

PENNSYLVANIA-AMERICAN WATER COMPANY

2017 GENERAL BASE RATE CASE

R-2017-2595853

EXHIBIT NO. 3-C

FUTURE TEST YEAR ADDITIONS,

ACQUISITIONS,

TAXES, OTHER THAN INCOME

**Pennsylvania-American Water Company - Water Operations
Future Test Year Additions, Acquisitions**

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**FUTURE TEST YEAR ADDITIONS
WATER**

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
303.99 (339.6)							
	Comprehensive Planning Studies	S	552,347	Mar-17	None	0	
	Comprehensive Planning Studies	S	(41,683)	Jun-17	None	0	
	Comprehensive Planning Studies	S	118,250	Sep-17	None	0	
	Comprehensive Planning Studies	S	(327,913)	Dec-17	None	0	
	Account Subtotal		\$301,001			\$0	
304.15	Nazareth Reservoir Improvement	124-560011	59,188	Dec-17	None	0	
	Saw Creek Tank 7 Replacement	124-6800020	151,292	Dec-17	None	0	
	Account Subtotal		\$210,480			\$0	
304.30	Chlorine Gas Conversion - Milton	124-710006	1,141,848	Mar-17	None	0	
	Emergency Generator Lake Scranton	124-910040	3,359,247	Mar-17	Emergency Generator Lake Scranton	20,000	Mar-17
	Aldrich Plant Facility Improvements	124-110054	640,484	Jun-17	Aldrich Plant Facility Improvements	78,000	Jun-17
	All Seasons Treatment	124-6800018	187,905	Dec-17	All Seasons Treatment	8,000	Dec-17
	Hayes Mine - Aldrich Hypochlorite Tank Replacement	124-110053	1,026,088	Dec-17	None	0	
	Account Subtotal		\$6,355,572			\$106,000	
304.62	Offices and Operations Centers	N	135,000	Mar-17	Retire - Offices & Operations Centers	10,800	Mar-17
	Offices and Operations Centers	N	220,000	Jun-17	Retire - Offices & Operations Centers	17,600	Jun-17
	Offices and Operations Centers	N	264,000	Sep-17	Retire - Offices & Operations Centers	21,120	Sep-17
	Offices and Operations Centers	N	381,000	Dec-17	Retire - Offices & Operations Centers	30,480	Dec-17
	Account Subtotal		\$1,000,000			\$80,000	
304.63	Madeline St. Retaining Wall Improvements	124-110055	660,443	Jul-17	Madeline St. Retaining Wall Improvements	25,000	Jul-17
	Account Subtotal		\$660,443			\$25,000	
305.00	Elmhurst Dam Rehabilitation	124-910009	23,087,531	Oct-17	Elmhurst Dam Rehabilitation	211,836	Oct-17
	Account Subtotal		\$23,087,531			\$211,836	
306.00	Silver Spring Intake Modification	124-610011	594,990	Jul-17	None	0	
	Account Subtotal		\$594,990			\$0	
311.00	SWPA Pipeline	124-2#####	406,091	Oct-17	None	0	
	Account Subtotal		\$406,091			\$0	
320.00	Process Plant Facilities and Equipment	Q	545,197	Mar-17	Retire - Process Plant Facilities and Equipment	43,616	Mar-17
	Chlorine Gas Conversion - Milton	124-710006	709,102	Mar-17	Chlorine Gas Conversion - Milton	35,000	Mar-17
	Process Plant Facilities and Equipment	Q	1,564,038	Jun-17	Retire - Process Plant Facilities and Equipment	125,123	Jun-17
	Process Plant Facilities and Equipment	Q	2,127,140	Sep-17	Retire - Process Plant Facilities and Equipment	170,171	Sep-17

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
	Process Plant Facilities and Equipment		3,903,624	Dec-17	Retire - Process Plant Facilities and Equipment	312,290	Dec-17
	All Seasons Treatment	124-6800018	158,570	Dec-17	None	0	
	Hayes Mine - Aldrich Hypochlorite Tank Replacement	124-110053	684,058	Dec-17	Hayes Mine - Aldrich Hypochlorite Tank	80,000	
	Account Subtotal		\$9,691,729			\$766,200	
330.00	Tank Rehabilitation / Painting	R	701,742	Mar-17	Retire - Tank Rehabilitation / Painting	56,139	Mar-17
	Tank Rehabilitation / Painting	R	1,440,215	Jun-17	Retire - Tank Rehabilitation / Painting	115,217	Jun-17
	Tank Rehabilitation / Painting	R	1,132,319	Sep-17	Retire - Tank Rehabilitation / Painting	90,586	Sep-17
	Plymouth Tank Rehabilitation	124-910044	1,385,698	Sep-17	Plymouth Tank Rehabilitation	354,240	Sep-17
	Tank Rehabilitation / Painting	R	691,222	Dec-17	Retire - Tank Rehabilitation / Painting	55,298	Dec-17
	Tank Mixing (Statewide)	124-010020	130,000	Dec-17	None	0	
	0.42 MG Tank Tanner Hill	124-450003	732,054	Dec-17	None	0	
	Nazareth Reservoir Improvement	124-560011	748,793	Dec-17	Nazareth Reservoir Improvement	2,500	Dec-17
	All Seasons Treatment	124-6800018	71,356	Dec-17	None	0	
	Saw Creek Tank 7 Replacement	124-6800020	365,232	Dec-17	Saw Creek Tank 7 Replacement	25,000	
	Account Subtotal		\$7,398,631			\$698,980	
331.00	Developer Funded	DV	860,615	Mar-17	None	0	
	Mains - New	A	313,996	Mar-17	None	0	
	Mains - Replaced / Restored	B	3,159,035	Mar-17	Retire Mains	63,181	Mar-17
	Mains - Unscheduled	C	4,381,376	Mar-17	Retire Mains	87,628	Mar-17
	Mains - Relocated	D	1,107,806	Mar-17	Retire Mains	22,156	Mar-17
	Fairview Township Water Main Extension	124-610003	6,798,987	May-17	Fairview Township Water Main Extension	20,000	
	Developer Funded	DV	1,906,980	Jun-17	None	0	
	Mains - New	A	571,406	Jun-17	None	0	
	Mains - Replaced / Restored	B	27,020,939	Jun-17	Retire Mains	540,419	Jun-17
	Mains - Unscheduled	C	2,731,776	Jun-17	Retire Mains	54,636	Jun-17
	Mains - Relocated	D	690,715	Jun-17	Retire Mains	13,814	Jun-17
	Developer Funded	DV	2,873,854	Sep-17	None	0	
	Mains - New	A	992,441	Sep-17	None	0	
	Mains - Replaced / Restored	B	32,790,009	Sep-17	Retire Mains	655,800	Sep-17
	Mains - Unscheduled	C	4,753,024	Sep-17	Retire Mains	95,060	Sep-17
	Mains - Relocated	D	1,201,777	Sep-17	Retire Mains	24,036	Sep-17
	Developer Funded	DV	1,316,777	Dec-17	None	0	
	Mains - New	A	856,156	Dec-17	None	0	
	Mains - Replaced / Restored	B	14,830,018	Dec-17	Retire Mains	296,600	Dec-17
	Mains - Unscheduled	C	3,953,824	Dec-17	Retire Mains	79,076	Dec-17
	Mains - Relocated	D	999,703	Dec-17	Retire Mains	19,994	Dec-17
	Marcel Lake Water Upgrades	124-6800019	2,566,364	Dec-17	Marcel Lake Water Upgrades	300,000	Dec-17
	SWPA Pipeline	124-2#####	507,614	Dec-17	None	0	
	Account Subtotal		\$117,185,192			\$2,272,400	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
333.00	Services and Laterals - New	G	1,088,739	Mar-17	None	0	
	Services and Laterals - Replaced	H	3,406,926	Mar-17	Retire Services	136,277	Mar-17
	Services and Laterals - New	G	1,115,675	Jun-17	None	0	
	Services and Laterals - Replaced	H	4,075,188	Jun-17	Retire Services	163,008	Jun-17
	Services and Laterals - New	G	1,351,431	Sep-17	None	0	
	Services and Laterals - Replaced	H	5,335,189	Sep-17	Retire Services	213,408	Sep-17
	Services and Laterals - New	G	1,294,156	Dec-17	None	0	
	Services and Laterals - Replaced	H	4,404,385	Dec-17	Retire Services	176,175	Dec-17
	Marcel Lake Water Upgrades	124-680019	500,000	Dec-17	None	0	
	SWPA Pipeline	124-2#####	40,609	Dec-17	None	0	
	Account Subtotal		\$22,612,298			\$688,868	
334.00	Meters - New	I	247,857	Mar-17	None	0	
	Meters - Replaced	J	2,138,269	Mar-17	Retire Meters	876,690	Mar-17
	Meters - New	I	630,783	Jun-17	None	0	
	Meters - Replaced	J	4,788,159	Jun-17	Retire Meters	1,963,145	Jun-17
	Meters - New	I	495,037	Sep-17	None	0	
	Meters - Replaced	J	3,757,730	Sep-17	Retire Meters	1,540,669	Sep-17
	Meters - New	I	602,422	Dec-17	None	0	
	Meters - Replaced	J	4,316,036	Dec-17	Retire Meters	1,769,575	Dec-17
	SWPA Pipeline	124-2#####	25,381	Dec-17	None	0	
	Account Subtotal		\$17,001,674			\$6,150,079	
335.00	Hydrants - New	E	394,434	Mar-17	None	0	
	Hydrants - Replaced	F	907,116	Mar-17	Retire Hydrants	27,213	Mar-17
	Fairview Township Water Main Extension	124-610003	441,602	May-17	None	0	
	Hydrants - New	E	352,404	Jun-17	None	0	
	Hydrants - Replaced	F	1,173,588	Jun-17	Retire Hydrants	35,208	Jun-17
	Hydrants - New	E	524,328	Sep-17	None	0	
	Hydrants - Replaced	F	1,187,406	Sep-17	Retire Hydrants	35,622	Sep-17
	Hydrants - New	E	272,333	Dec-17	None	0	
	Hydrants - Replaced	F	1,156,889	Dec-17	Retire Hydrants	34,707	Dec-17
	SWPA Pipeline	124-2#####	20,305	Dec-17	None	0	
	Account Subtotal		\$6,430,405			\$132,750	
340.00	ITS Equipment and Systems	K	246,823	Mar-17	Retire - ITS Equipment and Systems	15,129	Mar-17
	ITS Equipment and Systems	K	2,443,573	Jun-17	Retire - ITS Equipment and Systems	40,122	Jun-17
	ITS Equipment and Systems	K	2,068,079	Sep-17	Retire - ITS Equipment and Systems	21,674	Sep-17
	ITS Equipment and Systems	K	7,831,302	Dec-17	Retire - ITS Equipment and Systems	3,845,011	Dec-17
	Account Subtotal		\$12,589,777			\$3,921,936	
341.20	Vehicles	O	155,283	Mar-17	Retire Vehicles	31,057	Mar-17
	Vehicles	O	641,997	Jun-17	Retire Vehicles	128,399	Jun-17
	Vehicles	O	1,575,151	Sep-17	Retire Vehicles	315,030	Sep-17
	Vehicles	O	3,157,571	Dec-17	Retire Vehicles	631,514	Dec-17
	Account Subtotal		\$5,530,002			\$1,106,000	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
342.00							
	Account Subtotal					<u>2,240</u> \$2,240	Dec-17
343.00							
	Tools and Equipment	P	464,668	Mar-17	Retire - Tools and Equipment	37,173	Mar-17
	Tools and Equipment	P	953,655	Jun-17	Retire - Tools and Equipment	76,292	Jun-17
	Tools and Equipment	P	749,779	Sep-17	Retire - Tools and Equipment	59,982	Sep-17
	Tools and Equipment	P	457,702	Dec-17	Retire - Tools and Equipment	1,261,516	Dec-17
	Account Subtotal		<u>\$2,625,804</u>			<u>\$1,434,963</u>	
346.00							
	SCADA Equipment and Systems	L	96,924	Mar-17	Retire - SCADA Equipment and Systems	7,754	Mar-17
	SCADA Equipment and Systems	L	116,885	Jun-17	Retire - SCADA Equipment and Systems	9,351	Jun-17
	SCADA Equipment and Systems	L	196,387	Sep-17	Retire - SCADA Equipment and Systems	15,711	Sep-17
	SCADA Equipment and Systems	L	1,189,804	Dec-17	Retire - SCADA Equipment and Systems	3,591,524	Dec-17
	0.42 MG Tank Tanner Hill	124-450003	20,000	Dec-17	0.42 MG Tank Tanner Hill	10,000	Dec-17
	Nazareth Reservoir Improvement	124-560011	56,670	Dec-17	None	0	
	Account Subtotal		<u>1,676,670</u>			<u>3,634,340</u>	
347.00							
	Security Equipment and Systems	M	80,276	Mar-17	Retire - Security Equipment and Systems	6,422	Mar-17
	Security Equipment and Systems	M	423,163	Jun-17	Retire - Security Equipment and Systems	33,853	Jun-17
	Security Equipment and Systems	M	391,163	Sep-17	Retire - Security Equipment and Systems	31,293	Sep-17
	Security Equipment and Systems	M	352,510	Dec-17	Retire - Security Equipment and Systems	350,208	Dec-17
	Account Subtotal		<u>\$1,247,112</u>			<u>\$421,776</u>	
	Grand Total		<u>\$236,605,402</u>			<u>\$21,653,368</u>	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
303.00	South Franklin Tank	124-210006	250,000	Dec-18	None		
	Monongahela, Fisher Heights Stg Tank	124-220002	250,000	Dec-18	None		
	Replace Clairton Basin	124-220005	200,000	Dec-18	None		
	Warren Operation Center	124-450002	154,412	Dec-18	None		
	Capital Campus	124-610014	685,875	Dec-18	Capital Campus	802,955	Dec-18
	Account Subtotal		\$1,540,287			\$802,955	
303.99 (339.6)	Comprehensive Planning Studies	S	631,254	Mar-18	None		
	Comprehensive Planning Studies	S	(47,638)	Jun-18	None		
	Comprehensive Planning Studies	S	135,142	Sep-18	None		
	Comprehensive Planning Studies	S	(374,758)	Dec-18	None		
	Account Subtotal		\$344,000			\$0	
304.20	South Franklin Tank	124-210006	185,000	Dec-18	South Franklin Tank	50,000	Dec-18
	Monongahela, Fisher Heights Stg Tank	124-220002	185,000	Dec-18	None		
	Elwood Plant	124-310004	11,355,600	Dec-18	None		
	Replace Punxsy North Main BPS	124-420005	408,526	Dec-18	None		
	Account Subtotal		\$12,134,126			\$50,000	
304.30	Construct New Post Chemical Storage	124-410002	1,197,477	Jun-18	Construct New Post Chemical Storage	15,000	Jun-18
	Scranton and Watres Chlorine Safety	124-910024	3,263,220	Jun-18	None		
	Montrose sed basin & clearwell	124-540008	2,844,781	Jul-18	Montrose sed basin & clearwell	10,500	Jul-18
	Claysville Water Quality	124-210017	882,389	Sep-18	None		
	Jefferson Twp - Chlorine Residuals	124-210019	962,237	Dec-18	None		
	Elwood Plant	124-310004	21,864,378	Dec-18	Elwood Plant	600,000	Dec-18
	Saw Creek Well's 6 & 7 Mn Treatment	124-680016	1,000,000	Dec-18	None		
	Account Subtotal		\$32,014,482			\$625,500	
304.61	Construction of Capital Campus	124-610015	26,970,522	Dec-18	Construction of Capital Campus	4,118,189	Dec-18
	Account Subtotal		\$26,970,522			\$4,118,189	
304.62	Offices and Operations Centers	N	135,000	Mar-18	Retire - Offices & Operations Centers	10,800	Mar-18
	Offices and Operations Centers	N	220,000	Jun-18	Retire - Offices & Operations Centers	17,600	Jun-18
	Offices and Operations Centers	N	264,000	Sep-18	Retire - Offices & Operations Centers	21,120	Sep-18
	Offices and Operations Centers	N	381,000	Dec-18	Retire - Offices & Operations Centers	30,480	Dec-18
	Mt. Oliver Meter Center	124-110045	21,148,240	Dec-18	Mt. Oliver Meter Center	294,064	Dec-18
	Warren Operation Center	124-450002	720,588	Dec-18	Warren Operation Center	46,559	Dec-18
	Account Subtotal		\$22,868,828			\$420,623	
304.63	Inst Control Valves Old Washington	124-110039	660,000	Dec-18	None		
	McMurray System Flow Monitoring (NRW)	124-210011	625,008	Dec-18	None		

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
	0.7 MG Tank, McHenry	124-410004	114,545	Dec-18	None	\$0	
			\$1,399,553				
305.00	Pikes Creek Dam Rehabilitation	124-910012	19,521,808	Jun-18	Pikes Creek Dam Rehabilitation	346,000	Jun-18
	Hibernia Dam Improvements	124-650005	400,000	Dec-18	None		
	Lake Scranton Dam Rehabilitation	124-910013	10,113,910	Dec-18	Lake Scranton Dam Rehabilitation	330,000	Dec-18
	Account Subtotal		\$30,035,718			\$676,000	
306.00	Construct New Post Chemical Storage	124-410002	825,660	Jun-18	None		
	Ellwood Plant	124-310004	1,638,161	Dec-18	None		
	Account Subtotal		\$2,463,821			\$0	
310.00	Montrose sed basin & clearwell	124-540008	270,016	Jul-18	None		
	Castlewood/Shenango Twp Main Extensions	124-310012	800,000	Nov-18	None		
	Statewide- Emergency Generators	124-010015	500,000	Dec-18	None		
	Replace Punxsy North Main BPS	124-420005	87,541	Dec-18	None		
	Saw Creek Wells's 6 & 7 Mn Treatment	124-680016	183,000	Dec-18	None		
	Account Subtotal		\$1,840,557			\$0	
311.00	Lincoln Boro&Elizabeth High Service Grad	124-220010	480,000	Dec-18	None		
	Ellwood Plant	124-310004	8,710,064	Dec-18	None		
	Mecklem Booster Pump Station Replacement	124-310013	996,897	Dec-18	Mecklem Booster Pump Station Replacement	10,000	Dec-18
	Replace Punxsy North Main BPS	124-420005	140,066	Dec-18	None		
	Saw Creek Wells's 6 & 7 Mn Treatment	124-680016	300,000	Dec-18	None		
	Account Subtotal		\$10,627,027			\$10,000	
320.00	Process Plant Facilities and Equipment	Q	559,932	Mar-18	Retire - Process Plant Facilities and Equipment	44,795	Mar-18
	Process Plant Facilities and Equipment	Q	1,606,309	Jun-18	Retire - Process Plant Facilities and Equipment	128,505	Jun-18
	Construct New Post Chemical Storage	124-410002	1,124,905	Jun-18	Construct New Post Chemical Storage	55,000	Jun-18
	Scranton and Watres Chlorine Safety	124-910024	1,329,460	Jun-18	Scranton and Watres Chlorine Safety	20,000	Jun-18
	Montrose sed basin & clearwell	124-540008	912,239	Jul-18	Montrose sed basin & clearwell	19,800	Jul-18
	Process Plant Facilities and Equipment	Q	2,184,632	Sep-18	Retire - Process Plant Facilities and Equipment	174,771	Sep-18
	Process Plant Facilities and Equipment	Q	4,009,128	Dec-18	Retire - Process Plant Facilities and Equipment	320,730	Dec-18
	Ellwood Plant	124-310004	26,807,468	Dec-18	Ellwood Plant	200,000	Dec-18
	Stony Garden Clarifier	124-560012	1,107,932	Dec-18	Stony Garden Clarifier	20,000	Dec-18
	Saw Creek Wells's 6 & 7 Mn Treatment	124-680016	1,250,000	Dec-18	None		
	Account Subtotal		\$40,892,005			\$983,601	
320.30	Ellwood Plant	124-310004	260,000	Dec-18	None		
	Stony Garden Clarifier	124-560012	51,773	Dec-18	Stony Garden Clarifier	10,000	Dec-18
	Account Subtotal		\$311,773			\$10,000	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
330.00	Tank Rehabilitation / Painting	R	877,025	Mar-18	Retire - Tank Rehabilitation / Painting	70,162	Mar-18
	Tank Rehabilitation / Painting	R	1,799,951	Jun-18	Retire - Tank Rehabilitation / Painting	143,996	Jun-18
	Montrose sed basin & clearwell	124-540008	1,410,563	Jul-18	Montrose sed basin & clearwell	18,550	Jul-18
	Tank Rehabilitation / Painting	R	1,415,149	Sep-18	Retire - Tank Rehabilitation / Painting	113,212	Sep-18
	Tank Rehabilitation / Painting	R	863,876	Dec-18	Retire - Tank Rehabilitation / Painting	69,110	Dec-18
	South Franklin Tank	124-210006	2,843,143	Dec-18	None		
	Monongahela, Fisher Heights Stg Tank	124-220002	1,697,183	Dec-18	None		
	Replace Clairton Basin	124-220005	2,019,259	Dec-18	None		
	Shenago Tank - New Castle	124-310006	2,593,658	Dec-18	None		
	0.7 MG Tank, McHenry	124-410004	1,145,455	Dec-18	None		
	Mount Margaret Tank	124-910026	419,252	Dec-18	None		
	Account Subtotal		\$17,084,514			\$415,030	
331.00	Developer Funded	DV	860,615	Mar-18	None		
	Mains - New	A	336,965	Mar-18	None		
	Mains - Replaced / Restored	B	3,191,524	Mar-18	Retire Mains	63,830	Mar-18
	Mains - Unscheduled	C	4,381,376	Mar-18	Retire Mains	87,628	Mar-18
	Mains - Relocated	D	1,177,045	Mar-18	Retire Mains	23,541	Mar-18
	Developer Funded	DV	1,906,980	Jun-18	None		
	Mains - New	A	613,206	Jun-18	None		
	Mains - Replaced / Restored	B	27,298,833	Jun-18	Retire Mains	545,977	Jun-18
	Mains - Unscheduled	C	2,731,776	Jun-18	Retire Mains	54,636	Jun-18
	Mains - Relocated	D	733,884	Jun-18	Retire Mains	14,678	Jun-18
	Developer Funded	DV	2,873,854	Sep-18	None		
	Mains - New	A	1,065,041	Sep-18	None		
	Mains - Replaced / Restored	B	33,127,233	Sep-18	Retire Mains	662,545	Sep-18
	Mains - Unscheduled	C	4,753,024	Sep-18	Retire Mains	95,060	Sep-18
	Mains - Relocated	D	1,276,887	Sep-18	Retire Mains	25,538	Sep-18
	Castlewood/Shenango Twp Main Extensions	124-310012	9,226,290	Nov-18	None		
	Developer Funded	DV	1,316,777	Dec-18	None		
	Mains - New	A	918,786	Dec-18	None		
	Mains - Replaced / Restored	B	14,982,535	Dec-18	Retire Mains	299,651	Dec-18
	Mains - Unscheduled	C	3,953,824	Dec-18	Retire Mains	79,076	Dec-18
	Mains - Relocated	D	1,062,184	Dec-18	Retire Mains	21,244	Dec-18
	Inst Control Valves Old Washington	124-110039	486,016	Dec-18	None		
	South Franklin Tank	124-210006	250,000	Dec-18	None		
	Monongahela, Fisher Heights Stg Tank	124-220002	250,000	Dec-18	None		
	Lincoln Boro&Elizabeth High Service Grad	124-220010	120,000	Dec-18	None		
	Shenago Tank - New Castle	124-310006	126,414	Dec-18	None		
	Ellwood WTP - High Service Mains	124-310015	9,109,748	Dec-18	None		
	Replace Punxsy North Main BPS	124-420005	145,902	Dec-18	Replace Punxsy North Main BPS	10,000	Dec-18
	Ellwood Plant	124-310004	8,394,129	Dec-18	None		
	Lake Scranton Finished Water Tunnel	124-910018	16,604,436	Dec-18	None		
	Mount Margaret Tank	124-910026	409,500	Dec-18	None		
	Moltke & Birch Main Improvements	124-910038	3,715,340	Dec-18	Moltke & Birch Main Improvements	18,500	Dec-18
	Account Subtotal		\$157,400,124			\$2,001,904	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE	
333.00	Services and Laterals - New	G	1,088,739	Mar-18	None			
	Services and Laterals - Replaced	H	3,749,639	Mar-18	Retire Services	149,986	Mar-18	
	Services and Laterals - New	G	1,115,675	Jun-18	None			
	Services and Laterals - Replaced	H	4,485,124	Jun-18	Retire Services	179,405	Jun-18	
	Services and Laterals - New	G	1,351,431	Sep-18	None	0		
	Services and Laterals - Replaced	H	5,871,873	Sep-18	Retire Services	234,875	Sep-18	
	Castlewood/Shenango Twp Main Extensions	I24-310012	237,589	Nov-18	None			
	Services and Laterals - New	G	1,294,156	Dec-18	None			
	Services and Laterals - Replaced	H	4,847,436	Dec-18	Retire Services	193,897	Dec-18	
	Account Subtotal		\$24,041,662			\$758,163		
	334.00	Meters - New	I	257,604	Mar-18	None		
		Meters - Replaced	J	2,014,543	Mar-18	Retire Meters	825,963	Mar-18
		Meters - New	I	655,588	Jun-18	None		
Meters - Replaced		J	4,511,103	Jun-18	Retire Meters	1,849,552	Jun-18	
Meters - New		I	514,503	Sep-18	None			
Meters - Replaced		J	3,540,298	Sep-18	Retire Meters	1,451,522	Sep-18	
Castlewood/Shenango Twp Main Extensions		I24-310012	140,000	Nov-18	None			
Meters - New		I	626,111	Dec-18	None			
Meters - Replaced		J	4,066,299	Dec-18	Retire Meters	1,667,183	Dec-18	
Account Subtotal			\$16,326,049			\$5,794,220		
335.00		Hydrants - New	E	394,434	Mar-18	None		
		Hydrants - Replaced	F	907,116	Mar-18	Retire Hydrants	27,213	Mar-18
		Hydrants - New	E	352,404	Jun-18	None		
	Hydrants - Replaced	F	1,173,588	Jun-18	Retire Hydrants	35,208	Jun-18	
	Hydrants - New	E	524,328	Sep-18	None			
	Hydrants - Replaced	F	1,187,406	Sep-18	Retire Hydrants	35,622	Sep-18	
	Castlewood/Shenango Twp Main Extensions	I24-310012	160,000	Nov-18	None			
	Hydrants - New	E	272,333	Dec-18	None			
	Hydrants - Replaced	F	1,156,889	Dec-18	Retire Hydrants	34,707	Dec-18	
	Replace Punxsy North Main BPS	I24-420005	11,672	Dec-18	None			
	Account Subtotal		\$6,140,170			\$132,750		
	340.00	ITS Equipment and Systems	K	2,919,495	Mar-18	Retire - ITS Equipment and Systems	19,487	Mar-18
		ITS Equipment and Systems	K	3,337,949	Jun-18	Retire - ITS Equipment and Systems	49,593	Jun-18
ITS Equipment and Systems		K	3,862,440	Sep-18	Retire - ITS Equipment and Systems	38,920	Sep-18	
ITS Equipment and Systems		K	4,508,604	Dec-18	Retire - ITS Equipment and Systems	8,085,333	Dec-18	
Mt. Oliver Meter Center		I24-110045	461,321	Dec-18	None			
McMurray System Flow Monitoring (NRW)		I24-210011	375,000	Dec-18	None			
Construction of Capital Campus		I24-610015	1,422,440	Dec-18	None			
Account Subtotal			\$16,887,249			\$8,193,333		

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
341.20	Vehicles	O	174,914	Mar-18	Retire Vehicles	34,983	
	Vehicles	O	723,160	Jun-18	Retire Vehicles	144,632	
	Vehicles	O	2,472,567	Sep-18	Retire Vehicles	494,513	
	Vehicles	O	3,556,760	Dec-18	Retire Vehicles	711,352	
	Account Subtotal		\$6,927,401			\$1,385,480	
343.00	Tools and Equipment	P	345,128	Mar-18	Retire - Tools and Equipment	27,610	Mar-18
	Tools and Equipment	P	708,322	Jun-18	Retire - Tools and Equipment	56,666	Jun-18
	Tools and Equipment	P	556,894	Sep-18	Retire - Tools and Equipment	44,552	Sep-18
	Tools and Equipment	P	339,955	Dec-18	Retire - Tools and Equipment	144,629	Dec-18
	Account Subtotal		\$1,950,299			\$273,457	
346.00	SCADA Equipment and Systems	L	102,861	Mar-18	Retire - SCADA Equipment and Systems	8,229	Mar-18
	SCADA Equipment and Systems	L	124,044	Jun-18	Retire - SCADA Equipment and Systems	9,924	Jun-18
	SCADA Equipment and Systems	L	208,415	Sep-18	Retire - SCADA Equipment and Systems	16,673	Jun-18
	SCADA Equipment and Systems	L	1,262,680	Dec-18	Retire - SCADA Equipment and Systems	923,039	Sep-18
	McMurray System Flow Monitoring (NRW)	124-210011	375,000	Dec-18	None		
	Saw Creek Wells 6 & 7 Min Treatment	124-680016	100,000	Dec-18	None		
	Account Subtotal		\$2,173,000			\$957,865	
347.00	Security Equipment and Systems	M	59,622	Mar-18	Retire - Security Equipment and Systems	4,770	Mar-18
	Security Equipment and Systems	M	314,290	Jun-18	Retire - Security Equipment and Systems	25,143	Jun-18
	Security Equipment and Systems	M	290,523	Sep-18	Retire - Security Equipment and Systems	23,242	Sep-18
	Security Equipment and Systems	M	261,815	Dec-18	Retire - Security Equipment and Systems	632,320	Dec-18
	Mt. Oliver Meter Center	124-110045	262,778.00	Dec-18	Mt. Oliver Meter Center	115,236	Dec-18
	Account Subtotal		\$1,189,028			\$800,711	
	Grand Total		\$433,562,195			\$28,409,781	

WATER ACQUISITIONS

Pocono Mountain Lake Forest Community
Association
Water

R-2013-2350899

**PENNSYLVANIA AMERICAN WATER COMPANY
 POCONO MOUNTIAN LAKE FOREST COMMUNITY
 CLOSED 7/22/2013**

	Total
UPIS	\$ 506,082
Accumulated Depreciation	\$ (288,287)
CIAC / CA	
Accumulated Depreciation	
Net UPIS	\$ 217,795
Costs (Estimated)	\$ 130,538
Utility Plant Acquisition Adjustment	\$ (87,257)



Shared Services Center
131 Woodcrest Rd, Cherry Hill, NJ 08003 (866) 777-8426

*Reviewed by
M. Paki 7/30/13*

JOURNAL ENTRY REQUEST

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC)/Date: Tom Markward 7-29-13

Document Type: UA
 Journal # (SSC USE): 2000004652
 Document Date: July 2013
 Posting Date: July 2013
 Requested By (Operating Unit): _____
 Approved By (SSC)/Date: Manojfly 7/30/13

Please add rows as necessary to the table below in order to complete your requested journal entry.

