



Thomas J. Sniscak  
(717) 236-1300 x224  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)

Whitney E. Snyder  
(717) 236-1300 x260  
[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)

Bryce R. Beard  
(717) 236-1300 x248  
[brbeard@hmslegal.com](mailto:brbeard@hmslegal.com)

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100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 [www.hmslegal.com](http://www.hmslegal.com)

October 12, 2021

***By Electronic Filing***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street – Second Floor North  
Harrisburg, PA 17120

RE: Community Utilities of Pennsylvania Inc. Water Division;  
Docket No. R-2021-3025206;  
Community Utilities of Pennsylvania Inc. Wastewater Division;  
Docket No. R-2021-3025207;

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Joint Petition for Full Settlement of Rate Proceedings in the above-captioned proceeding.

Copies have been served in accordance with the attached Certificate of Service. If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,

*/s/ Whitney E. Snyder*

Thomas J. Sniscak (Attorney ID No. 33891)  
Whitney E. Snyder (Attorney ID No. 316625)  
Bryce R. Beard (Attorney ID No. 325837)

*Counsel for  
Community Utilities of Pennsylvania Inc.*

WES/das

cc: ALJ Dennis Buckley ([debuckley@pa.gov](mailto:debuckley@pa.gov))  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3025206
	:	
Community Utilities of Pennsylvania Inc.	:	
– Water Division	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3025207
	:	
Community Utilities of Pennsylvania Inc.	:	
– Wastewater Division	:	

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**JOINT PETITION OF ALL ACTIVE PARTIES CUPA, I&E, OCA, AND OSBA FOR  
FULL SETTLEMENT OF RATE PROCEEDINGS**

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Date: October 12, 2021

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## **I. INTRODUCTION**

Community Utilities of Pennsylvania Inc. Water and Wastewater Divisions (“CUPA” or “Company”), the Bureau of Investigation & Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), by their attorneys and collectively referred to as “Joint Petitioners,” submit and join in this Joint Petition for Full Settlement of Rate Proceeding (“Settlement”) between and among all of the active parties in the above-captioned consolidated proceeding; and respectfully request that Administrative Law Judge Buckley (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): 1) approve the proposed Settlement and all of its terms and conditions without modification; and, 2) find that the terms of the Settlement are in accordance with the law and are in the public interest.

The Joint Petition<sup>1</sup> is organized as follows:

**Section II** contains terms and conditions of the proposed Settlement. These terms include, *inter alia*, specifications on revenue requirement, a two-year rate case stay-out, rate design that has a low-income program (discount rate) for water customers, commitment to propose a low income pilot program for wastewater customers in CUPA’s next proceeding, and agreement by CUPA to participate in the Low Income Household Water Assistance Program. The terms also address various service-related issues in this proceeding.

**Section III** contains stipulations of fact.

**Section IV** explains the proposed Settlement is in the public interest because:

- The proposed Settlement provides a reasonable resolution based on an extensive investigation of CUPA’s filings, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony the Joint Petitioners, and exhaustive

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<sup>1</sup> Appendix A hereto contains a procedural history, proposed conclusions of law, and proposed ordering paragraphs.

settlement negotiations. The Joint Petitioners in this proceeding had substantially different views on many issues in this proceeding. Where the Joint Petitioners agreed, with regard to the need for certain improvements, investigation and reporting, the Settlement adopts those requirements and commitments. The Joint Petitioners were able to reach a balanced compromise on all issues that recognizes the benefit to CUPA's ratepayers of providing CUPA with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service, while also addressing the principle of gradualism in rate changes, particularly given the ongoing hardships that may be faced by some customers. Further, the proposed Settlement adopts most of the recommendations by the I&E and OCA witnesses to provide the Joint Petitioners with information to monitor CUPA's efforts.

- The Settlement is consistent with Commission policies promoting negotiated settlements. The Joint Petitioners arrived at the Settlement, after conducting extensive discovery and numerous in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

- The Settlement produces just and reasonable rates that demonstrates gradualism and will not result in rate shock to any customer class while still allowing CUPA adequate revenue and rate of return, particularly given that the Settlement addresses low-income programs for both water and wastewater customers, which was a contested issue in this proceeding.

- CUPA, who has made significant investment the facilities for these service territories to modernize infrastructure and the provision of service,<sup>2</sup> is receiving 17% less than the increase in revenues that it requested, while agreeing to various settlement provisions to increase adequacy of service.

- The rate design further mitigates impacts to customers in various ways. First, for low-income customers who will be most impacted by any rate increase, the Settlement provides an immediate low-income program for water customers and a

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<sup>2</sup> CUPA W&WW Statement No. 7-R at 9:21-3, 10:6-11:2; Exhibit No. EL-4R.

proposal for a wastewater low-income program in CUPA's next base rate case. Those programs are a pilot program with lower volumetric rates for ratepayers who meet the income threshold. CUPA also commits to participate in the new in the Low Income Household Water Assistance Program, which provides monetary assistance to ratepayers who meet the income threshold to help pay their bills and avoid service termination. Under the proposed Settlement, rates for water service will increase more than wastewater, by percentage, and these programs will help to offset those increases for those most impacted.

- Full consolidation of Tamiment customers (which CUPA proposed in its original filing and other parties contested) is not achieved, so Tamiment customers are receiving a smaller rate increase than originally proposed. This demonstrates gradualism, with full consolidation in CUPA's next rate case. While Tamiment water customers receive the highest rate increase by percentage, they will still pay less per average bill than water customers in the consolidated CUPA systems. At the same time, however, the Settlement serves to substantially reduce the rate differences between the CUPA and Tamiment customers, water and wastewater.

- There are no increases to residential customer charges, only to volumetric charges. This promotes conservation and allows customers more control over their bills.

- To the extent service issues raised at the public input hearings were not resolved through the provision of additional evidence, the Settlement provides for further resolution of those issues, reflecting CUPA's agreement to various requests I&E and OCA made in their testimony to address these issues, including: reporting on boil water advisories, do not consume advisories, compliance with the DEP Consent Order & Agreement; submission of information on lost and unaccounted for water broken down by service territory and cause; record keeping on isolation valve exercising; advance notice to Tamiment customers regarding planned system maintenance that may discolor water; terms to address low water pressure and improvement of water supply for Penn Estate customers; provision of information to wastewater customers regarding grinder pumps; and updated call center performance data.

- The proposed Settlement avoids necessity of further proceedings what would have been a substantial cost to the Joint Petitioners and CUPA's customers.

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

1. The Company, I&E, OCA, and the OSBA engaged in a series of long, detailed, and productive discussions to determine if, consistent with the Commission's policy to "encourage settlements," stated at 52 Pa. Code §5.231(a), a settlement was possible. After extensive discovery by I&E, OCA, and OSBA and testimonial presentation by all parties, CUPA, I&E, OSBA, and OCA engaged in an even more extensive series of settlement negotiations. The settlement provided in this Joint Petition is the product of those comprehensive negotiations, representing give-and-take by all Joint Petitioners, and which resulted in a settlement that is in the public interest balancing CUPA's significant investment to modernize facilities in its territories and the need for cost-based rates and measures to further enhance service and future performance with the principle of gradualism in rate changes and recognition of potential ongoing financial hardships for some customers resulting from the COVID-19 pandemic. In response to service concerns raised by customers, the proposed Settlement imposes requirements to investigate pressure and water supply and increase communication with customers and the statutory advocates to enable them to monitor progress. The settlement is a typical "black box" settlement;<sup>3</sup> that is, without admission on any

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<sup>3</sup> *Pennsylvania Public Utility Commission et al v. Peoples TWP LLC*, 2013 WL 6835105, at \*16 (Order entered Dec. 19, 2013) ("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.

particular issue though the terms agreed to are enforceable upon approval by the Commission. The Joint Petitioners agree that this settlement is a reasonable resolution of competing positions and interests in a way that meets and promotes the public interest. It also avoids significant rate case and time and expense of all involved and avoids further expense including expensive briefing, exceptions and potential appeals. Under prevailing Pennsylvania law, the reasonable rate case costs are borne by the ratepayers. The proposed Settlement consists of the following terms and conditions:

A. Revenue Requirement Increase - Water

2. Upon the Commission's approval of this Settlement, the Company will be permitted to charge the rates for water service set forth in the proposed Tariff Supplement attached hereto as **Appendix B** ("Settlement Rates"), to become effective upon one day's notice. Instead of the \$757,517 increase requested in the filing, the Settlement Rates are designed to produce an increase of annual water revenue of \$630,000 as shown in greater detail on the Proof of Revenues attached hereto as **Appendix E**.

B. Revenue Requirement Increase - Wastewater

3. Upon the Commission's approval of this Settlement, the Company will be permitted to charge the rates for wastewater service set forth in the proposed Tariff Supplement attached hereto as **Appendix C** ("Settlement Rates"), to become effective upon one day's notice. Instead of the \$998,705 increase requested in the filing, the Settlement Rates are designed to produce an increase of annual wastewater revenue of \$830,000 as shown in greater detail on the Proof of Revenues attached hereto as **Appendix F**.

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For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.").



C. Stay Out

4. The Company agrees that it will not file for a general increase pursuant to 66 Pa C.S. § 1308(d) to water or wastewater base rates earlier than September 30, 2023. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required by Commission order or industry-wide changes in regulatory policy which affect CUPA's rates.

D. Effective Date

5. Upon the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file a tariff for water service, in the form attached hereto as **Appendix B**, and a tariff for wastewater service, in the form attached hereto as **Appendix C**, reflecting the agreed-to additional operating revenue. The Joint Petitioners agree to the implementation of the Settlement Rates on January 12, 2022, when the original statutory suspension period was to expire, if the Commission enters an Order approving the Joint Petition prior to or on that date.<sup>4</sup>

6. If the Commission approval of this Settlement occurs after January 12, 2022, the Joint Petitioners agree that CUPA shall be entitled to recoup the revenue increase not billed from the effective date of January 12, 2022, through the date of any PUC approval of new rates in the manner set forth in the Commission's final Order in this proceeding. The revenue increases not billed from the effective date of January 12, 2022, through the date of PUC approval of new rates will be recovered over a six-month period that shall be applied proportionately to all customer classes via a surcharge on each monthly bill during the six-month recovery period. The Company will be permitted to file a tariff page, in the form attached hereto as **Appendix D**, to implement the surcharge.

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<sup>4</sup> By Order entered July 22, 2021, the procedural suspension date was extended from January 12, 2022 to February 18, 2022.

E. Rate Design and Structure

7. The parties agree to the rate design reflected in **Appendix E** and **Appendix F**, which reflects the following rate design principles:

8. The parties agree to a partial consolidation of Tamiment (50% movement toward consolidation). Specifically, Tamiment usage rates will move approximately 50% of the way from their existing place to the consolidated rates of CUPA, with full consolidation in CUPA's next case.

9. Tamiment wastewater rates will continue to be based on metered usage, i.e. not converted to a fixed flat rate as proposed by the Company.

10. In its next base rate filing, CUPA will propose metered rates for customers in its Penn Estates wastewater system (made up of fixed and volumetric charges). For its Utilities Inc. of Pennsylvania wastewater system, within 30 days of a final Order in this proceeding, CUPA will reach out to the customers' water service provider to establish an ongoing arrangement to obtain monthly volumetric usage data and to obtain 24 months of data (which may include historic data). CUPA will advise the parties when such agreement is entered into. If the data is obtained by March 1, 2023 and in usable format, CUPA will propose metered rates (made up of fixed and volumetric charges) for its Utilities Inc. of Pennsylvania wastewater customers in its next base rate filing.

11. To facilitate this proposal, CUPA's filing will also include a cost of service study that assigns costs to customer classes based on flow requirements.

12. All current water service monthly customer charges will be maintained, except that the Tamiment 6-inch commercial water customer charge will be increased by the system average increase. Availability charges will be increased by 1.5 times the system average.

13. The current Tamiment wastewater availability charge will be moved halfway toward the consolidated charge approved by the Commission in this proceeding. All of CUPA's other proposed availability and volumetric charges will be proportionately scaled back to reflect the decreased in revenue requirement from the filed-for amount. For the consolidated systems, the wastewater service flat and schools rates will be proportionately scaled back.

14. CUPA's proposed Low-Income Rate for residential water service will be approved as a pilot program until the next base rate proceeding, with the following modifications: after scaleback for the reduction in revenue requirement provided in this settlement, the low-income rates for each system will provide a 35% discount rather than 65% as originally proposed (pinned to 35% of the regular residential rate), from the regular residential volumetric rates. In the next base rate case, all parties reserve their rights to address continuation or modification of the program.

15. During the period that the residential low-income rate for water service is considered a pilot program, the Company will record a regulatory asset or liability for amounts over or under the amount included in rates for recovery or refund in the next base rate case. The amount of revenue included in rates is the projected CUPA residential low-income gallonage of 15,066.541 kilogallons multiplied by the low-income rate of \$8.784, plus the projected Tamiment low-income gallonage of 2,590.588 kilogallons multiplied by the low-income rate of \$7.444. The amount of water revenue to be included in the regulatory asset or liability is the difference between the projected and the actual residential low-income gallonage multiplied by the difference between the low-income rate and the regular residential rate. The Company will provide quarterly updates detailing total customer participation, total gallons used by enrolled customers, and the associated water revenue shortfall or surplus resulting from the reduced volumetric rates for enrolled

customers. The regulatory asset/liability provision and quarterly update requirements will be subject to review and modification in the next base rate case.

16. In its next base rate proceeding, CUPA will propose a Low-Income Rate for residential wastewater service, as a pilot program. All parties reserve the right to challenge the proposal.

17. The Company will participate in the Low Income Household Water Assistance Program (LIHWAP) providing a bill insert to all customers once the program is available with information on how to register for the program,<sup>5</sup> providing that information when contacting customers about disconnection or arrearages, and utilizing LIHWAP funds for its water and wastewater customers consistent with the final PA Department of Human Services requirements. Funds received by CUPA from PA LIHWAP will be included in the quarterly reports in Paragraph 7 above. In the next base rate case, all parties reserve the right to review and address whether any of the PA LIHWAP funding received by CUPA should be included in the regulatory asset or liability.

F. Reporting Requirements

18. The Company will provide the Commission's Bureau of Technical Utility Services and the signatories to the Settlement with an update to CUPA Supporting Data, Section 1, p. 17 of the water and wastewater filing no later than April 1, 2022, under this docket number, which should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2021. An additional update should be provided for actuals through December 31, 2022, no later than April 1, 2023.

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<sup>5</sup> This bill insert will also include information on the low income usage rate.

19. Until the Company files its next base rate case, CUPA will serve a copy to the Settlement Parties of any Boil Water Advisory (“BWA”) or Do Not Consume Advisory issued to customers. Service can be effected by email.

20. Going forward, when CUPA submits a progress report to the Pennsylvania Department of Environmental Protection (DEP) regarding the Consent Order and Agreement dated October 22, 2020 (related to the Penn Estates wastewater system), CUPA will serve a copy to the Settlement parties. Service can be effected by email.

G. Service-Related Commitments

21. In future base rate cases, the Company will submit an individual PUC Form 500 for each of its water systems. Also, in its next base rate proceeding, CUPA will provide a breakdown of Lost and Unaccounted for Water (LUFW) by system detailing all identified causes.

22. For each of its water systems, the Company’s records regarding isolation valves will include (1) the valve location, (2) date of attempt to exercise each valve; and (3) if the valve was broken or operable (successfully exercised). If the valve could not be properly exercised, the valve will be scheduled to be repaired or be replaced. As part of its next base rate filing, the Company will provide the exercising records and schedule for any repair/replacements.

23. For the Tamiment Water System, the Company will provide advance notice to customers regarding planned system maintenance that may discolor water (including flushing and switching wells).

24. For the Penn Estates Water System:

a) Within one year of the Commission’s final order in this proceeding, the Company will have a study conducted to determine whether it can reduce normal operating pressures exceeding 125 psi in its mains without adversely impacting water pressure of some customers. So long as the study shows customer water pressure

will not be adversely impacted, CUPA will reduce normal operating pressures exceeding 125 psi in its mains.

b) As part of its next base rate filing, CUPA will provide a report on its proposed implementation of the GHD Report and any action taken with regard to (1) providing adequate supply; (2) complying with minimum pressure requirements; (3) increasing pressures in low pressure areas so that it is suitable for all household purposes; (5) drilling a new well(s) or interconnecting with another utility for water supply; and (6) obtaining local, state or federal funding for water supply and pressure projects.

25. While recognizing that grinder pumps are customer-owned facilities and the responsibility of customers, the Company agrees to provide every new wastewater customer that has a grinder pump with information on operation and maintenance of grinder pumps or how to obtain such information. The Company will also continue to provide the information to existing wastewater customers via an annual bill insert, which will be delivered electronically to those customers who have chosen to receive bills electronically.

26. As part of its next base rate filing, CUPA will update the call center performance data contained in Parks Rebuttal Exhibit 1.

#### H. Tamiment Rate Base Valuation

27. In compliance with the Commission's Final Orders in Docket Nos. A-2018-3005430 et al., to establish a rate base value for Tamiment water and wastewater facilities in this rate case, based on traditional and generally accepted ratemaking principles, the Joint Petitioners agree that the value for Tamiment rate base is as follows:

Description	UPIS	Accumulated Depreciation	CWIP	Rate Base
Water	2,212,733	(888,472)	-	1,324,261
Wastewater	2,861,017	(1,617,881)	-	1,243,135
<b>Total</b>	<b>5,073,750</b>	<b>(2,506,354)</b>	-	<b>2,567,397</b>

28. Included in the Company's incremental revenue increase for wastewater is the amortization expenses of the Tamiment Construction Work in Progress (CWIP), which is being amortized over 11 years ( $\$439,920 / 11 = \$39,992.73$ ). The unamortized balance of the Tamiment CWIP ( $\$439,920$ ) will not be included in rate base at any time during or after the amortization period. Also, CUPA is authorized to record the  $\$39,992.73$  of expense through depreciation, if allowed by its external auditor or accounting firm.

I. Standard Terms

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

30. This Settlement is presented without prejudice to the position any of the Joint Petitioners may advance in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to by the Joint Petitioners in this Settlement that would carry forward into subsequent rate cases.

31. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. In reaching this proposed Settlement, the Joint Petitioners thoroughly considered all issues and give and take of positions. As a result of that consideration, the Joint Petitioners believe that the settlement agreement meaningfully addresses all such issues raised and therefore should be approved without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

32. All Joint Petitioners support the Settlement and agree, as a result of this negotiated settlement and the facts and data examined and in view of existing ratemaking law and principles, to make reasonable and good faith efforts to obtain approval of the Settlement by the ALJ and the Commission without modification. If the ALJ, in the Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, to the extent any terms and conditions of the Settlement are modified, or additional matters are proposed by the ALJ in the Recommended Decision, the Joint Petitioners do not waive their rights to file Exceptions in support of the Settlement. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed provided such Replies support the Settlement.



33. The Joint Petitioners recognize that this Joint Petition is a settlement of, and binding upon, only among the parties signing this document.

34. The OCA represents it will, on the date of the signing of this settlement petition, send a letter providing instructions concerning the Complainants' opportunity to address the proposed Settlement. OCA also represents that the letter will explain that the Complainant has until October 22, 2021 to join, disagree but not actively oppose, or object to the proposed settlement and provides contact information for the OCA.

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

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

### **III. STIPULATIONS OF FACT**

37. CUPA is a Pennsylvania public utility providing service to modernize water and wastewater systems, operating in four service territories in Pennsylvania, formerly known as – Penn Estates, Westgate, Utilities Inc., and Pennsylvania Utility Company (Tamiment).<sup>6</sup> CUPA serves approximately 3,412 water customers and 3,971 wastewater customers.

38. I&E was created by the Commission pursuant to 66 Pa. C.S. § 308.2(a)(7) as a prosecutory bureau for purposes of, *inter alia*, representing the public interest in ratemaking matters before the Office of Administrative Law Judge. *Implementation of Act 129 of 2008*;

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<sup>6</sup> CUPA acquired Tamiment in 2019 in a state of disrepair and has already made significant upgrades, repairs, and replacements. CUPA W&WW Statement No. 7-R at 9:21-3, 10:6-11:2; Exhibit No. EL-4R (before and after photos).

*Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011, at 4-5).

39. OCA is empowered to represent the interests of Pennsylvania consumers before the Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. C.S. §§ 3-901 *et seq.*

40. OSBA is authorized 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 Commission.

41. CUPA's original base rate filings requested an increase in its water rates of \$757,517, wastewater rates of \$998,705, a 36.78% and 37.48% increase over service revenues previously generated respectively. CUPA proposed full consolidation of the rates charged to customers in the Pennsylvania Utility Company or Tamiment area with rates charged to CUPA's other customers for both water and wastewater. For water, CUPA proposed increases to both customer charges and volumetric rates. For wastewater, CUPA proposed non-volumetric rates for all customers (ie. continuing non-volumetric rates for customers outside the Tamiment area and moving Tamiment customers to non-volumetric rates).

In the course of developing proposed Settlement rates, the Joint Petitioners identified that the customer notice to CUPA's Tamiment wastewater customers as well as page 1-6 (responses to 52 Pa. Code § 53.52(b)(1)) in CUPA's wastewater rate increase filing utilized the incorrect current usage rate for Tamiment wastewater customers, which is \$13.73, not \$5.13.<sup>7</sup> This resulted in significantly understating current Tamiment wastewater residential customer average bills.

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<sup>7</sup> The correct usage charge, \$13.73, was reflected in rate filing supporting schedule number 1, pages 1-3.

