

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

INITIAL DECISION

Before
Darlene Heep
Administrative Law Judge

INTRODUCTION

This Decision grants the Joint Petition for Approval of Settlement of All Issues (“Joint Petition” or “Settlement”) between the Quentin Water Company (“Company” or “QWC”) and the Office of Consumer Advocate (“OCA”) for the transfer the QWC water system assets and customers and to abandon water service for the public in West Cornwall Township, Lebanon County, Pennsylvania to the West Cornwall Township Municipal Authority (“WCTMA”). The Joint Petition and record establish that WCTMA can continue to provide adequate and reasonable water service to QWC customers and that the settlement and transfer are in the public interest.

HISTORY OF THE PROCEEDINGS

On September 29, 2022, pursuant to section 1102(a) of the Public Utility Code, 66 Pa.C.S. § 1102(a), QWC filed an Application with the Public Utility Commission (Commission)

seeking authority to transfer its water system assets and customers to the WCTMA and abandon water service to the public in West Cornwall Township, Lebanon County, Pennsylvania.

On October 31, 2022, OCA filed a Protest to the Application. OCA stated in the Protest that the QWC filing did not provide sufficient information for the Commission to make a determination; that QWC customers will receive service from WCTMA that is an adequate and reasonable substitute for service by the Applicant; that WCTMA is able to finance the purchase and ongoing operation, and maintenance; and that 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 provide individual notice to its customers of the change in rates that will result from the transfer to WCTMA.

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 by OCA.

A telephonic prehearing conference was held on November 16, 2022. During the conference, 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 submit comment or objection by December 20, 2022. The parties requested that no litigation schedule be established at that time and that a further prehearing conference be held following the December 20, 2022, customer comment deadline.

On November 21, 2022, a Prehearing Order was issued, which granted the parties' proposal to submit a status report every 30 days, the first due no later than December 21, 2022. The prehearing order also directed that by no later than January 10, 2023, the parties were to meet to discuss a need for discovery and possible hearing dates. Also on November 21, 2022, QWC submitted an affidavit of William Matthews, President of the Company, stating that the customer letter was mailed to customers on that date.

By the customer comment deadline, the OCA received informal inquiries from three customers regarding the proposed transaction. No comments, objections or protests were filed with the Commission.

On December 21, 2022, the OCA and QWC filed a First Status Report.
On January 20, 2023, the OCA and QWC filed a Second Status Report.

The OCA and QWC engaged in informal discovery regarding the matters raised in the OCA's Protest and customer inquiries. The parties reached an agreement, and on January 30, 2023, they filed a Joint Petition for Approval of Settlement of All Issues along with a Joint Stipulation of Facts, with Verifications.

In the Joint Stipulation, the parties agreed to the admission of certain filings. These filings are marked and will be admitted as follows:

Joint Petition Exhibit 1 -QWC's Application for Approval of Abandonment & Transfer of Water Service to Customers in West Cornwall Township, Lebanon County, PA, filed on or about September 29, 2022.

Joint Petition Exhibit 2 - OCA's Protest, filed October 31, 2022.

Joint Petition Exhibit 3 - QWC's Response to Protest of the Office of Consumer Advocate, filed November 7, 2022.

Joint Petition Exhibit 4 - First Joint Status Report, filed December 21, 2022.

Joint Petition Exhibit 5 - Second Joint Status Report, filed January 20, 2023.

The Joint Stipulation of Facts will also be admitted into the record.

FINDINGS OF FACT

1. The Applicant, Quentin Water Company, is a Commission-regulated water system.

2. The Office of Consumer Advocate is authorized to represent the interests of utility ratepayers in all proceedings before the Commission. 71 P.S. §§ 309-1–309-7.

3. On September 28, 2022, QWC filed an Application seeking Commission approval to transfer its water system assets and customers to the WCTMA and abandon water service to the public in West Cornwall Township, Lebanon County, Pennsylvania.

4. The Office of Consumer Advocate filed a Protest to the Application on October 31, 2022.

5. QWC has owned and operated the public water supply system for certain areas of Cornwall Township, including the Village of Quentin and its immediately surrounding areas, for approximately 80 years. Joint Stipulation of Facts, Appendix C.

6. At the time of the filing, Quentin had approximately 346 customers and anticipated that customer demand would increase by 200 new customers. Joint Petition Exhibit 1 at 3.

