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April 26, 2024

By Electronic Filing

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

RE: Community Utilities of Pennsylvania Inc. Water Division;
Docket No. R-2023-3042804;

Community Utilities of Pennsylvania Inc. Wastewater Division;
Docket No. R-2023-3042805;

JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDINGS

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Joint Petition for Full Settlement of Rate Proceedings in the above-captioned proceeding.

If you have any questions concerning this filing, please contact me.

Very truly yours,

/s/ Whitney E. Snyder

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*Counsel for
Community Utilities of Pennsylvania Inc.*

WES/das
Enclosures

cc: Administrative Law Judge Steven K. Haas (sthaas@pa.gov)
Administrative Law Judge Alphonso Arnold (alphonarno@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2023-3042804
	:	R-2023-3042805
Community Utilities of Pennsylvania Inc.	:	

JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDINGS

DATED: April 26, 2024

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I. INTRODUCTION

Community Utilities of Pennsylvania Inc. (“CUPA” or the “Company”), the Bureau of Investigation & Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), by their attorneys and collectively referred to as “Joint Petitioners,”¹ submit and join in this Joint Petition for Full Settlement of Rate Proceedings (“Joint Petition” or “Settlement”) in the above-captioned consolidated proceedings. The Joint Petitioners respectfully request that Administrative Law Judges Steven K. Haas (“ALJ Haas”) and Alphonso Arnold III (“ALJ Arnold”) (collectively, the “Presiding Officers”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”) approve the proposed Settlement and all of its terms and conditions without modification and find that the terms of the Settlement are in accordance with the law and are in the public interest.

The Joint Petition² is organized into various sections. **Section II** contains the terms and conditions of the proposed Settlement. These terms include, *inter alia*, specifications on revenue requirement, a rate case stay-out, modifications associated with the Company’s website and reporting requirements as it relates to the Company’s Low-Income Program, and modifications to the Company’s proposed Arrearage Management Program (“AMP”). The terms also address various service-related issues raised during this proceeding. **Section III** explains that the proposed Settlement is in the public interest.

Ultimately, the Settlement is in the public interest because, *inter alia*, it: (1) provides a reasonable resolution after the Joint Petitioners completed an extensive investigation of CUPA’s filings, (2) is consistent with Commission policies promoting negotiated settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, (3) reduces the Company’s total annual revenue increase by

¹ Joint Petitioners are the only parties to this proceeding that actively participated in this proceeding.

² **Appendix A** hereto contains an overview of the procedural history, proposed findings of fact, proposed conclusions of law, and proposed ordering paragraphs.

approximately 17% compared to as-filed rates, (4) establishes rates that are just and reasonable, achieves full consolidation of the water and wastewater rates of CUPA's various divisions, and is based upon principles of gradualism, (5) enhances the Company's Low-Income Program providing increased rate discounts (45% compared to 35% originally proposed) to both the fixed and volumetric components of the bill for customers that qualify, extending eligibility for the program to 200% of the Federal Poverty Level ("FPL), and applying rate discounts to wastewater customers and water customers, (6) comprehensively addresses the quality of service issues raised in this proceeding, (7) avoids the necessity of further litigation and the substantial cost to the Joint Petitioners and CUPA's customers that such litigation would entail, and (8) is supported by substantial evidence.

Accordingly, the Commission should approve the Settlement and all its terms and conditions without modification and find that the terms of the Settlement are in accordance with the law and are in the public interest.

II. TERMS AND CONDITIONS OF SETTLEMENT

1. The Company, I&E, the OCA, and OSBA engaged in a series of long, detailed, and productive communications to determine if, consistent with the Commission's policy to "encourage settlements," stated at 52 Pa. Code § 5.231(a), a settlement was possible. After extensive discovery and testimonial presentation by the Joint Petitioners, the Joint Petitioners engaged in an even more extensive series of settlement negotiations. The Settlement is the product of those comprehensive negotiations, representing give-and-take by all Joint Petitioners, which resulted in a settlement that is in the public interest. The Settlement balances the need for significant investment to modernize facilities in CUPA's territories and the need for cost-based rates and measures to further enhance service and future performance with the principle of gradualism in rate changes and recognition of potential financial hardships for some customers. Moreover, the Settlement comprehensively addresses the quality of service issues raised in this

proceeding by requiring the Company to, among other things, submit information on lost and unaccounted for water, update the Joint Petitioners on the implementation of virtual District Metering Areas in its Penn Estates service territory, provide certain information on isolation valve exercising as part of its next base rate case, and develop a hydraulic model to evaluate fire suppression flows in the Company's Tamiment system.

2. The Settlement is a typical "black box" settlement;³ that is, without admission on any particular issue. The terms agreed to are enforceable upon approval by the Commission. The Joint Petitioners agree that this Settlement is a reasonable resolution of competing positions and interests in a way that meets and promotes the public interest. It also avoids additional significant time and expense of all involved and avoids further expense including expensive briefing, exceptions, replies, and potential appeals, which costs, under prevailing Pennsylvania law, would have ultimately been borne by the ratepayers.

3. The Joint Petitioners support approving CUPA's base rate filing at the above-captioned dockets as modified by the terms and conditions that follow:

A. Revenue Requirement Increase - Water

4. Upon Commission approval of this Settlement, the Company will be permitted to charge rates for water service as set forth in the proposed Water Tariff Supplement attached hereto as **Appendix B** ("Water Settlement Rates"), to become effective upon one day's notice. Instead of the \$1,470,360 increase requested in the filing, the Water Settlement Rates are designed to

³ *Pennsylvania Public Utility Commission et al v. Peoples TWP LLC*, 2013 WL 6835105, at *16 (Order entered Dec. 19, 2013) ("We have historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. See, *Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.").

produce an increase of annual water revenue of \$1,227,538 as shown in greater detail on the Proof of Revenues attached hereto as **Appendix D**.

B. Revenue Requirement Increase - Wastewater

5. Upon Commission approval of this Settlement, the Company will be permitted to charge rates for wastewater service as set forth in the proposed Wastewater Tariff Supplement attached hereto as **Appendix C** (“Wastewater Settlement Rates”), to become effective upon one day’s notice. Instead of the \$1,738,944 increase requested in the filing, the Wastewater Settlement Rates are designed to produce an increase of annual wastewater revenue of \$1,447,621 as shown in greater detail on the Proof of Revenues attached hereto as **Appendix E**.

C. Stay Out

6. The Company agrees that it will not file for a general increase pursuant to 66 Pa C.S. § 1308(d) to water or wastewater base rates earlier than February 9, 2026. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required by Commission order or industry-wide changes in regulatory policy which affect CUPA’s rates.

D. Effective Date

7. Upon the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file a tariff for water service, in the form attached hereto as **Appendix B**, and a tariff for wastewater service, in the form attached hereto as **Appendix C**, reflecting the agreed-upon additional operating revenue. The Joint Petitioners agree to the implementation of the Water Settlement Rates and Wastewater Settlement Rates on August 9, 2024, when the original statutory suspension period was to expire, if the Commission enters an Order approving the Joint Petition prior to or on that date.⁴

⁴ By Scheduling Order entered January 25, 2024, the procedural suspension date was extended from August 9, 2024, to August 22, 2024.

8. If the Commission approval of this Settlement occurs after August 9, 2024, the Joint Petitioners agree that CUPA shall be entitled to recoup the revenue increase not billed from the effective date of August 9, 2024, through the date of any PUC approval of new rates in the manner set forth in the Commission's final Order in this proceeding. The revenue increases not billed from the effective date of August 9, 2024, through the date of PUC approval of new rates will be recovered over a six-month period that shall be applied proportionately to all customer classes via a surcharge on each monthly bill during the six-month recovery period. The Company will be permitted to file revised water and wastewater tariff pages to implement the surcharge, as set forth in Appendices B and C, respectively.

E. COVID-19 Regulatory Asset

9. CUPA shall recover the COVID-19 Regulatory Asset balance of \$114,185 amortized over 5 years.

10. CUPA shall remove the deferred charges related to the COVID-19 pandemic from rate base.

11. The above revenue requirement includes recovery of the COVID-19 Regulatory Asset as modified by the Paragraphs 9 and 10, but to the extent CUPA files another rate case prior to the end of 5-year amortization period, CUPA may recover any remaining balance in future rates.

12. CUPA agrees to no longer continue recording a regulatory asset for ongoing COVID-19 related incremental bad debt (other than reductions to bad debt in the regulatory asset associated with late recovery of such related bad debt) and other COVID-19 related expenses after the effective date of new rates for the instant proceeding.

F. Low-Income Program

13. The Company will expand the eligibility of its Low-Income Program from income up to 100% to income up to 200% of the FPL.

14. Regarding changes to the Company's website:

a. The Company will make the low-income section on its website a permanent news item that is visible as soon as the customer enters the website.

b. The separate, low-income page will include a link to the application form, as well as all information about the sign-up process and eligibility qualification requirements.

c. The Company will change the existing “URL” link to the application page to say “Application” or “Click here to apply”.

d. The Company will use its existing customer notification infrastructure to drive customers to the website to explore the Low-Income Program and their possible eligibility. Specifically, the Company will use its Voice Reach system – which sends information directly to customers via email, phone, and text messages – to provide quarterly updates to customers about the existence of the program. This outreach will be modified to both English and a Spanish language.

e. The Company will provide print copies of their low-income handouts to customers in English or Spanish. These mailers will be provided quarterly through bill inserts.

15. The Company will continue to provide quarterly report updates detailing participation, usage, and revenue shortfalls/surpluses.

16. The Company will track all costs associated with the administration of its Low-Income Program, if those costs are dedicated to administering the Program. Such costs include the Company’s payments to Dollar Energy Fund for income verification and costs associated with outreach activities. The Company will report these costs on a quarterly basis in its Low-Income reporting. In its next base rate proceeding, the Company shall identify those costs it seeks to recover as part of its ongoing administration of the Low-Income Program.

17. Until the Commission issues an order in CUPA’s next base rate case, the Company will hold annual customer meetings in each of its service territories where topics including the Low-Income Program will be discussed.

G. Rate Design and Structure

18. The parties agree to the rate design reflected in **Appendix D** and **Appendix E**, which reflects the following rate design principles:

- a. The Company will apply a 45% discount to both the volumetric and customer charge for all participants in the Low-Income Program, regardless of their income relative to the FPL.
- b. The company will implement a 6.3% water and a 1% wastewater differential between commercial and residential volume charges.
- c. For the purposes of establishing the revenue requirement in this case, CUPA shall utilize a consumption decline of 1.16% from the Historical Test Year (“HTY”) consumption levels to the Future Test Year (“FTY”) consumption levels and an additional decline of 1.16% from the FTY to the Fully Projected Future Test Year (“FPFTY”) consumption levels.

19. In its next base rate filing, CUPA will present a tiered discount income-based plan with tiers at 50% and 75% of the Federal Poverty Level (“FPL”). This tiered income-based plan will only be applied to and recovered from residential customers.

H. Arrearage Management Program (AMP)

20. Customers approved for CUPA’s low-income rate and with a past-due balance greater than \$400 can participate in CUPA’s AMP.

21. The AMP will be comprised of the total past due balance for all services – water and/or wastewater. The past due balance threshold of \$400 for participation in the AMP will be based upon this combined balance.

22. AMP customers will be enrolled in a multi-month Deferred Payment Arrangement (“DPA”). A DPA allows customers to take their past-due balance and split their past-due balance over equal monthly installments.

23. The default AMP period for low-income customers will be 12 months. While these terms may be default periods, CUPA will allow good faith flexibility by including consideration of ability of the customer to pay, length of time over which the past due balance accumulated, payment history, and size of unpaid balance.

24. AMP customers who make timely payments and stay current with their monthly water/wastewater bill, including the DPA portion of their bill, for half of the months of the AMP term will have the remaining monthly DPA payments forgiven. In the next base rate case, the company will present an analysis and costs to implement changes to its billing system that would allow customers on an active AMP to select an alternate billing due date. Should such AMP feature be approved by the Commission, and the costs to implement the changes are deemed reasonable, such costs would be recoverable as a component of the Company's cost of service.

25. If the customer defaults on the DPA, normal collections processes apply. The customer may request to establish a new DPA (not an AMP DPA) for any then-current past due balance. The customer may be eligible for an AMP DPA to be implemented 12 months after default of a previous AMP DPA.

26. If the customer defaults on the DPA, then all payments made by the customer to satisfy the customer's obligations under the DPA will contribute towards satisfying the customer's overall arrearage (*e.g.*, if a customer makes monthly payments totaling \$250 of their \$500 requirement under the AMP with a \$1,000 overall arrearage balance, then the customer's arrearage balance upon default would be \$750.)

27. The AMP will be indifferent as to how or who makes payments on the balance.

28. Customers who apply for or are approved for the Low-Income Program will be informed of the AMP and offered an opportunity to participate in the AMP in conjunction with the Low-Income Program outreach.

29. If a CUPA customer contacts CUPA or Dollar Energy Fund (“DEF”) regarding an issue with paying their bill or signing up for either the AMP or the low-income program, the customer shall be informed of both programs, including eligibility requirements.

I. Integration Customer Protection Deferral Mechanism

30. CUPA shall set up a deferral account, “Integration Customer Protection Deferral Mechanism,” which will capture accrued costs and benefits of integration that occur for five years after the closing date. All parties reserve their rights to challenge recovery of any deferred amounts in future rate proceedings.

J. Water Quality & Service Issues

31. Regarding Unaccounted for Water (“UFW”) mitigation and reporting:

a. For all systems, the Company will perform annually system wide leak detection and any associated repairs unless the individual system has an average UFW that is below 20% for the previous 6 months.

b. For Penn Estates, the company is currently working with GHD, an engineering firm, to design and implement virtual district metering areas (“vDMA”) at Penn Estates utilizing the existing hydraulic model. The vDMAs serve to split the system into smaller zones, which will allow for ongoing monitoring and quicker response times to locate and repair leaks. Before the next rate case, CUPA will provide OCA, I&E, and OSBA with an update on the implementation of the vDMA project.

c. CUPA will submit PUC Form 500 method using gallons/year units instead of gallons/day.

d. CUPA will submit an individual Form 500 for each of its systems.

e. In future rate cases, CUPA will continue to provide a breakdown of lost and unaccounted for water by system detailing all identified causes as per the previous base rate case settlement.

f. CUPA shall provide quarterly updates regarding their UFW by system to the OCA and the Commission until CUPA files its next base rate case.

32. Before the next rate case, CUPA will provide an update to OCA, I&E, and OSBA on the implementation of the recommendations from the engineering study and hydraulic analysis to address low and high pressure in Penn Estates.

33. CUPA will submit with its next rate case documentation that identifies the isolation valves that need to be located, uncovered, repaired and/or replaced in the following year.

34. The Company will have GHD develop a hydraulic model utilizing existing data for its Tamiment system. The hydraulic model will then be used to evaluate the fire suppression flows available throughout the Tamiment system before the next base rate case. Monthly unmetered public fire protection rates will not be decreased.

35. The Company will present a no-fee payment option for online payments in the next base rate case. Under this methodology, customers would not be directly charged an additional fee at the time of payment. Instead, these expenses will be recovered by CUPA directly under the O&M expenses in the cost of service.

K. Capital Reporting Requirements

36. CUPA will file and serve upon I&E, the OCA, and OSBA an updated CUPA Schedule A-1, Columns A-G, lines 1-50 (water) and 51-119 (wastewater) no later than November 1, 2024, that will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending July 31, 2024.

37. CUPA will provide an additional update for the 12 months ending July 31, 2025, no later than November 1, 2025.

L. Standard Terms

38. The Commission's approval of the Settlement Terms shall not be construed as approval of any Joint Petitioner's position on any issue but rather as an agreed-to compromise of

the Joint Petitioners' competing positions. It is understood and agreed among the Joint Petitioners that the Settlement Terms are the result of compromise and do not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated. Accordingly, the Settlement Terms may not be cited as precedent in any future proceeding, except to the extent required to implement or enforce any Settlement Term herein.

39. This Settlement is presented without prejudice to the position any of the Joint Petitioners may advance in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to by the Joint Petitioners in this Settlement.

40. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. In reaching this Settlement, the Joint Petitioners thoroughly considered all issues and give and take of positions. As a result of that consideration, the Joint Petitioners believe that the settlement agreement meaningfully addresses all such issues raised and therefore should be approved without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

41. If the ALJ, in the Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, to the extent any terms and conditions of the Settlement are modified, or additional matters are proposed by the ALJ in the Recommended Decision, the Joint

Petitioners do not waive their rights to file Exceptions in support of the Settlement. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed provided such Replies support the Settlement.

42. The Joint Petitioners recognize that this Joint Petition is a settlement of, and binding upon, only the parties signing this document. The OCA represents it will, on the date of the signing of this settlement petition, send a letter providing instructions concerning the Complainants' opportunity to address the proposed Settlement. OCA also represents that the letter will explain that the Complainant has until May 15, 2024, to join, disagree but not actively oppose, or object to the Settlement and provides contact information for the Presiding Officers and the OCA.

43. The Joint Petitioners agree that this document may be signed or executed in separate counterparts or signature pages that shall be binding upon the Joint Petitioners and such counterparts shall be considered as one document.

44. The Joint Petitioners agree and request that if the Settlement is approved, the OCA and OSBA's respective Formal Complaints in this matter should be marked satisfied and closed due to the Settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

45. The proposed Settlement provides a reasonable resolution of these consolidated proceedings. This Settlement was achieved by the Joint Petitioners after an extensive investigation of CUPA's filings, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony by the Joint Petitioners, and exhaustive settlement negotiations. The Joint Petitioners in this proceeding had substantially different views on many issues in this proceeding, including rate design principles. Where the Joint Petitioners agreed, with regard to the need for certain improvements, investigation and reporting, the Settlement adopts those requirements and commitments. The Joint Petitioners were able to reach a balanced compromise on the issues addressed by the Settlement. Further, the Settlement addresses certain

recommendations by the I&E and OCA that will enhance service and provide additional information to the parties prior to the Company's next base rate filing.

46. The Settlement is consistent with Commission policies promoting negotiated settlements. The Joint Petitioners arrived at the Settlement, after conducting extensive discovery and numerous in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

47. The Settlement produces just and reasonable rates that demonstrate gradualism, while still allowing CUPA adequate revenue and rate of return, particularly given that the Settlement addresses low-income programs for both water and wastewater customers, which was a contested issue in this proceeding.

48. Moreover, CUPA, having made significant investment and planning additional investments through the FPFTY to modernize its facilities and infrastructure and the provision of service, is receiving approximately 17% less than the as-filed for increase, while agreeing to various settlement provisions to increase adequacy of service. *See* CUPA St. 5 at 5:18 – 19:11.

49. The Settlement also achieves, in large part, full consolidation of the Company's water and wastewater rates amongst its various divisions, while also mitigating impacts to customers in various ways⁵. First, by virtue of the reduced revenue requirement, rates are lower than originally proposed. Moreover, a larger amount of the increase has been assigned to the volumetric charges than CUPA's litigation position, rather than the fixed customer charge, thus providing customers increased opportunity to reduce their bills through conservation measures.

⁵ Based upon principles of gradualism, the Joint Petitioners have agreed not to consolidate the water availability fee applied to customers of Penn Estates and Tamiment. *See* App. B, Pg. 6, 11A. The Penn Estates availability fee is increasing by \$12.48, from \$18.18 to \$30.66, or by approximately 69%, The Tamiment availability fee is increasing by \$8.87, from \$9.31 to \$18.18, or by approximately 95%.

Additionally, for low-income customers, who will be most impacted by any rate increase, the Settlement provides for a 45% discount to both the fixed monthly charge and volumetric charge, for both water and wastewater rates, which is 10% greater than the discount originally proposed. The Company will also be establishing its AMP, which will provide arrearage forgiveness of a portion of arrearages for qualifying customers that are able to make payments towards their arrearage balance, in addition to their monthly bills, on time and in full. In sum, these modifications will help to offset the rate increases for those most impacted.

50. To the extent quality of service issues raised in these proceedings were not resolved through the provision of additional evidence, the Settlement provides for further resolution of those issues, reflecting CUPA's agreement to various requests I&E and OCA made in their testimony to address these issues, including: reporting requirements related to unaccounted for water, projects to address low and high pressure in Penn Estates, isolation valve replacement, and an agreement to develop a hydraulic model to evaluate fire suppression flows throughout the Tamiment system.

51. Acceptance of the Settlement will also avoid the necessity of further administrative, and possibly appellate, proceedings, regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and CUPA's customers.

52. Lastly, the Settlement is the result of extensive direct, rebuttal, surrebuttal, and rejoinder testimony that was admitted into the record. In total, the terms and provisions of the Settlement represent reasonable compromises on the issues supported by that substantial testimony and evidence.

53. The Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just, and reasonable and, therefore, in the public interest. The Joint Petitioners' Statements in Support are attached hereto as **Appendix G – Appendix J**.

IV. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Presiding Officers approve the Settlement as set forth herein, including all terms and conditions, without modification, and find that the terms of the Settlement are in accordance with the law and are in the public interest.

Respectfully submitted,

/s/Whitney E. Snyder
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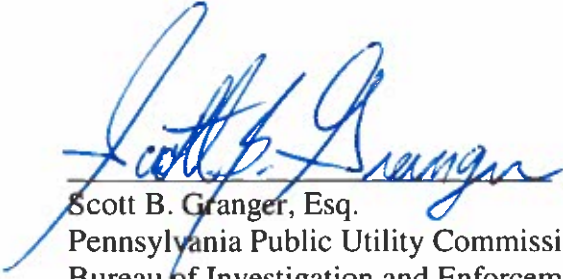
(Dated) 04/26/2024

Counsel for Community Utilities of Pennsylvania Inc.

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(Dated) _____

Counsel for the Office of Small Business Advocate

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APPENDICES

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APPENDIX A

**PROCEDURAL HISTORY
PROPOSED FINDINGS OF FACT
PROPOSED CONCLUSIONS OF LAW
PROPOSED ORDERING PARAGRAPHS**

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS**

PROCEDURAL HISTORY

1. On November 9, 2023, Community Utilities of Pennsylvania Inc. (“CUPA” or the “Company”) filed Supplement No. 13 to Tariff Water – Pa. P.U.C. No. 1 (“Supplement No. 13”) to become effective January 9, 2024, unless permitted by order of the Pennsylvania Public Utility Commission (“Commission” or “PUC”) to become effective at an earlier date. Supplement No. 13 would increase CUPA’s total annual operating revenues for water service by approximately \$1,470,360, or 62.29%, over Fully Projected Future Test Year (“FPFTY”) levels at present rates. The Commission docketed this filing at Docket No. R-2023-3042804.

2. On November 9, 2023, CUPA filed Supplement No. 11 to Tariff Wastewater – Pa. P.U.C. No. 1 (“Supplement No. 11”) to become effective January 9, 2024, unless permitted by Commission order to become effective at an earlier date. Supplement No. 11 would increase CUPA’s total annual operating revenues for wastewater service by approximately \$1,738,944, or 50.83%, over FPFTY levels at present rates. The Commission docketed this filing at Docket No. R-2023-3042805.

3. On November 13, 2023, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance in both general base rate filing proceedings.

4. On November 22, 2023, CUPA filed its Proofs of Publication of Customer Notice of Base Rate Increase evidencing publication of the customer increase notice in newspapers of general circulation in the various service territories.

5. On November 29, 2023, the Office of Small Business Advocate (“OSBA”) filed Formal Complaints, Public Statements, Verifications, and Notices of Appearances in both general base rate filing proceedings.

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6. On December 8, 2023, the Office of Consumer Advocate (“OCA”) filed Formal Complaints, Public Statements, Verifications, and Notices of Appearances in both general base rate filing proceedings.

7. Formal Complaints were also filed by the following customers against Tariff Supplement No. 13: Joseph Albanese, Gail Bechtold, Joseph Bellantoni, Christina Boers, Mario Carlino, Tom Chladny, Oleg Chuchin, Rose Cocklin, Denise Cooper, Christine Corbissero, Nicholas Corforte, Margaret Creo, Nanette De Bartolo, Linda DiGregorio, Richard and Suan DiPiazza, Ryan Ellison, Rich Franzson, Scott and Vicky Furey, Catherine Gilchrist, Ernesha Holloway, John Hoopingarner, Jenny Howard, Steven and Carol Krauss, Rafail Kovalenko, Cassandra Kramer, David Lambie, Patricia Lathrop, Gregory Leone, George and Miriam Lingg, Susan Maeri, Anna Majewski, Kristen Martin, Peter Mauro, Patricia Merrill, Grace Moro, Craig Morris, Brian Morrison, Suzie Napolitano, Christ and Carol Nielsen, Susan Nikolaou, Natalie Ortiz, Thomas and Patricia Parillo, Anna Paryzki, Grazyna Paryzka, Penn Estates POA, Inc., Petricia Perville-Davy, Antonia and Ramon Rivas, Thomas Romano, Mary Rossetti, Michael Sanfilippo, Raju Shah, Larissa Shin, Angela Tam, and Monica Wagner.

8. Formal Complaints were also filed by the following customers against Tariff Supplement No. 11: Joseph Albanese, Gail Bechtold, Joseph Bellantoni, Christina Boers, Ernesha Bolden, Laura Brennan, Rene Bressant, Lynn Buckingham, Mario Carlino, Oleg Chuchin, Rose Cocklin, Denise Cooper, Christine Corbissero, Nicholas Corforte, Nanette De Bartolo, Linda DiGregorio, Richard and Suan DiPiazza, Ryan Ellison, David Fardig, Brian Fenimore, Rich Franzson, Scott and Vicky Furey, Catherine Gilchrist, John Hoopingarner, Jenny Howard, Steven and Carol Krauss, Rafail Kovalenko, Cassandra Kramer, Patricia Lathrop, Gregory Leone, George and Miriam Lingg, Susan Maeri, Anna Majewski, Kristen Martin, Peter Mauro, Daniel McKoy,

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Patricia Merrill, Grace Moro, Craig Morris, Brian Morrison, Suzie Napolitano, Christ and Carol Nielsen, Susan Nikolaou, Thomas and Patricia Parillo, Penn Estates POA, Inc., Tigron Petrosian, Antonia and Ramon Rivas, Thomas Romano, Mary Rossetti, Michael Sanfilippo, Larissa Shin, Monica Wagner, Christopher Williams, and Robert Zwahlen.

9. On December 15, 2023, the OCA filed a letter with the support of I&E requesting that the Commission exercise its discretion to designate the August 1, 2024 Public Meeting as the date for the issuance of a Commission order for purposes of setting a procedural schedule, rather than the July 11 Public Meeting, which would provide additional time for the parties to litigate this proceeding.

10. On December 19, 2023, CUPA filed a letter indicating that it was willing, on a limited and one time basis and contingent upon retroactive recovery of any foregone rate increase, to extend the suspension date to August 22, 2024, for rates to be effective August 23, 2023, which would allow the Commission to utilize an August 1 Public Meeting date and provide the Commission an additional 15 business days for subsequent order drafting and review.

11. On December 21, 2023, pursuant to 66 Pa. C.S. § 1308(d), the Commission suspended both rate filings by operation of law until August 9, 2024, unless permitted by Commission order to become effective at an earlier date (“Suspension Order”). The Suspension Order did not address the OCA’s letter request or CUPA’s letter regarding the voluntary extension of the suspension period.

12. On December 27, 2023, a Call-In Telephone Prehearing Conference Notice was issued by the Commission setting an initial telephonic prehearing conference for both rate filings for January 11, 2024. A Prehearing Conference Order was subsequently issued by the Presiding Officers on December 29, 2023, setting forth rules that would govern the prehearing conference

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and directing the parties to the proceedings to file prehearing conference memoranda by noon, January 9, 2024.

13. On December 28, 2023, the Company filed Supplement No. 15 to Tariff Water – Pa. P.U.C. No. 1 and Supplement No. 13 to Tariff Wastewater – Pa. P.U.C. No. 1 (“Suspension Tariffs”) in compliance with the Commission’s Suspension Order.

