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December 6, 2021

Via Electronic Filing

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

R-2021-3026116, et al.-AEL-12/7/21

Re: PaPUC Docket No. ~~R-2021-3026116, et al.~~
Pa. P.U.C., et al. v. The Borough of Hanover – Hanover Municipal Water Works

Dear Secretary Chiavetta:

We are counsel to the Borough of Hanover – Hanover Municipal Water Works in the above matter and are submitting, via electronic filing with this letter, the Joint Petition of the Borough, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and Hanover Foods Corporation for Approval of Settlement of Rate Investigation. Copies of the Joint Petition are being served upon the persons and in the manner set forth on the certificate of service attached to it.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By

Thomas T. Niesen

cc: Certificate of Service (w/encl.)
The Honorable F. Joseph Brady, Administrative Law Judge (via email, w/encl.)
Nan Dunford (via email, w/encl.)

**Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge
F. Joseph Brady, Presiding**

Pennsylvania Public Utility Commission	:	Docket No. R-2021-3026116
Office of Consumer Advocate	:	Docket No. C-2021-3027274
Office of Small Business Advocate	:	Docket No. C-2021-3027361
Hanover Foods Corporation	:	Docket No. C-2021-3027807
	:	
v.	:	
	:	
The Borough of Hanover – Hanover	:	
Municipal Water Works	:	

**JOINT PETITION OF THE BOROUGH OF HANOVER – HANOVER MUNICIPAL
WATER WORKS, THE BUREAU OF INVESTIGATION AND ENFORCEMENT,
THE OFFICE OF CONSUMER ADVOCATE, THE OFFICE OF SMALL
BUSINESS ADVOCATE AND HANOVER FOODS CORPORATION
FOR APPROVAL OF SETTLEMENT OF RATE INVESTIGATION**

TO THE HONORABLE F. JOSEPH BRADY, ADMINISTRATIVE LAW JUDGE:

This Joint Petition for Approval of Settlement of Rate Investigation (“Joint Petition”) is made and entered into by and between the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Hanover Foods Corporation (“HFC”) and the Borough of Hanover – Hanover Municipal Water Works (“Hanover” or “Borough”), parties to the above captioned rate proceeding (hereinafter collectively referred to as "Joint Petitioners") for the purpose of settling the proceeding under the terms and conditions set forth below. Joint Petitioners request that Administrative Law Judge F. Joseph Brady recommend approval of, and that the Public Utility Commission (“Commission”) approve the Joint Petition.

Background

1. This proceeding concerns the Borough's Supplement No. 32 to Tariff Water-Pa. P.U.C. No. 3 ("Supplement No. 32") filed on June 29, 2021.
2. If approved as filed, Supplement No. 32 would increase the Borough's jurisdictional water revenue to Outside Borough Customers by \$1,563,100 based on a fully projected future test year ending December 31, 2022.
3. The rate filing was assigned Docket No. R-2021-3026116.
4. A formal Complaint against Supplement No. 32 was filed by the OCA at C-2021-3027274 on July 15, 2021.
5. A formal Complaint against Supplement No. 32 was filed by the OSBA at C-2021-3027361 on July 20, 2021.
6. A formal Complaint against Supplement No. 32 was filed by HFC at C-20212-3027807 on August 9, 2021.
7. I&E filed a Notice of Appearance on August 10, 2021.
8. By Order entered August 5, 2021, the Commission suspended Supplement No. 32 and instituted an investigation into the reasonableness of the proposed tariff changes.
9. The Borough filed Supplement No. 33 on August 12, 2021, suspending the application of the proposed water rates until March 28, 2022.
10. The investigation was assigned to Administrative Law Judge F. Joseph Brady.
11. A telephonic prehearing conference was held on August 31, 2021, with Judge Brady presiding. Counsel for I&E, OCA, OSBA, HFC and the Borough participated in the telephonic conference.

12. A litigation schedule was established and memorialized in Prehearing Order No. 2, dated September 16, 2021, providing for the service of testimony, evidentiary hearings on November 4 and 5, 2021, and the filing of main and reply briefs.

13. A Telephonic Public Input Hearing was held on October 23, 2021, with Judge Brady presiding. No public witnesses offered testimony at the Telephonic Public Input Hearing.

14. By electronic mail correspondence on November 1, 2021, counsel for the Borough advised Judge Brady that I&E, OCA, OSBA, HFC and the Borough had achieved a settlement of issues resolving the proceeding.

15. The evidentiary hearings scheduled for November 4 and 5, 2021, were cancelled as a result of the settlement of issues.

16. Coincident with the filing of this Joint Petition, Joint Petitioners are filing a Motion to Admit Testimony and Exhibits to establish an evidentiary record for the proceeding.

Terms and Conditions of Settlement

17. The terms and conditions comprising this Joint Petition, to which Joint Petitioners agree, are as follows:

(a) Increase in Annual Revenue and Scale Back

Joint Petitioners request that the Commission approve this Joint Petition and grant the Borough special permission to file a tariff supplement in the form attached hereto as Appendix A, to become effective for service no sooner than March 28, 2022.

The settlement rates presented in Appendix A are designed to produce additional annual revenue of \$1,044,980, in lieu of the originally proposed rate increase of \$1,563,100. They reflect a proportional scale back from the percentage

increases originally proposed by the Borough.

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

(b) Lead/Lag Study

The Borough agrees that, in any future base rate filing requesting an increase to revenues over \$1,000,000, it will either submit the lead/lag study required by 52 Pa. Code Section 53.53 for its cash working capital claim or submit a request for waiver of that requirement to allow use of the cash working capital 1/8 method in advance of its base rate filing.

(c) Distribution System Improvement Charge

Joint Petitioners agree that Hanover will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) once the additional balances of depreciable plant exceed \$72,824,372.39, which is the level of investment projected by Hanover at December 31, 2022 (*i.e.*, the end of the Fully Projected Future Test Year (“FPFTY”) per Table No. 1 (Borough of Hanover Exhibit JJS-3, p. I-4)). This provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FPFTY filing.

For purposes of calculating its DSIC, Hanover shall use the equity return rate for water utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report consistent with 66 Pa. C.S.

§ 1357(b)(3) as modified to reflect the 0% tax liability of the municipality, until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

(d) Reporting on Plant Additions

Hanover will provide the Bureau of Technical Utility Services, I&E, OCA and OSBA with a schedule comparing the projected plant additions and retirements for the Future Test Year with actual plant additions and retirements for the Future Test Year, no later than April 1, 2022. Hanover will provide a similar comparison for the Fully Projected Future Test Year no later than April 1, 2023.

(e) Isolation Valves

The Borough agrees that it will exercise or attempt to exercise 400 different isolation valves per year in the jurisdictional area until all the valves have been exercised in a 5-year period. The Borough will either repair isolation valves that are found to be inoperable at the time they are identified or submit a schedule to the Joint Petitioners by November 15 of each year for repair or replacing valves for the following calendar year.

As part of its next rate case filing, the Borough will provide the Joint Petitioners with a copy of its exercising records from 2022 forward. Consistent with the Settlement of the 2014 base rate case at Docket No. R-2014-2428304, the records will include: the size and location of the valve, when the valve was installed, date the valve is turned, number of turns it takes to open and close the valve, and any problems incurred in operating the valve.

(f) Fire Hydrants

The Borough has 16 fire hydrants in the jurisdictional area that cannot provide minimum fire flow of 500 gallons per minute at 20 pounds per square inch. The Borough will mark the 16 hydrants to be used only for flushing and blow offs and provide confirmation to the Joint Petitioners upon completion.

(g) Complaint Log

The Borough will keep a single complaint log in a live Excel format. The complaint log will include which type of customer (jurisdictional or non-jurisdictional) made the complaint with the following detail: date; location; dirty water; rusty water; water taste, odor, or color; staining (of laundry or plumbing fixtures); request for water testing; customer property damage; incomplete surface restoration; and health issues; and the final disposition of the complaint.

(h) Water Treatment Solids

In its next rate proceeding, the Borough will provide a summary of sewer bills including a breakdown of volumes and applicable charges and surcharges for the prior three years to support the total sewer expense claimed in the rate proceeding. The Borough will track water treatment solids levels and investigate sources of substantive increases in solids for possible sources and solutions. In the next base rate proceeding, the Borough will provide a report showing monthly solids averages and provide the results of investigations as to cause for substantive increases.

(i) Stay Out

The Borough agrees that it will not file a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d),

prior to two (2) years after the new rates go into effect; provided, however, that this provision shall not prevent Hanover from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory or other policies affecting the Borough's rates.

Other Provisions

18. Under the presently suspended Supplement No. 32: (1) the quarterly cost of water service to an Outside Borough residential customer using 11,000 gallons per quarter with a 5/8-inch meter would have increased by \$19.38 from \$68.94 to \$88.32 per quarter or by 28.1%; (2) the quarterly cost of water service to a commercial customer using 37,000 gallons per quarter with a 5/8-inch meter would have increased by \$50.09 from \$154.02 to \$204.11 or by 32.5%; and (3) the monthly cost of water service to an industrial customer using 332,000 gallons per quarter with a 2-inch meter would have increased by \$335.32 from \$1,366.66 to \$1,701.98 or by 24.5%.

19. Under the Joint Petition: (1) the quarterly cost of water service to an Outside Borough residential customer using 11,000 gallons per quarter with a 5/8-inch meter will increase by \$12.78 from \$68.94 to \$81.72 per quarter or by 18.5%; (2) the quarterly cost of water service to a commercial customer using 37,000 gallons per month with a 5/8-inch meter will increase by \$33.17 from \$154.02 to \$187.18 or by 21.5%; and (3) the quarterly cost of water service to an industrial customer using 332,000 gallons per quarter with a 2-inch meter will increase by \$216.76 from \$1,366.66 to \$1,583.43 or by 15.9%.

20. Although Joint Petitioners are not in agreement with respect to each claim in the ratemaking process and would not be able to agree upon the specific rate adjustments that may support their respective conclusions, their agreement as to the amount of increase in the Borough's

annual water revenue for Outside Borough Service, coupled with the other provisions hereto, provides an appropriate basis for resolution of the instant rate litigation.

21. The Joint Petition is consistent with the Commission's policy favoring negotiated settlements and in the public interest. It reduces administrative burden by resolving the rate investigation, after thorough and extensive discovery; recognizes, through the participation of I&E/OCA/OSBA/HFC, ratepayer concerns with the proposed rate increase; and provides the Borough with additional and necessary cash flow. The statements of the Borough, I&E, OCA, OSBA and HFC in support of the Joint Petition and setting forth their respective bases why the settlement and settlement rates are consistent with the Public Utility Code are attached as Appendices C, D, E, F and G.

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

23. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective right to fully litigate the case, including producing witnesses, conducting full cross-examination and presenting briefs and legal argument.

24. Joint Petitioners will make reasonable, good faith efforts to obtain approval of the Joint Petition by the Administrative Law Judge and the Commission without modification. If the Administrative Law Judge in his Recommended Decision recommends that the Commission adopt the Joint Petition without modification as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their right to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters, proposed by Administrative Law Judge Brady in his Recommended Decision. The Joint Petitioners reserve their right to file Reply Exceptions to any Exceptions which may be filed whether by a Joint Petitioner or other party to the proceeding.

25. In recognition of the foregoing, the Joint Petitioners respectfully request that:

- (a) Administrative Law Judge Brady recommend approval of, and the Public Utility Commission approve, this Joint Petition for Approval of Settlement of Rate Investigation;
- (b) The Borough be granted special permission to file a tariff supplement in the form attached hereto as Appendix A, following entry of a Commission Order, to become effective for service no sooner than March 28, 2022;
- (c) The Commission's investigation at R-2021-3026116 be terminated and marked closed;

- (d) The Complaint of the Office of Consumer Advocate at C-2021-3027274 be marked as satisfied and closed consistent with this Joint Petition for Approval of Settlement of Rate Investigation;
- (e) The Complaint of the Office of Small Business Advocate at C-2021-3027361 be marked as satisfied and closed consistent with this Joint Petition for Approval of Settlement of Rate Investigation;
- (f) The Complaint of Hanover Foods Corporation at C-2021-3027807 be marked as satisfied and closed consistent with this Joint Petition for Approval of Settlement of Rate Investigation; and
- g) The Commission grant such other relief that may be just, reasonable and appropriate under the circumstances.

