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August 1, 2019

*Via Electronic Filing*

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

In re: Docket No. R-2019-3006904, *et al.*  
Pa. P.U.C., *et al.* v. The Newtown Artesian Water Company

Dear Secretary Chiavetta:

We are counsel to The Newtown Artesian Water Company in the above referenced rate investigation and are submitting, via electronic filing with this letter, a Joint Petition for Settlement of Rate Investigation signed by the Company, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate. Copies of the Joint Petition for Settlement are being served upon the persons and in the manner set forth on the certificate of service attached to it. Please contact me with any questions concerning this matter.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By 

Thomas T. Niesen

cc: Certificate of Service (w/encl.)  
Brenden E. Brett, Esq. (via email, w/encl.)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	R-2019-3006904
Commission	:	
Office of Consumer Advocate	:	C-2019-3008684
Office of Small Business Advocate	:	C-2019-3008912
	:	
v.	:	
	:	
The Newtown Artesian Water Company	:	

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**JOINT PETITION FOR SETTLEMENT  
OF RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE DARLENE DAVIS HEEP:**

This Joint Petition for Settlement is made and entered into by and between the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”) and The Newtown Artesian Water Company (“NAWC”), parties to the above captioned rate proceeding (hereinafter collectively referred to as "Joint Petitioners"), and is hereby submitted for consideration and recommended approval by the Administrative Law Judge for the purpose of settling the proceeding under the terms and conditions set forth below.

**Background**

1. NAWC is a Pennsylvania public utility that provides water service to the public in Newtown Borough, the Township of Newtown and the Township of Middletown, Bucks County, Pennsylvania.
2. On March 1, 2019, NAWC filed Supplement No. 136 to Tariff Water-Pa. P.U.C. No. 9 (“Supplement No. 136”) to be effective May 1, 2019.

3. If approved, Supplement No. 136 would increase NAWC's annual water revenue by \$934,154, based on a fully projected future test year ending September 30, 2020.
4. The rate filing was assigned Docket No. R-2019-3006904.
5. A formal Complaint against Supplement No. 136 was filed by the Office of Consumer Advocate at C-2019-3008684 on March 21, 2019.
6. The Bureau of Investigation and Enforcement filed a Notice of Appearance in the rate investigation on March 27, 2019.
7. A formal Complaint against Supplement No. 136 was filed by the Office of Small Business Advocate at C-2019-3008912 on April 2, 2019.
8. By Order entered April 11, 2019, the Commission suspended Supplement No. 136 and instituted an investigation into the reasonableness of the proposed rates.
9. NAWC filed Supplement No. 138 on April 18, 2019, to suspend the application of the proposed water rates until December 1, 2019.
10. The investigation was assigned to Administrative Law Judge Darlene Davis Heep.
11. A telephonic prehearing conference was held on April 26, 2019 with Judge Heep presiding. Counsel for I&E, OCA, OSBA and NAWC participated in the telephonic conference.
12. An evidentiary hearing was held on July 10, 2019 with Judge Heep presiding.

### **Terms and Conditions of Settlement**

13. Joint Petitioners agree that this rate proceeding can be settled without the need for formal litigation. The terms and conditions comprising this Joint Petition, to which Joint Petitioners agree, are as follows:

**(a) Revenue Increase, Rate Design and Scale Back**

Joint Petitioners respectfully request that the Commission act as soon as

possible to approve this Joint Petition and grant NAWC special permission to file a tariff supplement in the form attached hereto as Appendix A, to become effective for service on one day's notice, following entry of a Commission Order approving the Settlement; provided, however, that the effective date of the tariff supplement will be no sooner than October 1, 2019, which is the first day of the Fully Projected Future Test Year ("FPFTY") ending September 30, 2020.

The settlement rates presented in Appendix A are designed to produce additional annual revenue of \$780,000, in lieu of the originally proposed rate increase of \$940,163, and are based upon a pro forma level of residential usage of 464,665 thousand gallons, commercial usage of 136,799 thousand gallons, industrial usage of 46,717 thousand gallons and public usage of 24,613 thousand gallons for a total usage of 672,793 thousand gallons for the FPFTY period ending September 30, 2020. The settlement rates presented in Appendix A eliminate separate rates for the Company's Newtown Artesian and Indian Rock Rate Areas and are designed based on a scale back initially proposed by I&E and modified by agreement with the OSBA. The scale back is supported by NAWC, I&E and OSBA. The OCA does not join in the scale back but does not oppose it.

A proof of revenue for the Appendix A settlement rates is attached hereto as Appendix B.

**(b) PWAC Calculation Template and Other Tariff Changes**

For the purpose of calculating its Purchased Water Adjustment Charge ("PWAC"), NAWC shall use the "baseline item" values as follows. The values are

as presented in proposed Tariff Page No. 31 of Supplement No. 136, revised to reflect 672,793 as the Baseline 1,000 Gallons of Water Sales.

<b>FROM TARIFF PAGE __ EFFECTIVE __/__/2019</b>		
Baseline Purchase Water Cost (per thousand gallons)		\$3.356
BCWSA (Customer)	\$0.018	
BCWSA (Consumption)	\$3.454	
PA-AM (Consumption)	\$2.797	
Baseline 1,000 Gallons Purchase Water		443,832
BCWSA	367,487	
PA-AM	76,345	
Baseline Water Sales (per thousand gallons)		672,793

Other tariff changes proposed in Supplement No. 136 are reflected in the Appendix A tariff supplement and it is agreed that the other tariff changes will go into effect as filed.

**(c) DSIC**

The Distribution System Improvement Charge (“DSIC”) shall be established at 0% of billed revenues effective with the effective date of settlement rates.

As of the effective date of settlement rates, NAWC will be eligible to include plant additions in the Distribution System Improvement Charge once the total account balances of total depreciable plant exceed \$48,029,675.60, which is the level of investment projected by the Company at September 30, 2020 (*i.e.*, the end of the FPFTY) per Table No. 4 (NAWC Statement No. 3, Exhibit JJS-3, p. I-7). 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.

For purposes of calculating its DSIC, NAWC shall use the equity return rate for water utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities 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).

For purposes of calculating its DSIC, NAWC shall use the depreciation accrual rates projected by the Company at September 30, 2020 (i.e., the end of the FPFTY) per Table No. 1 (NAWC Statement No. 3, Exhibit JJS-3, p. I-3) as follows:

	Depreciation Rate
Mains	2.07%
Services	1.75%
Meters	1.44%
Hydrants	2.29%

The Joint Petitioners acknowledge that issues regarding the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges are the subject of a Commonwealth Court Order that requires a remand to the Commission. *McCloskey v. Pennsylvania Public Utility Commission*, Case Nos. 697 C.D. 2018 and 1183 C.D. 2018 (“*McCloskey*”). The Company will not contest the right of a party to raise issues regarding the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges by filing a complaint against the Company’s first quarterly DSIC charge filed after the final resolution of *McCloskey* or by filing a

pleading to initiate a generic proceeding.

**(d) Reporting on Plant Additions**

NAWC will provide the Bureau of Technical Utility Services, I&E, OCA and OSBA with an update to Table No. 4 (NAWC Statement No. 3, Exhibit JJS-2, p. V-8) for the years 2018-2019 no later than January 2, 2020, and Table No. 4 (NAWC Statement No. 3, Exhibit JJS-3, p. I-7) for the years 2019-2020 no later than January 4, 2021, to be filed under this docket number. The updated tables will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending September 30, 2019 and September 30, 2020, respectively.

**(e) Tax Cuts and Jobs Act**

The Settlement Rates fully account for the impacts of the Tax Cuts and Jobs Act of 2017 (“TCJA”) and no further expense adjustments, refunds or credits are required.

The TCJA reduces the Federal Income Tax Rate (“FIT”). The settlement revenue requirement calculation reflects the reduced FIT rate of 21% in the TCJA starting with the effective date of new rates.

The TCJA also impacts reserves for deferred income tax liabilities. NAWC calculated the impact of the TCJA on its deferred tax liability at December 31, 2017 to be \$1,156,209 (“excess ADIT”). NAWC also calculated the amortization period for returning the excess ADIT of 1 to 42 years depending on the ADIT component.

ADIT Regulatory Liability is made up of 4 items

	<u>Amount</u>	<u>Years</u>
Depreciation	\$1,130,984	42.19
Defer - Well #7	2,661	1
Defer - Devonshire	1,228	3
Defer - Tanner well	21,337	6
	\$1,156,209	

The amount of excess ADIT to be amortized (credited) on an annual basis (approximately \$33,433) is incorporated into the settlement revenue requirement calculation starting with the effective date of new rates. The annual amortization is calculated as follows:

Depreciation	\$26,807
Defer - Well #7	\$2,661
Defer – Devonshire	\$409
Defer - Tanner well	\$3,556
Total FPFTY amortization	\$33,433

NAWC will track the amortization of the excess ADIT against the beginning balance of \$1,156,209 so that the remaining excess ADIT balance can be determined in NAWC’s next case. The remaining unamortized excess ADIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

**(f) Amortizations**

Except as provided in Subparagraph (e) above, no amortizations are accepted or incorporated in the settlement revenue requirement calculation.

**(g) Stay - Out**

NAWC agrees that it will not file for another base rate case before November 30, 2021; provided, however, that the foregoing provision shall not prevent NAWC from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates.

**Other Provisions**

14. Under the presently suspended Supplement No. 136, the quarterly cost of water service to a typical Newtown Artesian Rate Area residential customer with a 5/8-inch meter and typical usage of 12,000 gallons per quarter would have increased by \$15.90, from \$88.73 to \$104.63 per quarter, or by 17.9%. The total bill for an Indian Rock Rate Area residential customer with a 5/8-inch meter and typical usage of 12,000 gallons per quarter would have increased by \$9.88, from \$94.75 to \$104.63 per quarter, or by 10.4%.

15. Under the Joint Petition, the quarterly cost of water service to a typical Newtown Artesian Rate Area residential customer with a 5/8-inch meter and typical usage of 12,000 gallons per quarter will increase from \$88.73 to \$102.33 per quarter or by 15.3%. The total bill for an Indian Rock Rate Area residential customer with a 5/8-inch meter and typical usage of 12,000 gallons per quarter will increase from \$94.75 to \$102.33 per quarter or by 8.0%.

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

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

18. This Joint Petition is proposed to settle the instant matter and is made without any admission against or prejudice to any positions that any Joint Petitioner might adopt during subsequent litigation in any case, including further litigation in this case if this Joint Petition is rejected by the Commission or withdrawn by any one of the Joint Petitioners as provided below. This Joint Petition is conditioned upon the Commission's approval of all terms and conditions contained herein. Joint Petitioners agree that the Joint Petition does not expressly or implicitly represent approval of any specific claim or claims made in this proceeding, other than as set forth above, and agree not to contend otherwise in any subsequent proceeding. If the Commission should fail to grant such approval or should modify the terms and conditions herein, this Joint Petition may be withdrawn by any Joint Petitioner upon written notice to the Commission and all parties within three business days by any of the Joint Petitioners. In such event, the Joint Petition shall be of no force and effect.

19. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above and the proceeding continues to hearing, the Joint Petitioners reserve their respective right to produce, distribute and offer testimony into the record and to conduct full cross-examination of other parties' witnesses at hearing, briefing and argument.

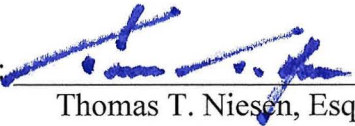
20. If the Administrative Law Judge in her Recommended Decision recommends that the Commission adopt the Joint Petition without modification as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive

their right to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters, proposed by Administrative Law Judge Heep in her Recommended Decision. The Joint Petitioners reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

21. In recognition of the foregoing, the Joint Petitioners respectfully request that:
  - (a) Administrative Law Judge Heep recommend approval of and the Public Utility Commission approve this Joint Petition for Settlement of Rate Investigation;
  - (b) NAWC be granted special permission to file a tariff supplement in the form attached hereto as Appendix A to become effective for service on one day's notice, following entry of a Commission Order; provided, however, that the effective date of the tariff supplement will be no sooner than October 1, 2019;
  - (c) The Commission's investigation at R-2019-3006904 be terminated and marked closed; and
  - (d) The Complaint of the Office of Consumer Advocate at C-2019-3008684 be marked as satisfied and closed consistent with this Joint Petition for Settlement of Rate Investigation.
  - (e) The Complaint of the Office of Small Business Advocate at C-2019-3008912 be marked as satisfied and closed consistent with this Joint Petition for Settlement of Rate Investigation.

