

John J. Gallagher

Attorney at Law

711 Forrest Road, Harrisburg, PA 17112

Tel. (717) 599-5839

✉ jgallagher@jgflawpa.com

May 23, 2014

**VIA ELECTRONIC MAIL AND
HAND DELIVERY**

Honorable Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

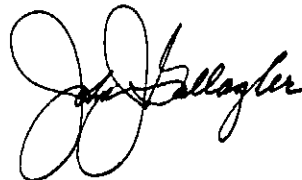
**Re: Pennsylvania Public Utility Commission v.
City of Bethlehem- 2013 General Water Rate Increase Filing
Docket No. R-2013-2390244
(Joint Petition for Settlement)**

Dear Secretary Chiavetta:

On behalf of the City of Bethlehem, ("City"), the Office of Consumer Advocate ("OCA"), the Bureau of Investigation & Enforcement ("I&E") and the Office of Small Business Advocate ("OSBA") please find enclosed an original copy of a Joint Petition for Settlement in the above captioned matter.

Copies of this Settlement Petition are being served on the parties listed in the attached certificate of service. Please contact me if you have any questions concerning this submission.

Sincerely,



John J. Gallagher

cc: Certificate of Service

RECEIVED
2014 MAY 23 PM 2:36
PA PUC
SECRETARY'S BUREAU

RECEIVED
2014 MAY 23 PM 2:36
PA PUC
SECRETARY'S BUREAU

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	Docket Nos.: R-2013-2396244
Office of Small Business Advocate	:	C-2013-2396055
v.	:	C-2014-2400863
City of Bethlehem – Bureau of Water	:	

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

The City of Bethlehem ("City"), the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), collectively referred to as "Joint Petitioners" by their respective counsel, respectfully request: (a) that Administrative Law Judge Joel H. Cheskis recommend approval of this Joint Petition for Settlement ("Petition for Settlement") as set forth herein; (b) that the Pennsylvania Public Utility Commission ("Commission") approve and adopt this Petition for Settlement as set forth herein; and (c) that the Commission permit the City to file tariff supplements attached hereto at Appendix A effective on one day's notice for service rendered on and after the entry date of the Commission's Order approving this Petition for Settlement. In support of this Joint Petition for Settlement, the Joint Petitioners set forth the following:

I. INTRODUCTION

1. On or about November 26, 2013, the City of Bethlehem filed with the Commission Supplement No. 11 to Tariff Water-Pa. P.U.C. No. 6 to become effective January 25, 2014. Supplement No. 11 contained proposed changes in the City of Bethlehem's rates,

rules, and regulations and set forth a request to adjust current water rates in order to produce \$1,119,726 in additional annual revenues, a revenue increase of approximately 15% for jurisdictional customers.

2. On December 2, 2013, Allison C. Kaster, Esquire filed a Notice of Appearance on behalf of I&E in this matter. On December 9, 2013, Christine Maloni Hoover, Esquire filed a Public Statement, a Notice of Appearance and a formal Complaint on behalf of the OCA in this matter. The Complaint was docketed at C-2013-236055. On January 7, 2014, Daniel Asmus, Esquire filed a Public Statement, a Notice of Appearance and a formal Complaint on behalf of the OSBA in this matter. The Complaint was docketed at C-2014-2400863.

3. By Order issued on January 23, 2014, the Commission suspended the City's filing and instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. Pursuant to the Commission's Order, the new effective date for Supplement No. 11 to Tariff Water-Pa. P.U.C. No. 6 became August 25, 2014 unless permitted to become effective at an earlier date. By the same Order, the Commission assigned the case to the Office of Administrative Law Judge for the scheduling of hearings. On January 30, 2014 the Commission issued a notice to the parties of a Prehearing Conference scheduled for February 12, 2014. The City served its direct testimony with its filing on November 26, 2013, while the non-City parties served direct testimony on March 12, 2014. Rebuttal testimony was served on March 31 and surrebuttal testimony was served on April 14. On April 24, 2014, a hearing was held by ALJ Cheskis at which time the parties stipulated to the admission of written testimony and exhibits.

4. In accordance with the Commission's Rules and Regulations, 52 Pa. Code § 5.231, Joint Petitioners engaged in settlement negotiations resulting in this Petition for

Settlement. Joint Petitioners have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase, thereby resolving all issues raised by the participants to this proceeding.

5. Although Joint Petitioners have not agreed upon specific adjustments reflective of their respective positions, they join in and request approval of this Petition for Settlement. Joint Petitioners are in full agreement that Commission approval of the Petition for Settlement would result in rates that are just and reasonable and would otherwise be in the public interest and in the best interests of the City's outside customers.

II. TERMS AND CONDITIONS

6. The City will be permitted to establish rates for outside customers, which will produce an overall increase in annual operating revenues of approximately \$350,000. These rates, as determined in accordance with the attached proof of revenues and tariff supplement, will be effective on one day's notice for service rendered on and after the date of the Commission's approval of this Petition for Settlement in its entirety. The Proof of Revenues attached hereto at *Appendix B*, reflects rates that are designed to recover approximately \$350,000 of additional revenues from outside customers. In sum, for outside customers, the increase in revenues by class from present rates as proposed in this Petition for Settlement are as follows:

CITY OF BETHLEHEM - OUTSIDE CUSTOMERS

<u>Customer Class</u>	<u>Present Revenues</u>	<u>Revenues per Settlement</u>	<u>Revenue Increase</u>	<u>Percent Increase</u>
Residential	\$4,155,118	\$4,367,664	\$212,546	5.1
Commercial	958,645	997,500	38,855	4.1
Industrial	297,542	311,778	14,235	4.8
Public	459,350	480,728	21,378	4.7
Other Utilities	\$811,886	\$853,187	\$41,301	5.1
Private Fire	457,193	478,825	21,632	4.7
Public Fire	<u>321,200</u>	<u>321,200</u>	<u>-</u>	<u>0.0</u>
Total Sales	<u>\$7,460,935</u>	<u>\$7,810,882</u>	<u>\$349,947</u>	<u>4.7</u>

In addition to, and in consideration of, the agreed-upon overall increase in operating revenues for outside customers of approximately \$350,000, Joint Petitioners also agree to various terms and conditions set forth as follows:

7. The City of Bethlehem will stipulate that the following capital construction projects will be completed by the dates indicated:

a) 5th & William Street pump station replacement - \$400,000- completion in the first quarter of 2015

b) 5 MG SE storage tank modifications - \$90,000- completion in 2014

c) East Allen Twp Shady Lane improvements - \$300,000 – completion in 2014

d) Wild Creek Dam repairs - \$120,000- completion in 2014

e) Southside pump station replacement - \$420,000- completion in the first quarter of 2016

f) Fire pump station replacement - \$450,000- completion in first quarter of 2017

g) Salisbury Twp Weil Street pump station - \$110,000- completion in 2014

TOTAL

\$1,890,000

8. Stay out -- The City will agree to a stay out for filing of a base rate case until March 31, 2016. This stay out provision excludes the filing with the Commission by the City of a DSIC Petition and if approved, the inclusion of quarterly DSIC surcharges on customers' bills. If the City files a DSIC and it is approved, the first DSIC will be effective no earlier than April 1, 2015 based on DSIC-eligible expenditures during January and February 2015. In any event the City will not begin to impose a DSIC until the balances of DSIC-eligible accounts, net of plant funded with customer advances and customer contributions, exceed the December 31, 2014 levels of investment in plant additions projected by the City in this case. Nothing in this settlement agreement is intended to waive the right of the OCA, BI&E, or the OSBA to take any position in any future DSIC filing. In addition, the Parties agree that the City may file for a change in rates under Sections 1308(a) and (b) (governing general rate relief), or Section 1308(e) (governing extraordinary rate relief) of the Public Utility Code if a legislative body or administrative agency orders or enacts changes in policy, regulation or statutes which directly and substantially affect the City's rates.

9. The City also agrees to have the manufacturer inspect and verify the accuracy of the City's clearwell venturi meter located at its water filtration plant within 4 months of the Final Order in this proceeding. In the event that the venturi meter's accuracy falls outside a range of 2.5% +/-, the City will present a plan to install a new level venturi or employ some other engineering recommended means or method to accurately measure the outflow from the water filtration plant to the Commission, OCA, BI&E and OSBA within 8 months of the Final Order. If it is determined that replacement of the venturi meter is necessary, the City will meet with the parties to discuss a reasonable implementation plan. If it is determined that the venturi meter's accuracy can be corrected by employing some other engineering recommended means or method, the City will correct the accuracy of the venturi meter no later than 4 months from the date it presents its plan.

10. If the City elects to use a fully projected future test year ("FPFTY") in its next base rate filing, the City agrees that its claimed FPFTY will be in compliance with Section 315(e) of

the Public Utility Code. Nothing in the settlement is intended to require the City to use FPPTY in future base rate proceedings.

11. The City also agrees to begin evaluation and implementation of a project to install radio-frequency (RF) meter reading technology and replace all customer water meters starting with those exceeding 20 years in age. This will be a multi-year effort which will extend out past 2016. The City agrees that the evaluation will be completed no later than one (1) year from the Final Order in this proceeding. The City also agrees that it will provide the Commission, OCA, BI&E, and the OSBA with an implementation schedule.

12. In the City's next base rate proceeding, the City will prepare and submit a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2014 to its projections in this case. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of the Joint Petitioners' positions on various issues.

13. Provided that the Lower Saucon Township Authority completes the installation of the meter pits as required by the Commission's Order at Docket No. R-00072492 et al, the City agrees to study the feasibility and costs of a demand study to be used in the next rate case, per the recommendation of OCA witness Scott Rubin in this case. Within ninety days after the aforementioned completion of the meter pits by the Lower Saucon Township Authority the City will meet with the other Joint Petitioners to discuss the specifics of its plan to perform the demand study and the estimated costs and to provide them an opportunity to offer comments on the plan. If the parties agree that it is reasonable and appropriate for such a study to be conducted, the City will conduct such study and will provide the available results of the study to the Joint Petitioners no less than 30 days before the filing of its first general base rate case after the completion of the study. The demand study shall be deemed completed only after at least one full year of data has been collected and analyzed. Additionally, the City will present the study as part of the supporting data filed with its general base rate case for water operations. After the completion of the study, data employed and the results of the study will be explained in the written direct testimony of the responsible City witness. All inputs, measurements, calculations, data sources and spreadsheets used in preparing the study will be included with the

filing. Nothing in this Settlement will preclude any Joint Petitioner from (i) opposing the Company's use of the results of the demand study to allocate costs as part of the City's cost of service study in its next case or ii) opposing the amount and/or method of the City's recovery of the cost of the demand study.

14. The City agrees to evaluate the reasonableness, feasibility, and need for a separate rate schedule for Industrial customers, including whether City records accurately categorize non-residential customers by class.

15. *Rate Structure/Rate Design* -- Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at Appendix B. The design and structure of rates for outside customers of the City under this Petition for Settlement are developed based upon the customer and volumetric charges contained within the Rate Schedules set forth in Appendix B. Joint Petitioners agree that rates and charges set forth in Appendix B are just and reasonable and are in the public interest.

16. The Joint Petitioners agree that the City's original filing, including all exhibits and supporting data, shall be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa.Code §§ 53.52, 53.53.

17. Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, the quarterly bill of a typical 5/8" metered residential customer residing outside the City who utilizes 14,000 gallons of water per quarter will increase from \$80.27 to \$84.47 or by approximately 5.2%, rather than from \$80.27 to \$95.04 (18.4%) as originally requested.

18. The Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of the City, I&E, OCA and OSBA. In

addition, adoption and approval of the Petition for Settlement will avoid the need for briefing, and for continued litigation of this proceeding.

19. This Petition for Settlement arises from extensive discovery and discussions, and reflects compromises by all sides. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this settlement upon written notice of its intent to the Commission and the remaining parties within three (3) business days of the date of the Commission's Order and may resume with the litigation of this proceeding within (10) days of the entry of the Order making any such modifications.

