019. As an inactive participant Mr. Curtius was provided all of our letters and Orders and all Commission Hearing Notices. We do not find that Aqua had an obligation to communicate with Mr. Curtius about any discovery or negotiations because he is not an active litigant to these proceedings. We find that Mr. Curtius was served all of our letters, Orders and Notices to this proceeding. Mr. Curtius only points specifically to not being informed of the prehearing conference as an example of mishandled communication. It is noted that Mr. Curtius did not file his Complaint until October 22, 2018, which is after the September 28, 2018 prehearing conference occurred. We do not find that the allegations of mishandled communication in this proceeding are substantiated.

The objections by Mr. Curtius are not substantiated. Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980). The objections by Mr. Curtius are overruled and his Complaint is dismissed.

(iv) Douglas and Linda Dudjak – Docket No. C-2018-3005091
(wastewater)

Douglas and Linda Dudjak filed a Complaint against the proposed increase of Aqua wastewater rates on October 1, 2018 alleging that the proposed increase was excessive, discriminatory and unjustified in the current economic climate. Ms. Dudjak testified at the public input hearing on November 13, 2018 at 1 p.m. *See* summary of public input hearing, *supra*.

In their objection to the Joint Settlement the Dudjaks state that the proposed rate increases from the Settlement range from 8% to 129%. The Dudjaks assert that the wide range change of rates for Aqua wastewater customers is evidence of discriminatory treatment of customers for the same service and supports evidence of rate shock. The Dudjaks also assert that

only 7 territories out of 25 have realized a reduction in the rate increase originally proposed as compared with the proposed Joint Settlement, which they allege is unjust. The Dudjaks also contend customers in one rate zone are treated differently than other customers in the same rate zone for the same service which is discriminatory.

The Dudjaks make conclusions based on the proposed Joint Settlement without acknowledging that the rates within zones and amongst zones already vary. It is settled law that the burden of proving the justness and reasonableness of the proposed rates is on the utility. 66 Pa.C.S. § 315(a). We have found that the proposed rates in the Joint Settlement are just reasonable and in the public interest.

The references the Dudjaks make about variation in rates do not consider the variation of cost of service within the rate zones and amongst rate zones when repairs and maintenance of infrastructure are necessary for quality of service. The cost of service within and among rate zones has been supported by record evidence. Similarly, the range in the percentage of rate increases have been supported by record evidence regarding cost of service.

The assertions provided by the Dudjaks do not rebut the substantial evidence that we conclude support the proposed rates in the Joint Settlement are just and reasonable.

Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). We conclude that the claims made by the Dudjaks are not substantiated by the record, and therefore, their objection is overruled. The Complaint filed by Douglas and Linda Dudjak is denied and dismissed.

(v) William Finn – Docket No. C-2018-3005329 (wastewater)

William Finn filed a Complaint against Aqua wastewater on October 10, 2018. Mr. Finn disputed a raise in the rate at \$800 per year for wastewater service and claimed that the customers were promised that the rate would not increase. Mr. Finn suggested the rate should be reduced.

The objection filed by Pamela Finn referenced William Finn.¹⁶ Ms. Finn contended that she and William Finn are against the proposed Joint Settlement because the proposed rate increase at 49.9% is unaffordable and they were promised no wastewater rate increase by the township supervisors.

The allegations made by the Finn objection are without any additional documents, exhibits or evidence supporting the claims. The assertion that the proposed rate increase under Joint Settlement is not affordable is a statement that Ms. Finn does not support by record evidence. Record evidence is needed to rebut our finding that the proposed rates in the Joint Settlement are reasonable and in the public interest. Additionally, a promise of no increase to wastewater rates by the township supervisors is not attributable to Aqua wastewater.

Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). A suspicion of fact is insufficient. *Norfolk and Western*, 413 A.2d 1037 (Pa.Cmwlt. 1980). The Finn objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Finn is denied and dismissed.

¹⁶ The undersigned ALJs note that the Complaint was signed by William Finn, yet the objection was signed by Pamela Finn. Pamela Finn was not mentioned in the Complaint. Moreover, William Finn did not sign the objection. However, the address on the objection is the same as the address on the Complaint. Furthermore Mr. Finn is a *pro se* Complainant. 52 Pa.Code § 1.2(a), (c) and (d) state,

- (a) This subpart shall be liberally construed to secure the just, speedy and inexpensive determination of every action or proceeding to which it is applicable. The Commission or presiding officer at any stage of an action or proceeding may disregard an error or defect of procedure which does not affect the substantive rights of the parties.
- ...
- (c) The Commission or presiding officer at any stage of an action or proceeding may waive a requirement of this subpart when necessary or appropriate, if the waiver does not adversely affect a substantive right of a party.
- (d) These liberal construction provisions apply with particularity in proceedings involving *pro se* litigants.

(vi) Byron Goldstein – Docket No. C-2018-3004375 (water)

Byron Goldstein filed a Complaint against Aqua water on August 28, 2018. Mr. Goldstein alleged that the proposed rate increase of 15.4% was outrageous. Mr. Goldstein contended that the infrastructure costs should be borne by the Company and its shareholders and that the rate increase should be no more than the Consumer Price Index (CPI), which is in the range of 2-3 percent in recent years.

Mr. Goldstein objected to the proposed Joint Settlement contending that the proposed rate increases through the Joint Settlement are outrageous and any increase due to infrastructure improvement should be financed through bonds or revenues and profits of the Company. Mr. Goldstein asserted that shareholders should not profit from rate increases that captive customers must face.

Mr. Goldstein makes his allegation without any additional information, documents or evidence supporting his claim that the proposed rates through the Joint Settlement are outrageous. Although Mr. Goldstein suggested an alternative to finance through bonds or profits the needed capital for infrastructure improvements, he does not rebut through evidence that it is unreasonable or unjust to obtain the revenue requirement through the proposed increase in rates.

Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). Mr. Goldstein must provide substantial evidence to rebut the premise that the Joint Settlement is just, reasonable and in the public interest. Mr. Goldstein did not provide substantial evidence for his assertions. Mr. Goldstein's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Goldstein is denied and dismissed.

