

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17120**

Public Meeting held August 22, 2024

Commissioners Present:

Stephen M. DeFrank, Chairman, Verbal Statement
Kimberly Barrow, Vice Chair, Statement
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

Pennsylvania Public Utility Commission

Docket No.
R-2024-3049341

v.

Jefferson Estates Sewage Treatment Plant,
Inc.

ORDER

BY THE COMMISSION:

On May 30, 2024, Jefferson Estates Sewage Treatment Plant, Inc. (JESTP), Utility Code 230185, filed Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1 (Supplement No. 6) with the Pennsylvania Public Utility Commission (Commission) to become effective September 1, 2024. Supplement No. 6 would increase JESTP's total annual operating revenues for wastewater service by approximately \$13,104, or 29.4%.

JESTP provides wastewater service to approximately 98 residential customers in portions of Jefferson and Washington Townships, Fayette County, Pennsylvania. JESTP's current monthly flat rate of \$34 per dwelling unit became effective November 1, 2002. Through Supplement No. 6, JESTP proposed to increase its monthly flat rate from \$34 to \$44.

Investigation and analysis of this proposed tariff supplement and the supporting data indicates that the proposed tariff supplement may be unlawful, unjust, unreasonable,

and contrary to public interest. It also appears that consideration should be given to the reasonableness of JESTP's existing rates, rules, and regulations. At the same time, investigation and analysis of this tariff supplement and the supporting data indicates that a lesser increase in rates may be just and reasonable;¹ **THEREFORE,**

IT IS ORDERED:

1. That if, on or before August 30, 2024, Jefferson Estates Sewage Treatment Plant, Inc. files a tariff or tariff supplement, effective upon five (5) days' notice to the Commission, that cancels and supersedes Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1, and that contains proposed changes in rates calculated to produce additional annual revenues of approximately \$9,583 incorporating the schedule of rates shown on Attachment A, attached hereto, the tariff or tariff supplement proposing the increase shall be permitted to become effective upon five (5) days' notice.

2. That if Jefferson Estates Sewage Treatment Plant, Inc. does not file a tariff or tariff supplement cancelling and superseding Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1, as described in Ordering Paragraph 1 of this Order, on or before August 30, 2024, or if the Commission has not granted Jefferson Estates Sewage Treatment Plant, Inc. additional time to file, the following shall apply:

a. That an investigation on Commission motion shall be instituted without further Order of the Commission, to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in Jefferson Estates Sewage Treatment Plant, Inc.'s proposed Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1;

¹ See, Attachments A, C, and D of this Order for the adjusted rate schedule, rate case summary, and rate of return analysis, respectively.

b. That Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1 shall be, without further Order of the Commission, suspended until April 1, 2025, unless otherwise directed by Order of the Commission;

c. That within ten (10) days following the suspension of Supplement No. 6 to Tariff Sewer - Pa. P.U.C. No. 1, pursuant to 52 Pa. Code § 53.71, Jefferson Estates Sewage Treatment Plant, Inc. shall e-file (or file) a tariff supplement, which shall bear no effective date, with the Commission and post the tariff supplement at the offices of Jefferson Estates Sewage Treatment Plant, Inc. announcing that the aforementioned tariff supplement is suspended until April 1, 2025. A sample copy of a suspension supplement is provided in Attachment B of this Order;

d. That this investigation shall include consideration of the lawfulness, justness, and reasonableness of the existing rates, rules, and regulations of Jefferson Estates Sewage Treatment Plant, Inc; and

e. That this case be assigned to the Office of Administrative Law Judge for Alternative Dispute Resolution, if possible, and for the prompt scheduling of such hearings as may be necessary culminating in the issuance of a recommended decision.

3. That a copy of this Order shall be served upon Jefferson Estates Sewage Treatment Plant, Inc., the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and any persons who have filed formal complaints against the proposed tariff supplement.

4. That this Order is without prejudice to any formal complaints timely filed against Jefferson Estates Sewage Treatment Plant, Inc.'s proposed tariff supplement.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: August 22, 2024

ORDER ENTERED: August 22, 2024

ATTACHMENT A
Schedule of Rates

Charges

The charge per dwelling unit is a flat rate of \$42.15 per month.

