

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2024-3049248
Office of Consumer Advocate	:		C-2024-3049646
Office of Small Business Advocate	:		C-2024-3049713
	:		
v.	:		
	:		
City of Lock Haven Water Department	:		
	:		
Petition of the City of Lock Haven Water	:	Docket No.	P-2024-3049249
Department for Authorization to Implement	:		
a PENNVEST Surcharge	:		

JOINT PETITION FOR SETTLEMENT

Date: January 15, 2025

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I. INTRODUCTION

The City of Lock Haven Water Department (“Lock Haven” or the “City”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, the “Joint Petitioners” or the “Parties”), by their respective counsel, submit and join in this Joint Petition for Settlement (“Settlement” or “Joint Petition”) between and among all active parties in the above captioned proceedings. The Joint Petitioners request that Administrative Law Judge John M. Coogan (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): (1) approve the Settlement without modification; and (2) find that the terms of the Settlement are in accordance with the law and are in the public interest. The **Joint Petitioners also respectfully request expedited consideration of this Settlement in order to allow the City to file tariff supplements to become effective March 2, 2025**, consistent with the Settlement terms discussed herein.

In support of this Settlement, the Joint Petitioners state as follows:

II. BACKGROUND

1. The City of Lock Haven Water Department provides water service to residents and occupants of the City of Lock Haven 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.

2. Only the rates and service provided to customers outside the city limits of Lock Haven are subject to review and approval of the Commission.

3. The City 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. An independently operated treatment plan provides potable water to City customers. The Lock Haven water distribution and transmission system includes 157.5 miles of transmission and distribution piping, ranging in size from 4-inch through 18-inch lines.

4. On May 24, 2024, Lock Haven initiated this proceeding seeking to increase the base water rates for customers located both inside (non-jurisdictional) and outside (PUC-jurisdictional) the City by \$990,432 per year, or 64.2%. Of this amount, the City specifically sought Commission approval to increase rates for jurisdictional customers located outside the City by \$377,823 or 71.4%.

5. In addition, on May 24, 2024, Lock Haven also filed a separate Petition for Authorization to Implement a PENNVEST Surcharge (“PENNVEST Petition”) pursuant to Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307, and Sections 69.361-69.364 of the Commission’s regulations, 52 Pa. Code § 69.361-69.364. Lock Haven proposed to implement a PENNVEST Surcharge (“PVS”) to allow the City to timely recover the interest and principal charges associated with low-interest loans from PENNVEST that have and will continue to be awarded to the City since its last rate case.

6. Simultaneously with the base rate filing and PENNVEST Petition, on May 24, 2024, Lock Haven also filed a Motion to Consolidate Proceedings, seeking to consolidate the base rate filing and PENNVEST Petition.

7. I&E, OCA and OSBA each made filings to participate in these proceedings. On May 30, 2024, I&E filed a Notice of Appearance. On June 12, 2024, OSBA filed a Notice of Appearance, and further filed a Complaint, Public Statement and Verification on June 21, 2024. On June 20, 2024, OCA filed a Formal Complaint and Public Statement.

8. On June 14, 2024, Lock Haven filed Supplement No. 20 to Tariff Water – PA P.U.C. No. 1 which voluntarily extended the tariff supplement effective date to August 2, 2024.¹

9. By an Order entered on July 11, 2024, the Commission suspended the rate increase proposed by Supplement No. 19 for further investigation until March 2, 2025, unless permitted by Commission Order to become effective at an earlier date. The Suspension Order assigned this matter to the Office of Administrative Law Judge for Alternative Dispute Resolution (“ADR”), if possible, and hearings if necessary.

10. The parties agreed to pursue ADR to attempt to resolve this matter through settlement. Accordingly, on July 19, 2024, Lock Haven filed Supplement No. 21 to Tariff Water – PA P.U.C. No. 1 to further suspend the proposed rate effective date from March 2, 2025 to May 1, 2025.

11. A Prehearing Conference was held on July 22, 2024 at which various procedural matters were discussed, and a Scheduling Order was issued on July 25, 2024.