(vii) Edward R. Levy – Docket No. C-2018-3005414
(wastewater)

Edward R. Levy filed a Complaint against the proposed rate increase asserting that incomes in his area are low and the proposed rate increase is unjust and unfair. Mr. Levy requested that the Commission disapprove of the rate increase. Mr. Levy also filed an objection to the Joint Settlement dated February 15, 2019. Mr. Levy's objection consisted solely of a general comment that he was hoping for an adjustment to the proposed wastewater rate increase but did not receive one.

Pursuant to *Harmon*, the Commission's decision must be supported by substantial evidence. 713 A.2d 630, 623 (1998). "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic Power Supply Association of Pennsylvania v. Pa. Pub. Util. Comm'n*, 746 A.2d 1196, 1200 (Pa. Cmwlth. 2000) (citing *Pa. Bureau of Corrections v. City of Pittsburgh*, 532 A.2d 12, 14 (Pa. 1987)). Mr. Levy has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Levy's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Levy is denied and dismissed.

(viii) Tammy Livziewy – Docket No. C-2018-3005220
(wastewater)

Tammy Livziewy filed a Complaint against the proposed rate increase asserting that the proposed rate increase will present an extreme burden to the residents of Blakeslee, PA. Further, Ms. Livziewy alleged that the residents of Blakeslee, PA were told by Tobyhanna Township Supervisors that their sewer rates would not increase. Ms. Livziewy requested that the Commission deny the proposed rate increase. Ms. Livziewy also filed an objection to the Joint Settlement dated February 14, 2019. Ms. Livziewy's objection consisted of a statement that the Joint Settlement does not reflect a compromise on the part of Aqua wastewater because the rate increase for Tobyhanna Township contained in the Joint Settlement is the same as the increase originally proposed, specifically 49.99%. Ms. Livziewy also expressed dissatisfaction with the fact that the Joint Settlement allows Aqua to file for another rate increase after a two-year period.

Pursuant to *Harmon*, the Commission’s decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Ms. Livziewy has provided no record evidence in support of her objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Ms. Livziewy’s objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Ms. Livziewy is denied and dismissed.

(ix) Ben Mroz III – Docket No. C-2018-3004531 (wastewater)

Ben Mroz III filed a Complaint against the proposed rate increase asserting that the proposed rate increase will present an extreme burden to the residents of Blakeslee, PA and requested that the Commission deny the proposed rate increase. Mr. Mroz also filed an objection to the Joint Settlement dated February 20, 2019. Mr. Mroz’s objection to the Joint Settlement consisted solely of general comments that the wastewater rates were too high and unaffordable.

Pursuant to *Harmon*, the Commission’s decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Mr. Mroz has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Mroz’s objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Mroz is denied and dismissed.

(x) Paul Nice – Docket No. C-2018-3005287 (water)

Paul Nice filed a Complaint against the proposed rate increase arguing that since Aqua is a publicly traded company, it is unfair to impose a rate increase simply to increase value for shareholders. Mr. Nice also filed an objection to the Joint Settlement dated February 14, 2019. Mr. Nice’s objection to the Settlement consisted solely of general comments that the rates contained in the Joint Settlement are unacceptable and, rather than increase rates, Aqua should lower its stock dividends.

Pursuant to *Harmon*, the Commission’s decision must be supported by substantial evidence. 713 A.2d 620, 623 (1998). “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Mr. Nice has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Nice’s objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Nice is denied and dismissed.

(xi) Rafeal Rodriguez – Docket No. C-2018-3005235
(wastewater)

Rafeal Rodriguez filed a Complaint against the proposed rate increase arguing that the proposed rate increase is unaffordable. Mr. Rodriguez also argues that rates should be based on usage instead of a fixed rate. Mr. Rodriguez also filed an objection to the Joint Settlement dated February 18, 2019 that contained no comments.

Pursuant to *Harmon, supra*, the Commission’s decision must be supported by substantial evidence. “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Mr. Rodriguez has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Rodriguez’s objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Rodriguez is denied and dismissed.

(xii) Robert Shafer – Docket No. C-2018-3004883 (wastewater)

Robert Shafer filed a Complaint against the proposed rate increase arguing that: (1) the increase of 50% for Rate Zone 4 constitutes “rate shock,” (2) the projected revenue increases for Aqua are unwarranted in this economy, and (3) the proposed blanket increase for all customers is discriminatory. Mr. Shafer also filed an objection to the Joint Settlement dated February 15, 2019. Mr. Shafer argues that the rate increases set forth in the Joint Settlement are

capricious and discriminatory because they are not uniform across all customers, even ones within the same Rate Zone.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Mr. Shafer has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Shafer's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Shafer is denied and dismissed.

(xiii) Dony Pierre – Docket No. C-2018-3005077 (water)

Dony Pierre filed a Complaint against the proposed rate increase alleging that he has a pre-existing settlement agreement with Aqua, wherein Aqua agreed not to increase his monthly water rate. Mr. Pierre also filed an objection to the Joint Settlement dated February 15, 2019, reiterating his claim that he has a pre-existing settlement agreement with Aqua, wherein Aqua agreed not to increase his monthly water rate. Mr. Pierre did not submit any evidence of this alleged, pre-existing settlement agreement.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Mr. Pierre has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Pierre's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Pierre is denied and dismissed.

(xiv) Wayne Weismandel – Docket No. C-2018-3005132
(wastewater)

Wayne Weismandel filed a Complaint against the proposed rate increase arguing that the requested base rate increase is excessive, projected increase in total operating revenue is

unjustified, the proposed rate of return of 7.77% is unwarranted in today's economy, and the proposed increase for residential customers of the Honeycroft Village Division of Rate Zone 4 is discriminatory and will produce rate shock.