ATTACHMENT B
Sample Suspension Supplement

Supp. No. _____ to
_____ Pa. P.U.C. No. _____.

(COMPANY NAME)

(TERRITORY SERVED BY COMPANY)

The application of rates proposed in Supplement No. _____ to Tariff _____ Pa. P.U.C. No. _____ filed to become effective _____, is hereby suspended until _____, at Docket No. _____. Presently effective rates contained in Tariff _____ Pa. P.U.C. No. _____ and supplements thereto, will continue in effect until otherwise amended. Issued in compliance with Title 66 Pa. C.S. § 1308.

ATTACHMENT C
Rate Case Summary

TABLE I							
Jefferson Estates Sewage Treatment Plant, Inc.							
INCOME SUMMARY							
R-2024-3049341							
	Company Per Books		Company <i>Pro Forma</i>		Staff <i>Pro Forma</i>		Total Allowable
	Present Rates (1)	Company Adjustments (1)	Present Rates (1)	Staff Adjustments	Present Rates	Staff Revenue Increase	Revenues
	\$	\$	\$	\$	\$	\$	\$
Operating Revenue	44,907	0	44,907	0	44,907	9,583	54,490
Expenses:							
O & M Expense	49,405	0	49,405	0	49,405	0	49,405
Depreciation	0	0	0	1,475	1,475	0	1,475
Taxes, Other	349	0	349	0	349	61	410
Income Taxes:							
State	0	0	0	0	0	0	0
Federal	0	0	0	0	0	0	0
Total Expenses	49,754	0	49,754	1,475	51,229	61	51,290
Net Inc. Available for Return	(4,847)	0	(4,847)	(1,475)	(6,322)	9,522	3,200
Rate Base	15,400	0	15,400	23,312	38,712		38,712
Rate of Return	-31.47%		-31.47%		-16.33%		8.26700000%
Notes and Sources:							
(1) See JESTP Schedule H-1, Column Per Books 12/31/2023, and Schedule F-1, Column Pro Forma Rates Current 12/31/2023.							

TABLE (A)						
Jefferson Estates Sewage Treatment Plant, Inc.						
RATE OF RETURN						
R-2024-3049341						
	Structure	Cost	After-Tax Weighted Cost	Effective Tax Rate Complement		Pre-Tax Weighted Cost Rate
Total Cost of Debt			3.09575000%			
Long-term Debt (1)	50.75%	6.10%	3.09575000%			3.10%
Short-term Debt	0.00%	0.00%	0.00000000%			
Preferred Stock	0.00%	0.00%	0.00000000%	1.000000		0.00%
Common Equity (1)	49.25%	10.50%	5.17125000%	1.000000		5.17%
Total	<u>100.00%</u>		<u>8.26700000%</u>			<u>8.27%</u>
Pre-Tax Interest Coverage	2.67					
After-Tax Interest Coverage	2.67					
Notes and Sources:						
(1) See Attachment D - Rate of Return Analysis.						

TABLE I(B)					
Jefferson Estates Sewage Treatment Plant, Inc.					
REVENUE FACTOR					
R-2024-3049341					
100%					1.00000000
Less:					
Uncollectible Accounts Factor (1)					0.00000000
PUC, OCA, OSBA, DPC Assessment Factors (2)					0.00637145
Gross Receipts Tax					0.00000000
Other Tax Factors					0.00000000
					0.99362855
State Income Tax Rate (1)					0.00000000
Effective State Income Tax Rate					0.00000000
Factor After Local and State Taxes					0.99362855
Federal Income Tax Rate (1)					0.00000000
Effective Federal Income Tax Rate					0.00000000
Revenue Factor (100% - Effective Tax Rates)					0.99362855
<u>Notes and Sources:</u>					
(1) JESTP did not claim an uncollectible accounts factor or any income tax expenses.					
(2) See Notice of Assessment for PUC, OCA, OSBA, and DPC for FY 2023-2024.					

