

Pennsylvania Public Utility Commission v. Community Utilities of Pennsylvania
Docket Nos. R-2023-3042804 (water) and R-2023-3042805 (wastewater)

What is a settlement?

A settlement is an agreement between participants in a case before the Pennsylvania Public Utility Commission (PUC) to stop litigating and propose a negotiated outcome of the case to the PUC. Once participants agree to settle, the parties to the settlement submit the terms of their agreement to the Administrative Law Judges (ALJs) assigned to the case.

Other participants in the case who are not party to the settlement may provide support or objections to once it has been submitted to the ALJs. The ALJs, after receiving the comments, then decide whether they should recommend the PUC adopt the settlement because it is in the public interest or reject the settlement if it is not. The PUC, based on the recommendation from the ALJs and any exceptions filed to the ALJs' recommendation, then either approves the settlement and end the proceeding, or reject it and reopen the case. A settlement agreement can only be approved by the PUC if it finds it is in the public interest to do so.

Why did the OCA agree to settle this case?

In deciding whether to settle a case or fully litigate a case, the OCA weighs the potential benefits gained for consumers against the risk of higher rates if the case were fully litigated. The OCA believes that if this case had been litigated, the result would likely have been worse for consumers than what was negotiated in the Settlement. The total rate increase authorized under the settlement was less than 3% higher than the OCA's litigation position, which likely represented the floor of any rate increase the PUC would have authorized. However, even if the PUC had granted CUPA's rate increase request at the lowest possible amount, the PUC's decision would not also require CUPA to make changes and improvements for customers and would not have contained other protections such as CUPA's agreement not to request another rate increase until February 2026 at the earliest.

In recent years, the PUC has often approved high rate increases and less often required the utility to respond to concerns that the OCA raises about customer billing, low-income customer assistance, and quality of service issues. When a case is fully litigated, there is no guarantee that the PUC will adopt the OCA's positions, particularly where the utility and other parties disagree. The OCA would make its best arguments, but ultimately have no control over what the PUC would decide to approve. On the other hand, when the OCA settles a case, we have greater control over the outcome of the proceeding (although even with a settlement, the PUC could decide to reject or modify the settlement) because we are offering the PUC one position agreed to by all the parties. By settling the case, we have tried to confine the amount of rate increase to a level that would likely be no worse than what would have resulted from litigation, while ensuring that the Company must provide positive benefits to its customers.

What would have happened, procedurally, if the OCA did not settle the case?

The ALJs assigned to this case would hear the OCA and other parties' arguments and issue a Recommended Decision detailing their findings and recommendations to the PUC. The parties would have a chance to respond by filing "exceptions" that argue for or against the Recommended Decision. Next, the PUC would evaluate the parties' arguments and the ALJs' recommendations, and issue an Order approving, denying, or modifying the Recommended Decision. That final Order is what dictates the rate increase that will be allowed and any conditions required.

What consumer benefits are contained in the settlement?

If fully accepted by the PUC, the Settlement provides that:

- CUPA will not be able to file another rate increase request until February of 2026.
- The monthly bill for a Consolidated residential water customer who uses 3,500 gallons per month will increase by 43% instead of the 59% proposed by CUPA.
- The monthly bill for a Tamiment residential water customer who uses 2,300 gallons per month will increase by 50% instead of the 69% proposed by CUPA.
- The monthly bill for a Consolidated residential wastewater customer who uses 3,500 gallons per month will increase by 38% instead of the 53% proposed by CUPA.
- The monthly bill for a Tamiment residential wastewater customer who uses 2,300 gallons per month will increase by 39% instead of the 59% proposed by CUPA.
- The fixed monthly charge for Consolidated residential water customers will not change as much as requested by CUPA. CUPA had proposed to increase the monthly customer charge from \$17.25 to \$23.40. Instead, the customer charge will be set at \$18.18, the current fixed monthly charge for Tamiment residential water customers.
- The fixed monthly charge for Tamiment residential wastewater customers will not change as much as requested by CUPA. CUPA had proposed to increase the monthly customer charge from \$26.15 to \$51.65. Instead, the customer charge will be set at \$39.90.
- CUPA will not be allowed to recover all the COVID-19 expenses that it proposed to bill customers for in this rate case.
- CUPA will perform at least one community outreach event per year, in each of its service territories, in part seeking to increase enrollment in the Company's low-income assistance programs and improve payment patterns. This will reduce costs to all customers.
- The discount provided to low-income customers through CUPA's Bill Discount Program (BDP) will increase from 35% of only volumetric water charges to 45% of fixed customer *and* volumetric charges, for water and for wastewater service.

- CUPA will evaluate whether the Tamiment system can support fire hydrants which are capable of providing fire protection.
- In the next rate case, CUPA will propose the following:
 - A tiered BDP, offering higher discounts to lower-income customers.
 - Flexible payment dates for customers enrolled in CUPA's arrearage management plan.
 - Fee-free payment options for online bill payment.