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

**THE NEWTOWN ARTESIAN WATER COMPANY**

By:  \_\_\_\_\_  
Thomas T. Niesen, Esquire

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT**

By: \_\_\_\_\_  
John M. Coogan  
Prosecutor

**OFFICE OF CONSUMER ADVOCATE**

By: \_\_\_\_\_  
Phillip D. Demanchick  
Assistant Consumer Advocate  
Erin L. Gannon  
Senior Assistant Consumer Advocate  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate

**OFFICE OF SMALL BUSINESS ADVOCATE**

By: \_\_\_\_\_  
Sharon E. Webb  
Assistant Small Business Advocate

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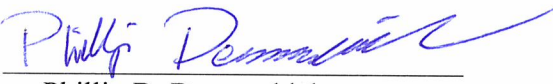
**THE NEWTOWN ARTESIAN WATER  
COMPANY**

By: \_\_\_\_\_  
Thomas, T. Niesen, Esquire

**THE BUREAU OF INVESTIGATION  
AND ENFORCEMENT**

By: \_\_\_\_\_  
John M. Coogan  
Prosecutor

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**OFFICE OF SMALL BUSINESS  
ADVOCATE**

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Assistant Small Business Advocate

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Senior Assistant Consumer Advocate  
Christine Maloni Hoover  
Senior Assistant Consumer Advocate

**OFFICE OF SMALL BUSINESS ADVOCATE**

By: Sharon E. Webb (EKF)  
Sharon E. Webb  
Assistant Small Business Advocate

**APPENDIX A**  
**Settlement Supplement**

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
Water-Pa. P.U.C. No. 9

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THE NEWTOWN ARTESIAN WATER COMPANY

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Rates and Rules  
Governing the Supply  
of Water Service  
in  
Newtown Borough,  
the Township of Newtown and  
the Township of Middletown,  
Bucks County, Pennsylvania

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ISSUED: 2019

EFFECTIVE: October 1, 2019

Filed in compliance with the Order of the Public Utility Commission entered  
\_\_\_\_\_ 2019, at R-2019-3006904

Don Smith, Secretary  
The Newtown Artesian Water Company  
Newtown, Pennsylvania 18940

# NOTICE

This Tariff Makes Increases, Decreases and/or Changes in Rates and in Existing  
Rules and Regulations.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
One Hundred Twenty Second Revised Page No. 2  
Canceling  
One Hundred Twenty First Revised Page No. 2

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LIST OF CHANGES MADE BY THIS SUPPLEMENT

**Increases:**

This tariff supplement increases all meter rates and flat rates to produce additional annual revenue of \$780,000 effective October 1, 2019.

This tariff supplement increases the state tax adjustment surcharge from -0.360% to 0.00%.

**Decreases:**

This tariff supplement decreases the distribution system improvement charge from 5.00% to 0.00%.

The tariff supplement decreases the Purchased Water Adjustment Charge (PWAC) from \$0.1461 per 1,000 gallons to \$0.00 per 1,000 gallons.

**Changes:**

This tariff supplement changes PWAC language to provide for notice of PWAC changes by including appropriate information on the first bill following a PWAC change and bill insert.

This tariff supplement changes PWAC language by recalculating baseline items included in the PWAC calculation.

This tariff supplement changes PWAC language to clarify the refund or recovery of any E-factor over/under collection residual upon the resetting of the PWAC to zero.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
One Hundred Twenty Second Revised Page No. 3  
Canceling  
One Hundred Twenty First Revised Page No. 3

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(C) Indicates change.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No. 136  
To  
WATER-PA. P.U.C. No. 9  
Forty First Revised Page No. 4  
Canceling  
Fortieth Revised Page No. 4

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**STATE TAX ADJUSTMENT SURCHARGE**

In addition to the changes in this tariff, a surcharge of 0.00% will apply (I) to all bills for services rendered on or after April 1, 2019.

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

- (a) Whenever any of the tax rates used in calculation of the surcharge are changed;
- (b) Whenever the utility makes effective increased or decreased rates;
- (c) And on March 31, 1975, and year thereafter.

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

(I) Indicates increase.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
Twenty Fifth Revised Page No. 5  
Canceling  
Twenty Third and Twenty Fourth  
Revised Page No. 5

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SCHEDULE OF METER RATES

Application

This schedule is applicable to metered domestic, commercial, industrial, and public customers.

<u>Meter Rates</u>	<u>Per 1,000 Gallons</u>	
All water used	\$6.635	(I) (C)

Minimum Charges

Each metered customer shall pay a quarterly service charge based upon the size of the meter required to render adequate service.

<u>Size of Meter</u>	<u>Quarterly Service Charge</u>	
5/8 inch	\$ 22.71	(I)
3/4 inch	34.11	(I)
1 inch	56.82	(I)
1 1/2 inch	113.64	(I)
2 inch	181.80	(I)
3 inch	340.92	(I)
4 inch	568.23	(I)
6 inch	1,136.49	(I)
8 inch	1,818.33	(I)
10 inch	2,613.87	(I)

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.0000 per 1,000 gallons is applied to metered sales. (D)

(I) Indicates increase.  
(D) Indicates decrease.  
(C) Indicates Change.

NEWTOWN ARTESIAN WATER COMPANY  
 Newtown, Pennsylvania 18940

Supplement No.  
 To  
 WATER-PA. P.U.C. No. 9  
 Tenth Revised Page No. 6  
 Canceling  
 Eighth and Ninth Revised Page No. 6

Public and Private Fire Protection

Per Quarter (C)

Hydrants	\$ 101.75	(I)
Each sprinkler system		
First 300 sprinkler heads or less		
6" connection or smaller	\$ 121.11	(I)
8" connection	\$ 141.28	(I)
Each sprinkler head over 300	\$ .46	(I)

Wholesale Water Service

For water sold to Pennsylvania-American Water Company - Yardley Service Area. In the event wholesale sales to Pennsylvania-American Water Company result in an increase in Newtown Artesian Water Company's minimum take-or-pay obligations to the Bucks County Water and Sewer Authority and to the extent Newtown Artesian Water Company is unable to sell all such water it is obligated to purchase, Pennsylvania-American Water Company will pay Newtown Artesian Water Company for all such unsold water at its actual cost for a period ending June 7, 2024.

	<u>Per 1,000</u>	
	<u>Gallons</u>	
Demand charge	\$.970	(I)
Electric for pumping	actual cost	
Purchased water cost	actual cost	

(I) Indicates increase.

(C) Indicates Change.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
Sixty-Sixth Revised Page No. 30  
Canceling  
Sixty-Fourth and Sixty-Fifth Revised Page No. 30

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**Distribution System Improvement Charge (DSIC)**

**Earning Reports:**

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

**Customer Notice:**

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

**Residual E-Factor Recovery Upon Reset to Zero:**

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

**DSIC Surcharge:**

The DSIC Surcharge is zero.

(D)

**Public Fire Protection:**

The DSIC will not apply to public fire protection customers.

(D) Indicates decrease.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
Fifth Revised Page No. 31  
Canceling  
Third and Fourth Revised Page No. 31

**Purchased Water Adjustment Charge**

The Company may apply a Purchased Water Adjustment Clause ("PWAC") to its water rates set forth under Schedule of Metered Rates to reflect an increase or decrease in the rates charged by its wholesale water suppliers, Bucks County Water and Sewer Authority ("BCWSA") and Pennsylvania American Water Company ("PENN-AM"), who are referred to jointly as "Wholesalers." The purchased water adjustment charges will not apply to wholesale customers because they are billed the actual cost of purchased water each month on a current basis.

The PWAC will be calculated based on changes in the Company's Wholesalers rates from the purchased water included in the Company's Baseline Cost. For the purpose of calculating the PWAC the Baseline Cost is the annual purchased water cost reflected as an operating expense in the Company's most recently concluded base rate case. This amount will remain constant until such time base rates are reset.

Customers shall be notified of changes in the PWAC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. (C)

When the Company's water suppliers change their rates for water purchased by the Company, the Company will re-compute the PWAC based upon its annual purchased water cost reflecting the level of consumption and other billing determinants that formed the basis for the Baseline Cost.

**Determination of Purchased Water Adjustment Charge**

A PWAC may be implemented on the effective date of a change in Wholesalers' rates charged to the Company for purchased water but not on less than forty-five (45) days notice. The Company may, at its option, implement a PWAC, to recover an increase in purchased water costs. However, if the rate change is a decrease, the Company must implement a credit PWAC to reflect that decrease.

The baseline items determined in the Company's most recently concluded base rate case are:

Baseline Purchased Water Cost (per thousand gallons)	\$3.356	(D)
BCWSA (Customer)	\$0.018	(I)
BCWSA (Consumption)	\$3.454	(I)
PENN-AM	\$2.797	(I)
Baseline 1,000 Gallons of Purchased Water	443,832	(D)
BCWSA	367,487	(D)
PENN-AM	76,345	(I)
Baseline 1,000 Gallons of Water Sales	672,793	(D)

The PWAC, per thousand gallons, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formulas set forth below:

$$\text{PWAC} = \frac{(\text{CHGPWC} \times 443,832)}{672,793} \quad (D)$$

- (C) Indicates change.
- (D) Indicates decrease.
- (I) Indicates increase.

NEWTOWN ARTESIAN WATER COMPANY  
Newtown, Pennsylvania 18940

Supplement No.  
To  
WATER-PA. P.U.C. No. 9  
First Revised Page No. 33  
Canceling  
Original Page No. 33

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Purchased Water Adjustment Charge (Continued)

**Residual E-Factor Recovery Upon Reset to Zero**

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

**APPENDIX B**  
**Proof of Revenue**

THE NEWTOWN ARTESIAN WATER COMPANY

Newtown, Pennsylvania

PROOF OF REVENUE  
UNDER SETTLEMENT RATES

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania



THE NEWTOWN ARTESIAN WATER COMPANY

SUMMARY OF APPPLICATION OF PRESENT AND SETTLEMENT RATES TO BILL ANALYSIS AND DEVELOPMENT OF PRO FORMA REVENIUES UNDER SETTLEMENT RATES

Customer Classification	Adjusted Base Rate Revenues Per Books (2)	Application of Present Rates to Bill Analysis 9/30/2018 (3)	Adjustment Factor (4)	Application of Settlement Rates to Bill Analysis 9/30/2018 (5)	Test Year Revenues at Settlement Rates (6)	Pro Forma Adjustments Under Settlement Rates		Pro Forma Revenues Under Settlement Rates (10)	
						Historic (7)	Future (8)		FPFTY (9)
Residential	\$ 3,499,491	\$ 3,495,346	1.001186	\$ 4,062,783	\$ 4,067,601	\$ (634)	\$ (13,705)	\$ (13,280)	\$ 4,039,982
Commercial	829,008	830,777	0.997871	1,011,352	1,009,199	(3,220)	19,761	20,092	1,045,832
Industrial	332,640	329,980	1.008060	403,814	407,069	4,473	\$ (33,367)	\$ (30,402)	347,773
Public	167,158	166,947	1.001264	202,001	202,256	5,323	(4,731)	(4,585)	198,263
Total Metered Sales	\$ 4,828,298	\$ 4,823,050	1.001088	\$ 5,679,950	\$ 5,686,125	\$ 5,942	\$ (32,042)	\$ (28,174)	\$ 5,631,851
Private Fire Protection	199,310	199,310	1.000000	242,508	242,508		787	787	244,082
Public Fire Protection	224,238	224,238	1.000000	259,666	259,666		977	1,099	261,742
Total Sales of Water	\$ 5,251,846	\$ 5,246,598		\$ 6,182,124	\$ 6,188,299	\$ 5,942	\$ (30,278)	\$ (26,288)	\$ 6,137,675

Reflects Adjustments R16, R17, R18, R19, R20, R21 and R22, REB R-2. Base Rates.