TABLE II
Jefferson Estates Sewage Treatment Plant, Inc.
SUMMARY OF ADJUSTMENTS
R-2024-3049341

Adjustments	Rate Base	Revenues	Expenses	Depreciation	Taxes-Other	State Income Tax	Federal Income Tax
	\$	\$	\$	\$	\$	\$	\$
RATE BASE:							
CWC:							
Int. & Div. (Table IV)	0						
Taxes (Table V)	51						
O & M (Table VI)	5,825						
UPIS (Table VII)	17,263						
Inventory (1)	173						
REVENUES:							
		0				0	0
EXPENSES:							
			0			0	0
DEPRECIATION:							
Depreciation (Table VII)				1,475		0	0
TAXES:							
Interest Synchronization (Table III)						0	0
TOTALS	23,312	0	0	1,475	0	0	0

Notes & Sources:

(1) JESTP calculated its materials and supplies / inventory rate base claim as 1% of Net Utility Plant in Service (UPIS). See JESTP Schedule F-1, Line No. 4. Therefore, UPIS adjustments require concomittant Inventory adjustments.

TABLE III	
Jefferson Estates Sewage Treatment Plant, Inc.	
INTEREST SYNCHRONIZATION	
R-2024-3049341	
Description	Amount (\$)
Company Rate Base Claim	15,400
Staff Rate Base Adjustments	23,312
Staff Rate Base	38,712
Weighted Cost of Debt	3.09575000%
Staff Interest Expense	1,198
Company Claim (1)	0
Total Staff Adjustment	(1,198)
Company Adjustment	0
Net Staff Interest Adjustment	(1,198)
State Income Tax Rate	0.00%
State Income Tax Adjustment	0
Net Staff Interest Adjustment	(1,198)
State Income Tax Adjustment	0
Net Staff Adjustment for F.I.T.	(1,198)
Federal Income Tax Rate	0.00%
Federal Income Tax Adjustment	0
Notes and Sources:	
(1) JESTP did not claim any income tax expenses.	

TABLE IV				
Jefferson Estates Sewage Treatment Plant, Inc.				
CASH WORKING CAPITAL - Interest and Dividends				
R-2024-3049341				
Accrued Interest			Preferred Stock Dividends	
	Long-Term Debt	Short-Term Debt		
Company Rate Base Claim	\$15,400	\$15,400	Company Rate Base Claim	\$15,400
Staff Rate Base Adjustments	\$23,312	\$23,312	Staff Rate Base Adjustments	\$23,312
Staff Rate Base	\$38,712	\$38,712	Staff Rate Base	\$38,712
Weighted Cost of Debt	3.09575000%	0.00%	Weighted Cost Pref. Stock	0.00000000%
Staff Annual Interest Exp.	\$1,198	\$0	Staff Preferred Dividends	\$0
Average Revenue Lag Days	0.0	0.0	Average Revenue Lag Days	0.0
Average Expense Lag Days	0.0	0.0	Average Expense Lag Days	0.0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
Working Capital Adjustment				
Staff Daily Interest Exp.	\$3	\$0	Staff Daily Dividends	\$0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
Staff Working Capital	\$0	\$0		\$0
Company Claim (1)	\$0	\$0	Company Claim (1)	\$0
Staff Adjustment	\$0	\$0		\$0
Total Interest & Dividend Adj.	\$0			
Notes and Sources:				
(1) JESTP did not claim any cash working capital for accrued interest or preferred stock dividends.				

