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File #: 193623

November 4, 2022

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, et al. v. The York Water Company –
Water Division
Docket Nos. R-2022-3031340, et al.**

**Pennsylvania Public Utility Commission, et al. v. The York Water Company -
Wastewater Division
Docket Nos. R-2022-3032806, et al.**

Secretary Chiavetta:

Attached for filing is the Joint Petition for Settlement of All Issues in the above-referenced proceeding.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Devin Ryan

DR/dmc
Attachments

cc: Honorable Katrina L. Dunderdale (w/attachments)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: November 4, 2022



Devin T. Ryan

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2022-3031340
Office of Consumer Advocate	:		C-2022-3032868
Office of Small Business Advocate	:		C-2022-3032902
	:		
v.	:		
	:		
The York Water Company	:		
	:		

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2022-3032806
Office of Consumer Advocate	:		C-2022-3032869
Office of Small Business Advocate	:		C-2022-3033016
	:		
v.	:		
	:		
The York Water Company – Wastewater Division	:		

JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

The York Water Company (“York Water” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), parties in the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”), hereby submit this Joint Petition for Approval of Settlement of All Issues (“Settlement”) and respectfully request that Administrative Law Judge Katrina L. Dunderdale (“ALJ”) and the Commission approve this Settlement without modification.

As set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceeding. The Settlement provides for increases in rates, as set

forth in the form of tariff supplements attached as Appendices “A” and “B” and the proof of revenues for the water and wastewater increases attached as Appendices “C” and “D” to this Petition, respectively, designed to produce a total increase in annual base-rate operating revenues of \$13,500,000, which consists of an increase in base rate water revenues of approximately \$11,600,000, and an increase in base rate wastewater revenues of approximately \$1,900,000.

In support of this Settlement, the Joint Petitioners state the following:

I. BACKGROUND

1. On May 27, 2022, York Water filed with the Commission Supplement No. 143 to its Tariff Water – Pa. P.U.C. No. 14 (“Supplement No. 143”) and Supplement No. 14 to Tariff Wastewater – Pa. P.U.C. No. 1 (“Supplement No. 14”), along with supporting testimony and information required by 52 Pa. Code §§ 53.52 and 53.53, to become effective August 1, 2022. In Supplement No. 143, York Water proposed a general increase in water rates of \$18,853,738 per year, and in Supplement No. 14, York Water proposed a general increase in wastewater rates of \$1,456,792 per year.¹ By Order entered February 10, 2017, at Docket No. P-2017-2582839, York Water was granted permission to file a single case that combined water and wastewater revenue requirements.

2. On June 1, 2022, the I&E filed a Notice of Appearance.

3. On June 8, 2022, the OCA filed a Notice of Appearance, Complaint, and Public Statement.

4. On June 10, 2022, the OSBA filed a Notice of Appearance, Complaint, Public Statement, and Verification.

¹ The proposed wastewater revenue increase of \$1,456,792 reflected an allocation of a portion of the wastewater revenue requirement to water customers pursuant to 66 Pa. C.S. § 1311(c).

5. On June 23, 2022, York Water was served with a Complaint filed by Larry Wolfe against the Company's proposed water rate increase at Docket No. C-2022-3033223.

6. On July 13, 2022, a Telephonic Prehearing Conference Notice was issued, which scheduled a prehearing conference in the above-captioned matters for July 21, 2022, at 9:00 AM before the ALJ.

7. On July 14, 2022, the Commission entered separate Orders suspending Supplement No. 143 and Supplement No. 14 by operation of law until March 1, 2023, unless otherwise directed by Order of the Commission.

8. Also on July 14, 2022, York Water was served with a Complaint filed by Carol and Franklin Doyle Sr. against the Company's proposed wastewater rate increase at Docket No. C-2022-3033791.

9. On July 15, 2022, a Prehearing Conference Order was issued, directing the parties to file prehearing memoranda on or before July 20, 2022, at 12:00 PM.

10. On July 18, 2022, Complainant Larry L. Wolfe filed a request to withdraw his formal complaint and no longer receive service of documents.

11. The prehearing conference was held as scheduled on July 21, 2022, before the ALJ.

12. On July 22, 2022, York Water was served with a Complaint filed by Robert Eicholtz against the Company's proposed water rate increase at Docket No. C-2022-3033958.

13. Also on July 22, 2022, York Water was served with a Complaint filed by Marguerite Ness against the Company's proposed water rate increase at Docket No. C-2022-3033964.

14. On July 25, 2022, York Water was served with a Complaint filed by Robert Eicholtz against the Company's proposed wastewater rate increase at Docket No. C-2022-3033988.

15. On July 26, 2022, the ALJ issued a Scheduling Order setting forth the procedural schedule and certain procedural rules for the proceeding and consolidating the proceedings at Docket Nos. R-2022-3031340, C-2022-3032868, C-2022-3032869, C-2022-3032902, and C-2022-3033016 with Docket No. R-2022-3032806.

16. On July 28, 2022, York Water was served with a Complaint filed by Selden Granahan against the Company's proposed water rate increase at Docket No. C-2022-3034145.

17. Also on July 28, 2022, York Water was served with Complaints filed by Denise L. Lauer against the Company's proposed water and wastewater rate increases at Docket Nos. C-2022-3034146 and C-2022-3034147, respectively.

18. On July 29, 2022, York Water was served with Complaints filed by Kristina Escavage against the Company's proposed water and wastewater rate increases at Docket Nos. C-2022-3034271 and C-2022-3034173, respectively.

19. Also on July 29, 2022, York Water was served with a Complaint filed by Selden Granahan against the Company's proposed wastewater rate increase at Docket No. C-2022-3034182.

20. On August 3, 2022, York Water was served with Complaints filed by Tammy Shaffer, against the Company's proposed water and wastewater rate increases at Docket Nos. C-2022-3034240 and C-2022-3034242, respectively.

21. On August 19, 2022, OCA, OSBA, and I&E served their written direct testimony and exhibits.

22. On August 31, 2022, the ALJ granted the request of Larry L. Wolfe to withdraw his formal complaint against York Water at Docket No. C-2022-3033223.

23. On September 12, 2022, OCA served errata to OCA Statement No. 1.

24. On September 16, 2022, York Water, OCA, and OSBA served their written rebuttal testimony and exhibits.

25. Also on September 16, 2022, I&E submitted a letter that it would not be submitting written rebuttal testimony.

26. On September 28, 2022, OCA, OSBA, and I&E served their written surrebuttal testimony and exhibits.

27. On October 4, 2022, York Water served its written rejoinder testimony and exhibits.

28. On October 6, 2022, the ALJ held an evidentiary hearing for the admission of testimony and exhibits. The parties waived cross-examination of all witnesses.

29. Also on October 6, 2022, York Water served errata to York Water St. No. 8.

30. The Joint Petitioners held several settlement conferences in this proceeding. Through the Joint Petitioners' collective efforts, they were able to achieve a settlement in principle of all issues.

31. On October 26, 2022, the Joint Petitioners advised the ALJ of the settlement in principle of all issues and of their intent to file a joint petition for settlement and statements in support by November 4, 2022.

32. The Joint Petitioners have been able to agree to a settlement of all issues. The Joint Petitioners have agreed to a base rate increase for both water and wastewater revenues in the proceeding and have agreed to revenue allocation and class rate designs to recover said

increase. The Joint Petitioners are in full agreement that the Settlement is in the best interests of York Water and its customers. The Settlement is set forth in the following Section.

II. SETTLEMENT

33. The Joint Petitioners agree as follows:

34. The settlement rates will be designed to produce \$13.5 million in additional annual base rate operating revenue, which consists of \$11.6 million in additional water base revenues and \$1.9 million in additional wastewater base revenues, based upon the pro forma level of operations for the twelve (12) months ended February 29, 2024. These revenue amounts reflect the allocation of \$1.3 million in wastewater revenue requirement to water rates. York Water will be permitted to file tariff supplements to become effective March 1, 2023.

35. York Water will not file for an increase in distribution water or wastewater base rate revenues for 24 months from the effective date of rates; provided however, that the foregoing provision shall not prevent York Water from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting York Water's rates.

36. The state income tax rate in this proceeding will be set at 8.99% and has been reflected in the settlement revenue requirement. The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2023 tax years through the Company's State Tax Adjustment Surcharge or future base rate proceedings.

37. In accordance with the provisions of 52 Pa. Code § 69.55, the STAS for York Water shall be reset to 0.00% effective with the effective date of rates. Future changes to state tax rates will be reflected either through the STAS or base rate changes.

38. The following water amortization is specifically approved and is reflected in the Settlement's base rate allowance:

<u>Description</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
Customer-Owned Lead Service Line Replacements	4 years beginning with the effective date of rates in this proceeding	\$215,890

39. The following water amortization for a positive acquisition adjustment is specifically approved and is reflected in the Settlement's base rate allowance:

<u>Description</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
Margaretta Mobile Home Park	10 years ending February 28, 2029	\$5,551.00

40. The following water amortizations for negative acquisition adjustments are specifically approved and are reflected in the Settlement's base rate allowance:

<u>Description</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
Lincoln Estates Mobile Home Park Negative Acquisition Adjustment	10 years ending February 28, 2029	(\$7,719.00)
The Meadows Negative Acquisition Adjustment	10 years ending February 28, 2029	(\$15,882.00)
Westwood Mobile Home Park Negative Acquisition Adjustment	10 years ending February 28, 2029	(\$7,547.00)

41. The following wastewater amortization for a positive acquisition adjustment is specifically approved and is reflected in the Settlement's base rate allowance:

<u>Description</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
Felton Borough	10 years beginning with the effective date of rates in this proceeding	\$14,741

42. The Parties agree that they will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the difference between depreciated original cost and acquisition cost (“negative acquisition adjustment”) with respect to the Letterkenny Township Municipal Authority wastewater system acquisition. The Parties agree, and the Company requests the Commission to find, pursuant to Section 1327(e) of the Public Utility Code, 66 Pa. C.S. § 1327(e), that matters of “substantial public interest” exist with respect to such acquisition, which justifies this ratemaking treatment.

43. The Parties agree that agreement to these specific acquisitions, in Paragraphs 38 through 41, cannot be construed as precedent for any future acquisitions by York Water of either water or wastewater systems, nor can this agreement be construed as precedent for any future acquisitions by any other water or wastewater utility.

44. The Company confirms it has not recorded any COVID-19 related deferrals for uncollectibles and COVID-19 related incremental expenses. Any future claim for similar deferred accounting treatment must be based on Commission action after the effective date of new rates in this proceeding.

45. The Company will continue to amortize the benefit of the catch-up deduction permitted under the Internal Revenue Service’s tangible property regulations as established by the Commission-approved settlement of the Company’s 2018 base rate case at Docket No. R-2018-300019. The amortization is without interest and without deduction of the unamortized

balance from rate base. The amortization is subject to adjustment in future cases, in the event the IRS determines the Company is not entitled to the full amount of the catch-up deduction.

46. Rates under this Settlement will be presumed to provide for recovery of a cash contribution to pensions in the amount of \$1,556,000. York Water commits to deposit such amount into its pension trust on an annual basis during the period that rates under this Settlement remain effective, provided that such deposit does not exceed the deductibility limits under the Internal Revenue Code. If the minimum required contribution under Code Section 430 of the Internal Revenue Code exceeds \$1,556,000, York Water will contribute the minimum required contribution under Code Section 430. Until changed by agreement of the Joint Petitioners or Commission Order, York Water will continue to account for differences between the cash contribution and the pension cost calculated pursuant to FASB ASC 715-20 and FASB ASC 715-30 as follows:

The Company has calculated and accrued on its books of account its pension liability incurred for its present employees under the terms of FASB ASC 715-20 and FASB 715-30. The Company makes cash contributions into qualified trusts to fund its pensions. The amount contributed is determined annually pursuant to actuarial studies that use criteria which may be different from criteria used under FASB ASC 715-20 and FASB 715-30. For financial reporting purposes, the Company will record the amount accrued in excess of the cash contribution as a regulatory (deferred) asset in accordance with FASB ASC 980 until the cash amount equals or exceeds the accrual. When the cash contribution exceeds the accrual amount, the Company will correspondingly reduce the regulatory (deferred) asset. For ratemaking purposes in the future, the Company will continue to use cash contributions plus pension administrative costs as the basis for its ratemaking claim for pension expense.

47. The water Distribution System Improvement Charge (“DSIC”) for York Water shall be established at 0% of billed revenues effective with the effective date of Settlement Rates. The DSIC shall remain at 0% of billed revenues until the later of: (i) the end of the FPFTY; or

(ii) the quarter following the point in time at which York Water's total claimed account balances, net of plant funded with customer advances and customer contributions, exceed the levels projected by York Water as of February 29, 2024 (*i.e.*, the end of the FPFTY) per Exhibit Nos. FV-12-4 (\$529,635,106), FV-16-3 (\$41,859,847) and FV-16-4 (\$8,637,823) for a total of \$479,137,436 in utility plant in service. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

48. For purposes of calculating the DSIC, York Water shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

49. On or before June 1, 2023, York Water will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to York Water's Exhibit Nos. FIV-12-1 and FIV-12-1W, which will include actual capital expenditures, plant additions and retirements for the twelve months ended December 31, 2022. On or before June 1, 2024, York Water will update Exhibit Nos. FIV-12-4 and FIV-12-4W, which will include actual capital expenditures, plant additions and retirements through February 29, 2024.

50. The Company's proposed expansion of The York Water Cares Low Income Customer Assistance Program ("Cares Program") to \$40,000 annually is approved. Within 30 days following the entry of a Commission Order approving this Settlement, York Water shall include information concerning the Cares Program and the arrears forgiveness program on its

website. The Company will continue its current process of accepting required documentation for the Cares Program from customers via email and forwarding those documents to the social service agencies that administer the program.

51. The Company agrees to undertake an analysis to estimate the number of low-income customers on its water and wastewater systems, as well as a usage profile of its known low-income customers to be presented as part of its next base rate case. The Company shall conduct an analysis of the estimated costs, potentially eligible customers, and impact on non-eligible customers, of a potential bill discount program within 18 months of the issuance of a final order in this proceeding. The Company will meet with the parties within 30 days after the analysis is completed.

52. In its next base rate proceeding, the Company will propose a pilot low-income bill discount program for residential water and wastewater service.

53. The Company agrees to take such action as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. The Company will provide a report 30 days prior to filing its next base rate case or within two years, whichever is sooner, that will show each year's annual call center performance compared to the 2020 call center performance results.

54. The Company agrees to update its training materials, including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer's rights to dispute York Water's response to questions and concerns, and the policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two (2) years of the issuance of a final order in this proceeding. As part of its commitment to develop more detailed training

materials for its customer call center and other staff, York Water will make explicit its commitment to developing payment arrangements based on the customer's individual circumstances. The Company will also develop a process for oversight and compliance monitoring. The Company will submit the updated training materials within two (2) years of a final order in this proceeding. The Company further agrees to document how its training is conducted and how ongoing compliance is audited.

55. York Water will establish a database to document all customer disputes, and formal and informal complaints, as those terms are defined in 52 Pa. Code § 56.2, for both water and wastewater operations. The database shall include customer account information, address, date of dispute or complaint, the type of issues raised by the dispute or complaint, and the resolution of the dispute or complaint. The Company shall document its development of the database in a compliance filing within twelve (12) months of a final order in this proceeding. The Company agrees to make the complaint log available to parties as part of discovery in its next base rate case.

56. York Water's water and wastewater tariffs shall be amended to include the essential consumer protections set forth in Chapter 56. York Water will submit tariff supplements containing those amendments within twelve (12) months of a final order in this proceeding.

57. York Water will continue not to include any City of York refuse charges on its bills for York Water water and wastewater service and will continue not to threaten termination of service for nonpayment of City of York refuse charges. Any charges collected for City of York refuse charges shall be remitted directly to the City of York without any impact on the amount due for York Water regulated services. York Water will disclose on its web portal and

on its bills issued on behalf of the City of York that York Water will not threaten or undertake termination of water service for non-payment of City of York refuse charges.

58. Class revenue allocation and rate design are as set forth in Appendices “C” and “D” attached hereto, including that the proposed residential 5/8” by 3/4” water customer charge will be \$17.25 per month.

59. The Company shall, in its next base rate case, provide an analysis including, but not limited to, proof of revenue, bill frequency, and bill comparison showing a reduction in the existing 4,000-gallon usage allowance for wastewater customers to a 2,000-gallon allowance. This analysis shall be provided to support a rate design proposal that includes a maximum allowance of 2,000 gallons. Parties reserve the right to address the Company’s analysis and rate proposals as part of the next base rate case.

III. CONDITIONS OF SETTLEMENT

60. This Settlement is conditioned upon the Commission’s approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding and that the rates established hereunder are Commission-made, just and reasonable rates.

61. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings

continue to further hearings, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of this proceeding.

62. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

63. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1308 of the Public Utility Code, 66 Pa. C.S. § 1308, or any other proceeding.

64. Attached as Appendices “E” through “H” are Statements of Support submitted by York Water, I&E, OCA and OSBA, setting forth the bases upon which they believe the Settlement is fair, just and reasonable and is, therefore, in the public interest.

65. Attached as Appendices “I” through “K” are the Joint Petitioners’ Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs.

66. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their rights to file Exceptions.

67. The Joint Petitioners recognize that the proposed Settlement does not bind Formal Complainants that do not choose to join herein. A copy of the proposed Settlement and attached Appendices hereto, including Statements in Support, are simultaneously being served upon all Formal Complainants in this proceeding.

IV. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Katrina L. Dunderdale and the Pennsylvania Public Utility Commission approve this Settlement including all terms and conditions thereof;

2. That the Commission's Investigations at Docket Nos. R-2022-3031340 and R-2022-3032806 be marked closed;

3. That the complaints of the Office of Consumer Advocate at C-2022-3032868 and C-2022-3032869 be marked closed;

4. That the complaints of the Office of Small Business Advocate at C-2022-3032902 and C-2022-3033016 be marked closed;

5. That the complaint of Carol and Franklin Doyle Sr. at Docket No. C-2022-3033791 be marked closed;

6. That the complaints of Robert Eicholtz at Docket Nos. C-2022-3033958 and Docket No. C-2022-3033988 be marked closed;

7. That the complaint of Marguerite Ness at Docket No. C-2022-3033964 be marked closed;

8. That the complaints of Selden Granahan at Docket Nos. C- C-2022-3034145 and C-2022-3034182 be marked closed;

9. That the complaints of Denise L. Lauer at Docket Nos. C-2022-3034146 and C-2022-3034147 be marked closed;

10. That the complaints of Kristina Escavage at Docket Nos. C-2022-3034271 and C-2022-3034173 be marked closed;

11. That the complaints of Tammy Shaffer at Docket Nos. C-2022-3034240 and C-2022-3034242 be marked closed; and

12. That the Commission enter an order consistent with this Settlement, terminating the proceeding and authorizing The York Water Company to file the tariff supplements attached as Appendices “A” and “B” to become effective on or after March 1, 2023.

Respectfully submitted,

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Date: November 4, 2022

/s/ Christy M. Appleby

Date: 11/4/22

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Appendix “A”

THE YORK WATER COMPANY
RATES, RULES AND REGULATIONS
GOVERNING THE DISTRIBUTION OF WATER
IN
THE CITY OF YORK

BOROUGHS OF EAST PROSPECT, GLEN ROCK, HALLAM, JACOBUS, JEFFERSON, LOGANVILLE, MANCHESTER, MOUNT WOLF, NEW FREEDOM, NEW SALEM, NORTH YORK, RAILROAD, SEVEN VALLEYS, SHREWSBURY, SPRING GROVE, WEST YORK, YORK HAVEN AND YORKANA, AND TOWNSHIPS OF CODORUS, CONEWAGO, EAST MANCHESTER, HELLAM, HOPEWELL, JACKSON, LOWER WINDSOR, MANCHESTER, NEWBERRY, NORTH CODORUS, NORTH HOPEWELL, PARADISE, SHREWSBURY, SPRINGGETTSBURY, SPRINGFIELD, SPRING GARDEN, WASHINGTON, WEST MANCHESTER, WEST MANHEIM, WINDSOR, AND YORK, IN YORK COUNTY, PENNSYLVANIA, AND THE BOROUGHS OF ABBOTTSTOWN AND CARROLL VALLEY, AND TOWNSHIPS OF BERWICK, CUMBERLAND, OXFORD, HAMILTON, READING, MOUNT PLEASANT, UNION, AND STRABAN IN ADAMS COUNTY, PENNSYLVANIA, AND TOWNSHIPS OF GREENE, HAMILTON, AND LETTERKENNY IN FRANKLIN COUNTY, PENNSYLVANIA.

ISSUED:

EFFECTIVE: March 1, 2023

By: Joseph T. Hand
President and CEO
130 East Market Street
York, Pennsylvania



NOTICE

THIS TARIFF MAKES INCREASES AND DECREASES IN EXISTING RATES

(See One Hundred Thirty-fourth Revised Page No. 2)

The York Water Company
York, Pennsylvania

Canceling
One Hundred Thirty-third Revised Page No. 2

LIST OF CHANGES MADE BY THIS SUPPLEMENT

INCREASES

Base rates for water service are increased by approximately 21.6% overall. Average residential customer base rates are increased by approximately 19.5%, average commercial base rates are increased by approximately 29.1%, average industrial customer base rates are increased by approximately 28.7%, public fire service rates are increased by approximately 18.7%, and private fire service rates are increased by approximately 18.0%.

DECREASES

The Distribution System Improvement Charge is decreased to 0.00% from 4.91% on page 66.

ISSUED:

EFFECTIVE: March 1, 2023

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Table of Contents	5 Eleventh Revised	
Table of Contents	6 One Hundred Twenty-eighth Revised	(C)
1. Definitions	7 Fourth Revised 7(a) Fifth Revised 7(b) Original	
2. Application for Service		
2.1 Application Required	8 First Revised	
2.2 Application Required	8 First Revised	
3. Service Connections		
3.1 Company Service Line	9 Original	
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3.4.1 Phase 1 of Replacements of Lead Customer-Owned Service Lines	10 Fifth Revised	
3.4.2 Phase 2 Replacements of Lead Customer-Owned Service Lines	10(a) Original	
3.4.3 Reporting, Customer Outreach, and Funding for Phase 1 and Phase 2 Replacements	10(c) Original	
3.5 Separate Trench Required	10(c) Original	
3.6 Tampering with Curb Stop	11 Original	
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(C) Indicates Change

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Schedule "A" - Gravity System	41	Fourth Revised
	42	Twenty-seventh Revised (I)
Schedule "B" - Repumping System	43	Nineteenth Revised
	44	Twenty-seventh Revised (I)
Flat Rates - Gravity System		
Schedule "C" - Building, Construction and Miscellaneous	45	Original
Schedule "D" - Fire Service	46	Twenty-sixth Revised (I)
Flat Rates - Repumping System		
Schedule "E" - Building, Construction and Miscellaneous	47	Twelfth Revised
Schedule "F" - Fire Service	48	Thirty-ninth Revised (I)
Schedule "G" - Repumping Flat Rates	49	Second Revised
This page left blank intentionally for future use	50	Original
14. Drought Contingency Plan	51	Second Revised
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16. Rider DS - Demand Based Service	67	First Revised
17. Federal Tax Adjustment Credit (FTAC)	69	Original

(D) Indicates Decrease

(I) Indicates Increase

11. State Tax Adjustment Surcharge

- 12.1 In addition to the charges provided in this tariff, a surcharge of (0.00%) (I)
will apply to all charges for service rendered on or after February 28, 2023. (C)

The above surcharge will be recomputed, using the same elements prescribed by the Commission.

