

DOCKET NO. R-2021-3026682

DOCKET NO. C-2021-3029095

DOCKET NO. C-2021-3029188

Hearing Date: December 16, 2021

Kitzmilller

- 1 Notice of Proposed Rate Changes 9/30/21
- 2 Calculation of Lancaster City Water Department Overbilling
- 3 Unaccounted for Water Information
- 4 Comments on Water Utility being Cash Strapped/Rate Increase

EXHIBIT FDK PIH EXH 1

In its Notice Of Proposed Rate Changes dated 9/30/21, the City of Lancaster (City) stated that the proposed water rate increase for a residential customer with a 5/8-inch (or 3/4-inch) water meter using 13,600 gallons per quarter would increase from \$77.70 to \$94.14 per quarter or by 21.2%. This amounts to an increase of \$65.76 per year. What was not mentioned was that the increase resulted from a 64.0% increase in the fixed “customer charge” increasing from \$16.65 to \$27.30 per quarter and just a 9.6% increase in the “consumption charge”, which will increase from \$4.49 to \$4.92 per 1,000 gallons used. The customer charge is billed every quarter even if no water is used. Customers using less than 13,600 gallons per quarter will have a larger rate increase than 21.2%.

For about 6,000 customers located mainly in northern Manheim Township who are being billed on the quarterly bill as “Rate Code 1” ROQ” (As compared to “ROQ < 1” – less than 1 inch) the rate increase would be based on a 1-inch meter and not the 3/4-inch meter used, and the rate would increase from \$105.16 to \$139.45 or a 32.6% increase. The City’s billing system is based on the size of a “customer service line” and not on the size of the meter used “to render adequate service” specified in the PUC approved Water Tariff. These 6,000 customers were required by the City to have a 1-inch service lines with 3/4-inch meters, as the City does not utilize 1-inch meters for residential customers.

This requested \$139.45 quarterly billing for the 6,000 mainly northern Manheim Township customers is \$45.24 or 48.1% higher than the \$94.14 billing for the typical customer and, on an annual basis, will result in additional billing revenue for the City amounting to \$1,085,760 which is 27% of the entire requested rate increase of \$4,024,593.

Please see Exhibit FDK PIH EXH 2 which shows the effects of the overbilling of the Customer Charge for years 1999 (when the Customer Charge began) to 2022.

CALCULATION OF LANCASTER CITY WATER DEPT OVERBILLINGS FROM USE OF 1" SERVICE PIPE INSTEAD OF 3/4" METER SIZE FOR QUARTERLY BILLINGS

