

COMMONWEALTH OF PENNSYLVANIA



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January 30, 2023

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

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Joint Petition for Approval of Settlement of All Issues in this proceeding.

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

Respectfully submitted,

/s/ Erin L. Gannon  
Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
EGannon@paoca.org

Enclosures:

cc: The Honorable Darlene D. Heep (**email only**)  
Shalea Delvillar, ALJ's Legal Assistant (**email only**: [sdelvillar@pa.gov](mailto:sdelvillar@pa.gov))  
Certificate of Service

\*340059

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, Joint Petition for Approval of Settlement of All Issues, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 30<sup>th</sup> day of January 2023.

**SERVICE BY E-MAIL ONLY**

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*Quentin Water Company*

/s/ Erin L. Gannon  
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Dated: January 30, 2023  
\*340061

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Administrative Law Judge Darlene D. Heep

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

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JOINT PETITION FOR APPROVAL OF  
SETTLEMENT OF ALL ISSUES

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I. INTRODUCTION

Quentin Water Company (QWC or Company) and the Office of Consumer Advocate (OCA) (collectively, the Joint Petitioners) hereby join in this Joint Petition for Approval of Settlement of All Issues (Settlement) and respectfully request that the Honorable Administrative Law Judge Darlene D. Heep (ALJ Heep) recommend approval of, and the Pennsylvania Public Utility Commission (Commission) approve, this Settlement without modification.

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

II. BACKGROUND AND PROCEDURAL HISTORY

1. The Settlement pertains to the Application filed by QWC on September 29, 2022 seeking Public Utility Commission (Commission) approval to transfer its water system assets and customers to the West Cornwall Township Municipal Authority (WCTMA) and abandon water service to the public in West Cornwall Township, Lebanon County, Pennsylvania.

2. The OCA filed a Protest on October 31, 2022. The OCA submitted that the filing did not provide sufficient information for the Commission to make a determination that, inter alia, QWC customers will receive service from WCTMA that is an adequate and reasonable substitute for service by the Applicant, WCTMA is able to finance the purchase and ongoing operation, maintenance and investment in the system, and the proposed Application will provide the requisite substantial, affirmative benefits under Sections 1102 and 1103 of the Public Utility Code, 66 Pa. C.S. §§ 1102, 1103. The OCA also recommended that QWC should provide individual notice to its customers of the change in rates that will result from the transfer to WCTMA.

3. QWC filed a Response to the OCA's Protest on November 7, 2022. In that response, the Company provided additional information regarding the concerns raised in the OCA's Protest.

4. A telephonic prehearing conference was held on November 16, 2022 before Presiding Administrative Law Judge (ALJ) Darlene D. Heep. No litigation schedule was established. The OCA requested and QWC agreed that the Company would mail a letter to customers explaining the proposed transaction, providing contact information for QWC and the OCA, and allowing the customers an opportunity to provide comment or objection by December 20, 2022.

5. On November 21, 2022, ALJ Heep issued Prehearing Order #2, which granted the parties' proposal to submit a status report every 30 days until a hearing date is set. The ALJ directed that the first report should be provided no later than December 21, 2022. The ALJ further directed that the parties will meet no later than January 10, 2023 to discuss a need for discovery and possible hearing dates.

6. Also on November 21, 2022, Quentin provided an affidavit of William Matthews, President of Quentin, stating that the customer letter was mailed to customers on that date.

7. The OCA received informal inquiries from three customers regarding the proposed transaction. As of December 20, 2022, no customers filed comments, objections or protests with the Commission.

8. On December 21, 2022, the OCA and QWC filed a First Status Report.

9. On January 20, 2023, the OCA and QWC filed a Second Status Report.

10. During the last several months, the Joint Petitioners engaged in informal discovery regarding the matters raised in the OCA's Protest and customer inquiries. The discovery responses and the parties' discussions resulted in the proposed comprehensive settlement of the issues raised in the OCA's Protest.

11. The Joint Petitioners stipulate to a number of facts relevant to the proposed Settlement, which are set forth in a Joint Stipulation of Facts filed concurrently with the Settlement. Verifications in support of the facts are provided in Attachments 1 and 2 to the Stipulation.