14. On January 9, 2024, prehearing conference memoranda were filed by CUPA, I&E, the OCA, and OSBA. No prehearing conference memoranda were filed by CUPA consumer complainants.

15. On January 11, 2024, a telephonic prehearing conference was held as scheduled. The following parties were present at the prehearing conference: CUPA, I&E, OCA, and OSBA. No consumer complainant appeared at the prehearing conference.

16. On January 19, 2024, a Public Input Hearings Notice was issued by the Commission.

17. On January 25, 2024, the Presiding Officers issues a Scheduling Order consolidating both rate increase filings, granting CUPA’s voluntary offer to extend the suspension period from August 9, 2024, to August 22, 2024, contingent upon CUPA being permitted to recover approved rates from the original suspension deadline date through the effective date of Commission-approved rates, modifying the Commission’s discovery regulations, setting a litigation schedule, and scheduling public input hearings.

18. On January 26, 2024, an In-Person Evidentiary Hearing Notice was issued by the Commission.

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19. On January 31, 2024, the Company filed its Proofs of Publication of Public Input Hearings demonstrating publication of the public input hearings notice in several newspapers of general circulation in the Company's service territory.

20. On January 31, 2024, the Company filed a Motion for Protective Order seeking to protect against non-authorized disclosure of proprietary information that is filed in the consolidated proceedings.

21. On February 2, 2024, the Presiding Officers issued an Order Granting Motion for Protective Order.

22. On February 2, 2024, the Company filed Supplement No. 16 to Tariff Water – Pa. P.U.C. No. 1 and Supplement No. 14 to Tariff Wastewater – Pa. P.U.C. No. 1, suspending the effective date of rates as issue in these proceedings until August 22, 2024.

23. Between January 30, 2024, and February 1, 2024, six public input hearings were convened, four of which were in-person and two of which were telephonic.

24. On February 6, 2024, I&E, the OCA, and OSBA each pre-served Direct Testimony.

25. On March 5, 2024, the Company, I&E, and OCA each pre-served Rebuttal Testimony.

26. On March 19, 2024, the Company, I&E, OCA, and OSBA each pre-served Surrebuttal Testimony.

27. On March 25, 2024, the Company pre-served its written Rejoinder Testimony.

28. On March 26, 2024, Company counsel e-mailed the Presiding Officers that the Company, I&E, the OCA, and OSBA had all agreed to waive cross examination of all witnesses and requested that the Presiding Officers excuse all witnesses, cancel the hearings, and allow for

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the submission of all pre-served testimony and exhibits into the record by way of a Joint Stipulation for Admission of Evidence.

29. On March 26, 2024, the Presiding Officers granted the parties request cancelling the evidentiary hearings and directing the parties to file a Joint Stipulation for Admission of Evidence.

30. On March 24, 2024, the Commission issued a Hearing Cancellation Notice.

31. On April 1, 2024, the Company, I&E, the OCA, and OSBA filed their Joint Stipulation for Admission of Pre-Served Testimony and Exhibits into the Evidentiary Record seeking to admit into the evidentiary record of this proceeding the previously served written testimony and exhibits prepared by CUPA, I&E, the OCA, and OSBA.

32. On April 2, 2024, the Presiding Officers issued an Order Granting Joint Stipulation and Admitting Evidence.

33. On April 18, 2024, the Presiding Officers issued a Revised Order Granting Joint Stipulation and Admitting Evidence clarifying that OSBA filed both public and confidential versions of OSBA Statement No. 1 – Direct Testimony of Justin Bieber.

34. On April 26, 2024, CUPA, I&E, the OCA, and OSBA filed a Joint Petition for Full Settlement of Rate Proceedings, which proposes to resolve all issues raised in this proceeding with accompanying statements in support from each party.

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PROPOSED FINDINGS OF FACT

1. CUPA is a certificated Pennsylvania public utility providing water service to approximately 3,257 customers via nine (9) wells and more than 294,000 linear feet of water distribution main. CUPA St. 1 at 4:11-12. CUPA also purchases bulk water from the City of Bethlehem for a portion of its customers located in Hanover Township in Northampton County, Pennsylvania. CUPA St. 1 at 4:12-14. Altogether, CUPA provides water service to three service territories in Pennsylvania, formerly known as Penn Estates Utilities, Inc. (“Penn Estates”), Utilities Inc. - Westgate (“Westgate”), and Pennsylvania Utility Company (“Tamiment”). CUPA St. 2 at 2:12-13.

2. CUPA is also certificated by the Commission to provide wastewater service and provides service to approximately 3,832 customers via three (3) wastewater treatment plant facilities and a complex network of collection mains and wastewater lift stations. CUPA St. 1 at 4:11-16. Altogether, CUPA provides wastewater service to three service territories in Pennsylvania, Penn Estates, Utilities Inc. of Pennsylvania (collectively, “Consolidated Service”), and Tamiment.

3. I&E was created by the Commission pursuant to 66 Pa. C.S. § 308.2(a)(7) as the prosecutory bureau for purposes of, *inter alia*, representing the public interest in ratemaking matters before the Office of Administrative Law Judge. *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011), at 4-5.

4. The OCA is empowered to represent the interests of Pennsylvania consumers before the Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. C.S. §§ 3-901 *et seq.*

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5. OSBA is authorized by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50, to represent the interests of small business consumers of utility services in matters before the Commission.

6. CUPA's original base rate filings requested an increase in its water rates of \$1,470,360 and wastewater rates of \$1,738,944, or a 54.66% and 62.29% increase, respectively, over the FPFTY levels at present rates. CUPA St. 2 at 3:11-15; *see also* Filing Schedules, Lead Financial Exhibits, Sch. B, Pg. 1. As part of this proceeding, CUPA proposed full consolidation of the rates charged to customers in its Tamiment service territory with rates charged to CUPA's other customers for both water and wastewater. CUPA St. 1 at 12:14-16. For water, CUPA proposed increases to both the fixed customer charges and volumetric rates. CUPA St. 7, Exh. SAM-2 at 20. For wastewater, CUPA proposed a fixed customer charge and volumetric rates for all customers on a consolidated basis. CUPA St. 7, Exh. SAM-3 at 14.

7. The bill impacts of CUPA's initial proposal on monthly water bills are set forth in CUPA St. 7, Exh. SAM-2 at 16 – 19.

8. The bill impacts of CUPA's initial proposal on monthly wastewater bills are set forth in CUPA St. 7, Exh. SAM-3 at 13

9. CUPA also proposed modifications to its Low-Income Program, including increasing the income eligibility requirement from 100% to 200% of the FPL and establishing a low-income volumetric rate for its wastewater residential customers. CUPA St. 2 at 15:4.

10. CUPA also proposed an Arrearage Management Program, or AMP, for its water and wastewater customers, which would allow qualifying customers with a past-due balance greater than \$400 to have a portion of their past due balances forgiven after demonstrating an ability to cover current bills. CUPA St. 6 at 7:2-15.

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11. As part of this filing, CUPA proposed the establishment of an Integration Customer Protection Deferral Mechanism to capture the accrued costs and integration benefits associated with the merger of SW Merger Acquisition Corp. (“SWMAC”) and Corix Infrastructure (US) Inc. (“Corix US”), a subsidiary of CII and an indirect parent of CUPA, and the creation of Intermediate Newco, a subsidiary of the newly merged SWMAC and Corix US, which will acquire indirect control of CUPA (“Merger”). CUPA St. 6 at 10:6-7. As part of its proposal, the Company was not seeking to reflect any benefits and costs to achieve those benefits in this proceeding, but was seeking to establish a deferral mechanism that will accumulate benefits and costs to achieve those benefits which would then be addressed in future rate cases. CUPA St. 6-RJ at 3:11-16.

12. The OCA, I&E, and OSBA each made different proposals regarding, among other things, the Company’s proposed revenue increase, the proposed rate design, the Company’s proposed modifications to the Low-Income Program, the Company’s proposed AMP, and the Company’s proposed Integration Customer Protection Deferral Mechanism. The OCA, I&E, and OSBA also proposed various adjustments to CUPA’s operating expenses. The OCA, I&E, and OSBA also proposed lower rates of return than what CUPA proposed.

13. At the public input hearings, customers alleged the following service-related concerns:

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Tamiment Service Territory	<u>Water Service</u>
	Broken Shut-Off Valve Low Water Pressure Water Quality, Drinkability, and Sediment Issues Cost of Water Lack of Fire Protection
	<u>Wastewater Service</u>
	Odor from Lift Station Sewer Back Flow and Grinder Pumps

Penn Estates Service Territory	Water Quality, Drinkability Low Water Pressure Fluctuating Bills Boil Water Advisories Third-Party Deliveries of Water Forecasting and Budgeting for Future Projects
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Westgate Service Territory	Water Quality, Drinkability High Bills Low Water Pressure Lack of Fire Protection
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CUPA St. 4-R at 10:1-22.

14. In their testimonies, OCA and I&E also raised various issues regarding CUPA’s service, including issues related to unaccounted for water, system pressure, isolation valves, fire hydrants, and boil water advisories. *See* CUPA St. 4-R at 1:9-13. Based on the testimony heard at the public input hearings, the OCA also recommended that the Company address the issues raised by consumers. OCA St. 1 at 18:3-5.

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15. In rebuttal and rejoinder testimony, CUPA provided its perspective of its service record, steps taken to resolve service issues, and ongoing work to upgrade service, as detailed in the following paragraphs.

Customer Communications

16. OCA witness Fought reviewed the Company’s customer complaint logs for the period August 1, 2023, through January 21, 2024, and found that CUPA adequately addressed customer complaints. OCA St. 5 at 23:14-17.

17. When a customer calls customer service their complaint is logged within the company's customer database (“CC&B”). Customer service may address the complaint as appropriate. If customer service is unable to resolve the complaint, a Field Activity (“FA”) is generated and dispatched to operations. Operations receives the FA through their field-based platform (“OMS”) and contacts the customer. The complaint is addressed and escalated to management if needed. The FA is updated with corrective actions taken and closed out. The completed FA remains in CC&B and OMS. The Company requires that field operators complete and close out FAs at a rate of 95% or greater per quarter. CUPA St. 4-RJ at 2:14-22.

18. 2023 FA completion rates for Tamiment are as follows:

Tamiment	
Quarter	FA Completion Rate
2023, Q1	100%
2023, Q2	98%
2023, Q3	100%
2023, Q4	99%

CUPA’s 2023 FA completion rates for Penn Estates are as follows:

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Penn Estates	
Quarter	FA Completion Rate
2023, Q1	99%
2023, Q2	99%
2023, Q3	99%
2023, Q4	99%

CUPA’s 2023 FA completion rates for Westgate are as follows:

Westgate	
Quarter	FA Completion Rate
2023, Q1	99%
2023, Q2	100%
2023, Q3	98%
2023, Q4	98%

CUPA’s 2023 FA completion rates for Broad Run are as follows:

Broad Run	
Quarter	FA Completion Rate
2023, Q1	100%
2023, Q2	100%
2023, Q3	96%
2023, Q4	100%

The average 2023 CUPA FA completion rate for all systems is 99%. CUPA St. 4-RJ at 2:22 – 3:4.

19. The Company can also be contacted 24/7 by customers experiencing issues with their water service. When the Company receives a water quality complaint, if the investigation indicates flushing will address the complaint, it is common practice to flush the water pipes within the area the complaint was made. If the Company is notified that the issue still exists despite flushing, the Company investigates the complaint further. This investigation generally consists of, but is not restricted to, investigating: (1) the customer’s internal plumbing and water related appurtenances; (2) historical water distribution and source maintenance and performance; (3) source, distribution, and customer water quality tests; and (4) similar complaints in the area, if any.

CUPA St. 4-RJ at 5:16 – 6:4.

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20. CUPA has also provided additional information regarding its call center performance relative to Pennsylvania customers as part of this proceeding. CUPA St. 1, Exh. NS-1.

Tamiment Service Territory – Water Service

21. CUPA’s Annual Water Quality Reports for the Tamiment System showed recordkeeping and monitoring violations for 2020 and 2021, which the Company has implemented steps to prevent in the future. CUPA St. 4-R at 12:8-12; *see also* Exh. EAL-2R at 16-24. The 2022 report for Tamiment shows that CUPA had a violation for maintaining chlorine residual, which was addressed with the installation of an on-line chlorine analyzer that notifies operations when chlorine reaches a specific residual. CUPA St. 4-R at 12:12-17; *see also* CUPA St. 4-RJ at 13:15-16.

22. Between January 1, 2022, and January 29, 2024, CUPA received five calls from customers concerning the water quality in Tamiment. The Company presented evidence detailing the nature of the calls and the Company’s response. CUPA St. 4-R at 11:4-18; *see also* CUPA St. 4-RJ at 4:13-21.

23. Rick Hoover testified at the public input hearings that the Company had broke his shut off valve and never restored it. Tr. at 323:19-24. These concerns were not previously brought to the Company’s attention. CUPA St. 4-R at 14:1-2. The Company presented evidence detailing the circumstances surrounding Mr. Hoover’s issue and the steps the Company took to correct it. CUPA St. 4-R at 13:3-20.

24. Tamiment’s normal operating pressure is within 25 pounds per square inch gauge (“p.s.i.g.”) and 125 p.s.i.g from 2020 to 2023. CUPA St. 4-R at 14:8-10.

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25. The lowest pressure in the Tamiment water system is located at Tank 3 in The Glen. The tank located in The Glen has a rehabilitation project to be completed by end of 2024. CUPA St. 4-R at 14:13-19.

26. Hardness levels greater than 150 mg/L as CaCO₃ are considered hard water. CUPA St. 4-R at 15:1-4.

27. The hardness of Tamiment's water is 62.0 mg/l as CaCO₃. CUPA St. 4-R at 15:5.

28. Regarding concerns about sediment and discoloration of water in Tamiment, mineral content and discoloration is generally related to drinking water's hardness, iron and manganese content, total dissolved solids ("TDS"), and color. CUPA St. 4-R at 15:9-19.

29. The following are the results from the new well recently drilled a few feet from Tamiment's Well 1: hardness 62 mg/L as CaCO₃, iron non-detect (ND), manganese 0.011 mg/L, TDS 114 mg/L, and color <5 color units. CUPA St. 4-R at 16:1-4.

30. Regarding the chlorine content of water in its Tamiment system, CUPA operations strives to maintain Tamiment's well 1 and well 3 entry point chlorine minimums around 1.00 mg/L. In 2021, the distribution chlorine residual range was 0.90 - 2.10 mg/L, with 1.31 mg/L being the average. The 2021 chlorine residual entry point range was 1.0 - 2.21 mg/L.⁶ In 2022, the distribution chlorine residual range was 0.94 - 2.13 mg/L, with 1.36 mg/L being the average. The 2022 chlorine residual entry point range was 0.46 - 2.66 mg/L. CUPA St. 4-RJ at 14:1-7.

31. CUPA water systems are also flushed via hydrants at least once per year. CUPA St. 4-RJ at 5:13-15.

⁶ Entry point is the point at which the well water enters the distribution system. The purpose of entry point chlorine residual is to ensure that 4-log inactivation of microbes has taken place. The distribution chlorine residual is what it is out in the distribution system after entry point.

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32. In 2024, Tamiment’s Tank 3 will be taken offline, abrasive blast cleaned, repainted, and repairs will be made. A mixer will also be installed to circulate the water within the tank which will prevent ice from forming and enhance water quality by reducing sediment accumulation and water stagnation. CUPA St. 4-RJ at 6:16 – 7:2.

33. Scilianos Nikolaou raised a concern about his water filters that were used at his residence. Tr. at 333:3 – 337:15. The Company presented evidence responding to the concerns of Mr. Nikolaou and has offered to test his water before and after the filter. CUPA St. 4-R at 16:16 – 17:12; *see also* CUPA St. 4-RJ at 10:9-11.

34. John Oakes, a small business owner in the Tamiment service area raised concerns at the public input hearings about a Boil Water Advisory (“BWA”) that was issued in the Tamiment service territory on May 6, 2022. Tr. at 304:2 – 305:4.

35. A BWA was not issued for Tamiment on May 6, 2022. CUPA St. 4-RJ at 9:11-15.

Tamiment Service Territory – Wastewater Service

36. Two consumers raised concerns about an odor emanating from the Tamiment Drive Lift Station in the Company’s Tamiment service area at the public input hearings. *See, e.g.*, Tr. at 353:15 – 354:8.

37. The Company cleaned the Tamiment Drive Lift Station. CUPA St. 4-R at 18:15-21:14.

38. Dahlia Merritt raised a concern at the public input hearings that the flushing of the Company’s sewer system in her area may have caused a sewage backup in her home. Tr. at 255:8-11.

39. Dahlia Merritt’s residence has a grinder pump that discharges to the low-pressure sewer collection system in Tamiment. CUPA St. 4-RJ at 10:12-19.

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40. The Company has not flushed the Tamiment low-pressure sewer collection system since it acquired Tamiment. CUPA St. 4-RJ at 10:12-19.

41. Cindy Toscano raised concerns at the public input hearings about the Company's road patching practices when it conducts maintenance work that disturbs road pavement. OCA St. 1SR at 18:22-23. The Company presented evidence concerning Company practices and its communications with the local property associations. CUPA St. 4-RJ at 11:4-18

Penn Estates Service Territory

42. CUPA's Annual Water Quality Reports for the Penn Estates system showed one recordkeeping and monitoring violation for 2020, no violations for 2021, and one failure to maintain chlorine in 2022. Regarding the failure to maintain chlorine, on May 6, 2022, the chlorine entry point residual for Well 4 dropped to 0.00 mg/l for 10 minutes while operations was attempting to fix the chlorine pump. Distribution chlorine residual of 1.64 mg/l taken on May 6, 2022, showed sufficient chlorine residual was present in the water distribution system. All routine monthly testing of bacteria in the system showed no bacteria present. CUPA St. 4-R at 24:9-22.

43. The hardness of Penn Estate's water is 76.0 mg/l as CaCO₃. CUPA St. 4-R at 24:2.

44. Lorraine Mazzie, a consumer from Penn Estates, raised a concern that the Company's water has too much chlorine. Tr. at 120:10-18.

45. Per CUPA's water system Consumer Confidence Reports ("CCRs") from 2020, 2021, and 2022, the distribution free chlorine residual ranges from 0.3 to 2.86 mg/l with an overall average of 1.32 mg/l. CUPA St. 4-R at 11-15.

46. Regarding water pressure in Penn Estates, the Company has completed both a Water Distribution System Study and a Hydraulic Analysis to address system low and high pressures on its Penn Estates system. CUPA St. 4-R at 4:11-13.

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47. CUPA has begun work on its Penn Estates High Zone Booster Station Project with GHD. CUPA St. 4-R at 4:19-21.

48. Third party leak detection was performed November through December 2023 in Penn Estates. CUPA St. 4-R at 26:8-10.

49. The Company is continuing to investigate potential leak locations in Penn Estates CUPA St. 4-RJ at 15:22-23.

Westgate Service Territory

50. Westgate's normal operating pressure is within 25 p.s.i.g. and 125 p.s.i.g from 2013 to 2023.

51. CUPA purchases its water in the Westgate system from the City of Bethlehem. The 2020 and 2022 reports each indicate a single failure to monitor and report violation. The 2021 report indicates no violations. CUPA St. 4-R at 29:5-7.

Unaccounted for Water

52. The Westgate system's UFW stayed consistent in 2021 and 2022 at 13%. Westgate's UFW decreased to 8% in 2023. CUPA St. 4-RJ at 14-16.

53. Tamiment's UFW dropped from 55% to 44% from 2021 to 2022. The UFW continued to drop to 28% in 2023. CUPA St. 4-RJ at 17-19.

54. In 2021, 2022, and 2023, UFW in Penn Estates was 19%, 25%, and 27%, respectively. CUPA St. 4-RJ at 15:5-8; *see also* CUPA St. 4-R, Exh. EAL-1R at 2.

55. CUPA has an average UFW of 24.76%. OCA St. 1 at 12.

56. Penn Estates was surveyed for leaks by a third-party leak detection service in August 2023 and all discovered leaks were fixed. In late 2023, the Company had another third-

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party leak detection service performed to identify leaks in the Penn Estates system. CUPA St. 4-R at 3:18-21.

Isolation Valves

57. The Company exercises 50 percent of its distribution and hydrant valves on a rotating schedule annually. Zone 1 valves are exercised on odd years and zone 2 valves are exercised on even years. CUPA St. 4 at 6:3-5; *see also* CUPA St. 4, Exh. EAL-2.

58. OCA witness Fought indicated that the Company's isolation valve exercise schedule was acceptable. OCA St. 5 at 15:18-19.

59. The Company replaced 38 distribution valves in Penn Estates, Westgate, and Tamiment from 2021 to 2023. CUPA St. 4-R at 6:1-3.

60. Tamiment and Penn Estates have capital projects to repair/replace valves scheduled in 2024. Westgate had valve replacements in 2021 and 2023. CUPA St. 4 at 6:9-13.

Fire Suppression

61. Westgate has 83 hydrants, seven of which are not capable of delivering 500 gallons per minute ("gpm") fire flow at 20 p.s.i.g. residual pressure for a 2-hour duration. The Westgate water main replacement projects will address hydrants within the replacement areas by making them capable of fire suppression. Penn Estates has 205 hydrants, fifteen of which are not capable of delivering 500 gpm fire flow at 20 p.s.i.g. residual pressure for a 2-hour duration. CUPA St. 4-R at 7:11-18.

62. CUPA acquired the Tamiment system in 2019 and did not construct or design the system. CUPA St. 4-R at 7:20-21.

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63. Tamiment’s water system was not designed or constructed to meet the current fire flow standards and the hydrants with Tamiment do not provide fire protective service. CUPA St. 4-R at 7:19-21.

64. All hydrants within Penn Estates, Westgate, and Tamiment unable to support fire suppression are visibly marked as flushing hydrants. The hydrants are marked with either a “FLUSHING ONLY” collar or with a band that says “FLUSHING HYDRANT”. CUPA St. 4-R at 7:7-9.

65. The customer bill impacts resulting from the Settlement are attached as **Appendix F**.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS**

PROPOSED CONCLUSIONS OF LAW

1. The Joint Petition for Full Settlement of Rate Proceedings is in the public interest.
2. The rates, terms, and conditions contained in Community Utilities of Pennsylvania, Inc.'s base rate increase filings of November 9, 2023, at Docket Nos. R-2023-3042804 (Water) and R-2023-3042805 (Wastewater), as modified by the Joint Petition for Full Settlement of Rate Proceedings, are, until changed on a going-forward basis as provided in the Public Utility Code, Commission-made, just and reasonable, and in the public interest.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS
PROPOSED ORDERING PARAGRAPHS**

THEREFORE, IT IS ORDERED:

1. That the Joint Petition for Full Settlement of Rate Proceedings filed April 26, 2024, by Community Utilities of Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is granted, and the Settlement is thereby adopted, in full, without modification or correction.

2. That Community Utilities of Pennsylvania, Inc. is authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Full Settlement of Rate Proceedings, to produce a total increase of \$1,227,538.10 for its water operations and \$1,447,621 for its wastewater operations consistent with the rates, rules and regulations set forth in the tariff supplements included in the Joint Petition for Full Settlement of Rate Proceedings as Appendices B (Water) and C (Wastewater).

3. That Community Utilities of Pennsylvania, Inc. shall be permitted to file tariffs in the form set forth in Appendices B (Water) and C (Wastewater) to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after August 9, 2024, so as to produce an annual increase in revenues consistent with this Order.

4. That Community Utilities of Pennsylvania, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate shall comply with the terms of the Joint Petition for Full Settlement of Rate Proceedings submitted in this proceeding as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the complaints of the Office of Consumer Advocate at Docket Nos. C-2023-3044737 (Water) and C-2023-3044738 (Wastewater) are deemed satisfied and marked closed.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS**

6. That the complaints of the Office of Small Business Advocate Docket Nos. C-2024-3044494 (Water) and C-2023-3044528 (Wastewater) are deemed satisfied and marked closed.

7. That the following formal complaints at the respective docket numbers be dismissed and marked closed by the Commission’s Secretary’s Bureau:

Complainant	Docket Number (Water)
Joseph Albanese	C-2024-3045828
Gail Bechtold and Thomas Romano	C-2024-3045846
Joseph Bellantoni	C-2023-3045068
Christina Boers	C-2023-3044944
Mario Carlino	C-2024-3045937
Tom Chladny	C-2024-3046401
Oleg Chuchin	C-2023-3044483
Rose Cocklin	C-2023-3044507
Denise Cooper	C-2024-3045511
Christine Corbissero	C-2023-3044834
Nicholas Corforte	C-2024-3045975
Margaret Creo	C-2024-3046735
Nanette De Bartolo	C-2024-3045504
Linda DiGregorio	C-2024-3045856
Richard and Suan DiPiazza	C-2024-3045541
Ryan Ellison	C-2024-3045529
Rich Franzson	C-2024-3045982
Scott and Vicky Furey	C-2023-3044887
Catherine Gilchrist	C-2024-3045943
Ernesha Holloway	C-2024-3045359
John Hoopingarner	C-2023-3044502
Jenny Howard	C-2023-3044711
Rafail Kovalenko	C-2023-3044599
Steven and Carol Krauss	C-2024-3045910
Cassandra Kramer	C-2024-3045350
David Lambie	C-2024-3045801
Patricia Lathrop	C-2024-3045944
Gregory Leone	C-2023-3045126
George and Miriam Lingg	C-2023-3044979
Susan Maeri	C-2024-3045978
Anna Majewski	C-2024-3045535
Kristen Martin	C-2024-3045976
Peter Mauro	C-2024-3045861
Patricia Merrill	C-2024-3046298
Grace Moro	C-2024-3045802
Craig Morris	C-2024-3045534

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS**

Brian Morrison	C-2024-3045560
Suzie Napolitano	C-2024-3045876
Christ and Carol Nielsen	C-2024-3045553
Susan Nikolaou	C-2024-3045546
Natalie Ortiz	C-2024-3045142
Thomas and Patricia Parillo	C-2024-3045969
Anna Paryzki	C-2024-3045533
Grazyna Paryzka	C-2024-3045542
Penn Estates POA, Inc.	C-2024-3045863
Petricia Perville-Davy	C-2024-3045389
Antonia and Ramon Rivas	C-2024-3045980
Mary Rossetti	C-2023-3044561
Michael Sanfilippo	C-2023-3044480
Raju Shah	C-2024-3047313
Larissa Shin	C-2024-3045549
Angela Tam	C-2024-3045333
Monica Wagner	C-2024-3045352

Complainant	Docket Number (Wastewater)
Joseph Albanese	C-2024-3045837
Gail Bechtold and Thomas Romano	C-2024-3045847
Joseph Bellantoni	C-2023-3045149
Christina Boers	C-2023-3044945
Ernesha Bolden	C-2024-3045716
Laura Brennan	C-2024-3044709
Rene Bressant	C-2024-3045559
Lynn Buckingham	C-2024-3045354
Mario Carlino	C-2024-3045973
Oleg Chuchin	C-2023-3044484
Rose Cocklin	C-2023-3044508
Denise Cooper	C-2024-3045515
Christine Corbissero	C-2023-3044835
Nicholas Corforte	C-2024-3045974
Nanette De Bartolo	C-2024-3045510
Linda DiGregorio	C-2024-3045857
Richard and Suan DiPiazza	C-2024-3045556
Ryan Ellison	C-2024-3045531
David Fardig	C-2024-3045355
Brian Fenimore	C-2023-3044383
Rich Franzson	C-2024-3046077
Scott and Vicky Furey	C-2023-3044882
Catherine Gilchrist	C-2024-3045972

**APPENDIX A PROCEDURAL HISTORY, PROPOSED CONCLUSIONS OF LAW,
PROPOSED ORDERING PARAGRAPHS**

John Hoopingarner	C-2023-3044503
Jenny Howard	C-2023-3044712
Rafail Kovalenko	C-2023-3044649
Steven and Carol Krauss	C-2024-3045911
Cassandra Kramer	C-2024-3045356
Patricia Lathrop	C-2024-3045970
Gregory Leone	C-2023-3045127
George and Miriam Lingg	C-2023-3044993
Susan Maeri	C-2024-3045979
Anna Majewski	C-2024-3045547
Kristen Martin	C-2024-3045977
Peter Mauro	C-2024-3045862
Daniel McKoy	C-2024-3045480
Patricia Merrill	C-2024-3046299
Grace Moro	C-2024-3045803
Craig Morris	C-2024-3045782
Brian Morrison	C-2024-3045564
Suzie Napolitano	C-2024-3045877
Christ and Carol Nielsen	C-2024-3045563
Susan Nikolaou	C-2024-3045557
Thomas and Patricia Parillo	C-2024-3045971
Penn Estates POA, Inc.	C-2024-3045830
Tigron Petrosian	C-2024-3045833
Antonia and Ramon Rivas	C-2024-3045981
Mary Rossetti	C-2023-3044538
Michael Sanfilippo	C-2023-3044481
Larissa Shin	C-2024-3045561
Monica Wagner	C-2024-3045357
Christopher Williams	C-2024-3045561
Robert Zwahlen	C-2024-3045808

8. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Community Utilities of Pennsylvania, Inc. consistent with this Order, the Commission's investigation at Docket No. R-2023-3042804 (Water) and Docket No. R-2023-3042805 (Wastewater) shall be terminated and these dockets shall be marked closed.

