

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	R-2021-3026682
Office of Small Business Advocate	:	C-2021-3029095
	:	C-2021-3029188
v.	:	
	:	
City of Lancaster – Bureau of Water	:	

**JOINT PETITION  
FOR COMPLETE SETTLEMENT OF RATE INVESTIGATION**

**I. INTRODUCTION**

The City of Lancaster Bureau of Water (“City”), the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), collectively referred to as “Joint Petitioners”, individually and by their respective counsel, respectfully request that: (a) Administrative Law Judge Darlene Heep (“ALJ Heep”) recommend approval of this Joint Petition for Complete Settlement (“Petition for Settlement”) as set forth herein; (b) the Pennsylvania Public Utility Commission (“Commission”) approve and adopt this Petition for Settlement as set forth herein; (c) the Commission permit the City to file the tariff supplement attached hereto at Appendix A effective for service rendered on and after June 29, 2022; and (d) the Commission terminate its investigation at Docket No. R-2021-3026682, including dismissal of the Complaints filed by the OCA and the OSBA at Docket Nos. C-2021-3029095 and C-2021-3029188.

In support of this Petition for Settlement, the Joint Petitioners set forth the following:

## II. BACKGROUND

1. On September 30, 2021, the City filed Supplement No. 46 to Lancaster Water Tariff – PA P.U.C. No. 6 proposing to increase its annual operating revenues for water service by \$4,024,593, or 20.8% for customers located in the Commission jurisdictional area (*i.e.*, those customers located outside of the City of Lancaster).

2. On October 5, 2021, I&E filed a Notice of Appearance. On October 14, 2021, the OCA filed a Complaint, Public Statement, and Notice of Appearance. On October 20, 2021, the OSBA filed a Complaint, Public Statement and Notice of Appearance.

3. On October 28, 2021, the Commission issued an Order suspending the City's proposed Supplement No. 46 to Tariff Water – Pa. P.U.C. No. 6 by operation of law until June 29, 2022. Thereafter, on November 4, 2021, the City filed conforming Supplement No. 47 to Tariff Water – Pa. P.U.C. No. 6.

4. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge. The proceeding was later assigned to ALJ Heep.

5. A telephonic Prehearing Conference was held on November 5, 2021, where a procedural schedule was established and modifications to the Commission's discovery regulations were adopted for this proceeding.

6. Discovery was propounded by the OCA, I&E, and the OSBA and the City timely responded to discovery requests.

7. All of the parties filed Direct Testimony. The City filed Rebuttal Testimony. The OCA, I&E, the OSBA, and Complainant Frank Kitzmiller filed Surrebuttal Testimony. And, the City filed Rejoinder Testimony.

8. Thereafter, Joint Petitioners engaged in settlement negotiations resulting in this Petition for Settlement. Joint Petitioners have been able to agree to a proposed revenue increase

and a rate design to recover the agreed-upon increase, thereby resolving all issues raised by the participants to this proceeding.

### III. SETTLEMENT TERMS AND CONDITIONS

The terms of the Settlement are as follows:

9. The City will be permitted to establish rates for customers which will produce an overall increase in annual operating revenues of approximately \$2,500,000. These rates, as determined in accordance with the attached Proof of Revenues will be effective June 29, 2022 upon Commission approval. The Proof of Revenues attached hereto at Appendix B, reflect rates that are designed to recover approximately \$2,500,000 of additional revenues from outside customers (*i.e.*, customers in the Commission jurisdictional area). In sum, for outside customers, the increase in revenues by class from present rates as proposed in this Petition for Settlement are as follows:

#### **Commission Jurisdictional Area Customer Revenues**

<b>Customer Classification</b>	<b>Revenue Present Rates</b>	<b>Revenue Settlement Rates</b>	<b>Revenue Increase</b>
Residential	\$9,531,172	\$10,920,798	\$1,389,622
Commercial	\$6,374,169	\$7,128,659	\$754,490
Industrial	\$1,316,678	\$1,471,615	\$154,937
Large Industrial	\$787,199	\$880,295	\$93,096
Other Water Utilities	\$543,457	\$593,036	\$49,579
Private Fire	\$379,827	\$437,631	\$57,804
<b>Total</b>	<b>\$18,932,502</b>	<b>\$21,432,034</b>	<b>\$2,499,528</b>

10. Joint Petitioners agree that adoption and approval of this Joint Petition for Settlement by ALJ Heep and the Commission is in the public interest. Under this Petition for Settlement, the quarterly bill of a typical residential 5/8-inch metered residential customer residing in the Commission jurisdictional area who utilizes 13,600 gallons of water per quarter will increase

from \$77.70 to \$89.08, or by approximately 14.6%, rather than from \$77.70 to \$94.14 (or 21.2%) as originally requested.

11. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of the City, I&E, the OCA and the OSBA. In addition, adoption and approval of the Petition for Settlement will avoid the need for continued litigation of this proceeding.

12. In addition to, and in consideration of, the agreed-upon overall increase in annual operating revenues for Commission jurisdictional area customers of approximately \$2,500,000, Joint Petitioners also agree to the various terms and conditions set forth herein.

13. *Stay-Out.* The City agrees that it will not file for another water base rate case before January 1, 2024.

14. *Tariff Changes.* The City will make the following changes to Supplement No. 46 to Tariff Water – Pa. P.U.C. No. 6:

- (a) *Consumption Charge Language.* The following preface describing the consumption charge which will be added to the schedule of rates: “In addition to the customer charge the following water consumption charges will apply.”
- (b) *Customer Classifications/Meter Charges.* Residential rates shall be established based on the new residential rate classifications as reflected in the Proof of Revenues at Appendix B. Specifically, there shall be new residential meter classifications for customers with 3/4-inch meters. The 3/4-inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 3/4-inch in diameter or less. The 3/4 x 1-

inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 1-inch in diameter.

- (c) *Reconnection Fee.* The reconnection fee will remain at the current level of \$83.00.
- (d) *Miscellaneous Revisions.* Joint Petitioners agree that the revisions set forth in Supplement No. 46 to Tariff Water – Pa. P.U.C. No. 6 as proposed in Table 1 of the Direct Testimony of Stephen Campbell (City Statement No. 2) to the following sections are approved: 4.12, 5A, 7.2, 7.4, 7.5, 9.1, 13.4, 13.5, 13.6, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, and 21.1.

15. *Rate Effective Date.* Joint Petitioners agree that it is in the public interest for Settlement Rates (as set forth in Tariff Supplement No. 48 to Water Tariff – PA P.U.C. No. 6 at Appendix A) to go into effect, following the entry of a Commission Order approving this Settlement, no earlier than June 29, 2022.

16. *Rate Structure/Rate Design.* Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B. The design and structure of rates for residential customers of the City under this Joint Petition for Settlement are developed based upon the fixed and volumetric charges contained within the Rate Schedules set forth in Appendix B. Joint Petitioners agree that rates and charges set forth in Appendix B are just and reasonable and are in the public interest.

17. *Future Rate Case Information.* The City has agreed to do the following in connection with its next water base rate case:

- (a) The City will submit Section 500 LUFW calculations including deductions of non-revenue usage and allowance shown on PUC Section 500 Form.

- (b) The City will describe its leak detection program and if it has been successful.
- (c) The City will submit a pressure survey for each of its pressure zones or clearly indicate why it is in compliance with 52 Pa. Code § 65.6(a).
- (d) The City will submit a copy of its customer complaint log (as updated in accordance with Paragraph 19 below) in live Excel format.
- (e) If its requested increase is over \$1 million, the City will prepare a lead/lag study in support of its cash working capital claim, or request a waiver from the Commission from the requirement to do so in advance of filing its base rate case.
- (f) The City will report all COVID-19 related relief funding, including but not limited to American Rescue Plan Act of 2021 funding, that it received from the City of Lancaster. The report will include the following information: (1) source of funding; (2) amount of funding awarded; (3) date funding awarded; (4) any allocation of award to inside and outside customers; (5) an explanation of how any allocations were determined; (6) breakdown of how the funds were utilized; and (7) whether any funds were applied to capital projects in the rate case.
- (g) The City will provide information concerning performance against the valve exercising plan (as described in Paragraph 21 below) to date.
- (h) The City will propose rates to allocate some of the Fire Protection costs for the Commission Jurisdictional area to the municipalities served therein.

18. *Hydrant Marking.* The City will mark the 34 outside-City hydrants that cannot provide minimum fire flow of 500 gallons per minute so they can only be used for flushing and blow-offs. The City further agrees to notify the affected municipalities, OCA, I&E, and OSBA upon completion of the marking of the hydrants.

19. *Customer Complaint Log.* The City will revise its customer complaint log, and maintain it in Excel format, to include the following categories: 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; health issues; and pressure issues. The log will include disposition of the complaint.

20. *Financial Reporting.* The City will provide Fully Projected Future Test Year (“FPFTY”) reporting to I&E, OCA, and OSBA updating the Original Cost of Utility Plant in Service as presented in Schedule 4 of Exhibit GRH-1 to the Direct Testimony of Gregory R. Herbert (Lancaster Statement No. 3) (including actual capital expenditures, plant additions, and retirements) on a monthly basis, to the extent it is available, for the period ending December 31, 2021 by July 1, 2022, and for the period ending December 31, 2022 by April 23, 2022. The City further agrees to track the requested information (actual capital expenditures, plant additions, and retirements) on a monthly basis on a going forward basis, as of the effective date of this Petition for Settlement.

21. *Valve Exercising.* The City has approximately 13,000 valves in its distribution system, with approximately 9,700 valves in the Commission jurisdictional area and 4,300 valves inside the City of Lancaster. The City will commit to exercising 10% of the system valves (1,300) annually so that all valves are exercised in a 10-year period. The valve exercise program will be based on the pressure zones of the distribution system, with staff exercising the largest valves in a

zone first, then the smaller valves in the zone. This plan takes into consideration the City's resources and utilizes existing employees. The valve exercising efforts will include the following conditions:

- (a) In selecting which valves should be exercised first, the City will consider:
  - (1) the size of the valve;
  - (2) is it a critical valve, *i.e.*, one needed to prevent a water outage of a hospital, school, major customer, etc. from a nearby water main break;
  - (3) when the valve was last operated; and
  - (4) its importance in any proposed water main replacement.
- (b) Each year approximately 25% of total valves exercised will be located inside the City of Lancaster and 75% will be located in the Commission jurisdictional area, unless the criteria set forth in subparagraph (a) above dictates a different allocation;
- (c) The City will submit a Maintenance Log to OCA, OSBA and I&E on April 15 of each year and include the following information for each valve attempted to be exercised the previous year: (1) date attempted to exercise; (2) location and size; (3) in the City of Lancaster or Commission Jurisdictional area; (4) was the exercise successful or unsuccessful; and (5) date of replacement or repair, if applicable. The due date for the initial Maintenance Log hereunder shall be April 15, 2024.
- (d) After a valve has been exercised, the City will continue to maintain it in operating condition. Critical isolation valves that could not be exercised should be repaired or replaced as soon as practicable after the time they are found to be inoperable. If any non-critical valves are not repaired shortly

after the time they were found to be inoperable, an estimate of when they will be repaired or replaced will be included on the Maintenance Log.

22. *Admission of Evidence.* Joint Petitioners agree that the City's original filing, including all City Direct, Rebuttal and Rejoinder Testimony, exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission and as outlined in the Joint Stipulation for Admission of Evidence which accompanies this Petition for Settlement ("Stipulation for Admission"). Joint Petitioners also agree that all Direct and Surrebuttal Testimony, exhibits and supporting data filed by the OCA, I&E and the OSBA in this proceeding shall be admitted into the record as outlined in the Stipulation for Admission. Joint Petitioners further agree that the Surrebuttal Testimony, exhibits and supporting data filed by Frank Kitzmiller in this proceeding shall be admitted into the record as outlined in the Stipulation for Admission.

#### **IV. PROPOSED FINDINGS OF FACT**

23. The City is a Commission-regulated water system serving 30,385 customers outside of the City of Lancaster in portions of the following Townships in Lancaster County, Pennsylvania: Lancaster Township, Manheim Township, Millersville Borough, West Lampeter Township, Pequea and portions of Manor, West Hempfield and East Hempfield Townships and East Lampeter.

24. On September 30, 2021, the City filed Supplement No. 46 to Tariff Water – Pa. P.U.C. No. 6 to become effective November 29, 2021.

25. The proposed tariff contained changes in rates calculated to recover an estimated increase in base rate revenues of \$4,024,593 or 21.3%.

26. Rates charged by a public utility must be just and reasonable.

27. This Commission encourages settlements.

28. The instant Settlement is appropriate and in the public interest.

29. The rates produced by this Settlement and set forth in Supplement No. 48 to Tariff Water – Pa. P.U.C. No. 6 are just and reasonable

#### **V. PROPOSED CONCLUSIONS OF LAW**

30. Every rate made, demanded, or received by any public utility shall be just and reasonable and in conformity with regulations or orders of the Commission. 66 Pa.C.S. § 1301.

31. The utility requesting the rate increase has the burden of proving that the rate involved is just and reasonable. 66 Pa. C.S. §§ 315(a) and 1301.

32. The rates as submitted by the City in Supplement No. 46 to Tariff Water – Pa. P.U.C. No. 6 are unreasonable and unjust.

33. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.” *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

34. The instant Settlement is in the public interest and the rates produced therein are just and reasonable.

35. The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion. *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at \*3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code § 5.231.

36. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at \*11.

37. 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.”

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

## **VI. PROPOSED ORDERING PARAGRAPHS**

THEREFORE, IT IS ORDERED:

38. That City of Lancaster – Bureau of Water (the “City”) shall not place into effect the rates contained in its Supplement No. 46 to Tariff Water - Pa. P.U.C. No. 6, the same having been found to be unjust, unreasonable, and unlawful.

39. That the Joint Petition for Complete Settlement of Rate Investigation entered into and filed by the City, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is approved without modification.

40. That the City is hereby authorized to charge the rates set forth in its Supplement No. 48 to Tariff Water - Pa. P.U.C. No. 6 for service rendered on and after June 29, 2022.

41. That the Office of Consumer Advocate’s Complaint filed at C-2021-3029095 and the Office of Small Business Advocate’s Complaint filed at C-2021-3029188 be sustained consistent with this Opinion and Order.

42. That this docket shall be marked closed.

## VII. CONDITIONS OF SETTLEMENT

43. This Petition for Settlement arises following extensive discovery and discussions, and reflects compromises by all sides. It is being proposed to settle the instant case. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this Settlement upon written notice of its intent to the Commission and the remaining parties within three (3) business days of the date of the Commission's Order and may resume with the litigation of this proceeding within (10) days of the entry of the Order making any such modifications.

44. Joint Petitioners agree that the Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of rates that are Commission-made rates.

45. In the event that the Commission does not approve this Petition for Settlement, the signatory parties reserve their respective rights to resume litigation. If the ALJ, in her Recommended Decision, recommends that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Settlement recommended by the ALJ in her Recommended Decision.

46. Each Joint Petitioner's individual reason for supporting the Petition for Settlement is set forth at Appendix C. More specifically, Statements in Support have been submitted by the City (Statement 1), I&E (Statement 2), the OCA (Statement 3), and the OSBA (Statement 4).

**WHEREFORE**, Joint Petitioners, by and through their respective counsel, respectfully request that ALJ Heep and the Commission approve this Petition for Settlement inclusive of its terms and conditions without modification, and that the Commission enter an order consistent with this Settlement resolving and terminating the proceeding and resolving all outstanding complaints.

Respectfully submitted,



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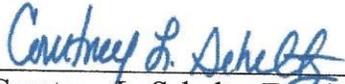
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Dated: March 14, 2022

**WHEREFORE**, Joint Petitioners, by and through their respective counsel, respectfully request that ALJ Heep and the Commission approve this Petition for Settlement inclusive of its terms and conditions without modification, and that the Commission enter an order consistent with this Settlement resolving and terminating the proceeding and resolving all outstanding complaints.

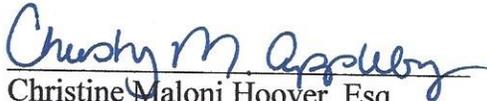
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Dated: March 14, 2022

## **APPENDIX A**

Supplement No. 48 to Tariff Water – Pa. P.U.C. No. 6

Supplement No. 48  
to  
Tariff Water - Pa. P.U.C. No. 6

CITY OF LANCASTER  
RATES, RULES AND REGULATIONS  
GOVERNING THE DISTRIBUTION OF WATER  
IN  
TERRITORY OUTSIDE THE CITY OF LANCASTER  
INCLUDING AREAS IN THE BOROUGH OF MILLERSVILLE AND  
THE TOWNSHIPS OF  
EAST HEMPFIELD, EAST LAMPETER, LANCASTER, MANHEIM,  
MANOR, PEQUEA, WEST HEMPFIELD, AND WEST LAMPETER  
IN LANCASTER COUNTY, PENNSYLVANIA

# NOTICE

ISSUED: March 14, 2022

EFFECTIVE: June 29, 2022

By: Patrick Hopkins  
Business Administrator  
Lancaster Pennsylvania

This Tariff increases rates for all customers

List of Changes Made by this Tariff

This Supplement increases jurisdictional rates by \$2,499,883 or 13.2% over existing rates. Both customer charges and volumetric rates are increased for all customer classes.

This Supplement eliminates a charge for a 1 1/4-inch meter as no customers exist under this rate.

This Supplement creates a separate charge for customers with a 3/4-inch meter – one (3/4-inch) for customers whose service line is 3/4-inch or less and another (3/4 x 1-inch) for customers whose service line is 1-inch.

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Title Page			Supplement No. 48
List of Changes Made by this Tariff			2 Thirty-second Revised
Index			3 Thirty-second Revised
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Meter Rate - General Service			4 Twenty-sixth Revised
Meter Rate - Water Sold for Resale			5 Twenty-sixth Revised
Purposes Tapping Fee			6 First Revised
Flat Rate - Private Fire Protection Service			7 Twenty-sixth Revised
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Sec.	22 -	Water Conservation Contingency Plan	26-27 Original
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Schedule of Rates  
Meter Rate - General Service

Application

This Schedule applies to all service other than (1) emergency sales for resale and (2) fire protection (See Section 3).

Customer Charges (I)(C)

All metered customers shall be subject to a monthly or quarterly customer charge, based on the required size of meter to render adequate service.

Size of Meter	Customer Charge					Size of Meter	Customer Charge				
	Per Month		Per Quarter				Per Month		Per Quarter		
5/8"	<del>\$5.55</del>	\$7.95	<del>\$16.65</del>	\$23.85	(I)	3"	<del>\$71.50</del>	\$102.40	<del>\$214.50</del>	\$307.20	(I)
3/4"	<del>\$5.55</del>	\$9.30	<del>\$16.65</del>	\$27.90		4"	<del>\$111.60</del>	\$159.90	<del>\$334.80</del>	\$479.70	(I)
3/4 x 1"		\$16.70		\$50.10		6"	<del>\$222.00</del>	\$318.00	<del>\$666.00</del>	\$954.00	(I)
1"	<del>\$14.70</del>	\$21.10	<del>\$44.10</del>	\$63.60	(I)	8"	<del>\$351.60</del>	\$503.60	<del>\$1,054.80</del>	\$1,510.80	(I)
1-1/4"	<del>\$18.75</del>		<del>\$56.85</del>		(C)	10"	<del>\$465.10</del>	\$666.20	<del>\$1,395.30</del>	\$1,998.60	(I)
1-1/2"	<del>\$23.20</del>	\$33.20	<del>\$69.60</del>	\$99.60	(I)	12"	<del>\$701.50</del>	\$1,004.55	<del>\$2,104.50</del>	\$3,013.64	(I)
2"	<del>\$36.20</del>	\$51.90	<del>\$108.60</del>	\$155.70	(I)						

Consumption Charges — Residential, Commercial and Industrial

In addition to the customer charge the following water consumption charges will apply:

	<u>Rate Per 1,000 Gallons</u>		
For the first 25,000 gallons/month or 75,000 gallons/quarter	<del>\$4.489</del>	\$4.796	(I)
For the next 575,000 gallons/month or 1,725,000 gallons/quarter	<del>\$3.824</del>	\$3.949	(I)
For all over 600,000 gallons/month or 1,800,000 gallons/quarter	<del>\$3.247</del>	\$3.710	(I)
Consumption Charge — Large Industrial for all consumption	<del>\$3.202</del>	\$3.568	(I)

The minimum charge shall be the customer charge.