- a. Whenever any of the tax rates used in the calculation of the surcharge are changed; and
- b. Whenever the utility makes effective any increased or decreased rates.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasions such recomputation; and, if the recomputed surcharge is less than the one then in effect, the Company will, and if the recomputed surcharge is more than the one then in effect, the Company may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

(I) Indicates Increase

(C) Indicates Change

13. Rate Schedules (Continued) Schedule

"A" - Meter Rates (Continued)

Gravity System (Continued)

RATES

Customer Charges

Size of Meter

All Classes

5/8"	\$17.25	(l) ↓
3/4"	23.70	
1"	33.40	
1-1/2"	51.50	
2"	66.90	
3"	161.10	
4"	239.80	
6"	266.30	
8"	511.00	
10"	657.60	
12"	809.60	

Output Charges

Rate per 1,000 Gallons

	Residential		Commercial		Industrial	
Up to 5,000 Gallons Per Month	\$6.631	(l)	\$6.426	(l)	\$6.426	(l)
Next 45,000 Gallons Per Month	6.631	(l)	4.601	(l)	4.601	(l)
Next 1,950,000 Gallons Per Month	6.631	(l)	3.585	(l)	3.861	(l)
Over 2,000,000 Gallons Per Month	6.631	(l)	3.585	(l)	3.324	(l)

(l) Indicates Increase

13. Rate Schedules (Continued)

Schedule "B" - Meter Rates (Continued)

Repumping System (Continued)

RATES

Customer Charges

Size of Meter	All Classes	
5/8"	\$17.25	(I) ↓
3/4"	23.70	
1"	33.40	
1-1/2"	51.50	
2"	66.90	
3"	161.10	
4"	239.80	
6"	266.30	
8"	511.00	
10"	657.60	
12"	809.60	

Output Charges

Rate per 1,000 Gallons

	Residential		Commercial		Industrial	
Up to 5,000 Gallons Per Month	\$10.210	(I)	\$9.853	(I)	\$9.853	(I)
Next 45,000 Gallons Per Month	10.210	(I)	8.371	(I)	8.371	(I)
Next 1,950,000 Gallons Per Month	10.210	(I)	4.508	(I)	7.495	(I)
Over 2,000,000 Gallons Per Month	10.210	(I)	4.508	(I)	4.600	(I)

(I) Indicates Increase

13. Rate Schedules (Continued) Schedule

"D" - Fire Service Rates

Gravity System

Applicable for separate water service for fire purposes, from the gravity system in the City of York, Boroughs of Hallam, North York, West York, Townships of Hellam, Springettsbury, Spring Garden, Manchester and West Manchester, in York County, Pennsylvania.

RATES

	Per Month
Public:	
Public Fire Hydrant (billed to a municipality or other Customer)	\$25.97 (I)
Private:	
Sprinkler or Fire Service Systems:	
2-inch Connection	34.11 (I)
3-inch Connection	45.42
4-inch Connection	56.77
6-inch Connection	113.75
8-inch Connection	227.50
10-inch Connection	341.31
12-inch Connection	507.64
Fire Hydrant, Private:	
Direct Connection to Company Owned Mains:	45.42
Direct Connection to Customers Owned Mains:	
First Hydrant	45.42
Each Additional Hydrant	34.11

(I) Indicates Increase

13. Rate Schedules (Continued)

Schedule "F" - Fire Service Rates

Repumping System

Applicable for separate water service for fire purposes, in the City of York, Boroughs of East Prospect, Glen Rock, Jacobus, Jefferson, Loganville, New Freedom, New Salem, North York, Railroad, Seven Valleys, Shrewsbury, Spring Grove, West York, Manchester, Mount Wolf, York Haven and Yorkana, and Townships of Codorus, Conewago, Hellam, Hopewell, Jackson, North Hopewell, Paradise, Shrewsbury, Springettsbury, Springfield, Spring Garden, Manchester, Newberry, North Codorus, West Manchester, East Manchester, Washington, West Manheim, Windsor, York, and Lower Windsor, York County, Pennsylvania, and the Boroughs of Abbottstown and Carroll Valley, and the Townships of Berwick, Cumberland, Oxford, Hamilton, Reading, Mount Pleasant, Union, and the Township of Straban in Adams County, Pennsylvania, and the Townships of Greene, Hamilton, and Letterkenny in Franklin County, Pennsylvania where water is repumped.

RATES

	Per Month	
Public:		
Public Fire Hydrant (billed to a municipality or other Customer)	\$36.36	(I)
Private:		
Sprinkler or Fire Service Systems:		
2-inch Connection	46.47	
3-inch Connection	61.93	
4-inch Connection	77.46	
6-inch Connection	154.90	
8-inch Connection	309.94	
10-inch Connection	465.01	
12-inch Connection	693.68	
Fire Hydrant, Private:		
Direct Connection to Company Owned Mains:	56.25	
Direct Connection to Customers Owned Mains:		
First Hydrant	56.25	
Each Additional Hydrant	42.23	▼

(I) Indicates Increase

The York Water Company
York, Pennsylvania

Supplement No.
to
Water-Pa. P.U.C. No. 14
Seventy-eighth Revised Page No. 66
Canceling
Seventy-seventh Revised Page No. 66

15. Distribution System Improvement Charge (DSIC)

- 15.1 In addition to the charges provided in this tariff, a distribution system improvement charge of 0.00% will apply to all charges for service on (D)
or after March 1, 2023. (C)

(D) Indicates Decrease (C) Indicates Change

Appendix ‘B’

THE YORK WATER COMPANY

RATES, RULES AND REGULATIONS GOVERNING

THE PROVISION OF WASTEWATER COLLECTION, TREATMENT

AND/OR DISPOSAL SERVICE TO THE PUBLIC IN

THE BOROUGHS OF EAST PROSPECT, FELTON, JACOBUS, AND WEST

YORK AND THE

TOWNSHIPS OF EAST MANCHESTER (ASBURY POINTE RESIDENTIAL

SUBDIVISION), LOWER WINDSOR, WASHINGTON, AND WEST MANHEIM

IN YORK COUNTY, PENNSYLVANIA

AND THE

TOWNSHIPS OF GREENE, HAMILTON, AND LETTERKENNY

IN FRANKLIN COUNTY, PENNSYLVANIA

AND THE

TOWNSHIP OF STRABAN IN ADAMS COUNTY, PENNSYLVANIA

ISSUED:

EFFECTIVE: March 1, 2023

By: Joseph T. Hand
President and CEO
130 East Market Street
York, Pennsylvania



NOTICE

THIS TARIFF MAKES INCREASES IN EXISTING RATES
(See Sixteenth Revised Page No. 2)

LIST OF CHANGES

INCREASES

Base rates for wastewater service are increased by approximately 45.6% overall.

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Section F — Wastewater Control Regulations	16 First Revised	
Section G — Line Extensions	20 First Revised	
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Section K — Industrial & Commercial Service Limitations	25 First Revised	
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(C) Indicates Change

(I) Indicates Increase

PART I: SCHEDULE OF RATES AND CHARGES

Asbury Pointe Area, Felton Borough Area, and Letterkenny Township Area (C)

A flat rate of \$86.90 per month per equivalent dwelling unit. (I)

East Prospect and Lower Windsor Area, Jacobus Borough Area, and Straban Township Area (C)

A metered rate (based on water consumption) as follows:

	<u>Per Month</u>	<u>Rate</u>	
East Prospect and Lower Windsor Area	1 st 4,000 Gals.	\$86.90	(I)
Over	4,000 Gals.	\$7.565 per 1,000 Gals.	(I)

West York Borough Area Rate per Month

A flat rate per equivalent dwelling unit.

Residential	\$60.00	(I)
Commercial/Industrial	\$69.55	(I)

(C) Indicates Change
(I) Indicates Increase

Washington Township Area

A metered rate (based on water consumption) as follows:

	<u>Per Month</u>	<u>Rate</u>
Washington Township Area	1 st 3,000 Gals.	\$40.00
Over	3,000 Gals.	\$5.00 per 1,000 Gals.

An unmetered rate as follows:

	<u>Monthly Rate</u>
Country View Manor	\$45.00
Additional Customer (Adjoining Parcel)	\$50.00

West Manheim Township Area

A metered rate (based on water consumption) as follows:

	<u>Per Month</u>	<u>Rate</u>	
West Manheim Township Area			
Base Rate		\$57.85	(I) ↓
Usage Rate	0-3,500 Gals.	\$7.565 per 1,000 Gals.	
Usage Rate	3,501-7,000 Gals.	\$10.789 per 1,000 Gals.	
Usage Rate	7,001 and above Gals.	\$13.487 per 1,000 Gals.	

Greene, Hamilton, and Letterkenny Township Area

Commercial and Industrial Customers

A metered rate (based on water consumption) as follows:

	<u>Per Month</u>	<u>Rate</u>
Greene, Hamilton, and Letterkenny Township Area	1 st 10,500 Gals	\$111.85
Over	10,500 Gals	\$15.44 per 1,000 Gals.

(I) Indicates Increase

PART I: STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, a surcharge of (0.00%) will apply to all charges (I)
for service rendered on or after February 28, 2023. (C)

The above surcharge will be recomputed, using the same elements prescribed by the Commission.

- a. Whenever any of the tax rates used in the calculation of the surcharge are changed;
and
- b. Whenever the utility makes effective any increased or decreased rates.

The above recalculation will be submitted to the Commission within 10 days after the occurrence of the event or date which occasions such recomputation; and, if the recomputed surcharge is less than the one then in effect, the Company will, and if the recomputed surcharge is more than the one then in effect, the Company may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

(C) Indicates Change

(I) Indicates Increase

Appendix “C”

THE YORK WATER COMPANY
WATER OPERATIONS
COMPARISON OF PRO FORMA COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024

Customer Classification	Pro Forma Cost of Service 12 Months. Ending 2/29/2024		Pro Forma Revenues, 12 Months Ending 2/29/2024				Settlement Increase	
	Amount (Schedule D)	Percent of Total	Under Present Rates*		Under Settlement Rates		Amount	Percent Increase
			Amount (Schedule J)	Percent of Total	Amount (Schedule K)	Percent of Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential								
Gravity	\$ 13,310,919	18.7%	\$ 9,781,992	18.6%	\$ 11,834,597	18.5%	\$ 2,052,605	21.0%
Repumped	32,762,926	45.9%	24,687,304	47.1%	29,353,451	45.8%	4,666,147	18.9%
Total	46,073,845	64.6%	34,469,296	65.7%	41,188,048	64.3%	6,718,752	19.5%
Commercial								
Gravity	5,264,818	7.4%	3,610,022	6.9%	4,689,184	7.3%	1,079,162	29.9%
Repumped	9,997,001	13.9%	6,957,041	13.2%	8,950,294	14.0%	1,993,253	28.7%
Total	15,261,819	21.3%	10,567,063	20.1%	13,639,478	21.3%	3,072,415	29.1%
Industrial								
Gravity	1,239,134	1.7%	851,750	1.6%	1,119,170	1.7%	267,420	31.4%
Repumped	4,528,773	6.3%	3,223,353	6.1%	4,126,314	6.4%	902,961	28.0%
Total	5,767,906	8.0%	4,075,104	7.7%	5,245,484	8.1%	1,170,380	28.7%
Private Fire								
Gravity	914,559	1.3%	673,909	1.3%	824,869	1.3%	150,960	22.4%
Repumped	1,683,036	2.4%	1,345,427	2.6%	1,557,319	2.4%	211,892	15.7%
Total	2,597,596	3.7%	2,019,336	3.9%	2,382,188	3.7%	362,852	18.0%
Public Fire								
Gravity	323,759	0.5%	268,062	0.5%	323,794	0.5%	55,732	20.8%
Repumped	1,329,248	1.9%	1,124,463	2.1%	1,329,176	2.1%	204,713	18.2%
Total	1,653,008	2.4%	1,392,525	2.6%	1,652,970	2.6%	260,445	18.7%
Total Sales	\$ 71,354,174	100.0%	\$ 52,523,324	100.0%	\$ 64,108,168	100.0%	\$ 11,584,844	22.1%
Other Revenue	1,133,709		1,119,149		1,133,709		14,560	1.3%
Total	\$ 72,487,883		\$ 53,642,473		\$ 65,241,877		\$ 11,599,404	21.6%

* Present base rate revenue from Schedule J (excludes DSIC and STAS surcharges).

THE YORK WATER COMPANY

**APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

Rate Block, 100 Gallons (1)	Pro Forma Number of Bills (2)	Pro Forma Consumption, 100 Gallons (3)	Present Base Rates (4)	Revenue at Present Base Rates (5)	Settlement Base Rates (6)	Revenue at Settlement Base Rates (7)
<u>RESIDENTIAL GRAVITY</u>						
Customer Charges						
5/8	235,862		\$ 16.25	\$ 3,832,758	\$ 17.25	\$ 4,068,620
3/4	12,018		22.30	268,001	23.70	284,827
1	3,314		31.50	104,391	33.40	110,688
1-1/2	572		48.50	27,742	51.50	29,458
2	36		63.00	2,268	66.90	2,408
	<u>251,802</u>	<u>-</u>		<u>4,235,160</u>		<u>4,496,001</u>
All Usage		<u>11,067,103</u>	0.5012	<u>5,546,832</u>	0.6631	<u>7,338,596</u>
Subtotal Gravity	251,802	11,067,103		9,781,992		11,834,597
<u>RESIDENTIAL REPUMPED</u>						
Customer Charges						
5/8	503,699		\$ 16.25	\$ 8,185,109	\$ 17.25	\$ 8,688,808
3/4	17,133		22.30	382,066	23.70	406,052
1	4,928		31.50	155,232	33.40	164,595
1-1/2	170		48.50	8,245	51.50	8,755
2	60		63.00	3,780	66.90	4,014
3	0		151.80	-	161.10	0
	<u>525,990</u>	<u>0</u>		<u>8,734,432</u>		<u>9,272,224</u>
All Usage		<u>19,668,195</u>	0.8111	<u>15,952,873</u>	1.0210	<u>20,081,227</u>
Subtotal Repumped	525,990	19,668,195		24,687,304		29,353,451
Total Residential	<u>777,792</u>	<u>30,735,298</u>		<u>34,469,296</u>		<u>41,188,048</u>

THE YORK WATER COMPANY

**APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

<u>Rate Block, 100 Gallons</u> (1)	<u>Pro Forma Number of Bills</u> (2)	<u>Pro Forma Consumption, 100 Gallons</u> (3)	<u>Present Base Rates</u> (4)	<u>Revenue at Present Base Rates</u> (5)	<u>Settlement Base Rates</u> (6)	<u>Revenue at Settlement Base Rates</u> (7)
<u>COMMERCIAL GRAVITY</u>						
Customer Charges						
5/8	777		\$ 16.25	\$ 12,626	\$ 17.25	\$ 13,403
3/4	15,802		22.30	352,385	23.70	374,507
1	6,030		31.50	189,945	33.40	201,402
1-1/2	4,149		48.50	201,227	51.50	213,674
2	2,621		63.00	165,123	66.90	175,345
3	732		151.80	111,118	161.10	117,925
4	436		225.90	98,492	239.80	104,553
6	108		250.90	27,097	266.30	28,760
	<u>30,655</u>	<u>-</u>		<u>1,158,013</u>		<u>1,229,569</u>
First 50		1,329,046	0.4554	605,247	0.6426	854,045
Next 450		2,441,082	0.3261	796,037	0.4601	1,123,142
Over 500		<u>4,135,086</u>	<u>0.2541</u>	<u>1,050,725</u>	<u>0.3585</u>	<u>1,482,428</u>
Subtotal Gravity	30,655	7,905,214		3,610,022		4,689,184
<u>COMMERCIAL REPUMPED</u>						
Customer Charges						
5/8	1,019		\$ 16.25	\$ 16,559	\$ 17.25	\$ 17,578
3/4	9,757		22.30	217,581	23.70	231,241
1	4,935		31.50	155,453	33.40	164,829
1-1/2	4,930		48.50	239,105	51.50	253,895
2	2,951		63.00	185,913	66.90	197,422
3	1,097		151.80	166,525	161.10	176,727
4	504		225.90	113,854	239.80	120,859
6	168		250.90	42,151	266.30	44,738
8	24		481.40	11,554	511.00	12,264
10	12		619.50	7,434	657.60	7,891
	<u>25,397</u>	<u>-</u>		<u>1,156,127</u>		<u>1,227,444</u>
First 50		2,640,688	0.7401	1,954,373	0.9853	2,601,870
Next 450		2,693,741	0.6288	1,693,825	0.8371	2,254,931
Over 500		<u>6,357,696</u>	<u>0.3386</u>	<u>2,152,716</u>	<u>0.4508</u>	<u>2,866,049</u>
Subtotal Repumped	25,397	11,692,125		6,957,041		8,950,294
Total Commercial	<u>56,052</u>	<u>19,597,339</u>		10,567,063		<u>\$13,639,478</u>

THE YORK WATER COMPANY

**APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

Rate Block, 100 Gallons (1)	Pro Forma Number of Bills (2)	Pro Forma Consumption, 100 Gallons (3)	Present Base Rates (4)	Revenue at Present Base Rates (5)	Settlement Base Rates (6)	Revenue at Settlement Base Rates (7)
<u>INDUSTRIAL GRAVITY</u>						
Customer Charges						
5/8	-		\$ 16.25	-	\$ 17.25	\$ -
3/4	313		22.30	6,980	23.70	7,418
1	276		31.50	8,694	33.40	9,218
1-1/2	314		48.50	15,229	51.50	16,171
2	492		63.00	30,996	66.90	32,915
3	180		151.80	27,324	161.10	28,998
4	193		225.90	43,599	239.80	46,281
6	88		250.90	22,079	266.30	23,434
12	9		762.70	6,864	809.60	7,286
	<u>1,865</u>	<u>-</u>		<u>161,765</u>		<u>171,721</u>
First 50		80,255	0.4554	36,548	0.6426	51,572
Next 450		305,835	0.3261	99,733	0.4601	140,715
Next 19,500		1,865,041	0.2831	527,993	0.3861	720,092
Over 20,000		105,504	0.2437	25,711	0.3324	35,070
Subtotal Gravity	<u>1,865</u>	<u>2,356,635</u>		<u>851,750</u>		<u>1,119,170</u>
<u>INDUSTRIAL REPUMPED</u>						
Customer Charges						
5/8	0		\$ 16.25	\$ -	\$ 17.25	\$ -
3/4	228		22.30	5,084	23.70	5,404
1	324		31.50	10,206	33.40	10,822
1-1/2	397		48.50	19,255	51.50	20,446
2	360		63.00	22,680	66.90	24,084
3	230		151.80	34,914	161.10	37,053
4	73		225.90	16,491	239.80	17,505
6	96		250.90	24,086	266.30	25,565
8	24		481.40	11,554	511.00	12,264
	<u>1,732</u>	<u>-</u>		<u>144,270</u>		<u>153,143</u>
First 50		70,429	0.7401	52,125	0.9853	69,394
Next 450		290,756	0.6288	182,827	0.8371	243,392
Next 19,500		2,411,579	0.5824	1,404,504	0.7495	1,807,478
Over 20,000		4,028,059	0.3574	1,439,628	0.4600	1,852,907
Subtotal Repumped	<u>1,732</u>	<u>6,800,823</u>		<u>3,223,353</u>		<u>4,126,314</u>
Total Industrial	<u><u>3,597</u></u>	<u><u>9,157,458</u></u>		<u><u>4,075,104</u></u>		<u><u>5,245,484</u></u>

THE YORK WATER COMPANY

**APPLICATION OF PRESENT AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

<u>Rate Block, 100 Gallons (1)</u>	<u>Pro Forma Number of Bills (2)</u>	<u>Pro Forma Consumption, 100 Gallons (3)</u>	<u>Present Base Rates (4)</u>	<u>Revenue at Present Base Rates (5)</u>	<u>Settlement Base Rates (6)</u>	<u>Revenue at Settlement Base Rates (7)</u>
<u>PRIVATE FIRE PROTECTION GRAVITY</u>						
Private Fire Lines:						
2-inch Connection	33	-	\$ 27.87	\$ 10,925	\$ 34.11	\$ 13,371
3-inch Connection	9	-	37.11	4,082	45.42	4,996
4-inch Connection	137	-	46.38	76,434	56.77	93,557
6-inch Connection	264	-	92.93	293,845	113.75	359,678
8-inch Connection	106	-	185.87	236,798	227.50	289,835
10-inch Connection	7	-	278.85	23,981	341.31	29,353
12-inch Connection	2	-	414.74	9,954	507.64	12,183
Private Fire Hydrant:						
First Fire Hydrant	36	-	37.11	15,883	45.42	19,440
Each Additional	6	-	27.87	2,007	34.11	2,456
Subtotal Gravity	<u>600</u>	<u>-</u>		<u>673,909</u>		<u>824,869</u>
<u>PRIVATE FIRE PROTECTION REPUMPED</u>						
Private Fire Lines:						
2-inch Connection	32	-	\$ 40.15	\$ 15,418	\$ 46.47	\$ 17,844
3-inch Connection	5	-	53.50	3,210	61.93	3,716
4-inch Connection	76	-	66.92	61,299	77.46	70,953
6-inch Connection	200	-	133.82	320,633	154.90	371,140
8-inch Connection	166	-	267.77	532,327	309.94	616,161
10-inch Connection	48	-	401.74	233,009	465.01	269,706
12-inch Connection	10	-	599.29	74,312	693.68	86,016
Private Fire Hydrant:						
First Fire Hydrant	178	-	48.60	103,907	56.25	120,263
Each Additional	3	-	36.48	1,313	42.23	1,520
Subtotal Repumped	<u>719</u>	<u>-</u>		<u>1,345,427</u>		<u>1,557,319</u>
Total Private Fire Protection	<u>1,318</u>	<u>-</u>		<u>2,019,336</u>		<u>2,382,188</u>
<u>PUBLIC FIRE PROTECTION</u>						
Fire Hydrants - Gravity	1,039		\$ 21.50	\$ 268,062	\$ 25.97	\$ 323,794
Fire Hydrants - Repumped	<u>3,046</u>		\$ 30.76	<u>1,124,463</u>	\$ 36.36	<u>1,329,176</u>
Total Public Fire Protection	<u>4,085</u>			<u>1,392,525</u>		<u>1,652,970</u>
Total	842,845	59,490,095		<u>\$ 52,523,324</u>		<u>\$ 64,108,168</u>

Appendix “D”

THE YORK WATER COMPANY
WASTEWATER OPERATIONS
COMPARISON OF REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024

Customer Classification (1)	Cost of Service				Revenues, Present Rates		Revenues, Settlement Rates		Settlement Increase	
	Amount (Schedule B) (2)	Contrib. From Water Rates (3)	Amount to be Recovered Under Settlement Rates (4)	Percent (5)	Amount (2)	Percent (3)	Amount (4)	Percent (5)	Amount (16)	Increase (7)
Residential	\$ 6,934,645	\$ 1,557,644	\$ 5,377,001	88.8%	\$ 3,713,704	89.3%	\$ 5,377,001	88.8%	\$ 1,663,297	44.8%
Non-Residential	1,350,380	\$ 670,076	\$ 680,304	11.2%	443,699	10.7%	680,304	11.2%	236,605	53.3%
Total Sales	8,285,025	2,227,720	6,057,305	<u>100.0%</u>	4,157,403	<u>100.0%</u>	6,057,305	<u>100.0%</u>	1,899,902	45.7%
Other Revenues	4,861	0	4,861		4,861		4,861		0	0.0%
Total	<u>\$ 8,289,886</u>	<u>\$ 2,227,720</u>	<u>\$ 6,062,166</u>		<u>\$ 4,162,264</u>		<u>\$ 6,062,166</u>		<u>\$ 1,899,902</u>	45.6%

**THE YORK WATER COMPANY
APPLICATION OF SETTLEMENT RATES TO CONSUMPTION ANALYSIS
WASTEWATER OPERATIONS
FOR THE TWELVE MONTHS ENDED FEBRUARY 29, 2024**

Rate Block, 100 Gallons (1)	Pro Forma Number of Bills (2)	Pro Forma Consumption, 100 Gallons (3)	Settlement Base Rates (4)	Revenue at Settlement Base Rates (5)
<u>RESIDENTIAL</u>				
<u>Metered</u>				
Minimum Charge 1	8,102	192,282	\$ 86.90	\$ 704,093
Minimum Charge 2	7,916	187,860	86.90	687,900
Customer Charge	24,564	-	57.85	1,421,027
	<u>40,582</u>	<u>380,142</u>		<u>2,813,020</u>
Over 4,000 Gallons - Rate 1	-	49,174	0.7565	37,200
Over 4,000 Gallons - Rate 2	-	53,250	0.7565	40,284
First 3,500 gallons	-	633,978	0.7565	479,604
Next 3,500 gallons	-	153,372	1.0789	165,473
Over 7,000 gallons	-	31,764	1.3487	42,840
	<u>-</u>	<u>921,538</u>		<u>765,401</u>
Total Residential -Metered	40,582	1,301,680		3,578,421
<u>Unmetered</u>				
Unmetered Rate 1	2,830	-	\$ 86.90	245,927
Unmetered Rate 2	20,707	-	\$ 60.00	1,242,420
Unmetered Rate 3	1,370	-	\$ 86.90	119,053
Unmetered Rate 4	2,200	-	\$ 86.90	191,180
Total Residential - Unmetered	<u>27,107</u>	<u>-</u>		<u>1,798,580</u>
Total Residential	67,689	1,301,680		5,377,001
<u>COMMERCIAL AND INDUSTRIAL</u>				
<u>Metered</u>				
Minimum Charge 1	464	13,782	\$ 86.90	\$ 40,322
Minimum Charge 2	470	13,945	86.90	40,800
Customer Charge	360	-	57.85	20,826
	<u>1,294</u>	<u>27,727</u>		<u>101,948</u>
Over 4,000 Gallons - Rate 1	-	6,732	\$ 0.7565	\$ 5,093
Over 4,000 Gallons - Rate 2	-	8,866	0.7565	6,707
First 3,500 gallons	-	7,597	0.7565	5,747
Next 3,500 gallons	-	5,016	1.0789	5,412
Over 7,000 gallons	-	64,392	1.3487	86,845
	<u>-</u>	<u>92,603</u>		<u>109,804</u>
Total Commercial and Industrial -Metered	1,294	120,330		211,752
<u>Unmetered</u>				
Unmetered Rate 1	-	-	\$ 86.90	\$ -
Unmetered Rate 2	6,527	-	\$ 69.55	453,953
Unmetered Rate 3	132	-	\$ 86.90	11,471
Unmetered Rate 4	36	-	\$ 86.90	3,128
Total Commercial and Industrial - Unmetered	<u>6,695</u>	<u>-</u>		<u>468,552</u>
Total Commercial and Industrial	7,989	120,330		\$ 680,304
Total - All Classes	75,678	1,422,010		\$ 6,057,305

Appendix ‘E’

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2022-3031340
Office of Consumer Advocate	:		C-2022-3032868
Office of Small Business Advocate	:		C-2022-3032902

v.