Specifically, those customers were noticed for an increase from \$38.93 to \$78.22 per month or by 100.95%, when the actual increase that CUPA proposed for the average Tamiment wastewater residential bill was from \$63.14 to \$78.22 or by 23.88%.<sup>8,9</sup>

42. Including the correction identified above, CUPA's proposal would have resulted in the following impacts on average customer bills:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
Name	WWW	Class	Meter Size	12/31/22 Average Usage	BFC	Usage Rate	PWAC Surcharge	Average Bill	12/31/22 Average Usage	Proposed BFC*	Proposed Usage*	Proposed Average Bill	Proposed Increase	Increase %	Average Bill	Proposed Average Bill	Proposed Increase	Increase %
CUPA Consolidated Service Territories	W	RES	5/8"	3,976	\$ 17.25	\$ 9.28	\$ -	\$ 54.16	3,976	\$ 25.86	\$ 11.93	\$ 73.27	\$ 19.11	35.28%	\$ 54.16	\$ 73.27	\$ 19.11	35.28%
Tamiment Service Territory	W	RES	5/8"	2,738	\$ 18.18	\$ 5.13	\$ -	\$ 32.23	2,738	\$ 25.86	\$ 11.93	\$ 58.51	\$ 26.28	81.54%	\$ 32.23	\$ 58.51	\$ 26.28	81.54%
Low Income Customer	W	RES	5/8"	3,500	\$ 17.25	\$ 9.28	\$ -	\$ 49.74	3,500	\$ 25.86	\$ 4.13	\$ 40.30	\$ (9.44)	-18.99%	\$ 49.74	\$ 40.30	\$ (9.44)	-18.99%
CUPA Consolidated Service Territories	WW	RES	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 78.22	\$ -	\$ 78.22	\$ 22.83	41.21%	\$ 55.39	\$ 78.22	\$ 22.83	41.21%
Tamiment Service Territory	WW	RES	5/8"	2,816	\$ 24.48	\$ 13.73	\$ -	\$ 63.14	-	\$ 78.22	\$ -	\$ 78.22	\$ 15.08	23.88%	\$ 63.14	\$ 78.22	\$ 15.08	23.88%
CUPA Consolidated Service Territories	W	COM	5/8"	2,861	\$ 17.25	\$ 9.28	\$ -	\$ 43.81	2,861	\$ 25.86	\$ 10.99	\$ 57.30	\$ 13.49	30.78%	\$ 43.81	\$ 57.30	\$ 13.49	30.78%
Tamiment Service Territory	W	COM	5/8"	5,956	\$ 121.25	\$ 5.13	\$ -	\$ 151.80	5,956	\$ 25.86	\$ 10.99	\$ 91.31	\$ (60.50)	-39.85%	\$ 151.80	\$ 91.31	\$ (60.50)	-39.85%
CUPA Consolidated Service Territories	WW	COM	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 78.22	\$ -	\$ 78.22	\$ 22.83	41.21%	\$ 55.39	\$ 78.22	\$ 22.83	41.21%
Tamiment Service Territory	WW	COM	5/8"	6,125	\$ 163.24	\$ 13.73	\$ -	\$ 247.34	-	\$ 78.22	\$ -	\$ 78.22	\$ (169.12)	-68.38%	\$ 247.34	\$ 78.22	\$ (169.12)	-68.38%

<sup>8</sup> Per CUPA's filing, proposed rates were designed using different volumes than existing rates. CUPA W Exhibit No. DMC-1 at 1-6 (showing 2022 versus 2020 average usage).

<sup>9</sup> The Tamiment wastewater commercial customers were correctly noticed, using the correct current usage charge of \$13.73 as identified in the wastewater rate filing supporting schedule number 1, pages 1-3. CUPA WW Exhibit No. DMC-1.

43. CUPA also proposed a low-income program for water customers to assist those most impacted by a rate increase.

44. OCA, I&E, and OSBA each made different proposals for the rate design and consolidation of Tamiment customers. For example, the parties took different positions on CUPA's proposed low-income program and whether CUPA's proposal to fully consolidate water rates for the Tamiment system should be adopted in this case. OCA and I&E also proposed various adjustments to CUPA's operating expenses. OCA and I&E also proposed lower rates of return than what CUPA proposed. The Settlement resolves these differences in a way that is in the public interest.

45. At the public input hearing, customers alleged the following service-related concerns:

- Communications with customers and ability to contact CUPA
- Tamiment Water Service:
  - Water quality, drinkability, and appliance issues
  - Hydrant flushing
  - Low water pressure
  - Rings in toilets
  - Discolored laundry
  - Sediment in water
  - Damaged appliances
  - Failing hot water heaters
- Tamiment Wastewater Service:
  - sewer backflow
  - issues with grinder pumps
- Penn Estates Water Service:
  - August 2020 system outage
  - Boil water advisories
  - Sediment in water and appliance issues
- Westgate service territory:
  - hydrants
  - valve exercising and testing

46. In their direct testimony, OCA and I&E also raised various issues regarding CUPA's service. Based on the testimony heard at the public input hearing, I&E recommended that for water CUPA receive a zero percent rate of return due to the alleged service issues.

47. In rebuttal testimony, CUPA provided evidence of its service record, steps taken to resolve service issues, and ongoing work to upgrade service, as detailed in the following paragraphs.

48. Customer Communications:

a. CUPA's Tamiment system customer complaint logs show a reasonably low number of customer complaints received from 2019-2021 in light of the number of customers served. CUPA W&WW Statement No. 7-R at 5:19 – 6:21. *See also* OCA St. 4 at 18:18-20.

b. CUPA communicates with customers through the customer's individual preferred method, whether that be email, text, or phone, in addition to mailings to the service address or another address a customer has on file if not a permanent residence (particularly in the Tamiment service territory where many of the service addresses are vacation homes or rentals). Customers can access their online account or call customer service to update their contact information and preferred method of communication at any time to keep CUPA informed of any changes. CUPA W&WW Statement No. 7-R at 3:13-25.

c. CUPA's standard is to respond to all emergency calls – such as water outages, sewer back-ups, main breaks, etc. immediately. Contact center personnel are trained to ask the customer a series of questions to assist field personnel in their response. Once all pertinent information has been gathered by the contact center, a "field activity"

(“FA”) is prepared and pushed out to the appropriate field staff for further investigation and intervention. After-hours emergency issues are handled by a third-party service and answered by a live agent. The agent records pertinent information including (1) location: (2) contact information: and (3) service issue. The information is then relayed to the on-call operations technician through text, cell phone and/or email. If the on-call technician does not respond within 15 minutes, the next designated manager/technician is contacted. The Company has multiple staff members across the State serving in on-call status for after hour emergencies every day. CUPA W&WW Statement No. 7-R at 4:1-12. The average hold time for customers calling the Company in 2021 is approximately 41 seconds. Call-by-call volume times can vary based on time of day, system issues, and how busy the call center is at any given time but we operate against a “Target Average Speed of Answer Service Level” of eighty (80%) percent of all calls answered within sixty (60) seconds of entering queue. Most issues are resolved within 6-7 minutes representing the average customer “treatment time”. CUPA W&WW Statement No. 7-R at 4:17-5:2.

d. Previously, if customers called the Company seeking support, the customer might have been directed to a customer support representative located in any Corix location. Now CUPA customers are directed to a customer service representative responsible for customers in Pennsylvania. CUPA W&WW Statement No. 8-R at 4:5-10.

e. CUPA has implemented new customer service efforts to improve overall customer service, and CUPA’s customer service metrics show that CUPA’s customer service has improved in 2020 and 2021. CUPA St. No. 8-R at 7:5-15; Parks Rebuttal Exhibit 1. The OCA recommended that CUPA provide information regarding its call

center performance to Pennsylvania customers as part of its next base rate case filing. OCA St. 1SR at 10:20-24, 11:1-2.

49. Tamiment Water:

a. CUPA's Annual Water Quality Reports for the Tamiment System from 2019-2020 showed only recordkeeping and monitoring violations which the Company has implemented steps to prevent in the future. CUPA W&WW Statement No. 7-R at 6:22 – 7:16.

b. In 2019, CUPA received 3 dirty water complaints and one low pressure complaint. These complaints were related to operations switching between wells while performing maintenance which affected the systems pressure zones. CUPA responded to each of these calls, of which two of the three customer's water had cleared up by the time CUPA arrived to investigate, and the remaining one cleared up after 2-3 minutes of running water once CUPA was on site. There were no follow-up complaints by these customers. In 2020, CUPA received 7 low pressure and 2 chlorine odor water complaints. Five of the low pressure complaints were due to customer plumbing issues such as bad pressure release valves ("PRV") which are the responsibility of the customer. The remaining 2 low pressure calls were the result of Tamiment's Tank 1 level dropping lower than normal from an electrical issue related to a Variable Frequency Device ("VFD"). The VFD issue was resolved within 12 hours of notification to the Company. The 2 chlorine odor complaints were investigated by CUPA, but the operator could not detect any chlorine or other odors from the water at the premises. The hydrants in the area were flushed as a precaution. CUPA W&WW Statement No. 7-R at 5:23-6:15.

c. Tamiment hydrants were flushed 7/1/20 – 7/6/20. Community wide communication was sent 6/29/20 and 7/2/20 letting customers know hydrants would be flushed. Hydrants were flushed 6/14/21 – 6/18/21, community wide communication was sent 6/11/21. CUPA has a 3 year hydrant operation and maintenance schedule with Rogers Hydrant Service starting in 2020. CUPA W&WW Statement No. 7-R at 7:20-8:2.

d. CUPA has received very few low-pressure complaints, the majority of which were due to customer plumbing issues, while only 2 were related to CUPA's system. Further, only two Tamiment customers at the public input hearings indicated they had low pressure issues. CUPA W&WW Statement No. 7-R at 8:16-19.

e. Since acquiring the system in 2019, CUPA has already made significant investment and upgrades to the Tamiment water system. In September 2019, Well 3 pump failed and was replaced. Due to poor condition, CUPA also replaced the pump electrical wire and piping, check valve, and all fittings. In June 2020, Well 1 pump failed and was replaced. Due to poor condition, CUPA also replaced the pump electrical wire and piping, check valve, and all fittings. Once acquired, CUPA operators performed all internal lab work to ensure the system was operating properly. CUPA W&WW Statement No. 7-R at 9:21-3.

50. Tamiment Wastewater:

a. Since acquiring the system in 2019, CUPA has made significant investment and upgrades to the Tamiment wastewater system. When CUPA first took over operations, there was excessive sludge in the trains of the wastewater treatment plant. The filter could not be backwashed due to failed equipment. CUPA proactively rehabbed the WWTP filter throughout 2019 – 2020. This consisted of new filter media, new pumps, and piping.



Likewise, when CUPA first took over operations, the lagoon pump was broken and the spray irrigation system could not be utilized. CUPA hired a 3rd party to mow the grass around spray heads, replace irrigation spray heads, install a new pump, and unblocked the lagoon pump intake screen once CUPA took over operations after the acquisition. The entire Wastewater Treatment Plant (WWTP) and office were covered in bird fecal matter. The WWTP, office, and warehouse were cluttered with the personal belongings of Pennsylvania Utility Company operators such as abandoned vehicles, living room furniture, large fish tanks containing snapping turtles, tires, etc. CUPA cleaned these areas in 2019 and also improved the facility in 2020. The WWTP electrical system was in disrepair and was replaced and upgraded in 2020. CUPA W&WW Statement No. 7-R at 10:6-11:2; Exhibit No. EL-4R (before and after pictures).

b. A sewer backflow valve, also known as a sewer check valve, is valve which only allows flow in one direction. Its purpose is to prevent sewer from flowing into a home when the grinder pump is not running. CUPA is not responsible for the maintenance or operation of sewer check valves on customer-owned facilities or lines, instead they are the customer's responsibility to maintain. CUPA W&WW Statement No. 7-R at 11:17-21.

c. The Glen at Tamiment is serviced by a low pressure sewer force main. Due to the elevation changes of the terrain in The Glen a gravity collection system was not installed. A grinder pump is needed to discharge wastewater into the low pressure force main. These types of customer-owned facilities are not unusual. Not all customers in Tamiment require grinder pumps, and the customer grinder pumps are limited to certain areas as the system was originally designed. Ultimately, the grinder pump is the customer's property and responsibility to maintain. CUPA W&WW Statement No. 7-R at 12:1-7.

d. In early-mid June 2020 CUPA became aware of customer concerns related to the customer's grinder pumps. CUPA and its contractor, Environmental Services Corporation (ESC), attended a board meeting at The Glen on July 19, 2020. CUPA answered questions relating to the gravity collections system, low-pressure force main system, lift stations, and maintenance of them. CUPA and ESC explained grinder pumps, the customer check valves, CUPA's operating PSI, and customer responsibilities related to grinder pumps. On July 20, 2020 CUPA and ESC investigated the areas of The Glen experiencing grinder pump issues. They found no blockages and force main pressures ranging from 5-20 PSI, which is below the operating PSI of a grinder pump. ESC released air within the low pressure force main. After releasing the air, the system pressure remained 5-20 PSI. ESC installed 3 new air release valves (ARV) in the low pressure force main and repaired the one existing ARV. Based on CUPA's and ESC's investigation, the 2019 and 2020 grinder pump issues are not the result of CUPA's system or failure thereof. CUPA W&WW Statement No. 7-R at 12:13-13:8.

51. Penn Estates Water:

a. CUPA's Annual Water Quality Reports for the Penn Estates System from 2018-2020 showed only minor violations which the Company took action to correct as well as recordkeeping and monitoring violations which the Company has implemented steps to prevent in the future. CUPA W&WW Statement No. 7-R at 18:6-17.

b. In August 2020, CUPA's Penn Estates' system experienced a water outage event as a result of leaks in the distribution system. Operators at Penn Estates systematically searched for leaks in the system beginning in early 2020 to confirm whether there were other contributing factors to tank level issues. A leak detecting company was

contracted to look for leaks in targeted areas of the community. In May 2020, CUPA started sending voice reaches (VR) asking customers to conserve water and look for leaks within and around their homes. Also, on May 20, 2020, CUPA started hauling in bulk water to supplement tank levels. The highest elevation tanks became critically low and CUPA issued boil water advisory on August 3, 2020. CUPA provided customers with access to bottled water and hauled bulk water to supplement tank levels. CUPA found and repaired the leaks, water levels stabilized, and the boil water advisory was rescinded August 13, 2020. A letter explaining what happened was mailed to all customers September 8, 2020. That letter was posted in the Community's monthly newsletter in October 2020. CUPA W&WW Statement No. 7-R at 15:1-23.

c. CUPA replaced 3 well pumps in 2020 and 1 in 2021. CUPA W&WW Statement No. 7-R at 15:2-4.

d. From July 2019 through June 30, 2021 in the Penn Estates territory, CUPA received only one sediment related call and four appliance related calls. Regarding the sediment call, the customer called about red rusty sediment in their pressure gauge located just after the meter. CUPA provided the customer with a new pressure gauge upon investigating the complaint. The four appliance calls were complaints related to the water pressure being too high and either claiming that the pressure damaged their water heater or the heaters pressure reducing valve (PRV). CUPA recommends all homes have PRVs. The maintenance of PRVs is the responsibility of the customer, a fact of which CUPA informed each customer at the time of CUPA's investigation. CUPA W&WW Statement No. 7-R at 17:12-22.

e. CUPA worked with its outside consultant, GHD, to assess and improve system operations to minimize loss of service in the Penn Estate's system. By report dated February 23, 2021, various recommendations were made. CUPA W&WW Statement No. 7-R at 21:13-14; OCA St. 4SR at 8:13- 14:2.

52. Westgate Water:

a. CUPA purchases water for its Westgate system from the City of Bethlehem. CUPA W&WW Statement No. 7-R at 20:8. The annual water quality reports for Westgate show no violations for 2018-2019, and only a single failure to monitor and report violation in 2020. *Id.* at 20:8-11.

b. CUPA has a 3-year hydrant operation and maintenance schedule with a new service company, Rogers Hydrant Service, which started in 2020. The schedule includes hydrants being flushed two times per year, and customers receive notice of the flushing at least one day in advance through their on-file preferred communication method. CUPA W&WW Statement No. 7-R at 19:3-7.

c. CUPA actively maintains and monitors its valves at regular intervals. In 2020, CUPA undertook an extensive valve inspection program on Westgate water mains and generated inspection reports which allowed CUPA to create a strategic plan to isolate areas and insert new valves and/or repair or replace existing valves. Based on the inspection program, CUPA began its valve replacement program in early 2021 and is in the process of replacing valves and inserting additional valves in the system. CUPA W&WW Statement No. 7-R at 19:7-13.

53. After reviewing CUPA's rebuttal testimony, in its surrebuttal testimony, I&E withdrew its zero percent rate of return recommendation, acknowledged that CUPA had addressed

or offered explanatory or contextual evidence in response to the issues raised at the public input hearing, and recommended the company complete additional reporting. I&E WW St. No. 3-SR at 16:11-16; I&E W St. No. 3-SR at 29:12-20; I&E St. No. 2-SR at 22:13-17. OCA in its surrebuttal testimony suggested, *inter alia*, that CUPA submit individual PUC Form 500's for each water system, report boil water advisories and do not consume advisories to the parties, have Tamiment Wells Nos. 1 and 3 tested for secondary contaminants, have its engineer make recommendations for the Company to ensure adequate supply and pressures in the Penn Estates water system, provide information to new and existing customers regarding operation and maintenance of grinder pumps and, for the Penn Estates wastewater system, provide copies of progress reports on the Company's compliance with the October 22, 2020 Department of Environmental Protection/CUPA Consent Order & Agreement to the parties. OCA St. 4SR at 14:8-15:20.

54. In response to OCA's suggestion and based on customer testimony, on September 10, 2021, CUPA tested Tamiment Well Nos. 1 and 3 for secondary containments. The results show these wells are in compliance with secondary water quality standards. CUPA W Exhibit No. 1-T.

55. The surrebuttal and rejoinder testimony demonstrated Joint Petitioner's continued disagreement on revenue requirement, rate design, and rate of return.

56. In establishing a proposed base rate increase, the proposed Settlement fairly balances CUPA's revenue needs with the challenges raised by the parties concerning a rate increase and the structure of that rate increase, particularly given each of the Joint Petitioners had a different view on rate design. The Settlement also contains provisions to address the other concerns the parties identified about various aspects of CUPA's operations and service including customer service, customer assistance, safety and customer education. As such, it represents a

comprehensive resolution of issues in dispute and a reasonable compromise of differing objectives and views.

57. Fairly balancing the Joint Petitioner's positions, the proposed Settlement provides for a total combined increase for water and wastewater of \$1,460,000, which is approximately 17% less than the originally proposed increase. The rate design also fairly balances positions of the parties. While CUPA wanted to fully consolidate Tamiment rates, other parties disagreed with full consolidation in this proceeding due to magnitude of rate increase necessary to achieve full consolidation. Instead, the Settlement provides for approximately 50% consolidation for Tamiment rates toward the rates of the other CUPA customers. Moreover, the Settlement allocates rate increases to volumetric charges, not fixed customer charges, to encourage conservation.

58. The combination of the negotiated revenue increase and rate design results in rate increases to customers that are fair. For those customers most impacted, the Settlement provides for low income rates for water, provision for CUPA to propose a low income pilot program for wastewater customers in its next base rate case, and participation by CUPA in the Low Income Household Water Assistance Program and commitment to help promote registration by eligible customers. The Settlement also provides for a stay-out, so that customer base rates will not increase again for at least two years. The rate increases on an average bill basis are as follows:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	
Name	W/WW	Class	Meter Size	12/31/22		BFC	Usage Rate	PWAC Surcharge	Current Average Bill	12/31/22 Average Usage	Proposed BFC*	Proposed Settlement Usage Rate*	Proposed Average Bill	Proposed Increase	Increase %	Settlement			
				Average Usage												Current Average Bill	Proposed Average Bill	Settlement Proposed Increase	Settlement Increase %
CUPA Consolidated Service Territories	W	RES	5/8"		3,976	\$ 17.25	\$ 9.283	\$ -	\$ 54.16	3,976	\$ 17.25	\$ 13.514	\$ 70.98	\$ 16.82	31.06%	\$ 54.16	\$ 70.98	\$ 16.82	31.06%
CUPA Low Income Customer	W	RES	5/8"	▼	3,976	\$ 17.25	\$ 9.283	\$ -	\$ 54.16	3,976	\$ 17.25	\$ 8.784	\$ 52.18	\$ (1.99)	-3.67%	\$ 54.16	\$ 52.18	\$ (1.99)	-3.67%
Tamiment Service Territory	W	RES	5/8"		2,738	\$ 18.18	\$ 5.130	\$ -	\$ 32.23	2,738	\$ 18.18	\$ 11.452	\$ 49.54	\$ 17.31	53.71%	\$ 32.23	\$ 49.54	\$ 17.31	53.71%
Tamiment Low Income Customer	W	RES	5/8"	▼	2,738	\$ 18.18	\$ 5.130	\$ -	\$ 32.23	2,738	\$ 18.18	\$ 7.444	\$ 38.57	\$ 6.34	19.66%	\$ 32.23	\$ 38.57	\$ 6.34	19.66%
					-														
CUPA Consolidated Service Territories	WW	RES	5/8"		-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
Tamiment Service Territory	WW	RES	5/8"		3,406	\$ 24.48	\$ 13.730	\$ -	\$ 71.24	3,406	\$ 26.15	\$ 13.977	\$ 73.75	\$ 2.51	3.53%	\$ 71.24	\$ 73.75	\$ 2.51	3.53%
					-														
CUPA Consolidated Service Territories	W	COM	5/8"		2,861	\$ 17.25	\$ 9.283	\$ -	\$ 43.81	2,861	\$ 17.25	\$ 12.876	\$ 54.09	\$ 10.28	23.46%	\$ 43.81	\$ 54.09	\$ 10.28	23.46%
Tamiment Service Territory	W	COM	5/8"		5,956	\$ 121.25	\$ 5.130	\$ -	\$ 151.80	5,956	\$ 121.25	\$ 10.815	\$ 185.66	\$ 33.86	22.30%	\$ 151.80	\$ 185.66	\$ 33.86	22.30%
CUPA Consolidated Service Territories	WW	COM	5/8"		-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
Tamiment Service Territory	WW	COM	5/8"		6,125	\$ 163.24	\$ 13.730	\$ -	\$ 247.34	6,125	\$ 26.15	\$ 13.977	\$ 111.76	\$(135.58)	-54.81%	\$ 247.34	\$ 111.76	\$(135.58)	-54.81%

59. To the extent service issues were not addressed via the evidence recited above, the Settlement also includes terms to improve service, including the reporting and other terms OCA and I&E requested in testimony on boil water advisories, do not consume advisories, compliance with DEP Consent Order and agreement, submission of information on lost and unaccounted for water broken down by service territory and cause, record keeping on isolation valve exercising, advance notice to Tamiment customers regarding planned system maintenance that may discolor water, terms to address low water pressure and improvement of water supply for Penn Estate's customers, provision of information to wastewater customers regarding grinder pumps, and updated call center performance data.