When more than one meter is installed on the premises for the convenience of the customer, the above consumption and customer charges will be assessed against the individual meters.

- (I) Indicates Increase
- (C) Indicates Change

Schedule of Rates

Meter Rate - Water Sold for Resale Purposes

Application

This Schedule is applicable to all metered sales to public utilities and municipal corporations for resale purposes.

**Customer Charges**

<b>Size of Meter</b>	<b>Minimum Charge Per Month</b>			<b>Minimum Charge Per Quarter</b>		
4"	\$111.60	\$159.90	(I)	\$334.80	\$479.70	(I)
6"	\$222.00	\$318.00	(I)	\$666.00	\$954.00	(I)
8"	\$351.60	\$503.60	(I)	\$1,054.80	\$1,510.80	(I)
10"	\$465.10	\$666.20	(I)	\$1,395.30	\$1,998.60	(I)

Consumption Charges

In addition to the customer charge the following water consumption charges will apply:

**Rate Per 1,000 Gallons**

For all consumption \$3.460 \$3.758 (I)

The minimum charge shall be the customer charge.

When more than one meter is installed on the premises for the convenience of the customer, the above consumption and customer charges will be assessed against the individual meters.

**(I) Indicates Increase**

(C)

Schedule of Rates

Tapping Fee

Application

This Schedule is applicable to all new connections to the company's system in West Lampeter Township,

Capacity Portion:

\$850.00 per residential connection\*

Special Purpose Part:

\$1,150.00 per residential connection\*

Total Tapping Fee:

\$2,000.00 per residential connection\*

\* A single family dwelling, mobile home, apartment unit, condominium and the like shall be considered one residential connection. Connections for nonresidential structures will be calculated on an equivalent basis for a residential connection as determined by the City's consulting engineers at the time application for service is made. Each unit of a multi-occupancy building shall be at least one residential unit. All non-residential connections will be subject to audit after they are in use. If actual usage exceeds the amount originally applied for as determined by the City's consulting engineers, the owner shall be invoiced for the additional tapping fee.

**(C) Indicates Change**

**Schedule of Rates**

**Flat Rate — Private Fire Protection Service**

**Application**

This Schedule is applicable to all private fire lines serving yard hydrants and automatic sprinkler or fire service systems located inside buildings, if (1) adequate provision is made to prevent the use of water from such service connections for purposes other than fire extinguishing and (2) a detector check, of a type approved by the Bureau of Water, is installed on the customer's fire service line, said detector check to be purchased and installed at the customer's expense.

**Rate:**

**(I)**

	<u>Per Month</u>	<u>Per Quarter</u>	
1" Connection	<del>\$2.81</del> \$3.23	<del>\$8.43</del> \$9.69	<b>(I)</b>
1½" Connection	<del>6.34</del> 7.27	<del>18.93</del> 21.81	<b>(I)</b>
2" Connection	<del>11.21</del> 12.92	<del>33.63</del> 38.76	<b>(I)</b>
3" Connection	<del>25.22</del> 29.06	<del>75.66</del> 87.18	<b>(I)</b>
4" Connection	<del>36.75</del> 42.34	<del>110.25</del> 127.02	<b>(I)</b>
6" Connection	<del>59.80</del> 68.90	<del>179.40</del> 206.70	<b>(I)</b>
8" Connection	<del>103.41</del> 119.15	<del>310.23</del> 357.45	<b>(I)</b>
10" Connection	<del>138.79</del> 159.91	<del>416.37</del> 479.73	<b>(I)</b>
12" Connection	<del>200.50</del> 231.01	<del>601.50</del> 693.03	<b>(I)</b>

No charge will be made for water used for extinguishment of accidental fires. All consumption recorded by the disc (small flow) meter, whether from use of water for other purposes, or from leakage from customer-owned pipelines, will be billed at the meter rate for General Service.

**(I) Indicates Increase**

RULES AND REGULATIONS

Sec. 1 - Definition of Terms

- Applicant: An individual or agency applying for water service.
- Bureau of Water: The Bureau of Water of the City of Lancaster  
(or Utility)
- Commission: Pennsylvania Public Utility Commission.
- Customer: The individual or agency contracting for a supply of water to a property as hereinafter classified, i. e.,
- (a) A building under one roof and occupied as one residence or business; or
  - (b) A combination of buildings in one enclosure and occupied by one family or business; or
  - (c) One side of a double house having a solid vertical partition wall and occupied by one family or business; or
  - (d) One side or part of a house occupied by more than one family or business, even though the closet and other fixtures be used in common; or
  - (e) Each apartment, office, or suite of offices located in a building having several such apartments, offices, or suites of offices and using in common one hall and one or more means of entrance.
- Date of Presentation: The date upon which a bill or notice is mailed, as evidenced by postmark, or delivered personally to the customer.
- Domestic Service: Provision of water for household residential purposes, including water for sprinkling lawns, gardens, and shrubbery; Watering livestock; washing vehicles; and other similar and customary purposes.
- Fire Protection Service: Provision of water for public and private fire protection.
- Flat Rate Service: Provision of water in unmeasured quantities.
- Flat Rate: A fixed periodic charge for an unmetered service.

RULES AND REGULATIONS

Sec. I - Definition of Terms, cont.

- Commercial Service: Provision of water to premises where the customer is engaged in trade.
- Industrial Service: Provision of water to a customer for use in manufacturing or processing activities.
- Large Industrial Service: Provision of water to a customer for use in manufacturing or processing activities and consumes during the prior calendar year, an average usage exceeding 10,000,000 gallons per month. (C)
- Irrigation Service: Provision of water for commercial agricultural, floricultural, or horticultural use.
- Main Extension: Extension of distribution pipelines, exclusive of service connections, beyond existing facilities.
- Mains: Distribution pipelines located in streets, highways, public ways, alleys, or private rights of way which are used to carry water to serve the general public.
- Meter Rate Service: Provision of water in measured quantities.
- Municipal or Public Use: Provision of water to a municipality or other public body for other than fire protection purposes.
- Premises: The integral property of area, including improvements thereon, to which water service is or will be provided.
- Service Line, Utility's: The connecting facilities between the utility's distribution main and the customer's service line, in general consisting of a valve or corporation stop at the main, piping there from to the street curb line, terminating with a curb stop and curb box.
- Service Line, Customer's: The connecting facilities from the utility's curb stop and curb box to a point of consumption.
- Tariff Schedules: The entire body of effective rates, charges, rules, and regulations, as set forth herein.
- Temporary Service: Provision of service for circuses, bazaars, fairs, construction work, irrigation of vacant property, and similar uses, that because of their nature will not be used steadily or permanently.

**(C) Indicates Change**

## RULES AND REGULATIONS

### Sec. 2 - Service Area

The service area of the Bureau of Water of the City of Lancaster outside of or beyond the city limits of the City of Lancaster includes areas in the following townships and borough in Lancaster County:

East Hempfield Township  
East Lampeter Township  
Lancaster Township  
Manheim Township  
Manor Township  
Pequea Township  
West Hempfield Township  
West Lampeter Township  
Borough of Millersville

### Sec. 3 - Description of Service

#### A. Supply

The Bureau of Water will exercise reasonable diligence and care to deliver a continuous and sufficient supply of water to the customer at a proper pressure, and to avoid any shortage or interruption in delivery.

#### B. Quality

The Bureau of Water will endeavor to supply a safe and potable water at all times.

#### C. Classes of Service

Services installed by the Bureau of Water will be classified as follows:

RULES AND REGULATIONS

Sec. 3 - Description of Service, cont.

C. Classes of Service, cont.

1. Residential
2. Commercial
3. Industrial
4. Irrigation (Commercial)
5. Municipal (Excluding Fire Protection)
6. Private Fire Protection
7. Public Fire Protection
8. Other Utilities for Resale Purposes (Emergency Use Only)
9. Temporary

Metered service only is available, except service for public and private fire protection service.

Sec. 4 - Service Connections

A. Application for Service Connection

4.1 Any property owner desiring the introduction of a service line from the utility's main to the curb of his or her premises must first make written application on a form furnished by the Bureau of Water. The application must be signed by the property owner or his duly authorized attorney.

B. Utility's Service Lines

4.2 The Bureau of Water will, at its own expense, furnish and install a service of such size and at such location as the applicant requests, provided such request is reasonable. The utility's service lines will be maintained at its own expense as an integral part of its distribution system and they will be the property of the utility and under its exclusive control.

4.3 Where the customer requests a service line larger than that deemed necessary by the utility, the utility will install the larger service, provided the customer pays the additional cost for the larger service.

4.4 Any temporary or emergency feature of a service line requested by the customer shall be at the expense of the customer. If the owner of a parcel of ground desires a service line installed to the curb in advance of street Improvement and where there is no present demand for a supply of water, such owner shall

## RULES AND REGULATIONS

### Sec. 4 - Service Connections, cont.

#### B. Utility's Service Lines, cont.

pay the cost of installing the service line, which cost shall be refunded if and when an application is made and approved for a supply of water through the service line.

4.5 Where more than one customer is now supplied through one service line, a violation of these Rules and Regulations by any customer on the common service line shall be deemed a violation by all such customers, but water service to the premises shall not be discontinued until after the expiration of a reasonable time for the installation of a separate customer's service line by or for each customer after notice by the utility to all such customers of the violation of the Rules and Regulations. The utility will install a sufficient number of separate curb stops and curb boxes at the termination of the utility's service line to permit the installation of a separate customer's service line for each customer, or the utility may, at its election, permit the use of one customer's service line by all such customers other than the customer who shall have violated these Rules and Regulations.

4.6 No service line of the utility will be installed at a time when street openings are prohibited by municipal regulations or, in the judgment of the utility, working conditions are unreasonable for such installations.

4.7 No service pipe shall be placed within eighteen inches of any sewer line or in the same trench with a gas pipe or other facilities of a public service company, or within three feet of any open vault or area, or pass through any premises other than the one supplied, nor shall it be laid at a depth of less than 3 1/2 feet below the surface of the ground, or less than 3 1/2 feet below the street grade, where one has been established by public authority, except when otherwise approved by the proper official of the Bureau of Water.

4.8 No service line will be installed by the utility on private property unless the owner furnishes a right of way satisfactory to the utility.

4.9 When new service lines are installed, or old ones replaced, the stop and curb box will be placed inside the curb and within six inches of the same,

4.10 If a customer being supplied by an existing service line desires that its location be changed to suit his own convenience, such customer shall pay all costs of making the change, including all labor, materials, and permits,

4.11 Under no circumstances shall any person not authorized by the utility turn the curb stop cock on or off.

RULES AND REGULATIONS

Sec. 4 - Service Connections, cont.

B. Utility's Service Lines, cont.

4.12 Hereafter only one customer will be supplied through one service pipe. Where more than one customer is now supplied through one service pipe under the control of one curb cock, it shall be replaced by separate curb stops and curb boxes for each customer in accordance with Rule 4.5, at the convenience of the utility. All service lines will be the same size as the curb stop up to the water meter. The curb stop shall be six (6) inches behind curbs or pavement edges. If the curb box is in a driveway, the box must be a two (2) inch box. The curb box must be aligned with the shut-off valve, plumb, backfilled and tamped in place, and be at grade after any landscaping. The curb box must be straight and centered on the shut off valve before the City will take ownership of the valve. **(C)**

4.13 Where renewal of a service line of the utility is found to be necessary, the utility will renew said service line in the same location as the old one. However, if the customer, for his own convenience, desires the utility's service line at some other location and agrees to pay all expenses of such relocation in excess of the cost of installing the new service line in the same location as the old and cutting off and disconnecting the old service line, the utility will lay the new service line at the location desired. Should the customer, for his convenience, request that the service be renewed using larger size materials than deemed necessary by the utility, the utility will renew the service using the larger size materials, provided the customer pays the additional cost.

4.14 The utility is not responsible for the installation and/or maintenance of the customers water lines beyond the end of the utility's service line.

C. Customer's Service Line

4.15 Each customers service line shall be installed and maintained by or on behalf of such customer at his own expense. A customer's service, line shall be of a material and at a location approved by the utility.

4.16 The customer's service line shall not: (a) occupy the same trench with, or be placed within eighteen inches of any sewer pipe of any facility of any other public service company, except that a common trench may be ledged for the service: if approved by the utility; or (b) be placed within three feet of any open excavation or vault; or (c) pass through any premises other than those served by such customer's service line.

4.17 There shall be placed in the service line, inside the wall of the building supplied, at the expense of the customer, a roundway brass stop and waste cock, easily accessible to the occupants for their protection in enabling them to turn off the water in case of leaks, and to drain the pipe to prevent freezing.

4.18 Where any service line is directly connected to a heating unit (water heater, steam bailer, etc.) a check valve and a relief valve shall be inserted in the line between the utility's meter and said heating unit at the maximum distance possible from the utility's meter.

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 5 – Application for Service

A. Application

5.1 Each applicant for water service will be required to sign a form provided by the utility, and an agreement to abide by all the rules and regulations of the utility.

The applicant shall provide the following:

1. Owner or builder name, phone number, and email address;
2. New service address and the date on which the applicant will be ready for service;
3. Whether the premises have ever before been supplied by the utility;
4. The purpose for which the service is to be used;
5. Lot number;
6. The size of the service;
7. The address to which bills are to be mailed or delivered;
8. Whether the application is the owner or tenant of, or agent for, the premises;
9. Plumber's name, phone number, and email address;
10. Applicable plumbing permit if required by the municipality where service is requested;
11. Acknowledgment of the applicable rate schedule. (C)

The application is merely a written request for service and does not bind the applicant to take service for any period of time longer than the one upon which the rates and minimum charges of the applicable rate schedule are based; neither does it bind the utility to give service, except under reasonable conditions.

5.2 Developers shall also complete a service installation form and a water application form for all lots in the development prior to any construction. The developer will provide the following:

1. A copy of the development plans, showing the lot number, address, and Lancaster County Real Estate tax map;
2. Lot numbers painted on the curb;
3. A W = water; painted or stamped on the concrete where the service is requested.

The developer will be responsible for curb boxes until the utility has made final inspection. Only one water lateral will be permitted for each proposed lot. (C)

5.3 Commercial and Industrial applicants shall also provide:

1. Prints showing tap of the main and location of the meter;
2. Completion of New Service Backflow Prevention Form, before construction;
3. Provide a capacity request letter in gallons per day;
4. Obtain utility approval before bidding to construct the new service;
5. Provide copy of any municipal required street excavation permit if the street must be disturbed. (C)

B. Change in Customer's Equipment

Customers making any material change in the size, character, or extent of the equipment or operations utilizing water service, or whose change in operations results in a large increase in the use of water, shall immediately give the utility written notice of the nature of the change and, if necessary, amend their application.

C. Change of Ownership of Property

Where customer is owner of premises supplied with water service, he should immediately notify the Bureau of Water, if and when the property is sold, and the new owner or tenant should sign an application for water service, so that bills for water service will be properly addressed.

**(C) - Indicates Change.**

## RULES AND REGULATIONS

### Sec. 6 - Special Contracts

Contracts, other than applications, may be required prior to service, under the following conditions:

1. When construction of special extension facilities is necessary.
2. For temporary service. (See Sec. 13.)
3. For tire protection service.
4. For connections with other qualified utilities for emergency service.

### Sec. 7 - Meters

#### A. Ownership and Protection of Meter

7.1 All meters will be furnished and maintained, as far as ordinary wear is concerned, by the utility, and remain the property of the utility, and be accessible to and subject to its control. A gate valve shall be placed on the service line on the street side of and near the meter (Rule 4.17), and a suitable check valve and a relief valve shall be inserted in the line between the utility's meter and any heating unit directly connected to the service line (Rule 4.18); all to be placed by and remain the property of the customer.

7.2 The customer shall be responsible to the utility at all times for proper protection of the meter from injury or loss of the meter arising out of or caused by customer's negligence or carelessness, or that of his servants, agents, employees, or any person upon his premises, under, or by authority of, his consent, or sufferance. The customer shall permit no one who is not an agent of the utility or otherwise lawfully authorized so to do, to remove, inspect, or tamper with the utility's meter or other property of the utility on his premises. The customer is also responsible for all equipment that is used to monitor water consumption. If the meter is lost, broken, lighting damaged, frozen and breaks, or any part of the assembly (meter, wire, and outside pad) is damaged by the customer, the customer shall be responsible for the cost to replace the meter and/or damaged assembly parts. (C)

7.3 If a range boiler, or heating boiler, is directly connected to the pipelines, the utility will install an approved type of positive action relief valve on the outlet side of the meter to protect the meter from hot water, at the expense of the customer.

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 7 - Meters, cont.

B. Size and Location of Meter (C)

7.4 The utility will determine the size and location for the meter. The meter shall be placed at a convenient, accessible location, in a horizontal position, approved by the utility so as to control the entire supply. Meters shall not be higher than 4 feet from the floor. Water lines shall not run under the floor to the meter. A valve will be installed in front of and after the meter. A flared or compression fitting must be used at the first valve before the meter. Copper pipe shall be used up to the valve.

The ERT (encoder-receiver-transmitter) for the meter must be mounted on the wall no lower than 3 feet, at a location approved by the utility. If the customer fails to install the ERT and/or wire at the location required, the service line will be shut off until all requirements have been complied with.

For ERT pit installations, complete any necessary drilling to hook up the antenna for the meter before the meter installation. Pits in a wooded area require pressure treated posts with half plastic piping to cover the wire from the pit to the post. Pits that are on a hill require the post to be mounted at the bottom of the hill, and in an area that allow the utility reader access to get to the ERT. If the utility decides the meter is to be placed within the building to be served, the customer shall provide free of charge and expense to the utility an easily accessible place near the entrance of the service pipe, If the utility decides the meter is to be located outside the building to be served, it must be placed in an approved meter box furnished by the utility at the expense of the customer. (C)

7.5 Meters moved for the convenience of the customer will be relocated at the customer's expense. If the service line from the curb box to the location of the water meter exceeds 100 feet, a meter pit is required. The pit shall be located within 15 feet of the property line. Note that the utility engineer will review the meter pit. A backflow prevention device will be required in accordance with the Backflow Prevention and Cross Connection Control Policies and Procedures Manual (See Section 14.2 of the tariff). (C)

C. Periodic Meter Tests

7.6 All meters shall be tested periodically by the utility without cost to the customer, and the customer may have the meter tested at any other time by making a written application to the Bureau of Water and providing a deposit, as indicated in Rule 7.8, to defray the cost of the special test.

D. Meter Testing in Disputed Account

7.7 In case of a disputed account, involving the accuracy of a meter, such meter shall be tested upon the request of the applicant, in conformity with the provisions of the rules and regulations pertaining to Water Service Utilities, of the Public Utility Commission.

7.8 The meter will be tested upon the written request of the Customer and refund made if a meter is found to be fast at any test in accordance with the Rules set forth in the Water Regulations of the Pennsylvania Public Utility Commission. The Customer shall pay a deposit in advance for testing of the meter in accordance with fees established by the Commission in 52 Pa, Code §65.8(h). If the meter tested upon such request shall be found to be accurate within the limits specified by the Commission, the fee shall be retained by the City; but if not so found, then the cost thereof shall be borne by the City and the fee deposited by the Customer shall be refunded.

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 7 - Meters, cont.

D. Meter Testing in Disputed Account, cont.

7.9 Rates for testing meters not included in the above classification, or which are so located that the cost is out of proportion to the fee specified, will be furnished by the Commission.

E. Adjustment of Account for Faulty Registration

7.10 If a meter be found to be in error at any test by more than four (4) percent, an allowance or charge shall be made to the customer by the utility, equal to the excess or deficiency in quantity charged the customer, figured back from the date of test through the entire period of the current bill, unless it can be shown that the error is due to an accident or other cause, the exact date of which can be determined, in which case it shall be figured back to such date.

F. Meter Repairs

7.11 When a meter has been found to be in error more than four (4) percent, it will be repaired or replaced with a meter accurate within four (4) percent by the utility without charge to the customer.

G. When Meter Does Not Register

7.12 if a meter, by reason of any defect, has not registered for one month or any part of a quarter year, then the bill for that period shall be estimated on the basis of the average consumption during the three preceding periods. The customer shall at once notify the utility of any cessation of the registration of the meter. Every meter is installed subject to a minimum monthly or quarterly charge in accordance with the Schedule of Rates and such minimum charge shall be non-abatable for nonuse of water, and noncumulative, against subsequent consumption.