RATE CASE NO	< 1 inch	1 inch	DIFFERENCE	# BILLS	# CUSTOMERS (ANNUAL AMOUNTS NOT KNOWN)	TOTAL CUSTOMERS				PER CUSTOMER			
						QTRLY OVERBILL	YEARLY OVERBILL	YEARS	SIMPLE INTEREST AT 6%	YEARLY OVERBILL	SIMPLE INTEREST AT 6%		
RATE CASE NO R-00984567 (9/29/99) (FIRST RATE CASE WITH CUSTOMER CHARGE)													
1999	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	23	\$86,072	\$26	\$36		
2000	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	22	\$82,329	\$26	\$34		
2001	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	21	\$78,587	\$26	\$33		
2002	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	20	\$74,845	\$26	\$31		
2003	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	19	\$71,103	\$26	\$30		
2004	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	18	\$67,360	\$26	\$28		
2005	\$3.88	\$10.35	\$6.47	9,640	2,410	\$15,593	\$62,371	17	\$63,618	\$26	\$26		
RATE CASE NO R-00051167 (5/3/06)													
2006	\$4.38	\$11.70	\$7.32	16,084	4,021	\$29,434	\$117,735	16	\$113,025	\$29	\$28		
2007	\$4.38	\$11.70	\$7.32	16,084	4,021	\$29,434	\$117,735	15	\$105,961	\$29	\$26		
2008	\$4.38	\$11.70	\$7.32	16,084	4,021	\$29,434	\$117,735	14	\$98,897	\$29	\$25		
2009	\$4.38	\$11.70	\$7.32	16,084	4,021	\$29,434	\$117,735	13	\$91,833	\$29	\$23		
2010	\$4.38	\$11.70	\$7.32	16,084	4,021	\$29,434	\$117,735	12	\$84,769	\$29	\$21		
RATE CASE NO R-2010-2179103 (7/21/11)													
2011	\$10.50	\$27.90	\$17.40	18,862	4,716	\$82,050	\$328,199	11	\$216,611	\$70	\$46		
2012	\$10.50	\$27.90	\$17.40	18,862	4,716	\$82,050	\$328,199	10	\$196,919	\$70	\$42		
2013	\$10.50	\$27.90	\$17.40	18,862	4,716	\$82,050	\$328,199	9	\$177,227	\$70	\$38		
2014	\$10.50	\$27.90	\$17.40	18,862	4,716	\$82,050	\$328,199	8	\$157,535	\$70	\$33		
RATE CASE NO R-2014-2418872 (2015)													
2015	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	7	\$236,229	\$110	\$46		
2016	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	6	\$202,482	\$110	\$40		
2017	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	5	\$168,735	\$110	\$33		
2018	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	4	\$134,988	\$110	\$26		
2019	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	3	\$101,241	\$110	\$20		
2020	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	2	\$67,494	\$110	\$13		
2021	\$16.65	\$44.10	\$27.45	20,490	5,123	\$140,613	\$562,451	1	\$33,747	\$110	\$7		
						\$1,568,805	\$6,275,219		\$2,711,611	\$8,986,830	\$1,375	\$684	\$2,058
RATE CASE NO R-2021-3026682 (2022)													
2022 REQUESTED	\$27.30	\$72.54	\$45.24	EST 24,000	EST 6,000	\$271,440	\$1,085,760	0	0	\$1,085,760	\$180.96	\$0.00	
							\$7,360,979		\$2,711,611	\$10,072,590			

EXHIBIT FDK PIH EXH 3

UNACCOUNTED FOR WATER INFORMATION - CITY OF LANCASTER WATER DEPARTMENT CASE R-2021-3026682

In reviewing the Rate Case documents filed by the City of Lancaster Water Department, it was noted on Exhibit D IX-6 and Exhibit D IX-6 Attachment, Pages 1,230 and 1,231 of the 2,678 page filed document, that amounts appear to show that there was a significant amount of unaccounted for water for years 2020 and 2019.

The Exhibit D IX-6 Attachment showed that billions of gallons of produced water was unaccounted for as shown below.

	2020	2019
Amount of water produced (in 000)		
High Service	7,395,093	7,543,357
Low Service	<u>8,254,551</u>	<u>8,318,687</u>
Total produced	15,649,644	15,862,044
Amount of water consumed (billed) (Sum of Consumption Amounts)	10,624,516	10,425,160
Unaccounted for water	5,025,128	5,436,884
Stated as a %		
% consumed (billed)	67.89%	65.72%
% unaccounted for	32.11%	34.28%
Total %	100.00%	100.00%

An analysis of this unaccounted for water between the "in city" and "out of city" customers is not available due to the amount of water produced for each of these customer classes is not provided or available.

A similar large amount of unaccounted for water existed at the prior rate case (R-2014-2418872) effective in 2015.

The water customers should not have to pay a tariff rate that assumes that 100% of water produced is being billed to customers. A reduction in directly allocable costs to produce this unaccounted for water should be made for the chemicals, electricity, filter membranes depreciation and other direct costs claimed by the City of Lancaster Water Department in calculating the amount of its requested rate increase.