60. On balance, the Settlement comprehensively resolves all issues raised during the proceeding in a manner that is consistent with the public interest.

#### **IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

61. The proposed Settlement provides a reasonable resolution. This Settlement was achieved by the Joint Petitioners after an extensive investigation of CUPA's filings, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony the Joint Petitioners, and exhaustive settlement negotiations. The Joint Petitioners in this proceeding had substantially different views on many issues in this proceeding, including rate design principles. Where the Joint Petitioners agreed, with regard to the need for certain improvements, investigation and reporting, the Settlement adopts those requirements and commitments. The Joint Petitioners were able to reach a balanced compromise on all issues that recognizes the benefit to CUPA's ratepayers of providing CUPA with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service, while also addressing the need for gradualism in rate changes, particularly given the potential ongoing



hardships faced by some customers. Further, the proposed Settlement adopts most of the recommendations by the I&E and OCA witnesses to provide the Joint Petitioners with information to monitor CUPA's efforts.

62. The Settlement is consistent with Commission policies promoting negotiated settlements. The Joint Petitioners arrived at the Settlement, after conducting extensive discovery and numerous in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

63. The Settlement produces just and reasonable rates that demonstrates gradualism and will not result in rate shock to any customer class while still allowing CUPA adequate revenue and rate of return, particularly given that the Settlement addresses low-income programs for both water and wastewater customers, which was a contested issue in this proceeding.

a. CUPA, who has made significant investment the facilities for these service territories to modernize infrastructure and the provision of service,<sup>10</sup> is receiving 17% less than the increase in revenues that it requested, while agreeing to various settlement provisions to increase adequacy of service.

b. The rate design further mitigates impacts to customers in various ways. First, for low-income customers who will be most impacted by any rate increase, the Settlement provides an immediate low-income program for water customers and a proposal for a wastewater low-income program in CUPA's next base rate case. Those programs are a pilot program with lower volumetric rates for ratepayers who meet the income threshold.

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<sup>10</sup> CUPA W&WW Statement No. 7-R at 9:21-3, 10:6-11:2; Exhibit No. EL-4R.

CUPA also commits to participate in and promote registration by customers in the Low Income Household Water Assistance Program, which provides monetary assistance to ratepayers who meet the income threshold to help pay their bills and avoid service termination. Under the proposed Settlement, rates for water service will increase more than wastewater, by percentage, and these programs will help to offset those increases for those most impacted.

c. Full consolidation of Tamiment customers (which CUPA proposed in its original filing and other parties contested) is not achieved, so Tamiment customers are receiving a smaller rate increase than originally proposed. This demonstrates gradualism, with full consolidation in CUPA's next rate case. While Tamiment water customers receive the highest rate increase by percentage, they will still pay less per average bill than water customers in the consolidated CUPA systems. At the same time, however, the Settlement serves to substantially reduce the rate differences between the CUPA and Tamiment customers, water and wastewater.

d. There are no increases to residential customer charges, only to volumetric charges. This promotes conservation and allows customers more control over their bills.

64. To the extent service issues raised at the public input hearings were not resolved through the provision of additional evidence, the Settlement provides for further resolution of those issues, reflecting CUPA's agreement to various requests I&E and OCA made in their testimony to address these issues, including: reporting on boil water advisories, do not consume advisories, compliance with the DEP Consent Order & Agreement; submission of information on lost and unaccounted for water broken down by service territory and cause; record keeping on isolation valve exercising; advance notice to Tamiment customers regarding planned system maintenance

that may discolor water; terms to address low water pressure and improvement of water supply for Penn Estate customers; provision of information to wastewater customers regarding grinder pumps; and updated call center performance data.

65. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and CUPA's customers.

66. Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as **Appendix H – Appendix K.**

V. **CONCLUSION**

**WHEREFORE**, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,



(Dated) 10/12/2021

\_\_\_\_\_  
Thomas J. Sniscak, Esquire  
Whitney E. Snyder, Esquire  
Bryce R. Beard, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
Phone: 717-236-1300  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)  
[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)  
[brbeard@hmslegal.com](mailto:brbeard@hmslegal.com)

*Counsel for Community Utilities of Pennsylvania Inc.*

(Dated) \_\_\_\_\_

\_\_\_\_\_  
Erin L. Gannon, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101  
Phone: 717-783-5048  
[egannon@paoca.org](mailto:egannon@paoca.org)

*Counsel for Office of Consumer Advocate*

**V. CONCLUSION**


**WHEREFORE**, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,

(Dated) \_\_\_\_\_

\_\_\_\_\_  
Thomas J. Sniscak, Esquire  
Whitney E. Snyder, Esquire  
Bryce R. Beard, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
Phone: 717-236-1300  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)  
[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)  
[brbeard@hmslegal.com](mailto:brbeard@hmslegal.com)

*Counsel for Community Utilities of Pennsylvania Inc.*



(Dated) October 12, 2021

\_\_\_\_\_  
Erin L. Gannon, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101  
Phone: 717-783-5048  
[egannon@paoca.org](mailto:egannon@paoca.org)

*Counsel for Office of Consumer Advocate*



\_\_\_\_\_  
Allison C. Kaster, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
[akaster@pa.gov](mailto:akaster@pa.gov)

(Dated) 10/12/2021

*Counsel for the Bureau of Investigation and Enforcement*

\_\_\_\_\_  
Erin K. Fure, Esquire  
Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101  
[efure@pa.gov](mailto:efure@pa.gov)

(Dated) \_\_\_\_\_

*Counsel for the Office of Small Business Advocate*

\_\_\_\_\_  
Allison C. Kaster, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
[akaster@pa.gov](mailto:akaster@pa.gov)

(Dated) \_\_\_\_\_

*Counsel for the Bureau of Investigation and Enforcement*

*Erin K. Fure*

\_\_\_\_\_  
Erin K. Fure, Esquire  
Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101  
[efure@pa.gov](mailto:efure@pa.gov)

(Dated) October 12, 2021

*Counsel for the Office of Small Business Advocate*

## **APPENDICES**

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# **APPENDIX A**

**PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW AND  
PROPOSED ORDERING PARAGRAPHS**

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,  
PROPOSED ORDERING PARAGRAPHS**

**PROCEDURAL HISTORY**

1. On April 12, 2021, CUPA filed Supplement No. 9 to Tariff Water-Pa. P.U.C. No. 1 (Supplement No. 9) to become effective June 12, 2021. Supplement No. 9 would increase CUPA's total annual operating revenues for water service by approximately \$757,517, or 36.6%.
2. On April 12, 2021, Community Utilities of Pennsylvania Inc. – Wastewater Division filed Supplement No. 7 to Tariff Wastewater-Pa. P.U.C. No. 1 (Supplement No. 7) to become effective June 12, 2021 unless permitted by Commission Order to become effective at an earlier date. Supplement No. 7 would increase CUPA-WD's total annual operating revenues for wastewater service by approximately \$998,705, or 37.4%.
3. On April 15, 2021, OSBA filed Formal Complaints against both general base rate requests.
4. On April 26, 2021, I&E filed a Notice of Appearance in both general base rate filing proceedings.
5. On May 6, 2021, pursuant to 66 Pa. C.S. § 1308(d), the Commission suspended both rate filings by operation of law until January 12, 2022, unless permitted by Commission Order to become effective at an earlier date.
6. On May 7, 2021, the OCA filed Formal Complaints against both general base rate requests.
7. On May 13, 2021, a telephonic prehearing conference was held and procedural schedule was adopted.
8. On June 1, 2021, ALJ Buckley consolidated the rate proceedings for hearing and adjudication.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,  
PROPOSED ORDERING PARAGRAPHS**

9. On or about June 16, 2021, the Commission's Secretary's Bureau began serving customer complaints received for filing. Approximately 100 similar form complaints against the proposed rate increases were filed.
10. On June 29, 2021, a telephonic public input hearing was held.
11. On July 22, 2021, Chief ALJ Rainey issued an Order approving Joint Petitioners request for extension of procedural schedule, which extended the statutory suspension period from January 12, 2022 to February 18, 2022 and allowed for CUPA to recover any rate increase granted in these proceedings back to the original suspension date of January 12, 2022.
12. On July 23, 2021, ALJ Buckley issued a revised procedural schedule.
13. On August 31, 2021, ALJ Buckley issued a Protective Order.
14. On September 8, 2021, an evidentiary hearing was held. All of the Joint Petitioners preserved testimony and exhibits with accompanying verifications were entered into the record, as reflected in Joint Hearing Exhibit 1 (amended September 10, 2021) and memorialized in an Order dated September 10, 2021.
15. On September 28, 2021, ALJ Buckley granted CUPA's unopposed motion and admitted CUPA W Exhibit 1-T with accompanying verification.
16. On September 30, 2021 ALJ Buckley issued a notice of telephonic post-hearing conference.
17. On October 4, 2021 ALJ Buckley extended the date for filing a Joint Petition for Settlement to October 12, 2021.
18. On October 5, 2021, a telephonic post-hearing conference was held.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,  
PROPOSED ORDERING PARAGRAPHS**

19. On October 12, 2021, CUPA and the active parties filed a unanimous Joint Petition for Settlement, which proposes to resolve all issues raised in this proceeding with accompanying statements in support from each of the Joint Petitioners.

**PROPOSED CONCLUSIONS OF LAW**

1. The Joint Petition for Settlement is in the public interest.
2. The rates, terms, and conditions contain the Joint Petition for Settlement are, until changed on a going-forward basis as provided in the Public Utility Code, Commission-made, just and reasonable, and in the public interest.

**PROPOSED ORDERING PARAGRAPHS**

THEREFORE, IT IS ORDERED:

1. That the Joint Petition for Settlement filed October 12, 2021 by Community Utilities of Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is granted, and the Settlement is thereby adopted, in full, without modification or correction.
2. That Community Utilities of Pennsylvania, Inc. is authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Settlement, to produce a total increase of \$630,000 for water and \$830,000 for wastewater consistent with the rates, rules and regulations set forth in the tariff supplements included in Appendices B (Water) and C (Wastewater).
3. That Community Utilities of Pennsylvania, Inc. shall be permitted to file tariffs in the form set forth in Appendices B (Water) and C (Wastewater) to the Joint Petition for

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,  
PROPOSED ORDERING PARAGRAPHS**

Settlement, to become effective upon at least one day's notice, for service rendered on and after January 12, 2022, so as to produce an annual increase in revenues consistent with this Order.

4. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2021-3025777 (Water) and C-2021-3025778 (Wastewater); are deemed satisfied and marked closed.

5. That the complaints of the Office of Small Business Advocate Docket Nos. C-2021-3025263 (Water) and C-2021-3025260 (Wastewater) are deemed satisfied and marked closed.

6. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Community Utilities of Pennsylvania, Inc. consistent with this Order, the Commission's investigation at Docket No. R-2021-3025206 (Water) and Docket No. R-2021-3025207 (Wastewater) shall be terminated; and these dockets shall be marked closed.

# **APPENDIX B**

## **WATER TARIFF SUPPLEMENT**

**COMMUNITY UTILITIES OF PENNSYLVANIA INC.**

**RATES, RULES AND REGULATIONS GOVERNING**

**THE PROVISION OF WATER SERVICE**

**TO THE PUBLIC IN STROUD AND POCONO TOWNSHIPS IN MONROE COUNTY, A  
PORTION OF HANOVER TOWNSHIP IN NORTHAMPTON COUNTY, AND PORTIONS  
OF LEHMAN TOWNSHIP IN PIKE COUNTY,**

**PENNSYLVANIA**

Service Territory Formally Known as Penn Estates Utilities, Inc., Utilities, Inc., and  
Pennsylvania Utility Company

ISSUED:

EFFECTIVE:

**ISSUED BY:**

Bryce Mendenhall, President  
500 W. Monroe Suite 3600  
Chicago, IL 60660  
(800) 860-4512

**NOTICE**

**FILED IN COMPLIANCE WITH THE ORDER OF PENNSYLVANIA PUBLIC  
UTILITY COMMISSION, ENTERED ON \_\_\_\_\_, 2022 AT DOCKET NO. R-2021-  
3025206. THIS TARIFF SUPPLEMENT INCREASES AND CHANGES THE  
SCHEDULE OF RATES FOR ALL CUSTOMERS IN PENN ESTATES UTILITIES,  
INC, PENNSYLVANIA UTILITY CO. AND UTILITIES INC. - WESTGATE  
SERVICE TERRITORIES**

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ISSUED:

EFFECTIVE:

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LIST OF CHANGES

Supplement No. 9 increases the schedule of rates applicable to all metered customers and fire protection customers in accordance with the Pennsylvania Public Utility Commission's Final Order in Docket. No. R-2021-3025206. The increase moves rates toward unitization as stated in the Joint Petition filed at the foregoing docket. The increase in annual operating revenue is intended to produce an additional \$630,000 per year

Supplement No. 9 adjusted to reflect charges billed quarterly to be billed on a monthly basis in arrears.



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(C) Indicates Change

ISSUED:

EFFECTIVE:

**PART I: SCHEDULE OF RATES AND CHARGES**  
**(Service Territory Formally Known as Penn Estates Utilities, Inc.)**

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

**Section A - Rates for Metered Service**

**Residential**

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

<u>Meter Size</u>	
5/8 inch	\$17.25/per month
1 inch	\$43.13/per month
1 1/2 inch	\$86.25/per month
2 inch	\$138.00/per month
  
2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:  

Rate per 1,000 Gals.	\$13.514	(I)
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3. **Consumption Charge (Low-Income):** In addition to the customer charge, the following water consumption charges will apply: (C)  

Rate per 1,000 Gals.	\$8.784	(C)
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**Pool**

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

<u>Meter Size</u>	
5/8 inch	\$17.25/per month
1 inch	\$43.13/per month
1 1/2 inch	\$86.25/per month
2 inch	\$138.00/per month
  
2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:  

Rate per 1,000 Gals.	\$12.876	(I)
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Rates will be payable in arrears and will be billed monthly.

- (I) Indicates Increase  
 (C) Indicates Change

ISSUED:

EFFECTIVE:

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PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Clubhouse

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

Meter Size

5/8 inch	\$17.25/per month
1 inch	\$43.13/per month
1 1/2 inch	\$86.25/per month
2 inch	\$138.00/per month

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

Rate per 1,000 Gals.	\$12.876	(I)
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Section B - Fire Protection Rates

1. Private Fire Protection:

Not applicable.

2. Public Fire Protection:

No separate fee is charged for public fire protection.

Rates will be payable in arrears and will be billed monthly.

(I) Indicates Increase

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PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section D - Availability Rates

The flat rate availability charge for a lot upon which no structure has been erected will be \$18.81 per month. These charges will be payable in arrears and will be billed quarterly.

Section E - Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$30.00 during regular business hours and \$75.00 during non-regular business hours.

Section F - Meter Test Rates

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

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

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

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

Section G – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for water service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200 plus any actual costs to repair.

(D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Utilities, Inc. - Westgate)

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

Section A - Rates for Metered Residential Service

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

<u>Meter Size</u>			
5/8 inch		\$17.25/per month	
1 inch		\$43.13/per month	
1 1/2 inch		\$86.25/per month	
2 inch		\$138.00/per month	(I)
2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply: (C)  

Rate per 1,000 Gals.	\$13.514	(C)
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3. Consumption Charge (Low-Income): In addition to the customer charge, the following water consumption charges will apply:  

Rate per 1,000 Gals.	\$8.784	
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Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales.

Section B - Rates for Metered Commercial Service

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

<u>Meter Size</u>	<u>Customer Charge per Month</u>	
5/8 inch	\$17.25/per month	
1 inch	\$43.13/per month	
1 1/2 inch	\$86.25/per month	(I)
2 inch	\$138.00/per month	
2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:  

Rate per 1,000 Gals.	\$12.876	
----------------------	----------	--

Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales.

- (I) Indicates Increase  
(C) Indicates Change

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PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Utilities, Inc. - Westgate)

Section C – Fire Protection Rates

1. Public Fire Protection: For public fire protection, the charge shall be \$56.67 per hydrant per month. (I)

Section D – Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section E – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for water service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200.00 plus any actual costs to repair.

Section F – Service Termination or Resumption Rates

The fee for shut-off or turn-on service at the curb stop shall be \$30.00 during regular business hours and \$75.00 during non-regular business hours.

Section G – Meter Test Rates

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

1 inch or less	\$10.00
1 ¼ inch – 2 inch	\$20.00

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

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

Section H – Construction Rates

The rate charge for building construction shall be at regular tariff metered service rates. A monthly deposit of \$20.00, or an amount based on the estimated use for a monthly billing period, will be required in advance.

- (I) Indicates increase.

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PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Utilities, Inc. - Westgate)

Section I - Purchased Water Adjustment Charge

The Company may apply a Purchased Water Adjustment Clause ("PWAC") to its water rates set forth under Schedule of Rates and Charges to reflect an increase or decrease in the rates charged by its wholesale water supplier, the City of Bethlehem ("City").

The PWAC will be calculated based on changes in the customer charges contained in Schedule G Meter Rates-Sales for Resale of the City's Tariff Water PA. P.U.C. No. 6. For purposes of calculating the PWAC, the amount collected or refunded will be the difference between the consumption charge rate per 1,000 gallons contained in the Company's Schedule of Rates and Charges and the customer charges contained in Schedule G of the City's tariff. The Company will revise the Tariff consumption charge in its base rate cases to mirror the customer charges in Schedule G of the City's tariff and set its PWAC to zero. Between rate cases, the Company will use the PWAC to reflect changes in the rates contained in Schedule G of the City's tariff. The Company will provide notice to its customers of changes in rates resulting from application of the PWAC.

The baseline items determined in the Company's most recent PWAC calculation:

$$(50,434,644 \text{ gallons} \times \$3.969/1,000\text{gallon}) + (\$17,486.52 \text{ fixed charges}) = \$217,661.62 \quad (C)$$

Determination of Purchased Water Adjustment Charge

A PWAC may be implemented on the effective date of a change in the City's wholesale rates charged to the Company for purchased water but not on less than 45 days notice to the customer. 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 the decrease.

The items used to calculate the PWAC are:

- A. The projected cost of the volume of water purchased from the City in the prior 12 months at the City's revised rate per 1,000 gallons.

(C) - Indicates Change

Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Public Utility Company – Lehman Township, Pike  
County)

## Section A - Rates for Service

The charge per residential dwelling unit for water service per quarter as follows:

**Residential (Metered Rate):**

1. Customer Charge: Each customer will be assessed a customer service charge as follows:  

\$18.18/per month (C)
2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:  
Rate per 1,000 Gals. 

\$11.452
3. Consumption Charge (Low-Income): In addition to the customer charge, the following (C)  
water consumption charges will apply:  
Rate per 1,000 Gals. 

\$7.444 (C)

**Commercial (Metered Rate):**

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

- | <u>Meter Size</u>                 | <u>Customer Charge per Month</u> |     |
|-----------------------------------|----------------------------------|-----|
| All meters up to and including 4” | \$121.25/per month               | (C) |
| 6-inch                            | \$158.41/month                   |     |
2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:  
Rate per 1,000 Gals. 

\$10.815 (I)

(C) - Indicates Change

(I) - Indicates Increase



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Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Public Utility Company – Lehman Township, Pike  
County)

Booster Pumps. In certain sections of the development, customers will be required to install booster pumps to maintain adequate pressures. In such circumstances where booster pumps are required, it shall be the customer's responsibility to purchase, install, operate, maintain, repair and replace the booster pump at each residential premises.

Section B - Availability Rates

The flat rate availability charge for a lot upon which no structure has been erected will be \$9.31 per month. These charges will be payable in arrears and will be billed quarterly. (I)

(I) - Indicates Increase

# **APPENDIX C**

## **WASTEWATER TARIFF SUPPLEMENT**

**COMMUNITY UTILITIES OF PENNSYLVANIA INC.**

**RATES, RULES AND REGULATIONS GOVERNING**

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

**STROUD AND POCONO TOWNSHIPS IN MONROE COUNTY, A PORTION OF WEST  
BRADFORD TOWNSHIP IN CHESTER COUNTY, AND PORTIONS OF LEHMAN  
TOWNSHIP IN PIKE COUNTY,**

**PENNSYLVANIA**

Service Territory Formally Known as Penn Estates Utilities, Inc., Utilities, Inc., and  
Pennsylvania Utility Company

ISSUED:

EFFECTIVE:

**ISSUED BY:**

Bryce Mendenhall, President  
500 W. Monroe Suite 3600  
Chicago, IL 60660  
(800) 860-4512

**NOTICE**

**THIS TARIFF IS FILED IN COMPLIANCE WITH THE ORDER OF THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSIN, ENTERED ON \_\_\_\_\_, 2022  
AT DOCKET NO. R-20213025207. THIS SUPPLEMENT INCREASES AND  
CHANGES THE SCHEDULE OF RATES FOR ALL CUSTOMERS IN THE PENN  
ESTATES UTILITIES INC., PENNSYLVANIA UTILITY CO., AND UTILITIES INC  
OF PENNSYLVANIA. SERVICE TERRITORIES**

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ISSUED:

EFFECTIVE:

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LIST OF CHANGES

Supplement No. 9 increases the schedule of rates applicable to all customers in accordance with the Pennsylvania Public Utility Commission's Final Order in Docket. No. R-2021-3025207. The increase moves rates toward unitization as stated in the Joint Petition filed at the foregoing docket. The increase in annual operating revenue is intended to produce an additional \$830,000 per year

Supplement No. 9 has also been adjusted to reflect charges billed on a quarterly basis to be billed on a monthly basis in arrears.