Quarter Impacted: 3rd

Check box for reversing entry:

*Angela
Schroeder
7-30*

Doc Header Text: Pocono Mtn Lk Forest Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Pocono Mountain Lake Forest acquisition which closed on 07/22/2013.

GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Order	Assignment	Debit Amount	Credit Amount
10400000		50	Acquisition Costs			B24-01-0031				(D) 122,963.79
10400000		50	Legal Bills/Misc Payable			B24-01-0031				8,027.50
10130320		40	UPIS - Pocono Mtn		2457				(K, I) 2.00	
10130350		40	UPIS - Pocono Mtn		2457				1.00	
10130430		40	UPIS - Pocono Mtn		2457				18,170.65	
10130700		40	UPIS - Pocono Mtn		2457				22,822.00	
10131000		40	UPIS - Pocono Mtn		2457				38,500.00	
10131153		40	UPIS - Pocono Mtn		2457				12,560.50	
10132010		40	UPIS - Pocono Mtn		2457				3,314.18	
10133000		40	UPIS - Pocono Mtn		2457				56,024.04	
10133100		40	UPIS - Pocono Mtn		2457				328,985.74	
10133300		40	UPIS - Pocono Mtn		2457				26,964.78	
10133410		40	UPIS - Pocono Mtn		2457				736.86	
10801000		50	Depr Reserve - Pocono Mtn		2457					(L) 288,286.77
25633700		50	Deferred Gain on Acq			B24-01-0031				(L) 86,803.69
Totals									506,081.75	506,081.75

Please indicate the following:

Utility Subsidiary:	1024 - Pennsylvania American
Submitted by:	Tom Markward
Submission Date:	July 29, 2013
Phone Number:	856-310-5823

S:\UPA\2009 New Directory - Under Construction\Recs, Journal Entries, Analyses\PA_24\2013.07\Journal Entries\{Pocono Mtn Lake Forest ACQ.xls}JE

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Pocono Mountain Lake Forest Community Association - Water System***

**Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at July 22, 2013**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

July 2013

Pennsylvania-American Water Company, Inc.

Acquisition of the Pocono Mountain Lake Forest Community Association

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 22, 2013
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 7/22/13	Service Life	Calculated Depreciation Reserve 7/22/13	Depreciated Original Cost at 7/22/13
<u>Non-Depreciable Plant:</u>						
303.2	Land & Land Rights - Source of Supply & Pumping		\$2.00		\$0.00	\$2.00
303.4	Land & Land Rights - Transmission & Distribution		1.00		0.00	1.00
	Total Non-Depreciable Plant		\$3.00		\$0.00	\$3.00
<u>Depreciable Plant:</u>						
304.3	Structures & Improvements - Water Treatment	1972	\$18,170.65	50	\$15,292.42	\$2,878.23
307	Wells & Springs	1972	22,822.00	50	19,207.00	3,615.00
310	Power Generation Equipment	2009	38,500.00	35	5,588.00	32,912.00
311	Pumping Equipment:					
	Submersible Pump - Well #3	1997	\$3,211.96	33	\$1,662.43	\$1,549.53
	Centrifugal Pump, 3/4HP	2000	1,022.24	33	436.16	586.08
	Services Pumps, 15HP	2000	4,088.96	33	1,744.62	2,344.34
	Submersible Pump - Well #2	2006	4,237.34	33	1,037.51	3,199.83
	Total Account 311		\$12,560.50		\$4,880.72	\$7,679.78
320	Water Treatment Equipment:					
	Chemical Tanks	1995	\$305.94	15	\$305.94	\$0.00
	Chemical Feed Pumps	2009	1,455.46	15	492.92	962.54
	Chemical Feed Pumps	2011	1,552.78	15	318.84	1,233.94
	Total Account 320		\$3,314.18		\$1,117.70	\$2,196.48
330	Distribution Reservoirs & Standpipes:					
	Hydropneumatic Tanks, 250 Gallons	1972	\$904.04	60	\$634.03	\$270.01
	Storage Tank - 53,000 Gallons	2000	55,120.00	60	12,934.83	42,185.17
	Total Account 330		\$56,024.04		\$13,568.86	\$42,455.18
331	Mains & Accessories:					
	Ductile Iron Pipe, 4" & Under	1972	\$319,607.94	65	\$206,909.26	\$112,698.68
	Valves, 4" & Under	1972	6,259.88	65	4,052.55	2,207.33
	Blow Off Valves	1972	1,117.92	65	723.72	394.20
	Total Account 331		\$326,985.74		\$211,685.53	\$115,300.21
333	Services	1972	\$26,964.78	70	\$16,209.68	\$10,755.10
334	Meters & Meter Installations	1972	736.86	30	736.86	0.00
	Total Depreciable Plant		\$506,078.75		\$288,286.77	\$217,791.98
	Total Plant in Service		\$506,081.75		\$288,286.77	\$217,794.98

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held May 9, 2013

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer

Application of Pennsylvania-American Water Company (PAWC) and Pocono Mountain Lake Forest Community Association (PMLFCA) for approval of: 1) the transfer by sale, of the water works property and rights of PMLFCA to PAWC, 2) the commencement by PAWC of water service to the public in additional portions of Delaware Township, Pike County, presently being served by PMLFCA.

Docket Number:
A-2013-2350899

ORDER

BY THE COMMISSION:

By the application filed on March 1, 2013, Pennsylvania-American Water Company (PAWC), 800 West Hershey Park Drive, Hershey, PA 17033, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing commission approval of: 1) the transfer by sale, of the waterworks property and rights of Pocono Mountain Lake Forest Community Association (PMLFCA) to PAWC, 2) the commencement by PAWC of water service to the public in additional portions of Delaware Township, Pike County, presently being served by PMLFCA.

Proofs of service and publication were submitted by PAWC. In addition, this Application was published in *The Pennsylvania Bulletin*, 43 Pa. B 1541, Saturday, March 16, 2013. The protest period ended April 1, 2013. No protests were filed and no hearings were held.

The subject Application referenced the location of the existing service territory of PMLFCA. The territory is further explained with a map, attached to this Application as Exhibit L.

PAWC is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water, as well as furnishing wastewater service. Water service is furnished to the public in a service territory encompassing more than 395 communities across the Commonwealth with a combined population of over 2,000,000. As of December 31, 2012, PAWC furnished water service to 641,070 customers. The Application provided a description of PAWC's certificated service territories, along with a detailed history that outlined all the mergers, acquisitions and consolidations which have created PAWC as it exists today.

PMLFCA is a Pennsylvania Community Association and is the owner of a public water system which furnishes water service to a portion of Delaware Township, Pike County, Pennsylvania. PMLFCA was created to own, operate, maintain, repair, extend and supply water to the residents living in Section 1 and Section 2 of PMLFCA. PMLFCA has a Pennsylvania Water Supply Identification Number of 2520050. The PMLFCA system is located in Delaware Township, Pike County. PMLFCA currently operates, maintains and repairs the system. As of December 31, 2012, PMLFCA furnished water service to 63 residential customers.

PMLFCA's system production consists of two wells, both permitted for 144,000 gallons per day each. The treatment building is a small wooden structure constructed in the 1970s. Raw water is pumped directly into the treatment vault where sodium hypochlorite is used for disinfection. The water then flows to a 55,000 gallon storage tank. The wells are metered and controlled by the tank level. The treatment building has an emergency generator. The distribution system consists of 4-inch pipe installed in the 1970s. The system operates on one pressure zone with an average of 50 psi. PMLFCA's customers are currently unmetered. The system is located approximately 200 feet from PAWC's Silver/Marcel Lakes water system.

PAWC plans to continue to operate PMLFCA using the existing production, treatment, and distribution system to provide water service to PMLFCA's customers. PAWC has stated that within one year of the acquisition, it plans to install 63 customer meters with radio frequency meters and outside meter pits. PAWC also plans to install remote telemetry equipment, well pump soft starts, alarms, security improvements, chlorine analyzers, and conduct a leak detection survey. PAWC will also install a 200 foot emergency interconnection of PMLFCA with its Silver/Marcel Lakes system. The total cost for these improvements is estimated at \$181,000.

PAWC has stated that it will not use PMLFCA's employees in the operation of the system and no additional personnel will be hired for the system's operations. PAWC's operating and treatment facilities in Lehman Pike will be used to operate the PMLFCA system.

The assets to be acquired were described in paragraph 1.1 of the Assets Purchase Agreement (Agreement) executed on February 20, 2013, attached to the application as Exhibit F. The facilities to be employed include the existing PMLFCA storage tanks, water works, plant and systems, pumping stations, pumps, wells booster

station, hydropneumatic tanks, and water distribution system including the mains, services, meters, hydrants, valves and right-of-ways as more fully described in the Agreement. PAWC hopes to complete closing of the transaction by June 30, 2013. Assets not included in this sale are cash and accounts receivable.

The current rates charged for water service for PMLFCA's customers is a flat rate of \$189 per year. PAWC has stated that prior to closing, it would require PMLFCA to adjust its rates to PAWC's Rate Zone 1 flat rates and Rate Zone 1 metered rates, attached to the Application as Exhibit K.

PAWC has indicated that since PMLFCA's customers are currently unmetered, PAWC would apply its Rate Zone 1 flat rate charge of \$51.52 per month or \$618.24 per year until each home is metered. After a home is metered, PAWC will apply its Rate Zone 1 metered rates for PMLFCA's customers. A residential customer using 50,400 gallons annually will be charged approximately \$624.

PAWC has stated that PMLFCA's customers were notified of the proposed new rates by United States mail, three meetings at the Community Clubhouse and PMLFCA's articles in the Pike County Dispatch. PAWC also provided a letter that was sent to PMLFCA's customers notifying them of the proposed rates.

PAWC has indicated that PMLFCA is selling its system because the Directors feel the members on the system are better served by a professional water company. According to PAWC, there was an overwhelming vote by PMLFCA's customers for the system to be sold to PAWC.

The purchase price for the system is \$110,000 as outlined in paragraph 2.1 of the Agreement. Negotiations were conducted at arm's length. PAWC stated that an

original cost study will be conducted subsequent to closing. The tentative journal entries to record the transfer in PAWC's accounts include:

Utility Plant	\$165,000
Accumulated Depreciation	(\$ 55,000)
Short Term Debt	(\$110,000)

PAWC has stated that the fixed capital installed and accumulated depreciation thereon is not stated on the books and records of PMLFCA. PAWC will therefore undertake an original cost study to establish the units of property, vintage, the book accumulated depreciation and the depreciated original cost of PMLFCA's utility plant. Upon completion of the original cost study, PAWC will establish the depreciated original cost for PMLFCA's utility plant based on the results of the study.

PAWC stated that there are no investment securities owned by PMLFCA that are being transferred in this transaction.

PAWC will initially finance the transfer by short-term bank debt which at the appropriate time will be replaced through the issuance of long-term debt. PAWC also indicated that no additional permanent capital will be required by PAWC for the purpose of financing the matters and things involved in this application.

PAWC submits that the proposed transfer will have a beneficial effect on PMLFCA's customers. PAWC states that it has the managerial, technical and financial capabilities to operate the system within the regulatory guidelines, make improvements as needed, and improve centralized management including customer and administrative services.

Wastewater service for PMLFCA is provided by on-lot septic systems.

PAWC is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission.

There are no Pennsylvania Department of Environmental Protection (DEP) outstanding compliance or operational issues with either PAWC or PMLFCA.

PAWC did not receive a letter from the Township and the County supporting this application. PAWC however, stated that copies of the application were served upon the Township Supervisors, Township Planning Commission and the County Commissioners and County Planning Commission.

Based upon the facts that PAWC will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that PAWC will be meeting the needs of new customers without any detriment to its existing customers the Commission finds that granting PAWC's application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company at A-2013-2350899 is hereby approved.
2. That a Certificate of Public Convenience be issued pursuant to

to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by PAWC of the water system assets of Pocono Mountain Lake Forest Community Association in a portion of Delaware Township, Pike County, as described in the Application.

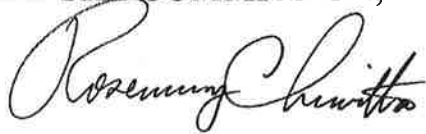
3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in additional portions of Delaware Township, Pike County.

4. That Pennsylvania-American Water Company will file copies of its original cost study of Pocono Mountain Lake Forest Community Association's water assets with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

5. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

6. That a copy of this Order be served upon Pennsylvania-American Water Company, Pocono Mountain Lake Forest Community Association, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Northeast Regional Office and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: May 9, 2013

ORDER ENTERED: May 9, 2013

Berry Hollow Water Company

A-2013-2356801

**PENNSYLVANIA AMERICAN WATER COMPANY
BERRY HOLLOW WATER COMPANY
CLOSED 4/3/2014**

	Total
UPIS	\$ 86,186
Accumulated Depreciation	\$ (51,065)
CIAC / CA	
Accumulated Depreciation	
Net UPIS	\$ 35,121
Costs (Estimated)	\$ 26,902
Utility Plant Acquisition Adjustment	<u>\$ (8,219)</u>



JOURNAL ENTRY REQUEST
 Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
 (866) 777-8426

*Reviewed by
 LHR 4/18/14*

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward 4-18-14

Document Type: UA
 Journal # (SSC USE): 200008039
 Document Date: April 2014
 Posting Date: April 2014
 Requested By (Operating Unit): _____
 Approved By (SSC): _____

Quarter impacted: 2nd

This is not a Reversing Entry:

Angela Sudaak 4-21-14

Doc Header Text: Berry Hollow Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Berry Hollow acquisition which closed on 04/03/2014.

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acquisition costs including purchase price					B24-01-0029		22,069.34
1024	10400000		50	Legal fee Accrual					B24-01-0029		6,843.70
1024	10133410		40	UPIS - Berry Hollow		2455				2,001.97	
1024	10133300		40	UPIS - Berry Hollow		2455				7,433.76	
1024	10133100		40	UPIS - Berry Hollow		2455				33,018.04	
1024	10133000		40	UPIS - Berry Hollow		2455				1,476.83	
1024	10132010		40	UPIS - Berry Hollow		2455				888.12	
1024	10131153		40	UPIS - Berry Hollow		2455				8,398.46	
1024	10130700		40	UPIS - Berry Hollow		2455				23,311.58	
1024	10130430		40	UPIS - Berry Hollow		2455				9,534.21	
1024	10130340		40	UPIS - Berry Hollow		2455				15.00	
1024	10130320		40	UPIS - Berry Hollow		2455				109.89	
1024	10801000		50	Depr Reserve - Berry Hollow		2455					51,065.00
1024	25833700		50	Deferred Gain on Acq - Berry Hollow		2455			B24-01-0029		6,207.82
Totals										86,185.86	86,185.86

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Berry Hollow Water Company***

**Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at April 3, 2014**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

April 2014

Pennsylvania-American Water Company, Inc.

Acquisition of the Berry Hollow Water Company

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of April 3, 2014
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 4/03/14	Service Life	Calculated Depreciation Reserve 4/03/14	Depreciated Original Cost at 4/03/14
<u>Non-Depreciable Plant:</u>						
303.2	Land & Land Rights - Source of Supply & Pumping		\$109.89		\$0.00	\$109.89
303.4	Land & Land Rights - Transmission & Distribution		15.00		0.00	15.00
Total Non-Depreciable Plant			\$124.89		\$0.00	\$124.89
<u>Depreciable Plant:</u>						
304.3	Structures & Improvements - Water Treatment	1978	\$8,134.21	50	\$5,815.96	\$2,318.25
	Structures & Improvements - Water Treatment	2014	1,400.00	50	0.00	1,400.00
Total Account 304.3			\$9,534.21		\$5,815.96	\$3,718.25
307	Wells & Springs	1978	23,311.58	55	\$15,152.53	8,159.05
311	Pumping Equipment:					
	Submersible Pump - Well #1	2009	\$3,699.51	25	\$702.91	\$2,996.60
	Submersible Pump - Well #2	2014	4,698.95	25	0.00	4,698.95
Total Account 311			\$8,398.46		\$702.91	\$7,695.55
320	Water Treatment Equipment:					
	Chemical Tank	1978	\$71.89	15	\$71.89	\$0.00
	Chemical Feed Pump	2012	814.23	15	94.99	719.24
Total Account 320			\$886.12		\$166.88	\$719.24
330	Distribution Reservoirs & Standpipes:					
	Hydropneumatic Tank, 2,000 Gallons	1978	\$1,476.83	50	\$1,055.93	\$420.90
Total Account 330			\$1,476.83		\$1,055.93	\$420.90
331	Mains & Accessories:					
	Plastic Pipe, 4" & Under	1978	\$26,679.67	50	\$19,075.96	\$7,603.71
	Plastic Pipe, 4" & Under	1987	6,068.83	50	3,246.82	2,822.01
	Valves, 4" & Under	1978	269.54	50	192.72	76.82
Total Account 331			\$33,018.04		\$22,515.50	\$10,502.54
333	Services:					
	Services, 1"	1978	\$6,319.89	70	\$3,227.66	\$3,092.23
	Services, 1"	1987	1,113.87	70	425.66	688.21
Total Account 333			\$7,433.76		\$3,653.32	\$3,780.44
334	Meters & Meter Installations:					
	Meters & Meter Installations	1978	\$1,771.84	19	\$1,771.84	\$0.00
	Meters & Meter Installations	1987	230.13	19	230.13	0.00
Total Account 334			\$2,001.97		\$2,001.97	\$0.00
Total Depreciable Plant			\$86,060.97		\$51,065.00	\$34,995.97
Total Plant in Service			\$86,185.86		\$51,065.00	\$35,120.86

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265**

Public Meeting held July 16, 2013

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer

Joint Application of Pennsylvania-American Water Company and Berry Hollow Water Company, Inc., pursuant to Section 1102 of the Public Utility Code, 66 Pa. C.S. §1102, for the approval of:

Docket Numbers:

(1) the transfer, by sale, of the water works property and rights of the Berry Hollow Water Company, Inc. to Pennsylvania American Water Company;

A-2013-2356801

(2) the commencement of water service by Pennsylvania-American Water Company to the public in portions of Lower Mount Bethel Township, Northampton County, presently being served by the Berry Hollow Water Company, Inc.; and

(3) the abandonment of Berry Hollow Water Company, Inc., of all water service to the public.

A-2013-2356881

ORDER

BY THE COMMISSION:

By a Joint Application filed on April 9, 2013, Pennsylvania-American Water Company (Pennsylvania-American), 800 West Hersheypark

Drive, Hershey, PA 17033, and Berry Hollow Water Company, Inc. (BHWC), P.O. Box 45, Martins Creek, PA 18063, seeks a certificate of public convenience pursuant to Sections 1102(a) (1) (i), (2) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a) (1) (i), (2) and (3), evidencing Commission approval of: (1) the transfer, by sale, of the waterworks property and rights of BHWC to Pennsylvania-American; (2) the right of Pennsylvania-American to furnish water service to the public in the franchise territory of BHWC; and (3) the abandonment of all water service by BHWC presently being served in portions of Lower Mount Bethel Township, Northampton County, as shown on a map in Exhibit J, and described in Exhibit K of the Joint Application. The Utility Code for BHWC is 210145, and for Pennsylvania-American is 212285.

Pennsylvania-American submitted proofs of service and publication. The Joint Application was served upon the appropriate municipal, township and county officials, and their planning commissions. No motions or petitions were filed and no hearings were conducted.

Pennsylvania-American is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. It currently furnishes public water service to some 641,070 customers in 36 Pennsylvania counties and provides wastewater service to 17,120 customers. It is a wholly owned subsidiary of the American Water Works Company, Inc.

BHWC is a regulated public utility corporation, duly organized and existing under the laws of the Commonwealth of Pennsylvania. BHWC holds a certificate of public convenience at Docket No. A-00100723, pursuant to which it currently furnishes water service to 29 residential customers in Berry Hollow Estates, located in Lower Mount Bethel Township, Northampton County.

The Department of Environmental Protection (DEP) - Northeast Safe Drinking Water Regional Office responded there is an outstanding compliance order against BHWC for its failure to obtain a public water system operation permit for well #2, and its failure to provide treatment capable for 4-log inactivation of viruses. DEP and Pennsylvania-American have exchanged comments and are expected to finalize a Consent Order and Agreement sometime in July 2013. DEP supports the acquisition of BHWC by Pennsylvania-American.

This Joint Application seeks approval of the transfer to Pennsylvania-American of all waterworks property and rights of BHWC. The consideration for the transfer is five thousand (\$5,000) dollars as outlined in the Purchase Agreement found in Exhibit D of the Application. The specific property to be transferred is defined and described in Article 1 of the Purchase Agreement. Pennsylvania-American will undertake an original cost study and will establish the depreciated original cost for utility plant based on the results of the study. Included in the purchase price, BHWC will convey enough land for a new treatment building(s) and any well head protection zones required by DEP, in addition to proper ingress and egress to each property.

In order to furnish public water service Pennsylvania-American will employ BHWC's existing supply, storage and distribution facilities including real property and right-of-ways. Pennsylvania-American submits the proposed transfer will have a beneficial effect on the customers of BHWC in that they will receive the benefit of its experience in managing and operating water systems. Pennsylvania-American has the managerial, technical and financial capabilities to safely and adequately operate the BHWC water system, and to make improvements as needed, on a short and long term basis. Pennsylvania-American has stated any and all necessary system improvements can be completed with no adverse effect on the service provided to its existing customers. Operation personnel from the

Pennsylvania-American Northeastern District in nearby Bangor area will become responsible for the day-to-day operations.

Pennsylvania-American will adopt residential rates for water service equal to BHWC's existing rates, as set forth in its current tariff. BHWC's tariff has a minimum charge of \$54.60 per quarter and a declining- block consumption charge. A residential customer's water bill using up to 15,000 gallons per quarter will be \$95.55 or \$382.20 annually.

Pennsylvania-American is current with its annual and quarterly reports as well as the Security Planning and Readiness report filing requirements of the Commission. Neither Pennsylvania-American nor BHWC has any special or general assessments outstanding against them pursuant to Section 1201 of the Public Utility Code.

To the best of Pennsylvania-American's knowledge, no corporation, partnership, or individual is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by Pennsylvania-American in the proposed franchise territory, and no competitive condition will be created.

Based upon the facts that Pennsylvania-American will expand its franchise territory in compliance with Commission regulations, that the economies of scale of an expanded customer base have a beneficial effect on existing customers, and that Pennsylvania-American will be meeting the needs of BHWC's customers without any detriment to its existing customers, the Commission finds that the granting of Pennsylvania-American's Joint Application for an extension of service territory is in the public interest; **THEREFORE,**

IT IS ORDERED:

1. That the Joint Application of Pennsylvania-American Water Company and Berry Hollow Water Company, Inc., at Docket No's. A-2013-2356801 and A-2013-2356881, is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i), (2) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i), (2) and (3), evidencing Commission approval of the acquisition by Pennsylvania-American Water Company of the water system assets and rights of Berry Hollow Water Company, Inc., situated in Lower Mount Bethel Township, Northampton County, as described in the Joint Application.

3. That upon receipt of notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a) (1) (i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a) (1) (i) and (3) evidencing Commission approval for Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in Lower Mount Bethel Township, Northampton County.

4. That upon receipt of notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a) (2) of the Public Utility Code, 66 Pa. C.S. §1102(a) (2), evidencing Commission approval for the abandonment by Berry Hollow Water Company, Inc. of all public water service.

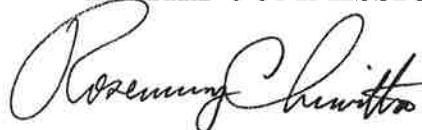
5. That Pennsylvania-American Water Company will file copies of its original cost study of Berry Hollow Water Company, Inc.'s water assets with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

6. That following closing, Pennsylvania-American Water Company shall file a tariff supplement including the Berry Hollow Estate property in the service territory of Pennsylvania-American Water Company, and incorporating the current rates schedule of Berry Hollow Water Company, Inc.'s approved tariff within 10 days after the date of closing.

7. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses and approvals from other federal, state, and local government agencies having jurisdiction.

8. That a copy of this Order be served upon Pennsylvania-American Water Company, Berry Hollow Water Company, Inc., the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Department of Environmental Protection – Northeast District Office and Central Office – Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: July 16, 2013

ORDER ENTERED: July 16, 2013

Scott Township

Water

R-2013-2395994

**PENNSYLVANIA AMERICAN
 SCOTT TOWNSHIP ACQUISITION
 CLOSED 05/22/14**

	Total
UPIS	\$ 1,831,547
Accumulated Depreciation	(443,796)
CIAC / CA	(1,623,168)
Accumulated Depreciation	422,106
Net UPIS	<u>\$ 186,689</u>
Costs - GL 10400000	214,699
Utility Plant Acquisition Adjustment	<u><u>\$ 28,010</u></u>



JOURNAL ENTRY REQUEST
 Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
 (866) 777-8428

*Approved 6/2/14
 Charles D. Van Horn*

Batch # (SSC USE): [REDACTED]
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): [REDACTED]
 Prepared By (SSC): [REDACTED]
Tom Mackwood 5-29-14
 Quarter Impacted: [REDACTED]

Document Type: [REDACTED]
 Journal # (SSC USE): 200908387
 Document Date: May 2014
 Posting Date: May 2014
 Requested By (Operating Unit): [REDACTED]
 Approved By (SSC): [REDACTED]
 This Is not a Reversing Entry:

Doc Header Text

[REDACTED] 26 Character Maximum

JOURNAL ENTRY DESCRIPTION:

[REDACTED]

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acquisition costs including purchase price					B24-01-0033		211,283.74
1024	10400000		50	Legal fee Accrual					B24-01-0033		3,883.18
1024	10130320		40	UPIS - Scott Township		2401				(K, L) 119.00	
1024	10130340		40	UPIS - Scott Township		2401				3.00	
1024	10130420		40	UPIS - Scott Township		2401				318,308.00	
1024	10130430		40	UPIS - Scott Township		2401				149,469.00	
1024	10130700		40	UPIS - Scott Township		2401				10,578.50	
1024	10131000		40	UPIS - Scott Township		2401				94,800.00	
1024	10131152		40	UPIS - Scott Township		2401				95,437.83	
1024	10132010		40	UPIS - Scott Township		2401				1,137.35	
1024	10133000		40	UPIS - Scott Township		2401				529,150.00	
1024	10133100		40	UPIS - Scott Township		2401				483,882.78	
1024	10133300		40	UPIS - Scott Township		2401				42,244.47	
1024	10133410		40	UPIS - Scott Township		2401				75,324.81	
1024	10133500		40	UPIS - Scott Township		2401				26,114.68	
1024	10801000		60	Depr Reserve - Scott Township		2401					443,786.05
1024	27111000		60	CIAC - NT Mains		2401					431,645.07
1024	27113000		60	CIAC - NT Services		2401					41,287.86
1024	27115000		60	CIAC - NT Hydrants		2401					28,114.86
1024	27118000		60	CIAC - NT Other		2401					1,122,082.16
1024	27118000		60	CIAC - NT Other		2401				(M, L) 38.50	
1024	27208000		40	CIAC - Accum Amort		2401				422,109.45	
1024	18650000		40	Positive Acq Premium - Scott Township		2401			B24-01-0033	(C) 28,277.85	
Totals										2,281,931.30	2,281,931.30

B:\UPA\2009 New Directory - Under Construction\Reca, Journal Entries, Analyses\PA_24\2014\2014.05\Journal Entries\Scott Township ACQ.xls\JE Acq

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of Scott Township's Water System

Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at May 22, 2014

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

May 29, 2014

Pennsylvania-American Water Company, Inc.