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

**BOROUGH OF HANOVER –
HANOVER MUNICIPAL WATER
WORKS**

By: 
Thomas T. Niesen, Esquire

**THE BUREAU OF INVESTIGATION
AND ENFORCEMENT**

By: _____
Erika L. McLain, Prosecutor

OFFICE OF CONSUMER ADVOCATE

By: _____
Erin L. Gannon
Senior Assistant Consumer Advocate
Laura J. Antinucci
Assistant Consumer Advocate

**OFFICE OF SMALL BUSINESS
ADVOCATE**

By: */s/ Steven C. Gray*

Steven C. Gray
Senior Supervising
Assistant Small Business Advocate

HANOVER FOODS CORPORATION

By: _____
Charis Mincavage, Esquire
Kenneth R. Stark, Esquire

Date: December 6, 2021

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OFFICE OF CONSUMER ADVOCATE

**OFFICE OF SMALL BUSINESS
ADVOCATE**

By: 

Erin L. Gannon
Senior Assistant Consumer Advocate
Laura J. Antinucci
Assistant Consumer Advocate

By: _____
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HANOVER MUNICIPAL WATER
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AND ENFORCEMENT**

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Erika L. McLain, Prosecutor

OFFICE OF CONSUMER ADVOCATE

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ADVOCATE**

By: _____
Erin L. Gannon
Senior Assistant Consumer Advocate
Laura J. Antinucci
Assistant Consumer Advocate

By: _____
Steven C. Gray
Senior Supervising
Assistant Small Business Advocate

HANOVER FOODS CORPORATION

By: 
Charis Mincavage, Esquire
Kenneth R. Stark, Esquire

Date: December 6, 2021

APPENDIX A
Settlement Supplement

Supplement No. 32
to
Water-Pa. P.U.C. No. 3

BOROUGH OF HANOVER
HANOVER MUNICIPAL WATER WORKS
RATES, RULES AND REGULATIONS
GOVERNING THE DISTRIBUTION OF WATER
IN
THE TOWNSHIP OF PENN IN YORK COUNTY
AND
THE TOWNSHIP OF HEIDELBERG IN YORK COUNTY
AND
THE TOWNSHIP OF CONEWAGO IN ADAMS COUNTY
AND
THE BOROUGH OF McSHERRYSTOWN IN ADAMS COUNTY
PENNSYLVANIA

ISSUED: _____, 2022

EFFECTIVE: _____, 2022

BY: Nan Dunford, Borough Manager (C)
Borough of Hanover
Hanover Municipal Water Works
44 Frederick Street
Hanover, Pennsylvania 17331

NOTICE

THIS SUPPLEMENT MAKES INCREASES TO EXISTING RATES
(see Page No. 2)

Supplement No.

to

Water-Pa. P.U.C. No. 3

Seventeenth Revised Page No. 2

Canceling Sixteenth Revised Page No. 2

Hanover Municipal Water Works

LIST OF CHANGES MADE BY THIS SUPPLEMENT

This supplement makes increases to existing rates, except for Public Fire Protection, resulting in an increase in revenue of \$1,044,980 for outside Borough customers or by 18.5%.

Issued:

Effective:

TABLE OF CONTENTS

	<u>Page</u>
Title Page	1 Supplement No. 32 (C)
List of Changes Made by This Supplement	2 Seventeenth Revised (C)
Table of Contents	3 Sixteenth Revised (C)
Schedule of Meter Rates	4 Fourteenth Revised (C)
Intentionally Left Blank	5 Fourth Revised
Schedule of Fire Service Rates	6 Fourteenth Revised (C)
Intentionally Left Blank	7 Seventh Revised
 Rules and Regulations:	
1. Definitions	8 – 9a Original
2. Filing, Posting and Effect	9b Original
3. Application for Service	9b-10 Original
4. Connections to Water Supply System	10 Original
5. Regulation of Supply	11 Original
6. Interruption, Discontinuance or Termination of Service	12 Third Revised
	12a First Revised
7. Bills and penalties	12a-13a First Revised
8. Metered Service	14 Third Revised
9. Meter Installations	15 Third Revised
10. Fire Service	15 Third Revised
11. Extension of Mains	15 Third Revised
11. Extension of Mains	16-18 Original
11. Extension of Mains	19 First Revised
13-16. Water Conservation Contingency Plan	20-22 Original

(C) Indicates Change

Issued:

Effective:

SCHEDULE OF METER RATES

Application:

This schedule is applicable to all metered customers located outside the corporate limits of the Borough of Hanover.

Base Charges:

<u>Size of Meter</u>	<u>Per Quarter</u>
5/8"	\$ 26.55
3/4"	36.72
1"	57.09
1-1/2"	108.12
2"	169.14
3"	362.64
4"	617.25
6"	1,279.26
8"	1,839.45

Consumption Charge

All consumption -

	<u>Residential</u>	<u>Commercial/Public</u>	<u>Industrial</u>	<u>Large Industrial</u>
Rate per 1,000 gallons	\$5.0156 (I)	\$4.3414 (I)	\$4.2599 (I)	\$4.0247(I)

NOTE: A customer who wishes to have service discontinued temporarily shall give at least seven (7) days written notice to the Water Works, specifying the date on which service is to be discontinued temporarily. In the absence of proper notice, the customer shall be responsible for all service rendered until the time that the Water Works shall receive the specified written notice. The customer shall not turn water on or off at any curb stop, or disconnect or remove the meter, or permit its disconnection or removal, without the prior written consent of the Water Works. For services that are temporarily disconnected, the base charge will apply for the period of temporary disconnection.

(I) Indicates Increase

Issued: _____

Effective: _____

SCHEDULE OF FIRE SERVICE RATES

PRIVATE AND PUBLIC FIRE SERVICE

<u>Standard Fire Hydrants:</u>	<u>Per Month</u>	<u>Per Quarter</u>
For a standard private fire hydrant	\$51.54 (I)	\$154.62 (I)
For a standard public fire hydrant	\$ 23.13	\$ 69.39
<u>Fire Sprinkler Service and Fire Hose Connections:</u>		
For a Four (4) inch connection to the street main:	\$17.75 (I)	\$53.25 (I)
For a six (6) inch connection to the street main:	\$51.54 (I)	\$154.62 (I)
For an eight (8) inch connection to the street main:	\$110.60 (I)	\$331.80 (I)
For a ten (10) inch connection to the street main:	\$197.54 (I)	\$592.62 (I)
For a twelve (12) inch connection to the street main:	\$252.25 (I)	\$756.75 (I)

(I) Indicates Increase

APPENDIX B
Proof of Revenue

Settlement Proof of Revenue

BOROUGH OF HANOVER – HANOVER MUNICIPAL WATER WORKS

Hanover, Pennsylvania

PROOF OF REVENUE
IN SUPPORT OF
SETTLEMENT SUPPLEMENT NO. __ TO
TARIFF WATER PA. P.U.C. NO. 3

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2022
 AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE FROM OUTSIDE-BOROUGH CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53:52 (b)(4) and (c)(5) of Tariff Regulations

Line No.	Customer Classification (1)	Revenues Per Books, 12 Months Ended 31-Dec-20 (2)	Historic Test Year Pro Forma Adjustments Under Present Rates (3)		Ref. (3)	Fully Projected Future Test Year Pro Forma Adjustments Under Present Rates (6)		Ref. (6)	Increase (9)		Under Settlement Rates, Supplement No. to Tariff Water Pa-PUC No. 3 Pro Forma, Settlement Rates 31-Dec-22 (11)	
			Pro Forma Amount (4)	Present Rates (5)		Pro Forma Amount (7)	Present Rates (8)		Percent (9)	Amount (10)	Percent (9)	Amount (10)
1												
2	OUTSIDE-BOROUGH											
3	Sales of Water											
4	Residential	\$ 2,850,764	\$ 14,612	\$ 2,865,377	R5	\$ 70,898	\$ 2,936,274	R5	17.9%	\$ 525,845	\$ 3,462,119	
5	Commercial	339,859	\$ 301	340,160	R5	4,817	344,977	R5	16.6%	57,189	402,166	
6	Industrial	391,059	\$ 1,825	392,884	R5	7,299	400,183	R5	15.5%	61,950	462,133	
7	Large Industrial	1,275,662		1,275,662	R5		1,275,662	R5	25.1%	320,618	1,596,281	
8	Public	108,941	\$ 2,584	111,525	R7	5,167	116,692	R7	19.5%	22,732	139,424	
9	Private Fire Protection	200,168		200,168		732	200,901		26.8%	53,792	254,693	
10	Public Fire Protection	131,772		131,772			131,772		0.0%	(0)	131,771	
11	Total Sales of Water	5,298,226	19,322	5,317,548		88,914	5,406,462		19.3%	1,042,126	6,448,588	
12												
13	Other Operating Revenues											
14	Penalties	14,809		14,809			14,809			2,855	17,664	
15	Rents	72,249		72,249			72,249			-	72,249	
16	Misc. Revenue	12,348		12,348			12,348			-	12,348	
17	Retirees Reimbursement	29,896		29,896			29,896			-	29,896	
18	Unmetered Sales	31,280		31,280			31,280			-	31,280	
19	Merchandising and Jobbing	92,169		92,169			92,169			-	92,169	
20												
21	Total Other Revenues	252,752	-	252,752		-	252,752		1.1%	2,855	255,607	
22												
23	Total Outside Borough	5,550,978	19,322	5,570,300		88,914	5,659,214		18.5%	1,044,980	6,704,194	

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
 UNDER PRESENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)	
R1	To annualize <u>Inside-Borough</u> Operating Revenues for the average annual gain or loss in the number of customers from 12/31/2019 to 12/31/2020.						
	Customer Classification (1)	Number of Customers 31-Dec-19 (2) 31-Dec-20 (3)		Customer Gain/(Loss) (4)	Average Annual Bill, Present Rates (6)	Annualized Revenue Adjustment (Half Year) (7)	
	Residential	6,144	6,181	37	\$ 238.41	\$ 4,411	\$ 4,411
	Commercial	617	629	12	543.23	3,259	3,259
	Industrial	52	52	-	-	-	-
	Public	31	32	1	514.47	257	257
	Total	6,844	6,894	50		\$ 7,927	
R2	To annualize <u>Outside-Borough</u> Operating Revenues for the average annual gain or loss in the number of customers from 12/31/2019 to 12/31/2020.						
	Customer Classification (1)	Number of Customers 31-Dec-19 (2) 31-Dec-20 (3)		Customer Gain/(Loss) (5)	Average Annual Bill, Present Rates (6)	Annualized Revenue Adjustment (Half Year) (7)	
	Residential	10,177	10,285	108	270.60	\$ 14,612	\$ 14,612
	Commercial	420	421	1	602.18	301	301
	Industrial	78	79	1	3,649.63	1,825	1,825
	Public	38	40	2	2,583.68	2,584	2,584
	Total	10,713	10,825	112		19,322	
R3	To impute <u>Inside-Borough</u> operating revenues for Borough-owned properties and 262 Borough fire hydrants not billed by the Hanover Municipal Water Works						
	Customer Classification	Number of Bills	Usage, 1,000 Gals.	Present Quarterly Rates	Revenue		
	<u>INSIDE-BOROUGH - Public</u>						
	5/8" Quarterly	12		\$ 26.55	319		
	Consumption		51	\$ 3.16	161		
	Total				\$ 480		\$ 480
	<u>INSIDE-BOROUGH</u>						
	Public Fire Protection						
	Number of Hydrants	276	Hydrants	\$ 69.39	76,607		\$ 76,607
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates					<u>\$ 104,336</u>	