RULES AND REGULATIONS

See. 8 - Discontinuance of Service

A. Customer's Request for Service Discontinuance

8.1 When premises are unoccupied, the customer shall notify the utility in writing and the water will be turned off and all charges for water will cease from the date that the water is turned off by the utility. When the property is again occupied, the customer shall again notify the utility in writing and the water will be turned on. No allowance or refund will be made for unoccupied property when written notice both at time of vacancy and at time of occupancy has not been given as above provided, No refund will be allowed for property unoccupied for a *less* period of time than one month.

B. Discontinuance of Service for Failure to Obey Rules

8.2 Service may be discontinued by the utility after due notice to customer for any one of the following reasons:

- (a) Use of water by a customer, or with his consent, for any purpose or at any location or property other than those or that described in the application;
- (b) Failure of a customer to maintain and repair his portion of service line;
- (c) Undue waste of water by a customer or with his consent;
- (d) Failure of a customer to pay a bill for water service within the period herein specified or failure to pay any other fee or charge herein provided;
- (e) Violation by a customer, or with his consent, of any of these Rules and Regulations.

8.3 If the utility has reason to suspect that any customer has tampered with the curb cock after the water has been turned off from the premises, the utility may shut off the water at the main, and it will not be again turned on until satisfactory assurance is given that the practice will be discontinued and all bills, including labor, supplies, and permits, incurred in shutting off and turning on the water are paid in full.

C. Restoration—Reconnection Charge

8.4 A charge of eighty-three dollars (\$83.00) payable in advance will be made for turning on water in restoration of service after discontinuance for any of the reasons specified in Rule 8.2.

(C)(D)

**(D) Indicates Decrease**

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 9 - Deposits

9.1 If the utility requires a deposit pursuant to the Rules and Regulations contained in this tariff or the Water Regulations of the Pennsylvania Public Utility Commission, deposits will be handled in accordance with any applicable Commission regulations and the Public Utility Code. (C)

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 10 - Notices

A. Notices to Customers

10.1 Notices from the utility to a customer will normally be given in writing, and either delivered or mailed to him at his last known address.

10.2 Where conditions warrant, and in emergencies, the utility may resort to notification either by telephone or messenger.

B. Notices from Customers

10.3 Notice from the customer to the utility may be given by him or his authorized representative orally or in writing:

- (a) At the office of the Bureau of Water in City Hall; or
- (b) To an employee of the utility.

RULES AND REGULATIONS

Sec. 12 - Bills Due and Payment

12.1 Meters will be read at regular monthly or quarterly intervals, at the option of the utility, for the preparation of regular bills, and as required for the preparation of opening bills, closing bills, and special bills.

12.2 All bills for unmetered service shall be rendered quarterly in arrears.

12.3 The customer will be responsible for the payment for all service rendered by the utility until written notice to discontinue same is received and reasonable time from receipt of said notice shall have elapsed for the utility to take the final reading of the meter.

12.4 If any monthly or quarterly bill for water service is not paid within thirty (30) days after the date on which the bill is rendered, a penalty of one and one-quarter percent (1-¼%) of the amount of said bill shall be imposed thereon, and further, the water shall be shut off after giving the customer ten (10) days written notice of the utility's intention to do so. Upon payment by the customer of an additional charge of eighty-three dollars (\$83.00) as the charge for restoring service, the customer will be returned to service.

**(D)(C)**

12.5 Payments mailed, as evidenced by the United States Post Office mark, on or previous to the last day of the period in which the payment becomes due will be deemed by the utility to be a payment of the bill within the period in which it becomes due.

12.6 Bills or notices, relating to the utility or its business, shall be mailed or delivered to the customer's last address as shown by the books of the utility and the utility shall not be otherwise responsible for delivery. The utility shall deliver or mail all such notices and bills to the address given on the application, until a change, in writing, has been filed with the utility by the applicant. Failure to receive a bill shall not exempt any customer from the payment of the bill or from being subject to the above provisions with regard to discontinuance of service. The presentation of a bill to the customer is a matter of accommodation and not a waiver of this rule.

**(D) Indicates Decrease**

**(C) Indicates Change**

RULES AND REGULATIONS

Sec. 13 - Temporary Service

A. Charge for Water Service

13.1 Charges for water furnished through a temporary service connection shall be at the established rates for other customers.

B. Installation Charge and Deposits

13.2 The applicant for temporary service will be required:

- (a) To pay the utility, in advance, the estimated cost of installing and removing all facilities necessary to furnish such service.
- (b) To deposit an amount sufficient to cover bills for water during the entire period such service may be used, or to otherwise establish his credit.
- (c) To deposit with the utility an amount equal to the value of any equipment loaned by the utility to such applicant for use on temporary services.

C. Responsibility for Meters and Installation

13.3 The customer shall use all possible care to prevent damage to the meter or to any other loaned facilities of the utility which are involved in furnishing the temporary service from the time they are installed until they are removed, or until 48 hours' notice in writing has been given to the utility that the contractor or other person is through with the meter or meters and the installation. If the meter or other facilities are damaged, the cost of making repairs shall be paid by the customer.

D. Temporary Service from a Fire Hydrant/Construction Water

13.4 Water for construction purposes may be furnished by a metered service line from the main or by a utility issued permit to use a fire hydrant with a utility issued isolation device and billing meter. Fire hydrant connections are only available at the locations outlined in Section 13.5. There shall be no hook-ups at the curb stop. A permit fee may be required for the utility issued isolation device with billing meter. If temporary service is supplied through a fire hydrant, a permit for the use of the hydrant shall be obtained from the municipality and the utility. It is specifically prohibited to operate the valve of any fire hydrant other than by the use of a spanner wrench designed for this purpose. (C)

E. Non-Potable Bulk Water Loading Stations (C)

13.5 PADEP required that the utility permit all locations where water is withdrawn from hydrants connected to the utility's distribution system. The Customer must contact the utility to arrange for a permit and a utility issued isolation device and billing meter before water may be withdrawn at any of the PADEP approved locations listed below:

Conestoga Water Treatment Plant, 150 Pitney Road, Lancaster, PA  
Susquehanna Water Treatment Plant, 900 South Fifteenth Street, Columbia, PA  
WH-14459 2250 Old Philadelphia Pike, Rear East Lampeter Township Building  
WH-14460 2056 Waterford Drive  
WH-12369 506 Ashton Place  
WH-11161 642 Fountain Avenue  
WH-12606 5 Bentley Lane  
WH-14778 55 Cartledge Lane  
WH-12460 140 South Tree Drive  
WH-17766 400 Block of East Fulton Street North Side  
WH-11735 451 College Avenue  
WH-10385 Green Street at South Duke Street  
WH-10848 347 North Reservoir Street  
WH-10580 Ruby Street at 6th Street  
WH-11822 304 South Broad Street  
WH-10254 North Queen Street at Penn Square  
WH-10621 Fairview Avenue at Fremont Street  
WH-11786 750 West Chestnut Street  
WH-11153 756 Hamilton Street  
WH-10684 861 Marjory Terrace

The utility reserves the right to update this list as may be necessary at the direction of the PADEP, without the approval of the Commission, upon the filing of a revised tariff leaf with the Commission. (C)

F. Unauthorized Use

13.6 Tampering with any fire hydrant for the unauthorized use of water therefrom, or for any other purpose, is a criminal offense, punishable by law. (C)

(C) **Indicates Change**

RULES AND REGULATIONS

Sec. 14 - Cross Connections

14.1 Water service not supplied by the utility shall not be connected or cross-connected with the utility's facilities.

14.2 Backflow Prevention and Cross Connection Control -The utility recognizes that certain water customers have water systems that have connections to apparatus, vessels, etc., which may have impurities in varying degrees that, if not properly isolated and contained, could contaminate and/or pollute both the customer's water system and the utility's water distribution system. The utility has developed a Backflow Prevention and Cross Connection Control Policies and Procedures Manual, which manual is incorporated herein by reference, as updated from time to time and is available on the City's website. This Manual defines the policy and procedures of the City of Lancaster and the water Customer's responsibility regarding backflow prevention and cross-connection.

(C)

14.3 All Commercial, Industrial, and Bulk water customers shall have an approved backflow prevention device consistent with the degree of hazard, as defined by the utility, at the service connection. The backflow protection shall be a properly installed double check valve assembly, or a reduced pressure zone device as determined by the utility. In addition, all fire systems that constitute a potential cross connection shall have a utility-approved double check detector assembly at the lines leading to the fire system.

(C)

14.4 Residential Customers shall be required to install an approved backflow prevention device when they apply for a plumbing permit.

(C)

14.5 The utility will terminate water service to a customer's facility if it is determined that a serious contamination potential exists.

(C)

14.6 The utility requires that the Customer shall provide for the testing, maintenance, and repair of backflow devices by a certified backflow prevention assembly technician at least once a year or whenever failure has occurred or is suspected in order to maintain the devices in satisfactory operating condition. The Customer shall also provide, through a certified backflow prevention assembly technician, for the overhaul or replacement of such devices if they are found to be defective. Records of such tests, repairs, overhauls, and replacements shall be submitted by the Customer to the utility. Customers shall be responsible for maintaining records of such tests and related maintenance for a period of the most recent three (3) years. The installation, care, maintenance and repair of backflow devices are at the customer's expense.

(C)

14.7 Non-compliance with the preceding requirements after due notification may result in the discontinuation of water service. The Customer may be required to reimburse the utility for all costs associated with such action.

(C)

Sec. 15 - Frozen Service Lines

15.1 Should any service line become frozen, the utility will thaw out, at its own expense, that portion of the frozen service line between the main and the curb. The customer shall, at his own expense, thaw out that portion of the frozen service line between the curb and his premises.

Sec. 16 - Pools and Tanks

16.1 When an abnormally large quantity of water is desired for filling a swimming pool or for other purposes, arrangements must be made with the utility prior to taking such water.

16.2 Permission to take water in unusual quantities will be given only if it can be safely delivered through the utility's facilities and if other customers are not inconvenienced.

**(C) Indicates Change**

RULES AND REGULATIONS  
Sec. 17 - Fire Hydrants

A. Use of and Damage to Fire Hydrants

17.1 No person or persons, other than those designated and authorized by the proper authority, or by the utility, shall open any fire hydrant, attempt to draw water from it or in any manner damage or tamper with it. Any violation of this regulation will be prosecuted according to law.

B. Moving of Fire Hydrants

17.2 When a fire hydrant has been installed in the location specified by the proper authority, the utility has fulfilled its obligation. If a property owner or other party desires a change in the size, type or location atilt hydrant, he shall bear all costs of such changes, without refund. Any change in the location of a fire hydrant must be approved by the contracting municipality.

C. Installation of Fire Hydrants

17.3 Any municipality which applies for public fire protection service shall pay the cost of providing the public tire hydrant and the installation thereof. The installation shall be in accordance with the requirements of the Bureau of Water of the City of Lancaster.

Sec. 18 - Responsibility for Equipment

18.1 The customer shall, at his own risk and expense, furnish, install and keep in good and safe condition all equipment that may be required for receiving, controlling, applying and utilizing water, and the utility shall not be responsible for any loss or damage caused by the improper installation of such water equipment, or the negligence, want of proper care or wrongful act of the customer or of any of his tenants, agents, employees, contractors, licensees or permittees in installing, maintaining, using, operating or interfering with such equipment. The utility shall not be responsible for damage to property caused by spigots, faucets, valves and other equipment that are open when water is turned on at the meter, either when the water is turned on originally or when turned on after a temporary shutdown.

## RULES AND REGULATIONS

### Sec. 19 - Access to Premises

19.1 The utility or its duly authorized agents shall at all reasonable times have the right to enter or leave the customers premises for any purpose properly connected with the service of water to the customer.

### Sec. 20 - Interruptions in Service

20.1 The utility shall not be liable for damage resulting from an interruption in service. Temporary shutdowns may be resorted to by the utility for improvements and repairs. Whenever possible, and as time permits, all customers affected will be notified prior to such shutdowns.

20.2 The utility will not be liable for interruption, shortage or insufficiency of supply, or for any loss or damage occasioned thereby, if caused by accident, act of God, fire, strikes, riots, war or any other cause not within its control. The utility, whenever it shall find it necessary or convenient for the purpose of making repairs or improvements to its system, shall have the right temporarily to suspend delivery of water and it shall not be liable for any loss or damage occasioned thereby. Repairs or improvements will be prosecuted as rapidly as is practicable and, so far as possible, at such times as will cause the least inconvenience to the customers.

### Sec. 21 - Changing Rules and Regulations

21.1 These rules can only be changed in the manner provided by the Public Utility Law. (C)

**(C) Indicates Change**

(C)

Sec. 22 - Water Conservation Contingency Plan

1. "If the Company is experiencing a short term supply shortage, the Company may request general-conservation of inside water uses and may impose mandatory conservation measures to reduce or eliminate nonessential uses of water."
2. A list of all nonessential uses of water includes, at a minimum, those contained in 52 PA. Code 465.1, as listed below:
  - a. The use of hoses, sprinklers, or other means for sprinkling or watering of shrubbery, trees, lawns, grass, plants, vines, gardens, vegetables, flowers, or any other vegetation.
  - b. The use of water for washing automobiles, tracks, trailers, trailer houses, or any other type of mobile equipment.
  - c. The washing of streets, driveways, parking lots, service station aprons, office buildings, exteriors of homes, sidewalks, apartments, or other outdoor surfaces.
  - d. The operation of any ornamental fountain or other structures making a similar use of water.
  - e. The use of water for filling swimming or wading pools.
  - f. The operation of any water-cooled comfort air conditioning which does not have water conserving equipment.
  - g. The use of water from fire hydrants for construction purposes of fire drills.
  - h. The use of water to flush a sewer line or sewer manhole.
  - i. The use of water for commercial farms and nurseries other than a bare minimum to preserve plants, crops, and livestock.
3. Notice of the implementation of the conservation plan shall be sent to all customers *or* be provided by local radio, television, or newspaper advertisements, The utility shall at first request voluntary customer cooperation.

(C) **Indicates Change**

(C)

Sec. 22 — Water Conservation contingency Plan, cont.

4. If voluntary cooperation does not achieve satisfactory results, mandatory compliance will be imposed. If any customer refuses to comply with such mandatory measures, the utility may either adjust the outside water valve connection in a manner which will restrict water flow by up to one-half, or otherwise restrict flow such as by the insertion of a plug device. Note: Prior to such valve adjustment or other flow restriction being imposed, the company must make a bona fide attempt to deliver notice of the valve adjustment or other flow restriction to a responsible person at the affected premises and fully explain the reason for the proposed flow restriction and the means by which the customer may eliminate the grounds for such flow restriction. Less restrictive means may be imposed to secure such compliance.
5. These conservation measures shall be terminated at such time as the supply shortage is eliminated.
6. Complete service termination may be imposed by an Administrative Law Judge or other presiding officer after an expedited hearing has been held to provide the affected customer with an opportunity to be heard.
7. In addition to the provisions as set forth above, the Pennsylvania Emergency Management Council is authorized to promulgate, adopt, and enforce a Water Rationing Plan by virtue of the Emergency Management Services Code, 35 Pa. C.S. #1701 et seq. as implemented by the Drought Emergency Proclamation dated November 6, 1980.

**(C) Indicates Change**

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 — Main Extensions

(a) Definitions

(C)

- (1) Annual Line Extension Costs: The sum of the Company's additional annual operating and maintenance costs, debt costs and depreciation climes associated with the construction, operation and maintenance of the line extension.
- (2) Annual Revenue (For Line Extension Purposes): The Company's expected additional annual revenue from the line extension based on the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the bona fide service applicant.
- (3) Bona Fide Service Applicant (For Line Extension Purposes): A person or entity applying for water service to an existing or proposed structure within the Company's certificated service territory for which a valid occupancy or building permit has been issued if the structure is either a primary residence of the applicant or a place of business. An applicant shall not be deemed bona fide service applicant if:
  - (a) applicant is requesting water service to a building lot, subdivision or a secondary residence;
  - (b) the request for service is part of a plan for the development of a residential dwelling or subdivision; or
  - (c) the applicant is requesting special utility service.
- (4) Company Service Line: The water line from the distribution facilities of the Company which connects to the customer service line at the hypothetical or actual line or the actual property line, including the control valve and valve box. The control valve and valve box determine the terminal point for the Company's responsibility for the street service connection.

(C) **Indicates Change**

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 Main Extensions, cont.

(C)

- (5) Customer: A person or entity who is an owner or occupant and who contracts with the Company for water service.
- (6) Customer Service Line: The water line extending from the curb, property line or utility connection to a point of consumption.
- (7) Debt Costs: The Company's additional annual cost of debt associated with financing the line extension investment based on the current debt ratio and weighted long-term debt cost rate of the Company or that of a comparable jurisdictional water utility.
- (8) Depreciation Charges: The Company's additional annual depreciation charges associated with the specific line extension investment to be made based on the current depreciation accrual rates for the Company or that of a comparable jurisdictional water utility.
- (9) Line Extension (For Line Extension Purposes): An addition to the Company's main line which is necessary to serve the premises of a customer.
- (10) Operating and Maintenance Costs (For Line Extension Purposes): The Company's average annual operating and maintenance costs associated with serving an additional customer, including customer accounting, billing, collections, water purchased, power purchased, chemicals, and other variable costs based on the current total Company level of such costs, as well as costs particular to the specific needs of that customer, such as line flushing.
- (11) Public Utility: Persons or corporations owning or operating equipment or facilities in this Commonwealth for diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.

(C) **Indicates Change**

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 —Main Extensions, cont.

(C)

- (12) Short-term Supply Shortage; An emergency which causes the total water supply of a Company to be inadequate to meet maximum system demand.
- (13) Special Utility Service: Residential or business service which exceeds that required for ordinary residential purposes. See additional clarification in the Main Extension portion of this tariff.
- (b) The Company shall construct line extensions in its service territory upon request of a service applicant in the following manner and consistent with the definitions noted above;
  - (1) Line extensions to service applicants shall be funded without customer advance if the annual revenue from the line extension will equal or exceed the Company's annual line extension costs.
  - (2) If the annual revenue from the line extension will not equal or exceed the Company's annual line extension costs, a service applicant may be required to provide a customer advance, including associated taxes, if applicable, to the Company's cost of construction for the line extension. The Company's investment for the line extension shall be the portion of the total construction costs which generate annual line extension costs equal to annual revenue from the line extension, The customer's payment or advance amount shall be determined by subtracting the Company's investment for the line extension from the total construction costs of the line extension.
  - (3) The Company's investment for the line extension shall be based upon the following formula where X equals the Company's investment attributed to

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 — Main Extensions, cont.

(C)

bona fide service applicant:

X = [AR DM] divided by [I + D], and,

AR = The Company's annual revenue

OM = The Company's annual operation and maintenance expense

I = The Company's debt ratio multiplied by the Company's  
weighted long-term debt cost rate.

D = The Company's current depreciation =real rate,

- (c) When a customer advance is required of a bona fide service applicant and an additional customer or customers attach customer service lines to the line extension within ten (10) years from the date of the extension deposit agreement, the Company shall refund a portion of the advance to the customer.
- (1) The Company will refund a per-customer amount for each additional bona fide service applicant from whom a street service connection shall be directly attached to such line extension as distinguished from extensions or branches thereof, Provided, however, that the total amount refunded shall not exceed the original deposit without Interest, and further provided that all or any part of the deposit not refunded within said ten (10) year period shall become the property of the Company and shall be treated as Contributions-in-Aid of Construction for ratemaking purposes, The per customer refund amount shall equal the Company's investment attributed to each bona fide service applicant as calculated in the formula contained in this tariff.
- (d) The Company shall require a customer to pay, in advance, a reasonable charge for service lines and equipment installed on private property for the exclusive use of the customer.

(C) Indicates Change

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 —Main Extensions, cont.

(C)

- (e) Special utility service shall mean residential or business service which exceeds that required for ordinary residential purposes. Section 30, subsections (b) (d) of this tariff do not apply to special utility service. By way of illustration and not limitation, special utility service shall include the installation of facilities such as oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet specific pressure criteria or service to large water consuming commercial and industrial facilities. The Company shall have no duty to construct facilities to provide special utility service. A customer shall advance to the Company the full cost and associated taxes, if applicable, of facilities for special utility service. An otherwise bona fide applicant requesting service which includes a "special utility service" component is entitled to bona fide service applicant status, but only to the extent of the corresponding Company contribution toward the costs of the line extension which do not meet the special utility service criteria.
- (f) Requirement for Extension Deposit Agreement: Where an extension of facilities is not fully funded by the Company pursuant to (a) of this Section, the execution by the applicant of an Extension Deposit Agreement for customer contribution or advance shall be a condition of extending the facilities. Upon notice that the Company is prepared and able to go forward with the work, the applicant will deposit with the Company the amount specified in the Extension Deposit Agreement.
- (g) Size and Type of Line: The Company shall have the exclusive right to determine the type and size of lines to be installed and the other facilities required to render adequate service. Where the Company decides, however, to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Extension Deposit Agreement shall include only the material and installation cost for a pipe the size and type of which is necessary in the Company's judgement to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of

(C) **Indicates Change**

Rules and Regulations Governing the Distribution and Sale of Water

Sec. 23 —Main Extensions, cont.