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PART I: SCHEDULE OF RATES AND CHARGESSection A - Rates for Metered Service

The utility has no approved metered rate. All wastewater customers are subject to flat rates herein within Part I, Section B.

Section B - Flat Rates

The charge per unit is a flat rate either per month or per quarter as follows:

Residential

\$74.73 per month per lot located within Penn Estates and upon which a structure has been erected. (I)  
This rate will be billed monthly.

Pool

\$74.73 per month per lot located within Penn Estates and at which a community pool or showering facility has been erected. This rate will be billed monthly. (I)

Clubhouse

\$74.73 per month for the Penn Estates Clubhouse. This rate will be billed monthly. (I)

All Other (Customer not Identified as Residential, Pool, & Clubhouse)

\$74.73 per month for customers not considered Residential, Pool, Clubhouse or Availability. This rate will be billed monthly. (I)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section D - Availability

\$32.80 per month per lot if located within Penn Estates and upon which no structure has been erected for an availability charge. This rate will continue to be billed quarterly. (I)

Section E – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and wastewater service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for wastewater service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200 plus any actual costs to repair.

(I) Indicates Increase

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ISSUED:

EFFECTIVE:

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PART I: SCHEDULE OF RATES AND CHARGES

Section A - Rates for Metered Service

The utility has no approved metered rate. All wastewater customers are subject to flat rates herein within Part I, Section B.

Section B - Flat Rates

The charge per unit is a flat rate either per month as follows:

Residential

Per Month, per household	\$ 74.73	(C)(I)
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School

Per month, per pupil	\$ 1.53	(I)
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All Other (Customers not identified as Residential or School)

Per Month, per household	\$ 74.73	(I) (C)(I)
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The flat rate charges will be billed monthly in arrears covering service for the previous month immediately preceding presentation of bill,

(I) Indicates Increase  
(C) Indicates Change

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ISSUED:

EFFECTIVE:

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Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)  
(Service Territory Formally Known as Public Utility Company – Lehman Township, Pike  
County)

## Section A - Rates for Service

The charge per residential dwelling unit for sewer service is as follows:

**Residential (Metered Rate):**

<u>Customer Charge</u>		
Eagle Village (Monthly)	\$26.15	(I)
Eagle Village - Office (Monthly)	\$26.15	(I)
The Glen at Tamiment (Monthly)	\$26.15	(I)
Eagle Point (Monthly)	\$26.15	(I)
Consumption Charge	<u>\$13.977 per thousand gallons</u>	(I)
<u>Availability Charge for Unoccupied Lots</u>	\$20.22 per Monthly	(I)

**Commercial (Metered Rate):**

Customer Charge (Monthly)	\$26.15	(D)
<u>Consumption Charge</u>	<u>\$13.977 per thousand gallons</u>	(I)

(I) Indicates Increase  
(D) Indicates Decrease



# **APPENDIX D**

## **SURCHARGE TARIFF SUPPLEMENTS**

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PART 1: RECOUPMENT SURCHARGE

Pursuant to Paragraph Nos. 5-6 of the Joint Petition for Settlement of Rate Proceeding that was approved by the Commission's Final Order entered [DATE OF ORDER] at Docket No. R-2021-3025207 ("Rate Case Final Order"), the Company is entitled to recoup the revenue increase not billed from January 12, 2022 through the effective date of new rates in the above-referenced proceeding (i.e. [EFFECTIVE DATE]). The Company will calculate the recoupment period as the base rate revenues not billed between January 12, 2022 and [EFFECTIVE DATE].

This surcharge will apply to all customers' bills, excluding public fire protection service, for a six month period. The surcharge will be billed equally to the Company's customer classes, exclusive of amounts billed for public fire protection service, the State Tax Adjustment Surcharge revenues, Deferred Tax Credit and automatic adjustment clause revenues.

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PART I: RECOUPMENT SURCHARGE

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Pursuant to Paragraph Nos. 5-6 of the Joint Petition for Settlement of Rate Proceeding that was approved by the Commission's Final Order entered [DATE OF ORDER] at Docket No. R-2021-3025206 ("Rate Case Final Order"), the Company is entitled to recoup the revenue increase not billed from January 12, 2022 through the effective date of new rates in the above-referenced proceeding (i.e. [EFFECTIVE DATE]). The Company will calculate the recoupment period as the base rate revenues not billed between January 12, 2022 and [EFFECTIVE DATE].

This surcharge will apply to all customers' bills, excluding public fire protection service, for a six month period. The surcharge will be billed equally to the Company's customer classes, exclusive of amounts billed for public fire protection service, the State Tax Adjustment Surcharge revenues, Deferred Tax Credit and automatic adjustment clause revenues.

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ISSUED:

EFFECTIVE:

# **APPENDIX E**

**WATER PROOF OF REVENUES**

	A	B	C	D	E	F	G	H	I	J
Proforma Revenue at Proposed Rates										
<u>Water Residential</u>										
Line No.	Meter Size	# of bills (1 per month)	Base Charge	Base Charge Revenue	Low-Income Gallonage	Proposed Low-Income Gallonage Charge (per Kgal) <sup>1</sup>	Regular Residential Gallonage	Proposed Regular Residential Gallonage Charge (per Kgal)	Gallonage Charge Revenue	Total Revenue
1	CUPA Availability	547	\$ 18.81	\$ 10,282						\$ 10,282
2	Tamiment Availability	3,936	\$ 9.31	\$ 36,656						\$ 36,656
3	Hydrant (Hydrants*Bills)	744	\$ 56.67	\$ 42,166						\$ 42,166
4	<b>CUPA Residential</b>									
5	5/8"	31,515	\$ 17.25	\$ 543,631	15,036,968	\$ 8.784	110,271,101	\$ 13.514	\$ 1,622,289	\$ 2,165,920
6	3/4"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
7	1"	12	\$ 43.13	\$ 518	2,645	\$ 8.784	19,397	\$ 13.514	\$ 285	\$ 803
8	1 1/2"	12	\$ 86.25	\$ 1,035	6,787	\$ 8.784	49,773	\$ 13.514	\$ 732	\$ 1,767
9	2"	12	\$ 138.00	\$ 1,610	20,140	\$ 8.784	147,696	\$ 13.514	\$ 2,173	\$ 3,783
10	3"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
11	4"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
12	6"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
13	8"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
14	10"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
15	12"	-	\$ -	\$ -	-	\$ 8.784	-	\$ 13.514	\$ -	\$ -
16	<b>Tamiment Residential</b>									
17	5/8"	7,884	\$ 18.18	\$ 143,366	2,590,588	\$ 7.444	18,997,643	\$ 11.452	\$ 236,840	\$ 380,206
18	3/4"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
19	1"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
20	1 1/2"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
21	2"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
22	3"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
23	4"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
24	6"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
25	8"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
26	10"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
27	12"	-	\$ -	\$ -	-	\$ 7.444	-	\$ 11.452	\$ -	\$ -
<b>Total Residential Water</b>		<b>39,435</b>		<b>690,160</b>	<b>17,657,129</b>		<b>129,485,610</b>		<b>1,862,319</b>	<b>2,552,479</b>

<sup>1</sup> CUPA Low-Income usage capped at CUPA average residential usage per monthly bill of 3.979 Kgals. Tamiment Low-Income usage capped at Tamiment average usage per monthly bill of 2.738 Kgal.

28	CUPA Commercial											
44927	5/8"	288	\$	17.25	\$	4,961	822,961	\$	12.876	\$	10,596	\$ 15,557
44928	3/4"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44929	1"	48	\$	43.13	\$	2,060	117,413	\$	12.876	\$	1,512	\$ 3,572
44930	1 1/2"	-	\$	86.25	\$	-	-	\$	12.876	\$	-	\$ -
44931	2"	24	\$	138.00	\$	3,266	857,527	\$	12.876	\$	11,041	\$ 14,307
44932	3"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44933	4"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44934	6"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44935	8"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44936	10"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44937	12"	-	\$	-	\$	-	-	\$	12.876	\$	-	\$ -
44938	Tamiment Commercial											
44939	5/8"	36	\$	121.25	\$	4,365	214,413	\$	10.815	\$	2,319	\$ 6,684
44940	3/4"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44941	1"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44942	1 1/2"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44943	2"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44944	3"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44945	4"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44946	6"	24	\$	158.41	\$	3,802	-	\$	10.815	\$	-	\$ 3,802
44947	8"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44948	10"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
44949	12"	-	\$	-	\$	-	-	\$	10.815	\$	-	\$ -
Total Commercial Water		419				18,454	-				25,468	43,923
44950	Total Water	44,337			\$	797,719	17,657,129			\$	1,887,787	\$ 2,685,506
		TRUE						TRUE	Difference to Rate Rev. Requirement		\$	(70.78)

# **APPENDIX F**

## **WASTEWATER PROOF OF REVENUES**





# **APPENDIX G**

## **AVERAGE BILL IMPACT**

Community Utilities of Pennsylvania  
Average Bills

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
					12/31/22			PWAC	Current	12/31/22	Proposed	Proposed	Proposed			Current	Settlement	Settlement	
Line	Name	W/WW	Class	Meter Size	Average Usage	BFC	Usage Rate	Surcharge	Average Bill	Average Usage	BFC*	Settlement Usage Rate*	Average Bill	Proposed Increase	Increase %	Average Bill	Proposed Average Bill	Proposed Increase	Settlement Increase %
	CUPA Consolidated Service Territories	W	RES	5/8"	3,976	\$ 17.25	\$ 9.283	\$ -	\$ 54.16	3,976	\$ 17.25	\$ 13.514	\$ 70.98	\$ 16.82	31.06%	\$ 54.16	\$ 70.98	\$ 16.82	31.06%
	CUPA Low Income Customer	W	RES	5/8"	3,976	\$ 17.25	\$ 9.283	\$ -	\$ 54.16	3,976	\$ 17.25	\$ 8.784	\$ 52.18	\$ (1.99)	-3.67%	\$ 54.16	\$ 52.18	\$ (1.99)	-3.67%
	Tamiment Service Territory	W	RES	5/8"	2,738	\$ 18.18	\$ 5.130	\$ -	\$ 32.23	2,738	\$ 18.18	\$ 11.452	\$ 49.54	\$ 17.31	53.71%	\$ 32.23	\$ 49.54	\$ 17.31	53.71%
	Tamiment Low Income Customer	W	RES	5/8"	2,738	\$ 18.18	\$ 5.130	\$ -	\$ 32.23	2,738	\$ 18.18	\$ 7.444	\$ 38.57	\$ 6.34	19.66%	\$ 32.23	\$ 38.57	\$ 6.34	19.66%
					-														
	CUPA Consolidated Service Territories	WW	RES	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
	Tamiment Service Territory	WW	RES	5/8"	3,406	\$ 24.48	\$ 13.730	\$ -	\$ 71.24	3,406	\$ 26.15	\$ 13.977	\$ 73.75	\$ 2.51	3.53%	\$ 71.24	\$ 73.75	\$ 2.51	3.53%
					-														
	CUPA Consolidated Service Territories	W	COM	5/8"	2,861	\$ 17.25	\$ 9.283	\$ -	\$ 43.81	2,861	\$ 17.25	\$ 12.876	\$ 54.09	\$ 10.28	23.46%	\$ 43.81	\$ 54.09	\$ 10.28	23.46%
	Tamiment Service Territory	W	COM	5/8"	5,956	\$ 121.25	\$ 5.130	\$ -	\$ 151.80	5,956	\$ 121.25	\$ 10.815	\$ 185.66	\$ 33.86	22.30%	\$ 151.80	\$ 185.66	\$ 33.86	22.30%
	CUPA Consolidated Service Territories	WW	COM	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
	Tamiment Service Territory	WW	COM	5/8"	6,125	\$ 163.24	\$ 13.730	\$ -	\$ 247.34	6,125	\$ 26.15	\$ 13.977	\$ 111.76	\$ (135.58)	-54.81%	\$ 247.34	\$ 111.76	\$ (135.58)	-54.81%
Line	Name	W/WW	Class	Meter Size	12/31/20	BFC	Usage Rate	PWAC	Current	12/31/22	Proposed	Proposed	Proposed			Current	Settlement	Settlement	
					Average Usage			Surcharge	Average Bill	Average Usage	BFC*	Settlement Usage Rate*	Average Bill	Proposed Increase	Increase %	Average Bill	Proposed Average Bill	Proposed Increase	Settlement Increase %
	CUPA Consolidated Service Territories	W	RES	5/8"	4,089	\$ 17.25	\$ 9.283	\$ -	\$ 55.21	3,976	\$ 17.25	\$ 13.514	\$ 70.98	\$ 15.77	28.57%	\$ 55.21	\$ 70.98	\$ 15.77	28.57%
	CUPA Low Income Customer	W	RES	5/8"	3,731	\$ 17.25	\$ 9.283	\$ -	\$ 51.89	3,976	\$ 17.25	\$ 8.784	\$ 52.18	\$ 0.29	0.56%	\$ 51.89	\$ 52.18	\$ 0.29	0.56%
	Tamiment Service Territory	W	RES	5/8"	2,816	\$ 18.18	\$ 5.130	\$ -	\$ 32.63	2,738	\$ 18.18	\$ 11.452	\$ 49.54	\$ 16.91	51.83%	\$ 32.63	\$ 49.54	\$ 16.91	51.83%
	Tamiment Low Income Customer	W	RES	5/8"	2,816	\$ 18.18	\$ 5.130	\$ -	\$ 32.63	2,738	\$ 18.18	\$ 7.444	\$ 38.57	\$ 5.94	18.20%	\$ 32.63	\$ 38.57	\$ 5.94	18.20%
	CUPA Consolidated Service Territories	WW	RES	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
	Tamiment Service Territory	WW	RES	5/8"	2,816	\$ 24.48	\$ 13.730	\$ -	\$ 63.14	3,406	\$ 26.15	\$ 13.977	\$ 73.75	\$ 10.61	16.80%	\$ 63.14	\$ 73.75	\$ 10.61	16.80%
	CUPA Consolidated Service Territories	W	COM	5/8"	2,943	\$ 17.25	\$ 9.283	\$ -	\$ 44.57	2,861	\$ 17.25	\$ 12.876	\$ 54.09	\$ 9.53	21.37%	\$ 44.57	\$ 54.09	\$ 9.53	21.37%
	Tamiment Service Territory	W	COM	5/8"	6,125	\$ 121.25	\$ 5.130	\$ -	\$ 152.67	5,956	\$ 121.25	\$ 10.815	\$ 185.66	\$ 32.99	21.61%	\$ 152.67	\$ 185.66	\$ 32.99	21.61%
	CUPA Consolidated Service Territories	WW	COM	5/8"	-	\$ 55.39	\$ -	\$ -	\$ 55.39	-	\$ 74.73	\$ -	\$ 74.73	\$ 19.34	34.91%	\$ 55.39	\$ 74.73	\$ 19.34	34.91%
	Tamiment Service Territory	WW	COM	5/8"	6,125	\$ 163.24	\$ 13.730	\$ -	\$ 247.34	6,125	\$ 26.15	\$ 13.977	\$ 111.76	\$ (135.58)	-54.81%	\$ 247.34	\$ 111.76	\$ (135.58)	-54.81%

Note: The first chart uses the same average volumes (2022) to provide an apples-to-apples comparison of average bills under current rates and proposed settlement rates. In its proposed filing and in the Notice of Proposed Rate Increases provided to customers, CUPA used different average volumes to calculate average bills under existing and filed-for rates. For this reason, the second chart is provided to show average bills under current rates using 2020 average volumes and proposed settlement rates using 2022 average volumes.

# **APPENDIX H**

**CUPA STATEMENT IN SUPPORT**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3025206
	:	
Community Utilities of Pennsylvania Inc. –	:	
Water Division	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3025207
	:	
	:	
Community Utilities of Pennsylvania Inc. –	:	
Wastewater Division	:	

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**STATEMENT OF  
COMMUNITY UTILITIES OF PENNSYLVANIA, INC.  
IN SUPPORT OF THE  
JOINT PETITION FOR FULL SETTLEMENT**

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**I. INTRODUCTION AND OVERALL REASONS IN SUPPORT OF SETTLEMENT**

1. Community Utilities of Pennsylvania, Inc. (“Company” or “CUPA”) hereby submits this Statement in Support of the Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition” or “Settlement”) filed by CUPA, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission” or “PUC”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) in the above-captioned proceeding. As indicated in the Joint Petition,<sup>1</sup> if approved, the Settlement resolves all issues in the proceeding. Accordingly, as discussed more fully below, CUPA supports the Settlement because it is in the public interest and produces just and reasonable rates.

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<sup>1</sup> A Stipulation of Facts is provided in Section III of the Joint Petition and incorporated herein as if set forth at length. A procedural history is included in Appendix A to the Joint Petition and incorporated herein as if set forth at length.

CUPA requests that the ALJ and the Commission approve the Settlement as submitted and without modification.

2. The Settlement establishes rates which are just and reasonable and incorporate principles of gradualism. These rates economically benefit the Company's customers by setting lower rates than originally requested.<sup>2</sup> The Settlement also benefits customers because it provides the Company with additional revenues which will promote its continuing to provide a high quality of service and to modernize these systems CUPA acquired. These rate cases were driven by expenditures and capital investment in necessary infrastructure. CUPA and its parent corporation, Corix, operate utility systems throughout the country and provide service to modernize rural water and sewer systems including those at Tamiment, which proved to have troubled systems. In acquiring these systems, CUPA did not utilize 66 Pa. C.S. § 1327 to seek much higher value for the assets which would result in higher rates. CUPA has already made substantial investment in the Tamiment service area.<sup>3</sup> In addition to the amount agreed-to in the Settlement being less than originally proposed, approving the Settlement provides revenue and rate gradualism by a voluntary rate case stay-out provision. Additionally, it saves the cost of litigating rate cases—which are borne by ratepayers under Pennsylvania law—over the next two years.

3. The Settlement helps mitigate the effect of the rate increase on consumers, especially on low-income customers. The Settlement features two types of low-income programs. First, an immediate low-income program for water customers and a proposal for a wastewater low-income program in CUPA's next base rate case. These pilot programs have lower volumetric rates for ratepayers who meet the income threshold. Second, CUPA also

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<sup>2</sup> Rate case costs permitted by the Commission are borne by ratepayers of the Company.

<sup>3</sup> CUPA W&WW Statement No. 7-R at 9:21-3, 10:6-11:2; Exhibit No. EL-4R (before and after photographs).

commits to participate in the new in the Low Income Household Water Assistance Program, which provides monetary assistance to ratepayers who meet the income threshold to help pay their bills and avoid service termination.

4. Under the proposed Settlement, rates for water service will increase more than wastewater, by percentage, and these programs will help to offset those increases for those most impacted. There are no increases to residential customer charges, only to volumetric charges. This promotes conservation and allows customers more control over their bills.

5. Many of the service issues raised at the public input hearings were dispelled as incorrect through CUPA's responsive evidence. As to any issues that remain in dispute, the Settlement provides for resolution of those issues, reflecting CUPA's agreement to various requests I&E and OCA made in their testimony to address these issues, including:

- a. reporting on boil water advisories, do not consume advisories, compliance with the DEP Consent Order & Agreement; submission of information on lost and unaccounted for water for each service territory and cause; record keeping on isolation valve exercising;
- b. advance notice to Tamiment customers regarding planned system maintenance that may discolor water;
- c. terms to address low water pressure and improvement of water supply for Penn Estate customers; provision of information to wastewater customers regarding grinder pumps; and updated call center performance data.
- d. updated yearly reports to the Commission's Bureau of Technical Utility Services and the Joint Petitioners of actual capital expenditures, plant additions, and retirements by month for the twelve months ending

December 31, 2021 in 2022, with an update in 2023. This will allow the Commission and Joint Petitioners to monitor how CUPA is using its rate increase to invest in continuing and improving upon its high quality of service.

6. The Settlement is also in the public interest because it amicably and expeditiously resolves a number of important and potentially contentious issues which would have been very expensive and time-consuming to litigate before this Commission, and likely would have spawned expensive and time-consuming appeals including CUPA's right under *Hope*<sup>4</sup> and *Bluefield*<sup>5</sup> to full recovery of its return of and return on its capital investment. This Settlement represents a mutually acceptable and reasonable compromise, and will conserve the time, effort and rate case expense of all parties, as well as those of the Commission, the Presiding Officer and the Company's customers. Notably, the Commission itself has direct that its policy is to "encourage settlement." 52 Pa. Code §§ 5.231, 69.391, 69.401. The Parties arrived at the Settlement terms after extensive review of discovery by the statutory advocates, presentation of testimony and exhibits, a tour of CUPA's facilities, and engaging in extensive, if not unprecedented, in-depth settlement discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated give and take on the issues addressed herein—including terms which will require the CUPA to make expenditures which essentially reduces the amount of the revenue increase. Thus, the Settlement, including its terms and conditions and just and reasonable rates, is consistent with the Commission's rules, practices and procedures encouraging negotiated settlements and is therefore in the public interest. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401.