Because the rate increase in the Settlement is close to the best possible scenario of what we would have expected after litigation, and because the above benefits would likely not have been required by the PUC after litigation, the OCA agreed to the Settlement.

What happens now with the Settlement?

At this time, a Joint Petition for Settlement has been submitted to the Administrative Law Judges who have been overseeing this proceeding from its beginning. The Joint Petition for Settlement contains the Settlement itself and Statements in Support of the Settlement from each of the active parties in this proceeding. The ALJs will review the Settlement and the Statements in Support from each party and release a Recommended Decision (RD) that either 1) approves the Settlement in full, 2) modifies the Settlement, or 3) rejects the Settlement. Once the RD is released, all active parties to this proceeding will have a chance to comment on the RD by filing exceptions. Parties will typically only do this if they disagree with something in the RD. Finally, the PUC will review the RD and any exceptions and publish an Opinion and final Order in this proceeding.

While we stand by the litigation positions outlined in our testimony in this proceeding, settling this case allowed us to ensure that certain customer benefits would be implemented at a rate increase that is within the range of what we expect the PUC would have recommended anyways. Now, we await the ALJs' RD.

I filed a Formal Complaint and want to Object to or Support the Settlement. How do I do that?

Customers who filed Formal Complaints have until May 10, 2024, to file a letter objecting to or supporting the proposed Settlement. Those letters will be considered by the ALJs and PUC. If customers have questions about how to do this, they can contact the OCA at consumer@paoca.org or 1-800-684-6560.

Whether or not a customer files a letter, they will have an additional opportunity to provide input. When the RD is released, it will be emailed to customers who filed a Formal Complaint and they can file Exceptions to all or part of the ALJ's recommendations. Customers can contact the OCA with questions about the RD or how to file Exceptions.

When will we know if the PUC accepts, modifies, or rejects the Settlement?

The PUC will likely rule on the settlement at its Public Meeting on August 1, 2024.

When will these rate increases go into effect?

If approved by the PUC, the new rates would take effect on August 9, 2024.

What can I do now to begin preparing for these rate increases?

You can act now to monitor and conserve water usage in and around your home. For example, take shorter showers – a few minutes makes a big difference. Installing a low-flow shower head can reduce the amount of water you use while showering by as much as 50 percent. Turn off the tap while brushing your teeth, shaving, or washing dishes. Run dishwashers and washing machines only when full, using water-saving cycles and appropriate load sizes. Consider water and energy-efficient appliances, water-saving showerheads, toilets, and faucet aerators. These changes may also help you save money on other utility bills, such as gas and electricity.

Check your home for leaks periodically. Even the smallest leak can cause the loss of thousands of gallons of water each month, resulting in waste and an unnecessarily high bill. Indoors, look for dripping faucets, toilets that keep draining and refilling, and puddles or water marks on the floor around a refrigerator, dishwasher, washing machine, hot water tank. Outdoors, look for soft spots on your lawn which can indicate leaks in the service line or sprinkler system. The faster you notice a problem and address it, the faster it can be fixed.

What can I do if I cannot afford the rate increases?

CUPA has a low-income discount program that provides financial assistance for water and wastewater customers who qualify. The program provides discounts on your bills. As a requirement of the Settlement, the current discounts will increase in August 2024, when the rate increases go into effect. You can contact CUPA at (800) 638-0262 or view their program description online at <https://www.myutility.us/pennsylvania/news/detail?id=378055e5-8533-6283-8a44-ff0000903d3d&index=0> to get information about the program and the Low-Income Household Assistance Water Program, which offers water and wastewater bill assistance for qualifying low-income households.

You may also enter into a payment arrangement with CUPA. Under the Public Utility Code, all customers with an unpaid balance are able to enter into a payment arrangement with their utility service provider, which prevents the utility from terminating the customer's utility service for a past due balance as long as the customer is able to meet their monthly billing requirement under the payment arrangement. If you believe that you may not be able to pay your bill by the due date, contact CUPA at (800) 638-0262 before the due date to discuss a potential payment arrangement.

If you are facing termination of service and someone in your household has a medical condition that would be made worse without water or wastewater service, you may provide CUPA with a Medical Certification. A Medical Certification signed by a physician, physician's assistant, or nurse practitioner can stop CUPA from terminating your water or wastewater service for up to 30

days at a time and can be renewed as long as you remain current on your monthly bills. You will not be responsible for paying towards your past due balance for as long as your termination is suspended under a Medical Certification, though the balance will remain until it is paid off. The Medical Certification Form is available on the PUC's website at: https://www.puc.pa.gov/media/1779/standard_medical_certificate_form.docx. For more information on preventing disconnection or restoring service with a medical certificate, the PUC's Medical Certificate Guidance factsheet is available on the PUC's website at https://www.puc.pa.gov/media/1778/medical_certificate_guidance.docx. You may contact CUPA at (800) 638-0262 with questions regarding their process for submitting a Medical Certification.