20. Joint Petitioners agree that the Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of rates that are Commission-made rates.

21. In the event that the Commission does not approve this Petition for Settlement, the signatory parties reserve their respective rights to resume litigation. If the ALJ, in his Recommended Decision, recommends that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Settlement recommended by the ALJ in his Recommended Decision.

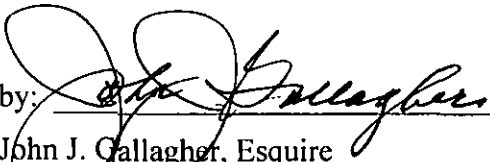
22. Each Joint Petitioner's individual reason for supporting the Petition for Settlement is set forth at Appendix C. More specifically, Statements in Support have been submitted by the City (Statement 1), the BI&E (Statement 2), the OCA (Statement 3) and the OSBA (Statement 4).

WHEREFORE, Joint Petitioners, by their respective counsel, respectfully request as follows:


1. That Administrative Law Judge Joel P. Cheskis and the Commission approve this Petition for Settlement inclusive of its terms and conditions without modification.
2. That the Commission permit the City of Bethlehem -- Bureau of Water to file a tariff supplement on one day's notice for service rendered on and after the entry date of the Commission's Order approving of this Petition for Settlement so as to increase total revenues outside the City by \$349,947, to a level of \$7,810,882, or by 4.7%; and,
3. That the Commission terminates and mark closed its inquiry and investigation at Docket No. R-2013-2390244, including all complaint dockets associated therewith.

Respectfully submitted,

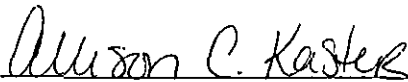
CITY OF BETHLEHEM -- BUREAU OF WATER:

by: 
John J. Gallagher, Esquire
711 Forrest Road
Harrisburg, PA 17112

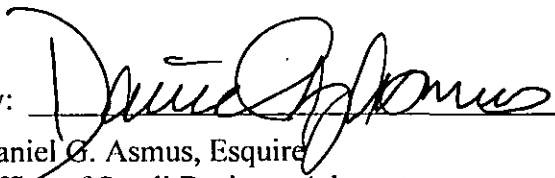
OFFICE OF CONSUMER ADVOCATE

by: 
Christine Maloni Hoover, Esquire
Kristine E. Robinson, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Street
Harrisburg, PA 17101-1921

BUREAU OF INVESTIGATION AND ENFORCEMENT:

by: 
Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

OFFICE OF SMALL BUSINESS ADVOCATE

by: 
Daniel G. Asmus, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17102

DATED: May __, 2014

APPENDIX

A

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX A

SUPPLEMENT NO. 13
TO
TARIFF WATER – PA P.U.C. NO. 6

CITY OF BETHLEHEM

Rates, Rules and Regulations
Governing the Furnishing of Water
Directly to Customers

in

the following Townships and Boroughs located within
Lehigh and Northampton Counties, Pennsylvania

Salisbury Township (Portions of)	Lehigh County
Upper Saucon Township (Portions of)	Lehigh County
Lower Saucon Township (Portions of)	Northampton County
Bethlehem Township (Portions of)	Northampton County
Hanover Township (Portions of)	Northampton County
Hanover Township (Portions of)	Lehigh County
East Allen Township	Northampton County
Allen Township (Portions of)	Northampton County
Borough of Fountain Hill	Lehigh County
Borough of Freemansburg	Northampton County

-and to-

The Authorities of the Township

of Lower Saucon and to

The Township of Upper Saucon, in the

Counties of Lehigh and Northampton for resale

ISSUED: _____, 2014

EFFECTIVE: _____, 2014

BY: Robert J. Donchez, Mayor
City of Bethlehem

NOTICE

THIS TARIFF MAKES INCREASES AND CHANGES IN EXISTING CHARGES

LIST OF CHANGES MADE BY THIS TARIFF

INCREASES

This tariff makes increases to existing rates, except for Public Fire Protection, resulting in an increase in revenue of \$349,947 for outside city customers or by 4.7%.

CHANGES

Eliminates the additional loan amortization charges for Country Squire Estates, Wil-Mar Manor and Airport Road customers.

ISSUED: _____

EFFECTIVE: _____

TABLE OF CONTENTS

	<u>PAGE</u>
Title page	1
List of Changes	2
Table of Contents	3

Part I. Schedule of Rates and Charges

Sections A & B. Rates for Metered Service and Fire Protection	
Schedule A, Meter Rates – General Residential Customer Service	5
Schedule B, Meter Rates – General Commercial Customer Service.	6
Schedule C, Meter Rates – General Industrial Customer Service	7
Schedule D, Meter Rates – General Public Customer Service	8
Schedule E, Flat Rate – Private Fire Protection Service.....	9
Schedule F, Flat Rate – Public Fire Protection Service	9
Schedule G, Meter Rates – Sales for Resale.....	10
Schedule H, Meter Rates – Untreated Water Service	11
Section C. Rider DIS and Rider DRS	
Rider DIS - Demand Based Industrial Service	12
Rider DRS - Demand Based Resale Service.....	13
Section D. Construction Rates	14
Section E. Service Termination or Resumption Rates	14
Section F. Meter Test Rates	14
Section G. Returned Check Charges.....	14

Part II

Definitions.....	15
------------------	----

Part III

Rules and Regulations

Section A - Applications for Service	18
Section B - Construction and Maintenance of Facilities.....	19

TABLE OF CONTENTS

Part III, cont.

Section C - Discontinuance, Termination and Restoration of Service	22
Section D - Meters	23
Section E - Billing and Collection	25
Section F - Deposits.....	27
Section G - Line Extensions	28
Section H - Fire Protection Service	30
Section I - Service Continuity.....	31
Section J - Waivers	32

Part IV

Water Conservation Contingency Plan.....	33
--	----

PART I. SCHEDULE OF RATES

SECTIONS A AND B. RATES FOR METERED SERVICE AND FIRE PROTECTION.

Schedule A

Meter Rates – General Residential Customer Service

APPLICATION

This schedule applies to all residential customer service.

CUSTOMER CHARGES

All metered residential customers shall pay the following customer charge based on the required size of meter to render adequate service.

Size of Meter	Customer Charge		Size of Meter	Customer Charge	
	Per Month	Per Quarter		Per Month	Per Quarter
5/8"	\$ 8.25	\$ 24.75 (I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94	4"	273.56	820.68
1"	27.14	81.42	6"	547.11	1,641.33
1-1/2"	53.04	159.12	8" or Larger	1,098.37	3,295.11
2"	85.28	255.84			

CONSUMPTION CHARGES

In addition to the customer charge all water consumption will be billed at the following rates:

	Rate Per <u>1,000 Gallons</u>	
For all usage monthly or quarterly	\$ 4.266	(I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

SCHEDULE OF RATES

Schedule B

Meter Rates – General Commercial Customer Service

APPLICATION

This schedule applies to all commercial customer service.

CUSTOMER CHARGES

All metered Commercial customers shall pay the following customer charge based on the required size of meter to render adequate service.

Size of Meter	Customer Charge			Size of Meter	Customer Charge	
	Per Month	Per Quarter			Per Month	Per Quarter
5/8"	\$ 8.25	\$24.75	(I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94		4"	273.56	820.68
1"	27.14	81.42		6"	547.11	1,641.33
1-1/2"	53.04	159.12		8" or Larger	1,098.37	3,295.11
2"	85.28	255.84				

CONSUMPTION CHARGES

In addition to the customer charge all water consumption will be billed at the following rates:

Rate Per
1,000 Gallons

For all usage monthly or quarterly \$ 3.333 (I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

SCHEDULE OF RATES

Schedule C

Meter Rates – General Industrial Customer Service

APPLICATION

This schedule applies to all Industrial customer service.

CUSTOMER CHARGES

All metered Industrial customers shall pay the following customer charge based on the required size of meter to render adequate service.

<u>Size of Meter</u>	<u>Customer Charge</u>			<u>Size of Meter</u>	<u>Customer Charge</u>	
	<u>Per Month</u>	<u>Per Quarter</u>			<u>Per Month</u>	<u>Per Quarter</u>
5/8"	\$ 8.25	\$ 24.75	(I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94		4"	273.56	820.68
1"	27.14	81.42		6"	547.11	1,641.33
1-1/2"	53.04	159.12		8" or Larger	1,098.37	3,295.11
2"	85.28	255.84				

CONSUMPTION CHARGES

In addition to the customer charge all water consumption will be billed at the following rates:

	<u>Rate Per</u> <u>1,000 Gallons</u>	
For all usage monthly or quarterly	\$ 3.333	(I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

SCHEDULE OF RATES

Schedule D

Meter Rates – General Public Customer Service

APPLICATION

This schedule applies to all Public customer service.

CUSTOMER CHARGES

All metered Public customers shall pay the following customer charge based on the required size of meter to render adequate service.

Size of Meter	Customer Charge			Size of Meter	Customer Charge	
	Per Month	Per Quarter			Per Month	Per Quarter
5/8"	\$ 8.25	\$ 24.75	(I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94		4"	273.56	820.68
1"	27.14	81.42		6"	547.11	1,641.33
1-1/2"	53.04	159.12		8" or Larger	1,098.37	3,295.11
2"	85.28	255.84				

CONSUMPTION CHARGES

In addition to the customer charge all water consumption will be billed at the following rates:

	Rate Per <u>1,000 Gallons</u>	
For all usage monthly or quarterly	\$ 3.333	(I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

SCHEDULE OF RATES

Schedule G

Meter Rates – Sales for Resale

APPLICATION

This schedule applies to all sale of water to other water utilities or public authorities for resale.

CUSTOMER CHARGES

All metered sales for resale customers shall pay the following customer charge based on the required size of meter to render adequate service. Also applicable for unmetered sales in honor system areas until such time that meters are installed.

Size of Meter	Customer Charge			Size of Meter	Customer Charge	
	Per Month	Per Quarter			Per Month	Per Quarter
5/8"	\$ 8.25	\$ 24.75	(I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94		4"	273.56	820.68
1"	27.14	81.42		6"	547.11	1,641.33
1-1/2"	53.04	159.12		8" or Larger	1,098.37	3,295.11
2"	85.28	255.84		Lower Saucon Honor Sys.	1,098.37	3,295.11

CONSUMPTION CHARGES

In addition to the customer charge all water consumption will be billed at the following rates:

	Rate Per 1,000 Gallons	
For all usage monthly or quarterly	\$ 3.969	(I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

SCHEDULE OF RATES

Schedule H

Meter Rates – Untreated Water Service

APPLICATION

This schedule applies to all sale of untreated water for non-potable use only.

CUSTOMER CHARGE

<u>Size of Meter</u>	<u>Customer Charge</u>			<u>Size of Meter</u>	<u>Customer Charge</u>	
	<u>Per Month</u>	<u>Per Quarter</u>			<u>Per Month</u>	<u>Per Quarter</u>
5/8"	\$ 8.25	\$ 24.75	(I)	3"	\$ 174.80	\$524.40
3/4"	13.98	41.94		4"	273.56	820.68
1"	27.14	81.42		6"	547.11	1,641.33
1-1/2"	53.04	159.12		8" or Larger	1,098.37	3,295.11
2"	85.28	255.84				

CONSUMPTION CHARGES

In addition to the customer charge all use of untreated water will be billed at the following rates:

	<u>Rate Per</u> <u>1,000 Gallons</u>	
For all usage monthly or quarterly	\$ 2.035	(I)

Customer water meter bills will be subject to a penalty of one and one-half percent (1.5%) interest per month on the full unpaid and overdue balance of the bill if not paid within twenty calendar days from the date the bill is mailed. All customers will be given the option of being billed monthly.

