

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF THE CITY OF LOCK HAVEN WATER DEPARTMENT FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE :
: Docket No. P-2024-_____

**PETITION OF THE CITY OF LOCK HAVEN WATER DEPARTMENT
FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE**

Pursuant to Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307, and Sections 5.41 and 69.361-69.364 of the Regulations of the Pennsylvania Public Utility Commission (the “Commission” or “PUC”), 52 Pa. Code §§ 5.41, 69.361 – 69.364, the City of Lock Haven Water Department (“Lock Haven” or “the City”) respectfully submits this Petition requesting that the Commission authorize Lock Haven to implement a reconcilable PENNVEST Surcharge (“PVS”). As discussed herein, the purpose of the PVS is to timely recover the interest and principal charges associated with PENNVEST loans that Lock Haven was awarded since its last rate case and going forward, including a PENNVEST loan from 2022 and loans for projects Lock Haven anticipates it will construct starting in 2024 and 2025. In particular, the loans will be needed to finance some \$28 million in construction in the 2022-2027 timeframe, to fund projects most of which have been mandated by the Pennsylvania Department of Environmental Protection (“DEP”) and all of which are absolutely necessary to maintain the safety and reliability of Lock Haven’s water system. Without the surcharge, Lock Haven would be forced to file multiple general rate increases in order to set rates at levels sufficient to cover interest and principal payments on the PENNVEST loans. The proposed PVS – which Lock Haven will implement for customers both within the City (PUC non-jurisdictional) and outside of the City (PUC jurisdictional) will ensure that the costs of these essential projects are timely recovered and

will relieve Lock Haven and its customers from the significant burden of rate case expense that would have to be incurred for each base rate filing. In addition, because Lock Haven is proposing that the PVS be reconcilable, ratepayers are assured that they will be charged only the amount necessary to service the PENNVEST loans – no more and no less. In support of this Petition, Lock Haven states as follows:

I. BACKGROUND

1. Lock Haven, Pennsylvania is a City of the Third Class under the Clark Act of June 27, 1913, P.L. 568, which Act granted the City the exclusive right to supply the public with water within its corporate limits.

2. The City of Lock Haven Water Department serves residents and occupants of the City as well as surrounding communities, including portions of Allison Township, Castanea Township, and Wayne Township. Of the total 3,257 customers, 2,181 are located in the City of Lock Haven and 1,076 are located in Wayne (528), Castanea (524) and Allison (24) Townships. The estimated service area population is 9,750. Only the rates and service provided to customers outside the city limits of Lock Haven are subject to the review and approval of the PUC.

3. The Lock Haven Water Department owns and operates two water supply reservoirs that constitute the principal water sources for the system. Both reservoirs are located on McElhattan Creek with the Boyd H. Keller reservoir in Wayne Township and the upstream Warren H. Ohl reservoir in Greene Township. The total water supply capacity is 664 million gallons. An independently operated treatment plant provides potable water to City customers. The Lock Haven water distribution and transmission system includes 57.5 miles of transmission and distribution piping, ranging in size from 4-inch through 18-inch.

II. PETITION FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE

4. Consistent with the Commission’s existing Policy Statement, Lock Haven hereby requests approval for the implementation of a “PENNVEST Surcharge” that would authorize the City to implement a surcharge to recover the debt service (interest expense and principal) associated with its existing 2022 PENNVEST loan and anticipated PENNVEST loans. None of these has been previously included in Lock Haven’s prior revenue requirement claims, and also are not included in the proposed base rate increase that Lock Haven is filing simultaneously with this Petition.