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018

<u>Rate Block</u> <u>1000 Gallons</u> (1)	<u>Number</u> <u>of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Base Rate</u> (4)	<u>Present</u> <u>Revenue</u> (5)	<u>Settlement</u> <u>Base Rate</u> (6)	<u>Settlement</u> <u>Revenue</u> (7)
<b><u>Residential</u></b>						
<b><u>Customer Charge</u></b>						
5/8 Quarterly	37,135	0	\$ 19.38	\$ 719,676	\$ 22.71	\$ 843,336
3/4 Quarterly	467	0	29.10	13,590	34.11	15,929
1 Quarterly	1,242	0	48.48	60,212	56.82	70,570
1 1/2 Quarterly	43	0	96.96	4,169	113.64	4,887
2 Quarterly	36	0	155.13	5,585	181.80	6,545
Subtotal	38,923	0		803,232		941,267
<b><u>Consumption</u></b>						
Newtown		148,708	5.394	802,131	6.635	986,678
Indian Rock		321,754	5.874	1,889,983	6.635	2,134,838
Subtotal	0	470,462		2,692,114		3,121,516
Total Residential	38,923	470,462		\$ 3,495,346		\$ 4,062,783
<b><u>Commercial</u></b>						
<b><u>Customer Charge</u></b>						
5/8 Quarterly	1,538	0	\$ 19.38	\$ 29,806	\$ 22.71	\$ 34,928
3/4 Quarterly	92	0	29.10	2,677	34.11	3,138
1 Quarterly	411	0	48.48	19,925	56.82	23,353
1 1/2 Quarterly	133	0	96.96	12,896	113.64	15,114
2 Quarterly	194	0	155.13	30,095	181.80	35,269
3 Quarterly	4	0	290.88	1,164	340.92	1,364
1 1/2 Monthly	9	0	32.32	291	37.88	341
2 Monthly	33	0	51.71	1,706	60.60	2,000
3 Monthly	88	0	96.96	8,532	113.64	10,000
4 Monthly	44	0	161.61	7,111	189.41	8,334
6 Monthly	0	0	323.23	-	378.83	-
8 Monthly	11	0	517.16	5,689	606.11	6,667
10 Monthly	0	0	743.42	0	871.29	0
Subtotal	2,557	0		119,892		140,508
<b><u>Consumption</u></b>						
Newtown		125,162	5.394	675,124	6.635	830,450
Indian Rock		6,088	5.874	35,761	6.635	40,394
Subtotal	0	131,250		710,885		870,844
Total Commercial	2,557	131,250		\$ 830,777		\$ 1,011,352

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018

Rate Block 1000 Gallons	Number of Bills	Total Consumption	Present Base Rate	Present Revenue	Settlement Base Rate	Settlement Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b><u>Industrial</u></b>						
<b><u>Customer Charge</u></b>						
5/8 Quarterly	32	0	\$ 19.38	\$ 620	\$ 22.71	\$ 727
3/4 Quarterly	56	0	29.10	1,630	34.11	1,910
1 Quarterly	24	0	48.48	1,164	56.82	1,364
1 1/2 Quarterly	12	0	96.96	1,164	113.64	1,364
2 Quarterly	39	0	155.13	6,050	181.80	7,090
4 Monthly	11	0	161.61	1,778	189.41	2,084
6 Monthly	22	0	323.23	7,111	378.83	8,334
10 Monthly	22	0	743.42	16,355	871.29	19,168
Subtotal	218	0		35,872		42,041
<b><u>Consumption</u></b>						
Newtown		54,525	5.394	294,108	6.635	361,773
Indian Rock		0	5.874	0	6.635	0
Subtotal	0	54,525		294,108		361,773
Total Industrial	218	54,525		\$ 329,980		\$ 403,814
<b><u>Public</u></b>						
<b><u>Customer Charge</u></b>						
5/8 Quarterly	4	0	\$ 19.38	\$ 78	\$ 22.71	\$ 91
1 Quarterly	4	0	\$ 48.48	194	56.82	227
2 Quarterly	9	0	155.13	1,396	181.80	1,636
3 Monthly	9	0	96.96	873	113.64	1,023
4 Monthly	25	0	161.61	4,040	189.41	4,735
6 Monthly	44	0	323.23	14,222	378.83	16,669
8 Monthly	22	0	517.16	11,378	606.11	13,334
10 Monthly	11	0	743.42	8,178	871.29	9,584
Subtotal	128	0		40,359		47,299
<b><u>Consumption</u></b>						
Newtown		21,604	5.394	116,532	6.635	143,343
Indian Rock		1,712	5.874	10,056	6.635	11,359
Subtotal	0	23,316		126,588		154,702
Total Public	128	23,316		\$ 166,947		\$ 202,001
Total Metered Sales	41,826	679,553		\$ 4,823,050		\$ 5,679,950

THE NEWTOWN ARTESIAN WATER COMPANY

APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2018

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>of Bills</u>	<u>Total</u> <u>Consumption</u>	<u>Present</u> <u>Base Rate</u>	<u>Present</u> <u>Revenue</u>	<u>Settlement</u> <u>Base Rate</u>	<u>Settlement</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)

**Private Fire Protection**

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>					
4-inch Service	10	\$ 103.34	\$	4,134	121.11	\$ 4,844
6-inch Service	90	103.34		37,202	121.11	43,600
8-inch Service	35	120.55		16,877	141.28	19,779
Private Hydrants - Newtown	255	77.36		78,907	101.75	103,785
Private Hydrants - Indian Rock	89	93.06		33,129	101.75	36,223
Sprinkler Heads 300 per Line	18,629	0.39		29,061	0.46	34,277
Total			\$	199,310		\$ 242,508

**Public Fire Protection**

<u>Quarterly</u>	<u>No. of</u> <u>Connections</u>					
Public Hydrants - Newtown	211	\$ 77.36	\$	65,292	101.75	\$ 85,877
Public Hydrants - Indian Rock	427	93.06		158,946	101.75	173,789
Total			\$	224,238		\$ 259,666

HISTORIC TEST  
YEAR  
REVENUE  
ADJUSTMENTS

THE NEWTOWN ARTESIAN WATER COMPANY  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R-1	To adjust Distribution System Improvement Charge (DSIC), State Tax Adjustment and and Purchased Water Adjustment Charge (PWAC) to Present Levels					
	Customer Classification (1)	Test Year DSIC Revenue (2)	Test Year STAS Revenue (3)	Test Year PWAC Revenue (4)	Total (5)	
	Residential	\$ 165,192	\$ (14,466)	(10,534)	140,192	
	Commercial	43,063	(4,162)	(2,988)	35,913	
	Industrial	14,881	(1,308)	(1,096)	12,477	
	Public	7,520	(1,598)	(557)	5,365	
	Private Fire					
	Total	\$ 230,657	\$ (21,534)	\$ (15,175)	\$ 193,948	
	Customer Classification (1)	HTY Revenue	Pro Forma DSIC Revenue	PWAC Revenue	STAS Revenue	Total
	Residential	\$ 3,499,491	\$ 174,975	\$ 30,157	(14,873)	\$ 190,258
	Commercial	829,008	41,450	8,413	(3,523)	46,340
	Industrial	332,640	16,632	3,495	(1,414)	18,713
	Public	167,158	8,358	1,495	(710)	9,142
	Private Fire	187,360	9,368		(796)	8,572
	Total	\$ 5,015,658	\$ 250,783	\$ 43,559	\$ (21,317)	\$ 273,026

Based on 5% of Revenue  
Based on 0.0641 per 1000 gallons  
Based on -0.425% of Revenue

R-2 To eliminate the change in unbilled revenue accrual as of September 30, 2018.

Customer Classification (1)	Test Year Unbilled Revenue (2)	
Residential	\$ (12,419)	\$ 12,419
Commercial	(19,422)	19,422
Industrial	6,904	(6,904)
Public	2,678	(2,678)
Private Fire	(88)	88
Public Fire	52	(52)
Total	\$ (22,295)	

THE NEWTOWN ARTESIAN WATER COMPANY  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-3	To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 9/30/2018.						
	<u>Customer Classification</u> (1)	<u>Number of Customers</u> 31-Dec-17      30-Sep-18 (2)                      (3)		<u>Annualized Customer Gain/(Loss)</u> (4)	<u>Average Annual Bill, Present Base Rates</u> (5)	<u>Annualized Revenue Adjustment (Half Year)</u> (6)	
	Residential	9,618	9,615	(3)	\$ 363.90	\$ (546)	(546)
	Commercial	786	781	(5)	\$ 1,058.08	(2,645)	(2,645)
	Industrial	45	46	1	\$ 7,310.76	3,655	3,655
	Public	56	58	3	\$ 2,932.60	4,399	4,399
R-4	To annualize Private Fire Protection Revenue for the number of private fire line and hydrants as of 9-30-2018, adding additional Sprinkler Heads to correct billing for large hospital.						
	<u>Customer Classification</u> (1)		<u>Quantity as of 9/30/2018</u> (2)	<u>Present Quarterly Base Rate</u> (3)	<u>Pro Forma Revenue</u> (4)		
	<u>Private Fire Protection</u>						
	4-inch Service		10	\$ 103.34	\$ 4,134		
	6-inch Service		90	103.34	37,202		
	8-inch Service		35	120.55	16,877		
	Private Hydrants - Newtown		255	77.36	78,907		
	Private Hydrants - Indian Rock		89	93.06	33,129		
	Sprinkler Heads over 300 per connection		18,629	0.39	<u>29,061</u>		
	Total				\$ 199,310		
	Less Test Year Private Fire Base Rate Revenue				<u>187,360</u>		
	Adjustment						\$ 11,950

THE NEWTOWN ARTESIAN WATER COMPANY  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)																												
R-5	To annualize Public Fire Protection Revenue for the number of public fire line and hydrants as of 9-30-2018																																
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Customer Classification (1)</th> <th style="text-align: center; border-bottom: 1px solid black;">Quantity as of 9/30/2018 (2)</th> <th style="text-align: center; border-bottom: 1px solid black;">Present Quarterly Base Rate (3)</th> <th style="text-align: center; border-bottom: 1px solid black;">Pro Forma Revenue (4)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Public Fire Protection</u></td> </tr> <tr> <td>Public Hydrants - Newtown</td> <td style="text-align: center;">211</td> <td style="text-align: center;">\$ 77.36</td> <td style="text-align: right;">\$ 65,292</td> </tr> <tr> <td>Public Hydrants - Indian Rock</td> <td style="text-align: center;">427</td> <td style="text-align: center;">93.06</td> <td style="text-align: right; border-bottom: 1px solid black;">158,946</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td></td> <td></td> <td style="text-align: right;">\$ 224,238</td> </tr> <tr> <td style="padding-left: 20px;">Less Test Year Public Fire Base Rate Revenue</td> <td></td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">223,160</td> </tr> <tr> <td style="padding-left: 20px;">Adjustment</td> <td></td> <td></td> <td></td> <td style="text-align: right; vertical-align: bottom;">\$ 1,078</td> </tr> </tbody> </table>	Customer Classification (1)	Quantity as of 9/30/2018 (2)	Present Quarterly Base Rate (3)	Pro Forma Revenue (4)	<u>Public Fire Protection</u>				Public Hydrants - Newtown	211	\$ 77.36	\$ 65,292	Public Hydrants - Indian Rock	427	93.06	158,946	Total			\$ 224,238	Less Test Year Public Fire Base Rate Revenue			223,160	Adjustment				\$ 1,078			
Customer Classification (1)	Quantity as of 9/30/2018 (2)	Present Quarterly Base Rate (3)	Pro Forma Revenue (4)																														
<u>Public Fire Protection</u>																																	
Public Hydrants - Newtown	211	\$ 77.36	\$ 65,292																														
Public Hydrants - Indian Rock	427	93.06	158,946																														
Total			\$ 224,238																														
Less Test Year Public Fire Base Rate Revenue			223,160																														
Adjustment				\$ 1,078																													
	Total Pro Forma Revenue Adjustments, Present Rates (R1 through R5)				119,263																												

THE NEWTOWN ARTESIAN WATER COMPANY  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-16	To annualize Residential and Commercial Operating Revenues for the net gain in the number of customers during the twelve months ended 9/30/2018.						
	<u>Customer Classification</u> (1)	<u>Number of Customers</u> <u>31-Dec-17</u> <u>30-Sep-18</u> (2)                      (3)		<u>Customer Gain/(Loss)</u> (4)	<u>Average Annual Bill, Settlement Base Rates</u> (5)	<u>Annualized Revenue Adjustment (Half Year)</u> (6)	
	Residential	9,618	9,615	(3)	\$ 422.98	\$ (634)	\$ (634)
	Commercial	786	781	(5)	\$ 1,288.07	(3,220)	\$ (3,220)
	Industrial	45	46	1	\$ 8,946.57	4,473	\$ 4,473
	Public	56	58	3	\$ 3,548.35	5,323	\$ 5,323
Total							\$ 5,942

FUTURE TEST YEAR  
REVENUE  
ADJUSTMENTS

THE NEWTOWN ARTESIAN WATER COMPANY  
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-6	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 9/30/2019 (There are no increases projected for Industrial and Public customers)						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)	
	Residential			54.0	\$ 363.90	\$ 19,651	\$ 19,651
	Commercial			2.0	1,058.08	2,116	\$ 2,116
	Industrial			-	7,310.76	-	\$ -
	Public			-	2,932.60	-	\$ -
R-7	To annualize Private Fire and Public Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending September 30, 2019						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	1	-1	(0.2)	\$ 103.34	\$ (83)	
	6-inch Service	2	0	1.0	\$ 103.34	413	
	8-inch Service	0	0	-	\$ 120.55	-	
	Sprinkler Heads	656	0	328.0	0.39	512	
	Private Hydrants			-			
	- Newtown	-1	0	(0.5)	77.36	(155)	
	- Indian Rock	0	0	-	93.06	-	
	Total - Private Fire					\$ 687	\$ 687
	Public Fire - Newtown	0	4	2.7	93.06	1,005	\$ 1,005
R-8	To annualize revenues to reflect the DSIC surcharge rate of 5% effective February 1, 2018.						
	Customer Classification	Pro Forma Adjustments Under Present Rates		Pro Forma Change in Base Rate Revenues	DSIC @ 5.00%	STAS @ -0.425%	
	(1)	Historic (3)	Future (4)	(5)	(6)		
	Residential	\$ (546)	(11,867)	\$ (12,413)	\$ (621)	\$ 53	\$ (568)
	Commercial	(2,645)	16,144	\$ 13,499	675	(57)	618
	Industrial	3,655	(27,126)	\$ (23,471)	(1,174)	100	(1,074)
	Public	4,399	(3,871)	\$ 528	26	(2.24)	24
					\$ (1,094)	\$ 93	\$ (1,001)
	Total Pro Forma FTY Revenue Adjustments, Present Rates (R6 through R8)						<u>\$ 21,457</u>