Acquisition of the Scott Township - Water System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of May 22, 2014
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 5/22/14	Service Life	Calculated Depreciation Reserve 5/22/14	Depreciated Original Cost at 5/22/14
Non-Depreciable Plant:						
303.2	Land & Land Rights - Source of Supply & Pumping	1993	\$37.50		\$0.00	\$37.50
303.2	Land & Land Rights - Source of Supply & Pumping	2014	81.50		0.00	81.50
303.4	Land & Land Rights - Transmission & Distribution	1993	1.00		0.00	1.00
303.4	Land & Land Rights - Transmission & Distribution	2014	1.00		0.00	1.00
303.4	Land & Land Rights - Transmission & Distribution	2014	1.00		0.00	1.00
	Total Non-Depreciable Plant		\$122.00		\$0.00	\$122.00
Depreciable Plant:						
304.2	Structures & Improvements - Source of Supply & Pumping	1992	\$65,796.86	50	\$28,804.60	\$36,992.26
304.2	Structures & Improvements - Source of Supply & Pumping	2002	216,641.14	50	51,513.11	165,128.03
304.2	Structures & Improvements - Source of Supply & Pumping	2011	35,868.00	50	2,072.48	33,795.52
	Total Account 304.2		\$318,306.00		\$82,390.19	\$235,915.81
304.3	Structures & Improvements - Water Treatment	1992	\$65,796.86	50	\$28,804.60	\$36,992.26
304.3	Structures & Improvements - Water Treatment	2007	80,342.14	50	11,089.61	69,272.53
304.3	Structures & Improvements - Water Treatment	2012	330.00	50	12.47	317.53
	Total Account 304.3		\$146,469.00		\$39,886.68	\$106,582.32
307	Wells & Springs	1992	\$16,578.50	55	\$6,597.95	\$9,980.55
310	Power Generation Equipment	2002	\$94,800.00	40	\$28,177.03	\$66,622.97
311	Pumping Equipment	1992	\$59,030.18	50	\$25,842.28	\$33,187.90
311	Pumping Equipment	2002	27,987.20	50	6,654.82	21,332.38
311	Pumping Equipment	2006	2,876.00	50	453.78	2,422.22
311	Pumping Equipment	2009	5,544.45	50	542.14	5,002.31
	Total Account 311		\$95,437.83		\$33,493.02	\$61,944.81
320	Water Treatment Equipment	1992	\$162.27	15	\$162.27	\$0.00
320	Water Treatment Equipment	2009	975.08	15	317.81	657.27
	Total Account 320		\$1,137.35		\$480.08	\$657.27
330	Distribution Reservoirs & Standpipes	1992	\$420,000.00	65	\$141,436.88	\$278,563.12
330	Distribution Reservoirs & Standpipes	2002	109,150.00	65	19,964.44	89,185.56
	Total Account 330		\$529,150.00		\$161,401.32	\$367,748.68
331	Mains & Accessories	1992	\$160,742.47	110	\$31,986.35	\$128,756.12
331	Mains & Accessories	1994	9,548.50	110	1,726.46	7,822.04
331	Mains & Accessories	2002	270,902.60	110	29,279.75	241,622.85
331	Mains & Accessories	2007	39,824.25	110	2,494.10	37,330.15
331	Mains & Accessories	2010	2,844.96	110	100.58	2,744.38
	Total Account 331		\$483,862.78		\$65,587.24	\$418,275.54
333	Services	1992	\$26,229.75	70	\$8,202.06	\$18,027.69
333	Services	1994	956.51	70	271.77	684.74
333	Services	2002	15,058.21	70	2,557.54	12,500.67
	Total Account 333		\$42,244.47		\$11,031.37	\$31,213.10
334	Meters & Meter Installations	2006	\$941.00	30	\$247.45	\$693.55
334	Meters & Meter Installations	2010	47,714.82	30	6,185.50	41,529.32
334	Meters & Meter Installations	2011	26,433.26	30	2,545.56	23,887.70
334	Meters & Meter Installations	2013	235.53	30	6.98	228.55
	Total Account 334		\$75,324.61		\$8,985.49	\$66,339.12
334	Hydrants	1992	\$8,087.24	72	\$2,458.64	\$5,628.60
334	Hydrants	2002	20,027.42	72	3,307.04	16,720.38
	Total Account 334		\$28,114.66		\$5,765.68	\$22,348.98
	Total Depreciable Plant		\$1,831,425.20		\$443,796.05	\$1,387,629.15
	Total Plant in Service		\$1,831,547.20		\$443,796.05	\$1,387,751.15

Pennsylvania-American Water Company, Inc.

Acquisition of the Scott Township - Water System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of May 22, 2014
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 5/22/14	Service Life	Calculated Depreciation Reserve 5/22/14	Depreciated Original Cost at 5/22/14
Deduct: Contribution in Aid of Construction:						
303.2	Land & Land Rights - Source of Supply & Pumping	1993	(\$37.50)		\$0.00	(\$37.50)
303.4	Land & Land Rights - Transmission & Distribution	1993	(1.00)		0.00	(1.00)
304.2	Structures & Improvements - Source of Supply & Pumping	1992	(\$65,796.86)	50	(\$28,804.60)	(\$36,992.26)
304.2	Structures & Improvements - Source of Supply & Pumping	2002	(216,641.14)	50	(51,513.11)	(165,128.03)
	Total Account 304.2		(\$282,438.00)		(\$80,317.71)	(\$202,120.29)
304.3	Structures & Improvements - Water Treatment	1992	(\$65,796.86)	50	(\$28,804.60)	(\$36,992.26)
304.3	Structures & Improvements - Water Treatment	2007	(46,139.15)	50	(6,357.09)	(39,782.06)
	Total Account 304.3		(\$111,936.01)		(\$35,161.69)	(\$76,774.32)
307	Wells & Springs	1992	(\$16,578.50)	55	(\$6,597.95)	(\$9,980.55)
310	Power Generation Equipment	2002	(\$94,800.00)	40	(\$28,177.03)	(\$66,622.97)
311	Pumping Equipment	1992	(\$59,030.18)	50	(\$25,842.28)	(\$33,187.90)
311	Pumping Equipment	2002	(27,987.20)	50	(6,654.82)	(21,332.38)
	Total Account 311		(\$87,017.38)		(\$32,497.10)	(\$54,520.28)
320	Water Treatment Equipment	1992	(\$162.27)	15	(\$162.27)	\$0.00
330	Distribution Reservoirs & Standpipes	1992	(\$420,000.00)	65	(\$141,436.88)	(\$278,563.12)
330	Distribution Reservoirs & Standpipes	2002	(109,150.00)	65	(19,964.44)	(89,185.56)
	Total Account 330		(\$529,150.00)		(\$161,401.32)	(\$367,748.68)
331	Mains & Accessories	1992	(\$160,742.47)	110	(\$31,986.35)	(\$128,756.12)
331	Mains & Accessories	2002	(270,902.60)	110	(29,279.75)	(241,622.85)
	Total Account 331		(\$431,645.07)		(\$61,266.10)	(\$370,378.97)
333	Services	1992	(\$26,229.75)	70	(\$8,202.06)	(\$18,027.69)
333	Services	2002	(15,058.21)	70	(2,557.54)	(12,500.67)
	Total Account 333		(\$41,287.96)		(\$10,759.60)	(\$30,528.36)
334	Hydrants	1992	(\$8,087.24)	72	(\$2,458.64)	(\$5,628.60)
334	Hydrants	2002	(20,027.42)	72	(3,307.04)	(16,720.38)
	Total Account 334		(\$28,114.66)		(\$5,765.68)	(\$22,348.98)
	Total Contribution in Aid of Construction		(\$1,623,168.35)		(\$422,106.45)	(\$1,201,061.90)
	Total Plant in Service (Net)		\$208,378.85		\$21,689.60	\$186,689.25

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held May 22, 2014

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Gladys M. Brown

Application of Pennsylvania-American Water Company (PAWC) for approval of (1) the transfer, by sale, of the water works property and rights of Scott Township (Scott) to PAWC, and (2) the rights of PAWC to begin to offer or furnish water service to the public in a portion of Scott Township, Lackawanna County, Pennsylvania.

Docket Number:
A-2013-2395994

ORDER

BY THE COMMISSION:

By the application filed on December 6, 2013, Pennsylvania-American Water Company, (PAWC), 800 West Hersheypark Drive, Hershey, PA 17033, Utility Code 212285, seeks a Certificate of Public Convenience pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i) and (3), evidencing Commission approval of (1) the transfer, by sale, of the water works property and rights of Scott Township (Scott) to PAWC, and (2) the rights of PAWC to begin to offer or furnish water service to the public in a portion of Scott Township, Lackawanna County, Pennsylvania.

PAWC submitted proofs of service and publication. In addition, this Application was published in *The Pennsylvania Bulletin*, 43 Pa. B 7529, on Saturday, December 21, 2013. The protest period ended January 6, 2014. No protests were filed and no hearings were held.

Scott's water service area includes the area known as Scott Technology Park. The requested service territory is approximately 267 acres and is described by bearings and distances as shown on a revised map submitted by PAWC.

PAWC is a Pennsylvania public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water. Water service is furnished to the public in a service territory encompassing more than 396 communities across the Commonwealth with a combined population of over 2,000,000. A description of PAWC's certificated water service territory is found in Exhibit A of the application, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations which have created PAWC as it exists today. As of September 30, 2013, PAWC furnished water service to 643,189 customers as follows: 592,245-residential, 44,800-commercial, 513-industrial, 3,143-fire service, and 2,488-municipal, sales for resale and others.

Scott Township, a municipality organized and existing under the laws of the Commonwealth of Pennsylvania, owns and operates the public water system in Scott Township, Lackawanna County, known as Scott Technology Park with Pennsylvania Water Supply Identification No. 2350898. Scott Township has a mailing address of 1038 Montdale Road, Scott Township, PA, 18447. As of September 30, 2013, Scott furnished metered water service to five customers in the Scott Technology Park. Four of the metered customers are classified as commercial while the other customer is classified as industrial. PAWC stated the Scott Technology Park water system also provides unmetered water service to the Scott Technology Park wastewater treatment plant and to

the Scott Memorial Park property located along the eastside of the Scott Technology Park. According to PAWC, these two facilities will be metered and billed at PAWC's current rates as provided for in its approved tariff after closing. PAWC stated it did not include the Scott Memorial Park property within its proposed water service area territory because the service connection for the Scott Memorial Park is located within the boundaries of the Scott Technology Park subdivision. The Scott Technology Park wastewater treatment plant is included within its proposed water service area territory as the wastewater treatment plant is located within the Scott Technology Park subdivision.

According to PAWC, the Scott Technology Park is a commercial and industrial subdivision that consists of two phases and includes public roads. Phase I of the subdivision contains 18 lots while the Phase II portion contains nine lots and is located within a Keystone Opportunity Zone. There are currently a total of 22 undeveloped lots remaining in the Scott Technology Park's two phases. Six of Scott's existing water customers are located within Phases 1 and 2 of the Scott Technology Park subdivision while the remaining one, Scott Memorial Park, is located on a property abutting the subdivision. The Scranton Lackawanna Industrial Building Company (SLIBCO) funded the initial construction of the Scott Technology Park water system to serve both phases of the subdivision. The Phase I portion of the water system was constructed and placed into operation in 1993. PAWC disclosed the Phase I portion of the water system was conveyed directly to Scott Township while the Phase II portion of the system was initially conveyed to the Scott Township Sewer & Water Authority before Scott Township received it. According to PAWC, both phases of the Scott Technology Park water system were transferred to Scott Township at no cost.

Scott and PAWC have reached an agreement regarding the transfer to PAWC of substantially all of the water works property and rights of Scott. The terms and conditions of the transaction are contained in the executed purchase agreement (Agreement) between PAWC and Scott Township submitted as Exhibit D within the

application. The property to be transferred is defined and described in Paragraph 1 of the Agreement. Some of the facilities to be transferred include two water wells, a 265,000 gallon steel-welded storage tank, a booster and fire pump station and other water distribution system facilities including mains, services, meters, treatment equipment, structures, hydrants, valves, accessories and rights-of-way. The Agreement is dated November 5, 2013.

Excluded assets, listed in Schedule 1.2 of the Agreement, consist of cash, accounts receivable, land, roadways and assets related to the sewer system.

The consideration for the transfer of the water system is one-hundred eighty thousand (\$180,000) dollars as outlined in Paragraph 2.1 of the purchase agreement. The transaction is at arm's length and PAWC and Scott are not affiliated with each other. PAWC stated that it will initially finance the transfer by short-term bank debt which, at the appropriate time will be replaced through the issuance of long-term debt. There are no investment securities owned by Scott that are being transferred to PAWC.

Paragraph 1.3 of the Agreement states that PAWC shall not assume any liabilities of Scott Township during the transfer. However, the Agreement's Schedule 4.15 shows a current liability (First National Bank loan of \$46,273) held by the Scott Township Sewer & Water Authority. A note is included on Schedule 4.15 that states the outstanding amount of the loan at the closing date will be paid off by Scott Township from the proceeds of the sale of the water system. PAWC stated the proceeds from this loan were used to install meter vaults and meters for all customers except for the Scott Technology Park wastewater treatment plant and the adjacent Scott Memorial Park.

PAWC stated that an original cost study will be conducted subsequent to closing and will establish the depreciated original costs for Scott's utility plant based on the results of the study. The tentative journal entries to record the transfer in PAWC's accounts include:

Utility Plant	\$1,820,150
Contribution in Aid of Construction (Net)	(\$1,207,401)
Accumulated Depreciation	(\$ 432,749)
Short Term Debt	(\$ 180,000)

PAWC stated that Scott will be conducting an original cost study to establish the units of property, vintage, the book accumulated depreciation and the book depreciated original cost of Scott's utility plant. According to the Agreement, PAWC will reimburse Scott up to ten thousand dollars (\$10,000) for the costs incurred in obtaining the original cost study upon its completion.

PAWC stated that the proposed transfer will have no effect on the service provided to its existing customers. PAWC believes that the proposed transfer will have a beneficial effect on the customers of Scott in that they will receive the benefit of PAWC's experience in managing and operating water systems which will result in efficiencies and improvements in the service to the customers to be transferred.

PAWC also stated that it has the managerial, technical and financial capabilities to safely and adequately operate the Scott system in compliance with the Public Utility Code, the Safe Drinking Water Act, the Clean Streams Law and other requisite regulatory requirements, and to make improvements as needed, on a short and long term basis. PAWC indicated that it will provide the Scott system with improved centralized management, customer service and administrative services. PAWC stated it plans to manage and operate Scott with personnel from both its Abington and Wilkes-Barre/Scranton District offices.

PAWC's projected capital improvements for Scott within the first year of ownership consist of installing instrumentation at two wells, security improvements, system wide supervisory control and data acquisition (SCADA) telemetry, chemical system and safety improvements, radio frequency devices on customer meters and making minor repairs to the existing facilities. The proposed capital improvements are estimated at about \$142,500 and will be funded post acquisition by PAWC.

PAWC stated the proposed transfer will have no immediate effect on the rates for service being charged to PAWC's existing customers. According to PAWC, Scott will adopt rates for water service equal to PAWC's then in effect Rate Zone 1 rates for all customers including public fire hydrants prior to closing. However, Scott has not disclosed to PAWC the sewer rates it will charge its customers going forward. PAWC stated that it will apply the rules and regulations of service as set forth in PAWC's duly filed and in effect tariff on the date of closing and as amended from time to time.

PAWC stated that Scott Township also provides wastewater service in the requested territory and Scott currently charges a combined sewer and water rate. Upon the sale of the Scott Technology Park water system, Scott will cease providing water service in Scott Township and its customers will become customers of PAWC. According to PAWC's in effect tariff for Rate Zone 1, a commercial customer with a 2-inch meter and an average water usage of 88,245 gallons per month will be charged approximately \$1,022 per month while a commercial customer with a 6-inch meter and an average water usage of 2,942 gallons per month will be charged approximately \$375 per month. An industrial customer with an 8-inch meter and an average water usage of 292,519 gallons per month will be charged approximately \$3,950 per month. Further, fire hydrants will be billed to Scott Township at rates shown in PAWC's approved current tariff filed with the Commission.

PAWC stated that no corporation, partnership or individual other than Scott is furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the requested territory, and no competitive condition will be created. Further, Scott will permanently discontinue all water service to the public.

PAWC is current with its annual, quarterly earnings and Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments.

The Pennsylvania Department of Environmental Protection's (DEP's) Northeast Regional Office stated Scott Township reported 90th percentile lead (Pb) results in excess of the action level during the 2013 compliance monitoring period for its water system. The calculated 90th percentile reported results were based on analysis from five samples collected within the Scott Technology Park water distribution system. The calculated 90th percentile results were 0.0649 mg/L of lead and the action level is 0.015 mg/L. Since the results exceeded the lead action level, Scott was required to perform the following ongoing compliance actions:

1. Delivery of Public Education,
2. Water Quality Parameter Monitoring (from both Distribution and Entry Point Sites),
3. Source Water Lead Monitoring,
4. Preparation of a Corrosion Control Treatment Feasibility Study,
5. Submission of a permit application for the construction of corrosion control treatment, if necessary.

Currently, Scott is taking steps to achieve compliance with the lead and copper rule. Initially Scott, at its option, chose to conduct “special” lead and copper distribution sampling consistent with options specified in 25 Pa. Code Chapter 109. According to DEP, the first round of special lead and copper samples collected from the Scott Technology Park’s water distribution system demonstrated both the 90th percentile lead (0.010 mg/l) and 90th percentile copper (0.261 mg/l) results were less than the respective action levels of 0.015 mg/l and 1.3 mg/l. As such the system was able to discontinue the Public Education Program for lead and is expected to collect a second round of special set of 10 lead and copper samples from the distribution system between January 1, 2014 and June 30, 2014. The results of these special samples will determine if the system will qualify for reduced lead and copper monitoring or will be required to install corrosion control treatment.

PAWC stated it will not be able to determine the need for treatment until it collects and analyzes the second set of lead and copper samples required by the end of June 2014. However, PAWC said it will install the necessary pH/corrosion control treatment as warranted under the compliance requirements of the lead and copper rule.

Based upon the facts that PAWC will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that PAWC will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC’s application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**


IT IS ORDERED:

1. That the Application of Pennsylvania-American Water Company at Docket No. A-2013-2395994 is hereby approved.
2. That a Certificate of Public Convenience be issued pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by Pennsylvania-American Water Company of substantially all the water system assets of Scott Township in Scott Township, Lackawanna County, as described in the application.
3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in a portion of Scott Township, Lackawanna County, presently being served by Scott Township.
4. That after closing, Pennsylvania-American Water Company will file copies of its original cost study of the Scott Township water assets with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.
5. That after closing, Pennsylvania-American Water Company will provide the Secretary's Bureau and the Bureau of Technical Utility Services with written notification of the testing results from the second round of special lead and copper distribution sampling as well as any required remedial treatment or permitted reductions in lead and copper monitoring for the Scott Technology Park water system by the Department of Environmental Protection.

6. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other state, federal and local government agencies having jurisdiction.

7. That a copy of this Order be served upon the Pennsylvania-American Water Company, Scott Township, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Department of Revenue, the Bureau of Corporate Taxes, and the Department of Environmental Protection's Northeast Regional Office and the Central Office - Bureau of Regulatory Counsel.

BY THE COMMISSION,


Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: May 22, 2014

ORDER ENTERED: May 22, 2014

**SATISFACTION OF THE CRITERIA ESTABLISHED BY §1327(A)
FOR INCLUDING IN RATE BASE A POSITIVE ACQUISITION ADJUSTMENT**

Scott Township Municipal Authority

Section 1327(a)¹ Criteria	Satisfied (Y/N)	Explanation	Attachments/References
(1) the property is used and useful in providing water or sewer service;	Y	Original cost study prepared and submitted to the Commission	Reference: Original Cost Study
(2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;	Y	Total Customers – 5 metered customers; 4 – commercial; 1 industrial	Attachment: Commission Order Docket No. A-2013-2395994
(3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:	Y		

¹ The introductory paragraph of Section 1327(a) provides as follows:

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility, provided that the acquiring public utility proves that...

<p>(i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;</p>	<p>Y</p>	<p>The Pennsylvania Department of Environmental Protection (DEP) Northeast Regional office reported Scott Township exceeded the 90th percentile rule during the 2013 reporting period.</p>	<p>Attachment: Commission Order Docket No. A-2013-2395994</p>
<p>(ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;</p>			
<p>(iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;</p>			
<p>(iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or</p>			
<p>(v) any other facts, as the commission may determine, that evidence the inability of the small water or sewer utility to furnish or maintain adequate, efficient, safe and reasonable service and facilities;</p>	<p>Y</p>	<p>Scott Township's system did not have an adequate source of supply. There was a deficiency of 28,000 GPD between available supply and maximum day demand. This was addressed when Scott Township's system was interconnected to PAWC's Scranton/Abington System in August 2016.</p>	

<p>(4) reasonable and prudent investments will be made to assure that the customers served by the property will receive adequate, efficient, safe and reasonable service;</p>	<p>Y</p>	<p>PAWC's projected capital improvements within the first year of ownership consist of installing instrumentation at two wells, security improvements, system wide supervisory control and data acquisition (SCADA) telemetry, chemical system and safety improvements, radio frequency devices on customer meters and making minor repairs to the existing facilities estimated at \$142,500.</p>	<p>Attachment: Commission Order Docket No. A-2013-2395994</p>
<p>(5) the public utility, municipal corporation or person whose property is being acquired is in agreement with the acquisition and the negotiations which led to the acquisition were conducted at arm's length;</p>	<p>Y</p>	<p>PAWC and Scott Township entered into an Asset Purchase Agreement.</p>	<p>Attachment: Asset Purchase Agreement between PAWC and Scott Township</p>
<p>(6) the actual purchase price is reasonable;</p>	<p>Y</p>	<p>PAWC and Scott Township agreed on the purchase price. The Commission approved the company's application to acquire Scott Township An OC Study was completed to support utility plant purchase.</p>	<p>Reference: Asset Purchase Agreement between PAWC and Scott Township and Commission Order Docket A-2013-2395994</p>
<p>(7) neither the acquiring nor the selling public utility, municipal corporation or person is an affiliated interest of the other;</p>	<p>Y</p>	<p>Neither PAWC nor Scott Township was an affiliated interest of the other. PAWC is a jurisdictional public utility existing under the laws of the Commonwealth and Scott Township was a municipality existing under the laws of the Commonwealth.</p>	<p>Attachment: Commission Order Docket A-2013-2395994</p>

<p>(8) the rates charged by the acquiring public utility to its pre-acquisition customers will not increase unreasonably because of the acquisition; and</p>	<p>Y</p>	<p>The PUC order stipulated that Scott Township would adopt PAWC's Rate Zone 1 rates.</p>	<p>Attachment: Commission Order Docket No. A-2013-2395994</p>
<p>(9) the excess of the acquisition cost over the depreciated original cost will be added to the rate base to be amortized as an addition to expense over a reasonable period of time with corresponding reductions in the rate base.</p>	<p>Y</p>	<p>PAWC believes strongly that it has satisfied the criteria established by 1327(a).</p>	<p>Reference: Section 1327(a)</p>

Abbey Woods Homeowners Association - Water

A-2015-2470483

**PENNSYLVANIA AMERICAN
 ABBEY WOODS ACQUISITION
 CLOSED 07/14/2015**

	Total
UPIS	\$ 372,945
Accumulated Depreciation	(83,299)
CIAC / CAC	-
Accumulated Depreciation	-
Net UPIS	<u>\$ 289,646</u>
 Costs - GL 10400000	 104,867
 Deferred Gain on Acquisition	 <u><u>\$ (184,779)</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcroft Rd Cherry Hill, NJ 08003
(888) 777-8428

Batch # (SSC USE): _____
 Company Code: **1024 - Pennsylvania American**
 Prepared By (Operating Unit): _____
 Prepared By (SSC): **James Riggan**
 Quarter Impacted: **3rd**

Document Type: **UA**
 Journal # (SSC USE): _____
 Document Date: **July 2015**
 Posting Date: **July 2015**
 Requested By (Operating Unit): _____
 Approved By (SSC): **[Signature]**
 This is not a Reversing Entry:

JR 8/4/15
5/3/15

[Signature]
7/31/15

Doc Header Text: **Abbey Woods Acq** 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Abbey Woods acquisition which closed on 07/14/2015

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400900		50	Acq costs including purchase price		2431			B24-01-0038		104,325.86
1024	10130350		40	UPIS - Abbey Woods		2431				1.00	
1024	10133100		40	UPIS - Abbey Woods		2431				342,788.40	
1024	10133300		40	UPIS - Abbey Woods		2431				28,300.72	
1024	10133410		40	UPIS - Abbey Woods		2431				3,690.28	
1024	10133500		40	UPIS - Abbey Woods		2431				7,882.92	
1024	10901000		50	Depr Reserve - Abbey Woods		2431					83,299.05
1024	25633700		50	Deferred Gain on Acquisition		2431			B24-01-0039		185,319.30
Totals										372,945.30	372,945.30

A ✓
C6.1
C9.1

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of the Abbey Woods HOA's Water System

**Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at July 14, 2015**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

July 2015

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

**Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 14, 2015
Based Upon Straight Line Depreciation**

Acct. No.	Description	Year Installed	Original Cost at 7/14/15	Service Life	Calculated Depreciation Reserve 7/14/15	Depreciated Original Cost at 7/14/15
<u>Non-Depreciable Plant:</u>						
303.4	Land & Land Rights - Transmission & Distribution	1993	\$1.00			\$1.00
	Total Non-Depreciable Plant		<u>\$1.00</u>		<u>\$0.00</u>	<u>\$1.00</u>
<u>Depreciable Plant:</u>						
331	Mains & Accessories	1993	\$332,768.40	110	\$66,678.01	\$266,090.39
333	Services	1993	26,396.72	70	8,311.61	18,085.1
334	Meters & Meter Installations	1993	5,896.26	19	5,896.26	0.0
335	Hydrants	1993	7,882.92	72	2,413.17	5,469.8
	Total Depreciable Plant		<u>\$372,944.30</u>		<u>\$83,299.05</u>	<u>\$289,645.25</u>
	Total Plant in Service		<u>\$372,945.30</u>		<u>\$83,299.05</u>	<u>\$289,646.25</u>

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held June 11, 2015

Commissioners Present:

Gladys M. Brown, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Robert F. Powelson

Application of the Pennsylvania-American Water Company (PAWC) for approval of (1) the transfer, by sale, of the water works property and rights of the Abbey Woods Homeowners Association to PAWC, and (2) the right of PAWC to furnish water service to the public in an additional portion of Jackson Township, Butler County, Pennsylvania

A-2015-2470483

ORDER

BY THE COMMISSION:

By the application (Application) filed on March 4, 2015, the Pennsylvania-American Water Company (PAWC), utility code 212285, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i), and (3), evidencing Commission approval of: 1) the acquisition by PAWC of substantially all of the water system assets of the Abbey Woods Homeowners Association, and 2) the right of PAWC to begin to offer or furnish water service to the public in an additional portion of Jackson Township, Butler County, Pennsylvania.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of publication and service to appropriate entities were submitted by PAWC. In addition, notice of this Application was published in The Pennsylvania Bulletin, 45 Pa.B. 1480, Saturday, March 21, 2015. The protest period ended April 6, 2015. No protests were filed and no hearings were held.

PAWC is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water. Water service is furnished to the public in a service territory encompassing more than 404 communities across the Commonwealth with a combined population of over 2,000,000. As of December 31, 2014, PAWC furnished water service to 649,327 customers. The Application provided a description of PAWC's certificated service territories, along with a detailed history that outlined all the mergers, acquisitions and consolidations which have created PAWC as it exists today.

Abbey Woods Development is a residential subdivision in Jackson Township, Butler County containing 55 building lots. The Abbey Woods subdivision plan was approved by Jackson Township on May 24, 1995. There are currently 36 single family homes and 18 townhomes constructed within Abbey Woods Development. Each dwelling within the Abbey Woods Development and the real property beneath the residential buildings are privately owned. There is one undeveloped single family lot still remaining within the Abbey Woods Development.

The Abbey Woods Homeowners Association (Abbey Woods HOA) owns both the water and wastewater systems that serve the residents within the Abbey Woods Development. The mailing address for the Abbey Woods HOA is c/o Acri Commercial Realty, 290 Perry Highway, Pittsburgh, PA 15229. The Abbey Woods HOA's water system was originally constructed by Abbey Woods Development, Inc. and the T.D.

Kelly Company and was later transferred to the Abbey Woods HOA for no consideration. PAWC stated that information regarding contributions-in-aid of construction (CIAC) toward the Abbey Woods HOA water system was unavailable at the time of the Application's filing and the CIAC issue will be addressed when PAWC undertakes an original cost study.