The York Water Company

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2022-3032806
Office of Consumer Advocate	:		C-2022-3032869
Office of Small Business Advocate	:		C-2022-3033016

v.

The York Water Company – Wastewater
Division

**THE YORK WATER COMPANY’S
STATEMENT IN SUPPORT OF SETTLEMENT PETITION**

Of Counsel:

Post & Schell, P.C.

Date: November 4, 2022

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I. INTRODUCTION

The York Water Company (“York Water” or the “Company”) hereby submits this Statement in Support of the Settlement Petition (“Settlement”) entered into by York Water, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), parties in the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”). York Water respectfully requests that the Commission approve the Settlement, including the terms and conditions thereof, without modification.

In this base rate proceeding, York Water presented a combined water and wastewater revenue requirement, which included an allocation of a portion of the wastewater revenue increase to water customers. The Settlement, if approved, will resolve all issues raised by the Joint Petitioners. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that they resolved their respective issues in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest. The Settlement was achieved after a thorough review of York Water’s proposal in this proceeding. The Company responded to many interrogatories, and all of the Joint Petitioners filed multiple rounds of testimony. The Joint Petitioners participated in a number of settlement discussions that ultimately led to the Settlement.

The Company further emphasizes that the Joint Petitioners, through their counsel and experts, have considerable experience in rate proceedings. I&E, OCA and OSBA are all tasked with representing the public interest. This responsibility, combined with their and the Company’s knowledge, experience, and ability to evaluate the strengths and weaknesses of their respective litigation positions, provided a strong base upon which to build a consensus resolving

the disparity between the parties' positions on the revenue requirement for York Water. The revenue increase in the Settlement falls within the range of outcomes bounded by the Company's proposed increase and the revenue requirements identified in the testimony of I&E and OCA.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *See Pa. PUC v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Order entered Dec. 5, 2013). To approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *See Pa. PUC v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order entered July 22, 1991).

The Settlement reflects a carefully balanced compromise of the Joint Petitioners' interests. Therefore, for the reasons explained in this Statement in Support, York Water believes that the Settlement is just, reasonable, and in the public interest and, therefore, should be approved without modification.

In support thereof, York Water states as follows:

II. DISCUSSION

A. REVENUE REQUIREMENT

On May 27, 2022, York Water filed with the Commission Supplement No. 143 to its Tariff Water – Pa. P.U.C. No. 14 (“Supplement No. 143”) and Supplement No. 14 to Tariff

Wastewater – Pa. P.U.C. No. 1 (“Supplement No. 14”), along with supporting testimony and information required by 52 Pa. Code §§ 53.52 and 53.53, to become effective August 1, 2022. In Supplement No. 143, York Water proposed a general increase in water rates of \$18,853,738 per year, and in Supplement No. 14, York Water proposed a general increase in wastewater rates of \$1,456,792 per year, both based upon *pro forma* data for a Fully Projected Future Test Year (“FPFTY”) ending February 29, 2024.¹

The Company’s revenue deficiency decreased in rebuttal testimony due to York Water adopting, in whole or in part, certain of the other parties’ proposed adjustments to payroll, employee benefits, and payroll taxes and the Pennsylvania corporate net income tax rate. (York Water Statement No. 103-R, pp. 2, 23.) These adjustments resulted in a revised revenue deficiency of \$20,201,429, consisting of \$18,744,637 for water (including a wastewater allocation of \$2,696,796) and \$1,456,792 for wastewater. (York Water St. No. 103-R, p. 23; York Water Exh. MEP-1R.)

The Settlement reflects a reasonable compromise between the parties’ positions. I&E originally proposed a combined water and wastewater revenue increase of \$9,877,837 (I&E St. No. 1, pp. 5-6), while the OCA proposed a water revenue increase of \$7,001,522 and a wastewater revenue increase of \$104,786 (*i.e.*, a combined water and wastewater revenue increase of \$7,106,308) (OCA St. No. 1 (REVISED), p. 7.) In surrebuttal, I&E updated its position and proposed a combined water and wastewater revenue increase of \$10,483,964 (I&E St. No. 1-SR, pp. 5-6.) OCA maintained its proposed water revenue increase of \$7,001,522 and wastewater revenue increase of \$104,786. (OCA St. No. 1SR, p. 4.)

¹ The proposed wastewater revenue increase of \$1,456,792 reflected an allocation of a portion of the wastewater revenue requirement to water customers pursuant to 66 Pa. C.S. § 1311(c).

The Settlement rates are designed to produce \$13.5 million in additional annual base rate operating revenue, which consists of \$11.6 million in additional water base revenues and \$1.9 million in additional wastewater base revenues. (Settlement ¶ 34.) Accordingly, York Water’s water and wastewater base rates are designed to produce total base revenues of approximately \$71,304,043.² New rates will become effective March 1, 2023. (Settlement ¶ 34.) The agreed-upon amount will allow the Company to continue providing safe and reliable service to its customers and will provide York Water an opportunity to earn a reasonable return on and of its investments.

Attached to this Statement in Support as Attachment “1” is a comparison of current, proposed, and settled base rates for water and wastewater service at various usage levels and for the several customer classes.

It is important to note that the revenue requirement under the Settlement is a “black box” settlement, with certain exceptions discussed below. Under a “black box” settlement, parties do not specifically identify rate base, revenues, and expenses and return that are allowed or disallowed. York Water believes that the “black box” concept often facilitates settlement agreements because parties are not required to identify a specific return on equity or specifically identify rate base, revenues, and/or expenses and return that are allowed or disallowed. This process allows a settlement without requiring parties to abandon or reverse their positions on important issues, which could impact their positions in later cases.

The Commission encourages black box settlements. *See, e.g., Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, at 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, at 27-28 (Order entered Dec. 19, 2013); *St. of Chairman*

² As noted later in this Statement in Support, York Water’s Distribution System Improvement Charge and State Tax Adjustment Surcharge will be reset to 0% as of the effective date of rates under the Settlement.

Robert F. Powelson, Implementation of Act 11 of 2012, Docket No. M-2012-2293611 (Public Meeting, Aug. 2, 2012). Under a “black box” settlement, it is not necessary for the Administrative Law Judge to decide individual rate base or revenue and expense adjustments proposed by the parties or determine the return on equity under the Settlement in order to determine the reasonableness of the proposed revenue increase under the Settlement.

Viewed in the context of the entire Settlement, York Water believes that the revenue requirement is reasonable and will provide the Company with the additional revenues necessary to provide safe and reliable service to its customers. As such, the Settlement appropriately balances the need for the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates.

B. STAY-OUT

The Settlement contains a stay-out provision whereby York Water agrees not to file another base rate case for 24 months from the effective date of rates; provided, however, the Company is not prohibited from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting York Water’s rates. (Settlement ¶ 35.) This provision will provide customers with considerable rate stability over the coming years and will provide the Company flexibility in the event it experiences specific cost increases. Therefore, this settlement provision should be approved without modification.

C. SETTLEMENT AMORTIZATIONS

Although the overall Settlement amount is a “black-box” number, the Settlement does provide for certain specific amortizations.

Section 1327 of the Public Utility Code establishes the treatment of water and wastewater acquisitions greater than, and lower than, the depreciated original cost of the assets acquired

from another public utility, a municipal corporation or a person (“positive acquisition adjustment”). *See* 66 Pa. C.S. § 1327. Acquisition costs greater than depreciated original cost are addressed in Section 1327(a). *See id.* § 1327(a). In summary, the excess of the acquisition cost over the depreciated original cost may be added to rate base, to be amortized over a reasonable period of time, if the acquiring public utility meets the criteria set forth in subsection (a). *See id.* Section 1327(e) establishes procedures for the treatment of acquisition costs lower than depreciated original cost (“negative acquisition adjustment”). *See id.* § 1327(e). Under those procedures, the difference shall, absent matters of substantial public interest, be amortized as an addition to income over a reasonable period of time. *See id.*

The Settlement continues the positive acquisition adjustment associated with the acquisition of the Margareta Mobile Home Park (“Margareta”) water system (Settlement ¶ 39) as well as the negative acquisition adjustments associated with the acquisitions of the Lincoln Estates Mobile Home Park (“Lincoln Estates”), The Meadows, and Westwood Mobile Home Park (“Westwood”) water systems (Settlement ¶ 40). The Settlement also allows the Company to amortize a portion of the positive acquisition adjustment associated with the acquisition of Felton Borough’s wastewater system (Settlement ¶ 41.) The amortizations for Margareta, Lincoln Estates, The Meadows, and Westwood were established in York Water’s 2018 base rate proceeding. The amortization of Felton Borough is being established in this proceeding.

In direct testimony, York Water explained that the Felton Borough system served approximately 130 wastewater customers in York County, Pennsylvania. (York Water St. No. 1, p. 16.) Felton was not certificated by the Commission and did not wish to continue providing wastewater service to its residents due to increasing costs and the challenges of meeting regulatory oversight and reporting requirements. (York Water St. No. 1, p. 16.) In July 2018,

DEP served a Notice of Violation (“NOV”) on Felton resulting from the Pennsylvania Department of Environmental Protection’s (“DEP”) inspection of Felton Borough in June 2018. (York Water St. No. 1, p. 16.) The findings in the Inspection Compliance Report and subsequent NOV are indicative of Felton’s difficulties with operating its wastewater system. (York Water St. No. 1, p. 16.) In addition to the conditions that resulted in the NOV, DEP also noted an effluent violation occurring in August 2017. (York Water St. No. 1, pp. 16-17.) Additionally, Felton identified Inflow and Infiltration (“I&I”) problems with the collection system as noted in its 2018 Chapter 94 report. (York Water St. No. 1, p. 17.) Felton concluded that its volunteer, part-time board had insufficient experience to continue meeting the regulatory requirements associated with its wastewater obligations. (York Water St. No. 1, p. 17.) Upon taking over the Felton Borough wastewater collection and treatment system, the Company improved the facilities by installing Supervisory Control and Data Acquisition (“SCADA”) equipment and backup power generation at the treatment plant and sanitary lift station. (York Water St. No. 1, p. 17.) Accordingly, York Water requested amortizing the \$294,808 positive acquisition adjustment over a 10-year period as part of rate base . (York Water St. No. 1, p. 18.)

The OCA opposed the positive acquisition adjustment for the Felton Borough water system acquisition, contending that the criteria set forth in Section 1327(e) of the Public Utility Code had not been met. (OCA St. No. 6, pp. 14-15.) OCA witness Fought claimed that the NOV did not indicate Felton Borough was providing inadequate service because it is not unusual for wastewater systems to get an NOV that includes an effluent violation. (OCA St. No. 6, p. 14.) In rebuttal, York Water disagreed with OCA’s position, arguing that the NOV was indicative of the challenges Felton Borough was having in providing safe and reliable service and would result in additional and more serious violations in the future. (York Water St. No. 1-

R, p. 4.) Moreover, during the Company's due diligence period, York Water identified numerous deficiencies at the treatment plant, such as algae covered work platforms, decant tanks that were full, and influent floats indicated that flow and transfer that were inoperable. (York Water St. No. 1-R, p. 4.)

The Settlement reflects a compromise of the Company's and OCA's positions on the Felton Borough positive acquisition adjustment. Instead of an annual amortization of \$29,481 for a 10-year period as proposed by York Water, the Joint Petitioners have agreed to reduce that annual amortization by half to \$14,741 for a 10-year period beginning with the effective date of rates in this proceeding. (Settlement ¶ 41.)

The Settlement also provides that the Joint Petitioners will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the negative acquisition adjustment³ with respect to the Letterkenny Township Municipal Authority ("Letterkenny") wastewater system acquisition. (Settlement ¶ 42.) Under the Settlement, the Joint Petitioners agree that matters of substantial public interest exist with respect to this acquisition, which justifies the negative acquisition adjustment. (Settlement ¶ 42.)

Specifically, Letterkenny was not certificated by the Commission and did not wish to continue providing wastewater service to its residents due to increasing costs and the challenges of meeting regulatory oversight and reporting requirements. (York Water St. No. 1, p. 18.) Letterkenny also concluded that its investment in maintaining the wastewater system in future years would be insufficient to provide reliable wastewater collection and treatment services.

³ In *Pa. PUC v. York Water Co.*, Docket No. R-922168, 1992 Pa. PUC LEXIS 115, at *40-41 (Order entered Nov. 18, 1992), the Commission held that under the provisions of Section 1327(e) of the Public Utility Code, 66 Pa. C.S. § 1327(e), water companies are not required to amortize negative acquisition adjustments when "matters of substantial public interest" are involved. The Commission in that case defined "matters of substantial public interest" to include such factors as "unsafe and inadequate water supplies, inadequate fire flows and the inability to meet Safe Drinking Water Act requirements." *Id.* at *56.

(York Water St. No. 1, p. 19.) For example, in September 2018, DEP entered into a Consent Order and Agreement (“COA”) with Letterkenny for discharges between April 2013 and August 2017 that, as stated on page 2 of the COA, were “contrary to the terms and conditions set forth in its NPDES Permit.” (York Water St. No. 1, p. 19.) On January 2, 2018, DEP conducted an inspection of the wastewater treatment plant and identified accumulated sewage solids at the outfall. (York Water St. No. 1, p. 19.) Subsequently, DEP issued an NOV on January 5, 2018. (York Water St. No. 1, p. 19.) DEP concluded that Letterkenny had violated Sections 201 and 202 of The Clean Streams Law, 35 P.S. §§ 691.201 and 691.202, as well as its National Pollutant Discharge Elimination System permit. (York Water St. No. 1, p. 19.) Letterkenny was ordered to take certain corrective actions and pay a civil penalty. (York Water St. No. 1, p. 19.) Upon taking over the Letterkenny wastewater collection and treatment system, the Company installed SCADA equipment and backup power generation. (York Water St. No. 1, pp. 19-20.) The Company also corrected all items that resulted in the COA. (York Water St. No. 1, p. 20.)

In addition, the Settlement provides for amortizations of certain costs associated with customer-owned lead service line replacements. (Settlement ¶ 38.) The Company has incurred actual costs replacing customer-owned lead service lines since its last base rate case of \$1,132,257. (York Water St. No. 3, p. 55.) As part of the settlement in the Company’s 2018 base rate case at Docket No. R-2018-3000019, the Commission allowed the regulatory asset to be amortized over a period of four years. (York Water St. No. 3, p. 55.) The annual amortization of these costs would be \$215,890, after subtracting the updated amortization of \$283,064 from the amortization recorded during the 12 months ended December 31, 2021, of \$67,174. (York Water Statement No. 3, p. 55.) No parties opposed this amortization, and the Settlement reflects the annual amortization of \$215,890.

York Water maintains that the amortizations and the positive and negative acquisition adjustments, as modified by the Settlement, reflect a reasonable compromise of the Joint Petitioners' positions. Thus, these settlement provisions are in the public interest and should be approved.

D. COVID-19 RELATED UNCOLLECTIBLE DEFERRALS AND INCREMENTAL EXPENSES

As noted by I&E witness Walker, York Water did not make an expense claim for COVID-19 related deferrals and incremental expenses. (I&E St. No. 1, p. 25.) However, Mr. Walker recommended that the Company be prohibited from “mak[ing] any future claims for COVID-19 related uncollectible accounts expense or other COVID-19 related incremental expenses in future proceedings.” (I&E St. No. 1, p. 26.) According to Mr. Walker, “Any COVID-19 related expenses for the FPFTY should already be included in routine expense accounts and thus not require future requests for deferral treatment.” (I&E St. No. 1, p. 27.)

In rebuttal, the Company noted that the COVID-19 pandemic is “ongoing,” so York Water “cannot say for certain that it will not incur COVID-19 related expenses in the future should new variants emerge that would require incremental expenses.” (York Water St. No. 3-R, p. 22.) Therefore, York Water “reserve[d] the right to make future claims for COVID-19 related expenses in future proceedings should the need arise.” (York Water St. No. 3-R, p. 22.)

I&E witness Walker disagreed with York Water's rebuttal position. (I&E St. No. 1-SR, p. 22.) However, he did clarify that there would be an exception to his recommendation, specifically “that any future claim for similar costs should be based on Commission action occurring after the effective date of the new rates in the instant proceeding.” (I&E St. No. 1-SR, p. 22.)

Under the Settlement, the Company confirms it has not recorded any COVID-19 related deferrals for uncollectibles and COVID-19 related incremental expenses. (Settlement ¶ 44.) Any future claim for similar deferred accounting treatment must be based on Commission action after the effective date of new rates in this proceeding. (Settlement ¶ 44.) Thus, when viewed within the whole of the Settlement, these settlement provisions reflect a reasonable compromise of the parties' positions. Accordingly, the provisions should be approved without modification.

E. TANGIBLE PROPERTY REGULATIONS

In 2014, York Water adopted a change to tax accounting that allowed the Company to deduct the costs of certain assets that were previously capitalized and depreciated for tax purposes. The additional catch-up deduction produced retroactive tax savings for the years 2007-2013. Under the Settlement, the Company will continue to amortize the benefit of the catch-up deduction permitted under the Internal Revenue Service's tangible property regulations as established by the Commission-approved settlement of the Company's 2018 base rate case at Docket No. R-2018-300019. (Settlement ¶ 45.) The amortization is without interest and without deduction of the unamortized balance from rate base. (Settlement ¶ 45.) The amortization is subject to adjustment in future cases, in the event the Internal Revenue Service ("IRS") determines the Company is not entitled to the full amount of the catch-up deduction. (Settlement ¶ 45.) These settlement provisions are consistent with the Commission-approved settlement in York Water's 2018 base rate case and should be approved without modification.

F. PENSION CONTRIBUTION

In a series of settlements, York Water and the parties have agreed to provisions that commit York Water to make a specified level of pension contributions, subject to IRS and Employee Retirement Income Security Act ("ERISA") restrictions. This approach has served effectively to provide assurance of adequate pension funding in exchange for rate allowances

that support funding above minimum required levels. In York Water's last rate case in 2018, York Water agreed to maintain an annual contribution of \$2,300,000 to the Company's defined benefit plan pension trusts. *See Pa. PUC v. The York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, p. 14 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019). In this year's case, York Water recommended a \$1,556,000 contribution to the plans to fund the service cost, the amortization of the net loss, and the amortization of the prior service cost that will maintain the fully funded status of the plans. (York Water St. No. 103, p. 88.) The Company believes that it is in the best interest of the plans, their participants, and York Water's customers to make cash contributions to the plans to ensure that the plans are fully funded. (York Water St. No. 103, p. 88.)

The instant Settlement adopts this funding commitment of \$1,556,000 by the Company. (Settlement ¶ 46.) The Settlement pension contribution amount is important because it ensures that sufficient funds will be contributed to York Water's pension plans to fund the current unfunded obligation and future pension liabilities, benefitting both York Water's employees and customers by appropriately funding York Water's ultimate pension liability at a level recognized in rates. Thus, this settlement provision is reasonable and in the public interest and, therefore, should be approved.

G. STATE INCOME TAXES AND STAS

In direct testimony, I&E witness Walker noted that the Company's state income tax expense claim was based on the then-existing Pennsylvania corporate net income tax rate of 9.99%. (I&E St. No. 1, p. 19.) However, he recommended reducing the Company's state income tax expense claim due to the passage of House Bill 1342, which would reduce the corporate net income tax rate from 9.99% to 8.99% for the tax year 2023 and would reduce the tax rate by an additional 0.5% every year until 2031, until the tax rate is ultimately 4.99%. (I&E

St. No. 1, pp. 19-20.) For his proposed reduction of the state income tax expense claim, Mr. Walker utilized a weighted corporate net income tax rate of 8.91% for the FPFTY. (I&E St. No. 1, p. 20.)⁴

York Water recognized that its state income tax expense claim needed to be updated to reflect the change in the Pennsylvania corporate net income tax rate; however, the Company disagreed with I&E's approach. (York Water St. No. 3-R, p. 19.) Instead of using I&E's proposed weighted corporate net income tax rate of 8.91% for the FPFTY, York Water proposed modifying its state income tax expense claim by using the corporate net income tax rate of 8.99% that would be in effect for 2023. (York Water St. No. 3-R, p. 19.) Although this rate would not factor in the decrease to 8.49% that would be in effect for the final two months of the FPFTY, the Company proposed utilizing the State Tax Adjustment Surcharge ("STAS") to account for that decrease as it would for all future decreases, not otherwise captured in a base rate case, through 2031. (York Water St. No. 3-R, p. 19.) Such an approach would allow the Company to align the STAS with the change in rate when it is effective on January 1, 2024, rather than seek to make it effective on a pro rata basis on March 1, 2024, after the end of the FPFTY. (York Water St. No. 3-R, p. 19.) Further, this approach would not impact the customer rates in total but would make the administration of the corporate net income tax rate changes easier. (York Water St. No. 3-R, pp. 19-20.)

In surrebuttal testimony, I&E witness Walker accepted the Company's proposed modification to the state income tax expense claim. (I&E St. No. 1-SR, pp. 16-17.)

Under the Settlement, the Joint Petitioners have memorialized the Company's proposal to modify the state income tax expense claim as outlined in York Water's rebuttal testimony.

⁴ The weighting reflected 10 months of a state income tax rate of 8.99% and two months of a state income tax rate of 8.49%.

(Settlement ¶ 36.) Specifically, the state income tax rate in this proceeding will be set at 8.99% and has been reflected in the settlement revenue requirement. (Settlement ¶ 36.) The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2023 tax years through the Company's State Tax Adjustment Surcharge or future base rate proceedings. (Settlement ¶ 36.)

In addition, the Settlement provides that, in accordance with the provisions of 52 Pa. Code § 69.55, the STAS for York Water shall be established at 0% effective with the effective date of settlement rates in this proceeding. (Settlement ¶ 37.)⁵ Such provision confirms the treatment of the STAS as a result of the Settlement in this proceeding. Therefore, these settlement provisions are reasonable and in the public interest and should be approved.