**SETTLEMENT CALCULATION OF DECLINING USAGE**

Future Test Year	Consumption (thousand gallons)		3-year Avg. (Decline)/Incline	Projected Decline in Consumption (thousand gallons)		Present Rates			Projected Declining Usage Revenues Under Present Rates - R-9			Adjustment to R-10		
	Newtown	Indian Rock		Total	Newtown	Indian Rock	Newtown	Indian Rock	Total	Newtown	Indian Rock	Total	Present Rate	PWAC Revenue
Residential	148,708	321,754	470,462	(1,741)	(3,767)	\$ 5.39	\$ 5.87	\$ (9,391)	\$ (22,127)	\$ (31,518)	0.0641	\$ (353)		
Commercial	125,162	6,088	131,250	2,470	120	5.39	5.87	\$ 13,323	\$ 705	\$ 14,028	0.0641	\$ 166		
Industrial	54,524	-	54,524	(5,029)	-	5.39	5.87	\$ (27,126)	\$ -	\$ (27,126)	0.0641	\$ (322)		
Public	21,604	1,712	23,316	(661)	(52)	5.39	5.87	\$ (3,565)	\$ (305)	\$ (3,871)	0.0641	\$ (46)		
<b>Total</b>	<b>349,998</b>	<b>329,554</b>	<b>679,552</b>	<b>(4,961)</b>	<b>(3,699)</b>			<b>\$ (26,760)</b>	<b>\$ (21,728)</b>	<b>\$ (48,488)</b>		<b>\$ (555)</b>		

THE NEWTOWN ARTESIAN WATER COMPANY  
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R-17	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 9/30/2019					
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 9/30/2019 Rates	Annualized Revenue Adjustment
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)
	Residential			54.0	\$ 422.98	\$ 22,841
	Commercial			2.0	1,288.07	2,576
	Industrial			-	8,946.57	-
	Public			-	3,548.35	-
R-18	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 9-30-2019.					
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Settlement Base Rates	Annualized Revenue Adjustment
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)
	<u>Private Fire Protection</u>					
	4-inch Service	1	-1	(0.2)	\$ 121.11	\$ (97)
	6-inch Service	2	0	1.0	121.11	484
	8-inch Service	0	0	-	141.28	-
	Sprinkler Heads	656	0	328.0	0.46	604
	Private Hydrants			-		
	- Newtown	-1	0	(0.5)	101.75	(204)
	- Indian Rock	0	0	-	101.75	-
	Total					<u>\$ 787</u>
	Public Fire - Newtown	0	4	2.4	101.75	977
	Total FTY Under Settlement Rates					\$ 27,181

**SETTLEMENT CALCULATION OF DECLINING USAGE**

Future Test Year	Consumption (thousand gallons)		3-year Avg. (Decline)/Incline	Projected Decline in Consumption (thousand gallons)		Projected Declining Usage Revenues Under Settlement Rates - R-19					
	Newtown	Indian Rock		Newtown	Indian Rock		Newtown	Indian Rock	Total		
Customer Class											
Residential	148,708	321,754	470,462	-1.17%	(1,741)	(3,767)	\$ 6.64	\$ 6.64	\$ (11,552)	\$ (24,994)	\$ (36,546)
Commercial	125,162	6,088	131,250	1.96%	2,470	120	6.64	6.64	\$ 16,388	\$ 796	\$ 17,185
Industrial	54,524	-	54,524	-8.87%	(5,029)	-	6.64	6.64	\$ (33,367)	\$ -	\$ (33,367)
Public	21,604	1,712	23,316	-3.08%	(661)	(52)	6.64	6.64	\$ (4,386)	\$ (345)	\$ (4,731)
Total	349,998	329,554	679,552		(4,961)	(3,699)			\$ (32,916)	\$ (24,543)	\$ (57,459)

FULLY PROJECTED FUTURE TEST YEAR  
REVENUE  
ADJUSTMENTS

THE NEWTOWN ARTESIAN WATER COMPANY  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-11	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 9/30/2020						
		Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment
		(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)
		Residential			54.0	\$ 363.90	\$ 19,651
		Commercial			2.0	1,058.08	\$ 2,116
		Industrial			-	7,310.76	\$ -
		Public			-	2,932.60	\$ -
R-12	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 9/30/2020						
		Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Present Base Rates	Annualized Revenue Adjustment
		(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)
		<u>Private Fire Protection</u>					
		4-inch Service	1	-1	(0.2)	\$ 103.34	\$ (83)
		6-inch Service	2	0	1.0	\$ 103.34	413
		8-inch Service	0	0	-	\$ 120.55	-
		Sprinkler Heads	656	0	328.0	0.39	512
		Private Hydrants			-		
		- Newtown	-1	0	(0.5)	77.36	(155)
		- Indian Rock	0	0	-	93.06	-
		Total					\$ 687
		Public Fire - Newtown	0	4	2.7	93.06	1,005
R-13	To annualize revenues to reflect the DSIC surcharge rate of 5% effective February 1, 2018 and STAS of -0.425% on Revenue Growth as of 9-30-2020.						
		Customer Classification	Proforma Adjustment R11 & R12		DSIC @ 5.00%	STAS @ -0.425%	Total
		(1)	(2)	(6)	(6)	(6)	(6)
		Residential	(11,501)	\$ (575)	\$ 49	\$ (526)	\$ (526)
		Commercial	16,415	821	(70)	751	751
		Industrial	(24,715)	(1,236)	105	(1,131)	(1,131)
		Public	(3,752)	(188)	16	(172)	(172)
			\$ (23,553)	\$ (1,178)	\$ 100	\$ (1,078)	
	Total Pro Forma FPFTY Revenue Adjustments, Present Rates (R11through R13)						<u>\$ 22,381</u>

**SETTLEMENT CALCULATION OF DECLINING USAGE**

Customer Class	Fully Projected Future Test Year		3-year Avg. (Decline)/Incline	Projected Decline in Consumption (thousand gallons)		Present Rates	Projected Declining Usage Revenues Under		Adjustment to R-15				
	Consumption (thousand gallons)			Newtown	Indian Rock		Newtown	Indian Rock	Total	Present Rate	Total PWAC Revenue		
	Newtown	Indian Rock										PWAC	
Residential	148,708	321,754	470,462	-1.17%	(1,721)	(3,723)	\$ 5.39	\$ 5.87	\$ (9,283)	\$ (21,869)	\$ (31,152)	0.0641	\$ (349)
Commercial	125,162	6,088	131,250	1.96%	2,518	122	5.39	5.87	\$ 13,582	\$ 717	\$ 14,299	0.0641	\$ 169
Industrial	54,524	-	54,524	-8.87%	(4,582)	-	5.39	5.87	\$ (24,715)	\$ -	\$ (24,715)	0.0641	\$ (294)
Public	21,604	1,712	23,316	-3.08%	(640)	(51)	5.39	5.87	\$ (3,452)	\$ (300)	\$ (3,752)	0.0641	\$ (44)
<b>Total</b>	<b>349,998</b>	<b>329,554</b>	<b>679,552</b>		<b>(4,425)</b>	<b>(3,652)</b>			<b>\$ (23,868)</b>	<b>\$ (21,452)</b>	<b>\$ (45,320)</b>		<b>\$ (518)</b>

THE NEWTOWN ARTESIAN WATER COMPANY  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						Adjustment Increase (Decrease)
R-20	To annualize Residential and Commercial Operating Revenues for the projected gain in the number of customers during the twelve months ended 9/30/2020						
	Customer Classification	Increase in Customers		Average Customer Gain/(Loss)	Average Annual Bill, 9/30/2019 Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)	
	Residential	-	-	54.0	\$ 422.98	\$ 22,841	\$ 22,841
	Commercial	-	-	2.0	1,288.07	\$ 2,576	\$ 2,576
	Industrial	-	-	-	8,946.57	\$ -	\$ -
	Public	-	-	-	3,548.35	\$ -	\$ -
R-21	To annualize Private Fire revenues for the projected gain in the number of private fire lines and private fire hydrants for year ending 9/30/2020						
	Customer Classification	Increase in Connections		Average Gain/(Loss)	Quarterly Settlement Base Rates	Annualized Revenue Adjustment	
	(1)	31-Dec-17 (2)	30-Sep-18 (3)	(4)	(5)	(6)	
	<u>Private Fire Protection</u>						
	4-inch Service	1	-1	(0.2)	\$ 121.11	\$ (97)	
	6-inch Service	2	0	1.0	121.11	484	
	8-inch Service	0	0	-	141.28	-	
	Sprinkler Heads	656	0	328.0	0.46	604	
	Private Hydrants			-	101.75		
	- Newtown	-1	0	(0.5)	101.75	(204)	
	- Indian Rock	0	0	-	101.75	-	
	Total					\$ 787	\$ 787
	Public Fire - Newtown	0	4	2.7	101.75	1,099	\$ 1,099
	Total FPPTY Under Settlement Rates						\$ 27,303

**SETTLEMENT CALCULATION OF DECLINING USAGE**

Customer Class	Fully Projected Future Test Year		3-year Avg. (Decline)/Incline	Projected Decline in Consumption (thousand gallons)	Settlement Rates		Projected Declining Usage Revenues Under			
	Consumption (thousand gallons)				Indian Rock		Settlement Rates - R-22			
	Newtown	Indian Rock			Newtown	Indian Rock	Newtown	Indian Rock	Total	
Residential	148,708	321,754	470,462	(1,721)	(3,723)	\$ 6.64	\$ 6.64	\$ (11,419)	\$ (24,702)	\$ (36,121)
Commercial	125,162	6,088	131,250	2,518	122	6.64	6.64	\$ 16,707	\$ 809	\$ 17,516
Industrial	54,524	-	54,524	(4,582)	-	6.64	6.64	\$ (30,402)	\$ -	\$ (30,402)
Public	21,604	1,712	23,316	(640)	(51)	6.64	6.64	\$ (4,246)	\$ (338)	\$ (4,585)
Total	349,998	329,554	679,552	(4,425)	(3,652)	\$	\$	\$ (29,360)	\$ (24,231)	\$ (53,591)

NEWTOWN ARTESIAN WATER  
SETTLEMENT CONSUMPTION

Customer Class	Consumption (thousand gallons)		FTY Decline in Consumption (thousand gallons)		FPTY Decline in Consumption (thousand gallons)		Total Usage w/ Declining Consumption	HTY Consump Due to Customer Change	FTY Consump Due to Customer Change	FPTY Consump Due to Customer Change	Total Consumption
	Newtown	Indian Rock	Newtown	Indian Rock	Newtown	Indian Rock					
Residential	148,708	321,754	470,462	(1,741)	(3,767)	(1,721)	(3,723)	(73)	2,614	2,614	464,665
Commercial	125,162	6,088	131,250	2,470	120	2,518	122	(531)	425	425	136,799
Industrial	54,524	-	54,524	(5,029)	-	(4,582)	-	1,804	-	-	46,717
Public	21,604	1,712	23,316	(661)	(62)	(640)	(51)	2,701	-	-	24,613
Total	349,998	329,554	679,552	(4,961)	(3,699)	(4,425)	(3,652)	3,901	3,038	3,038	672,793

**APPENDIX C**  
**Statement in Support of**  
**The Newtown Artesian Water Company**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	R-2019-3006904
Commission	:	
Office of Consumer Advocate	:	C-2019-3008684
Office of Small Business Advocate	:	C-2019-3008912
	:	
v.	:	
	:	
The Newtown Artesian Water Company	:	

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**STATEMENT IN SUPPORT OF  
THE NEWTOWN ARTESIAN WATER COMPANY**

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**TO ADMINISTRATIVE LAW JUDGE DARLENE DAVIS HEEP:**

AND NOW, comes The Newtown Artesian Water Company (“NAWC” or “Company”), by its attorneys, and submits the following statement in support of the Joint Petition for Settlement of Rate Investigation (“Settlement Petition”) submitted to the Public Utility Commission (“Commission”) by NAWC, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate.

**Introduction**

NAWC is a Pennsylvania public utility that provides water service to the public in Newtown Borough, the Township of Newtown and the Township of Middletown, Bucks County, Pennsylvania.

On March 1, 2019, NAWC filed Supplement No. 136 to Tariff Water-Pa. P.U.C. No. 9 (“Supplement No. 136”) to be effective May 1, 2019. If approved, Supplement No. 136 would increase NAWC’s annual water revenue by \$934,154, or 16.9%, based on a fully projected future test year ending September 30, 2020.