### III. SETTLEMENT TERMS

The Joint Petitioners agree as follows:

1. Incorporating the facts contained in the Joint Stipulation of Facts into the evidentiary record establishes a sufficient basis to ensure a reasonable transfer of QWC customers to WCTMA that meets all statutory requirements.

2. With the additional information provided by the Joint Stipulation of Facts made part of the evidentiary record, the concerns raised by the OCA's Protest will be satisfied and the Joint Petitioners agree the Application should move forward.

3. The Application should, subject to the other terms and conditions contained in the Settlement, be approved as being in the public interest and the Commission should issue a Certificate of Public Convenience to evidence its approval pursuant to 66 Pa. C.S. § 1102(a) of the transfer QWC's water system assets and customers to WCTMA and the abandonment of QWC's Certificate of Public Convenience, as provided in the Application.

#### IV. STANDARD SETTLEMENT TERMS AND CONDITIONS

1. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the 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 the Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

2. The Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement, the Joint Petitioners reserve their respective procedural rights, including the right 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, or in any other proceeding.

3. The Joint Petitioners acknowledge and agree that the Settlement reflects a compromise of competing positions and does not reflect any party's position with respect to any issues raised in the proceeding. This Settlement shall not be cited as precedent and shall not bind

the Joint Petitioners in any future proceeding, except to the extent required to implement this Settlement.

4. QWC and the OCA have each prepared a Statement in Support of Settlement (attached as Appendices A and B, respectively) setting forth the bases upon which the Joint Petitioner believes the Settlement to be fair, just and reasonable and, therefore, in the public interest.

5. If the ALJ recommends approval of the Settlement without modification, the Joint Petitioners will waive their rights to file Exceptions and respectfully request that, if an Exception/Reply Exception period is set, an expedited period for those filings be established. However, the Joint Petitioners do not waive their right to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters, proposed by Administrative Law Judge Heep in her Recommended Decision. The Joint Petitioners reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

#### V. REQUEST FOR RELIEF

WHEREFORE, Quentin Water Co. and the Office of Consumer Advocate, by their respective counsel, respectfully request that:

(a) The Honorable Administrative Law Judge Darleen D. Heep recommend approval of, and the Commission enter an order approving this Settlement as submitted, including all terms and conditions thereof, without modification;

(b) The Secretary of the Commission issue a certificate of public convenience evidencing Quentin Water Company's right under Section 1102 of the Public Utility Code, 66 Pa. C.S. § 1102, to abandon its regulated water service in the Commonwealth of Pennsylvania, in West Cornwall Township, Lebanon County; and

(c) The application proceeding at Docket No. A-2022-3035731 shall be marked closed.

Respectfully submitted,



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Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487

Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Counsel for:  
Patrick M. Cicero  
Consumer Advocate

DATED: January 30, 2023

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Respectfully submitted,



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George E. Christianson, Esquire  
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georgec@christiansonmeyer.com

Christianson Meyer  
411 Chestnut Street  
Lebanon, PA 17042  
717-273-1651

Counsel for:  
Quentin Water Company

DATED: January 30, 2023

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**APPENDIX A**

**Statement in Support of Quentin Water Company**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

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Administrative Law Judge Darlene D. Heep

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Application of Quentin Water Company :  
for the approval of the Abandonment and :  
Transfer of Water Services to customers in West : A-2022-3035731  
Cornwall Township, Lebanon County, :  
Pennsylvania to West Cornwall :  
Township Authority :

STATEMENT OF QUENTIN WATER COMPANY IN SUPPORT OF  
THE JOINT PETITION FOR SETTLEMENT OF ALL ISSUES

This Statement in Support of the Joint Petition for Approval of Settlement of All Issues on behalf of the Quentin Water Company in the above captioned matter. The Quentin Water Company concurs in the position that the settlement will serve the public interest. The settlement avoids substantial time and expenses involved in litigation and eliminates potential appeals.


This proceeding pertains to the transfer of ownership of a small, private water company to a Municipal Authority, that contains all the customers of the Water Company. Services will continue without interruption for all customers.

This settlement will resolve all pending disputes, formal and informal complaints.

This settlement is the product of a cooperative effort with Erin Gannon, Office of Consumer Advocate, the Quentin Water Company and all other parties involved.