7. The parties have stipulated to the following facts¹:

A. Filings

1. The Stipulating Parties hereby stipulate to the admission of these filings:

a. QWC's Application for Approval of Abandonment & Transfer of Water Service to Customers in West Cornwall Township, Lebanon County, PA, filed on or about September 29, 2022.

b. OCA's Protest, filed October 31, 2022.

c. QWC's Response to Protest of the Office of Consumer Advocate, filed November 7, 2022.

¹ For ease of reference, the Stipulated Facts have been adopted verbatim using identical paragraph numbering as found in the original. Although no substantive modifications were made, the formatting may have been slightly modified consistent with the formatting numbering found within this initial decision.

- d. First Joint Status Report, filed December 21, 2022.
- e. Second Joint Status Report, filed January 20, 2023.

B. Availability and Adequacy of Alternate Service

Operations/DEP Compliance

2. QWC is operated by two part-time operators, David Bradley and William White. Both operators are certified and will continue to be certified. They will continue to serve in the same capacity, upon the transfer to the water service to WCTMA.

3. The services currently provided by QWC's bookkeeper will be taken over by David Bradley, upon the transfer of the ownership to WCTMA.

4. QWC has a part-time meter reader, who will continue to do the same job after acquisition by WCTMA.

5. WCTMA operates a sewage system covering the same geographic area as the Quentin Water Company system. WCTMA provides wastewater service to the Village of Quentin, the Village of Stoberdale, and the Mine Road/Butler Road area of West Cornwall Township. Quentin provides service to a portion of West Cornwall Township, including the Village of Quentin.

6. QWC received no customer complaints in 2020, 2021 and 2022. One complaint, discussed below, was made to the Office of Consumer Advocate.

7. QWC reports the following levels of unaccounted-for-water:

Unaccounted-for-Water	
2017	16.2%
2018	13.1%
2019	34.0%
2020	28.0%
2021	25.9%

The reason for the rise in unaccounted-for water was a leak attributable to the Quentin Riding Club, which had terminated its operation and, upon discovery of the reason for the loss, action was

taken to reduce any water loss. It is anticipated that the calculation for unaccounted-for-water in 2022 will be approximately 17%.

8. QWC did not receive any notices of violation from Pa. Department of Environmental Protection (DEP) in 2020, 2021 or 2022.

9. QWC has no Consent Agreements with DEP.

10. WCTMA did not receive any notices of violation from DEP in 2020, 2021 or 2022.

11. WCTMA does not have any Consent Agreements with DEP.

12. Currently, WCTMA does not anticipate making any capital investments or upgrades to the QWC system in the first five years of ownership.

13. WCTMA has seven board members.

Customer Count/Supply and Demand

14. QWC's historic and projected customer count is:

Historic		Projected	
2017	283	2023	351
2018	287	2024	401
2019	307	2025	451
2020	338	2026	501
2021	338	2027	551
2022	346	2032	598

15. Two developers have submitted plans with concept sketches for 252 new units total. The pace of those future developments is dependent upon many circumstances but it is anticipated that the growth rate will accelerate for the next five years, with approximately 12 units per year and will continue thereafter at about the same rate of growth. That growth is reflected in the chart above.

16. QWC recently drilled and put a new well into service in December 2020. There are presently three wells in operation. The capacity of each is:

Well #1: 21,600 gallons per day
Well #3: 46,800 gallons per day
Well #4: 46,800 gallons per day
Total capacity of Wells #1, 3, and 4: 115,200 gallons per day

17. Existing system demand for 2022 is 60,000 gallons per day.

18. It is estimated that in 2033, system demand will be 90,000 to 97,500 gallons per day.

19. Based on the foregoing, QWC estimates that its system has adequate supply to meet the demand of existing customers and projected customers for the next ten years.

20. QWC estimates that the existing water supply will continue to be adequate to meet customer demand for a minimum of 20 years, without further capital investments.

21. If alternative supply were needed, based on QWC's investigation, the system could connect to an alternative source of water (City of Lebanon Authority), which lines run to the adjoining West Cornwall Township.

Pressures

22. In response to a complaint regarding fluctuating and low pressures by a QWC customer living in the Scenic Ridge development, QWC installed a pressure gauge on the tap inside the customer's garage. The initial pressure result was 80 psi. Overnight pressures, which the customer photographed, varied from 30 psi to 64 psi. The 30 psi occurred when a resident was taking a shower.