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<sup>4</sup> *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

<sup>5</sup> *Bluefield Water Works Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679 (1922).

7. Significantly, three of the signatories, I&E, OCA, and OSBA are charged with specific legal obligations to scrutinize all aspects of a utility's request to increase rates. I&E functions as an independent prosecutorial bureau within the Commission and, as such, is charged with representing the public interest in utility rate proceedings.<sup>6</sup> The OCA has a statutory obligation to protect the interest of residential consumers of public utility service.<sup>7</sup> OSBA represents the interests of small business consumers of utility services.<sup>8</sup> As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have discharged their statutory obligations. Their joining in, and fully supporting the Settlement, is strong evidence that the Settlement's rates, terms and conditions are just, reasonable and in the public interest.

8. As explained in the Joint Petition, the Settlement was achieved only after a comprehensive investigation by the Statutory Parties into the Company's request and an analysis of the filing, discovery (thousands of pages of detailed information in response to hundreds of questions (including subparts) or document requests from the public advocates regarding all aspects of the requested increase), and the parties' testimony.

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

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<sup>6</sup> See *Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Dkt. No. M-2008-2071852 (Final Order entered August 11, 2011), p.5 ("BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters...").

<sup>7</sup> See 71 Pa. C.S. §§ 309-1 *et seq.*

<sup>8</sup> See Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50.



## **II. REASONS WHY SPECIFIC PROVISIONS OF THE SETTLEMENT ARE IN THE PUBLIC INTEREST**

### **A. & B. Revenue Requirement Increases - Water and Wastewater**

10. Instead of the \$757,517 increase to water revenues requested in the filing, the Settlement Rates are designed to produce an increase of annual water revenue of \$630,000.

11. Instead of the \$998,705 increase to wastewater requested in the filing, the Settlement Rates are designed to produce an increase of annual wastewater revenue of \$830,000

12. While the Company believes its testimony supported the full amount of its proposed increase, the Settlement balances the economic interests of customers by providing for a lower rate increase. The increase under the Joint Petition, while less than what the Company requested, will allow Company to cover its expenses and to continue to invest in facilities that will allow the Company to continue to provide a high quality of service and water to its customers, as well as respond to the ever increasing demands of Pennsylvania Department of Environmental Protection regulation.

13. The Company has spent significant time and funds in maintaining and investing in the water systems' plant since Penn Estates and Westgate's last rate cases and since CUPA acquired Tamiment in 2019. CUPA made multiple water infrastructure improvements in the past year and more are planned in the future test period. These improvements are a reasonable and necessary cost of providing service and are appropriately included in the revenue requirement presented by Mr. Brown. Without appropriate rate relief, CUPA's ability to continue to provide environmentally safe, reliable and efficient water and sewer utility services to its customers and meet its financial obligations will be placed in jeopardy. Moreover, the Company outlines in detail that it will expend significant funds for additional projects included and detailed its rate

base claim that will allow customers to continue to enjoy high quality service. Notably, the Joint Petition at ¶18 provides for periodic reports and confirmation of capital projects.

14. In addition, CUPA witnesses Mr. Brown and Mr. Clark provided the accounting schedules that supported the original rate request in this proceeding and addressed how the Company developed the new consolidated rates that are necessary to recover the requested revenues. Mr. Brown and Mr. Clark also explained the projections incorporated in the future test year developed by the company and explained their reasonableness. Mr. Brown and Mr. Clark's testimony fully supports the Company's original revenue requests.

#### C. Stay Out

15. The Joint Petition provides that CUPA will not for a general increase pursuant to 66 Pa C.S. § 1308(d) to water or wastewater base rates earlier than September 30, 2023.<sup>9</sup>

16. This benefits customers with rate stability and benefits the Joint Petitioners and the Commission in that the time and expense of litigating another rate case will be avoided for two years.

#### D. Effective Date

17. The Joint Petition contains a surcharge methodology previously approved by the Commission in Docket No. R-2020-3019369, to allow CUPA to recover revenue increases from the initial suspension date of January 12, 2022 to the date of Commission approval of the Joint Petition.

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<sup>9</sup> This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required by Commission order or industry-wide changes in regulatory policy which affect CUPA's rates.

18. This provision was put in place to allow extra time in the procedural schedule so the Joint Petitioners could further investigate and present evidence regarding service issues raised at the public input hearings. This was a significant benefit to all parties and the Commission as it allowed for a more fulsome record and resolved most of the service issues raised. *See* Stipulation of Facts, Joint Petition at Section III, ¶¶ 47-54.

#### E. Rate Design and Structure

19. Rate design and structure were very contested issues in this proceeding. Joint Petitioners continued to disagree on these issues through and including the rejoinder testimony stage. As demonstrated below, the agreement reached on these issues balances the Joint Petitioners positions and benefits ratepayers and mitigates impacts to customers in various ways. The average bill rate increases are shown in **Appendix G** to the Joint Petition.

20. For low-income customers impacted by any rate increase, the Joint Petition provides an immediate low-income program for water customers and a and a proposal for a wastewater low-income program in CUPA's next base rate case. Those programs are a pilot program with lower volumetric rates for ratepayers who meet the income threshold. CUPA also commits to participate in a second low-income program--the new the Low Income Household Water Assistance Program, which provides monetary assistance to ratepayers who meet the income threshold to help pay their bills and avoid service termination. Under the proposed Settlement, rates for water service will increase more than wastewater, by percentage, and these programs will help to offset those increases for those most impacted.

21. CUPA originally proposed that Tamiment customers' rates be fully consolidated. The Joint Petition incorporates principles of gradualism and achieves an approximately 50%

move towards consolidation, with full consolidation in CUPA's next base rate case. This balances the Commission-favored concept of consolidation<sup>10</sup> with principles of gradualism. While Tamiment water customers receive the highest rate increase by percentage, they will still pay less per average bill than water customers in the consolidated CUPA systems. At the same time, however, the Joint Petition serves to substantially reduce the rate differences between the CUPA and Tamiment customers, water and wastewater.

22. CUPA originally proposed to increase both volumetric rates and flat customer charges. The Joint Petition provides that only volumetric rates will be increased for water customers and Tamiment wastewater customers. For other wastewater customers, CUPA has agreed to provide a proposal for volumetric rates in its next base rate case. Increases to volumetric rates instead of flat rate customer charges benefits ratepayers in that they have greater control over their bills by utilizing conservation and benefits the public by promoting conservation.

#### F. Reporting Requirements

23. The Settlement contains various reporting requirements requested by the Statutory Advocates that promote the public interest.

24. CUPA has agreed to provide updated yearly reports to the Commission's Bureau of Technical Utility Services and the Joint Petitioners of actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2021 in 2022, with an update in 2023. This will allow the Commission and Joint Petitioners to monitor how

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<sup>10</sup> *Superior Water Co., Inc.*, 2009 WL 2501938 at \*12 (Pa. P.U.C. 2009) (“[F]or years the Commission’s policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect.”); *see also Pennsylvania Pub. Util. Comm’n et al. v. CUPA*, Docket Nos. R-2016-2538660 et al, Recommended Decision (recognizing move towards unitized rates in settlement in public interest when approving settlement) (RD adopted in full by Order dated Nov. 9, 2016).

CUPA is using its rate increase to invest in continuing and improving upon its high quality of service.

25. CUPA has also agreed to provide Joint Petitioners with copies of any Boil Water Advisory or Do Not Consume Advisory issued to customers. This will allow Joint Petitioners to monitor CUPA's provision of reasonably continuous service to water customers.

26. CUPA has also agreed to serve Joint Petitioners with copies of any progress reports submitted to the Pennsylvania Department of Environmental Protection regarding the Consent Order and Agreement dated October 22, 2020 (related to the Penn Estates wastewater system). This will allow Joint Petitioners to monitor CUPA's compliance with the Consent Order and Agreement.

#### G. Service-Related Commitments

27. CUPA has agreed that in future rate base cases it will submit individual PUC Form 500's for each of its water systems and provide a breakdown of Lost and Unaccounted for Water (LUFW) by system detailing all identified causes. LUFW was a contentious issue in this proceeding, and providing this detailed information in future rate cases will allow the parties to further investigate this issue and determine if CUPA has been able to improve upon LUFW percentages.

28. CUPA has also agreed to more detailed record keeping regarding isolation valves and to provide these records in its next base rate proceeding, including to maintain a log documenting when isolation valves have been exercised. This should prevent increased water loss should a water main break.

29. CUPA has committed to provide advance notice to customer regarding planned system maintenance that may discolor water. This will enhance communications with customers and allow customers to better prepare and be informed of these regular maintenance events.

30. For the Penn Estates Water System, CUPA has agreed to various provisions to address operating pressure issues based on engineering judgment. Increased adequacy and continuity of operating pressures will benefit ratepayers and help to avoid service outages such as what occurred in August 2020.

31. While recognizing that grinder pumps are customer-owned facilities and the responsibility of customers, the Company agrees to provide every new wastewater customer that has a grinder pump with information on operation and maintenance of grinder pumps or how to obtain such information. The Company will also continue to provide the information to existing wastewater customers via an annual bill insert. This should enhance communications with customers to inform them on how to maintain and service their grinder pumps.

32. CUPA has also agreed to provide in its next base rate filing updated call center performance data. This will allow Joint Petitioners to compare call center performance data over time and monitor CUPA's performance in responding to customer contacts.

### III. CONCLUSION

For all of these reasons, and those stated in the Joint Petition, Community Utilities of Pennsylvania, Inc. believes that the Settlement is in the public interest and requests that the Presiding Administrative Law Judge and the Commission so find and approve the Settlement and the just and reasonable rates contained in the proposed settlement tariff supplements (**Appendices B-D** to the Joint Petition).

Respectfully submitted,

*/s/ Whitney E. Snyder*

Thomas J. Sniscak, Esquire  
Whitney E. Snyder, Esquire  
Bryce R. Beard, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
Phone: 717-236-1300  
tjsniscak@hmslegal.com  
wesnyder@hmslegal.com  
brbeard@hmslegal.com

*Counsel for Community Utilities of Pennsylvania Inc.*

Dated: October 12, 2021

# **APPENDIX I**

**OCA STATEMENT IN SUPPORT**



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	
	:	
v.	:	
	:	
Community Utilities of Pennsylvania, Inc.	:	Docket Nos. R-2019-3008947
Water Division	:	C-2019-3009591
	:	
Community Utilities of Pennsylvania, Inc.	:	Docket Nos. R-2019-3008948
Wastewater Division	:	C-2019-3009592

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

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Full Settlement of Rate Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest and in the interest of Community Utilities of Pennsylvania, Inc.'s (CUPA 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 April 12, 2021, CUPA filed Supplement No. 9 to Tariff Water-Pa. P.U.C. No. 1 (Supplement No. 9) to become effective June 12, 2021. Through Supplement No. 9, CUPA proposed to increase water rates to produce additional annual operating revenue of approximately \$757,517, or 36.6%. CUPA W Exh. DMC-1 at 2-5.

On April 12, 2021, CUPA filed Supplement No. 7 to Tariff Wastewater-Pa. P.U.C. No. 1 (Supplement No. 7) to become effective June 12, 2021. Through Supplement No. 7 CUPA proposed to increase wastewater rates to produce additional annual operating revenue of approximately \$998,705, or 37.4%. CUPA WW Exh. DMC-1 at 2-5. For both water and wastewater service, CUPA utilized a Fully Projected Future Test Year (FPFTY) ended December 31, 2022. CUPA W Exh. DMC-1 at 1-1; CUPA WW Exh. DMC-1 at 1-1.

In its 2016 rate filings at Docket Nos. R-2016-2538660 and C-2016-2540738, CUPA was permitted to move rates for water customers in its Penn Estates Utilities, Inc. (PEUI) and Utilities, Inc. - Westgate (Westgate) territories toward consolidation. CUPA W St. 1 at 3-4. Similarly, rates for wastewater customers in its Penn Estates and Utilities Inc. of Pennsylvania (UIP) territories were moved towards consolidation. CUPA WW St. 1 at 3-4. In its 2019 rate filings at Docket Nos. R-2019-3008947 and R-2019-3008948, CUPA fully consolidated rates for water customers in its Penn Estates and Westgate territories and also consolidated rates for wastewater customers in its Penn Estates and UIP territories. CUPA W St. 1 at 4; CUPA WW St. 1 at 4. Wastewater customers in the consolidated territories pay unmetered, flat rates. CUPA WW Exh. DMC-1 at 2-1a.

In 2019, the Commission entered an Order approving CUPA's acquisition of the water and wastewater assets owned by Pennsylvania Utility Company (Tamiment). CUPA W St. 1 at 4. Tamiment rates had not been increased for almost 10 years. CUPA W St. 4-R at 4; CUPA WW St. 4-R at 4. The Commission ordered CUPA to file a base rate case including the Tamiment system within 18 months. Joint Applications of CUPA and Pennsylvania Utility Co., Docket Nos. A-2018-3005430, A-2018-3005432, Order at 13 (June 25, 2019).

As part of its filings in this proceeding, CUPA proposed to consolidate rates of the Tamiment service territory with the rates of the already consolidated territories, resulting in a larger increase for Tamiment water customers, who currently pay lower water rates than the other CUPA customers. CUPA W Exh. AWD-2. The proposed consolidation would have the reverse effect on wastewater rates because it would result in a larger increase for customers in the Penn Estates and UIP territories, who currently pay lower rates than Tamiment wastewater customers. CUPA WW Exh. AWD-2.

On May 7, 2021, the OCA filed two Formal Complaints against the proposed revenue increases for the Company's water and wastewater divisions. In its investigation of the rate filing and development of its position, the OCA analyzed the Company's claims, written testimony, and discovery responses. Following the Public Input Hearing on June 29, 2021, its engineering witness inspected water and wastewater facilities in all of the CUPA systems on August 5, 2021. OCA St. 4 at 1-2.

In accordance with the procedural schedule, on August 13, 2021, the OCA submitted Direct Testimony by four experts: Stacy L. Sherwood<sup>1</sup>, Noah D. Eastman<sup>2</sup>, Jerome D. Mierzwa<sup>3</sup>

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<sup>1</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. Additionally, Ms. Sherwood has participated in numerous water rate cases in Rhode Island, New Jersey, and Pennsylvania, performing revenue requirement analyses in proceedings such as Audubon Water Company's and City of Bethlehem's most recent base rate cases. Her full background and qualifications are provided in Appendix A, attached to OCA Statement 1.

<sup>2</sup> Mr. Eastman is a regulatory analyst employed by the Office of Consumer Advocate since 2020. He holds a Bachelor's of Science degree in Economics from Shippensburg University. His full background and qualifications are provided in Appendix A, attached to OCA Statement 2.

<sup>3</sup> Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 400 utility regulatory proceedings in 17 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College.

and Terry L. Fought<sup>4</sup>. The OCA also submitted timely Rebuttal Testimony on August 27, 2021 and Surrebuttal Testimony on September 3, 2021.

Additional procedural history is provided in Appendix A to the proposed Settlement.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaints 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 CUPA's ratepayers, and should be approved by the Commission without modification.

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

### **A. Revenue Requirement (Settlement ¶ II.A.2, II.B.3)**

CUPA initially proposed to increase its annual operating revenues for its water operations by approximately \$757,517 per year, or 36.6%, over the amount of annual revenues at present

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<sup>4</sup> Mr. Fought is a consulting engineer with more than forty years of experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to and designed water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984. Mr. Fought's background and qualifications are attached to OCA Statement 4 as Appendix A.

rates. CUPA W Exh. DMC-1 at 2-5. Similarly, CUPA proposed to increase its annual operating revenues for its wastewater operations by approximately \$998,705 per year, or 37.4%, over the amount of annual revenues at present rates. CUPA WW Exh. DMC-1 at 2-5.

In the OCA's direct testimony, it initially recommended that the Company receive an increase no higher than \$547,120 in this proceeding for its water operations and \$645,820 for its wastewater operations. See OCA St. 1 at 3. This recommendation was based, in part upon numerous adjustments to the Company's rate base and expenses for the future test year and FPFTY. As a result of correcting an error with regard to the historic test year chemical expense, accepting a reasonable compromise with regard to engineering expense and removal of an adjustment for maintenance expense where the Company demonstrated there was no double-counting, in surrebuttal testimony, the OCA recommended that the Company receive an increase no higher than \$607,708 for its water operations and \$682,198 for the Company's wastewater operations. OCA St. 1SR at 1.

Under the Settlement, CUPA will be permitted a total annual revenue increase of approximately \$630,000 for the Company's water division and \$830,000 for the Company's wastewater division. Settlement ¶II.B.3. Overall, this represents an increase of approximately 30.6% over present water division revenues and approximately 31.1% over present wastewater division revenues. Combined, this is approximately 17% less than the total amount requested by CUPA.

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 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 CUPA'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 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 CUPA's ratepayers, and should be approved by the Commission.

**B. Base Rate Stay-Out (Settlement ¶ II.C.4)**

Under the terms of the Settlement, CUPA will not file for another general rate increase for water or wastewater service prior to September 30, 2023. Settlement ¶ II.C.4. This provision is in the public interest as it ensures stability in the customers' newly established rates for at least two years before the Company can file another base rate case.

**C. Effective Date of New Rates (Settlement ¶ II.D.5, II.D.6)**

On June 29, 2021, a telephonic public input hearing was held. Approximately 40 customers testified regarding the proposed rate increases and many raised concerns about quality of service. Tr. 36-241. To provide the parties with adequate time to fully investigate and address the issues presented by the rate case filing, including the public input hearing testimony,

the parties agreed to extend the procedural schedule and that CUPA could recover any rate increase granted in these proceedings back to the original suspension date of January 12, 2022. Joint Petition for Extension of Procedural Schedule at 3, ¶ 8. This request was approved by Chief Administrative Law Judge Charles E. Rainey, Jr. by Order entered on July 22, 2021. Paragraphs II.D.5 and 6 of the proposed Settlement reflect the Joint Petitioners' agreement to the mechanism for rate recovery. Specifically, if the Commission does not enter an Order approving the Settlement rates by January 12, 2022, then the Company will be permitted to implement a surcharge for six months, which recovers the revenue increases not billed from the effective date of January 12, 2022 through the date of PUC approval of new rates. If the Commission enters an Order approving new rates prior to January 12, 2022 then no surcharge will be implemented (or necessary).

The OCA submits that this is a reasonable request, which provided time, for example, for the OCA's engineering witness to inspect CUPA water and wastewater facilities and conduct additional discovery to investigate concerns raised at the Public Input Hearing and to incorporate the information obtained in his testimony and recommendations. OCA St. 4 at 1-2. As discussed further below, many of those recommendations are adopted in the proposed Settlement. In addition, the extension of the procedural schedule provided time for CUPA to have testing performed on two of its wells and include those results in the evidentiary record. CUPA W Exhibit 1-T. Further, the proposed recoupment surcharge is modeled after the mechanism recently approved by the Commission for Pennsylvania-American Water Company in Docket No. R-2020-3019369 (Opinion and Order entered August 20, 2020).

D. Rate Design and Structure (Settlement ¶ II.E.7-17)

1. Water Rate Consolidation, Availability Rates, and Customer Charges

The Company initially proposed full consolidation of the Tamiment water and wastewater rates with the rates of the other CUPA systems. CUPA W St. 1 at 8-9; CUPA WW St. 1 at 8-9. On the water side, this meant a rate increase of approximately 81% or 2.2 times the system average rate increase for Tamiment water customers. OCA St. 3 at 8. Similarly for availability charges, the OCA's witness identified that Tamiment availability rates would increase by an even greater amount (100%). Id. at 9. The OCA opposed this level of increase as being inconsistent with the concept of gradualism and recommended movement toward consolidation in this rate case rather than full consolidation. Id. at 8-9. OCA witness Mierzwa recommended a lesser level of increase, closer to 1.5 to 2.0 times the system average increase. OCA St. 3 at 9.

The proposed Settlement adopts these recommendations, first by moving Tamiment usage rates for water service approximately 50% of the way from their existing place to the consolidated rates of CUPA, with full consolidation in the Company's next case. Settlement ¶ II.E.8. This stepped approach is consistent with how rates in the Penn Estates, Westgate and UIP systems were consolidated and recognizes the appropriateness of gradualism, while also reducing the gap in rates paid by Tamiment water customers relative to customers in the consolidated systems.

For water availability rates, the Settlement would limit increases to 1.5 times the system average increase. Settlement ¶ II.E.12. As stated by OCA witness Mierzwa, "[w]hile there is no hard and fast rule with respect to applying the concept of gradualism, typically an increase of 1.5



to 2.0 times the system average increase is considered consistent with the concept of gradualism.” OCA St. 3 at 8-9. The proposed Settlement adopts this recommendation.

The Settlement addresses another aspect of the rate design that CUPA originally proposed. While recognizing that recovering revenue through volumetric rates allows customers to control their bills, the Company sought to maintain the current level of fixed rate recovery (35% of total rate revenue) by proposing increases to its fixed customer charges. CUPA W St. 4 at 4. The OCA opposed this proposal because the Company’s analysis showed that existing residential customer charges for all service territories already exceed cost-based charges and recommended that all current residential water service monthly charges should be maintained. CUPA Exhibit SAM-1 (Revised) at 16. OCA St. 3 at 9-10.

Consistent with this recommendation, for residential customers, the entire water increase will be allocated to water volumetric rates as opposed to fixed customer charges. Settlement ¶ II.D.12. As such, customers will have greater ability to control their bills through conservation. OCA St. 3 at 5.