Mr. Weismandel also filed an objection to the Joint Settlement dated February 20, 2019, reiterating his claims that the rate increases set forth in the Joint Settlement are discriminatory because they are not uniform across all customers, even ones within the same Rate Zone. Mr. Weismandel also argues that the 49.99% increase to the monthly rates for the Honeycroft Village Division of Rate Zone 4 constitutes "rate shock" and the Settlement should be modified to include a more "reasonable" rate increase for the Honeycroft Village Division "in the order of 10%." Additionally, Mr. Weismandel argues that the Joint Settlement does not adequately address the concerns that were brought to Aqua wastewater's attention at the Public Input Hearings regarding service to new customers. Mr. Weismandel argues that this alleged poor customer service should be a limiting factor applied to any requested rate increase.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980). "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Mr. Weismandel has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Weismandel's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Weismandel is denied and dismissed.

(xv) Jacqueline Pasquini – Docket No. C-2018-3005153
(wastewater)

Jacqueline Pasquini filed a Complaint against the proposed rate increase arguing that the requested base rate increase and projected increase in total operating revenue is extreme considering today's economy. Ms. Pasquini also filed an objection to the Joint Settlement dated February 22, 2019, arguing that rates should be based on usage as different size households use

different amounts of water and wastewater and there is no incentive to conserve if everyone is charged the same amount.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Ms. Pasquini has provided no record evidence in support of her objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Pasquini's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Pasquini is denied and dismissed.

(xvi) Brian Sheppard – Docket No. C-2018-3004748 (water)

Brian Sheppard filed a Complaint against the proposed rate increase arguing that, rather than going toward better water service, Aqua water is proposing to increase its rates in order to finance its recent acquisitions of other municipal water companies throughout Pennsylvania.

Mr. Sheppard also filed an objection to the Joint Settlement dated February 24, 2019, reiterating his argument that Aqua water is proposing to increase its rates in order to finance its recent acquisitions. Mr. Sheppard also argued that the settled upon 10% rate increase is unacceptable. Mr. Sheppard further argued against a portion of the water revenues to be allocated to wastewater operations alleging it results in him being double billed because he pays a separate bill for wastewater to Valley Forge Sewer Authority. Finally, Mr. Sheppard argued that the two-year prohibition on Aqua filing for another rate increase is too short.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980). "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Mr. Sheppard has provided no record evidence in support of his objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Mr. Sheppard's objection to

the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Mr. Sheppard is denied and dismissed.

(xvii) Lee Euard – Docket No. C-2018-3005097 (water)

Lee Euard filed a Complaint against the proposed rate increase arguing that the proposed rate increase is too high given Aqua water’s financials. However, Mr. Euard has provided no record evidence in support of his Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Pursuant to *Harmon, supra*, the Commission’s decision must be supported by substantial evidence. “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Accordingly, the Complaint filed by Mr. Euard is denied and dismissed.

Mr. Euard also filed an Objection to the Settlement dated February 23, 2019. However, in his objection, Mr. Euard repeatedly states he is filing, “for the Treasure Lake Community.”¹⁷ As stated previously, C.J. Zwick, Esquire and Matthew Zwick, Esquire already filed a Petition to Intervene in these proceedings on behalf of the TLPOA, and therefore, are the only ones authorized to speak on its behalf. Accordingly, we find that Mr. Euard is not authorized to file an objection on behalf of the TLPOA and therefore it is overruled.

(xviii) Michael Luciano – Docket No. C-2018-3004856
(wastewater)

Michael Luciano filed a Complaint against the proposed rate increase arguing that the requested base rate increase is excessive and will produce rate shock, that the projected increase in total operating revenue is unjustified, that the proposed rate of return of 7.77% is unwarranted in today’s economy, and that the proposed increase for residential customers of the Honeycroft Village Division of Rate Zone 4 is discriminatory.

¹⁷ Also known as: “Treasure Lake Property Owners Association, Inc.” (TLPOA).

Mr. Luciano also filed an objection to the Joint Settlement dated February 25, 2019. Mr. Luciano's objection came in the form of an attachment that matched *verbatim* the objection filed by Douglas and Linda Dudjak, which we addressed and overruled *supra*. Accordingly, for the same reasons, we conclude that the claims made by Mr. Luciano are not substantiated by the record, and therefore, his objection is overruled as well. Further, pursuant to *Norfolk and Western, supra*, the Commission's decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980), thus, the Complaint filed by Mr. Luciano is denied and dismissed.

(xix) Sylvia Habecker – Docket No. C-2018-3005320
(wastewater)

Sylvia Habecker filed a Complaint against the proposed rate increase stating that she thinks it is too much. Ms. Habecker also filed an objection to the Joint Settlement dated February 19, 2019, that stated she was disappointed by the Joint Settlement, which allows Aqua to raise its rates.

Pursuant to *Harmon, supra*, the Commission's decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980). "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic, supra*. Ms. Habecker has provided no record evidence in support of her objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Ms. Habecker's objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Ms. Habecker is denied and dismissed.

(xx) Denise Johnson – Docket No. C-2018-3005123 (water)

Denise Johnson filed a Complaint against the proposed rate increase stating that she cannot afford for her water bill to go up. Ms. Johnson also filed an objection to the Joint Settlement dated February 14, 2019, that set forth her current circumstances and why she cannot afford her water bill to increase.

Pursuant to *Harmon, supra*, the Commission’s decision must be supported by substantial evidence. 413 A.2d 1037 (Pa.Cmwlth. 1980). “Mere bald assertions, personal opinions or perceptions do not constitute evidence.” *MidAtlantic, supra*. Ms. Johnson has provided no record evidence in support of her objection or Complaint that persuades us the proposed Joint Settlement is unjust and unreasonable. Accordingly, Ms. Johnson’s objection to the proposed Joint Settlement is overruled as it is unsubstantiated. The Complaint filed by Ms. Johnson is denied and dismissed.

B. APPLICATIONS FOR MERGER AND ABANDONMENT

(a) Background

On September 17, 2015, the Commission entered an Order at Docket Nos. A-2015-2472472 and A-2015-2472473 approving Aqua water’s acquisition of Superior Water Company, Inc. (Superior) through a stock transaction. In subsequent Commission filings, Superior stated that Aqua water would merge Superior into Aqua water in its next base rate case proceeding. Aqua water acquired Superior on January 1, 2016. As stated above, Aqua water and Superior (Joint Applicants) filed Joint Applications to merge Superior into Aqua, to begin offering water service in the service territory of Superior and to abandon the authority of Superior water service. See *supra* at II.