TABLE V
 Jefferson Estates Sewage Treatment Plant, Inc.
 CASH WORKING CAPITAL -TAXES
 R-2024-3049341

Description	Company <i>Pro forma</i> Tax Expense Present Rates	Staff Adjustments	Staff <i>Pro forma</i> Tax Expense Present Rates	Staff Allowance	Staff Adjusted Taxes at Present Rates	Daily Expense	Net Lead/ Lag Days	Accrued Tax Adjustment
PUC Assessment	\$0	\$0	\$0	\$61	\$61	\$0.17	45.00	\$8
Public Utility Realty	\$349	\$0	\$349	\$0	\$349	\$0.96	45.00	\$43
State Income Tax	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00	\$0
Federal Income Tax	\$0	\$0	\$0	\$0	\$0	\$0.00	0.00	\$0
Total	\$349	\$0	\$349	\$61	\$410	\$1.13		\$51
						Staff Allowance (2)		\$51
						Less: Company Claim (1)		\$0
						Staff Adjustment		\$51
Notes and Sources:								
(1) JESTP did not claim any cash working capital for taxes.								
(2) Staff allowance was calculated using an assumed 45-day net lag.								

TABLE VI
 Jefferson Estates Sewage Treatment Plant, Inc.
 CASH WORKING CAPITAL – O & M EXPENSE
 R-2024-3049341

Description	Company <i>Pro forma</i> Test Year Expense	Staff Adj.	Staff <i>Pro forma</i> Expenses	Lag Days	Lag Dollars
O&M Expense	\$49,405	\$0	\$49,405	45.00	\$2,223,225
Other	\$0	\$0	\$0	45.00	\$0
Total	\$49,405	\$0	\$49,405	45.00	\$2,223,225
Staff Average Revenue Lag (2)	90.0				
Less: Staff Avg. Expense Lag (2)	45.0				
Net Difference	45.0	Days			
Staff Pro forma O & M Expense per Day	\$135				
Staff CWC for O & M	\$6,075				
Less: Company Claim (1)	\$250				
Staff Adjustment	\$5,825				
Notes and Sources:					

(1) See JESTP Schedule F-1, Line No. 7 - Line No. 3 - Line No. 4.

(2) Staff allowance was calculated using an assumed 45-day net lag.

TABLE VII
 Jefferson Estates Sewage Treatment Plant, Inc.
 UTILITY PLANT IN SERVICE
 R-2024-3049341