NAWC, I&E, OCA and OSBA (the “Settling Parties”) have agreed that this rate proceeding can be settled without further litigation under the terms set forth in the Settlement Petition. The settlement provides for a \$780,000 increase, or 14.1%, in annual revenue.

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

It is the stated policy of the Commission to encourage parties in contested proceedings to enter into settlements.<sup>1</sup> Settlements lessen the time and expense of litigating a case<sup>2</sup> and, at the same time, conserve administrative hearing resources. This directly benefits all parties concerned.<sup>3</sup>

The Settlement Petition proposes the resolution of all issues in this rate proceeding. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.<sup>4</sup> The benchmark for

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

<sup>2</sup> The substantial cost of litigation avoided through settlement includes the cost of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the cost of preparing and serving briefs, reply briefs, exceptions and replies to exceptions, together with the cost of briefs and reply briefs necessitated by any appeal of the Commission’s decision.

<sup>3</sup> *Pa. P.U.C. v. Buck Hill Water Company*, Docket No. R-2019-3007103, Recommended Decision of Administrative Law Judge F. Joseph Brady dated May 29, 2019 (“*Recommended Decision of ALJ Brady*”), mimeo at 9-10; *Pa. P.U.C. v. Timberlee Valley Sanitation Company*, Docket No. R-2018-3003104, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated October 16, 2018 (“*Recommended Decision of ALJ Dunderdale – TVSC*”), mimeo at 10; *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2017-2631441, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated May 16, 2018, mimeo at 23; *Pa. P.U.C. v. Imperial Point Water Service Company*, Docket No. R-2012-2315536, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated June 25, 2013 (“*Recommended Decision of ALJ Dunderdale – Imperial Point*”), mimeo at 11; *Pa. P.U.C. v. The Newtown Artesian Water Company*, Docket No. R-2011-2230259, Recommended Decision of Administrative Law Judge Elizabeth H. Barnes dated September 20, 2011 (“*Recommended Decision of ALJ Barnes*”), mimeo at 9; *Pa. P.U.C. v. Reynolds Disposal Company*, Docket No. R-2010-2171339, Recommended Decision of Administrative Law Judge Conrad A. Johnson dated January 11, 2011 (“*Recommended Decision of ALJ Johnson*”), mimeo at 12; *Pa. P.U.C. v. Lake Spangenberg Water Company*, Docket No. R-2009-2115743, Recommended Decision of Administrative Law Judge Ember S. Jandebaur dated March 2, 2010, mimeo at 11; *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2009-2102464, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated February 16, 2010 (“*Recommended Decision of ALJ Dunderdale – RWC 2010*”), mimeo at 5.

<sup>4</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Pa. P.U.C. v. C S Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) and *Pa.P.U.C. v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985).

determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.<sup>5</sup>

The Settlement Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) addresses, through the participation of I&E, OCA and OSBA, ratepayer questions concerning the proposed rate increase; and (c) provides NAWC with additional and necessary cash flow.<sup>6</sup>

Each of the foregoing considerations, which are traditionally recognized as matters that further the public interest in settlement of rate proceedings,<sup>7</sup> applies here where the settlement minimizes cost prohibitive litigation and administrative burden as set forth above, addresses ratepayer questions and concerns and provides NAWC with additional and necessary cash flow as set forth below. The Settling Parties also filed individual statements in support of the Settlement Petition.

Avoidance of litigation costs as a result of settlement is important to NAWC and, we submit, also important to rate paying customers as the cost of litigation may ultimately be reflected in higher rates for water service. The avoidance of further litigation expense is a recognized public interest benefit of settlement.

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<sup>5</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996 and *Pa.P.U.C. v. CS Water and Sewer Associates*, 74 Pa. P.U.C. 767 (1991).

<sup>6</sup> Settlement Petition, paragraph 17.

<sup>7</sup> *Recommended Decision of ALJ Barnes*, mimeo at 9 – 10 wherein Judge Barnes concludes that the joint petition in settlement of a water rate proceeding is in the public interest because it (a) minimizes cost prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides [the utility] with additional and necessary cash flow.

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

The Company is increasing its rates to bring its operating income to a reasonable level so that it may continue to provide reasonable and adequate service, recover its expenses, be permitted an opportunity to earn a reasonable return on its investment and attract capital for future improvements.<sup>8</sup> Its last rate increase was in 2011. On a pro forma basis, NAWC will experience a return of 2.74% at present rate levels. The Company is in need of immediate rate relief.

Under the presently suspended Supplement No. 136, the quarterly cost of water service to a typical Newtown Artesian Rate Area residential customer would have increased by \$15.90, from \$88.73 to \$104.63 per quarter, or by 17.9%. The total bill for a typical Indian Rock Rate Area residential customer would have increased by \$9.88, from \$94.75 to \$104.63 per quarter, or by 10.4%.

Under the Settlement Petition, the quarterly cost of water service to a typical Newtown Artesian Rate Area residential customer will increase from \$88.73 to \$102.33 per quarter or by 15.3%. The total bill for a typical Indian Rock Rate Area residential customer will increase from \$94.75 to \$102.33 per quarter or by 8.0%.

As is common in general base rate proceedings, the settlement is “black box,” meaning that the Settling Parties have not negotiated each and every revenue and expense line item but rather have been able to agree upon a final revenue number based on their individual revenue and expense analysis. The Commission has recognized that “black box” settlements are an important aspect in the process of delivering timely and cost-effective regulation.<sup>9</sup>

The financial data submitted by NAWC in support of Supplement No. 136 fully supports the

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<sup>8</sup> NAWC St. No. 1, Appendix C, Letter of March 1, 2019.

substantially reduced annual increase of \$780,000 provided for in the Settlement Petition. The financial data was submitted in the form of a traditional rate base/rate of return analysis, which supported an overall rate of return of 8.65%.<sup>10</sup> At the proposed increase of \$934,154, the expected return was 8.04%.<sup>11</sup> At the substantially reduced settlement increase, the expected return would be even less.

Although NAWC believes that it could have readily supported a higher revenue requirement if it had proceeded to litigation, its decision to avoid litigation and come to a settled resolution avoids costs and expenses as aforesaid. Under the totality of the circumstances, NAWC believes that cost avoidance is in its interest and also the interest of its customers.

Although less than the increase supported by NAWC's filing and supplemental direct testimony, the Company accepts the settlement annual increase of \$780,000 as a reasonable and appropriate resolution of this rate proceeding which should be sufficient to allow it to continue to provide reasonable and adequate water service.<sup>12</sup>

### **Scale Back**

I&E proposed a scale back of rates if the Commission approves an increase in revenue less than that proposed by NAWC.<sup>13</sup> NAWC agreed with I&E's proposed scale back.<sup>14</sup> An alternative

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<sup>9</sup> See *Recommended Decision of Administrative Law Judge Brady*, mimeo at 11, and cases cited therein.

<sup>10</sup> See NAWC St. No. 1 and NAWC St. No. 2.

<sup>11</sup> NAWC St. No. 1-S at 2.

<sup>12</sup> The public interest is furthered when a utility is provided with sufficient revenue to meet its obligations under Section 1501 of the Public Utility Code, 66 Pa. C.S. §1501, to provide safe, reliable and adequate service. The courts have long recognized that, in order to function in the public interest, the utility must have rates which are sufficient to recover legitimate operating costs, and at the same time not result in an excessive return. *Recommended Decision of ALJ Barnes*, citing *Orlosky v. Pa. P.U.C.*, 171 Pa. Superior Ct. 409, 89 A.2d 903 (1952).

<sup>13</sup> I&E St. No. 3.

<sup>14</sup> NAWC St. No. 1-R at 19.

scale back was proposed by the OSBA.<sup>15</sup> Through negotiation, the Settling Parties were able to arrive at an acceptable scale back of rates based on the settlement revenue increase. The scale back is reflected in the rates presented in the settlement supplement and supported by NAWC, I&E and OSBA. The OCA does not join in the scale back but does not oppose it. NAWC submits that the negotiated scale back, which resolves competing interests in a mutually acceptable way without opposition, is in the public interest.

#### **Rate Design – Equalization of Rates and Elimination of Rate Areas**

NAWC provides water service in two rate areas: the Newtown Artesian Rate Area and the Indian Rock Rate Area. In past rate cases, the Company has been moving the Rate Area rates closer together with the ultimate goal of equalizing the rates. Supplement No. 136 proposed the equalization of rates.<sup>16</sup> No party opposed the equalization. The settlement supplement implements the equalization of rates and eliminates the two Rate Areas. The equalization of rates will simplify billing. It is reasonable and appropriate, moreover, that rates be unified for all customers. NAWC submits that the equalization of rates and elimination of the Newtown Artesian Rate Area and the Indian Rock Rate Area are in the public interest.

#### **PWAC Calculation Template**

NAWC's tariff includes a Commission approved Purchased Water Adjustment Charge ("PWAC") addressing the recovery of purchased water charges from the Bucks County Water and Sewer Authority and Pennsylvania American Water Company.<sup>17</sup> Through Supplement No. 136, NAWC proposed to revise the Baseline 1,000 Gallons of Water Sales in the PWAC calculation

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<sup>15</sup> OSBA St. No. 1-R.

<sup>16</sup> NAWC St. No. 1 at 11.

<sup>17</sup> *Pa. P.U.C. v. The Newtown Artesian Water Company*, Docket No. R-2019-2117550, Order entered April 15, 2010.

template to be reflective of the current water sales level. No party opposed the proposed revisions to the PWAC calculation template. The Settling Parties have agreed to an annual sales level of 672,793 thousand gallons for the purpose of designing rates and have agreed to a concomitant Baseline 1,000 Gallons of Water Sales of 672,793 for the PWAC calculation template which is reflected on page 31 of the settlement supplement. NAWC accepts the modification as a reasonable and appropriate change to the template appropriately reflective of the level of usage included in the settlement revenue requirement.

### **Other Tariff Changes**

Other tariff changes proposed in Supplement No. 136<sup>18</sup> are reflected in the Appendix A tariff supplement. No party opposed the additional tariff changes and the Settling Parties have agreed that the other tariff changes may go into effect as filed. NAWC submits that these unopposed tariff revisions are reasonable and appropriate.

### **Distribution System Improvement Charge**

A major driver of the rate filing was the Company having maxed out its Distribution System Improvement Charge (“DSIC”).<sup>19</sup> NAWC’s DSIC is capped at 5% of billed revenue. NAWC’s most recent DSIC calculation was 6.96% as of August 1, 2019.<sup>20</sup>

NAWC is moving forward with system improvements under a Commission approved Long Term Infrastructure Improvement Plan (“LTIIP”). Major plant additions under the LTIIP for 2019 and 2020 have already been bid and awarded. Plant additions include: the main replacement on North Chancellor Street and related services; the main replacement on South Chancellor Street and

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<sup>18</sup> See NAWC St. No. 1 at 11-12. In addition to revising the baseline items for the calculation of the PWAC, the Company updated the language on tariff page 31 to change the notification process regarding a change in the PWAC and, on tariff page 33, clarified the method of the recovery of any PWAC E-Factor.

<sup>19</sup> NAWC St. No. 1, Appendix C at 1.

<sup>20</sup> See PaPUC Docket No.M-2019-3011704, Letter of Secretary Chiavetta dated July 30, 2019.

related services; the replacement of over 700 meters; and the replacement of eight hydrants.<sup>21</sup>

The rates proposed in Supplement No. 136 were based on the level of investment as of September 30, 2020, the end of the fully projected future test year and a concomitant resetting of the DSIC to zero. Original Cost of Plant in Service for the test year ended September 30, 2018, reflects the results of a service life study performed by Gannett Fleming.<sup>22</sup> Projected additions and retirements for the future test year and fully projected future test year result in plant in service balances as of September 30, 2020 and a depreciable plant balance of \$48,029,675.60 as of September 30, 2020.<sup>23</sup>

The Settling Parties have agreed that, going forward, NAWC will be eligible to include future plant additions in the DSIC once the total account balances of total depreciable plant exceed \$48,029,675.60. It is acknowledged that the foregoing provision is included in the Settlement Petition 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.

Consistent with Section 1357(b)(3) of the Public Utility Code, the Settlement Parties also have acknowledged that, for purposes of calculating its DSIC, NAWC shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities 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.

The service life studies submitted by NAWC addressed depreciation accrual rates, including rates for DSIC eligible plant. The accrual rates were not opposed and the Settling Parties have

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<sup>21</sup> NAWC St. No. 1, Appendix C at 2-3.

<sup>22</sup> NAWC St. No. 1, Appendix C at 2 and NAWC St. No. 3, Exhibit JJS-1.