23. Currently, Scenic Ridge is the only development in West Cornwall Township.

24. At the time that Scenic Ridge was planned, QWC informed the Developer, Gerald Musser, that the water flow was 600 to 800 gallons per minute and the residual pressure was 20 psi.

25. Higher pressures cannot be provided to Scenic Ridge, in part, due to the age of the system.

26. In the Agreement dated February 11, 2015, between QWC and Musser, a copy of which is attached as Appendix A to this Stipulation, it was stated that domestic pressure, even with the construction of a new well (Well #4), would not be any greater than 20 psi. QWC requested that a booster pump be installed in all homes due to the low pressure.

27. QWC has no knowledge whether booster pumps were installed in the homes.

28. Providing water service to the two anticipated developments will not reduce pressures being provided to existing customers, including customers in Scenic Ridge.

C. Purchase Price/Financial Information

29. The Asset Purchase Agreement between QWC and WCTMA is attached as Appendix B to this Stipulation.

30. The purchase price is \$1,000,000.

31. As provided in QWC's Annual Report to the Commission, the original cost of utility plant in service was \$988,018 and accumulated depreciation of utility plant was \$61,995, as of December 31, 2021. As such, depreciated original cost as of December 31, 2021, was \$926,023.

32. QWC reported annual net operating revenue of \$31,171 for December 31, 2021. WCTMA anticipates similar operating costs but with the addition of debt service costs, as further discussed below.

33. In May 2022, WCTMA closed on a 20-year, 2.25% interest rate loan from Peoples Security Bank and Trust company for \$1,000,000 to fund the purchase price.

34. As part of the Bank loan, WCTMA incurred closing costs and expenses in the amount of approximately \$21,000 in May 2022. WCTMA will incur semi-annual loan payments of \$31,500 beginning in December 2022, and every six months thereafter.

35. West Cornwall Township enacted a resolution to utilize grant funds to cover WCTMA's closing costs and initial loan payments until the Authority takes ownership of QWC. WCTMA is not required to repay \$50,000 of amounts loaned. For remaining amounts, WCTMA is required to repay within 5-years of acquiring

ownership of QWC. A copy of Resolution 2022-8-24 is attached as Appendix C to this Stipulation.

D. Rate Impact/Customer Notice

36. QWC's current tariff took effect on April 1, 2012, and is attached as Appendix D to this Stipulation.

37. WCTMA will not charge existing QWC customers a tapping fee.

38. WCTMA plans to charge the current QWC customer charge of \$11.58 per quarter for 5/8-inch meters and \$5.44 per thousand gallons, plus an additional \$40 per quarter.

39. The additional \$40 per quarter is to cover the annual debt service for the loan (\$63,000) divided over the number of customers (394).

40. WCTMA plans to reduce and eventually eliminate the \$40 per quarter charge.

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.

41. On or about November 17, 2022, QWC mailed individual notice of the Application to its customers. The notice specified WCTMA's proposed rates including the impact on a customer using 12,000 gallons of water per quarter. A copy of the notice is attached to this Stipulation as Appendix E.

Joint Stipulation of Facts (SF).²

² Stipulated Facts are referred to herein as SF1, SF2, etc. Findings of Fact are referred to as FOF 1, FOF 2, etc.

8. QWC is operated by two part-time operators and a part-time meter reader. SF 2,4.
9. QWC provides service to a portion of West Cornwall Township, including the Village of Quentin. SF 5.
10. WCTMA operates a sewage system covering the same geographic area as the Quentin Water Company system. SF 5.
11. WCTMA provides wastewater service to the area currently served by QWC water service. SF 5.
12. WCTMA provides wastewater service to the Village of Quentin, the Village of Stoberdale, and the Mine Road/Butler Road area of West Cornwall Township. SF 5.
13. The QWC customer count is expected to significantly increase in the next 10 years, from approximately 346 customers to 598 customers. SF14.
14. WCTMA will retain the expertise of the two part-time operators and meter reader of QWC. SF 2,4.
15. WCTMA will provide adequate alternative service once QWC abandons its service and transfers it to WCTMA.
16. Current QWC customers were advised by letter on November 21, 2022, of the planned transfer of water services to WCTMA and that there would be a rate increase. SF Appendix E.
17. With the transfer to WCTMA, the QWC customers will pay an additional \$40 per quarter. SF Appendix E.

18. No customers filed objections, comments or protests to the transfer.
19. QWC water rates have not increased since 2012. SF 36, SF Appendix D.