APPENDIX B

SETTLEMENT WATER TARIFF

COMMUNITY UTILITIES OF PENNSYLVANIA INC.

RATES, RULES AND REGULATIONS GOVERNING

THE PROVISION OF WATER SERVICE

**TO THE PUBLIC IN STROUD AND POCONO TOWNSHIPS IN MONROE COUNTY, A
PORTION OF HANOVER TOWNSHIP IN NORTHAMPTON COUNTY, AND PORTIONS
OF LEHMAN TOWNSHIP IN PIKE COUNTY,**

PENNSYLVANIA

Service Territory Formally Known as Penn Estates Utilities, Inc., Utilities, Inc., and
Pennsylvania Utility Company

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

ISSUED BY:

**Nathaniel Spriggs, President
500 W. Monroe Suite 3600
Chicago, IL 60660
(800) 860-4512**

NOTICE

**THIS TARIFF SUPPLEMENT INCREASES AND OR CHANGES THE SCHEDULE
OF RATES FOR ALL CUSTOMERS CONSISTENT WITH THE PUC’S ORDER AT
DOCKET NOS. R-2023-3042804 AND R-2023-3042805, RESETS THE STAS TO
ZERO, AND IMPLEMENTS THE COMPANY’S ARREARAGE MANAGEMENT
PROGRAM (SEE LEAF NO. 2)**

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(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES
 (Service Territory Formally Known as Penn Estates Utilities, Inc.)

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

Section A - Rates for Metered Service

Residential

1. **Customer Charge:** Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>		
5/8 inch	\$18.18/per month	(I)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)

2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$21.12	(I)
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3. **Consumption Charge (Low-Income):** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$11.62	(I)
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4. **Consumption Charge (Commercial):** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$19.79	(C,I)
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Pool

1. **Customer Charge:** Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>		
5/8 inch	\$18.18/per month	(I)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)

2. **Consumption Charge:** In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$19.79	(I)
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Rates will be payable in arrears and will be billed monthly.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Clubhouse

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter Size

5/8 inch	\$18.18/per month	(I)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$19.79	(I)
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Section B - Fire Protection Rates

1. Private Fire Protection:
Not applicable.
2. Public Fire Protection:
No separate fee is charged for public fire protection.

Rates will be payable in arrears and will be billed monthly.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Penn Estates Utilities, Inc.)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section D - Availability Rates

The flat rate availability charge for a lot upon which no structure has been erected will be \$30.66 (I) per month. These charges will be payable in arrears and will be billed quarterly.

Section E - Service Termination or Resumption Rates

The fee for shut-off or turn-on of service at the curb stop shall be \$30.00 during regular business hours and \$75.00 during non-regular business hours.

Section F - Meter Test Rates

Consistent with Commission regulation at 52 Pa. Code §65.8(h), the fee schedule for testing of meters shall be as follows:

1 inch or less	\$10.00
1 1/4 inch - 2 inch	\$20.00

These amounts may vary without revision of this tariff so as to be consistent with Commission regulations.

Fees for testing meters over 2 inches or for testing meters so located that testing costs are disproportionate to the stated fees shall be as established by the Company based upon the actual cost of the test.

Section G – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and water service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for water service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200 plus any actual costs to repair.

(I) Indicates Increase

PART I: SCHEDULE OF RATES AND CHARGES (CONT'D)
(Service Territory Formally Known as Utilities, Inc. - Westgate)

All water supplied by the Company shall be metered and the water usage shall be paid for in accordance with the following schedule of rates:

Section A - Rates for Metered Residential Service

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter Size

5/8 inch	\$18.18/per month	(I)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$21.12	(I)
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3. Consumption Charge (Low-Income): In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$11.62	(I)
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Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales.

Section B - Rates for Metered Commercial Service

1. Customer Charge: Each metered commercial customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

Meter SizeCustomer Charge per Month

5/8 inch	\$18.18/per month	(I)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)
6 inch	\$207.55/per month	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:

Rate per 1,000 Gals.	\$19.79	(I)
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Purchased Water Adjustment Clause

A Purchased Water Adjustment Clause of \$0.00 per 1,000 gallons is applied to metered sales.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)

(Service Territory Formally Known as Public Utility Company – Lehman Township, Pike County)

Section A - Rates for Service

The charge per residential dwelling unit for water service per month as follows:

Residential (Metered Rate):

1. Customer Charge: Each customer will be assessed a customer service charge based upon the size of the customer’s meter as follows: (C)

<u>Meter Size</u>		
5/8 inch	\$18.18/per month	(C)
1 inch	\$30.43/per month	(I)
1 1/2 inch	\$50.90/per month	(I)
2 inch	\$75.45/per month	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:
 Rate per 1,000 Gals. \$21.12 (I)

3. Consumption Charge (Low-Income): In addition to the customer charge, the following water consumption charges will apply:
 Rate per 1,000 Gals. \$11.62 (I)

Commercial (Metered Rate):

Customer Charge: Each metered commercial customer will be assessed a customer service charge based upon the size of the customer's meter as follows:

<u>Meter Size</u>	<u>Customer Charge per Month</u>	
5/8 inch	\$18.18/per month	(D)
1 inch	\$30.43/per month	(D)
1 1/2 inch	\$50.90/per month	(D)
2 inch	\$75.45/per month	(D)
6-inch	\$207.55/per month	(I)

2. Consumption Charge: In addition to the customer charge, the following water consumption charges will apply:
 Rate per 1,000 Gals. \$19.79 (I)

(C) Indicates Change (D) Indicates Decrease (I) Indicates Increase

Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)

(Service Territory Formally Known as Public Utility Company – Lehman Township, Pike County)

Booster Pumps. In certain sections of the development, customers will be required to install booster pumps to maintain adequate pressures. In such circumstances where booster pumps are required, it shall be the customer’s responsibility to purchase, install, operate, maintain, repair and replace the booster pump at each residential premises.

Section B - Availability Rates

The flat rate availability charge for a lot upon which no structure has been erected will be \$18.11 (I) per month. These charges will be payable in arrears and will be billed quarterly.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SURCHARGE

STATE TAX ADJUSTMENT SURCHARGE

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

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.
- b. Whenever the utility makes effective any increased or decreased rates; and
- c. On March 31, 1999, and each year thereafter.

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 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 (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

PART I: RECOUPMENT SURCHARGE

Pursuant to Paragraph No. 8 of the Joint Petition for Full Settlement of Rate Proceedings that was approved by the Commission’s Final Order entered _____, 2024 at Docket Nos. R-2023-3042804 and R-2023-3042805 (“Rate Case Final Order”), the Company is entitled to recoup the revenue increase not billed from August 9, 2024 through the effective date of new rates in the above-referenced proceeding. The Company will calculate the recoupment period as the base rate revenues not billed between August 9, 2024, and the effective date of new rates.

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This surcharge will apply to all customers’ bills, excluding public fire protection service, for a six month period. The surcharge will be billed equally to the Company’s customer classes, exclusive of amounts billed for public fire protection service, the State Tax Adjustment Surcharge revenues, Deferred Tax Credit and automatic adjustment clause revenues.

The recoupment surcharge shall not take effect if the Commission’s Final Order is entered on or before August 9, 2024.

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(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

ARREARAGE MANAGEMENT PLAN

Customers approved for CUPA's low-income rate and with a past-due balance greater than \$400 can participate in CUPA's Arrearage Management Plan ("AMP"). CUPA's AMP allows eligible customers to have a portion of their past-due balances forgiven after demonstrating an ability to cover current bills. See below for details. (C)

- The AMP will be comprised of the total past due balance for all services – water and/or wastewater. The past due balance threshold of \$400 for participation in the AMP will be based upon this combined balance.
- AMP customers will be enrolled in a multi-month Deferred Payment Arrangement ("DPA"). A DPA allows customers to take their past-due balance and split their past-due balance over equal monthly installments.
- The default AMP period for low-income customers will be 12 months. While these terms may be default periods, CUPA will allow good faith flexibility by including consideration of ability of the customer to pay, length of time over which the past due balance accumulated, payment history, and size of unpaid balance.
- AMP customers who make timely payments and stay current with their monthly water/wastewater bill, including the DPA portion of their bill, for half of the months of the AMP term will have the remaining monthly DPA payments forgiven.
- If the customer defaults on the DPA, normal collections processes apply. The customer may request to establish a new DPA (not an AMP DPA) for any then-current past due balance. The customer may be eligible for an AMP DPA to be implemented 12 months after default of a previous AMP DPA.
- If the customer defaults on the DPA, then all payments made by the customer to satisfy the customer's obligations under the DPA will contribute towards satisfying the customer's overall arrearage (e.g., if a customer makes monthly payments totaling \$250 of their \$500 requirement under the AMP with a \$1,000 overall arrearage balance, then the customers arrearage balance upon default would be \$750.)
- The AMP will be indifferent as to how or who makes payments on the balance.
- Customers who apply for or are approved for the Low-Income Program will be informed of the AMP and offered an opportunity to participate in the AMP in conjunction with the Low-Income Program outreach.
- If a CUPA customer contacts CUPA or DEF regarding an issue with paying their bill or signing up for either the AMP or the low-income program, the customer shall be informed of both programs, including eligibility requirements.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

APPENDIX C

SETTLEMENT WASTEWATER TARIFF

COMMUNITY UTILITIES OF PENNSYLVANIA INC.

RATES, RULES AND REGULATIONS GOVERNING

THE PROVISION OF WASTEWATER COLLECTION, TREATMENT
AND/OR DISPOSAL SERVICE TO THE PUBLIC IN

STROUD AND POCONO TOWNSHIPS IN MONROE COUNTY, A PORTION OF WEST
BRADFORD TOWNSHIP IN CHESTER COUNTY, AND PORTIONS OF LEHMAN
TOWNSHIP IN PIKE COUNTY,

PENNSYLVANIA

Service Territory Formally Known as Penn Estates Utilities, Inc., Utilities, Inc., and
Pennsylvania Utility Company

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

ISSUED BY:

Nathaniel Spriggs, President
500 W. Monroe Suite 3600
Chicago, IL 60660
(800) 860-4512

NOTICE

THIS TARIFF SUPPLEMENT INCREASES AND OR CHANGES THE SCHEDULE
OF RATES FOR ALL CUSTOMERS CONSISTENT WITH THE PUC’S ORDER AT
DOCKET NOS. R-2023-3042804 AND R-2023-3042805, RESETS THE STAS TO
ZERO, AND IMPLEMENTS THE COMPANY’S LOW-INCOME RATE FOR
WASTEWATER CUSTOMERS AND ARREARAGE MANAGEMENT PROGRAM
(SEE LEAF NO. 2)

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(C) Indicates Change

LIST OF CHANGES

Tariff Supplement No. XX increases and or changes the schedule of rates applicable to all customers consistent with the PUC’s Order at Docket Nos. R-2023-3042804 and R-2023-3042805, resets the State Tax Adjustment Surcharge (“STAS”) to zero, and implements the Company’s low-income rate for wastewater customers and Arrearage Management Program (“AMP”). The increase in annual operating revenue is intended to produce an additional \$1,447,621 per year.

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(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

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Section L – Privilege to Investigate/Rights of Access.....	25 First Revised
Section M – Liability of Company	25 First Revised

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGES

Section A - Rates for Metered Service

Metered rate of \$18.00 per thousand gallons for residential flow, \$17.82 per thousand gallons for commercial flow, or \$9.90 per thousand gallons for low-income flow. All wastewater customers are subject to base charges listed within Part I, Section B. (C,I)

Section B - Customer Charges

In addition to the metered rate, a monthly customer charge of \$39.90 applies to each customer account or \$21.94 for each low-income customer account. (C,D)

Section C - Returned Check Charge

A charge of \$25 will be assessed any time where a check which has been presented to the Company for payment on account has been returned by the payor's bank for any reason.

Section D - Availability

\$22.30 per month per lot if located within Penn Estates and upon which no structure has been erected for an availability charge. This rate will continue to be billed quarterly. (D)

Section E – Tampering Fee

Unauthorized connections, repairs, or other tampering with the system will render the service subject to immediate discontinuation without notice and wastewater service shall not be restored until such unauthorized connections, repairs, and other tampering with the system have been removed and unless settlement is made in full and for wastewater service estimated by the Company to have been used by reason for such unauthorized connection. The fee for these unauthorized connections, repairs, and system tampering shall be \$200 plus any actual costs to repair.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

PART I: SCHEDULE OF RATES AND CHARGESSection A - Rates for Metered Service

Metered rate of \$18.00 per thousand gallons for residential flow, \$17.82 per thousand gallons for (C,I) commercial flow, or \$9.90 per thousand gallons for low-income flow.

Section B - Customer Charges

In addition to the metered rate, the following customer charges apply:

Residential

Per month, per household	\$ 39.90	(C,D)
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Low-Income

Per month, per household	\$21.94	(C,D)
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School

Per month	\$ 771.45	(D)
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All Other (Customers not identified as Residential or School)

Per month	\$ 39.90	(D)
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(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

Part I: SCHEDULE OF RATES AND CHARGES (CONT'D)
 (Service Territory Formally Known as Public Utility Company – Lehman Township, Pike
 County)

Section A - Rates for Service

The charge per residential dwelling unit for sewer service is as follows:

Residential (Metered Rate):

Customer Charge

Eagle Village (Monthly)	\$39.90	(I)
Eagle Village - Office (Monthly)	\$39.90	(I)
The Glen at Tamiment (Monthly)	\$39.90	(I)
Eagle Point (Monthly)	\$39.90	(I)

Consumption Charge	\$18.00 per thousand gallons	(I)
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Consumption Charge (Low-Income)	\$9.90 per thousand gallons	(C,D)
---------------------------------	-----------------------------	-------

<u>Availability Charge for Unoccupied Lots</u>	\$22.30 per Month	(I)
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Commercial (Metered Rate):

Customer Charge (Monthly)	\$39.90	(I)
---------------------------	---------	-----

Consumption Charge	\$17.82 per thousand gallons	(I)
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(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

PART I: SURCHARGE

STATE TAX ADJUSTMENT SURCHARGE

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

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.
- b. Whenever the utility makes effective any increased or decreased rates; and
- c. On March 31, 1999, and each year thereafter.

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 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 (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

PART I: RECOUPMENT SURCHARGE

Pursuant to Paragraph No. 8 of the Joint Petition for Full Settlement of Rate Proceedings that was approved by the Commission’s Final Order entered _____, 2024, at Docket Nos. R-2023-3042804 and R-2023-3042805 (“Rate Case Final Order”), the Company is entitled to recoup the revenue increase not billed from August 9, 2024, through the effective date of new rates in the above-referenced proceeding. The Company will calculate the recoupment period as the base rate revenues not billed between August 9, 2024, and the effective date of new rates.

(C)

This surcharge will apply to all customers’ bills, excluding public fire protection service, for a six month period. The surcharge will be billed equally to the Company’s customer classes, exclusive of amounts billed for public fire protection service, the State Tax Adjustment Surcharge revenues, Deferred Tax Credit and automatic adjustment clause revenues.

The recoupment surcharge shall not take effect if the Commission’s Final Order is entered on or before August 9, 2024.

(C)

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

ARREARAGE MANAGEMENT PLAN

Customers approved for CUPA's low-income rate and with a past-due balance greater than \$400 can participate in CUPA's Arrearage Management Plan ("AMP"). CUPA's AMP allows eligible customers to have a portion of their past-due balances forgiven after demonstrating an ability to cover current bills. See below for details. (C)

- The AMP will be comprised of the total past due balance for all services – water and/or wastewater. The past due balance threshold of \$400 for participation in the AMP will be based upon this combined balance.
- AMP customers will be enrolled in a multi-month Deferred Payment Arrangement ("DPA"). A DPA allows customers to take their past-due balance and split their past-due balance over equal monthly installments.
- The default AMP period for low-income customers will be 12 months. While these terms may be default periods, CUPA will allow good faith flexibility by including consideration of ability of the customer to pay, length of time over which the past due balance accumulated, payment history, and size of unpaid balance.
- AMP customers who make timely payments and stay current with their monthly water/wastewater bill, including the DPA portion of their bill, for half of the months of the AMP term will have the remaining monthly DPA payments forgiven.
- If the customer defaults on the DPA, normal collections processes apply. The customer may request to establish a new DPA (not an AMP DPA) for any then-current past due balance. The customer may be eligible for an AMP DPA to be implemented 12 months after default of a previous AMP DPA.
- If the customer defaults on the DPA, then all payments made by the customer to satisfy the customer's obligations under the DPA will contribute towards satisfying the customer's overall arrearage (e.g., if a customer makes monthly payments totaling \$250 of their \$500 requirement under the AMP with a \$1,000 overall arrearage balance, then the customers arrearage balance upon default would be \$750.)
- The AMP will be indifferent as to how or who makes payments on the balance.
- Customers who apply for or are approved for the Low-Income Program will be informed of the AMP and offered an opportunity to participate in the AMP in conjunction with the Low-Income Program outreach.
- If a CUPA customer contacts CUPA or DEF regarding an issue with paying their bill or signing up for either the AMP or the low-income program, the customer shall be informed of both programs, including eligibility requirements.

(C) Indicates Change (I) Indicates Increase (D) Indicates Decrease

ISSUED: _____, 2024

EFFECTIVE: _____, 2024

APPENDIX D

WATER PROOF OF REVENUE

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

**PRO FORMA ANNUAL OPERATING REVENUE AT ADJUSTED
RATES AND CHARGES BASED UPON ALLOCATED COST OF SERVICE**

	Percent of Use	Billing Determinants		Allocated Cost of Service Rates	Pro Forma Revenue Under Adjusted Rates
		Pro Forma Consumption (1) (1,000's Gallons)	Bills		
<u>All Customers:</u>					
Base Charge:					
Residential:					
5/8 inch meter			36,036	\$18.18	\$655,134
1 inch meter			12	30.43	365
1 1/2 inch meter			12	50.90	611
2 inch meter			12	75.45	905
6 inch meter (2)			-	-	-
Commercial:					
5/8 inch meter			360	18.18	6,545
1 inch meter			48	30.43	1,461
1 1/2 inch meter			-	-	-
2 inch meter			24	75.45	1,811
6 inch meter (2)			12	207.55	2,491
Low-Income:					
5/8 inch meter			1,440	10.00	14,400
Availability Fee - Consolidated					
			528	30.66	16,188
Availability Fee - Tamiment					
			3,240	18.11	58,676
Volume Charge:					
All Other Flow		127,654.0		21.12	2,696,052
Low-Income Flow		5,235.0		11.62	60,831
Commercial		1,946.4		19.79	38,519
Hydrants			912	56.67	51,683
Totals	0.00%	134,835.4	42,636		\$3,605,672
Control					\$3,605,880
Variance					(\$208)
Percent Variance					-0.01%

(1) Based on the assumption of a decline of 1.16% from the Historical Test Year consumption levels to the Future Test Year ("FTY") consumption levels and an additional decline of 1.16% from the FTY to the Fully Projected Future Test Year consumption levels.

(2) Proposed rate capped at current rate of \$158.41 plus 39.8% increase rounded up to the next nickle.

(See Accountants' Special Purpose Report)

APPENDIX E

WASTEWATER PROOF OF REVENUE

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WASTEWATER SERVICES**

**PRO FORMA ANNUAL OPERATING REVENUE AT ADJUSTED
RATES AND CHARGES BASED UPON ALLOCATED COST OF SERVICE**

	<u>Pro Forma Flow (1)</u>	<u>Number of Bills</u>	<u>Proposed Rate</u>	<u>Pro Forma Revenue Under Proposed Rates</u>
<u>Consolidated Service:</u>				
Residential		37,908	\$ 39.90 /mo.	\$1,512,347
Commercial		84	39.90 /mo.	3,351
Low-Income		1,440	21.94 /mo.	31,594
Residential Flow	162,734,000		18.00 /1,000 gals.	2,929,212
Commercial Flow	991,700		17.82 /1,000 gals.	17,672
Low-Income Flow	5,235,000		9.90 /1,000 gals.	51,827
School (unmetered)		24	771.45 /mo.	18,515
Availability Fee (unmetered)		528	22.30 /mo.	11,774
<u>Tamiment:</u>				
Residential		5,868	39.90 /mo.	234,105
Commercial		48	39.90 /mo.	1,915
Low-Income			21.94 /mo.	0
All Other Flow			18.00 /1,000 gals.	0
Low-Income Flow			9.90 /1,000 gals.	0
Availability Fee (unmetered)		3,240	22.30 /mo.	72,252
Totals	<u>168,960,700</u>	<u>49,140</u>		<u>\$4,884,564</u>
Control				<u>\$4,884,592</u>
Variance				<u>(\$28)</u>
Percent Variance				<u>0.00%</u>

(1) Based on the assumption of a decline of 1.16% from the Historical Test Year consumption levels to the Future Test Year ("FTY") consumption levels and an additional decline of 1.16% from the FTY to the Fully Projected Future Test Year consumption levels.

APPENDIX F

CUSTOMER BILL IMPACTS

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

CUSTOMER BILL IMPACT

	Test Year Count (1)	Current Rates	Filed Rates	Settlement Rates	Increase/(Decrease)		Increase/(Decrease)		
					Filed (%)	Settlement (%)	Filed (\$)	Settlement (\$)	
<u>Westgate (Residential) and Penn Estates (Residential and Commercial):</u>									
5/8 Inch Meter									
1,000 Gallons		6,360	\$30.76	\$45.99	\$39.30	49.51%	27.76%	\$15.23	\$8.54
2,000 Gallons		6,051	44.28	68.58	60.42	54.88%	36.45%	24.30	16.14
3,000 Gallons		6,038	57.79	91.17	81.54	57.76%	41.10%	33.38	23.75
4,000 Gallons		5,070	71.31	113.76	102.66	59.53%	43.96%	42.45	31.35
5,000 Gallons		3,730	84.82	136.35	123.78	60.75%	45.93%	51.53	38.96
10,000 Gallons		6,340	152.39	249.30	229.38	63.59%	50.52%	96.91	76.99
80,000 Gallons	(2)	5	1,098.37	1,830.60	1,707.78	66.67%	55.48%	732.23	609.41
90,000 Gallons	(2)	1	1,233.51	2,056.50	1,918.98	66.72%	55.57%	822.99	685.47
130,000 Gallons	(2)	1	1,774.07	2,960.10	2,763.78	66.85%	55.79%	1,186.03	989.71
150,000 Gallons	(2)	1	2,044.35	3,411.90	3,186.18	66.89%	55.85%	1,367.55	1,141.83
180,000 Gallons	(2)	1	2,449.77	4,089.60	3,819.78	66.94%	55.92%	1,639.83	1,370.01
1 Inch Meter									
20,000 Gallons		1,076	\$313.41	\$493.05	\$452.83	57.32%	44.48%	\$179.64	\$139.42
30,000 Gallons		131	448.55	718.95	664.03	60.28%	48.04%	270.40	215.48
1 1/2 Inch Meter									
40,000 Gallons		33	\$626.81	\$974.55	\$895.70	55.48%	42.90%	\$347.74	\$268.89
50,000 Gallons		11	761.95	1,200.45	1,106.90	57.55%	45.27%	438.50	344.95
2 Inch Meter									
60,000 Gallons		9	\$948.84	\$1,462.00	\$1,342.65	54.08%	41.50%	\$513.16	\$393.81
70,000 Gallons		7	1,083.98	1,687.90	1,553.85	55.71%	43.35%	603.92	469.87
80,000 Gallons		2	1,219.12	1,913.80	1,765.05	56.98%	44.78%	694.68	545.93

(1) Unless otherwise stated, meter sizes are assumed to be 5/8 inch up to 10,000 gallons, 1 inch up to 30,000 gallons, 1 1/2 inch up to 50,000 gallons, 2 inch up to 80,000 gallons, and 6 inch for all other gallonages.

(2) Based on actual test year meter size.

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

(Cont'd)

CUSTOMER BILL IMPACT

	Test Year Count (1)	Current Rates	Filed Rates	Settlement Rates	Increase/(Decrease)		Increase/(Decrease)		
					Filed (%)	Settlement (%)	Filed (\$)	Settlement (\$)	
<u>Westgate (Commercial):</u>									
5/8 Inch Meter									
1,000 Gallons	146	\$30.13	\$45.99	\$37.97	52.64%	26.02%	\$15.86	\$7.84	
2,000 Gallons	59	43.00	68.58	57.76	59.49%	34.33%	25.58	14.76	
3,000 Gallons	35	55.88	91.17	77.55	63.15%	38.78%	35.29	21.67	
4,000 Gallons	11	68.75	113.76	97.34	65.47%	41.59%	45.01	28.59	
5,000 Gallons	16	81.63	136.35	117.13	67.03%	43.49%	54.72	35.50	
10,000 Gallons	15	146.01	249.30	216.08	70.74%	47.99%	103.29	70.07	
1 Inch Meter									
20,000 Gallons	4	\$300.65	\$493.05	\$426.23	63.99%	41.77%	\$192.40	\$125.58	
30,000 Gallons	1	429.41	718.95	624.13	67.43%	45.35%	289.54	194.72	
1 1/2 Inch Meter									
40,000 Gallons	1	\$601.29	\$974.55	\$791.60	62.08%	31.65%	\$373.26	\$190.31	
50,000 Gallons	1	730.05	1,200.45	989.50	64.43%	35.54%	470.40	259.45	
2 Inch Meter									
70,000 Gallons	1	\$1,039.32	\$1,687.90	\$1,460.75	62.40%	40.55%	\$648.58	\$421.43	
80,000 Gallons	1	1,168.08	1,913.80	1,658.65	63.84%	42.00%	745.72	490.57	
90,000 Gallons	(2)	1,296.84	2,139.70	1,856.55	64.99%	43.16%	842.86	559.71	
100,000 Gallons	(2)	1,425.60	2,365.60	2,054.45	65.94%	44.11%	940.00	628.85	

(1) Unless otherwise stated, meter sizes are assumed to be 5/8 inch up to 10,000 gallons, 1 inch up to 30,000 gallons, 1 1/2 inch up to 50,000 gallons, 2 inch up to 80,000 gallons, and 6 inch for all other gallonages.

(2) Based on actual test year meter size.