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
 UNDER PRESENT RATES

Adj. Ref.	Explanation						FPFTY Adjustment Increase (Decrease)		
R4	To adjust <u>Inside-Borough</u> Operating Revenues for the projected gain in the number of customers during the fully projected future test year.								
	Customer Classification	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Average Annual Bill, Present Rates	FPFTY Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	Residential	35	37	36	72	\$ 238.41	\$ 17,165	\$ 17,165	
	Commercial	4	12	8	16	543.23	8,692	8,692	
	Industrial	-	-	-	-	-	-	-	
	Public	-	1	1	1	514.47	514	514	
	Total	39	50	45	89		\$ 26,371		
R5	To adjust <u>Outside-Borough</u> Operating Revenues for the projected gain in the number of customers during the fully projected future test year.								
	Customer Classification	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Average Annual Bill, Present Rates	FPFTY Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	Residential	153	108	131	262	\$ 270.60	\$ 70,898	\$ 70,898	
	Commercial	7	1	4	8	602.18	4,817	4,817	
	Industrial	1	1	1	2	3,649.63	7,299	7,299	
	Public	-	2	1	2	2,583.68	5,167	5,167	
	Total	161	112	137	274		\$ 88,182		
R6	To adjust <u>Inside Borough</u> Operating Revenues for projected gain in the number of private fire lines.								
	<u>INSIDE BOROUGH - Private Fire Protection:</u>								
	Size	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Present Quarterly Rates	FPFTY Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	6-Inch	1	1	1	2	\$ 103.44	\$ 207	\$ 207	
R7	To adjust <u>Outside Borough</u> Operating Revenues for projected gain in the number of private fire lines.								
	<u>OUTSIDE BOROUGH - Private Fire Protection:</u>								
	Size	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Present Quarterly Rates	FPFTY Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	6-Inch	2	3	3	6	\$ 122.04	\$ 732	\$ 732	
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates							\$ 115,492	

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
 UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						HTY Adjustment Increase (Decrease)
R8	To annualize <u>Inside-Borough</u> Operating Revenues for the average annual gain or loss in the number of customers from 12/31/2019 to 12/31/2020.						
	Customer Classification	Number of Customers		Customer Gain/(Loss)	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment (Half Year)	
	(1)	31-Dec-19 (2)	31-Dec-20 (3)	(4)	(6)	(7)	
	Residential	6,144	6,181	37	\$ 238.41	\$ 4,411	\$ 4,411
	Commercial	617	629	12	543.23	3,259	3,259
	Industrial	52	52	-		-	-
	Public	31	32	1	514.47	257	257
	Total	6,844	6,894	50		\$ 7,927	
R9	To annualize <u>Outside-Borough</u> Operating Revenues for the average annual gain or loss in the number of customers from 12/31/2019 to 12/31/2020.						
	Customer Classification	Number of Customers		Customer Gain/(Loss)	Average Settlement Rates	Annualized Revenue Adjustment (Half Year)	
	(1)	31-Dec-19 (2)	31-Dec-20 (3)	(5)	(6)	(7)	
	Residential	10,177	10,285	108	320.15	\$ 17,288	\$ 17,288
	Commercial	420	421	1	731.23	366	366
	Industrial	78	79	1	4,179.15	2,090	2,090
	Public	38	40	2	3,079.92	3,080	3,080
	Total	10,713	10,825	112		22,823	
R10	To impute <u>Inside-Borough</u> operating revenues for Borough-owned properties and 262 Borough fire hydrants not billed by the Hanover Municipal Water Works						
	Customer Classification	Number of Bills	Usage, 1,000 Gals.	Settlement Quarterly Rates	Revenue		
	<u>INSIDE-BOROUGH - Public</u>						
	5/8" Quarterly	12		\$ 26.55	\$ 319		
	Consumption		51	\$ 3.16	161		
	Total				\$ 480		\$ 480
	<u>INSIDE-BOROUGH</u>						
	Public Fire Protection	276	Hydrants	\$ 69.39	76,607		\$ 76,607
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates						\$ 107,837

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
 UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						FPFTY Adjustment Increase (Decrease)		
R11	To adjust <u>Inside-Borough</u> Operating Revenues for the projected gain in the number of customers during the fully projected future test year.								
	Customer Classification	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	Residential	35	37	36	72	\$ 238.41	\$ 17,165	\$ 17,165	
	Commercial	4	12	8	16	543.23	8,692	8,692	
	Industrial	-	-	-	-	-	-	-	
	Public		1	1	1	514.47	514	514	
	Total	39	50	45	89		\$ 26,371		
R12	To adjust <u>Outside-Borough</u> Operating Revenues for the projected gain in the number of customers during the fully projected future test year.								
	Customer Classification	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment		
		31-Dec-19	31-Dec-20						
	Residential	153	108	131	262	\$ 320.15	\$ 83,880	\$ 83,880	
	Commercial	7	1	4	8	731.23	5,850	5,850	
	Industrial	1	1	1	2	4,179.15	8,358	8,358	
	Public	-	2	1	2	3,079.92	6,160	6,160	
	Total	161	112	137	274		\$ 104,248		
R13	To adjust <u>Inside Borough</u> Operating Revenues for projected gain in the number of private fire lines.								
	<u>INSIDE BOROUGH - Private Fire Protection:</u>								
	Size	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Settlement Quarterly Rates	Revenue		
		31-Dec-19	31-Dec-20						
	6-Inch	1	1	1	2	\$ 103.44	\$ 207	\$ 207	
R14	To adjust <u>Outside-Borough</u> Operating Revenues for projected gain in the number of private fire lines.								
	<u>OUTSIDE BOROUGH - Private Fire Protection:</u>								
	Size	Gain or Loss in Number of Customers		Annual Average Customer Gain/(Loss)	FPFTY Customer Gain/(Loss)	Settlement Quarterly Rates	Revenue		
		31-Dec-19	31-Dec-20						
	6-Inch	2	3	3	7	\$ 154.62	\$ 1,082	\$ 1,082	
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates							\$ 131,908	

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE-BOROUGH
 RATE COMPARISON

	<u>Present</u>	<u>Settlement</u>	<u>Increase</u>
<u>Quarterly Customer Charge</u>			
5/8	\$ 26.55	\$ 26.55	0.0%
3/4	36.72	36.72	0.0%
1	57.09	57.09	0.0%
1 1/2	108.12	108.12	0.0%
2	169.14	169.14	0.0%
3	362.64	362.64	0.0%
4	617.25	617.25	0.0%
6	1,279.26	1,279.26	0.0%
8	1,839.45	1,839.45	0.0%

<u>Consumption Charge per 1000 Gallons</u>			
Residential	\$ 3.8540	\$ 5.0156	30.1%
Commercial/Public	3.4450	4.3414	26.0%
Industrial	3.6070	4.2599	18.1%
Large Industrial	3.2110	4.0247	25.3%

Private Fire - Quarterly Charge

	<u>Present</u>	<u>Settlement</u>	<u>Increase</u>
Hydrant	\$ 122.04	\$ 154.62	26.7%
4	42.03	53.25	26.7%
6	122.04	154.62	26.7%
8	261.87	331.80	26.7%
10	467.73	592.62	26.7%
12	597.27	756.75	26.7%

Public Fire - Quarterly Charge

	<u>Present</u>	<u>Settlement</u>	<u>Increase</u>
Hydrant	\$69.39	\$69.39	0.0%

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE THE BOROUGH

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

Rate Block 1000 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Settlement Rate	Settlement Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Residential - Quarterly</u>						
Customer Charge						
5/8	39,186		\$ 26.55	1,040,388	\$ 26.55	1,040,388
3/4	405		36.72	14,872	36.72	14,872
1	1,538		57.09	87,804	57.09	87,804
1 1/2	19		108.12	2,054	108.12	2,054
2	24		169.14	4,059	169.14	4,059
3	8		362.64	2,901	362.64	2,901
4	8		617.25	4,938	617.25	4,938
6			1,279.26	-	1,279.26	-
8			1,839.45	-	1,839.45	-
Subtotal	41,188			1,157,016		1,157,016
All Usage	-	438,713	3.8540	1,690,800	5.0156	2,200,409
Subtotal	-	438,713		1,690,800		2,200,409
Total	41,188	438,713		2,847,816		3,357,425
<u>Residential - Monthly</u>						
Customer Charge						
5/8			\$ 8.85	-	\$ 8.85	-
3/4			12.24	-	12.24	-
1			19.03	-	19.03	-
1 1/2			36.04	-	36.04	-
2			56.38	-	56.38	-
3	12		120.88	1,451	120.88	1,451
4			205.75	-	205.75	-
6			426.42	-	426.42	-
8			613.15	-	613.15	-
Subtotal	12			1,451		1,451
All Usage	-	657	3.8540	2,532	5.0156	3,295
Subtotal	-	657		2,532		3,295
Total	12	657		3,983		4,746
Total Residential	41,200	439,370		2,851,799		3,362,171

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE THE BOROUGH

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

Rate Block 1000 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Settlement Rate	Settlement Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Commercial - Quarterly</u>						
Customer Charge						
5/8	824		\$ 26.55	21,877	\$ 26.55	21,877
3/4	90		36.72	3,305	36.72	3,305
1	409		57.09	23,350	57.09	23,350
1 1/2	138		108.12	14,921	108.12	14,921
2	157		169.14	26,555	169.14	26,555
3	24		362.64	8,703	362.64	8,703
4	16		617.25	9,876	617.25	9,876
6	8		1,279.26	10,234	1,279.26	10,234
8			1,839.45	-	1,839.45	-
Subtotal	1,666			118,821		118,821
All Usage	-	60,116	3.4450	207,100	4.3414	260,988
Subtotal	-	60,116		207,100		260,988
Total	1,666	60,116		325,921		379,809
<u>Commercial - Monthly</u>						
Customer Charge						
5/8	12		\$ 8.85	106	\$ 8.85	106
3/4			12.24	-	12.24	-
1	12		19.03	228	19.03	228
1 1/2			36.04	-	36.04	-
2	36		56.38	2,030	56.38	2,030
3	12		120.88	1,451	120.88	1,451
4	12		205.75	2,469	205.75	2,469
6			426.42	-	426.42	-
8			613.15	-	613.15	-
Subtotal	84			6,284		6,284
All Usage	-	2,871	3.4450	9,891	4.3414	12,464
Subtotal	-	2,871		9,891		12,464
Total	84	2,871		16,175		18,748
Total Commercial	1,750	62,987		342,096		398,557

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE THE BOROUGH

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

Rate Block 1000 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Industrial - Quarterly</u>						
Customer Charge						
5/8	44		\$ 26.55	1,168	\$ 26.55	1,168
3/4			36.72	-	36.72	-
1	28		57.09	1,599	57.09	1,599
1 1/2	36		108.12	3,892	108.12	3,892
2	65		169.14	10,994	169.14	10,994
3	24		362.64	8,703	362.64	8,703
4	8		617.25	4,938	617.25	4,938
6			1,279.26	-	1,279.26	-
8			1,839.45	-	1,839.45	-
Subtotal	205			31,294		31,294
All Usage	-	59,126	3.6070	213,267	4.2599	251,871
Subtotal	-	59,126		213,267		251,871
Total	205	59,126		244,561		283,165
<u>Industrial - Monthly</u>						
Customer Charge						
5/8	24		\$ 8.85	212	\$ 8.85	212
3/4			12.24	-	12.24	-
1			19.03	-	19.03	-
1 1/2	36		36.04	1,297	36.04	1,297
2	52		56.38	2,932	56.38	2,932
3	36		120.88	4,352	120.88	4,352
4	79		205.75	16,254	205.75	16,254
6			426.42	-	426.42	-
8			613.15	-	613.15	-
Subtotal	227			25,047		25,047
All Usage	-	34,079	3.6070	122,923	4.2599	145,173
Subtotal	-	34,079		122,923		145,173
Total	227	34,079		147,970		170,220
Total Industrial	432	93,205		392,531		453,385
<u>Large Industrial - Monthly</u>						
Customer Charge						
5/8			\$ 8.85	-	\$ 8.85	-
3/4			12.24	-	12.24	-
1			19.03	-	19.03	-
1 1/2	12		36.04	432	36.04	432
2			56.38	-	56.38	-
3			120.88	-	120.88	-
4	24		205.75	4,938	205.75	4,938
6	12		426.42	5,117	426.42	5,117
Subtotal	48			10,487		10,487
All Usage	-	395,508	3.2110	1,269,976	4.0247	1,591,801
Subtotal	-	395,508		1,269,976		1,591,801
Total	48	395,508		1,280,463		1,602,288

