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May 14, 2025

Via Electronic Filing

Matthew L. Homsher Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

Re: SCH USA, LLC v. Aqua Pennsylvania Wastewater, Inc.
Docket Nos. C-2022-3036893 and C-2022-3037118

Dear Secretary Homsher:

Enclosed for electronic filing please find SCH USA's Exceptions to the Initial Decision dated April 24, 2025, in the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

/s/ Lauren M. Burge

Lauren M. Burge

Enclosure

cc: Hon. John Coogan w/enc.
Cert. of Service w/enc.
Ra-OSA@pa.gov w/enc

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of SCH USA, LLC's Exceptions upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

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Dated: May 14, 2025

Lauren M. Burge

Lauren M. Burge, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

SCH USA, LLC	:	
	:	Docket Nos. C-2022-3036893
v.	:	C-2022-3037118
	:	
Aqua Pennsylvania Wastewater, Inc.	:	

**EXCEPTIONS OF
SCH USA LLC**

I. INTRODUCTION

SCH USA, LLC (“SCH USA”) owns and operates a large resort property that is a commercial wastewater customer of Aqua Pennsylvania Wastewater, Inc. (“Aqua”). SCH USA filed formal complaints against Aqua because Aqua’s methodology for billing is unreasonable as applied to SCH USA. The Initial Decision (“ID”) issued on April 24, 2025 erred in dismissing SCH USA’s formal complaints, and SCH USA now files these Exceptions to the ID.

Because SCH USA’s water usage is not metered, Aqua currently bills SCH USA a flat rate based on “Equivalent Dwelling Units.” Billing SCH USA on a flat, per EDU basis assumes that the Resort is always at 100% full occupancy. However, the record evidence showed that the Resort’s occupancy rates are typically significantly lower than 100%. This results in SCH USA being charged for significantly more wastewater usage than Aqua is actually collecting or treating. These inaccurate charges are unjust and unreasonable. In support of its positions, SCH USA presented detailed expert testimony showing, *inter alia*, that the EDUs billed to SCH USA have no relationship to actual usage at the property and are based on a long expired settlement agreement, and that it is technically feasible and reasonable for Aqua to bill SCH USA in a

manner that reflects *actual* usage, either by installing wastewater meters or metering water consumption.

As discussed herein, SCH USA respectfully requests that the Commission direct Aqua to implement metered service or a similar proxy such that SCH USA's bills more accurately reflect actual usage. Further, Aqua should be directed to adjust SCH USA's prior bills, since SCH USA acquired the property on October 29, 2020, to reflect the average occupancy rate.

II. EXCEPTIONS

1. **Exception No. 1: The ID Erred By Finding That SCH USA Is Being Appropriately Billed EDUs Established In The 2010 Kidder Township Settlement (ID at 15-16).**

The ID erred in finding that Aqua is reasonably billing SCH USA based on a flat, EDU-based rate simply because the Commission approved similar flat EDU-based rates in Aqua's 2018 and 2021 base rate cases.¹ As explained in SCH USA's briefs, the number of EDUs currently charged to SCH USA were originally set by a Settlement Agreement between Split Rock's original owner and the Township of Kidder in 2010 ("2010 Settlement").² These EDUs are not based on actual usage by the Resort and are not calculated consistent with Aqua's existing tariff language. In fact, the EDUs charged to SCH USA are nearly double the EDUs that would be applied under Aqua's tariff.³ Yet Aqua has inappropriately used the EDUs from the 2010 Settlement to bill SCH USA for wastewater service since SCH USA acquired the property in October 2020. This results in rates charged to SCH USA that are unjust, unreasonable, and in violation of Aqua's tariff.⁴

¹ ID at 15-16.

² SCH USA MB at 6-7.

³ SCH USA MB at 7-8.

⁴ SCH USA MB at 6-7; SCH USA St. No. 3 at 3-5.

The ID accepts Aqua’s claims that the Commission approved the EDU-based billing of SCH USA in the 2018 rate case and 2021 rate case.⁵ However, these statements are simply wrong and the ID errs in accepting these claims. As SCH USA witness Frank Lacey testified, a review of Aqua’s last two rate cases shows the Commission did not expressly approve an allocation of costs or EDUs specific to SCH USA in either of those proceedings.⁶ Similarly, Aqua’s Main Brief generically cites to these proceedings but does not provide any specific citation as to where it claims the Commission has approved the number of EDUs that it argues must be billed to SCH USA.⁷ The ID also does not specifically cite any such approval in Aqua’s 2018 or 2021 base rate proceedings. Further, Aqua’s tariff does not include any mention of EDUs specific to SCH USA.⁸ Aqua has failed to provide any support for this argument, let alone produce any substantial evidence to rebut SCH USA’s testimony, and the ID errs in accepting Aqua’s unsupported claims.