5. The names, addresses and telephone number of Lock Haven’s counsel are:

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A. Legal Authority

6. Section 1307(a) of the Public Utility Code, 66 Pa. C.S. § 1307(a) authorizes the Commission to “specifically allow an automatic adjustment of rates outside of the rate-making

procedures” and provides for “procedures to determine the reasonableness of the charges outside of a base rate case.”¹

7. 66 Pa. C.S. § 1307(a)² allows for utilities to establish a sliding scale of rates or other automatic adjustments of rates, so long as they are subject to reconciliation and refund or recoupment of the difference between actual revenues and costs.³

8. Pennsylvania appellate courts have explained that 66 Pa. C.S. § 1307(a) permits utilities to establish a reconcilable rider to recover costs: (1) where expressly authorized by the General Assembly; or (2) where an expense is easily identifiable and beyond the utility’s control.⁴

9. The PUC has issued a Policy Statement specifically encouraging water and wastewater companies to utilize a Section 1307(a) automatic adjustment clause mechanism to recover PENNVEST loan costs in lieu of a base rate increase:

¹ *Pa. Indus. Energy Coalition v. Pa. PUC*, 653 A.2d 1336, 1350 (Pa. Cmwlth 1995), *aff’d*, 670 A.2d 1152 (Pa. 1996).

² 66 Pa. C.S. § 1307(a) provides: “Any public utility... may establish a sliding scale of rates or such other method for the automatic adjustment of the rates of the public utility as shall provide a just and reasonable return on the rate base of such public utility, to be determined upon such equitable or reasonable basis as shall provide such fair return. A tariff showing the scale of rates under such arrangement shall first be filed with the commission, and such tariff, and each rate set out therein, approved by it. The commission may revoke its approval at any time and fix other rates for any such public utility if, after notice and hearing, the commission finds the existing rates unjust or unreasonable.”

³ 66 Pa. C.S. § 1307(e).

⁴ *See Popowsky v. Pa. PUC*, 13 A.3d 583, 591 (Pa. Cmwlth. 2011) (holding that “the PUC has authority under Section 1307(a) of the Code to allow NAWC to implement the [Purchased Water Adjustment Clause].”); *see also Popowsky v. Pa. PUC*, 869 A.2d 1144, 1160 (Pa. Cmwlth. 2005), *appeal denied*, 895 A.2d 552 (Pa. 2006) (stating “a Section 1307(a) automatic rate adjustment is appropriate where expressly authorized...or for easily identifiable expenses that are beyond a utility’s control.”); *Pa. Indus. Energy Coalition v. Pa. PUC*, 653 A.2d 1336, 1349 (Pa. Cmwlth 1995), *aff’d*, 670 A.2d 1152 (Pa. 1996)(holding in part that “Section 1307 gives the PUC the discretion to establish by regulations or order in the manner in which automatic adjustment recover” and “the surcharge method is permitted”); *Masthope Rapids Property Owners Council v. Public Utility Commission*, 581 A.2d 994, 1000 (Pa. Cmwlth. 1990) (explaining that “the very function of the typical automatic adjustment clause is to permit rapid recovery of a specific, identifiable expense item.”).

Companies with outstanding PENNVEST loans not currently reflected in rates and companies that will receive PENNVEST loans in the future are encouraged to establish under 66 Pa.C.S. § 1307(a) (relating to sliding scale of rates; adjustments) and subject to Commission approval, an automatic adjustment by means of a sliding scale of rates limited solely to the recovery of PENNVEST principal and interest obligations, instead of seeking recovery of these amounts under 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) base rate filing.

52 Pa. Code § 69.361.

10. The necessary elements of a proposed PENNVEST surcharge are set out in

Section 69.363:

(a) Water and wastewater companies with outstanding PENNVEST obligations that have not been reflected in rates or future PENNVEST obligations, may establish under 66 Pa.C.S. § 1307(a) (relating to sliding scale of rates; adjustments) an automatic adjustment by means of a sliding scale of rates or other method limited solely to recovery of the company's PENNVEST principal and interest obligations.

(b) Filings for relief under 66 Pa.C.S. § 1307(a), may occur prior to DER inspection and should be submitted to the Commission 60-90 days prior to the first anticipated principal and interest payment.