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE THE BOROUGH

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

<u>Rate Block</u> <u>1000 Gallons</u> (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Rate</u> (6)	<u>Settlement</u> <u>Revenue</u> (7)
<u>Public - Quarterly</u>						
Customer Charge						
5/8	20		\$ 26.55	531	\$ 26.55	531
3/4	8		36.72	294	36.72	294
1	23		57.09	1,313	57.09	1,313
1 1/2	20		108.12	2,162	108.12	2,162
2	44		169.14	7,442	169.14	7,442
3	24		362.64	8,703	362.64	8,703
4	8		617.25	4,938	617.25	4,938
6			1,279.26	-	1,279.26	-
8			1,839.45	-	1,839.45	-
Subtotal	<u>147</u>			<u>25,383</u>		<u>25,383</u>
All Usage	-	<u>22,214</u>	3.4450	<u>76,527</u>	4.3414	<u>96,440</u>
Subtotal	-	<u>22,214</u>		<u>76,527</u>		<u>96,440</u>
Total	147	22,214		101,910		121,823
<u>Public - Monthly</u>						
Customer Charge						
5/8			8.84	-	8.85	-
3/4			12.24	-	12.24	-
1			19.03	-	19.03	-
1 1/2	12		36.04	432	36.04	432
2			56.37	-	56.38	-
3	12		120.88	1,451	120.88	1,451
4			205.75	-	205.75	-
6			426.42	-	426.42	-
Subtotal	<u>24</u>			<u>1,883</u>		<u>1,883</u>
All Usage	-	<u>1,452</u>	3.4450	<u>5,002</u>	4.3414	<u>6,304</u>
Subtotal	-	<u>1,452</u>		<u>5,002</u>		<u>6,304</u>
Total	24	1,452		6,885		8,187
Total Public	171	23,666		108,795		130,010

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE THE BOROUGH

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
 YEAR ENDED DECEMBER 31, 2020

<u>Rate Block</u> <u>1000 Gallons</u> (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Rate</u> (6)	<u>Settlement</u> <u>Revenue</u> (7)
<u>Private Fire - Quarterly</u>						
Customer Charge						
4	68		\$ 42.03	2,858	\$ 53.25	3,621
6	248		122.04	30,266	154.62	38,346
8	128		261.87	33,519	331.80	42,470
10	64		467.73	29,935	592.62	37,928
12			597.27	-	756.75	-
Hydrant	<u>856</u>		122.04	<u>104,466</u>	154.62	<u>132,355</u>
Total	1,364			201,044		254,720
<u>Public Fire - Quarterly</u>						
Customer Charge						
Hydrant	<u>1,904</u>		\$ 69.39	<u>132,119</u>	\$ 69.39	<u>132,119</u>
Total	1,904			132,119		132,119
Total - Outside	46,869	1,014,736		5,308,847		6,333,249

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE-BOROUGH
 BILL COMPARISON
 RESIDENTIAL 5/8" QUARTERLY

Quarterly Usage 1,000 Gals.	Present Rates	Settlement Rates	Dollar Increase	Percentage Increase
0	\$ 26.55	\$ 26.55	\$ -	0.00%
1	\$ 30.40	\$ 31.57	\$ 1.16	3.82%
2	\$ 34.26	\$ 36.58	\$ 2.32	6.78%
3	\$ 38.11	\$ 41.60	\$ 3.48	9.14%
4	\$ 41.97	\$ 46.61	\$ 4.65	11.07%
5	\$ 45.82	\$ 51.63	\$ 5.81	12.68%
6	\$ 49.67	\$ 56.64	\$ 6.97	14.03%
7	\$ 53.53	\$ 61.66	\$ 8.13	15.19%
8	\$ 57.38	\$ 66.67	\$ 9.29	16.19%
9	\$ 61.24	\$ 71.69	\$ 10.45	17.07%
10	\$ 65.09	\$ 76.71	\$ 11.62	17.85%
11	\$ 68.94	\$ 81.72	\$ 12.78	18.53%
12	\$ 72.80	\$ 86.74	\$ 13.94	19.15%
13	\$ 76.65	\$ 91.75	\$ 15.10	19.70%
14	\$ 80.51	\$ 96.77	\$ 16.26	20.20%
15	\$ 84.36	\$ 101.78	\$ 17.42	20.65%
16	\$ 88.21	\$ 106.80	\$ 18.59	21.07%
17	\$ 92.07	\$ 111.82	\$ 19.75	21.45%
18	\$ 95.92	\$ 116.83	\$ 20.91	21.80%
19	\$ 99.78	\$ 121.85	\$ 22.07	22.12%
20	\$ 103.63	\$ 126.86	\$ 23.23	22.42%
25	\$ 122.90	\$ 151.94	\$ 29.04	23.63%
30	\$ 142.17	\$ 177.02	\$ 34.85	24.51%
35	\$ 161.44	\$ 202.10	\$ 40.66	25.18%
39	\$ 176.86	\$ 222.16	\$ 45.30	25.62%
40	\$ 180.71	\$ 227.17	\$ 46.46	25.71%
45	\$ 199.98	\$ 252.25	\$ 52.27	26.14%
50	\$ 219.25	\$ 277.33	\$ 58.08	26.49%
60	\$ 257.79	\$ 327.49	\$ 69.70	27.04%
70	\$ 296.33	\$ 377.64	\$ 81.31	27.44%
80	\$ 334.87	\$ 427.80	\$ 92.93	27.75%
90	\$ 373.41	\$ 477.95	\$ 104.54	28.00%
100	\$ 411.95	\$ 528.11	\$ 116.16	28.20%

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE-BOROUGH
 BILL COMPARISON
 COMMERCIAL 5/8" QUARTERLY

Quarterly Usage 1,000 Gals.	Present Rates	Settlement Rates	Dollar Increase	Percentage Increase
0	\$ 26.55	\$ 26.55	\$ -	0.00%
1	\$ 30.00	\$ 30.89	\$ 0.90	2.99%
2	\$ 33.44	\$ 35.23	\$ 1.79	5.36%
3	\$ 36.89	\$ 39.57	\$ 2.69	7.29%
4	\$ 40.33	\$ 43.92	\$ 3.59	8.89%
5	\$ 43.78	\$ 48.26	\$ 4.48	10.24%
6	\$ 47.22	\$ 52.60	\$ 5.38	11.39%
7	\$ 50.67	\$ 56.94	\$ 6.27	12.38%
8	\$ 54.11	\$ 61.28	\$ 7.17	13.25%
9	\$ 57.56	\$ 65.62	\$ 8.07	14.02%
10	\$ 61.00	\$ 69.96	\$ 8.96	14.70%
11	\$ 64.45	\$ 74.31	\$ 9.86	15.30%
12	\$ 67.89	\$ 78.65	\$ 10.76	15.84%
13	\$ 71.34	\$ 82.99	\$ 11.65	16.34%
14	\$ 74.78	\$ 87.33	\$ 12.55	16.78%
15	\$ 78.23	\$ 91.67	\$ 13.45	17.19%
16	\$ 81.67	\$ 96.01	\$ 14.34	17.56%
17	\$ 85.12	\$ 100.35	\$ 15.24	17.90%
18	\$ 88.56	\$ 104.70	\$ 16.14	18.22%
19	\$ 92.01	\$ 109.04	\$ 17.03	18.51%
20	\$ 95.45	\$ 113.38	\$ 17.93	18.78%
25	\$ 112.68	\$ 135.09	\$ 22.41	19.89%
30	\$ 129.90	\$ 156.79	\$ 26.89	20.70%
35	\$ 147.13	\$ 178.50	\$ 31.37	21.32%
37	\$ 154.02	\$ 187.18	\$ 33.17	21.53%
39	\$ 160.91	\$ 195.86	\$ 34.96	21.73%
40	\$ 164.35	\$ 200.21	\$ 35.86	21.82%
42	\$ 171.24	\$ 208.89	\$ 37.65	21.99%
45	\$ 181.58	\$ 221.91	\$ 40.34	22.22%
50	\$ 198.80	\$ 243.62	\$ 44.82	22.55%
60	\$ 233.25	\$ 287.03	\$ 53.78	23.06%
70	\$ 267.70	\$ 330.45	\$ 62.75	23.44%
80	\$ 302.15	\$ 373.86	\$ 71.71	23.73%
90	\$ 336.60	\$ 417.28	\$ 80.68	23.97%
100	\$ 371.05	\$ 460.69	\$ 89.64	24.16%

BOROUGH OF HANOVER - HANOVER MUNICIPAL WATER WORKS
 OUTSIDE-BOROUGH
 BILL COMPARISON
 INDUSTRIAL 2" QUARTERLY

Quarterly Usage 1,000 Gals.	Present Rates	Settlement Rates	Dollar Increase	Percentage Increase
0	\$ 169.14	\$ 169.14	\$ -	0.00%
1	\$ 172.75	\$ 173.40	\$ 0.65	0.38%
2	\$ 176.35	\$ 177.66	\$ 1.31	0.74%
3	\$ 179.96	\$ 181.92	\$ 1.96	1.09%
4	\$ 183.57	\$ 186.18	\$ 2.61	1.42%
5	\$ 187.18	\$ 190.44	\$ 3.26	1.74%
6	\$ 190.78	\$ 194.70	\$ 3.92	2.05%
7	\$ 194.39	\$ 198.96	\$ 4.57	2.35%
8	\$ 198.00	\$ 203.22	\$ 5.22	2.64%
9	\$ 201.60	\$ 207.48	\$ 5.88	2.91%
10	\$ 205.21	\$ 211.74	\$ 6.53	3.18%
20	\$ 241.28	\$ 254.34	\$ 13.06	5.41%
30	\$ 277.35	\$ 296.94	\$ 19.59	7.06%
40	\$ 313.42	\$ 339.54	\$ 26.12	8.33%
50	\$ 349.49	\$ 382.14	\$ 32.65	9.34%
60	\$ 385.56	\$ 424.73	\$ 39.17	10.16%
70	\$ 421.63	\$ 467.33	\$ 45.70	10.84%
80	\$ 457.70	\$ 509.93	\$ 52.23	11.41%
90	\$ 493.77	\$ 552.53	\$ 58.76	11.90%
100	\$ 529.84	\$ 595.13	\$ 65.29	12.32%
125	\$ 620.02	\$ 701.63	\$ 81.61	13.16%
150	\$ 710.19	\$ 808.13	\$ 97.93	13.79%
200	\$ 890.54	\$ 1,021.12	\$ 130.58	14.66%
225	\$ 980.72	\$ 1,127.62	\$ 146.90	14.98%
250	\$ 1,070.89	\$ 1,234.12	\$ 163.23	15.24%
269	\$ 1,139.42	\$ 1,315.05	\$ 175.63	15.41%
275	\$ 1,161.07	\$ 1,340.61	\$ 179.55	15.46%
300	\$ 1,251.24	\$ 1,447.11	\$ 195.87	15.65%
332	\$ 1,366.66	\$ 1,583.43	\$ 216.76	15.86%
350	\$ 1,431.59	\$ 1,660.11	\$ 228.52	15.96%
400	\$ 1,611.94	\$ 1,873.10	\$ 261.16	16.20%
500	\$ 1,972.64	\$ 2,299.09	\$ 326.45	16.55%
600	\$ 2,333.34	\$ 2,725.08	\$ 391.74	16.79%

