

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 31, 2022

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

Re: Application of Quentin Water Co. for Approval of the  
Abandonment and Transfer of Water Service to  
Customers in West Cornwall Township, Lebanon  
County, Pennsylvania to West Cornwall Township  
Municipal Authority  
Docket No. A-2022-3035731

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Protest in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Erin L. Gannon

Erin L. Gannon

Senior Assistant Consumer Advocate

PA Attorney I.D. # 83487

E-Mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Enclosures:

cc: Office of Administrative Law Judge (email only)  
Bureau of Technical Utility Services (email only: [sdonnelly@pa.gov](mailto:sdonnelly@pa.gov), [dsearfoorce@pa.gov](mailto:dsearfoorce@pa.gov))  
Office of Special Assistants (email only: [ra-OSA@pa.gov](mailto:ra-OSA@pa.gov))  
Certificate of Service

\*337162

CERTIFICATE OF SERVICE

Application of Quentin Water Co. for :  
Approval of the Abandonment and Transfer of :  
Water Service to Customers in West Cornwall : Docket No. A-2022-3035731  
Township, Lebanon County, Pennsylvania to :  
West Cornwall Township Municipal Authority :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Protest, 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 31<sup>st</sup> day of October 2022.

**SERVICE BY E-MAIL ONLY**

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/s/ Erin L. Gannon  
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Harrisburg, PA 17101-1923  
Phone: 717-783-5048  
Fax: 717-783-7152  
Dated: October 31, 2022  
\*337163

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Quentin Water Co. for Approval :  
of the Abandonment and Transfer of Water :  
Services to Customers in West Cornwall :       Docket No. A-2022-3035731  
Township, Lebanon County, Pennsylvania to :  
West Cornwall Township Municipal Authority :

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PROTEST OF THE  
OFFICE OF CONSUMER ADVOCATE

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The Office of Consumer Advocate (OCA) files this Protest in the above-captioned Application pursuant to the notice published in the Pennsylvania Bulletin, 52 Pa.B. 6518, the provisions of the Rules of Practice and Procedure of the Pennsylvania Public Utility Commission (PUC or Commission), 52 Pa. Code §§5.51-5.53, and Chapter 11 of the Public Utility Code, 66 Pa. C.S. § 1101, *et seq.* Through this Application, Quentin Water Co. (Applicant or Quentin) seeks Commission approval to abandon service to approximately 246 customers.

The OCA files this Protest in order to ensure that the application is approved only if (1) it is found to be in the public interest and (2) it is in accordance with the Public Utility Code and applicable Commission rules and regulations.

Specifically, the OCA avers as follows:

1.     The protestant is:  
  
Patrick M. Cicero, Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: 717-783-5048

Throughout this Protest, the protestant will be referred to as the Office of Consumer Advocate or OCA.

2. The OCA's attorney is:

Erin L. Gannon  
Senior Assistant Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: 717-783-5048

3. The OCA is authorized by law to represent the interests of utility ratepayers in all proceedings before the Commission. 71 P.S. §§ 309-1, *et seq.* This Protest is filed by the OCA to ensure that the interests of the Applicant's customers are protected.

4. Section 1102 of the Public Utility Code requires that the Commission issue a Certificate of Public Convenience as a legal prerequisite to an entity offering service, abandoning service and certain property transfers by public utilities or their affiliated interests. 66 Pa. C.S. §1102(a)(1)-(3).

5. The Code further requires that a certificate shall only be granted upon findings that the granting of such certificate is "necessary or proper for the service, accommodation, convenience or safety of the public." 66 Pa. C.S. § 1103(a). The Commission has identified five factors to be considered in deciding whether a public utility may abandon its service. *Re Magargel's Golf, Inc.*, 59 PaPUC 517, 522 (1985). One of the five factors is the availability and adequacy of alternate service. *Re Ridgeville Water Co.*, 51 PaPUC 58, 60 (1977).

6. In addition, Section 1103 explicitly allows the Commission to impose conditions upon the issuance of a Certificate of Public Convenience. 66 Pa. C.S. § 1103(a). Section 1103(a) of the Code provides: "The Commission, in granting such a certificate, may impose such

conditions as it may deem to be just and reasonable.” The OCA submits that the Commission may wish to consider the imposition of conditions in order to ensure that the public interest standard is met.

7. Preliminarily, the OCA has identified the following areas that require further consideration by the Commission and must be resolved prior to Commission approval of this Application.

Availability and Adequacy of Alternate Service

8. As noted above, a principal consideration in deciding whether a utility may abandon service is the availability and adequacy of alternate service. *Ridgeville* at 63-64. Here, based on the limited information in the Application, the proposed Buyer, the West Cornwall Township Municipal Authority (WCTMA or Authority), does not currently provide water service. It provides sewer service in the area currently served by Quentin. Application ¶ 12. The filing does not provide information to address whether WCTMA has the technical or financial fitness to provide adequate and reasonable water service to Quentin customers. The OCA submits that additional information is necessary for the Commission to make this determination, including, for example: WCTMA’s plans for operation and management of the water system (will they retain existing Quentin employees, who will be the certified operator?); documentation regarding WCTMA’s record with the Department of Environmental Protection for wastewater service; the Authority’s finances; and whether and what improvements and investment are needed to the Quentin system to provide service to existing and future water customers.

9. The Applicant states that Quentin presently has 246 customers and it is anticipated that customer demand will increase by 200 new customers. Application ¶ 13. There is no

information over what period the new customers will be connected. Further, the number of existing customers stated in the Application is significantly different from the customer count in Quentin's most recent annual report to the Commission, which states that Quentin served 338 customers at December 31, 2021. Annual Report 2021 §§ 402, 610. More information should be provided regarding the current and projected customer count for each of the next ten years.