II. LOCATION OF FACILITIES TO BE ACQUIRED

PAWC proposes to purchase the Abbey Woods HOA's water distribution system that currently serves 54 residential dwellings within the Abbey Woods Development. A map depicting the proposed water service territory and a description of the proposed territory's boundaries are contained in the Application marked as Exhibit J. The Abbey Woods Development is located along the south side of Zehner School Road southwest of the existing PAWC certificated service territory in Jackson Township. The proposed water service territory area expansion encompasses approximately 84 acres and will connect to PAWC's existing certificated service territory.

III. DESCRIPTION OF FACILITIES TO BE ACQUIRED

According to the Pennsylvania Department of Environmental Protection (DEP), the Abbey Woods HOA's water system, Public Water Supply Identification (PWS ID) No. 5100144, includes four groundwater wells, a water treatment building with sodium hypochlorite disinfection equipment, five 8,000 gallon concrete water storage tanks, a booster pump system with a hydro-pneumatic tank, and a completely looped-water distribution system with mains, gate valves, blow-off valves, 54 services, 54 meters and six fire hydrants.

The Application states that PAWC will acquire only the Abbey Woods HOA's water distribution system and any and all rights-of-way associated with the water

distribution system. According to PAWC, the Abbey Woods HOA's water distribution system generally consists of 6,600 feet of 8 inch diameter ductile iron pipe and 800 feet of 2 inch diameter PVC pipe.

IV. PURCHASE AGREEMENT

On March 3, 2015, PAWC entered into an asset purchase agreement (Agreement) with the Abbey Woods HOA by which PAWC agreed to purchase the water distribution system assets of the Abbey Woods HOA for the consideration of one hundred thousand dollars (\$100,000.00). A copy of the Agreement is attached to the Application and is marked as Exhibit D. The negotiations were conducted at arm's length and PAWC and the Abbey Woods HOA are not affiliated with each other. The Agreement provides that PAWC will purchase the water distribution system as defined in Paragraph 1.1 of the Agreement.

Such assets include all physical plant, property, equipment, and facilities comprising the existing water distribution system owned and operated by the Abbey Woods HOA for providing water service to the public in Jackson Township, Butler County, Pennsylvania. The assets include all water mains, services, meters, hydrants, valves, fittings, materials, supplies, construction in progress, and other tangible personal property related to the water distribution system.

Excluded assets are discussed in the Agreement's Paragraph 1.2 and described in the Agreement's Schedule 1.2. The excluded assets include all cash, account receivables, land, four wells, pumps, treatment building, equipment, and five concrete storage tanks.

V. ADDITIONAL CAPITAL REQUIREMENTS

PAWC stated that it will spend \$75,875 on the construction of an interconnection between PAWC's existing water system and the Abbey Woods HOA's water distribution system. The improvement cost to interconnect PAWC water system with that of the Abbey Woods HOA includes \$24,619 for material and supplies, \$15,950 for the installation of approximately 1,100 feet of 12 inch ductile iron pipe, \$11,340 for 315 cubic yards of premium backfill, \$2,136 for two fire hydrants, \$2,000 for temporary paving, \$12,030 for permanent paving, \$6,300 for restoration, and \$1,500 for thrust restraint. PAWC anticipates the construction of the water system interconnection will take about two weeks and will be completed around the time of the closing date. PAWC will physically disconnect the existing treatment system from the distribution system at the time of the interconnection. Additionally, PAWC stated that it will spend \$56,782 on replacement of the Abbey Woods HOA water distribution system's existing 2 inch diameter PVC pipe, located along the south side of Zehner School Road, with 12 inch diameter ductile iron pipe.

The following are the tentative journal entries that PAWC provided to record the transfer into its accounts:

	Debit	Credit
Utility Plant	\$125,000	
Accumulated Depreciation		\$25,000
Short Term Debt		\$100,000

PAWC stated that it will undertake an original cost study to determine the original cost and accumulated depreciation of Abbey Woods HOA water utility plant in service. Once the original cost study is complete and the property's depreciated original cost and book value are established, PAWC will amend the pro forma balance sheet giving effect to the transfer, accordingly.

PAWC stated that no investment securities owned by the Abbey Woods HOA will be transferred in this proposed transaction. PAWC will initially finance the transfer by short-term bank debt which, at the appropriate time will be replaced through the issuance of long-term debt.

VI. PROPOSED RATES

PAWC stated that prior to closing, the Abbey Woods HOA shall adopt rates for water service equal to PAWC's then in effect Rate Zone 1 rates for all customers. For water service, the Abbey Woods HOA currently charges each customer an association fee of \$10.00 per month plus \$0.667/100 gallons for the first 9,000 gallons. However, there is a minimum charge of \$70/month (9,000 gallons for \$60.03 + \$10.00/month association fee \approx \$70/month). Total consumption between 9,100 to 12,000 gallons is currently charged at a rate of \$3.80/100 gallons and any additional usage over 12,000 gallons is currently charged at a rate of \$4.50/100 gallons. Therefore, a typical Abbey Woods HOA customer who uses 5,500 gallons of water per month currently pays \$70 per month.

Under PAWC's Zone 1 Rates, a typical Abbey Woods HOA customer who uses 5,500 gallons of water per month will pay \$71.18. This monthly payment is comprised of a \$15.00 customer charge for a 5/8 inch meter plus a consumption charge of \$56.18 (5,500 gallons x \$1.0214/100 gallons). In supplemental information, PAWC provided an estimate of its annual revenue for 54 residential customers and 6 fire hydrants to be approximately \$47,578. PAWC estimated its annual expenses will be \$2,839 producing an estimated operating income of approximately \$44,739.

VII. OPERATIONS UNDER PAWC

PAWC's target date to begin providing service to the homes currently served by the Abbey Woods HOA's water system is June 2015. PAWC's New Castle/Ellwood District staff will operate and manage the Abbey Woods water distribution system from the New Castle Operations Center located at 2736 Ellwood Road, New Castle, PA, which is approximately 20 miles from the Abbey Woods Development.

According to DEP, PAWC has no outstanding compliance or operational issues. Also, PAWC is current with its annual and quarterly earnings and the security planning and readiness report filing requirements. Further, there are no outstanding fines or assessments due to the Commission.

VIII. CONCLUSION

In its Application, PAWC states the transfer will have a beneficial effect on the customers of Abbey Woods in that they will receive the benefit of PAWC's experience in managing and operating water systems which will result in efficiencies and improvements in the service to the customer. PAWC also has the managerial, technical and financial capabilities to safely and adequately operate the Abbey Woods HOA's water system in compliance with the Public Utility Code, the Safe Drinking Water Act, Clean Streams Law and other regulatory requirements, and to make improvements as needed, on a short and long term basis.

Based upon the facts that PAWC will expand its service territory to customers in compliance with Commission regulations and that PAWC will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC's application for the acquisition is necessary or

proper for the service, accommodation, convenience, or safety of the public;

THEREFORE,

IT IS ORDERED:

1. That the application of the Pennsylvania-American Water Company at Docket A-2015-2470483 is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by the Pennsylvania-American Water Company of the water distribution system assets of the Abbey Woods Homeowners Association in Jackson Township, Butler County, as described in the Application.

3. That Pennsylvania-American Water Company shall notify the Commission within 10 days of the closing with the Abbey Woods Homeowners Association.

4. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(1)(i) and (3), evidencing Commission approval for the Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in an additional portion of Jackson Township, Butler County.

5. That upon completion of its original cost study of the water distribution system assets acquired from the Abbey Woods Homeowners Association, Pennsylvania-American Water Company will file copies with the Secretary's Bureau and


the Bureau of Technical Utility Services for review in the Pennsylvania-American Water Company's next general rate increase.

6. That since the Pennsylvania-American Water Company was uncertain of any contributions-in-aid of construction toward the Abbey Woods Homeowners Association's water distribution system, this transaction should be reviewed in the Pennsylvania-American Water Company's next general rate increase to determine whether all claims within the original cost study of the water distribution system assets are reasonable.

7. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.

8. That a copy of this Order be served upon The Pennsylvania-American Water Company, the Abbey Woods Homeowners Association, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, the Bureau of Corporate Taxes, the Department of Environmental Protection – Northwest Regional Office and its Central Office Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: June 11, 2015

ORDER ENTERED: June 11, 2015

Paint Township Municipal Water Authority

A-2012-2285320

}

**PENNSYLVANIA AMERICAN
PAINT TOWNSHIP ACQUISITION
CLOSED 10/15/2015**

	<u>Total</u>
UPIS	\$ 1,919,900
Accumulated Depreciation	(137,731)
CIAC / CAC	(367,663)
Accumulated Depreciation	<u>38,399</u>
Net UPIS	\$ 1,452,905
Less: Assumed Pennvest Loan #12659	123,663
Less: Assumed Pennvest Loan #89189	969,823
Less: Adj for Customer A/R balance	<u>21,376</u>
	\$ 338,042
Less: Purchase Price / Acq Costs - GL 10400000	148,027
Utility Plant Acquisition Adjustment	<u><u>\$ (190,016)</u></u>



JOURNAL ENTRY REQUEST
 Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
 (866) 777-8426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward
Tom Markward 11-18-15
 Quarter Impacted: 4th

Document Type: UA
 Journal # (SSC USE): _____
 Document Date: November 2015
 Posting Date: November 2015
 Requested By (Operating Unit): _____
 Approved By (SSC): Jim Merante

JMA
11/22/15
11/23/15

Doc Header Text
Paint Township Acq 25 Character Maximum

This is not a Reversing Entry

JOURNAL ENTRY DESCRIPTION:

To record the Paint Township acquisition which closed on 10/15/2015

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acq costs including purchase price		2443					
1024	10130340		40	UPIS - Paint		2443			B24-01-0023		145,033.70
1024	10130430		40	UPIS - Paint		2443				292.00	
1024	10133100		40	UPIS - Paint		2443				102,111.75	
1024	10133300		40	UPIS - Paint		2443				1,595,593.01	
1024	10133400		40	UPIS - Paint		2443				44,778.02	
1024	10133500		40	UPIS - Paint		2443				7,454.21	
1024	27111000		50	CIAC - Paint		2443				169,770.86	
1024	27113000		50	CIAC - Paint		2443					216,353.00
1024	27114000		50	CIAC - Paint		2443					41,744.04
1024	27116000		50	CIAC - Paint		2443					7,454.21
1024	10001000		50	Depr Reserve - Paint		2443					102,111.75
1024	27206000		40	CIAC Depr Reserve - Paint		2443					137,731.12
1024	22110000		50	Less: Assumed Pennvest Loan #12659		2443				38,309.30	
1024	22110000		50	Less: Assumed Pennvest Loan #89180		2443					123,883.45
1024	57010000		50	AvR balance adjusted at settlement		2401	E24-1500-240105				999,823.44
1024	25833700		50	Deferred Gain on Acquisition		2443			B24-01-0023		21,375.74
											193,008.79
Totals										1,958,299.24	1,958,299.24

G:\November 2015\Paint ACQ JE.xls\JE Acq

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of Paint Township Municipal Water Authority's System

Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at October 15, 2015

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

October 2015

Pennsylvania-American Water Company, Inc.

Acquisition of Paint Township Municipal Water Authority's System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 15, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Original Cost at 10/15/15	Service Life (1)	Calculated Depreciation Reserve 1/15/13	2013 (Remaining) Depreciation Expense	2014 Depreciation Expense	2015 (9.5 months) Depreciation Expense	Calculated Depreciation Reserve 10/15/15	Depreciated Original Cost at 10/15/15
Non-Depreciable Plant:									
303.4	Land & Land Rights - Transmission & Distr.	\$262.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$262.00
	Total Non-Depreciable Plant	\$262.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$262.00
Depreciable Plant:									
304.3	Structures & Improvements - Trans. & Distr.	\$102,111.75	60	\$7,116.65	\$1,631.92	\$1,701.86	\$1,347.31	\$11,797.74	\$90,314.01
331	Transmission & Distribution Mains	1,595,523.01	110	64,354.21 (2)	13,908.67	14,504.75	11,482.93	104,250.56	1,491,272.45
333	Services	44,778.02	70	3,146.62	613.40	639.69	506.42	4,906.13	39,871.89
334	Meters	7,454.21	19	787.52	376.20	392.33	310.59	1,866.64	5,587.57
334	Hydrants	169,770.86	72	8,424.40	2,261.03	2,357.93	1,866.69	14,910.05	154,860.81
	Total Depreciable Plant	\$1,919,637.85		\$83,829.40	\$18,791.22	\$19,596.56	\$15,513.94	\$137,731.12	\$1,781,906.73
	Total Plant in Service	\$1,919,899.85		\$83,829.40	\$18,791.22	\$19,596.56	\$15,513.94	\$137,731.12	\$1,782,168.73
Deduct: Acct. 271 - Contribution in Aid of Construction:									
304.3	Structures & Improvements - Trans. & Distr.	(\$102,111.75)	60	(\$7,116.65)	(\$1,631.92)	(\$1,701.86)	(\$1,347.31)	(\$11,797.74)	(\$90,314.01)
331	Transmission & Distribution Mains	(216,353.00)	110	(14,751.34)	(1,886.02)	(1,966.85)	(1,557.09)	(20,161.30)	(196,191.70)
333	Services	(41,744.04)	70	(2,933.42)	(571.84)	(596.34)	(472.11)	(4,573.71)	(37,170.33)
334	Meters	(7,454.21)	19	(787.52)	(376.20)	(392.33)	(310.59)	(1,866.64)	(5,587.57)
	Total Contributions in Aid if Construction	(\$367,663.00)		(\$25,588.93)	(\$4,465.98)	(\$4,657.38)	(\$3,687.10)	(\$38,399.39)	(\$329,263.61)
	Total Plant in Service (Net)	\$1,552,236.85		\$58,240.47	\$14,325.24	\$14,939.18	\$11,826.84	\$99,331.73	\$1,452,905.12

Notes:

(1) Service lives as filed at Docket No. R-2013-2355276.

(2) Added the amount of \$14,751.34 to the calculated depreciation reserve for the additional mains that are being acquired.

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held December 20, 2012

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer

Application of Pennsylvania-American Water Company for approval of: 1) the transfer, by sale, of the water works property and rights of the Paint Township Municipal Water Authority to Pennsylvania-American Water Company; and 2) the commencement by Pennsylvania-American Water Company of water service to the public in a portion of Paint Township, Clarion County, presently being served by the Paint Township Municipal Water Authority.

Docket Number:
A-2012-2285320

ORDER

BY THE COMMISSION:

By the application filed on January 25, 2012, and amended July 24, 2012, Pennsylvania-American Water Company (PAWC), 800 West Hershey Park Drive, Hershey, PA 17033, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), for approval of: 1) the transfer, by sale, of the water works property and rights of the Paint

Township Municipal Water Authority (PTMWA), to PAWC; and 2) the commencement by PAWC of water service to the public in a portion of Paint Township, Clarion County, presently being served by the PTMWA.

The amended application was published in *The Pennsylvania Bulletin*, 42 Pa.B. 5319, Saturday, August 11, 2012. The protest period ended August 27, 2012. No protests were filed and no hearings were held. PAWC submitted a proof of publication that contained the wrong protest period dates, and was asked to republish. A new protest period was established ending October 22, 2012. No protests were filed and no hearings were held. Proof of service to the interested parties as required by the Commission was also received.

PAWC is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water. Water service is furnished to the public in a service territory encompassing more than 370 communities across the Commonwealth with a combined population of over 2,000,000. As of September 30, 2012, PAWC furnished water service to 640,826 customers, as follows:

Residential	590,129
Commercial	44,588
Industrial	519
Fire service	3,101
Municipal, sales for resale and others	2,489

PTMWA, an authority organized and existing under the laws of the Commonwealth of Pennsylvania, is the owner of a public water system which furnishes water service to a portion of Paint Township in Clarion County, Pennsylvania. As of September 30, 2012, PTMWA furnished water service to 34 customers, as follows:

Residential	19
Commercial	13
Municipal, sales for resale and others	2

The original application was put on hold and an amended application was filed July 24, 2012, because it came to PAWC’s attention that existing households were not connected to the water system. The amended application requires that all PTMWA customers be connected to the water system prior to closing at PTMWA’s expense.

Pursuant to the terms and conditions of a Purchase Agreement between PTMWA as seller and PAWC as buyer, all of the water works property and rights of PTMWA will be transferred to PAWC. The specific service territory that is the subject of this application is shown on the map in Exhibit L of the application, and is the area within Paint Township, Clarion County, bound on four sides as follows: 1) south of Corner Water Supply Company’s certificated territory; 2) north of Interstate 80; 3) east of Paint Township’s western boundary and; 4) west of Paint Township’s eastern boundary. The approximate acreage is 1,856 acres.

The facilities to be transferred include the existing Paint Township storage tanks and water distribution system, including the mains, services, meters, wells, reservoir, treatment equipment, pumps, structures, hydrants, valves, accessories and rights-of-way as more fully described in the Purchase Agreement. PTMWA is supplied 100% of its water supply through an interconnection with PAWC.

The consideration for the proposed transfer of the water system is the sum of the two following components not to exceed \$1,479,700:

- 1) Assumption of the non-delinquent principal and interest of PTMWA’s Pennvest loans Nos. 89189 and 12659 not to exceed \$1,333,900

2) A cash payment of \$145,800

Pennvest is in favor of the proposed transfer and assumption of the loans by PAWC. The cash payment will be payable to PTMWA on the date of closing by corporate check or wire transfer, at PAWC's discretion. PAWC has stated that a securities certificate will be filed subsequently with the Commission. The transaction is at arm's length. Closing is expected to occur in January 2013.

PAWC states that it will undertake an original cost study to determine the units of property, vintage, and book accumulated depreciation of the Paint Township water utility plant in service. The tentative journal entries to record the transfer in PAWC's accounts include:

Utility Plant	\$1,496,700
Accumulated Depreciation	(\$ 17,000)
Short Term Debt	(\$1,479,700)

The estimated annual revenues and expenses of PAWC for operations in the proposed service territory include:

Total Revenues	\$ 108,000
Total Expenses	(\$ 52,000)
Net Income	\$ 56,000

Although PAWC and PTMWA are not affiliated with each other, PAWC noted in the application that the entities entered into a Water Sale Agreement dated October 8, 2007, whereby PAWC would supply potable water to the customers of PTMWA, at Docket No. U-2008-2037710. This Agreement gave PAWC first rights when PTMWA decided to sell its water system.

No corporation, partnership or individual other than PTMWA is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in the territory covered by the proposed application, and no competitive condition will be created. After closing, PTMWA will discontinue all water service to the public. PAWC's Clarion operations will provide the resources to operate the acquired water system. Paint-Elk Joint Sewer Authority provides wastewater service to the customers of PTMWA.

Prior to closing, PTMWA will adopt the current rates of PAWC's Rate Zone 1. The typical PTMWA customer will see a decrease in rates. An average PTMWA customer using 4,200 gallons a month currently pays \$160.40, comprised of a \$110.00 per month service charge and a volumetric charge of \$12.00 per thousand gallons. An average PAWC customer in Rate Zone 1 using 4,200 gallons a month currently pays \$51.97, comprised of a \$13.75 per month service charge and a volumetric charge of \$9.101 per thousand gallons.

PAWC states that approval of this application is necessary and proper in order for the public now served by PTMWA to benefit by receiving water service from a public water supply company with the resources and personnel to provide a safe and reliable supply of potable water at reasonable prices.

The proposed transfer will have no effect on the service provided to PAWC's existing customers. PAWC believes that the proposed transfer will have a beneficial effect on the customers of PTMWA.

The proposed service territory affords easy access to Interstate 80 and State Route 66. According to PAWC, development at this interchange has been hampered by,

among other things, lack of water. Therefore, PAWC believes that there is reasonable prospect for growth in the proposed territory.

PAWC avers that it has the managerial, technical and financial capabilities to safely and adequately operate the Paint Township water system in compliance with the Public Utility Code, Safe Water Drinking Act, Clean Streams Law and other requisite regulatory requirements, and to make improvements as needed, on a short and long term basis.

PAWC continues to aver that it will provide PTMWA with improved centralized management, customer service and administrative services. The transfer will further the goal of regionalization because the PTMWA water system will be a part of a larger organization that is viable and is committed to providing improved service in the future. According to PAWC, any necessary system improvements can be completed within a reasonable period of time, without adversely affecting service to PAWC existing customers. The acquisition will result in increased economies of scale as the PTMWA water system will be operated as part of a larger system, ultimately leading to uniform and higher standards of service to the customers.

PAWC is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission. The Department of Environmental Protection stated that there is no outstanding compliance or operational issues with the PAWC water system, and it has no objection to the proposed transfer.

Based upon the facts that PAWC has the capability to safely and adequately operate the PTMWA water system in compliance with our regulations, that efficiencies and improvements in service may have a beneficial effect on existing PTMWA

customers, that the average PTMWA customer will see a decrease in rates, and that PAWC will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC's application for approval of the transfer is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company at Docket No. A-2012-2285320 is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval of the transfer, by sale, of the water works property and rights of the Paint Township Municipal Water Authority to Pennsylvania-American Water Company, as described in the application.

3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in a portion of Paint Township, Clarion County, presently being served by the Paint Township Municipal Water Authority.

4. That Pennsylvania-American Water Company shall file a tariff supplement for the subject service territory and rates within 10 days after the date of closing.

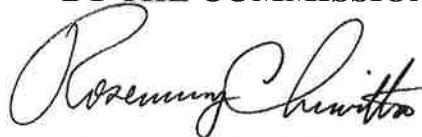
5. That after closing, Pennsylvania-American Water Company will file

copies of its original cost study of the Paint Township Municipal Water Authority water system's utility plant with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

6. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other local, state and federal government agencies having jurisdiction.

7. That a copy of this Order be served upon Pennsylvania-American Water Company, Paint Township Municipal Water Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and the Department of Environmental Protection, Northwest Regional Office and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: December 20, 2012

ORDER ENTERED: December 20, 2012

McEwensville Municipal Authority Water

R-2015-2460981

**PENNSYLVANIA AMERICAN
MCEWENSVILLE WATER ACQUISITION
CLOSED 10/21/2015**

Water	Total
UPIS	\$ 535,059
Accumulated Depreciation	(205,567)
CIAC / CAC	(118,934)
Accumulated Depreciation	12,322
Net UPIS	<u>\$ 222,880</u>
 CAC	 (6,000)
 Less: Purchase Price / Acq Costs - GL 10400000	 (219,022)
 Utility Plant Acquisition Adjustment	 <u><u>\$ (2,142)</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
(866) 777-8420

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward
Tom Markward 11-18-15
 Quarter Impacted: 4th

Document Type: UA
 Journal # (SSC USE): _____
 Document Date: November 2015
 Posting Date: November 2015
 Requested By (Operating Unit): _____
 Approved By (SSC): Tom Markward
 This is not a Reversing Entry:

JDA
11/22/15

Doc Header Text
 McEwensville Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the McEwensville acquisition which closed on 10/21/2015

Wangley 11/23/15

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acq costs including purchase price		2401					
1024	10130320		40	UPIS - McEwensville Water		2484		B24-01-0030			365,649.47
1024	10130340		40	UPIS - McEwensville Water		2484				18,588.90	
1024	10130420		40	UPIS - McEwensville Water		2484				20.00	
1024	10130700		40	UPIS - McEwensville Water		2484				112,205.49	
1024	10131152		40	UPIS - McEwensville Water		2484				42,068.73	
1024	10132010		40	UPIS - McEwensville Water		2484				7,146.89	
1024	10133000		40	UPIS - McEwensville Water		2484				1,306.34	
1024	10133100		40	UPIS - McEwensville Water		2484				67,739.80	
1024	10133300		40	UPIS - McEwensville Water		2484				202,969.43	
1024	10133410		40	UPIS - McEwensville Water		2484				58,096.33	
1024	10133500		40	UPIS - McEwensville Water		2484				9,492.42	
1024	27111000		50	CIAC - McEwensville Water		2484				15,835.95	
1024	27113000		50	CIAC - McEwensville Water		2484					76,304.17
1024	27115000		50	CIAC - McEwensville Water		2484					34,783.58
1024	72801100		50	CAC - McEwensville Water		2484					7,646.20
1024	10801000		50	Depr Reserve - McEwensville Water		2484					8,000.00
1024	27266000		40	CIAC Depr Reserve - McEwensville Water		2484					205,566.69
1024	10135320		40	UPIS - McEwensville Sewer		2485				12,321.93	
1024	10135330		40	UPIS - McEwensville Sewer		2485				72.50	
1024	10135340		40	UPIS - McEwensville Sewer		2485				14.50	
1024	10135430		40	UPIS - McEwensville Sewer		2485				14.50	
1024	10135440		40	UPIS - McEwensville Sewer		2485				62,224.03	
1024	10136000		40	UPIS - McEwensville Sewer		2485				133,860.33	
1024	10136110		40	UPIS - McEwensville Sewer		2485				57,907.97	
1024	10136300		40	UPIS - McEwensville Sewer		2485				389,111.90	
1024	10138400		40	UPIS - McEwensville Sewer		2485				38,050.76	
1024	10137110		40	UPIS - McEwensville Sewer		2485				10,470.99	
1024	10138000		40	UPIS - McEwensville Sewer		2485				31,226.24	
1024	10139300		40	UPIS - McEwensville Sewer		2485				492,985.38	
1024	27111000		50	CIAC - McEwensville Sewer		2485				4,546.80	
1024	27113000		50	CIAC - McEwensville Sewer		2485					227,074.58
1024	27116000		50	CIAC - McEwensville Sewer		2485					36,050.76
1024	72801100		50	CAC - McEwensville Sewer		2485					612,178.12
1024	10801000		50	Depr Reserve - McEwensville Sewer		2485					66,000.00
1024	27266000		40	CIAC Depr Reserve - McEwensville Sewer		2485					541,287.94
1024	25633700		50	Deferred Gain on Acquisition - Water		2484				418,372.01	
1024	25633700		50	Deferred Gain on Acquisition - Sewer		2485			B24-01-0030		3,215.07
									B24-01-0030		2,287.54
Totals										2,186,244.62	2,186,244.62



PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
McEwensville Municipal Authority - Water System***

**Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at October 21, 2015**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

November 2015

Pennsylvania-American Water Company, Inc.

Acquisition of the McEwensville Municipal Authority - Water System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 21, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/21/15	Service Life	Calculated Depreciation Reserve 10/21/15	Depreciated Original Cost at 10/21/15
<u>Non-Depreciable Plant:</u>						
303.2	Land & Land Rights - Source of Supply & Pumping	Various	\$18,588.50		\$0.00	\$18,588.50
303.4	Land & Land Rights - Transmission & Distribution	Various	20.00		0.00	20.00
Total Non-Depreciable Plant			\$18,608.50		\$0.00	\$18,608.50
<u>Depreciable Plant:</u>						
304.2	Structures & Improvements - Source of Supply & Pumping	1977	\$27,201.50	50	\$20,854.47	\$6,347.03
304.2	Structures & Improvements - Source of Supply & Pumping	1995	914.00	50	371.69	542.31
304.2	Structures & Improvements - Source of Supply & Pumping	1997	83,179.02	50	30,498.92	52,680.10
304.2	Structures & Improvements - Source of Supply & Pumping	2003	910.97	50	224.71	686.26
Total Account 304.2			\$112,205.49		\$51,949.79	\$60,255.70
307	Wells & Springs	1977	\$8,720.03	55	\$6,077.59	\$2,642.44
307	Wells & Springs	1997	33,346.70	55	11,115.55	22,231.15
Total Account 307			\$42,066.73		\$17,193.14	\$24,873.59
311	Pumping Equipment	1995	\$2,596.00	50	\$1,055.70	\$1,540.30
311	Pumping Equipment	1997	4,550.89	50	1,668.66	2,882.23
Total Account 311			\$7,146.89		\$2,724.36	\$4,422.53
320	Water Treatment Equipment	1977	\$339.27	15	\$339.27	\$0.00
320	Water Treatment Equipment	1997	967.07	15	967.07	0.00
Total Account 320			\$1,306.34		\$1,306.34	\$0.00
330	Distribution Reservoirs & Standpipes	1977	\$39,276.80	65	\$23,163.22	\$16,113.58
330	Distribution Reservoirs & Standpipes - Painting	1989	28,463.00	10	28,463.00	0.00
Total Account 330			\$67,739.80		\$51,626.22	\$16,113.58
331	Mains & Accessories	1977	\$126,256.26	110	\$43,998.36	\$82,257.90
331	Mains & Accessories	1988	16,157.54	110	4,014.90	12,142.64
331	Mains & Accessories	1992	15,552.94	110	3,299.10	12,253.84
331	Mains & Accessories	2014	44,593.69	110	540.52	44,053.17
Total Account 331			\$202,560.43		\$51,852.88	\$150,707.55
333	Services	1977	\$19,165.28	70	\$10,495.26	\$8,670.02
333	Services	1978	432.18	70	230.50	201.68
333	Services	1979	476.89	70	247.53	229.36
333	Services	1980	521.80	70	263.28	258.52
333	Services	1981	548.43	70	268.99	279.44
333	Services	1982	590.15	70	281.02	309.13
333	Services	1983	616.98	70	284.99	331.99
333	Services	1984	961.24	70	430.27	530.97
333	Services	1988	3,555.80	70	1,388.45	2,167.35
333	Services	1992	4,928.88	70	1,642.96	3,285.92
333	Services	2014	26,298.90	70	500.92	25,797.98
Total Account 333			\$58,096.33		\$16,034.17	\$42,062.16
334	Meters & Meter Installations	1977	\$3,870.84	19	\$3,870.84	\$0.00
334	Meters & Meter Installations	1978	80.18	19	80.18	0.00
334	Meters & Meter Installations	1979	80.18	19	80.18	0.00
334	Meters & Meter Installations	1980	80.18	19	80.18	0.00
334	Meters & Meter Installations	1981	80.18	19	80.18	0.00
334	Meters & Meter Installations	1982	80.18	19	80.18	0.00
334	Meters & Meter Installations	1983	80.18	19	80.18	0.00
334	Meters & Meter Installations	1984	120.27	19	120.27	0.00
334	Meters & Meter Installations	1988	478.30	19	478.30	0.00
334	Meters & Meter Installations	1992	933.60	19	933.60	0.00
334	Meters & Meter Installations	1997	341.32	19	329.34	11.98
334	Meters & Meter Installations	2006	2,984.55	19	1,456.26	1,508.29
334	Meters & Meter Installations	2014	302.46	19	21.22	281.24
Total Account 334			\$9,492.42		\$7,690.91	\$1,801.51

Pennsylvania-American Water Company, Inc.