H. DSIC

In addition, under the Settlement, the water Distribution System Improvement Charge ("DSIC") for York Water shall be established at 0% of billed revenues effective with the effective date of Settlement Rates. (Settlement ¶ 47.) The DSIC shall remain at 0% of billed revenues until the later of: (i) the end of the FPFTY; or (ii) the quarter following the point in time at which York Water's total eligible account balances, net of plant funded with customer advances and customer contributions, exceed the levels projected by York Water as of February 29, 2024 (*i.e.*, the end of the FPFTY) per Exhibit Nos. FV-12-4 (\$529,635,106), FV-16-3 (\$41,859,847) and FV-16-4 (\$8,637,823) for a total of \$479,137,436 in utility plant in service. (Settlement ¶ 47.) The Settlement provides that the foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing. (Settlement ¶ 47.) Further, for

⁵ Effective January 1, 2023, York Water will reflect the change in the state income tax rate from 9.99% to 8.99%. This STAS rate will be in effect until the effective date of rates under this Settlement.

purposes of calculating its DSIC, York Water shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 48.) These provisions help resolve any ambiguity as to the base rate case's impact on and the calculation of the DSIC. Thus, these settlement provisions are reasonable and in the public interest and should be approved.

I. FTY AND FPFTY REPORTING REQUIREMENTS

The Settlement also provides that on or before June 1, 2023, York Water will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to York Water's Exhibit Nos. FV-12-1 and FV-12-1W, which will include actual capital expenditures, plant additions and retirements for the 12 months ended December 31, 2022. (Settlement ¶ 49.) On or before June 1, 2024, York Water will update Exhibit Nos. FV-12-4 and FV-12-4W, which will include actual capital expenditures, plant additions and retirements through February 29, 2024. (Settlement ¶ 49.) This settlement provision mirrors Paragraph 38 of the settlement in York Water's 2018 base rate case, which resolved I&E's proposed reporting requirement on actual capital expenditures, plant additions, and retirements for the FTY and FPFTY. *See Pa. PUC v. The York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, pp. 16, 27-28 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019). The Joint Petitioners have included the same commitment in this Settlement, which will help parties evaluate the accuracy of the Company's projections for the FTY and FPFTY. Therefore, this settlement provision is reasonable and in the public interest and should be approved.

J. LOW-INCOME PROGRAMS

In the Company's 2018 base rate case, the Commission approved \$20,000 in annual funding for York Water's Cares Low Income Customer Assistance Program ("Cares") on a pilot basis until the Company's next base rate case. (York Water St. No. 2, p. 11.) The program has been a success in helping low-income customers pay their water and wastewater bills, especially during the COVID-19 pandemic. (York Water St. No. 2, p. 11.) As such, in this proceeding, York Water proposed establishing the program permanently and increasing the annual funding to \$40,000. (York Water St. No. 2, p. 11.) In support of this proposal, the Company noted that: (1) the existing annual funding of \$20,000 has been fully expended every year of the program; and (2) York Water's customer base and service territory continues to grow. (York Water St. No. 2, p. 11.)

No parties opposed the Company's proposal to increase the annual funding of the Cares program to \$40,000. However, OCA witness Alexander raised a series of issues and proposals related to the Company's low-income customers. In particular, Ms. Alexander argued that the Company's Cares program does not go far enough and recommended that the Company "implement a bill discount program similar to that in effect for Community Utilities of Pennsylvania," which "provides a 35% monthly discount on the rate for the metered consumption charge." (OCA St. No. 5, pp. 19-20.) Ms. Alexander did not provide any estimated costs for this proposal, claiming that she lacked the demographical information to develop an estimate. (OCA St. No. 5, p. 21.) Therefore, she recommended that "York Water consult with the available agencies and utilities with knowledge of its service territory and propose a budget for this program in its Rebuttal Testimony." (OCA St. No. 5, p. 21.) Additionally, Ms. Alexander questioned whether York Water participates as an authorized

vendor in the Pennsylvania Homeowners Assistance Program and requested clarification on that point. (OCA St. No. 5, p. 21.)

In rebuttal, York Water argued that it was premature to implement a bill discount program because critical aspects of the proposal, such as the estimated costs, were not known at this time. (York Water St. No. 2-R, pp. 4-6.) Moreover, “the Company cannot develop a reasonable estimate of the time and expense involved with” updating its billing system to incorporate such a program in the short time between other parties’ direct testimony and York Water’s rebuttal testimony. (York Water St. No. 2-R, pp. 6-7.) Therefore, York Water maintained that “the bill discount program should only be implemented, if at all, as part of the Company’s next base rate case, after York Water is able to conduct a proper analysis of the program’s estimated costs, potentially eligible customers, and impact on other customers.” (York Water St. No. 2-R, pp. 6-7.) Further, York Water clarified that it does participate in the recently added Pennsylvania Homeowners Assistance Fund (“PAHAF”), along with the Low-Income Household Water Assistance Program (“LIHWAP”), Emergency Rental Assistance Program (“ERAP”), and South Central Community Action Program (“SCCAP”). (York Water St. No. 2-R, p. 8.)

OCA witness Alexander disagreed with York Water that it was premature to establish a bill discount program in this base rate case. (OCA St. No. 5SR, p. 11.) However, she “appreciate[d] the willingness of York Water to conduct research on potential enrollment and costs and urge[d] that such an analysis and report be accomplished in the near term (such as 6 months after a final order in this proceeding) since waiting until York Water files a future rate case may reflect a long term delay.” (OCA St. No. 5SR, p. 11.) Ms. Alexander also noted that York Water does participate in the various federally-funded programs available to the

Company's customers, including the PAHAF, but averred that such participation does not go far enough to address customers' "ongoing payment difficulties." (OCA St. No. 5Sr, pp. 11-12.)

In rejoinder, the Company argued that "it is premature to require York Water to complete the analysis and propose a monthly discount program with a cost recovery mechanism within six months." (York Water St. No. 2-SR, p. 2.) The Company also noted the many commitments it made in response to OCA's other concerns and recommendations, which leaves it with insufficient resources "to complete the bill discount program analysis and file a proposal with the Commission within six months of the Commission's final order." (York Water St. No. 2-SR, p. 3.) As a result, York Water maintained that the bill discount program should only be implemented after thorough investigation and analysis in the next base rate case. (York Water St. No. 2-SR, pp. 2-3.)

The Settlement provides that the Company's proposed expansion of the Cares program to \$40,000 annually is approved. (Settlement ¶ 50.) Within 30 days following the entry of a Commission Order approving this Settlement, York Water shall include information concerning the Cares program and the arrears forgiveness program on its website. (Settlement ¶ 50.) The Company will continue its current process of accepting required documentation for the Cares program from customers via email and forwarding those documents to the social service agencies that administer the program. (Settlement ¶ 50.) Furthermore, in response to OCA's recommendation for a bill discount program, the Company agrees to undertake an analysis to estimate the number of low-income customers on its water and wastewater systems, as well as a usage profile of its known low-income customers to be presented as part of its next base rate case. (Settlement ¶ 51.) The Company shall conduct an analysis of the estimated costs, potentially eligible customers, and impact on non-eligible customers, of a potential bill discount

program within 18 months of the issuance of a final order in this proceeding. (Settlement ¶ 51.) The Company will meet with the parties within 30 days after the analysis is completed. (Settlement ¶ 51.) Then, in its next base rate proceeding, the Company will propose a pilot low-income bill discount program for residential water and wastewater service. (Settlement ¶ 51.)

As a result, these settlement provisions reflect a reasonable compromise of the Joint Petitioners' positions. York Water's proposed annual funding increase for the Cares program is approved, while the Company makes commitments to analyze the impacts of a pilot low-income bill discount program and present a proposal in its next base rate case. Thus, these settlement provisions are reasonable and in the public interest and should be approved.

K. CUSTOMER SERVICE

In its direct testimony, the OCA raised several customer service-related issues and recommendations, generally dealing with the following topics: (1) call center performance; (2) training of customer service representatives; (3) customer complaint procedures; (4) customer service provisions in York Water's water and wastewater tariffs; and (5) York Water's billing and termination practices regarding the City of York's wastewater and refuse service charges. (OCA St. No. 5, pp. 5-7, 9, 11-16, 21-22, 24-26; OCA St. No. 6, pp. 5-6.)

On the Company's call center performance, OCA witness Alexander alleged that the Company was underperforming based on her comparison of York Water's call center performance data to the major electric distribution companies' ("EDCs") and natural gas distribution companies' ("NGDCs") call center data. (OCA St. No. 5, pp. 6-7.) She recommended that York Water be required to improve its call center performance by answering 80% of the calls within 30 seconds and meeting an abandonment rate of 4% or less," consistent with the call center performance objectives for the major EDCs and NGDCs, and that such performance be monitored for compliance purposes. (OCA St. No. 5, pp. 9, 24.) Ms. Alexander

also alleged that York Water's training materials for customer service representatives were lacking and should be updated to include details about: (1) identifying, tracking, and evaluating customer disputes and complaints; (2) providing residential customers with information about the rights and remedies set forth in Chapter 56 of the Commission's regulations; and (3) addressing landlord/tenant issues. (OCA St. No. 5, pp. 11, 13-14, 25.) Relatedly, OCA witnesses Alexander and Fought recommended that York Water implement new processes to track and evaluate customer disputes and complaints, including keeping a database to log and track all customer disputes and complaints and submitting a complaint log with a list of specific details for each dispute/complaint. (OCA St. No. 5, pp. 11-13, 25; OCA St. No. 6, pp. 5-6.) Ms. Alexander also argued that the Company's water and wastewater tariffs should be amended to include the residential customer service protections set forth in Chapter 56 of the Commission's regulations. (OCA St. No. 5, pp. 21-22, 26.) Lastly, Ms. Alexander testified about the Company's billing and termination of service practices concerning the City of York, raising, among other things, issues about whether York Water's practices were compliant with the Public Utility Code and the Commission's regulations. (OCA St. No. 5, pp. 15-16.)

In rebuttal, York Water accepted many of the OCA's customer service-related recommendations, including updating the Company's written training materials for customer service representatives and developing a comprehensive database for customer complaints and disputes. (York Water St. No. 6-R, pp. 13, 15, 17, 19.) The Company also agreed to present a complaint log in its next base rate case containing important information about each of the disputes, including customer, account number, address, date, and type of issues raised by the customer. (York Water St. No. 6-R, p. 20.)

However, the Company disagreed with other issues and recommendations raised by the OCA. Regarding the call center performance, the Company argued that holding York Water's call center performance to the same standard as the major EDCs and NGDCs was not fair or reasonable, given that York Water is a much smaller company with more limited resources. (York Water St. No. 6-R, pp. 6-7.) Moreover, the Company maintained that establishing a call center performance standard in this proceeding was premature because the Company fully expects its call center performance to return to pre-2020 levels over the coming months for several reasons, including the fact that York Water stopped providing wastewater billing services for City of York wastewater customers in June 2022. (York Water St. No. 6-R, pp. 7-10.) Also, although the Company did agree to update its written training materials for customer service representatives, York Water disputed any claim that its current training was deficient and provided details about all of the training that those representatives are required to undertake. (York Water St. No. 6-R, pp. 10-15.) The Company also explained that updating its written training materials will take a substantial amount of time to develop and finalize, so the more prudent course of action would be to submit those materials in the next base rate case for the other parties to review. (York Water St. No. 6-R, p. 15.)

Additionally, York Water disagreed with OCA's recommendation to amend the Company's water and wastewater tariffs so that the tariffs restate what is already set forth in Chapter 56 of the Commission's regulations. (York Water St. No. 2-R, pp. 9-10.) The Company believed that such an undertaking is unnecessary because the Commission's regulations are publicly available and explain those customer protections. (York Water St. No. 2-R, pp. 9-10.) Finally, York Water rebutted the OCA's claims regarding the Company's billing and terminations of service related to the City of York's wastewater and refuse charges, noting

specifically that: (1) all of York Water’s actions were consistent with the Public Utility Code, the Commission’s regulations, and the Company’s Commission-approved Billing Services Agreement and Sewer Shut-Off Agreement with the City of York; (2) York Water never included charges for the City of York’s wastewater and refuse service on the Company’s own water service bills; (3) York Water always separately identified and set forth the City of York’s charges for wastewater and refuse service on the City of York’s customers’ bills; (4) York Water stopped billing for the City of York’s wastewater service in June 2022; and (5) York Water never terminated a customer for failure to pay the City of York’s refuse service charges. (York Water St. No. 6-R, pp. 22-26.)

The OCA submitted surrebuttal testimony on these issues. On the call center performance, OCA witness alexander proposed that York Water be at least “held accountable to meet its 2020 customer call center performance.” (OCA St. No. 5SR, p. 14.) Concerning the Billing Services Agreement with the City of York, OCA witness Alexander alleged that the partial payment provisions in the agreement may not comport with Section 56.273 of the Commission’s regulations. (OCA St. No. 5SR, pp. 7-8.) She also recommended that York Water amend the agreement to incorporate certain language about the refuse charges and partial payments and to reflect that the Company no longer bills for the City of York’s wastewater service charges. (OCA St. No. 5SR, p. 17.) As for the Commission-approved Sewer Shut-Off Agreement, Ms. Alexander continued to question the amount of termination notices issued by York Water pursuant to that agreement. (OCA St. No. 5SR, p. 10.) Moreover, Ms. Alexander recommended that the Company finish updating its training materials for customer service representatives “within six months of a final order in this proceeding.” (OCA St. No. 5SR, p. 15.) Similarly, regarding the customer dispute tracking mechanism, Ms. Alexander proposed

that “[t]his reform be documented in a compliance filing within six months of a final order in this proceeding.” (OCA St. No. 5SR, p. 14.)

In rejoinder, York Water agreed to the OCA’s proposal that the Company be held to the 2020 customer call center performance. (York Water St. No. 6-RJ, p. 5.) However, the Company would need sufficient time to implement that standard due to the several other commitments that York Water made in response to OCA’s recommendations, so York Water recommended being subject to that standard beginning in 2025. (York Water St. No. 6-RJ, p. 6.) The Company also explained that the Billing Services Agreement’s partial payment provisions comply with Section 56.273 of the Commission’s regulations and that the Company already plans to file an amendment to the agreement by the end of this year, which, subject to negotiations with the City of York, may include the language proposed by OCA witness Alexander. (York Water St. No. 6-RJ, p. 3.) The Company also observed how the termination notices sent to the City of York’s wastewater customers were required by the Commission-approved Sewer Shut-Off Agreement, and nothing in that agreement permitted York Water to question the City of York’s direction to issue the termination notices. (York Water St. No. 6-RJ, pp. 4-5.) As for the updated training materials and customer dispute tracking mechanism, York Water recommended that those actions be completed within two years of a final order in this proceeding, not within six months of that final order. (York Water St. No. 6-RJ, pp. 6-7.)

The Settlement reflects a reasonable compromise of the Company’s and OCA’s positions on these issues and recommendations. For the call center performance, the Company agrees to take such action as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. (Settlement ¶ 53.) The Company will provide a report 30 days prior to filing its next base rate case or within two years,

whichever is sooner, that will show each year's annual call center performance compared to the 2020 call center performance results. (Settlement ¶ 53.)

As for the training materials for customer service representatives, the Company agrees to update its training materials, including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer's rights to dispute York Water's response to questions and concerns, and the policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two (2) years of the issuance of a final order in this proceeding. (Settlement ¶ 54.) As part of its commitment to develop more detailed training materials for its customer call center and other staff, York Water will make explicit its commitment to developing payment arrangements based on the customer's individual circumstances. (Settlement ¶ 54.) The Company will also develop a process for oversight and compliance monitoring. (Settlement ¶ 54.) The Company will submit the updated training materials within two (2) years of a final order in this proceeding. (Settlement ¶ 54.) The Company further agrees to document how its training is conducted and how ongoing compliance is audited. (Settlement ¶ 54.)

The Settlement also addresses the OCA's issues and recommendations about the identification, tracking, and evaluation of customer disputes and complaints. Specifically, York Water will establish a database to document all customer disputes, and formal and informal complaints, as those terms are defined in 52 Pa. Code § 56.2, for both water and wastewater operations. (Settlement ¶ 55.) The database shall include customer account information, address, date of dispute or complaint, the type of issues raised by the dispute or complaint, and the resolution of the dispute or complaint. (Settlement ¶ 55.) The Company shall document its development of the database in a compliance filing within twelve (12) months of a final order in

this proceeding. (Settlement ¶ 55.) The Company agrees to make the complaint log available to parties as part of discovery in its next base rate case. (Settlement ¶ 55.)

Regarding the OCA's proposed amendments to York Water's water and wastewater tariffs, the Company has agreed to amend those tariffs to include the essential consumer protections set forth in Chapter 56. (Settlement ¶ 56.) York Water will submit tariff supplements containing those amendments within twelve (12) months of a final order in this proceeding. (Settlement ¶ 56.)

Lastly, York Water will continue not to include any City of York refuse charges on its bills for York Water water and wastewater service and will continue not to threaten termination of service for nonpayment of City of York refuse charges. (Settlement ¶ 57.) Any charges collected for City of York refuse charges shall be remitted directly to the City of York without any impact on the amount due for York Water regulated services. (Settlement ¶ 57.) York Water will disclose on its web portal and on its bills issued on behalf of the City of York that York Water will not threaten or undertake termination of water service for non-payment of City of York refuse charges. (Settlement ¶ 57.)

As a result, the Settlement addresses a wide variety of customer service issues and recommendations raised by the OCA in this proceeding. The provisions incorporate the OCA's recommendations agreed to by the Company and properly balance the parties' competing positions on the remaining recommendations. For these reasons, the settlement provisions are reasonable and in the public interest and should be approved without modification.

L. REVENUE ALLOCATION AND RATE DESIGN

York Water believes that the revenue allocation and rate design incorporated in the Settlement reflect a reasonable compromise of those issues. In the Company's original filing, the Company proposed to increase public fire hydrant rates to recover 25% of the cost of service and

to increase all remaining customer charges and consumption charges to move revenues by classification toward the cost of service, as determined by the Company's cost of service study. (York Water St. No. 108, pp. 10-11; York Water Exh. No. FVIII.) Also, the Company presented its analysis of water customer costs and, based on that analysis, proposed increasing the customer charge for a 5/8-inch meter to \$20.71. (York Water St. No. 108, p. 11.) Further, the Company proposed consolidating wastewater rates across the rate zones and capping the increase to the West York wastewater rates at two times the average increase or 70%. (York Water St. No. 108, p. 15; York Water Exh. No. FVIII-WA.) Moreover, pursuant to Act 11 of 2012, the Company proposed allocating \$2,670,877 of the wastewater revenue increase to residential and commercial gravity and repumped water customers. (York Water St. No. 108, p. 8.)

OSBA witness Kalcic supported the Company's revenue allocation (exclusive of Act 11 considerations), as his methodology and York Water's methodology produced similar results. (OSBA St. No. 1, p. 9.) However, Mr. Kalcic recommended a higher increase in wastewater revenue of 58.4%, equal to 1.75 times the Company's proposed overall water increase, to reduce the amount of Act 11 revenues recovered from water rates. (OSBA St. No. 1, pp. 16-19.) Further, in case the Commission granted the Company a lower water revenue increase than York Water requested, Mr. Kalcic recommended a scale back of the customer class increases, except public fire, as shown in his Exhibits BK-2W and BK-4W. (OSBA St. No. 1, p. 13.)

I&E witness Cline agreed with the Company's calculation of direct customer costs and the Company's proposed increase to the water customer charge. (I&E St. No. 3, pp. 18-19.) Like OSBA witness Kalcic, Mr. Cline recommended a larger rate increase for wastewater customers to reduce the amount of Act 11 revenues recovered from water rates. (I&E St. No. 3, pp. 4-6.) Mr. Cline further recommended eliminating the 4,000-gallon usage allowance for

customers in East Prospect, Lower Windsor and Straban Borough (Minimum Charge1) and Jacobus Borough (Minimum 21 Charge 2). (I&E St. No. 3, pp. 9-10.) Mr. Cline also generally agreed with the Company's scale back proposal. (I&E St. No. 3, pp. 20-22.)

OCA witness Mierzwa criticized the Company's water cost of service allocation study as he believes the system-wide and class extra capacity factors that the Company used are outdated and unreasonable. (OCA St. No. 4, p. 10.) Mr. Mierzwa modified the factors and submitted an alternative cost of service study. (OCA St. No. 4, pp. 10-11.) He then recommended that the proposed revenue distribution in this case be based on his cost of service results. (OCA St. No. 4, pp. 11-16.) Also, he proposed maintaining the existing 5/8-inch customer charge at \$16.25 per month, rather than increasing it to \$20.71, as proposed by the Company. (OCA St. No. 4, pp. 18-19.) According to Mr. Mierzwa, the Company should not have included bad debt expense and other costs in its calculation of direct costs, when determining York Water's proposed 5/8-inch customer charge of \$20.71. (OCA St. No. 4, pp. 18-19.) Moreover, Mr. Mierzwa recommended proportionally increasing wastewater rates for each customer class to reduce the Act 11 revenues from \$2.67 million (as proposed by York Water) to his proposed amount of \$2.05 million. (OCA St. No. 4, pp. 3, 25-26.) He also recommended that the allocation of wastewater revenues to water customers include the industrial and private fire classes. (OCA St. No. 4, pp. 22-23.)

In rebuttal, York Water respond to the other parties' positions on revenue allocation and rate design. First, York Water disagreed with OSBA's and I&E's proposals for larger increases in wastewater rates, arguing that it would constitute rate shock for the Company's customers. (York Water St. No. 108-R, pp. 2, 4.) Second, York Water contested I&E's proposal to eliminate the 4,000-gallon usage allowance because that proposed rate structure would raise the increase for certain customers to a level much higher than the Company's proposal. (York Water

St. No. 108-R, p. 5.) For example, a customer that uses 4,000 gallons under the Company's proposal, would see an increase of 28.9%, while the same customer under I&E's proposal would see an increase of 67.3%, *i.e.*, over two times more than the Company's proposal. (York Water St. No. 108-R, p. 5.) Third, York Water rebutted OCA's criticisms of the Company's water cost of service allocation study (which relies on actual data of system-wide and class extra capacity factors) and argued that the OCA failed to present credible evidence showing that its method (which determines the class demands without the use of actual recordings) is superior. (York Water St. No. 108-R, pp. 6-11.) Fourth, York Water averred that its inclusion of bad debt expense in its direct customer cost analysis was proper and consistent with Commission precedent. (York Water St. No. 108-R, pp. 11-15.) Fifth, the Company disagreed with the OCA's proposed larger increases for wastewater rates on the grounds that it would constitute rate shock. (York Water St. No. 108-R, pp. 15-16.) Sixth, York Water disagreed with OCA's recommendation to allocate a portion of wastewater revenues to water customers in the industrial and private fire classes on cost causation grounds, noting that the wastewater system has very few industrial customers and no private fire customers. (York Water St. No. 108-R, p. 16.)

OSBA witness Kalcic also submitted rebuttal testimony, in which he criticized OCA witness Mierzwa's reliance on the alternative method to determine system and class capacity factors. (OSBA St. No. 1-R, pp. 2-10.) As such, Mr. Kalcic recommended that the Commission reject the OCA's proposed alternative cost of service study and class revenue allocation for water service. (OSBA St. No. 1-R, p. 10.) He also opposed the OCA's proposed changes to the Act 11 revenue allocation, as they would increase non-residential wastewater customers' rates by 84.8%. (OSBA St. No. 1-R, p. 12.) Moreover, Mr. Kalcic responded to I&E witness Cline's direct testimony and disagreed with I&E's scale back proposal, arguing that separate scale backs

should apply to the water service cost of service component and the Act 11 revenue requirement component. (OSBA St. No. 1-R, p. 14.) Additionally, OCA witness Mierzwa submitted rebuttal testimony in response to the direct testimony of OSBA witness Kalcic and I&E witness Cline, in which he advocated for the rejection of OSBA's and I&E's Act 11 revenue allocations and argued that I&E's proposed elimination of the 4,000-gallon minimum usage allowance for wastewater rates should be phased in over the course of multiple base rate cases. (OCA St. No. 1-R, pp. 1-9.)