(c) Companies are encouraged to provide notice to customers of the request for a PENNVEST increase by means of a sliding scale of rates or other method for the automatic adjustment of rates by bill insert to begin no less than 60 days prior to the effective date.

(d) Rate recovery under a 66 Pa.C.S. § 1307(a) PENNVEST automatic adjustment by means of a sliding scale of rates or other method may be approved only after the receipt of the following:

(i) DEP inspection.

(ii) Final PENNVEST amortization schedule.

(e) When approved by the Commission, the PENNVEST obligations should be listed on customers' bills as a separate line item. Amounts collected under the Section 1307(a) PENNVEST automatic adjustment by means of a sliding scale of rates or other method are subject to reconciliation and refund. Revenues should be listed in a separate account dedicated for PENNVEST repayment only. Commingling of funds is discouraged.

52 Pa. Code § 69.363.

B. Lock Haven's Request for Authorization pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code §§ 69.361-69.364.

11. Through this Petition, Lock Haven is requesting that the Commission authorize the City to implement a PVS because it needs an efficient recovery mechanism for a significant PENNVEST loan it received in 2022, the interest being paid in 2024 on a PENNVEST loan and to recover the principal and interest payments for several additional PENNVEST loans it anticipates receiving in the coming years (“the Surcharge Loans”). These loans are financing modifications to Lock Haven’s water supply system that are either mandated or crucially necessary in order to be able to continue to provide safe, adequate and reliable water service to its customers.

12. Lock Haven’s most recent base rate proceeding was filed in 2010 and rates went into effect as of January 1, 2011. As such, none of the Surcharge Loans are reflected in Lock Haven’s current base rates. They also are not reflected in the proposed base rate increase filed simultaneously with this Petition.

13. The following Table 1 shows project funding from prior to FY 2024 through FY 2028:

PROJECT FUNDING	Prior to FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
PENNVEST - Ohl Dam Modifications	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
PENNVEST - Pipeline and Wellfield	\$ -	\$ 350,000	\$ 2,800,000	\$ 1,820,145	\$ 250,000	\$ 500,000
Future PENNVEST Loan(s) - Phase II of Keller and Ohl Dam Project	\$ -	\$ -	\$ 500,000	\$ 200,000	\$ 100,000	\$4,800,000
Future PENNVEST Loan(s) - Raw Water Main Replacement	\$ -	\$ -	\$ -	\$ -	\$ 5,175,000	\$ -

14. The projects that Lock Haven has committed to are as follows:

a. Ohl Dam Modifications

15. The Ohl Dam requires significant upgrades and is part of an ongoing two-phase repair project. Because of the potential for downstream loss of life and extensive property damage during a dam breach, Ohl Dam is classified by DEP as a “High Hazard” structure and subject to passing the maximum flood event known as the “Probable Maximum Flood (PMF).” Engineering studies have revealed that the existing dam has inadequate spillway capacity, passing only 68% of the PMF. The DEP designated Ohl Dam as having a “significant deficiency in spillway capacity” and has directed the City to upgrade the spillway to current standards.

16. The project to alleviate these conditions includes a “dam raise” using a crest parapet wall to increase flow over the spillway and thus achieve full passage of the PMF.

17. Phase I of this project has been completed. This was funded by a \$5 million PENNVEST loan. As of April 2024, Lock Haven has begun to repay the principal and interest

on the loan. This loan is not reflected in the City's current base rates and is not included in the base rate increase request being submitting simultaneously with this Petition.

18. Additional improvements to Ohl Dam will be completed as Phase II of this project, and it is anticipated that this work will also be completed with funding provided by a PENNVEST loan. Phase II will include concrete spillway rehabilitation, intake tower mechanical work, control building and access bridge. The estimated cost of these needed improvements total \$4,000,000.