DISCUSSION

The Joint Petitioners are requesting that the Joint Petition for Approval of Settlement of All Issues be granted. The Petition, as set forth herein, permits QWC to transfer its water system assets and customers to the WCTMA and abandon water service to the public in West Cornwall Township, Lebanon County, Pennsylvania.

A. Legal Standards

1. Abandon and transfer

A regulated public utility must obtain Commission approval to abandon service. 66 Pa.C.S. § 1102(a)(2). Section 1102(a) of the Public Utility Code requires regulated utilities to acquire a certificate of public convenience in order to transfer assets and abandon service. 66 Pa. C.S. § 1102(a). Pursuant to Section 1103(a) of the Public Utility Code, 66 Pa.C.S. § 1103(a), the Commission may grant a certificate of public convenience only if "the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public." In addition, the courts have further ruled that the Commission is obligated to conduct a public interest analysis regarding the transaction to see whether the public will receive an affirmative benefit from it. *See City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825 (Pa. 1972); *Application of Gasco Distrib. Sys., Inc. for approval of the transfer of its Kane Div.'s assets*, Docket No. A-120002F2000 (Commission order Mar. 22, 2007) (*Kane Order*); *Application of Gasco Distrib. Sys., Inc. for approval of the transfer of its Claysville Div.'s assets*, Docket No. A-120002F2001 (Commission order Sept. 29, 2006) (*Claysville Order*).

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.P.U.C. 58 (1977).

2. Settlements

It is the policy of the Commission to encourage settlements, and the Commission has stated that settlement terms are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code §§ 5.231, 69.401. A full settlement of all the issues in a proceeding eliminates the time, effort and expense that otherwise would have been used in litigating the proceeding,

In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C. S. Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991) (*CS Water & Sewer*).

B. Joint Petition

On January 30, 2023, QWC and OCA filed a Joint Petition seeking Commission approval of QWC's request to abandon and transfer its water system, assets, and customers to WCTMA. The specific terms of the settlement in the Joint Petition are set forth below *verbatim*.

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

The settlement is also subject to the following 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.

However, the parties agree that if the Settlement is approved without modification, the Joint Petitioners will waive their rights to file Exceptions and request that, if an Exception/Reply Exception period is set, an expedited period for those filings be established. The Joint Petitioners also 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 in the decision and reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

Settlement, at 3-5.

C. Settlement Terms

The parties reached this Settlement following discovery and settlement discussions. To support granting the Joint Petition, the record must establish that the proposed settlement terms are in the public interest and meet the requirements of 66 Pa.C.S. § 1102(a), 1103.

1. Necessary or proper for the service, accommodation, convenience, or safety of the public

To acquire a certificate of public convenience in order to transfer assets and abandon service, the abandonment and transfer must be necessary or proper for the service, accommodation, convenience, or safety of the public. 66 Pa.C.S. §§ 1102(a), 1103. In the letter sent to customers explaining the proposed transaction, QWC stated that regulations pertaining to, and the operation of water service have become increasingly complicated. JS Appendix E at 1.

QWC currently services the Village of Quentin and nearby areas. It is operated by two part-time workers and a part-time meter reader, who will continue upon transfer of water services to WCTMA. SF 2, 4. The township in which it sits is expanding in development and population, with the number of QWC customers expected to increase from 346 to 598 in ten years. FOF 13. QWC will be transferred to WCTMA, which currently provides sewer service for the Village of Quentin and a larger area surrounding Quentin. The WCTMA obtained funding to purchase QWC and should be able to secure funding for an expanding water system. SF 33, 35.

2. Customer Response to Notice of Application

The history of the proceedings establishes that there is no customer opposition to the abandonment and transfer. Of primary concern to OCA was that the company had not adequately notified its customers of the abandonment and transfer sought.

In response to OCA's concern, and as agreed during the prehearing conference, QWC sent a letter to each of its customers that explained the proposed transaction, provided contact information for both Quentin and OCA and advised that the customers could submit a comment or objection to the Application until December 21, 2022. Also included in the letter to the customers was information concerning a rate increase of \$40 per quarter that would occur with the transfer. SF Appendix E.

Although three customers contacted OCA with questions, the Commission did not receive any comments, objections or protests to the Application filed by customers.