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

(Cont'd)

CUSTOMER BILL IMPACT

	Test Year Count (1)	Current Rates	Filed Rates	Settlement Rates	Increase/(Decrease)		Increase/(Decrease)		
					Filed (%)	Settlement (%)	Filed (\$)	Settlement (\$)	
<u>Tamiment (Residential):</u>									
5/8 Inch Meter									
1,000 Gallons	2,434	\$29.63	\$45.99	\$39.30	55.21%	32.64%	\$16.36	\$9.67	
2,000 Gallons	1,331	41.08	68.58	60.42	66.94%	47.08%	27.50	19.34	
3,000 Gallons	1,118	52.54	91.17	81.54	73.52%	55.20%	38.63	29.00	
4,000 Gallons	764	63.99	113.76	102.66	77.78%	60.43%	49.77	38.67	
5,000 Gallons	481	75.44	136.35	123.78	80.74%	64.08%	60.91	48.34	
10,000 Gallons	577	132.70	249.30	229.38	87.87%	72.86%	116.60	96.68	
80,000 Gallons	(2) 2	934.34	1,830.60	1,707.78	95.92%	82.78%	896.26	773.44	
100,000 Gallons	(2) 1	1,163.38	2,282.40	2,130.18	96.19%	83.10%	1,119.02	966.80	
110,000 Gallons	(2) 1	1,277.90	2,508.30	2,341.38	96.28%	83.22%	1,230.40	1,063.48	
140,000 Gallons	(2) 2	1,621.46	3,186.00	2,974.98	96.49%	83.48%	1,564.54	1,353.52	
160,000 Gallons	(2) 1	1,850.50	3,637.80	3,397.38	96.58%	83.59%	1,787.30	1,546.88	
170,000 Gallons	(2) 1	1,965.02	3,863.70	3,608.58	96.62%	83.64%	1,898.68	1,643.56	
420,000 Gallons	(2) 1	4,828.02	9,511.20	8,888.58	97.00%	84.10%	4,683.18	4,060.56	
1 Inch Meter									
20,000 Gallons	98	\$247.22	\$493.05	\$452.83	99.44%	83.17%	\$245.83	\$205.61	
30,000 Gallons	16	361.74	718.95	664.03	98.75%	83.57%	357.21	302.29	
1 1/2 Inch Meter									
40,000 Gallons	5	\$476.26	\$974.55	\$895.70	104.63%	88.07%	\$498.29	\$419.44	
50,000 Gallons	6	590.78	1,200.45	1,106.90	103.20%	87.36%	609.67	516.12	
2 Inch Meter									
60,000 Gallons	2	\$705.30	\$1,462.00	\$1,342.65	107.29%	90.37%	\$756.70	\$637.35	
70,000 Gallons	2	819.82	1,687.90	1,553.85	105.89%	89.54%	868.08	734.03	
80,000 Gallons	4	934.34	1,913.80	1,765.05	104.83%	88.91%	979.46	830.71	

(1) Unless otherwise stated, meter sizes are assumed to be 5/8 inch up to 10,000 gallons, 1 inch up to 30,000 gallons, 1 1/2 inch up to 50,000 gallons, 2 inch up to 80,000 gallons, and 6 inch for all other gallonages.

(2) Based on actual test year meter size.

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WATER SERVICES**

(Cont'd)

CUSTOMER BILL IMPACT

	Test Year Count (1)	Current Rates	Filed Rates	Settlement Rates	Increase/(Decrease)		Increase/(Decrease)	
					Filed (%)	Settlement (%)	Filed (\$)	Settlement (\$)
<u>Tamiment (Commercial):</u>								
5/8 Inch Meter								
1,000 Gallons	4	\$132.07	\$45.99	\$37.97	-65.18%	-71.25%	(\$86.08)	(\$94.10)
2,000 Gallons	6	142.88	68.58	57.76	-52.00%	-59.57%	(74.30)	(85.12)
3,000 Gallons	8	153.70	91.17	77.55	-40.68%	-49.54%	(62.53)	(76.15)
4,000 Gallons	4	164.51	113.76	97.34	-30.85%	-40.83%	(50.75)	(67.17)
5,000 Gallons	7	175.33	136.35	117.13	-22.23%	-33.19%	(38.98)	(58.20)
10,000 Gallons	10	229.40	249.30	216.08	8.67%	-5.81%	19.90	(13.32)
1 Inch Meter								
20,000 Gallons	9	\$337.55	\$493.05	\$426.23	46.07%	26.27%	\$155.50	\$88.68
30,000 Gallons	1	445.70	718.95	624.13	61.31%	40.03%	273.25	178.43
2 Inch Meter								
60,000 Gallons	1	\$770.15	\$1,462.00	\$1,262.85	89.83%	63.97%	\$691.85	\$492.70
70,000 Gallons	1	878.30	1,687.90	1,460.75	92.18%	66.32%	809.60	582.45
6 Inch Meter								
390,000 Gallons	(2)	\$4,376.26	\$9,415.80	\$7,925.65	115.16%	81.11%	\$5,039.54	\$3,549.39

(1) Unless otherwise stated, meter sizes are assumed to be 5/8 inch up to 10,000 gallons, 1 inch up to 30,000 gallons, 1 1/2 inch up to 50,000 gallons, 2 inch up to 80,000 gallons, and 6 inch for all other gallonages.

(2) Based on actual test year meter size.

**COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
CONSOLIDATED WASTEWATER SERVICES**

CUSTOMER BILL IMPACT

	Test Year Count	Current Rates	Filed Rates	Settlement Rates	Increase/(Decrease)		Increase/(Decrease)	
					Filed (%)	Settlement (%)	Filed (\$)	Settlement (\$)
<u>Consolidated Service:</u>								
1,000 Gallons	4,987	\$74.73	\$69.55	\$57.90	-6.93%	-22.52%	(\$5.18)	(\$16.83)
2,000 Gallons	5,714	74.73	87.45	75.90	17.02%	1.57%	12.72	1.17
3,000 Gallons	7,423	74.73	105.35	93.90	40.97%	25.65%	30.62	19.17
4,000 Gallons	7,061	74.73	123.25	111.90	64.93%	49.74%	48.52	37.17
5,000 Gallons	5,732	74.73	141.15	129.90	88.88%	73.83%	66.42	55.17
10,000 Gallons	9,149	74.73	230.65	219.90	208.64%	194.26%	155.92	145.17
20,000 Gallons	1,123	74.73	409.65	399.90	448.17%	435.13%	334.92	325.17
30,000 Gallons	145	74.73	588.65	579.90	687.70%	675.99%	513.92	505.17
40,000 Gallons	33	74.73	767.65	759.90	927.23%	916.86%	692.92	685.17
50,000 Gallons	12	74.73	946.65	939.90	1166.76%	1157.73%	871.92	865.17
60,000 Gallons	8	74.73	1,125.65	1,119.90	1406.29%	1398.59%	1,050.92	1,045.17
70,000 Gallons	8	74.73	1,304.65	1,299.90	1645.82%	1639.46%	1,229.92	1,225.17
80,000 Gallons	6	74.73	1,483.65	1,479.90	1885.35%	1880.33%	1,408.92	1,405.17
90,000 Gallons	6	74.73	1,662.65	1,659.90	2124.88%	2121.20%	1,587.92	1,585.17
100,000 Gallons	4	74.73	1,841.65	1,839.90	2364.41%	2362.06%	1,766.92	1,765.17
<u>Tamiment:</u>								
1,000 Gallons	2,432	\$40.13	\$69.55	\$57.90	73.31%	44.28%	\$29.42	\$17.77
2,000 Gallons	1,337	54.11	87.45	75.90	61.62%	40.27%	33.34	21.79
3,000 Gallons	1,118	68.09	105.35	93.90	54.72%	37.91%	37.26	25.81
4,000 Gallons	762	82.07	123.25	111.90	50.18%	36.35%	41.18	29.83
5,000 Gallons	486	96.05	141.15	129.90	46.95%	35.24%	45.10	33.85
10,000 Gallons	586	165.95	230.65	219.90	38.99%	32.51%	64.70	53.95
20,000 Gallons	106	305.75	409.65	399.90	33.98%	30.79%	103.90	94.15
30,000 Gallons	17	445.55	588.65	579.90	32.12%	30.15%	143.10	134.35
40,000 Gallons	5	585.35	767.65	759.90	31.14%	29.82%	182.30	174.55
50,000 Gallons	6	725.15	946.65	939.90	30.55%	29.61%	221.50	214.75
60,000 Gallons	3	864.95	1,125.65	1,119.90	30.14%	29.48%	260.70	254.95
70,000 Gallons	2	1,004.75	1,304.65	1,299.90	29.85%	29.38%	299.90	295.15
80,000 Gallons	3	1,144.55	1,483.65	1,479.90	29.63%	29.30%	339.10	335.35
90,000 Gallons	2	1,284.35	1,662.65	1,659.90	29.45%	29.24%	378.30	375.55
100,000 Gallons	8	1,424.15	1,841.65	1,839.90	29.32%	29.19%	417.50	415.75

APPENDIX G

**COMMUNITY UTILITIES OF PENNSYLVANIA INC.
STATEMENT IN SUPPORT**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2023-3042804
 : R-2023-3042805
 Community Utilities of Pennsylvania Inc. :

**STATEMENT OF COMMUNITY UTILITIES OF PENNSYLVANIA, INC.
IN SUPPORT OF THE
JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDINGS**

I. INTRODUCTION AND OVERALL REASONS IN SUPPORT OF SETTLEMENT

1. Community Utilities of Pennsylvania, Inc. (“Company” or “CUPA”) hereby submits this Statement in Support of the Joint Petition for Full Settlement of Rate Proceedings (“Joint Petition” or “Settlement”) filed by CUPA, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission” or “PUC”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) in the above-captioned consolidated proceedings (I&E, OCA, and OSBA, collectively, “Statutory Parties”). As indicated in the Joint Petition,¹ if approved, the Settlement resolves all issues in the proceeding. Accordingly, as discussed more fully below, CUPA supports the Settlement because it is in the public interest and produces just and reasonable rates. CUPA requests that Administrative Law Judges Steven K. Haas (“ALJ Haas”) and Alphonso Arnold III (“ALJ Arnold”) (collectively, the “Presiding Officers”) and the Commission approve the Settlement as

¹ A Stipulation of Facts is provided in Section III of the Joint Petition and incorporated herein as if set forth at length. A procedural history is included in Appendix A to the Joint Petition and incorporated herein as if set forth at length.

submitted, without modification, and find that the terms and conditions of the Settlement are consistent with the law and in the public interest.

2. The Settlement establishes rates which are just and reasonable and incorporates principles of gradualism. These rates economically benefit the Company's customers by setting lower rates than originally requested. The Settlement also benefits customers because it provides the Company with additional revenues that will continue to enhance its ability to (1) modernize its water and wastewater systems that CUPA acquired and (2) provide high quality of service to its customers. These rate cases were driven primarily by expenses and capital investment in necessary infrastructure. CUPA and its indirect parent corporation, Corix Infrastructure Inc. ("CII") n/k/a Nexus Water Group, operate utility systems throughout the country and provide service to modernize rural water and sewer systems, including those at the system formerly known as Public Utility Company ("Tamiment"), which were troubled systems when acquired. CUPA has already made substantial investment in its systems and is planning substantial additional investments through the Fully Projected Future Test Year ("FPFTY"). CUPA St. No. 5 at 5:18 – 19:11. In addition to the amount agreed-to in the Settlement being less than originally proposed, approving the Settlement provides revenue and rate gradualism through a voluntary rate case stay-out provision. Additionally, it saves the cost of litigating rate cases—which are borne by ratepayers under Pennsylvania law—over the next two years.

3. The Settlement also helps mitigate the effect of the rate increase on consumers, especially on low-income customers. In particular, the Settlement (1) adopts the Company's proposal to establish a low-income rate for wastewater customers that qualify, (2) modifies the Company's discount proposal by providing a forty-five percent (45%) discount on the fixed and volumetric portion of customer bills as opposed to a thirty-five percent (35%) discount to only the

volumetric portion of the customer bill, and (3) adopts the Company’s proposed Arrearage Management Program (“AMP”), subject to certain modifications as set forth in the Settlement, which will provide a path for qualifying customers to receive arrearage forgiveness.

4. The Settlement also achieves, in large part, full consolidation of the Company’s water and wastewater rates amongst its various divisions, while also mitigating impacts to customers in various ways.² First, by virtue of the reduced revenue requirement, rates are lower than originally proposed. Moreover, a larger amount of the increase has been assigned to the volumetric charges, rather than the fixed customer charge, thus ensuring customers have greater control over their monthly bills should they choose to conserve water. Lastly, there are the additional measures described above that will mitigate the rate impacts to low-income customers that qualify for the Company’s Low-Income Program.

5. Many of the service issues raised at the public input hearings were dispelled as incorrect or otherwise addressed through CUPA’s responsive evidence. The Settlement provides for further resolution of those issues, reflecting CUPA’s agreement to various requests I&E and OCA made in their testimony to address these issues, including:

a. mitigation and reporting requirements to address unaccounted for water, including, but not limited to, performing annual system wide leak detection and repairs until each individual system has a UFW that is below 20%, updating the Statutory Parties regarding the Company’s efforts to implement virtual district metering areas (“vDMAs”) in the system formerly known as Penn Estates Utilities Inc. (“Penn Estates”), and other reporting requirements;

² Based upon principles of gradualism, the Joint Petitioners have agreed not to consolidate the availability fee applied to customers of Penn Estates and Tamiment. *See* App. B, Pg. 6, 11A. The Penn Estates availability fee is increasing by \$12.48, from \$18.18 to \$30.66, or by approximately 69%, The Tamiment availability fee is increasing by \$8.87, from \$9.31 to \$18.18, or by approximately 95%.

- b. reporting on the implementation of the recommendations from the engineering study and hydraulic analysis to address low and high pressure in Penn Estates;
- c. reporting that identifies the isolation valves that need to be located, uncovered, repaired and/or replaced in the following year;
- d. developing a hydraulic model for the Company's Tamiment system to evaluate fire suppression flows before the Company's next base rate case; and
- e. presenting a no-fee payment option for online payments in the next base rate case.

6. The Settlement is also in the public interest because it amicably and expeditiously resolves a number of important and potentially contentious issues which would have been very expensive and time-consuming to litigate before this Commission, and likely would have spawned expensive and time-consuming appeals, including CUPA's right under *Hope*³ and *Bluefield*⁴ to full recovery of its return of and return on its capital investment. This Settlement represents a mutually acceptable and reasonable compromise, and will conserve the time, effort and rate case expense of all parties, as well as those of the Commission, the Presiding Officer and the Company's customers. Notably, the Commission's policy is to "encourage settlement." 52 Pa. Code §§ 5.231, 69.391, 69.401. The Joint Petitioners arrived at the Settlement terms after extensive review of discovery by the Statutory Parties, presentation of testimony and exhibits, and engaging in extensive, in-depth settlement discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated give and take on the issues addressed herein—including terms addressing modifications to the Company's Low-Income Program, AMP, and quality of service issues raised during the proceeding. Thus, the Settlement, including its

³ *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

⁴ *Bluefield Water Works Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679 (1922).

terms and conditions and just and reasonable rates, is consistent with the Commission's rules, practices and procedures encouraging negotiated settlements, and is, therefore, in the public interest. *See* 52 Pa. Code §§ 5.231, 69.391, 69.401.

7. Significantly, three of the signatories, I&E, OCA, and OSBA are charged with specific legal obligations to scrutinize all aspects of a utility's request to increase rates. I&E functions as an independent prosecutorial bureau within the Commission and, as such, is charged with representing the public interest in utility rate proceedings.⁵ The OCA has a statutory obligation to protect the interest of residential consumers of public utility service.⁶ OSBA represents the interests of small business consumers of utility services.⁷ As evidenced by their active and extensive participation and zealous advocacy in all aspects of this case, these Statutory Parties have fulfilled their statutory obligations. Their joining in, and fully supporting the Settlement, is strong evidence that the Settlement's rates, terms and conditions are just, reasonable and in the public interest.

8. As explained in the Joint Petition, the Settlement was achieved only after a comprehensive investigation by the Statutory Parties into the Company's request and an analysis of the filing, discovery (thousands of pages of detailed information in response to hundreds of questions (including subparts) or document requests from the Statutory Parties regarding all aspects of the requested increase), and the parties' testimony. Here, the Settlement represents a reasonable compromise on the issues supported by the substantial testimony and evidence presented in this proceeding.

⁵ *See Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Dkt. No. M-2008-2071852 (Final Order entered August 11, 2011), p.5 ("BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters...").

⁶ *See* 71 Pa. C.S. §§ 309-1 *et seq.*

⁷ *See* Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50.

9. The Settlement is also without prejudice or admission to any position any party, including CUPA, may take in any subsequent or different proceeding.

II. REASONS WHY SPECIFIC PROVISIONS OF THE SETTLEMENT ARE IN THE PUBLIC INTEREST

A & B. Revenue Requirement Increases - Water and Wastewater (Settlement ¶¶ 4-5)

10. Instead of the \$1,470,360 increase to water revenues requested in the filing, the Settlement Rates are designed to produce an increase of annual water revenue of approximately \$1,227,538. Settlement ¶ 4.

11. Instead of the \$1,738,944 increase to wastewater requested in the filing, the Settlement Rates are designed to produce an increase of annual wastewater revenue of 1,447,621. Settlement ¶ 5.

12. The Company has spent significant time and funds in maintaining and investing in the water and wastewater systems' plant since the Company's last rate case. As CUPA witness Capwen testified in her direct testimony:

As recorded in the initial filing of the Company's last rate case, CUPA proposed a total spend of \$5,165,026 distributed over 24 total projects. By July 31st, 2023, those same 24 projects equated to a 2.5-year total spend of \$5,630,556, reflecting an overspend of approximately 9% as compared to initial estimates. An additional 15 projects were also completed within that period, representing an additional spend of \$1,577,096.

CUPA St. 5 at 5:18 – 6:2.

13. CUPA made multiple water and wastewater infrastructure improvements in the past year with more planned through the end of the Fully Projected Future Test Year ("FPFTY"). See CUPA St. 5 at 6:7 – 19:11. These improvements are a reasonable and necessary cost of providing service and are appropriately included in the revenue requirement presented by the Company. Without appropriate rate relief, CUPA's ability to continue to provide environmentally

safe, reliable and efficient water and sewer utility services to its customers and meet its financial obligations will be placed in jeopardy. Notably, the Joint Petition at paragraphs 36 - 37 provides for periodic reports and confirmation of capital project investment.

14. In addition, CUPA witness Mr. Gray provided the accounting schedules that supported the original rate request in this proceeding. *See* Base Rate Case Filing, Lead Filing Schedules. Mr. Gray also explained the projections incorporated in the FPFTY developed by the Company and explained their reasonableness. *See* CUPA St. 2 at 6:14 – 13:12. Mr. Gray’s testimony fully supports the Company’s original revenue requests.

15. While the Company believes its testimony supported the full amount of its proposed increase, the Settlement balances the economic interests of customers by providing for a lower rate increase. The increase under the Joint Petition, while is less than what the Company requested, will allow Company to cover its expenses and to continue to invest in facilities ensuring the Company can to continue to provide a high quality of service and water to its customers, as well as implement the terms and conditions agreed to in this Settlement and the regulatory requirements of the Pennsylvania Department of Environmental Protection (“DEP”).

16. It is also without prejudice or admission to any position that any party, including CUPA, may take in any subsequent or different proceeding, except to the extent necessary to enforce the terms agreed to herein. Settlement ¶ 39.

C. Stay Out (Settlement ¶ 6)

17. The Joint Petition provides that CUPA will not file for a general increase pursuant to 66 Pa C.S. § 1308(d) to water or wastewater base rates earlier than February 9, 2026.⁸

⁸ This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required by Commission order or industry-wide changes in regulatory policy which affect CUPA’s rates.

18. This benefits customers with rate stability and benefits the Joint Petitioners and the Commission in that the time and expense of litigating another rate case will be avoided for approximately one and a half years. This will also delay the effective date of any new general rate increase for approximately two years when considering the statutory suspension period under Section 1308(d) of the Public Utility Code. 66 Pa. C.S. § 1308(d).

D. Effective Date (Settlement ¶¶ 7-8)

19. The Joint Petition contains a surcharge methodology previously approved by the Commission at Docket Nos. R-2021-3025206, *et al.*, to allow CUPA to recover revenue increases from the initial suspension date of August 9, 2024, to the date of Commission approval of the Joint Petition.⁹ Settlement ¶ 8.

20. This provision and surcharge methodology is the result an agreement between the Joint Petitioners in exchange for the Company agreeing to voluntarily extend the suspension period of new rates from August 9, 2024, to August 22, 2024, which was granted by the Presiding Officers in their Scheduling Order dated January 25, 2024. Scheduling Order at 4.

21. The voluntary extension of the suspension period provided the Joint Petitioners additional time to investigate and present evidence regarding the Company's rate case filing, while still allowing the Commission sufficient time for subsequent order drafting and review. This was a significant benefit to all parties and the Commission as it allowed for a more fulsome record without straining Commission and party resources.

22. Lastly, the surcharge and recovery of revenue will only occur if the Commission enters an Order approving the Settlement after August 9, 2024. Settlement ¶ 8. Should the surcharge methodology be applied, the revenue increases not billed from the effective date of

⁹ *Pa. Pub. Util. Comm'n, et al., v. Community Utilities of Pennsylvania Inc. – Water Div., et al.*, Docket Nos. R-2021-3025206, *et al.* (Opinion and Order entered Jan. 13, 2022), at 49-50, 93 (*CUPA BRC 2021*).

August 9, 2024, through the date of PUC approval of new rates will be recovered over a six-month period that shall be applied proportionately to all customer classes via a surcharge on each monthly bill during the six-month recovery period. *Id.*

E. COVID-19 Regulatory Asset (Settlement ¶¶ 9-12)

23. The Settlement contains various provisions that govern the recovery of the Company's COVID-19 Regulatory Asset, including an allowance to recover \$114,185 over five years, that no amount of the COVID-19 Regulatory Asset shall be included in rate base, that to the extent the Company files for a rate case prior to recognizing full recovery of the COVID-19 Regulatory Asset, it shall be entitled to recover the remaining amounts, and that the Company will no longer continue recording a regulatory asset for ongoing COVID-19 related bad debt and expenses after the effective date of new rates. Settlement ¶¶ 9-12.

24. As part of its rate case filing, the Company originally proposed recovery on and of approximately \$194,812 in incurred costs during the COVID-19 pandemic with a proposed amortized recovery over five years and inclusion of the unamortized balance in rate base. CUPA St. 2 at 10:17 – 11:4. Among the costs proposed to be recovered were extraordinary and non-recurring expenses related to incremental bad debt, foregone late payment charges, foregone reconnection fees, and other expenses incurred during the COVID-19 pandemic. *See* Base Rate Case Filing, Lead Financial Exhibits, Supplement to Schedule A-10 & B-9.

25. In their direct testimonies, OCA witness Rogers and I&E witness Walker proposed adjustments to the Company's proposed recovery of the COVID-19 Regulatory Asset, including recommending that the Company be disallowed from including the unamortized portion of the asset in rate base and each recommending removal of a portion of the expenses from the COVID-19 Regulatory Asset for various reasons. *See* OCA St. 2 at 16:1 – 17:4; I&E St. 1 at 26:11 – 27:2. I&E also recommended that the Company no longer be allowed to continue recording a regulatory

asset for ongoing COVID-19 related bad debt and expenses after the effective date of new rates. I&E St. 1 at 28:17 – 29:5.

26. In rebuttal testimony, Company witness Gray agreed to the recommendation to remove the unamortized portion of the COVID-19 Regulatory Asset from rate base, but disputed the OCA and I&E witness recommendations that certain amounts be removed from the regulatory asset entirely, which would deny the Company recovery of extraordinary and non-recurring expenses incurred during the COVID-19 pandemic. *See* CUPA St. 2-R at 8:3-9, 20:11 – 21:11.

27. The OCA and I&E continued to dispute the appropriate amounts for recovery in the COVID-19 Regulatory Asset. *See* OCA St. 2SR at 8:12-26; I&E St. 1-SR at 16:1 – 17:3.

28. These provisions of the Settlement are in the public interest as they represent a reasonable compromise amongst these competing positions, reducing the balance of the COVID-19 Regulatory Asset that the Company is entitled to recover, incorporates the Company's agreement to remove the unamortized portion from rate base, and adopts I&E's recommendation that the Company no longer continue recording a regulatory asset for ongoing COVID-19 related bad debt and expenses after the effective date of new rates. Settlement ¶¶ 9-12.

F. Low-Income Program (Settlement ¶¶ 13-17)

29. The Joint Petition incorporates several modifications to the Company's Low-Income Program, including adopting the Company's proposal to expand eligibility of the Low-Income Program to 200 percent of the Federal Poverty Level ("FPL"). Additionally, the Settlement incorporates changes to the Company's website to make it easier for customers to apply for the Low-Income Program, annual meetings with its customers to advise them of the Low-Income Program, and additional reporting requirements. Settlement ¶¶ 13-17.

30. In his direct testimony, CUPA witness Gray testified that the Company proposed to increase the income eligibility requirement from 100% to 200% of the FPL, which was a part

of the stipulation approved by the Commission at Docket Nos. A-2022-3036744, *et al.*, and the prior rate case settlement at Docket No. R-2021-3025206. CUPA St. 2 at 15:4-9. CUPA witness Lubertozzi also outlined the training the Company had undertaken to educate its service staff about the Low-Income Program, informational pamphlets that were mailed to customers, and changes to the Company’s website to inform customers of the Low-Income Program. CUPA St. 6 at 5:13 – 6:7; *see also* CUPA St. 6, Att. C, D, and E.

31. In his Direct Testimony, OCA witness DeMarco made several recommendations regarding the Company’s Low-Income Program. Namely, that the Company should be required to, among other things, create a separate low-income section of its website that is clear, transparent, and accessible from the home page in a format that is easily accessible to the customer. OCA St. 1 at 27:8 – 28:7. OCA witness DeMarco also recommended that CUPA should begin to contact Community Based Organizations (“CBOs”) in the service area, make informational handouts available in English and Spanish, and sent low-income information to customers via bill inserts. OCA St. 1 at 29:3-10.

a. The Joint Petition contains provisions that addresses the concerns raised by the OCA requiring that the Company make the following changes to its website: (1) the Company will make the low-income section on its website a permanent news item that is visible as soon as the customer enters the website; (2) the separate, low-income page will include a link to the application form, as well as all information about the sign-up process and eligibility qualification requirements; and (3) the Company will change the existing “URL” link to the application page to say “Application” or “Click here to apply”. Settlement ¶ 14(a) – (c). Additionally, the Company will utilize its voice reach system to send automated voice messages to customers on a quarterly basis about the existence of the Low-Income Program and ensure that print copies of the Low-

Income handouts are available in English and Spanish. Settlement ¶ 14(d) – (e). The Company also agreed to hold annual customer meetings in each of its service territories where topics, such as the Low-Income Program, will be discussed until the Commission issues an order in CUPA’s next base rate case. Settlement ¶ 17.

32. Furthermore, the Settlement provides for transparency by requiring the Company to continue providing quarterly report updates detailing participation, usage, and revenue shortfalls/surpluses associated with the Low-Income Program. Settlement ¶ 15. The Company also agreed to track all costs associated with the administration of its Low-Income Program, if those costs are dedicated to administering the Program, and state these amounts in the quarterly reports. Settlement ¶ 16.

33. These enhancements to the Low-Income Program are in the public interest as it will result in increased awareness and transparency of the program to its customers.

G. Rate Design and Structure (Settlement ¶¶ 18-19)

34. Rate design and structure were contested issues in this proceeding with the Joint Petitioners adopting various positions on the issues. The Joint Petitioners continued to disagree on these issues throughout testimony, including through the rejoinder testimony stage. The agreement reached on these issues balances the various positions of the Joint Petitioners and benefits ratepayers and mitigates impacts to customers in various ways. The customer bill impact analysis for water and wastewater customers is attached as **Appendix G** to the Joint Petition.