19. Because of limited reservoir recharge, associated pass-by flow and documented loss of shortage, Ohl Reservoir is not considered a reliable water supply during long-term drought events. This is a major vulnerability of the City water supply and is not sustainable if the reservoir is artificially lowered for dam rehabilitation and construction purposes. Therefore, as will be discussed below, the City needs to develop a supplemental water source before beginning Phase II of the required Ohl Dam improvements and associated Keller Dam modifications in order to ensure an adequate water supply during construction.

b. Keller Dam Modifications

20. Because of the potential for downstream loss of life and extensive property damage during a dam breach, Keller Dam is also classified by the PADEP as a "High Hazard" structure and subject to passing the PMF. Engineering studies have revealed that the existing spillway can only pass 68% of the PMF. PADEP has designated Keller Dam as having a "substantial deficiency in spillway capacity" and has directed the City to upgrade the spillway to current standards.

21. The project design, consisting of a 5-cycle labyrinth weir, side-channel spillway, chute discharge and terminal structure (flip bucket), will achieve full passage of the PMF.

Additional improvements include drilling and grouting of the left abutment to control abutment/reservoir leakage, a new downstream drainage blanket, filter drain, and seepage collection and conveyance control system, outlet valve control vault, new upstream reservoir diversion structure, intake tower mechanical piping renewal and renewal of the Zindel intake and temporary raw water feed to the water treatment plant.

22. Keller's associated reservoir has a low reservoir capacity, a high conservation release and suspected reservoir leakage, all of which combine to deplete Keller Reservoir even when it is supplemented by releases from Ohl Reservoir. This condition has resulted in the water emergencies caused by the extended droughts in 2007, 2020 and 2023. Increasing reservoir storage by expanding Keller Dam is not a cost-effective option. The topography of the dam site is not conducive to providing additional storage without a major capital investment (\$15 - \$20 million) in addition to required spillway modifications. Further, draining the Keller Reservoir for mandated dam repairs and relying only on Ohl Reservoir and McElhattan Creek streamflow as the main water supply entails too much risk for the City over a two-year construction cycle. Therefore, as discussed below, DEP has mandated dam safety improvements cannot be undertaken at Keller Dam or for Phase II work at Ohl Dam until a supplemental water source is permitted and constructed. Integrating the supplemental water source into the overall dam upgrade project is necessary to insure a reliable water supply during construction.

23. The Keller Dam modifications are anticipated to be funded by PENNVEST loans and are critical to ensuring Lock Haven can maintain adequate water supply. The PENNVEST loans necessary to fund the Keller Dam modifications total \$18,000,000 and are expected to be awarded in 2027. Because of the necessity to perform work after a supplemental source is online, the Ohl Dam Modifications – Phase II work must also be performed concurrently with the Keller

Dam modifications project. PENNVEST loans are necessary to perform the Ohl Dam Modifications – Phase II which total \$4,000,000 and are also expected to be awarded in 2027. Therefore, the combined PENNVEST loan expected in 2027 is \$22,000,000.

c. Youngdale Well Field Development

24. Lock Haven has successfully explored, drilled and tested a groundwater source along McKinney Road in Youngdale, Wayne Township, Clinton County, PA as a supplemental water source. The reasons are two-fold. First, as documented above, the reservoirs are vulnerable during periods of extreme drought which puts their ability to supply ordinary system demand in jeopardy. Secondly, lowering either Ohl or Keller reservoir(s) for construction is an unnecessary risk, because it would make the system more vulnerable in water emergencies, such as those that have occurred in the past. As such, a supplemental water source must be developed before Lock Haven can proceed with the DEP-mandated dam projects discussed above (other than Ohl Dam Phase I, which has already been completed).

25. Two production wells, Matz Production Well and Quaker Hills Production Well, have been drilled and pump tested in the Ridgeley Sandstone at a minimum yield of 500 gallons per minute (gpm) each (1.44 MGD total). Although the water quality is good, the source will require filtration. The estimated project cost to develop the wells and install a pipeline to the Central Clinton County Water Filtration Plant (“CCCWFP”) for treatment is \$6 million.