(C)

the Company. All estimated or actual cost figures referred to in the Extension Deposit Agreement shall include a reasonable allowance for overhead costs and an allowance for taxes as appropriate and applicable. The minimum size for main extensions shall be six (6) inches pursuant to Commission regulation at 52 Pa, Code § 65,17(b).

- (h) Determination of Extension Length: In determining the length of any extension, the terminal point of such extension shall be at that point in the curb line which is equidistant from the side property lines of the fast lot for which water service is requested, A Company service connection will be provided only for customer service lines that extend at right angles from the curb line in a straight line to the premises to be served.
- (i) Cost True-ups: At the conclusion of the line extension project there shall be a reconciliation of the actual costs incurred to the amount of extension deposit that has been paid by the customer. If the actual cost exceeds the deposit, the applicant shall be responsible for payment to the Company of the difference in a manner specified by the Company. If the deposit exceeds the actual cost, the Company shall refund the difference.

(C) **Indicates Change**

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water

(C)

FORM OF EXTENSION DEPOSIT AGREEMENT

THIS AGREEMENT entered into this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by and between the Water Bureau of the City of Lancaster, (hereinafter called the "UTILITY") and \_\_\_\_\_ (hereinafter called the "DEPOSITOR").

WHEREAS, the Depositor desires extension of the water mains of the Utility, as hereinafter described:

NOW, THEREFORE, this agreement WITNESSETH:

FIRST: The Utility contracts and agrees to lay the water main(s) (and other facilities, if any), as shown in red on the diagram hereto attached and made a part hereof described and located as follows:

SECOND: It is expressly understood and agreed that, if the Utility shall be delayed or prevented from installing the water main (a) (and other facilities, if any), hereinbefore described because of its failure to secure pipe or construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than one (1) year from date hereof, the Depositor shall have The right to cancel and terminate this Agreement on thirty (30) days' written notice to the utility, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by the Depositor shall not be invoked if the Utility has received the construction material and the Depositor has made the deposit as hereinafter required, in which event the Utility shall have the obligation to prosecute the work diligently to its completion.

(C) **Indicates Change**

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water

(C)

THIRD: In an extension involving a bona fide service customer, the Depositor hereby agrees to deposit with the Utility, upon notice from the Utility, that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, an amount of cash equal to (a) the estimated cost of the extension, including the estimated cost of said main(s) and the estimated cost of any other facilities, including but not limited to facilities necessary to render special utility service, which the Utility shall have decided are required to render adequate service, but excluding the cost of public fire hydrants and hydrant laterals and the necessary meters and street service connections, less (b) a credit equal to the amount of the Utility's investment attributable to the number of bona fide service applicants who will be served directly by said extension. Upon such written notice, a Preliminary Memorandum, in the form attached, shall be prepared and signed by both parties showing the deposit required in accordance with the foregoing provisions. Upon the completion of the installation of the extension, a Final Memorandum, in the form attached, shall be prepared and signed by both parties, showing the deposit required based on (a) actual cost of the extension, including the actual installation cost of the mains and other facilities, Less (b) the appropriate, credit allowance based on actual cost, If the deposit shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the Depositor will deposit any additional amount shown to be due or the Utility will refund to the Depositor any excess amount shown to have been deposited, it being the intent of this agreement that the deposit required shall be based on the actual installation cost.

FOURTH: In any extension involving any applicant other than a bona fide service applicant, the Depositor hereby agrees to deposit with the Utility, upon notice from the Utility that is prepared and able to go forward with the work provided in Paragraph FIRST hereof, an amount of cash equal to the estimated cost of the extension, including the estimated cost of main(s), and the estimated cost of any other facilities including, but not limited to, facilities necessary to render special utility service, which the Utility shall have decided are required to render adequate service, including the cost of fire hydrants and hydrant laterals where application for public fire hydrants is made by the applicant and not by public authority, and the Cost of street service connections, but excluding the cost of necessary meters. The same provisions for the preparation of

(C)      **Indicates Change**

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water (C)

Preliminary and Final Memoranda and the adjustments of estimated and actual costs of the extension, as outlined in Paragraph THIRD, shall apply to this extension.

FIFTH: The Utility hereby agrees to refund to the Depositor during the period of ten (10) years from the actual date of the deposit an amount equal to a per customer amount for each additional bona fide service applicant from whom a street service connection shall be directly attached to such main extension, as distinguished from extensions or branches thereof; provided, however, that the total amount refunded shall not exceed the original deposit, without interest, and that all or any part of the deposit not refunded within said ten (10) year period shall become the property of the Utility And shall be treated as Contributions-in-Aid of Construction for ratemaking purposes. The per customer refund amount shall equal the Utility's investment attributed to each bona fide applicant as calculated in the formula contained in the Utility's tariff. For non-bona fide applicants, the refund amount shall be equal to the utility's average per customer investment in mains and accessories as shown on the utility's books of accounts.

SIXTH: The Depositor may request refunds under Paragraph FIFTH, once in each calendar quarter, furnishing the Utility, at such time, a listing of additional customers attached to the main(s) covered by this agreement; however, a failure on the part of the Depositor to make such request shall not constitute a waiver of any rights hereunder or relieve the Utility of the obligation to make refunds with reasonable promptness.

SEVENTH: The ownership of the water main(s) laid hereunder shall at all times be in the Utility, its successors and assigns.

EIGHTH: This agreement shall be valid and binding on the Utility only when executed by an authorized Utility representative.

NINTH: This agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the respective parties.

(C) **Indicates Change**

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water (C)

TENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by certified mail to the Utility at Bureau of Water, City Hall, Lancaster, Pennsylvania, and to the Depositor at \_\_\_\_\_  
\_\_\_\_\_.

ELEVENTH: This agreement is entered into pursuant to the legally established Rules and Regulations of the Utility contained (c) In its tariff; as may be amended from time to time, and the words, phrases, and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations which are incorporated herein by reference.

Executed in triplicate by the parties hereto on the date first above written

WITNESS:

By: CITY OF LANCASTER  
BUREAU OF WATER

\_\_\_\_\_

\_\_\_\_\_

WITNESS:

By: DEPOSITOR

\_\_\_\_\_

\_\_\_\_\_

(C) Indicates Change

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water (C)

PRELIMINARY MEMORANDUM

This Preliminary memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraphs THIRD and FOURTH of a certain agreement in writing between the parties entered into on the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, for the installation by the Utility of a certain water main(s) therein described. It is, therefore, agreed and stipulated:

		Bona Fide Service <u>Applicants</u>	All Other Applicants
(a)	Estimated Cost of Mains	_____	_____
(b)	Estimated Cost of other facilities Services	None	_____
	Fire Hydrants	None	_____
	Other	_____	_____
(c)	Total	_____	_____
(d)	Credit Allowance		

The Utility's investment where X equals the Utility's investment attributable to each bona fide service applicant,

X = [AR - OM) divided by[I + D], and;

AR = the Company's annual revenue

OM = the Company's operating and maintenance costs

I = the Company's current debt ratio multiplied by the Company's weighted long-term debt cost rate

D = the Company's current depreciation accrual rate

(e)	Amount of deposit (e) (d)	_____	_____
-----	---------------------------	-------	-------

This Preliminary memorandum shall be attached to the original agreement in accordance with the provisions of Paragraphs THIRD and FOURTH thereof.

(C) **Indicates Change**

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water

(C)

Dated \_\_\_\_\_  
(Date of Deposit)

WITNESS:

By: CITY OF LANCASTER  
BUREAU OF WATER

\_\_\_\_\_

\_\_\_\_\_

WITNESS:

By: DEPOSITOR

\_\_\_\_\_

\_\_\_\_\_

(C) Indicates Change

ISSUED: April 19, 1999

EFFECTIVE: June 18, 1999

Rules and Regulations Governing the Distribution and Sale of Water

(C)

FINAL MEMORANDUM

This Final memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraphs THIRD and FOURTH of a certain agreement in writing between the parties entered into on the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, for the installation by the utility of a certain water main(s) therein described. It is, therefore, agreed and stipulated:

		Bona Fide Service	
		<u>Applicants</u>	<u>Developer</u>
(a)	Actual Cost of Mains	_____	_____
(b)	Actual Cost of other facilities Services (_____ x _____)		
	No.      Unit Cost		
	Fire Hydrants	None	_____
	Other	None	_____
(c)	Total	_____	_____
(d)	Credit Allowance	_____	

The Utility's investment where X equals the Utility's investment attributable to each bona fide service applicant,

- X = [AR - OM) divided by[I + D], and;
- AR = the Company's annual revenue
- OM = the Company's operating and maintenance costs
- I = the Company's current debt ratio multiplied by the Company's weighted long-term debt cost rate
- D = the Company's current depreciation accrual rate

(e)	Amount of Final Estimate of Deposit (c) (d)	_____	_____
(f)	Amount of Preliminary Estimate of Deposit	_____	_____
(g)	Adjustment of Deposit		
	(a) Balance Owing Applicant	_____	_____
	(b) Balance Owing Utility	_____	_____

(C)      **Indicates Change**



## **APPENDIX B**

### Proof of Revenues

CITY OF LANCASTER – BUREAU OF WATER

Lancaster, Pennsylvania

PROOF OF REVENUE

UNDER

SETTLEMENT RATES

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Camp Hill, Pennsylvania

CITY OF LANCASTER  
BUREAU OF WATER

**SUMMARY OF PRESENT AND SETTLEMENT RATES**

	Present Rates	Settlement Rates	
		Outside	Outside % increase
<b>Customer Charges:</b>			
<u>Monthly</u>			
5/8"	5.55	7.95	43.2%
3/4"	5.55	9.30	67.6%
3/4 X 1"		16.70	NA
1"	14.70	21.10	43.5%
1 1/2"	23.20	33.20	43.1%
2"	36.20	51.90	43.4%
3"	71.50	102.40	43.2%
4"	111.60	159.90	43.3%
6"	222.00	318.00	43.2%
8"	351.60	503.60	43.2%
10"	465.10	666.20	43.2%
12"	701.50		
<u>Quarterly</u>			
5/8"	\$ 16.65	\$ 23.85	43.2%
3/4"	16.65	27.90	67.6%
3/4 X 1"		50.10	NA
1"	44.10	63.30	43.5%
1 1/2"	69.60	99.60	43.1%
2"	108.60	155.70	43.4%
3"	214.50	307.20	43.2%
4"	334.80	479.70	43.3%
6"	666.00	954.00	43.2%
8"	1,054.80	1,510.80	43.2%
10"	1,395.30	1,998.60	43.2%
12"	2,104.50		
<b>Consumption Charges per 1,000 gallons</b>			
	<u>Monthly</u>	<u>Quarterly</u>	
First	25,000	75,000	\$ 4.4890 4.7960 6.8%
Next	575,000	1,725,000	3.8240 3.9490 3.3%
Over	600,000	1,800,000	3.2470 3.7100 14.3%
Large Industrial	All Usage	All Usage	3.2020 3.5680 11.4%

CITY OF LANCASTER  
BUREAU OF WATER

**SUMMARY OF PRESENT AND SETTLEMENT RATES**

	Present Rates	Settlement Rates	
		Outside	Outside % increase
<b>Sales for Resale</b>			
Customer Charges:			
<u>Monthly</u>			
4"	\$ 111.60	\$ 159.90	43.3%
6"	222.00	318.00	43.2%
8"	351.60	503.60	43.2%
10"	465.10	666.20	43.2%
Consumption Charges per 1,000 gallons			
	<u>Monthly</u>		
	All Usage	\$ 3.4600	3.7580 8.6%
<b>Private Fire</b>			
<u>Monthly</u>			
1"	\$ 2.81	3.23	14.9%
1 1/2"	6.31	7.27	15.2%
2"	11.21	12.92	15.3%
3"	25.22	29.06	15.2%
4"	36.75	42.34	15.2%
6"	59.80	68.90	15.2%
8"	103.41	119.15	15.2%
10"	138.79	159.91	15.2%
12"	200.50	231.01	15.2%
<u>Quarterly</u>			
1"	\$ 8.43	\$ 9.69	14.9%
1 1/2"	18.93	21.81	15.2%
2"	33.63	38.76	15.3%
3"	75.66	87.18	15.2%
4"	110.25	127.02	15.2%
6"	179.40	206.70	15.2%
8"	310.23	357.45	15.2%
10"	416.37	479.73	15.2%
12"	601.50	693.03	15.2%

CITY OF LANCASTER - WATER FUND

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 INSIDE-CITY AND OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.53 Exhibit D II(2) of Tariff Regulations

Customer Classification (1)	Revenues Per Books, 12 Months Ended 31-Dec-20 (2)	Historic Test Year Pro Forma Adjustments Under Present Rates* (4)		Pro Forma, 31-Dec-22 Present Rates, (5)	Pro Forma Future and FPFTY Pro Forma Adjustments Under Present Rates (6), (7)		Pro Forma, 31-Dec-22 Present Rates (8)	Under Settlement Rates, Supplement No. 43 to Tariff Water Pa-PUC No. 6 (9), (10)		Pro Forma, Settlement Rates 31-Dec-22 (11)
		Ref. (3)	Amount		Ref. (6)	Amount		Percent	Amount	
<b>OUTSIDE-CITY</b>										
Sales of Water										
Residential	\$ 9,394,421	R2	\$ 29,472	\$ 9,423,893	R5	\$ 107,283	\$ 9,531,176	14.6%	\$ 1,389,622	\$ 10,920,798
Commercial	6,408,590	R2,R3	(21,478)	6,387,112	R5	(12,943)	6,374,169	11.8%	754,490	7,128,659
Industrial	1,204,070	R2	28,152	1,232,222	R5	84,456	1,316,678	11.8%	154,937	1,471,615
Large Industrial	787,199			787,199			787,199	11.8%	93,096	880,295
Other Water Utilities	543,457			543,457			543,457	9.1%	49,579	593,036
Private Fire Protection	376,539	R3	\$ 2,406	378,945	R7	882	379,827	15.2%	57,804	437,631
Total Sales of Water	18,714,276		38,552	18,752,828		179,677	18,932,505	13.2%	2,499,528	21,432,034
Other Operating Revenues										
Lien Interest and Costs	725			725			725			725
Rental Income	319,593			319,593			319,593			319,593
Sewer Reimb - Meter Shop	32,983			32,983			32,983			32,983
Misc. Revenue	33,259			33,259			33,259			33,259
State Aid for Pension Expense	200,987			200,987			200,987			200,987
Total Other Revenues	587,548		-	587,548		-	587,548	0.0%	-	587,548
Total Outside City	19,301,824		38,552	19,340,376		179,677	19,520,053	12.8%	2,499,528	22,019,582
Total Inside & Outside City	\$ 28,693,310		\$ 77,766	\$ 28,771,076		\$ 171,907	\$ 28,942,982	8.6%	\$ 2,499,528	\$ 31,442,511

CITY OF LANCASTER - WATER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation	HTY Adjustment Increase (Decrease)
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R1 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2020 under present rates.

Customer Classification	Number of Customers		Customer Gain/(Loss)	Annual Bill, Present Rates	HTY Annualized Revenue Adjustment (Half Year)	
	31-Dec-19	31-Dec-20			(6)	(7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential	14,930	14,924	(6)	\$ 355.55	\$ (1,067)	\$ (1,067)
Commercial	1,894	1,890	(4)	691.83	\$ (1,384)	(1,384)
Industrial	40	40	-	1,409.93	-	-
<hr/>						
Total	16,864	16,854	(10)		(2,451)	

R2 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2020 under present rates.

Customer Classification	Number of Customers		Average Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment (Half Year)	
	31-Dec-19	31-Dec-20			(6)	(7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential	28,725	28,914	189	\$ 311.87	\$ 29,472	\$ 29,472
Commercial	1,878	1,870	(8)	6,471.47	(25,886)	(25,886)
Industrial	67	69	2	28,151.88	28,152	28,152
<hr/>						
Total	30,670	30,853	183		31,738	

CITY OF LANCASTER - WATER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation			HTY Adjustment Increase (Decrease)	
R3	To impute Inside-City and Outside-City operating revenues for City-owned properties, not recorded by the City under present rates.				
	<u>Customer Classification</u>	<u>Number of Bills</u>	<u>Usage, 1,000 Gals.</u>	<u>Present Rates</u>	<u>Revenue</u>
	<u>INSIDE-CITY - Commercial</u>				
	5/8" Quarterly	9		\$ 27.30	\$ 246
	3/4" Quarterly	8		27.30	218
	1" Quarterly	14		72.54	1,016
	1-1/2" Quarterly	16		113.88	1,822
	2" Quarterly	40		177.84	7,114
	3" Quarterly	4		351.78	1,407
	4" Quarterly	8		549.12	4,393
	6" Quarterly	8		1,092.00	8,736
	Consumption				
	First Block		1,941	4.7375	9,195
	Second Block		<u>1,312</u>	4.2275	<u>5,546</u>
	Subtotal	<u>107</u>	<u>3,253</u>		<u>39,694</u> \$ 39,694
	<u>INSIDE-CITY - Fire</u>				
	4" Monthly	24		25.51	612
	6" Monthly	12		41.51	498
	8" Monthly	<u>12</u>		<u>71.79</u>	<u>861</u>
	Subtotal	<u>48</u>	<u>-</u>		<u>1,971</u> 1,971
	Total	155	3,253		41,665
	<u>OUTSIDE-CITY - Commercial</u>				
	2" Quarterly	8		177.84	1,423
	Consumption				
	First Block		211	4.489	947
	Second Block		<u>533</u>	3.824	<u>2,038</u>
	Subtotal	<u>8</u>	<u>744</u>		<u>4,408</u> 4,408
	<u>OUTSIDE-CITY - Fire</u>				
	12" Monthly	<u>12</u>		200.50	<u>2,406</u> 2,406
		20	744		6,814
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates				<u><u>\$ 77,766</u></u>

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation	FPFTY Adjustment Increase (Decrease)
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R4 To adjust Inside-City Operating Revenues for the projected gain in the number of customers through December 31, 2021

Customer Classification	Gain in Number of Customers, 12 Months Ended		Annual Average Gain/Loss in Customers	FPFTY Gain/Loss in Customers	Average Annual Bill, Present Rates	FPFTY Revenue Adjustment	
	31-Dec-19	31-Dec-20					
Residential	(2)	(6)	(4.0)	(8.0)	\$ 355.55	\$ (2,844)	\$ (2,844)
Commercial	(6)	(4)	(5.0)	(10.0)	691.83	(6,918)	(6,918)
Industrial	-	-	-	-	1,409.93	-	-
Total	(8)	(10)	(9.0)	(18.0)		(9,763)	

R5 To adjust Outside-City Operating Revenues for the projected gain in the number of customers through December 31, 2021

Customer Classification	Gain in Number of Customers, 12 Months Ended		Annual Average Gain/Loss in Customers	FPFTY Gain/Loss in Customers	Average Annual Bill, Present Rates	FPFTY Revenue Adjustment	
	31-Dec-19	31-Dec-20					
Residential	155	189	172.0	344.0	\$ 311.87	\$ 107,283	\$ 107,283
Commercial	6	(8)	(1.0)	(2.0)	6,471.47	(12,943)	(12,943)
Industrial	1	2	1.5	3.0	28,151.88	84,456	84,456
Total	162	183	172.5	345.0		178,795	