35. In its filing, the Company originally proposed to fully consolidate the rates among its water and wastewater divisions. CUPA St. 7, Exh. SAM-2 at 20, Exh. SAM-3 at 14. The Joint Petitioners have adopted a rate design that moves, in large part, towards full consolidation of its water and wastewater rates amongst its divisions. Consolidation is in the public interest because it equalizes the presently disparate rates amongst the Company’s divisions. Moreover, under the

Settlement, consolidation is achieved while at the same time resulting in monthly bill impacts that are lower than originally proposed. This is achieved as a result of the reduced revenue requirement and the resulting rate design. The Settlement appropriately balances the Commission-favored concept of consolidation with principles of gradualism.¹⁰

36. Moreover, the Settlement benefits customers by placing a larger proportion of the increase in the volumetric rate and adopts the Company's proposal to establish metered rates for all wastewater customers. This benefits ratepayers in that they have greater control over their bills should they decide to conserve water and benefits the public by encouraging conservation.

37. For low-income customers impacted by the rate increase, the Joint Petition further enhances the Low-Income Program. Settlement ¶ 18(a). Specifically, the Settlement proposes a 45% discount to both the volumetric and fixed monthly portion of the bill for all participants of the Low-Income Program, regardless of their income relative to the FPL, for both water and wastewater bills. *Id.* Under the proposed Settlement, this modification will demonstrably reduce the impacts of the rate increase for those most affected.

38. The Settlement also reasonably addresses rate design issues raised by the OSBA in this proceeding. In particular, the Settlement ensures that rates are designed to implement a 6.3% water and a 1% wastewater differential between commercial and residential volumetric charges. Settlement ¶ 18(b). Additionally, the Settlement provides that CUPA shall utilize a consumption decline of 1.16% from the Historical Test Year ("HTY") consumption levels to the Future Test

¹⁰ *Superior Water Co., Inc.*, 2009 WL 2501938 at *12 (Pa. P.U.C. 2009) ("[F]or years the Commission's policies and determinations have supported single tariff pricing and rate consolidation in acquisitions and rate cases. As we have often noted, the benefits of single tariff pricing outweigh its negative aspect."); *see also Pennsylvania Pub. Util. Comm'n et al. v. CUPA*, Docket Nos. R-2016-2538660 et al, Recommended Decision (recognizing move towards unitized rates in settlement in public interest when approving settlement) (RD adopted in full by Order dated Nov. 9, 2016).

Year (“FTY”) consumption levels and an additional decline of 1.16% from the FTY to the FPFTY consumption levels when developing settlement rates. Settlement ¶ 18(c).

39. Lastly, the Settlement reasonably addresses the OCA’s recommendation to establish tiered discount rates for the Low-Income Program. *See* OCA St. 1 at 33:6 – 34:5. The Company has agreed to present a tiered discount income-based plan with tiers at 50% and 75% of the Federal Poverty Level (“FPL”) in its next base rate proceeding. Settlement ¶ 19. Should a tiered discount plan be approved, it will only be applied to and recovered from residential customers. *Id.*

H. Arrearage Management Program (Settlement ¶¶ 20 – 29)

40. As part of the Joint Petition for Full Settlement approved by the Commission at Docket Nos. A-2022-3036745 and A-2022-3036744, the Company agreed to various commitments, including an agreement to propose an AMP that would allow eligible customers to have a portion of their past-due balances forgiven after demonstrating an ability to cover current bills.¹¹ CUPA St. 6 at 6:8 – 7:15. Consistent with this commitment, CUPA proposed the AMP as part of its base rate case filing. *Id.* In response, the OCA recommended several modifications to the Company’s proposed AMP, including, among other things, flexibility as to payment timing and longer payment periods. *See* OCA St. 1 at 36:13 – 38:17.

41. The Settlement achieves a reasonable compromise among the Company’s proposal and the OCA’s recommendations. The Settlement modifies the proposed AMP by, among other things, combining water and wastewater arrearages for purposes of determining eligibility for the AMP (Settlement ¶ 21), providing the Company discretion to establish longer payment periods

¹¹ *Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code and All Other Approvals Necessary Under the Public Utility for Approval of a Merger Of Equals Transaction*, Docket Nos. A-2022-3036744, *et al.* (Recommended Decision entered Jul. 31, 2023), at 9 (approving the Joint Petition for Full Settlement without modification), *aff’d*, (Final Order entered Sept. 8, 2023) (*CUPA Merger*).

based upon various factors (Settlement ¶ 23), requiring the Company to present an analysis of costs to implement changes to its billing system that would allow active AMP customers the ability to select an alternative due date for AMP payments (Settlement ¶ 24), ensuring customers receive credit for payments made if they later default under the AMP (Settlement ¶ 26), and ensuring the Company communicates the existence of the AMP when a customer applies for or is approved for the Low-Income Program (Settlement ¶ 28).

42. Collectively, these provisions enhance the Company's proposed AMP and are in the public interest.

I. Integration Customer Protection Deferral Mechanism (Settlement ¶ 30)

43. The Company proposed its Integration Customer Protection Deferral Mechanism ("ICPDM") as part of its base rate case filing, which seeks to capture the accrued costs and integration benefits associated with the merger of SW Merger Acquisition Corp. ("SWMAC") and Corix Infrastructure (US) Inc. ("Corix US"), a subsidiary of CII and an indirect parent of CUPA, and the creation of Intermediate Newco, a subsidiary of the newly merged SWMAC and Corix US, which will acquire indirect control of CUPA ("Merger"). CUPA St. 6 at 10:6-7. As part of its proposal, the Company was not seeking to reflect any integration benefits and costs to achieve those benefits in this proceeding, but was seeking to establish a deferral mechanism that will accumulate the benefits and costs to achieve the benefits of integration, recovery of which would then be addressed in future rate cases. CUPA St. 6-RJ at 3:11-16.

44. I&E witness Walker recommended that the Commission disallow the Company from establishing the ICPDM because, in his opinion, pursuant to the settlement approved by the

Commission in *CUPA Merger*, the Company was not entitled to recover transaction costs as defined in the settlement.¹² I&E St. 1 at 35:14 – 37:8.

45. The Company disagreed with I&E’s position and I&E witness Walker’s interpretation of the Merger settlement, in part, because integration benefits and costs, which are associated with the efficiencies and savings gained from integrating two businesses, is fundamentally different than a transaction cost as defined in the Merger settlement. CUPA St. No. 6-R at 3:16 – 5:20.

46. The Company and I&E continued to disagree on the interpretation of the Merger settlement through the remainder of testimony. *See, e.g.*, CUPA St. 6-RJ at 3:1 – 6:4.

47. The Settlement achieves an outcome that reasonably addresses the differences between the Company and I&E. Specifically, the Settlement allows the Company to establish a deferral account, “Integration Customer Protection Deferral Mechanism,” which will capture accrued costs and benefits of integration that occur for five years after the closing date, but all parties reserve their rights to challenge recovery of any deferred amounts in future rate proceedings. Settlement ¶ 30.

J. Service-Related Commitments (Settlement ¶¶ 31 – 35)

48. During these consolidated proceedings, customers raised quality of service concerns at the public input hearings. Moreover, the OCA and I&E each raised concerns related to, among other things, unaccounted for water, system pressure, and lack of fire suppression. In response, the Company provided highly detailed testimony and evidence specifically addressing the quality-of-service issues raised by consumers and the parties to the proceedings. *See* CUPA St. 4-R and CUPA St. 4-RJ. Thus, many of the service issues raised at the public input hearings and

¹² *See CUPA Merger*, at 10.

by the OCA and I&E were dispelled as incorrect or addressed through CUPA’s responsive evidence. As to any issues that remain in dispute, the Settlement provides for resolution of those issues, reflecting CUPA’s agreement to various requests made by I&E and the OCA.

1. CUPA Response to Public Input Hearing Concerns

49. The Company will first recount its response to many of the issues raised by consumers at the public input hearings. At the public input hearings, customers alleged the following service-related concerns:

Tamiment Service Territory	<u>Water Service</u>
	Broken Shut-Off Valve Low Water Pressure Water Quality, Drinkability, and Sediment Issues Cost of Water Lack of Fire Protection
	<u>Wastewater Service</u>
	Odor from Lift Station Sewer Back Flow and Grinder Pumps

Penn Estates Service Territory	Water Quality, Drinkability Low Water Pressure Fluctuating Bills Boil Water Advisories Third-Party Deliveries of Water Forecasting and Budgeting for Future Projects
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Utilities Inc. - Westgate Service Territory (“Westgate”)	Water Quality, Drinkability High Bills Low Water Pressure Lack of Fire Protection
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Settlement, App. A, Proposed Findings of Fact ¶ 13.

50. First, as the Company demonstrated in testimony, the customer complaint logs show a reasonably low number of customer complaints received from January 1, 2022, to January 29, 2024, in light of the number of customers served. CUPA St. 4-R at 11:1-18. OCA witness Fought likewise reviewed the Company's customer complaint logs for the period August 1, 2023, through January 21, 2024, and found that CUPA adequately addressed customer complaints. OCA St. 5 at 23:14-17; *see also* Settlement, App. A, Proposed Findings of Fact ¶ 16.

51. The Company provided evidence demonstrating its process when receiving, logging, and responding to customer complaints. Settlement, App. A, Proposed Findings of Fact ¶ 17. The Company also provided evidence showing the Company's completion and closeout rates for customer complaints by the Company's operations team, with CUPA's current completion rate for all systems currently at 99%. Settlement, App. A, Proposed Findings of Fact ¶ 18.

52. The Company also detailed its process that it undertakes when it receives a water quality complaint. Settlement, App. A, Proposed Findings of Fact ¶ 19.

53. Regarding complaints by consumers at the public input hearings for its Tamiment system, the Company provided evidence of its annual water quality reports showing recordkeeping and monitoring violations for 2020 and 2021, having already taken steps to prevent their reoccurrence in the future, and evidence demonstrating the Company's efforts to address a 2022 violation for failing to maintain chlorine residual by installing an on-line chlorine analyzer. Settlement, App. A, Proposed Findings of Fact ¶ 21.

54. The Company also provided evidence addressing the five customer calls that CUPA received concerning water quality in Tamiment. *See* Settlement, App. A, Proposed Findings of Fact ¶ 22. Specifically, Emily Long, CUPA's Operations Manager testified that one customer called requesting her water be tested for bacteria. CUPA had samples run by a third-party

laboratory. The results were negative and a copy was given to the customer. One customer called due to discolored water. When operations called the customer, she stated the water was cloudy and that it had already cleared up. The operator asked her to call back if she experienced cloudy water again; she did not call back. Two dirty water calls were by the same customer in one day concerning the same issue. The first time the customer called, the operator ran their water and it cleared up. The customer called later in the day with dirty water again. Another operator came out and flushed their service line from within the outside meter pit and then ran the water inside the house. The water cleared up. This customer's water curb stop had been repaired a few days prior which caused the temporarily cloudy water for that customer. The fifth call was to investigate sediment in the customer's toilet. Operations investigated the issue and proactively flushed hydrants near the customer in the distribution system. The customer did not call back with further issues. CUPA St. 4-R at 11:4-18; *see also* CUPA St. 4-RJ at 4:13-21.

55. In response to Rick Hoover testifying at the public input hearing that the Company had broke his shut off valve and never restored it, concerns that were not previously brought to the Company's attention, the Company investigated Mr. Hoover's concerns. Settlement, App. A, Proposed Findings of Fact ¶ 23; *see also* CUPA St. 4-R at 13:3-5. CUPA had a third party, Saks Metering, perform meter changes in 2022. Saks Metering changed Mr. Hoover's water meter in July 2022. Mr. Hoover stated that Saks Metering's technician broke the shut off valve when changing his meter. Mr. Hoover stated that this technician said he would come back to fix it. Mr. Hoover stated the technician did not come back and he was not contacted about this matter by Saks Metering or CUPA. CUPA St. 4-R at 13:7-11. Saks Metering did not inform CUPA of this issue. CUPA St. 4-R at 13:21-23. On February 6, 2024, the Company confirmed that the shut off valve was broken and severely rusted. The Company also discovered that the curb stop did not work

properly. CUPA St. 4-R at 13:11-15. The Company fixed the curb stop on March 4, 2024, and scheduled a plumber to fix the shut off valve. CUPA St. 4-R at 13:19-20.

56. Regarding concerns about low pressure at Tamiment, the Company provided evidence that the Tamiment system is compliant with 52 Pa. Code, § 65.6(a). Specifically, per DI-X-2, Tamiment’s normal operating pressure was within 25 pounds per square inch gauge (“p.s.i.g.”) and 125 p.s.i.g from 2020 to 2023. CUPA St. 4-R at 14:8-10; *see also* Settlement, App. A, Proposed Findings of Fact ¶ 24.

57. The Company also provided evidence that the tank located in The Glen, which has the lowest pressure in the Tamiment water system, has a rehabilitation project to be completed by the end of 2024. Settlement, App. A, Proposed Findings of Fact ¶ 25. When the rehabilitation is complete, the tank level set points can be increased from current tank level set points which should raise system water pressure within The Glen. *Id.*; *see also* CUPA St. 4-R at 14:13-19.

58. Regarding concerns of hard water in the Tamiment system, there are no health standards for hardness in water and CUPA is not required to test or treat it. The Company provided evidence that the hardness of Tamiment’s water is 62.0 mg/l as CaCO₃, which is below the threshold considered hard water, or 150 mg/L as CaCO₃. *See* Settlement, App. A, Proposed Findings of Fact ¶¶ 26-27; *see also* CUPA St. 4-R at 15:5.

59. Regarding concerns about sediment and discoloration of water in Tamiment, Ms. Long testified that mineral content and discoloration is generally related to drinking water’s hardness, iron and manganese content, total dissolved solids (“TDS”), and color. She stated that these characteristics do not fall under the National Primary Drinking Water Standards (“NPDWRs”). NPDWRs are legally enforceable standards that apply to public water systems. Public water systems are required to test their water for contaminants listed in the NPDWRs and

abide by their maximum contaminant levels (“MCLs”). Drinking water’s iron and manganese content, TDS, and color do not fall within NPDWRs, but fall within the National Secondary Drinking Water Regulations (“NSDWRs”). NSDWRs are non-enforceable guidelines regulating contaminants that may cause cosmetic effects or aesthetic effects in drinking water. The EPA recommends secondary standards but does not require systems to comply with secondary MCLs. Drinking water hardness is not covered within NPDWRs or NSDWRs. CUPA St. 4-R at 15:9-19.

60. Ms. Long further testified that Pennsylvania Department of Environmental Protection (DEP) enforces the following NSDWRs MCLs: color 15 color units, iron 0.3 mg/L, manganese 0.05 mg/L, and TDS 500 mg/L. CUPA is not required by DEP to monitor for hardness, iron, manganese, total dissolved solids (“TDS”), and color. CUPA St. 4-R at 15:20 – 16:1.

61. The Company further provided evidence that test results from the new well recently drilled a few feet from Tamiment’s Well 1 were within these limits. Settlement, App. A, Proposed Findings of Fact ¶ 29.

62. Thus, the Company provided evidence that it was compliant in meeting all primary and secondary Maximum Contaminant Limits (“MCLs”). *See* CUPA St. 4-RJ at 5:10-11.

63. Regarding the chlorine content of water in its Tamiment system, the Company provided evidence showing that chlorine residuals were within reasonable limits. Settlement, App. A, Proposed Findings of Fact ¶ 30.

64. The Company also provided evidence that CUPA flushes its water systems via hydrants at least once per year, the purpose of which is to remove mineral deposits that may occur inside the water distribution pipes, thus, enhancing water quality. CUPA St. 4-RJ at 5:13-15.

65. The Company also provided evidence that Tamiment’s Tank 3 will be taken offline, abrasive blast cleaned, repainted, and repairs will be made. A mixer will also be installed to

circulate the water within the tank which will prevent ice from forming and enhance water quality by reducing sediment accumulation and water stagnation. Settlement, App. A, Proposed Findings of Fact ¶ 32; *see also* CUPA St. 4-RJ at 6:16 – 7:2.

66. Regarding Scilianos Nikolaou’s concerns about his water filters, the Company presented evidence that it is not responsible for the installation, maintenance, and operation of customer-owned filtration equipment. *See* Settlement, App. A, Proposed Findings of Fact ¶ 33; *see also* CUPA St. 4-RJ at 6-7. The lifespan and performance of consumer-owned filtration systems can be affected by many factors, including, the type of filtration system, such as a whole home filter versus a single point of use such as a kitchen faucet, the location the filter, the specific months these filters are being used within a filtration system, whether CUPA has recently flushed its hydrants, whether a main break occurred and was fixed during use, whether CUPA has undertaken other water distribution maintenance, whether the filtration system is being maintained according to the manufacturer’s specifications. CUPA St. 4-R at 16:16 – 17:13.

67. CUPA witness Ms. Long also testified that hydrant flushing, main breaks, and distribution maintenance can result in discolored water. CUPA St. 4-R at 16:21 – 17:1. During these events, CUPA notifies affected customers via its voice reach system about the possibility of them experiencing discolored water. If a customer chooses to use water during these times, they could pull discolored water into their house’s plumbing and through any filter they may have. CUPA St. 4-R at 17:1-4. Multiple water distribution activities, such as hydrant flushing and pipe and valve repairs, have occurred in the vicinity of Mr. Nikolaou that would have impacted his water and his filters if water was used during these times. CUPA St. 4-R at 17:4-6.

68. While the details of Mr. Nikolaou’s filtration system and how it was used are not known, CUPA St. 4-R at 17:11-12, CUPA witness Ms. Long stated in testimony that the Company

will offer to test the water of Mr. Nikolaou before and after the filter to ensure the water meets DEP water contaminant requirements. CUPA St. 4-RJ at 10:9-11.

69. Moreover, regarding the concern of John Oakes, a small business owner within the Tamiment system¹³, that he received a Boil Water Advisory (“BWA”) on May 6, 2022, after CUPA had already corrected the problem, CUPA provided evidence that it did not issue a BWA in Tamiment for a previously corrected violation occurring on May 6, 2022. *See* Base Rate Case Filing, Exh. DIX-1ai. The public notice Mr. Oakes was referring to was for the Penn Estates system. CUPA St. 4-RJ at 9:11-15; *see also* Settlement, App. A, Proposed Findings of Fact ¶¶ 34-35.

70. Regarding concerns that the price of water from CUPA is higher than store prices, CUPA provided evidence that the average usage for a single-family residence in Tamiment is 2,270 gallons per month. At current CUPA water rates, that is \$0.01946 per gallon. CUPA St. 4-R at 17:18-22. As of March 4, 2024, Walmart’s website lists one gallon of Great Value Spring Water for \$1.34. For \$1.34, a Tamiment water customer would get 68.859 gallons of water. CUPA St. 4-R at 18:3-5.

71. Regarding concerns of an odor from the Tamiment Drive Lift Station, the Company provided evidence that between February 12, 2024, and February 16, 2024, Tamiment operators called 13 customers that have residences near the Tamiment Drive Lift Station. *See* Settlement, App. A, Proposed Findings of Fact ¶ 36. After multiple phone call attempts, 4 of the 13 were non-responsive. Operators spoke with 9 of the 13 customers, 2 of which complained about the odor of the lift station at the public input hearings. CUPA St. 4-R at 3-6. Of the nine customers that the Company spoke with, six customers stated that they did not experience any odor issues recently.

¹³ Tr. at 304:1-3, 310:6-10.

CUPA St. 4-R at 20:11-15-17. Of the nine customers that the Company spoke with, three customers stated that they have experienced odor issues recently. CUPA St. 4-R at 20:11-15-17.

72. The customers that stated they experienced an odor issue were located at 107 Bindale Road, 108 Bindale Road, and 101 Brandyshire Road. CUPA St. 4-R at 20:21 – 21:6. The customer located at 107 Bindale Road also complained about the odor at the public input hearings. CUPA St. 4-R at 19:7-9. Additionally, a customer at 103 Bindale Road complained about the odor at the Public Input Hearings. CUPA St. 4-R at 19:7-9.

73. The Company called 103 Bindale Road on February 16, 2024, and on February 21, 2024, and left a voicemail on both days. The customer called back and spoke with operations on February 28, 2024. The customer stated that he has not smelled anything recently. He stated he noticed an odor last winter when he was outside and that he has not smelled any odor this winter. He stated he would call CUPA if he noticed an odor. Operations spoke with the customer at 107 Bindale Road on February 15, 2024. She stated she has smelled odor only one time in the past week but otherwise there has been no smell and will let CUPA know if she smells an odor. CUPA St. 4-R at 19:13-20.

74. There was a power outage in the area around the time that 107 Bindale Road smelled the odor at the lift station. CUPA St. 4-R at 20:1-2.

75. The sewer collection system in The Glen is a low-pressure collection system. All customers in The Glen have individual grinder pump pits where the waste from their home is stored. When it reaches a certain level, the waste is discharged into CUPA's low-pressure collection system via the customer's grinder pump. During a power outage, grinder pumps will not run unless they are powered by a back-up generator. Thus, waste in the grinder pit could cause

an odor. During a power outage, it is possible the Tamiment Drive Lift Station could have an odor. CUPA St. 4-R at 20:4-10.

76. The customer at 108 Bindale Road stated that once in a while he smells it and had to quickly get off the phone. Thus, operations could not acquire further information. The customer at 101 Brandyshire Drive stated once in a blue moon there is a smell, but it is much better now and they will contact customer service if there is any issues. CUPA St. 4-R at 21:3-6.

77. 108 Bindale Road had not made an odor complaint to the Company prior to the public input hearings. 101 Brandyshire Drive and 103 Bindale Road made one odor complaint in July 2020. CUPA St. 4-R at 21:7-11.

78. CUPA investigated the odor at the lift station and it resulted in the Company having the lift station cleaned. CUPA St. 4-R at 21:13-14; *see also* Settlement, App. A, Proposed Findings of Fact ¶ 37.

79. Regarding Dahlia Merritt's concern that the flushing of the sewer system may have caused a sewage backup in her home, the Company provided evidence that since CUPA acquired the Tamiment system in 2019, the low-pressure sewer collections system Dahlia Merritt's grinder pump discharges to has not been flushed. Settlement, App. A, Proposed Findings of Fact ¶¶ 38-40; *see also* CUPA St. 4-RJ at 10:17-19. Moreover, while customers are responsible for operating and maintaining their grinder pumps, CUPA St. 4-R at 22:12-13; *see also* OCA St. 5 at 19:5-8, the Company provided evidence that new customers with a grinder pump receive a grinder pump brochure with operation and maintenance information and that CUPA also sends a grinder pump brochure with operation and maintenance information twice a year. CUPA St. 4-R at 22:19 – 23:2.

80. Regarding Cindy Toscano's testimony raising concerns about the Company's road patching practices, the Company provided evidence that the Glen Property Owner's Association

at Tamiment has never expressed discontent over road excavation repair work. After disturbing road pavement due to work on the water or sewer system, CUPA's contractors repair roads and perform site restoration as quickly as possible. Road repair and site restoration is site specific and weather dependent. In the winter, contractors do not repair road excavations with asphalt because it is not best practice and they cannot acquire asphalt at that time of year. Cold patch or packed gravel is used until asphalt is available. Contractor's return to areas where cold patch and gravel were previously used and then pave with asphalt. The Penn Estates Property Owner's Association has contacted CUPA about road repair concerns on multiple occasions and CUPA quickly investigated and addressed those concerns. CUPA St. 4-RJ at 11:9-18; *see also* Settlement, App. A, Proposed Findings of Fact ¶ 41.

81. Regarding quality of service issues within Penn Estates, the Company provided its Annual Water Quality Reports for the Penn Estates system showing only one recordkeeping and monitoring violation for 2020, no violations for 2021, and one failure to maintain chlorine in 2022. Settlement, App. A, Proposed Findings of Fact ¶ 42. The 2022 violation and the facts and circumstances surrounding the 2022 violation were detailed at length by Ms. Long in her testimony. CUPA St. 4-R at 24:9-22. Ultimately, the occurrence happened at one well out of 7 wells that supply the water system in Penn Estates, lasted less than 15 minutes, and all routine monthly testing showed no bacteria present. *Id.*

82. The Company provided evidence that the hardness of Penn Estates water is below the threshold considered to be hard water. Settlement, App. A, Proposed Findings of Fact ¶¶ 26, 43; *see also* CUPA St. 4-R at 24:2.

83. The Company provided evidence that it plans to take Tanks 5 and 6 of Penn Estates offline in 2024, to be cleaned by high pressure water, repainted, and repaired, which will remove

sediment accumulated on the bottom of the tanks, enhancing water quality within the distribution system. Similar repairs were made to Tanks 1 and 2 in 2020. Settlement ¶ 81; *see also* CUPA St. 4-RJ at 6:16 – 7:2.

84. Regarding Lorraine Mazzie’s testimony that CUPA’s water has too much chlorine, the Company provided evidence that CUPA has not reached or exceeded DEP’s distribution maximum free chlorine residual of 4.00 mg/l. Per CUPA’s water system Consumer Confidence Reports (“CCRs”) from 2020, 2021, and 2022, the distribution free chlorine residual ranges from 0.3 to 2.86 mg/l with an overall average of 1.32 mg/l. CUPA St. 4-R at 11-15; *see* Settlement, App. A, Proposed Findings of Fact ¶¶ 44-45.

85. The Company also provided evidence of its Penn Estates High Zone Booster Station Project with GHD, which is expected to be completed in June 2025 and address system low and high pressures in the Penn Estates system. Settlement, App. A, Proposed Findings of Fact ¶ 47; *see also* CUPA St. 4-R at 4:19-21.

86. Regarding Delores Hart’s concerns about her fluctuating bill without varying usage, the Company provided evidence that CUPA operations performed a meter report. The meter report interval data shows about a gallon per hour of consistent usage. This interval data indicates there is a leak on customer-owned property. Operations called the customer to inform her of their findings and left a message on her phone. CUPA St. 4-R at 23:4-10.

87. Regarding Mr. Stoerrle’s concern about his high-water bill, the Company provided evidence that it performed a water meter audit and printed the audit report. The operator tagged his door with the audit report, a tag advising him the audit shows a leak on customer-owned property and to contact the operator, his business card with his contact information, and toilet leak detection tablets with instructions how to use them. CUPA St. 4-R at 27:1-5. Upon getting into

contact with Mr. Stoerrle, the operator offered to go to the house and check for leaks. Mr. Stoerrle declined his offer and stated he was getting a plumber to come to the house and check for leaks. Mr. Stoerrle told the operator he would call him if he had any further questions or concerns. CUPA St. 4-R at 27:11-18. Leaks located after the meter are the responsibility of the customer, but the Company does provide educational materials and assistance to customers regarding leaks as it did with Mr. Stoerrle. CUPA St. 4-R at 28:4-6.

88. Regarding George Flagg's concerns regarding the use of Palmeri Water Service to transport water to Penn Estates, the Company provided evidence that there was a combination of customer water service line leaks and system leaks, issues with Well 2, and increased system usage due to the holidays, which resulted in water storage tanks becoming low. CUPA St. 4-R at 25:6-8. DEP was notified and Palmeri Water Service was called. Palmeri Water Service hauled water to Penn Estates on December 25, 26, 27, and 29, 2023. The issue with Well 2 was corrected before December 24, 2023. Starting December 25, 2023, multiple customer water service line leaks were identified and were fixed. A limited-duration emergency bulk water hauling permit application was sent to DEP on December 26, 2023, and the permit was issued December 27, 2023. CUPA St. 4-R at 25:13-18. CUPA issued an automated voice message to all customers in Penn Estates on December 24, 2023, and sent the same automated voice message on December 25, 2023. The notice stated that CUPA has noticed a sudden drop in water storage level, that customers should check for leaks in their area, call CUPA to report a suspected leak, immediately begin taking measures to conserve water where possible, and that customers may experience low water pressure during this time. CUPA St. 4-R at 26:1-6.

89. The Company also provided evidence that third party leak detection was performed from November through December 2023 in Penn Estates. CUPA St. 4-R at 26:8-10; Settlement, App. A, Proposed Findings of Fact ¶ 48.