Acquisition of the McEwensville Municipal Authority - Water System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 21, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/21/15	Service Life	Calculated Depreciation Reserve 10/21/15	Depreciated Original Cost at 10/21/15
334	Hydrants	1977	\$7,989.75	72	\$4,253.80	\$3,735.95
334	Hydrants	1988	2,187.09	72	830.28	1,356.81
334	Hydrants	2014	5,659.11	72	104.80	5,554.31
	Total Account 334		\$15,835.95		\$5,188.88	\$10,647.07
	Total Depreciable Plant		\$516,450.38		\$205,566.69	\$310,883.69
	Total Plant in Service		\$535,058.88		\$205,566.69	\$329,492.19
<u>Deduct: Account 271 - Contribution in Aid of Construction:</u>						
331	Mains & Accessories	1988	(\$16,157.54)	110	(\$4,014.90)	(\$12,142.64)
331	Mains & Accessories	1992	(15,552.94)	110	(3,299.10)	(12,253.84)
331	Mains & Accessories	2014	(44,593.69)	110	(540.52)	(44,053.17)
	Total Account 331		(\$76,304.17)		(\$7,854.52)	(\$68,449.65)
333	Services	1988	(\$3,555.80)	70	(\$1,388.45)	(\$2,167.35)
333	Services	1992	(4,928.88)	70	(1,642.96)	(3,285.92)
333	Services	2014	(26,298.90)	70	(500.92)	(25,797.98)
	Total Account 333		(\$34,783.58)		(\$3,532.33)	(\$31,251.25)
334	Hydrants	1988	(\$2,187.09)	72	(\$830.28)	(\$1,356.81)
334	Hydrants	2014	(5,659.11)	72	(104.80)	(5,554.31)
	Total Account 334		(\$7,846.20)		(\$935.08)	(\$6,911.12)
	Total Contribution in Aid of Construction		(\$118,933.95)		(\$12,321.93)	(\$106,612.02)
	Total Plant in Service (Net)		\$416,124.93		\$193,244.76	\$222,880.17

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held October 1, 2015

Commissioners Present:

Gladys M. Brown, Chairman
John F. Coleman, Jr., Vice Chairman
Pamela A. Witmer
Robert F. Powelson

Application of the Pennsylvania-American Water Company (PAWC) for approval of (1) the transfer, by sale, of substantially all of the water system assets and rights of the McEwensville Municipal Authority to PAWC, and (2) the right of PAWC to furnish water service to the public in McEwensville Borough and an additional portion of Delaware Township, Northumberland County, Pennsylvania

A-2015-2460981

ORDER

BY THE COMMISSION:

By the application (Application) filed on December 31, 2014, the Pennsylvania-American Water Company (PAWC), utility code 212285, 800 West Hersheypark Drive, Hershey, PA 17033, seeks a certificate of public convenience pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §§ 1102(a)(1)(i), and (3), evidencing Commission approval of: 1) the acquisition by PAWC of substantially all of the water system assets of the McEwensville Municipal Authority (MBMA), and 2) the right of PAWC to begin to offer or furnish water service to the public in McEwensville

Borough and an additional portion of Delaware Township, Northumberland County, Pennsylvania.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of publication and service to appropriate entities were submitted by PAWC. In addition, notice of this Application was published in The Pennsylvania Bulletin, 45 Pa.B. 399, Saturday, January 17, 2015. The protest period ended February 2, 2015. No protests were filed and no hearings were held.

PAWC is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water. PAWC and its subsidiary, Pennsylvania-American Water Company - Wastewater Division (PAWC-WD), respectively furnish water and wastewater service to the public in service territories encompassing more than 400 communities across the Commonwealth with a combined population of over 2,100,000. As of November 30, 2014, PAWC furnished water service to 649,232 customers categorized as follows: 597,335-residential, 44,661-commercial, 524-industrial, 2,326-municipal/resale/other and 4,386-fire protection. The Application provides a description of PAWC's and PAWC-WD's certificated service territories along with a detailed history that outlined all the mergers, acquisitions and consolidations which have created both utilities as they exist today. PAWC's existing water service territory includes portions of Delaware Township, Northumberland County.

MBMA is a municipal authority organized under the Municipality Authorities Act of May 2, 1945, P.L. 382 that owns and operates public water and wastewater systems. MBMA's water system provides service to the public in McEwensville Borough and a portion of Delaware Township, Northumberland County. MBMA has a mailing address of P.O. Box 50, McEwensville, PA 17749. As of December 1, 2014, MBMA furnished

metered water service to approximately 135 customer connections or 156 equivalent dwelling units (EDUs). MBMA also provides wastewater service to McEwensville Borough, Northumberland County. Currently, MBMA furnishes wastewater service to all of its 135 water customer connections. The application of PAWC-WD for approval of its acquisition of MBMA's wastewater system is pending before the Commission at Docket No. A-2015-2460982.

According to PAWC, MBMA only has one customer class designated as "residential" for all of its water and wastewater service connections and utilizes an unwritten policy of charging EDU multipliers to customers whose buildings are comprised of multiple dwelling units or contain non-residential (i.e., commercial, industrial, governmental, etc.) uses. MBMA's EDU allocation is established for its existing customers as evidenced on copies of past water and wastewater billings. However, MBMA has no established EDU definition in which to characterize future customers. PAWC stated that the numeric breakdown of the 135 MBMA water customer connections by PAWC's customer class is as follows: 125-residential (125 EDUs), 9-commercial (30 EDUs) and 1-municipal (1 EDU). PAWC plans to adopt MBMA's use of the EDU multipliers assigned to the existing customers with multiple dwelling units or non-residential property uses and will add an EDU definition to its water tariff for future customers that will be served by MBMA's water system. PAWC stated that it will define an EDU in its water tariff as "a measure based upon the estimated average daily water usage for the type of business divided by the typical estimated average daily water usage from a current single-family unit (One EDU shall be equal to 225 gallons per day of water usage for a single-family unit, unless modified by the Company)."

II. LOCATION OF FACILITIES TO BE ACQUIRED

PAWC proposes to purchase MBMA's water system that currently serves 135 customer connections within McEwensville Borough and a portion of Delaware

Township. A map depicting the proposed water service territory and a description of the proposed territory's boundaries are contained in the Application marked as Exhibits L-1 and L-2. MBMA is located within Northumberland County, east of Interstate 180 and 1.5 miles north of Interstate 80. The proposed water service territory area encompasses approximately 150 acres.

III. DESCRIPTION OF FACILITIES TO BE ACQUIRED

According to the Pennsylvania Department of Environmental Protection (DEP), MBMA's water system, Public Water Supply Identification (PWS ID) No. 4490298, operates under Public Water Supply Operations Permit Nos. 4975501 and 4492502. MBMA's water system includes two parcels of land, easements, two groundwater wells each with a treatment facility, a 100,000 gallon steel water storage tank and a water distribution system. The water distribution system includes approximately 10,000 linear feet of 4-inch and 6-inch diameter ductile iron pipe and 2,000 feet of 4-inch diameter plastic pipe, 34 gate valves, 16 blow off/air release valves, and a minimum of 135 company service lines and water meters. MBMA's water distribution system also includes nine fire hydrants that are located exclusively within McEwensville Borough.

IV. PURCHASE AGREEMENT

On December 17, 2014, PAWC entered into an asset purchase agreement (Agreement) with MBMA by which PAWC agreed to purchase the water and wastewater system assets of MBMA for the consideration of \$370,000. A copy of the Agreement is attached to the Application and is marked as Exhibit F. According to PAWC, the negotiations were conducted at arm's length and PAWC and MBMA are not affiliated with each other. PAWC estimated the portion of the purchase attributed to MBMA's water system is \$185,000. The Agreement provides that PAWC will purchase the water and wastewater systems as defined in Section 1.1 of the Agreement.

Excluded assets are discussed in the Agreement's Section 1.2 and specifically exclude sewer service laterals and water service lines on the customer side, any and all grinder pump units and related appurtenances, meter pits, and all storm water system facilities. Excluded assets are further defined in Schedule 1.2 of the Agreement and also include account receivables due for services rendered by MBMA for the benefit of MBMA's customers up to the date of closing, plus seller's cash and cash equivalents held in bank or other related accounts, with the exception of \$12,000 held in escrow for an extension agreement referenced in the Agreement's Schedule 4.13, and any and all personal property situated within property and facilities owned by McEwensville Borough and shared between McEwensville Borough and MBMA. Excluded liabilities are discussed in the Agreement's Section 1.3 and specifically exclude any liabilities of MBMA including any obligations owed by MBMA to others.

As discussed in the Agreement's Schedule 4.13, PAWC and PAWC-WD will assume the Sewer Extension Agreement for EDU reservation for water and sewer service between MBMA and Kenneth R. Weaver and Norma G. Weaver (collectively the Weavers) dated February 8, 2006. MBMA collected \$60,000 from the Weavers in water and sewer reservation fees for 50 EDUs allocated to an undeveloped parcel of land located in Delaware Township along the southwest portion of McEwensville Borough. The combined MBMA EDU reservation fee is based on \$1,200/EDU and is comprised of \$400 per EDU for water and \$800 per EDU for sewer. PAWC stated the Weavers will have a \$60,000 credit in the form of a customer deposit applied against future PAWC-WD wastewater capacity reservation fees. PAWC also stated that it will refund the \$60,000 reservation fee if the Weavers do not receive approval for their subdivision. MBMA also collected \$12,000 in customer advances from the Weavers for legal, engineering and inspection fees that may be incurred by MBMA in connection with the project. PAWC stated that upon completion of the project, PAWC will refund any unused portion of the \$12,000 payment to the Weavers. PAWC reported that subdivision

plans for the Weaver development have not been filed or approved and no structures have been built.

PAWC and PAWC-WD will also assume the agreement between MBMA and Kevin L. Yordy and Janet L. Yordy (collectively the Yordys) dated March 28, 2009 pertaining to water and sewer service. The Yordy Agreement pertains to the Yordy residential development located on the eastern side of Susquehanna Trail (State Route 1007) in the southern portion of McEwensville Borough that consists of 34 building lots. At the time of the execution of the Agreement, the Yordy's paid MBMA \$8,000 that was held in an escrow account. The escrow was established to pay for all legal, engineering and inspection fees incurred by MBMA in connection with the Yordy development. PAWC stated that of the \$8,000 in escrow, \$3,006.94 was returned to the Yordys and the escrow account was closed by MBMA. PAWC reported that there are three lots with structures on them in the Yordy Development.

V. ADDITIONAL CAPITAL REQUIREMENTS

PAWC provided supplemental information stating that it will spend \$208,058 on improvements to MBMA's water system and anticipates completing the improvements within 12 months of closing. MBMA's water system improvements and costs include \$26,420 to install security fencing; \$26,420 to install a Supervisory Control and Data Acquisition (SCADA) system and telemetry; \$13,210 to install security on tank vents and overflows; \$13,210 to install tank level sensors and telemetry; \$13,210 for a tank inspection; \$66,050 for Groundwater Rule (GWR) monitoring equipment and \$49,538 for main replacements.

The following tentative journal entries will be used to record the MBMA water and wastewater system purchases into the accounts of PAWC and PAWC-WD:

	<u>Debit</u>	<u>Credit</u>
Utility Plant		
Water	\$460,000	
Wastewater	<u>\$1,050,000</u>	
Total	<u>\$1,510,000</u>	
Accumulated Depreciation		
Water		\$275,000
Wastewater		<u>\$865,000</u>
Total		\$1,140,000
Short Term Debt		
Water		\$185,000
Wastewater		<u>\$185,000</u>
Total		<u>\$370,000</u>

PAWC stated that it will undertake an original cost study to determine the value of MBMA’s water assets including any contributed property. Once the original cost study is complete and the property’s depreciated original cost and book value are established, PAWC will amend the pro forma balance sheet giving effect to the transfer, accordingly. PAWC also stated it will finance the purchase with a note and cash.

VI. PROPOSED RATES

PAWC stated that at the time of closing, MBMA water customers will be transferred to PAWC and PAWC will adopt MBMA’s existing water rates. However, PAWC will apply its currently tariffed Zone 1 fire hydrant rates as well as apply its tariffed miscellaneous fees for future customers in lieu of MBMA’s fees effective at closing. MBMA currently charges an \$18 monthly service charge that includes the first 3,000 gallons per EDU. For all consumption in excess of 3,000 gallons per month, there is an additional volumetric charge of \$6 per thousand gallons. A typical MBMA residential customer with a 5/8-inch meter using 4,000 gallons currently pays \$24.00 per month ($\$18.00 + [\$6.00/1,000 \text{ gallons}] \times [4,000 \text{ gallons} - 3,000 \text{ gallons}]$) or \$288.00 annually. Under PAWC’s Zone 1 Rates, the same MBMA residential customer would pay \$55.86 per month ($\$15.00 + [\$10.214/1,000 \text{ gallons}] \times 4,000 \text{ gallons}$) or \$670.32 annually.

For commercial customers, MBMA uses an EDU multiplier based upon the size and type of building or facility (e.g., 3 EDUs for a 3-unit apartment building or 5 EDUs for a 5-unit apartment building). A typical MBMA commercial customer using a 1-inch meter using 9,600 gallons with a 3 EDU allocation pays \$57.60 per month ($[\$18.00/\text{EDU} \times 3 \text{ EDUs}] + [\$6.00/1,000 \text{ gallons}] \times [9,600 \text{ gallons} - (3,000 \text{ gallons} \times 3 \text{ EDUs})]$) or \$691.20 annually. Under PAWC's Zone 1 Rates, the same MBMA commercial customer would pay \$132.95 per month ($\$37.80 + [\$9.911/1,000 \text{ gallons} \times 9,600 \text{ gallons}]$) or \$1,595.40 annually.

A typical MBMA municipal customer with a 5/8-inch meter using 4,000 gallons with a 1 EDU allocation pays \$24.00 per month ($\$18.00 + [\$6.00/1,000 \text{ gallons}] \times [4,000 \text{ gallons} - 3,000 \text{ gallons}]$) or \$288.00 annually. Under PAWC's Zone 1 Rates, the same MBMA municipal customer would pay \$54.64 per month ($\$15.00 + [\$9.911/1,000 \text{ gallons} \times 4,000 \text{ gallons}]$) or \$655.68 annually

PAWC stated that as part of the negotiation of the Agreement, MBMA and PAWC agreed that PAWC would apply PAWC's Zone 1 fire hydrant rate of \$15.10 per month/fire hydrant, since MBMA does not have fire hydrant rates. The estimated annual revenue from nine fire hydrants is \$1,631. The estimated annual revenue for 135 customer connections is approximately \$45,277. PAWC estimated its annual expenses to be \$23,770 producing an estimated operating income of approximately \$23,138 ($\$45,277 \text{ Annual Water Service Revenues} + \$1,631 \text{ Annual Fire Hydrant Revenues} - \$23,770 \text{ Annual Expenses}$).

VII. OPERATIONS UNDER PAWC

PAWC's target date to begin providing service to the customers currently served by the MBMA water system is immediately upon closing. PAWC stated that MBMA's

acquired water assets will be operated as a stand-alone system and managed and operated by the PAWC Milton Division's staff. MBMA's acquired assets are approximately 2.6 miles from PAWC's Milton Division systems.

VIII. LAND-USE PLANNING COMPLIANCE

PAWC sent letters to Delaware Township and Northumberland County seeking verification that its acquisition of the MBMA's water and wastewater systems will comply with municipal and county land use planning. PAWC submitted copies of the subject request letters that it sent to Delaware Township and Northumberland County along with corresponding certified mail receipts. According to PAWC, it has not received any comments from Delaware Township or Northumberland County regarding the requests.

IX. OTHER CONSIDERATIONS

According to DEP, PAWC and MBMA have no outstanding compliance or operational issues. Also, PAWC is current with its annual and quarterly earnings and the security planning and readiness report filing requirements. Further, PAWC has no outstanding fines or assessments due to the Commission.

X. CONCLUSION

In its Application, PAWC states that the transfer will have no detrimental effect on the service provided to PAWC's existing customers and that the transfer will have a beneficial effect on the customers of MBMA. MBMA customers will receive the benefit of PAWC's experience in managing and operating water systems, which will result in efficiencies and improvements in the service to the customer. PAWC also has the managerial, technical and financial capabilities to safely and adequately operate the MBMA's water system in compliance with the Public Utility Code, the Safe Drinking

Water Act, the Clean Streams Law and other regulatory requirements, and to make improvements as needed, on a short and long term basis.

Based upon the facts that PAWC will expand its service territory to customers in compliance with Commission regulations and that PAWC will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC's application for the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE, IT IS ORDERED:**

1. That the Application of the Pennsylvania-American Water Company at Docket A-2015-2460981 is hereby approved.

2. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(1)(i), evidencing Commission approval for the Pennsylvania-American Water Company to begin to offer, render, furnish and supply water service to the public in McEwensville Borough and an additional portion of Delaware Township, Northumberland County.

3. That Pennsylvania-American Water Company shall notify the Commission within 10 days of the closing with the McEwensville Municipal Authority.

4. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(3), evidencing Commission approval of the acquisition by the Pennsylvania-American Water Company of substantially all of the water system assets of the McEwensville Municipal Authority, in McEwensville Borough and a portion of Delaware Township, Northumberland County, as described in the Application.

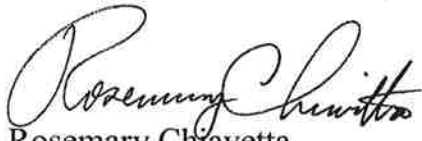
5. That Pennsylvania-American Water Company will file copies of its original cost study of the water system assets acquired from McEwensville Municipal Authority with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

6. That Pennsylvania-American Water Company shall file a tariff supplement incorporating the McEwensville Municipal Authority's water service territory and water service rates that includes an equivalent dwelling unit definition within 10 days following the date of closing, to become effective on one day's notice.

7. That nothing herein shall be construed as an approval or determination of costs or expenses for the purpose of just or reasonable rates or to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.

8. That a copy of this Order be served upon The Pennsylvania-American Water Company, the McEwensville Municipal Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, the Bureau of Corporate Taxes, the Department of Environmental Protection – Northcentral Regional Office and its Central Office Bureau of Regulatory Counsel.

BY THE COMMISSION,


Rosemary Chivetta
Secretary

(SEAL)

ORDER ADOPTED: October 1, 2015

ORDER ENTERED: October 1, 2015

**CITIZENS UTILITIES WATER COMPANY
CAC/CIAC ADJUSTMENT**

Pennsylvania American Water
 Citizens Utilities Water Company CAC/CIAC Adjustment
 Per Commission Order Entered 12.07.09 at Docket No. R-2009-2097323

		PAWC 40%	
		12/31/2009	12/31/2009
<u>Customer Advances (CAC)</u>			
Customer Advances (CAC)		\$ (39,618,268)	\$ (15,847,307)
Accumulated Amortization		4,250,246	1,700,099
Net CAC		<u>\$ (35,368,022)</u>	<u>\$ (14,147,208)</u>
Depreciation Rate			
(Mains)			
2010 Amortization	1.28%		202,846
2011 Amortization	1.28%		202,846
2012 Amortization	1.18%		186,998
2013 Amortization	1.18%		186,998
2014 Amortization	1.18%		186,998
2015 Amortization	1.18%		186,998
2016 Amortization	1.18%		186,998
2017 Amortization	1.17%		185,413
2018 Amortization	1.17%		185,413
Net CAC Deduction for Rate Making @ 12/31/2018			<u><u>\$ (12,435,700)</u></u>

		PAWC 100%	
		12/31/2009	12/31/2009
<u>Contributions in Aid of Construction (CIAC)</u>			
Citizens		\$ (11,943,182)	\$ (11,943,182)
Accumulated Amortization		3,047,352	3,047,352
Net CIAC		<u>\$ (8,895,830)</u>	<u>\$ (8,895,830)</u>
Depreciation Rate			
(Mains)			
2010 Amortization	1.28%		152,873
2011 Amortization	1.28%		152,873
2012 Amortization	1.18%		140,930
2013 Amortization	1.18%		140,930
2014 Amortization	1.18%		140,930
2015 Amortization	1.18%		140,930
2016 Amortization	1.18%		140,930
2017 Amortization	1.17%		139,735
2018 Amortization	1.17%		139,735
Net CIAC Deduction for Rate Making @ 12/31/2018			<u><u>\$ (7,605,964)</u></u>

Total CAC & CIAC			\$ (20,041,664)
Total Amortization		2017	325,148
		2018	325,148

Reference 3-A Summary of rate base adjustments & Depreciation expense.

**Pennsylvania-American Water Company - Wastewater Operations
(excluding Scranton Wastewater)**

Future Test Year Additions, Acquisitions

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FUTURE TEST YEAR ADDITIONS
WASTEWATER
(EXCLUDING SCRANTON WASTEWATER)

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017
 WASTEWATER OPERATIONS EXCLUDING SCRANTON WASTEWATER

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
359.10	Comprehensive Planning Studies	\$	89,917	Mar-17	None		
	Comprehensive Planning Studies	\$	(6,786)	Jun-17	None		
	Comprehensive Planning Studies	\$	19,250	Sep-17	None		
	Comprehensive Planning Studies	\$	(53,381)	Dec-17	None		
	Account Subtotal		\$49,000			\$0	
354.20	Fairview Twp Act 537 Area Phase 2	124-600001	3,066,760	May-17	None		
	Account Subtotal		\$3,066,760			\$0	
354.30	N.C.WW Northwest Pump Station & Force Mn	124-870002	108,850	Mar-17	N.C.WW Northwest Pump Station & Force Mn	26,000	Mar-17
	Account Subtotal		\$108,850			\$26,000	
354.70	Structures And Improvements - General	N	0	Mar-17	None		
	Structures And Improvements - General	N	0	Jun-17	None		
	Structures And Improvements - General	N	0	Sep-17	None		
	Structures And Improvements - General	N	5,000	Dec-17	Retire Structures And Improvements - General	400	Dec-17
	Account Subtotal		\$5,000			\$400	
355.00	Process Plant Facilities and Equipment	Q	56,931	Mar-17	Retire - Process Plant Facilities and Equipment	4,554	Mar-17
	Process Plant Facilities and Equipment	Q	163,321	Jun-17	Retire - Process Plant Facilities and Equipment	13,066	Jun-17
	Process Plant Facilities and Equipment	Q	222,122	Sep-17	Retire - Process Plant Facilities and Equipment	17,770	Sep-17
	Process Plant Facilities and Equipment	Q	407,626	Dec-17	Retire - Process Plant Facilities and Equipment	32,610	Dec-17
	Account Subtotal		\$850,000			\$68,000	
360.10	Collection Sewers - Forced Mains	R	0	Mar-17	None		
	N.C.WW Northwest Pump Station & Force Mn	124-870002	481,100	Mar-17	None		
	Fairview Twp Act 537 Area Phase 2	124-600001	494,824	May-17	None		
	Collection Sewers - Forced Mains	R	0	Jun-17	None		
	Collection Sewers - Forced Mains	R	0	Sep-17	None		
	Collection Sewers - Forced Mains	R	0	Dec-17	None		
	Marcel Lake WW Upgrades	124-690001	265,000	Dec-17	None		
	Shippenville WW Upgrades	124-380002	783,467	Dec-17	None		
	Account Subtotal		\$2,024,391			\$0	
361.10	Developer Funded	DV	5,168	Mar-17	None		
	Collection Sewers - Gravity Mains - New	A	7,580	Mar-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	126,036	Mar-17	Retire Collection Sewers - Gravity Mains	2,521	Mar-17
	Collection Sewers - Gravity Mains - Unscheduled	C	49,852	Mar-17	Retire Collection Sewers - Gravity Mains	997	Mar-17
	Collection Sewers - Gravity Mains - Relocated	D	0	Mar-17	None		
	Fairview Twp Act 537 Area Phase 2	124-600001	3,980,754	May-17	None		
	Developer Funded	DV	11,449	Jun-17	None		
	Collection Sewers - Gravity Mains - New	A	13,794	Jun-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,078,060	Jun-17	Retire Collection Sewers - Gravity Mains	21,561	Jun-17
	Collection Sewers - Gravity Mains - Unscheduled	C	31,082	Jun-17	Retire Collection Sewers - Gravity Mains	622	Jun-17
	Collection Sewers - Gravity Mains - Relocated	D	0	Jun-17	None		
	Developer Funded	DV	17,254	Sep-17	None		
	Collection Sewers - Gravity Mains - New	A	23,959	Sep-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,308,228	Sep-17	Retire Collection Sewers - Gravity Mains	26,165	Sep-17
	Collection Sewers - Gravity Mains - Unscheduled	C	54,080	Sep-17	Retire Collection Sewers - Gravity Mains	1,082	Sep-17
	Collection Sewers - Gravity Mains - Relocated	D	0	Sep-17	None		
	Developer Funded	DV	7,905	Dec-17	None		
	Collection Sewers - Gravity Mains - New	A	20,668	Dec-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	591,676	Dec-17	Retire Collection Sewers - Gravity Mains	11,834	Dec-17

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
361.20	Collection Sewers - Gravity Mains - Unscheduled	C	44,986	Dec-17	Retire Collection Sewers - Gravity Mains	900	Dec-17
	Collection Sewers - Gravity Mains - Relocated	D	0	Dec-17	Retire Collection Sewers - Gravity Mains		Dec-17
	Marcel Lake WW Upgrades	I24-690001	3,985,964	Dec-17	POST ACQ Marcel Lake WW	400,000	Dec-17
	Shipperville WW Upgrades	I24-380002	326,445	Dec-17	None		
	Account Subtotal		\$11,684,940			\$465,682	
363.00	Manholes - New	E	6,644	Mar-17	None		
	Manholes - Replaced	F	15,374	Mar-17	Retire Manholes	307	Mar-17
	Fairview Twp Act 537 Area Phase 2	I24-600001	1,421,190	May-17	None		
	Manholes - New	E	5,936	Jun-17	None		
	Manholes - Replaced	F	19,892	Jun-17	Retire Manholes	398	Jun-17
	Manholes - New	E	8,832	Sep-17	None		
	Manholes - Replaced	F	20,125	Sep-17	Retire Manholes	403	Sep-17
	Manholes - New	E	4,587	Dec-17	None		
	Manholes - Replaced	F	19,609	Dec-17	Retire Manholes	392	Dec-17
	Marcel Lake WW Upgrades	I24-690001	500,000	Dec-17	None		
	Account Subtotal		\$2,022,189			\$1,500	
371.00	Services and Laterals - New	G	24,244	Mar-17	None		
	Services and Laterals - Replaced	H	104,849	Mar-17	Retire Services	4,194	Mar-17
	Services and Laterals - New	G	24,844	Jun-17	None		
	Services and Laterals - Replaced	H	125,414	Jun-17	Retire Services	5,017	Jun-17
	Services and Laterals - New	G	30,094	Sep-17	None		
	Services and Laterals - Replaced	H	164,191	Sep-17	Retire Services	6,568	Sep-17
	Services and Laterals - New	G	28,818	Dec-17	None		
	Services and Laterals - Replaced	H	135,546	Dec-17	Retire Services	5,422	Dec-17
	Account Subtotal		\$638,000			\$21,201	
371.00	Shipperville WW Upgrades	I24-380002	1,828,090	Dec-17	None		
	Account Subtotal		\$1,828,090			\$0	
380.00	Fairview S. WWTP Organic Upgrade	I24-600003	1,079,448	Dec-17	Fairview S. WWTP Organic Upgrade	40,000	
	Account Subtotal		\$1,079,448		Shipperville WW Upgrades	16,300	
390.00	Account Subtotal					\$56,300	
391.00	Vehicles	O	192,000	Sep-17	Retire Office Furniture & Equipment	3,200	Dec-17
	Account Subtotal		\$192,000			\$3,200	
393.00	Tools and Equipment	P	5,929	Mar-17	Retire - Tools and Equipment	474	Mar-17
	Tools and Equipment	P	12,167	Jun-17	Retire - Tools and Equipment	973	Jun-17
	Tools and Equipment	P	9,566	Sep-17	Retire - Tools and Equipment	765	Sep-17
	Tools and Equipment	P	5,839	Dec-17	Retire - Tools and Equipment	44,650	Dec-17
	Account Subtotal		\$33,501			\$46,862	
394.00	Account Subtotal				Retire - Lab Equipment	26,598	Dec-17
	Account Subtotal					\$26,598	
397.00	Account Subtotal				Retire - Miscellaneous Equipment	55,001	Dec-17
	Account Subtotal					\$55,001	
	Grand Total		\$23,582,169			\$770,744	