12. On September 13, 2024, Lock Haven filed Supplement No. 22 to Tariff Water – PA P.U.C. No. 1 to further suspend the proposed rate effective date to June 27, 2025, to allow additional time for mediation.

13. On November 8, 2024, Lock Haven filed Supplement No. 23 to Tariff Water – PA P.U.C. No. 1 to further suspend the proposed rate effective date to July 28, 2025, to allow additional time for mediation.

14. From August 2024 through December 2024, the parties participated in eight (8) formal mediation sessions, including on August 14, 2024, September 10, 2024, October 22, 2024, November 6, 2024, November 19, 2024, December 2, 2024, December 10, 2024, and

¹ A corrected version of Supp. No. 20 was subsequently filed on June 28, 2024.

December 19, 2024. The parties also participated in informal settlement discussions and conducted formal and informal discovery.

15. A Further Prehearing Conference was held on December 18, 2024.

16. A Joint Stipulation of Facts, Conclusions of Law and Ordering Paragraphs are attached hereto as Appendix A.

17. Section III below sets forth the agreed-to-proposals of the Joint Petitioners that they respectfully request the Commission approve. In support of the agreed-to proposals, Appendix B sets forth the agreed-to allocation of the proposed settlement rate increase by customer class. Appendix C sets forth the Proof of Revenues showing customer bill impacts and a comparison of the existing rates, the City's original request and proposed settlement rates, and proposed settlement PENNVEST Surcharge revenue. Appendix D sets forth the revenue allocation comparison of existing rates, the City's original request and the proposed settlement rates. Appendix E presents the pro forma tariff implementing the Settlement.

18. The parties now submit this Joint Petition pursuant to the Third Supplemental Scheduling Order issued on December 20, 2024. Appendices F-I include individual Statements in Support of the Settlement from each Joint Petitioner explaining why they support the Settlement (or specific terms of the Settlement).

III. SETTLEMENT TERMS

19. The Joint Petitioners support approving Lock Haven's May 24, 2024 base rate filing and PENNVEST Petition in this proceeding as modified by the terms and conditions that follow.

20. The settlement rates will be designed to produce \$210,000 in additional annual base rate operating revenue for PUC-jurisdictional customers based upon the pro forma level of

operations for the twelve (12) months ended Fiscal Year 2025. The settlement rates will produce a total of \$552,000 in additional annual base rate operating revenue for all customers (including both jurisdictional customers located outside the city and non-jurisdictional customers located inside the City). Lock Haven will be permitted to file tariff supplements to become effective March 2, 2025.

- a. The agreed-to allocation of the proposed settlement rate increase by customer class is shown in Appendix B.
 - b. The Proof of Revenues showing how the City will recover water revenue from each customer class, as well as customer bill impacts and proposed settlement PVS revenue, is shown in Appendix C.
 - c. A revenue allocation comparison of existing rates, the City's original request and the proposed settlement rates is provided in Appendix D.
21. Lock Haven will not file a rate increase pursuant to Section 1308(d) any sooner than 12 months from the effective date of rates in this proceeding.
22. On or before April 1, 2026, Lock Haven will provide I&E, OCA and OSBA an update to Lock Haven's Summary by Detail Plant Accounts and Depreciation Reserve schedules, which will include actual capital expenditures, plant additions and retirements for the twelve months ended December 31, 2024. On or before April 1, 2027, Lock Haven will update the Summary by Detail Plant Accounts, which will include actual capital expenditures, plant additions and retirements through December 31, 2025. For both filing requirements, the City agrees that it will provide the schedules within 30 days of its auditors completing the 2024 and 2025 audits.

23. Lock Haven agrees that it will justify its next base rate case on a rate base/rate of return basis. If Lock Haven seeks to use a cash flow approach in its next case, it agrees that it will file a Petition with the Commission seeking specific approval to use that methodology.