90. CUPA also provided evidence that it is evaluating whether to implement vDMAs within Penn Estates. Due to Penn Estate's size, topography changes, soil composition, and pipe material, finding a leak is very difficult and time consuming. Implementing vDMAs will compartmentalize Penn Estates water flow to smaller areas. This method will alert operations of a leak faster, narrow the search area of the leak, and decrease the amount of time it takes to find the leak and fix it. CUPA St. 4-RJ at 8-15.

91. Regarding Jeffrey Van Pelt's concern with how CUPA is utilizing money and forecasting projects, the Company provided Mr. Van Pelt with CUPA witness Long's direct testimony, CUPA St. No. 4, and CUPA witness Capwen's direct testimony, CUPA St. No. 5, so that he could understand how CUPA is utilizing money and forecasting for projects. CUPA St. 4-R at 10-12.

92. Regarding the price of water, the Company provided evidence that the average usage for a single-family residence in Penn Estates and Westgate is 3,452 gallons per month. At current CUPA water rates, that is \$0.01851 per gallon. CUPA St. 4-R at 17:18-22. As of March 4, 2024, Walmart's website lists one gallon of Great Value Spring Water for \$1.34. For \$1.34, a Penn Estates or Westgate water customer would get 72.393 gallons of water. CUPA St. 4-R at 18:3-5.

93. Regarding system pressure in Westgate, the Company provided evidence that Westgate's normal operating pressure is within 25 p.s.i.g. and 125 p.s.i.g from 2013 to 2023. Settlement, App. A, Proposed Findings of Fact ¶ 50. Thus, the Company's Westgate system is compliant with 52 Pa. Code, § 65.6(a).

94. The Company also provided its Annual Water Quality reports for its Westgate system from 2020 through 2022. The 2020 and 2022 reports each indicated a single failure to monitor and report violation. The 2021 report indicates no violations. CUPA St. 4-R at 29:5-7.

95. Lastly, CUPA provided sufficient evidence demonstrating that it timely issued all required boil water advisory notices. Regarding one specific incident, Ms. Long testified that in the Tamiment water system, CUPA discovered that chlorine levels were below the Pennsylvania Department of Environmental Protection requirements on August 4, 2022, at 09:35 AM. DEP was notified August 4, 2022, at 10:03 AM. An automated voice message was sent to all affected customers on August 4, 2022, at 10:19 AM. In addition to the automated voice message, CUPA's Operations Manager, Ms. Long personally called the Eagle Village Property Owner Association's Manager at 09:50 AM, the Eagle Point Property Owner Association's Manager at 09:56 AM, and the Pocono Parks Vice President of Operations at 10:16 AM. By 12:00 PM, or approximately two hours and twenty-five minutes after discovery, chlorine levels were within DEP requirements. Ms. Long worked closely with the DEP water sanitarian to ensure all compliance and all operational corrections requirements were met. DEP approved a BWA rescind be issued on August 8, 2022, at 03:43 PM. CUPA sent an automated voice message to all affected customers on August 8, 2022, at 05:06 PM. CUPA St. 4-R at 8:19 – 9:10.

96. Regarding the failure to maintain chlorine on May 6, 2022, the Company provided evidence showing that the chlorine entry point residual for Well 4 dropped to 0.00 mg/l for 10 minutes while operations was attempting to fix the chlorine pump. DEP requires the entry point chlorine residual be monitored and recorded continuously with a recording frequency of at least 15 minutes. CUPA records at a frequency of every 1 minute. DEP required a Tier 2 public notification be issued for this because the chlorine residual was 0.00 mg/l, despite it lasting less

than the DEP standard 15-minute frequency. The occurrence happened at one well out of 7 wells that supply the water system. Distribution chlorine residual of 1.64 mg/l taken on May 6, 2022, shows sufficient chlorine residual was present in the water distribution system. All routine monthly testing of bacteria in the system showed no bacteria present. CUPA St. 4-R at 24:13-22.

97. Accordingly, the Company sufficiently addressed each of the quality of service concerns raised by customers at the public input hearings.

2. Unaccounted for Water (Settlement ¶ 31)

98. Both the OCA and I&E set forth recommendations in their direct testimony regarding the level of the Company's unaccounted for water ("UFW"). I&E recommended making an expense adjustment to reduce the Company's revenue requirement to account for the cost per gallon to the Company to produce UFW in excess of 20 percent. I&E St. 3 (Water) at 13:1-6. Additionally, OCA made several recommendations seeking additional reporting requirements regarding the Company's progress in addressing UFW. *See* OCA St. 1 at 13:7-8; *see also* OCA St. 5 at 7:15-22.

99. In Ms. Long's rebuttal and rejoinder testimony, the Company provided evidence addressing the Company's efforts to reduce UFW. Specifically, Ms. Long testified that The Westgate system's UFW stayed consistent in 2021 and 2022 at 13%. Settlement, App. A, Proposed Findings of Fact ¶ 52. Westgate's UFW decreased to 8% in 2023. *Id.* This reduction to UFW was successfully achieved through main replacement projects, leak detecting, and subsequent fixes. CUPA St. 4-RJ at 14-16. Tamiment's UFW dropped from 55% to 44% from 2021 to 2022. Settlement, App. A, Proposed Findings of Fact ¶ 53. The UFW continued to drop to 28% in 2023. *Id.* That is a 27% UFW decrease in three years. This 27% decrease was achieved through capital investment in leak detection and subsequent fixes. CUPA St. 4-RJ at 17-19. Ms. Long recognized that Penn Estates is the only system where UFW has been increasing despite CUPA's efforts. In

2021, 2022, and 2023, UFW was 19%, 25%, and 27%, respectively. Settlement, App. A, Proposed Findings of Fact ¶ 54.. However, the Company presented evidence that Penn Estates was surveyed for leaks by a third-party leak detection service in August 2023 and all discovered leaks were fixed. In late 2023, the Company had another third-party leak detection service performed to identify leaks in the Penn Estates system. CUPA St. 4-R at 3:18-21. Ms. Long also stated that the Company is also evaluating whether to implement vDMAs within Penn Estates, which will alert operations of a leak faster, narrow the search area of the leak, and decrease the amount of time it takes to find the leak and fix it. CUPA St. 4-RJ at 8-15.

100. CUPA witness Gray also disagreed with I&E's recommendation to make an expense adjustment related to UFW given the Company's comprehensive efforts to address UFW, which was showing demonstrated improvements. CUPA St. 2-R at 13:18 – 15:9.

101. The Joint Petition resolves the issues between the parties in a reasonable manner. While the Settlement is without any admission to the Parties' positions as to revenue requirement, the Settlement comprehensively addresses UFW reporting and mitigation efforts by requiring the Company to perform annual system wide leak detection and any associated repairs until the individual system has an average UFW that is below 20% for the previous 6 months, to provide OCA, I&E, and OSBA with an update on the implementation of the vDMA project in Penn Estates, and adopting the OCA's additional reporting recommendations. Settlement ¶ 31.

3. System Pressure (Settlement ¶ 32)

102. While the Company addressed the Company's system pressure in response to concerns raised by consumers at public input hearings, in direct testimony, OCA witness Fought also noted that CUPA completed an engineering study for the Penn Estates system to comply with PUC minimum pressure requirements and a hydraulic analysis on how to address low and high pressures within Penn Estates. OCA St. 5 at 12:1-14. Based on this, the OCA recommended that

CUPA inform the OCA and the other parties of what it proposes to implement to address system pressure in Penn Estates. OCA St. 5 at 12:16-19.

103. In response the Company provided evidence that it has begun work on the High Zone Booster Station Project with GHD, expected to be completed in June 2025, which will address low pressure within Penn Estates and result in approximately seven additional hydrants being able to begin providing fire protection service. CUPA St. 4-R at 4:8 – 5:4, 7:16-18.

104. Nevertheless, the Settlement adopts the recommendation of the OCA as CUPA has agreed to provide an update to OCA, I&E, and OSBA on the implementation of the recommendations from the engineering study and hydraulic analysis to address low and high pressure in Penn Estates before its next base rate case. Settlement ¶ 32.

4. Isolation Valves (Settlement ¶ 33)

105. In its base rate case filing, the Company presented evidence that it exercises 50 percent of its distribution and hydrant valves on a rotating schedule annually. Zone 1 valves are exercised on odd years and zone 2 valves are exercised on even years. CUPA St. 4 at 6:3-5; *see also* CUPA St. 4, Exh. EAL-2. Moreover, the Company presented evidence that it replaced 38 distribution valves in Penn Estates, Westgate, and Tamiment from 2021 to 2023. CUPA St. 4-R at 6:1-3. The Company also indicated that Tamiment and Penn Estates have capital projects to repair/replace valves scheduled in 2024. Westgate had valve replacements in 2021 and 2023. Westgate has watermain replacement projects scheduled in 2024, 2026, and 2028. These projects will replace watermains, hydrants, and valves in areas containing older or the oldest infrastructure within the system. CUPA St. 4 at 6:9-13.

106. OCA witness Fought indicated that the Company's isolation valve exercise schedule was acceptable. OCA St. 5 at 15:18-19. However, OCA witness Fought recommended that a summary report should be submitted to the Statutory Parties annually identifying the

isolation valves that need to be located, uncovered, repaired, and or replaced with an approximate date for doing so. OCA St. 5 at 16:1-5.

107. The Settlement reaches a reasonable compromise given the concerns raised by the OCA regarding reporting on isolation valves and the Company has agreed to submit with its next rate case documentation that identifies the isolation valves that need to be located, uncovered, repaired and/or replaced in the following year. Settlement ¶ 33.

5. Fire Suppression (Settlement ¶ 34)

108. During the proceeding, several consumers raised concern about the lack of fire protection in CUPA's systems. *See, e.g.*, Tr. at 45:15-21, 136:20 – 137:1, 305:15-16. The OCA likewise raised concerns about fire suppression recommending that any fire hydrants that cannot provide the minimum fire flow should be painted black or otherwise identified to be used as a blow-off valve only. OCA St. 5 at 16:181-22. OCA witness DeMarco recommended that the Company must address the lack of fire protection in the Tamiment system before the Company's next base rate case. OCA St. 1 at 16:15-22.

109. While investor-owned water companies are not required to provide fire protection services, the Company presented specific evidence addressing concerns regarding lack of fire protection.¹⁴ The Company clarified that Westgate has 83 hydrants, seven of which are not capable of delivering 500 gallons per minute ("gpm") fire flow at 20 pounds per square inch gauge (p.s.i.g.) residual pressure for a 2-hour duration. CUPA St. 4-R at 7:11-13. The Company also indicated

¹⁴ *Staff Report Re: Service Quality of Total Environmental Solutions, Inc.- Beech Mountain Lakes Div.*, Docket No. M-00061938, 2006 WL 3103057, at *3 (Tentative Order entered Oct. 24, 2006); *see also Policy Statement on Public and Private Fire Protection, 52 Pa. Code §§ 69.1501-69.1504*, Docket No. M-2022-3033054 (Final Policy Statement entered Jan. 9, 2024), at 5 ("To clarify that the language of Section 69.xx1(a) is intended to encourage, rather than require, water public utilities to provide reasonable fire protection service throughout the Commonwealth..."), available at <https://www.puc.pa.gov/pedocs/1811681.pdf>.

that its Westgate water main replacement projects will address hydrants within the replacement areas by making them capable of fire suppression. CUPA St. 4-R at 7:13-14.

110. Regarding Penn Estates, the Company presented evidence that it has 205 hydrants, fifteen of which are not capable of delivering 500 gpm fire flow at 20 p.s.i.g. residual pressure for a 2-hour duration. With the addition of the booster station in 2025, approximately 7 hydrants in the low-pressure zone will be able to begin providing fire protection service. CUPA St. 4-R at 7:14-18.

111. Regarding Tamiment, Company witness Long testified that CUPA acquired the Tamiment system in 2019 and did not construct or design the system. CUPA St. 4-R at 7:20-21. Furthermore, Tamiment's water system was not designed or constructed to meet the current fire flow standards and the hydrants with Tamiment do not provide fire protective service. CUPA St. 4-R at 7:19-21.

112. In response to OCA Fought's concerns, the Company clarified that all hydrants within Penn Estates, Westgate, and Tamiment unable to support fire suppression are visibly marked as flushing hydrants. The hydrants are marked with either a "FLUSHING ONLY" collar or with a band that says "FLUSHING HYDRANT". CUPA St. 4-R at 7:7-9. In response, to OCA witness DeMarco, the Company noted that it understands the important public safety benefits of fire suppression service and is willing to have GHD perform a Fire Flow Study of the Tamiment system. CUPA St. 4-R at 8:1-5.

113. Based on the views of the parties and the evidence presented, the Settlement provides that the Company will have GHD develop a hydraulic model utilizing existing data for

its Tamiment system. The hydraulic model will then be used to evaluate the fire suppression flows available throughout the Tamiment system before the next base rate case.¹⁵ Settlement ¶ 34.

6. Service Fees (Settlement ¶ 35)

114. OCA witness Rogers raised concern with the service fees that are applied to online payments of customer bills, recommending that the Company offer no-fee payment methods for all customers. OCA St. 2 at 24:8 – 25:9. Ms. Rogers recommended that CUPA recover these expenses directly from customers as an operations and maintenance expense. OCA St. 2 at 25:6-9. Ms. Rogers further recommended that the Company present a cost proposal in its rebuttal testimony to implement these recommendations. OCA St. 2 at 24:20-21.

115. While the Company raised equity concerns regarding the OCA’s proposal, the Company agreed as part of the Settlement to present a no-fee payment option for online payments in the next base rate case. Settlement ¶ 35. Under this methodology, customers would not be directly charged an additional fee at the time of payment. Instead, these expenses will be recovered by CUPA directly under the O&M expenses in the cost of service. Settlement ¶ 35.

116. This provision is in the public interest as it reasonably addresses the concerns of the OCA and will allow for the presentation of appropriate evidence in the next base rate case from which the Commission can make a more informed decision on this issue.

K. Capital Reporting Requirements (Settlement ¶¶ 36-37)

117. The Settlement contains various reporting requirements requested by the Statutory Parties that promote the public interest.

¹⁵ The Settlement also provides that monthly unmetered public fire protection rates will not be decreased in the next rate case. Settlement ¶ 34. This addresses a rate design concern raised by I&E in testimony that reducing the public fire rates to comport with the 25% ceiling specified in the Public Utility Code violates Section 1328, 66 Pa. C.S. § 1328(c). I&E St. 3 (Water) at 24:7-24. Such agreement is consistent with Section 1328 and, thus, is in the public interest. 66 Pa. C.S. § 1328(c) (“The legal rates charged to municipalities for public fire hydrants in effect on the effective date of this section shall remain frozen and shall not be changed until the present rates for those public fire hydrants are determined to be below the 25% ceiling established under subsection (b).”).

118. CUPA has agreed to file and serve upon the Commission’s Bureau of Investigation and Enforcement and the Office of Consumer Advocate an updated CUPA Schedule A-1, Columns A-G, lines 1-50 (water) and 51-119 (wastewater) no later than November 1, 2024, that will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending July 31, 2024. Settlement ¶ 36.

119. CUPA has also agreed to provide an additional update for the 12 months ending July 31, 2025, no later than November 1, 2025. Settlement ¶ 37.

L. Standard Terms (Settlement ¶¶ 38 – 44)

120. The Settlement contains conditions pertaining to interpretation of its terms, the parties’ reservation of rights in the event the Settlement is modified by the Commission, and the procedures that apply. In particular, the Settlement provides that it is conditioned upon the Commission’s approval of the terms and conditions contained in this Settlement without modification, and that if the Commission modifies the Settlement, a party may withdraw from the Settlement and proceed with litigation. The Settlement also provides that if the ALJs recommend that the Commission approve the Settlement without modification, the Joint Petitioners waive their right to file exceptions. These terms are similar to terms approved by the Commission in past CUPA base rate case.¹⁶

¹⁶ CUPA BRC 2021, at 75-76.

III. CONCLUSION

For all of these reasons, and those stated in the Joint Petition, Community Utilities of Pennsylvania, Inc. believes that the Settlement is in the public interest and requests that the Presiding Officers and the Commission approve the Settlement as submitted, without modification, and find that the terms and conditions of the Settlement are consistent with the law and in the public interest.

Respectfully submitted,

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Dated: April 26, 2024

APPENDIX H

OFFICE OF CONSUMER ADVOCATE STATEMENT IN SUPPORT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2023-3042804 (Water)
	:	R-2023-3042805 (Wastewater)
Community Utilities of Pennsylvania, Inc.	:	
	:	
	:	
	:	

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

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Full Settlement of Rate Proceeding (Settlement) submitted by Community Utilities of Pennsylvania, Inc. (CUPA or Company) before the Pennsylvania Public Utility Commission (Commission), hereby submits this Statement in Support of Settlement to demonstrate that the OCA finds the terms and conditions of the Settlement to be in the public interest and in the interest of CUPA’s consumers. The OCA respectfully requests that the Commission approve the Settlement, without modification, for the reasons set forth herein.

I. BACKGROUND

On November 9, 2023, CUPA filed proposed Supplement No. 13 to its Water Service Tariff – Pa. P.U.C. No. 1 (Supplement No. 13) and Supplement No. 11 to its Wastewater Service Tariff – Pa. P.U.C. No. 1 (Supplement No. 11), with effective dates of January 9, 2024. CUPA requested an overall increase in annual operating revenues of approximately \$3,169,708, or 56%. OCA St. 2 at 3. Of the proposed increase, \$1,470,360 will come from an increase in water revenues, and \$1,738,944 will come from an increase in wastewater revenues. *Id.* For both water and wastewater

service, CUPA used a historic test year ending July 31, 2023 (HTY), future test year ending July 31, 2024 (FTY), and fully projected future test year ending July 31, 2025 (FPFTY).

As part of its filings in this proceeding, CUPA proposed to consolidate rates of the Tamiment service territory with the rates of the already consolidated territories, which includes the Penn Estates and Westgate service territories for water service and the Penn Estates and Utilities, Inc. of Pennsylvania (UIP) for wastewater service. OCA St. 4 at 7, 17. Further, to comply with the terms of the settlements in its previous rate case (Docket Nos. R-2021-3022506 (water) and R-2021-3022507 (wastewater)) and merger case (Docket Nos. A-2022-3036744 (water) and A-2022-3036745 (wastewater)), the Company also proposed expanding its low-income program to wastewater customers, increasing the income qualification threshold to 200% of the Federal Poverty Line (FPL), and offering an Arrearage Management Program (AMP). CUPA St. 2 at 15; CUPA St. 6 at 6. In conjunction with the merger, the Company has also proposed a cost-tracking mechanism, which will track all costs and benefits the Company receives associated with the merger. CUPA St. 6 at 8.

On December 8, 2023, the OCA filed a Formal Complaint and Public Statement in both the water and wastewater general rate increase requests. In its investigation of the rate filing and development of its position, the OCA analyzed the Company's claims, written testimony, and discovery responses. 58 unique consumers also filed formal complaints in these proceedings.

Public Input Hearings were held telephonically and in-person in Bethlehem and in Tamiment on January 30-31 and February 1, 2024. 47 customers, as well as Pennsylvania Senator Baker and Pennsylvania Representative Probst, testified at the Public Input Hearings expressing opposition to the proposed rate increase, raising affordability concerns, as well as quality of service

concerns regarding hyper-chlorinated water, lack of adequate pressure, and lack of adequate fire protection.

On February 6, 2024, the OCA filed its direct testimony: OCA Statement 1, the Direct Testimony of Nicholas A. DeMarco; OCA Statement 2, the Direct Testimony of Jennifer L. Rogers; OCA Statement 3, the Direct Testimony of Morgan N. DeAngelo; OCA Statement 4, the Direct Testimony of Jerome D. Mierzwa; and OCA Statement 5, the Direct Testimony of Terry L. Fought. The OCA also filed timely rebuttal testimony on March 5, 2024, and surrebuttal testimony on March 19, 2024.

Additional procedural history is provided in Appendix A to the proposed Settlement.

II. SETTLEMENT TERMS AND CONDITIONS

A. Overall

The terms and conditions of the Settlement address the issues raised in the OCA's Formal Complaints and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed-upon Settlement achieves a reasonable resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest, in the interest of CUPA's consumers, and should be approved by the Commission without modification.

B. Revenue Requirement Increase (Settlement ¶¶ 4-5).

CUPA initially proposed to increase its annual operating revenues for its water operations by approximately \$1,470,360 per year, or 62%, over the amount of annual revenues at present rates. OCA St. 2 at 3. Similarly, CUPA proposed to increase its annual operating revenues for its wastewater operations by approximately \$1,738,944 per year, or 51%, over the amount of annual revenues at present rates. *Id.*

In the OCA's direct testimony, the OCA recommended that the Company receive an increase no higher than \$1,161,538 (\$308,822 less than the Company's requested increase of \$1,470,360) for its water operations and \$1,201,945 (\$536,999 less than the Company's requested increase of \$1,738,944) for its wastewater operations. OCA St. 2 at 3-4. The OCA's adjusted revenue requirement increase reflected the OCA's recommended adjustments to address the primary drivers of CUPA's case, along with other recommendations related to other issues that the OCA has raised.

Under the Settlement, CUPA will be permitted a total annual revenue increase of \$1,227,538.10 for the Company's water division and \$1,447,621 for the Company's wastewater division. Settlement ¶¶ 4-5. Overall, this represents an increase of approximately 52% over present water division revenues and approximately 42.3% over present wastewater division revenues. Combined, this is approximately 9.2% less than the total amount requested by CUPA.

The Settlement represents a "black box" approach to the revenue requirement including cost of capital issues. Black box settlements avoid the need for protracted disputes over the merits

of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

The total increase authorized under the Settlement is less than 3% higher than the OCA's litigation position. Based on the OCA's analysis of CUPA's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case, especially when accompanied by other important conditions contained in the Settlement.

C. Stay Out (Settlement ¶ 6).

Under the terms of the Settlement, CUPA will not file for another general rate increase for water or wastewater service prior to February 9, 2026. Settlement ¶ 6. If the case were fully litigated, CUPA could potentially file for another general rate increase at any time. This Settlement provision is in the public interest as it ensures stability in the customers' newly established rates, such that CUPA cannot file a rate general request until at least February 9, 2026.

D. Effective Date (Settlement ¶¶ 7-8).

At the prehearing conference on January 11, 2024, CUPA voluntarily offered to extend the suspension period for the Company's general rate increase from August 9, 2024 to August 22, 2024 contingent upon CUPA being permitted to recover approved rates from the original suspension deadline date through the effective date of Commission approved rates. No parties

objected to this request. On January 25, 2024, the ALJs entered a Scheduling Order modifying the procedural suspension date from August 9, 2024, to August 22, 2024.

Under the terms of the Settlement, upon the entry of a Commission Order approving the Settlement, the Company will be permitted to file a tariff for water service, in the form attached hereto as Appendix B, and a tariff for wastewater service, in the form attached hereto as Appendix C, reflecting the agreed-upon additional operating revenue. Settlement ¶ 7. The parties also agreed to the implementation of the water and wastewater settlement rates on August 9, 2024, when the original statutory suspension period was to expire, if the Commission enters an Order approving the Settlement prior to or on that date. *Id.*

If the Commission's approval of this Settlement occurs after August 9, 2024, the parties agree that CUPA shall be entitled to recoup the revenue increase not billed from the effective date of August 9, 2024, through the date of any PUC approval of new rates in the manner set forth in the Commission's final Order in this proceeding. Settlement ¶ 8. The revenue increases not billed from the effective date of August 9, 2024, through the date of Commission approval of new rates will be recovered over a six-month period that shall be applied proportionately to all customer classes via a surcharge on each monthly bill during the six-month recovery period. *Id.* The Company will be permitted to file revised water and wastewater tariff pages to implement the surcharge, as set forth in Appendices B and C, respectively. *Id.*

By having the effective date of new rates match the Company's proposal, no additional surcharges will be charged to CUPA's customers to recover for the period between the original August 9, 2024 suspension date and the modified suspension date of August 22, 2024. An additional surcharge to recover rates for approximately thirteen days is unnecessarily complicated

and could potentially lead to customer confusion. As such, it is in the public interest to use the original effective date of August 9, 2024 as it would simplify the imposition of new rates.

E. COVID-19 Regulatory Asset (Settlement ¶¶ 9-12).

As part of its filing, CUPA included deferred charges in rate base that are comprised mainly of expense items, including rate case expense, multi-year tank maintenance, multi-year testing costs, and costs related to the COVID-19 pandemic. OCA St. 2 at 6. The amount that CUPA included in the FPFTY totals \$499,071 for water, and \$422,322. *Id.* In testimony, the OCA opposed the inclusion of CUPA's COVID-19 deferred charges in rate base as CUPA had not sought Commission approval to include these deferred charges in rate base. OCA St. 2 at 6.

As discussed in the OCA's testimony, inclusion of deferred costs in rate base needs to first be authorized by the Commission. OCA St. 2 at 6. Deferred charges are generally expenses incurred in prior periods that are recorded in a temporary asset account to be written off as expenses in the future. OCA St. 2 at 6. In proceedings specifically petitioning the Commission for deferral accounting, the utility "has been required to show that the expense item appears to be within the scope of the type of items that the Commission has allowed as an exception to the general rule against retroactive recovery of past expenses." *Petition Requesting Initiation of a Proceeding on Federal Funding Opportunities for Utilities Under the Infrastructure Investment and Jobs Act*, 2023 PA. PUC LEXIS 193, *12.

Under the terms of the Settlement, CUPA will remove the deferred charges related to the COVID-19 pandemic from rate base. Settlement ¶ 10. CUPA also agreed to no longer continue recording a regulatory asset for ongoing COVID-19 related incremental bad debt (other than reductions to bad debt in the regulatory asset associated with late recovery of such reflatad bad

debt) and other COVID-19 related expenses after the effective date of new rates for the instant proceeding. Settlement ¶ 12.

The Settlement ensures that CUPA will not be permitted to include these deferred expense items in rate base, but instead will be able to recover the COVID-19 regulatory asset amount of \$114,185 over a 5 year period. Settlement ¶ 9. The deferred charges included here are not capital investments, but rather reflect what the Company describes as costs incurred through normal operations. OCA St. 2 at 7. Expenses are to be recovered without profit. *Id.* Including these charges in the rate base would allow the Company to inappropriately earn a return on these expenses, which is not permitted. *Id.* As such, the Settlement's removal of the deferred charges related to the COVID-19 pandemic from rate base should be adopted.

F. Rate Design and Structure (Settlement ¶ 18).

1. Water Availability Rates (Settlement App. D).

CUPA proposed increasing availability charges for water customers from \$18.81 for Consolidated customers and \$9.31 for Tamiment customers to \$45.60 for all customers. OCA St. 4 at 14. This request represents a 250% increase for Consolidated customers and nearly 500% for Tamiment customers. *Id.* The OCA opposed this level of increase as being inconsistent with the concept of gradualism and recommended movement toward consolidation in this rate case rather than full consolidation, with regard to availability charges for water customers. *Id.* OCA witness Mierzwa recommended a lesser level of increase, closer to 1.5 to 2.0 times the system average increase. *Id.*

The proposed Settlement adopts the recommendations presented by Mr. Mierzwa. Settlement App'x D. Specifically, the OCA recommended adopting availability charges of \$30.66 for Consolidated customers and \$18.11 for Tamiment customers. OCA St. 4R at 4-5. These

increases represent an increase of approximately 1.3 and 2.0 times the system average increase under the settlement rates, respectively. While still an increase of substantial size, the increased availability charges, under the OCA's recommendation, can be considered consistent with the concept of gradualism. OCA St. 4 at 9. Further, this increase moves the Tamiment rate district's availability rates towards consolidation with the Consolidated rate district, in line with how the rate districts have been consolidated for all non-availability rates for both water and wastewater customers.

