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Date: Monday, May 16, 2016

Subject: PLUG Comments to Hearing Officer Report re PWD Rate Proceeding

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Hearing Officer Brockway and members of the Board,

In general, PLUG's brief was not reflected in the Hearing Officer Report. I understand that some omissions may have been intentional as it appears that the Hearing Officer Report omits cost allocation issues. This may explain the exclusion of the argument in Section III.C. of PLUG's brief (concerning a proportional revenue scaleback). PLUG also notes that the arguments in Sections III.D (opposing any modification to the Enhanced CAP) and III.E (supporting consideration of customer service matters) of its brief were not summarized in the Report, although this may also reflect the apparent limitation of scope to revenue requirement issues. However, to the extent the Hearing Officer Report is intended to serve as a complete recital of parties' issues, PLUG requests that these arguments be added to the Report.

In addition to the omissions identified above, PLUG proposes the following changes to the Hearing Officer Report.

Omission of Debt Service Coverage Argument

Section III.A of PLUG's brief proposed to reject PWD's request to continually increase its targeted debt service coverage above the 1.20 bond coverage covenant. PWD has not supported its proposal to target debt service coverage above 1.20 with credible evidence and using the legally required 1.20 debt service

coverage target benefits rate payers by allowing PWD to use Rate Stabilization Funds to reduce the proposed rate increases. See PLUG Brief, pp. 4-6.

Omission of PLUG Position on SMIP and GARP in Section VIII of Hearing Officer Report

The Hearing Officer Report presents the positions of the Public Advocate, PWD, and PennFuture on the proposed budgets for SMIP and GARP, but omits PLUG's arguments on the same. In Section III.C of its brief, PLUG opposed the Public Advocate's argument to deny PWD's proposed \$15 million annual budget for SMIP and GARP on grounds that PWD provided evidence showing that: (1) SMIP and GARP generate cost savings compared to other means of implementing stormwater mitigation; (2) PWD previously awarded approximately \$14 million in SMIP and GARP grants by combining the prior \$11.45 million budget with additional Act 13 grants; and (3) PWD relies on the programs to meet its obligations under the Pennsylvania Department of Environmental Protection Consent Order and Agreement. See PLUG Brief, p. 7. Accordingly, the reasonable budget increase proposed by PWD should be approved.

PLUG requests that the Hearing Officer Report be corrected or updated consistent with the above clarifications. Thank you for your time and attention to this matter.

Respectfully,

Ade Bakare

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