(b) Applicable Law

i. Burden of Proof

Section 332(a) of the Code, 66 Pa. C.S. § 332(a), provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding. It is well-established that “[a] litigant’s burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible.” *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm’n*, 578 A.2d

600, 602 (Pa.Cmwlth. 1990), *alloc. den.*, 602 A.2d 863 (Pa. 1992). “Preponderance of the evidence” requires the party with the burden of proof, in this case the Joint Applicants, to present evidence that is more convincing than that present by any other party. *Id.*

In addition, the Commission’s decision must be supported by “substantial evidence,” which consists of evidence that a reasonable mind might accept as adequate to support a conclusion or stated another way, a reasonable person would accept as adequate to support a determination. See *Harmon.*, 713 A.2d 620, 623 (1998). A mere "trace of evidence or a suspicion of the existence of a fact" is insufficient. *Norfolk and Western*, 413 A.2d 1037 (Pa.Cmwlth. 1980); *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

The burden of proof is comprised of two distinct burdens—the burden of production and the burden of persuasion. The burden of production tells the adjudicator which party must come forward with evidence to support a particular proposition. See *In re Loudenslager’s Estate*, 240 A.2d 477, 482 (Pa. 1968). The burden of persuasion determines which party must produce sufficient evidence to convince a judge that a fact has been established, and it never leaves the party on whom it is originally cast. *Reidel v. County of Allegheny*, 633 A.2d 1325, 1329 n. 11 (Pa.Cmwlth. 1993).

In this proceeding, there were no Protestants. No one disputed the proposed Applications. The Joint Applicants have the burden to prove that the proposed merger of Superior into Aqua water and the abandonment of Superior is just and reasonable. Thus, the analysis pursued is whether the Joint Applicants satisfied their burden of proof by substantial evidence.

ii. Standard of Review Under Chapter 11 of the Code

Chapter 11 of the Code requires a utility to obtain a certificate of public convenience (CPC) for different activities, including the transfer or acquisition of used or useful property. Specifically, Section 1102(a)(3) of the Code states,

For any public utility or an affiliated interest of a public utility as defined in section 2101,... to acquire from, or to transfer to, any person or corporation...by any method or device whatsoever, including sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa. C.S. § 1102(a)(3).

The statute at Section 1103(a) of the Code provides the standard as to whether an approval is warranted, stating,

...A certificate of public convenience shall be granted by order of the commission, only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public. The commission, in granting such certificate, may impose such conditions as it may deem to be just and reasonable.

66 Pa. C.S. § 1103(a). The ultimate issue is whether granting the CPC is in the public interest—that is for the service, accommodation, convenience, or safety of the public. *Id*; see also *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764-65 (Pa.Cmwlth. 1985) (*Seaboard*).

In this proceeding the Joint Applicants are seeking a CPC involving the acquisition of all property of Superior to Aqua water. The Supreme Court of Pennsylvania has quoted with approval from *Seaboard* as follows,

The PUC's mandate with respect to the granting of certificates of public convenience is a broad one; 'a certificate of public convenience shall be granted by order of the commission, only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.' The legislature, however, provided no definition of specifically what the criteria were to be in determining the propriety of granting a certificate, leaving the formulation of such criteria to the PUC.

Elite Indus. v. Pa. Pub. Util. Comm'n, 832 A.2d 428, 432 (Pa. 2003) (Elite Industries), quoting, *Seaboard*, 502 A.2d at 764-65 (Pa.Cmwlt. 1985).

Precedent of Commission decisions show that a CPC is not to be granted by the Commission unless it is able to find an affirmative public benefit. *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972)); *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040, 1055-57 (Pa. 2007); *Application of Sunoco Pipeline, L.P.*, Docket Nos. A-2013-2371789, P-2013-2371775 (Order entered August 29, 2013); *Application of Buckeye Pipeline Co., L.P.*, Docket No. A-140110F2000 (Order entered March 7, 2005). Thus, the affirmative public benefits test is applied to determine if granting a CPC is in the public interest. The mere absence of any adverse effect upon the public will not fulfill the affirmative public benefits test. *Id*; see also, *Popowsky*, 927 A.2d at 1053-54. The Joint Applicants must show that the approval of the application “will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *Id*.

Under the affirmative public benefits test, there is no requirement to establish legally binding commitments beyond all doubt to assure a public benefit. *Id*, at 1055. Rather, a general determination finding that more likely than not a benefit will occur is all that is needed. *Id*, at 1055 note 18. Furthermore, the Commission is not to undertake quantifying benefits where it may be impractical, burdensome or impossible. *Id*, at 1057, see also *McCloskey v. Pa. Pub. Util. Comm'n*, 195 A.3d 1055 (Pa.Cmwlt. 2018), *petition for allowance of appeal filed*, 743 MAL 2018 (Pa. Nov. 8, 2018). Additionally, the Commission can impose conditions that it deems just and reasonable. *Id*.

The Pennsylvania Supreme Court made clear in *Elite Industries*, that the disjunctive “or” in “necessary or proper” reflects the broad authority possessed by the Commission with respect to granting CPC’s, *supra*. The Pennsylvania Supreme Court explained that the legislature did not provide specific criteria for granting a certificate leaving that to the PUC. *Id*.

The Commission and the courts have definitively held that a project need not be “absolutely necessary” in order to be in the public interest. In *Hess v. Pa. Pub. Util. Comm’n*, 107 A.3d 2146, 262 (Pa.Cmwlth. 2014), an electric utility demonstrated that a project to add load transfer capability would shorten the duration of future outages in the project area. The project’s opponents contended the project was not “absolutely necessary” to provide electric service and, therefore, was not needed, which was affirmed by the ALJs applying an absolute necessity standard. The Commission unanimously reversed and rejected the absolute necessity standard. On appeal, the Commonwealth Court upheld the Commission’s decision, explaining that an “absolute necessity” standard would require utilities to wait until the need was eminent as in the system failed before seeking approval. *Id.*, at 262. The Commonwealth Court reasoned, “Not only would this approach be impractical and unrealistic, it would actually pose a danger to the health, safety and welfare of the public.” *Id.* Thus, the need and benefits of a project need not be shown to be absolutely necessary.

