

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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consumer@

August 28, 2018

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

Re: Pa. Public Utility Commission  
v.  
Aqua Pennsylvania, Inc. and  
Aqua Pennsylvania Wastewater, Inc.  
Docket Nos. R-2018-3003558  
R-2018-3003561

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Formal Complaint and Public Statement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Phillip D. Demanchick  
Phillip D. Demanchick  
Assistant Consumer Advocate  
PA Attorney I.D. # 324761  
E-Mail: [PDemanchick@paoca.org](mailto:PDemanchick@paoca.org)

Enclosures:

cc: Office of Special Assistants (email only: [ra-OSA@pa.gov](mailto:ra-OSA@pa.gov))  
Office of Administrative Law Judge  
Bureau of Technical Utility Services (email only)  
Certificate of Service

\*255864

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
v. : Docket Nos. R-2018-3003558  
Aqua Pennsylvania, Inc. and : R-2018-3003561  
Aqua Pennsylvania Wastewater, Inc. :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Formal Complaint and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 28<sup>th</sup> day of August 2018.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Richard Kanaskie, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

Anthony C. DeCusatis, Esquire  
Catherine Vasudevan, Esquire  
Morgan, Lewis and Bockius LLP  
1701 Market Street  
Philadelphia, PA 19103-2921

John R. Evans  
Office of Small Business Advocate  
300 North Second Street  
Commerce Building, Suite 202  
Harrisburg, PA 17101-1303

Renee T. Marquis  
Aqua Pennsylvania, Inc.  
762 W. Lancaster Ave.  
Bryn Mawr, PA 19010

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Darren Distasio  
12 Karin Drive  
Tunkahnock, PA 18657

Jordan Goretti  
1393 Rothley Ave  
Abington, PA 19001-2414

/s/ Phillip D. Demanchick  
Phillip D. Demanchick  
Assistant Consumer Advocate  
PA Attorney I.D. # 324761  
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Counsel for the Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: August 28, 2018  
\*257387

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**FORMAL COMPLAINT**

**1. CUSTOMER NAME (COMPLAINANT)**

Tanya J. McCloskey, Acting Consumer Advocate

555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Dauphin County

Phone: (717) 783-5048  
Fax: (717) 783-7152

**2. UTILITY NAME**

Aqua Pennsylvania, Inc. & Aqua Pennsylvania Wastewater, Inc.  
Docket No. R-2018-3003558 (Water)  
Docket No. R-2018-3003561 (Wastewater)

**3. TYPE OF UTILITY**

Water and Wastewater

**4. COMPLAINT**

- A. On August 17, 2018, Aqua Pennsylvania Inc. (Aqua or Company) filed Original Tariff Water - Pa. P.U.C. No. 2 (Tariff Water No. 2) and Original Tariff Sewer – Pa. P.U.C. No. 2 (Tariff Sewer No. 2) with the Pennsylvania Public Utility Commission (Commission) to become effective October 16, 2018. Through this filing, Aqua requests that the Commission approve changes in water and wastewater rates to increase the Company's total annual operating revenues by approximately \$71.8 million per year or approximately 16.13% over the amount of annual revenues at present rates.
- B. The Company provides water service to approximately 430,000 customers in portions of Adams, Berks, Bradford, Bucks, Carbon, Chester, Clarion, Clearfield, Columbia, Crawford, Cumberland, Delaware, Forest, Juniata, Lackawanna, Lawrence, Lehigh, Luzerne, Mercer, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Snyder, Venango, Warren, Wayne, and Wyoming Counties. The Company also provides wastewater service to approximately 30,000 customers in portions of Adams, Bucks, Carbon, Chester, Clarion, Clearfield, Delaware, Lackawanna, Luzerne, Monroe, Montgomery, Pike, Schuylkill, Venango, and Wyoming Counties.

- C. According to the customer notices included in the Company's filing, if the full rate increase is approved a typical residential water customer with a 5/8" meter using 4,080 gallons per month would see the following increases in their monthly bill as provided in the following table:

Rate Zone	Water Territory	Present Rates	Proposed Rates	Increase Amount	Increase Percentage
1	Main Division	\$59.85	\$69.07	\$9.22	15.41%
1	Beech Mountain*	\$21.45	\$35.37	\$13.92	64.90%
1	Bristol*	\$55.80	\$69.07	\$13.27	23.78%
1	Bensalem*	\$24.24	\$38.90	\$14.66	60.48%
-	Bunker Hill	\$12.88	\$27.36	\$14.48	112.42%
2	Chalfont	\$47.27	\$69.07	\$21.80	46.12%
1	Clarendon	\$51.05	\$69.07	\$18.02	35.30%
2	Concord Park	\$30.88	\$45.43	\$14.55	47.12%
1	CC Gardens*	\$40.29	\$55.04	\$14.75	36.61%
3	Eagle Rock	\$59.85	\$69.07	\$9.22	15.41%
1	East Cameron	\$57.02	\$69.07	\$12.05	21.13%
1	Honesdale	\$52.20	\$69.07	\$16.87	32.32%
1	Kratzerville*	\$52.29	\$69.07	\$16.78	32.09%
3	Masthope	\$49.36	\$69.07	\$19.71	39.93%
1	Mifflin*	\$37.11	\$51.14	\$14.03	37.81%
1	Mt. Jewett*	\$45.95	\$69.07	\$23.12	50.32%
3	Oakland	\$57.04	\$69.07	\$12.03	21.09%
1	Robin Hood Lakes*	\$40.16	\$55.02	\$14.86	37.00%
1	Sand Springs*	\$40.73	\$55.04	\$14.31	35.13%
-	Sun Valley	\$15.00	\$19.50	\$4.50	30.00%
2	Superior	\$57.02	\$69.07	\$12.05	21.13%
2	Treasure Lake	\$27.20	\$43.31	\$16.11	59.23%

\* Consumption Charge exceptions, Private Fire Service Charge exceptions, and Public Fire Service Charge exceptions apply.

D. According to the customer notices included in the Company's filing, if the full rate increase is approved a typical residential wastewater customer\* would see the following increases to their monthly bill:

Rate Zone	Wastewater Territory	Present Rates	Proposed Rates	Increase Amount	Increase Percentage
3	Beech Mountain	\$56.04	\$80.00	\$23.96	42.76%
5	Brandywine	\$106.43	\$125.84	\$19.41	18.24%
2	Bridlewood	\$45.46	\$74.88	\$29.42	64.72%
1	Bunker Hill	\$31.92	\$61.40	\$29.48	92.36%
3	Chesterdale	\$54.92	\$72.35	\$17.43	31.74%
3	Deerfield	\$57.87	\$71.50	\$13.63	23.55%
2	Eagle Rock	\$39.67	\$51.39	\$11.72	29.54%
3	Emlenton	\$45.00	\$80.00	\$35.00	77.78%
5	Greens	\$106.38	\$107.60	\$1.22	1.15%
4	Honeycroft	\$66.67	\$100.00	\$33.33	49.99%
4	Kidder	\$47.07	\$70.65	\$23.58	50.10%
4	Lake Harmony	\$65.63	\$100.00	\$34.37	52.37%
3	Laurel	\$51.49	\$81.70	\$30.21	58.67%
4	Links at Gettysburg	\$63.58	\$87.65	\$24.07	37.86%
5	Little Washington	\$98.05	\$106.64	\$8.59	8.76%
1	Masthope	\$28.99	\$40.88	\$11.89	41.01%
1	Media	\$42.19	\$62.92	\$20.73	49.13%
4	New Daleville	\$74.17	\$100.00	\$25.83	34.83%
5	Newlin	-	-	-	-
4	Peddlers View	\$78.44	\$100.95	\$22.51	28.70%
3	Penn Township	\$40.70	\$74.90	\$34.20	84.03%
2	Pinecrest	\$44.05	\$68.40	\$24.35	55.28%
5	Plumsock	\$107.02	\$124.88	\$17.86	16.69%
3	Rivercrest	\$45.22	\$73.20	\$27.98	61.88%
5	Sage Hill	-	-	-	-
3	Stony Creek	\$54.86	\$67.25	\$12.39	22.58%
3	Thornhurst	\$52.36	\$68.10	\$15.74	30.06%
4	Tobyhanna	\$66.67	\$100.00	\$33.33	49.99%
1	Treasure Lake	\$40.52	\$53.80	\$13.28	32.77%
4	Twin Hills	\$70.15	\$101.90	\$31.75	45.26%
3	Woodloch Springs	\$51.87	\$63.00	\$11.13	21.46%

\* The amounts listed in the customer notices use different sets of assumptions. For example, Brandywine is calculated based on 5,400 gallons of monthly usage, whereas Penn Township is calculated based on 3,400 gallons of monthly usage.