APPENDIX C
Statement in Support of
The Borough of Hanover – Hanover Municipal
Water Works

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge
F. Joseph Brady, Presiding**

Pennsylvania Public Utility Commission	:	Docket No. R-2021-3026116
Office of Consumer Advocate	:	Docket No. C-2021-3027274
Office of Small Business Advocate	:	Docket No. C-2021-3027361
Hanover Foods Corporation	:	Docket No. C-2021-3027807
	:	
v.	:	
	:	
The Borough of Hanover – Hanover	:	
Municipal Water Works	:	

**STATEMENT IN SUPPORT OF
THE BOROUGH OF HANOVER – HANOVER MUNICIPAL WATER WORKS**

TO ADMINISTRATIVE LAW JUDGE F. JOSEPH BRADY:

AND NOW, comes the Borough of Hanover – Hanover Municipal Water Works (“Borough”), by its attorneys, and submits the following statement in support of the Joint Petition for Approval of Settlement of Rate Investigation (“Settlement Petition”) filed with the Public Utility Commission (“Commission”) by the Borough, the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”) and Hanover Foods Corporation (“HFC”).¹

Introduction

The Borough initiated this proceeding on June 29, 2021, with the filing of Supplement No. 32 to Tariff Water – Pa. P.U.C. No. 3 proposing an increase of \$1,563,100, or 27.6%, in annual

¹ The Borough, I&E, OCA, OSBA and HFC are referred to herein, collectively, as the “Settling Parties.”

water service revenue for Outside Borough Customers based on a Fully Projected Future Test Year (“FPFTY”) ending December 31, 2022.²

The Borough provides water service to 10,969 customers outside the Borough limits and to 7,010 customers inside the Borough limits. The Borough supplies drinking water for residential, commercial, industrial and public uses, and for fire protection purposes.

The Settling Parties have agreed that this rate proceeding can be settled without further litigation under the terms set forth in the Settlement Petition. The settlement provides for an increase in annual revenue of \$1,044,980, or 18.5%, for Outside Borough Customers

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

It is the stated policy of the Commission to encourage parties in contested proceedings to enter into settlements.³ Settlements lessen the time and expense of litigating a case⁴ and, at the same time, conserve administrative hearing resources. This directly benefits all parties concerned.⁵

² The Borough provides water service in the Borough of Hanover and four other municipalities: Penn Township, York County; Heidelberg Township, York County; Conewago Township, Adams County; and the Borough of McSherrystown, Adams County.

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

⁴ The substantial cost of litigation avoided through settlement includes the cost of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the cost of preparing and serving briefs, reply briefs, exceptions and replies to exceptions, together with the cost of briefs and reply briefs necessitated by any appeal of the Commission’s decision.

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

The Settlement Petition proposes the resolution of all issues in this rate proceeding. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.⁶ The benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest.⁷

The Settlement Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) addresses, through the participation of I&E, OCA, OSBA and HFC, ratepayer questions concerning the proposed rate increase; and (c) provides the Borough with additional and necessary cash flow.⁸ Each of the foregoing considerations are traditionally recognized as matters that further the public interest in settlement of rate proceedings.⁹

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

R-2009-2115743, Recommended Decision of Administrative Law Judge Ember S. Jandebour dated March 2, 2010, mimeo at 11; *Pa. P.U.C. v. Reynolds Water Company*, Docket No. R-2009-2102464, Recommended Decision of Administrative Law Judge Katrina L. Dunderdale dated February 16, 2010 (“*Recommended Decision of ALJ Dunderdale*”), mimeo at 5.

⁶ *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Pa. P.U.C. v. CS Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) and *Pa.P.U.C. v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985).

⁷ *Recommended Decision of ALJ Barnes*, mimeo at 9, citing *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996 and *Pa.P.U.C. v. CS Water and Sewer Associates*, 74 Pa. P.U.C. 767 (1991).

⁸ See Settlement Petition, paragraph 21.

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

**The Financial Data Submitted by the Borough Supports the Settlement Increase Which
Will Provide the Borough with Additional and Necessary Cash Flow**

The Borough is increasing its rates to provide sufficient revenue to enable it to continue to discharge its public duty to furnish adequate, safe and reliable water service, to provide the cash flow necessary to continue to operate, maintain and renew its facilities properly and meet its financial obligations and to be afforded the opportunity to achieve an adequate return on the original cost invested in water property. Its last rate increase was in 2015. On a pro forma basis, the Borough will experience a return of 1.93% at present rate levels. The Borough is in need of immediate rate relief.¹⁰

Under the presently suspended Supplement No. 32, the quarterly cost of water service to an Outside Borough residential customer using 11,000 gallons per quarter with a 5/8-inch meter would have increased by \$19.38 from \$68.94 to \$88.32 per quarter or by 28.1%. Under the settlement terms, the quarterly cost of water service to an Outside Borough residential customer using 11,000 gallons per quarter with a 5/8-inch meter will increase by \$12.78 from \$68.94 to \$81.72 per quarter or by 18.5%.

As is common in general base rate proceedings, the settlement is “black box,” meaning that the Settling Parties have not negotiated each and every revenue and expense line item but rather have been able to agree upon a final revenue number based on their individual revenue and expense analysis. The Commission has recognized that “black box” settlements are an important aspect in the process of delivering timely and cost-effective regulation.¹¹ In its recent decision in a Philadelphia Gas Works rate proceeding, the Commission stated the following concerning black box” settlements:

¹⁰ Exhibit GRH-1 at 1.

¹¹ See *Recommended Decision of ALJ Brady*, mimeo at 11, and cases cited therein.

The Commission has recognized that “black box” settlements can serve an important purpose in reaching consensus in rate cases:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. (citation omitted)¹²

The financial data submitted by the Borough in support of Supplement No. 32 fully supports the substantially reduced annual increase of \$1,044, 980 provided for in the Settlement Petition. The financial data, which included information in response to Commission regulations at 52 Pa. Code Section 53.52 and 53.53, was submitted in the form of a traditional rate base/rate of return analysis.¹³ The financial data was supported and sponsored by the testimony of Gregory R. Herbert,¹⁴ Constance E. Heppenstall,¹⁵ John J. Spanos¹⁶ and Harold Walker, III¹⁷ of Gannett Fleming Valuation and Rate Consultants, LLC. Micheal J. Mehaffey, P.E., of Gannett Fleming, addressed and explained the Borough’s water system operations.¹⁸

The Borough’s filing was thoroughly investigated by the other Settling Parties. I&E/OCA/OSBA propounded, and the Borough answered, initial and follow up discovery.

¹² *Pa. P.U.C., et al. v. Philadelphia Gas Works*, Docket No. R-2020-3017206, Opinion and Order entered November 19, 2020, mimeo at 14.

¹³ See Borough of Hanover Exhibit GRH-1 at 2.

¹⁴ Borough of Hanover Statements Nos. 2 and 2R.

¹⁵ Borough of Hanover Statements Nos. 3 and 3R.

¹⁶ Borough of Hanover Statement No. 4.

¹⁷ Borough of Hanover Statements Nos. 5 and 5R.

I&E/OCA/OSBA identified issues in direct testimony and the Borough replied in rebuttal testimony. It was only after this investigation that the Settling Parties were able to engage in substantive discussions and then agree, in settlement, to a reduced increase in annual revenue of \$1,044,980 for Outside Borough Service. The settlement increase, at a level reduced from the Borough's original filing, reflects a compromise of the positions of the Settling Parties which, consistent with Commission policy, fosters and promotes the public interest. Significantly, the Settling Parties agree that the settlement rates will not take effect prior to March 28, 2022.

In sum, although less than the increase originally sought by the Borough and supported by required financial data and substantial supporting testimony and less than the increase that the Borough believes it could have readily supported if it had proceeded to a litigated conclusion, the Borough, in settlement, accepts the annual increase of \$1,044,980 both as a reasonable and appropriate resolution of issues and as a rate level that is just and reasonable for service to Outside Borough Customers.¹⁹

Scale Back

I&E and OSBA proposed a proportional scale back of rates if the Commission approves an increase in revenue less than that proposed by the Borough.²⁰ The Borough agreed with the I&E and OSBA.²¹ The scale back as proposed by I&E and OSBA is reflected in the rates presented in the

¹⁸ Borough of Hanover Statements No. 1 and 1R.

¹⁹ The public interest is furthered when a utility is provided with sufficient revenue to meet its obligations under Section 1501 of the Public Utility Code, 66 Pa. C.S. §1501, to provide safe, reliable and adequate service. The courts have long recognized that, in order to function in the public interest, the utility must have rates which are sufficient to recover legitimate operating costs, and at the same time not result in an excessive return. *Recommended Decision of ALJ Barnes*, citing *Orlosky v. Pa. P.U.C.*, 171 Pa. Superior Ct. 409, 89 A.2d 903 (1952).

²⁰ See Borough of Hanover Statement No. 3-R at 2.

²¹ See Borough of Hanover Statement No. 3-R at 2.

settlement supplement. The Borough submits that the proportional scale back, which is unopposed by the Settling Parties and acceptable to the Borough, is in the public interest.

Lead/Lag Study

I&E criticized the Borough for not submitting a lead/lag study in support of its cash working claim.²² Addressing the criticism, the Borough agrees, in settlement, that, in any future base rate filing requesting an increase to revenues over \$1,000,000, it will either submit the lead/lag study in support of its cash working capital claim or submit a request for waiver to allow use of the cash working capital 1/8 method in advance of its base rate filing. The Borough accepts this requirement as reasonable and appropriate in settlement of the proceeding.

Distribution System Improvement Charge

The Borough's Petition for Approval of a Distribution System Improvement Charge ("DSIC") is pending before the Commission at Docket No. P-2021-3026854. The DSIC tariff language presented and proposed in the DSIC Petition anticipated that the initial DSIC rate would be set at 0.0% and that the Borough would not recover costs through the DSIC until it has placed in service a level of DSIC eligible plant that exceeds the level approved by the Commission for fully projected future base rate recovery in this rate proceeding or as otherwise directed by the Commission.

The Settling Parties agree that the Borough will be eligible to include future plant additions in the DSIC once the total account balances of total depreciable plant exceed \$72,824,372.39, which is not projected to happen until after December 31, 2022. It is acknowledged, moreover, that the foregoing provision is included in the Settlement Petition solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in

²² I&E St. No. 1 at 10.

rate base in a FPFTY filing.

Consistent with Section 1357(b)(3) of the Public Utility Code, the Settlement Parties also have acknowledged that, for purposes of calculating its DSIC, the Borough shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report as modified to reflect the 0% tax liability of the municipality.²³

The DSIC is a rate mechanism specifically allowed by statute.²⁴ The Settlement Petition resolves questions concerning the implementation of the DSIC in a way that is acceptable to the interests represented by the Settling Parties and, the Borough submits, is reasonable and appropriate in settlement of the proceeding.

Reporting on Plant Additions

I&E proposed that the Borough provide I&E and the Bureau of Technical Utility Services with a schedule comparing the projected plant additions and retirements for the Future Test Year with actual plant additions and retirements for the Future Test Year and a similar comparison for the FPFTY.²⁵ The Borough has agreed, in settlement, to report the requested information to I&E and TUS and also to OCA and OSBA. The reports will demonstrate how closely the Borough's projected investments in future facilities comport with actual investments made during the future test year periods. The Borough accepts the reporting settlement term as reasonable and appropriate.