(I) Indicates Increase

ISSUED: _____

EFFECTIVE: _____

APPENDIX

B

PROOF OF REVENUES

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CITY OF BETHLEHEM - BUREAU OF WATER
COMPARISON OF PRESENT AND SETTLEMENT RATES

CUSTOMER CHARGES:

Meter Size	Present Customer Charges		Settlement Customer Charges	
	Per Month	Per Quarter	Per Month	Per Quarter
5/8	\$ 8.00	\$ 24.00	\$ 8.25	\$ 24.75
3/4	13.98	41.94	13.98	41.94
1	27.14	81.42	27.14	81.42
1-1/2	53.04	159.12	53.04	159.12
2	85.28	255.84	85.28	255.84
3	174.80	524.40	174.80	524.40
4	273.56	820.68	273.56	820.68
6	547.11	1,641.33	547.11	1,641.33
8	1,098.37	3,295.11	1,098.37	3,295.11
10	1,098.37	3,295.11	1,098.37	3,295.11
12	1,098.37	3,295.11	1,098.37	3,295.11

CONSUMPTION CHARGES:

Customer Classification	Rate Per Thousand For All Usage	Settlement Rate Per Thousand For All Usage
Residential	\$ 4.019	\$ 4.266
Commercial, Industrial, Public	3.140	3.333
Sales for Resale	3.738	3.969

PRIVATE FIRE LINES:

Size	Present Quarterly Rate	Settlement Rates	
		Monthly	Quarterly
Less Than 6-inch	\$ 107.25	\$ 37.50	\$ 112.50
6-inch	133.98	\$ 46.85	140.55
8-inch	160.41	\$ 56.09	168.27
10-inch	186.84	\$ 65.33	195.99
12-inch	240.30	\$ 84.02	252.06
Per Thousand Sq. Ft. of Protected Area	2.67	\$ 0.93	2.79
Per Private Fire Hydrant	74.61	\$ 26.09	78.27

PUBLIC FIRE HYDRANTS:

Per Public Fire Hydrant	\$ 66.00	\$ 22.00	\$ 66.00
-------------------------	----------	----------	----------

CITY OF BETHLEHEM - BUREAU OF WATER

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2014
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE FROM INSIDE-CITY AND OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.53 D II(2) of Tariff Regulations

Line No.	Customer Classification	Per Books Revenue 31-Dec-12 (2)	Adjustment R From Per Books Revenue to Pro Forma Rev.* (3)	Pro Forma Revenues 12 Months Ended 31-Dec-12 (4)	Historic Test Year Pro Forma Adjustments Under Present Rates**		Pro Forma, Present Rates, 31-Dec-12 (7)	Future Test Year & Fully Forecasted Future Test Year Pro Forma Adjustments Under Present Rates**		Pro Forma, Present Rates 31-Dec-14 (10)	Under Settlement Rates, Supplement No.13 to Tariff Water Pa-PUC No. 6		Pro Forma, Settlement Rates 12/31/2014*** (13)
					Ref.	Amount		Ref.	Amount		Increase		
											Percent (11)	Amount (12)	
1.	INSIDE-CITY												
2.	Sales of Water												
3.	Residential	\$ 7,857,952	\$ 517,542	\$ 8,375,494	R1	\$ (2,503)	\$ 8,372,991	R5	\$ (9,127)	\$ 8,363,864	5.0%	\$ 421,768	\$ 8,785,632
4.	Commercial	1,463,989	96,422	1,560,411	R1	5,442	1,565,853	R5	\$ (2,830)	1,563,023	4.9%	76,405	1,639,428
5.	Industrial	812,854	53,536	866,390		6,316	872,706	R5	\$ (25,265)	847,441	5.1%	43,343	890,784
6.	Public	657,882	43,330	701,212	R1,R3	339,555	1,040,767	R5	\$ (15,705)	1,025,062	4.5%	45,906	1,070,969
8.	Private Fire Protection	450,333	38,108	488,441			488,441	R7	17,914	506,355	4.7%	24,002	530,357
9.	Public Fire Protection			-	R3	376,200	376,200	R7	528	376,728	0.0%	-	376,728
10.	Total Sales of Water	11,243,010	748,938	11,991,948		725,010	12,716,958		(34,485)	12,682,473	4.8%	611,424	13,293,898
11.	Other Operating Revenues												
12.	Penalties	45,838		45,838			45,838			45,838			45,838
13.	Construction Water	10,461		10,461			10,461			10,461			10,461
14.	Miscellaneous	44,293		44,293			44,293			44,293			44,293
15.	Total Other Revenues	100,592	-	100,592		-	100,592		-	100,592		-	100,592
16.	Total Inside City	\$ 11,343,603	\$ 748,938	\$ 12,092,540		\$ 725,010	\$ 12,817,551		\$ (34,485)	\$ 12,783,066	4.8%	\$ 611,424	\$ 13,394,490

*Adjusts Per Book revenue for revenue billed in 2012 and recorded in 2011 and for the change in water rates as of 12/16/2011.

**See Schedule 5.

*** See Schedule 7.

CITY OF BETHLEHEM - BUREAU OF WATER

STATEMENT OF OPERATING REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2014
AND THE CALCULATION OF THE SETTLEMENT REVENUE INCREASE FROM INSIDE-CITY AND OUTSIDE-CITY CUSTOMERS BY CUSTOMER CLASSIFICATION

Pursuant To Subsection 53.53 D II(2) of Tariff Regulations

Line No.	Customer Classification	Per Books Revenue 31-Dec-12 (1)	Adjustment R From Per Books Revenue to Pro Forma Rev.* (3)	Pro Forma Revenues 12 Months Ended 31-Dec-12 (4)	Historic Test Year Pro Forma Adjustments Under Present Rates*		Pro Forma, Present Rates, 31-Dec-12 (7)	Future Test Year & Fully Forecasted Future Test Year Adjustments Under Present Rates**		Pro Forma, Present Rates 31-Dec-14 (10)	Under Settlement Rates, Supplement No.13 to Tariff Water Pa-PUC No. 6		Pro Forma, Settlement Rates 12/31/2014*** (13)
					Ref.	Amount		Ref.	Amount		Increase		
											Percent	Amount	
(5)	(6)	(8)	(9)	(11)	(12)	(13)							
1.	<u>OUTSIDE-CITY</u>												
2.	Sales of Water												
3.	Residential	\$ 3,846,401	\$ 126,583	\$ 3,972,984	R2,R4	\$ 160,567	\$ 4,133,551	R6	\$ 21,567	\$ 4,155,118	5.1%	\$ 212,546	\$ 4,367,664
4.	Commercial	851,164	28,011	879,175	R2,R4	82,017	961,192	R6	(2,547)	958,645	4.1%	38,855	997,500
5.	Industrial	279,882	9,211	289,093	R2	3,621	292,714	R6	4,828	297,542	4.8%	14,235	311,778
6.	Public	422,141	13,892	436,033	R2	13,990	450,023	R6	9,327	459,350	4.7%	21,378	480,728
7.	Other Water Utilities	904,664	23,600	928,264	R4	(116,378)	811,886			811,886	5.1%	41,301	853,187
8.	Private Fire Protection	423,793	35,862	459,655	R4	2,252	461,907	R8	(4,714)	457,193	4.7%	21,632	478,825
9.	Public Fire Protection	280,644	23,748	304,392	R4	17,160	321,552	R8	(352)	321,200	0.0%	-	321,200
10.	Total Sales of Water	<u>7,008,688</u>	<u>260,908</u>	<u>7,269,596</u>		<u>163,230</u>	<u>7,432,826</u>		<u>28,109</u>	<u>7,460,935</u>	4.7%	<u>349,947</u>	<u>7,810,882</u>
11.	Other Operating Revenues												
12.	Penalties	27,788		27,788			27,788			27,788			27,788
13.	Construction Water	6,342		6,342			6,342			6,342			6,342
14.	Miscellaneous	26,851		26,851			26,851			26,851			26,851
15.	Total Other Revenues	<u>60,980</u>	<u>-</u>	<u>60,980</u>		<u>-</u>	<u>60,980</u>		<u>-</u>	<u>60,980</u>		<u>-</u>	<u>60,980</u>
16.	Total Outside City	<u>7,069,668</u>	<u>260,908</u>	<u>7,330,576</u>		<u>163,230</u>	<u>7,493,805</u>		<u>28,109</u>	<u>7,521,914</u>	4.7%	<u>349,947</u>	<u>7,871,862</u>
17.	Total Inside & Outside City	<u>\$ 18,413,271</u>	<u>\$ 1,009,845</u>	<u>\$ 19,423,116</u>		<u>\$ 888,240</u>	<u>\$ 20,311,356</u>		<u>\$ (6,376)</u>	<u>\$ 20,304,980</u>	4.7%	<u>\$ 961,372</u>	<u>\$ 21,266,352</u>

*Adjusts Per Book revenue for revenue billed in 2012 and recorded in 2011 and for the change in water rates as of 12/16/2011.

**See Schedule 5.

*** See Schedule 7.

CITY OF BETHLEHEM - BUREAU OF WATER

SUMMARY OF APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS AS OF 12/31/2012
AND PRO FORMA REVENUES UNDER SETTLEMENT RATES AS OF 12/31/2014

Customer Classification (1)	Schedule 8, Application of Present Rates to Bill Analysis (2)	Schedule 8, Application of Settlement Rates to Bill Analysis (3)	Pro Forma Historic and Future Test Yr. Adjustments, Settlement Rates (4)	Sch. 7 Ref. (5)	Pro Forma Revenues Under Settlement Rates (3)+(4)=(6)
INSIDE-CITY					
Residential	\$ 8,375,494	\$ 8,797,850	\$ (12,218)	R9,R13	\$ 8,785,632
Commercial	1,560,411	1,636,688	2,740	R9,R13	1,639,428
Industrial	866,390	910,702	(19,919)	R9,R13	890,784
Public	701,212	731,040	339,929	R9,R11,R13	1,070,969
Private Fire	488,441	511,631	18,726	R15	530,357
Public Fire	-	-	376,728	R11,R15	376,728
Total Inside	<u>11,991,948</u>	<u>12,587,911</u>	<u>705,987</u>		<u>13,293,898</u>
OUTSIDE-CITY					
Residential	\$ 3,972,984	\$ 4,175,978	\$ 191,686	R10,R12,R14	\$ 4,367,664
Commercial	879,175	913,899	83,601	R10,R12,R14	997,500
Industrial	289,093	302,924	8,853	R10,R14	311,778
Public	436,033	456,326	24,402	R10,R14	480,728
Other Water Utilities	928,264	975,945	(122,758)	R12	853,187
Private Fire	459,655	481,443	(2,618)	R12,R16	478,825
Public Fire	304,392	304,392	16,808	R12,R16	321,200
Total Outside	<u>7,269,596</u>	<u>7,610,907</u>	<u>199,975</u>		<u>7,810,882</u>
Total	<u>\$ 19,261,544</u>	<u>\$ 20,198,818</u>	<u>\$ 905,962</u>		<u>\$ 21,104,780</u>

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation				Adjustment Increase (Decrease)
R	To adjust Test Year Per Books Revenue to include a portion of January 2012 revenue that was booked in 2011, and to annualized revenues for the rate increase effective December 16, 2011.				
		Per Books Revenue 31-Dec-12	Test Year Revenue per Bill Analysis At Present Rates 31-Dec-12	Adjustment	
	<u>INSIDE-CITY</u>				
	Sales of Water				
	Residential	\$ 7,857,952	\$ 8,375,494	\$ 517,542	\$ 517,542
	Commercial	1,463,989	1,560,411	96,422	96,422
	Industrial	812,854	866,390	53,536	53,536
	Public	657,882	701,212	43,330	43,330
	Private Fire Protection	450,333	488,441	38,108	38,108
	Public Fire Protection	-	-	-	-
	Total Sales of Water - Inside	<u>\$ 11,243,010</u>	<u>\$ 11,991,948</u>	<u>\$ 748,938</u>	
	<u>OUTSIDE-CITY</u>				
	Sales of Water				
	Residential	\$ 3,846,401	\$ 3,972,984	\$ 126,583	\$ 126,583
	Commercial	851,164	879,175	28,011	28,011
	Industrial	279,882	289,093	9,211	9,211
	Public	422,141	436,033	13,892	13,892
	Other Water Utilities	901,964	928,264	26,300	26,300
	Private Fire Protection	423,793	459,655	35,862	35,862
	Public Fire Protection	280,644	304,392	23,748	23,748
	Total Sales of Water - Outside	<u>\$ 7,005,988</u>	<u>\$ 7,269,596</u>	<u>\$ 263,608</u>	
	Total Adjustment	<u>\$ 18,248,999</u>	<u>\$ 19,261,544</u>	<u>\$ 1,012,545</u>	