26. This wellfield development project is currently funded by a bridge loan on which debt service is currently being deferred; however, it is anticipated that this project will ultimately be funded by PENNVEST loans which will pay back the bridge loan and fund the remaining work. This project is critical to ensuring Lock Haven can maintain adequate water supply while

also completing the required dam improvement projects. The award of the full PENNVEST loans for the Youngdale Well Field Development project is planned for 2025.

C. Justification for Surcharge

27. As can be readily seen from the above descriptions, Lock Haven will be required to undertake a substantial number of projects in the next three to five years in order to maintain safe and reliable water service to its customers, the total cost of which is projected to be some \$28 million. As a result, the City plans to obtain low interest loans from PENNVEST to finance these capital improvements. This, in turn, means that Lock Haven will have substantial additional debt service costs that will grow each year for the next several years.

28. The establishment of a PVS for Lock Haven in these circumstances is just, reasonable and in the public interest for the following reasons:

- a. As set forth above, Lock Haven will be required to undertake a number of capital improvement projects in order to be able to continue to provide safe, reliable and reasonable water service.
- b. At the present time, it is anticipated that the majority of these projects will be financed via PENNVEST loans.
- c. Without the PVS, Lock Haven will be forced to file for base rate increases in several successive years – likely every year – which would result in the imposition of significant additional costs on the customers of this small system. Moreover, PENNVEST has informed Lock Haven that it will not issue the 2025 loan until the PUC approves recovery of the principal and interest in Lock Haven rates. Implementing the PVC will give PENNVEST the regulatory assurances that it requires.

- d. The PVS will also provide greater certainty, transparency and predictability to customers which will serve to help maintain Lock Haven’s present bond credit rating.
- e. The PVS will also ensure that Lock Haven ratepayers will pay only the actual debt service (principal and interest) that Lock Haven incurs. Any overcollections will be returned to customers. Any undercollections will be recovered from customers in the following year.
- f. The PVS is also consistent with the Commission’s policy statement which encourages entities like Lock Haven with: (1) outstanding PENNVEST loans that are not currently reflected in rates; and (2) PENNVEST loans that it anticipates receiving in the future, to recover such principal and interest amounts through this type of mechanism rather than through base rates.⁵

III. PROPOSED PROCEDURE

29. Lock Haven proposes that the PVS be established, approved and implemented in the following manner. This proposed procedure is modeled on the procedure recently approved by the Commission in The Pittsburgh Water and Sewer Authority’s base rate proceeding.⁶

- a. The PUC should approve Lock Haven’s proposed Tariff Pages (Lock Haven Supplement No. 19 to Tariff Water – Pa. P.U.C. No. 1, Page Nos. 25D, 25E and 25F) authorizing the PVS. The applicable Tariff Pages are attached to this Petition.

⁵ 52 Pa. Code §§ 69.361, 69.363.

⁶ *Pa. PUC v. The Pittsburgh Water and Sewer Authority*, Docket Nos. R-2023-3039919 (stormwater), R-2023-3039920 (water), R-2023-3039921 (wastewater), Recommended Decision dated Nov. 28, 2023 (adopted without modification by the Order entered Jan. 18, 2024).

b. The proposed Tariff includes the following elements:

- (1) Language stating the PENNVEST surcharge is “Subject to audit and review.”
- (2) Definition of the rate computational period (i.e., the 12-month period the rate is effective).
- (3) Definition of the reconciliation period (i.e., the 12-month period for the reconciliation statement required by 66 Pa. C.S. § 1307(e)). (The initial reconciliation period may be less than a 12-month period to account for the customary lag between the reconciliation and computational periods, and should also be defined.)
- (4) Definition of the time period when the reconciliation statement will be filed (e.g., within thirty days following the end of the reconciliation period).
- (5) Statement that no interest is to be applied to over or under collections.
- (6) Inclusion of an accurate formula that shows the major rate components (i.e., cost, EDUs, and over/under collection components), with each component defined.
- (7) Statement that the surcharge shall be listed as a separate line item on the customer's water bill.