For Test Year Ended:		12/31/2023															
Note No.	Acct. No.	Date Inst.	Today's Date 7/15/2024 Description of Plant	Company Original Cost (\$)	Original Adjust (\$)	Staff Original Cost (\$)	Company				Accrued Depr. Adj. (\$)	Staff				Annual Depr. Adj (\$)	
							Life (yrs)	Age (yrs)	Annual (\$)	Accrued (\$)		Life (yrs)	Age (yrs)	Annual (\$)	Accrued (\$)		
NON-DEPRECIABLE PLANT-IN-SERVICE																	
(2)	353	8/31/1972	Land Acquisition	-	1,007	1,007											
(2)	353	11/30/2003	Land Transfer	-	499	499											
(1)			Unknown	15,000	(15,000)	-											
			SUB-TOTAL	15,000	(13,494)	1,506											
DEPRECIABLE PLANT-IN-SERVICE																	
(2)	351	6/30/1974	Initial Organization Fees	-	745	745				-	-	738	738	50.0	49.5	7	7
(2)	351	11/30/2003	Incorporation Fees	-	325	325				-	-	131	131	50.0	20.1	7	7
(2)	354	7/31/1973	Pump House	-	5,682	5,682				-	-	5,682	5,682	50.0	0.0	-	-
(2)	354	6/30/2009	Pump House Deck	-	240	240				-	-	239	239	14.6	14.5	1	1
(2)	354	3/31/2010	Pump House Roof	-	1,000	1,000				-	-	995	995	13.8	13.8	5	5
(2)	354	5/31/1975	Metal Fence	-	382	382				-	-	371	371	50.0	48.6	8	8
(2)	354	10/31/2010	Partial Fence Replacement	-	406	406				-	-	107	107	50.0	13.2	8	8
(2)	354	4/30/2004	Wooden Fence	-	886	886				-	-	349	349	50.0	19.7	18	18
(2)	355	7/31/2009	Circuit Breaker Box	-	1,028	1,028				-	-	742	742	20.0	14.4	51	51
(2)	355	5/31/2003	Master Circuit Control Panel	-	1,420	1,420				-	-	1,420	1,420	20.0	0.0	-	-
(2)	355	3/31/2004	Rebuilt Blower 1	-	353	353				-	-	349	349	20.0	19.8	4	4
(2)	355	3/31/2010	Rebuilt Blower 2	-	1,600	1,600				-	-	1,101	1,101	20.0	13.8	80	80
(2)	355	3/31/2003	Blower 3	-	2,115	2,115				-	-	2,115	2,115	20.0	0.0	-	-
(2)	361	1/31/1973	Sewer Main (7,698' 8" dia. PVC)	-	5,544	5,544				-	-	3,531	3,531	80.0	50.9	69	69
(2)	361	1/31/1973	31 Precast Manholes	-	15,309	15,309				-	-	9,750	9,750	80.0	50.9	191	191
(2)	361	6/30/2004	Replace Manhole 1/Influent Pipe	-	5,857	5,857				-	-	1,429	1,429	80.0	19.5	73	73
(2)	361	4/30/2007	Replace Manhole 4	-	1,101	1,101				-	-	230	230	80.0	16.7	14	14
(2)	364	7/31/2010	Plant Flow Transmitter	-	493	493				-	-	331	331	20.0	13.4	25	25
(2)	365	7/31/2010	Flow transmitter Install	-	200	200				-	-	134	134	20.0	13.4	10	10
(2)	380	10/31/2002	Equalization Tank	-	13,503	13,503				-	-	5,720	5,720	50.0	21.2	270	270
(2)	380	2/28/2009	Submersible pump	-	736	736				-	-	546	546	20.0	14.8	37	37
(2)	380	3/31/2009	Submersible pump	-	666	666				-	-	492	492	20.0	14.8	33	33
(2)	380	7/31/2010	Communitor	-	5,780	5,780				-	-	3,881	3,881	20.0	13.4	289	289
(2)	380	4/30/2010	Two Sewer Ejector Pumps	-	1,005	1,005				-	-	687	687	20.0	13.7	50	50
(2)	380	8/31/2009	Bird Nets	-	88	88				-	-	63	63	20.0	14.3	4	4
(2)	380	10/31/2002	Chlorine Tank	-	7,853	7,853				-	-	3,327	3,327	50.0	21.2	157	157
(2)	380	1/31/2008	Chlorine Colorimeter	-	467	467				-	-	372	372	20.0	15.9	23	23
(2)	380	6/30/2010	pH Meter	-	112	112				-	-	76	76	20.0	13.5	6	6
(2)	381	6/30/1974	Tank Blower	-	70	70				-	-	69	69	50.0	49.5	1	1
(2)	381	10/31/2002	Sewer 1	-	103	103				-	-	44	44	50.0	21.2	2	2
(2)	381	10/31/2002	Sewer 2	-	478	478				-	-	202	202	50.0	21.2	10	10
(2)	381	6/30/1974	Blowers 2/3	-	166	166				-	-	164	164	50.0	49.5	2	2
(2)	381	6/30/1974	Sewer 3 Offshoot	-	77	77				-	-	76	76	50.0	49.5	1	1
(2)	381	6/30/1974	Sewer 5	-	129	129				-	-	128	128	50.0	49.5	1	1
(2)	381	10/31/2002	Remaining Sewer 5	-	84	84				-	-	36	36	50.0	21.2	2	2
(2)	381	6/30/1974	Aeration Basin Sewer	-	167	167				-	-	165	165	50.0	49.5	2	2
(2)	381	6/30/1974	Sludge Return Sewer	-	172	172				-	-	170	170	50.0	49.5	2	2
(2)	381	6/30/1974	Surface Skimmer	-	76	76				-	-	75	75	50.0	49.5	1	1
(2)	381	10/31/2002	Sewer 7	-	334	334				-	-	141	141	50.0	21.2	7	7
(2)	381	6/30/2004	Remaining Sewer 7	-	123	123				-	-	48	48	50.0	19.5	2	2
(2)	382	10/31/2002	Effluent Line Install	-	186	186				-	-	79	79	50.0	21.2	4	4
(2)			Fully Depreciated Plant	-	13,522	13,522				-	-	13,522	13,522	0.0	0.0	-	-
			SUB-TOTAL	-	90,583	90,583				-	-	59,826	59,826			1,475	1,475
Adjustments																	
			Net Utility Plant In Service			Depreciation											
			Staff Allowance		\$32,263	\$1,475											
			Less: Company Claim (1)		\$15,000	-											
			Staff Adjustment		\$17,263	\$1,475											
Notes and Sources:																	
(1) See JESTP Schedule F-1, Line No. 3.																	
(2) Staff calculations are based on the JESTP Original Cost Study of Wastewater Utility Plant at 12/31/2010 Report dated 3/27/2012 prepared by the Commission's Bureau of Audits at Docket D-2011-2249675.																	