The Quentin Water Company respectfully requests that the Pennsylvania Public Utility Commission approve and adopt the Joint Petition for Approval of Settlement of All Issues.

Respectfully submitted,



George E. Christianson, Solicitor  
For the Quentin Water Company

Dated: January 30, 2023

## **APPENDIX B**

### **Statement in Support of the Office of Consumer Advocate**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Administrative Law Judge Darlene D. Heep

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

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OCA STATEMENT IN SUPPORT OF JOINT PETITION FOR  
APPROVAL OF SETTLEMENT OF ALL ISSUES

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of All Issues (Settlement) respectfully requests that the terms and conditions of the Settlement be approved without modification by the Pennsylvania Public Utility Commission (Commission).

I. INTRODUCTION

On September 29, 2022, Quentin Water Company (QWC or Company) filed an Application under Section 1102 of the Public Utility Code seeking Public Utility Commission (Commission) approval to transfer its water system assets and customers to West Cornwall Township Municipal Authority (WCTMA) and abandon the provision of water service to the public in West Cornwall Township, Lebanon County, Pennsylvania. On October 31, 2022, the

OCA filed a Protest and Public Statement. On November 7, 2022, QWC filed a Response to the OCA's Protest.

A telephonic prehearing conference was held on November 16, 2022 before Administrative Law Judge (ALJ) Darlene D. Heep. As provided in Prehearing Order #2, issued on November 21, 2022, no procedural schedule was set to afford an opportunity for customer notice and comment. During the next several months, the parties engaged in informal discovery regarding the matters raised in the OCA's Protest and customer inquiries. All parties to the case joined in the Settlement filed on January 30, 2023.

## II. THE SETTLEMENT IS IN THE PUBLIC INTEREST

### **Approval of the Application ¶ 19**

The OCA submits that the terms and conditions of the proposed Settlement provide a reasonable resolution of the concern raised in the OCA's protest that additional information was needed to ensure that QWC customers will receive service from WCTMA that is an adequate and reasonable substitute for service by the Company, as discussed below.

#### Availability and Adequacy of Alternate Service

A principal consideration in deciding whether a utility may abandon service is the availability and adequacy of alternate service. *Re Ridgeville Water Co.*, 51 Pa. PUC 58, 63-64 (1977). As noted in Paragraph 3 of the OCA's Protest, the proposed buyer, WCTMA, does not currently provide water service. It provides sewer service in the area currently served by Quentin. Application ¶ 12. WCTMA will retain existing QWC certified operators and meter reader. Stipulation ¶¶ III.2, 4. Neither QWC or WCTMA received any notices of violation from the Pennsylvania Department of Environmental Protection (DEP) in 2020, 2021 or 2022, nor do they have any Consent Agreements with DEP. Stipulation ¶¶ III.8-11. QWC received no customer

complaints in 2020, 2021 or 2022. Stipulation ¶ III.6. One informal complaint regarding pressure was made to the OCA, which was promptly investigated by QWC. Stipulation ¶ III.22. According to QWC, higher pressures cannot be provided to the customer, who lives in the Scenic Ridge development, in part due to the age of the system. At the time the development was planned, QWC signed an agreement with the developer requesting that a booster pump be installed in all homes due to pressure limitations. Stipulation ¶¶ III.24-27. As verified by QWC and WCTMA, two additional developments are planned to connect to the water system and providing service to those additional customers will not reduce pressures being provided to existing customers, including customers in Scenic Ridge. Stipulation ¶¶ III.15, 28. Further, QWC recently drilled and put a new well into service in 2020 and three wells are presently in operation, which are projected to meet existing and projected customer demand for at least 10 years without making capital improvements. Stipulation ¶¶ III.14-20.

In response to OCA's questions regarding the discrepancy between the customer count in the Application and QWC's most recent annual report (OCA Protest ¶ 9), QWC clarified that it currently has 346 customers and provided its projected customer count increase through 2032. Stipulation ¶ III.14. The OCA also raised a question about QWC's percentage of unaccounted for water. OCA Protest ¶ 10. QWC explained the reason for the higher percentages in unaccounted-for water, showed those percentages have trended downward, and estimates that unaccounted-for-water will be approximately 17% for 2022. Stipulation ¶ III.7.