In surrebuttal, OCA witness Mierzwa continued to support his proposed alternative method of determining class demand factors for a cost of service study, arguing that his alternative method is supported by and consistent with AWWA M1 Manual, 7th Edition. (OCA St. No. 4SR, pp. 1-4.) Furthermore, in trying to criticize the Company's method, Mr. Mierzwa compared the Company's estimated maximum day demands of residential customers as compared to the 2021 maximum day and maximum hour volumes, stating that the residential demands used in the cost of service study are higher than the total 2021 maximum day and maximum hour volumes. (OCA St. No. 4SR, pp. 5-6.) I&E witness Cline also submitted surrebuttal testimony, in which he, among other things, revised his recommendation for Act 11 revenue allocation from \$844,015 to \$868,217, continued to advocate for the elimination of the 4,000-gallon minimum usage allowance, and recommended changes to the West Manheim wastewater rates. (I&E St. No. 1-SR, pp. 1-18.) Also, OSBA witness Kalcic responded to the rebuttal testimony of York Water, I&E, and OCA and continued to support his scale back proposal, increase to wastewater rates, opposition to OCA's cost of service study, and Act 11 revenue allocation. (OSBA St. No. 1-S, pp. 1-6.)

York Water responded to OCA's claims in its rejoinder testimony, noting how the AWWA M1 Manual states that this method should be used if a formal demand study is not available. (York Water St. No. 108-RJ, p. 1.) Here, such a formal demand study is available to be used. (York Water St. No. 108-RJ, pp. 1-2.) The Company further explained that OCA improperly compared the residential maximum day and maximum hour flows to the peak flow in 2021, which was not a historic peak for the Company's water system. (York Water St. No. 108-RJ, pp. 2-3.) Therefore, the OCA was comparing "apples and oranges." (York Water St. No. 108-RJ, p. 3.)

The revenue allocation for the water revenue requirement under the Settlement reflects a compromise of the parties' positions. Under the Settlement, class revenue allocation and rate design are set forth in Appendices "C" and "D" attached to the Settlement. (Settlement ¶ 58.) That rate design includes a proposed 5/8-inch water customer charge of \$17.25. (Settlement ¶ 58.) This is a reasonable compromise between the competing positions of York Water and I&E (which supported an increase of the charge to \$20.71) and OCA (which advocated retaining the charge at its existing amount of \$16.25.) All other charges were scaled back from the Company's as-filed proposed rates, consistent with the settlement revenue increases by customer class agreed upon by the Joint Petitioners. Furthermore, in response to I&E's proposal to eliminate the 4,000-gallon usage allowance, the Settlement provides the Company shall, in its next base rate case, provide an analysis including, but not limited to, proof of revenue, bill frequency, and bill comparison showing a reduction in the existing 4,000-gallon usage allowance for wastewater customers to a 2,000-gallon allowance. (Settlement ¶ 59.) This analysis shall be provided to support a rate design proposal that includes a maximum allowance of 2,000

gallons. (Settlement ¶ 59.) Parties reserve the right to address the Company's analysis and rate proposals as part of the next base rate case. (Settlement ¶ 59.)

The Settlement's revenue allocation and rate design provisions represent a compromise of the Joint Petitioners. York Water notes, as the Commission has recognized many times, that cost allocation is not a precise science. *Application of Metropolitan Edison Co.*, Docket No. R-00974008 (Order entered June 30, 2008); *Pa. PUC v. Pa. Power & Light Co.*, 55 PUR 4th 185 (1983). York Water considers the resulting class allocation to be reasonable in light of its prior rate design, issues raised in other Joint Petitioners' testimony, and the fact that the resulting class allocations were a result of compromise and agreed to by all of the Joint Petitioners. Further, the class allocations fall within the range of allocations proposed by the parties in this proceeding, demonstrating that the proposed allocations and rates are consistent with cost of service.

III. CONCLUSION

The Settlement resolves all of the issues that were raised during this proceeding. For the reasons explained above, the resolution of this proceeding in accordance with the terms of the Settlement is in the public interest.

Respectfully submitted,



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Date: November 4, 2022

Attorneys for The York Water Company

Attachment “1”

The York Water Company
R-2022-3031340
Proposed and Settlement Bill Comparison Analysis

	PROPOSED					SETTLEMENT			
	Usage	Current*	Increase	Proposed	Percent Increase	Current*	Increase	Proposed	Percent Increase
Monthly Residential Rates 5/8" - Gravity	4,525	38.93	14.14	53.07	36.3%	38.93	8.33	47.26	21.4%
Monthly Residential Rates 5/8" - Repumped	3,784	46.95	15.38	62.33	32.8%	46.95	8.94	55.89	19.1%
Monthly Commercial Rates 3/4" - Gravity	26,783	116.10	57.25	173.35	49.3%	116.10	39.95	156.05	34.4%
Monthly Commercial Rates 3/4" - Repumped	39,021	273.23	123.90	397.13	45.3%	273.23	84.53	357.75	30.9%
Monthly Industrial Rates 1-1/2" - Gravity	133,186	453.51	219.94	673.45	48.5%	453.51	158.34	611.86	34.9%
Monthly Industrial Rates 1-1/2" - Repumped	308,115	1,871.73	774.22	2,645.94	41.4%	1,871.73	540.31	2,412.03	28.9%

* Current charges do not include the State Tax Adjustment Surcharge (STAS) or the Distribution System Improvement Charge (DSIC).

The York Water Company
R-2022-3032806
Proposed and Settlement Bill Comparison Analysis

	PROPOSED					SETTLEMENT			
	Usage	Current*	Increase	Proposed	Percent Increase	Current*	Increase	Proposed	Percent Increase
Asbury Pointe Subdivision		62.50	18.05	80.55	28.9%	62.50	24.40	86.90	39.0%
East Prospect Borough and Lower Windsor Township - Residential	3,586	62.50	18.05	80.55	28.9%	62.50	24.40	86.90	39.0%
East Prospect Borough and Lower Windsor Township - Commercial	5,491	66.23	24.77	91.00	37.4%	66.23	31.95	98.18	48.2%
Felton Borough		79.50	1.05	80.55	1.3%	79.50	7.40	86.90	9.3%
Jacobus Borough - Residential	3,570	55.00	25.55	80.55	46.5%	55.00	31.90	86.90	58.0%
Jacobus Borough - Commercial	5,534	62.67	28.64	91.31	45.7%	62.67	35.83	98.50	57.2%
Letterkenny Township		45.00	35.55	80.55	79.0%	45.00	41.90	86.90	93.1%
Straban Township - Residential	3,465	62.50	18.05	80.55	28.9%	62.50	24.40	86.90	39.0%
Straban Township - Commercial	2,500	62.50	18.05	80.55	28.9%	62.50	24.40	86.90	39.0%
West Manheim Township - Residential	3,333	61.67	14.20	75.87	23.0%	61.67	21.39	83.06	34.7%
West Manheim Township - Commercial	21,383	276.78	15.04	291.82	5.4%	276.78	39.28	316.06	14.2%
West York Borough - Residential		32.71	22.90	55.61	70.0%	32.71	27.29	60.00	83.4%
West York Borough - Commercial		40.42	28.29	68.71	70.0%	40.42	29.13	69.55	72.1%

* Current charges do not include the State Tax Adjustment Surcharge (STAS) or the Distribution System Improvement Charge (DSIC).

Appendix ‘F’

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No.: R-2022-3031340
 :
 The York Water Company – Water :

Pennsylvania Public Utility Commission :
 :
 v. : Docket No.: R-2022-3032806
 :
 The York Water Company – Wastewater :

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

I. INTRODUCTION

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Erika L. McLain, hereby submits that the terms and conditions of the foregoing *Joint Petition For Settlement* ("Joint Petition" or "Settlement") are in the public interest and represent a reasonable and equitable balance of the interests of the York Water Company ("York Water" or "Company"), York Water's customers, and the parties to the Settlement Agreement. The parties have conducted extensive formal and informal discovery and have participated in numerous settlement conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of

the Joint Petition based on I&E's determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from York Water's original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

A. Standards for Approval of Settlement

1. Legal Landscape on Public Utilities

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

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

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

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

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

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

regulation strives to replicate the results of effective competition.⁶

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

2. I&E's Role

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

3. History of the Proceeding

On May 27, 2022, York Water filed with the Commission Supplement No. 143 to Tariff Water – Pa. P.U.C. No. 14 (“Supplement No. 143”) and Supplement No. 14 to Tariff Wastewater – Pa. P.U.C. No. 1 (“Supplement No. 14”) to become effective August 1, 2022.

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

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

⁸ 66 Pa. C.S. § 1501.

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

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

¹¹ See 66 Pa. C.S. §§ 1301, 1304.

York Water proposed a general increase in water rates of \$18,853,738 and wastewater rates of 1,456,792 which reflects an allocation of a portion of the wastewater revenue requirement to water customers pursuant to 66 Pa. C.S. § 1311(c).

On June 1, 2022, the Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance. The Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Complaint and Public Statement on June 8, 2022. The Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Complaint and Public Statement on June 10, 2022.

On June 14, 2022, the Commission issued separate Orders suspending York Water’s water and wastewater filing by operation of law until March 1, 2023.

On June 15, 2022, Administrative Law Judge Katrina L. Dunderdale (“ALJ Dunderdale”) issued a Prehearing Conference Order scheduling a telephonic prehearing conference on July 21, 2022.

A telephonic prehearing conference was held on July 21, 2022 with ALJ Dunderdale presiding. A procedural schedule and discovery modifications were addressed at the prehearing conference. On July 26, 2022, ALJ Dunderdale issued a Prehearing Order setting forth the procedural schedule, discovery modifications and consolidating the water and wastewater proceedings.

One Public Input Hearing was scheduled to take place on August 17, 2022 at 1:00 p.m. Four customers testified at this Public Input Hearing.

Pursuant to the procedural schedule set forth by ALJ Dunderdale’s Prehearing Order, the parties exchanged direct, rebuttal, surrebuttal and written rejoinder testimony. I&E

served the following statements of testimony and exhibits:

- I&E Statement No. 1, I&E Exhibit No. 1, I&E Statement No. 1-SR, and I&E Exhibit No. 1-SR the prepared direct and surrebuttal testimony and exhibits of I&E witness Zachari Walker, who addressed the Company's operating and maintenance expenses and overall revenue requirement;
- I&E Statement No. 2, I&E Exhibit No. 2, and I&E Statement No. 2-SR, the prepared direct and surrebuttal testimony of I&E witness Christopher Keller, who addressed the Company's rate of return request; and
- I&E Statement No. 3, I&E Exhibit No. 3, I&E Statement No. 3-SR, and I&E Exhibit No. 3-SR, the prepared direct and surrebuttal testimony of I&E witness Ethan H. Cline, who addressed the Company's rate base and rate structure requests.

An evidentiary hearing took place on October 6, 2022. The parties attended the telephonic evidentiary hearing to enter evidence into the record. All cross-examination was waived by the parties. The evidentiary hearings on October 7, 2022 and October 11, 2022 were cancelled. On October 26, 2022, the parties advised ALJ Dunderdale that a settlement in principle of all issues had been reached and the parties would file the settlement and statements in support on November 4, 2022.

II. DISCUSSION

A. Revenue Requirement (Joint Petition ¶ 34)

The Settlement Agreement provides for an increase of a \$13.5 million to the Company's annual overall revenue, consisting of \$11.6 million in additional water base revenues and \$1.9 million in additional wastewater revenues. These revenue amounts reflect the allocation of \$1.3 million in wastewater revenue requirement to water rates. This increase is approximately \$5.4 million less than the approximately \$18.9 million initially requested by York Water. I&E agreed to settlement in the amount of \$13.5

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

This increased level of "Black Box" revenue adequately balances the interests of ratepayers and York Water. The Company will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate

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

increase benefits ratepayers and results in 'just and reasonable rates' in accordance with the Public Utility Code, regulatory standards, and governing case law.¹³

B. Stay-Out (Joint Petition ¶ 35)

Through the Settlement, York Water agreed not to file for an increase in distribution water or wastewater base rate revenues for 24 months from the effective date of rates; provided however, that the foregoing provision shall not prevent York Water from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting York Water's rates.

There is no restriction on when or how often utilities can seek to increase rates; therefore, this stay out provision benefits customers as it provides for a period of rate stability. At the same time, York Water will not be prejudiced, as it would be able to seek a rate relief if it experiences unforeseeable hardship beyond its own control. For these reasons, the stay out provision of the Settlement is in the public interest and should be approved.

C. Settlement Amortization (Joint Petition ¶¶ 38-43)

The Settlement addresses several water amortizations which are to be reflected in the Settlement's base rate allowance. I&E did not submit any testimony regarding pension expense. However, I&E supports this term as it was necessary to facilitate a collective resolution of this case.

¹³ 66 Pa. C.S. § 1301.

D. COVID-19 Related Uncollectible Deferrals and Incremental Expenses (Joint Petition ¶ 44)

The Settlement makes clear that the Company has not recorded an COVID-19 related deferrals for uncollectibles and COVID-19 related incremental expenses. Furthermore, any future claim for similar deferred accounting treatment must be based on Commission action after the effective date of new rates in this proceeding.

In testimony, I&E witness Walker recommended that the Company should not be allowed to make any future claims for COVID-19 related uncollectible accounts expense or other COVID-19 related incremental expenses in future proceedings except for claims based on Commission action.¹⁴ I&E supports this term as it resolved I&E's concern and is in the public interest.

E. Tangible Property Regulations (Joint Petition ¶ 45)

The Company will continue to amortize the benefit of the catch-up deduction permitted under the Internal Revenue Service's tangible property regulations established by the Commission-approved settlement of the Company's 2018 base rate case at Docket No. R-2018-3000019. The amortization is without interest and without deduction of the unamortized balance from rate base. This term originated from a previous settlement and is simply memorialized in the instant Settlement.

F. Pension Contribution (Joint Petition ¶ 46)

Rates under this Settlement will be presumed to provide for recovery of a cash contribution to pensions in the amount of \$1,556,000. York Water commits to deposit such amount into its pension trust on an annual basis during the period that rates under this

¹⁴ I&E Statement No. 1-SR, p. 22.

Settlement remain effective, provided that such deposit does not exceed the deductibility limits under the Internal Revenue Code. If the minimum required contribution under Code Section 430 of the Internal Revenue Code exceeds \$1,556,000, York Water will contribute the minimum required contribution under Code Section 430. Until changed by agreement of the Joint Petitioners or Commission Order, York Water will continue to account for differences between the cash contribution and the pension cost calculated pursuant to FASB ASC 715-20 and FASB ASC 715-30 as follows:

The Company has calculated and accrued on its books of account its pension liability incurred for its present employees under the terms of FASB ASC 715-20 and FASB 715-30. The Company makes cash contributions into qualified trusts to fund its pensions. The amount contributed is determined annually pursuant to actuarial studies that use criteria which may be different from criteria used under FASB ASC 715-20 and FASB 715-30. For financial reporting purposes, the Company will record the amount accrued in excess of the cash contribution as a regulatory (deferred) asset in accordance with FASB ASC 980 until the cash amount equals or exceeds the accrual. When the cash contribution exceeds the accrual amount, the Company will correspondingly reduce the regulatory (deferred) asset. For ratemaking purposes in the future, the Company will continue to use cash contributions plus pension administrative costs as the basis for its ratemaking claim for pension expense.

I&E did not submit any testimony regarding pension expense. However, I&E supports this term as it was necessary to facilitate a collective resolution of this case.

G. State Income Taxes and STAS (Joint Petition ¶¶ 36-37)

The state income tax rate in this proceeding will be set at 8.99% and has been reflected in the settlement revenue requirement. The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2023 tax years through the Company's State Tax Adjustment Surcharge or future base rate proceedings.

In accordance with the provisions of 52 Pa. Code § 69.55, the STAS for York Water shall be reset to 0.00% effective with the effective date of rates. Future changes to state tax rates will be reflected either through the STAS or base rate changes.

This term addresses I&E's concerns raised by I&E witness Walker, specifically Mr. Walker recommended that the Company change its Pennsylvania income tax rate to reflect the rate that would be in effect for the Company's FPFTY in compliance with Pennsylvania House Bill 1342 or Act 53 of 2022.¹⁵ I&E supports this term as it is within the public interest and is consistent with I&E testimony.

H. DSIC (Joint Petition ¶¶ 47-48)

The water Distribution System Improvement Charge ("DSIC") for York Water shall be established at 0% of billed revenues effective with the effective date of Settlement Rates. The DSIC shall remain at 0% of billed revenues until the later of: (i) the end of the FPFTY; or (ii) the quarter following the point in time at which York Water's total claimed account balances, net of plant funded with customer advances and customer contributions, exceed the levels projected by York Water as of February 29, 2024 (*i.e.*, the end of the FPFTY) per Exhibit Nos. FV-12-4 (\$529,635,106), FV-16-3 (\$41,859,847) and FV-16-4 (\$8,637,823) for a total of \$479,137,436 in utility plant in service. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

¹⁵ I&E Statement No. 1, p. 20.

For purposes of calculating the DSIC, York Water shall use the equity return rate for water utilities contained in the Commission’s most recent Quarterly Report on the earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

I&E did not submit testimony regarding the above DSIC issues. However, I&E was involved in the discussion of these issues and they were fully vetted during settlement negotiations. I&E therefore fully supports these negotiated settlement terms.

I. FTY and FPFTY Reporting Requirements (Joint Petition ¶ 49)

York Water will provide the Commission’s Bureau of Technical Utility Services (“TUS”), I&E, OCA and OSBA, on or before June 1, 2023, an update to York Water’s Exhibit Nos. FIV-12-1 and FIV-12-1W, which will include actual capital expenditures, plant additions and retirements for the twelve months ended December 31, 2022 (i.e., York Water’s Future Test Year). On or before June 1, 2024, York Water will update Exhibit Nos. FIV-12-4 and FIV-12-4W, which will include actual capital expenditures, plant additions and retirements through February 29, 2024 (i.e., York Water’s Fully Projected Future Test Year).

I&E believes such information is important to verify projections. Such data allows the Commission to gauge the accuracy of projected investments in future proceedings. York Water agreed to report this information, and therefore I&E supports this settlement provision.

J. Low-Income Programs (Joint Petition ¶¶ 50-52)

As part of the Settlement, the York Water Cares Low Income Customer Assistance Program (“Cares Program”) to \$40,000 annually is approved consistent with the Company’s

proposal. Within 30 days following the entry of a Commission Order approving this Settlement, York Water shall include information concerning the Cares Program and the arrears forgiveness program on its website.

Additionally, the Company agrees to undertake an analysis to estimate the number of low-income customers on its water and wastewater systems, as well as a usage profile of its known low-income customers to be presented as part of its next base rate case. The Company shall conduct an analysis of the estimated costs, potentially eligible customers, and impact on non-eligible customers, of a potential bill discount program within 18 months of the issuance of a final order in this proceeding. The Company will meet with the parties within 30 days after the analysis is completed.

Lastly, the Company will propose a pilot low-income bill discount program for residential water and wastewater service in its next base rate proceeding.

Although I&E did not take a position on York Water's customer assistance programming in the evidentiary portion of this proceeding, I&E nonetheless supports these terms and opines that they are in the public interest for several reasons.

First, ensuring that low-income customers have access to financial assistance is in the public interest because it will better facilitate these customers' access to water and wastewater service. Increasing low-income customers' access to water and wastewater service is consistent with the Code's policy of ensuring that service remains available to all customers on reasonable terms and conditions.¹⁶ Additionally, improving outreach to better inform customers of available assistance opportunities will help ensure that York Water's

¹⁶ 66 Pa. C.S. § 1402(3).

programming is known to those in need. Accordingly, I&E avers that York Water's low-income customer assistance program commitments are in the public interest.

K. Customer Service (Joint Petition ¶¶ 53-57)

York Water agreed to increase its customer service as part of the Settlement. First, the Company agreed to take such action as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. The Company will provide a report 30 days prior to filing its next base rate case or within two years, whichever is sooner, that will show each year's annual call center performance compared to the 2020 call center performance results.

Next, the Company agreed to update its training materials, including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer's rights to dispute York Water's response to questions and concerns, and the policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two (2) years of the issuance of a final order in this proceeding. As part of its commitment to develop more detailed training materials for its customer call center and other staff, York Water will make explicit its commitment to developing payment arrangements based on the customer's individual circumstances. The Company will also develop a process for oversight and compliance monitoring. The Company will submit the updated training materials within two (2) years of a final order in this proceeding. The Company further agrees to document how its training is conducted and how ongoing compliance is audited.

Moreover, York Water will establish a database to document all customer disputes, and formal and informal complaints, as those terms are defined in 52 Pa. Code § 56.2, for both

water and wastewater operations. The database shall include customer account information, address, date of dispute or complaint, the type of issues raised by the dispute or complaint, and the resolution of the dispute or complaint. The Company shall document its development of the database in a compliance filing within twelve (12) months of a final order in this proceeding. The Company agrees to make the complaint log available to parties as part of discovery in its next base rate case.

York Water's water and wastewater tariffs shall be amended to include the essential consumer protections set forth in Chapter 56. York Water will submit tariff supplements containing those amendments within twelve (12) months of a final order in this proceeding.

Finally, York Water agreed to continue not to include any City of York refuse charges on its bills for York Water water and wastewater service and will continue not to threaten termination of service for nonpayment of City of York refuse charges. Any charges collected for City of York refuse charges shall be remitted directly to the City of York without any impact on the amount due for York Water regulated services. York Water will disclose on its web portal and on its bills issued on behalf of the City of York that York Water will not threaten or undertake termination of water service for non-payment of City of York refuse charges.

While I&E did not address these matters in testimony, I&E certainly supports them as important terms that will both improve York Water's customer service and improve customers' access to quality service from York Water. Accordingly, all of these terms are in the public interest.

L. Revenue Allocation and Rate Design (Joint Petition ¶¶ 58-59)

The Settlement rates will allocate a portion of York's wastewater revenue requirement to its water customers in accordance with Section 1311(c) of the Public Utility

Code. This allocation of annual revenue increase among York Water's water and wastewater operations is set forth in Appendix C of the Joint Petition for Settlement. The Company originally proposed to limit wastewater customer rates at 35%.¹⁷ I&E witness Cline argued that limiting wastewater customer rates at 35% was unfounded as the Company did not provide any studies, analysis, supporting back-up information and decreased the allocation by increasing wastewater rates.¹⁸ I&E supports the revenue allocation put forward by the Settlement as it reduces the allocation to water customers but also limits the wastewater customers' rate increase to 45.6%. I&E believes the settled upon revenue allocation is within the public interest.

As part of the Settlement, the residential customer charge for the 5/8" by 3/4" meter size ("5/8" customer charge") will be set at \$17.25 per month. York Water originally proposed an increase to the 5/8" customer charge to \$20.71 per month, an increase of \$4.46 per month to the current charge. I&E recommended that the customer charge be included in any scale back of rates.¹⁹ The Settlement represents a compromise between the parties as the customer charge increase is limited and the Company receives an increase in order to maintain safe and reliable water service.

Additionally, the Company agreed to provide an analysis including, but not limited to, proof of revenue, bill frequency, and bill comparison showing a reduction in the existing 4,000-gallon usage allowance for wastewater customers to a 2,000-gallon allowance in its next base rate case. This analysis shall be provided to support a rate design proposal that

¹⁷ York Water Statement No. 103, pp.10-11.

¹⁸ I&E Statement No. 3, pp. 5-6.

¹⁹ I&E Statement No. 3, p. 20.

includes a maximum allowance of 2,000 gallons. In testimony, I&E witness Cline recommended that the 4,000-gallon allowance be eliminated.²⁰ I&E believes that this term is within the public interest and moves the Company closer to eliminating the usage allowance in future base rate proceedings consistent with I&E testimony.

These issues were addressed by I&E in testimony and thoroughly vetted in settlement negotiations. York Water's proposed distribution of revenue among customer classes and rate design generally was a matter of interest to all parties in the proceeding. Settlement discussions in these matters were extensive and these settlement terms reflect compromise among all interested parties. Therefore, I&E fully supports all settlement terms related to revenue allocation and rate design.