As discussed in SCH USA’s Main Brief, the 2010 Settlement (which is the basis for the number of EDUs currently bills to SCH USA) has long expired, and any terms related to EDU calculations for the Resort were not assumed by Aqua when it acquired the wastewater system.⁹ The EDU determinations outlined in the 2010 Settlement have no bearing whatsoever on the calculation of EDUs for the Resort today or how SCH USA’s current wastewater bills should be calculated. By continuing to rely on these outdated and baseless EDU calculations, Aqua is imposing improper charges on SCH USA that are unjust and unreasonable.

⁵ ID at 15-16.

⁶ SCH USA RB at 4; SCH USA St. No. 3-SR at 6; SCH USA St. No. 3 at 5.

⁷ *See* Aqua MB at 9.

⁸ *See* SCH USA RB at 4.

⁹ SCH USA MB at 7.

In addition, the ID ignores the fact that Aqua’s position violates its own tariff by failing to calculate EDUs in the manner described in and consistent with the tariff. Aqua’s tariff requires that EDUs be determined based upon the estimated average daily wastewater flow for the type of business, as calculated by the Pennsylvania Department of Environmental Protection (“PA DEP”) regulation at 25 Pa. Code § 73.17, divided by the typical estimated average daily wastewater flow from a current single-family unit.¹⁰ As SCH USA’s expert testified, billing SCH USA based on EDUs originally determined in the inapplicable 2010 Settlement does not comport with the calculation method outlined in the tariff.¹¹ SCH USA witness Ronald Carrier analyzed SCH USA’s accounts for Willowbrook and the Galleria in order to compare the number of EDUs currently billed to SCH USA with the number of EDUs that would be calculated based on 25 Pa. Code § 73.17 under Aqua’s tariff.¹² His calculation shows that the Willowbrook should only be billed for 64 EDUs under the tariff, which is half the 128 EDUs currently billed by Aqua. Mr. Carrier also calculated that the Galleria should only be billed for 85.2 EDUs, not the 145 currently billed by Aqua.¹³ This analysis shows that Aqua is currently billing SCH USA nearly double the EDUs authorized under its tariff. As such, the Commission should instead find that Aqua’s current flat rate billing process as applied to SCH USA is illegal and in violation of Aqua’s tariff and must not be permitted to continue.

¹⁰ Aqua Tariff Sewer-PA P.U.C. No. 3, Original Page 25.

¹¹ SCH USA RB at 7-8.

¹² SCH USA St. No. 2 at 9-10; SCH USA Exh. RTC-2.

¹³ SCH USA St. No. 2 at 10; SCH USA Exh. RTC-2.

2. **Exception No. 2: The ID Erred by Finding that Billing SCH USA a Flat, EDU-Based Rate is Reasonable (ID at 16-17).**

The ID recognizes that SCH USA's Resort property is billed assuming full, 100% occupancy.¹⁴ However, the ID goes on to say that, because the SCH USA facilities are not *currently* metered, it is standard practice to use a flat rate for billing purposes.¹⁵ The ID ignores the significant disparity that exists between SCH USA's actual usage and the 100% constant usage assumed by the EDUs billed to SCH USA, which as specifically applied to SCH USA results in rates that are not just and reasonable.

While there may be situations where flat rate billing can be applied in a reasonable manner, applying flat rate billing to a large commercial resort is entirely unreasonable. Billing on a per EDU basis assumes full occupancy of the Resort; however, due to various circumstances, the Resort is rarely if ever at 100% occupancy.¹⁶ Flat rate billing causes SCH USA to be billed for amounts that significantly overestimate actual usage, resulting in rates that are unjust and unreasonable in violation of the Public Utility Code.

Additionally, the Commission has articulated a clear and consistent preference for charges based on actual metered usage, as opposed to estimated, flat rate billing. For example, in *Pa. PUC v. Little Washington Water Co. Southeast Consol. Div.*, the Commission stated that:

The ALJs conclude that there is no question that volumetric billing is preferable to flat rate billing, as it provides better price signals and promotes conservation. We agree. In addition to encouraging the conservation of water and wastewater services, volumetric billing also results in a more equitable distribution of the variable costs of wastewater service among ratepayers.

¹⁴ ID at 16.

¹⁵ ID at 16-17.

¹⁶ SCH USA MB at 8-9; SCH USA St. No. 1 at 5.

Pa. PUC v. Little Washington Water Co. Southeast Consol. Div., Docket Nos. R-2010-2207853 *et al.*, 2011 WL 3001699 (Pa.P.U.C.), Opinion and Order (entered June 9, 2011) (internal citation omitted); *see also Pa. PUC v. Community Utilities of Pa. Inc.*, Docket Nos. R-2021-3025206 *et al.*, 2022 WL 143145 (Pa.P.U.C.), Opinion and Order (entered Jan. 13, 2022) (“We concur with the Joint Petitioners that there is no question that volumetric billing is preferable to flat rate billing, as it provides better price signals and promotes conservation ... [and] also results in a more equitable distribution of the variable costs of wastewater service among ratepayers.”)