²³ The modification of the DSIC calculation to reflect the Borough's 0% tax liability is reflected in the proposed DSIC supplement included with Joint Petition for Approval of Settlement at Docket No. P-2021-3026854, *et al.*, filed November 19, 2021.

²⁴ See Section 1350, *et seq.*, of the Public Utility Code, 66 Pa. C.S. § 1350, *et seq.*

Isolation Valves

The Borough presently exercises isolation valves.²⁶ Addressing a proposal recommended by the OCA, the Borough agrees that it will exercise or attempt to exercise 400 different isolation valves per year in the Commission's jurisdictional area until all the valves have been exercised in a 5-year period. The Borough will either repair isolation valves that are found to be inoperable at the time they are identified or submit a schedule to the Settling Parties by November 15 of each year for repair or replacing valves for the following calendar year.

As part of its next rate case filing, the Borough will provide the Settling Parties with a copy of its exercising records from 2022 forward. Consistent with the Settlement of the 2014 base rate case at Docket No. R-2014-2428304, the records will include: the size and location of the valve, when the valve was installed, date the valve is turned, number of turns it takes to open and close the valve, and any problems incurred in operating the valve.

The Borough did not oppose the OCA's proposal²⁷ and accepts it as reasonable and appropriate in settlement of the proceeding.

Fire Hydrants

Addressing a recommendation of the OCA, the Borough agrees to mark the 16 fire hydrants in the jurisdictional area that cannot provide minimum fire flow of 500 gallons per minute at 20 pounds per square inch to be used only for flushing and blow offs and provide confirmation to the

²⁵ I&E St. No. 3 at 6.

²⁶ Borough of Hanover St. No. 1-R.

²⁷ Borough of Hanover St. No. 1-R. In his rebuttal testimony, Mr. Mehaffey testified that the Borough accepted the OCA's recommendation modified, however, to provide that the schedule for repair or replacing of valves be submitted by November 15 for the following calendar year and that the schedule and rate case filing requirement be provided to the OCA, I&E and OSBA.

Settling Parties upon completion. The Borough did not oppose the OCA's proposal²⁸ and accepts it as reasonable and appropriate in settlement of the proceeding.

Complaint Log

The Borough presently maintains a log of customer complaints.²⁹ Addressing a comment of the OCA, the Borough agrees to keep a single complaint log in a live Excel format. The log will include which type of customer (jurisdictional or non-jurisdictional) made the complaint with the following detail: date; location; dirty water; rusty water; water taste, odor, or color; staining (of laundry or plumbing fixtures); request for water testing; customer property damage; incomplete surface restoration; and health issues; and the final disposition of the complaint. The Borough accepts the foregoing as reasonable and appropriate in settlement of the proceeding.

Water Treatment Solids

I&E expressed concern with the Borough's claim for sewer expense, which is above the historic level of the expense.³⁰ Mr. Mehauffey explained that the increased expense is the result of higher concentrations Biological Oxygen Demand / Suspended Solids coming from the water treatment plant as a result of improvements to the plant that allow water from the waste basin to be decanted and recycled to the treatment process. The remaining slurry in the waste basin then has less volume, but a higher concentration.³¹ Addressing I&E's concern, the Borough agrees to the following:

- In its next base rate filing, the Borough will provide a summary of sewer bills including a breakdown of volumes and applicable charges and surcharges for the prior three years to support the total sewer expense claimed in the rate proceeding;

²⁸ Borough of Hanover St. No. 1-R.

²⁹ Borough of Hanover St. No. 1-R.

³⁰ I&E St. No. 1 at 8.

³¹ Borough of Hanover St. No. 1-R.

- The Borough also will track water treatment solids levels and investigate sources of substantive increases in solids for possible sources and solutions; and
- In its next base rate proceeding, the Borough will provide a report showing monthly solids averages and provide the results of investigations as to cause for substantive increases.

The Borough accepts the foregoing as reasonable and appropriate in settlement of the proceeding.

The Settlement Provides for a Rate Case “Stay Out”

The Borough agrees as part of the settlement to not file another base rate case prior to two (2) years after the new rates go into effect. A rate case “stay out” gives ratepayers a specified level of rate security – two years here – that would not exist absent the stay out. A rate case “stay out” is a traditionally recognized part of the public’s interest in settlement of a rate proceeding.³²

Conclusion

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

WHEREFORE the Borough of Hanover – Hanover Municipal Water Works respectfully requests that Administrative Law Judge F. Joseph Brady and the Public Utility Commission accept

³² See, for example, *Recommended Decision of ALJ Brady*, mimeo at 13; *Recommended Decision of ALJ Dunderdale – TVSC*, mimeo at 10-11; *Recommended Decision of ALJ Dunderdale – Imperial Point*, mimeo at 20; *Recommended Decision of ALJ Johnson*, mimeo at 16; and *Recommended Decision of ALJ Dunderdale – RWC 2010*, mimeo at 8-9.

the foregoing in support of the Joint Petition for Approval of Settlement of Rate Investigation and further that Administrative Law Judge Brady recommend approval of, and the Public Utility Commission approve, the Joint Petition for Approval of Settlement of Rate Investigation.

Respectfully submitted,

By  

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*Attorneys for
The Borough of Hanover – Hanover Municipal
Water Works*

Dated: December 6, 2021

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:		
v.	:	Docket No.	R-2021-3026116
	:		
The Borough of Hanover –	:		
Hanover Municipal Waterworks	:		

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

Introduction

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Erika L. McLain, hereby submits that the terms and conditions of the foregoing *Joint Petition For Settlement* ("Joint Petition" or "Settlement") are in the public interest and represent a reasonable and equitable balance of the interests of the Borough of Hanover ("Hanover" or "Borough"), Hanover's customers, and the parties to the Settlement Agreement. The parties have conducted extensive formal and informal discovery and have participated in numerous settlement conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of the Joint Petition based on I&E's determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a

proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from Hanover's original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

Standards for Approval of Settlement

A. Legal Landscape on Public Utilities

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

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. CS Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

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

⁴ *See id.*; 66 Pa. C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

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

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

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

B. I&E's Role

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

C. History of the Proceeding

On June 29, 2021, Hanover filed Supplement No. 32 to Tariff Water - Pa. PUC No. 3 ("Supplement 32"), containing proposed changes in rates, rules, and regulations calculated to produce approximately \$1,563,100 in additional annual revenues based upon data for a fully projected future test year ("FPFTY") ending December 31, 2022.

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

⁸ 66 Pa. C.S. § 1501.

⁹ Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(J1); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

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

¹¹ *See* 66 Pa. C.S. §§ 1301, 1304.

This proposed rate change represents an average increase in the total monthly bill for residential customers of 26.7%. Supplement No. 32 was proposed to take effect on August 28, 2021. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by Commission Order entered August 5, 2021, and assigned to the Office of Administrative Law Judge ("OALJ") for the development of an evidentiary record and Recommended Decision.

Administrative Law Judge F. Joseph Brady ("ALJ Brady") was assigned to preside over the proceeding.

A prehearing conference was held as scheduled on August 31, 2021. At the conference, a schedule was memorialized, identifying filing dates for the parties' testimony, modifying discovery rules, setting dates for public input hearings, and scheduling dates for evidentiary hearings.

A public input hearing was held telephonically on October 14, 2021 at 6:00 p.m.

Pursuant to the procedural schedule agreed to at the prehearing conference, the parties submitted direct and rebuttal testimony on September 30, 2021 and October 20, 2021 respectively. Surrebuttal testimony was served on October 29, 2021.

On November 1, 2021, the parties informed the ALJ that a Settlement had been reached on all issues. The hearings scheduled for November 4 and 5, 2021 were cancelled.

Specific Settlement Terms

(a) Increase in Annual Revenue and Scale Back

The Settlement Agreement provides for an increase of \$1,044,980 to Hanover's annual overall revenue. This increase is \$518,120 less than the \$1,563,100 initially requested by Hanover, or a reduction of approximately 33% of the amount requested. I&E agreed to settlement in

the amount of \$1,044,980 only after I&E conducted an extensive investigation of Hanover's filing and related information obtained through the discovery process to determine the amount of revenue Hanover needs to provide safe, effective, and reliable service to its customers. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement with limited exceptions. The prior Chairman of the Commission has explained that black box settlements are beneficial in this context because of the difficulties in reaching an agreement on each component of a company's revenue requirement calculation, when he stated, the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation."¹²

This increased level of "Black Box" revenue adequately balances the interests of ratepayers and Hanover. Hanover will receive sufficient operating funds in order to provide safe and adequate service while

¹² See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2010- 2172665.

ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in 'just and reasonable rates' in accordance with the Public Utility Code, regulatory standards, and governing case law.¹³

(b) Lead/Lag Study

In the Settlement, Hanover agrees that, in any future base rate filing requesting an increase to revenues over \$1,000,000, it will either submit the lead/lag study required by 52 Pa. Code § 53.53 for its cash working capital claim or submit a request for waiver of that requirement to allow use of the cash working capital 1/8 method in advance of its base rate filing. I&E submits that this term is in the public interest because it ensures that Hanover will follow the proper regulations when filing its next base rate case.

(c) Distribution System Improvement Charge (“DSIC”)

The Settlement addresses Hanover’s eligibility to include plant additions in the DSIC once eligible account balances exceed the levels projected by Hanover at December 31, 2022. For purposes of calculating its DSIC, Hanover shall use the equity return rate for water utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings report, consistent with 66 Pa. C.S. §

¹³ 66 Pa. C.S. § 1301.

1357(b)(3) as modified to reflect 0% tax liability of the municipality, until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

I&E avers that the provisions related to the DSIC are in the public interest and benefits both Hanover and its ratepayers. Hanover benefits because it will have access to DSIC funding for necessary infrastructure improvements which helps to ensure Hanover is able to meet its obligation to provide its customers with safe and reliable service. Customers will benefit from the assurance that improved infrastructure will facilitate safe and reliable service.

(d) Reporting on Plan Additions

On or before April 1, 2022, Hanover agrees to provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA, and OSBA a schedule comparing the projected plant additions and retirements for the Future Test Year ("FTY") with actual plant additions and retirements for the Future Test Year. On or before April 1, 2023, Hanover agrees to provide the same update for its Fully Projected Future Test Year ("FPFTY") no later than April 1, 2023.

The updates are important because there is value in determining how closely Hanover's projected investments in future facility comport with actual investments that are made by the end of the FTY and FPFTY. Determining the correlation between Hanover's projected and actual results will help inform the Commission and the parties in Hanover's future rate cases as to the

validity of Hanover's projections. I&E avers this term is within the public interest as it allows the parties and Commission to compare actual numbers to Hanover's projections to gauge the accuracy of projected investments in future proceedings.

(e) Isolation Valves

Consistent with the Settlement of the 2014 Hanover base rate case, Hanover agrees to record information regarding isolation valves to be provided in its next base rate case filing. Hanover also agrees to exercise or attempt to exercise 400 isolation valves within the jurisdictional area until all valves have been exercised in a five year period. Isolation valves found to be inoperable will be repaired or Hanover will submit a schedule to the Joint Petitioners by November 15 of each year for repair or replacing valves for the following calendar year. I&E opines this term is in the public interest because it benefits both Hanover and its customers by ensuring that service will be reliable.

(f) Fire Hydrants

In its jurisdictional area, Hanover has 16 fire hydrants that do not provide minimum fire flow. As part of the Settlement, Hanover agrees to mark the hydrants to be used only for flushing and blow offs and provide confirmation to the Joint Petitioners upon completion.

(g) Complaint Log

The Settlement addresses a complaint log in which Hanover agrees to keep in Excel format including the following information: type of customer; date; location; dirty water; rusty water; water taste, odor, or color; staining;

request for water testing; customer property damage; incomplete surface restoration; and health issues. Hanover also agrees to include the final disposition of the complaint. I&E supports this term as it is within the public interest for Hanover and the Joint Petitioners. The complaint log will allow Hanover to assess its compliance with its obligation to provide safe and reliable service.