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
 WASTEWATER OPERATIONS EXCLUDING SCRANTON WASTEWATER

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
389.10	Comprehensive Planning Studies	S	102,762	Mar-18	None		
	Comprehensive Planning Studies	S	(7,755)	Jun-18	None		
	Comprehensive Planning Studies	S	22,000	Sep-18	None		
	Comprehensive Planning Studies	S	(61,007)	Dec-18	None		
	Account Subtotal		\$56,000			\$0	
354.30	Post ACQ Fairview TWP	I24-600002	349,091	Aug-18	Post ACQ Fairview TWP	40,000	Aug-18
	POST ACQ BD Koppel Borough	I24-350001	218,805	Dec-18	None		
	Account Subtotal		\$567,896			\$40,000	
354.70	Structures And Improvements - General	N	0	Mar-18	None		
	Structures And Improvements - General	N	0	Jun-18	None		
	Structures And Improvements - General	N	0	Sep-18	None		
	Structures And Improvements - General	N	5,000	Dec-18	Retire Structures And Improvements - General	400	Dec-18
	PCP WWTP Headworks (screening)	I24-580004	225,000	Dec-18	None		
	Account Subtotal		\$230,000			\$400	
355.00	Process Plant Facilities and Equipment	Q	56,931	Mar-18	Retire - Process Plant Facilities and Equipment	4,554	Mar-18
	Process Plant Facilities and Equipment	Q	163,321	Jun-18	Retire - Process Plant Facilities and Equipment	13,066	Jun-18
	Process Plant Facilities and Equipment	Q	222,122	Sep-18	Retire - Process Plant Facilities and Equipment	17,770	Sep-18
	Process Plant Facilities and Equipment	Q	407,626	Dec-18	Retire - Process Plant Facilities and Equipment	32,610	Dec-18
	Account Subtotal		\$850,000			\$68,000	
361.10	Developer Funded	DV	5,168	Mar-18	None		
	Collection Sewers - Gravity Mains - New	A	7,580	Mar-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	126,036	Mar-18	Retire Collection Sewers - Gravity Mains	2,521	Mar-18
	Collection Sewers - Gravity Mains - Unscheduled	C	49,852	Mar-18	Retire Collection Sewers - Gravity Mains	997	Mar-18
	Collection Sewers - Gravity Mains - Relocated	D	0	Mar-18	None		
	Developer Funded	DV	11,449	Jun-18	None		
	Collection Sewers - Gravity Mains - New	A	13,794	Jun-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,078,060	Jun-18	Retire Collection Sewers - Gravity Mains	21,561	Jun-18
	Collection Sewers - Gravity Mains - Unscheduled	C	31,082	Jun-18	Retire Collection Sewers - Gravity Mains	622	Jun-18
	Collection Sewers - Gravity Mains - Relocated	D	0	Jun-18	None		
	Developer Funded	DV	17,254	Sep-18	None		
	Collection Sewers - Gravity Mains - New	A	23,959	Sep-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,308,228	Sep-18	Retire Collection Sewers - Gravity Mains	26,165	Sep-18
	Collection Sewers - Gravity Mains - Unscheduled	C	54,080	Sep-18	Retire Collection Sewers - Gravity Mains	1,082	Sep-18
	Collection Sewers - Gravity Mains - Relocated	D	0	Sep-18	None		
	Developer Funded	DV	7,905	Dec-18	None		
	Collection Sewers - Gravity Mains - New	A	20,668	Dec-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	591,676	Dec-18	Retire Collection Sewers - Gravity Mains	11,834	Dec-18
	Collection Sewers - Gravity Mains - Unscheduled	C	44,986	Dec-18	Retire Collection Sewers - Gravity Mains	900	Dec-18
	Collection Sewers - Gravity Mains - Relocated	D	0	Dec-18	None		
	POST ACQ BD Koppel Borough	I24-350001	343,835	Dec-18	None		

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
361.20	Account Subtotal		\$3,735,612			\$65,682	
	Manholes - New	E	8,049	Mar-18	None		
	Manholes - Replaced	F	15,374	Mar-18	Retire Manholes	307	Mar-18
	Manholes - New	E	7,192	Jun-18	None		
	Manholes - Replaced	F	19,892	Jun-18	Retire Manholes	398	Jun-18
	Manholes - New	E	10,700	Sep-18	None		
	Manholes - Replaced	F	20,125	Sep-18	Retire Manholes	403	Sep-18
	Manholes - New	E	5,559	Dec-18	None		
	Manholes - Replaced	F	19,609	Dec-18	Retire Manholes	392	Dec-18
	POST ACQ BD Koppel Borough	124-350001	62,515	Dec-18	None		
	Account Subtotal		\$169,015			\$1,500	
363.00	Account Subtotal						
	Services and Laterals - New	G	24,693	Mar-18	None		
	Services and Laterals - Replaced	H	104,849	Mar-18	Retire Services	4,194	Mar-18
	Services and Laterals - New	G	25,304	Jun-18	None		
	Services and Laterals - Replaced	H	125,414	Jun-18	Retire Services	5,017	Jun-18
	Services and Laterals - New	G	30,651	Sep-18	None		
	Services and Laterals - Replaced	H	164,191	Sep-18	Retire Services	6,568	Sep-18
	Services and Laterals - New	G	29,352	Dec-18	None		
	Services and Laterals - Replaced	H	135,546	Dec-18	Retire Services	5,422	Dec-18
	Account Subtotal		\$640,000			\$21,201	
371.00	Account Subtotal						
	PAINT ELK WW	124-380001	80,948	Dec-18	None	\$0	
	Account Subtotal		\$80,948				
380.00	Account Subtotal						
	Post ACQ Fairview TWP	124-600002	290,909	Aug-18	Post ACQ Fairview TWP	40,000	Aug-18
	POST ACQ Marcel Lake WWTP Upgrades	124-690003	1,958,969	Dec-18	POST ACQ Marcel Lake WWTP Upgrades	150,000	Dec-18
	Clarion WW - Solids Handling Project	124-470006	725,000	Dec-18	Clarion WW - Solids Handling Project	25,000	Dec-18
	PAINT ELK WW	124-380001	674,565	Dec-18	None		
	PCP WWTP Headworks (screening)	124-580004	486,000	Dec-18	PCP WWTP Headworks (screening)	1,000	Dec-18
	Account Subtotal		\$4,135,443			\$216,000	
393.00	Account Subtotal						
	Tools and Equipment	P	7,964	Mar-18	None		
	Tools and Equipment	P	16,344	Jun-18	None		
	Tools and Equipment	P	12,849	Sep-18	None		
	Tools and Equipment	P	7,844	Dec-18	Retire - Tools and Equipment	1,699	Dec-18
	Account Subtotal		\$45,001			\$1,699	
397.00	Account Subtotal						
	Retire - Miscellaneous Equipment				Retire - Miscellaneous Equipment	139,403	Dec-18
	Account Subtotal					\$139,403	
	Grand Total		\$10,509,915			\$553,885	

**WASTEWATER ACQUISITIONS
(EXCLUDING SCRANTON WASTEWATER)**

Koppel Borough

Wastewater

R-2012-2307203

**PENNSYLVANIA AMERICAN WATER COMPANY
 KOPPEL BOROUGH SEWER AUTHORITY ACQUISITION
 CLOSED 5/30/2013**

	<u>Total</u>
UPIS	\$ 2,273,816
Accumulated Depreciation	(486,682)
CIAC / CA	(97,149)
Accumulated Depreciation	14,971
Net UPIS	<u>\$ 1,704,957</u>
 Costs (Estimated)	 1,753,057
 Utility Plant Acquisition Adjustment	 <u><u>\$ 48,100</u></u>



Shared Services Center
131 Woodcrest Rd, Cherry Hill, NJ 08003 (886) 777-8426

JOURNAL ENTRY REQUEST

Batch # (ssc USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC)/Date: Tom Markward 6-19-13

Document Type: UA
 Journal # (ssc USE): 2000004092
 Document Date: June 2013
 Posting Date: June 2013
 Requested By (Operating Unit): _____
 Approved By (SSC)/Date: _____

*Entered by
Jill Patti
6/20/13*

*Angela
6/20/13*

*Reviewed by
Jill Patti
6/20/13*

Please add rows as necessary to the table below in order to complete your requested journal entry.

Quarter Impacted: 2nd

Check box for reversing entry:

Doc Header Text: Koppel Boro Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Koppel Borough acquisition which closed on 05/31/2013.

GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Order	Assignment	Debit Amount	Credit Amount
10400000		50	Acquisition Costs			B24-01-0020				1,742,194.58
10400000		50	Legal Bills/Misc Payable			B24-01-0020				7,500.00
10135320		40	UPIIS - Koppel Boro		2435				2.00	
10135340		40	UPIIS - Koppel Boro		2435				1.00	
10135440		40	UPIIS - Koppel Boro		2435				460,507.02	
10135520		40	UPIIS - Koppel Boro		2435				70,231.14	
10136110		40	UPIIS - Koppel Boro		2435				378,032.73	
10136300		40	UPIIS - Koppel Boro		2435				14,825.64	
10137110		40	UPIIS - Koppel Boro		2435				31,902.91	
10138000		40	UPIIS - Koppel Boro		2435				1,306,088.77	
10138200		40	UPIIS - Koppel Boro		2435				14,224.93	
10801000		50	Depr Reserve - Koppel Boro		2435					486,681.58
27116000		50	CIAC		2435					97,148.64
27206000		40	CIAC Accum Amort		2435				14,971.05	
18650000		40	Positive Acq Premlum - Koppel Boro			B24-01-0020			44,737.71	
Totals									2,333,524.90	2,333,524.90

Please indicate the following:

Utility Subsidiary:	1024 - Pennsylvania American
Submitted by:	Tom Markward
Submission Date:	June 19, 2013
Phone Number:	856-310-5823

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of Koppel Borough's Sewer System

Original Cost of Sewer Utility Plant and
Depreciation Reserve Calculations
at
May 30, 2013

Gary D. Shambaugh, Principal & Director
David A. Sheffer, Senior Associate

AUS CONSULTANTS
275 Grandview Avenue, Suite 100
Camp Hill, PA 17011
www.ausinc.com

May 2013

Pennsylvania-American Water Company

Acquisition of Koppel Borough's Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of May 30, 2013
Based Upon Whole Life Depreciation

<u>Acct. No.</u>	<u>Description</u>	<u>Original Cost at 05/30/13</u>	<u>ASL/lowa Curve</u>	<u>Calculated Depreciation Reserve</u>	<u>Depreciated Original Cost at 05/30/13</u>
<u>Non-Depreciable Plant:</u>					
353.2	Land & Land Rights - Collection Plant	\$2.00		\$0.00	\$2.00
353.4	Land & Land Rights - Treat. & Disposal Plant	1.00		0.00	1.00
	Total Non-Depreciable Plant	\$3.00		\$0.00	\$3.00
<u>Depreciable Plant:</u>					
354.4	Structures & Impr. - Treat. & Disposal Plant	\$460,507.02	65-R3	\$69,790.21	\$390,716.81
355	Power Production Equipment	70,231.14	25-R3	21,229.04	49,002.10
361	Collection Sewers - Gravity:				
361.11	Vitrified Clay Mains, 5"-8"	\$112,258.07	80-R3	\$70,373.34	\$41,884.73
361.12	Vitrified Clay Mains, 10"-15"	20,005.84	90-R3	13,210.61	6,795.23
361.21	Plastic Mains, 8"	136,375.08	80-R3	43,078.32	93,296.76
361.22	Plastic Mains, 12"	26,804.06	90-R3	2,019.22	24,784.84
361.50	Manholes	80,589.68	90-R3	24,852.44	55,737.24
	Total 361	\$376,032.73		\$153,533.93	\$222,498.80
363	Services to Customers	\$14,825.64	40-R3	\$13,801.73	\$1,023.91
371	Pumping Equipment	31,902.91	25-R3	8,449.03	23,453.88
380	Treatment & Disposal Equipment	1,306,088.77	50-R3	217,439.43	1,088,649.34
382	Outfall Sewer Lines:				
382.10	Cast Iron Mains, 10"	\$4,984.00	100-R3	\$1,786.20	\$3,197.80
382.20	Ductile Iron Mains, 18"	9,240.93	110-R3	652.11	8,588.82
	Total 382	\$14,224.93		\$2,438.31	\$11,786.62
	Total Depreciable Plant	\$2,273,813.14		\$486,681.68	\$1,787,131.46
	Total Plant in Service	\$2,273,816.14		\$486,681.68	\$1,787,134.46
<u>Deduct: Contributions in Aid of Construction:</u>					
380	Treatment & Disposal Equipment	\$97,148.64	50-R3	\$14,971.05	\$82,177.59
	Total Contributions in Aid of Construction	\$97,148.64		\$14,971.05	\$82,177.59
	Total Plant in Service (Net)	\$2,176,667.50		\$471,710.63	\$1,704,956.87

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held February 28, 2013

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer

Application of Pennsylvania-American Water Company for approval of (1) the transfer, by sale, of substantially all of Koppel Borough's assets, properties and rights related to its wastewater system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in all of Koppel Borough, Beaver County, Pennsylvania.

Docket Number:
A-2012-2307203

ORDER

BY THE COMMISSION:

On May 30, 2012, pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), Pennsylvania-American Water Company (Pennsylvania-American), 800 West Hersheypark Drive, PA 17033 filed an Application for approval of: (1) the transfer, by sale, of substantially all of Koppel Borough's assets, properties and rights related to its wastewater system to Pennsylvania-American, and (2) the rights of Pennsylvania-American to begin to offer or furnish wastewater service to the public in all of Koppel Borough.

Proofs of service and publication were submitted by Pennsylvania-American. In addition, notice of this Application was published in *The Pennsylvania Bulletin*, 42 Pa. B 3548, Saturday, June 16, 2012. The protest period ended July 2, 2012. No protests were filed and no hearings were held.

The preparation of this Order was delayed because Pennsylvania-American did not respond to the Commission's data requests in a timely manner. Final responses from Pennsylvania-American were not received until January 18, 2013.

Pennsylvania-American is a regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public, and collection, treating, transporting and disposing of wastewater and sewage for the public. Water and wastewater service is furnished by Pennsylvania-American to the public in a service territory encompassing more than 290 communities across the Commonwealth with a combined population of over 2,000,000. A description of Pennsylvania-American's certificated water and wastewater franchise territory is found in Exhibit A attached to the Application, along with a detailed corporate history, outlining all of the mergers, acquisitions, and consolidations which have created Pennsylvania-American as it exists today.

Koppel Borough provides wastewater service to the public in a service territory encompassing all of Koppel Borough, Beaver County, Pennsylvania, with a population of approximately 1,200. As of December 31, 2011, Koppel Borough furnished wastewater service to 500 customers. A map representing the service territory is found in Exhibit L, attached to the Application.

Pennsylvania-American entered into an executed Purchase Agreement (Agreement) with Koppel Borough dated March 29, 2012, to purchase the Borough's

wastewater collection and treatment system. A copy of this Agreement is found in the Application, as Exhibit F.

The consideration for transfer of the wastewater system is \$1,833,000 as outlined in Paragraph 2.1 of the Agreement. Negotiations were conducted at arm's length. The "Acquired Assets" to be transferred include all of Koppel Borough's assets, properties and rights related to its wastewater system as described in Article 1 of the Agreement. Assets excluded from the sale are cash, checking, saving, CD's, investments and accounts receivable.

Pennsylvania-American stated that no corporation, partnership or individual, other than Koppel Borough is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by Pennsylvania-American in the territory covered by this Application, and no competitive condition will be created. Pennsylvania-American also stated that the proposed transaction will have no effect on its existing customers. Pennsylvania-American will adopt Koppel Borough's rates at the time of closing, in addition to Koppel Borough's existing rules and regulations regarding conditions of service. A copy of the adopted 2012 Koppel Borough's Rate Schedule is found in the Application, as attached Exhibit K.

Pennsylvania-American submits that the proposed transfer will have a beneficial effect on the customers of Koppel Borough. Pennsylvania-American states that it has the managerial, technical and financial capabilities to operate the system within the regulatory guidelines, make improvements as needed, and improve centralized management including customer and administrative services. Pennsylvania-American currently provides water service to Koppel Borough. The geographic overlap between Koppel Borough's corporate boundaries and Pennsylvania-American's existing water operations creates opportunities for functional and operational consolidation, and associated efficiencies and cost savings.

Pennsylvania-American is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission. Pennsylvania Department of Environmental Protection does not have any pending actions or outstanding complaints against Koppel Borough's wastewater treatment operation.

Koppel Borough Council's executed Resolution, effective June 19, 2012, for the sale of its wastewater treatment assets was filed on January 18, 2013 as a response to a data request. The filing of this Resolution completes the Application's Exhibit J which was noted "to be filed separately" in the original Application.

Based upon the facts that Pennsylvania-American will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that Pennsylvania-American will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting Pennsylvania-American's Application for approval of the transfer and abandonment is necessary or proper for the service, accommodation, convenience, or safety of the public;

THEREFORE,

IT IS ORDERED:

1. That the Application of Pennsylvania-American Water Company at Docket No. A-2012-2307203, is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102 (a)(1)(i) and (3), evidencing Commission approval of the acquisition by Pennsylvania-American

Water Company of the wastewater system assets of Koppel Borough, situated in Beaver County, as described in the Application.

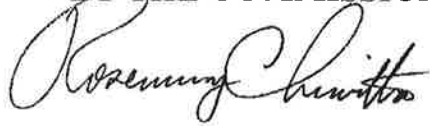
3. That upon receipt of notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer, render, furnish and supply wastewater treatment service to the public in Koppel Borough, Beaver County, Pennsylvania.

4. That following closing, Pennsylvania-American Water Company shall file a tariff supplement for the subject franchise territory within 10 days after the date of closing.

5. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

6. That a copy of this Order be served upon Pennsylvania-American Water Company, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Southwest Clean Water Field Operations-Region 5 and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: February 28, 2013

ORDER ENTERED: February 28, 2013

**SATISFACTION OF THE CRITERIA ESTABLISHED BY §1327(A)
FOR INCLUDING IN RATE BASE A POSITIVE ACQUISITION ADJUSTMENT**

Koppel Borough Wastewater System

Section 1327(a) ¹ Criteria	Satisfied (Y/N)	Explanation	Attachments/References
(1) the property is used and useful in providing water or sewer service;	Y	Original cost study prepared and submitted to the Commission	Reference: Original Cost Study
(2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;	Y	Total Customers – 500	Attachment: Commission Order Docket No. A-2012-2307203
(3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:	Y		

¹ The introductory paragraph of Section 1327(a) provides as follows:

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility, provided that the acquiring public utility proves that....

Section 1327(a)Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;</p>	Y	<p>Koppel Borough experienced several permit exceedances. The permit exceedances consisted of two for Fecal Coliform and two for chlorine concentrations (one for average and one for maximum) in the effluent.</p>	
<p>(ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;</p>			
<p>(iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;</p>			
<p>(iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or</p>			
<p>(v) any other facts, as the commission may determine, that evidence the inability of the</p>			

small water or sewer utility to furnish or maintain adequate, efficient, safe and reasonable service and facilities;					
(4) reasonable and prudent investments will be made to assure that the customers served by the property will receive adequate, efficient, safe and reasonable service;	Y	Capital improvements estimated at \$634,000 will be completed over the next 5 years to improve safety and address current and projected future deficiencies in the collection system and treatment plant.	PAWC and Koppel Borough entered into an Asset Purchase Agreement.	Attachment: Asset Purchase Agreement between PAWC and Koppel Borough	
(5) the public utility, municipal corporation or person whose property is being acquired is in agreement with the acquisition and the negotiations which led to the acquisition were conducted at arm's length;	Y	PAWC and Koppel Borough agreed on the purchase price. The Commission approved the company's application to acquire. An OC Study was completed to support utility plant purchase.		Reference: Asset Purchase Agreement between PAWC and Koppel Borough and Commission Order Docket No. A-2012-2307203	
(6) the actual purchase price is reasonable;	Y				

<p>(7) neither the acquiring nor the selling public utility, municipal corporation or person is unaffiliated interest of the other;</p>	<p>Y</p>	<p>Neither PAWC nor Koppel Borough was an affiliated interest of the other. PAWC is a jurisdictional public utility existing under the laws of the Commonwealth and Koppel Borough is a municipality in Beaver County, Pa.</p>	<p>Attachment: Commission Order Docket No. A-2012-2307203</p>
<p>(8) the rates charged by the acquiring public utility to its pre-acquisition customers will not increase unreasonably because of the acquisition; and</p>	<p>Y</p>	<p>The purchase agreement and the PUC order stipulated that PAWC adopt the Borough's rate structure.</p>	<p>Attachment: Asset Purchase Agreement between PAWC and Koppel Borough</p>
<p>(9) the excess of the acquisition cost over the depreciated original cost will be added to the rate base to be amortized as an addition to expense over a reasonable period of time with corresponding reductions in the rate base.</p>	<p>Y</p>	<p>PAWC believes strongly that it has satisfied the criteria established by 1327(a).</p>	<p>Reference: Section 1327(a)</p>

Franklin Township Municipal Authority

Wastewater

R-2013-2433624

**PENNSYLVANIA AMERICAN WATER COMPANY
 FRANKLIN TOWNSHIP MUNICIPAL SEWER AUTHORITY ACQUISITION
 CLOSED 8/29/13**

	<u>Total</u>
UPIS	\$ 8,912,866
Accumulated Depreciation	(820,784)
CIAC / CA	(2,101,802)
Accumulated Depreciation	182,006
Net UPIS	<u>\$ 6,172,286</u>
Costs (Estimated)	5,558,280
Utility Plant Acquisition Adjustment	<u><u>\$ (614,006)</u></u>



AMERICAN WATER

JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003 (856) 777-9426

Batch # (SSC USE):
Company Code: 1024 - Pennsylvania American
Prepared By (Operating Unit):
Prepared By (SSC): Tom Markward 9-16-13

Document Type: UA
Journal # (SSC USE): 2000005264
Document Date: September 2013
Posting Date: September 2013
Requested By (Operating Unit):
Approved By (SSC):

Received by
Lester
9/19/13
Manning 9/20/13

Quarter Impacted: 3rd

This is not a Reversing Entry

Doc Header Text

Franklin Township Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Franklin Township acquisition which closed on 08/20/2013.
Handwritten: Angela, Gordon, 9-20-13

Please add rows as necessary to the table below in order to complete your requested journal entry.

Table with columns: Company Code, GL Account, Trading Partner, Posting Key, Explanation, Cost Center, Profit Center, WBS Element, Internal Order, Assignment, Debit Amount, Credit Amount. Includes handwritten annotations like 'K.1', 'J.16', and 'C'.

Totals 9,094,871.81 9,094,871.81

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Franklin Township Municipal Sewer Authority***

**Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at August 29, 2013**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

August 2013

Pennsylvania-American Water Company, Inc.

Acquisition of the Franklin Township Municipal Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of August 29, 2013
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 8/29/13	Service Life	Calculated Depreciation Reserve 8/29/13	Depreciated Original Cost at 8/29/13
<u>Non-Depreciable Plant:</u>						
353.2	Land & Land Rights - Collection		\$37,913.50		\$0.00	\$37,913.50
353.4	Land & Land Rights - Treatment & Disposal		582.00		0.00	582.00
	Total Non-Depreciable Plant		\$38,495.50		\$0.00	\$38,495.50
<u>Depreciable Plant:</u>						
354.4	Structures & Improvements - Treatment & Disposal	2004	\$12,358.03	65	\$1,933.56	\$10,424.47
354.4	Structures & Improvements - Treatment & Disposal	2009	2,726,676.27	65	216,875.64	2,509,800.63
	Total Account 354.4		\$2,739,034.30		\$218,809.20	\$2,520,225.10
355	Power Generation Equipment	2009	\$121,805.51	30	\$20,991.15	\$100,814.36
361	Collection Sewers - Gravity:					
	Plastic Pipe, 6"	2004	\$20,691.04	70	\$3,006.11	\$17,684.93
	Plastic Pipe, 8"	2009	2,562,763.56	70	189,278.39	2,373,485.17
	Plastic Pipe, 10"	2009	682,699.31	70	50,422.22	632,277.09
	Manholes	2009	602,397.77	70	44,491.38	557,906.39
	Total Account 361		\$3,868,551.68		\$287,198.10	\$3,581,353.58
363	Services	2004	\$11,089.37	55	\$2,050.53	\$9,038.84
363	Services	2009	404,572.63	55	38,029.83	366,542.80
363	Services	2012	1,314.72	55	51.87	1,262.85
	Total Account 363		\$416,976.72		\$40,132.23	\$376,844.49
370	Receiving Well	2009	\$23,348.22	65	\$1,857.08	\$21,491.14
371	Pumping Equipment	2009	168,108.47	25	34,764.83	133,343.64
380	Treatment & Disposal Equipment	2004	139,218.84	40	35,396.39	103,822.45
380	Treatment & Disposal Equipment	2009	1,349,973.75	40	174,484.11	1,175,489.64
380	Treatment & Disposal Equipment	2012	5,862.42	40	318.04	5,544.38
	Total Account 380		\$1,495,055.01		\$210,198.54	\$1,284,856.47
382	Outfall Sewer Lines	2004	\$1,695.94	65	\$265.35	\$1,430.59
382	Outfall Sewer Lines	2009	26,051.26	65	2,072.08	23,979.18
	Total Account 382		\$27,747.20		\$2,337.43	\$25,409.77
390	Office Furniture	2009	\$2,420.58	20	\$625.72	\$1,794.86
393	Tools, Shop & Garage Equipment	2009	378.54	20	97.85	280.69
394	Laboratory Equipment	2009	10,944.13	15	3,772.08	7,172.05
	Total Depreciable Plant		\$8,874,370.36		\$820,784.21	\$8,053,586.15
	Total Plant in Service		\$8,912,865.86		\$820,784.21	\$8,092,081.65
<u>Deduct: Contributions In Aid of Construction:</u>						
361	Plastic Pipe, 6"	2004	(\$20,691.04)	70	(\$3,006.11)	(\$17,684.93)
361	Plastic Pipe, 8"	2009	(1,577,229.37)	70	(116,489.65)	(1,460,739.72)
363	Services	2004	(11,089.37)	55	(2,050.53)	(9,038.84)
363	Services	2009	(404,572.63)	55	(38,029.83)	(366,542.80)
380	Treatment & Disposal Equipment	2004	(88,219.59)	40	(22,429.83)	(65,789.76)
	Total Contributions In Aid of Construction		(\$2,101,802.00)		(\$182,005.95)	(\$1,919,796.05)
	Total Plant in Service (Net)		\$6,811,063.86		\$638,778.26	\$6,172,285.60

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held August 29, 2013

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner
James H. Cawley
Pamela A. Witmer

Application of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer, by sale, of substantially all of Franklin Township Municipal Sewer Authority (FTMSA) properties and rights related to its wastewater system to PAWC, and 2) the rights of PAWC to begin to offer or furnish wastewater service to the public in portions of Franklin Township, Adams County, Pennsylvania.

Docket Number:
A-2013-2344624

ORDER

BY THE COMMISSION:

By the application filed on January 17, 2013, Pennsylvania-American Water Company (“PAWC”), 800 West Hersheypark Drive, Hershey, PA 17033, Utility Code 212285, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing commission approval of: 1) the acquisition by PAWC of the wastewater system assets of Franklin Township Municipal Sewer Authority (“FTMSA”), and 2) the rights of PAWC to begin to offer or furnish wastewater service to the public in portions of Franklin Township, Adams County, Pennsylvania.

Proofs of service and publication were submitted by PAWC. In addition, this Application was published in *The Pennsylvania Bulletin*, 43 Pa. B 949, Saturday, February 9, 2013. The protest period ended February 25, 2013. No protests were filed and no hearings were held.

The subject Application referenced the location of the existing service territory of FTMSA. The territory is further explained with a map, attached to this Application as Exhibit L. The service territory is approximately 1,200 acres.

PAWC is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC is currently engaged in the water and wastewater supply business and furnishes service to a service territory encompassing more than 373 communities across the Commonwealth with a combined population of over two million people as reflected in documents already on file with the Commission. PAWC's existing service territory covers various counties throughout Pennsylvania, including Adams County and neighboring Cumberland and York Counties.