III. CONCLUSION

Based on I&E's analysis of the base rate revenue increase requested by the York Water Company, acceptance of this proposed Joint Petition is in the public interest. Resolution of these issues by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate

²⁰ I&E Statement No. 3, p. 10.

case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of York Water and its customers.

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

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

If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions with respect to the agreed upon terms in the Settlement Petition. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officer in her Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition for Settlement* as being in the public interest and respectfully requests that Administrative Law Judge Katrina L. Dunderdale recommend, and the

Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika L. McLain". The ink is a light grey or blue color.

Erika L. McLain
Prosecutor
PA Attorney ID No. 320526

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17012
(717) 783-6170
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Appendix “G”

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2022-3031340
	:	R-2022-3032806
	:	C-2022-3032868
The York Water Company	:	C-2022-3032869

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

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Rate Investigation (Settlement), finds the terms and conditions of the Settlement, which resulted from compromise by the parties to avoid the uncertainty of a fully litigated outcome, to be in the public interest for the following reasons:

I. INTRODUCTION

A. Summary of the Settlement

The Office of Consumer Advocate has joined in a proposed Settlement of the water and wastewater rate increase requests filed by The York Water Company (York or Company). The Settlement will be filed on November 4, 2022. The OCA supports approval of the Settlement without modification. The value of settling is that it protects customers from the risk that litigation would result in a higher rate increase with lesser consumer benefits. The compromises in this Settlement were negotiated to reduce the potential rate increases and ensure benefits.

This brief summary of some terms of the Settlement is provided for your convenience. The Settlement, if approved, would do the following:

- Allow York to increase annual water revenues by \$13.5 million above current levels. The Company originally proposed to increase annual water revenues by \$18.9 million. Settlement ¶ 34. Under the Settlement proposal, effective March 1, 2023, the typical monthly water bill for residential gravity customers using 4,525 gallons per month would increase from \$38.93 to \$47.26 per month, or by 21.39%. The typical water bill for residential repumped customers using 3,784 gallons of water per month would increase from \$46.94 to \$55.88 per month, or by 19.05%. Not all customers have typical usage and so actual increases will necessarily vary based on actual customer usage. Settlement ¶ 34.
- Allow the Company to increase annual wastewater revenues by \$1.9 million. Under the Settlement proposal, the typical monthly wastewater bill for customers using 4,000 gallons a month would increase from \$62.50 to \$86.90 per month, or by 39%.
- Under the Settlement, the current monthly fixed customer charge of \$16.25 will increase to \$17.25. York proposed to increase residential water customer charges for customers with from \$16.25 to \$20.71 per month. Lower fixed customer charges increase customers' ability to control their bills through conservation. Settlement ¶ 58.
- Under the Settlement, York will not file for an increase in distribution water or wastewater base rate revenues for at least 24 months from the effective date of rates. ¶ 35.
- The Company confirms it has not recorded any COVID-19 related deferrals for uncollectibles and COVID-19 related incremental expenses. Any future claims related to these must be based on Commission action after the effective date of new rates in this proceeding. Settlement ¶ 44.
- York will undertake an analysis to estimate the number of low-income customers on its water and wastewater systems as well as an analysis of the estimated cost, potentially eligible customers, and impact on non-eligible customers of a potential bill discount program within 18 months of the final order in this proceeding. Settlement ¶ 51.
- In York's next base rate proceeding, the Company will propose a pilot low-income bill discount program for residential water and wastewater customers. Settlement ¶ 52.
- The Company agrees to take actions as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. Settlement ¶ 53.
- York will update its training materials, including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer's rights to dispute York Water's response to questions and concerns, and the policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two years of the issuance of a final order in this proceeding. Settlement ¶ 54.
- The Company will establish a database to document all customer disputes, and formal and information complaints. Settlement ¶ 55.
- The difference between the depreciated original cost and acquisition cost ("negative acquisition adjustment") with respect to York's acquisition of the Letterkenny Township

Municipal Authority will not be amortized or otherwise passed through to ratepayers in this or any future proceeding. Settlement ¶ 42.

B. Procedural Background

On May 27, 2022, York filed Supplement No. 143 to Tariff Water – PA P.U.C. No. 14 and Supplement No. 14 to Tariff Wastewater – PA P.U.C. No. 1 with the Pennsylvania Public Utility Commission (PUC or Commission) to become effective on August 1, 2022. The OCA filed a Formal Complaint and Public Statement challenging the justness and reasonableness of the proposed rate increases on June 8, 2022. On July 14, 2022, the Commission suspended both tariff filings for investigation and assigned the proceeding to the Office of Administrative Law Judge, with the Honorable Katrina L. Dunderdale (ALJ) presiding. The OCA submitted Direct Testimony by Mark E. Garrett¹, Morgan N. DeAngelo², David S. Habr³, Jerome D. Mierzwa⁴, Barbara R.

¹ Mr. Garrett is a Certified Public Accountant, attorney, and President of Garrett Croup Consulting, Inc. Most of Mr. Garrett's work experience has involved utility regulation, and Mr. Garrett has previously testified before this Commission, as well as other state utility commissions. A complete description of Mr. Garrett's qualifications is provided in Appendix A to OCA Statement 1.

² Ms. DeAngelo is a Regulatory Analyst at the Office of Consumer Advocate. She regularly analyzes the financial, economic, rate of return, and policy issues relevant to ratemaking filings and presents written testimony on behalf of the OCA. She has submitted testimony in Pa. P.U.C. v. UGI Util., Inc. – Elec. Div., R-2021-3023618; Pa. P.U.C. v. Pittsburgh Water and Sewer Auth., R-2021-3024773; Petition of Twin Lakes Util., Inc., P-2020-3020914; and Application of Pennsylvania American Water Co., A-2020-3019634. A more complete description of Ms. DeAngelo's education and experience may be found at Appendix A to OCA Statement 2.

³ Mr. Habr is the owner of Habr, Economics, a consulting firm focusing on cost of capital and mergers and acquisitions. Mr. Habr's relevant experience includes rate of return testimony beginning in 1981. Mr. Habr's professional experiences and qualifications are attached as Exhibit DSH-1 to OCA Statement 3.

⁴ Mr. Mierzwa is a Principal of Exeter Associates, Inc., with over 30 years of public utility regulatory experience. At Exeter, Mr. Mierzwa has been involved in purchased gas cost allocation analysis and rate design analysis, conducting management audits and similar investigations of the natural gas supply and procurement policies and practices of local distribution companies, and has provided assistance in proceedings before the Federal Energy Regulatory Commission. Mr. Mierzwa has participated in the planning of natural gas procurements for major federal installations located in various regions of the country. Mr. Mierzwa has participated in developing utility class cost-of-service studies, and presented testimony sponsoring gas, water and wastewater utility cost-of-service studies, least cost gas procurement and incentive regulation, as well as testimony addressing utility rate base and revenues. His curriculum vitae is attached to Schedule JDM-1 to OCA Statement 4.

Alexander⁵, and Terry L. Fought⁶ with recommendations regarding York’s filing. OCA witnesses Habr and Mierwza submitted Rebuttal Testimony on September 16, 2022, and all OCA witnesses submitted Surrebuttal Testimony on September 28, 2022. The remainder of the procedural history in this proceeding can be found in the Joint Petition for Settlement of Rate Investigation at Section I (Background).

II. DISCUSSION

A. Revenue Requirement (Settlement ¶ 34)

The OCA supports the settlement with regards to the Revenue Requirements agreed upon by all signatory parties. York Water Company originally sought an increase in base rates of \$18,853,737 for the water utility, and \$1,456,793 for the wastewater utility. OCA St. 1 (REVISED) at 7. The OCA advocated for and supported a revenue requirement increase of \$7,001,522 for the water utility and \$104,786 for the wastewater utility. OCA St 1 (REVISED) at 7; Exh. Errata MEG-2. In settlement, the parties agreed upon a total revenue requirement increase of \$13.5 million, with \$11.6 million of that being additional water base rate revenues, and \$1.9 million being wastewater base rate revenues.⁷ Settlement ¶ 34.

The OCA believes that this reduction in revenue requirement from the as filed position of the Company will benefit consumers. While the revenue requirement in the settlement is higher than the amount that the OCA supported and proposed in litigation, the OCA believes that this

⁵ Ms. Alexander is a Consumer Affairs Consultant who runs her own consulting practice, Barbara Alexander Consulting LLC. She received her Bachelor of Arts degree from the University of Michigan and her J.D. from the University of Maine School of Law. Ms. Alexander’s professional experiences and qualifications are attached as Exhibit BA-1 to OCA St. 6.

⁶ Mr. Fought has been a licensed engineer in Pennsylvania since 1975, is licensed in New Jersey and Virginia and has been a consulting engineer since 1983. He received his Bachelor of Civil Engineering from Cleveland State University. He has been involved in the design, construction and operation of water and wastewater facilities for over 40 years. He has also served as a consultant to the OCA for water and wastewater rate cases, complaint proceedings, investigations, and applications since 1984. Mr. Fought’s background and qualifications are attached as Appendix A to OCA St. 7.

⁷ These numbers reflect a shift of 1.3 million of wastewater revenue requirement to water as discussed further below.

negotiated resolution it is still in the interest of consumers. The OCA recognizes that with the uncertainty of litigation, the result for the Revenue Requirement was likely to have been higher than either what the OCA had proposed or than what was settled upon. Factoring in this uncertainty, along with the other benefits gained from the settlement, which will be discussed more in depth below, the OCA believes that this settlement, both as a whole and in regards to this portion, is in the public interest.

B. Stay-Out (Settlement ¶ 35)

In the joint settlement, the York agreed to a stay out period of 24-months from the date of effective rates which means that the Company cannot file a rate case prior to March 1, 2025. The OCA supports this stay out period, as it is in favor of consumers and ensures that Consumers will not face a rate increase within the 24-month period.⁸ This stay out period benefits consumers and is something that would not have resulted had the case been litigated, and is in the public interest.

C. Settlement Amortizations (Settlement ¶¶ 41-42)

The Settlement also modifies the Company's as-filed proposed accounting treatment for some of the water and wastewater systems acquired since the last Company's last base rate case. Settlement ¶¶ 41-42. In Direct Testimony, Company witness Hand identified positive acquisition adjustments for the Wrightsville Municipal Authority (Wrightsville), Felton Borough (Felton), and West Manheim Township (West Manheim), and negative acquisition adjustments for the Jacobus Borough Sewer Authority (Jacobus) and Letterkenny Municipal Authority (Letterkenny).⁹ OCA St. 2 at 1. As discussed in the Direct Testimonies of OCA witness DeAngelo and OCA witness Fought, the OCA opposed the positive acquisition adjustments for Wrightsville and Felton, and

⁸ The Stay out provision includes an exception relating to Commission orders or changes in tax policies that would allow a rate increase before the end of the 24 month stay out.

⁹ The OCA did not oppose the negative acquisition treatment for Letterkenny. *See* OCA St. 2 at 7.

the negative acquisition adjustment for Jacobus. With respect to Wrightsville, the OCA presented the testimony of OCA witnesses DeAngelo and Fought identifying why the Company had not met the positive acquisition adjustment standard for Wrightsville. OCA St. 2 at 5-6; OCA St. 6 at 13. In Rebuttal Testimony, the Company withdrew its request for a positive acquisition adjustment for Wrightsville. The Settlement addresses the remaining positive acquisition adjustment for Felton Borough and the negative acquisition adjustments for Letterkenny and Jacobus. Settlement ¶¶ 41-42.

In testimony, the OCA opposed the inclusion of the Company's claimed positive acquisition adjustment for Felton Borough on the basis that it did not meet the requirements of 66 Pa. Code Section 1327(a)(3). OCA St. 2 at 6-7; OCA St. 6 at 12, 14-16. In the context of the full Settlement, the parties agreed to cut in half the proposed wastewater positive acquisition adjustment for Felton Borough. Settlement ¶¶ 41-42. The OCA believes this is a reasonable compromise in the context of the full Settlement and in the public interest given the evidence presented by the parties and likely litigation outcomes.

The OCA also opposed York's proposed negative acquisition adjustment for the Jacobus acquired system on the basis that York did not show that the purchase was a matter of substantial public interest and eligible for such accounting treatment, pursuant to 66 Pa. Code Section 1327(e). As a result of the Settlement, the Jacobus disputed negative acquisition adjustment has not been included. Settlement ¶¶ 41-42. As a result of the Settlement, the Jacobus acquisition will be included in rates at the lower purchase price, rather than the higher depreciated original cost. For the reasons identified in the OCA's testimony in this proceeding, this is a proper result.

For the reasons discussed above, the OCA submits that the proposed positive and negative acquisitions at issue should be approved by the Commission.

D. COVID-19 Related Uncollectable Deferrals and Incremental Expenses (Settlement ¶ 44)

The OCA did not address in testimony any treatment of COVID 19 Related Uncollectable Deferrals and Incremental Expenses. In the settlement, York confirmed that it had not recorded any COVID-19 related deferrals for uncollectibles, or any COVID-19 related incremental expenses. *Id.* Additionally, York agreed that any future claim for similar deferred accounting must be based on Commission action after the effective date of the new rates of this proceeding. *Id.* The OCA supports this section as a part of the settlement, which as a whole, is in the public interest.

E. Tangible Property Regulations (Settlement ¶ 45)

The OCA did not address in testimony any treatment of Tangible Property Regulations. In the settlement, York agreed to continue to amortize the benefit of the catch-up deduction permitted by the tangible property regulations, as established by the Commission-approved 2018 base rate case. *Id.* York agreed that this amortization is without interest and without deduction of the amortize balance from the rate case, and the amortization is subject to adjustment in future cases if the IRS determines York is not eligible for the full deduction. *Id.* The OCA supports this section as a part of the settlement, which as a whole, is in the public interest.

F. Pension Contribution (Settlement ¶ 46)

The OCA did not address in testimony any pension contribution issues which are still relevant.¹⁰ In Settlement, York agreed that the rates under this settlement will be presumed to provide the recovery of a cash contribution to pensions in the amount of \$1,556,000, and that York will deposit such amount into the pension trust annually during the period for which these settlement rates remain effective provided that the deposit does not exceed Internal Revenue Code

¹⁰ OCA Witness Mark Garrett made adjustments to remove vacant positions from payroll costs, these adjustments may have had an effect on the pension expense. OCA St. 1 (REVISED) at 12-13. However, the adjustment in employee vacancy rates was accepted and therefore the possible adjustment is no longer relevant.

deductibility limits. *Id.* The Settlement also allows for an increased contribution to the pension trust if the minimum required contribution is in excess of \$1,556,000, in such case York will make whatever the minimum required amount is set at under Internal Revenue Code Section 430. *Id.* The OCA supports the treatment of Pension Contributions as a part of the settlement, which as a whole, is in the public interest.

G. State Income Taxes and STAS (Settlement ¶¶ 36, 37)

The OCA did not submit any testimony regarding State Income taxes or STAS which are still relevant.¹¹ The Settlement set the income tax rate at 8.99%, and York agreed to reflect subsequent state tax adjustments for the post-2023 tax year through State Income Tax Adjustment Surcharges or future base rate proceedings. Settlement ¶ 36. York also agreed, that in accordance with 52 Pa. Code § 69.55, the STAS will be set reset at 0%. Settlement ¶ 37. As such, the OCA supports the treatment of Income Taxes and STAS as a part of the settlement, which as a whole, is in the public interest.

H. DSIC (Settlement ¶¶ 47-49)

Under the Settlement, the Company has agreed not to charge a Distribution System Improvement Charge (DSIC) until the end of the FPFTY or the “quarter following the point at which York’s Water’s total claimed account balances, net of plant funded with customer advances and customer contributions, exceed the levels projected by York Water as of February 29, 2024 (*i.e.*, the end of the FPFTY).” Settlement ¶ 47. The Settlement also specifies the level of total aggregate plant costs that must be reached before a DSIC may be implemented, as well as the rate of return on equity that the Company will use only for the purposes of calculating the DSIC.

¹¹ OCA Witness Mark Garrett made adjustments to various expenses in his testimony, these adjustments would have had effects on the income tax expense. OCA St. 1 (REVISED) at 46. However, these adjustments are no longer relevant as a result of settlement.

Settlement ¶¶ 47, 48. On or before June 1, 2023, the Company will also provide the actual capital expenditures, plant additions and retirements of the twelve months ending December 31, 2022, and a further update through February 29, 2024. Settlement ¶ 49. These provisions will help to ensure that the DSIC is calculated properly and prevent duplicate recovery of DSIC-eligible expenditures in base rates and the DSIC.

I. FTY and FPFTY Reporting Requirements (Settlement ¶ 49)

As a part of the Joint Settlement, York Water Company has agreed to update its exhibits to include actual capital expenditures, retirement, and plant additions for the twelve months ending December 31, 2022. The Company has agreed to update these exhibits on or before June 1, 2023. The company has also agreed that by June 1, 2024 the Company will further update exhibits to include actual capital expenditures, retirement, and plant additions for the twelve months ending December 31, 2023. The OCA supports these updates, as they help to show the accuracy of the FTY and the FPFTY. This improved accuracy, and additional data benefits consumers by ensuring that the projections used to set rates, and negotiate settlements, are accurate. Therefore, the OCA supports the reporting requirements listed in the settlement and submits that they are in the public interest.

J. Low-Income Programs (Settlement ¶¶ 50-51)

1. CARES Program (Settlement ¶ 50)

Under the Settlement, the Company will implement its proposal to expand The York Water Cares Low Income Customer Assistance Program (CARES Program) from \$20,000 to \$40,000. Settlement ¶ 50. The Settlement also provides that within 30 days of the entry of final Commission Order approving the Settlement, York will include information about the CARES Program and the Company's existing arrearage forgiveness program on its website. *Id.* York also agrees that the

Company will continue its current process of accepting the required documentation for the Cares program from customers via email and forwarding documents to the social services agencies that administer the program. Settlement ¶ 50.

The CARES Program consists of a one-time bill credit of to \$200 for eligible low-income customers. OCA St. 5 at 18. The Company also operates a small arrearage forgiveness program to reduce water usage. OCA St. 5 at 18. OCA witness Alexander agreed with the Company's proposal to increase the CARES Program budget, but Ms. Alexander testified that the program should be a *supplement* to a larger bill discount program. OCA St. 5 at 20. Ms. Alexander also identified concerns that the CARES Program and the arrearage forgiveness program were not advertised on the Company's website and that the program was limited to only those individuals who could appear in person at one of the two social service agencies in the service territory. OCA St. 5 at 19-20.

The OCA submits that the proposed Settlement provisions, combined with the proposal to develop a low-income discount bill pilot program in the next base rate proceeding and to perform a low-income customer analysis, will work together to develop a more robust assistance program for low-income customers in the future. The Settlement also addresses the OCA's specific concerns regarding publication of the program information on the Company's website and clarifying that customers can apply for assistance via email if they are unable to go to one of the two social services agencies in person. The OCA submits that the Settlement provisions are in the public interest and should be approved.

2. Low-Income Discount Program (Settlement ¶¶ 51-52)

OCA witness Alexander testified that the existing CARES Program was not enough to address the needs of the Company's low-income customer population. OCA St. 5 at 19-20. While

the CARES Program helped a small group of customers with halting terminations, the program did not address the overall affordability of the Company's water and wastewater rates for low-income customers. Ms. Alexander recommended that York implement a low-income bill discount program similar to the program developed by Community Utilities and other Pennsylvania water and wastewater utility companies. OCA St. 5 at 20. The OCA also recommended that the Company complete an analysis of its low-income customer population in order to determine what the needs of the low-income community were.

The Settlement directly addresses the OCA's recommendations in this proceeding. The Settlement provides that the Company will complete an analysis in order to estimate the number of low-income customers on its water and wastewater systems and a usage profile of the known low-income customers. Settlement ¶ 51. The analysis will be presented as a part of the Company's next base rate proceeding. Settlement ¶ 51. York will also conduct an analysis of the "estimated costs, potentially eligible customers, and impact on non-eligible customers, of a potential bill discount program within 18 months of the issuance of a final order in this proceeding." Settlement ¶ 51. The Company will meet with the parties within 30 days after the analysis is completed. Settlement ¶ 51

The Settlement also provides the Company will propose a pilot low-income discount program for residential water and wastewater service. Settlement ¶ 52. The proposed analysis and meeting after the analysis is completed will help the Company to assess the needs of its low-income customer community and work towards providing more affordable water and wastewater bills for low-income customers. The analysis and discussion will help to inform the pilot bill discount program that the Company develops for the next base rate proceeding. A low-income

discount program will help York's low-income water and wastewater customers to improve affordability for these essential services.

For the reasons set forth above and in the OCA's testimony of Ms. Alexander, the OCA submits that the proposed analysis of the low-income customer community in the service territory and the pilot discount program are in the public interest and should be approved.

K. Customer Service (Settlement ¶¶ 53-57)

1. Call Center Performance (Settlement ¶ 53)

Call Center performance is a critical component of the customer service provided by a utility. OCA St. 5 at 6. It is crucial for customers to have access to a reasonable level of customer service and to be offered the consumer protections and complaint handling requirements included in the Commission's Chapter 56 regulations. OCA St. 5 at 6. As OCA witness Alexander explained, York primarily relies upon a small call center, staffed by 10 full time customer service representatives, as the primary method by which customers can communicate with the Company. OCA St. 5 at 6. York has one office in downtown York where customers can conduct business in person. *Id.* Customers can also pay bills via mail, the online web portal or via the interactive voice response system (IVR). *Id.* OCA witness Alexander noted that only 14% of its customers are enrolled in automatic bill pay. *Id.*

OCA witness Alexander examined the ability of York's Call Center to answer calls in a timely manner and ability to avoid a significant caller abandonment rate, or the percentage of calls in the queue to be answered that are abandoned due to a long wait time. OCA St. 5 at 6-7. After review of the Company's performance statistics from 2020 through the first half of 2022, Ms. Alexander identified concerns with the deterioration in performance from 2021 through the first half of 2022 provided by this critical core utility service. OCA St. 5 at 6-7, Exh. BA-2. In the

Rebuttal, the Company identified concerns about the ability of a smaller water utility to meet OCA witness Alexander's recommendations for the standard of Call Center performance. In response, Ms. OCA witness Alexander modified her recommendation regarding the bar by which York should be evaluated for improvements to the Company's Call Center performance going-forward to bring the Company to a level of satisfactory performance. OCA St. 5-SR at 14. OCA witness Alexander recommended that York should be required to meet the objective of its 2020 annual results for its Call Center performance. OCA St. 5-SR at 14.

The Settlement addresses the OCA's modified recommendation in this proceeding. The Settlement provides:

[t]he Company agrees to take such action as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. The Company will provide a report 30 days prior to filing its next base rate case or within two years, whichever is sooner, that will show each year's annual call center performance compared to the 2020 call center performance results.

Settlement ¶ 53.

The OCA submits that based on the Company's historic performance, the 2020 call center performance standard should be an achievable goal for the Company and will greatly improve the Call Center performance from 2021 and 2022 to date. As OCA witness Alexander testified, it is crucial that customers have the ability to reach the call center and for the call center to address customer concerns in a timely manner. For the reasons set forth above, the OCA submits that the Settlement provision is in the public interest and should be adopted.

2. Handling of Customer Complaints and Disputes (Settlement ¶¶ 54-55)

In their respective testimonies, OCA witnesses Alexander and Fought raised concerns regarding how the Company handles customer complaints and disputes. *See* OCA St. 5 at 11-13,

Exh. BA-4; The Settlement provisions include a mechanism to improve the Company's training materials and the development of a customer complaint log. Settlement ¶¶ 54-55.

OCA witness Alexander examined the Company's performance regarding customer complaints. OCA St. 5 at 11. Ms. Alexander reviewed the Company's data presented in the Bureau of Consumer Services' quarterly Consumer Activities and Report Evaluation for Pennsylvania electric, gas, telephone and water utilities. OCA St. 5 at 11. OCA witness Alexander also reviewed the Company's training materials and found that the training materials did not include information about how to handle a customer dispute or take action in response to a dispute. Specifically, she testified "these materials include a table of contents and an outline of training topics that does not identify disputes or complaints as a training topic." OCA St. 5 at 11-12, Exh. BA-4. York also does not maintain any internal complaint dispute performance metrics, but instead relies upon its low incidence of BCS complaints and violations as compared to larger Pennsylvania water utilities. OCA St. 5 at 12.