(h) Water Treatment Solids

Hanover agrees to provide a summary of sewer bills including a breakdown of volumes and applicable charges and surcharges for the prior three years to support the total sewer expense claimed in the rate proceeding. Further, Hanover will track water treatment solids levels and investigate sources of substantive increases in solids for possible sources and solutions. In the next base rate proceeding, Hanover will provide a report showing monthly solids averages and provide the results of investigations as to cause for substantive increases. I&E avers this term is in the public interest as it will allow parties in the next base rate case proceeding to analyze and recommend an appropriate allowance for this expense based upon the information in the report.

(i) Stay Out

I&E has no specific comments on the stay out provision.

Conclusion

Based on I&E's analysis of the base rate revenue increase requested by the Borough of Hanover, acceptance of this proposed Joint Petition is in the public interest.

Resolution of these issues by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of Hanover and its customers.

The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a "Black Box" agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and

conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officer in his Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition for Settlement* as being in the public interest and respectfully requests that Administrative Law Judge F. Joseph Brady recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Erika L. McLain
Prosecutor
PA Attorney ID No. 320526

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APPENDIX E
Statement in Support of the
Office of Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2021-3026116
 :
 The Borough of Hanover -- :
 Hanover Municipal Waterworks :

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

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of Rate Investigation (Settlement), finds the terms and conditions of the Settlement to be in the public interest and in the interest of the Borough of Hanover – Hanover Municipal Water Works (Hanover or Borough) outside-borough ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the following reasons:

I. BACKGROUND

On June 29, 2021, Hanover filed Supplement No. 32 to Tariff Water – Pa. P.U.C. No. 3, seeking Commission approval of rates and rate changes that would increase the level of rates that it charges for providing water service to its customers located outside the Borough. In its filing, the Borough proposed an annual increase in base rate revenues of \$1,563,100 per year from its outside-borough customers using a fully projected future test year ending December 31, 2022. As initially requested, the increase would have represented an approximate 27.6% increase in the

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Borough's annual revenues at present rates. If the Borough's entire request were approved, the total bill for a residential customer using 11,000 gallons of water per quarter would increase by \$19.37 per quarter, from \$68.94 to \$88.32, or by 28.1%.

Hanover serves 10,969 outside-borough water customers, of which 10,285 are residential, in Penn Township and Heidelberg Township, York County, and Conewago Township and McSherrystown Borough in Adams County.

On July 15, 2021, the OCA filed a Formal Complaint (Docket No. C-2021-3027274) in this matter. The Office of Small Business Advocate filed a Formal Complaint on July 19, 2021. Hanover Foods Corporation filed a Formal Complaint on August 9, 2021. The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on August 10, 2021.

On August 5, 2021, the Commission issued an Order initiating an investigation into the lawfulness, justness and reasonableness of the proposed rate increases in this tariff filing, and suspended the effective date of Supplement No. 32 until March 28, 2022 by operation of law. The Commission assigned the case to Administrative Law Judge F. Joseph Brady and notified the parties. A Prehearing Conference was held on August 31, 2021, during which the parties mutually agreed to a procedural schedule and modifications were made to the Commission's discovery regulations.

In its investigation of the rate filing and development of its position, the OCA analyzed the Borough's claims, written testimony, and discovery responses. In accordance with the procedural schedule, on September 30, 2021, the OCA served the following Direct Testimony to the Presiding Officer and all parties of record: the Direct Testimony of Stacy L. Sherwood¹, OCA Statement 1,

¹ 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

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the Direct Testimony of David J. Garrett², OCA Statement 2, the Direct Testimony of Jerome D. Mierzwa³, OCA Statement 3, and the Direct Testimony of Terry L. Fought⁴, OCA Statement 4. The OCA also served the following Surrebuttal Testimony to the Presiding Officer and all parties of record: the Surrebuttal Testimony of Stacy L. Sherwood, OCA Statement 1SR, the Surrebuttal Testimony of David J. Garrett, OCA Statement 2SR, the Surrebuttal Testimony of Jerome D. Mierzwa, OCA Statement 3SR, and the Surrebuttal Testimony of Terry L. Fought, OCA Statement 4SR.

The Joint Petitioners reached a comprehensive agreement to resolve all issues on November 1, 2021, prior to the evidentiary hearing. Upon notifying the Presiding Officer of the Settlement, the litigation schedule was suspended and evidentiary hearings were cancelled. The Presiding Officer indicated that a Petition for Settlement should be filed by the parties no later than December 6, 2021 at noon, along with Statements in Support and a Joint Stipulation for the

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 Hidden Valley Utility Services, LP and Newtown Artesian Water Company's most recent base rate cases. Her full background and qualifications are provided in Appendix A, attached to OCA Statement 1.

² Mr. Garrett is the President of Resolve Utility Consulting., a consulting firm specializing in public utility regulation and litigation. Mr. Garrett is a licensed attorney and a certified public accountant, primarily working as a consultant in public utility regulation. Mr. Garrett's complete qualifications are listed in OCA Statement 2, Exhibit DJG-1.

³ 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 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College.

⁴ 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.

admission of testimony and exhibits into the record. Pursuant to this directive, the OCA submits the following Statement in Support.

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

For the reasons discussed below, the OCA submits that the Settlement is in the public interest and in the interest of Hanover's outside-borough ratepayers, and should be approved by the Commission without modification.

II. SETTLEMENT TERMS AND CONDITIONS

A. Increase in Annual Revenue and Scale Back (Settlement ¶ 17(a))

As stated above, the Borough initially proposed to increase its jurisdictional water revenue to outside-borough customers by \$1,563,100 based on a fully projected future test year (FPFTY) ending December 31, 2022. Hanover Exh. GRH-1, Schedule 1. This would represent an approximate 27.6% increase in the Borough's annual revenues at present rates. This increase was based, in part, upon an increase in rate base projected for the FPFTY, a proposed return on equity of 10.45%, and several proposed increases to the Borough's annual operating expenses. Hanover St. 2 at 3.

In the OCA's testimony, it recommended that the Borough receive an increase no higher than \$1,077,534 for outside-borough customers—\$485,566 less than the increase of \$1,563,100 requested by the Borough in this case. See OCA St. 1SR at 1. This recommendation was based in part upon numerous revenue requirement adjustments to the Borough's rate base and expenses for

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the FPPTY. See OCA St. 1; see also, OCA St. 1SR. In addition, OCA witness David Garrett recommended a lower return on equity of 8.4%, rather than 10.45% as recommended by the Borough. See OCA St. 2 at 6 and 37.

Under the Settlement, the Borough will be permitted a total annual revenue increase of approximately \$1,044,980 for its jurisdictional water operations, to become effective for service no sooner than March 28, 2022. Settlement ¶ 17(a). This is approximately \$518,120 less than the amount originally requested by the Borough and reflects a compromise of the revenue recommendations made by OCA and I&E. Overall, this represents an increase of approximately 18.4% over present outside-borough customer revenues. Further, the agreed-upon effective date for new rates is the end of the suspension period, as would be the case if the proceeding were fully litigated.

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.

The Settlement rates reflect a proportional scale back from the percentage increases originally proposed by the Borough. Settlement ¶ 17(a). In this proceeding, Hanover proposed to recover the entire increase authorized through increased consumption charges and to maintain the existing monthly customer charges. OCA St. 3 at 3. The OCA supported that proposal, which by

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keeping fixed charges lower gives customers greater control over their bills and encourages water conservation. Consistent with that, customer charges will remain \$26.55 per quarter for outside-borough residential customers with 5/8-inch meters. Settlement, App. A. On a total bill basis, the quarterly cost of water service to an outside-borough residential customer using 11,000 gallons per quarter with a 5/8-inch meter will increase by \$12.78 from \$68.94 to \$81.72 per quarter, or by 18.5%, compared to an increase of by \$19.38 from \$68.94 to \$88.32 per quarter, or by 28.1%, as requested increase in the Borough's filing. Settlement ¶¶ 18-19.

Based on the OCA's analysis of the Borough'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 Borough to continue to provide safe, adequate, reliable, and continuous service. Further, this increase is a substantial decrease from the amount originally requested by the Borough. For these reasons, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of the outside-borough ratepayers, and should be approved.

B. Lead/Lag Study (Settlement ¶ 17(b))

Under the terms of the Settlement, the Borough agrees that, in any future base rate filing requesting an increase to revenues over \$1,000,000, it will either submit the lead/lag study required by 52 Pa. Code Section 53.53 for its cash working capital claim or submit a request for waiver of that requirement to allow use of the cash working capital 1/8 method in advance of its base rate filing. Settlement ¶ 17(b). This provision is in the public interest because it directs that Hanover

comply with the Commission regulations with regard to this element in its next rate base case. Therefore, the Commission should approve this term of the Settlement.

C. Distribution System Improvement Charge (Settlement ¶ 17(c))

At this time, Hanover does not have an approved Distribution System Improvement Charge (DSIC) in place but has requested approval in a separate proceeding (Docket No. P-2021-3026854). If permitted to implement a DSIC, the Settlement provides that Hanover will not be eligible to include plant additions in the DSIC until its depreciable plant balances exceed \$72,824,372.39, which is the level of investment projected by Hanover at the end of the FPFTY. Settlement ¶ 17(c). This term of the Settlement is in the public interest as it ensures the Company will not be permitted to recover plant investment through the DSIC that is already included in base rates. The Settlement also provides that, for purposes of calculating its DSIC, Hanover shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities, as modified to reflect Hanover's tax liability as a municipal entity. Settlement ¶ 17(c). Collectively, these settlement terms are aimed at ensuring an accurate and proper calculation of Hanover's proposed DSIC and, therefore, are in the public interest.

D. Reporting on Plant Additions (Settlement ¶ 17(d))

Under the Settlement, Hanover will provide the Bureau of Technical Utility Services, I&E, OCA and OSBA with a schedule comparing the projected plant additions and retirements for the Future Test Year with actual plant additions and retirements for the Future Test Year, no later than April 1, 2022. Settlement ¶ 17(d). Further, Hanover will provide a similar comparison for the Fully Projected Future Test Year no later than April 1, 2023. Id. These provisions are 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). This data will aid the Commission and parties in evaluating the just and reasonableness of the Borough’s rates.

E. Isolation Valves (Settlement ¶ 17(e))

In Direct Testimony, OCA witness Terry L. Fought testified that the Borough had only exercised 283 of the 2,047 isolation valves in the jurisdictional area. OCA St. 4 at 5; OCA Exh. TLF-1. Mr. Fought explained:

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.

OCA St. 4 at 3. If the isolation valves seize up or become stuck, Mr. Fought testified:

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.

Id. at 4. For this reason, OCA witness Fought recommended that the Borough should exercise, or attempt to exercise, 400 different isolation valves per year in the jurisdictional area until all the valves have been exercised in a 5-year period. OCA St. 4 at 6. For those isolation valves that are found to be inoperable at the time they are identified, Mr. Fought recommended that the Borough either repair isolation the valves or submit a schedule each year for repair or replacing valves for the following calendar year. Id. Finally, he recommended that the Borough should provide a copy of its exercising records, from 2022 forward, as part of its next base rate case and that the records should specify the size and location of the valve, when the valve was installed, date the valve is

turned, number of turns it takes to open and close the valve, and any problems incurred in operating the valve. Id. Hanover accepted these recommendations and the Settlement reflects that resolution. Borough St. 1R at 2; OCA St. 4SR at 1; Settlement ¶ 17(e).

The OCA submits that the Commission should approve these provisions because they will help to prevent increased water loss during a main break and ensure that isolation valves are being exercised regularly to avoid unnecessary and expensive costs for repairing or replacing isolation valves that have seized up from the lack of being exercised.