ATTACHMENT D
Rate of Return Analysis

Docket Number:	R-2024-3049341	Capital Structure Employed	Interest Expense Used for Tax Calculation
Date:	06/12/2024	() Company	() Actual
Name:	Jefferson Estates Sewage Treatment Plant, Inc.	() Cons. System	(X) Hypothetical
Affiliation:		(X) Hypothetical	() Normalized
Test Year End:	12/31/2023	() Other	() Other

Capital Structure and Cost Rates											
<u>Per Staff</u>					<u>Company Claimed</u>						
Debt	50.75	x	6.10	=	3.10	Debt	40.00	x	5.00	=	2.00
P/S	00.0	x	0.00	=	0.00	P/S	0.00	x	0.00	=	0.00
C/E	<u>49.25</u>	x	<u>10.50</u>	=	<u>5.17</u>	C/E	<u>60.00</u>	x	<u>13.32</u>	=	<u>7.99</u>
Total	100				<u>8.27</u>	Total	100				<u>9.99</u>

Jefferson Estates Sewage Treatment Plant, Inc. (JESTP or the Company) presents a claimed rate of return calculation of 9.99% based on a hypothetical capital structure composed of 60% equity and 40% debt. The proposed capital structure is not within the range of the barometer group of water utilities (Barometer Group). The Barometer Group is a group of water utilities with actively traded stocks used to determine a quarterly return on equity. Based upon the Barometer Group, a capital structure of 50.75% debt and 49.25% equity will be used.

JESTP claims a debt cost of 5%. This appears to be hypothetical as the Company doesn't appear to provide any supporting documentation. As such we will utilize the May 31, 2024, Blue Chip Financial Forecast (BCFF) Q2 2024 estimate for a Baa corporate bond of 6.1%.

The Company presents a claimed cost of equity of 13.32%. The Barometer Group-related range of DCF returns is currently (Q4'23) 7.29% to 9.74% with a mean of 8.51%. The CAPM result is 10.70%. The claimed cost of equity is above the top of the DCF range, however, an equity cost of 10.50% is supported by the CAPM result and reflects the size/scope of the Company's operations as compared to the Barometer Group. The resulting return, based upon the hypothetical capital structure and costs, is 8.27%.

Vanessa Johns
Vanessa Johns

**Rate of Return - Company Claimed and Per Staff
Jefferson Estates Sewage Treatment Plant, Inc.**

Staff Rate of Return:

Capital <u>Components</u>	Capital <u>Ratios</u> %	Cost <u>Rates</u> %	Weighted <u>Cost</u> %
Total Debt	50.75	6.10	3.10
Preferred Stock	0.00	0.00	0.00
Common Equity	<u>49.25</u>	<u>10.50</u>	<u>5.17</u>
Total Return	<u>100</u>		<u>8.27</u>

Company Claimed Rate of Return:

Capital <u>Components</u>	Capital <u>Ratios</u> %	Cost <u>Rates</u> %	Weighted <u>Cost</u> %
Total Debt	40.00	5.00	2.00
Preferred Stock	0.00	0.00	0.00
Common Equity	<u>60.00</u>	<u>13.32</u>	<u>7.99</u>
Total Return	<u>100</u>		<u>9.99</u>