In Direct testimony, OCA witness Alexander recommended that York should be required to adopt revised and updated training materials and revisions to its database to ensure that disputes and complaints are identified, tracked and evaluated on a regular basis. OCA St. 5 at 13. OCA witness Alexander also recommended that the Company revise its current database system to identify a dispute and track the resolution through the process of management review and resolution. OCA St. 5 at 13. In particular, the complaint analysis should also include the payment arrangement disputes that are an essential component of adequate and reasonable service.

OCA witness Fought determined that the Company did not maintain a detailed customer complaint log. OCA St. 6 at 6. With the understanding that the Commission requires that records of complaints be maintained for five years, OCA witness Fought recommended that York submit

a complaint log that: (1) “includes all complaints or records of customer disputes received by phone, online, and in writing, (not just those filed with the Commission),” and (2) “submit the listing of complaints in live Excel format, including providing more specific details of the complaints as discussed above, and also indicating the final disposition of the complaint.” OCA St. 6 at 6. Mr. Fought also recommended that the water system complaint listing include certain data that it can be sorted by date and location. OCA St. 6 at 6. For the wastewater system, OCA witness Fought made similar recommendations concerning the the complaint log. OCA St. 6 at 6.

The OCA also recommended that the York undertake a review and reform of its training materials and oversight policies to ensure a proper level of detail is provided to inform customer service representatives and customers about the rights, remedies and responsibilities set forth in Chapter 56. OCA witness Alexander determined that “the current training program is insufficient, inadequate, particularly when considered in light of the failure to properly identify, track and resolve customer disputes and complaints.” OCA St. 6 at 14.

The Settlement addresses the OCA’s concerns regarding the Company’s handling of customer complaints and disputes in two ways. First, under the Settlement, the Company will update its training materials, “including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer’s rights to dispute York Water’s response to questions and concerns.” Settlement ¶ 54. The Settlement provides that the new policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two years of the issuance of the Commission’s final Order in this proceeding. Settlement ¶ 54. Moreover, the Settlement provides that:

[a]s part of its commitment to develop more detailed training materials for its customer call center and other staff, York Water will make explicit its commitment

to developing payment arrangements based on the customer's individual circumstances. The Company will also develop a process for oversight and compliance monitoring. The Company will submit the updated training materials within two (2) years of a final order in this proceeding. The Company further agrees to document how its training is conducted and how ongoing compliance is audited.

Settlement ¶ 54.

Second, in response to the concerns raised by both OCA witness Alexander and OCA witness Fought about the tracking of customer complaints, the Company will establish a database to document all customer disputes, and formal and informal complaints, as those terms are defined in 52 Pa. Code § 56.2, for both water and wastewater operations” Settlement ¶ 55. Consistent with the recommendations of OCA witness Fought, the database shall include “customer account information, address, date of dispute or complaint, the type of issues raised by the dispute or complaint, and the resolution of the dispute or complaint.” Settlement ¶ 55. The Settlement provides that Company shall document its development of the database in a compliance filing within twelve months of a final order in this proceeding. Settlement ¶ 55. The Company also agrees to make the complaint log available to parties as part of discovery in its next base rate case. Settlement ¶ 55.

For the reasons set forth above and in the testimonies of OCA witnesses Alexander and Fought, the OCA submits that the proposed Settlement provisions are in the public interest and should be approved.

3. Tariff Updates (Settlement ¶ 56)

OCA witness Alexander reviewed the Company's tariff provisions and identified a concern that York only incorporated by reference Chapter 56 and did not include the actual tariff language concerning payment arrangements, dispute resolution, medical emergency, Protection from Abuse Orders, or provisions of the applicable landlord/tenant law and policies. OCA St. 6 at 22. Ms.

Alexander recommended that York revise its tariff to reflect the essential consumer protections included in Chapter 56. OCA St. 5 at 22. Under the Settlement, York will amend the water and wastewater tariffs to include the essential consumer protections set forth in Chapter 56 within 12 months of a final Commission Order in this proceeding. Settlement ¶ 56. The addition of this language, combined with the changes to the Company's training materials, will provide important clarity for consumers regarding the protections available to customers under Chapter 56 of the Commission's regulations. The Settlement should be approved as in the public interest.

4. City of York Refuse Charges (Settlement ¶ 57)

OCA witness Alexander testified regarding concerns with the impact of the Company's agreement with the City of York to bill and collect charges for water and wastewater service on the call center performance. OCA St. 5 at 15-17. York experienced a significant increase in the terminations that the Company issued, in part, due its agreement with the City of York. OCA St. 5 at 14-15. Ms. Alexander also identified concerns regarding whether customers were being terminated as a result of the non-utility refuse charges. *See* OCA St. 5-SR at 7. The wastewater agreement was terminated as of July 2022 due to Pennsylvania-American Water Company's acquisition of the City of York's operations, but York still has an agreement with the City of York to terminate for refuse contracts. OCA St. 5-SR at 5-7.

The Settlement addresses OCA witness Alexander's concerns regarding the potential impact of refuse terminations on York water and wastewater customers. Settlement ¶ 57. The Settlement provides that:

York Water will continue not to include any City of York refuse charges on its bills for York Water water and wastewater service and will continue not to threaten termination of service for nonpayment of City of York refuse charges. Any charges collected for City of York refuse charges shall be remitted directly to the City of York without any impact on the amount due for York Water regulated services. York Water will disclose on its web portal and on its bills issued on behalf of the

City of York that York Water will not threaten or undertake termination of water service for non-payment of City of York refuse charges.

Settlement ¶ 57.

The Settlement specifically provides that customers will not be terminated as a result of the City of York refuse charges and that the charges collected for the City of York will not impact York's regulated services. Settlement ¶ 57. The Company will also clearly disclose this on its website and on bills. As discussed above, the Company has also agreed as a part of the Settlement to improve its Call Center performance. The OCA submits that these clarifications to the Company's policies regarding the City of York contract and the above commitments to improve call center performance are in the public interest and should be approved.

L. Revenue Allocation and Rate Design (Settlement ¶¶ 58, App. C-59)

1. Combined Water and Wastewater Revenue Allocation (Settlement ¶ 58, App. C)

Settlement Paragraph 32 provides that pursuant to Section 1311 (c) of the Public Utility Code and the Commission's Implementation Order in Docket No. R-2013-235576, the Settlement rates will allocate a portion of York's wastewater revenue requirement to its water customers. Settlement ¶ 58, App. C. The allocation of the annual revenue increase among York's water and wastewater operations is set forth in Appendix C of the Joint Petition for Settlement. *See also* Settlement, App. C. Under the revenue allocation agreed to by the Joint Petitions, the residential customer class will receive an increase of the water revenue requirement of approximately \$6,718,752, or an increase of 19.5%. Residential customers will receive a wastewater revenue requirement increase of approximately \$1,663,297, or an increase of 44.8%.

Pursuant to Act 11, in its original filing, the Company proposed to shift approximately \$2.67 million, or approximately 32% of wastewater revenues to water customers. The OCA

recommended that the allocation of the wastewater revenue requirement assigned to water customers be reduced by 25%, or by \$625,000 from \$2,670,856 to \$2,045,856. OCA St. 4 at 23. I&E and OSBA also proposed alternative allocations of the wastewater revenue requirement to the water revenue requirement. In addition to concerns about the allocation of the wastewater revenue requirement to the water revenue requirement, OCA witness Mierzwa identified concerns with the systemwide maximum day demand and maximum hour demand factors utilized in the Company's water Class Cost of Service Study (COSS), and Mr. Mierzwa also identified concerns with the Company's proposed allocation of the revenue increase to Industrial and Private Fire customer classes. OCA St. 4 at 13-14. Mr. Mierzwa proposed his own water COSS to address the issues identified. OCA St. 4 at 15.

Several parties, including the OCA, proposed varied revenue allocations, including recommendations regarding a shift of the as-filed \$2.67 million wastewater revenue requirement to the water revenue requirement. The Settlement included in Appendix C represents a compromise of a contentious issue. The revenue allocation proposed in the Settlement is "black box" and does not reflect the position of any party or establish precedent for future proceedings. Based on the OCA's review of the cost-of-service studies presented in this proceeding, the OCA views the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case. In addition, the Settlement is consistent with the objective of moving rate classes toward their cost of service. The OCA submits that the Settlement is reasonable, and when accompanied by other important conditions in the proposed Settlement, yields a result that is just and reasonable and in the public interest.

2. Water Rate Design (Settlement ¶ 58)

York proposed to increase the residential customer charge for a customer with a 5/8-inch meter from \$16.25 to \$20.71. OCA St. 4 at 18. Mr. Mierzwa testified that this proposed increase exceeded the Company's per customer direct cost and recommended no increase to the residential customer charge. OCA St. 4 at 18-19, Sch. JDM-3. Under the Settlement rates, the residential customer service charge will increase to \$17.25. Settlement ¶ 58.

The OCA notes that the agreed upon \$17.25 customer charge is significantly lower than the Company's proposed customer charge of \$20.71 and is within the range of likely outcomes in the event of full litigation of the case. The OCA submits that the \$17.25 customer charge is a reasonable compromise and consistent with sound ratemaking principles. Further, combined with the lower revenue requirement increase than York sought, this rate design results in rates that are significantly below the rates originally proposed by the Company and are in the public interest.

3. Wastewater Rate Design (Settlement ¶ 59)

I&E proposed to eliminate the minimum 4,000-gallon usage allowance for wastewater customers. I&E St. 3 at 7, 10. OCA witness Mierzwa expressed concerns about the proposed elimination of the 4,000 gallons minimum for wastewater customers because the proposed rate structure changes did not provide for appropriate movement toward cost-of-service rates for the wastewater customer classes served by York. OCA St. 4-R at 8-9. OCA witness Mierzwa testified "the minimum allowance should eventually be eliminated; however, it may be appropriate to eliminate the allowance over several rate proceedings so that appropriate movement towards cost of service rates is accomplished in this proceeding." OCA St. 3-R at 9. OCA witness Mierzwa testified that elimination over several rate proceedings would be more consistent with the principles of gradualism. *Id.* Similarly, Company witness Heppenstall testified in her Rebuttal

Testimony, I&E witness Cline's proposal would result in "rate shock." York St. 108-R at 5. Ms. Heppenstall recommended to avoid rate shock that an allowance may be made to avoid rate shock to reduce by half in this rate case and to eliminate in the next rate case. *Id.*

The Settlement provides that in the next base rate proceeding, the Company will provide an analysis including the proof of revenue, bill frequency and a bill comparison showing a reduction of the current 4,000-gallon usage allowance for wastewater customers to a 2,000-gallon minimum allowance. Settlement ¶ 59. The OCA submits that this agreement represents a reasonable compromise and will allow the parties to understand the rate impact on customers of phasing out the minimum rate allowance. The OCA expressed concerns about the complete elimination of the minimum rate allowance and recommended a phase-out to avoid rate shock for customers. This proposal addresses those concerns in this proceeding and the next base rate proceeding. All parties will reserve the right to address the issue as a part of the next base rate proceeding.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a reasonable resolution of the issues raised by the OCA in this matter as they ensure positive benefits for customers while confining the amount of the increase to a range that would likely have resulted from full litigation of the 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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Dated: November 4, 2022

Appendix ‘H’

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	Docket No. R-2022-3031340
v.	:	Docket No. R-2022-3032806
	:	
The York Water Company	:	

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by The York Water Company (“York Water” or the “Company”) on May 27, 2022. The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement of All Issues (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

The Joint Petition

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

Water Revenue Allocation

Table 1, set forth below, compares the water revenue increases to the Company’s Commercial class customers proposed by York Water, the OSBA, and the Office of Consumer Advocate (“OCA”) to the increase proposed by the *Joint Petition*. Note that the water revenue increases in Table 1 include the *Joint Petition’s* Act 11 revenue requirement of \$1.3 million.

Table 1
Comparison of York, OSBA and OCA Proposed Commercial Water Increases
at Joint Petition Revenue Level
(\$000)

<i>Class</i>	<i>Per Joint Petition</i>	<i>York</i>	<i>OSBA</i>	<i>OCA</i>
Commercial	\$3,072.4	\$2,863.5	\$3,048.1	\$3,326.1

Source: Joint Petition at Appendix C and the OSBA’s internal settlement analysis.

As shown in Table 1, the *Joint Petition’s* proposed increase for the Commercial class water customers reflects a compromise between the parties’ litigation positions and is only \$24,300 or 0.2% greater than the OSBA’s litigation position. If the Commission had adopted the OCA’s litigation position, the overall water increase to the Commercial class (assuming an overall water increase of \$11.6 million) would have been \$3.326 million, which is \$0.254 million greater than proposed by the *Joint Petition*. As a result, the OSBA concludes that the *Joint Petition’s* water revenue allocation is a just and reasonable resolution of this issue, is consistent

with the OSBA testimony in this proceeding, and provides a meaningful benefit to the Company's small business customers, as it eliminates any litigation risk associated with the OCA's proposed increase to commercial customers.

Act 11 Revenue Requirement

York Water originally proposed to recover \$2.7 million of its claimed wastewater revenue requirement from water service customers under Act 11. OSBA Statement No. 1, at 10. The figure of \$2.7 million represented the difference between York Water's total claimed wastewater revenue requirement of \$8.3 million and the Company's total proposed wastewater revenues of \$5.6 million. *Id.*, at 10-11. The OSBA opposed the overall magnitude of York Water's proposed shift in wastewater revenue responsibility to the Company's water customers. *Id.*, at 13.

The OSBA argued for a significantly lower recovery of York Water's wastewater revenue requirement from the Company's water customers. OSBA Statement No. 1, 15-19. The *Joint Petition* essentially affirms the OSBA's position and proposes to allocate only \$1.3 million to York Water's water customers. *Joint Petition*, Paragraph 34.

The *Joint Petition's* proposed resolution of this issue is consistent with the OSBA's testimony in this proceeding. Therefore, the OSBA submits that the *Joint Petition* provides a just and reasonable outcome for this issue.

Conclusion

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

Respectfully submitted,

/s/ Steven C. Gray

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Dated: November 4, 2022

Appendix ‘I’

APPENDIX “I”

PROPOSED FINDINGS OF FACT

1. The York Water Company (“York Water” or the “Company”) is a “public utility” as that term is defined in Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission (“Commission”). The Company provides water and wastewater services to customers located in its certificated service territory.

2. On May 27, 2022, York Water filed with the Commission Supplement No. 143 to its Tariff Water – Pa. P.U.C. No. 14 (“Supplement No. 143”) and Supplement No. 14 to Tariff Wastewater – Pa. P.U.C. No. 1 (“Supplement No. 14”), along with supporting testimony and information required by 52 Pa. Code §§ 53.52 and 53.53, to become effective August 1, 2022. In Supplement No. 143, York Water proposed a general increase in water rates of \$18,853,738 per year, and in Supplement No. 14, York Water proposed a general increase in wastewater rates of \$1,456,792 per year, both based upon *pro forma* data for a Fully Projected Future Test Year (“FPFTY”) ending February 29, 2024.¹ By Order entered February 10, 2017, at Docket No. P-2017-2582839, York Water was granted permission to file a single case that combined water and wastewater revenue requirements.

3. On October 6, 2022, Administrative Law Judge Katrina L. Dunderdale (“ALJ”) held an evidentiary hearing for the admission of testimony and exhibits. The parties waived cross-examination of all witnesses.

4. The parties held several settlement conferences in this proceeding and, through their collective efforts, were able to achieve a settlement in principle of all issues.

¹ The proposed wastewater revenue increase of \$1,456,792 reflected an allocation of a portion of the wastewater revenue requirement to water customers pursuant to 66 Pa. C.S. § 1311(c).

5. On October 26, 2022, the parties advised the ALJ of the settlement in principle of all issues and of their intent to file a joint petition for settlement and statements in support by November 4, 2022.

6. The Settlement is supported by the active parties in this case: York Water, the Commission's Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (collectively, "Joint Petitioners").

7. I&E is the prosecutory bureau within the Commission established for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered August 11, 2011).

8. The OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

9. The OSBA is authorized to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act. Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

10. Eight other customers filed *pro se* formal complaints opposing the proposed rate increase: (1) Larry Wolfe at Docket No. C-2022-303223²; (2) Carol and Franklin Doyle Sr. at Docket No. C-2022-3033791; (3) Robert Eicholtz at Docket Nos. C-2022-3033958 and Docket No. C-2022-3033988; (4) Marguerite Ness at Docket No. C-2022-3033964; (5) Selden Granahan

² On July 18, 2022, Complainant Larry L. Wolfe filed a request to withdraw his formal complaint and no longer receive service of documents. On August 31, 2022, the ALJ granted the request of Larry L. Wolfe to withdraw his formal complaint against York Water at Docket No. C-2022-3033223.

at Docket Nos. C-2022-3034145 and C-2022-3034182; (6) Denise L. Lauer at Docket Nos. C-2022-3034146 and C-2022-3034147; (7) Kristina Escavage at Docket Nos. C-2022-3034271 and C-2022-3034173; and (8) Tammy Shaffer at Docket Nos. C-2022-3034240 and C-2022-3034242. None of these *pro se* complainants have been active parties to this proceeding.

A. GENERAL

11. The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. (Settlement ¶ 32.)

12. The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 32.)

B. REVENUE REQUIREMENT

13. Under the Settlement, York Water will be permitted to increase annual base rate operating revenue by \$13.5 million, which consists of \$11.6 million in additional water base revenues and \$1.9 million in additional wastewater base revenues, to become effective March 1, 2023, for service rendered thereafter. (Settlement ¶ 34.)

14. Under the Settlement, the Company agrees not to file another base rate case for 24 months from the effective date of rates; provided, however, that the Company shall not be prohibited from filing a tariff or tariff supplement proposing a general increase in rates in compliance with Commission orders or in response to fundamental changes in regulatory policies or federal tax policies affecting the Company's rates. (Settlement ¶ 35.)

15. The agreed upon revenue requirement is a "black box" settlement, under which the parties do not specifically identify or resolve all of the individual rate base, revenue, expenses, and rate of return issues. (Settlement ¶ 34.)

16. The Company argued that its current rates do not provide it with a reasonable opportunity to earn a fair rate of return on its investments made to serve the public in the provision

of safe and reliable water and wastewater service because, despite its best efforts to control costs, the effects of increased expenses and net additions to rate base have reduced returns. (York Water St. No. 103, p. 4; York Water Exh. F(b)-1.)

17. York Water argued that the proposed rate increases were necessary in order to: (1) provide sufficient revenues to recover the cost of providing water and wastewater service to its consumers; (2) allow it to discharge properly its public duties by continuing to furnish an adequate, safe, and reliable level of service; (3) maintain its facilities properly; and (4) afford the opportunity to more nearly approach a fair and reasonable rate of return on the original cost measure of value of its property used or useful in rendering water and wastewater service. (York Water St. No. 103, p. 4; York Water Exh. F(b)-1.)

18. In direct testimony, I&E proposed a combined water and wastewater revenue increase of \$9,877,837, while the OCA proposed a water revenue increase of \$7,001,522 and a wastewater revenue increase of \$104,786 (*i.e.*, a combined water and wastewater revenue increase of \$7,106,308) (I&E St. No. 1, p. 5; OCA St. No. 1 (REVISED), p. 7.)

19. The Company's revenue deficiency decreased in rebuttal testimony due to York Water adopting, in whole or in part, certain of the other parties' proposed adjustments to payroll, employee benefits, and payroll taxes and the Pennsylvania corporate net income tax rate. (York Water Statement No. 103-R, pp. 2, 23.)

20. These adjustments resulted in the Company's revised revenue deficiency of \$20,201,429, consisting of \$18,744,637 for water (including a wastewater allocation of \$2,696,796) and \$1,456,792 for wastewater. (York Water St. No. 103-R, p. 23; York Water Exh. MEP-1R.)

C. SETTLEMENT AMORTIZATION

21. The Settlement continues the positive acquisition adjustment associated with the acquisition of the Margareta Mobile Home Park (“Margareta”) water system (Settlement ¶ 39) as well as the negative acquisition adjustments associated with the acquisitions of the Lincoln Estates Mobile Home Park (“Lincoln Estates”), The Meadows, and Westwood Mobile Home Park (“Westwood”) water systems (Settlement ¶ 40).

22. The Settlement also allows the Company to amortize a portion of the positive acquisition adjustment associated with the acquisition of Felton Borough’s wastewater system (Settlement ¶ 41.)

23. The amortizations for Margareta, Lincoln Estates, The Meadows, and Westwood were established in York Water’s 2018 base rate proceeding. *See Pa. PUC v. York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, pp. 12, 14 (Recommended Decision dated Dec. 10, 2018), *adopted without modification*, Docket Nos. R-2018-3000019, *et al.* (Order entered Jan. 17, 2019).

24. The Felton Borough system serves approximately 130 wastewater customers in York County, Pennsylvania. (York Water St. No. 1, p. 16.)

25. Felton was not certificated by the Commission and did not wish to continue providing wastewater service due to increasing costs and the challenges of meeting regulatory oversight and reporting requirements. (York Water St. No. 1, p. 16.)

26. The Company averred that Felton Borough’s regulatory difficulties with operating its wastewater system included a July 2018 Notice of Violation (“NOV”) following an inspection by the Pennsylvania Department of Environmental Protection, as well as Inflow and Infiltration (“I&I”) problems with the collection system identified in Felton’s 2018 Chapter 94 report. (York Water St. No. 1, pp. 16-17.)

27. Upon taking over the Felton Borough wastewater collection and treatment system, York Water improved the facilities by installing Supervisory Control and Data Acquisition (“SCADA”) equipment and backup power generation at the treatment plant and sanitary lift station. (York Water St. No. 1, p. 17.)

28. Accordingly, York Water requested amortizing the \$294,808 positive acquisition adjustment over a 10-year period as part of rate base. (York Water St. No. 1, p. 18.)

29. The OCA opposed the positive acquisition adjustment for the Felton Borough water system acquisition, contending that the criteria set forth in Section 1327(a) of the Public Utility Code had not been met. (OCA St. No. 6, pp. 14-15.)

30. Under the Settlement, instead of an annual amortization of \$29,481 for a 10-year period as originally proposed by York Water, the Joint Petitioners have agreed to reduce that annual amortization by half to \$14,741 for a 10-year period beginning with the effective date of rates in this proceeding. (Settlement ¶ 41.)

31. The Settlement also provides that the Joint Petitioners will not propose, in this or any future proceeding, to amortize or otherwise pass through to ratepayers the negative acquisition adjustment with respect to the Letterkenny Township Municipal Authority (“Letterkenny”) wastewater system acquisition. (Settlement ¶ 42.)

32. Letterkenny was not certificated by the Commission and did not wish to continue providing wastewater service to its residents due to increasing costs and the challenges of meeting regulatory oversight and reporting requirements. (York Water St. No. 1, p. 18.)

33. The Company argued that Letterkenny’s regulatory difficulties with operating its wastewater system included a January 2018 NOV issued by the DEP for violations of The Clean Streams Law and the terms of its National Pollution Discharge Elimination System (“NPDES”)

permit, which required Letterkenny to take corrective actions and pay a civil penalty, as well as a September 2018 Consent Order and Agreement (“COA”) between the DEP and Letterkenny for releasing discharges in violation of its NPDES permit. (York Water St. No. 1, p. 19.)

34. Upon taking over the Letterkenny wastewater collection and treatment system, the Company installed SCADA equipment and backup power generation, and corrected all items that resulted in the COA. (York Water St. No. 1, pp. 19-20.)

35. The Company asserted that the circumstances involving the Letterkenny acquisition were “matters of a substantial public interest” that justified no amortization of the negative acquisition adjustment under Section 1327(e) of the Public Utility Code. (York Water St. No. 1, p. 20.) No other party opposed this treatment of the negative acquisition adjustment.

36. The Settlement also provides for amortizations of certain costs associated with customer-owned lead service line replacements. (Settlement ¶ 38.)

37. The Company has incurred actual costs replacing customer-owned lead service lines since its last base rate case of \$1,132,257. (York Water St. No. 3, p. 55.)