<sup>23</sup> NAWC St. No. 1 at 2 and NAWC St. No. 3, Exhibit JJS-3.

agreed that, for purposes of calculating its DSIC, NAWC shall use the depreciation accrual rates projected by the Company at September 30, 2020 (i.e., the end of the FPFTY) as follows:<sup>24</sup>

<u>Facilities</u>	<u>Depreciation Rate</u>
Mains	2.07%
Services	1.75%
Meters	1.44%
Hydrants	2.29%

Finally, addressing the Commonwealth Court proceeding at *McCloskey v. Pennsylvania Public Utility Commission*, Case Nos. 697 C.D. 2018 and 1183 C.D. 2018 concerning the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating the DSIC, NAWC has agreed that it will not contest the right of a party to raise issues regarding the impact of Section 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges by filing a complaint against the Company's first quarterly DSIC charge filed after the final resolution of *McCloskey* or by filing a pleading to initiate a generic proceeding.

The Settling Parties have addressed the matter of the DSIC in all respects as presented above. The DSIC will be reset to zero and may be restarted once the total account balances of total depreciable plant exceed \$48,029,675.60, which is presently expected to occur at the end of the FPFTY. Depreciation accrual rates on DSIC eligible property also are addressed and identified as set forth above. The settlement term is the result of the negotiating efforts of parties with competing interests. NAWC accepts the foregoing as a reasonable and appropriate resolution of DSIC issues.

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<sup>24</sup> NAWC St. No. 3, Exhibit JJS-3 at I-3.

### **Reporting on Plant Additions**

I&E proposed that NAWC report to I&E on plant additions planned for the future test year and fully projected future test year. I&E proposed that the reports include actual capital expenditures, plant additions, and retirements by month for the twelve months ending September 30, 2019 and September 30, 2020, respectively.<sup>25</sup> NAWC has agreed, in settlement, to report the requested information to I&E and also to OCA, OSBA and the Bureau of Technical Utility Services. The reports will demonstrate how closely NAWC's projected investments in future facilities comport with actual investments made during the future test year periods. NAWC accepts the reporting settlement term as reasonable and appropriate.

### **The Settlement Addresses the Tax Cuts and Jobs Act of 2017**

The Settlement Petition addresses The Tax Cuts and Jobs Act of 2017 ("TCJA"). The settlement rates and settlement supplement fully account for the impacts of the TCJA such that no further expense adjustments, refunds or credits are required.

The TCJA reduces the Federal Income Tax Rate ("FIT"). The Settling Parties agree that the settlement revenue requirement calculation reflects the reduced FIT rate of 21% in the TCJA starting with the effective date of new rates.

The TCJA also impacts reserves for deferred income tax liabilities. The Settling Parties agree that the amount of excess ADIT to be amortized (credited) on an annual basis (approximately \$33,433) is incorporated into the settlement revenue requirement calculation starting with the effective date of new rates.

NAWC has agreed to track the amortization of the excess ADIT against the beginning balance of \$1,156,209 so that the remaining excess ADIT balance can be determined in NAWC's

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<sup>25</sup> I&E St. No. 4.

next case. The remaining unamortized excess ADIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

The settlement addresses the totality of tax matters under the TCJA. NAWC submits that the negotiated settlement term is a just and reasonable resolution of the impact of the TCJA in all respects and for all purposes.

**The Settlement Provides for a Rate Case “Stay Out”**

NAWC has agreed as part of the settlement to not file another base rate case before November 30, 2021. A rate case “stay out” gives ratepayers a specified level of rate security – approximately two years here – that would not exist absent the stay out. A rate case “stay out” is a traditionally recognized part of the public’s interest in settlement of a rate proceeding.<sup>26</sup>

**Conclusion**

The Settlement Petition, which occurred only after extensive discovery and discussion, is the result of arms’ length negotiation between the Company, I&E, OCA and OSBA. The settlement increase will provide NAWC with additional and necessary cash flow to meet operating expenses and the opportunity to earn a reasonable return on investment. Through the settlement, all matters of interest are addressed and the cost and uncertainty of litigation are avoided. NAWC submits that the Settlement Petition is reasonable and in the public interest and should be approved without modification.

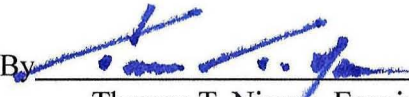
WHEREFORE The Newtown Artesian Water Company respectfully requests that Administrative Law Judge Darlene Davis Heep and the Public Utility Commission accept the foregoing in support of the Joint Petition for Settlement of Rate Investigation and further that

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<sup>26</sup> See, for example, *Recommended Decision of Administrative Law Judge Brady*, mimeo at 13; *Recommended Decision of ALJ Dunderdale – TVSC*, mimeo at 10-11; *Recommended Decision of ALJ Dunderdale – Imperial Point*, mimeo at 20; *Recommended Decision of ALJ Johnson*, mimeo at 16; and *Recommended Decision of ALJ Dunderdale – RWC 2010*, mimeo at 8-9.

Administrative Law Judge Heep recommend approval of and the Public Utility Commission approve the Joint Petition for Settlement of Rate Investigation.

Respectfully submitted,

By   
\_\_\_\_\_  
Thomas T. Niesen, Esquire  
THOMAS, NIESEN & THOMAS, LLC  
212 Locust Street, Suite 302  
Harrisburg, PA 17101

*Attorneys for  
The Newtown Artesian Water Company*

**APPENDIX D**  
**Statement in Support of the**  
**Bureau of Investigation and Enforcement**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
Office of Small Business Advocate	:	Docket Nos. R-2019-3006904
	:	C-2019-3008684
v.	:	C-2019-3008912
	:	
Newtown Artesian Water Company	:	
1308(d) Proceeding	:	

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

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**TO ADMINISTRATIVE LAW JUDGE DARLENE D. HEEP:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by its Prosecutor John M. Coogan, respectfully submits that the terms and conditions of the foregoing *Joint Petition for Settlement of Rate Investigation* (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of Newtown Artesian Water Company (“Newtown” or “Company”), and its customers.

## I. BACKGROUND

1. I&E represents the public interest in Commission proceedings related to rates, rate-related services, and applications.<sup>1</sup> In all proceedings, including those resolved through negotiated settlements, I&E must ensure that the public interest is served and comment on how resolution of a proceeding will benefit the public interest.<sup>2</sup> Based on I&E's analysis of Newtown's base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety and without modification.

2. On March 1, 2019, Newtown filed Supplement No. 136 to its Tariff Water-Pa. P.U.C. No. 9 to become effective May 1, 2019. Newtown requested an overall increase to its total annual operating revenues for water service by \$934,154. As reflected in Newtown's proposal, residential customer base rates would increase by approximately 15.4%, commercial customer base rates would increase by approximately 20.9%, industrial customer base rates would increase by approximately 18.4%, public customer base rates would increase by approximately 19.2%, public fire service rates would increase by approximately 24.2%, and private fire service rates would increase by approximately 21.1%.<sup>3</sup>

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<sup>1</sup> 66 Pa. C.S. § 308.2(a)(11); Docket No. M-2008-2071852, Final Procedural Order entered on August 11, 2011, p. 10.

<sup>2</sup> *See Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 Pa. P.U.C. 1, 22 (1985) ("The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest").

<sup>3</sup> Newtown Rate Study, p. 8.

3. By Order entered April 11, 2019, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of the existing and proposed rates, rules, and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filings were suspended by operation of law until December 1, 2019, unless permitted by Commission Order to become effective at an earlier date.

4. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint on March 21, 2019. I&E entered the Notice of Appearance of John M. Coogan on March 27, 2019. The Office of Small Business Advocate (“OSBA”) filed a Complaint on April 2, 2019. Newtown notified the Commission it declined the use of Alternative Dispute Resolution on April 22, 2019.

5. Administrative Law Judge Darlene D. Heep (“ALJ Heep”) was assigned to this proceeding to conduct hearings and issue a Recommended Decision.

6. ALJ Heep held a prehearing conference on April 26, 2019, during which the parties agreed to a procedural schedule, including the service of testimony among the parties and the dates for evidentiary hearings.

7. In accordance with the procedural schedule established at the prehearing conference, I&E served all active parties the following pieces of testimony and accompanying exhibits:

**I&E Witness John Zalesky**

Direct Testimony

Surrebuttal Testimony

**Operating and Maintenance Expenses**

1. I&E Statement No. 1
2. I&E Exhibit No. 1

1. I&E Statement No. 1-SR

**I&E Witness Christopher Henkel****Rate of Return**

Direct Testimony

1. I&E Statement No. 2
2. I&E Exhibit No. 2

Surrebuttal Testimony

1. I&E Statement No. 2-SR
2. I&E Exhibit No. 2-SR

**I&E Witness Joseph Kubas****Revenue Allocation/Rate Design**

Direct Testimony

1. I&E Statement No. 3
2. I&E Exhibit No. 3

Surrebuttal Testimony

1. I&E Statement No. 3-SR

**I&E Witness Holly Gilliland****Reporting Requirements**

Direct Testimony

1. I&E Statement No. 4

Surrebuttal Testimony

1. I&E Statement No. 4-SR

8. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple settlement discussions with the Company and other parties to the proceeding. Following extensive settlement negotiations, and before hearings began, all parties reached a settlement with Newtown, with one exception: the Office of Consumer Advocate neither supports, nor opposes, the Settlement scale back rate design.

9. ALJ Heep presided over an evidentiary hearing on July 10, 2019.

## II. TERMS AND CONDITIONS OF SETTLEMENT

10. It is the policy of the Commission to encourage settlements.<sup>4</sup> The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.<sup>5</sup>

11. This policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on March 1, 2019, and over the past five months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Joint Petition actively participated and represented their respective positions in the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the

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<sup>4</sup> 52 Pa. Code § 5.231.

<sup>5</sup> 52 Pa. Code § 69.401.

proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

**A. Revenue Requirement (Joint Petition ¶ 13(a))**

Newtown's proposed rate increase was \$934,154. However, pursuant to the Joint Petition, settlement rates are designed to produce additional annual operating revenue of \$780,000.<sup>6</sup> If the Settlement is approved as filed, residential customer base rates would increase by approximately 13.0%, commercial customer base rates would increase by approximately 18.5%, industrial customer base rates would increase by approximately 14.5%, public customer base rates would increase by approximately 17.3%, public fire service rates would increase by approximately 16.7%, and private fire service rates would increase by approximately 15.8%.<sup>7</sup>

I&E analyzed the ratemaking claims contained in Newtown's base rate filing, including operating and maintenance expenses, rate base, taxes, cash working capital, rate structure, capital structure, and cost of equity and debt. Based on this analysis, I&E fully supports the revenue levels compromised upon in the Settlement.

The Settlement is a "black box" settlement, meaning there is no agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is approximately \$154,000 less than what was requested by Newtown. Black box settlements benefit ratepayers and utilities by allowing for the resolution of a contested

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<sup>6</sup> Joint Petition at p. 3.

<sup>7</sup> Joint Petition at Appendix B.

proceeding in a manner that avoids significant expenditure of time and resources related to further litigation. The Commission has endorsed the use of black box settlements, as discussed in an Order approving such a settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding....<sup>8</sup>

The Commission has also recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”<sup>9</sup> The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the litigated positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of Newtown and its customers in a fair and equitable manner. Ratepayers will continue to receive safe and reliable service at

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<sup>8</sup> *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

<sup>9</sup> *Pa. P.U.C. v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

just and reasonable rates while allowing Newtown sufficient additional revenues to meet its operating and capital expenses and providing the opportunity to earn a reasonable return on its investment. Accordingly, I&E submits that the proposed Settlement is in the public interest and requests that it be approved by the ALJ and the Commission without modification.

**B. Rate Design and Scale Back (Joint Petition ¶ 13(a))**

Newtown's proposed distribution of revenue among the customer classes and rate design generally was a matter of interest to all parties in the proceeding.<sup>10</sup> The settlement rates in Appendix A to the Joint Petition eliminate separate rates for the Company's Newtown and Indian Rock Divisions and are designed based on a scale back agreed to by NAWC, I&E and OSBA during settlement negotiations. Issues related to rate design and scale back were extensively addressed by I&E in testimony and thoroughly vetted in settlement negotiations.

In Direct Testimony, I&E proposed any scale back first be allocated to public and private fire hydrant rates in both Newtown and Indian Rock service areas. This was because, to accomplish rate consolidation at the revenue increase proposed by Newtown, Indian Rock hydrant rates would increase by 17.2%, but Newton hydrant rates would increase by 41.0%. To mitigate the increase for Newtown hydrant rates, I&E recommended that if the Commission granted a revenue increase to Newtown of \$874,635 or less, public and private hydrant rates for both service areas should be

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<sup>10</sup> See OCA St. No. 1; OSBA St. No. 1-R; I&E St. No. 3; I&E St. No. 3-SR.

reduced from the proposed \$109.07 per quarter to \$94.00 per quarter. This would result in a 1% increase for the Indian Rock hydrant rates and 21.5% Newtown hydrant rates.<sup>11</sup> I&E then recommended that any further scale back first reduce the proposed usage rates from \$6.827 per thousand gallons to \$6.705 per thousand gallons, and thereafter reduce proposed rates proportionally so that the percentage increase is the same for the customer charges and usage rates in the residential class.<sup>12</sup>

In Rebuttal Testimony, OSBA objected to I&E's scale back proposal. Regarding fire hydrant rates, OSBA claimed I&E's proposal would provide "far greater than proportional rate relief to the fire service classes, such that both classes would receive increases well below the system average".<sup>13</sup> Settlement discussions in these matters were extensive, and ultimate terms reflect fire hydrant rates of \$101.75 per quarter, and the usage rates are scaled back so that the rates are the same for each class and service area. These settlement terms reflect compromise among I&E, OSBA, and Newtown. OCA does not join in the scale back but does not oppose it. I&E fully supports all settlement terms related to revenue allocation and rate design as a reasonable compromise among the parties.