c. When Lock Haven seeks to begin to recover the debt service on a new

PENNVEST loan it shall use the following procedure:

- (1) Any tariff or tariff supplement filing to incorporate a PENNVEST loan into Lock Haven's PVS shall be filed with the Commission upon at least sixty (60) days' notice.
- (2) Unless unavailable (in which case Lock Haven will request a waiver of the provision), the filing shall include:
 - (a) Final and red-lined copies of the proposed tariff or tariff supplement to incorporate the loan into the PVS.
 - (b) A summary of the terms of the loan, including the loan date, amount, interest rates, term of loan, annual principal and interest payments, and security certificate docket number. The date of each expected interest rate or annual principal and interest payment change shall also be identified for each loan.
 - (c) Copies of executed loan agreement documents and final amortization schedules.

- (d) A statement that the project funded by the loan is used and useful.
- (e) A copy of a proof of revenues and supporting calculations for the affected type of service reflecting PVS revenues under present and proposed rates.
- (f) Copies of any supporting documentation used to determine the PVS, including electronic working papers.
- (g) A copy of Lock Haven's customer notice that it issued in accordance with 52 Pa. Code § 53.45(g).
- (h) A copy of Lock Haven's affidavit of customer notice confirming that notice requirements have been met in accordance with 52 Pa. Code § 53.45(h).
- (i) A copy of a signed verification statement for the information being provided in accordance with 52 Pa. Code § 1.38.

d. Pursuant to 52 Pa. Code § 69.363, rate recovery under the PVS shall only begin after the receipt of the following (unless special circumstances exist):

- (1) DEP inspection of the capital addition(s) being financed by the loan at issue.
- (2) Final PENNVEST amortization schedule of the loan.

e. The Tariff Supplement reflecting the PVS incorporating the new loan shall be placed into effect on the proposed effective date unless the Commission orders a revision of that amount. Lock Haven proposes that if a complaint is filed by any party the revised PVS shall go into effect subject to the outcome of that complaint.

30. As detailed above, Lock Haven proposes to begin recovering the debt service and interest associated with an existing PENNVEST loan that was awarded in 2022 for Ohl Dam Phase I. With respect to the 2022 loans, the following information is provided:

- a. A summary of the terms of the loan, including the loan date, amount, interest rates, term of loan, and principal and interest payments, is included as Exhibit

1. The date of each expected interest rate or annual principal and interest payment change is identified in Exhibit 1.
- b. A copy of the executed loan agreement documents and final amortization schedules are also included in Exhibit 1 to this Petition.
- c. The project(s) funded by the 2022 PENNVEST loan are DEP-mandated modifications to the Ohl Dam (Phase I). These modifications are expected to be completed by June 2024. Therefore, on the effective date of the PVS, the Ohl Dam Phase I modifications will be currently serving customers and the project funded by the loan will be used and useful.
- d. Proof of DEP inspection of the capital addition(s) being financed by the loan at issue will be provided once the inspection is completed.
- e. A proof of revenues and supporting calculations for each class of service affected by the PVS, showing revenues at the proposed rates, is provided in Exhibit 2.
- f. All supporting documentation used to determine the PVS, including electronic working papers are also included in Exhibit 2.
- g. A copy of Lock Haven's customer notice that it issued in accordance with 52 Pa. Code § 53.45(g) is included as Exhibit 3.
- h. A copy of Lock Haven's affidavit of customer notice confirming that notice requirements have been met in accordance with 52 Pa. Code § 53.45(h) shall be provided subsequent to filing this Petition.
- i. The Tariff Supplement reflecting the PVS and reflecting the recovery of the 2022 PENNVEST loan discussed above is attached to this Petition as Exhibit 4