F. Fire Hydrants (Settlement ¶ 17(f))

Under the terms of the Settlement, the Borough will mark the 16 hydrants in the jurisdictional area that cannot provide minimum fire flow of 500 gallons per minute at 20 pounds per square inch to be used only for flushing and blow offs. Settlement ¶ 17(f). This provision adopts the recommendation of the OCA's engineering witness, OCA St. 4 at 7, and is in the public interest as it will prevent the accidental use of these 16 hydrants in the case of a fire.

G. Complaint Log (Settlement ¶ 17(g))

In his testimony, Mr. Fought identified several areas of improvement concerning the Borough's complaint log and made several recommendations to resolve each of them. OCA St. 4 at 7-9. The Settlement adopts Mr. Fought's recommendations by providing for the following changes to the Borough's complaint log: (1) the Borough will keep a single complaint log in a live Excel format; (2) the complaint log will include which type of customer (jurisdictional or non-jurisdictional) made the complaint; and (3) the complaint will record the complaints with the specific date, location, issue (dirty water, rusty water, water taste, odor, or color, staining of

laundry or plumbing fixtures, request for water testing, customer property damage, incomplete surface restoration, and health issues), and the final disposition. Settlement ¶ 17(g).

The Commission should adopt this provision as it is consistent with the requirements of 52 Pa. Code Section 65.3 for investigating and recording customer complaints. These actions will help to improve reporting and facilitate review of Hanover's quality of service.

H. Water Treatment Solids (Settlement ¶ 17(h))

Under the Settlement, the Borough will provide a summary of sewer bills including a breakdown of volumes and applicable charges and surcharges for the prior three years to support the total sewer expense claimed in its next rate proceeding. Settlement ¶ 17(h). The Borough will also track water treatment solids levels and investigate sources of substantive increases in solids for possible sources and solutions. Id. In the next base rate proceeding, the Borough will provide a report showing monthly solids averages and provide the results of investigations as to cause for substantive increases. Id.

This Settlement provision responds to questions raised by I&E witness Walker why Hanover's projected sewer bill expenses are higher despite system improvements that have decreased the overall volume of residual slurry that will be delivered to the wastewater treatment plant. I&E St. 1SR at 7-8. The additional detail regarding the sewer bills and tracking and investigation of substantive increases in solids concentrations is in the public interest as it will assist evaluation of the sewer bill expense in the next rate case and may identify possible solutions that could reduce the expense. It should, therefore, be approved by the Commission.

I. Stay Out (Settlement ¶ 17(i))

Under the terms of the Settlement, the Borough will not file a general rate increase, as that term is defined in Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d) for two years after the new rates go into effect. Settlement ¶ 17(i). The stay out provision is in the public interest as it will ensure rate stability for customers for 2.75 years. The OCA, therefore, recommends that the stay out provision be approved.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement, 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 the outside-borough ratepayers.

Respectfully Submitted,

Counsel for:
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DATE: December 6, 2021
319462

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2021-3026116
	:	
THE BOROUGH OF HANOVER – MUNICIPAL WATERWORKS	:	
	:	

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION OF THE BOROUGH OF HANOVER – HANOVER MUNICIPAL
WATER WORKS, THE BUREAU OF INVESTIGATION AND ENFORCEMENT,
THE OFFICE OF CONSUMER ADVOCATE, THE OFFICE OF SMALL
BUSINESS ADVOCATE AND HANOVER FOODS CORPORATION
FOR APPROVAL OF SETTLEMENT OF RATE INVESTIGATION**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint against the rates, terms, and other provisions of Supplement No. 32 to Tariff Water-Pa. P.U.C. No. 3 (“Supplement No. 32”) that was filed with the Pennsylvania Public Utility Commission (“Commission”) on June 29, 2021, by The Borough of Hanover – Municipal Waterworks (“Hanover Water” or the “Company”). Supplement No. 32 reflects an increase in outside-Borough water service revenue of \$1,563,100 per year.

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

The Joint Petition

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

Because the Company’s requested increase is over \$1 million, Hanover Water submitted a cost of service study (“COSS”) with its June 29th filing. *See generally* 52 Pa. Code § 53.53. Based upon that COSS, Hanover Water allocated its originally proposed overall revenue increase to the Company’s customer classes. OSBA witness Brian Kalcic described the Company’s customer classes, as follows:

At present, Hanover serves approximately 11,000 customers that reside outside the Borough limits via two separate rate schedules, which are applicable to: a) General Metered Service (“GMS”) customers; and b) Private and Public Fire Service customers. However, the Borough’s GMS rate schedule contains separate (single block) consumption charges applicable to Residential, Commercial/Public, Industrial and Large Industrial customers.

OSBA Statement No. 1, at 2. Mr. Kalcic then explained how the Company’s COSS should be used to determine the propriety of Hanover Water’s proposed rate increases in this proceeding:

By definition, if a class is not paying exactly its cost of service, it is either: a) receiving a subsidy (i.e., paying too little); or b) providing a subsidy (i.e., paying too much). In order to determine whether or not a class is moving toward cost of service, one must ascertain whether the class’s present subsidy is growing or shrinking at proposed rates. If its present subsidy is growing at proposed rates, the class is moving in the wrong direction (i.e., away from cost of service). Conversely, if its present subsidy is

shrinking at proposed rates, the class is moving closer to cost of service.

OSBA Statement No. 1, at 4-5.

Mr. Kalcic analyzed Hanover Water's COSS methodology and the resulting allocation of the requested revenue increase among the Company's customer classes. Mr. Kalcic concluded, as follows:

The subsidy figures shown in column 2 indicate that Hanover's proposed revenue allocation would essentially *move all classes to full cost of service*, i.e., subject to rate design rounding, with the exception of the Private Fire class (line 5), which would move from slightly below (\$1,134) to slightly above (\$2,278) its indicated cost of service at Hanover's proposed rates.

OSBA Statement No. 1, at 5-6 (emphasis added).¹ Mr. Kalcic concluded that the Company's COSS and the resulting revenue allocation were both reasonable. *Id.*, at 6.

The *Joint Petition*, while not explicitly so stating, reflects the results of the original Company COSS and revenue allocation proposal. *See Joint Petition*, Paragraph 18 and 19. The *Joint Petition* is therefore consistent with the testimony of Mr. Kalcic on these issues.

Finally, the *Joint Petition* proposes a revenue increase less than that set forth in the Company's June 29th filing. *Joint Petition*, Paragraph 17(a). In that circumstance, Mr. Kalcic testified, as follows:

In that event, I would recommend that the awarded jurisdictional increase be allocated to classes in proportion to the Borough's proposed class increases.

OSBA Statement No. 1, at 6. The *Joint Petition*, while not explicitly so stating, in fact adopts Mr. Kalcic's recommendation to implement a proportional scaleback of the Company's filed revenue allocation proposal. *See Joint Petition*, Paragraphs 18 and 19.

¹ Mr. Kalcic is referencing OSBA Statement No. 1, Schedule BK-2, page 1.

The *Joint Petition* is consistent with the testimony of Mr. Kalcic on the issue of a proportional scaleback, and therefore the OSBA finds that the allocation of the settlement increase among the Company's customer classes is both just and reasonable.

Conclusion

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

Respectfully submitted,

/s/ Steven C. Gray

Steven C. Gray
Senior Supervising
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Attorney ID No. 77538

Office of Small Business Advocate
555 Walnut Street
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Dated: December 6, 2021

APPENDIX G
Statement in Support of the
Hanover Foods Corporation

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2021-3026116
Office of Consumer Advocate	:	C-2021-3027274
Office of Small Business Advocate	:	C-2021-3027361
Hanover Foods Corporation	:	C-2021-3027807
	:	
v.	:	
	:	
The Borough of Hanover -	:	
Municipal Water Works	:	

**THE HANOVER FOODS CORPORATION
STATEMENT IN SUPPORT**

The Hanover Foods Corporation (“Hanover Foods”), by and through its counsel, submits that the Joint Petition for Approval of Settlement of Rate Investigation (“Joint Petition” or “Settlement”) concurrently filed with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) in the above-captioned proceedings reflects a settlement among the Joint Petitioners with respect to the Borough of Hanover – Hanover Municipal Water Works’ (“Hanover” or “Borough”), June 29, 2021, filing of Supplement No. 32 to Tariff Water-Pa. P.U.C. No. 3 (“Supplement No. 32”).

As a result of settlement discussions, the Borough, Hanover Foods, the Bureau of Investigation & Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, the “Joint Petitioners”), have agreed upon the terms embodied in the foregoing Joint Petition. Hanover Foods offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

BACKGROUND

1. On June 29, 2021, the Borough requested a general rate increase of approximately \$1.5 million over its present revenues.

2. On August 9, 2021, Hanover Foods filed a Complaint in the above-captioned proceeding. As noted in its Complaint, Hanover Foods is a food processing company located in the Borough of Hanover that uses substantial volumes of water in its manufacturing and operational processes. These water costs are a significant element of Hanover Foods' respective costs of operation. As a result, Hanover Foods was concerned that the proposed increase could have an adverse impact on its cost of operations. Hanover Foods' Complaint indicated that the PUC should investigate several aspects of the Borough's filing, including whether the size of the requested rate increase is appropriate; whether the allocation of the proposed increase among customer classes is just, reasonable, and non-discriminatory; whether the Borough's cost of service study is accurate, legitimate, and appropriate; and whether the proposed rate increase affecting Hanover Foods is just, reasonable, and non-discriminatory.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised by the various parties. These negotiations resulted in the Settlement, which proposes a resolution of all of the issues between the Joint Petitioners in this proceeding as set forth below.

STATEMENT OF SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy,

the Joint Petitioners engaged in negotiations in an effort to settle the issues raised in this proceeding. These ongoing discussions produced the foregoing Settlement.

5. The Joint Petitioners agree that approval of the proposed Settlement is overwhelmingly in the best interest of the parties involved.

6. The Joint Petitioners agree that the Borough should be permitted to implement rates that are designed to produce an annual increase in water revenues of \$1,044,980. Joint Petition at Paragraph 17(a). Such rates are just, reasonable, and in the public interest.

7. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of the Settlement.

8. The Joint Petitioners agree that the Company should be authorized to file a tariff supplement containing the rates set forth in the Joint Petition for service beginning on March 28, 2022.

9. The Joint Petitioners agree that the Borough will not file for a general rate increase prior to two years after the new rates go into effect. *Id.* at Paragraph 17(i).

10. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the final order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition provides a just and reasonable means by which to allocate the resulting rate increase.
- d. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.

- e. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

11. Hanover Foods supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Administrative Law Judge or the Commission disapproves the Settlement or modifies any terms or conditions herein, Hanover Foods will resume its litigation position, which differs from the terms of the Joint Petition.

12. As set forth above, Hanover Foods submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous negotiations. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, as well as the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation in this proceeding. *See* 52 Pa. Code § 69.391.

WHEREFORE, Hanover Foods Corporation respectfully requests that Administrative Law Judge F. Joseph Brady and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Approval of Settlement of Rate Investigation without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: December 6, 2021

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge
F. Joseph Brady, Presiding**

Pennsylvania Public Utility Commission	:	Docket No. R-2021-3026116
Office of Consumer Advocate	:	Docket No. C-2021-3027274
Office of Small Business Advocate	:	Docket No. C-2021-3027361
Hanover Foods Corporation	:	Docket No. C-2021-3027807
	:	
v.	:	
	:	
The Borough of Hanover – Hanover	:	
Municipal Water Works	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this 6th day of December 2021, served a true and correct copy of the foregoing Joint Petition for Approval of Settlement of Rate Investigation, upon the persons and in the manner indicated below:

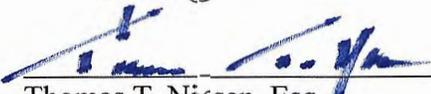
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