With regard to the Authority's financial viability, QWC reported annual net operating revenue of \$31,171. WCTMA anticipates similar operating costs but with the addition of debt service costs, which it proposes to recover by increasing customer rates for the period of repayment, as discussed further below. Stipulation ¶¶ III.32, 39, 40. WCTMA took a loan for the

purchase price of the QWC assets at a favorable 2.25% interest rate and, with the revenue received from the tapping fees for the two new developments, plans to reduce the repayment period for the loan. Stipulation ¶¶ III.33, 40. West Cornwall Township utilized grant funds to cover WCTMA's closing costs and initial loan payments until the Authority takes ownership of QWC and begins recovering revenue to make those payments. WCTMA does not have to repay \$50,000 of amounts loaned. Stipulation ¶¶ III.34-35. This information regarding projected net revenues, projected customer growth, WCTMA's ability to finance the purchase price, and the support of West Cornwall Township, together with the condition and capacity of the QWC system and WCTMA's historical compliance with DEP requirements for the provision of wastewater service, are positive indicators of WCTMA's financial and technical ability to operate and maintain the water system.

#### Purchase Price and Asset Purchase Agreement

In Paragraph 12 of its Protest, the OCA identified that an executed copy of the Asset Purchase Agreement was not attached to the Application. That is provided as an Appendix B to the Stipulation. Stipulation ¶ III.29. The assets proposed to be transferred are set forth on the third page of the attachments to the Asset Purchase Agreement and the purchase price is \$1,000,000. Stipulation ¶¶ III.29-30. The depreciated original cost of the QWC plant in service was \$926,023 as of December 31, 2021. Stipulation ¶ III.32. This information about the purchase price, specific assets proposed to be transferred and their value supports a finding that the proposed transaction is reasonable.

#### Rate Impact and Customer Notice

In its Protest, the OCA requested clarity on whether and by how much quarterly rates would increase under WCTMA ownership and whether a tapping fee (\$3,500) would apply to the acquired customers. OCA Protest ¶ 14. WCTMA has explained that QWC customers will not be

charged a tapping fee. Stipulation ¶ III.37. The customers will pay an additional \$40 per quarter such that quarterly bills for a customer using 12,000 gallons will be \$116.86 compared to current rates of \$76.86, which is an increase of 52%. Stipulation ¶ III.38.

Given the magnitude of the rate increase, the OCA's position was that QWC should provide direct notice to customers of the change in rates that would result from the transfer to WCTMA so they would have an opportunity to comment or object. OCA Protest ¶ 15. The OCA specified that the notice should provide quarterly bill impact for a typical customer on Quentin's system, to help ensure that the transaction is in accordance with the Public Utility Code and applicable Commission rules and regulations and serves the public interest. *Id.* QWC provided the requested notice, which was mailed to customers on or about November 17, 2022. Stipulation ¶ III.41, App. E. The notice provided the impact on a customer using 12,000 gallons of water per quarter and requested that customers contact the OCA or QWC with questions, concerns and comments, send a letter to the Commission, or file a Protest by December 20, 2022. *Id.* No letters or protests were filed. Three customers contacted the OCA with questions or comments. Stipulation ¶ III.1.d, First Joint Status Report ¶ II.2-3.

In addition, WCTMA states that it plans to reduce and eventually eliminate the additional \$40 per quarter charge and provided this additional support:

- a. As additional customers are added, the debt service payment will be spread over more households and reduce the cost per customer.
- b. Currently, the loan is for 20 years but when tapping fees are paid for the connection of new developments, WCTMA plans to apply those fees toward the principal of the loan to reduce the repayment period.
- c. When the loan is paid off, WCTMA will remove the charge from customer bills.
- d. WCTMA recently reduced the quarterly rates charged to wastewater customers in the Mine Road area of its system.

Stipulation ¶ III.40. The OCA also notes that current rates for QWC customers are \$25.62 on a monthly basis and have not increased since 2012. Stipulation ¶ III.36, App. D. In light of this

additional information, possibility that the amount of the increase related to debt service may be reduced in time, and the direct notice provided to customers, the OCA's concerns about rate impact and customer notice have been resolved.

#### IV. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement should be approved.

Respectfully Submitted,



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Erin L. Gannon  
Senior Assistant Consumer Advocate  
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Dated: January 30, 2023  
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