3. Availability and Adequacy of WCTMA Alternate Service

WCTMA provides wastewater service to customers in the area QWC provides water service. WCTMA was able to obtain a loan for the purchase of QWC and a portion of the loan will be covered by a grant. QWC reported a net operating revenue of \$31,171 and that WCTMA intends to collect net operating revenue greater than that amount over time. SF, Section C. WCTMA appears financially capable to purchase the system and have funds available to maintain the operation.

Finally, WCTMA is already providing wastewater service in a familiar area and, as noted above, will retain the current certified operators of the QWC water system. WCTMA is an adequate and reasonable substitute for QWC and is technically and financially fit to continue operation of the QWC water system for QWC.

D. Statements in Support of Joint Petition

Included in the Joint Petition for Approval of Settlement, each party provided a statement in support of the settlement. Both parties fully support the transfer of the services.

1. Quentin Water Company Statement in Support

In its statement in support, QWC framed the matter as the ‘transfer of ownership of a small, private water company to a Municipal Authority that contains all the customers of the Water Company.’ QWC Statement in Support. The Company also noted that with the transfer, water services continue without interruption for all QWC customers. *Id.* There was no evidence presented to the contrary.

The Company states that the settlement is a product of a cooperative effort of QWC and OCA. QWC also notes that the settlement will serve the public interest by avoiding the use of substantial time and expenses involved in litigation and eliminate potential appeals. *Id.*

2. Office of Consumer Advocate Statement in Support

The OCA states that this settlement is a reasonable resolution of concerns raised in OCA’s protest, particularly that the QWC customers receive adequate and reasonable substitute service from WCTMA. As presented by OCA, alternate service to be provided by WCTMA is available and adequate for several reasons discussed below.

a. Reasonable Purchase Price

OCA believes that the purchase cost of QWC is reasonable given that the purchase price is \$1,000,000 for a plant in service with depreciated original cost of \$926,023. OCA Statement in Support at 4. A copy of the executed agreement is included in the SF Appendix B.

b. Ability to Meet Demands of Customers and Comply with Regulations

OCA also noted that WCTMA is familiar with the area and is currently providing wastewater service there. OCA also points out that QWC has no violations of record and WCTMA will retain the services, and experience, of the certified operator and meter reader now employed by QWC. OCA Statement in Support at 2-4 *referencing* SF 2. There are no DEP violations at issue since at least 2020. OCA Statement in Support at 2 *referencing* SF 8-11. QWC has addressed the only water pressure complaint of record and recently drilled a well that is expected to meet customer demand for the next ten years. OCA Statement in Support at 3 *referencing* SF 14-20.

c. Financial Viability

OCA also notes that WCTMA appears financially able to absorb the operations, evidenced by its qualifying for a 2.25% interest rate \$1,000,000 loan to purchase QWC. OCA Statement in Support at 4 *referencing* SF 33,40. No change is expected with respect to the annual net operating revenue of \$31,171 until the new customers are fully online, when an increase is anticipated. OCA Statement in Support at 3. Grant funds have also been available to WCTMA. OCA Statement in Support at 4 *referencing* SF 34-35.

d. Notice

As previously discussed, OCA was concerned that there was initially inadequate public notice of the transaction. Upon request by OCA, QWC individually notified its customers by sending each one a letter regarding the proposed transaction. The notice contained information regarding the rate impact of the transfer and provided that customers may present questions, concerns and comments, send a letter to the Commission, or file a protest by December 20, 2022. No comments or protests were filed. Three customers contacted OCA and apparently were satisfied because no protests or comments were filed with the Commission by these customers.

e. Rate Impact

OCA was concerned whether WCTMA ownership would result in a tapping fee for new customers to be paid for by the current QWC customers. OCA Protest ¶ 14. OCA points out that WCTMA has explained that QWC customers will not be charged a tapping fee. OCA Statement in Support at 4-5. However, if the transfer occurs, OCA calculates that the QWC customers will pay an additional \$40 per quarter. For example, a customer using 12,000 gallons with a quarterly bill currently about \$76.86 will see an increase of 52% to \$116.86. OCA Statement in Support at 4-5; SF 38³. OCA also notes that WCTMA plans to reduce and eventually eliminate the additional \$40 per quarter charge, with the following considerations:

- 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.

OCA Statement in Support at 5 *referencing* SF 40. The OCA also notes that current rates for QWC customers are \$25.62 on a monthly basis and have not increased since 2012. FOF 19; SF 36, App. D.