### **C. Other Tariff Changes (Joint Petition ¶ 13(b))**

The parties agree that other tariff changes proposed in Supplement No. 136 will be reflected in the settlement tariff supplement and it is agreed that the other tariff changes

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<sup>11</sup> I&E St. No. 3, pp. 4-5.

<sup>12</sup> I&E St. No. 3, pp. 6-8.

<sup>13</sup> OSBA St. No. 1-R, p. 3.

will go into effect as filed. Tariff Page No. 31 will be revised to reflect 672,793 as the Baseline 1,000 Gallons of Water Sales.

I&E agrees other tariff changes proposed in Supplement No. 136, otherwise not reflected in this settlement, should go into effect as filed. I&E was involved in the discussion of this issue, which was vetted during settlement negotiations. Therefore, I&E supports this term as it was necessary to facilitate a collective resolution of this case.

**D. Distribution System Improvement Charge (Joint Petition ¶ 13(c))**

The Distribution System Improvement Charge (“DSIC”) for Newtown shall be established at 0% of billed revenues effective with the effective date of Settlement rates. As of the effective date of rates in this proceeding, Newtown will be eligible to include plant additions in the DSIC once the total account balances of total depreciable plant exceed \$48,029,675.60, which is the level of investment projected by the Company at September 30, 2020 (i.e., the end of the FPFTY) per Table No. 4 (Company Exhibit JJS-3, p. I-7). 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.

For purposes of calculating its DSIC, Newtown shall use the equity return rate for water utilities contained in the Commission’s most recent Quarterly Report on the earnings of Jurisdictional Utilities 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).

For purposes of calculating its DSIC, Newtown shall use the depreciation accrual rates projected by the Company as of September 30, 2020 (i.e., the end of the FPFTY) per Table No. 1 (Company Exhibit JJS-3, p. I-3) as follows:

	Depreciation Rate
Mains	2.07%
Services	1.75%
Meters	1.44%
Hydrants	2.29%

The Joint Petitioners acknowledge that issues regarding the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges are currently on appeal before the Commonwealth Court in *McCloskey v. Pennsylvania Public Utility Commission*, Case No. 697 C.D. 2018 and 1183 C.D. 2018 (“*McCloskey*”). The Company will not contest the right of a party to raise issues regarding the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges by filing a complaint against the Company’s first quarterly DSIC charge filed after the resolution of *McCloskey* or by filing a pleading to initiate a generic proceeding.

I&E did not submit testimony regarding the above DSIC issues. However, I&E was involved in the discussion of these issues and they were fully vetted during settlement negotiations. I&E therefore fully supports these negotiated settlement terms.

**E. Reporting on Plant Additions (Joint Petition ¶ 13(d))**

Newtown will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA with an update to Table No. 4 (Company Exhibit JJS-2, p. V-8) for the years 2018-2019 no later than January 2, 2020, and Table No. 4 (Company Exhibit JJS-3, p. I-7) for the years 2019-2020 no later than January 4, 2021, to be filed under this docket number. The updated tables will include actual capital expenditures, plant additions, and retirements by month for the twelve months ended September 30, 2019 (i.e., Newtown's Future Test Year) and September 30, 2020 (i.e., Newtown's Fully Projected Future Test Year), respectively.

I&E recommended Newtown provide TUS and I&E various updates, including updates to Company Exhibits JJS-2, p. V-8 and JJS-3, p. I-7.<sup>14</sup> I&E believes such information is important to verify projections regardless of how revenue requirement is calculated. Such data allows the Commission to gauge the accuracy of projected investments in future proceedings. Newtown agreed to report this information, and therefore I&E supports this settlement provision.

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<sup>14</sup> I&E St. No. 4, p. 8.

**F. Tax Cuts and Jobs Act (Joint Petition ¶ 13(e))**

In its Temporary Rates Order, entered May 17, 2018, the Commission stated tax savings associated with the Tax Cuts and Jobs Act (“TCJA”) in 2018 should be returned to ratepayers.<sup>15</sup> One area of tax savings associated with the TCJA is excess ADIT. Specifically, due to the changes made by the TCJA, as of January 1, 2018, regulated utilities hold an amount of ADIT that was calculated based on the prior federal income tax rate of 35%. In this proceeding I&E asserted that, because the tax rate is now 21%, a deferred liability account is necessary to track the remaining balance of excess ADIT recorded in prior years due to the higher 35% tax rate. Each year, the balance of the excess ADIT would be reduced until the entire amount is refunded to ratepayers through a reduction to revenue requirement.

Newtown calculated the impact of the TCJA on its deferred tax liability at December 31, 2017 to be \$1,156,209.<sup>16</sup> Newtown also calculated the amortization period for returning the excess ADIT to be 1 to 42 years, depending on the ADIT component.<sup>17</sup> Newtown claimed \$30,772 as the FPFTY amortization of excess ADIT as a “flowback” to ratepayers.<sup>18</sup> However, this amount reflected amortization of \$25,256 in the historic test year (“HTY”) and \$31,256 in the future test year (“FTY”). I&E disagreed with this approach and recommended that excess ADIT be set at \$33,433, reflecting amortization of excess ADIT starting only in the FPFTY. The basis for I&E’s recommendation was

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<sup>15</sup> *Temporary Rates Order*, Docket No. M-2018-2641242, p. 15 (Order entered May 17, 2018).

<sup>16</sup> Newtown Rate Study, p. 13.

<sup>17</sup> Newtown Rate Study, p. 13.

<sup>18</sup> Newtown Rate Study, p. 7, line 8 column 13 and p. 33.

that ratepayers will not receive any benefit from the amortization of excess ADIT in the HTY or FTY since new rates capturing this benefit will not go into effect until the first day of the FPFTY.<sup>19</sup>

The Settlement provides that the amount of excess ADIT to be amortized on an annual basis will be approximately \$33,433, which is incorporated into the settlement revenue requirement, and will start with the effective date of new rates. Additionally, Newtown will track the amortization of the excess ADIT against the beginning balance of \$1,156,209 so that the remaining excess ADIT balance can be determined in Newtown's next case. The remaining unamortized excess ADIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

I&E asserts these settlement terms serve the public interest by returning TCJA tax savings to ratepayers as directed by the Commission. I&E also supports that this credit will be subject to reconciliation to ensure the Company has returned the full amount in the manner referenced in the Joint Petition. These Settlement terms resolve the parties' positions regarding the return of excess ADIT.

#### **G. Amortizations (Joint Petition ¶ 13(f))**

I&E submitted testimony regarding three items Newtown proposed to amortize: prior rate case expense;<sup>20</sup> DSIC filing expense;<sup>21</sup> and excess accumulated deferred income tax ("excess ADIT").<sup>22</sup> I&E asserted recovery for prior rate case expense should

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<sup>19</sup> I&E St. No. 1, pp. 27-28.

<sup>20</sup> I&E St. No. 1, pp. 5-8.

<sup>21</sup> I&E St. No. 1, pp. 12-13.

<sup>22</sup> I&E St. No. 1, pp. 25-28.

not be amortized because it is a normalized expense, and therefore is not subject to refund or recovery of amounts related to a prior rate case filing. I&E also opposed amortization of recovery for expenses related to a prior DSIC filing. Expenses for the DSIC filing were unrelated to Newtown's expenses in the FPFTY, were not extraordinary, and Newtown otherwise had not received Commission permission to defer or recover such costs in its base rate filing. I&E's position regarding excess ADIT is explained above in Section F.

Except as provided in Subparagraph (e) of the Joint Petition regarding excess ADIT, no amortizations are accepted or incorporated in the settlement revenue requirement calculation. Consistent with I&E's testimony, I&E supports these settlement terms and asserts they are in the public interest.

#### **H. Base Rate Filing Stay Out (Joint Petition ¶ 13(g))**

Newtown agrees it will not file another base rate case before November 30, 2021, provided, however, that the foregoing provision does not prevent Newtown from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting Newtown's rates.

I&E did not submit any testimony regarding a stay-out provision. However, I&E was involved in the discussion of this issue, which was vetted during settlement negotiations. Therefore, I&E supports this term as it was necessary to facilitate a collective resolution of this case.

## **I. Other Issues**

The remaining issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated into the black box resolution of the revenue requirement in this proceeding. A black box settlement does not identify resolution of all issues on a line-by-line basis, and therefore no representation of the resolution of any issue not specifically identified is possible for future proceedings.

## **III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST**

12. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with Newtown and the parties, or are incorporated or considered in the resolution proposed in the Settlement. The specific terms and conditions in this Settlement were carefully discussed and negotiated among the parties. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties.

13. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would create extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of briefs, and the potential of filed exceptions and/or appeals, all yielding

substantial savings for the Commission and all parties, and ultimately all customers, as well as certainty on the disposition of issues.

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

15. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement in any way, it may be withdrawn by any Joint Petitioner. Additionally, I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

16. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition for Settlement of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Darlene D. Heep recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

John M. Coogan, Esq.  
Attorney I.D. #313920  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120  
(717) 783-6151

Dated: August 1, 2019

**APPENDIX E**  
**Statement in Support of the**  
**Office of Consumer Advocate**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	
v.	:	Docket Nos. R-2019-3006904
	:	C-2019-3008684
	:	
Newtown Artesian Water Company	:	

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

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Rate Investigation (Settlement), finds the terms and conditions of the Settlement to be in the public interest and in the interest of Newtown Artesian Water Company's (NAWC or Company) ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the following reasons:

**I. BACKGROUND**

On March 1, 2019, NAWC filed Tariff Supplement No. 136 to Tariff Water – Pa. P.U.C. No. 9 (Supplement No. 136) to become effective May 1, 2019. Through Supplement No. 136, NAWC proposed to increase water rates to produce additional annual operating revenue of approximately \$940,163 per year, or approximately 17.1 percent, over the amount of annual revenues at present rates anticipated for the Fully Projected Future Test Year (FPFTY) ended September 30, 2020.

NAWC provides water service to approximately 11,003 residential, commercial, industrial, public and private fire protection customers in portions of Newtown Borough and the Townships of Newtown and Middletown, Bucks County, Pennsylvania. Furthermore, NAWC provides water service to its customers through two rate areas, the Newtown Artesian Rate Area (Newtown Artesian) and the Indian Rock Rate Area (Indian Rock).

As part of this rate filing, NAWC proposed to equalize the consumption rates for its two rate areas by increasing the Newtown Artesian consumption rate by 26.6 percent and increasing the Indian Rock consumption rate by 16.2 percent. Moreover, the Company also proposed to increase the customer charge by 17.2 percent for all customer classes and meter sizes. If the full rate increase were approved, a residential water customer with a 5/8” meter within the Newtown Artesian rate area using 12,000 gallons per quarter would have experienced an increase of \$15.90 in their quarterly bill, from \$88.73 per quarter to \$104.63.<sup>1</sup> A residential water customer with a 5/8” meter within the Indian Rock rate area using 12,000 gallons per quarter would have experienced an increase of \$9.88 to their quarterly bill, from \$94.75 per quarter to \$104.63.<sup>2</sup>

The OCA filed a Formal Complaint and Public Statement against the proposed revenue increase on March 21, 2019. On March 27, 2019, the Commission’s Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance. On April 2, 2019, the Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement.

On April 11, 2019, the Commission entered a Suspension Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing and the Company’s existing rates, rules, and regulations. The Commission’s Order

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<sup>1</sup> Please note that the present rate of \$88.73 includes the current Distribution System Improvement Charge (DSIC) and the Purchased Water Adjustment Clause (PWAC). The proposed rate of \$104.63 does not include the DSIC and PWAC.

<sup>2</sup> See Footnote 1.

suspended the effective date of Supplement No. 136 until December 1, 2019, by operation of law. The case was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Darlene D. Heep (ALJ Heep). A Telephonic Prehearing Conference was held on April 26, 2019, where the parties mutually agreed to a procedural schedule and modifications to the Commission's discovery regulations.

In its investigation of the rate filing, the OCA analyzed the Company's claims and written testimony, propounded five sets of discovery, and analyzed the Company's responses to data requests of the other statutory advocates. In accordance with the procedural schedule, on May 28, 2018, the OCA submitted the Direct Testimonies of Stacy L. Sherwood<sup>3</sup>, OCA Statement No. 1<sup>4</sup>, and Aaron L. Rothschild<sup>5</sup>, OCA Statement No. 2.

