

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 17, 2022

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

Re: Pennsylvania Public Utility Commission
v.
City of Lancaster – Water Department
Docket No. R-2021-3026682

Dear Secretary Chiavetta:

Enclosed please find a copy of the Office of Consumer Advocate's Errata to Statement in Support filed as Attachment 3 to the Joint Petition for Complete Settlement of the Rate Investigation in the above-referenced proceeding. The OCA has identified the following typographical errors in its Statement in Support filed as Attachment 3 of the Joint Petition for Complete Settlement of Rate Investigation. The errors are as follows:

1. Page 3, first paragraph, second line: the percentage should be 37.9% instead of 47.9%
2. Page 6, third paragraph, second line: the phrase "to \$7.90, or \$23.70 quarterly" should be changed "to \$7.95, or \$23.85 quarterly"
3. Page 6, fourth paragraph, third line: the phrase "from \$5.55 to \$9.10" should be changed to "from \$5.55 to \$9.30"
4. Page 7, first line, sixth line: "\$16.38" should be changed to "\$16.70"
5. Page 7, second line, fourth, fifth line: "\$20.90" should be changed to "\$21.10"

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby
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Enclosures:

cc: The Honorable Darlene Heep (**email only**)
3 corrected pages to OCA Statement in Support
Certificate of Service

*325658

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2021-3026682
 :
 City of Lancaster – Water Department :

I hereby certify that I have this day served a true copy of the following document, Errata to the Office of Consumer Advocate’s Statement in Support to the Joint Petition for Complete Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 17th day of March 2022.

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Dated: March 17, 2022
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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 37.9% 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.

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 \$7.95, or \$23.85 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 \$9.30 based upon the costs to serve.¹ The 3/4-inch x 1-inch service line customers will also be treated as a separate category

¹ The \$9.10 customer charge was the original noticed proposed increase to the customer charge for the combined 5/8th-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 \$16.70. App. B. The 1-inch meter customer charge will increase from \$14.70 to \$21.10. 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 \$21.10 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 \$21.10 proposed for 1-inch meters to \$16.70. 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.