OCA concludes that, given the information provided in discovery and in the Stipulated Facts, the possibility that the amount of the increase related to debt service may be reduced in time, and that the QWC has now given direct notice of the transaction to its

³ OCA statement in Support at pp.4-5, referencing SF 38. (“WCTMA plans to charge the current QWC customer charge of \$11.58 per quarter for 5/8-inch meters and \$5.44 per thousand gallons, plus an additional \$40 per quarter.”)

customers, and no objections were received, the OCA's concerns about rate impact and customer notice have been resolved. OCA Statement in Support at 2

CONCLUSION

The abandonment and transfer of the water service from QWC to WCTMA is in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004). Also, the settlement meets the requirements of 66 Pa.C.S. § 1102(a), 1103.

QWC seeks to abandon the water system to WCTMA. The record supports a finding that WCTMA can continue to provide the water service to the current QWC customers, absorbing the experienced personnel from QWC, and will be able to handle the anticipated expanded customer base as developments sprout in the area. WCTMA already provides wastewater service to the QWC customers in the area. Moreover, it will be able to provide an adequate alternative water service for the current QWC customers.

Although there will initially be a 52% increase in the quarterly bills for the customers, up to \$116.86 from the current rates of \$76.86 according to OCA's analysis, including a quarterly charge of \$40,⁴ WCTMA intends to reduce that charge as more customers enter the system. The averment that this charge will likely be reduced in the future is supported by the parties stipulating the fact that WCTMA recently reduced its quarterly rates for wastewater customers in the Mine Road area that it serves.

The record supports a finding that WCTMA will provide adequate service to QWC customers upon transfer as well as to the growing population in the area. Granting this petition is proper for the service, accommodation, convenience, or safety of the public.

⁴ All customers were notified of this estimated change and none filed an objection or protest. FOF 16, 18.

Additionally, this settlement avoids the expense of full litigation, and the public interest is served by a determination that the statutory requirements of the Public Utility Code have been met. The Joint Petition should be granted because this settlement is in the public interest, resolves the issues in this case and fairly balances the interests of QWC, OCA and the QWC customers.

For the reasons set forth above, the Joint Petition for Approval of Settlement of All Issues is granted in its entirety.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and parties to this proceeding. 66 Pa.C.S. §§ 701, 1101-3.

2. A regulated public utility must obtain Commission approval to abandon service. 66 Pa.C.S. § 1102(a)(2). The Public Utility Code requires regulated utilities to acquire a certificate of public convenience in order to transfer assets and abandon service. 66 Pa.C.S. § 1102(a)(3).

3. 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.P.U.C. 58 (1977).

4. It is the policy of the Commission to encourage settlements. Settlements are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code §§ 5.231, 69.401.

5. To determine whether a settlement should be approved, the Commission must decide whether the settlement promotes the public interest. *Pa. Pub. Util. Comm'n v. C. S. Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa.P.U.C. 1 (1985).

6. Quentin Water Company has established that the granting of a certificate of public convenience to abandon and transfer the Quentin Water Company water service to West Cornwall Township Municipal Authority is proper for the service, accommodation, convenience, and safety of the public. 66 Pa.C.S. § 1103(a).

7. The Settlement reached by the parties is reasonable and in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C. S. Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

ORDER

THEREFORE,

IT IS ORDERED:

1. That Joint Petition Exhibits 1-5 and the Joint Stipulation of Facts are admitted into the record.
2. That the Joint Petition for Approval of Settlement of All Issues of Quentin Water Company and the Office of Consumer Advocate, including all terms and conditions, is granted.
3. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(2) of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1102(a)(2), evidencing Commission approval of the right of the Quentin Water Company, to abandon water service to the public in Quentin, West Cornwall Township, Lebanon County, Pennsylvania, as described in the Application.
4. That upon issuance of the Certificate of Public Convenience pursuant to Ordering Paragraph 3, Quentin Water Company return all copies of previously issued

Certificates of Public Convenience to the Commission's Secretary's Bureau; be removed from all active utility lists maintained by the Commission's Secretary's Bureau and the Bureau of Administration; and the Quentin Water Company's tariff shall become null and void and will be removed from the Commission's active files.

5. That the Quentin Water Company notify the Commission promptly if the transfer of assets does not occur as planned.

6. That upon the issuance of the Certificates of Public Convenience as outlined in Ordering Paragraphs 3 and 4, the proceedings at Docket Nos. A-2022-3035731, be closed.

Date: March 31, 2023

_____/s/
Darlene Heep
Administrative Law Judge