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation						FPFTY Adjustment Increase (Decrease)
R6	To adjust Inside-City Operating Revenues for projected gain in the number of private fire lines.						
<u>INSIDE-CITY - Private Fire Protection:</u>							
	Size	Number of Units,		Change in Units	FPFTY Change in Units	Present Rates	FPFTY Revenue Adjustment
		31-Dec-19	31-Dec-20				
<u>Monthly</u>							
	3-inch	1.0	1.0	-	-	\$ 17.51	\$ -
	4-Inch	29.0	29.0	-	-	25.51	-
	6-Inch	70.0	70.0	-	-	41.51	-
	8-Inch	32.0	31.0	(1.0)	(2.0)	71.79	(1,723)
	10-Inch	7.0	6.0	(1.0)	(2.0)	96.35	(2,312)
	12-Inch	0.0	0.0	-	-	200.50	-
<u>Quarterly</u>							
	3-inch	1.0	1.0	-	-	52.53	-
	4-Inch	63.0	63.0	-	-	76.53	-
	6-Inch	111.0	113.0	2.0	4.0	124.53	1,992
	8-Inch	36.0	37.0	1.0	2.0	215.37	1,723
	10-Inch	1.0	2.0	1.0	2.0	289.05	2,312
	Total	351.0	353.0	2.0	4.0		\$ 1,992
							\$ 1,992

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER PRESENT RATES

Adj. Ref.	Explanation						FPFTY Adjustment Increase (Decrease)
	To adjust Outside-City Operating Revenues for projected gain in the number of private fire lines.						
R7	OUTSIDE-CITY	Change in Number of Units,		Change in Units	FPFTY Change in Units	Present Rates	FPFTY Revenue Adjustment
		31-Dec-19	31-Dec-20				
	<u>Size</u>						
	<u>Monthly</u>						
	4-Inch	12.0	12.0	-	-	\$ 36.75	-
	6-Inch	98.0	98.0	-	-	59.80	-
	8-Inch	54.0	53.0	(1.0)	(2.0)	103.41	(2,482)
	10-Inch	10.0	10.0	-	-	138.79	-
	12-Inch	2.0	2.0	-	-	200.50	-
	<u>Quarterly</u>						
	4-Inch	24.0	25.0	1.0	2.0	\$ 110.25	882
	6-Inch	147.0	147.0	-	-	179.40	-
	8-Inch	68.0	69.0	1.0	2.0	310.23	2,482
	10-Inch	7.0	7.0	-	-	416.37	-
	Total	422.0	423.0	1.0	2.0		882
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates						\$ 171,907

CITY OF LANCASTER - BUREAU OF WATER

SUMMARY OF APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS AS OF 12/31/2020  
AND PRO FORMA REVENUES UNDER SETTLEMENT RATES AS OF 12/31/2022

Customer Classification (1)	Revenues Per Books, 31-Dec-20 (2)	Application of Present Rates to Bill Analysis (3)	Adjustment Factor (4)=(2)/(3)	Application of Settlement Rates to Bill Analysis (5)	Adjusted Revenues at Settlement Rates (6)=(5)X(4)	Historic Test Year Pro Forma Adjustments Under Settlement Rates* (7)		Pro Forma, 31-Dec-22 Settlement Rates (9)	Future Test Year Pro Forma Adjustments Under Settlement Rates* (10)		Pro Forma, 31-Dec-22 Settlement Rates (12)
						Ref.	Amount (8)		Ref.	Amount (11)	
<b>INSIDE-CITY</b>											
Residential	\$ 4,960,385	\$ 4,961,793	0.999716	\$ 4,961,793	\$ 4,960,385	R8	\$ (1,067)	\$ 4,959,318	R11	\$ (2,844)	\$ 4,956,474
Commercial	3,463,065	3,464,048	0.999716	3,464,048	3,463,065	R8,R10	38,310	3,501,375	R11	(6,918)	3,494,457
Industrial	518,435	518,582	0.999716	518,582	518,435			518,435	R11	-	518,435
Private Fire	187,516	187,569	0.999715	187,569	187,516	R10	1,971	189,487	R13	1,992	191,480
Total Inside	9,129,401	9,131,993		9,131,993	9,129,401		39,214	9,168,615		(7,770)	9,160,845
<b>OUTSIDE-CITY</b>											
Residential	\$ 9,394,421	\$ 9,397,088	0.999716	\$ 10,767,115	\$ 10,764,060	R9,R10	\$ 33,778	\$ 10,797,838	R12	\$ 122,960	\$ 10,920,798
Commercial	6,408,590	6,410,409	0.999716	7,167,585	7,165,551	R9,R10	(23,082)	7,142,469	R12	(13,811)	7,128,659
Industrial	1,204,070	1,204,411	0.999716	1,354,818	1,354,434	R9	29,295	1,383,729	R12	87,886	1,471,615
Large Industrial	787,199	787,422	0.999717	880,544	880,295			880,295			880,295
Other Water Utilities	543,457	543,611	0.999717	593,204	593,036			593,036			593,036
Private Fire	376,539	376,646	0.999715	433,966	433,843	R10	2,772	436,615	R14	1,016	437,631
Total Outside	18,714,276	18,719,588		21,197,233	21,191,219		42,764	21,233,982		198,052	21,432,034
<b>Total Sale of Water</b>	<b>\$ 27,843,677</b>	<b>\$ 27,851,580</b>		<b>\$ 30,329,226</b>	<b>\$ 30,320,620</b>		<b>\$ 81,978</b>	<b>\$ 30,402,597</b>		<b>\$ 190,281</b>	<b>\$ 30,592,879</b>

CITY OF LANCASTER - WATER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						HTY Adjustment Increase (Decrease)
R8	To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2020, under Settlement rates.						
		Number of Customers		Customer	Average	Annualized	
		31-Dec-19	31-Dec-20	Gain/(Loss)	Annual Bill, Settlement Rates	Revenue Adjustment (Half Year)	
		(2)	(3)	(4)	(5)	(6)	
	Residential	14,930	14,924	(6)	\$ 355.55	\$ (1,067)	\$ (1,067)
	Commercial	1,894	1,890	(4)	691.83	(1,384)	(1,384)
	Industrial	40	40	-	1,409.93	-	-
		-----	-----	-----		-----	-----
	Total	16,864	16,854	(10)		(2,451)	

R9 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2020, under Settlement rates.

Customer Classification	Number of Customers		Customer	Average	Annualized	
(1)	31-Dec-19	31-Dec-20	Gain/(Loss)	Annual Bill, Settlement Rates	Revenue Adjustment (Half Year)	
	(2)	(3)	(4)	(5)	(6)	
Residential	28,725	28,914	189	\$ 357.44	\$ 33,778	\$ 33,778
Commercial	1,878	1,870	(8)	6,905.29	(27,621)	(27,621)
Industrial	67	69	2	29,295.32	29,295	29,295
	-----	-----	-----		-----	
Total	30,670	30,853	183		35,452	

CITY OF LANCASTER - WATER FUND  
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					HTY Adjustment Increase (Decrease)
R10	To impute Inside-City and Outside-City operating revenues for City-owned properties not recorded by the City under Settlement rates.					
	<u>Customer Classification</u>	<u>Number of Bills</u>	<u>Usage, 1,000 Gals.</u>	<u>Settlement Rates</u>	<u>Revenue</u>	
	<u>INSIDE-CITY - Commercial</u>					
	5/8" Quarterly	9		\$ 27.30	\$ 246	
	3/4" Quarterly	8		27.30	218	
	1" Quarterly	14		72.54	1,016	
	1-1/2" Quarterly	16		113.88	1,822	
	2" Quarterly	40		177.84	7,114	
	3" Quarterly	4		351.78	1,407	
	4" Quarterly	8		549.12	4,393	
	6" Quarterly	8		1,092.00	8,736	
	Consumption					
	First Block		1,941	4.7375	9,195	
	Second Block		<u>1,312</u>	4.2275	<u>5,546</u>	
	Subtotal	<u>107</u>	<u>3,253</u>		<u>39,694</u>	\$ 39,694
	<u>INSIDE-CITY - Fire</u>					
	4" Monthly	24		25.51	612	
	6" Monthly	12		41.51	498	
	8" Monthly	<u>12</u>		<u>71.79</u>	<u>861</u>	1,971
	Total	262	3,253		40,555	
	<u>OUTSIDE-CITY - Commercial</u>					
	2" Quarterly	8		177.84	1,423	
	Consumption					
	First Block		211	4.7960	1,012	
	Second Block		<u>533</u>	3.9490	<u>2,105</u>	
	Subtotal	<u>8</u>	<u>744</u>		<u>4,539</u>	4,539
	<u>OUTSIDE-CITY - Fire</u>					
	12" Monthly	<u>12</u>		231.01	<u>2,772</u>	2,772
		20	744		7,312	
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates					<u>\$ 81,978</u>

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation	FPFTY Adjustment Increase (Decrease)
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R11 To adjust Inside-City Operating Revenues for the projected gain in the number of customers through December 31, 2021

Customer Classification	Gain in Number of Customers, 12 Months Ended		Annual Average Gain in Customers	FPFTY Gain/Loss in Customers	Average Annual Bill, Settlement Rates	FPFTY Revenue Adjustment	
	31-Dec-19	31-Dec-20					
Residential	(2)	(6)	(4.0)	(8.0)	\$ 355.55	\$ (2,844)	\$ (2,844)
Commercial	(6)	(4)	(5.0)	(10.0)	691.83	(6,918)	(6,918)
Industrial	-	-	-	-	1,409.93	-	-
Public	-	-	-	-	-	-	-
<b>Total</b>	<b>(8)</b>	<b>(10)</b>	<b>(9.0)</b>	<b>(18.0)</b>		<b>(9,763)</b>	

R12 To adjust Outside-City Operating Revenues for the projected gain in the number of customers through December 31, 2021

Customer Classification	Gain in Number of Customers, 12 Months Ended		Annual Average Gain in Customers	FPFTY Gain/Loss in Customers	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment	
	31-Dec-19	31-Dec-20					
Residential	155	189	172.0	344.0	\$ 357.44	\$ 122,960	\$ 122,960
Commercial	6	(8)	(1.0)	(2.0)	6,905.29	(13,811)	(13,811)
Industrial	1	2	1.5	3.0	29,295.32	87,886	87,886
<b>Total</b>	<b>162</b>	<b>183</b>	<b>172.5</b>	<b>345.0</b>		<b>197,035</b>	

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation	FPFTY Adjustment Increase (Decrease)
R13	To adjust Inside-City Operating Revenues for projected gain in the number of private fire lines under Settlement rates.	

INSIDE-CITY - Private Fire Protection:

Size	Number of Units,		Change in Units	FPFTY Gain/Loss in Customers	Settlement Rates	Revenue	
	31-Dec-19	31-Dec-20					
<b>Monthly</b>							
3-inch	1.0	1.0	-	-	\$ 17.51	-	
4-Inch	29.0	29.0	-	-	25.51	-	
6-Inch	70.0	70.0	-	-	41.51	-	
8-Inch	32.0	31.0	(1)	(2.0)	71.79	(1,723)	
10-Inch	7.0	6.0	(1)	(2.0)	96.35	(2,312)	
12-Inch	0.0	0.0	-	-	200.50	-	
<b>Quarterly</b>							
3-inch	1.0	1.0	-	-	52.53	-	
4-Inch	63.0	63.0	-	-	76.53	-	
6-Inch	111.0	113.0	2	4.0	124.53	1,992	
8-Inch	36.0	37.0	1	2.0	215.37	1,723	
10-Inch	1.0	2.0	1	2.0	289.05	2,312	
<b>Total</b>	<b>351.0</b>	<b>353.0</b>	<b>2</b>	<b>4.0</b>		<b>1,992</b>	<b>\$ 1,992</b>

CITY OF LANCASTER WATER FUND  
FULLY PROJECTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS  
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation						FPFTY Adjustment Increase (Decrease)
R14	To adjust Outside-City Operating Revenues for projected gain in the number of private fire lines, under Settlement rates.						
	OUTSIDE-CITY	Number of Units,		Change in	FPFTY Gain/Loss in	Settlement	Revenue
	Size	31-Dec-19	31-Dec-20	Units	Customers	Rates	
	Monthly						
	4-Inch	12.0	12.0	-	-	\$ 42.34	\$ -
	6-Inch	98.0	98.0	-	-	68.90	-
	8-Inch	54.0	53.0	(1)	(2.0)	119.15	(2,860)
	10-Inch	10.0	10.0	-	-	159.91	-
	12-Inch	2.0	2.0	-	-	231.01	-
	Quarterly						
	4-Inch	24.0	25.0	1	2.0	\$ 127.02	1,016
	6-Inch	147.0	147.0	-	-	206.70	-
	8-Inch	68.0	69.0	1	2.0	357.45	2,860
	10-Inch	7.0	7.0	-	-	479.73	-
	Total	422.0	423.0	1.0	2.0	\$ 1,016	\$ 1,016
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates						<u>\$ 190,281</u>

**CITY OF LANCASTER - BUREAU OF WATER  
OUTSIDE THE CITY**

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

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>Of Bills</u>	<u>Present</u> <u>Consumption</u>	<u>Present</u> <u>Rate</u>	<u>Revenue</u>	<u>Settlement</u> <u>Consumption</u>	<u>Settlement</u> <u>Rate</u>	<u>Settlement</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Residential - Quarterly</u>							
Service Charge							
5/8"	76,551	-	\$ 16.65	\$ 1,274,574	-	\$ 23.85	\$ 1,825,741
3/4"	11,399	-	16.65	189,793	-	27.90	318,032
3/4x1"	18,430	-	44.10	812,767	-	50.10	923,348
1"	5,451	-	44.10	240,389	-	63.30	345,048
1 1/2"	183	-	69.60	12,737	-	99.60	18,227
2"	68	-	108.60	7,385	-	155.70	10,588
3"			214.50	-		307.20	-
4"			334.80	-		479.70	-
6"	4		666.00	2,664		954.00	3,816
Total - Service Charge	112,086	-		2,540,310	-		3,444,800
First 75	-	1,506,826	\$ 4.4890	\$ 6,764,142	1,506,826	\$ 4.7960	\$ 7,226,737
Next 1,725	-	24,203	3.8240	92,552	24,203	3.9490	95,578
Over 1,800	-	-	3.2470	-	-	3.7100	-
	-	1,531,029		6,856,694	1,531,029		7,322,315
Subtotal	112,086	1,531,029		\$ 9,397,004	1,531,029		\$ 10,767,115
<u>Commercial - Quarterly</u>							
Service Charge							
5/8"	1,087	-	\$ 16.65	\$ 18,099	-	\$ 23.85	\$ 25,925
3/4"	569	-	16.65	9,474	-	27.90	15,875
1"	1,474	-	44.10	65,003	-	63.30	93,304
1 1/2"	587	-	69.60	40,855	-	99.60	58,465
2"	1,069	-	108.60	116,093	-	155.70	166,443
3"	49	-	214.50	10,511	-	307.20	15,053
4"	45	-	334.80	15,066	-	479.70	21,587
6"	74	-	666.00	49,284	-	954.00	70,596
8"	15	-	1,054.80	15,822	-	1,510.80	22,662
10"	2	-	1,395.30	2,791	-	1,998.60	3,997
Total - Service Charge	4,971	-		\$ 342,998	-		\$ 493,907
First 75	-	122,943	\$ 4.4890	\$ 551,891	122,943	\$ 4.7960	\$ 589,635
Next 1,725	-	107,260	3.8240	410,162	107,260	3.9490	423,570
Over 1,800	-	19,911	3.2470	64,651	19,911	3.7100	73,870
	-	250,114		1,026,704	250,114		1,087,074
Subtotal	4,971	250,114		\$ 1,369,702	250,114		\$ 1,580,981

**CITY OF LANCASTER - BUREAU OF WATER  
OUTSIDE THE CITY**

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

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>Of Bills</u>	<u>Present</u> <u>Consumption</u>	<u>Present</u> <u>Rate</u>	<u>Revenue</u>	<u>Settlement</u> <u>Consumption</u>	<u>Settlement</u> <u>Rate</u>	<u>Settlement</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Commercial - Monthly</u>							
Service Charge							
5/8"	32	-	\$ 5.55	\$ 178	-	\$ 7.95	\$ 254
3/4"	97	-	5.55	538	-	9.30	902
1"	335	-	14.70	4,925	-	21.10	7,069
1 1/2"	1,030	-	23.20	23,896	-	33.20	34,196
2"	2,943	-	36.20	106,537	-	51.90	152,742
3"	319	-	71.50	22,809	-	102.40	32,666
4"	467	-	111.60	52,117	-	159.90	74,673
6"	647	-	222.00	143,634	-	318.00	205,746
8"	2	-	351.60	703	-	503.60	1,007
10"	500	-	465.10	232,550	-	666.20	333,100
<b>Total - Service Charge</b>	<b>6,372</b>	<b>-</b>		<b>587,886</b>	<b>-</b>		<b>842,355</b>
First 25		137,591	\$ 4.4890	\$ 617,646	137,591	\$ 4.7960	\$ 659,886
Next 575		708,303	3.8240	2,708,551	708,303	3.9490	2,797,089
Over 600		346,974	3.2470	1,126,625	346,974	3.7100	1,287,274
	-	1,192,868		4,452,821	1,192,868		4,744,249
<b>Subtotal</b>	<b>6,372</b>	<b>1,192,868</b>		<b>5,040,707</b>	<b>1,192,868</b>		<b>5,586,603</b>
<b>Total Commercial</b>	<b>11,343</b>	<b>1,442,982</b>		<b>\$ 6,410,409</b>	<b>1,442,982</b>		<b>\$ 7,167,585</b>
<u>Industrial - Quarterly</u>							
Service Charge							
5/8"	14	-	\$ 16.65	\$ 233	-	\$ 23.85	\$ 334
3/4"	10	-	16.65	167	-	27.90	279
1"	26	-	44.10	1,147	-	63.30	1,646
1 1/2"	9	-	69.60	626	-	99.60	896
2"	44	-	108.60	4,778	-	155.70	6,851
4"		-	334.80	-	-	479.70	-
10"	4	-	1,395.30	5,581	-	1,998.60	7,994
<b>Total - Service Charge</b>	<b>107</b>	<b>-</b>		<b>12,532</b>	<b>-</b>		<b>18,000</b>
First 75	-	3,006	\$ 4.4890	\$ 13,494	3,006	\$ 4.7960	\$ 14,417
Next 1,725	-	8,499	3.8240	32,500	8,499	3.9490	33,563
Over 1,800	-	2,094	3.2470	6,799	2,094	3.7100	7,769
	-	13,599		52,793	13,599		55,748
<b>Subtotal</b>	<b>107</b>	<b>13,599</b>		<b>\$ 65,326</b>	<b>13,599</b>		<b>\$ 73,748</b>

**CITY OF LANCASTER - BUREAU OF WATER  
OUTSIDE THE CITY**

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

<u>Rate Block 1000 Gallons</u>	<u>Number Of Bills</u>	<u>Present Consumption</u>	<u>Present Rate</u>	<u>Revenue</u>	<u>Settlement Consumption</u>	<u>Settlement Rate</u>	<u>Settlement Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Industrial - Monthly</u>							
Service Charge							
5/8"	1	-	\$ 5.55	\$ 6	-	\$ 7.95	\$ 8
1"	24	-	14.70	353	-	21.10	506
1 1/2"	43	-	23.20	998	-	33.20	1,428
2"	136	-	36.20	4,923	-	51.90	7,058
3"	13	-	71.50	930	-	102.40	1,331
4"	90	-	111.60	10,044	-	159.90	14,391
6"	73	-	222.00	16,206	-	318.00	23,214
8"	38	-	351.60	13,361	-	503.60	19,137
10"	23	-	465.10	10,697	-	666.20	15,323
<b>Total - Service Charge</b>	<b>441</b>	<b>-</b>		<b>\$ 57,517</b>	<b>-</b>		<b>\$ 82,396</b>
First 25	-	9,844	\$ 4.4890	\$ 44,190	9,844	\$ 4.7960	\$ 47,212
Next 575	-	80,520	3.8240	307,908	80,520	3.9490	317,973
Over 600	-	224,660	3.2470	729,471	224,660	3.7100	833,489
	-	315,024		1,081,569	315,024		1,198,674
<b>Subtotal</b>	<b>441</b>	<b>315,024</b>		<b>1,139,086</b>	<b>315,024</b>		<b>1,281,070</b>
<u>Large Industrial - Monthly</u>							
Service Charge							
8"	12	-	\$ 351.60	\$ 4,219		\$ 503.60	\$ 6,043
10"	12	-	465.10	5,581		666.20	7,994
	24	-		9,800	-		14,038
<b>All Usage</b>		<b>242,855</b>	<b>3.2020</b>	<b>\$ 777,622</b>	<b>242,855</b>	<b>3.5680</b>	<b>\$ 866,507</b>
<b>Subtotal</b>	<b>24</b>	<b>242,855</b>		<b>787,422</b>	<b>242,855</b>		<b>880,544</b>
<b>Total Industrial</b>	<b>572</b>	<b>571,478</b>		<b>\$ 1,991,834</b>	<b>571,478</b>		<b>\$ 2,235,362</b>
<u>Sales for Resale - Monthly</u>							
Service Charge							
4"	24	-	\$ 111.60	\$ 2,678	-	\$ 159.90	\$ 3,838
6"	24	-	222.00	5,328	-	318.00	7,632
<b>Total - Service Charge</b>	<b>48</b>	<b>-</b>		<b>8,006</b>	<b>-</b>		<b>11,470</b>
<b>All Usage</b>	<b>-</b>	<b>154,799</b>	<b>\$ 3.460</b>	<b>\$ 535,605</b>	<b>154,799</b>	<b>\$ 3.758</b>	<b>\$ 581,735</b>
	<b>-</b>	<b>154,799</b>		<b>535,605</b>	<b>154,799</b>		<b>581,735</b>
<b>Subtotal</b>	<b>48</b>	<b>154,799</b>		<b>\$ 543,611</b>	<b>154,799</b>		<b>\$ 593,204</b>