2. Customer Charges – Water (Settlement App. D).

CUPA proposed increasing the customer charge for all water customers to \$23.40, up from \$17.25 (a \$6.15 or 36% increase) for Consolidated customers and from \$18.18 (a \$5.22 or 29% increase) for Tamiment customers. OCA St. 4 at 9-10. The OCA argued that CUPA's proposed customer charges were too high and exceeded the direct customer cost-of-service. *Id.* The OCA proposed, instead, that the fixed customer charge for all water customers should be set at \$17.25, which would create no increase for Consolidated customers and a decrease of \$0.93 (5%) for Tamiment customers. *Id.* at 13.

Under the terms of the Settlement, the fixed customer charge for all water customers will be set at \$18.18, meaning that Tamiment customers will see no increase in their customer charge while Consolidated customers will see a \$0.93, or 5%, increase. Settlement App'x D. While \$18.18 is still above the actual direct customer cost of providing water service to CUPA's customers of \$13.05, having a slightly higher customer charge requires less increase to volumetric charges in order to satisfy the Company's revenue requirement. OCA St. 4 at 13. The Settlement rate design, as a result, limits the increase to fixed customer charges while having a relatively similar rate impact to the OCA's litigation position of \$17.25 for residential customers at all usage levels. As

such, customers will have greater ability to control their bills through conservation than under the Company's initial proposal, and a similar ability as at present rates.

3. Customer Charge – Wastewater (Settlement App. E).

CUPA proposed increasing the customer charge for all water customers to \$51.65, up from \$26.15 (a \$25.50 or 98% increase) for Tamiment customers. OCA St. 4 at 17. The OCA argued that CUPA's proposed customer charges were too high and exceeded the direct customer cost-of-service. *Id.* at 19. The OCA proposed, instead, that the fixed customer charge for all wastewater customers should be set at \$26.15, which is the customer charge currently in effect for Tamiment customers. *Id.* CUPA also proposed transitioning the Consolidated rate district from flat to metered service, which the OCA supports. *Id.* at 17.

Under the terms of the Settlement, the fixed customer charge for all water customers will be set at \$39.90, meaning that Tamiment customers will see an increase of \$13.75, or 53%. Settlement App'x E. While \$39.90 is still above the actual direct customer cost of providing water service to CUPA's customers of \$11.55, having a higher customer charge requires less increase to volumetric charges in order to satisfy the Company's revenue requirement. OCA St. 4 at 19. The Settlement rate design, as a result, gives customers a greater ability to control their bills through conservation than under the Company's initial proposal, while still gradually transitioning Consolidated wastewater customers towards a rate design responsive to water usage.

4. Conclusion

Based on the foregoing, the OCA submits that the portion of this Settlement pertaining to rate design is in the public interest. With regard to water availability rates, the Joint Petitioners adopted the OCA's litigation position, which represents a gradual increase for availability customers by falling within the Commission's accepted metric of 1.5 to 2.0 times the system average increase. OCA St. 4 at 14. Water customer charges are only a slight increase over current

charges for Consolidated customers with no increase for Tamiment customers, meaning that customers' control over their bills is largely identical to present rates, preserving incentives for conservation, and remaining closer to the actual cost of service of \$13.05 than under the Company's proposed rates. *Id.* at 13.

Similarly, wastewater customer charges will remain closer to the actual cost of service of \$11.55 than under CUPA's proposed rates than under the Company's initial proposal. *Id.* at 19. While wastewater customer charges will increase substantially under the terms of the Settlement for Tamiment customers, the Settlement's rate design represents a period of transition for Consolidated customers, who are currently receiving flat rate service. This Settlement represents a step towards providing CUPA wastewater customers with cost-of-service based customer charges rooted in direct customer costs without inducing rate shock as Consolidated customers begin paying volumetric rates.

Therefore, the Settlement's rate design is in the public interest because it balances CUPA's interest in maximizing recovery through fixed rates with the Commission's policies which favor rate designs that incentivize conservation and move gradually towards cost-of-service.

G. Low-Income Consumer Issues (Settlement ¶¶ 13-29)

1. Increased Discount (Settlement ¶ 18.a)

CUPA proposed expanding access to its low-income discount program of 35% to qualifying customers' volumetric rate from only water customers to also include wastewater customers. OCA St. 1 at 19, 21. CUPA also proposed that customers would qualify for the low-income program if they have household incomes of at or below 200% of the Federal Poverty Level (FPL), an increase from the current maximum income level of 100% FPL. *Id.* at 21. No party submitted testimony opposing CUPA's proposed expansions, and CUPA agreed in rebuttal to

apply the discount to both volumetric and customer charges, which was not contested in I&E's or OSBA's surrebuttal testimony. CUPA St. 2R at 12.

While the OCA supported CUPA's proposals, due to the affordability concerns identified by OCA witness DeMarco and myriad witnesses at the public input hearings in this case, the OCA argued that CUPA should expand the low-income discount even further to increase bill affordability for CUPA's low-income customers. OCA St. 1 at 18. Specifically, the OCA recommended that CUPA should implement a tiered bill discount program which provides greater discounts at lower-income levels for qualifying customers, including a 40% discount at 150% - 200% FPL, a 60% discount to customers between 100% and 150% FPL, and an 80% discount to customers at or below 100% FPL. *Id.* at 33-34. In the alternative, Mr. DeMarco recommended that customers receive a 60% discount to volumetric and customer charges. OCA St. 1SR at 15.

In the Settlement, CUPA agreed to implement a 45% discount program for volumetric and customer charges, for water and wastewater customers who qualify at or below 200% FPL. Settlement ¶ 18.a. The 45% discount presents a reasonable compromise between the OCA's position of a 60% discount and CUPA's proposed 35% discount. As Mr. DeMarco provided in his testimony, the target for bill affordability, according to the United States Environmental Protection Agency (EPA), is 2% of a household's monthly income for water service and 2.5% for wastewater service. OCA St. 1 at 31. Under CUPA's proposed rate and discount design, no customer at or below 200% FPL would fall within the EPA's affordability metric, and applying the discount to both customer and volumetric charges would still leave water service unaffordable for all customers at or below 200% FPL. *Id.* at 31-33. While a tiered discount program would increase affordability at all income levels for qualifying customers, applying a 45% discount puts customers above 150% FPL within the EPA's affordability metric, which is a step towards ensuring all CUPA

customers can afford their monthly water and wastewater bills. *Id.* at 34. Further, CUPA committed to proposing an additional discount tier in its base rate case for customers at or below 75% FPL, making its bills more affordable for its lowest income customers. Settlement ¶¶ 19.

Bill affordability is a significant concern, particularly given the magnitude of CUPA's proposed increases to water and wastewater bills. This concern is raised in the direct testimony of OCA witness DeMarco. The proposed low-income program expansion would help to make bills more affordable and mitigate the impact of the increase. As Mr. DeMarco noted, other water utilities have a customer assistance program in place. OCA St. 1SR at 12. Consistent with the OCA's recommendation, the proposed Settlement will provide more affordable bills to CUPA's low-income customers.

2. Low-income Outreach (Settlement ¶¶ 14.e, 17)

CUPA proposed no changes to its current outreach efforts to inform its customers regarding its low-income program. Instead, CUPA indicated that the efforts undertaken for the settlements in its 2021 base rate proceeding and 2022 merger proceeding were sufficient. OCA St. 1 at 25-28. However, the OCA was concerned that CUPA's outreach efforts are not sufficient; OCA witness DeMarco estimated that approximately 350 households at or below 100% FPL could reside in CUPA's service territory, while only seven customers are currently enrolled in CUPA's low-income program. *Id.* at 23. While it is likely that some of the 59 customers who had previously applied but have not been enrolled in the low-income program may qualify under the increased income threshold of 200%, it is unlikely that the Company's current outreach strategy would result in additional applications for its low-income program. OCA St. 1SR at 14.

Under the terms of the Settlement, however, the Company is required to conduct two different outreach activities that, absent the Settlement, it would not likely have undertaken. First,

CUPA will provide quarterly bill inserts with information regarding its low-income program in English and in Spanish. Settlement ¶ 14.e. Second, CUPA will have annual, in-person meetings in each of its four service territories to discuss, among other topics, the low-income program. *Id.* at ¶ 17.

These two commitments, in addition to CUPA's suggestion made in its Rebuttal testimony that it provide quarterly updates regarding its low-income program through its existing Voice Reach system, provide a well-rounded approach to consumer outreach. CUPA argued that the Voice Reach system is cost-effective and that its customers are used to receiving information from the Voice Reach system, making it a good tool to use to promote the low-income program. CUPA St. 2RJ at 18. However, the Voice Reach system is most effective when paired with other forms of consumer access, such as in-person events and mailings, to ensure that as many qualifying customers are reached as possible. OCA St. 1SR at 9. Many customers who may qualify for the low-income discount may not have consistent access to phone or internet service, making it difficult to contact them through the Voice Reach system, which uses phone calls, texts, and emails to provide information to customers. *Id.*

As a result, requiring CUPA to issue quarterly mailings and hold annual customer meetings is a step in the right direction. While potentially not as effective of forms of outreach as partnering with community-based organizations – such as places of worship, community centers, and public libraries – which may be able to better communicate information regarding CUPA's low-income program than the Company to CUPA's customers, customers should be given information regarding the low-income program in as many media as possible. OCA St. 1 at 29. Adding two forms of outreach to CUPA's current practices is more likely to result in customers knowing about,

understanding, and applying for CUPA's low-income program than at present or under the Company's proposals made during litigation.

3. AMP Outreach (Settlement ¶¶ 28, 29)

Similarly, CUPA provided no information regarding specific outreach measures for the Arrearage Management Program (AMP) it proposed in this proceeding. The OCA argued that customers contacting CUPA, or the administrator of CUPA's low-income program, Dollar Energy Fund (DEF), regarding difficulty paying their bills, then CUPA should attempt to enroll the customer in the low-income program and the AMP, if they would qualify. OCA St. 1 at 38. CUPA did not accept the OCA's position in rebuttal and rejoinder and did not specifically respond to the OCA's arguments why customers should not be informed of both programs. CUPA St. 6R at 7; CUPA St. 6RJ at 6. As a result, the Settlement ensures that, if a customer contacts CUPA or DEF about being potentially payment-troubled, then the customer will be informed of both the low-income program and AMP, including the eligibility requirements, as recommended by the OCA. Settlement ¶ 29. In addition, customers who are enrolled in the low-income program will be automatically offered participation in the AMP program, if they have sufficient arrearage balance. *Id.* at ¶ 28.

As with CUPA's low-income program, outreach opportunities are imperative to ensure that the Company administers an effective program which will, in the long-term, reduce customers' uncollectible expense while putting them on track to pay monthly bills on-time and in-full. Notifying customers who indicate they may be payment-troubled cuts provides CUPA with direct access to the customers most in need of enrollment in the low-income program and AMP, if they should qualify. Similarly, as only customers enrolled in the low-income program can participate in the AMP, notifying customers regarding the AMP as they are enrolled in the low-income

program is the most effective way to ensure that all AMP-qualifying customers are aware of their ability to participate in the AMP. By improving outreach opportunities for the AMP program, the Settlement places CUPA on a path to providing its customers with an effective course to participation in the AMP and relief from past-due balances for qualifying customers.

4. AMP Protections (Settlement ¶¶ 23, 24, 26)

CUPA's proposed AMP contained no explicit protections for participants regarding the customers' ability to afford AMP payments under the proposed, the customers' ability to make late or partial payments, or how their contributions to the AMP would affect their arrearage balance in case of default. Supplement No. 13 at 12B; Supplement No. 11 at 6B. The OCA proposed several protections, including increasing the length of time of the payment arrangement, setting a lower arrearage balance as qualifying for the AMP, and providing that late or partial payments should not constitute non-compliance for the purpose of removing a participant from the AMP. OCA St. 1 at 37-38; *see also* 52 Pa. Code § 56.97 (when establishing a payment arrangement, the utility should consider "the size of the unpaid balance, the ability of the customer to pay, the payment history of the customer and the length of time over which the bill accumulated."). CUPA rejected these proposals during litigation, providing instead that the AMP, as proposed, adequately balanced the interests of customers' ability to receive arrearage forgiveness with the Company's interest in on-time payments in-full, without incurring additional costs for administering the program. CUPA St. 6RJ at 7.

However, the Settlement captures some of the OCA's recommendations. Under the terms of the Settlement, CUPA guaranteed it will allow for good faith flexibility with regard to the customer's ability to pay, the length of time over which the balance accumulated, the payment history of the customer, and the size of the unpaid balance. Settlement ¶ 23. While not adopting

the OCA’s recommendation in full, the Settlement permits CUPA to deviate from the established “default” AMP articulated in its proposed tariff supplements, a guarantee which was not likely to be established through the litigation process and brings the AMP in line with the Commission’s regulations regarding payment arrangements. As a result, the OCA submits that this provision puts qualifying customers in a better “position to maintain good payment habits and avoid accruing utility debt” without compromising CUPA’s ability to recover AMP payments, which the Commission has stated is one of its aims with enrolling customers in customer assistance programs, such as CUPA’s proposed AMP. *2019 Amendments to Policy Statement on Customer Assistance Program, 52 Pa. Code § 69.261–69.267*, Docket No. M-2019-3012599, Final Policy Statement and Order, Docket M-2019-3012599 (September 19, 2019) at 46.

Similarly, the Settlement requires CUPA to submit with its next general rate increase “an analysis and costs to implement changes to its billing system” which would permit greater flexibility for AMP customers to select a billing date other than CUPA’s monthly designated billing date. Settlement ¶ 24. Bill payment flexibility is essential for customer assistance programs. OCA St. 1 at 38. As argued by Mr. DeMarco, “[i]f a customer is late, they should not lose forgiveness. For example, if a customer who is on Social Security receives their check on the first of the month, but their bill is due at the end of the month, that customer could be chronically late.” *Id.* A number of witnesses at the public input hearings testified that they are on fixed income and/or depend on social security for their cost of living. Tr. 53-57, 64-66, 111-15, 115-25, 127-31, 241-44, 265-66, 354-55, 365-67, 382-84, 385-91, and 410. While not all of these customers may currently qualify for CUPA’s low-income program, or might qualify under the increased income threshold, it is imperative to consider how a customer on a fixed income may function within the constraints of CUPA’s proposed AMP, which would not allow for late payments to qualify for

arrearage forgiveness. Such customers must be given latitude, and the Settlement puts CUPA on a path to be able to give latitude to customers on fixed incomes – or who otherwise may be chronically late in paying their utility bills – following the analysis of costs associated with billing system upgrades in its next base rate proceeding.

Finally, the Settlement ensures that all customer contributions towards arrearage forgiveness will constitute progress towards their arrearage balance if the customer defaults on the AMP. Settlement ¶ 26. In his testimony, Mr. DeMarco suggested that, in the event of default, a customer should not lose their progress towards arrearage forgiveness. OCA St. 1 at 38. However, Mr. DeMarco’s recommendation would not be effective under the AMP implemented in the Settlement, as customers are removed from the AMP upon default and cannot reapply for 12 months. Settlement ¶ 25. As a result, the guarantee that all contributions will reduce a customer’s overall arrearage balance provides the closest reasonable alternative to Mr. DeMarco’s recommendation, ensuring that customers’ contributions are still going to assist the customer in reducing their utility debt, even if they do not receive total forgiveness.

5. Conclusion

The terms of the Settlement regarding the low-income and AMP programs are in the public interest. CUPA would not be required to implement the OCA’s recommendations regarding an increased discount for low-income customers, low-income or AMP outreach, or consumer protections for the AMP program absent the Settlement. CUPA’s obligations under the terms of the Settlement will provide significant benefit to CUPA’s current qualifying low-income customers, while providing more customers with critical information regarding CUPA’s low-income program. While the Settlement does not adopt the entirety of the OCA’s recommendation with regard to improvements to the low-income or AMP programs, the Settlement does constitute

a marked improvement in CUPA's programs and progresses CUPA towards offering a more comprehensive and overall robust low-income program. Therefore, the portions of the Settlement regarding CUPA's low-income and AMP programs are in the public interest.

H. Water Quality and Service Issues (Settlement ¶¶ 31-35).

1. Unaccounted For Water (UFW) Mitigation and Reporting (Settlement ¶ 31).

Rate increases caused by system inefficiencies are unfair to ratepayers. OCA witness DeMarco testified that high UFW can indicate poor management and infrastructure. OCA St. 1 at 12. When UFW is measured, non-revenue water can be reduced which reduces chemical and power costs, provides for water conservation, and helps improve operational efficiency. Id. The Commission considers levels of UFW above 20% to be excessive. 52 Pa. Code § 65.20(4).

CUPA has an average UFW of 24.76%. OCA St. 1 at 12. CUPA's UFW for each of its systems is:

Penn Estates: 30.92%

Westgate: Pumpage from 1st to 31st operator read 11.33%

Pumpage from City Bill read 9.98%:

Tamiment: 28.07%

OCA St. 1 at 12.

Under the terms of the Settlement, for all of CUPA's systems, the Company will perform annual system wide leak detection and any associated repairs unless the individual system has an average UFW that is below 20% for the previous 6 months. Settlement ¶ 31.a. For Penn Estates, CUPA is currently working with the engineering firm GHD to design and implement virtual district metering areas (vDMA) at Penn Estates utilizing the 6 existing hydraulic model. The vDMAs serve to split the system into smaller zones, which will allow for ongoing monitoring and

quicker response times to locate and repair leaks. Settlement ¶ 31.b. The efforts outlined in the Settlement to reduce UFW are in the public interest as they are active steps that the Company will take to attempt to mitigate CUPA's excessive UFW.

OCA witness Fought also recommended that CUPA continue to be required to submit a Section 500 UFW calculation for each of its water systems as other utilities that have multiple systems have agreed to do. OCA St. 5 at 7. Under the terms of the Settlement, CUPA will submit an individual form 500 for each of its systems. Settlement ¶ 31.d.

OCA witness Fought further noted in testimony that CUPA also was required to provide a breakdown of lost and unaccounted for water by system dealing all identified causes in the previous base rate case settlement. OCA St. 5 at 7. OCA witness Fought recommended that CUPA should continue providing this data in future rate cases as well. *Id.* Under the terms of the Settlement, in future rate cases, CUPA will continue to provide a breakdown of lost and unaccounted for water by system detailing all identified causes as per the previous base rate case settlement. Settlement ¶ 31.e. In the previous base rate case settlement, CUPA only agreed to provide this data until the next base rate case. With this provision, CUPA will continue providing this important data to interested stakeholders.

OCA witness DeMarco recommended that CUPA update the OCA quarterly on all progress made towards lowering UFW. OCA St. 1 at 13. Under the terms of the Settlement, CUPA will provide quarterly updates regarding their UFW by system to the OCA and the Commission until CUPA files its next base rate case. Settlement ¶ 31.f. This data could be used for comparison with future submittals to determine progress in reducing UFW, especially in the Tamiment system. These are reasonable recommendations that should be adopted because the reporting will permit the parties to determine whether CUPA is making progress on reducing UFW.

2. Pressure Surveys (Settlement ¶ 32).

Among the issues identified in this case, the OCA identified a need for CUPA to develop a plan to address pressure issues throughout its system. The Commission requires utilities to maintain normal operating pressures of no more than 125 pounds per square inch gauge at each main, with limited exceptions. 52 Pa. Code § 65.6(a). The Commission has a maximum and minimum pressure criterion while DEP has a minimum and normal working pressure criterion. OCA St. 5 at 9. The PUC has a minimum criterion of 25 psi at the main while DEP's minimum criteria is 20 psi at ground level. *Id.* Assuming the main is buried 4.5 feet below ground, DEP minimum criteria is equivalent to 22 psi at the main. *Id.*

CUPA is aware of the highest and lowest pressure in each of its pressure zones. CUPA stated in its filing that:

Westgate - Water distribution PSI meets 52 Pa. Code, § 65.6(a) and 65.6(d). Penn Estates - Water distribution PSI exceeds 125 PSI in the lower elevations and does not meet 25 PSI in the higher elevations of the community. Penn Estates is in compliance with 52 Pa. Code, § 65.6(d). Tamiment - Water distribution PSI meets 52 Pa. Code, § 65.6(a). Tamiment will be in full compliance of required annual pressure surveys with the 2023-2025 hydrant contract per 52 Pa. Code, § 65.6(d).

OCA St. 5 at 10-11 (internal citations omitted).

CUPA reported that the Penn Estates pressure issues listed above last longer than 5 days. OCA St. 5 at 11. CUPA also noted that, per the 2021 Rate Case Settlement, a study was conducted by GHD to assess the system pressure. The study showed that normal operating pressure could not be decreased below 125 PSI without adversely impacting some customers. *Id.* In dealing with the system's pressure issues, CUPA had an Engineering Study completed for the Penn Estates system to comply with PUC minimum pressure requirements and increase pressures so that it is suitable for all household pressures. OCA St. 5 at 12. CUPA also noted that there was a Hydraulic Analysis on how to address system low and high pressures and intends to implement its recommendations

during 2024. *Id.* The study made multiple recommendations on how to address system PSI, with certain benefits and disadvantages. OCA St. 5 at 11. CUPA noted that a capital project is slated for 2024 to address Penn Estate's system pressure. *Id.*

OCA witness Fought expressed concern regarding CUPA's low pressure and explained that some of CUPA's reported pressures are extremely low and could indicate that nearby areas may be subject to negative pressures during periods of high demands, flushing, and fires. OCA St. 5 at 11. OCA witness Fought noted that negative pressures will allow contaminated ground water to enter the water mains at pipe joints and unrepaired leaks. *Id.* Even very low pressures are a problem because they impair customers' ability to use the water for daily needs, like cleaning. *Id.*

OCA witness Fought also testified to his concern that CUPA's pressure survey data also shows high pressures in the Penn Estates system. See OCA St. 5 at 11. As noted by OCA witness Fought, high pressures can cause damage to customer service lines and also the inside plumbing if the pressure reducing valve installed inside the building fails. OCA St. 5 at 12. Higher pressure also results in larger volumes of unavoidable pipeline leakage and leakage during pipeline and service line breaks. *Id.*

OCA witness Fought recommended that, before the filing of CUPA's next base rate case, CUPA should inform the parties in this proceeding what CUPA plans to implement to address the system's pressure issues. OCA St. 5 at 12; OCA St. 5SR at 2-3. Under the terms of the Settlement, before the next base rate case, CUPA will provide an update to the OCA, I&E, and OSBA on the implementation of the recommendations from the engineering study and hydraulic analysis to address low and high pressure in Penn Estates. Settlement ¶ 32. The Settlement adopted OCA witness Fought's recommendations.

3. Isolation Valves (Settlement ¶ 33).

Isolation valves are installed on water mains so that the water can be shut off in sections of the distribution system in case of a water main break or for main repairs and replacements. OCA St. 5 at 13. Isolation valves are also used to isolate unsafe water and to separate different pressure zones. *Id.* It should be noted that CUPA has also included valves that isolate fire hydrants from the distribution system in its listing of valves to exercise. *Id.*

Mr. Fought explained the importance of exercising isolation valves:

It is important to exercise isolation valves to prevent the valves from seizing up and getting stuck from corrosion or other deposits adjacent to the valve. An isolation valve that cannot be fully closed will increase the water loss during a water main break and increase the number of customers affected while the utility finds working valves to isolate a main break.

OCA St. 5 at 13-14. If an isolation valve becomes inoperable due to lack of being exercised, the valve will have to be repaired or replaced which can be very expensive. OCA St. 5 at 14.

CUPA exercises 50% of its distribution and hydrant valves on a rotating schedule annually. OCA St. 5 at 15. Zone 1 valves are exercised on odd years and Zone 2 valves are exercised on even years. *Id.* There are 342, 254, and 114 isolation and hydrant valves in the Penn Estates, Westgate, and Tamiment systems, respectively. OCA St. 5 at 15; OCA Exh. TLF-W2.

PUC auditors have recently encouraged water utilities to exercise critical valves on a one- to three-year cycle and the remaining non-critical valves on a seven- to ten-year cycle since AWWA's distribution valve exercising recommended guidelines can be resource intensive. OCA St. 5 at 14. OCA witness Fought testified that he agrees with the PUC Auditors' schedule. OCA St. 5 at 14-15.

OCA witness Fought noted that CUPA's valve exercising schedule was acceptable, but that CUPA should be required to provide additional information regarding isolation valves in the

form of a summary report should be submitted to the parties annually that identifies the valves that need to be located, uncovered, repaired and/or replaced. OCA St. 5 at 15-16; OCA St. 5SR at 4.

Under the terms of the Settlement, CUPA will submit documentation with its next rate case that identifies isolation valves that need to be located, uncovered, repaired and/or replaced in the following year. Settlement ¶ 33. The Settlement adopts OCA witness Fought's engineering recommendation.

4. Fire Hydrants and Fire Suppression, Tamiment (Settlement ¶ 34).

CUPA is not providing fire protection in the Tamiment system until additional improvements are made. OCA St. 5 at 16. At the Public Input Hearings in Tamiment, multiple customers expressed their concern regarding public safety and increased insurance costs due to a lack of operable fire hydrants. Tr. 231, 286, 328-333, 341, 360, 366, 382, 393-394. In addition to public safety concerns, if fire companies use hydrants that cannot provide the minimum necessary flow, it may cause negative pressures that can contaminate the distribution system. OCA witness Fought recommended that the fire hydrants that cannot provide the minimum fire flow should be painted black or otherwise identified to be used only as blow-off valves. OCA St. 5 at 16.

In rebuttal testimony, CUPA witness Long stated that "all hydrants within Penn Estates, Westgate, and Tamiment unable to support fire suppression are visibly marked as flushing hydrants." CUPA St. 4R at 7. In response, OCA witness Fought agreed that marking fire hydrants unable to meet minimum flow was agreeable. OCA St. 5SR at 5.

CUPA witness Long also testified in rebuttal testimony that "CUPA is willing to explore investing in systems to provide fire protection services, but this will take time and raise future rates for customers given the substantial investment required for these system upgrades." CUPA St. 4R at 8. CUPA witness Long further stated that "CUPA would be willing to have GHD perform a Fire

Flow Study of the Tamiment system.” *Id.* OCA witness Fought agreed with this approach. OCA St. 5SR at 5. Under the terms of the Settlement, engineering firm GHD will develop a hydraulic model utilizing existing data. Settlement ¶ 34. The hydraulic model will then be used to evaluate the fire suppression flows available throughout the Tamiment system before the next base rate case. *Id.* Utilizing GHD to develop a hydraulic model utilizing existing data is a reasonable approach to address this issue in a cost-effective manner and is in the public interest.

5. Service Fees (Settlement ¶ 35).

CUPA’s ratepayers are charged a “service fee” by First Billing Services for eCheck, credit, and debit card payments made online or over the phone. OCA St. 2 at 24. The following fees are directly applied by First Billing services to CUPA ratepayers at the time of payment:

Residential:

eCheck/credit/debit: \$0 to \$75 = \$1.99 fee

eCheck/credit/debit: \$75.01 to \$5,000 = \$2.25 fee

Commercial:

eCheck = \$2.25 fee

credit/debit: \$1.00 to \$5,000 = 2.45% fee

Automated recurring payments:

eCheck = \$0.99 fee

OCA St. 2 at 24-25.