as well as in the Tariff Supplement accompanying Lock Haven's proposed base rate increase (Lock Haven Supplement No. 19 to Tariff Water – Pa. P.U.C. No. 1, Page Nos. 25D, 25E and 25F). The proposed effective date is 60 days after the filing of the Tariff Supplement. Lock Haven proposes that the PVS, set to start to recover the 2022 PENNVEST loan, be put into effect at the same time that Lock Haven's authorized base rate increase goes into effect. As stated in the proposed Tariff, the surcharge is solely designed to begin timely recovery of PENNVEST principal and interest loan obligations(s). All amounts charged pursuant to the surcharge are subject to audit and review by the Commission and/or in a complaint proceeding.

- j. The Company will segregate all revenues dedicated for PENNVEST repayment so long as the surcharge remains in effect.

31. Lock Haven proposes that the PVS be billed on an "equivalent residential meter size" ("ERMS") basis and will be uniformly applied to all classes (with the exception of public fire protection customers). The ERMS is the same measurement that is used for the Service Charge (Tariff Page No. 25). It uses the maximum volume of the typical 5/8 inch meter as the baseline and then determines the surcharge amount based on how the customer's meter compares to the 5/8 inch meter. So, for example, if a larger meter has 4 times the maximum volume then that customer being served by such a meter would be charged a PVS four times higher than the charge for a customer served by a 5/8th inch meter. The per ERMS surcharge will be calculated to recover the total principal and interest amounts payable pursuant to the final PENNVEST amortization schedule for the Water Department's PENNVEST loan obligations.

32. The following table reflects the amounts that Lock Haven projects that it will recover through the PVS, if permitted to implement the automatic adjustment clause starting with the implementation of Tariff Supplement No. 19:

	Residential	Commercial / Industrial	Education	Public Health	Total
Inside City Customers	\$168,875	\$39,928	\$11,978	\$7,566	\$228,348
Outside City Customers	\$79,556	\$19,165	--	\$7,327	\$106,048
Total	\$248,431	\$59,093	\$11,978	\$14,893	\$334,396

33. The Water Department will recalculate the prospective surcharge amount in a Section 1308(a) filing made: (i) annually; (ii) with 60 days' notice of a material change⁷ to PI or ERMSs; or (iii) at the time of a general rate case filing under Section 1308(d) of the Public Utility Code.

- a. In the annual filing, the Water Department shall include a reconciliation pursuant to 66 Pa. C.S. § 1307(e). The annual filing shall be filed within thirty (30) days following the end of the reconciliation period. The reconciliation or "e" factor shall be designed to recover or to credit customers for any amounts under or overbilled in the prior 12 months (compared to the total PI to be recovered). No interest is to be applied to any over or under collections.

34. As future PENNVEST loans are awarded, and the projects financed by those loans are put into service, Lock Haven will file an application with the PUC to include the principal and interest associated with the new loan into the charge. It will provide at least 60

⁷ For purposes of this recalculation, a material change is a change that would result in a cumulative increase or decrease in the currently approved PVS of 1.5% or more.

days notice to customers and submit the same information that is set forth in Paragraph 31 above. Lock Haven will also commit to making a filing if the interest rate changes on an existing loan, or the portions of the loan Lock Haven is required to pay (principal and interest as opposed to interest only) changes.

IV. CONCLUSION

WHEREFORE, the City of Lock Haven respectfully requests that the Commission: 1) authorize Lock Haven to implement its proposed PENNVEST Surcharge pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code §§ 69.361-69.354; 2) approve the proposed Tariff pages setting forth the Surcharge that is included as part of Lock Haven’s proposed base rate increase at the above docket; and 3) grant any other relief the Commission determines would be in the public interest.

Respectfully submitted,

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