R1 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2012

Customer Classification	Number of Customers			Customer Gain/(Loss)	Average Annual Bill, Present Rates	Annualized Revenue Adjustment (Half Year)	
	31-Dec-11	31-Dec-12	31-Dec-13				
(1)	(2)	(3)	(4)	(5)	(6)		
Residential	21,651	21,638	21,621	(13)	385.13	(2,503)	\$ (2,503)
Commercial	701	706	704	5	2,176.81	5,442	5,442
Industrial	71	72	71	1	12,632.66	6,316	6,316
Public	275	278	278	3	3,140.93	4,711	4,711
Total	22,698	22,694	22,674	(4)		13,966	

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
R2	To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2012	

Customer Classification (1)	Number of Customers			Customer Gain/(Loss) (4)	Average Annual Bill, Present Rates (5)	Annualized Revenue Adjustment (Half Year) (6)	
	31-Dec-11 (2)	31-Dec-12 (3)	31-Dec-13				
Residential	12,097	12,173	12,195	76	\$ 330.11	\$ 12,544	\$ 12,544
Commercial	485	479	483	(6)	1,910.21	(5,731)	(5,731)
Industrial	40	41	41	1	7,242.41	3,621	3,621
Public	82	87	87	5	5,596.15	13,990	13,990
Total	12,704	12,780		76		24,425	

R3 To impute Inside-City operating revenues for City-owned properties and 1,425 City fire hydrants not billed by the Bureau of Water.

Customer Classification	Number of Bills	Usage, 1,000 Gals.	Present Rates	Revenue	
INSIDE-CITY - Public					
5/8" Quarterly	48		\$ 24.00	\$ 1,152	
3/4" Quarterly	8		41.94	336	
1" Quarterly	19		81.42	1,547	
5/8" Monthly	36		8.00	288	
3/4" Monthly	24		13.98	336	
1" Monthly	25		27.14	679	
1-1/2" Monthly	60		53.04	3,182	
2" Monthly	110		85.28	9,381	
4" Monthly	36		273.56	9,848	
6" Monthly	24		547.11	13,131	
8" Monthly	24		1,098.37	26,361	
Consumption		85,542	\$ 3.14	268,603	
Total	414	85,542		\$ 334,844	\$ 334,844
INSIDE-CITY -					
Public Fire Protection					
Number of Hydrants	1,425		\$ 66.00	\$ 376,200	\$ 376,200

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)					
R4	To adjust revenues to remove Other Water Utilities (Bulk) revenues related to East Allen Township and to add retail revenues related to East Allen Township and the Route 512 area acquired on May 6, 2013.						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Customer Classification</th> <th style="text-align: center;">Number of Bills</th> <th style="text-align: center;">Usage, 1,000 Gals.</th> <th style="text-align: center;">Present Rates</th> <th style="text-align: center;">Revenue</th> </tr> </thead> </table>	Customer Classification	Number of Bills	Usage, 1,000 Gals.	Present Rates	Revenue	
Customer Classification	Number of Bills	Usage, 1,000 Gals.	Present Rates	Revenue			
	<u>Eliminate Other Water Utilities (Bulk) sales revenue related to East Allen Township:</u>						
	<u>Outside-CITY Other Water Utilities</u>						
	6" Monthly Consumption (24) (27,621) 547.11 3.738	\$ (13,131) (103,247)					
	Total Other Water Utilities Adjustment	(116,378) \$ (116,378)					
	<u>Add Retail Sales Revenue for East Allen Township and Route 512 Area:</u>						
	<u>Outside-CITY - Residential</u>						
	5/8" Quarterly Consumption 1,776 26,225 \$ 24.00 \$ 4.019	42,624 105,398					
	Total Residential Adjustment	\$ 148,022					
	<u>Outside-CITY Commercial</u>						
	1 1/2" Monthly 228 53.04 12,093						
	2" Monthly 12 85.28 1,023						
	3" Monthly 12 174.80 2,098						
	Consumption 23,100 3.140 72,534						
	Total Commercial Adjustment	\$ 87,748					
	<u>Outside-CITY Private Fire</u>						
	1 1/2" Quarterly 16 107.25 1,716						
	6" Quarterly 4 133.98 536						
	Total Private Fire Adjustment	\$ 2,252					
	<u>Outside-CITY Public Fire</u>						
	Hydrants - Quarterly 260 66.00 17,160						
	Total Public Fire Adjustment	\$ 17,160					
	Total Additional Retail Revenues for East Allen Township and Route 512 Area:	\$ 255,182					
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates	<u>\$ 1,900,785</u>					

CITY OF BETHLEHEM - BUREAU OF WATER
FUTURE TEST YEAR AND FULLY FORECASTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

Adj. Ref.	Explanation	2013 and 2014 Adjustment Increase (Decrease)					
R5	To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013 and 12/31/2014						
		Gain in Number of Customers, 12 Months Ended		Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
		<u>31-Dec-11</u>	<u>31-Dec-12</u>				
				(23.7)	\$385.13	\$ (9,127)	\$ (9,127)
				(1.3)	2,176.81	(2,830)	\$ (2,830)
				(2.0)	12,632.66	(25,265)	\$ (25,265)
				(5.0)	3,140.93	(15,705)	\$ (15,705)
		-	-	(32.0)		(52,927)	

R6	To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013 and 12/31/2014						
		Gain in Number of Customers, 12 Months Ended		Average Gain/Loss in Customers	Average Annual Bill, Present Rates	Annualized Revenue Adjustment	
		<u>31-Dec-11</u>	<u>31-Dec-12</u>				
				65.3	\$330.11	\$ 21,567	\$ 21,567
				(1.3)	1,910.21	(2,547)	\$ (2,547)
				0.7	7,242.41	4,828	\$ 4,828
				1.7	5,596.15	9,327	\$ 9,327
		-	-	66.3		33,175	

CITY OF BETHLEHEM - BUREAU OF WATER
FUTURE TEST YEAR AND FULLY FORECASTED FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER PRESENT RATES

2013 and 2014
Adjustment
Increase
(Decrease)

Adj. Ref.	Explanation					
R7	To adjust Inside-City Operating Revenues for projected gain in the number of private fire lines, private fire hydrants, thousand square feet of protected area and the number of public fire hydrants for the future test year and fully forecasted future test year, based on average gain in units over the last three years.					
	<u>INSIDE-CITY - Private Fire Protection:</u>					
	Size	Number of Units,		Average Annual Gain in Units	Present Rates	Revenue
		31-Dec-10	31-Dec-13			
	Less than 6"	125	125	-	107.25	\$ -
	6-Inch	160	169	3.0	133.98	1,608
	8-Inch	57	58	0.3	160.41	214
	10-Inch	2	2	-	186.84	-
	12-Inch	6	8	0.7	240.30	641
	Sq. Ft. of Area	15,054	17,325	757.1	2.67	8,086
	Hydrants	394	378	(5.3)	74.61	(1,592)
	Total					8,957
						\$ 17,914
	<u>INSIDE-CITY - Public Fire Protection:</u>					
		31-Dec-10	31-Dec-13			
	Hydrants	1,422	1,425	1.0	66.00	264
						528
R8	To adjust Outside-City Operating Revenues for projected gain in the number of private fire lines, private fire hydrants, thousand square feet of protected area and the number of public fire hydrants for the future test year and fully forecasted future test year, based on average gain in units over the last three years.					
	<u>OUTSIDE-CITY - Private Fire Protection:</u>					
	Size	Number of Units,		Average Annual Gain in Units	Present Rates	Revenue
		31-Dec-10	31-Dec-13			
	Less than 6"	44	44	-	107.25	\$ -
	6-Inch	113	80	(11.0)	133.98	(5,895)
	8-Inch	103	110	2.3	160.41	1,497
	10-Inch	7	7	-	186.84	-
	12-Inch	9	9	-	240.30	-
	Sq. Ft. of Area	15,893	17,137	414.7	2.67	4,429
	Hydrants	461	437	(8.0)	74.61	(2,388)
	Total					(2,357)
						\$ (4,714)
	<u>OUTSIDE-CITY - Public Fire Protection</u>					
		31-Dec-10	31-Dec-13			
	Hydrants	1,155	1,153	(0.7)	66.00	(176)
						(352)
	Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Present Rates					\$ (6,376)

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation	Adjustment Increase (Decrease)
--------------	-------------	--------------------------------------

R9 To annualize Inside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2012

Customer Classification (1)	Number of Customers		Customer Gain/(Loss) (4)	Average Annual Bill, Settlement Rates (5)	Annualized Revenue Adjustment (Half Year) (6)	
	31-Dec-11 (2)	31-Dec-12 (3)				
Residential	21,651	21,638	(13)	404.55	(2,630)	\$ (2,630)
Commercial	701	706	5	2,283.22	5,708	5,708
Industrial	71	72	1	13,278.77	6,639	6,639
Public	275	278	3	3,274.53	4,912	4,912
Total	22,698	22,694	(4)		14,630	

R10 To annualize Outside-City Operating Revenues for the net gain or loss in the number of customers during the twelve months ended 12/31/2012

Customer Classification (1)	Number of Customers		Customer Gain/(Loss) (4)	Average Annual Bill, Settlement Rates (5)	Annualized Revenue Adjustment (Half Year) (6)	
	31-Dec-11 (2)	31-Dec-12 (3)				
Residential	12,097	12,173	76	\$ 346.98	\$ 13,185	\$ 13,185
Commercial	485	479	(6)	1,985.66	(5,957)	(5,957)
Industrial	40	41	1	7,588.91	3,794	3,794
Public	82	87	5	5,856.59	14,641	14,641
Total	12,704	12,780	76		25,664	

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)	
R11	To impute Inside-City operating revenues for City-owned properties and 1,425 City fire hydrants not billed by the Bureau of Water.						
		Customer Classification	Number of Bills	Usage, 1,000 Gals.	Settlement Rates	Revenue	
		<u>INSIDE-CITY - Public</u>					
		5/8" Quarterly	48		\$ 24.75	\$ 1,188	
		3/4" Quarterly	8		41.94	336	
		1" Quarterly	19		81.42	1,547	
		5/8" Monthly	36		8.00	288	
		3/4" Monthly	24		13.98	336	
		1" Monthly	25		27.14	679	
		1-1/2" Monthly	60		53.04	3,182	
		2" Monthly	110		85.28	9,381	
		4" Monthly	36		273.56	9,848	
		6" Monthly	24		547.11	13,131	
		8" Monthly	24		1,098.37	26,361	
		Consumption		<u>85,542</u>	\$ 3.33	<u>285,113</u>	
		Total	414	85,542		\$ 351,390	\$ 351,390
		<u>INSIDE-CITY -</u>					
		Public Fire Protection Number of Hydrants	1,425		\$ 66.00	\$ 376,200	\$ 376,200