Further, it is not the case for SCH USA that metered information is simply “unavailable.” Rather, as SCH USA’s expert witness Ronald Carrier explained, it is entirely possible and technically feasible to obtain metered usage data for billing purposes for SCH USA’s accounts.¹⁷ Aqua simply refuses to cooperate with SCH USA’s reasonable and technically feasible proposals because its current practice is the way they have always done it.¹⁸

For these reasons and those discussed in SCH USA’s Main and Reply briefs, flat rate, EDU-based billing as applied to SCH USA results in rates that are not just and reasonable, and SCH USA requests that the Commission prevent this unreasonable billing practice from continuing to be applied to SCH USA.

3. **Exception No. 3: The ID Erred by Finding that Alternative Billing Methods Proposed by SCH USA are Not Feasible (ID at 17).**

The ID incorrectly rejects the alternative billing methods proposed by SCH USA. As discussed above, SCH USA has met its burden of showing that Aqua’s current billing method based on EDUs results in rates that are not just and reasonable. Additionally, the ID overlooks substantial evidence presented by SCH USA’s expert witness Ronald Carrier showing that there

¹⁷ SCH USA MB at 10; SCH USA St. No. 2 at 6-9.

¹⁸ *See* SCH USA St. No. 3 at 10.

are feasible and cost-effective methods to bill SCH USA for *actual* usage.¹⁹ This shows that it is entirely feasible for Aqua to bill SCH USA for metered usage, but Aqua has refused to work with SCH USA to implement these billing methods for the Resort. Under SCH USA's specific circumstances, billing the Resort for actual consumption is the only means of charging rates that are just and reasonable consistent with the Public Utility Code.

The record evidence in this proceeding shows that SCH USA's actual water consumption could be metered and Aqua could use water consumption as a proxy for wastewater usage for billing purposes.²⁰ In this instance, water meters could be used to determine a more accurate, and more reasonable, quantity of wastewater being discharged to Aqua's system.²¹ Basing wastewater bills on actual metered water usage is a common practice that provides a more accurate means of determining wastewater usage.²² While this is still a method of estimating wastewater usage (given that not all water going through the meters ends up in the sewer system), it is a significant improvement over estimating EDUs and would provide a more accurate wastewater bill than the current flat rate bill SCH USA receives.²³

As another option, Aqua could use wastewater meters to measure SCH USA's actual discharges into its wastewater system and bill SCH USA based on these actual measurements. As Mr. Carrier discussed, there are metering technologies available that allow for direct measurement of wastewater flow, negating the need for estimating the usage based on EDUs or from water meter readings.²⁴ Two of the most common types of metering technologies used in

¹⁹ SCH USA St. No. 2 at 6-9.

²⁰ *See* SCH USA MB at 12; SCH USA St. No. 2 at 9.

²¹ *Id.*

²² SCH USA St. No. 2 at 9.

²³ SCH USA St. No. 2 at 9.

²⁴ SCH USA St. No. 2 at 6-8.

measurement of sewage flow are ultrasonic flowmeters and electromagnetic flowmeters.²⁵ Mr. Carrier identified other utilities across the country that use such wastewater meters, including in Michigan, Indiana, and Washington.²⁶

The Commission itself has recognized wastewater metering as a viable option. For example, the Commission's sample wastewater tariff includes a provision wherein metered rates could be charged based on the metered volume of wastewater discharged at a property into the wastewater system.²⁷ SCH USA witness Lacey also noted that Aqua's existing and proposed wastewater tariffs allow for wastewater metering in different zones.²⁸

Other potential alternatives include adjusting SCH USA's EDUs used for billing purposes to better reflect actual usage and occupancy; or assigning some other proxy that more accurately reflects actual usage and occupancy.²⁹ However, SCH USA maintains that because metering actual wastewater discharge or actual water consumption is entirely feasible and provide a more accurate representation of usage, one of those options should be employed to provide accurate, just and reasonable bills to SCH USA for wastewater service. The ID erred in rejecting these reasonable metering methods that would provide bills based on actual usage. SCH requests that the Commission direct Aqua to implement one of these options.

²⁵ SCH USA St. No. 2 at 6-8.

²⁶ SCH USA St. No. 2 at 7-8.

²⁷ SCH USA St. No. 2 at 8-9; see https://www.puc.pa.gov/documents/utility-files/346/Sam_Tariff_Wastewtr.pdf at Page No. 8.

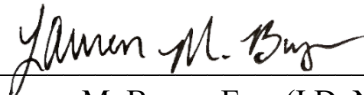
²⁸ SCH USA St. No. 3 at 9.

²⁹ SCH USA St. No. 1 at 5-6.

III. CONCLUSION

For the foregoing reasons, the ID erred in dismissing SCH USA's formal complaints. SCH USA respectfully requests that the Commission direct Aqua to implement metered service or a similar proxy such that SCH USA's bills more accurately reflect actual usage. Further, Aqua should be directed to adjust SCH USA's prior bills, since SCH USA acquired the property on October 29, 2020, to reflect the average occupancy rate.

Respectfully submitted,



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