NOTE: When reviewing Exhibit D II-11 Attachment (Page 171 in the 2,678 page filed document) it was noted that the 2019 Consumption amount for the West Earl Water Authority decreased from 134,144,000 gallons in 2018 to 104,998,000 in 2019, a decrease of 29,146,000 gallons or 21.7%. However, the Exhibit D II-12 Attachment indicates the same amount billed but a higher consumption amount of 115,178,000. This appears to be the proper consumption amount as the rate per 1,000 gallons is \$3.48 which is close to the existing consumption charge of \$3.46. Using the consumption amount of 115,178,000, the decrease would only be 18,966,000 or 14.1%. This should be investigated as the area of West Earl Water Authority is growing in population and had a consumption amount of 124,489,000 gallons in 2020.

COMMENTS ON NUMEROUS MENTIONS OF THE WATER UTILITY BEING CASH STRAPPED AND IN NEED FOR A RATE INCREASE

The lack of cash in the Water Fund is entirely due to the General Fund receiving all of the cash receipts from Water Fund customers. This appears to be a good financial operations strategy as the General Fund has the means and the talent to administer the receipts and the disbursement of these funds in a very efficient manner. In the Audited Financial Statements, the Statement of Cash Flows - Proprietary Funds shows the cash flows from Operating, Investing and Capital and Related Financing Activities of the Water Fund.

The Statement also shows Cash Flows from Noncapital Financing Activities which includes "Transfer in or out" which in recent years and budgeted for 2022 amounts to \$4,000,000 per year or \$333,333.33 per month transfer of cash from the Water Fund where it could be used to pay for Water Fund needs such as debt payments or capital improvements, to the General Fund where it will be used for non Water Fund purposes such as payment of the City's wages, professional fees, etc. It appears that the Water Fund should be paid interest on these Transfers by treating them as an interest bearing Interfund loan receivable. The following schedule shows the effect of such treatment using a 5% interest rate. If this treatment would have been used in these prior years, would the Water Fund be described as being cash strapped and what effect would it have on the Moody's Bond Ratings (General Obligation or Revenue Bonds) of the Water Fund and the total City of Lancaster entity and the amount of the requested 2021 rate increase?

EXHIBIT FDK PIH EXH 4

EFFECT OF CITY OF LANCASTER WATER FUND DISTRIBUTIONS OF CASH TO CITY
OF LANCASTER GENERAL FUND INSTEAD OF BEING AN INTEREST BEARING INTERFUND ACCOUNT ITEM (2011 TO 2022)

YEAR	DISTRIBUTED AMOUNT	CUMULATIVE AMOUNT	INTEREST AT 5% 0.05	CUMULATIVE AMOUNT	TOTAL CUMULATIVE AMOUNT
2011	\$2,300,000	\$2,300,000	\$115,000	\$115,000	\$2,415,000
2012	\$2,300,000	\$4,600,000	\$120,750	\$235,750	\$4,835,750
2013	\$2,500,000	\$7,100,000	\$241,788	\$477,538	\$7,577,538
2014	\$2,595,000	\$9,695,000	\$378,877	\$856,414	\$10,551,414
2015	\$2,697,000	\$12,392,000	\$527,571	\$1,383,985	\$13,775,985
2016	\$4,750,000	\$17,142,000	\$688,799	\$2,072,784	\$19,214,784
2017	\$3,306,000	\$20,448,000	\$960,739	\$3,033,524	\$23,481,524
2018	\$3,827,000	\$24,275,000	\$1,174,076	\$4,207,600	\$28,482,600
2019	\$3,856,000	\$28,131,000	\$1,424,130	\$5,631,730	\$33,762,730
2020	\$4,000,000	\$32,131,000	\$1,688,136	\$7,319,866	\$39,450,866
2021	\$4,000,000	\$36,131,000	\$1,972,543	\$9,292,410	\$45,423,410
2022	\$4,000,000	\$40,131,000	\$2,271,170	\$11,563,580	\$51,694,580