24. Regarding the PVS tariff language:

- a. PENNVEST Surcharge revenue from PUC-jurisdictional customers is expected to be \$48,130 as demonstrated in the proposed settlement PENNVEST Surcharge revenue provided in Appendix D.
- b. Lock Haven agrees that it will not begin its PENNVEST Surcharge until the utility plant is used and useful and a final amortization schedule is issued by PENNVEST.
- c. Lock Haven will segregate all revenues dedicated for PENNVEST repayment so long as the charge remains in effect.
- d. Lock Haven agrees that it will not seek to claim rate base/rate of return inclusion of utility plant that is financed by a PENNVEST loan that is being recovered through the PENNVEST Surcharge during the time that the loan is included in the PENNVEST Surcharge.
- e. Lock Haven agrees to file the following supporting documentation with any tariff supplement filing to incorporate a PENNVEST loan into its PVS:
 - i. Final and red-lined copies of the proposed tariff or tariff supplement to incorporate the loan into the PVS.
 - ii. 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 must be identified for each loan.

- iii. Copies of executed loan agreement documents and final amortization schedules.
- iv. A statement that the project funded by the loan is used and useful or will be used and useful before collection in the PVS begins.
- v. A copy of the proof of revenues and supporting calculations for the affected type of service reflecting PVS revenues under present and proposed rates.
- vi. Copies of any supporting documentation used to determine the PVS, including electronic workpapers.
- vii. A copy of Lock Haven's customer notice that it issued in accordance with 52 Pa. Code § 53.45(g).
- viii. 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).
- ix. A copy of a signed verification statement for the information being provided in accordance with 52 Pa. Code § 1.38.

25. Lock Haven agrees to include contact information for the Office of Small Business Advocate on late payment notices for jurisdictional customers.

26. Regarding the Service Connection tariff language:

- a. Lock Haven will revise the proposed tariff language to clarify that the Water Department will install the curb stop, coupling, and the water service line from the curb stop to the Water Department main, and the customer is responsible for excavation and installation of the water service line from the building to the curb stop.
- b. Lock Haven will revise the connection fee chart to include all applicable tap sizes, including those 1” or smaller, and those greater than 1” and up to 4”.

IV. ADDITIONAL TERMS AND CONDITIONS

27. The Commission’s approval of the Settlement shall not be construed as approval of any Joint Petitioner’s position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement the Settlement.

28. It is understood and agreed among the Joint Petitioners that the Settlement is a “black box” settlement, the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.

29. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable to the Joint Petitioners and consistent with the public interest. The Settlement represents a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of

the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

30. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions contained herein, Lock Haven or any Joint Petitioner may withdraw from the Settlement, upon written notice to the Commission and all parties within five (5) business days following entry of the Commission's Order and, in such event, the Settlement shall be of no force and effect. In the event that the Commission disapproves the Settlement or Lock Haven or any other Joint Petitioner elects to withdraw from the Settlement as provided above, each of the Joint Petitioners reserves their respective rights to fully litigate this case including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Testimony, Briefs, Exceptions and Replies to Exceptions.

31. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated the issues resolved by the Settlement and will result in the establishment of terms and conditions that – until changed on a going-forward basis as provided in the Public Utility Code – are in accordance with the law and in the public interest.

32. If the ALJ, in his Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) any modifications to the terms and conditions of this Settlement; or (b) any additional matters

proposed by the ALJ in his Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

33. This Settlement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

V. SETTLEMENT IS IN THE PUBLIC INTEREST

34. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Lock Haven's filing. The Joint Petitioners engaged in extensive informal and formal discovery and numerous settlement discussions, including participation in eight (8) formal mediation sessions.

35. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

a. **The Settlement provides a reasonable resolution.** The Settlement represents a balanced compromise of the issues raised by the active parties in this proceeding while recognizing the benefit to Lock Haven's ratepayers of providing the City with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service.

b. **Substantial litigation and associated costs will be avoided.** The Settlement amicably and expeditiously resolves the issues in this proceeding, permitting Lock Haven to provide safe and effective service at just and reasonable rates by focusing resources on implementing the agreed-to rates and the PENNVEST Surcharge and allowing the City to fund critical, mandated system improvements that are necessary to

update aging infrastructure and allow for continued provision of safe and adequate service to customers.

c. **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 contains 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 substantial evidence of record.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,

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Dated: January 15, 2025