**CITY OF LANCASTER - BUREAU OF WATER  
OUTSIDE THE CITY**

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

<u>Rate Block</u> <u>1000 Gallons</u>	<u>Number</u> <u>Of Bills</u>	<u>Present</u> <u>Consumption</u>	<u>Present</u> <u>Rate</u>	<u>Revenue</u>	<u>Settlement</u> <u>Consumption</u>	<u>Settlement</u> <u>Rate</u>	<u>Settlement</u> <u>Revenue</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Private Fire - Quarterly</u>							
Service Charge							
4"	100		\$ 110.25	\$ 11,025		\$ 127.02	\$ 12,702
6"	588		179.40	105,487		206.70	121,540
8"	276		310.23	85,623		357.45	98,656
10"	<u>28</u>		<u>416.37</u>	<u>11,658</u>		<u>479.73</u>	<u>13,432</u>
Subtotal	992			213,794			246,330
<u>Private Fire - Monthly</u>							
Service Charge							
4"	144		\$ 36.75	\$ 5,292		\$ 42.34	\$ 6,097
6"	1,176		59.80	70,325		68.90	81,026
8"	636		103.41	65,769		119.15	75,779
10"	120		138.79	16,655		159.91	19,189
12"	<u>24</u>		<u>200.50</u>	<u>4,812</u>		<u>231.01</u>	<u>5,544</u>
Subtotal	2,100			162,852			187,636
Total Private Fire	3,092			376,646			433,966
Total Outside	127,141	3,700,288		\$ 18,719,504	3,700,288		\$ 21,197,233

## **APPENDIX C**

### **Joint Petitioners' Statements in Support of Settlement**

City of Lancaster – Bureau of Water (Statement 1)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	R-2021-3026682
Office of Small Business Advocate	:	C-2021-3029095
	:	C-2021-3029188
v.	:	
	:	
City of Lancaster – Bureau of Water	:	

**CITY OF LANCASTER STATEMENT IN SUPPORT OF JOINT PETITION  
FOR COMPLETE SETTLEMENT OF RATE INVESTIGATION**

The City of Lancaster Bureau of Water (the “City”), by and through its undersigned counsel, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of the City and its jurisdictional water customers.

**I. BACKGROUND**

All active parties to this proceeding participated in settlement discussions and as a result, the City, the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”) and the Office of the Small Business Advocate (“OSBA”) have agreed upon the terms embodied in the foregoing Joint Petition.

The City is a Commission-regulated water system as it relates to the 30,385 customers it serves outside of the City of Lancaster in portions of the following Townships in Lancaster County, Pennsylvania: Lancaster Township, Manheim Township, Millersville Borough, West Lampeter Township, Pequea and portions of Manor, West Hempfield and East Hempfield Townships and East Lampeter.

On September 30, 2021, the City filed Supplement No. 46 to Lancaster Water Tariff – PA P.U.C. No. 6 (“Supplement No. 46”) proposing to increase its annual operating revenues for water service by \$4,024,593, or 20.8% for customers located in the Commission jurisdictional area (*i.e.*, those customers located outside of the City of Lancaster). On October 5, 2021, I&E filed a Notice of Appearance. On October 14, 2021, the OCA filed a Complaint, Public Statement, and Notice of Appearance. On October 20, 2021, the OSBA filed a Complaint, Public Statement and Notice of Appearance.

On October 28, 2021, the Commission issued an Order suspending the City’s proposed Supplement No. 46 by operation of law until June 29, 2022. Thereafter, on November 4, 2021, the City filed conforming Supplement No. 47 to Tariff Water – Pa. P.U.C. No. 6. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge. The proceeding was later assigned to ALJ Heep. A telephonic Prehearing Conference was held on November 5, 2021, where a procedural schedule was established and modifications to the Commission’s discovery regulations were adopted for this proceeding. Discovery was propounded by the OCA, I&E, and the OSBA and the City timely responded to discovery requests.

All of the parties filed Direct Testimony. The City filed Rebuttal Testimony. The OCA, I&E, the OSBA, and Complainant Frank Kitzmiller filed Surrebuttal Testimony. And, the City filed Rejoinder Testimony. Thereafter, the parties engaged in settlement negotiations resulting in the Settlement. The parties have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase, thereby resolving all issues raised by the participants to this proceeding.

## II. TERMS AND CONDITIONS OF SETTLEMENT

The City represents that the settlement reached by the parties is the result of extensive discovery, negotiations and compromises by all parties. The City submits that the settlement reached in this proceeding is in the public interest for the following reasons.

**Revenue Requirement & Rates.** The City will be permitted to establish rates for customers which will produce an overall increase in annual operating revenues of approximately \$2,500,000. These rates, as determined in accordance with the Proof of Revenues attached as Appendix B to the Joint Petition will be effective June 29, 2022 upon Commission approval of the Settlement. *See also* Joint Petition, at 3 (table). For jurisdictional customers, the rates by class will increase from present rates as a result of the Settlement as follows (and as reflected in Supplement No. 48 to Tariff Water – Pa. P.U.C. No. 6, attached to the Joint Petition as Appendix A):

### Commission Jurisdictional Area Customer Rates

<b>Meter Size Classification</b>	<b>Current Monthly Customer Charge</b>	<b>Settlement Monthly Customer Charge</b>
5/8"	\$5.55	\$7.95
3/4"	5.55	9.30
3/4 x 1"	---	16.70
1"	14.70	21.10
1-1/2"	23.20	33.20
2"	36.20	51.90
3"	71.50	102.40
4"	111.60	159.90
6"	222.00	318.00
8"	351.60	503.60
10"	465.10	666.20
12"	701.50	1,004.55

The consumption charges have also increased as follows: from \$4.489 to \$4.796 for the first 25,000 gallons/month; from \$3.824 to \$3.949 for the next 575,000 gallons/month; from \$3.247 to \$3.710 for all over 600,000 gallons/month; and from \$3.202 to \$3.568 for all consumption or Large

Industrial customers. See Joint Petition, Appendix A, Supplement No. 48, at 27th Revised Page No. 4.

Under the Settlement, the quarterly bill of a typical residential 5/8-inch metered residential customer residing in the Commission jurisdictional area who utilizes 13,600 gallons of water per quarter will increase from \$77.70 to \$89.08, or by approximately 14.6%, rather than from \$77.70 to \$94.14 (or 21.2%) as originally requested.

**Stay-Out.** The City agrees that it will not file for another water base rate case before January 1, 2024. (Joint Petition, at ¶ 13).

**Tariff Changes.** The City will make the following changes to Supplement No. 46:

(a) *Consumption Charge Language.* The following preface describing the consumption charge will be added to the schedule of rates: “In addition to the customer charge the following water consumption charges will apply.” (Joint Petition, at ¶ 14).

(b) *Customer Classifications/Meter Charges.* Residential rates shall be established based on the new residential rate classifications as reflected in the Proof of Revenues at Appendix B to the Joint Petition. Specifically, there shall be new residential meter classifications for customers with 3/4-inch meters. The 3/4-inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 3/4-inch in diameter or less. The 3/4 x 1-inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 1-inch in diameter. (Joint Petition, at ¶ 14).

(c) *Miscellaneous Revisions.* Joint Petitioners agree that the revisions set forth in Supplement No. 46 as proposed in Table 1 of the Direct Testimony of Stephen Campbell (City Statement No. 2) to the following sections are approved: 4.12, 5A, 7.2, 7.4, 7.5, 9.1, 13.4, 13.5, 13.6, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, and 21.1. (Joint Petition, at ¶ 14).

***Rate Effective Date.*** The parties agree that it is in the public interest for Settlement Rates (as set forth in Tariff Supplement No. 48) to go into effect, following the entry of a Commission Order approving this Settlement, not earlier than June 29, 2022. (Joint Petition, at ¶ 15).

***Rate Structure/Rate Design.*** The parties agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the Proof of Revenues attached to the Joint Petition at Appendix B. The design and structure of rates for residential customers of the City under the Settlement are developed based upon the fixed and volumetric charges contained within the Rate Schedules set forth in Appendix B to the Joint Petition. The parties agree that rates and charges set forth in Appendix B are just and reasonable and are in the public interest. (Joint Petition, at ¶ 16).

***Future Rate Case Information.*** The City has agreed to do the following in connection with its next water base rate case:

(a) The City will submit Section 500 LUFW calculations including deductions of non-revenue usage and allowance shown on PUC Section 500 Form. (Joint Petition, at ¶ 17).

(b) The City will describe its leak detection program and if it has been successful. (Joint Petition, at ¶ 17).

(c) The City will submit a pressure survey for each of its pressure zones or clearly indicate why it is in compliance with 52 Pa. Code § 65.6(a). (Joint Petition, at ¶ 17).

(d) The City will submit a copy of its customer complaint log in live Excel format. (Joint Petition, at ¶ 17).

(e) If its requested increase is over \$1 million, the City will prepare a lead/lag study in support of its cash working capital claim, or request a waiver from the Commission from the requirement to do so in advance of filing its base rate case. (Joint Petition, at ¶ 17).

(f) The City will report all COVID-19 related relief funding, including but not limited to American Rescue Plan Act of 2021 funding, that it received from the City of Lancaster. The report will include the following information: (1) source of funding; (2) amount of funding awarded; (3) date funding awarded; (4) any allocation of award to inside and outside customers; (5) an explanation of how any allocations were determined; (6) breakdown of how the funds were utilized; and (7) whether any funds were applied to capital projects in the rate case. (Joint Petition, at ¶ 17).

(g) The City will provide information concerning performance against the valve exercising plan to date. (Joint Petition, at ¶ 17).

(h) The City will propose rates to allocate some of the Fire Protection costs for the Commission Jurisdictional area to the municipalities served therein. (Joint Petition, at ¶ 17).

**Hydrant Marking.** The City will mark the 34 outside-City hydrants that cannot provide minimum fire flow of 500 gallons per minute so they can only be used for flushing and blow-offs. The City further agrees to notify the affected municipalities, OCA, I&E, and OSBA upon completion of the marking of the hydrants. (Joint Petition, at ¶ 18).

**Customer Complaint Log.** The City will revise its customer complaint log, and maintain it in Excel format, to include the following categories: 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; health issues; and pressure issues. The log will include disposition of the complaint. (Joint Petition, at ¶ 19).

**Financial Reporting.** The City will provide Fully Projected Future Test Year (“FPFTY”) reporting to I&E, OCA, and OSBA updating the Original Cost of Utility Plant in Service as presented in Schedule 4 of Exhibit GRH-1 to the Direct Testimony of Gregory R. Herbert

(Lancaster Statement No. 3) (including actual capital expenditures, plant additions, and retirements) on a monthly basis, to the extent it is available, for the period ending December 31, 2021 by July 1, 2022, and for the period ending December 31, 2022 by April 23, 2022. The City further agrees to track the requested information (actual capital expenditures, plant additions, and retirements) on a monthly basis on a going forward basis, as of the effective date of this Petition for Settlement. (Joint Petition, at ¶ 20).

**Valve Exercising.** The City has approximately 13,000 valves in its distribution system, with approximately 9,700 valves in the Commission jurisdictional area and 4,300 valves inside the City of Lancaster. The City will commit to exercising 10% of the system valves (1,300) annually so that all valves are exercised in a 10-year period. The valve exercise program will be based on the pressure zones of the distribution system, with staff exercising the largest valves in a zone first, then the smaller valves in the zone. This plan takes into consideration the City's resources and utilizes existing employees. The valve exercising efforts will include the following conditions:

(a) In selecting which valves should be exercised first, the City will consider: (1) the size of the valve; (2) is it a critical valve, i.e., one needed to prevent a water outage of a hospital, school, major customer, etc. from a nearby water main break; (3) when the valve was last operated; and (4) its importance in any proposed water main replacement. (Joint Petition, at ¶ 21).

(b) Each year approximately 25% of total valves exercised will be located inside the City of Lancaster and 75% will be located in the Commission jurisdictional area, unless the criteria set forth in subparagraph (a) above dictates a different allocation. (Joint Petition, at ¶ 21).

(c) The City will submit a Maintenance Log to OCA, OSBA and I&E on April 15 of each year and include the following information for each valve attempted to be exercised the

previous year: (1) date attempted to exercise; (2) location and size; (3) in the City of Lancaster or Commission Jurisdictional area; (4) was the exercise successful or unsuccessful; and (5) date of replacement or repair, if applicable. The due date for the initial Maintenance Log hereunder shall be April 15, 2024. (Joint Petition, at ¶ 21).

(d) After a valve has been exercised, the City will continue to maintain it in operating condition. Critical isolation valves that could not be exercised should be repaired or replaced as soon as practicable after the time they are found to be inoperable. If any non-critical valves are not repaired shortly after the time they were found to be inoperable, an estimate of when they will be repaired or replaced will be included on the Maintenance Log. (Joint Petition, at ¶ 21).

***Admission of Evidence.*** Joint Petitioners agree that the City’s original filing, including all City Direct, Rebuttal and Rejoinder Testimony, exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission and as outlined in the Joint Stipulation for Admission of Evidence which accompanies the Joint Petition (“Stipulation for Admission”). Joint Petitioners also agree that all Direct and Surrebuttal Testimony, exhibits and supporting data filed by the OCA, I&E and the OSBA in this proceeding shall be admitted into the record as outlined in the Stipulation for Admission. Joint Petitioners further agree that the Surrebuttal Testimony, exhibits and supporting data filed by Frank Kitzmiller in this proceeding shall be admitted into the record as outlined in the Stipulation for Admission. (Joint Petition, at ¶ 22).

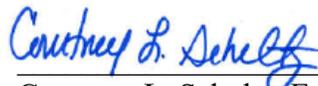
### **III. CONCLUSION**

The parties agree that adoption and approval of the Settlement by the ALJ and the Commission is in the public interest. The Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of the City, I&E, OCA, and

OSBA. In addition, adoption and approval of the Settlement will avoid the need for continued litigation of this proceeding.

**WHEREFORE**, for all of the foregoing reasons, the City of Lancaster Bureau of Water supports the Joint Petition and respectfully requests that Administrative Law Judge Heep and the Commission approve it in its entirety without modification.

Respectfully Submitted,



---

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Dated: March 14, 2022

Bureau of Investigation & Enforcement (Statement 2)



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## **I. INTRODUCTION**

### **A. Background Information**

I&E's charge in this case was to represent the public interest, which involves balancing the interests of the City, its ratepayers, and the regulated community as a whole. In order to fulfill its duty to represent the public interest in this case, I&E has spent over four months investigating the City's rate request. The City's filing, which proposed to increase to increase total annual operating revenues for water service to jurisdictional customers by approximately \$4,024,593, or by 20.8%, warranted the close scrutiny, investigation, and development of a comprehensive record that I&E provided in this case.

I&E avers that all parties' investigations of the City's filing, the combined development of the record for this case, and continued settlement discussions have culminated in a Settlement that is in the public interest. I&E notes that the Settlement achieved by the parties represented a difficult balance of competing interests and the City's operational obligations. Accordingly, for the reasons I&E will explain more fully below, I&E respectfully requests that the ALJ recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

### **B. Procedural History**

The history of this proceeding is set forth in the *Background* section of the Joint Petition, which I&E herein adopts and incorporates. In addition, I&E offers the following additional procedural history specific to its participation in this proceeding: I&E attended the telephonic Public Input Hearing held on December 16, 2021 at 6:00 p.m. In accordance with the litigation schedule in this rate case, I&E served its testimonies and exhibits in this

case as listed below:<sup>2</sup>

- I&E Statement No. 1: the Direct Testimony of Zachari Walker
- I&E Exhibit No. 1: the Exhibit to accompany the Direct Testimony of Zachari Walker
- I&E Statement No. 1-SR: the Surrebuttal Testimony of Zachari Walker
- I&E Statement No. 2: the Direct Testimony of Anthony Spadaccio
- I&E Exhibit No. 2: the Exhibit to accompany the Direct Testimony of Anthony Spadaccio
- I&E Statement No. 2-SR: the Surrebuttal Testimony of Anthony Spadaccio
- I&E Statement No. 3: the Direct Testimony of Ethan H. Cline
- I&E Exhibit No. 3: the Exhibit to accompany the Direct Testimony of Ethan H. Cline
- I&E Statement No. 3-SR: the Surrebuttal Testimony of Ethan H. Cline

During the course of this proceeding, I&E and other parties engaged in substantial formal and informal discovery. In accordance with Commission policy favoring settlements,<sup>3</sup> I&E participated early and consistently in multiple extensive settlement discussions with the City and other parties to the proceeding. Following extensive settlement negotiations, the City, I&E, OCA, and OSBA (collectively, the “Joint Petitioners”) reached a

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<sup>2</sup> On January 28, 2022, alongside service of their surrebuttal testimonies, each of the I&E witnesses submitted a verification statement attesting to the facts that the identified documents were prepared by the respective witness and that the facts contained in his testimony are true and correct to the best of his knowledge, information and belief.

<sup>3</sup> 52 Pa. Code § 5.231.

settlement.<sup>4</sup> While the global settlement was pending, at the Joint Petitioners' unopposed request, the ALJ cancelled the evidentiary hearing set for February 9 and February 10, 2022 in order to permit the parties more time to achieve a settlement. On February 10, 2022, after continued settlement discussion resulted in a global resolution of all their issues, the Joint Petitioners agreed that a full settlement was achieved and the City's counsel informed the ALJ of that fact.

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

It is the policy of the Commission to encourage settlements.<sup>5</sup> The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.<sup>6</sup>

The above-referenced policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on September 30, 2021; therefore, for over four months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during

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<sup>4</sup> I&E recognizes that several formal complainants will have an opportunity to indicate their position on the Settlement.

<sup>5</sup> 52 Pa. Code § 5.231.

<sup>6</sup> 52 Pa. Code § 69.401.

the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding.

From a revenue perspective, I&E avers that the Settlement rates, which will provide the City with additional annual revenue of \$2.5 million.<sup>7</sup> Additionally, I&E notes that the total increase is substantially less than that which the City initially proposed, which was \$4,024,593. From I&E's perspective (and apparently the City's as a Joint Petitioner), and consistent with the outcome of I&E's investigation, this increase will provide the City with sufficient revenue to fulfill its obligation to provide safe and effective service to jurisdictional ratepayers. Beyond revenue, the Joint Petition provides for important safety and service enhancements that will significantly benefit the City's jurisdictional ratepayers while also imposing additional accountability upon the City through reporting requirements that will ensure that it adequately reports and accounts for revenue.

## **II. REASONS FOR SUPPORT OF SPECIFIC ISSUES**

### **A. Revenue Requirement (Joint Petition, ¶III(9))**

#### **1. Rates**

At the outset of this case, the City originally requested a total \$4,024,593 overall revenue increase for its jurisdictional water operations<sup>8</sup>. Notably, the City's proposal would

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<sup>7</sup> Joint Petition, ¶III(9).

<sup>8</sup> Water Fund Exhibit GRH-1, Schedule 1, p. 3.

have resulted in a 20.8% increase in annual operating revenues from jurisdictional water customers.<sup>9</sup>

However, pursuant to the Joint Petition, the Settlement Rates are designed to produce additional annual operating revenue of only \$2.5 million. I&E notes that Settlement provides the City with only about 62% of the increase that it requested in its original filing.