38. As part of the settlement in the Company’s 2018 base rate case at Docket No. R-2018-3000019, the Commission allowed the regulatory asset to be amortized over a period of four years. (York Water St. No. 3, p. 55.)

39. The annual amortization of these costs would be \$215,890, after subtracting the updated amortization of \$283,064 from the amortization recorded during the 12 months ended December 31, 2021, of \$67,174. (York Water Statement No. 3, p. 55.)

40. No parties opposed this amortization, and the Settlement reflects the annual amortization of \$215,890. (Settlement ¶ 38.)

D. COVID-19 RELATED UNCOLLECTIBLE DEFERRALS AND INCREMENTAL EXPENSES

41. York Water did not make an expense claim for COVID-19 related deferrals and incremental expenses. (I&E St. No. 1, p. 25.)

42. I&E recommended that the Company be prohibited from “mak[ing] any future claims for COVID-19 related uncollectible accounts expense or other COVID-19 related incremental expenses in future proceedings.” (I&E St. No. 1, p. 26.)

43. In rebuttal, York Water “reserve[d] the right to make future claims for COVID-19 related expenses in future proceedings should the need arise.” (York Water St. No. 3-R, p. 22.)

44. In surrebuttal, I&E accepted “that any future claim for similar costs should be based on Commission action occurring after the effective date of the new rates in the instant proceeding.” (I&E St. No. 1-SR, p. 22.)

45. Under the Settlement, the Company confirms it has not recorded any COVID-19 related deferrals for uncollectibles and COVID-19 related incremental expenses. (Settlement ¶ 44.)

46. Any future claim for similar deferred accounting treatment must be based on Commission action after the effective date of new rates in this proceeding. (Settlement ¶ 44.)

E. TANGIBLE PROPERTY REGULATIONS

47. In 2014, York Water adopted a change to tax accounting that allowed the Company to deduct the costs of certain assets that were previously capitalized and depreciated for tax purposes. *See Pa. PUC v. York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, p. 25 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019).

48. The additional catch-up deduction produced retroactive tax savings for the years 2007-2013. *See Pa. PUC v. York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, p. 25 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019).

49. Under the Settlement, the Company will continue to amortize the benefit of the catch-up deduction permitted under the Internal Revenue Service's tangible property regulations as established by the Commission-approved settlement of the Company's 2018 base rate case at Docket No. R-2018-300019. (Settlement ¶ 45.)

50. The amortization is without interest and without deduction of the unamortized balance from rate base. (Settlement ¶ 45.)

51. The amortization is subject to adjustment in future cases, in the event the Internal Revenue Service ("IRS") determines the Company is not entitled to the full amount of the catch-up deduction. (Settlement ¶ 45.)

F. PENSION CONTRIBUTION

52. In York Water's last rate case in 2018, York Water agreed to maintain an annual contribution of \$2,300,000 to the Company's defined benefit plan pension trusts. *See Pa. PUC v. York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, p. 14 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019).

53. In the present rate case, York Water recommended a \$1,556,000 contribution to the plans to fund the service cost, the amortization of the net loss, and the amortization of the prior service cost that will maintain the fully funded status of the plans. (York Water St. No. 103, p. 88.)

54. The Company believes that it is in the best interest of the plans, their participants, and York Water's customers to make cash contributions to the plans to ensure that the plans are fully funded. (York Water St. No. 103, p. 88.)

55. No other party opposed the Company's pension proposal.

56. The instant Settlement adopts this funding commitment of \$1,556,000 by the Company. (Settlement ¶ 46.)

G. STATE INCOME TAXES AND STAS

57. The Company's originally proposed state income tax expense claim was based on the then-existing Pennsylvania corporate net income tax rate of 9.99%. (I&E St. No. 1, p. 19.)

58. I&E recommended reducing the Company's state income tax expense claim due to the passage of House Bill 1342, which would reduce the corporate net income tax rate from 9.99% to 8.99% for the tax year 2023 and would reduce the tax rate by an additional 0.5% every year until 2031, until the tax rate is ultimately 4.99%. (I&E St. No. 1, pp. 19-20.)

59. I&E's proposed reduction of the state income tax expense claim utilized a weighted corporate net income tax rate of 8.91% for the FPFTY. (I&E St. No. 1, p. 20.)³

60. In rebuttal, York Water proposed modifying its state income tax expense claim by using the corporate net income tax rate of 8.99% that would be in effect for 2023. (York Water St. No. 3-R, p. 19.)

61. The Company proposed utilizing the State Tax Adjustment Surcharge ("STAS") to account for the decrease to 8.49% that would be in effect for the final two months of the FPFTY decrease. (York Water St. No. 3-R, p. 19.)

³ The weighting reflected 10 months of a state income tax rate of 8.99% and two months of a state income tax rate of 8.49%.

62. The Company also stated it would use the STAS for all future decreases, not otherwise captured in a base rate case, through 2031. (York Water St. No. 3-R, p. 19.)

63. Such an approach would allow the Company to align the STAS with the change in rate when it is effective on January 1, 2024, rather than seek to make it effective on a pro rata basis on March 1, 2024, after the end of the FPFTY. (York Water St. No. 3-R, p. 19.)

64. This approach would not impact the customer rates in total but would make the administration of the corporate net income tax rate changes easier. (York Water St. No. 3-R, pp. 19-20.)

65. Under the Settlement, the Joint Petitioners have memorialized the Company's proposal to modify the state income tax expense claim as outlined in York Water's rebuttal testimony. (Settlement ¶ 36.)

66. Specifically, the state income tax rate in this proceeding will be set at 8.99% and has been reflected in the settlement revenue requirement. (Settlement ¶ 36.)

67. The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2023 tax years through the Company's State Tax Adjustment Surcharge or future base rate proceedings. (Settlement ¶ 36.)

H. DSIC

68. The DSIC shall remain at 0% of billed revenues until the later of: (i) the end of the FPFTY; or (ii) the quarter following the point in time at which York Water's total eligible account balances, net of plant funded with customer advances and customer contributions, exceed the levels projected by York Water as of February 29, 2024 (*i.e.*, the end of the FPFTY) per Exhibit Nos. FV-12-4 (\$529,635,106), FV-16-3 (\$41,859,847) and FV-16-4 (\$8,637,823) for a total of \$479,137,436 in utility plant in service. (Settlement ¶ 47.)

69. The Settlement provides that the foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing. (Settlement ¶ 47.)

70. For purposes of calculating its DSIC, York Water shall use the equity return rate for water utilities contained in the Commission's most recent Quarterly Report on the earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for water utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 48.)

I. FTY AND FPFTY REPORTING REQUIREMENTS

71. The Settlement provides that on or before June 1, 2023, York Water will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA an update to York Water's Exhibit Nos. FV-12-1 and FV-12-1W, which will include actual capital expenditures, plant additions and retirements for the 12 months ended December 31, 2022. (Settlement ¶ 49.)

72. On or before June 1, 2024, York Water will update Exhibit Nos. FV-12-4 and FV-12-4W, which will include actual capital expenditures, plant additions and retirements through February 29, 2024. (Settlement ¶ 49.)

73. This settlement provision mirrors Paragraph 38 of the settlement in York Water's 2018 base rate case, which resolved I&E's proposed reporting requirement on actual capital expenditures, plant additions, and retirements for the FTY and FPFTY. *See Pa. PUC v. York Water Co.*, Docket Nos. R-2018-3000019, *et al.*, pp. 16, 27-28 (Recommended Decision dated Dec. 10, 2018), *adopted without modification* (Order entered Jan. 17, 2019).

J. LOW-INCOME PROGRAMS

74. In this proceeding, York Water proposed establishing its Cares Low Income Customer Assistance Program (“Cares”) program permanently and increasing the annual funding to \$40,000. (York Water St. No. 2, p. 11.)

75. In support of this proposal, the Company noted that: (1) the existing annual funding of \$20,000 has been fully expended every year of the program; and (2) York Water’s customer base and service territory continues to grow. (York Water St. No. 2, p. 11.)

76. No parties opposed the Company’s proposal to increase the annual funding of the Cares program to \$40,000. (*See* OCA St. No. 5, pp. 18-21.)

77. OCA raised a series of issues and proposals related to the Company’s low-income customers, including a recommendation that the Company “implement a bill discount program similar to that in effect for Community Utilities of Pennsylvania.” (OCA St. No. 5, pp. 19-20.)

78. In rebuttal, York Water opposed the bill discount program because critical aspects of the proposal, such as the estimated costs, were not known at this time. (York Water St. No. 2-R, pp. 4-6.)

79. The Company further argued that it could not “develop a reasonable estimate of the time and expense involved with” updating its billing system to incorporate such a program in the short time between other parties’ direct testimony and York Water’s rebuttal testimony. (York Water St. No. 2-R, pp. 6-7.)

80. York Water maintained that if a bill discount program was to be implemented, it could not be done until the Company’s next base rate case, after the Company has fully analyzed the program’s estimated costs, potentially eligible customers, and impact on other customers. (York Water St. No. 2-R, pp. 6-7.)

81. York Water also clarified that it does participate in the recently added Pennsylvania Homeowners Assistance Fund (“PAHAF”). (York Water St. No. 2-R, p. 8.)

82. The Settlement provides that the Company’s proposed expansion of the Cares program to \$40,000 annually is approved. (Settlement ¶ 50.)

83. Within 30 days following the entry of a Commission Order approving this Settlement, York Water shall include information concerning the Cares program and the arrears forgiveness program on its website. (Settlement ¶ 50.)

84. The Company will continue its current process of accepting required documentation for the Cares program from customers via email and forwarding those documents to the social service agencies that administer the program. (Settlement ¶ 50.)

85. In response to OCA’s recommendation for a bill discount program, the Company agrees to undertake an analysis to estimate the number of low-income customers on its water and wastewater systems, as well as a usage profile of its known low-income customers to be presented as part of its next base rate case. (Settlement ¶ 51.)

86. The Company shall conduct an analysis of the estimated costs, potentially eligible customers, and impact on non-eligible customers, of a potential bill discount program within 18 months of the issuance of a final order in this proceeding. (Settlement ¶ 51.)

87. The Company will meet with the parties within 30 days after the analysis is completed. (Settlement ¶ 51.)

88. The Company will propose a pilot low-income bill discount program for residential water and wastewater service in its next base rate proceeding. (Settlement ¶ 51.)

K. CUSTOMER SERVICE

89. In its direct testimony, the OCA raised several customer service-related issues and recommendations, generally dealing with the following topics: (1) call center performance; (2)

training of customer service representatives; (3) customer complaint procedures; (4) customer service provisions in York Water's water and wastewater tariffs; and (5) York Water's billing and termination practices regarding the City of York's wastewater and refuse service charges. (OCA St. No. 5, pp. 5-7, 9, 11-16, 21-22, 24-26; OCA St. No. 6, pp. 5-6.)

90. In rebuttal, York Water accepted many of the OCA's customer service-related recommendations, including updating the Company's written training materials for customer service representatives and developing a comprehensive database for customer complaints and disputes. (York Water St. No. 6-R, pp. 13, 15, 17, 19.)

91. The Company also agreed to present a complaint log in its next base rate case containing important information about each of the disputes, including customer, account number, address, date, and type of issues raised by the customer. (York Water St. No. 6-R, p. 20.)

92. The Company maintained that establishing a call center performance standard in this proceeding was premature because the Company fully expects its call center performance to return to pre-2020 levels over the coming months for several reasons, including the fact that York Water stopped providing wastewater billing services for City of York wastewater customers in June 2022. (York Water St. No. 6-R, pp. 7-10.)

93. Although the Company agreed to update its written training materials for customer service representatives, York Water disputed any claim that its current training was deficient and provided details about all of the training that those representatives are required to undertake. (York Water St. No. 6-R, pp. 10-15.)

94. The Company also argued that updating its written training materials will take a substantial amount of time to develop and finalize, so the Company should submit those materials in the next base rate case for the other parties to review. (York Water St. No. 6-R, p. 15.)

95. Additionally, York Water disagreed with OCA's recommendation to amend the Company's water and wastewater tariffs so that the tariffs restate what is already set forth in Chapter 56 of the Commission's regulations. (York Water St. No. 2-R, pp. 9-10.)

96. Finally, York Water disputed the OCA's claims regarding the Company's billing and terminations of service related to the City of York's wastewater and refuse charges. (York Water St. No. 6-R, pp. 22-26.)

97. Under the Settlement, the Company agrees to take such action as required to meet its 2020 call center performance annual results prior to filing its next base rate case or within two years, whichever is sooner. (Settlement ¶ 53.)

98. The Company will provide a report 30 days prior to filing its next base rate case or within two years, whichever is sooner, that will show each year's annual call center performance compared to the 2020 call center performance results. (Settlement ¶ 53.)

99. The Company agrees to update its training materials for customer service representatives, including information relevant to the Discontinuance of Leased Premises Act, obligations and policies governing Protection from Abuse Orders, the customer's rights to dispute York Water's response to questions and concerns, and the policies that will be implemented when personal contact is initiated immediately prior to termination of service, within two (2) years of the issuance of a final order in this proceeding. (Settlement ¶ 54.)

100. As part of its commitment to develop more detailed training materials for its customer call center and other staff, York Water will make explicit its commitment to developing payment arrangements based on the customer's individual circumstances. (Settlement ¶ 54.)

101. The Company will also develop a process for oversight and compliance monitoring. (Settlement ¶ 54.)

102. The Company will submit the updated training materials within two (2) years of a final order in this proceeding. (Settlement ¶ 54.)

103. The Company further agrees to document how its training is conducted and how ongoing compliance is audited. (Settlement ¶ 54.)

104. The Company will also establish a database to document all customer disputes, and formal and informal complaints, as those terms are defined in 52 Pa. Code § 56.2, for both water and wastewater operations. (Settlement ¶ 55.)

105. The database shall include customer account information, address, date of dispute or complaint, the type of issues raised by the dispute or complaint, and the resolution of the dispute or complaint. (Settlement ¶ 55.)

106. The Company shall document its development of the database in a compliance filing within twelve (12) months of a final order in this proceeding. (Settlement ¶ 55.)

107. The Company agrees to make the complaint log available to parties as part of discovery in its next base rate case. (Settlement ¶ 55.)

108. The Company has agreed to amend York Water's water and wastewater tariffs to include the essential consumer protections set forth in Chapter 56. (Settlement ¶ 56.)

109. York Water will submit tariff supplements containing those amendments within twelve (12) months of a final order in this proceeding. (Settlement ¶ 56.)

110. York Water will continue not to include any City of York refuse charges on its bills for York Water water and wastewater service and will continue not to threaten termination of service for nonpayment of City of York refuse charges. (Settlement ¶ 57.)

111. Any charges collected for City of York refuse charges shall be remitted directly to the City of York without any impact on the amount due for York Water regulated services. (Settlement ¶ 57.)

112. York Water will disclose on its web portal and on its bills issued on behalf of the City of York that York Water will not threaten or undertake termination of water service for non-payment of City of York refuse charges. (Settlement ¶ 57.)

L. REVENUE ALLOCATION AND RATE DESIGN

113. In the Company's original filing, the Company proposed to increase public fire hydrant rates to recover 25% of the cost of service and to increase all remaining customer charges and consumption charges to move revenues by classification toward the cost of service, as determined by the Company's cost of service study. (York Water St. No. 108, pp. 10-11; York Water Exh. No. FVIII.)

114. The Company presented its analysis of water customer costs and, based on that analysis, proposed increasing the customer charge for a 5/8-inch meter to \$20.71. (York Water St. No. 108, p. 11.)

115. The Company proposed consolidating wastewater rates across the rate zones and capping the increase to the West York wastewater rates at two times the average increase or 70%. (York Water St. No. 108, p. 15; York Water Exh. No. FVIII-WA.)

116. Pursuant to Act 11 of 2012, the Company proposed allocating \$2,670,877 of the wastewater revenue increase to residential and commercial gravity and repumped water customers. (York Water St. No. 108, p. 8.)

117. OSBA witness Kalcic supported the Company's revenue allocation (exclusive of Act 11 considerations), as his methodology and York Water's methodology produced similar results. (OSBA St. No. 1, p. 9.)

118. Mr. Kalcic recommended a higher increase in wastewater revenue of 58.4%, equal to 1.75 times the Company's proposed overall water increase, to reduce the amount of Act 11 revenues recovered from water rates. (OSBA St. No. 1, pp. 16-19.)

119. In case the Commission granted the Company a lower water revenue increase than York Water requested, Mr. Kalcic recommended a scale back of the customer class increases, except public fire, as shown in his Exhibits BK-2W and BK-4W. (OSBA St. No. 1, p. 13.)

120. I&E witness Cline agreed with the Company's calculation of direct customer costs and the Company's proposed increase to the water customer charge. (I&E St. No. 3, pp. 18-19.)

121. Like OSBA witness Kalcic, Mr. Cline recommended a larger rate increase for wastewater customers to reduce the amount of Act 11 revenues recovered from water rates. (I&E St. No. 3, pp. 4-6.)

122. Mr. Cline further recommended eliminating the 4,000-gallon usage allowance for customers in East Prospect, Lower Windsor and Straban Borough (Minimum Charge1) and Jacobus Borough (Minimum 21 Charge 2). (I&E St. No. 3, pp. 9-10.)

123. Mr. Cline also generally agreed with the Company's scale back proposal. (I&E St. No. 3, pp. 20-22.)

124. OCA witness Mierzwa criticized the Company's water cost of service allocation study as he believes the system-wide and class extra capacity factors that the Company used are outdated and unreasonable. (OCA St. No. 4, p. 10.)

125. Mr. Mierzwa modified the factors and submitted an alternative cost of service study. (OCA St. No. 4, pp. 10-11.)

126. He then recommended that the proposed revenue distribution in this case be based on his cost of service results. (OCA St. No. 4, pp. 11-16.)

127. Also, he proposed maintaining the existing 5/8-inch customer charge at \$16.25 per month, rather than increasing it to \$20.71, as proposed by the Company. (OCA St. No. 4, pp. 18-19.)

128. According to Mr. Mierzwa, the Company should not have included bad debt expense and other costs in its calculation of direct costs, when determining York Water's proposed 5/8-inch customer charge of \$20.71. (OCA St. No. 4, pp. 18-19.)

129. Moreover, Mr. Mierzwa recommended proportionally increasing wastewater rates for each customer class to reduce the Act 11 revenues from \$2.67 million (as proposed by York Water) to his proposed amount of \$2.05 million. (OCA St. No. 4, pp. 3, 25-26.)

130. Mr. Mierzwa also recommended that the allocation of wastewater revenues to water customers include the industrial and private fire classes. (OCA St. No. 4, pp. 22-23.)

131. Under the Settlement, class revenue allocation and rate design are set forth in Appendices "C" and "D" attached to the Settlement. (Settlement ¶ 58.)

132. That rate design includes a proposed 5/8-inch water customer charge of \$17.25. (Settlement ¶ 58.)

133. This is a reasonable compromise between the competing positions of York Water and I&E (which supported an increase of the charge to \$20.71) and OCA (which advocated retaining the charge at its existing amount of \$16.25). (York Water St. No. 108, p. 11; I&E St. No. 3, pp.18-19; OCA St. No. 4, p. 19)

134. In response to I&E's proposal to eliminate the 4,000-gallon usage allowance, the Settlement provides the Company shall, in its next base rate case, provide an analysis including, but not limited to, proof of revenue, bill frequency, and bill comparison showing a reduction in the

existing 4,000-gallon usage allowance for wastewater customers to a 2,000-gallon allowance. (Settlement ¶ 59.)

135. This analysis shall be provided to support a rate design proposal that includes a maximum allowance of 2,000 gallons. (Settlement ¶ 59.)

136. Parties reserve the right to address the Company's analysis and rate proposals as part of the next base rate case. (Settlement ¶ 59.)

Appendix “J”

APPENDIX “J”

PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa. C.S. §§ 1301, 1308(d).

2. Under Section 1301 of the Public Utility Code, a public utility’s rates must be just and reasonable. 66 Pa. C.S. § 1301.

3. The Commission possesses a great deal of flexibility in its ratemaking function. *See Popowsky v. Pa. PUC*, 665 A.2d 808, 812 (Pa. 1995). “In determining just and reasonable rates, the [Commission] has discretion to determine the proper balance between the interests of ratepayers and utilities.” *Id.*

4. The term “just and reasonable” is not intended to confine the ambit of regulatory discretion to an absolute or mathematical formula; rather, the Commission is granted the power to balance the prices charged to utility customers and returns on capital to utility investors. *Pa. PUC v. Pa. Gas & Water Co.*, 424 A.2d 1213, 1219 (Pa. 1980), *cert. denied*, 454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981).

5. Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources.

6. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

7. The Commission encourages black box settlements. *Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, pp. 26-27 (Order entered June 7, 2012); *Pa. PUC v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 27 (Order entered Dec. 19, 2013); Statement of Chairman

Robert F. Powelson, *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Public Meeting, August 2, 2012.

8. Section 1311(c) of the Public Utility Code, more commonly referred to as Act 11, permits utilities that provide both water and wastewater service to combine the revenue requirements by allocating a portion of the wastewater revenue requirement to the water customer base if doing so is in the “public interest.” 66 Pa. C.S. § 1311.

9. Section 1327 of the Public Utility Code establishes the treatment of water and wastewater acquisitions greater than, and lower than, the depreciated original cost of the assets acquired from another public utility, a municipal corporation or a person (“positive acquisition adjustment”). *See* 66 Pa. C.S. § 1327.

10. Acquisition costs greater than depreciated original cost are addressed in Section 1327(a). In summary, the excess of the acquisition cost over the depreciated original cost may be added to rate base, to be amortized over a reasonable period of time, if the acquiring public utility meets the criteria set forth in subsection (a). *See* 66 Pa. C.S. § 1327(a).

11. Section 1327(e) establishes procedures for the treatment of acquisition costs lower than depreciated original cost (“negative acquisition adjustment”). Under those procedures, the difference shall, absent matters of substantial public interest, be amortized as an addition to income over a reasonable period of time. *See* 66 Pa. C.S. § 1327(e).

12. To accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket Nos. R-2015-2518438, *et al.* (Order entered Oct. 14, 2016); *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered Jan. 7, 2004).

13. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. PUC v. Pike Cnty. Light & Power (Electric)*, Docket Nos. R-2013-2397237, C-2014-2405317, *et al.* (Order entered Sept. 11, 2014).

14. The decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704.

15. “Substantial evidence” is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Review*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm., Dept. of Public Welfare, White Haven Center*, 480 A.2d 382 (Pa. Cmwlt. 1984).

16. The rates and terms of service set forth in the Settlement are supported by substantial evidence and are in the public interest. Therefore, consistent with the terms and conditions set forth in the Settlement, York Water’s proposed water and wastewater rate increases, as modified by this Settlement, should be granted.

Appendix “K”

APPENDIX “K”

PROPOSED ORDERING PARAGRAPHS

1. That the Pennsylvania Public Utility Commission approve this Settlement, including all the terms and conditions thereof, without modification;
2. That the formal complaints of the Office of Consumer Advocate at Docket Nos. C-2022-3032868 and C-2022-3032869, and the Office of Small Business Advocate at Docket Nos. at C-2022-3032902 and C-2022-3033016 be denied;
3. That the *pro se* formal complaints opposing the proposed rate increases of Carol and Franklin Doyle Sr. at Docket No. C-2022-3033791; Robert Eicholtz at Docket Nos. C-2022-3033958 and C-2022-3033988; Marguerite Ness at Docket No. C-2022-3033964; Selden Granahan at Docket Nos. C-2022-3034145 and C-2022-3034182; Denise L. Lauer at Docket Nos. C-2022-3034146 and C-2022-3034147; Kristina Escavage at Docket Nos. C-2022-3034271 and C-2022-3034173; and Tammy Shaffer at Docket Nos. C-2022-3034240 and C-2022-3034242 be denied;
4. That the Commission’s Investigations at Docket Nos. R-2022-3031340 and R-2022-3032806 be terminated and marked closed; and
5. That the Commission issue an Opinion and Order terminating the proceeding, and authorizing York Water to file the *pro forma* tariff supplements attached to the Settlement as Appendices “A” and “B” to become effective on or before March 1, 2023, for service rendered thereafter.