CITY OF BETHLEHEM - BUREAU OF WATER
HISTORIC TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					Adjustment Increase (Decrease)
R12	To adjust revenues to remove Other Water Utilities (Bulk) revenues related to East Allen Township and to add retail revenues related to East Allen Township and the Route 512 area acquired May 6, 2013.					
		Customer Classification	Number of Bills	Usage, 1,000 Gals.	Settlement Rates	Revenue
	<u>Eliminate Other Water Utilities (Bulk) sales revenue related to East Allen Township:</u>					
	<u>Outside-CITY Other Water Utilities</u>					
	6" Monthly Consumption		(24)		547.11 3.969	\$ (13,131) (109,628)
	Total Other Water Utilities Adjustment					\$ (122,758) \$ (122,758)
	 <u>Add Retail Sales Revenue for East Allen Township and Route 512 Area:</u>					
	<u>Outside-CITY - Residential</u>					
	5/8" Quarterly Consumption		1,776	26,225	\$ 24.75 \$ 4.266	43,956 111,876
	Total Residential Adjustment					\$ 155,832
	<u>Outside-CITY Commercial</u>					
	1 1/2" Monthly Consumption		228		53.04 174.80 3.333	12,093 2,098 76,992
	Total Commercial Adjustment			23,100		\$ 92,206
	<u>Outside-CITY Private Fire</u>					
	1 1/2" Quarterly		16		112.50	1,800
	6" Quarterly		4		140.55	562
	Total Private Fire Adjustment					\$ 2,362
	<u>Outside-CITY Public Fire</u>					
	Hydrants - Quarterly		260		66.00	17,160
	Total Public Fire Adjustment					\$ 17,160
	Total Additional Retail Revenues for East Allen Township and Route 512 Area:					\$ 267,560
	Total Historic Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates					<u>\$ 912,686</u>

CITY OF BETHLEHEM - BUREAU OF WATER
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER SETTLEMENT RATES

Adj. Ref.	Explanation					2013 and 2014 Adjustment Increase (Decrease)
R13	To adjust Inside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013 and 12/31/2014					
	Customer Classification	Gain in Number of Customers, 12 Months Ended		Average Gain/Loss in Customers	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment
		31-Dec-11	31-Dec-12			
	Residential			(23.7)	\$404.55	\$ (9,588)
	Commercial			(1.3)	2,283.22	(2,968)
	Industrial			(2.0)	13,278.77	(26,558)
	Public			(5.0)	3,274.53	(16,373)
	Total	-	-	(32.0)		(55,487)
R14	To adjust Outside-City Operating Revenues for the projected gain in the number of customers during the twelve months ended 12/31/2013 and 12/31/2014					
	Customer Classification	Gain in Number of Customers, 12 Months Ended		Average Gain/Loss in Customers	Average Annual Bill, Settlement Rates	Annualized Revenue Adjustment
		31-Dec-11	31-Dec-12			
	Residential			65	\$346.98	\$ 22,669
	Commercial			(1)	1,985.66	(2,648)
	Industrial			1	7,588.91	5,059
	Public			2	5,856.59	9,761
	Total	-	-	66.3		34,841

CITY OF BETHLEHEM - BUREAU OF WATER
FUTURE TEST YEAR

PRO FORMA OPERATING REVENUE ADJUSTMENTS
UNDER SETTLEMENT RATES

2013 and 2014
Adjustment
Increase
(Decrease)

Adj.
Ref.

Explanation

R15 To adjust Inside-City Operating Revenues for projected gain in the number of private fire lines, private fire hydrants, thousand square feet of protected area and the number of public fire hydrants for the future test year and fully forecasted future test year, based on average gain in units over the last three years.

INSIDE-CITY - Private Fire Protection:

Size	Number of Units,		Average Annual Gain in Units	Settlement Rates	Revenue	
	31-Dec-10	31-Dec-13				
Less than 6"	125	125	-	112.50	\$ -	
6-Inch	160	169	3.0	140.55	1,687	
8-Inch	57	58	0.3	168.27	224	
10-Inch	2	2	-	195.99	-	
12-Inch	6	8	0.7	252.06	672	
Sq. Ft. of Area	15,054	17,325	757.1	2.79	8,450	
Hydrants	394	378	(5.3)	78.27	(1,670)	
Total					9,363	\$ 18,726

INSIDE-CITY - Public Fire Protection:

	31-Dec-10	31-Dec-13				
Hydrants	1,422	1,425	1.0	66.00	264	528

R16 To adjust Outside-City Operating Revenues for projected gain in the number of private fire lines, private fire hydrants, thousand square feet of protected area and the number of public fire hydrants for the future test year and fully forecasted future test year, based on average gain in units over the last three years.

OUTSIDE-CITY - Private Fire Protection:

Size	Number of Units,		Average Annual Gain in Units	Settlement Rates	Revenue	
	31-Dec-10	31-Dec-13				
Less than 6"	44	44	-	112.50	\$0	
6-Inch	113	80	(11.0)	140.55	-6,184	
8-Inch	103	110	2.3	168.27	1,571	
10-Inch	7	7	-	195.99	0	
12-Inch	9	9	-	252.06	0	
Sq. Ft. of Area	15,893	17,137	414.7	2.79	4,628	
Hydrants	461	437	(8.0)	78.27	-2,505	
Total					-2,490	\$ (4,980)

OUTSIDE-CITY - Public Fire Protection

	31-Dec-10	31-Dec-13				
Hydrants	1,155	1,153	(0.7)	66.00	-176	(352)

Total Future Test Year, Pro Forma Operating Revenue Adjustments Under Settlement Rates

\$ (6,724)

R6

To annualize operating revenues for Inside-City and Outside-City Private Fire Protection customers for the number of private fire lines, private fire hydrants and thousand square feet of protected area as of December 31, 2010

INSIDE-CITY

<u>Size</u>	<u>Quantity</u>	<u>Present Rates</u>	<u>Revenue</u>
Less than 6"	125	\$ 107.25	\$53,625
6-Inch	169	133.98	90,570
8-Inch	58	160.41	37,215
10-Inch	2	186.84	1,495
12-Inch	8	240.30	7,690
Protected Area	17,325	2.67	185,036
Private Hydrants	378	74.61	<u>112,810</u>
Total			\$488,441

OUTSIDE-CITY

<u>Size</u>	<u>Quantity</u>	<u>Present Rates</u>	<u>Revenue</u>
Less than 6"	44	\$ 107.25	\$18,876
6-Inch	80	\$ 133.98	42,874
8-Inch	110	\$ 160.41	70,580
10-Inch	7	\$ 186.84	5,232
12-Inch	9	\$ 240.30	8,651
Protected Area	17,137	\$ 2.67	183,024
Private Hydrants	437	\$ 74.61	<u>130,418</u>
Total			<u>\$459,655</u>

Total Revenue from Private Fire Lines 948,096

R7

To adjust operating revenues for Outside-City Public Fire Protection customers for the number of public fire hydrants as of December 31, 2010

OUTSIDE-CITY

<u>Public Fire Protection</u>	<u>Quantity</u>	<u>Present Rates</u>	<u>Revenue</u>
Public Fire Hydrants	1,153	\$66.00	\$304,392

R6

To annualize operating revenues for Inside-City and Outside-City Private Fire Protection customers for the number of private fire lines, private fire hydrants and thousand square feet of protected area as of December 31, 2012

INSIDE-CITY

<u>Size</u>	<u>Quantity</u>	<u>Proposed Rates</u>	<u>Revenue</u>
Less than 6"	125	\$ 112.50	\$56,250
6-Inch	169	140.55	95,012
8-Inch	58	168.27	39,039
10-Inch	2	195.99	1,568
12-Inch	8	252.06	8,066
Protected Area	17,325	2.79	193,352
Private Hydrants	378	78.27	<u>118,344</u>
Total			\$511,631

OUTSIDE-CITY

<u>Size</u>	<u>Quantity</u>	<u>Proposed Rates</u>	<u>Revenue</u>
Less than 6"	44	\$ 112.50	\$19,800
6-Inch	80	\$ 140.55	44,976
8-Inch	110	\$ 168.27	74,039
10-Inch	7	\$ 195.99	5,488
12-Inch	9	\$ 252.06	9,074
Protected Area	17,137	\$ 2.79	191,250
Private Hydrants	437	\$ 78.27	<u>136,816</u>
Total			<u>\$481,443</u>

Total Revenue from Private Fire Lines 993,074

R7

To adjust operating revenues for Outside-City Public Fire Protection customers for the number of public fire hydrants as of December 31, 2012

OUTSIDE-CITY

<u>Public Fire Protection</u>	<u>Quantity</u>	<u>Proposed Rates</u>	<u>Revenue</u>
Public Fire Hydrants	1,153	\$66.00	\$304,392

APPENDIX
C
RATE SCHEDULES

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CITY OF BETHLEHEM - BUREAU OF WATER
INSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Settlement Rate	Settlement Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Residential - Quarterly</u>						
Customer Charge						
5/8	80,611	0	24.00	1,934,664	24.75	1,995,122
3/4	1,234	0	41.94	51,754	41.94	51,754
1	983	0	81.42	80,036	81.42	80,036
1 1/2	4	0	159.12	636	159.12	636
Subtotal	<u>82,832</u>	<u>0</u>		<u>2,067,090</u>		<u>2,127,549</u>
First Block	0	1,130,020	4.0190	4,541,550	4.2660	4,820,665
Subtotal	<u>0</u>	<u>1,130,020</u>		<u>4,541,550</u>		<u>4,820,665</u>
Total	82,832	1,130,020		6,608,640		6,948,214
<u>Residential - Monthly</u>						
Customer Charge						
5/8	5,859	0	8.00	46,872	8.25	48,337
3/4	106	0	13.98	1,482	13.98	1,482
1	1,589	0	27.14	43,125	27.14	43,125
1 1/2	3,433	0	53.04	182,086	53.04	182,086
2	1,121	0	85.28	95,599	85.28	95,599
3	256	0	174.80	44,749	174.80	44,749
4	109	0	273.56	29,818	273.56	29,818
Subtotal	<u>12,473</u>	<u>0</u>		<u>443,731</u>		<u>445,196</u>
First Block	0	329,217	4.0190	1,323,123	4.2660	1,404,440
Subtotal	<u>0</u>	<u>329,217</u>		<u>1,323,123</u>		<u>1,404,440</u>
Total	12,473	329,217		1,766,854		1,849,636
Total Class	95,305	1,459,237		8,375,494		8,797,850
<u>Commercial - Quarterly</u>						
Customer Charge						
5/8	1,337	0	24.00	32,088	24.75	33,091
3/4	265	0	41.94	11,114	41.94	11,114
1	300	0	81.42	24,426	81.42	24,426
1 1/2	13	0	159.12	2,069	159.12	2,069
3	1	0	524.40	524	524.40	524
12	4	0	3,295.11	13,180	3,295.11	13,180
Subtotal	<u>1,920</u>	<u>0</u>		<u>83,401</u>		<u>84,404</u>
First Block	0	39,976	3.1400	125,525	3.3330	133,240
Subtotal	<u>0</u>	<u>39,976</u>		<u>125,525</u>		<u>133,240</u>
Total	1,920	39,976		208,926		217,644

CITY OF BETHLEHEM - BUREAU OF WATER
INSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Commercial - Monthly</u>						
Customer Charge						
5/8	48	0	8.00	384	8.25	396
3/4	36	0	13.98	503	13.98	503
1	203	0	27.14	5,509	27.14	5,509
1 1/2	1,102	0	53.04	58,450	53.04	58,450
2	1,061	0	85.28	90,482	85.28	90,482
3	262	0	174.80	45,798	174.80	45,798
4	72	0	273.56	19,696	273.56	19,696
6	58	0	547.11	31,732	547.11	31,732
12	0	0	1,098.37		1,098.37	
Subtotal	<u>2,842</u>	<u>0</u>		<u>252,554</u>		<u>252,567</u>
First Block	<u>0</u>	<u>349,978</u>	3.1400	<u>1,098,931</u>	3.3330	<u>1,166,477</u>
Subtotal	<u>0</u>	<u>349,978</u>		<u>1,098,931</u>		<u>1,166,477</u>
Total	2,842	349,978		1,351,485		1,419,044
Total Class	4,762	389,954		1,560,411		1,636,688
<u>Industrial - Quarterly</u>						
Customer Charge						
5/8	16	0	24.00	384	24.75	396
3/4	2	0	41.94	84	41.94	84
1	36	0	81.42	2,931	81.42	2,931
1 1/2	2	0	159.12	318	159.12	318
12	8	0	3,295.11	26,361	3,295.11	26,361
Subtotal	<u>64</u>	<u>0</u>		<u>30,078</u>		<u>30,090</u>
First Block	<u>0</u>	<u>2,462</u>	3.1400	<u>7,731</u>	3.3330	<u>8,206</u>
Subtotal	<u>0</u>	<u>2,462</u>		<u>7,731</u>		<u>8,206</u>
Total	64	2,462		37,809		38,296
<u>Industrial - Monthly</u>						
Customer Charge						
1	0	0	27.14	0	27.14	0
1 1/2	164	0	53.04	8,699	53.04	8,699
2	213	0	85.28	18,165	85.28	18,165
3	100	0	174.80	17,480	174.80	17,480
4	96	0	273.56	26,262	273.56	26,262
6	34	0	547.11	18,602	547.11	18,602
8	24	0	1,098.37	26,361	1,098.37	26,361
Subtotal	<u>631</u>	<u>0</u>		<u>115,569</u>		<u>115,569</u>
First Block	<u>0</u>	<u>227,074</u>	3.1400	<u>713,012</u>	3.3330	<u>756,838</u>
Subtotal	<u>0</u>	<u>227,074</u>		<u>713,012</u>		<u>756,838</u>
Total	631	227,074		828,581		872,407
Total Class	695	229,536		866,390		910,702