In arriving at the Settlement Rates, I&E, along with the other Joint Petitioners, analyzed the ratemaking claims contained in the City's base rate filings including its operating and maintenance expenses, appropriate rate of return, and rate structure. The Settlement represents approximately \$1.525 million in savings for the City's jurisdictional customers compared to proposed rates, which is approximately 38% less of an increase than the City proposed.

It is also important to note that due to the "black box" nature of the Settlement, there is no agreement upon individual issues. Instead, the Joint Petitioners have agreed to an overall increase to base rates that is less than what was requested by the City. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement satisfies the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation. Black box settlements are not uncommon in

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<sup>9</sup> See the Commission Order entered in this case on October 28, 2021 which suspended the City's water rate request for investigation.

Commission practice. Indeed, the Commission has endorsed the use of black box settlements.<sup>10</sup>

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”<sup>11</sup> The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the litigated positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of the City and its jurisdictional customers in a fair and equitable manner.

## **2. Base Rate “Stay Out” Provision (Joint Petition, ¶III(13))**

Absent the exigent circumstances noted in the Settlement, the City will not file for a general rate increase under Section 1308(d) of the Public Utility Code prior to January 1, 2024. This stay out provision provides stability and certainty to ratepayers who will experience rate continuity while the stay-out is in effect and while they transition to increased rates. Accordingly, the stay out provision of the Settlement is in the public interest and it should be approved.

### **B. Cost Allocation and Rate Design (Joint Petition, ¶III(16))**

#### **1. Overall Allocation (Joint Petition, Appendix B)**

The Joint Petitioners agree to the class revenue allocations consistent with Appendix

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<sup>10</sup> *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

<sup>11</sup> *Pa. P.U.C. v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

B to the Joint Petition. The rates to collect the settlement level of water revenue from each class are shown on Appendix B to the Joint Petition. All Joint Petitioners have agreed that water cost allocation is appropriate, equitable and in the public interest.

**C. Tariff Changes** (Joint Petition, ¶III(14)(a)-14(d))

**1. Consumption Charge Language** (Joint Petition, ¶III(14)(a))

I&E took no position regarding the suggested language, which I&E understands was arrived at through the City's discussions with Complainant Kitzmiller. Nevertheless, I&E supports the inclusion of the additional language because it provides a clearer, easier to understand explanation for customers to know how charges are being assessed. I&E submits that that it is in the public interest for customers to have a clear and accurate understanding of the charges they are billed and the basis for those charges and I&E avers that the additional language above will further such understanding

**2. Customer Classifications/Meter Charges** (Joint Petition, ¶III(14)(b))

I&E did not submit any testimony regarding the meter charge. Nevertheless, I&E was involved in the discussion of this issue during settlement negotiations, where it was fully vetted. Accordingly, I&E supports this term as it was necessary for a resolution of this case.

**3. Reconnection Fee** (Joint Petition, ¶III(14)(c))

As part of the Settlement, the City agreed that its reconnection fee will remain at the current level of \$83. This term represents a compromise intended to address the concerns of the OCA. The OCA opposed the City's proposal to increase the reconnection fee from \$83 to \$135, as the proposal was not fully set forth until rebuttal testimony and no adequate cost

basis was able to be established.<sup>12</sup> Although I&E did not submit testimony regarding the City's late proposal, I&E avers that the Joint Petitioners' agreement to refrain from increasing the reconnection fee at this time will serve to protect City's customers from unvetted charges that were not adequately supported in the record; therefore, it is in the public interest.

**D. Future Rate Case Information** (Joint Petition, ¶III(17)(a)-(h))

**1. PUC Section 500 Form** (Joint Petition, ¶III(17)(a))

I&E supports this term because I&E witness Cline identified a need for the City to provide a schedule that accurately demonstrates UFW levels in its next rate case, and the City's commitment to provide the Section 500 LUFW calculations is consistent with I&E's recommendation. By way of further content, I&E witness Cline explained that a high level of UFW means that the Water Fund is producing much more water than its customer are using, resulting in higher and unwarranted level of expenses for treatment costs being recovered from customers.<sup>13</sup> Witness Cline recognized that the Commission has determined that UFW levels that are calculated to be above 20% are excessive<sup>14</sup> and he also noted that data provided from the Water Fund indicated that the Water Fund calculated UFW levels above that threshold for the year of 2017 through 2020.<sup>15</sup>

Although the Water Fund indicates that its calculated levels were evaluated using American Water Works Association ("AWWA") software,<sup>16</sup> the Water Fund did not submit a Section 500 Form so as to enable a review of the calculations and deductions that would

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<sup>12</sup> OCA St. No. 2SR, pp. 3-4.

<sup>13</sup> I&E St. No. 3, p. 17.

<sup>14</sup> I&E St. No. 3, p. 16 (citing 52 Pa Code §65.20(4)).

<sup>15</sup> Id; I&E Exhibit No. 3, Sch. 9.

<sup>16</sup> Water Fund St. No. 2-S, pp. 5-6.

otherwise be available. Accordingly, through the Settlement, the City has now committed to provide the Section 500 Form as part of its next rate case, which I&E submits will afford parties and the Commission to have a clearer, more accurate picture of the calculations and deductions that the City relied upon to calculate the UFW. Readily available access to accurate UFW calculations will become even more important in the City's next rate case because I&E witness Cline has notified the City that if improvement in UFW levels is not achieved, a monetary adjustment will likely be necessary to protect ratepayers from unwarranted costs.<sup>17</sup> Finally, I&E submits that it is in the public interest to ensure that the City is accountable to jurisdictional customers who bear the burden of UFW costs.

## **2. Leak Detection (Joint Petition, ¶III(17)(b))**

As explained above, I&E identified concerns that the City's level of UFW appeared to be excessive and warranted demonstrated improvement by the City's next base rate case.<sup>18</sup> I&E's analysis was, in part, informed by the Water Fund's testimony indicating that its AWWA software returned a "Tier III result" for UFW levels, which triggered a recommendation for the Water Fund to establish or revise policies and processes.<sup>19</sup> Part of the recommended actions for the Water Fund to take included leakage control.<sup>20</sup> Accordingly, I&E witness Cline recommended that the Water Fund describe its leak detection program and include information to gauge its success, as part of its next base rate case.<sup>21</sup> By way of the above Settlement term, the Water Fund has committed to adopt witness Cline's recommendation. Accordingly, I&E submits that this term is in the public

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<sup>17</sup> I&E St. No. 3, p. 18.

<sup>18</sup> I&E St. No. 3, pp. 16-18.

<sup>19</sup> I&E St. No. 3, p. 18; Water Fund St. No. 2-S, pp. 5-6.

<sup>20</sup> Id.

<sup>21</sup> I&E St. No. 3, p. 18.

interest because it will both ensure that the City takes industry-recommended steps to reduce UFW levels and it will also ensure that the City is accountable jurisdictional customers who bear the burden of UFW costs.

**3. Pressure Survey (Joint Petition, ¶III(17)(c))**

I&E did not submit testimony regarding the above term; however, the record reflects that the OCA provided testimony to support a compliance-based need for this term. Specifically, OCA testified that the City has not satisfied that requirements at 52 Pa. Code § 65.6(a) and 52 Pa. Code § 65.6(d) in its reporting of system pressure information.<sup>22</sup> Although for purposes of litigation, the City did not agree with OCA's position, and I&E did not take an of-record position on this issue, all Joint Petitioners were involved in the discussion of this issue during settlement negotiations. I&E supports this term as it was not only necessary to facilitate a settlement of this case, but also because it is in the public interest to ensure that the City complies with its regulatory requirement to report its system pressures so that its service performance can be accurately gauged.

**4. Customer Complaint Log in Excel Format (Joint Petition, ¶III(17)(d))**

The above term was arrived at in recognition of the OCA witness Fought's recommendation for the City to provide more a more robust complaint log and that it be made available in Excel format.<sup>23</sup> Although I&E did not submit testimony regarding this term, I&E was involved in the discussion of this issue during settlement negotiations, where it was fully vetted. Accordingly, I&E supports this term because it will ensure that ratepayers' complaints are tracked, adequately addressed, and resolved in a manner that is

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<sup>22</sup> OCA St. No. 5, pp. 12-14.

<sup>23</sup> OCA St. No. 5, pp. 14-16.

consistent with the City’s obligation to provide safe, adequate, and reliable service to jurisdictional ratepayers.<sup>24</sup>

**5. Lead/Lag Study or Waiver** (Joint Petition, ¶III(17)(e))

Despite filing a base rate case requesting a revenue increase of \$4,024, 593, the City failed to honor its regulatory obligation to support its cash working capital (“CWC”) claim by way of a lead/lag study. Specifically, Section 53.53 of the Commission’s regulations,<sup>25</sup> *Information to be furnished with proposed general rate increase filings in excess of \$1 million*, requires the City to submit an exhibit supporting its claim for CWC based on the lead-lag method.” As I&E witness Walker explained, a lead/lag study measures the differences in time between: (1) the time services are rendered until payment of those services is received; (2) the time between the point when a utility has incurred an expense and the actual payment of the expense.<sup>26</sup>

Although the Water Fund’s base rate filing amount of over \$4 million exceeds the lead/lag study threshold of \$1 million by four times, the Water Fund nevertheless disregarded the requirement to submit the study. Through the discovery process, Water Fund explained that it did not perform a lead/lag study due to the cost of the study; therefore, it used the rule of thumb method of calculating the CWC needs for the filing.<sup>27</sup> I&E witness Walker objected to the Water Fund’s unilateral determination that a lead/lag study was not warranted for this case, as he recognized that while a lead/lag study can be expensive, it is inappropriate

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<sup>24</sup> 66 Pa. C.S. § 1501.

<sup>25</sup> 52 Pa. Code § 53.53, Exhibit D, V. Rate Base, 8.

<sup>26</sup> I&E St. No. 1, p. 29.

<sup>27</sup> I&E St. No. 1, p. 29; I&E Exhibit No. 1, Sch. 8.

for a utility to determine that it will simply use a method that does not meet the requirements of the regulations without explicit approval to do so.<sup>28</sup>

Accordingly, witness Walker recommended that in any future base rate filings whereby the Water fund requested an increase of \$1 million so as to trigger the lead/lag study, it should either provide the study or, in advance of its rate filing, it should make a separate filing to request permission for a waiver of the study requirement.<sup>29</sup> Now, by way of the above Settlement term, the Water Fund has agreed to adopt witness Walker's recommendation. I&E submits that this Settlement term is in the public interest because it will ensure that the Water Fund complies with its regulatory obligations as a jurisdictional utility, while at the same time permitting the Water Fund to petition the Commission for permission to depart from the requirement if compliance would be too costly. In either case, the public interest is served by ensuring that the Water Fund no longer unilaterally departs from its filing requirements and deprives parties and the Commission of information that they otherwise expect to receive for review in the statutory timeline prescribed for a rate case investigation.

#### **6. COVID-19 Relief Funding (Joint Petition, ¶III(17)(f))**

Importantly, the Settlement contains the above term outlining reporting obligations for COVID-19 funding that the City may receive, which is directly responsive to the concerns I&E raised during the pendency of this case. Significantly, as part of its investigation in this case, I&E discovered that the Water Fund had recently been provided with additional revenue via CARES Act funding and that \$5.9 million of the American

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<sup>28</sup> I&E St. No. 1, p. 29.

<sup>29</sup> I&E St. No. 1, pp. 29-30.

Rescue Plan Act of 2021 funding from the City of Lancaster. The money was used to purchase a 30.4-acre property adjacent to the Water Fund Oyster Point Reservoir property.<sup>30</sup>

As I&E witness Cline explained, in order to evaluate whether any funding received by the Water Fund is used in the best interest of its customers, and to ensure that the Water Fund is accountable for the appropriate rate treatment of any award, the Water Fund should be required to include, in its next base rate case, a report of all COVID-19 related relief funding, including but not limited to ARPA funding, that it received.<sup>31</sup> To best achieve rate accountability, witness Cline recommended that the report should include the following information: (1) the source of the funding; (2) the amount of funding awarded; (3) the date the award was made available; (4) any resulting allocation of the award amount to inside and outside customers; (5) an explanation of how those allocations were determined; (6) a breakdown of how the funds were utilized (i.e. specific plant additions, general plant additions, debt service, arrearage forgiveness, lead service line replacement, leak detection program, etc.); and (7) an indication of whether the awarded funding was applied to projects and/or other budgets contemplated in this rate case.<sup>32</sup>

Through the Settlement, the City has adopted witness Cline's recommendation. I&E submits that it is in the best interest of the Water Fund and its ratepayers to seek to receive available funding and for any funding award to be used appropriately. Pursuant to the Settlement, the Water Fund has agreed that it will be accountable. I&E submits that the public interest requires that parties and the Commission are apprised of the Water Fund's

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<sup>30</sup> I&E St. No. 3, pp. 18-19; I&E Exhibit No. 3, Sch. 10.

<sup>31</sup> I&E St. No. 3, pp. 18-19.

<sup>32</sup> I&E St. No. 3, p. 20.

receipt of COVID-19 funding, and that ratepayers receive the benefit of COVID-19 relief funding consistent with the type, amount and designated purpose for which it was intended. Accordingly, the reporting commitments will empower parties and the Commission to ensure that the Water Fund is accountable to ratepayers for any funding awarded. The public interest requires no less.

**7. Valve Exercising Evaluation (Joint Petition, ¶III(17)(g))**

I&E did not submit any testimony regarding allocation of fire protection costs. Nevertheless, I&E was involved in the discussion of this issue during settlement negotiations, where it was fully vetted. Accordingly, I&E supports this term as it was necessary for a resolution of this case.

**8. Fire Protection Costs (Joint Petition, ¶III(17)(h))**

I&E did not submit any testimony regarding allocation of fire protection costs. Nevertheless, I&E was involved in the discussion of this issue during settlement negotiations, where it was fully vetted. Accordingly, I&E supports this term as it was necessary for a resolution of this case.

**E. Hydrant Marking (Joint Petition, ¶III(18))**

I&E did not submit testimony regarding the above term; however, the record reflects that the OCA supported a service-based need for the term. Specifically, OCA witness Fought testified that marking the hydrants at issue would be necessary to ensure that fire companies would be on notice that pumping 500gpm from one of these 34 hydrants may cause negative pressures that could contaminate other portions of the distribution system.<sup>33</sup>

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<sup>33</sup> OCA St. No. 5, p. 9.

While I&E did not take an of-record position on this issue, I&E was involved in the discussion of this issue during settlement negotiations. I&E supports this term as it is both in the public interest and in conformance with the Public Utility Code<sup>34</sup> to ensure that the City provides safe, adequate and reliable service to jurisdictional service, and this term is consistent with that obligation.

**F. Customer Complaint Log (Joint Petition, ¶III(19))**

The above term was arrived at in recognition of the OCA witness Fought's recommendation for the City to provide more a more robust complaint log and that it be made available in Excel format.<sup>35</sup> Although I&E did not submit testimony regarding this term, I&E was involved in the discussion of this issue during settlement negotiations, where it was fully vetted. Accordingly, I&E supports this term because it will ensure that ratepayers' complaints are tracked, adequately addressed, and resolved in a manner that is consistent with the City's obligation to provide safe, adequate, and reliable service to jurisdictional ratepayers.<sup>36</sup>

**G. Financial Reporting (Joint Petition, ¶III(20))**

In its base rate filing, the City elected to use a Fully Projected Future Test Year (FPFTY) as permitted under Act 11 of 2012. Prior to passage of Act 11, the Code traditionally required that utility investment be used and useful in the provision of service before the investment was reflected in rates. By way of Act 11, Section 315 of the Code, *Burden of proof*, was amended to permit extended projections by use of a fully projected test

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<sup>34</sup> 66 Pa. C.S. §1501.

<sup>35</sup> OCA St. No. 5, pp. 14-16.

<sup>36</sup> 66 Pa. C.S. § 1501.

year, “FPFTY” which is the 12-month period beginning with the first month that the new rates will be placed in effect after application of the full suspension period.<sup>37</sup> Essentially, reliance upon FPFTY projections allow a utility to require ratepayers to pay a return on its projected investment in future facilities that are not in place and providing service at the time the new rates take effect and that are not subject to any guarantee of being completed and placed into service. In this case, the City elected to use a FPFTY ending December 31, 2022.<sup>38</sup>

At the outset, it is important to recognize the prior to this case, the City only filed one rate case that relied upon a FPFTY, in its 2014 base rate case; therefore, I&E was only able to gauge the accuracy of the City’s projections from that proceeding. The accuracy of those projections revealed that the Water Fund only added 55.8% of its \$10,308,491 of projected City plant additions.<sup>39</sup> The vast overstatement of the City’s past projections combined with the fact that the discovery process in this case revealed that several plant additions contemplated for this case would not be timely completed led to I&E witness Cline recommending a substantial adjustment in the City’s projected rate base.<sup>40</sup> Specifically, witness Cline recommended that the Water Fund’s projected rate base claim of \$10,308,491 be reduced by \$4,556,353.<sup>41</sup> Alongside the recommended rate base reduction, witness Cline also recommended that the City provide I&E with an update to Schedule 4 of City Exhibit GRH-1, no later than July 1, 2022 which should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2021 and an

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<sup>37</sup> 66 Pa. C.S. § 315(d).

<sup>38</sup> Water Fund St. No. 2, p. 3.

<sup>39</sup> I&E St. No. 3, p. 8; I&E Exhibit No. 3, Sch. 6.

<sup>40</sup> I&E St. No. 3, pp. 6-9.

<sup>41</sup> Id. 8.

additional update for actuals for the year ending December 31, 2022, no later than April 1, 2023. Providing these updates would ensure that more timely verification of the City's projections is available in the future.<sup>42</sup>

As this case progressed, witness Cline withdrew his recommended rate base adjustment only because the City eventually provided further explanation for the inaccuracy of its past projection and it explained steps it has been and will continue to take to ensure that its plant projections are accurate and that the contemplated projects materialize in the timeframe envisioned.<sup>43</sup> However, witness Cline also noted that his agreement to withdraw the rate base adjustment initially recommended only served to highlight the importance of his recommendation that the City be required to provide the updates he recommended to enable verification of future projections.<sup>44</sup> As litigation continued, the City agreed to adopt witness Cline's reporting recommendations with one caveat: the City indicated that it did not currently track the information requested on a monthly basis and that doing so would be "too onerous."<sup>45</sup>

Now, by way of the above Settlement term, I&E and the City have reached an accord that will obligate the City to provide Schedule 4 of Exhibit GRH-1 (including actual capital expenditures, plant additions, and retirements) on a monthly basis, to the extent it is available, for the period ending December 31, 2021 by July 1, 2022, and for the period ending December 31, 2022 by April 23, 2022 to I&E, OCA, and OSBA. As a compromise, the City agreed to track the requested information (actual capital expenditures, plant

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<sup>42</sup> Id. at pp. 12-13.

<sup>43</sup> I&E St. No. 3-SR, pp. 4-8.

<sup>44</sup> I&E St. No. 3-SR, pp. 9-10.

<sup>45</sup> Water Fund St. No. 3-SR, p. 11.

additions, and retirements) on a monthly basis on a going forward basis, as of the effective date of this Settlement, as it will use the additional time to transition its processes to enable monthly tracking. Accordingly, I&E fully supports the Settlement term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of the projections in the City's next base rate filing, which is necessary to ensure that the City is accountable to jurisdictional ratepayers. In turn, the City will have time to transition to monthly reporting so as to limit any hardship that it anticipated when it initially opposed the request.

#### **H. Valve Exercising (Joint Petition, ¶III(21))**

I&E did not submit testimony regarding the above terms; however, the record reflects that the OCA witness Fought provided testimony to support a service and safety-based need for these terms.<sup>46</sup> Although for purposes of litigation, the City did not agree with OCA's position, and I&E did not take an of-record position on this issue, all Joint Petitioners were involved in the discussion of the City's valves during settlement negotiations. I&E supports the above terms because they represent important steps towards ensuring the integrity and safety of the City's distribution system. Additionally, the City's commitment to increasing the level of exercising valves, tracking exercising, and prioritizing critical valves is necessary to ensure that safe and continuous service is available at all locations, especially critical locations. Accordingly, I&E submits that these terms are necessary to protect public safety; accordingly, they are in the public interest.

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<sup>46</sup> OCA St. No. 5, pp. 5-9.

### III. CONCLUSION

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

Respectfully submitted,

A handwritten signature in black ink that reads "Gina L. Miller". The signature is written in a cursive style and is positioned above the typed name of the same individual.

