

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560

FAX (717) 783-7152  
consumer@paoca.org

March 21, 2019

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

Re: Pennsylvania Public Utility Commission  
v.  
Newtown Artesian Water Company  
Docket No. R-2019-3006904

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,

A handwritten signature in blue ink that reads "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  
\*267948

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility :  
Commission : Docket No. R-2019-3006904  
v. :  
Newtown Artesian Water Company :

I hereby certify that I have this day served a true copy of the foregoing, 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 Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21<sup>st</sup> day of March 2019.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Richard A. Kanaskie, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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

Thomas T. Niesen, Esquire  
Brenden E. Brett, Esquire  
Thomas, Niesen & Thomas, LLC  
212 Locust Street  
Suite 302  
Harrisburg, PA 17101

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

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

Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50026  
E-Mail: [CHoover@paoca.org](mailto:CHoover@paoca.org)  
\*267949

Counsel for:  
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: March 21, 2019

**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**

Newtown Artesian Water Company  
Docket No. R-2019-3006904

**3. TYPE OF UTILITY**

Water

**4. COMPLAINT**

- A. On March 1, 2019, Newtown Artesian Water Company (NAWC or Company) filed Supplement No. 136 to Tariff Water - Pa. P.U.C. No. 9 (Tariff Supplement No. 136) with the Pennsylvania Public Utility Commission (Commission) to become effective May 1, 2019. Through this filing, NAWC requests that the Commission approve a \$934,154 annual increase to the Company's total operating revenues or approximately 16.9% over the amount of annual revenues at present rates.
- B. The Company provides water service to approximately 11,003 residential, commercial, industrial, and public and private fire protection customers in portions of Newtown Borough and the Townships of Newtown and Middleton, Bucks County, Pennsylvania.
- C. As part of this increase, the Company is proposing to equalize consumption rates for its Newtown Artesian Rate Area and its Indian Rock Rate Area. To that end, the Company proposes a 26.6% increase to the Newtown Artesian consumption rate and a 16.2% increase to the Indian Rock consumption rate.

- D. The Company also proposes to increase the customer charge by 17.2% for all customer classes and meter sizes. For example, the customer charge for a residential customer with a 5/8" meter will increase from the current rate of \$19.38 to \$22.71 per quarter.
- E. According to the customer notice included in the Company's filing, if the full rate increase is approved, a Newtown Artesian Rate Area residential water customer with a 5/8" meter using 12,000 gallons per quarter would experience an increase of \$15.90 to their quarterly bill. Similarly, an Indian Rock Rate Area residential water customer with a 5/8" meter using 12,000 gallons per quarter would experience an increase of \$9.88 to their quarterly bill. See the table below for more details:

<b>Rate Area</b>	<b>Present Quarterly Rates</b>	<b>Proposed Quarterly Rates</b>	<b>Quarterly Increase Amount</b>	<b>Increase Percentage</b>
Newtown Artesian	\$88.73	\$104.63	\$15.90	17.9%
Indian Rock	\$94.75	\$104.63	\$9.88	10.4%

\* Based upon a residential water customer with a 5/8" meter using 12,000 gallons per quarter. The proposed rates and calculated increase do not include additional charges that the Company may levy, such as the Distribution System Improvement Charge (DSIC) or the Purchased Water Adjustment Clause (PWAC).

- F. In its base rate filing, NAWC utilizes a fully projected future test year ending September 30, 2020.
- 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. For ratemaking purposes, NAWC proposes a return on equity of 11.00% resulting in an overall rate of return of 8.65%. 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.
- I. The Company's existing rates may not properly reflect any tax expense savings resulting from the Tax Cuts and Jobs Act, which should be timely returned to customers.
- J. The Company's proposed baseline items for its existing Purchased Water Adjustment Clause (PWAC) may not accurately reflect its annual purchased water costs.

- K. 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

**5. RELIEF**

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

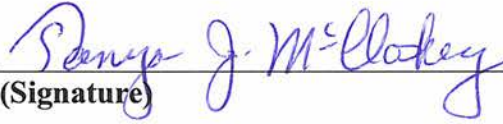
- A. Suspend and investigate the operation of the proposed tariffs, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. Section 1308(d);
- B. Consolidate all complaints filed against the proposed increase;
- C. Hold full evidentiary hearings examining the reasonableness of the Company's 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, and hold those hearings as early in the case as feasible;
- 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).*

  
(Signature)

3/21/19  
(Date)

**7. LEGAL REPRESENTATION**

Phillip D. Demanchick Jr.  
Assistant Consumer Advocate  
PA Attorney ID No. 324761  
E-Mail: PDemanchick@paoca.org

Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney ID No. 83487  
E-Mail: EGannon@paoca.org

Christine Maloni Hoover  
Senior Assistant Consumer Advocate  
PA Attorney I.D. No. 50026  
E-Mail: CHoover@paoca.org

555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923

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

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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, and for the following reasons, the Acting Consumer Advocate determined to file a Formal Complaint and participate in proceedings before the Commission involving the proposed rate increase requested by Newtown Artesian Water Company (NAWC).

On March 1, 2019, NAWC filed Supplement No. 136 to Tariff Water - Pa. P.U.C. No. 9 (Tariff Supplement No. 136) with the Commission to become effective May 1, 2019. NAWC proposes to increase annual revenues by \$934,154, or approximately 16.9% over the amount of annual revenues at present rates.

The objective of the Acting Consumer Advocate in filing a Formal Complaint in this matter is to protect the interests of NAWC customers. The Office of Consumer Advocate (OCA) will fully examine and investigate NAWC's claimed need for revenues, its claimed fair rate of return, and its existing rates. The OCA will also assess the quality of service received by customers and the fairness of NAWC's revenue allocation and rate design. The OCA will ask the Commission to deny all changes, increases, and charges that NAWC cannot show to be reasonable, justified, not unduly discriminatory, or otherwise in accordance with the law and sound ratemaking principles.

NAWC provides water service to approximately 11,003 customers in portions of Newtown Borough and the Townships of Newtown and Middleton, Bucks County, Pennsylvania.