CITY OF BETHLEHEM - BUREAU OF WATER
INSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Settlement Rate	Settlement Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Public - Quarterly</u>						
Customer Charge						
5/8	217	0	24.00	5,208	24.75	5,371
3/4	36	0	41.94	1,510	41.94	1,510
1	114	0	81.42	9,282	81.42	9,282
1 1/2	4	0	159.12	636	159.12	636
Subtotal	371	0		16,636		16,799
First Block	0	10,547	3.1400	33,118	3.3330	35,153
Subtotal	0	10,547		33,118		35,153
Total	371	10,547		49,754		51,952
<u>Public - Monthly</u>						
Customer Charge						
5/8		0	8.00	0	8.25	0
3/4		0	13.98	0	13.98	0
1	34	0	27.14	923	27.14	923
1 1/2	393	0	53.04	20,845	53.04	20,845
2	562	0	85.28	47,927	85.28	47,927
3	359	0	174.80	62,753	174.80	62,753
4	182	0	273.56	49,788	273.56	49,788
6	36	0	547.11	19,696	547.11	19,696
Subtotal	1,566	0		201,932		201,932
First Block	0	143,161	3.1400	449,526	3.3330	477,156
Subtotal	0	143,161		449,526		477,156
Total	1,566	143,161		651,458		679,088
Total Class	1,937	153,708		701,212		731,040
<u>Private Fire - Quarterly</u>						
Less than 6"	500		\$ 107.25	53,625	\$ 112.50	56,250
6-Inch	676		133.98	90,570	140.55	95,012
8-Inch	232		160.41	37,215	168.27	39,039
10-Inch	8		186.84	1,495	195.99	1,568
12-Inch	32		240.30	7,690	252.06	8,066
Protected Area	69,302		2.67	185,036	2.79	193,353
Private Hydrants	1,512		74.61	112,810	78.27	118,344
	72,262			488,442		511,631
Total Inside City	174,961	2,232,435		11,991,949		12,587,911

CITY OF BETHLEHEM - BUREAU OF WATER
OUTSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Quarterly</u>						
Customer Charge						
5/8	46,946	0	24.00	1,126,704	24.75	1,161,914
3/4	571	0	41.94	23,948	41.94	23,948
1	338	0	81.42	27,520	81.42	27,520
1 1/2	22	0	159.12	3,501	159.12	3,501
Subtotal	<u>47,877</u>	<u>0</u>		<u>1,181,673</u>		<u>1,216,882</u>
First Block	0	638,276	4.0190	2,565,231	4.2660	2,722,885
Subtotal	<u>0</u>	<u>638,276</u>		<u>2,565,231</u>		<u>2,722,885</u>
Total	47,877	638,276		3,746,904		3,939,767
<u>Residential - Monthly</u>						
Customer Charge						
5/8	49	0	8.00	392	8.25	404
3/4	18	0	13.98	252	13.98	252
1	13	0	27.14	353	27.14	353
1 1/2	347	0	53.04	18,405	53.04	18,405
2	293	0	85.28	24,987	85.28	24,987
3	60	0	174.80	10,488	174.80	10,488
6	12	0	547.11	6,565	547.11	6,565
8	0	0	1,098.37	0	1,098.37	0
Subtotal	<u>792</u>	<u>0</u>		<u>61,442</u>		<u>61,454</u>
First Block	0	40,965	4.0190	164,638	4.2660	174,757
Subtotal	<u>0</u>	<u>40,965</u>		<u>164,638</u>		<u>174,757</u>
Total	792	40,965		226,080		236,211
Total Class	48,669	679,241		3,972,984		4,175,978
<u>Commercial - Quarterly</u>						
Customer Charge						
5/8	494	0	24.00	11,856	24.75	12,227
3/4	135	0	41.94	5,662	41.94	5,662
1	113	0	81.42	9,200	81.42	9,200
1 1/2	0	0	159.12	0	159.12	0
Subtotal	<u>742</u>	<u>0</u>		<u>26,718</u>		<u>27,089</u>
First Block	0	18,811	3.1400	59,067	3.3330	62,697
Subtotal	<u>0</u>	<u>18,811</u>		<u>59,067</u>		<u>62,697</u>
Total	742	18,811		85,785		89,786

CITY OF BETHLEHEM - BUREAU OF WATER
OUTSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

<u>Rate Block</u> 1000 Gallons (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Rate</u> (6)	<u>Settlement</u> <u>Revenue</u> (7)
<u>Commercial - Monthly</u>						
Customer Charge						
5/8	58	0	8.00	464	8.25	479
3/4	38	0	13.98	531	13.98	531
1	205	0	27.14	5,564	27.14	5,564
1 1/2	973	0	53.04	51,608	53.04	51,608
2	1,544	0	85.28	131,872	85.28	131,672
3	335	0	174.80	58,558	174.80	58,558
4	122	0	273.56	33,374	273.56	33,374
6	22	0	547.11	12,036	547.11	12,036
Subtotal	<u>3,297</u>	<u>0</u>		<u>293,807</u>		<u>293,822</u>
First Block	<u>0</u>	<u>159,103</u>	3.1400	<u>499,583</u>	3.3330	<u>530,290</u>
Subtotal	<u>0</u>	<u>159,103</u>		<u>499,583</u>		<u>530,290</u>
Total	3,297	159,103		793,390		824,113
Total Class	4,039	177,914		879,175		913,899
<u>Industrial - Quarterly</u>						
Customer Charge						
5/8	13	0	24.00	312	24.75	322
3/4	17	0	41.94	713	41.94	713
1	13	0	81.42	1,058	81.42	1,058
2	1	0	255.84	256	255.84	256
Subtotal	<u>44</u>	<u>0</u>		<u>2,339</u>		<u>2,349</u>
First Block	<u>0</u>	<u>1,103</u>	3.1400	<u>3,463</u>	3.3330	<u>3,676</u>
Subtotal	<u>0</u>	<u>1,103</u>		<u>3,463</u>		<u>3,676</u>
Total	44	1,103		5,802		6,025
<u>Industrial - Monthly</u>						
Customer Charge						
1 1/2	102	0	53.04	5,410	53.04	5,410
2	78	0	85.28	6,652	85.28	6,652
3	58	0	174.80	10,138	174.80	10,138
4	89	0	273.56	24,347	273.56	24,347
6	12	0	547.11	6,565	547.11	6,565
8	8	0	1,098.37	8,787	1,098.37	8,787
Subtotal	<u>347</u>	<u>0</u>		<u>61,899</u>		<u>61,899</u>
First Block	<u>0</u>	<u>70,507</u>	3.1400	<u>221,392</u>	3.3330	<u>235,000</u>
Subtotal	<u>0</u>	<u>70,507</u>		<u>221,392</u>		<u>235,000</u>
Total	347	70,507		283,291		296,899
Total Class	391	71,610		289,093		302,924

CITY OF BETHLEHEM - BUREAU OF WATER
OUTSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Public - Quarterly</u>						
Customer Charge						
5/8	36	0	24.00	864	24.75	891
3/4	4	0	41.94	168	41.94	168
1	29	0	81.42	2,361	81.42	2,361
1 1/2	0	0	159.12	0	159.12	0
2	0	0	255.84	0	255.84	0
Subtotal	<u>69</u>	<u>0</u>		<u>3,393</u>		<u>3,420</u>
First Block	<u>0</u>	<u>1,092</u>	3.1400	<u>3,429</u>	3.3330	<u>3,640</u>
Subtotal	<u>0</u>	<u>1,092</u>		<u>3,429</u>		<u>3,640</u>
Total	69	1,092		6,822		7,060
<u>Public - Monthly</u>						
Customer Charge						
5/8	18	0	8.00	144	8.25	149
3/4		0	13.98	0	13.98	0
1	22	0	27.14	597	27.14	597
1 1/2	143	0	53.04	7,585	53.04	7,585
2	271	0	85.28	23,111	85.28	23,111
3	134	0	174.80	23,423	174.80	23,423
4	104	0	273.56	28,450	273.56	28,450
6	36	0	547.11	19,696	547.11	19,696
Subtotal	<u>728</u>	<u>0</u>		<u>103,006</u>		<u>103,011</u>
First Block	<u>0</u>	<u>103,887</u>	3.1400	<u>326,205</u>	3.3330	<u>346,255</u>
Subtotal	<u>0</u>	<u>103,887</u>		<u>326,205</u>		<u>346,255</u>
Total	728	103,887		429,211		449,266
Total Class	797	104,979		436,033		456,326

CITY OF BETHLEHEM - BUREAU OF WATER
OUTSIDE CITY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2012

Rate Block 1000 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Other Water Utilities - Quarterly</u>						
Customer Charge						
2	0	0	255.84	0	255.84	0
8	4	0	3,295.11	13,180	3,295.11	13,180
Subtotal	4	0		13,180		13,180
First Block	0	60,377	3.7380	225,689	3.9690	239,636
Subtotal	0	60,377		225,689		239,636
Total	4	60,377		238,869		252,816
<u>Other Water Utilities - Monthly</u>						
Customer Charge						
5/8		0	8.00	0	8.25	0
3/4		0	13.98	0	13.98	0
1	12	0	27.14	326	27.14	326
1 1/2	0	0	53.04	0	53.04	0
2	24	0	85.28	2,047	85.28	2,047
3	12	0	174.80	2,098	174.80	2,098
4	35	0	273.56	9,575	273.56	9,575
6	68	0	547.11	37,203	547.11	37,203
8	60	0	1,098.37	65,902	1,098.37	65,902
10	24	0	1,098.37	26,361	1,098.37	26,361
Subtotal	235	0		143,512		143,512
First Block	0	146,036	3.7380	545,883	3.9690	579,617
Subtotal	0	146,036		545,883		579,617
Total	235	146,036		689,395		723,129
Total Class	239	206,413		928,264		975,945
<u>Private Fire - Quarterly</u>						
Less than 6"	176		\$ 107.25	18,876	\$ 112.50	19,800
6-Inch	320		133.98	42,874	140.55	44,976
8-Inch	440		160.41	70,580	168.27	74,039
10-Inch	28		186.84	5,232	195.99	5,488
12-Inch	36		240.30	8,651	252.06	9,074
Protected Area	68,548		2.67	183,024	2.79	191,250
Private Hydrants	1,748		74.61	130,418	78.27	136,816
	71,296			459,655		481,443
<u>Public Fire - Quarterly</u>						
Hydrants	4,612		\$ 66.00	304,392	\$ 66.00	304,392
Total Outside City	130,043	1,240,157		7,269,596		7,610,906

APPENDIX

D

STATEMENTS IN SUPPORT

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	DOCKET Nos. R-2013-2390244
	:	C-2013-2396055
v	:	C-2014-2400863
	:	
THE CITY OF BETHLEHEM- BUREAU OF WATER	:	

RECEIVED
MAY 23 2014
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**CITY OF BETHLEHEM
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT OF
RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS:

The City of Bethlehem ("City"), by and through Counsel, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of the City and its water customers.