OCA witness Rogers recommended that the Company offer no-fee payment methods for all customers. OCA St. 2 at 25. Under this methodology, customers would not be directly charged an additional fee at the time of payment. *Id.* Instead, these expenses would be recovered by CUPA directly under the Operations & Maintenance expenses in the cost of service. *Id.* A no-fee

methodology increases customer convenience for these common payment methods, easing the process and removing a barrier to payment. *Id.*

Under the Settlement, CUPA will present a no-fee payment option for online payments in the next base rate case. Settlement ¶ 35. Under this methodology, customers will not be directly charged an additional fee at the time of payment. *Id.* Instead, these expenses will be recovered by CUPA directly under the O&M expenses in the cost of service. *Id.*

Electronic payment is not an irregular method of payment, but rather extremely and increasingly common. Per the Federal Reserve’s Survey and Diary of Consumer Payment Choice, for U.S. Consumers in 2022 “[a]s a share of all payments by number, most payments were by credit card (31 percent) or debit card (29 percent). By value, 43 percent of payments value was made electronically from a bank account using one of two ACH methods and 35 percent were made using a card (debit, credit, or prepaid).” OCA St. 2SR at 17-18 (internal citations omitted). To allow an outside company to impose additional charges on this common method of doing business is inappropriate. Presenting a no-fee payment option for online payments in the next base rate case is a reasonable compromise in furtherance of settlement as CUPA did not present data in this case for OCA witness Rogers to make an adjustment given CUPA’s response to OCA interrogatories indicating that the Company uses First Billing Services and that CUPA does not charge a service fee. OCA St. 2 at 25. CUPA’s presentation of a no fee payment option for online payments in the next base rate case is a reasonable step forward.

6. Conclusion

The provisions of this Settlement pertaining to water quality and service issues is in the public interest. Regarding UFW, pressure surveys, isolation valves, and fire hydrants in Tamiment, CUPA has adopted the OCA’s engineering recommendations. Moreover, while the OCA opposed

ratepayers being charged service fees by a third-party to pay their water and wastewater bills, CUPA's presentation of a service fee free payment option in the next base rate case is a reasonable attempt to move away from using a third-party billing system that charges fees to its customers merely for customers to be able to pay their bills.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of these rate investigations, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest and in the interest of CUPA's ratepayers.

Respectfully submitted,

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Dated: April 26, 2024

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APPENDIX I

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2023-3042804 (Water)
	:	R-2023-3042805 (Wastewater)
Community Utilities of Pennsylvania, Inc.	:	
Base Rates	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR APPROVAL OF SETTLEMENT
OF ALL ISSUES**

**TO: ADMINISTRATIVE LAW JUDGES STEVEN K. HAAS
AND ALPHONSO ARNOLD III:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Settlement of All Issues (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of the Community Utilities of Pennsylvania, Inc. (“CUPA” or the “Company”), I&E, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), (parties in the above-captioned proceeding and hereinafter collectively referred to as “Joint Petitioners” or the “Parties”), as well as the CUPA ratepayers.¹

¹ Numerous CUPA ratepayers filed formal and informal complaints in this proceeding.

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E's analysis of the CUPA base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety.

2. On November 9, 2023, Community Utilities of Pennsylvania, Inc. (“CUPA”) filed Supplement No. 13 to Tariff Water – Pa. PUC No. 1 (“Supplement 13”) and Supplement No. 11 to Tariff Wastewater – Pa. PUC No. 1 (“Supplement 11”) with the Commission, both to become effective January 9, 2024, for an increase in its water and wastewater rates. CUPA requested approval for revenue increases of \$1,470,360 for its water service and \$1,738,944 for its sewer service. CUPA stated the additional revenues are designed to produce \$3,830,944 and \$5,159,925 in annual water and sewer revenues.

3. As proposed, the average monthly bill for all 5/8-inch residential water customers, except for Tamiment, using 3,452 gallons would be \$101.37, representing an increase of approximately 59% over current bills. For customers in the Tamiment service territory, the average monthly bill for a 5/8-inch residential water customer using 2,270 gallons would be \$74.68, representing an increase of approximately 69%.

4. As proposed, the average monthly bill for residential wastewater customers, except for Tamiment, using 3,400 gallons would be \$112.51, representing an increase of approximately 50.5% over current bills. For customers in the Tamiment territory, the average monthly bill for a customer using 2,225 gallons would be \$91.48, representing an increase of approximately 59.79%.

5. CUPA's proposed increase was based on a fully projected future test year ("FPFTY") ending July 31, 2025, a Future Test Year ("FTY") ending July 31, 2024, and a historic test year ("HTY") ended July 31, 2023.

6. I&E filed its Notice of Appearance on November 13, 2023.

7. The OSBA filed a Notices of Appearance and a Formal Complaints in both the water and wastewater proceedings on November 29, 2023.

8. The OCA filed Formal Complaints in both the water and wastewater proceedings on December 8, 2023.

9. On December 15, 2023, the Commission entered an Order suspending the implementation of both CUPA's Supplement 13 (water) and Supplement 11 (wastewater) by operation of law until August 9, 2024, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in CUPA's proposed Supplement 13 and Supplement 11. The Commission also stated the investigation shall include consideration of the lawfulness, justness, and reasonableness of CUPA's existing rates, rules, and regulations.

10. The case was assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary, culminating in the issuance of a Recommended Decision.

11. A telephonic Prehearing Conference was held on January 11, 2024, at 10:00 a.m. before Administrative Law Judges Steven K. Haas and Alphonso Arnold III (the “ALJs”) during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

12. Six (6) public input hearings were held. Two (2) in-person hearings were held on January 30, 2024 at 1:00 p.m. and 6:00 p.m. in Bethlehem, Pa. Two (2) telephonic hearings were held on January 31, 2024 at 1:00 p.m. and 6:00 p.m. And, two (2) in-person public input hearings were held on February 1, 2024 at 1:00 p.m. and 6:00 p.m. in Tamiment, Pa.

13. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

14. After all parties agreed to waive all cross for all witnesses and all witnesses were excused, the evidentiary hearing scheduled for March 28-29, 2024 was cancelled. The parties requested and were granted the option of admitting all evidence (including all pre-served written testimony and exhibits) by joint stipulation and witness verification.

15. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following nine (9) pieces of testimony and accompanying seven (7) exhibits from three (3) I&E witnesses:

Zachari Walker

I&E Statement No. 1 (PROPRIETARY/Non-Proprietary)

I&E Exhibit No. 1 (PROPRIETARY/Non-Proprietary)

I&E Statement No. 1-SR

I&E Exhibit No. 1-SR

D. C. Patel

I&E Statement No. 2

I&E Exhibit No. 2

I&E Statement No. 2-R

I&E Statement No. 2-SR

Esyan Sakaya

I&E Statement No. 3 (Water)

I&E Exhibit No. 3 (Water)

I&E Statement No. 3 (Wastewater)

I&E Exhibit No. 3 (Wastewater)

I&E Statement No. 3-SR (Water)

I&E Exhibit No. 3-SR (Water)

I&E Statement No. 3-SR (Wastewater)

I&E Exhibit No. 3-SR (Wastewater)

16. Additionally, in consideration of Commission policy encouraging settlements at 52 Pa. Code § 5.231 and § 69.401 as they often achieve results preferable to a fully litigated proceeding, I&E participated in settlement discussions with CUPA and the Parties. Following extensive settlement negotiations, the Joint Petitioners reached a full settlement of all issues as set forth in the Joint Petition.

II. SETTLEMENT TERMS AND CONDITIONS

A. General

17. As stated *supra*, I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

18. “The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”² 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.”³

19. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission’s judgement, is preferable.⁴ The very nature of a settlement requires a review and discussion of all issues raised by the parties’ and a negotiated compromise on the part of all parties.

20. I&E submits that this Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

⁴ *See generally* 52 Pa. Code § 5.231 and § 69.401.

resolution for the Commission’s adoption that best serves the public interest.

Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by ALJ Long, and approved by the Commission, without modification.

B. Revenue Requirement/Black Box Settlement (*Joint Petition* ¶ 2-5).

The Joint Petitioners agree that the terms of this Settlement reflect a carefully balanced “black box” compromise of the interests of all the active Parties in this proceeding. The Joint Petitioners also agree that CUPA’s November 9, 2023, distribution base rate increase filing should be approved subject to the terms and conditions of the Settlement set forth in the Joint Petition.

More specifically, the Joint Petitioners agreed to settlement terms regarding the overall base rate revenue increase. The settlement as to revenue requirement shall also be a “black box” settlement, except for the items specifically set forth in the Joint Petition. Specifically, the settlement terms regarding revenue requirement are as follows.

Upon the entry of a Commission Order approving the Settlement, CUPA shall be permitted to file a tariff for water service and a tariff for wastewater service reflecting the agreed-to additional operating revenue. The Joint Petitioners request that the Commission make their determination during the August 1, 2024, public meeting so that the implementation of the Settlement Rates would occur on August 9, 2024, when the

original statutory suspension period was to expire. The agreed to Settlement revenue increases are as follows:

Water	Wastewater	TOTAL
\$1,227,538.10 ⁵	\$1,447,621.00 ⁶	\$2,675,159.10

I&E fully supports the negotiated level of overall base rate revenue increase as compared to CUPA’s original request. While the overall revenue requirement is a “black box” compromise, the overall revenue levels are within the levels advanced on the evidentiary record and reflect a full compromise of all revenue-related issues raised by the Parties.⁷ I&E’s final litigation position for the revenue increase for water was \$1,191,309⁸ and for wastewater was \$1,468,722.⁹ And, as a “black box” settlement, unless specifically addressed below, the Settlement does not reflect agreement upon individual issues. Therefore, in consideration of the extensive testimony presented by all of the Parties to this proceeding, I&E fully supports the negotiated level of overall base rate revenue increase as a full and fair compromise that provides CUPA, the Joint Petitioners, affected ratepayers, and the Commission with resolution of the overall revenue increase, all of which is in the public interest.

C. Stay Out (*Joint Petition ¶ 6*).

The Joint Petitioners agree that CUPA will not file, pursuant to 66 Pa. C.S. §

⁵ See Joint Petition, ¶ 4.

⁶ See Joint Petition, ¶ 5.

⁷ See I&E St. No. 1-SR, pp. 5-7.

⁸ *Id.*, p. 5.

⁹ *Id.*, p. 6. Both the negotiated settlement revenue increase for water and wastewater are essentially in line with I&E’s final litigation positions.

1308(d), for a general revenue increase to water or wastewater base rates earlier than February 9, 2026.

CUPA and the Joint Petitioners conducted good faith negotiations and as a result, a Stay Out was agreed to. I&E did not submit testimony on this issue. Parties other than I&E raised this issue during the settlement negotiations, and I&E did not oppose this proposition when it was raised. Therefore, in consideration of the result of the settlement negotiations, I&E does not oppose this settled upon stay out provision as a full and fair compromise that provides CUPA, the Joint Petitioners, the Commission, and the ratepayers with regulatory certainty and a resolution which is in the public interest.

D. Effective Date (*Joint Petition ¶¶ 7-8*).

In the Settlement the Joint Petitioners agree the Company will be permitted to file a tariff for water service, in the form attached to the Joint Petition as Appendix B, and a tariff for wastewater service, in the form attached to the Joint Petition as Appendix C, reflecting the agreed-upon additional operating revenue. The Joint Petitioners agree to the implementation of the Water Settlement Rates and Wastewater Settlement Rates on August 9, 2024, when the original statutory suspension period was to expire, if the Commission enters an Order approving the Joint Petition prior to or on that date.

As stated in the Joint Petition at footnote 4, the Joint Petitioners entered into an agreement to extend the procedural suspension date thereby extending the litigation schedule for the convenience of all parties. I&E supports this settlement term as part of the original agreement between the parties which was in the public interest then and is in the public interest now.

E. COVID-19 Regulatory Asset (*Joint Petition* ¶¶ 9-12).

In the Settlement, the Company has agreed to several provisions regarding recovery of the balance of the COVID-19 regulatory asset. To summarize, the Company has agreed that CUPA shall recover the COVID-19 balance of \$114,185 amortized over 5 years. Further, CUPA shall remove the deferred charges related to the COVID-19 pandemic from rate base.

I&E submitted extensive testimony regarding recovery of the balance of the COVID-19 regulatory asset¹⁰ ultimately agreeing the Company's proposed five-year amortization period.¹¹ On the other hand, however, I&E recommended rejection of the Company's proposal to allow rate base treatment of the unamortized COVID-19 regulatory asset.¹² Finally, I&E supports the Company's agreements to no longer continue recording a regulatory asset for ongoing COVID-19 related incremental bad debt (other than reductions to bad debt in the regulatory asset associated with late recovery of such related bad debt) and other COVID-19 related expenses after the effective date of new rates for the instant proceeding.

I&E, CUPA and the Parties conducted good faith negotiations and as a result, the Joint Petitioners agreed to the settlement terms set forth in the Joint Petition. Therefore, in consideration of the record evidence presented by the parties and the results of the settlement negotiations, I&E supports the settled upon terms as a full and fair compromise that provides CUPA, the Joint Petitioners, CUPA ratepayers, and the

¹⁰ See I&E St. No. 1, pp. 22-29; I&E St. No. 1-SR, pp. 14-17.

¹¹ *Id.*, p. 26; *Id.*, p. 17.

¹² *Id.*, p. 25; *Id.*, p. 17.

Commission with regulatory certainty and a resolution which is in the public interest.

F. Low Income Program (*Joint Petition ¶¶ 13-17*).

In the Settlement, the Joint Petitioners have agreed to several settlement terms regarding the Company's low-income program. The Joint Petitioners have agreed that the Company will expand the eligibility of its Low-Income Program to income up to 200% of the Federal Poverty Level ("FPL"). Further, the Joint Petitioners agree the Company will make certain recommended changes to the Low-Income section of its website. Also, the Company agreed it will continue to provide quarterly report updates detailing participation, usage, and revenue shortfalls/surpluses. And finally, the Company agreed it will hold annual customer meetings in each of its service territories where topics including the Low-Income Program will be discussed.

I&E submitted limited testimony on the low-income issues.¹³ Parties other than I&E raised the bulk of these issues in testimony and during the settlement negotiations. And, while I&E shares the concerns of the other parties, I&E also has concerns regarding low-income discounts to monthly customer charges,¹⁴ volumetric charges, and the expansion of low-income programs. I&E's concerns are with regard to the possible increase in any additional costs that may be spread over the remaining ratepayers.¹⁵ Nevertheless, I&E did not oppose these issues as they were raised by the other parties. And now, in consideration of the results of the settlement negotiations, I&E does not oppose these settled upon terms as a full and fair compromise that provides CUPA, the

¹³ See I&E St. No. 3, pp. 19-26; I&E St. No. 3-SR, pp. 11-13.

¹⁴ See *Id.*, pp. 20-22; *Id.*

¹⁵ See 66 Pa. C.S. §§1401, 1402 regarding consumer protections for timely paying customers.

Joint Petitioners, the Commission, and the ratepayers with regulatory certainty and a resolution which is in the public interest.

G. Rate Design (*Joint Petition ¶¶ 18-19*).

In the Settlement the Joint Petitioners agreed to a comprehensive rate design as set forth in Appendix D¹⁶ for water customers and Appendix E¹⁷ for wastewater customers attached to the Joint Petition. More specifically, the Joint Petitioners agree that CUPA will apply a 45% discount to both the volumetric usage and customer charge for all participants in the Low-Income Program, regardless of their income relative to the FPL. Further, it is agreed that CUPA will implement a 6.3% water and a 1% wastewater differential between commercial and residential customer charges consistent with the current rate design. Additionally, it is agreed that CUPA will present a tiered discount income-based plan with tiers at 50% and 75% FPL in the next base rate case. This tiered income-based plan will only be applied to and recovered from residential customers. Finally, it is agreed that for the purposes of establishing the revenue requirement in this case, CUPA shall utilize a consumption decline of 1.16% from the Historic Test Year (“HTY”) consumption levels to the Future Test Year (“FTY”) consumption levels and an additional decline of 1.16% from the FTY to the Fully Projected Future Test Year (“FPFTY”) consumption levels.

¹⁶ See Joint Petition, Appendix D.

¹⁷ See Joint Petition Appendix E.

I&E submitted extensive testimony regarding rate design, including cost of service and revenue allocation.¹⁸ I&E carefully considered the monthly customer charges, the volumetric charges, the monthly availability charges, and the cost of service claims provided by the Company.¹⁹ I&E also considered the concepts of gradualism, rate shock, and scale back of rates across all of the CUPA service territories.²⁰

Additionally, while considering all of the rate design, cost of service analyses and revenue allocations presented by the various parties, the Joint Petitioners engaged in extensive negotiations regarding the ultimate revenue allocation among rate classes, and the applicable customer and volumetric charges for each rate class. Difficult choices had to be made. All due consideration was given to the application of relative rate of return concepts as well as gradualism and rate shock concepts. After extensive negotiations among the Joint Petitioners and in consideration of all of the record evidence presented, I&E fully supports the revenue allocation and rate design settlement terms as set forth in the Joint Petition and on Appendix D and E attached to the Joint Petition as a full and fair compromise that provides CUPA, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty and resolution of the rate design and revenue allocation, all of which is in the public interest.

H. Arrearage Management Program (*Joint Petition* ¶¶ 20-29).

In the Settlement, the Joint Petitioners agree that the Company will implement

¹⁸ See I&E St. No. 3 (water), pp. 13-27; I&E St. No. 3 (wastewater), pp. 17-27; I&E St. No. 3-SR (water), pp. 6-18; I&E St. No. 3-SR (wastewater), pp. 10-11.

¹⁹ *Id.*, pp. 20-22; *Id.*, pp. 19-26; *Id.*, pp. 12-17; *Id.*, p. 11.

²⁰ See I&E St. No. 3 (water), pp. 23, 28; I&E St. No. 3-SR (water), pp. 12-13, 14-16, 19-20.

changes to CUPA's Arrearage Management Program ("AMP"). The Joint Petitioners negotiated extensive settlement terms regarding CUPA's AMP that are fully set forth in the Joint Petition at the paragraphs referenced above.²¹ To summarize, customers approved for CUPA's low-income rate and with a past-due balance greater than \$400 can participate in CUPA's AMP. Further, the AMP will be comprised of the total past due balance for all services (water and/or wastewater). The past due balance threshold of \$400 for participation in the AMP will be based upon this combined balance. Additionally, AMP customers will be enrolled in a multi-month Deferred Payment Arrangement ("DPA"). A DPA allows eligible customers to take their past-due balance and split their past-due balance over equal monthly installments. Further, the default AMP period for low-income customers will be 12 months.

I&E did not submit testimony on the arrearage management program issues. Parties other than I&E raised these issues in testimony and during the settlement negotiations. And, while I&E share the concerns raised by other parties, I&E also has concerns regarding the expansion of the arrearage management programs and the increase in any additional costs that may be spread over the remaining ratepayers.²² Nevertheless, I&E did not oppose these issues as they were raised. And now, in consideration of the results of the settlement negotiations, I&E does not oppose these settled upon terms as a full and fair compromise that provides CUPA, the Joint

²¹ See Joint Petition, ¶¶ 20-29.

²² See 66 Pa. C.S. §§1401, 1402 regarding consumer protections for timely paying customers.

Petitioners, the Commission, and the ratepayers with regulatory certainty and a resolution which is in the public interest.

**I. Integration Customer Protection Deferral Mechanism
(*Joint Petition ¶ 30*).**

In the Settlement the Joint Petitioners agree that CUPA shall set up a deferral account, “Integration Customer Protection Deferral Mechanism,” which will capture accrued costs and benefits of integration that occur for five years after the closing date of the merger transaction.²³ All parties reserve their rights to challenge recovery of any deferred amounts in future rate proceedings.

I&E submitted testimony on this issue and expressed concerns regarding the recovery from rate payers in the future of any “costs to achieve,” transaction costs, and claimed benefits.²⁴ I&E also raised concerns regarding whether recovery of these costs would constitute retroactive recovery in rates.²⁵ Further, I&E conducted a thorough review of the record evidence presented by all of the Parties. Finally, in consideration of all of the concerns expressed by all of the Joint Petitioners and the extensive negotiations between the Company and the Joint Petitioners, I&E fully supports the settled upon terms regarding the integration customer protection deferral mechanism as a full and fair compromise that provides CUPA, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

²³ See I&E St. No. 1 PROPRIETARY, pp. 33-37. See also Docket Nos. R-2022-3036744 (wastewater) and R-2022-3036745 (water) (Order entered September 8, 2023)

²⁴ I&E St. No. 1 PROPRIETARY, pp. 35-36; I&E St. No. 1-SR, pp. 21-23.

²⁵ I&E St. No. 1-SR, pp. 22-23.

J. Water Quality & Service Issues (*Joint Petition ¶¶ 31-35*).

In the Settlement the Joint Petitioners agree that the Company will address certain issues regarding water quality and service including (1) unaccounted for water mitigation and reporting; (2) pressure surveys; (3) isolation valves; (4) fire hydrants and fire suppression (Tamiment); and (5) service fees.²⁶

I&E submitted testimony regarding unaccounted for water mitigation and reporting,²⁷ inflow and infiltration,²⁸ fire suppression (Tamiment), and service fees generally.²⁹ I&E shares the Joint Petitioners concerns regarding the water quality and service issues, especially the unaccounted for water mitigation and the inflow and infiltration. Further, I&E performed a review of the record evidence presented by all of the Parties. And, in consideration of all of the concerns expressed by all of the Joint Petitioners and the negotiations between the Company and the Joint Petitioners, I&E fully supports the settled upon terms regarding water quality and service as a full and fair compromise that provides CUPA, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

K. Capital Reporting Requirements (*Joint Petition ¶¶ 36-37*).

In the Settlement the Joint Petitioners agreed that CUPA will file and serve upon the Commission's Bureau of Investigation and Enforcement and the Office of Consumer Advocate an updated CUPA Schedule A-1, Columns A-G, lines 1-50 (water) and 51-119

²⁶ See Joint Petition, ¶¶ 31-35.

²⁷ See I&E St. No. 3 (water), pp. 12-13.

²⁸ See I&E St. No. 3 (wastewater), p. 12.

²⁹ See I&E St. No. 3 (water), pp. 17-27; I&E St. No. 3-SR (water), pp. 7-11.

(wastewater) no later than November 1, 2024, that will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending July 31, 2024. Further, it is agreed that CUPA will provide an additional update through July 31, 2025, no later than November 1, 2025.

I&E submitted testimony regarding capital reporting requirements, plant in service, and rate base.³⁰ I&E expressed its belief that there is value in determining how closely CUPA's projected investments in future facility compare with the actual investments that are made by the end of the FTY and FPFTY.³¹ Determining the correlation between CUPA's projected and actual results will help inform the Commission and the parties in CUPA's future rate cases.³²

In consideration of the concerns expressed by I&E and the Joint Petitioners, I&E fully supports the settled upon terms regarding capital reporting requirements as a full and fair compromise that provides CUPA, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST (Standard Terms)

21. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first

³⁰ See I&E St. No. 3 (water), pp. 7-9; I&E St. No. 3 (wastewater), pp. 7-11.

³¹ *Id.*, p. 8; *Id.*, p. 11.

³² *Id.*, *Id.*

blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

22. I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all of which yield substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

23. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

24. 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 in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by

any other parties to the Settlement. Further, I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during any future proceeding regarding this Company or any other public utility.

25. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJs in their Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement of All Issues as being in the public interest and respectfully requests that Administrative Law Judges Steven K. Haas and Alphonso Arnold III recommend, and the Commission approves, the terms and conditions contained in the Joint Petition without modification.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
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(717) 787-4887
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Dated: April 26, 2024

APPENDIX J

OFFICE OF SMALL BUSINESS ADVOCATE STATEMENT IN SUPPORT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2023-3042804 (Water)
	:	R-2023-3042805 (Wastewater)
Community Utilities of Pennsylvania Inc.	:	
	:	

**STATEMENT IN SUPPORT OF THE SETTLEMENT OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

I. Introduction and Overall Reasons in Support of Settlement

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 Community Utilities of Pennsylvania Inc. (“CUPA” or the “Company”) on November 9, 2023. A full recitation of the procedural history in this case is provided in Appendix A to the Joint Petition for Settlement (“*Settlement*”) that was filed in the proceeding on April 26, 2024. As a signatory to the *Settlement*, the OSBA adopts the procedural history outlined in Appendix A to the *Settlement*.

The OSBA was an active participant in the litigation and the negotiations that led to the *Settlement*. The *Settlement* sets forth a comprehensive list of issues that were resolved through the negotiation process. The OSBA submits this statement in support of the *Settlement*.

II. Reasons for Support of Specific Issues

A and B.

Revenue Requirement for Water (A) and Wastewater (B)

In CUPA's initial filing, it sought a total increase to base rate revenues of water, wastewater and sewer service revenues totaling \$3.2 million, in water \$1,470,360 and wastewater service \$1,738,944 respectively.¹ (*Settlement*, p. 3-4, ¶ A(4) and B(5)).

The OSBA made several adjustments and recommendations to CUPA's proposed revenue requirement resulting in an overall reduction of \$389,644 to the requested revenue requirement.² In contrast, the *Settlement* provides CUPA with an increase retail tariff rate revenue of \$1,227,538 for water, and \$1,447,621 for wastewater (*Settlement*, p. 3-4, ¶ A (4)and B(5)). In other words, the *Settlement* provides that CUPA will receive a total increase to base rate revenues in the amount of approximately \$2,675,159 million (\$524,841, or approximately 16.4%, less than CUPA's filed position).

At a time when all types of utility service are becoming more expensive, and the COVID-19 pandemic continues to impact customers, the reduction in the overall revenue increase provided by the *Settlement* will benefit all of CUPA's consumers, including the Company's small business customers.

C. Stay Out

Additionally, the *Settlement* provides that CUPA will not file for a general rate increase any sooner than February 9, 2026. (*Settlement*, p. 4, ¶ II.C.6). This provision provides assurance to small business customers that the Company will not seek to increase rates for a

¹ OSBA Statement No. 1 (Public Version), p.5.

² OSBA Statement No. 1, p. 5.

significant period of time. Such assurance that water, wastewater, and stormwater rates will not increase for a set period of time provides certainty and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.

D. Effective Date

The OSBA took no position on this issue.

E. Covid-19 Regulatory Asset

The OSBA took no position on this issue.

F. Low Income Program

Please See discussion below on Rate Design. The OSBA took no position on the mechanics of CUPA's low-income programs. The OSBA's concerns about the potential cost recovery of low-income residential costs from commercial customers is a factor in the OSBA's recommended rate design proposal.

G. Rate Design

As a result of CUPA's 2021 base rates case (R-2021-3020256 and R-2021-3020257) the Public Utility Commission approved a stipulation that included a partial consolidation of Tamiment rates, with full consolidation proposed in current base rates case.³ The consolidation of rates between water territories and CUPA's proposal to allocate costs to a single customer class within the class cost of service study ("CCOS") results in a cost of service that does not distinguish between residential and commercial customers.⁴ As OSBA witness Bieber testified, CUPA's current water rates utilize a different volume charge for residential and commercial customers, currently 5.1% lower than residential volume charges.⁵ The OSBA

³ OSBA Statement No. 1, p. 15, (citation omitted)

⁴ *Id.*

⁵ OSBA Statement No. 1, p. 15-16

recommended 5.1% differential would reflect the currently approved differential and also provide recognition of efficiencies that higher volume customers provide in their utilization of the water system infrastructure.

The rate design and structure reflected in the Settlement implements a 6.3% differential in water and a 1% differential in wastewater between commercial and residential volume charges only.⁶ The OSBA did not recommend, nor does the *Settlement* reflect, modifications to the rate design for base charges such as fire protection or the availability fee. Maintaining a differential between residential and commercial water volume charges, in addition to implementing a differential between residential and commercial water volume charges, also helps mitigate the disproportionate bill impacts that would otherwise be imposed on commercial water and wastewater customers resulting from the low-income program.

H. Arrearage Management Program

The OSBA took no position on this issue.

I. Integration Customer Protection Deferral Mechanism

The OSBA took no position on this issue.

J. Water Quality and Service Issues

The OSBA took no position on this issue.

K. Capital Reporting Requirements

The OSBA took no position on this issue.

⁶ *Settlement* at p.7. See also, Appendix D and Appendix E

III. Conclusion

Settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency and will allow the OSBA to more efficiently employ its resources in other areas.

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

Respectfully submitted,

/s/ Sharon E. Webb

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Office of Small Business Advocate
Forum Place
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Dated: April 26, 2024

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY ELECTRONIC MAIL ONLY

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Dated this 26th day of April, 2024.