After service of the OCA's direct testimony, several settlement conferences were held to attempt to reach a settlement in principle on the issues raised in this proceeding. As a result of those conferences, the Joint Petitioners reached a comprehensive agreement on all issues on July 1, 2019. The Presiding Officer suspended the schedule and convened an evidentiary hearing on July 10, 2019, to enter the testimony and evidence of the parties into the record.

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<sup>3</sup> Ms. Sherwood is an Economist with Exeter Associates, Inc. At Exeter, Ms. Sherwood develops utility service assessments, provides bill and rate analysis, and assesses and evaluates the effectiveness of energy conservation and efficiency programs. Prior to joining Exeter, Ms. Sherwood served as a Regulatory Economist with the Maryland Public Service Commission (PSC). At the PSC, she performed analysis on the EmPOWER Maryland energy efficiency and demand response programs, the Exelon Customer Investment Fund, and served as a lead analyst for the EmPOWER Maryland limited income programs. Her full background and qualifications are provided in Appendix A, attached to OCA Statement 1.

<sup>4</sup> The OCA served OCA Statement No. 1 on May 28, 2019, but it did not include additional expenses claimed by the Company in the Supplemental Direct Testimony of Constance E. Heppenstall filed on May 1, 2019. On July 8, 2019, a revised copy was served to the parties and the Presiding Officer, updating OCA Statement No. 1 to include those additional expenses. The corrected copy, Revised OCA Statement No. 1, will hereinafter be referred to as OCA Statement 1.

<sup>5</sup> Mr. Rothschild is a financial consultant specializing in cost of capital issues in utility regulation. He has over twenty years of experience providing utility financial analysis. Mr. Rothschild has applied his expertise in numerous proceedings before the Pennsylvania Public Utility Commission, over twenty other state public service commissions, and the Federal Energy Regulatory Commission. His full background and qualifications are provided in Appendix A, attached to OCA Statement 2.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of NAWC's ratepayers, and should be approved by the Commission without modification.

## **II. SETTLEMENT TERMS AND CONDITIONS**

### **A. Revenue Requirement (Settlement ¶ 13(a))**

NAWC proposed to increase its total annual operating revenues by approximately \$940,163 per year, or approximately 17.1 percent, over the amount of annual revenues at present rates anticipated for the FPFTY ended September 30, 2020. This increase was based, in part, upon a FPFTY operating revenue derived from NAWC's projected declining residential customer usage. Specifically, the Company adjusted its future test year and FPFTY sales volumes for the residential class based upon its projected annualized loss of residential customers and adjusted the residential class's usage to account for the decline in water

consumption. Furthermore, the Company did not adjust usage for the commercial and industrial classes.

The OCA recommended in direct that the Company receive a rate increase no higher than \$670,238. OCA St. 1 at 3. In addition to its rate base and expense adjustments, the OCA noted that the Company improperly projected its declining usage for its test years. OCA St. 1 at 9. Rather than rely on an annualized gain/loss of customers to project future sales volumes and only adjust usage for the residential class, the OCA recommended that the decline in sales be calculated for the future test year and the FPFTY by subtracting an amount equal to a three-year average decline in consumption for each rate class.<sup>6</sup> See OCA St. 1 at 9-10. Accordingly, the OCA made slight changes to the customers' projected usage and sales volumes in both its future test year and FPFTY. OCA St. 1 at 10-11.

Under the Settlement, NAWC will be permitted a total annual revenue increase of \$780,000. Settlement ¶ 13(a). Overall, this represents an increase of 14.2 percent over present revenues and is approximately \$160,163 less than the amount originally requested by NAWC. Moreover, the Settlement states that the annual revenues agreed to are based upon the decline in customer usage as recommended and calculated by the OCA. Settlement ¶ 13(a).

The Settlement represents a "black box" approach to the revenue requirement including cost of capital issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not

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<sup>6</sup> The OCA also identified a discrepancy between the Company's projected number of customers on its system compared to the number of customers identified in its Annual Reports submitted to the PUC. OCA St. 1 at 6. The Company later acknowledged in rebuttal that the number of customers as identified in its Annual Reports was correct, not the amount identified in its direct testimony. NAWC St. 1-R at 4.

specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

Based on the OCA's analysis of NAWC's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is reasonable and yields a result that is in the public interest, particularly when accompanied by other important conditions contained in the Settlement. The increase agreed to in the Settlement provides adequate funding to allow the Company to continue to provide safe, adequate, reliable, and continuous service. As such, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of NAWC's ratepayers, and should be approved by the Commission.

**B. Other Tariff Changes (Settlement ¶ 13(b))**

The Settlement provides that other changes proposed by the Company's Tariff Supplement No. 136 that are not addressed by this Settlement shall go into effect as filed, with the exception of Tariff Page No. 31, which shall be revised to reflect 672,793 as the Baseline 1,000 Gallons of Water Sales. This change ensures that the purchased water adjustment clause is calculated using total usage for the 12 months ended September 30, 2020, as agreed to in the Settlement.

**C. Distribution System Improvement Charge (Settlement ¶ 13(c))**

The Settlement contains several provisions related to the Distribution System Improvement Charge (DSIC) as implemented by NAWC. First, pursuant to Section 1358 of the Public Utility Code, the Company's DSIC shall be reset to zero as of the effective date of

Settlement rates. 66 Pa. C.S. § 1358(b)(1). Additionally, the Settlement provides that NAWC will be eligible to recover the fixed costs of plant investment only after total account balances exceed the level of investment projected by the Company at September 30, 2020, or approximately \$48 million. Thus, the Company will not be permitted to recover plant investment through the DSIC that is already included in base rates. Furthermore, in accordance with Sections 1357 and 1358 of the Public Utility Code, the Settlement provides that the Company shall use the rate of return contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities for the purposes of calculating the DSIC Earnings Cap. 66 Pa. C.S. §§ 1357(b)(3), 1358(b)(3). Collectively, these provisions help to ensure that the Company's DSIC rates are calculated properly.

The Settlement also states that the Joint Petitioners acknowledge that issues related to the impact of 66 Pa. C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating the DSIC charges are the subject of a Commonwealth Court Order, which requires a remand to the Commission. McCloskey v. Pa. Pub. Util. Comm'n, Docket No. 1183 C.D. 2018, slip op. at 17 (Pa. Commw. Ct. July 11, 2019). In direct, OCA witness Sherwood identified that NAWC's calculation of the DSIC currently does not take into account federal and state income tax deductions when calculating its DSIC, which was raised in NAWC's DSIC cap waiver filing docketed at R-2017-262420 and was appealed to the Commonwealth Court. OCA St. 1 at 18-19. Rather than recommend changes to the calculation of the Company's DSIC, Ms. Sherwood recommended that compliance with Section 1301.1 be addressed in the pending DSIC proceeding. OCA St. 1 at 19. Consistent with the OCA's recommendation, the Settlement reserves all parties' rights to raise this issue in a complaint against the Company's first DSIC

charge filed after the final resolution of the appeal, or by filing a pleading to initiate a generic proceeding.

**D. Reporting on Plant Additions (Settlement ¶ 13(d))**

The Settlement provides that the Company will update its exhibits related to the summary of plant in service for the years ended September 30, 2019, and September 30, 2020. See NAWC Exhs. JJS-2, Pg. V-8, JJS-3, Pg. I-7. This provision is consistent with Section 315 of the Public Utility Code, which states that a utility utilizing a future test year and an FPFTY shall provide “appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year...” 66 Pa. C.S. § 315(e).

**E. Tax Cuts and Jobs Act (TCJA) (Settlement ¶ 13(e))**

The Settlement provides that the settlement revenue requirement fully accounts for the reduced federal corporate income tax rate established by the Tax Cuts and Jobs Act of 2017 (TCJA). In addition, the Settlement states that approximately \$1.15 million of excess deferred income taxes (EDIT) will be returned to customers over an amortization period of 1 to 42 years, depending on the underlying asset that generated the EDIT. This amounts to an annual amortization of \$33,433 that will be returned to customers. This amortization reflects the date that new rates go into effect.

The OCA submits that these provisions are consistent with the Commission’s Order addressing the TCJA. Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242, Temporary Rates Order (May 17, 2018) (Temporary Rates Order). While many utilities were required to implement a negative surcharge to refund tax savings to customers, NAWC experienced a small, positive impact to its tax expense and was not required to do so. See Temporary Rates Order at 20-21. Accordingly, NAWC’s existing rates did not need to be adjusted to return any tax savings

and, moreover, the settlement rates appropriately reflect the 21 percent corporate tax rate. As indicated by the Settlement, however, NAWC did recognize EDIT as a result of the TCJA and has agreed to properly return it to customers consistent with normalization requirements. Settlement ¶ 13(e).

**F. Amortizations (Settlement ¶ 13(f))**

The Settlement states that no amortizations proposed by the Company, except those specifically identified by the Settlement, shall be incorporated into the revenue requirement agreed to in the Settlement. In direct, the OCA challenged the reasonableness of the Company's proposed amortizations related to the Company's bad debt expense and its DSIC cap waiver proceeding at Docket No. R-2017-2624240. OCA St. 1 at 13, 16-17. The Settlement indicates that neither of those amortizations were included as part of this Settlement. Settlement ¶ 13(f).

**G. Stay Out (Settlement ¶ 13(g))**

The Settlement includes a stay-out provision wherein the Company has agreed not to file for another general rate increase prior to November 30, 2021. Settlement ¶ 13(g). This provision will provide a measure of rate stability for consumers and will prevent rate increases in quick succession.

**III. CONCLUSION**

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,



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DATE: August 1, 2019  
275384

**APPENDIX F**  
**Statement in Support of the**  
**Office of Small Business Advocate**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility Commission** :  
 :  
 **v.** : **Docket No. R-2019-3006904**  
 :  
**Newtown Artesian Water Company** :

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

The Office of Small Business Advocate ("OSBA") is authorized and directed by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50, to represent the interests of small business consumers of utility services in matters before the Pennsylvania Public Utility Commission ("Commission").

On March 1, 2019, The Newtown Artesian Water Company ("Company") filed Supplement No. 136 to Tariff Water - Pa. P.U.C. No. 9 ("Supplement No. 136"). The proposed tariff supplement sought to increase the Company's overall revenues by 16.9%, or \$934,154 per year.

After a preliminary review of the materials submitted by the Company in support of its proposed rate increase, the OSBA filed a Complaint on April 2, 2019 against the rates, terms, and other provisions of Supplement No. 136. In filing the Complaint, the OSBA was especially concerned with protecting commercial customers from a larger overall percentage increase in rates than that necessitated by rate consolidation considerations.

In addition to the OSBA, the Office of Consumer Advocate ("OCA") also filed a Complaint against Supplement No. 136. The Commission's Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance.

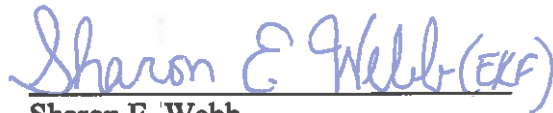
Following the Commission's suspension of Supplement No. 136 for investigation, the proceeding was assigned to Administrative Law Judge Darleen Heep ("ALJ"). Thereafter, the Company, the OSBA, the OCA, and I&E filed testimony and participated in settlement discussions. Those discussions led to the Joint Petition for Settlement.

Under the Joint Petition for Settlement, the Company's overall revenues will be permitted to increase by no more than \$780,000 or 14.1%. In addition, commercial customers in the Newtown Rate Area will receive the same percentage rate increase as similarly-sized residential customers in the Newtown Rate Area will receive. Similarly, commercial customers in the Indian Rock Rate Area will receive the same percentage rate increase as similarly-sized residential customers in the Indian Rock Rate Area. Moreover, the overall increase to the consolidated consumption charge was minimized under the Joint Petition for Settlement by assigning appropriately sized increases to the Company's fire service classes.

The OSBA supports the Joint Petition for Settlement because the overall revenue increase will be more modest than originally proposed by the Company and because the rates of commercial customers in each respective rate area will increase by the same percentage as the rates of residential customers in that same rate area.

In view of the foregoing, the OSBA urges the Administrative Law Judge and the Commission to find that the Joint Petition for Settlement is in the public interest and to approve the Joint Petition for Settlement without modification.

Respectfully submitted,



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Dated: August 1, 2019

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3006904
Office of Consumer Advocate	:	C-2019-3008684
Office of Small Business Advocate	:	C-2019-3008912
	:	
v.	:	
	:	
The Newtown Artesian Water Company	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 1<sup>st</sup> day of August, 2019, served a true and correct copy of the foregoing Joint Petition for Settlement of Rate Investigation, upon the persons and in the manner indicated below:

**VIA ELECTRONIC MAIL AND FIRST CLASS MAIL, POSTAGE PREPAID**

The Honorable Darlene D. Heep  
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Commonwealth of Pennsylvania  
Pennsylvania Public Utility Commission  
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Thomas T. Niesen