Gina L. Miller  
Prosecutor  
PA Attorney ID No. 313863

Carrie B. Wright  
Prosecutor  
PA Attorney ID No. 208185

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

Dated: March 14, 2022

The Office of Consumer Advocate (Statement 3)



On October 14, 2021, the OCA filed a Formal Complaint and Public Statement. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on October 5, 2021. The Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement on October 20, 2021. Formal complaints were filed by six customers. Formal Complainants Jody and Karen Weinrich requested to withdraw their Formal Complaint.

By Order entered October 28, 2021, the Commission initiated an investigation into the lawfulness, justness and reasonableness of the proposed rate increase and suspended the effective date of Supplement No. 46 until June 29, 2022, by operation of law. The Commission assigned the case to the Office of Administrative Law Judge. Administrative Law Judge (ALJ) Darlene Heep was assigned to the proceeding.

A telephonic Prehearing Conference was held on November 5, 2021 where a procedural schedule was established and modifications to the Commission's discovery regulations were adopted. A telephonic public input hearing was held on December 16, 2021. The OCA, I&E, and OSBA submitted Direct Testimony on December 23, 2021. The City submitted Rebuttal Testimony on January 13, 2022. On January 28, 2021, OCA, I&E, OSBA, and consumer complainant, Frank D. Kitzmiller, served Surrebuttal Testimony. Written rejoinder testimony was served by the City on February 2, 2022.

As a result of the settlement discussions, the signatory parties were able to reach an agreement in principle to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. As a result of the settlement in principle, the scheduled hearings in this matter were canceled, and the testimony will be admitted via the Motion for Admission of Testimony and Exhibits that will also be filed on March 14, 2022. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

## II. SETTLEMENT TERM AND CONDITIONS

### A. Revenue Increase and Allocation (Settlement ¶¶ 9-10)

The proposed Settlement provides for an overall increase in annual revenues of \$2,500,000, or 13.2%. Settlement ¶ 9. This compromise represents a 47.9% reduction from the City's original rate increase request. Under the proposed Settlement, the bill for the typical residential customer using 13,600 gallons would increase from \$77.70 to \$89.08, or 14.6%, rather than from \$77.70 to \$94.14, or 21.1% as originally proposed by the City. Settlement ¶ 10.

In general, the Settlement represents a "black box" approach to all individual revenue requirement 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 a variety of financial numbers. The OCA submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would likely have prevented any settlement from being reached.

Based on the OCA's analysis of the Company's filing, and discovery responses, the amount of the rate increase under the proposed Settlement represents a result that could be within the range of likely outcomes in the event of full litigation of the case. This increase is appropriate when accompanied by other important conditions contained in the Settlement and yields a result that is just and reasonable.

B. Stay Out (Settlement ¶ 13)

Under the proposed Settlement, the City has agreed not to file a general rate increase as defined in Section 1308 prior to January 1, 2024. Settlement ¶ 13. The stay out will provide an important level of rate stability that benefits ratepayers.

C. Rate Structure/Rate Design (Settlement ¶¶ 14(b), (16), 17(h), App. B)

1. Rate Structure (Settlement ¶¶ 16, App. B)

The Settlement provides that the distribution of revenue among the customer classes will be allocated as set forth in Appendix B, the Proof of Revenues. The proposed rates were scaled back approach. See App. B. The OCA proposed some modifications to the CCOSS in its testimony including a proposal to allocate public fire protection costs to municipalities consistent with the requirements of Section 1328 of the Public Utility Code (OCA St. 4 at 7-10). The Fire Protection costs issue has been resolved as detailed in Section C (3) below. The OCA submits that this approach is a reasonable resolution as a part of the Settlement in this proceeding.

2. Customer Charge (Settlement ¶¶ 14(b), 16, App. B)

OCA witness Mierzwa raised two issues relating to the customer charges proposed in the City's filing. First, Mr. Mierzwa recommended modifications to the proposed customer charge for both 5/8-inch meter customers and 1-inch meter customers with a 3/4 -inch meter and 1-inch service line. OCA witness Mierzwa opposed the proposed increase from \$5.55 per month, or \$16.65 quarterly, to \$9.10 per month, or \$27.30 quarterly, for the combined 5/8-inch and 3/4-inch meter sizes.

Second, Mr. Mierzwa also addressed the issue raised by consumer complainant, Mr. Mr. Frank Kitzmiller. Mr. Kitzmiller filed a Formal Complaint in this proceeding and testified at the public input hearing that customer charges should be assessed based upon the size of a customer's

meter and not the size of a customer's service line. See OCA St. 4 at 3-4, 16. Under the City's filing and current tariff, there are two categories of customer charges that apply to residential customers, the 5/8-inch meter and 3/4-inch meter charge and the 1-inch meter customer charge. A customer with a 3/4-inch meter with a 1-inch service line would be charged \$20.90 as a 1-inch meter customer charge. OCA witness Mierzwa recommended that the City charge the same for customers with 5/8 inch meters, 3/4 inch meters, and 1 inch meters as had been approved in the recent Pennsylvania-American base rate proceeding at Docket Nos. R-2020-3019369, R-2020-3019371. OCA St. 4 at 16, OCA St. 4SR at 9. In response in Rebuttal Testimony, City witness Hopkins recommended that the tariff be modified to provide that "rates are established based on the size of the meter serving the property, except in cases where the size of the meter is less than the size of the service line to the property, in which case, the size of the service line shall be used to determine the applicable rate." City St. 1R at 16.

Mr. Mierzwa did not agree with the City's recommendation to modify its tariff because the tariff modification did not address the underlying problem. OCA St. 4SR at 9. As OCA witness Mierzwa testified, "under the proposed language, a customer like Mr. Kitzmiller would continue to be inequitably charged the cost of a 1-inch meter even though the customer is actually served by a smaller-sized meter." OCA St. 4SR at 9. In the alternative to his proposal to charge the same customer charge to the three meter sizes, Mr. Mierzwa recommended:

An alternative approach to address this inequity would be for the City to develop separate customer charges for customers like Mr. Kitzmiller with a meter which is sized smaller than their service line. The City currently bills customers with 5/8 inch and 3/4-inch meters the same customer charge. Under the alternative approach, the customer charge assessed to a customer like Mr. Kitzmiller would be based on the 3/4-inch meter customer charge adjusted to reflect the costs of a 1-inch service line rather than the service line costs reflected in the 3/4 -inch meter customer charge.

OCA St. 4SR at 9.

In response to OCA witness Mierzwa's alternative, the Rejoinder Testimony of City witnesses Heppenstall and Hopkins proposed separate customer charges for each of the three meter sizes, 5/8-inch meter, 3/4-inch meter, and 3/4-inch meter with a 1-inch service line. See, City St. 4RJ at Exh. CEH-1RJ, Sch. I-Alt; City St. 1RJ at Exh. GRH-2GJ (Alternate). The Settlement adopts OCA witness Mierzwa's Surrebuttal Testimony alternative recommendation, the customer charge categories identified in City witnesses Hopkins' and Heppenstall's Rejoinder testimony.

The Settlement creates separate customer charges for each of the meter sizes based upon the cost to serve those meter sizes. The Settlement provides the following:

Residential rates shall be established based on the new residential rate classifications as reflected in the Proof of Revenues at Appendix B. Specifically, there shall be new residential meter classifications for customers with 3/4-inch meters. The 3/4-inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 3/4-inch in diameter or less. The 3/4 x 1-inch meter charge shall be for customers having a 3/4-inch meter and a service line to the property that is 1-inch in diameter.

Settlement ¶ 14(b)(emphasis in original).

The Settlement provides that the customer charges for 5/8-inch meter customers will be increased from \$5.55 per month, or \$16.65 quarterly to \$7.90, or \$23.70 quarterly. App. B. OCA witness Mierzwa recommended an increase to \$21.90 quarterly, or \$7.30 monthly. OCA St. 4 at 15-16. The proposal reasonably addresses the OCA's concerns regarding the proposed increased customer charge for 5/8-inch customers from \$5.55 to \$9.10.

Two new categories of customer charges have been created under the Settlement to address the concerns raised by OCA witness Mierzwa and Mr. Kitzmiller. The 3/4-inch meter customers will be a separate customer charge and will be increase from \$5.55 to \$9.10 based upon the costs to serve.<sup>1</sup> The 3/4-inch x 1-inch service line customers will also be treated as a separate category

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<sup>1</sup> The \$9.10 customer charge was the original noticed proposed increase to the customer charge for the combined 5/8<sup>th</sup>-inch and 3/4-inch meter customers.

charge based upon the costs to service. App. B. The ¾-inch x 1-inch service line meter charge will be \$16.38. App. B. The 1-inch meter customer charge will increase from \$14.70 to \$20.90. App. B. Under the City’s filing, a customer similarly situated to Mr. Kitzmiller would have been assessed the increased customer charge from \$14.70 to \$20.90 for a 1-inch meter. App. B. The Settlement provision would reduce that increase for ¾-inch meter x 1-inch service line customers from the \$20.90 proposed for 1-inch meters to \$16.38. App. B.

This provision should be approved as in the public interest. The Settlement will create separate categories to reflect the costs to serve different sized meter customers. A customer like Mr. Kitzmiller will no longer be charged as a 1-inch meter customer. The customer charge categories and related rates have been redesigned based on the costs to serve each of the respective meter sizes.

3. Fire Protection Charges (Settlement ¶ 17(h))

The Settlement provides that in its next rate case, the City will propose rates to allocate some of the Fire Protection costs for the Commission jurisdictional area to the municipalities served. Settlement ¶ 17(h). Under the City’s current methodology, the inside and outside City Public Fire protection service costs are allocated only to the retail metered customer classes in the City’s CCOSS. OCA St. 4 at 6-7. OCA St. 4 at 6-7. OCA witness Mierzwa described fire protection costs as:

**Fire Protection Costs** are associated with providing the facilities to meet the potential peak demand of fire protection service. In the City’s CCOSS, fire protection costs have been subdivided into the costs associated with meeting Public Fire Protection and Private Fire Protection demands. The extra capacity costs assigned to fire protection were allocated to Public and Private Fire Protection on the basis of the total relative demands of hydrants and service lines.

OCA St. 4 at 6. The cost to ratepayers is significant. For Outside City customers, the CCOSS indicates a Public Fire protection cost of service of \$2.0 million. OCA St. 4 at 11.

The City's methodology is not typical in Pennsylvania. As OCA witness Mierzwa testified:

Most water utilities in Pennsylvania charge municipalities a portion of the cost of providing service, with the remainder spread among the retail metered classes. There is a specific provision of the Public Utility Code, 66 Pa. C.S. § 1328, that allows utilities to charge up to 25% of the cost of Public Fire service directly to municipalities, with the remainder collected using the methodology the City recommends.

OCA St. 4 at 12.

The Settlement provision to propose rates in the next rate case that will charge a portion of the Fire Protection costs in the next base rate proceeding is in the public interest and should be approved. The proposal will ensure that some portion of the costs will be allocated to Fire Protection costs consistent with the Public Utility Code in the next base rate proceeding. Filing the proposal in the next base rate proceeding will allow the City the opportunity to analyze the amount of Fire Protection costs that should be allocated to municipalities and will allow all impacted parties to make their respective recommendations in the next base rate proceeding.

D. Tariff Changes (Settlement ¶¶ 14(a), (c))

1. Reconnection Fee (Settlement ¶ 14 (c))

The Settlement provides that the City will maintain the current \$83.00 reconnection fee and that the reconnection fee will not be increased in this proceeding. In Rebuttal Testimony, City witness Hopkins proposed to increase the reconnection charge from \$83.00 to \$135.00. City St. 1-R at 17. While the City proposed to increase the reconnection charge in its initial filing, the City did not provide the proposed increase amount until it presented Rebuttal Testimony. OCA witness Morgan DeAngelo testified that the proposed increase was not cost justified. OCA St. 2SR at 3. Ms. DeAngelo identified concerns that the City did not provide information regarding how the proposed reconnection fee compares to the inside City customers, its total reconnections fee costs,

and the allocation factor between inside and outside customers. The City also did not provide further breakdown of detailed costs such as the average time required to complete a reconnection and the hourly labor rate. OCA St. 2SR at 3.

Given the OCA's concerns regarding the cost information provided to support the proposed increase, the Settlement provision to maintain the current reconnection fee at \$83.00 is in the public interest and should be approved.

2. Consumption Charge Language (Settlement ¶ 14(a))

The Settlement provides that the following preface language describing the consumption charge will be added to the tariff: "In addition to the customer charge the following water consumption charges will apply." Settlement ¶ 14(a). The proposed language is in the public interest and should be approved because the additional language will provide greater clarity to the tariff regarding the applicable charges and the difference between the consumption charge and the customer charge.

E. Future Rate Case Information (Settlement ¶ 17)

As detailed in the Settlement, the City will provide information in its next water base rate case regarding: (1) Section 500 LUFW (Lost and Unaccounted for Water) calculations; (2) description of its leak detection program; (3) pressure survey results for each of its pressure zones; (4) customer complaint log; (5) a lead/lag study if the requested increase is greater than \$1 million; (6) report on all COVID-19 related relief funding; (7) information regarding the valve exercising plan; and (8) a proposal for rates to allocate some of the Fire Protection costs to municipalities. Settlement ¶ 17.

OCA witnesses Fought and Mierzwa recommended many of these provisions and the reporting of this information in the next base rate proceeding. The additional information will help

the parties to more effectively evaluate important issues in the City’s next water base rate filing. The requested information is in the public interest and should be approved.

F. Quality of Service Issues (Settlement ¶ 18)

1. Hydrant Marking (Settlement ¶ 18)

OCA witness Fought testified that 34 fire hydrants cannot provide the minimum fire flow. OCA St. 5 at 9. Mr. Fought recommended that the fire hydrants be marked so that they will only be used for flushing and blow-offs. *Id.* OCA witness Fought testified “[t]his is important because it is generally accepted that (1) at least 500 gpm can be pumped from every fire hydrant and (2) if a fire company pumped 500 gpm from one of these 34 fire hydrants, it may cause negative pressures that contaminates other portions of the distribution system.” *Id.* The Settlement adopts this recommendation and identifies that the parties and affected municipalities will be notified upon completion of the marking. The Settlement will provide an important protection for quality of service and safety and should be adopted as in the public interest.

2. Customer Complaint Log (Settlement ¶ 19)

The City will revise its customer complaint log and maintain the log in Excel format. The Complaint log will include the following categories: date; location; dirty water; rusty water; water taste, odor, or color; staining (laundry or plumbing fixtures); request for water testing; customer property damage; incomplete surface restoration; health issues; and pressure issues as well as the final disposition of the complaint. Settlement ¶ 19. Section 65.3 of the Commission’s regulations require the City to submit a customer complaint log. *See* 52 Pa. Code § 65.3. OCA witness Fought recommended that these specific categories of information be provided in Excel format. *See* OCA St. 5 at 16. The Settlement provision adopts the recommendation of OCA witness Fought as discussed in his testimony. Settlement ¶ 19; OCA St. 5 at 16. Customer complaints received

between rate cases provide an important metric of the City's service provided to customers. The complaint log with the identified categories will allow the parties to better evaluate the City's quality of service provided in the next base rate proceeding. The Settlement provision is in the public interest and should be adopted.

3. Isolation Valve Exercising (Settlement ¶ 21)

Commissioner Yanora identified in his Directed Questions in this proceeding concerns regarding the exercising of the City's isolation valves. OCA witness Fought shared these concerns and testified "[t]he City has a responsibility to properly maintain all of its water facilities, including exercising isolation valves on a routine basis." OCA St. 5 at 8. He recommended that the City develop a five-year schedule to exercise its isolation valves, and that if there are isolation valves found to be inoperable that they should be repaired or replaced. OCA St. 5 at 8. Critical isolation valves that could not be exercised should be repaired or replaced as soon as practicable, and the City should submit a schedule for replacing or repairing those isolation valves. OCA St. 5 at 9.

City witness Campbell responded that a five-year period was not possible for the Bureau of Water because the City has approximately 13,000 valves in its distribution system, with 9,700 in the PUC-jurisdictional area. City St. 2R at 16. Mr. Campbell proposed in the alternative that the City could reasonably exercise 10% of its valves per year over a 10-year period. City St. 2R at 17. In his Surrebuttal Testimony, OCA witness Fought testified that "it is important that a plan for the exercising [of the] isolation valves will result in all the valves becoming fully operable in a cost-effective manner – i.e, one that reduces the total number of valves that must be repaired and/or replaced." OCA witness Fought identified criteria that should be included in any such plan. OCA St. 5SR at 6-7.

The Settlement adopts the City's alternative recommendation with OCA witness Fought's identified criteria. The Settlement provides that the City will exercise the isolation valves over a 10-year period. Settlement ¶ 21. The valve exercise program will be based on the pressure zones of the distribution system and will exercise the largest valves first in the zone. Settlement ¶ 21. The City will consider in its plan: (1) the size of the valve; (2) whether the valve is a critical valve; (3) when the valve was last operated; and (4) its importance in any main replacement project. Settlement ¶ 21(a). The Settlement also provides a distribution of the total valves and whether the total valves are located within the City or the PUC-jurisdictional areas. Settlement ¶ 21(b). The proposed 25% City and 75% PUC-jurisdictional is based upon the percentage of valves located in the City and in the PUC-jurisdictional areas. The City will also maintain a log and provide the log on April 15 each year to the parties (with the first being due April 15, 2024). Settlement ¶ 21(c). The City will also seek to maintain the valves in operating condition, addressing critical isolation valves that are inoperable as soon as practicable. Settlement ¶ 21(d).

The exercising of isolation valves is an important safety measure, and the Settlement emphasizes ensuring that critical isolation valves are prioritized. The proposed schedule for the exercising of the valves will ensure that the isolation valves are exercised on a routine basis, and the Maintenance Log will provide the parties with important information about the status of the City's efforts. The Settlement provision is in the public interest and should be approved.

### III. CONCLUSION

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

Respectfully Submitted,

/s/ Christy M. Appleby

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DATE: March 14, 2022  
325143

The Office of Small Business Advocate (Statement 4)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2021-3026682</b>
	:	
<b>City of Lancaster — Water Department</b>	:	
	:	

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

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

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceedings, which were initiated by the City of Lancaster Bureau of Water (“City”) on September 30, 2021.

The OSBA was an active participant in the litigation and the negotiations that led to the *Joint Petition for Complete Settlement of Rate Investigation* (“*Settlement*”). The *Settlement* sets forth a comprehensive list of issues that were resolved through the negotiation process. The OSBA submits this statement in support of the *Settlement*.

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

The following issues resolved through the negotiation process and included as terms in the *Settlement* were of particular significance to the OSBA:

### **A. Revenue Requirement Increase**

In the City's initial filings, it sought an increase to its base rate revenues in the amount of \$4,024,593. (*Settlement*, p. 2, ¶ 1). By contrast, the *Settlement* provides the City with an increase in annual operating revenues in the amount of \$2,500,000 (*Settlement*, p. 3, ¶ 9).

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

### **B. Stay-Out**

Additionally, the *Settlement* provides that the City will not file for a general rate increase any sooner than January 1, 2024. (*Settlement*, p. 4, ¶ 13). This provision provides assurance to small business customers that the City will not seek to increase rates for a significant period of time. Such assurance that rates will not increase for a set period of time provides certainty and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.

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

Paragraph 16 of the *Settlement* as well as Appendix B attached to the *Settlement* contain provisions related to rate design and rate structure. (*Settlement*, pp. 5-6). In this proceeding, OSBA witness Brian Kalcic testified that he determined that the City's proposed class revenue allocation in its initial filing was cost based, and therefore acceptable. (*OSBA Statement No. 1*, pp. 2, 4-6). After the City revised its originally filed class cost-of-service study and rate design, Mr. Kalcic reviewed and analyzed the revisions, concluding that the City's revised revenue allocation proposal was acceptable as it would move all customer classes closer to cost of service. *OSBA Statement No. 1-S*, pp. 2-3). Mr. Kalcic therefore recommended that if the City was awarded an increase less than its requested increase, then the City's proposed class increases should be reduced proportionately. (*OSBA Statement No. 1*, pp. 2, 6; *OSBA Statement No. 1-S*, p. 3). Consistent with Mr. Kalcic's recommendation, the *Settlement* revenue allocation is reflective of a proportional reduction in the City's proposed class increases, based on the lower agreed upon revenue requirement, and moves all classes toward cost of service.

**III. Conclusion**

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

Respectfully submitted,

*Erin K. Fure*

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Dated: March 14, 2022