FTMSA provides wastewater services to the public in a service territory encompassing a portion of Franklin Township, Adams County, Pennsylvania, with a population of approximately 1,000. FTMSA has a mailing address of 55 Scott School Road, PO Box 309, Cashtown, PA 17310. FTMSA is a Pennsylvania Municipal Authority existing under the Municipal Authority Act of 1945. As of November 19, 2012, FTMSA furnished wastewater service to 297 customers (residential – 274, commercial – 17, municipal – 6).

FTMSA owns a public sanitary wastewater system in Franklin Township, Adams County, Pennsylvania with National Pollution Discharge Elimination System (NPDES) No. PA 0248088, that serves 283 customers, and a sand mound sanitary system

serving approximately 14 residences in an area within Franklin Township, Adams County, Pennsylvania, known locally as “Poplar Springs.” FTMSA operates both systems.

The sanitary wastewater system, which went into service in 2009, conveys wastewater via gravity to the Franklin Township Treatment Plant (FTTP). There are no lift stations in Franklin Township’s wastewater collection system. The FTTP uses the sequential batch reactor (SBR) treatment process with a design capacity of 200,000-gpd and is permitted for 200,000-gpd under NPDES Permit No. 0248088. The FTTP includes influent screening, biological treatment using SBR technology, chemical phosphorus removal, chlorination, and dechlorination. Waste activated sludge is digested in the plant’s digester. Digested sludge is hauled out for disposal by a private hauler.

The Poplar Springs sand mound system serves 14 homes. The sand mound system consists of two 1,500 gallon septic tanks with a 1,800 gallon final settling tank, pump station, and 10,000 square feet sand mound. The sanitary wastewater collection system conveys wastewater via gravity to a series of septic tanks. Effluent from the septic tanks is pumped to the sand mound. There is no NPDES permit required for the sand mound system since there is no direct discharge. The sand mound system was installed in late 2003.

PAWC plans to continue to operate FTMSA using the existing treatment facilities and collection system to handle wastewater service for FTMSA customers. PAWC has stated that within 18 months of closing, it anticipates that the current on-going improvements will be completed. These improvements include: the installation of remote monitoring, chemical room improvements, eyewash station, effluent chlorine analyzers, and chemical containment. The estimated cost of these improvements is \$158,520 with PAWC responsible for the cost.

PAWC also plans to interconnect FTMSA with Hamiltonban Township (Hamiltonban) wastewater system in the future. The Hamiltonban sanitary wastewater system conveys wastewater via gravity to a single wastewater treatment facility. The collection system and treatment facility was constructed in the mid-1970s. The Hamiltonban treatment plant utilizes a lagoon system for treatment and a spray field for discharge. It has a design capacity of 50,000-gpd and operates under Water Quality Management Permit No. 0172403. There is no NPDES permit required because it utilizes spray irrigation as opposed to discharging into a river or stream. The Hamiltonban treatment plant has no provision for storage of effluent. Therefore, the plant discharges to the spray field regardless of the saturation of the spray field or freezing temperatures. Discharging to the spray field when it is saturated from heavy rain or when it is frozen has resulted in the Department of Environmental Protection (DEP) documenting runoff from the spray field entering an unnamed tributary of Little Marsh Creek. This constitutes a violation of the Clean Streams Law. DEP has also noted the spray field is used in freezing temperatures which is a violation of its operating permit. DEP has drafted a Consent Order and Agreement (CO&A) to address these violations.

PAWC has stated that FTMSA has available capacity that is above the amount needed for its current customer base and reasonable growth in the foreseeable future. According to PAWC, by regionalizing the Hamiltonban system via an interconnection to FTMSA, the available capacity can be utilized and the customer base will be increased as well as eliminating the need for Hamiltonban to construct a new wastewater treatment plant within a few miles of the FTMSA system.

The estimated cost of the interconnection from Hamiltonban to FTMSA is \$2 million. PAWC will install a pump station to be located at the site of the existing Hamiltonban treatment plant. The pump station is anticipated to have two pumps and discharge into a 4-inch force main. The force main will be approximately 10,800 feet.

PAWC has stated that it will pay for the interconnection in a similar manner as it pays for any post-closing improvements it makes to systems it acquires. PAWC anticipates completing construction of the interconnecting pipeline within 12-18 months of closing on the Hamiltonban system.

PAWC and Hamiltonban entered into a purchase agreement on February 17, 2013. PAWC filed the Hamiltonban application with the Commission on March 6, 2013 at A-2013-2352182. The application is currently being reviewed by the Commission's Technical Utility Services (TUS) staff.

PAWC has stated that it will not be hiring additional personnel for the operation of the FTMSA system. PAWC's Mechanicsburg operations center will provide the resources to operate the Hamiltonban system.

The assets to be acquired were described in paragraph 1.1 of the Assets Purchase Agreement (original Agreement) executed on November 12, 2012, attached to the application as Exhibit F. The agreement indicates the transfer of assets such as all land and land rights (the real estate), sanitary wastewater treatment plant, collection system, pumping stations, equipment and tools. Other assets to be transferred include inventory and all other sanitary wastewater system assets and appurtenances, rights, titles, and interests of FTMSA in and to such land, easements, right-of-ways, as described on Schedule 4.8 and Schedule 4.9 of the Agreement, and such franchises, licenses, and permits related to FTMSA's wastewater system.

Excluded assets include the wastewater laterals on the customer side of the curb stop, the grinder pump units of the individual homeowners, all storm water systems, personal property of Franklin Township that are not part of the wastewater system, cash and accounts receivable up to closing.

The FTMSA and Hamiltonban applications were temporarily delayed at the request of PAWC in order to address a necessary modification to the asset purchase agreement between PAWC and FTMSA relating to PAWC's inability to assume FTMSA's Pennsylvania Infrastructure Investment Authority (PENNVEST or PIIA) loan. PAWC and FTMSA executed an agreement modification on July 19, and PAWC filed an amendment to the application with the Commission on the same day.

On July 19th, 2013, PAWC filed an Amended Purchase Agreement (Amended Agreement) that revises paragraphs 2.1, 3.1, 3.2.5, 4.8, 10.8 and Schedules 1.1 and 1.3 of the original Agreement. According to PAWC, the Amended Agreement clarifies key elements in the original Agreement, attached as Exhibit F of the Application. Based on the Amended Agreement, the purchase price shall include: a) payment by PAWC to PENNVEST of the non-delinquent balance of principal and interest of the loan accrued through the date of closing, not exceeding \$5,500,000 and b) a cash payment of \$10,000 payable directly to FTMSA on the date of closing by corporate check or wire transfer at PAWC's discretion. The Amended Agreement, amongst other things, also extended the closing date from June 30, 2013 to December 31, 2013.

The PennVEST loan, dated July 22, 2008, had an original face value of \$6,674,198 at 1% interest. The loan was used for the designing, permitting, and construction of the FTMSA's wastewater treatment plant and collection system.

PAWC has also stated that it will adopt the FTMSA's rates existing at the time of closing for FTMSA customers. According to the Agreement (original and amended), these rates shall remain in effect until October 31, 2014, provided, however, that the October 31, 2014 date shall be extended one calendar month for each calendar month that the closing date is delayed beyond December 31, 2013. In addition, PAWC has stated that it will use its best efforts to utilize Act 11 of 2012 to reduce the rates

charged to the wastewater customers that may be included in PAWC's current base rate filing.

PAWC has stated that FTMSA currently charges \$90 per month per Equivalent Dwelling Unit (EDU) for wastewater service. However, after acquisition, the rates to be charged to FTMSA's customers as shown on Exhibit K is the lesser of: a) \$85 per month per EDU, or b) the Commission's approved rate under Act 11 of 2012 in PAWC's current rate case filing. PAWC also indicated that the 14 customers connected to the sand mound system currently pay \$117.73 per quarter per EDU for wastewater service. PAWC has stated that after closing, the rates for the sand mound customers will remain at \$117.73 per quarter per EDU.

PAWC has indicated that FTMSA is selling its system to PAWC principally to provide rate relief to its customers through regionalization by interconnecting with Hamiltonban. PAWC also indicated that it estimates to lower annual electrical cost by approximately \$5,300 for the FTMSA system after acquisition, based on PAWC's negotiated power contracts.

PAWC has stated that prior to June 1, 2011, the wastewater system was owned and operated by Franklin Township. There was a tap-in fee of \$4,000 at that time per Franklin Township resolution FT 20080-10. PAWC avers that a tap-in-fee was charged to each customer that was connected to the wastewater treatment plant during 2009. At that time, 289 customer services were installed. The total tap-in-fees charged were \$1,156,000. PAWC stated that it will treat this amount as a contribution-in-aid-of-construction. PAWC also indicated that pursuant to its statewide wastewater tariff, currently pending approval by the Commission, new customers will be subject to a capacity reservation fee as defined in the tariff. According to the tariff, within PAWC's service territory or for any future development, a capacity fee of \$4,000 per EDU will be

charged. A copy of the tariff page was provided by PAWC. PAWC has stated that these fees will also be treated as contributions-in-aid-of construction.

The purchase price for the system is \$5,510,000 (\$5,500,000 + \$10,000). Negotiations were conducted at arm's length. The Agreement stated that the purchase price will be adjusted for capital expenditures made by FTMSA after November 12, 2012, through closing net of applicable insurance proceeds, grants, contributions or advances and the adjustment would not total more than \$100,000 or less than \$500 as outlined in paragraph 2.2 of the Agreement. No capital adjustments have been made since then by FTMSA except for the proposed improvements by PAWC estimated at \$158,520.

PAWC stated that an original cost study will be conducted subsequent to closing and will establish the depreciated original costs for FTMSA's utility plant based on the results of the study. The tentative journal entries to record the transfer in PAWC's accounts include:

Utility Plant	\$7,890,005
Contributions (CIAC)	(\$1,156,000)
Accumulated Depreciation	(\$515,310)
Short term debt	(\$5,500,000)
Cash	(\$10,000)
Acquisition Adjustment	(\$708,695)

PAWC has stated that it will undertake an original cost study to establish the depreciated original cost of FTMSA's utility plant. Upon completion and update of the original cost study and finalizing the property's depreciated original cost and book value, PAWC will amend the pro forma balance sheet giving effect to the transfer, accordingly.

PAWC stated that there are no investment securities owned by FTMSA that are being transferred in this transaction.

PAWC will finance the purchase with a note and cash. PAWC also indicated that no additional permanent capital will be required by PAWC for the purpose of financing the matters and things involved in this application.

PAWC submits that the proposed transfer will have a beneficial effect on FTMSA's customers. PAWC states that it has the managerial, technical and financial capabilities to operate the system within the regulatory guidelines, make improvements as needed, and improve centralized management including customer and administrative services.

Water service is provided to approximately 100 FTMSA customers by the Franklin Township Municipal Authority. The remaining FTMSA customers have private wells.

PAWC is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission.

There are no DEP outstanding compliance or operational issues with either PAWC or FTMSA. DEP is currently working with Hamiltonban to execute a Consent Order and Agreement and are in support of the interconnect between FTMSA and Hamiltonban.

The Adams County Board of Commissioners (Board) provided a letter of no objection to this application, stating that the Board is aware of the proposed transfer and does not object to or oppose the proposed transfer.

Based upon the facts that PAWC will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that PAWC will be meeting the needs of new customers without any detriment to its existing customers the Commission finds that granting PAWC's application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company at A-2013-2344624 is hereby approved.
2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by PAWC of the wastewater system assets of Franklin Township Municipal Sewer Authority, Franklin Township, Adams County, as described in the application.
3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in portions of Franklin Township, Adams County.

4. That Pennsylvania-American Water Company will file copies of its original cost study of Franklin Township Municipal Sewer Authority's wastewater assets with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

5. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

6. That a copy of this Order be served upon Pennsylvania-American Water Company, Franklin Township Municipal Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Southcentral Regional Office and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: August 29, 2013

ORDER ENTERED: August 29, 2013

Paint-Elk Joint Sewer Authority

Wastewater

R-2013-2395998

**PENNSYLVANIA AMERICAN
PAINT ELK SEWER AUTHORITY ACQUISITION
CLOSED 07/31/14 (PAAW taking ownership on 8/1/14)**

	<u>Total</u>
UPIS	\$ 5,036,569
Accumulated Depreciation	(1,362,705)
CIAC / CAC	(2,242,032)
Accumulated Depreciation	<u>809,173</u>
Net UPIS	\$ 2,241,005
Costs - GL 10400000	1,509,867
Utility Plant Acquisition Adjustment	<u><u>\$ (731,138)</u></u>



JOURNAL ENTRY REQUEST
 Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
 (866) 777-8426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward

Document Type: _____ UA
 Journal # (SSC USE): 2000009736
 Document Date: September 2014
 Posting Date: September 2014
 Requested By (Operating Unit): _____
 Approved By (SSC): [Signature] 9/23/14

Quarter Impacted: 3rd

This is not a Reversing Entry

Doc Header Text
Paint Elk Acq 26 Character Maximum

Tom Markward
9-23-14

JOURNAL ENTRY DESCRIPTION:

To record the Paint Elk acquisition which closed on 07/31/2014 and PAAW taking ownership on 8/1/14.

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acq costs including purchase price		2438			B24-01-0024		1,508,746.45
1024	10135320		40	UPIS - Paint Elk		2438			(K.1)	43,068.00	
1024	10135330		40	UPIS - Paint Elk		2438				8,249.00	
1024	10135340		40	UPIS - Paint Elk		2438				1.00	
1024	10135430		40	UPIS - Paint Elk		2438				412,986.32	
1024	10135440		40	UPIS - Paint Elk		2438				273,282.54	
1024	10135530		40	UPIS - Paint Elk		2438				42,265.02	
1024	10136000		40	UPIS - Paint Elk		2438				439,639.42	
1024	10136110		40	UPIS - Paint Elk		2438				2,772,743.78	
1024	10136300		40	UPIS - Paint Elk		2438				255,703.61	
1024	10137110		40	UPIS - Paint Elk		2438				143,965.80	
1024	10138000		40	UPIS - Paint Elk		2438				634,674.08	
1024	10139500		40	UPIS - Paint Elk		2438				10,000.00	
1024	10801000		50	Depr Reserve - Paint Elk		2438					1,362,704.95
1024	27111000		50	CIAC - NT Mains		2438					1,081,975.08
1024	27113000		50	CIAC - NT Services		2438					66,708.11
1024	27116000		50	CIAC - NT Other		2438					1,091,348.98
1024	27206000		40	CIAC - Accum Amort		2438			(M.3)	809,173.44	
1024	25833700		50	Deferred Gain on Acq - Paint Elk		2438			B24-01-0024		732,258.48
Totals										5,845,742.01	5,845,742.01

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PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Paint-Elk Joint Sewer Authority***

**Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at July 31, 2014**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

September 2014

Pennsylvania-American Water Company, Inc.

Acquisition of the Paint-Elk Joint Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 31, 2014
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 7/31/14	Service Life	Calculated Depreciation Reserve 7/31/14	Depreciated Original Cost at 7/31/14
Non-Depreciable Plant:						
353.2	Land & Land Rights - Collection	Various	\$43,068.00		\$0.00	\$43,068.00
353.3	Land & Land Rights - System Pumping	Various	8,249.00		0.00	8,249.00
353.4	Land & Land Rights - Treatment & Disposal	1989	1.00		0.00	1.00
Total Non-Depreciable Plant			\$51,318.00		\$0.00	\$51,318.00
Depreciable Plant:						
354.3	Structures & Improvements - System Pumping	1984	\$49,026.42	40	\$36,871.95	\$12,154.47
354.3	Structures & Improvements - System Pumping	1992	59,631.71	40	32,921.67	26,710.04
354.3	Structures & Improvements - System Pumping	1998	71,515.61	40	28,755.23	42,760.38
354.3	Structures & Improvements - System Pumping	2010	232,822.58	40	23,767.30	209,055.28
Total Account 354.3			\$412,996.32		\$122,316.15	\$290,680.17
354.4	Structures & Improvements - Treatment & Disposal	1992	\$273,262.54	65	\$92,839.19	\$180,423.35
355	Power Generation Equipment	1992	\$42,265.02	30	\$31,111.75	\$11,153.27
360	Collection Sewers - Force:					
	Plastic Pipe, 4" & Under	1998	\$97,648.46	70	\$22,435.90	\$75,212.56
	Plastic Pipe, 4" & Under	2010	199,460.14	70	11,635.17	187,824.97
	Plastic Pipe, 8"	2010	113,180.78	70	6,602.21	106,578.57
	Valves, 4" & Under	2010	15,059.53	70	878.47	14,181.06
	Valves, 8"	2010	1,100.17	70	64.18	1,035.99
	Valves, Air Release	1998	13,190.34	70	3,030.64	10,159.70
Total Account 360			\$439,639.42		\$44,646.57	\$394,992.85
361	Collection Sewers - Gravity:					
	VC Pipe, 4" & Under	1969	\$1,499.40	70	\$965.68	\$533.72
	VC Pipe, 8"	1969	278,833.20	70	179,581.86	99,251.34
	Plastic Pipe, 8"	1969	52,352.55	70	33,717.53	18,635.02
	Plastic Pipe, 8"	1984	95,698.40	70	41,127.53	54,570.87
	Plastic Pipe, 8"	1992	173,440.37	70	54,716.31	118,724.06
	Plastic Pipe, 8"	1994	64,329.91	70	18,456.56	45,873.35
	Plastic Pipe, 8"	1995	115,238.03	70	31,416.08	83,821.95
	Plastic Pipe, 8"	1998	71,745.74	70	16,484.44	55,261.30
	Plastic Pipe, 8"	2001	31,099.41	70	5,812.63	25,286.78
	Plastic Pipe, 8"	2002	80,792.54	70	13,946.33	66,846.21
	Plastic Pipe, 8"	2005	480,704.47	70	62,377.13	418,327.34
	Plastic Pipe, 8"	2008	88,932.22	70	7,728.63	81,203.59
	Plastic Pipe, 8"	2010	487,985.70	70	28,465.83	459,519.87
	Plastic Pipe, 8"	2011	13,484.00	70	593.94	12,890.06
	Plastic Pipe, 8"	2012	49,603.80	70	1,476.30	48,127.50
	Manholes	1969	63,121.58	70	40,653.30	22,468.28
	Manholes	1984	23,670.45	70	10,172.66	13,497.79
	Manholes	1992	50,453.68	70	15,916.93	34,536.75
	Manholes	1994	15,917.43	70	4,566.79	11,350.64
	Manholes	1995	20,065.49	70	5,470.23	14,595.26
	Manholes	1998	28,494.31	70	6,546.91	21,947.40
	Manholes	2002	23,101.65	70	3,987.78	19,113.87
	Manholes	2005	161,744.68	70	20,988.30	140,756.38
	Manholes	2008	106,734.92	70	9,188.87	96,546.05
	Manholes	2010	133,901.03	70	7,810.89	126,090.14
	Manholes	2011	4,190.84	70	184.60	4,006.24
	Manholes	2012	8,886.14	70	264.47	8,621.67
	Valves, Air Release	2010	47,721.84	70	2,783.77	44,938.07
Total Account 361			\$2,772,743.78		\$625,402.28	\$2,147,341.50

Pennsylvania-American Water Company, Inc.

Acquisition of the Paint-Elk Joint Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 31, 2014
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 7/31/14	Service Life	Calculated Depreciation Reserve 7/31/14	Depreciated Original Cost at 7/31/14
363	Services	1969	\$6,837.49	55	\$5,604.67	\$1,232.82
363	Services	1970	491.95	55	394.31	97.65
363	Services	1971	554.24	55	434.15	120.09
363	Services	1972	597.84	55	457.44	140.40
363	Services	1973	622.76	55	465.18	157.58
363	Services	1974	716.16	55	521.93	194.23
363	Services	1975	765.96	55	544.30	221.66
363	Services	1976	809.56	55	560.56	249.00
363	Services	1977	865.60	55	583.62	281.98
363	Services	1978	903.00	55	582.42	310.58
363	Services	1979	996.40	55	635.58	360.82
363	Services	1980	1,089.80	55	675.35	414.45
363	Services	1981	1,145.84	55	689.24	456.60
363	Services	1982	1,233.04	55	719.27	513.77
363	Services	1983	1,289.08	55	728.53	560.55
363	Services	1984	6,694.60	55	3,661.74	3,032.86
363	Services	1985	1,376.28	55	727.76	648.52
363	Services	1986	1,407.40	55	718.63	688.77
363	Services	1987	1,432.32	55	705.31	727.01
363	Services	1988	1,907.15	55	904.45	1,002.70
363	Services	1989	2,008.35	55	915.93	1,092.42
363	Services	1990	2,039.50	55	893.05	1,146.45
363	Services	1991	2,117.35	55	888.65	1,228.70
363	Services	1992	3,284.03	55	1,318.59	1,965.44
363	Services	1993	2,273.00	55	871.32	1,401.68
363	Services	1994	31,295.66	55	11,427.66	19,868.00
363	Services	1995	2,571.99	55	892.40	1,679.59
363	Services	1996	2,498.75	55	821.56	1,677.19
363	Services	1997	2,514.35	55	780.97	1,733.38
363	Services	1998	1,598.83	55	467.54	1,131.29
363	Services	1999	5,199.90	55	1,426.03	3,773.87
363	Services	2000	5,417.90	55	1,387.31	4,030.59
363	Services	2001	8,420.09	55	2,002.96	6,417.13
363	Services	2002	3,493.86	55	767.59	2,726.27
363	Services	2003	5,729.30	55	1,154.54	4,574.76
363	Services	2004	6,040.60	55	1,107.44	4,933.16
363	Services	2005	38,228.62	55	6,313.51	31,915.11
363	Services	2006	7,068.20	55	1,038.81	6,029.39
363	Services	2007	7,550.80	55	972.45	6,578.35
363	Services	2008	16,831.88	55	1,861.71	14,970.17
363	Services	2009	8,360.40	55	772.70	7,587.70
363	Services	2010	49,251.18	55	3,656.53	45,594.65
363	Services	2011	1,793.50	55	100.54	1,692.96
363	Services	2012	8,379.09	55	317.39	8,061.70
	Total Account 363		\$255,703.81		\$62,481.62	\$193,221.99
371	Pumping Equipment	2010	143,965.80	25	23,514.41	120,451.39
380	Treatment & Disposal Equipment	1992	634,674.08	40	350,392.98	284,281.10
395	Power Operated Equipment	1992	10,000.00	20	10,000.00	0.00
	Total Depreciable Plant		\$4,985,250.57		\$1,362,704.95	\$3,622,545.62
	Total Plant In Service		\$5,036,568.57		\$1,362,704.95	\$3,673,863.62

Pennsylvania-American Water Company, Inc.

Acquisition of the Paint-Elk Joint Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 31, 2014
Based Upon Whole Life Depreciation

Acct. No.	Description	Year Installed	Original Cost at 7/31/14	Service Life	Calculated Depreciation Reserve 7/31/14	Depreciated Original Cost at 7/31/14
<u>Deduct: Contributions In Aid of Construction:</u>						
354.3	Structures & Improvements - System Pumping	1992	(\$69,631.71)	40	(\$32,921.67)	(\$26,710.04)
354.3	Structures & Improvements - System Pumping	1998	(71,515.61)	40	(28,755.23)	(42,760.38)
	Total Account 354.3		(\$131,147.32)		(\$61,676.90)	(\$69,470.42)
354.4	Structures & Improvements - Treatment & Disposal	1992	(\$273,262.54)	65	(\$92,839.19)	(\$180,423.35)
355	Power Generation Equipment	1992	(\$42,265.02)	30	(\$31,111.75)	(\$11,153.27)
360	Collection Sewers - Force: Plastic Pipe, 4" & Under Valves, Air Release	1998 1998	(\$97,648.46) (13,190.34)	70 70	(\$22,435.90) (3,030.64)	(\$75,212.56) (10,159.70)
	Total Account 360		(\$110,838.80)		(\$25,466.54)	(\$85,372.26)
361	Collection Sewers - Gravity:					
	Plastic Pipe, 8"	1984	(95,698.40)	70	(41,127.53)	(54,570.87)
	Plastic Pipe, 8"	1992	(147,819.94)	70	(46,633.67)	(101,186.27)
	Plastic Pipe, 8"	1994	(27,786.91)	70	(7,972.20)	(19,814.71)
	Plastic Pipe, 8"	1995	(81,121.00)	70	(22,115.13)	(59,005.87)
	Plastic Pipe, 8"	1998	(51,955.54)	70	(11,937.40)	(40,018.14)
	Plastic Pipe, 8"	2005	(224,702.24)	70	(29,157.79)	(195,544.45)
	Plastic Pipe, 8"	2008	(48,996.22)	70	(4,258.00)	(44,738.22)
	Plastic Pipe, 8"	2012	(49,603.80)	70	(1,476.30)	(48,127.50)
	Manholes	1984	(23,670.45)	70	(10,172.66)	(13,497.79)
	Manholes	1992	(50,453.68)	70	(15,916.93)	(34,536.75)
	Manholes	1994	(15,917.43)	70	(4,566.79)	(11,350.64)
	Manholes	1995	(12,882.96)	70	(3,512.14)	(9,370.82)
	Manholes	1998	(23,902.49)	70	(5,491.88)	(18,410.61)
	Manholes	2005	(95,366.24)	70	(12,374.90)	(82,991.34)
	Manholes	2008	(12,372.82)	70	(1,075.26)	(11,297.56)
	Manholes	2011	(8,866.14)	70	(391.41)	(8,494.73)
	Total Account 361		(\$971,136.26)		(\$218,179.99)	(\$752,956.27)
363	Services	1984	(\$6,694.60)	55	(\$3,661.74)	(\$3,032.86)
363	Services	1992	(3,284.03)	55	(1,318.59)	(1,965.44)
363	Services	1994	(31,295.66)	55	(11,427.66)	(19,868.00)
363	Services	1995	(955.92)	55	(331.66)	(624.24)
363	Services	1998	(1,598.83)	55	(467.54)	(1,131.29)
363	Services	2005	(2,869.02)	55	(473.82)	(2,395.20)
363	Services	2008	(13,630.96)	55	(1,507.67)	(12,123.29)
363	Services	2012	(8,379.09)	55	(317.39)	(8,061.70)
	Total Account 363		(\$68,708.11)		(\$19,506.09)	(\$49,202.02)
380	Treatment & Disposal Equipment	1992	(634,674.08)	40	(350,392.98)	(284,281.10)
395	Power Operated Equipment	1992	(10,000.00)	20	(10,000.00)	0.00
	Total Contributions In Aid of Construction		(\$2,242,032.13)		(\$809,173.44)	(\$1,432,858.69)
	Total Plant In Service (Net)		\$2,794,536.44		\$553,531.51	\$2,241,004.93

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held July 24, 2014

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Gladys M. Brown

Application of Pennsylvania-American Water Company (PAWC) for approval of: (1) the transfer, by sale, of substantially all of Paint-Elk Joint Sewer Authority (PEJSA) properties and rights related to its wastewater system to PAWC, and (2) the rights of PAWC to begin to offer or furnish wastewater service to the public in portions of Paint Township and Elk Township, Clarion County, Pennsylvania.

Docket Number:
A-2013-2395998

ORDER

BY THE COMMISSION:

By the application (Application) filed on December 9, 2013, Pennsylvania-American Water Company – Wastewater Division (PAWC-WD), 800 West Hersheypark Drive, Hershey, PA 17033, Utility Code 230073, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing commission approval of: 1) the transfer, by sale, of substantially all of Paint-Elk Joint Sewer Authority (PEJSA) property and rights related

to its wastewater system to PAWC-WD, and 2) the rights of PAWC-WD to begin to supply wastewater service to the public in portions of Paint Township and Elk Township, Clarion County, Pennsylvania. PAWC-WD is a wholly-owned division of Pennsylvania-American Water Company (PAWC), Utility Code 212285.

The subject Application seeks approval for what may eventually be one generally contiguous service area. The map included as Appendix A to this Order defines the entire proposed territory as Area 1 through Area 4 surrounding Shippenville Borough. Area 1 is approximately 112 acres, Area 2 is approximately 237 acres, Area 3 is approximately 240 acres and Area 4 is approximately 1,148 acres. However, the Department of Environmental Protection (DEP) has yet to approve public wastewater service to Area 1, Area 2, Area 3, and a limited part of Area 4 immediately east of Shippenville Borough. The map included as Appendix B to this Order defines that part of Area 4 for which DEP has approved public wastewater service which is 1,117 acres.

By this Order, the Commission approves the Application as it relates to the portion of Area 4 for which PAWC-WD has demonstrated appropriate DEP approvals for wastewater service (Appendix B) pursuant to 52 Pa. Code § 3.501. However, as to Area 1, Area 2, Area 3, and that part of Area 4 without appropriate DEP wastewater approvals (Appendix A), we deny the Application without prejudice. Should the affected political subdivisions within those areas obtain the appropriate DEP approvals, PAWC-WD is free to apply to serve those areas in the future at its convenience. We discuss these actions in detail below.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of service and publication were submitted by PAWC-WD. In addition, this Application was published in *The Pennsylvania Bulletin*, 43 Pa. B 7529, on

Saturday, December 21, 2013. The protest period ended January 6, 2014. No protests were filed and no hearings were held.