A. BACKGROUND

1. All active parties to this proceeding participated in settlement discussions and as result, the City, the Bureau of Investigation and Enforcement

("I&E"), the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA") have agreed upon the terms embodied in the foregoing Joint Petition.

2. The City is a city of the third class providing water service to a population of over 115,000 people within the City's municipal boundaries and ten municipalities situated in Lehigh and Northampton counties. At present the City serves approximately 12,672 customers outside of its municipal boundaries whose rates and service are regulated by the Pennsylvania Public Utility Commission ("Commission"). The cornerstone of the City's water system is its 23,000 acre watershed landholding located in the Pocono Mountains in Carbon and Monroe Counties, comprised of two man-made reservoirs impounding approximately 10,000,000,000 gallons of water. Raw water from these sources is conveyed via gravity to the City's 28.6 MGD granular multi-media water treatment plant. Following treatment, the water is transmitted through transmission mains and 492 miles of distribution mains to its residential, commercial, industrial, institutional, public and fire protection customers.

3. On November 26, 2013 the City Filed Supplement No. 11 to Tariff Water-Pa. P.U.C. No. 6 requesting an increase of its total annual operating

revenues of \$1,119,726 representing a rate increase of approximately 15.% for the City's jurisdictional customers. By Order entered January 23, 2014, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of the City's existing and proposed rates, rules and regulations. The City's filing was originally suspended by operation of law until August 25, 2014, unless permitted by Commission order to become effective at an earlier date.

4. The case was assigned to Administrative Law Judge Joel H. Cheskis for the purposes of conducting hearings and issuing a Recommended Decision.

5. A prehearing conference was held on February 12, 2014.

6. The Joint Petitioners engaged in several settlement discussions which resulted in the development of the settlement agreement set forth in the Joint Petition.

B. TERMS AND CONDITIONS OF SETTLEMENT

7. The City represents that the settlement reached by the parties is the result of extensive discovery, negotiations and compromises by all parties.

The City submits that the settlement reached in this proceeding is in the public interest for the following reasons:

a. *Revenue Requirement* (Joint Petition ¶6) The settlement allows the City to increase operating revenues by approximately \$350,000 or % over existing revenues. This settlement represents a reduction of \$769,726 or 68.75% of the City's filed request. The City's last general rate increase filing was in 2011. Since that time City customers have experienced stable rates for a period of three (3) years. It is also important to note that there were no customer complaints filed against the City's revenue increase request in this matter. This fact highlights the reasonableness of the settled revenue increase including the following:

b. *Capital Projects* (Joint Petition ¶7) The settlement provides that the City of Bethlehem will complete a series of seven (7) capital construction projects which will enhance the reliability of its water system totaling \$1,890,000 .

c. *Stay Out* (Joint Petition ¶8) The settlement provides for the City to refrain from filing a general base rate increase (with a general exception) until March 31, 2016. Such a restriction provides for stable rates for the City customers for a significant period of time.

d. *Meter Replacement* (Joint Petition ¶ 11) The Settlement provides that the City will begin to evaluate and implement a multiyear project to replace all customer water meters and to install radio frequency (RF) meter reading technology in conjunction with the meter replacement. This program will provide a more cost effective, efficient and reliable meter reading system for the City and its customers.

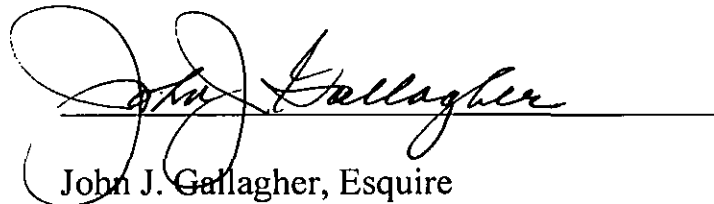
8. Settlement of this rate case is consistent with the Commission's stated policy to encourage negotiated settlements in lieu of incurring the time, expense and uncertainty of litigation.

9. Finally, the Settlement obviates the need for further litigation and possible appellate proceedings, thereby resulting in substantial savings for the joint Petitioners and the City's customers.

WHEREFORE, the City of Bethlehem represents that it fully supports the instant settlement as being in the public interest and respectfully requests that presiding Administrative Law Judge Cheskis recommend, and the

Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition.

Respectfully Submitted,

A handwritten signature in black ink, reading "John J. Gallagher", is written over a horizontal line. The signature is cursive and stylized.

John J. Gallagher, Esquire
7111 Forrest Road
Harrisburg, PA 17112
jgallagher@jglawpa.com

Counsel for the City of Bethlehem

Dated: May 23 , 2014

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2013-2390244
 :
 City of Bethlehem – Bureau of Water :

**STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

The Office of Consumer Advocate of the Commonwealth of Pennsylvania (OCA), one of the signatory parties to the Joint Petition for Settlement of Rate Investigation (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On November 26, 2013 the City of Bethlehem – Bureau of Water (Bethlehem or City) filed Supplement No. 11 to Tariff Water - Pa. P.U.C. No. 6, to become effective January 25, 2014, which contained proposed changes in rates, rules and regulations calculated to produce \$1,119,726 in additional revenues, or 15% from outside-City customers, based upon the experienced level of operations in the fully projected future test year (FPFTY) ending December 31, 2014. On December 9, 2013, the OCA filed a formal complaint against the proposed rate increase (C-2013-2396055). The Office of Small Business Advocate (OSBA) also filed a formal complaint on January 7, 2014. The Bureau of Investigation & Enforcement (I&E) entered an appearance.

By Order entered January 23, 2014, the Commission instituted an investigation to determine the lawfulness, justness, and reasonableness of the proposed rates, rules, and

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

regulations. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by operation of law until August 25, 2014. The case was assigned to Administrative Law Judge (ALJ) Joel Cheskis.

On February 12, 2014, a Prehearing Conference was conducted by ALJ Cheskis, at which time a schedule was set. A public input hearing was held on March 19, 2014. The City served its direct testimony with its filing on November 26, 2013, while the non-City parties served direct testimony on March 12, 2014. Rebuttal testimony was served on March 31 and surrebuttal testimony was served on April 14. As a result of a number of discussions and meetings during the course of the proceeding, the parties were able to agree to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein. On April 24, 2014, a hearing was held by ALJ Cheskis at which time the parties stipulated to the admission of written testimony and exhibits of all parties. As discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. REVENUES

The proposed Settlement provides for an overall annual revenue increase for outside-City customers of \$349,947, or 4.7%. Appendix A. See also Settlement ¶ 6. Under the City's rate request, a typical residential customer using 14,000 gallons of water per quarter would see an increase from \$80.27 to \$95.04, or 18.4% per quarter. Under the proposed Settlement, however, a typical residential customer using 14,000 gallons of water per quarter would see an increase from \$80.27 to \$84.47, or approximately 5.2%. Settlement ¶ 17.

Based on the OCA's analysis of the City's filing, the proposed increase under the Settlement represents an amount which, in the OCA's view, would be within the range of the likely outcomes in the event of full litigation of the case.

III. STAY-OUT PROVISION

Under the proposed Settlement, the City cannot file for another general rate increase prior to March 31, 2016.¹ Settlement ¶ 8. If the City files as soon as the stay out expires and if the next case is fully litigated, then the current rates would be in effect for approximately twenty-nine months. Thus, the stay out will provide for rate stability for the City's PUC-jurisdictional customers.

IV. CAPITAL PROJECTS

In the Settlement ¶ 7, the City stipulates that the following capital construction projects, which total \$1,890,000, will be completed by the dates indicated:

- a) 5th & William Street pump station replacement - \$400,000- completion in the first quarter of 2015;
- b) five MG SE storage tank modifications - \$90,000- completion in 2014;
- c) East Allen Township Shady Lane improvements - \$300,000 – completion in 2014;
- d) Wild Creek Dam repairs - \$120,000- completion in 2014;
- e) Southside pump station replacement - \$420,000- completion in the first quarter of 2016;
- f) Fire pump station replacement - \$450,000- completion in first quarter of 2017;
- g) and Salisbury Township Weil Street pump station - \$110,000- completion in 2014.

These capital projects will help to improve the quality and efficiency of the City's water distribution system, which will ultimately benefit the City's PUC-jurisdictional ratepayers.

V. REQUIREMENTS FOR NEXT RATE CASE

If the City elects to use a FPPTY in its next base rate filing, the City has agreed that its claimed FPPTY will be in compliance with Section 315(e) of the Utility Code. Settlement ¶ 10. In the next rate base proceeding, the City has also agreed to prepare and submit a comparison of

¹ This provision excludes the filing with the Commission by the City of a DSIC Petition and, if approved, the inclusion of quarterly DSIC surcharges on customers' bills.

its actual expenses and rate base additions for the twelve months ended December 31, 2014 to its projections in this case. Settlement ¶ 12. Additionally, provided that the Lower Saucon Township Authority completes the installation of the meter pits as required by the Commission's Order at Docket No. R-00072492 et al, the City agrees to study the feasibility and costs of a demand study to be used in the next rate case. Settlement ¶ 13. These provisions should allow all parties to adequately prepare for the City's next base rate filing.

VI. OTHER PROVISIONS

- **Installation Of Radio Frequency Meter Reading Technology**

The City has agreed to begin evaluation and implementation of a project to replace all customer water meters with radio-frequency meter reading technology. Settlement ¶ 11. This advanced technology should benefit PUC-jurisdictional customers by improving the accuracy of meter reads for the customers and ensuring more accuracy in the calculation of unaccounted for water.

- **Inspection Of Venturi Meter**

In the Settlement, the City agrees to have the manufacturer inspect and verify the accuracy of the City's clearwell Venturi meter located at its water filtration plant. If the accuracy falls outside a range of 2.5% +/-, the City will either correct the accuracy of the Venturi meter or, if necessary, have it replaced. Settlement ¶ 9. An accurate Venturi meter benefits customers by improving the accuracy of the measurement of water leaving the water treatment plant and entering the distribution system.

VII. CONCLUSION

The terms and conditions of the proposed Settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of approximately \$350,000 in annual

revenues from PUC-jurisdictional customers. This amount is reduced from the \$1,119,726 annual increase proposed in the City's filing. In addition, the ratepayers will benefit from the stay-out and other provisions addressing ratemaking issues. Finally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the best interest of the PUC-jurisdictional customers of the City of Bethlehem – Bureau of Water.

Respectfully Submitted,



Christine Maloni Hoover
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50026
E-mail: CHoover@paoca.org

Kristine E. Robinson
Assistant Consumer Advocate
PA Attorney I.D. # 316479
E-mail: KRobinson@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
May 22, 2014

182454

The case was assigned to Administrative Law Judge (“ALJ”) Joel E. Cheskis for hearings and the issuance of a Recommended Decision. A Prehearing Conference was held on February 12, 2014. The parties served written direct, rebuttal and surrebuttal testimony, which was admitted into the record at a Hearing held by ALJ Cheskis on April 24, 2014.

Parties to this matter include the Water Bureau, the OSBA, the Commission’s Bureau of Investigation and Enforcement (“I&E”), and the Office of Consumer Advocate (“OCA”). All parties are collectively referred to henceforth as the “Joint Petitioners.”

II. Summary of OSBA’s Principal Concerns

In its Complaint, the OSBA identified issues of concern, including the following:

1. Whether the Water Bureau’s requested return on common equity of 7.80% is excessive and is therefore unjust, unreasonable, and contrary to law; and
2. Whether the Water Bureau’s proposed rates, rate design, and cost and revenue allocation are or may be unjust, unreasonable, and unlawfully discriminatory in violation of, inter alia, Sections 1301 and 1304 of the Public Utility Code, 66 Pa.C.S. §§1301 and 1304, and contrary to appropriate public policy and sound ratemaking considerations, and may not be supported by the materials filed by the Water Bureau.