2. Wastewater Rate Consolidation

As noted above, CUPA also proposed to fully consolidate the Tamiment wastewater rates with the rates of the other CUPA systems. CUPA WW St. 1 at 8-9. Wastewater customers in the consolidated Penn Estates and UIP systems are currently charged flat, unmetered rates. Wastewater customers in the Tamiment service territory are currently charged metered rates. OCA St. 3 at 11-12. As proposed by CUPA, consolidation of wastewater rates would mean eliminating metered rates for Tamiment wastewater customers. OCA St. 3 at 11. As OCA witness Mierzwa explained, however, this is inconsistent with sound rate design and Commission policy:

[Tamiment customers] should not be moved from volumetric to flat rates because that would be inconsistent with the Commission's policy of eliminating minimum allowances and moving utilities toward metered rates. There is no basis for the Company's proposal. Under flat rates customers are not billed for their actual use of CUPA's wastewater system and, therefore, flat rates are inconsistent with cost of service principles.

OCA St. 3 at 12; see also OCA St. 3SR at 10-11. OCA witness Mierzwa also noted:

In addition, adopting metered rates for all CUPA customers would provide additional incentives for customers to conserve and reduce their demands for both water and wastewater services. In the long run, the reduced demands for service will likely reduce CUPA's costs of providing water and wastewater services by reducing future capital expenditures and operating costs.

OCA St. 3SR at 11. For these reasons, the OCA opposed CUPA's wastewater consolidation proposal and recommended, for purposes of this proceeding, that Tamiment customers continue to be charged metered rates and Penn Estates and UIP customers should continue to be charged flat rates. OCA St. 3 at 12-13. In the next proceeding, however, the OCA recommended that CUPA convert customers in the consolidated systems should be moved to metered rates (made up of fixed and volumetric charges). Id. OCA witness Mierzwa explained how this change could be made:

Since water and wastewater flows are highly correlated, maintaining and extending volumetric charges will better promote cost-based rates for customers. CUPA currently provides water service to wastewater customers in the Penn Estates service territory, so water usage data is currently available to for these customers. Customers in the Utilities Inc. of Pennsylvania service territory are currently provided water service by [another utility]. Therefore, CUPA should obtain water usage data for these customers from [that utility], if usage data is available.

OCA St. 3 at 13 (footnote omitted).

The proposed Settlement adopts the OCA's recommendations. Specifically, CUPA commits that Tamiment wastewater rates will continue to be based on metered usage. Settlement

¶ II.E.9. For the Penn Estates system, the Company will propose metered rates for customers in

next base rate filing. For its UIP wastewater system, CUPA will make efforts to establish an ongoing arrangement with the customers' water provider to obtain monthly volumetric usage data to develop and propose metered rates in its next base rate filing. Settlement ¶ II.E.10. To facilitate this proposal, CUPA's filing will also include a cost of service study that assigns costs to customer classes based on flow requirements. Settlement ¶ II.E.12.

As discussed above, metered rates provide customers with greater ability to control their bills through conservation and are consistent with sound ratemaking policy. As such, the OCA supports these Settlement provisions that maintain existing metered rates and move customers on flat rates to metered rates as being in the interest of all CUPA wastewater customers.

For wastewater availability rates, the proposed Settlement moves the current Tamiment wastewater availability rate halfway toward the availability rate for the Penn Estates and UIP customers. Settlement ¶ II.E.13. This is a lesser increase than the 200% increase proposed by CUPA in its filing. OCA St. 3 at 13. While it is more than the rate recommended by OCA witness Mierzwa, it will serve to reduce the gap in availability rates between the CUPA systems. Accordingly, the OCA supports the rate change as a reasonable compromise of competing interests.

3. Pilot Residential Low-Income Programs and LIHWAP

Implementation of a low-income program for residential water customers was a contested issue in this proceeding. CUPA initially proposed a low-income usage rate that was 65% less than the regular residential usage rate. CUPA St. 4 at 5. The Company's goal was for the volumetric rate to have a similar impact on household finances for customers below the federal poverty level as customers with the Pennsylvania median household income. *Id.* at 5, 7. The Commission's Bureau of Investigation & Enforcement opposed the low-income program on the

basis that it would further increase the usage rates for other residential water customers and the amount of the discount was too large. I&E St. 3 at 20-21. The OCA supported the program but recommended that it be approved on a pilot basis so that it can be evaluated and changed in the next base rate case as appropriate, after some experience regarding the number of customers participating and their volumetric usage. OCA St. 3 at 10. OCA witness Mierzwa discussed reasons supporting the program:

Bill affordability is a significant concern, particularly given the magnitude of CUPA's proposed increases to water and wastewater bills and the timing, during an ongoing pandemic. This concern is raised in the direct testimony of OCA witness Sherwood, CUPA witness Dickson, OSBA witness Kalcic and I&E witness Keller. The proposed low-income rate usage rate would help to make bills more affordable and mitigate the impact of the increase. As Mr. Sakaya noted, other water utilities have a customer assistance program in place.

OCA St. 3SR at 4. Consistent with the OCA's recommendation, the proposed Settlement adopts the low-income rate for residential water service as a pilot program, which will be reviewed in the Company's next base rate case. Settlement ¶ II.E.14. Responsive to concerns about the impact of the discount on other customers, however, the Settlement reduces the discount from 65% to 35% of the regular residential water usage rates. Id.

The Settlement provides an additional protection for all residential customers. Because the low-income rate is a discount to the usage rates (rather than the fixed customer charges), assumptions need to be made about the number of customers who will participate and their usage volumes in order to set the regular and low-income rates that will recover CUPA's revenue requirement. If the actual residential low-income usage (gallons) is lower than projected, the Company will recover more revenue than intended. Settlement ¶ II.E.15. In that scenario, in its next base rate case, CUPA will return the revenue surplus to customers (regulatory liability). In the reverse scenario, CUPA will be permitted to claim the revenue shortfall in its next base rate

case (regulatory asset). In addition, until that next base rate case, the Company will provide quarterly updates on customer participation, total gallons used by enrolled customers, and the associated water revenue shortfall or surplus resulting from the reduced volumetric rates for enrolled customers.

CUPA did not propose a low-income program for its wastewater customers, in part, because of its proposal to eliminate Tamiment's metered wastewater rates. OCA St. 3 at 14. The same reasons that support CUPA's proposal to mitigate water bills for its low-income Residential customers support mitigating their wastewater bills. Id. In addition, CUPA's uncollectible rate is higher for its wastewater customers than its water customers. OCA St. 3 at 14. Accordingly, the OCA recommended establishing a pilot low-income residential usage rate for wastewater customers in this proceeding. Id. For purposes of the proposed Settlement, the Joint Petitioners agreed that a pilot low-income residential wastewater program will be proposed in CUPA's next base rate proceeding. Settlement ¶ II.E.16. As discussed above, at this time, some wastewater customers have fixed (flat) rates and some have metered usage rates. One advantage in delaying implementation is that CUPA will also be proposing that all wastewater rates be based on metered usage in its next case, which will simplify the development of the low-income wastewater rate. Settlement ¶ II.E.10. In addition, the Company will have the benefit of experience and data related to its low-income program for water customers, including the level of participation in the program. Settlement ¶ II.E.15.

As a term of the proposed Settlement, CUPA has committed to participate, and promote registration by eligible customers, in the new Low Income Household Water Assistance Program (LIHWAP). Settlement ¶ II.E.17. This program will provide monetary assistance to water and wastewater ratepayers who meet the income thresholds to help pay their bills and avoid service

termination. Id. Specifically, the Company has committed to provide information to customers on how to register for the program, through a bill insert when the program opens and when CUPA contacts customers about disconnection or arrearages. Id.

Taken together, the OCA submits that the low-income provisions of the proposed Settlement will help to mitigate the impact of the rate increase on those who can least afford it. The Settlement provides an immediate low-income rate for water service and a proposal to expand the program to wastewater service in the next base rate case. The less-than-proposed discount on the usage rate still provides a meaningful discount (35%) but reduces the revenue burden on residential customers paying the regular usage rates. All customers are protected if the Company earns more revenue than anticipated because enrollment in the program or volumes used by participants are less than expected during the pilot phase. For all of the reasons discussed above, the low-income provisions of the proposed Settlement are in the public interest and represent a fair and reasonable resolution of the differing positions of the Joint Petitioners.

4. Resulting Bill Impact is Reasonable

Under the settlement rates, effective January 12, 2022, the water bill for the typical residential customer in the Penn Estates and Westgate service territories would increase by \$15.77, from \$55.21 to \$70.98 per month, a 28.6% increase, rather than the \$17.05 increase (30.9%) as proposed in the Company's rate filing. The water bill for the typical residential customer in the Tamiment service territory would increase by \$16.91, from \$32.63 to \$49.54 per month, a 51.8% increase, rather than the \$24.86 increase (76.2%) as originally proposed by CUPA.

Under the settlement rates, effective January 12, 2022, the wastewater bill for the typical residential customer in the Penn Estates and Utilities Inc. of Pennsylvania (UIP) service

territories would increase by \$19.34, from \$55.39 to \$74.73 per month, a 34.9% increase, rather than the \$22.83 increase (41.2%) as originally proposed by the Company. The wastewater bill for the typical residential customer in the Tamiment service territory would increase by \$10.61, from \$63.14 to \$73.75 per month, a 16.8% increase, rather than the \$15.08 increase (23.9%) as originally proposed by CUPA.<sup>5</sup>

The chart below further compares Settlement bills to current bills and the bills initially proposed by the Company, based on average usage:

Community Utilities of Pennsylvania Inc. – Water Division Bill Comparison of a Residential Customer with a 5/8” Meter and Average Usage*			
	Current Monthly Bill	Initial Proposed Bill	Settlement Bill
Penn Estates and Westgate	\$55.21	\$73.27	\$70.98
Tamiment	\$32.63	\$58.51	\$49.54

Community Utilities of Pennsylvania Inc. – Wastewater Division Bill Comparison of a Residential Customer with Flat Rates or Average Usage*			
	Current Monthly Bill	Initial Proposed Bill	Settlement Bill
Penn Estates and Westgate	\$55.39	\$78.22	\$74.73
Tamiment	\$63.14	\$78.22	\$73.75

\* As stated in the Company’s initial customer notice, average usage for customers was projected to be lower at the end of the fully projected future test year (2022) than in 2020. See Settlement App. G (second chart).

Stated otherwise, under the proposed Settlement, the average bills in the consolidated territories will increase by 29% (water) and 35% (wastewater). The average bills in the Tamiment territory will increase by 52% (water) and 17% (wastewater). Settlement, App. G.

As a whole, the OCA submits that the rate design and structure proposed in the Settlement fairly balances the interests of customers in the different service territories by moving toward rate consolidation in a gradual, stepped manner and is accompanied by important conditions to help customers control their bills and mitigate the rate increases, including the

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<sup>5</sup> The customer notice sent to Tamiment customers in June 2021 was not correct. It stated that the Company proposed to increase the average residential wastewater bill by \$39.29 per month (101%). See Settlement ¶ III.41.

application of rate increases to residential volumetric rates (rather than customer charges), the continuation and expansion of metered rates for wastewater service, and the low-income proposals.

**E. Reporting Requirements/Plant Additions (Settlement ¶ II.F.18)**

The Settlement provides that the Company will update its exhibits related to the summary of plant in service for the years ended December 31, 2021, and December 31, 2022. Settlement ¶ F.18. 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).

**F. Reporting Requirements/Service (Settlement ¶ II.F.19-F.20, II.G.26)**

The Settlement requires the Company to provide a copy of any Boil Water Advisory or Do Not Consume Advisory issued to customers and to share its progress reports to the Pennsylvania Department of Environmental Protection regarding compliance with the Consent Order and Agreement dated October 22, 2020 (related to the Penn Estates wastewater system). Settlement ¶ II.F.19-F.20. In addition, the Company will update information about call center performance for its Pennsylvania customers, similar to the metrics provided in the Company’s rebuttal testimony. Settlement ¶ II.G.26. This is consistent with the OCA’s testimony addressing these matters, (OCA St. 4SR at 3, 15; OCA St. 1SR at 11-12), and will assist the OCA and other Settlement parties to monitor CUPA’s efforts to improve service and communications with customers.



G. Service-Related Commitments (Settlement ¶ II.G.21-25)

Regarding efforts to identify leaks and reduce lost and unaccounted for water, CUPA will submit an individual PUC Form 500 for each of its systems. Settlement ¶ II.G.21. This will be used for comparison with future submittals to determine progress in reducing UFW, especially in the Tamiment system. OCA St. 4 at 5-6. Reducing the non-revenue water saves money in chemical and power costs and provides for important water conservation in areas that have limited water supply sources. Id.

OCA witness Fought explained the importance of exercising isolation valves:

It is important to exercise isolation valves to prevent the valves from seizing-up and getting stuck from corrosion or other deposits adjacent to the valve. An isolation valve that cannot be fully closed will increase the water loss during a water main break and increase the number of customers affected.

Q. WHAT HAPPENS IF AN ISOLATION VALVE BECOMES INOPERABLE DUE TO LACK OF BEING EXERCISED?

A. The valve either has to be repaired or replaced. Isolation valves are generally in pavement and that makes it very expensive to repair or replace. Even repairing the valve requires that the valve be exposed so that interior parts can be removed and replaced.

OCA St. 4 at 6-7. In response to that concern, the Settlement provides that CUPA will maintain and provide records for each of its water systems to show its progress in exercising and replacing isolation valves. Settlement ¶ II.G.22.

Pursuant to the Settlement, the Company will implement requirements which will improve the quality and reliability of water service. In response to concerns raised by customers in the Tamiment water system regarding discolored water, CUPA will provide advance notice to customers regarding planned system maintenance that may discolor water, including flushing mains or switching wells. Settlement ¶ II.G.23; OCA St. 4 at 15. For the Penn Estates system, the Company will investigate changes to supply and pressure to help ensure that customers will receive consistent and reasonable pressures and service will not be disrupted as it was in August

2020. Settlement ¶ II.G.24; OCA St. 4SR at 8-11. In response to concerns related to grinder pumps, the Company will provide customers with information on operation and maintenance of grinder pumps via an annual bill insert. Settlement ¶ II.G.25; OCA St. 4 at 30. Each of these requirements reflects the actions recommended by the OCA's engineering witness and the OCA supports them as being in the public interest, because they help to ensure that that customers will receive reasonable, adequate, reliable and uninterrupted service.

### **III. CONCLUSION**

The OCA submits that the terms and conditions of the proposed Settlement of these rate investigations, 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 and in the interest of CUPA's ratepayers.

Respectfully Submitted,



Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: EGannon@paoca.org

Counsel for:  
Christine Maloni Hoover  
Interim Acting Consumer Advocate

Office of Consumer Advocate  
5th Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

DATE: October 12, 2021  
318355

# **APPENDIX J**

**I&E STATEMENT IN SUPPORT**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al</i>	:	
	:	
v.	:	Docket No.: R-2021-3025206
	:	
Community Utilities of Pennsylvania Inc.	:	

Pennsylvania Public Utility Commission, <i>et al</i>	:	
	:	
v.	:	Docket No.: R-2021-3025207
	:	
Community Utilities of Pennsylvania Inc.	:	
Wastewater Division	:	

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

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Allison C. Kaster  
Deputy Chief Prosecutor  
PA Attorney ID No. 93176

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, Pennsylvania 17120

Dated: October 12, 2021

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Allison C. Kaster, hereby respectfully submits that the terms and conditions of the Joint Petition For Full Settlement (“Joint Petition” or “Settlement”) filed in this proceeding are in the public interest and represent a fair, just, and reasonable balance of the interests of Community Utilities Inc. of Pennsylvania Water and Wastewater Divisions (“CUPA” or “Company”) and its customers.

## **I. INTRODUCTION**

### **A. Procedural History**

On April 12, 2021, CUPA filed Supplement No. 9 to Tariff Water-Pa. P.U.C. No. 1 to become effective June 12, 2021, seeking to increase CUPA’s total annual operating revenues for water service by approximately \$757,517, or 36.6%. On the same day, CUPA filed a tariff supplement proposing to increase annual revenues for wastewater service by \$998,705 or 37.4%. By Order entered May 6, 2021, the Commission suspended the tariff supplements for investigation until January 12, 2022, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d).

On April 15, 2021, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint with respect to the rate request. On April 26, 2021, I&E filed a Notice of Appearance. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint on May 7, 2021. Numerous Formal Complaints were filed by CUPA customers.

The proceeding was assigned to the Office of Administrative Law Judge for hearing and for the issuance of a Recommended Decision. A telephonic Prehearing Conference was held on May 13, 2021, with Administrative Law Judge Dennis J. Buckley (“ALJ”) presiding. The parties agreed upon a procedural schedule in this matter which was presented to ALJ Buckley at the Prehearing Conference. By Order entered June 1, 2021, ALJ Buckley consolidated the Company’s water and wastewater base rate proceedings for hearing and adjudication.

ALJ Buckley conducted a telephonic public input hearing at 6:00 p.m. on June 29, 2021. The hearing concluded at approximately 11:30 p.m., and approximately 42 customers, including three Pennsylvania State Representatives, testified in opposition to the Company’s proposed rate increases and to express concerns with respect to the quality of water and wastewater service.

On July 19, 2021, the Company, I&E, OCA and OSBA filed a Joint Petition for Extension of Procedural Schedule to provide additional time to litigate the case given the high level of customer interest and concerns raised at the public input hearing. The parties requested an extension of the statutory suspension period from January 12, 2022, to February 18, 2022, which was granted by Chief Administrative Law Judge Charles E. Rainey Jr. on July 22, 2021.

Pursuant to the procedural schedule, the parties exchanged direct, rebuttal, surrebuttal, and written rejoinder testimony. I&E served the following statements of testimony and exhibits:

- I&E Statement No. 1, I&E Exhibit No. 1, I&E Statement No. 1-SR, the prepared direct and surrebuttal testimony and exhibits of I&E witness Zachari Walker addressing operating and maintenance expenses and overall revenue requirement.
- I&E Statement No. 2, I&E Exhibit No. 2, and I&E Statement No. 2-SR, the prepared direct and surrebuttal testimony and exhibit of I&E witness Christopher Keller addressing rate of return
- I&E Statement No. 3 and I&E Statement No. 3-SR, the prepared direct and surrebuttal testimony of I&E witness Eryan Sakaya addressing rate base and rate structure

All cross-examination was waived by the parties and, on September 8, 2021, the parties attended the telephonic evidentiary hearing to enter evidence into the record.

In accordance with Commission policy favoring settlements,<sup>1</sup> I&E participated early and consistently in multiple extensive settlement discussions with CUPA and other parties to the proceeding. Following extensive settlement negotiations, CUPA, I&E, OCA, and OSBA (collectively, the “Joint Petitioners”) reached a global settlement.

## **B. Overall Reasons in Support of the Settlement**

I&E’s charge in this case was to represent the public interest, which involves balancing the interests of CUPA, its ratepayers, and the regulated community as a whole. In order to fulfill its duty to represent the public interest in this case, I&E has spent over six months investigating CUPA’s filing.

Despite the challenges and complexity, I&E avers that the parties’ investigations of the rate filings, development of the record for this case, and continued settlement discussions have culminated in a Settlement that is in the public interest. I&E notes that

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<sup>1</sup> 52 Pa. Code § 5.231.

the Settlement achieved by the parties represented a difficult balance of many competing interests and CUPA's operational obligations. The settlement rates will provide CUPA with sufficient revenue to fulfill its obligation to provide safe and effective service to ratepayers. Beyond revenue, the Joint Petition provides for important safety, customer service, and program enhancements that will significantly benefit CUPA's ratepayers while also imposing additional accountability upon CUPA as it addresses service concerns raised by customers. Accordingly, for the reasons I&E will explain more fully below, I&E respectfully requests that the ALJ recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Moreover, it is the policy of the Commission to encourage settlements.<sup>2</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>3</sup>

The above-referenced policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on April 12, 2021; therefore,

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<sup>2</sup> 52 Pa. Code § 5.231.

<sup>3</sup> 52 Pa. Code § 69.401.



for approximately six months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. The Joint Petitioners actively participated in and vigorously represented their respective positions during the course of 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.

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

### **A. Revenue Requirement (Joint Petition, Section II.A.2-II.B.3)**

At the outset of this case, CUPA originally requested \$757,517 overall revenue increase for its water operations and \$998,705 for its wastewater operations. Pursuant to the Joint Petition, the Settlement Rates reduce the increases as they are designed to produce additional annual water operating revenue of \$630,00 and wastewater revenue of \$830,00. In total, the settlement rates provide a combined increase for water and wastewater of \$1,460,000, which is approximately 17% less than the Company's originally proposed increase.

In arriving at the Settlement rates, I&E analyzed the ratemaking claims contained in the base rate filings including its operating and maintenance expenses, rate of return, and rate structure. Based on this analysis, I&E's litigation position in this proceeding

recommended increases of \$550,938<sup>4</sup> for CUPA's water operations and \$701,845<sup>5</sup> for wastewater operations. To arrive at these revenue requirement recommendations, I&E utilized a 9.25% return on equity and made operating expense adjustments totaling \$100,276<sup>6</sup> for water and \$139,837<sup>7</sup> for wastewater.

The Settlement rates represent a compromise of I&E's overall revenue position. It is important to note that due to the "black box" nature of the Settlement, there is no agreement upon individual issues. Instead, the Joint Petitioners have agreed to an overall increase to base rates that is less than what was requested by the Company. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement satisfies the public interest, nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation. Black box settlements are not uncommon in Commission practice. Indeed, the Commission has endorsed the use of black box settlements.<sup>8</sup>

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has

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<sup>4</sup> I&E St. No. 1-SR (Water), pp. 3-5.

<sup>5</sup> I&E Statement No. 1-SR (Wastewater), pp. 3-4.

<sup>6</sup> I&E Statement No. 1-SR (Water), p. 3.

<sup>7</sup> I&E Statement No. 1-SR (Wastewater), p. 3.

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

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 CUPA and its customers in a fair and equitable manner.