In addition, when considering the public interest, the Commission may consider how the benefits and detriments impact “all affected parties, and not merely one particular group or geographic subdivision.” *Middletown Twp. v. Pa. Pub. Util. Comm’n*, 482 A.2d 674, 682 (Pa.Cmwlth. 1984) (emphasis in original). See also, *Dunk v. Pa. Pub. Util. Comm’n*, 232 A.2d 231, 234-35 (Pa. Super. 1967) (where public benefit included companies and customers other than the proponent utility).

(c) Disposition

Aqua water provides service to Superior under an Affiliated Interest Agreement approved by the Commission at Docket No. G-2015-2544156 by Secretarial Letter on January 10, 2017. Aqua water provides the following services under the Affiliated Interest Agreement:

1. Financial and accounting;
2. Administrative;
3. Communications;
4. Engineering;
5. Fleet maintenance;

6. Lab testing;
7. Labor;
8. Legal;
9. Metering;
10. Operations;
11. Purchasing;
12. Real estate contracts and sales;
13. Regulatory; and
14. Water quality.

Joint Application at Docket Nos. A-2018-3004108 and A-2018-3004109 at 3, ¶ 6. Furthermore, because Aqua water is serving the operations of Superior Water Company's service territory, the abandonment of Superior Water Company eliminates duplicity.

The Commission found in its Order that transfer of control of Superior to Aqua will enhance the services provided by Superior by giving Superior greater access to the financial and technical resources of Aqua water. *Joint Application of Aqua Pa., Inc. and Superior Water Co., Inc. for Approval of transfer and control by merger to Aqua Pa., Inc.*, at Docket Nos. A-2015-2472472 and A-2015-2472473 (entered September 17, 2015) at 6-7. The Commission concluded affirmative public benefits warranted the transfer of control of Superior to Aqua. *Id.* at 7.

In these Joint Applications, the Joint Applicants assert that issuance of a certificate of public convenience to Aqua for the merger of Superior into Aqua and approval of abandonment of service of Superior will save the Commission and the Joint Applicants time and resources and promote administrative efficiency. Joint Application at 5, ¶ 14; AP Statement 1 at 28-29. Once the proposed merger is approved, and the proposed base rates of Aqua are approved, Superior will cease providing utility service.

The Joint Applicants are simply fulfilling what has been anticipated since the approval at Docket Nos. A-2015-2472472 and A-2015-2472473. Furthermore, it is compelling that there is no opposition to approve the Joint Application.

We find that the record shows substantial evidence of affirmative public benefits sufficient to warrant the approval of the merger of Superior into Aqua water and the abandonment of Superior pursuant to *City of York and Popowsky, supra* .

Viewing the record in its totality, we conclude that the merger of Superior into Aqua water is necessary and proper for the service, accommodation, convenience or safety of the public. We also conclude that the abandonment of Superior is efficient and beneficial to the operation of Aqua water, and therefore, in the public interest.

VI. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and parties to this proceeding. 66 Pa. C.S. §§ 1301 and 1102.

2. In a rate case, the burden of proof to show that the proposed rates are just and reasonable is on the public utility. 66 Pa. C.S. § 315(a).

3. The Commission's decision must be supported by "substantial evidence" which consists of evidence that a reasonable mind might accept as adequate to support a conclusion. *Harmon v. Mifflin County Sch. Dist.*, 713 A.2d 620, 623 (Pa. 1998).

4. A mere "trace of evidence or suspicion of the existence of a fact" is insufficient. *Norfolk and Western Railway Co. v. Pa. Pub. Util. Comm'n*, 413 A.2d 1037 (Pa.Cmwlth. 1980).

5. "Mere bald assertions, personal opinions or perceptions do not constitute evidence." *MidAtlantic Power Supply Association of Pennsylvania v. Pa. Pub. Util. Comm'n*, 746 A.2d 1196, 1200 (Pa. Cmwlth. 2000)(citing *Pa. Bureau of Corrections v. City of Pittsburgh*, 532 A.2d 12, 14 (Pa. 1987)).

6. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pa. Gas and Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239 (Pa. Cmwlth. 1975).

7. In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

8. The policy of the Commission policy is to promote settlements. 52 Pa.Code §§ 5.231(a) and 69.401.

9. Despite the Commission policy to promote settlements, the Commission's determination to approve the proposed settlement is whether the proposed terms and conditions foster, promote and serve the public interest. *Pa. Pub. Util. Comm'n. v. PECO Energy Co.*, Docket No. R-2018-3000164 (Order entered Dec. 20, 2018), at 15.

10. The proposed Joint Settlement submitted by the Joint Petitioners is in the public interest.

11. The Applicant as the proponent of a rule or order bears the burden of proof. 66 Pa. C.S. § 332.

12. To satisfy this burden, the Applicant must demonstrate that it has met its burden of proof by a preponderance of the evidence. *Patterson v. Bell Telephone Co. of Pennsylvania.*, 72 Pa. PUC 196 (1990).

13. "Preponderance of the evidence" requires that the party with the burden of proof presents evidence more convincing than that presented by the opposition. *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa.Cmwlth. 1990) *alloc. den.*, 602 A.2d 863 (Pa. 1992).

14. If the evidence presented by the Applicant is rebutted by evidence of co-equal weight, the Applicant has not satisfied its burden of persuasion, and therefore the Applicant would be required to provide additional evidence. *Burleson v. Pa. Pub. Util. Comm'n*, 443 A.2d 1373 (Pa.Cmwlth. 1982), *aff'd*, 461 A.2d 1234 (Pa. 1983).

15. The burden of proof remains on the party seeking affirmative relief from the Commission—in this proceeding that party is Aqua water. *Milkie v. Pa. Pub. Util. Comm'n*, 768 A.2d 1217 (Pa.Cmwlth. 2001).

16. Chapter 11 of the Code requires a utility to obtain a certificate of public convenience for determined activities, including relevant to this proceeding, the transfer or acquisition of use or useful property. 66 Pa.C.S. § 1103(a)(3).