Further, in the Direct Testimony of its witness, Brian Kalcic, the OSBA recommended that the Commission approve the City’s proposed outside-City revenue allocation, and recommended that the City establish a separate Industrial consumption charge applicable to inside- and outside-City customers in the City’s next base rate proceeding, which will facilitate greater movement toward cost-based rates in future proceedings.

The OSBA participated in the mediation process and negotiations with the parties to this matter which have led to the filing of the Joint Petition for Settlement ("Settlement"). The OSBA is a signatory to the Settlement.

III. Summary of Settlement

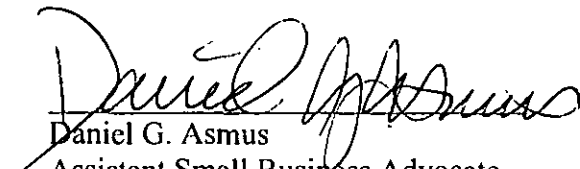
The Joint Petitioners conducted several conferences (in person, by telephone, and by email) in an attempt to achieve a settlement of some or all of the issues in this case. The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for joining the Settlement. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of small business customers:

1. Under the original filing by the Water Bureau, jurisdictional customers were to get an increase of \$1,119,726. The Settlement reduced the rate increase to \$350,000 or approximately 31% of the amount initially requested by the City. The Commercial class of customers received a 4.1% increase, which is below the system average.
2. The City agreed, in Paragraph 14 of the Settlement, to evaluate the reasonableness, feasibility, and need for a separate rate schedule for Industrial customers, including whether City records accurately categorize non-residential customers by class.

By resolving the foregoing issues of concern to the OSBA, the Settlement enables the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating those issues.

WHEREFORE, the OSBA respectfully requests that the Administrative Law Judge and the Commission approve the Settlement without modification.

Respectfully submitted,


Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

For:
John R. Evans.
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101
(717) 783-2525

Dated: May 22, 2014

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2013-2390244
 :
 City of Bethlehem- Bureau of Water :

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

RECEIVED

MAY 23 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

TO ADMINISTRATIVE LAW JUDGE JOEL H. CHESKIS:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor Allison C. Kaster, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of the City of Bethlehem- Bureau of Water (City) and its customers:

I. INTRODUCTION AND BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of the City's base rate filing, acceptance of

this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On November 26, 2013, the City filed Supplement No. 11 to Tariff Water-Pa. P.U.C. No. 6 requesting an increase of \$1,119,726 (approximately 15%) in total annual operating revenues to become effective January 25, 2014. By Order entered January 23, 2014, the Pennsylvania Public Utility Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of the City's existing and proposed rates, rules, and regulations. The filing was suspended by operation of law until August 25, 2014, unless permitted by Commission order to become effective at an earlier date.

3. *Administrative Law Judge Joel H. Cheskis (ALJ)* was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

4. I&E entered its Notice of Appearance on December 2, 2013.

5. A prehearing conference was held on February 12, 2014, during which the parties agreed to a schedule for the service of testimony and the dates for evidentiary hearings.

6. At 6:00 p.m. on March 19, 2014, a Public Input Hearing was held at the Northampton Community College in Bethlehem, Pennsylvania. One witness testified at the Public Input Hearing.

7. In accordance with the established procedural schedule, I&E served on all active parties the following pieces of testimony and accompanying exhibits addressing rate of return, operating expenses, rate base, and rate design:

I&E Witness Rachel Maurer

Rate of Return

Direct Testimony

I&E Statement No. 1
I&E Exhibit No. 1

Surrebuttal Testimony

I&E Statement No. 1-SR
I&E Exhibit No. 1-SR

I&E Witness Lisa Boyd

Operation and Maintenance Expenses

Direct Testimony

I&E Statement No. 2
I&E Exhibit No. 2

Surrebuttal Testimony

I&E Statement No. 2-SR
I&E Exhibit No. 2-SR

I&E Witness Jeremy Hubert

Rate Base/Rate Design

Direct Testimony and Exhibit

I&E Statement No. 3
I&E Exhibit No. 3

Surrebuttal Testimony and Exhibit

I&E Statement No. 3-SR
I&E Exhibit No. 3-R

8. In accordance with Commission policy favoring settlements in lieu of time and resource consuming litigation, I&E participated in multiple in-person and telephonic settlement discussions with the City and other parties to the proceeding.

9. Following extensive settlement negotiations, ALJ Cheskis was notified at the evidentiary hearing on April 24, 2014 that the parties reached a full and complete settlement of all issues. The parties waived cross-examination of all witnesses and I&E entered the testimonies identified above into the evidentiary record.

II. TERMS AND CONDITIONS OF SETTLEMENT

10. It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231. The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.

52 Pa. Code § 69.401.

11. The policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on November 26, 2013, and over the past six months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and

requests that the following terms be approved by the ALJ and the Commission without modification:

12. **Revenue Requirement (Joint Petition ¶ 6):** As proposed, the City filed for a total increase in jurisdictional annual operating revenues of \$1,119,726. The Settlement rates are designed to produce \$350,000 in additional annual operating revenues, which is a \$769,726 reduction from the City's original request and represents a significant savings for the City's jurisdictional customers.

I&E analyzed the ratemaking claims contained in the City's filing including operating and maintenance expenses, rate base, projected revenues, rate structure, hypothetical capital structure, and the cost of common equity and long-term debt. After this review and engaging in extensive discovery and settlement discussions, I&E fully supports the revenue level compromised upon in the Settlement. Due to the "black box" nature of the Settlement, the Settlement does not reflect agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is substantially less than what was requested by the City. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement is in the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation.

Black box settlements are not uncommon in Commission practice. Indeed, the Commission has endorsed the use of black box settlements, as discussed in a recent Order approving such a settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.

Pa. PUC v. Peoples TWP LLC, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.” *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991). The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a

compromise of the litigated positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of the City and its customers in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest.

Public utility regulation allows for the recovery of prudently incurred expenses as well as the opportunity to earn a reasonable return on the value of assets used and useful in public service. The increase proposed in this Settlement respects this principle. Ratepayers will continue to receive safe and reliable service at just and reasonable rates while allowing the City sufficient additional revenues to meet its operating and capital expenses and providing the opportunity to earn a reasonable return on its investment. As discussed above, the Settlement rates significantly moderate the increase initially proposed by the City and, I&E believes, properly balances the interests of all parties. Accordingly, I&E submits that the proposed Settlement is in the public interest and requests that it be approved by the ALJ and the Commission without modification.

13. **Capital Projects (Joint Petition ¶ 7):** The City agreed to complete capital projects that are specified in the Settlement totaling \$1,890,000 within the identified timeframes. *These projects will improve the City's system and will assist in providing safe and reliable service to its customers; therefore, the City's commitment to complete the projects identified in the Settlement is in the public interest.*

14. **Stay Out (Joint Petition ¶ 8):** With the exceptions noted in the Settlement, the City will not file a general rate increase under Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), prior to March 31, 2016. This lengthy stay-out

provision is in the public interest because it provides jurisdictional customers some financial respite before another rate increase proposal is filed.

15. Fully Projected Future Test Year (Joint Petition ¶ 10):

The City utilized a Fully Projected Future Test Year (FPFTY) ending December 31, 2014 to calculate its requested revenue requirement in this proceeding. The FPFTY concept is a recent and dramatic change from the standard ratemaking process. Although previously allowing for use of a Future Test Year (FTY), Section 315 of the Public Utility Code traditionally required that utility investment be used and useful in the provision of service before the investment was reflected in rates. I&E St. No. 3, p. 3. However, as amended under Act 11, Section 315 of the Public Utility Code now allows a utility to project investment, and correspondingly include it in the utility's claimed revenue requirement, through the twelve-month period beginning with the first month that the new rates will be placed in effect after application of the full suspension period permitted under section 1308(d).

The City's rate case was filed on November 26, 2013 and was suspended until August 26, 2014. As such, the City's FPFTY should have begun on August 26, 2014 and ended on August 26, 2015. I&E St. No. 3, pp. 5-6. In order to coincide with its fiscal year, however, the City's claimed FPFTY began January 1, 2014 and ended December 31, 2014. I&E St. No. 3, p. 6. As such, the City's claimed FPFTY is eight months shorter than provided under Act 11 and it will not fully experience the benefits intended by the FPFTY. I&E St. No. 3, p. 9.

The City controls when base rate cases are filed and the periods utilized for its historic, future and fully projected future test years; therefore, I&E maintains that it is the City's responsibility to ensure that the claimed test years adhere to the parameters set forth in Act 11. The Settlement accomplishes that goal because, if a FPFTY is claimed in the City's next base rate proceeding, the City agrees to timely file its next base rate case so that its FPFTY is the twelve-month period utilizing the test years allowed in accordance with Act 11. Accordingly, regardless of whether a FTY or FPFTY is selected, this Settlement term ensures that the test years utilized in the City's next base rate filing will comply with the Public Utility Code.

16. Fully Projected Future Test Year Reports (Joint Petition ¶ 12):

In its next base rate proceeding the City agrees to submit a comparison of actual expenses and rate base additions experienced in the FPFTY to the projections made in this case. I&E recognizes that Section 315 of the Public Utility Code authorizes the use of such projections; however, in light of the extended time period beyond which utilities are permitted to project rate base investment and operating expenses, it is important for parties to obtain sufficient information to review and evaluate the accuracy of the City's projections.

17. Rate Structure/Rate Design (Joint Petition ¶ 16):

I&E reviewed the City's proposed customer charges and recommended that they be approved as proposed. I&E St. No. 3, p. 25. If the Commission grants less than the City's full increase, I&E recommended that the City's proposed consumption rates be scaled back to ensure that the revenue recovered from jurisdictional customers produces

the level of revenue the Commission allowed the City the opportunity to recover. I&E St. No. 3, pp. 25-29.

The Settlement provides that the customer charge for a 5/8-inch customer will increase from \$8.00 per month to \$8.25 per month, in lieu of the City's requested \$8.80. The consumption rate for residential customers will increase from \$4.019 per thousand gallons to \$4.266 per thousand gallons, in lieu of the \$4.903 originally requested by the City in its filing. Under the Settlement rates, the quarterly bill of a typical 5/8-inch jurisdictional residential customer who uses 14,000 gallons of water will increase from \$80.27 to \$84.47 (5.2%), rather than to \$95.04 (18.4%) as originally requested in the City's filing. The proposed customer charges and usage rates are in the public interest because the revenue increase recovered from the City's jurisdictional customers is moderated while still allowing the City to recover an appropriate level of costs and an opportunity to earn a reasonable return.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

18. I&E signed this Settlement after an exhaustive investigation of the City's filing, extensive formal and informal discovery, and the submission and review of multiples pieces of direct, rebuttal, and surrebuttal testimony by all Joint Petitioners.

19. All issues raised in testimony have been satisfactorily resolved through discovery and discussions with the City or are incorporated in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what initially may appear to be irreconcilable differences. Joint Petitioners have carefully

discussed and negotiated all issues and further delineation of issues beyond those presented in the Settlement is not necessary. I&E believes that the settled outcome maintains a proper balance of the interests of all parties, is satisfied that no further action is necessary, and considers its investigation of this rate filing complete.

20. Based upon I&E's analysis of the filing, acceptance of this Settlement is in the public interest. Resolution of this case by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

21. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

22. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the City, I&E, or any other Joint Petitioner.

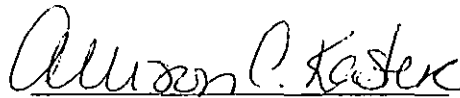
23. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event

that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

24. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in the Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Joel H. Cheskis recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,



Allison C. Kaster
Attorney I.D. #93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: May 23, 2014

RECEIVED
2014 MAY 23 PM 2:37
PA PUC
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

VIA ELECTRONIC MAIL AND HAND DELIVERY

Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Daniel G. Asmus, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17102

Allison C. Kaster, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Honorable Joel H. Cheskis
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2014 MAY 23 PM 2:36
PA PUC
SECRETARY'S BUREAU



Dated: March 31, 2014

John J. Gallagher
711 Forrest Road
Harrisburg, PA 17112