**B. Stay Out (Joint Petition, Section II.C)**

Absent the exigent circumstances noted in the Settlement, the Settlement provides that CUPA will not file for a general water or wastewater rate increases under Section 1308(d) of the Public Utility Code prior to September 30, 2023. This stay out provision provides stability and certainty to ratepayers who will experience rate continuity, which is beneficial as they have borne regular and significant rate increases over the past several years. Indeed, several customers expressed frustration with the frequency of rate increases during the public input hearing. There is no prohibition from utilities seeking rate relief immediately or soon after a final Commission order is entered in a base rate proceeding; therefore, this stay out provision benefits customers as it prohibits CUPA from making such a filing prior to September 30, 2023. At the same time, CUPA will not be prejudiced, as it would be able to seek a rate relief in the event that it experiences unforeseeable hardship beyond its own control. For these reasons, the stay out provision of the Settlement is in the public interest and it should be approved.

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

### **C. Rate Design and Structure (Joint Petition, Section II.E)**

Designing rates proved to be one of the more complex issues in this rate proceeding given that CUPA provides water and wastewater service in multiple service territories with different rate structures. However, as articulated in the Settlement, Joint Petitioners were ultimately able to agree to a set of principles that produced rates that are in the public interest for the reasons discussed below. Overall, the rate increases on an average bill basis for typical residential customers in the Company's water and wastewater territories are as follows:

#### **1. Tamiment Consolidation (Joint Petition, Section II.E.8)**

The settling parties agree to partial consolidation of Tamiment so that its usage rates will move toward approximately 50% consolidation in this base rate proceeding and will move to full consolidation in CUPA's next rate proceeding. CUPA originally proposed full consolidation in this proceeding; however, the OCA flagged this as an issue because it violated the ratemaking principle of gradualism. Specifically, CUPA proposed to increase its consolidated water rates an average of 36.8%; however, average Tamiment residential customers using approximately 3,000 gallons per month would experience an 81% rate increase.<sup>10</sup> OCA testified that CUPA's proposed increase violated gradualism as it failed to achieve rate stability and made unexpected changes that were adverse to ratepayers.<sup>11</sup> Moving Tamiment rates to partial consolidation in this case and full

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<sup>10</sup> OCA Statement No. 3, p. 8.

<sup>11</sup> OCA Statement No. 3, p. 7.

consolidation in the next rate case is in the public interest as it moves those rates gradually in a way that lessens the impact on customers while ultimately fulfilling the Company's goal of consolidation in the next proceeding.

## **2. Metered Wastewater Rates (Joint Petition, Section II.E.9-II.E.10)**

The Company's filing proposed to move Tamiment's wastewater rates from the current metered rates to a flat fixed rate as is currently charged in the Company's other wastewater divisions. However, pursuant to the Settlement, the Company has committed to move away from its flat wastewater rates and move to metered usage for all divisions.

Tamiment's current wastewater rates are comprised of a customer charge and volumetric rate based on the customer's metered water usage. In its filing, the Company proposed to move Tamiment to a flat monthly rate to mirror the charge in the Company's other wastewater divisions. The OCA objected to the Company's proposal to move away from Tamiment's volumetric rates stating that doing so "would be inconsistent with the Commission's policy of eliminating minimum allowances and moving utilities toward metered rates."<sup>12</sup> OCA further stated that the Company's proposed flat rates are inconsistent with cost of service principles because customers are not billed for their actual use of CUPA's wastewater system.<sup>13</sup> Accordingly, the Settlement commits to maintaining Tamiment's wastewater customer charge and volumetric rate based on metered water usage.

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<sup>12</sup> OCA Statement No. 3, p. 12.

<sup>13</sup> OCA Statement No. 3, p. 12.

In keeping with those same principles, OCA proposed that the Company's other wastewater divisions be moved from the current flat rate to metered rates. This recommendation is memorialized in the Settlement as CUPA committed to propose metered rates for customers in its Penn Estates wastewater system in its next rate filing. Similarly, CUPA will propose metered rates for its Utilities Inc. of Pennsylvania wastewater system in its next base rate filing, if it can establish an arrangement to obtain monthly volumetric usage data and obtain 24 months from the customers' water service provider. Accordingly, these Settlement terms reflect the Company's commitment to moving toward metered wastewater rates rather than the flat rates that it has historically charged wastewater customers.

### **3. Tamiment 6-inch customer charge (Joint Petition, Section II.E.12)**

The Settlement states that the Tamiment 6-inch commercial water customer charge will be increased by the system average increase. I&E supports this term as it significantly moderates the increase that CUPA originally proposed. The current Tamiment 6-inch commercial customer charge is \$121.25 per month and the Company proposed to increase it approximately 620% to \$751.84 per month.<sup>14</sup> I&E disagreed with this proposal and instead recommended a 36.9% increase, or \$44.75, which was the approximate system average increase proposed by the Company.<sup>15</sup> I&E's recommendation to increase the Tamiment 6-inch customer charge by the system average was to adhere to the ratemaking principle of gradualism, which requires that rates slowly

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<sup>14</sup> I&E Statement No. 3 (Water), p. 19.

<sup>15</sup> I&E Statement No. 3 (Water), p. 19.

increase so that customers do not receive sudden large increases and can become accustomed to paying a higher rate over time.<sup>16</sup> The Settlement adheres to this important ratemaking principle as it significantly reduces the Company's proposed increase of 620% and instead increases the Tamiment 6-inch water customer charge by the system average.

#### **4. Water Availability Charge (Joint Petition, Section II.E.12)**

The Settlement provides that the water availability charge in the consolidated system will be increased by 1.5 times the system average. In its filing, the Company proposed to convert the current availability rate of approximately \$19.00 per quarter to \$15.32 per month, resulting in an increase of \$8.99 per month or approximately 141.8%.<sup>17</sup> I&E recommended that the availability charge be increased by the system average, which resulted in an increase of \$2.37 per month (37.4%) for a total monthly charge of \$8.70.<sup>18</sup> I&E's recommendation was based on the fact that the Company's proposed 141.8% increase is too large for one case and violates the concept of gradualism. I&E's concerns are resolved by this Settlement term because this class is now receiving an increase that is 1.5 times the system average. Such an increase comports with this important ratemaking principle because, as OCA witness Mierzwa testified, "While there is no hard and fast rule with respect to applying the concept of

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<sup>16</sup> I&E Statement No. 3 (Water), p. 17.

<sup>17</sup> I&E Statement No. 3 (Water), pp. 21-22.

<sup>18</sup> I&E Statement No. 3 (Water), p. 22.

gradualism, typically an increase of 1.5 to 2.0 times the system average increase is considered consistent with the concept of gradualism.”<sup>19</sup>

#### **5. Low-Income Water Rate (Joint Petition, Section II.E.14-II.E.15)**

The Settlement permits the Company to implement a Low-Income Rate for residential water service; however, it is modified from the Company’s original request in the following important ways: (1) the discount rate is moderated, (2) a regulatory asset/liability will be established to address any over/under collections from what is recovered in base rates, and (3) the discount rate will be implemented on a pilot basis.

In testimony, I&E recommended that the Company’s low-income rate be rejected due to the impact on other residential ratepayers. The Company proposed a low-income rate of \$4.13 per thousand gallons, which is a \$7.80 discount (65.4%) from the proposed usage rate of \$11.93 per thousand gallons.<sup>20</sup> This proposal was concerning because the low-income usage rate results in a revenue shortfall that must be recovered from other residential customers paying full tariff rates. As a result, any additional increases to other customers must be carefully considered, especially in this case where many customers testified about the financial hardship of the Company’s overall increase at the public input hearing.<sup>21</sup> However, through the settlement negotiations, the parties agreed to a residential volumetric rate discount of 35% in lieu of the 65.4% discount proposed by the Company. This moderated discount lessens the bill impact on CUPA customers

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<sup>19</sup> OCA Statement No. 3, p. 8.

<sup>20</sup> I&E Statement No. 3 (Water), p. 20.

<sup>21</sup> I&E Statement No. 3-SR (Water), pp. 23-24.



paying full tariff rates while also providing low-income customers will bill relief through the 35% volumetric rate discount.

Additionally, the Company has agreed to record a regulatory asset or liability for the amounts included in rates, which will be recovered from or refunded to customers in the next base rate case. This settlement term was important to address I&E's concern about the potential for over-recovery in base rates:

The projected levels of revenue shortfalls generated by the Company's generic analysis will cause harm to customers through the setting of the higher base rates necessary to subsidize this program. Finally, since the revenue shortfall is built into base rates with no reconciliation of actual participation costs to those projected in this base rate case, the potential excess revenue generated by low participation in the program merely provides excess revenues to the Company through the establishment of unreasonable and unsupported base rates.<sup>22</sup>

The Settlement establishes that the amount of revenue included in rates is the projected CUPA residential low-income gallonage of 15,066.541 kilogallons multiplied by the low-income rate of \$8.784, plus the projected Tamiment low-income gallonage of 2,590.588 kilogallons multiplied by the low-income rate of \$7.444. From I&E's perspective, this mechanism is important to ensure that excess revenue to does not flow to the Company if customers do not participate in the low-income rate at the projected levels.

Finally, implementing this discount rate on a pilot, rather than permanent, basis provides the Company and the parties an opportunity to evaluate whether there is an established need for the low-income rate and, if so, to assess whether the current rate is

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<sup>22</sup> I&E Statement No. 3-SR (Water), p. 26-27.

properly designed. I&E expressed concerns about the need for the program given that the Company utilized generic locality data to establish a percentage of participants and corresponding revenue shortfall through its low-income rate, but it did not survey its actual customer base to assess how many residents fall into the federal poverty level guideline for 2021.<sup>23</sup> I&E testified that participation in CUPA's discount rate may not be robust given that the approximate \$250,000 median property value in the Company's Penn Estates and Tamiment territories likely exceeds the values that could be owned by persons within the 2021 federal poverty guidelines, which is \$12,880 per year for an individual and \$21,960 per year for a family of three.<sup>24</sup> Accordingly, implementing the discount rate on a pilot basis will provide valuable information that will allow parties to make better informed recommendations concerning the design of the program or continuation of the discount rate going forward.

**D. Reporting Requirements (Joint Petition, Section II.F)**

**1. Test Year (Joint Petition, Section II.F.18)**

The Settlement provides that CUPA will provide the Commission's Bureau of Technical Utility Services and Investigation and Enforcement with an update to CUPA-Supporting Data, Section 1, Page 17 of the water and wastewater filings no later than April 1, 2022. This report will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2021. An additional

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<sup>23</sup> I&E Statement No. 3-SR (Water), p. 25.

<sup>24</sup> I&E Statement No. 3-R (Water), p. 26.

update will be provided for actual additions through December 31, 2022, no later than April 1, 2023.

This term allows interested parties to monitor how closely the Company's projected investments in future facility comport with the actual investments that are made at the end of the FTY and FPFTY. Determining the correlation between projected and actual capital expenditures, plant additions and retirements will help inform the Commission and the parties in future rate cases as to the validity of CUPA's projections.<sup>25</sup>

## **2. Boil Water Advisories (Joint Petition, Section II.F.19)**

Pursuant to the Settlement, the Company will provide Joint Petitioners with any boil water advisories and do not consume notices that are sent to customers. Timely notification of such events was raised as a concern at the public input hearing. Although the Company has not had a significant number<sup>26</sup> of boil water advisories in recent years, it is important to provide timely notification to customers regarding the need to boil or not consume the water and when such restrictions are lifted. Providing these notices to the Joint Petitioners will allow other parties to monitor the number and timeliness of providing this information in the interim between base rate filings.

## **3. DEP Reports (Joint Petition, Section II.F.20)**

CUPA further agrees to provide settling parties with any progress reports that are submitted to the Pennsylvania Department Environmental Protection regarding the

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<sup>25</sup> I&E Statement No. 3 (Water), pp. 9-11. I&E Statement No. 3 (Wastewater), pp. 10-12.

<sup>26</sup> CUPA Statement No. 7-R, p. 17.

October 22, 2020 Consent Order. This Consent Order arose from notice of violations issued in April and September 2019 concerning multiple effluent violations and sanitary sewer overflows.<sup>27</sup> It requires the Company to take corrective actions and submit semi-annual progress reports to the DEP to document its progress with respect to completion of the corrective actions. Pursuant to the Settlement, CUPA will now provide those progress reports to the parties in this proceeding. Notification of the Company's efforts to maintain and improve its facilities and service is in the public interest as the Public Utility Code mandates that the Company provide safe, reliable and adequate service.<sup>28</sup> While such improvements stem from the Consent Order entered with PA DEP, it impacts the quality of service provided to CUPA ratepayers.

**E. Service-Related Commitments (Joint Petition, Section II.G)**

**1. Lost and Unaccounted for Water (Joint Petition, Section II.G.21)**

Under the Settlement, CUPA is required to provide a breakdown of lost and unaccounted for water ("LUFW") by system and detail all identified causes. During its review, I&E identified LUFW as an issue because it is higher than the Commission's threshold for reasonableness, which states that levels above 20% have been considered excessive.<sup>29</sup> Specifically, on a Company wide basis, CUPA's reported levels of LUFW from January 2018 to December of 2020 averaged 22.38%.<sup>30</sup> However, when looking at the Company's three different divisions, it is clear that losses in the different divisions

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<sup>27</sup> OCA Statement No. 4, pp. 27-28.

<sup>28</sup> 66 Pa. C.S. § 1501.

<sup>29</sup> 52 Pa. Code § 65.20(4).

<sup>30</sup> I&E Statement No. 3 (Water), p. 12.

vary widely as Penn Estates losses averaged of 21.9%, Westgate's averaged 10.13% and Tamiment's averaged 58.02% during the January 2018 to December 2020 period.<sup>31</sup> This term requires CUPA to separate and identify the reasons for these losses in its next base rate proceeding.

Tracking these losses is important because decreasing the lost water reduces the expense incurred by a utility by to pump, treat and send water out into the distribution system.<sup>32</sup> For example, I&E calculated that CUPA's incremental cost to produce and purchase water to be \$0.774 per thousand gallons.<sup>33</sup> The expense incurred to treat this water is unnecessary given that it does not reach customers but is simply lost in the system. Moreover, high losses are not in keeping with the Commission's policy of encouraging water conservation measures.<sup>34</sup> To be sure, the volumes lost are significant given that, during the three-year period identified above, the Company reported 126,491,048 lost gallons out of 565,309,634 gallons sent into the system.<sup>35</sup> Continuing to report and track UFW separately by division will help the Company and parties monitor this issue with the goal of reducing such losses in the future.

## **2. Grinder Pumps (Joint Petition, Section II.G.25)**

The Settlement requires the Company to provide new and existing wastewater customers information regarding the operation and maintenance of grinder pumps.

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<sup>31</sup> I&E Statement No. 3 (Water), pp. 12-13.

<sup>32</sup> I&E Statement No. 3 (Water), pp. 12.

<sup>33</sup> I&E Statement No. 3 (Water), p. 15.

<sup>34</sup> 52 Pa. Code § 65.20.

<sup>35</sup> I&E Statement No. 3 (Water), p. 12.

Parties first became aware of grinder pump issues at the public input hearing where several customers complained about sewer backflow issues and grinder pump failures.

After the public input hearing, the Company provided rebuttal testimony explaining that a section of Tamiment wastewater customers have grinder pumps in order to discharge wastewater into the low pressure main.<sup>36</sup> CUPA received increased calls in June 2020 regarding grinder pump issues and investigated the impacted area. The Company testified that it found no blockages and tested the system's pressure to determine whether any buildup impacted the grinder pumps. In July 2020, the Company hired a contractor to investigate these issues and determined that grinder pump issues were not the result of a failure on its system.<sup>37</sup>

Grinder pumps are the customer's property; therefore, customers are responsible for the maintenance and replacement costs. While CUPA is not responsible for these costs, the Settlement requires CUPA to assist customers by providing information about the operation and maintenance of grinder pumps. The public interest is served by CUPA taking a role in educating customers about its sewer system and the operation and maintenance of customer owned grinder pumps with the goal of limiting these failures in the future.

### **3. Call Center (Joint Petition, Section II.G.26)**

The Settlement provides that CUPA will include updated call center performance data in its next base rate filing. This term arose from public input hearing testimony

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<sup>36</sup> CUPA Statement No. 7-R, p. 11.

<sup>37</sup> CUPA Statement No. 7-R, pp. 12-13.

where customers raised customer service concerns such as long wait times, failure to return phone calls and difficulty speaking with a Company representative.<sup>38</sup> The Company provided rebuttal testimony explaining operational changes that have recently been implemented to improve customer service.<sup>39</sup> The recent changes include developing a regionalized support model so that dedicated customer service representatives are responsible for taking calls from Pennsylvania customers; obtaining customer feedback; and enhanced coaching and training for customer service representatives.<sup>40</sup> CUPA provided an exhibit demonstrating that the percentage of calls answered within sixty seconds increased from January 2020 to June 2021 and the call abandonment rate decreased in that period. In the Settlement, CUPA committed to provide an update of these customer service metrics in the next base rate filing to determine whether the Company's recent efforts are enhancing the customer experience as intended.

**F. Tamiment Rate Base Valuation (Joint Petition, Section II.H)**

**1. Water and Wastewater Rate Base (Joint Petition, Section II.H.27)**

The Settlement establishes a rate base value for Tamiment water and wastewater facilities in compliance with the Commission's Final Order in Docket Nos. A-2018-3005430, which approved CUPA's acquisition of the current Tamiment division. The Order further directed that a water and wastewater rate base value be determined in a future rate proceeding so that the buyer and seller can true-up the purchase price with the

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<sup>38</sup> Public Input Hearing Transcript, pp. 74-75, 137, 191.

<sup>39</sup> CUPA Statement No. 8-R.

<sup>40</sup> CUPA Statement No. 8-R, pp. 4-6.

final rate base value.<sup>41</sup> The instant proceeding is where the water and wastewater rate base values must be established, and I&E maintains that water rate base of \$1,324,261 and wastewater rate base of \$1,243,135 included in the Settlement are based on traditional and generally accepted ratemaking principles.

## **2. Wastewater CWIP Adjustment (Joint Petition, Section II.H.28)**

The Company's Tamiment wastewater rate base of \$1,243,135 included a CWIP adjustment. Specifically, CUPA removed the CWIP balance of \$439,920 from the prior owner's rate base value of \$1,683,056 because the "CWIP balance of \$439,920 is currently not in progress, will not be in progress during the future test period and will not be in service shortly after the future test period."<sup>42</sup> CUPA further testified that, although it was not CWIP, the costs were prudently incurred by the prior owner for engineering studies and permitting work for potential facilities upgrades and therefore recommended that the balance be amortized over 11 years.<sup>43</sup> I&E did not take issue with this recommendation in testimony and agrees that this amount is included in the incremental wastewater revenue increase.

## **G. Standard Terms (Joint Petition, Section II.I)**

I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in

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<sup>41</sup> Joint Application of Community Utilities of Pennsylvania, Inc. – Water (CUPA-Water) and Pennsylvania Utility Company – Water (PA Utility Co.-Water) for approval of: the transfer, by sale, of the water system assets of PA Utility Co.-Water; the right of CUPA-Water to begin to offer, render, furnish and supply water service to the public in a portion of Lehman Township, Pike County, Pennsylvania; and the abandonment of all water service by PA Utility Co.-Water to the public in Lehman Township, Pike County, Pennsylvania, Docket No. A-2018-3005430, p. 7 (Order entered June 25, 2019).

<sup>42</sup> CUPA Statement No. 9-R, p. 3.

<sup>43</sup> CUPA Statement No. 9-R, p. 4.



the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

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

### III. CONCLUSION

The Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Dennis Buckley recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Allison C. Kaster". The signature is fluid and cursive, with the first name "Allison" being the most prominent part.

Allison C. Kaster  
Deputy Chief Prosecutor  
PA Attorney ID No. 93176

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, Pennsylvania 17120

Dated: October 12, 2021

# **APPENDIX K**

**OSBA STATEMENT IN SUPPORT**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al.	:	
	:	
	:	R-2021-3025206
v.	:	
	:	
Community Utilities of Pennsylvania Inc.	:	
	:	
	:	
	:	
Pennsylvania Public Utility Commission, et al.	:	
	:	
	:	R-2021-3025207
v.	:	
	:	
	:	
Community Utilities of Pennsylvania Inc.	:	
Wastewater Division	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE JOINT PETITION OF ALL ACTIVE PARTIES CUPA, I&E,  
OCA, AND OSBA FOR FULL SETTLEMENT OF RATE PROCEEDINGS**

**I.     Introduction and Overall Reasons in Support of Settlement**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceedings, which were initiated by the Community Utilities of Pennsylvania Inc. Water and Wastewater Divisions (“CUPA” or “Company”) on April 12, 2021.

The OSBA was an active participant in the litigation and the negotiations that led to the *Joint Petition of All Active Parties CUPA, I&E, OCA, and OSBA for Full Settlement of Rate Proceedings* (“*Settlement*”). The *Settlement* sets forth a comprehensive list of issues that were resolved through the negotiation process. The OSBA submits this statement in support of the *Settlement*.

## **II. Reasons for Support of Specific Issues**

### **A. Revenue Requirement Increase for Water and Wastewater**

In CUPA’s initial filings, it sought an increase to water base rate revenues in the amount of \$757, 517 and a \$998, 705 increase to wastewater base rate revenues. (*Settlement*, p. 7, ¶¶ 2-3). By contrast, the *Settlement* provides CUPA with an increase in annual water revenues in the amount of \$630,000 and annual wastewater revenues in the amount of \$830,000 (*Settlement*, p. 7, ¶¶ 2-3).