17. The issue for granting a certificate of public convenience is whether approval is in the public interest. 66 Pa.C.S. § 1103(a)(3); *Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764-65.

18. The Commission applies the “affirmative public benefits” test for applications seeking certificates of public convenience involving mergers or acquisition of property to determine if approval is in the public interest. *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972); *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040, 1055-57 (Pa. 2007); *Application of Sunoco Pipeline, L.P.*, Docket Nos. A-2013-2371789, P-2013-2371775 (Order entered August 29, 2013); *Application of Buckeye Pipe Line Co., L.P.*, Docket No. A-140110F2000 (Order entered March 7, 2005).

19. When considering the public interest, the Commission may consider how the benefits and detriments impact “all affected parties, and not merely one particular group or geographic subdivision.” *Middletown Twp. v. Pa. Pub. Util. Comm'n*, 482 A.2d 674, 682 (Pa.Cmwlth. 1984). *See also, Dunk v. Pa. Pub. Util. Comm'n*, 232 A.2d 231, 234-35 (Pa. Super. 1967) (where public benefit included companies and customers other than the proponent utility).

20. The affirmative public benefits test does not require absolute necessity to be established; future need and future benefits are sufficient to demonstrate that a project is in the public interest and there is no requirement to quantify the benefits of a project. *Hess v. Pa. Pub. Util. Comm'n*, 107 A.3d 2146, 262 (Pa.Cmwlth. 2014); *see also*, *Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1055-57; *Application of Sunoco Pipeline, L.P.*, Docket Nos. A-2013-2371789, P-2013-2371775 (Order entered August 29, 2013); *Application of Buckeye Pipe Line Co., L.P.*, Docket No. A-140110F2000 (Order entered March 7, 2005).

21. The Joint Applications of Aqua water and Superior Water Co. provide a public benefit.

VII. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That Aqua Pennsylvania, Inc. shall not place into effect the rates, rules, and regulations contained in Supplement No. 1 to Tariff Water – Pa. P.U.C. No. 2 as filed on August 17, 2018, the same having been found to be unjust, unreasonable, and therefore, unlawful.

2. That Aqua Pennsylvania, Inc. shall not place into effect the rates, rules, and regulations contained in Supplement No. 1 to Tariff Sewer – Pa. P.U.C. No. 2 as filed on August 17, 2018, the same having been found to be unjust, unreasonable, and therefore, unlawful.

3. That the rates, terms and conditions contained in the Joint Settlement Petition filed by Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., the Bureau of Investigation & Enforcement, the Office of Consumer Advocate, Aqua Large Users Group, the

Coalition of Affordable Utility Service and Energy Efficiency in Pennsylvania, the Links at Gettysburg Master Association, Masthope Mountain Community Property Owners Council, and the Office of Small Business Advocate be approved and adopted consistent with the discussion contained herein.

4. That upon the Commission's approval of this Joint Settlement, Aqua Pennsylvania, Inc. shall be permitted to increase its annual operating revenues for water service in the total amount of not more than \$42.3 million consistent with the rates for water service set forth in the proposed Original Tariff Water – Pa. P.U.C. No. 2, which is attached to the Joint Settlement Petition as Appendix A.

5. That upon the Commission's approval of this Joint Settlement, Aqua Pennsylvania, Inc. shall be permitted to recover no more than \$7,087,754 million of its wastewater revenue requirement from its water operations as authorized by Section 1311(c) of the Code.

6. That Aqua Pennsylvania, Inc. file a tariff or tariff supplement in substantially the same form as that attached as Appendix "A" to the Joint Settlement Petition of the Rate Investigation at Docket No. R-2018-3003558 reflecting the rates, rules, and regulations to become effective upon at least one day's notice, upon entry of the Commission Order approving the recommendation to adopt the Joint Settlement Petition of the Rate Investigation consistent with the discussion contained herein.

7. That upon acceptance of the appropriate compliance filing, the investigation at Docket R-2018-3003558 should be marked closed.

8. That the formal Complaint filed at Docket No. C-2018-3004981 by Aqua Large Users Group is dismissed.

9. That the formal Complaint filed at Docket No. C-2018-3004331 by the Office of Consumer Advocate is dismissed.

10. That the formal Complaint filed at Docket No. C-2018-3004941 by the Office of Small Business Advocate is dismissed.

11. That the formal Complaint filed at Docket No. C-2018-3004425 by the Pennsylvania American Water Company is dismissed.

12. That the formal Complaint filed at Docket No. C-2018-3005332 by Athens Borough is dismissed.

13. That the formal Complaint filed at Docket No. C-2018-3005657 by John Bahnweg is dismissed.

14. That the formal Complaint filed at Docket No. C-2018-3004648 by Albert Bowman is dismissed.

15. That the formal Complaint filed at Docket No. C-2018-3005418 by Tara Carpenter is dismissed.

16. That the formal Complaint filed at Docket No. C-2018-3005639 by Robert Curtius is dismissed.

17. That the formal Complaint filed at Docket No. C-2018-3004318 by Darren Distasio is dismissed.

18. That the formal Complaint filed at Docket No. C-2018-3005404 by Brian Edwards is dismissed.

19. That the formal Complaint filed at Docket No. C-2018-3004097 by Lee Euard is dismissed.

20. That the formal Complaint filed at Docket No. C-2018-3005174 by Kenneth Ferguson is dismissed.
21. That the formal Complaint filed at Docket No. C-2018-3005610 by Surge Ghosh is dismissed.
22. That the formal Complaint filed at Docket No. C-2018-3004375 by Byron Goldstein is dismissed.
23. That the formal Complaint filed at Docket No. C-2018-3004270 by Jordan Goretti is dismissed.
24. That the formal Complaint filed at Docket No. C-2018-3005207 by James Grace is dismissed.
25. That the formal Complaint filed at Docket No. C-2018-3004896 by Carl & Kathy Haybedian is dismissed.
26. That the formal Complaint filed at Docket No. C-2018-3005417 by David Jarrett is dismissed.
27. That the formal Complaint filed at Docket No. C-2018-3005123 by Denise Johnson is dismissed.
28. That the formal Complaint filed at Docket No. C-2018-3005360 by Desiree Kreidler is dismissed.
29. That the formal Complaint filed at Docket No. C-2018-3004901 by Robert Kreisich is dismissed.