10. According to its Annual Reports, Quentin's percentage of unaccounted for water has been as high as 34%. 2017 Annual Report § 500. <https://www.puc.pa.gov/pdocs/1569512.pdf>

11. The OCA submits that additional information is necessary to ensure that Quentin customers will receive service from WCTMA that is an adequate and reasonable substitute for service by the Applicant and to determine the proposed Application will provide the requisite substantial, affirmative benefits under Sections 1102 and 1103 of the Public Utility Code, 66 Pa. C.S. §§ 1102, 1103.

#### Purchase Price and Asset Purchase Agreement

12. Although the Applicant states that a copy of the agreement between the Applicant and WCTMA is attached to the Application at Exhibit C, that exhibit only contains the minutes of a shareholder meeting where the vote to approve the sale of the Quentin water system assets. Application ¶ 15. The Application does not specify what assets are proposed to be transferred or the purchase price. This missing information is necessary to evaluate the reasonableness of the proposed transaction and WCTMA's ability to finance the purchase and ongoing operation, maintenance and investment in the system. In this regard, the OCA notes that Resolution 2022-8-24 posted on the West Cornwall Township website indicates that the Authority closed on a loan to fund the purchase price (\$1 million) and that the Township will utilize grant funds to cover closing

costs and initial loan payments until WCTMA takes ownership of Quentin and begins collecting revenue. <https://wctma.files.wordpress.com/2022/09/township-resolution-2022-8-24-supporting-wctma-purchase-of-qwc.pdf>

13. Also, there is a draft Asset Purchase Agreement posted on the Township website, which indicates it was approved at a Township meeting, that references fair market valuation of the Quentin water system under Section 1329 of the Public Utility Code, 66 Pa. C.S. § 1329. <https://wctma.files.wordpress.com/2022/09/wctma-purchase-of-qwc-draft-8-18-2022.pdf>. This is confusing because Quentin is not an eligible “selling utility” under Section 1329 because it is shareholder-owned, i.e. not owned by a municipal corporation or authority. Application ¶ 15 and Exh. C; *see* 66 Pa. C.S. § 1329(g). The Authority is not an eligible “acquiring public utility” or acquiring “entity” because, as a municipal authority, it is not subject to Commission regulation.

#### Rate Impact and Customer Notice

14. If the Application is approved, the Applicant indicates that the rates charged for service “will not be changed.” Application ¶ 16. Exhibit D to the Application is purported to show the current rates “of all water services in the county, current and with adjustment.” Application, Exh. D. That exhibit, however, indicates that customers will pay a “new cost” of \$40 for debt service and that quarterly bills for 12,000 gallons of usage will be \$116.86 compared to current rates of \$76.86, which is an increase of 52%. The exhibit also mentions a \$3,500 tapping fee. Application, Exh. D. It is not clear whether existing customers will be required to pay a tapping fee or that fee is limited to new connections.

15. The Application does not indicate that direct notice was provided to existing Quentin customers. Given the magnitude of the rate increase, if the OCA’s understanding of

Exhibit D is correct, the OCA submits that direct notice is warranted. If Quentin had proposed to increase rates by 52%, it would constitute a general rate increase as defined by Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), and the OCA asserts that the Commission's regulations require Quentin to provide direct notice to customers as required by 52 Pa. Code § 53.45(b)(2). Even if the rate change is not a general rate increase, the Commission should require Quentin to provide individual notice to its affected customers of the change in rates which will result from the transfer to WCTMA. This notice is especially important if the Quentin customers will face both a general rate increase and a substantial tapping fee.

16. As discussed above, the Commission has the authority to condition its approval of the Application on the requirement that Quentin provide individual notice of a general rate increase to customers prior to approving the Application. The notice should specify the rates that are proposed to apply to the transferred customers, including the quarterly bill impact for a typical customer on Quentin's system and include information regarding any tapping fee or other costs or requirements for the transfer of service to WCTMA. The OCA submits that this condition would help to ensure that the transaction is in accordance with the Public Utility Code and applicable Commission rules and regulations and serves the public interest.

17. The OCA reserves the right to raise additional issues as the case proceeds and further information is obtained from the Applicant.

WHEREFORE, the OCA respectfully requests that the application not be granted at this time due to the issues raised above and the need for additional information. If, after receiving information from the Applicant, the OCA determines not to oppose the application, the OCA will promptly notify the Commission that its Protest has been satisfied and/or withdrawn.

Respectfully submitted,

/s/ Erin L. Gannon  
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Dated: October 31, 2022

PUBLIC STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
PURSUANT TO 71 P.S. SECTION 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 P.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Protest and participate in proceedings before the Commission involving the proposed sale of water utility assets, transfer of customers and abandonment of service by Quentin Water Company (Applicant).

The objective of the Consumer Advocate in filing a Protest in this matter is to protect the interests of the customers in the Applicant's service territory. The Consumer Advocate will seek to ensure that the proposed transaction is not approved unless adequate, alternate service is being provided. The Consumer Advocate will investigate the proposed Application to determine if there are substantial, affirmative benefits and request that the Public Utility Commission order all necessary and proper customer protections which are justified, reasonable, and in accordance with sound ratemaking principles.

There are approximately 246 customers within the Applicant's service territory in West Cornwall Township, Lebanon County, Pennsylvania, which are affected by this Application.