At a time when all types of utility service are becoming more expensive, and the effects of the COVID-19 pandemic are still being felt by customers,<sup>1</sup> the significant reduction in the overall revenue increase provided by the *Settlement* will benefit all of CUPA’s customers, including the Company’s small business customers. The *Settlement* substantially reduces the Company’s originally proposed rate increase to mitigate the economic burden on ratepayers, while affording the Company sufficient revenue to proceed with planned investments necessary to provide safe, effective and reliable water and wastewater service.

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<sup>1</sup> See *OSBA Statement No. 1*, pp. 4-5.

## **B. Stay-Out**

Additionally, the *Settlement* provides that CUPA will not file for a general rate increase any sooner than September 30, 2023. (*Settlement*, p. 8, ¶ 4). This provision provides assurance to small business customers that the Company will not seek to increase rates for a significant period of time. Such assurance that water and wastewater rates will not increase for a set period of time provides certainty and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.

## **C. Rate Design and Structure**

Paragraphs 7 through 17 of the *Settlement* contain provisions related to rate design and rate structure. (*Settlement*, pp. 9-11). Paragraph 8 notes that the parties agreed to a partial consolidation of the Tamiment rate area. (*Settlement*, p. 9). In this proceeding, OSBA witness Brian Kalcic testified regarding his concern that full consolidation of the Tamiment rate area would result in rate shock for Tamiment customers. (*OSBA Statement No. 1*, pp. 11-12, 15; *OSBA Statement No. I-S*, pp. 3-4). A partial consolidation of the Tamiment rate area moves Tamiment toward consolidation, while mitigating the bill impact it will have on customers. The OSBA finds that a partial (50% movement toward consolidation) is a reasonable compromise between the competing interests of consolidating the Tamiment rate area and avoiding rate shock to customers.

## **D. Reporting Requirements**

Paragraphs 18-20 of the *Settlement* require CUPA to (1) continue to file the annual capital expenditure reports as previously agreed, (2) serve copies to the Settlement Parties of any

Boil Water Advisory (“BWA”) or Do Not Consume Advisory issued to customers, and (3) serve the Settlement Parties with any progress report it submits to the Pennsylvania Department of Environmental Protection (DEP) regarding the Consent Order and Agreement dated October 22, 2020 (related to the Penn Estates wastewater system). (*Settlement*, pp. 11-12)

The collection and presentation of such information will assist the OSBA in representing small business customers of the Company in the next rate case.

#### **E. Service-Related Commitments**

The OSBA initially notes that no commercial customers testified at or participated in the public input hearings in this proceeding and CUPA did not receive any customer service complaints from commercial customers regarding water quality issues over the past twelve months. (*OSBA Statement No. 1*, p. 16). Nevertheless, the OSBA recognizes that several of the service related commitments in the *Settlement* are beneficial for CUPA’s small business customers. In particular, the requirements for CUPA to provide increased and more detailed information on a variety of topics in its next base rate case, to provide more information in its reporting requirements for its valve records, and to provide a breakdown of its Lost and Unaccounted For Water (“LUAF”), all will enhance transparency and provide the Settlement Parties with information that will assist in litigating the Company’s next base rate case effectively and efficiently. (*Settlement*, pp. 12-13, ¶¶ 21-22, 24, 26-27).

Additionally, the requirement for CUPA to provide advanced notice to customers served by the Tamiment Water System regarding planned system maintenance that may discolor water should alleviate service concerns when customers encounter discolored water, as the Company will have prepared them for encountering such an issue. (*Settlement*, p. 12, ¶ 23).

#### **F. Tamiment Rate Base Valuation**

The OSBA did not take a position on the rate base value for Tamiment water and wastewater facilities.

### **III. Conclusion**

For the reasons set forth in the *Settlement*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Settlement* and respectfully requests that the ALJ and the Commission approve the *Settlement* in its entirety.

Respectfully submitted,



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Erin K. Fure  
Assistant Small Business Advocate  
Attorney ID No. 312245

Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Dated: October 12, 2021



## **CERTIFICATE OF SERVICE**

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

### **BY ELECTRONIC MAIL ONLY**

Allison C. Kaster, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120  
[akaster@pa.gov](mailto:akaster@pa.gov)

Erin L. Gannon, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1921  
[egannon@paoca.org](mailto:egannon@paoca.org)

Erin K. Fure, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101-1921  
[efure@pa.gov](mailto:efure@pa.gov)

### **ELECTRONIC SERVICE TO THE *PRO SE* COMPLAINANTS BEING SERVED BY THE OFFICE OF CONSUMER ADVOCATE**

KERREN RICKETTS  
101 SWARTSBURO DRIVE  
TAMIMENT PA 18371  
[kerrenricketts@yahoo.com](mailto:kerrenricketts@yahoo.com)

PHILIP VILLONE  
401 UNDERHILL DRIVE  
TAMIMENT PA 18371  
[philvil1@juno.com](mailto:philvil1@juno.com)

JOHN HOOPINGARNER  
1110 LONG LAKE ROAD  
TAMIMENT PA 18371  
[jwhoop@ptd.net](mailto:jwhoop@ptd.net)

BRYAN DONNELLY  
221 RAVENHILL RD  
TAMIMENT PA 18371  
[Bce3333@live.com](mailto:Bce3333@live.com)

RAFAIL KOVALENKO  
2138 WILDERLAND ROAD  
TAMIMENT PA 18371  
[dmitrykov@outlook.com](mailto:dmitrykov@outlook.com)

VINCENT AND JANINE MARINO  
501 BOMBUR LANE  
TAMIMENT PA 18371  
[janinem@abilitycommerce.com](mailto:janinem@abilitycommerce.com)

DORITHA PALMER  
127 BRANDYSHIRE DRIVE  
TAMIMENT PA 18371  
[albpalmer@gmail.com](mailto:albpalmer@gmail.com)

KATHLEEN RAPHAEL  
500 GALION DRIVE  
TAMIMENT PA 18371  
[khenkel@gmail.com](mailto:khenkel@gmail.com)

RICHARD AND SUSAN DI PIAZZA  
215 WITHYWINDLE WAY  
TAMIMENT PA 18371  
[impact451@hotmail.com](mailto:impact451@hotmail.com)

SHARON TUNSTALL  
105 CONDOR DR, UNIT 34  
TAMIMENT PA 18371  
[sharonbrowntunSTALL@gmail.com](mailto:sharonbrowntunSTALL@gmail.com)

COLVILLE OSWALD BROWNE  
208 TOMNODDY DRIVE  
TAMIMENT PA 18371  
[elizabrowne@hotmail.com](mailto:elizabrowne@hotmail.com)

RONALD FRAIOLI  
325 SUNSET BOULEVARD  
WYCKOFF PA 18371  
[rmflaw304@gmail.com](mailto:rmflaw304@gmail.com)

CHRIST R. NIELSEN  
513 GANDOLF ROAD  
TAMIMENT PA 18371  
[cnielsen4u@yahoo.com](mailto:cnielsen4u@yahoo.com)

MONA ANNICARO  
81-12 153RD AVENUE  
HOWARD BEACH NY 11414  
[annicaro@verizon.net](mailto:annicaro@verizon.net)

SEVERO BARZA  
609 GALION DR  
TAMIMENT PA 18371  
[bobarz@yahoo.com](mailto:bobarz@yahoo.com)

BARBARA ANN MIRKOVIC  
126 CONDOR DR  
UNIT 14  
TAMIMENT PA 18371  
[Mirkovicb@aol.com](mailto:Mirkovicb@aol.com)

GUSTAVO ESPINAL  
440 UNDERHILL DRIVE  
TAMIMENT PA 18371  
[karenel9@yahoo.com](mailto:karenel9@yahoo.com)

DAVID FUCHS  
211 RAVENHILL ROAD  
TAMIMENT PA 18371  
[davidjfuchs@gmail.com](mailto:davidjfuchs@gmail.com)

ROSE COCKLIN  
2104 TAMIMENT LN  
TAMIMENT PA 18371  
[tintofrose@aol.com](mailto:tintofrose@aol.com)

DOMINICK AND CINDY TOSCANO  
1115 UNDERHILL COURT  
TAMIMENT PA 18371  
[domncin@gmail.com](mailto:domncin@gmail.com)

DOUGLAS BECKWORTH  
210 SWARTSBORO DRIVE  
TAMIMENT PA 18371  
[Douglas0406@gmail.com](mailto:Douglas0406@gmail.com)

MARCUS & BERNALYN CLARKE  
517 GANDOLF ROAD  
TAMIMENT PA 18371  
[bjonesclarke@aol.com](mailto:bjonesclarke@aol.com)

KATHERINE CASSIDY  
514 CARROCK WAY  
TAMIMENT PA 18371  
[kathy-valdes@hotmail.com](mailto:kathy-valdes@hotmail.com)

DAVID TOUMA  
136 RIVENDALL DRIVE  
TAMIMENT PA 18371  
[neesie3464@yahoo.com](mailto:neesie3464@yahoo.com)

WILLIAM AND DAHLIA MERRITT  
102 RAVENHILL ROAD  
TAMIMENT PA 18371  
[dahlia72rn@gmail.com](mailto:dahlia72rn@gmail.com)

RONALD PORCORO  
1111 OAKENSHIELD LOOP  
TAMIMENT PA 18371  
[ronporcoro@gmail.com](mailto:ronporcoro@gmail.com)

CHRISTINA G. BOERS  
157 OAKENSHIELD DRIVE  
TAMIMENT PA 18371  
[christina.boers82@gmail.com](mailto:christina.boers82@gmail.com)

JOHN KIS  
75 EASTVIEW DR  
VALHALLA NY 10595  
[john5063@aol.com](mailto:john5063@aol.com)

BONNIE RUDESKI  
112 TOMNODDY DRIVE  
TAMIMENT PA 18371  
[elegant14u@me.com](mailto:elegant14u@me.com)

DAVID SQUILLICIOTTI  
104 CONDOR DRIVE APT # 2  
TAMIMENT PA 18371  
[djsacme@yahoo.com](mailto:djsacme@yahoo.com)

LOUIS ROMANO  
108 OLD TOOK DR  
TAMIMENT PA 18371  
[louisromano72@gmail.com](mailto:louisromano72@gmail.com)

GERALD & KATHLEEN RAPHAEL  
500 GALION DRIVE  
TAMIMENT PA 18371  
[raphael1223@yahoo.com](mailto:raphael1223@yahoo.com)

VANESSA DURCAN  
249 OAKENSHIELD DRIVE  
TAMIMENT PA 18371  
[vanessa.buchanan@wilkes.edu](mailto:vanessa.buchanan@wilkes.edu)

BARRY TREMPER  
1111 UNDERHILL COURT  
TAMIMENT PA 18371  
[suebah@ptd.net](mailto:suebah@ptd.net)

GRAZYNA & ANNA PARYZKI  
212 GOLLUM LANE  
TAMIMENT PA 18371  
[ppemail@msn.com](mailto:ppemail@msn.com)

MICHAEL MILLER  
1204 RHODE ISLAND LN  
DOWNINGTOWN PA 19335  
[miller.michael1097@gmail.com](mailto:miller.michael1097@gmail.com)

PETER SALOMONE  
106 RIVENDELL DR  
TAMIMENT PA 18371  
[Psalomone91@gmail.com](mailto:Psalomone91@gmail.com)

ARNOLD REYES-PORTILLA  
224 RAVENHILL ROAD  
TAMIMENT PA 18371  
[nardyreyes@yahoo.com](mailto:nardyreyes@yahoo.com)

SUSAN J. NIKOLAOU  
111 TOMNODDY DRIVE  
APT SUITE FLOOR ETC  
TAMIMENT PA 18371  
[susankostelnik@hotmail.com](mailto:susankostelnik@hotmail.com)

CLARK SUTTON  
126 CONDOR DRIVE APT # 15  
TAMIMENT PA 18371  
[csutton48@yahoo.com](mailto:csutton48@yahoo.com)

WILLIAM J. SULLIVAN  
156 OAKENSHIELD DR  
TAMIMENT PA 18371  
[wjsullivan1@yahoo.com](mailto:wjsullivan1@yahoo.com)

CHRISTINE THOMSON  
118 CONDOR DRIVE UNIT 12  
TAMIMENT PA 18371  
[christ813@aol.com](mailto:christ813@aol.com)

GEORGE KELLY  
502 KILI WAY  
TAMIMENT PA 18371  
[woodwkr@ptd.net](mailto:woodwkr@ptd.net)

MARITZA RIVERA  
507 DWALIN WAY  
TAMIMENT PA 18371  
[omaclud@yahoo.com](mailto:omaclud@yahoo.com)

JOSEPH TORREGROSSA  
518 GANDOLF ROAD  
TAMIMENT PA 18371-9431  
[joetqm@gmail.com](mailto:joetqm@gmail.com)

PETER MAURO  
117 BRANDYSHIRE DRIVE  
TAMIMENT PA 18371  
[pmauro@musician.org](mailto:pmauro@musician.org)

\* RENE BRESSANT  
204 GOLLUM LANE  
TAMIMENT PA 18371

THOMAS HEMELESKI  
615 GANDOLF ROAD  
TAMIMENT PA 18371  
[tdh1@ptd.net](mailto:tdh1@ptd.net)

\* JEAN SOUDERS  
502 CARROCK WAY  
TAMIMENT PA 18371

MARIO CARLINO  
231 RAVENHILL RD  
TAMIMENT PA 18371  
[carlinomario149@gmail.com](mailto:carlinomario149@gmail.com)

ASMENT BENJAMIN  
500 BOMBUR LANE  
TAMIMENT PA 18371  
[asmentb@gmail.com](mailto:asmentb@gmail.com)

CHARLES BREITWEISER  
102 TOMNODDY  
TAMIMENT PA 18371  
[Breitweisercharles5@gmail.com](mailto:Breitweisercharles5@gmail.com)

ALDONA BASTEK  
377 UNDERHILL RD  
TAMIMENT PA 18371  
[aldonabastek@yahoo.com](mailto:aldonabastek@yahoo.com)

LARISA SHIN  
507 GANDOLF RD  
TAMIMENT PA 18371  
[larisa\\_shin@yahoo.com](mailto:larisa_shin@yahoo.com)

DAVID SHOOK  
5141 HAMLOCK LANE  
TAMIMENT PA 18371  
[shookdad@ptd.net](mailto:shookdad@ptd.net)

WESLEY AND MILDRED MANN  
105 SWARTSBORO DRIVE  
TAMIMENT PA 18371  
[manntaz68@gmail.com](mailto:manntaz68@gmail.com)

ROMULO BABAAN  
1105 LONG LAKE ROAD  
TAMIMENT PA 18371  
[mulo1946@aol.com](mailto:mulo1946@aol.com)

CATHERINE GILCHRIST  
9 FORDHAM HILL OVAL  
APARTMENT 5G  
BRONX NY 10468  
[shardae110899@optimum.net](mailto:shardae110899@optimum.net)

GWENDOLYN BECKFORD WILSON  
AND MARK LILLERY  
503 CARROCK WAY  
TAMIMENT PA 18371  
[gberkford@yahoo.com](mailto:gberkford@yahoo.com)

FRANCIS AND MAYRA SULLIVAN  
518 FORT WASHINGTON AVE. APT  
1B  
NEW YORK NY 10033  
[sullmay@yahoo.com](mailto:sullmay@yahoo.com)

SHEILA HUNT  
272 OAKENSHIELD DRIVE  
TAMIMENT PA 18371  
[sheilahunt4@gmail.com](mailto:sheilahunt4@gmail.com)

DANIEL AND SUZIE NAPOLITANO  
1108 LONGLAKE ROAD  
TAMIMENT PA 18371  
[suzie.napolitano@gmail.com](mailto:suzie.napolitano@gmail.com)

TROY COLEMAN  
104 GOLLUM LN  
TAMIMENT PA 18371  
[kingtc6566@yahoo.com](mailto:kingtc6566@yahoo.com)

\* IVAN & THERESA AYALA  
109 SWARSTBORO DRIVE  
TAMIMENT PA 18371

MICHAEL KOTOWSKI  
605 CARROCK WAY  
TAMIMENT PA 18371  
[michaelkotowski0318@gmail.com](mailto:michaelkotowski0318@gmail.com)

JANINE BROWN  
225 OAKENSHIELD DRIVE  
TAMIMENT PA 18371  
[janinebrown59@gmail.com](mailto:janinebrown59@gmail.com)

MOSHE MITCHELL  
114 BRANDYSHIRE DRIVE  
TAMIMENT PA 18371  
[rumstamitch72@yahoo.com](mailto:rumstamitch72@yahoo.com)

HENRY KOTOWSKI  
2103 TAMIMENT LANE  
TAMIMENT PA 18371  
[bski3480gt@gmail.com](mailto:bski3480gt@gmail.com)

RICHARD RICE  
611 CARROCK WAY  
TAMIMENT PA 18371  
[blackcoat5@verizon.net](mailto:blackcoat5@verizon.net)

THOMAS AND PATRICIA PARILLO  
211 WITHYWINDLE WAY  
TAMIMENT PA 18371  
[pattipp2@comcast.net](mailto:pattipp2@comcast.net)

OVIDIO AND AIXA MARTINEZ  
105 TOMNODDY DR  
TAMIMENT PA 18371  
[ovidioaixa@yahoo.com](mailto:ovidioaixa@yahoo.com)

GRACE MORO  
1106 LONG LAKE RD  
TAMIMENT PA 18371  
[grace.moro@gmail.com](mailto:grace.moro@gmail.com)

\* CONNIE FRIEDFEL  
212 TOMNODDY DR  
TAMIMENT PA 18371

KATHLEEN LAWSON  
206 TOMNODDYS DR  
TAMIMENT PA 18371  
[kkskorner@aol.com](mailto:kkskorner@aol.com)

DOROTHY AND FEISAL KHAN  
1116 UNDERHILL COURT  
TAMIMENT PA 18371  
[flkglobalreport@gmail.com](mailto:flkglobalreport@gmail.com)

SHARON LLOYD  
107 BINDALE ROAD  
TAMIMENT PA 18371-9402  
[blessed2@ptd.net](mailto:blessed2@ptd.net)  
[anheir107@gmail.com](mailto:anheir107@gmail.com)

USHA PARHAR  
605 GANDOLF RD  
TAMIMENT PA 18371  
[uparhar@gmail.com](mailto:uparhar@gmail.com)

GEORGE TIRADO  
616 GANDOLF ROAD  
TAMIMENT PA 18371  
[gino2thou@gmail.com](mailto:gino2thou@gmail.com)

TIMOTHY WEAVER  
1102 UNDERHILL COURT  
TAMIMENT PA 18371  
[weaverfuzzy@verizon.net](mailto:weaverfuzzy@verizon.net)

JOHN MURPHY  
103 BINDALE ROAD  
TAMIMENT PA 18371  
[likeafew@aol.com](mailto:likeafew@aol.com)

\* DANIEL MCKOY  
151 OAKENSHIELD DRIVE  
TAMIMENT PA 18371

[lisabjll5@gmail.com](mailto:lisabjll5@gmail.com)

YAJAIDA RODRIGUEZ  
UTILITIES OF PENNSYLVANIA, INC  
214 BRANDYSHIRE DRIVE  
TAMIMENT PA 18371  
[yajaidaluna@yahoo.com](mailto:yajaidaluna@yahoo.com)

ROBERT MOHR  
501 CARROCK WAY  
TAMIMENT PA 18371  
[mlmrwm@aol.com](mailto:mlmrwm@aol.com)

ROGER FREDERICKS  
509 GALION DRIVE  
TAMIMENT PA 18371  
[rfrede6599@aol.com](mailto:rfrede6599@aol.com)

\* ROSALIE CAPITELLI  
165 OAKENSHIELD  
TAMIMENT PA 18371

CHARLES WRIGHT  
610 BANBUR LANE  
TAMIMENT PA 18371  
[mcw\\_nj@yahoo.com](mailto:mcw_nj@yahoo.com)

TARYN MERRILL  
204 RAVENHILL ROAD  
TAMIMENT PA 18371  
[Tarynm79@hotmail.com](mailto:Tarynm79@hotmail.com)

NICHOLAS CORFORTE  
508 CARRODE WAY  
TAMIMENT PA 18371  
[deadman3@aol.com](mailto:deadman3@aol.com)

CRAIG LOWE  
205 THISTLEBROOK COURT  
TAMIMENT PA 18371  
[shellylowe64@icloud.com](mailto:shellylowe64@icloud.com)

STEPHEN AND KATHLEEN CONRAD  
393 UNDERHILL DRIVE  
TAMIMENT PA 18371  
[katwoman731@msn.com](mailto:katwoman731@msn.com)

\* CLIFFORD AND CINDY MCNEIL  
206 HOBBIT DRIVE  
TAMIMENT PA 18371

MARYANN BOUCO  
1136 HUNTERS WOODS DRIVE  
EAST STROUDSBURG PA 18301  
[mebouco@outlook.com](mailto:mebouco@outlook.com)

PATRICIA MERRILL  
188 OAKENSHIELD DRIVE  
TAMIMENT PA 18371  
[pattyellenm13@aol.com](mailto:pattyellenm13@aol.com)

GAURAV PARHAR  
605 GANDOLF ROAD  
TAMIMENT PA 18371  
[uparhar@gmail.com](mailto:uparhar@gmail.com)

THOMAS AND MAXINE SHEPARD  
511 BOMBUR LANE  
TAMIMENT PA 18371  
[maxineshepard@yahoo.com](mailto:maxineshepard@yahoo.com)

MARCIA J. MATHURA  
324 CLICKO LANE  
EAST STROUDSBURG PA 18301  
[mjmathura@gmail.com](mailto:mjmathura@gmail.com)

/s/ Whitney E. Snyder

Thomas J. Sniscak  
Whitney E. Snyder  
Bryce R. Beard

Dated this 12<sup>th</sup> day of October, 2021

\* Because no email address is provided, the OCA will serve by 1<sup>st</sup> class mail on October 13, 2021