30. That the formal Complaint filed at Docket No. C-2018-3004988 by Donald Labranche is dismissed.

31. That the formal Complaint filed at Docket No. C-2018-3004690 by Robert Leupold is dismissed.

32. That the formal Complaint filed at Docket No. C-2018-3004912 by the Links at Gettysburg Master Association is dismissed.

33. That the formal Complaint filed at Docket No. C-2018-3004381 by Joseph Lorusso is dismissed.

34. That the formal Complaint filed at Docket No. C-2018-3004631 by Marilyn Marbo is dismissed.

35. That the formal Complaint filed at Docket No. C-2018-3005067 by the Masthope Mountain Community Property Owners is dismissed.

36. That the formal Complaint filed at Docket No. C-2018-3004991 by Stephen & Janice McHenry is dismissed.

37. That the formal Complaint filed at Docket No. C-2018-3005287 by Paul Nice is dismissed.

38. That the formal Complaint filed at Docket No. C-2018-3005419 by Catherine Palicki is dismissed.

39. That the formal Complaint filed at Docket No. C-2018-3005077 by Dony Pierre is dismissed.

40. That the formal Complaint filed at Docket No. C-2018-3005709 by Kenneth Reeves is dismissed.

41. That the formal Complaint filed at Docket No. C-2018-3004884 by Robert Shafer is dismissed.

42. That the formal Complaint filed at Docket No. C-2018-3004748 by Brian Sheppard is dismissed.

43. That the formal Complaint filed at Docket No. C-2018-3005335 by South Waverly Borough is dismissed.

44. That the Secretary's Bureau mark the following dockets closed: No. C-2018-3004981, No. C-2018-3004331, No. C-2018-3004941, No. C-2018-3004425, No. C-2018-3005332, No. C-2018-3005657, No. C-2018-3004648, No. C-2018-3005418, No. C-2018-3005639, No. C-2018-3004318, No. C-2018-3005404, No. C-2018-3004097, No. C-2018-3005174, No. C-2018-3005610, No. C-2018-3004375, No. C-2018-3004270, No. C-2018-3005207, No. C-2018-3004896, No. C-2018-3005417, No. C-2018-3005123, No. C-2018-3005360, No. C-2018-3004901, No. C-2018-3004988, No. C-2018-3004690, No. C-2018-3004912, No. C-2018-3004381, No. C-2018-3004631, No. C-2018-3005067, No. C-2018-3004991, No. C-2018-3005287, No. C-2018-3005419, No. C-2018-3005077, No. C-2018-3005709, No. C-2018-3004884, No. C-2018-3004748, and No. C-2018-3005335.

45. That upon the Commission's approval of this Joint Settlement, Aqua Pennsylvania Wastewater, Inc. shall be permitted to increase its annual operating revenues for wastewater service in the total amount of not more than \$4.7 million consistent with the rates for wastewater service set forth in the proposed Original Tariff – Sewer Pa. P.U.C. No. 2, which is attached to the Joint Settlement Petition as Appendix B.

46. That Aqua Pennsylvania Wastewater, Inc. file a tariff or tariff supplement in substantially the same form as that attached as Appendix "B" to the Joint Settlement Petition

of the Rate Investigation at Docket No. R-2018-3003561 reflecting the rates, rules, and regulations to become effective upon at least one day's notice, upon entry of the Commission Order approving the recommendation to adopt the Joint Settlement Petition of the Rate Investigation consistent with the discussion contained herein.

47. That upon acceptance of the appropriate compliance filing, the investigation at Docket R-2018-3003561 should be marked closed.

48. That the formal Complaint filed at Docket No. C-2018-3004333 by the Office of Consumer Advocate is dismissed.

49. That the formal Complaint filed at Docket No. C-2018-3004939 by the Office of Small Business Advocate is dismissed.

50. That the formal Complaint filed at Docket No. C-2018-3005069 by Grace Bowes is dismissed.

51. That the formal Complaint filed at Docket No. C-2018-3008086 by Dorothy Bruzgo is dismissed.

52. That the formal Complaint filed at Docket No. C-2018-3004985 by Brian Campbell is dismissed.

53. That the formal Complaint filed at Docket No. C-2018-3005327 by Joseph & Karen Calvacca is dismissed.

54. That the formal Complaint filed at Docket No. C-2018-3004563 by Ralph & Lauretta Camardelli is dismissed.

55. That the formal Complaint filed at Docket No. C-2018-3004985 by Cedar Knoll Builders is dismissed.

56. That the formal Complaint filed at Docket No. C-2018-3005651 by Robert Curtius is dismissed.

57. That the formal Complaint filed at Docket No. C-2018-3004694 by Thomas Davis is dismissed.

58. That the formal Complaint filed at Docket No. C-2018-3004695 by Thomas Davis is dismissed.

59. That the formal Complaint filed at Docket No. C-2018-3005322 by Stephen DeLeo is dismissed.

60. That the formal Complaint filed at Docket No. C-2018-3004324 by Darren Distasio is dismissed.

61. That the formal Complaint filed at Docket No. C-2018-3005091 by Donald & Linda Dudjak is dismissed.

62. That the formal Complaint filed at Docket No. C-2018-3005406 by Brian Edwards is dismissed.

63. That the formal Complaint filed at Docket No. C-2018-3005295 by Colleen Essick is dismissed.

64. That the formal Complaint filed at Docket No. C-2018-3005329 by William Finn is dismissed.

65. That the formal Complaint filed at Docket No. C-2018-3004693 by Phyllis Genauer is dismissed.

66. That the formal Complaint filed at Docket No. C-2018-3005320 by Sylvia Habacker is dismissed.

67. That the formal Complaint filed at Docket No. C-2018-3004912 by Carl & Kathy Haybedian is dismissed.

68. That the formal Complaint filed at Docket No. C-2018-3005661 by Kimberlyann King is dismissed.

69. That the formal Complaint filed at Docket No. C-2018-3005347 by Desiree Kreidler is dismissed.

70. That the formal Complaint filed at Docket No. C-2018-3004662 by Arnold Kring is dismissed.

71. That the formal Complaint filed at Docket No. C-2018-3004987 by Donald Labranche is dismissed.

72. That the formal Complaint filed at Docket No. C-2018-3004692 by Robert Leupold is dismissed.

73. That the formal Complaint filed at Docket No. C-2018-3005414 by Edward Levy is dismissed.

74. That the formal Complaint filed at Docket No. C-2018-3004913 by the Links at Gettysburg Master Association is dismissed.