- E. To achieve these increases, Aqua proposes to collect a portion of its wastewater revenue requirement from its water customers pursuant to 66 Pa. C.S. § 1311(c).
- F. Aqua also requests Commission approval of a Purchased Water Adjustment Clause (PWAC) and an Energy Cost Adjustment Mechanism (ECA) to recover certain costs outside of a general rate proceeding. Specifically, the PWAC will allow the Company to recover increases in rates charged by non-affiliated suppliers from whom the Company purchases water. Similarly, the ECA will allow the Company to recover the costs of energy used to provide water to its customers.
- G. The Consumer Advocate is empowered to represent the interests of Pennsylvania consumers before the Pennsylvania Public Utility Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa. Stat. Ann §§ 309-1 et seq.
- H. A preliminary examination of the Company's rate increase request indicates that:
  - 1. the Company's present rates and proposed charges, increases and changes in rates, rules and regulations contained within the request may be unjust, unreasonable, and in violation of law;
  - 2. the proposed increase may discriminate against certain customers, particularly in regard to the Company's proposed allocation of the rate increase; and
  - 3. the proposed increase may otherwise be contrary to sound ratemaking principles and public policy.
- I. For ratemaking purposes, Aqua proposes a return on equity of 10.75% resulting in an overall rate of return of 7.77% for the Company's water and wastewater operations. The proposed rate of return is excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, *et. seq.*, sound ratemaking principles, and public policy.
- J. The Company's existing rates do not properly reflect any 2018 tax expense savings resulting from the Tax Cuts and Jobs Act, which should be timely returned to customers.

**5. RELIEF**

The Acting Consumer Advocate respectfully requests that the Commission take the following actions:

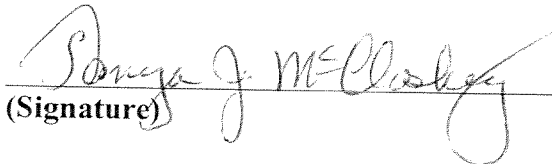
- A. Suspend and investigate the operation of the proposed tariffs, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. Section 1308(d);

- B. Consolidate all complaints filed against the proposed increase;
- C. Hold full evidentiary hearings examining the reasonableness of the Company's current rates and its proposed increases in rates;
- D. After providing the public with adequate notice, hold public input hearings in the Company's service territory, in order to provide its customers with an opportunity to be heard on the record;
- E. Deny or modify any changes contained in the proposal which cannot be fully justified by the Company, or which otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy;
- F. Grant such other relief that the Commission may deem to be necessary and proper.

**6. VERIFICATION AND SIGNATURE**

You must print or type your name below on the line provided for the verification paragraph, and you must sign and date (in ink) this form on the lines provided.

*Verification: I, Tanya J. McCloskey, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).*


8/28/18  
 (Signature) (Date)

**7. LEGAL REPRESENTATION**

Phillip D. Demanchick Jr.  
 Assistant Consumer Advocate  
 PA Attorney ID No. 324761

Christine Maloni Hoover  
 Senior Assistant Consumer Advocate  
 PA Attorney ID No. 50026

555 Walnut Street  
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PUBLIC STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
PURSUANT TO 71 P.S. SECTION 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 P.S. § 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (PUC or Commission). In accordance with Act 161, the Acting Consumer Advocate determined to file a Formal Complaint and participate in proceedings before the Commission involving the proposed rate increase requested by Aqua Pennsylvania, Inc. (Aqua).

On August 17, 2018, Aqua filed Original Tariff Water - Pa. P.U.C. No. 2 and Original Tariff Sewer – Pa. P.U.C. No. 2 with the Commission, to become effective October 16, 2018. Through these tariffs, Aqua requests that the Commission approve increased rates, based upon an overall operating revenue increase of approximately \$71.8 million per year or approximately 16.13% over the amount of annual revenues at present rates.

The objective of the Acting Consumer Advocate is to protect the interests of Aqua customers. The Acting Consumer Advocate will seek to ensure that the Company is permitted to implement only a level of rates that is fully justified in law and in accordance with sound ratemaking principles. The Acting Consumer Advocate will also strive to prevent the Company from collecting from ratepayers all alleged costs that cannot be justified, are unreasonable or unduly discriminatory, or otherwise not in accord with the Public Utility Code. The Acting Consumer Advocate submits that Aqua's current rates and the rates sought by Aqua may be unjustifiable and unlawful based upon information filed by the Company in support of its claim.

Aqua provides water service to approximately 430,000 water customers in portions of 32 Pennsylvania Counties and wastewater service to approximately 30,000 customers in portions of 15 Pennsylvania Counties.