75. That the formal Complaint filed at Docket No. C-2018-3005220 by Tammy Livziey is dismissed.

76. That the formal Complaint filed at Docket No. C-2018-3004856 by Michael Luciano is dismissed.

77. That the formal Complaint filed at Docket No. C-2018-3005467 by Claire Mann is dismissed.

78. That the formal Complaint filed at Docket No. C-2018-3005415 by Patricia Manning is dismissed.

79. That the formal Complaint filed at Docket No. C-2018-3005016 by David Marano is dismissed.

80. That the formal Complaint filed at Docket No. C-2018-3005079 by the Masthope Mountain Community Property Owners is dismissed.

81. That the formal Complaint filed at Docket No. C-2018-3005014 by Donna May is dismissed.

82. That the formal Complaint filed at Docket No. C-2018-3005015 by James May is dismissed.

83. That the formal Complaint filed at Docket No. C-2018-3004989 by Janice & Stephen McHenry is dismissed.

84. That the formal Complaint filed at Docket No. C-2018-3005338 by Michael McKiernan is dismissed.

85. That the formal Complaint filed at Docket No. C-2018-3004531 by Ben Mroz is dismissed.

86. That the formal Complaint filed at Docket No. C-2018-3005288 by Paul Nice is dismissed.

87. That the formal Complaint filed at Docket No. C-2018-3005416 by Catherine Palicki is dismissed.

88. That the formal Complaint filed at Docket No. C-2018-3005153 by Jacqueline Pasquini is dismissed.

89. That the formal Complaint filed at Docket No. C-2018-3005130 by Scott Peterson is dismissed.

90. That the formal Complaint filed at Docket No. C-2018-3005471 by Jeri Ramagnano is dismissed.

91. That the formal Complaint filed at Docket No. C-2018-3005662 by Louis and Barbara Riccio is dismissed.

92. That the formal Complaint filed at Docket No. C-2018-3005235 by Rafael Rodriguez is dismissed.

93. That the formal Complaint filed at Docket No. C-2018-3004883 by Robert Shafer is dismissed.

94. That the formal Complaint filed at Docket No. C-2018-3004923 by Susan Siensa is dismissed.

95. That the formal Complaint filed at Docket No. C-2018-3005521 by William Smith is dismissed.

96. That the formal Complaint filed at Docket No. C-2018-3005150 by Carroll Stroh is dismissed.

97. That the formal Complaint filed at Docket No. C-2018-3004389 by John Stull is dismissed.

98. That the formal Complaint filed at Docket No. C-2018-3004938 by Carey & Sandra Terrell is dismissed.

99. That the formal Complaint filed at Docket No. C-2018-3005132 by Wayne Weisman del is dismissed.

100. That the Secretary's Bureau mark the following dockets closed: No. C-2018-3004333, No. C-2018-3004939, No. C-2018-3005069, No. C-2018-3008086, No. C-2018-3004985, No. C-2018-3005327, No. C-2018-3004563, No. C-2018-3004985, No. C-2018-3005651, No. C-2018-3004694, No. C-2018-3004695, No. C-2018-3005322, No. C-2018-3004324, No. C-2018-3005091, No. C-2018-3005406, No. C-2018-3005295, No. C-2018-3005329, No. C-2018-3004693, No. C-2018-3005320, No. C-2018-3004912, No. C-2018-3005661, No. C-2018-3005347, No. C-2018-3004662, No. C-2018-3004987, No. C-2018-3004692, No. C-2018-3005414, No. C-2018-3004913, No. C-2018-3005220, No. C-2018-3004856, No. C-2018-3005467, No. C-2018-3005415, No. C-2018-3005016, No. C-2018-3005079, No. C-2018-3005014, No. C-2018-3005015, No. C-2018-3004989, No. C-2018-3005338, No. C-2018-3004531, No. C-2018-3005288, No. C-2018-3005416, No. C-2018-3005153, No. C-2018-3005130, No. C-2018-3005471, No. C-2018-3005662, No. C-2018-3005235, No. C-2018-3004883, No. C-2018-3004923, No. C-2018-3005521, No. C-2018-3005150, No. C-2018-3004389, No. C-2018-3004938, and No. C-2018-3005132.

101. That the Joint Application of Aqua Pennsylvania, Inc. and Superior Water Company, Inc. at Docket Nos. A-2018-3004108 and A-2018-3004109 be approved.

102. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(3) of the Public Utility Code, authorizing the transfer to Aqua Pennsylvania, Inc., through merger, of all property of Superior Water Company, Inc. used or useful in the public service.

103. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(1)(i) of the Public Utility Code, authorizing Aqua Pennsylvania, Inc. to begin to offer, render, furnish, or supply water service to the public in the territory currently served by Superior Water Company, Inc.

104. That within 30 days following consummation of the transaction approved by Ordering Paragraph No. 101, above, Aqua Pennsylvania, Inc. shall notify this Commission of the effective date of the merger.

105. That upon receiving the notice required by Ordering Paragraph 103, above, a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(2), authorizing Superior Water Company, Inc. to abandon its authority to provide water service in its current service territory.

106. That if the Joint Applicants determine that the instant transaction will not occur, they shall promptly file notice of such determination with the Commission.

107. That upon filing of the notice required in Ordering Paragraphs No. 103 or 105, above, the Docket Nos. A-2018-3004108 and A-2018-3004109 be marked closed.

Date: March 11, 2019

/s/
Angela T. Jones
Administrative Law Judge

/s/
F. Joseph Brady
Administrative Law Judge