The subject Application referenced the location of the existing service territory of PEJSA. The Application further described the proposed territory with a map, attached to the Application as Exhibit L. The proposed service territory is approximately 1,737 acres representing the combined total of Area 1, Area 2, Area 3 and Area 4 (Appendix A). The portion of Area 4 that DEP has approved for public wastewater service is 1,117 acres (Appendix B).

PAWC-WD is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC-WD is currently engaged in the business of collecting, treating, transporting and disposing of wastewater sewage for the public. The PAWC-WD existing service territory covers various counties throughout Pennsylvania, including Clarion County and neighboring Armstrong and Jefferson Counties. As of September 30, 2013, PAWC-WD furnished wastewater service to 18,076 customers as follows: 17,227-residential, 790-commercial, 5-industrial, 50-municipal and 4-sale for resale.

PEJSA is a Pennsylvania municipal authority organized under the Municipal Authority Act of May 2, 1945, P.L. 382. PEJSA owns and operates a public sanitary wastewater treatment system, National Pollution Discharge Elimination System (NPDES) No. PA0034924, that serves a population of approximately 1,500 in portions of Paint Township and Elk Township, Clarion County, Pennsylvania. PEJSA has a mailing address of 9888 Route 322, P.O. Box 29, Shippenville, PA 16254. As of March 14, 2014, PEJSA furnished wastewater service to 459 customers of which 367 were residential and 92 were commercial. The following is a breakdown of the customers

within each municipality by class. Paint Township has 324 residential and 91 commercial customers. Elk Township has 43 residential customers and 1 commercial customer.

III. DESCRIPTION OF ACQUIRED FACILITIES

PAWC-WD stated that PEJSA's sanitary wastewater collection and treatment system is located only within a portion of Area 4 on the service territory map and includes, 11 miles of gravity sewer lines, a half mile of force mains, laterals, individual grinder pumps, three duplex sewage lift stations, 219 manholes, and one 0.6 million gallon per day (MGD) aerobic lagoon sewage treatment facility and related discharge facilities that operate under NPDES Permit No. PA0034924. The sewage collection system is comprised of 4 to 8-inch vitrified clay or polyvinyl chloride pipe.

According to a DEP NPDES Compliance Inspection Report dated May 4, 2012, DEP found that sludge levels in PEJSA's four aerated lagoon ponds exceeded allowable limits and determined the facility was operating in violation of its permit. Accordingly, the report stated that PEJSA needed to develop a plan for the sludge removal. The report also recommended a head-works be installed at the facility in order to protect the facility's aerators from hair and other debris. Further, the report stated concerns that a single operator was not able to perform all the associated responsibilities at the PEJSA wastewater facility.

PAWC-WD stated that it anticipates investing in the rehabilitation of the PEJSA sewage collection system to reduce infiltration and inflow (I&I) as well as make improvements to the pump stations and treatment facilities within the first two years of ownership. PAWC-WD stated the addition of head-works screening and de-gritting will be part of its planned improvements at the wastewater treatment plant to help protect the

lagoon aerators. The noted rehabilitation and improvements are estimated to cost approximately \$435,000.

According to the subject Application, PEJSA will remove sludge from the lagoons to a level such that the remaining sludge volume in each lagoon does not exceed 9% of the total lagoon capacity. Prior to closing and after the completion of the lagoon dredging, DEP shall issue to PEJSA a letter or written communication indicating the lagoons are in regulatory compliance and PEJSA shall provide PAWC-WD with an accurate and updated sludge level drawings for lagoons 1 through 4 to document the amount of sludge remaining in each lagoon. Upon completion of the aforementioned tasks, PAWC-WD shall reimburse PEJSA for the actual sludge removal costs with a maximum reimbursement amount of \$336,000.

PAWC-WD stated that an employee operator from its Clarion Wastewater System District (CWSD) will supervise and oversee the operation and maintenance of the PEJSA sewage facilities. Pending closing, PAWC-WD plans to offer an employment opportunity to the current PEJSA Operator, who along with PAWC-WD's CWSD three full-time employees will support the PEJSA operations on a full-time basis. PAWC-WD stated that it will also have professional support from other PAWC departments, including engineering, environmental, security, loss control and safety, as well as administrative support.

IV. PURCHASE AGREEMENT

The subject Application contained an executed purchase agreement dated October 28, 2013, between PEJSA and PAWC-WD (Agreement). The negotiations were conducted at arm's length and PAWC-WD and PEJSA are not affiliated with each other.

According to the Agreement, the purchase price for the system is \$1,270,000 and is composed of: 1) a payment by PAWC-WD to the Pennsylvania Infrastructure Investment Authority (PennVEST) of the non-delinquent balance of principal and interest accrued through the date of closing on PEJSA's PennVEST loan and 2) a cash payment for the balance of the purchase price. The purchase price will be paid directly to PEJSA on the date of Closing by corporate check or wire transfer at PAWC-WD's discretion. PAWC-WD stated PEJSA is selling its wastewater system as it desires to exit the wastewater utility business and PAWC-WD owns and operates both community water and wastewater systems in Clarion Borough and the surrounding areas. PEJSA anticipates dissolution after the sale to PAWC is completed.

According to PAWC-WD, the PennVEST loan was approved on January 26, 2009, and included a loan amount of \$1,292,242 at an initial interest rate of 1.274% and then adjusted to 2.547%. The term of the loan is 240 months. The loan was used to construct the PEJSA's Riverhill Sewer Extension. As of May 21, 2014, the current principal balance on the loan was \$967,675.07.

The assets to be acquired were described in Paragraph 1.1 of the Agreement and include all land and land rights (the real estate), sanitary wastewater treatment plant, collection system, grinder pumps of existing customers at closing as indicated on the Agreement's Schedule 1.1, pumping stations, equipment, tools, inventory and all other sanitary wastewater system assets. Other assets include appurtenances, rights, titles and interests of PEJSA in and to such land, easements, and rights of way, as described on Agreement's Schedule 4.8 and Schedule 4.9 and such franchises, licenses, and permits related to PEJSA's sanitary wastewater system.

Excluded assets were described in Paragraph 1.2 of the Agreement and include the sewer laterals on the customer's property, all storm water system facilities,

any grinder pump units not listed on the Agreement's Schedule 1.1, and all cash and accounts receivable up to closing.

The tentative journal entries to record the transfer in PAWC-WD's accounts include:

Utility Plant	\$1,701,776
Accumulated Depreciation	(\$158,776)
Lagoon Sludge Removal Reimbursement Cost	(\$336,000)
Short Term Debt	(\$1,207,000)

PAWC-WD stated that it will undertake an original cost study to determine the original cost and accumulated depreciation of PEJSA's wastewater utility plant in service. Once the original cost study is updated and the property's depreciated original cost and book value are finalized, PAWC-WD will amend the pro forma balance sheet giving effect to the transfer, accordingly.

PAWC-WD stated that no investment securities owned by PEJSA will be transferred in this proposed transaction. PAWC-WD will finance the purchase with a note and cash. PAWC-WD also indicated that no additional permanent capital will be required by PAWC-WD for the purpose of financing the matters and things involved in this application.

V. ADDITIONAL MATTERS PERTINENT TO THIS TRANSACTION

According to the proposed Agreement, PAWC-WD will contribute a fixed \$3,500 per Equivalent Dwelling Unit (EDU) (also referred to as a Bona Fide Service Applicant) for line extensions that provide for additional wastewater customers in Paint Township and Elk Township for a period of 10 years from the date of closing. PAWC-

WD stated these terms were the result of negotiations with PEJSA and that PAWC-WD will amend the Agreement at the time of closing to reflect that applicants receive contributions for line extensions as provided for in PAWC-WD's then in effect tariff.

The Agreement also states that PAWC-WD will own and maintain the grinder pump units at the customer addresses listed in the Agreement's Schedule 1.1 for a period of three years from the date of closing. PAWC-WD stated these terms were also the result of negotiations with PEJSA and that PAWC-WD will be responsible for repairing or replacing any malfunctioning grinder pump during the three year period; the decision to repair or replace shall be made at PAWC-WD's sole discretion. Any customer may indicate to PAWC-WD that it does not wish to have this service and such services shall cease upon notification from the customer and the ownership of the grinder pump unit shall revert to the customer. The customer must agree to allow PAWC-WD the necessary access to maintain the grinder pump unit or PAWC-WD's obligation to operate and maintain the grinder pump units shall cease. At that time, PAWC-WD will provide written notification to the customers whose addresses are listed on the Agreement's Schedule 1.1 that ownership of the grinder pump units has transferred to the customer and all responsibilities related to the grinder pump unit reside with the customer.

VI. PROPOSED RATES

PAWC-WD stated that it will adopt PEJSA's rates existing at the time of closing for PEJSA's customers. According to PAWC-WD, a typical PEJSA metered residential customer using 4,000 gallons of water pays \$64.00 per month for wastewater service while the monthly rate that a typical non-metered residential customer pays is \$72.00 per EDU. PAWC-WD provided a comparison of the rates metered and non-metered residential wastewater customers pay in its Rate Zone 2 that includes its Clarion Wastewater System District. This comparison indicated that a typical metered residential

customer in PAWC-WD's Rate Zone 2 using 4,000 gallons of water pays \$48.04 per month for wastewater service while the monthly rate that a typical non-metered residential customer pays is \$47.63 per EDU.

VII. REGULATORY REQUIREMENTS

The Public Utility Code contains general requirements for the approval of acquisitions of the type proposed in the Application. 66 Pa. C.S. §§ 1102 and 1103. These statutory provisions require Commission approval in the form of a certificate of public convenience (CPC), before a regulated utility may acquire property used or useful in the public service, subject to limited exceptions not applicable here. 66 Pa. C.S. § 1102. Section 1103 of the Public Utility Code also requires that the Commission may approve an application for a CPC

only if the commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.

66 Pa. C.S. § 1103(a). In addition, this same section of the Public Utility Code provides that “[t]he commission, in granting such certificate, may impose such conditions as it may deem to be just and reasonable.” *Id.*

The Commission has also promulgated regulations governing the acquisition of wastewater systems by regulated utilities in the Commonwealth. The regulations at 52 Pa. Code § 3.501, Certificate of public convenience as a water supplier or wastewater collection, treatment or disposal provider, establish a detailed mandatory evidentiary showing that must accompany any application for a CPC for the provision of these services to the public.

Regarding the acquisition of PEJSA, and the concomitant rendering of public utility wastewater service to the territory served by PEJSA as described in Appendix B to this Order, we find that the Application and its supporting documents meet the requirements of both the Public Utility Code and our regulations.

Regarding the additional territory described in Appendix A (Area 1, Area 2, Area 3, and a limited part of Area 4 immediately east of Shippenville Borough), however, we understand that these areas are currently unserved by any provider and that the affected political subdivisions have yet to acquire DEP approval for public wastewater service. We also understand that Shippenville Borough, which stands between the area served by PEJSA and the additional territory, has a wastewater treatment system independent of PEJSA, may be unwilling or unable to provide service to these areas, and may itself be subject to ongoing acquisition discussions.

To obtain a CPC for these additional areas, our regulations specifically require that an applicant provide

The identity of public utilities, municipalities, municipal authorities, cooperatives and associations which provide public water supply service or wastewater collection, treatment or disposal service within each municipality, or a municipality directly adjacent to the municipalities, in which the applicant seeks to provide service that abuts or is situated within 1 mile of the applicant's proposed facilities.

52 Pa. Code § 3.501(a)(8) *Affected persons*. The subsection immediately following, 52 Pa. Code § 3.501(a)(9), requires that an applicant

Demonstrate compliance with DEP regulations in 25 Pa. Code § 109.503(a)(3) or section 5 of the Pennsylvania Sewage Facilities Act requirements (35 P. S. § 750.5), whichever is applicable; or whether the applicant has contacted each public water supplier or wastewater collection,

treatment or disposal supplier in paragraph (8), and one of the following applies:

- (i) Whether a supplier is willing and able to serve the area which the applicant seeks to serve either directly or through the bulk sale of water to the applicant, or treatment of wastewater to the applicant.
- (ii) If one or more supplier is willing to serve the area (either directly or through the bulk sale of water to applicant), the applicant should demonstrate that, when considering both the cost of service and the quality of service, the ultimate consumer would be better served by the applicant than by the other water suppliers.

52 Pa. Code § 3.501(a)(9). Thus, to obtain a CPC, an applicant must show that DEP has provided the appropriate approvals. In the alternative, the applicant must show that another permitted treatment option is readily available, or if more than one permitted treatment option is available, that the applicant is better suited than other potential providers.

Under the circumstances presented here, we find that we best serve the public interest requirements of the Public Utility Code by allowing the affected municipalities to seek and obtain appropriate DEP approvals. In the alternative, an applicant for a CPC for the additional areas should demonstrate a resolution of treatment options for wastewater systems and service areas potentially affected. We seek to promote coordination between all affected entities -- public and private. Allowing an applicant to submit a fully realized application for these areas in the future will best serve that goal.

VIII. PUBLIC INTEREST CONSIDERATIONS OF APPROVED CERTIFICATE

PAWC-WD submits that the proposed transfer will have a beneficial effect on PEJSA’s customers in that they will receive the benefit of PAWC-WD’s experience in managing and operating water and wastewater systems which will result in efficiencies and improvements in the service to the customers to be transferred. PAWC-WD states that its existing customers will benefit because the acquisition will expand the customer base, over which existing costs are recovered and thereby, stabilize or reduce per-customer costs.

According to PAWC-WD, Corner Water furnishes water service to 402 customers in the proposed wastewater service area while PAWC furnishes water services to 50 customers in the same. The remaining seven PEJSA residential customers have private wells. The noted PEJSA customers with private wells are located exclusively in Paint Township.

PAWC-WD is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission.

The DEP’s Northwestern Regional Office stated it has no pending actions or outstanding compliance with PAWC-WD.

IX. CONCLUSION

Based upon the facts that PAWC-WD will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that PAWC-WD will be

meeting the needs of new customers without any detriment to its existing customers the Commission finds that granting PAWC-WD's application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public;

THEREFORE,

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company – Wastewater Division at A-2013-2395998 is hereby approved in part, and denied in part, consistent with this Order and the conditions imposed herein. The Commission approves the service territory in the portion of Area 4 for which PAWC-WD has demonstrated appropriate DEP approvals for wastewater service (Appendix B) pursuant to 52 Pa. Code § 3.501 and contains 1,117 acres. Consistent with this Order, the Commission denies without prejudice the application to provide wastewater service in Area 1, Area 2, Area 3 and part of Area 4 that cumulatively contain 620 acres.

2. That within ten days following the date of closing, the Pennsylvania-American Water Company – Wastewater Division shall file, with the Commission, an amended purchase agreement that eliminates the fixed Pennsylvania-American Water Company – Wastewater Division contribution for line extensions to additional wastewater customers in Paint Township and Elk Township and instead reference Pennsylvania-American Water Company – Wastewater Division's line extension agreement in its then in effect tariff.

3. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by Pennsylvania-American Water

Company – Wastewater Division of the wastewater system assets of Paint-Elk Joint Sewer Authority, Paint Township and Elk Township, Clarion County, consistent with and limited to Appendix B attached hereto.

4. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company – Wastewater Division to begin to offer or furnish wastewater service to the public in portions of Paint Township and Elk Township, Clarion County, consistent with and limited to Appendix B attached hereto.


5. That Pennsylvania-American Water Company – Wastewater Division will file copies of its original cost study of Paint-Elk Joint Sewer Authority’s wastewater assets with the Secretary’s Bureau and the Bureau of Technical Utility Services, upon completion of said study.

6. That nothing herein shall be construed to exempt Pennsylvania-American Water Company – Wastewater Division from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

7. That within ten days following the date of closing, the Pennsylvania-American Water Company – Wastewater Division shall file, with the Commission, a tariff supplement for the subject service territory and rates, effective on the date of closing.

8. That a copy of this Order be served upon Pennsylvania-American Water Company – Wastewater Division, Paint-Elk Joint Sewer Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Northwest Regional Office and Central Office-Bureau of Regulatory Counsel.

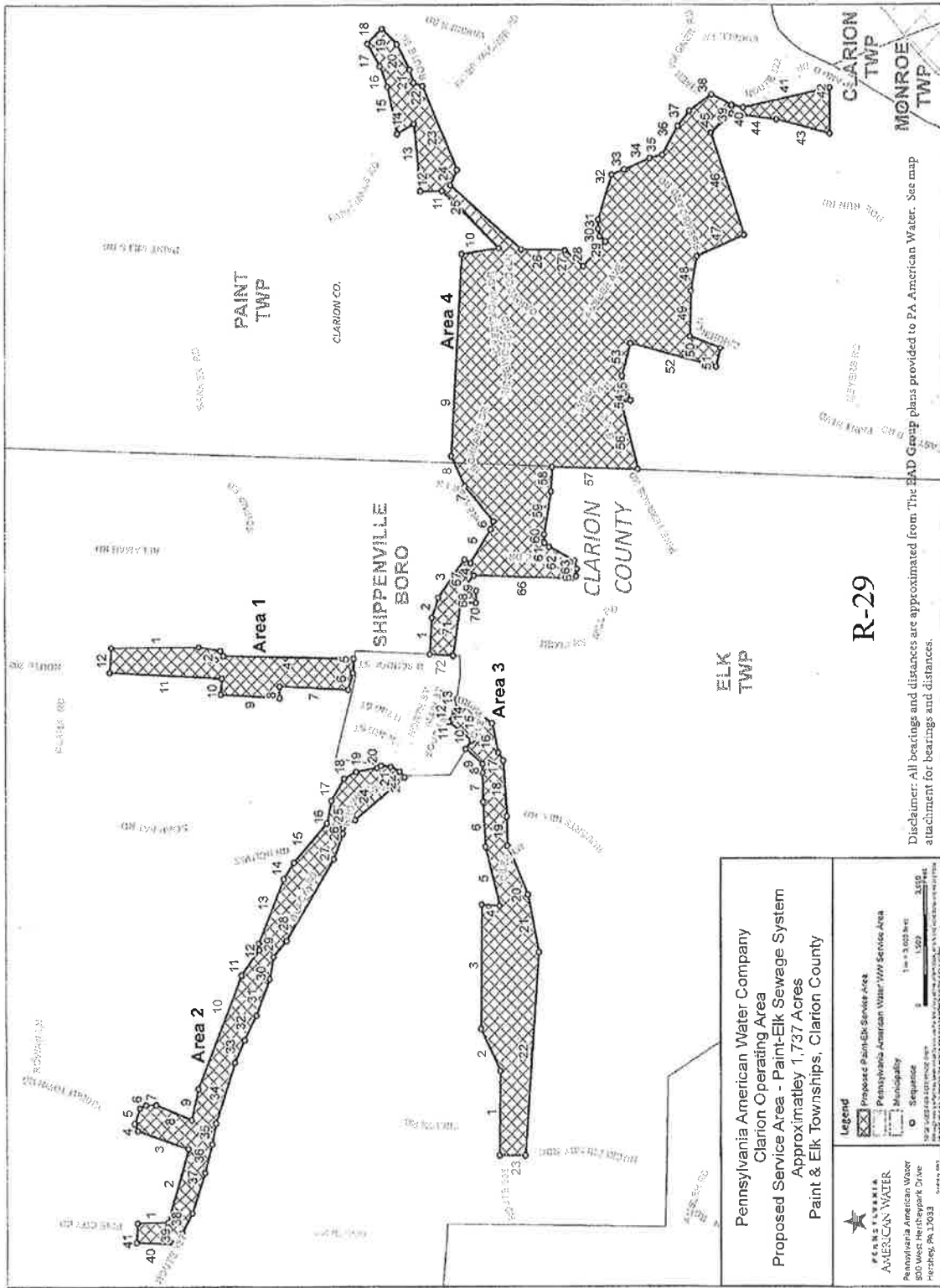
BY THE COMMISSION,


Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: July 24, 2014

ORDER ENTERED: July 24, 2014



Appendix A

Hamiltonban Township Municipal Authority

Wastewater

R-2013-2352182

**PENNSYLVANIA AMERICAN WATER COMPANY
HAMILTONBAN TOWNSHIP MUNICIPAL AUTHORITY
CLOSED 11/03/2014**

	<u>Total</u>
UPIS	747,567
Accumulated Depreciation	(433,134)
CIAC / CA	(488,750)
Accumulated Depreciation	<u>313,453</u>
Net UPIS	139,136
Costs (Estimated)	321,349
Utility Plant Acquisition Adjustment	<u><u>182,213</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
(866) 777-9426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): **Tom Markward**

Document Type: _____ UA
 Journal # (SSC USE): **2000010281**
 Document Date: **November 2014**
 Posting Date: **November 2014**
 Requested By (Operating Unit): _____
 Approved By (SSC): _____ *M. J. G. 11/20/14*

Quarter Impacted: **4th**

This is not a Reversing Entry:

Doc Header Text
 Hamiltonban Acq 25 Character Maximum

Tom Markward 11-21-14

JOURNAL ENTRY DESCRIPTION:

To record the Hamiltonban Township acquisition which closed on 11/03/2014.

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acq costs including purchase price		2483			B24-01-0028		354,341.61
1024	10400000		50	CAPEX Reimbursement		2483			B24-01-0028		153,503.00
1024	53150000		40	Pump Station & Equipment			124-830001-01				
1024	72802100		50	DCED Grant Reimbursement			124-830001-01CN			522,032.48	
1024	10135320		40	UPIS - Hamiltonban		2483					334,434.47
1024	10135340		40	UPIS - Hamiltonban		2483				2,568.09	
1024	10135430		40	UPIS - Hamiltonban		2483				2,026.50	
1024	10135440		40	UPIS - Hamiltonban		2483				29,073.11	
1024	10135540		40	UPIS - Hamiltonban		2483				54,181.21	
1024	10136000		40	UPIS - Hamiltonban		2483				12,902.19	
1024	10136110		40	UPIS - Hamiltonban		2483				23,952.03	
1024	10136300		40	UPIS - Hamiltonban		2483				268,887.25	
1024	10137110		40	UPIS - Hamiltonban		2483				4,670.79	
1024	10138000		40	UPIS - Hamiltonban		2483				23,502.32	
1024	10801000		50	Depr Reserve - Hamiltonban		2483				325,743.73	
1024	27111000		50	CIAC - NT Mains		2483					433,134.14
1024	27113000		50	CIAC - NT Services		2483					170,919.21
1024	27118000		50	CIAC - NT Other		2483					4,922.70
1024	27206000		40	CIAC - Accum Amort		2483					312,907.80
1024	18650000		40	Positive Acq Premium - Hamiltonban		2483			B24-01-0028	313,453.16	
										181,110.07	
Totals										1,764,162.93	1,764,162.93

S:\Gen Acct\PA\2014\Journal Entries\11 2014\Hamiltonban ACQ revised xls\JE Acq

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NOV 20 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Hamiltonban Township Municipal Authority***

**Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at November 3, 2014**

By

**Scott D. Fogelsanger
Senior Manager - Business Development**

**Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055**

November 2014

Pennsylvania-American Water Company, Inc.

Acquisition of the Hamiltonban Township Municipal Authority

**Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of November 3, 2014
Based Upon Whole Life Depreciation**

Acct. No.	Description	Year Installed	Original Cost at 11/03/14	Service Life	Calculated Depreciation Reserve 11/03/14	Depreciated Original Cost at 11/03/14
Non-Depreciable Plant:						
353.2	Land & Land Rights - Collection		\$2,568.08		\$0.00	\$2,568.08
353.4	Land & Land Rights - Treatment & Disposal		2,026.50		0.00	2,026.50
	Total Non-Depreciable Plant		\$4,594.59		\$0.00	\$4,594.59
Depreciable Plant:						
354.3	Structures & Improvements - System Pumping	1977	\$29,073.11	65	\$18,696.91	\$12,376.20
354.4	Structures & Improvements - Treatment & Disposal	2001	54,181.21	65	11,111.32	43,069.89
356	Power Generation Equipment	2007	12,902.18	30	3,162.44	8,740.75
360	Collection Sewers - Force:					
	Plastic Pipe, 2"	1994	\$22,622.60	70	\$6,570.25	\$16,052.35
	Valves, 2"	1994	720.18	70	209.16	511.02
	Air Release Valves	1994	609.25	70	178.94	432.31
	Total Account 361		\$23,952.03		\$8,958.35	\$16,995.68
361	Collection Sewers - Gravity:					
	Pipe, 8"	1977	\$91,162.74	70	\$48,615.78	\$42,546.95
	Plastic Pipe, 8"	1990	38,860.00	70	12,741.67	23,918.03
	Plastic Pipe, 8"	1994	13,868.40	70	4,027.78	9,840.62
	Plastic Pipe, 8"	1998	57,886.00	70	15,167.60	42,727.40
	Plastic Pipe, 8"	2004	20,688.85	70	3,053.08	17,635.77
	Manholes	1977	24,097.33	70	12,850.78	11,246.57
	Manholes	1994	6,344.46	70	1,842.61	4,501.85
	Manholes	1998	9,800.00	70	2,266.20	7,513.80
	Manholes	2004	8,380.47	70	1,238.72	7,143.75
	Total Account 361		\$268,887.25		\$101,812.51	\$167,074.74
363	Services	1977	\$13,239.01	65	\$8,985.68	\$4,253.33
363	Services	1994	6,891.61	65	2,547.39	4,344.22
363	Services	1998	300.00	65	99.98	200.02
363	Services	2004	3,131.70	65	888.19	2,543.51
	Total Account 363		\$23,562.32		\$12,221.24	\$11,341.08
371	Pumping Equipment	2001	\$4,870.79	25	\$2,480.47	\$2,180.32
380	Treatment & Disposal Equipment	1977	\$289,116.66	40	\$251,153.12	\$17,963.54
380	Treatment & Disposal Equipment	1991	12,764.50	40	7,444.89	5,319.61
380	Treatment & Disposal Equipment	1993	3,268.78	40	1,742.00	1,524.78
380	Treatment & Disposal Equipment	1995	23,728.78	40	11,466.93	12,261.85
380	Treatment & Disposal Equipment	1998	18,867.03	40	6,885.96	9,981.07
	Total Account 380		\$325,743.73		\$278,682.90	\$47,060.83
	Total Depreciable Plant		\$742,972.63		\$433,134.14	\$309,838.49
	Total Plant in Service		\$747,587.22		\$433,134.14	\$314,433.08
Deduct: Contributions In Aid of Construction:						
354.3	Structures & Improvements - System Pumping	1977	(\$29,073.11)	65	(\$18,696.91)	(\$12,376.20)
360	Plastic Pipe, 2"	1994	(22,622.60)	70	(6,570.25)	(16,052.35)
350	Valves, 2"	1994	(720.18)	70	(209.16)	(511.02)
360	Air Release Valves	1994	(609.25)	70	(178.94)	(432.31)
361	Plastic Pipe, 8"	1990	(30,000.00)	70	(10,427.14)	(19,572.88)
361	Plastic Pipe, 8"	1994	(13,868.40)	70	(4,027.78)	(9,840.62)
361	Plastic Pipe, 8"	1998	(57,886.00)	70	(15,167.60)	(42,727.40)
361	Plastic Pipe, 8"	2004	(20,688.85)	70	(3,053.08)	(17,635.77)
361	Manholes	1994	(6,344.46)	70	(1,842.61)	(4,501.85)
361	Manholes	1998	(9,800.00)	70	(2,266.20)	(7,513.80)
361	Manholes	2004	(8,380.47)	70	(1,238.72)	(7,143.75)
363	Services	1994	(1,491.00)	65	(551.13)	(839.87)
363	Services	1998	(300.00)	65	(99.98)	(200.02)
363	Services	2004	(3,131.70)	65	(888.19)	(2,543.51)
380	Treatment & Disposal Equipment	1977	(249,587.91)	40	(232,927.92)	(16,659.99)
380	Treatment & Disposal Equipment	1991	(10,518.00)	40	(6,134.82)	(4,383.38)
380	Treatment & Disposal Equipment	1995	(23,728.78)	40	(11,466.93)	(12,261.85)
	Total Contributions in Aid of Construction		(\$488,749.71)		(\$313,453.16)	(\$175,298.55)
	Total Plant in Service (Net)		\$258,817.51		\$119,680.98	\$139,134.53

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held December 5, 2013

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Gladys M. Brown

Application of Pennsylvania-American Water Company (PAWC) for approval of: 1) the transfer, by sale, of substantially all of Hamiltonban Township Municipal Authority (HTMA) property and rights related to its wastewater system to PAWC; and 2) the rights of PAWC to begin to offer or furnish wastewater service to the public in portions of Hamiltonban Township, Adams County, Pennsylvania.

Docket Number:
A-2013-2352182

ORDER

BY THE COMMISSION:

By the application filed on March 6, 2013, Pennsylvania-American Water Company (“PAWC”), 800 West Hersheypark Drive, Hershey, PA 17033, Utility Code 212285, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing commission approval of: 1) the acquisition by PAWC of the wastewater system assets of Hamiltonban Township Municipal Authority (“HTMA”); and 2) the rights of PAWC to begin to offer or furnish wastewater service to the public in portions of Hamiltonban Township, Adams County, Pennsylvania.

Proofs of service and publication were submitted by PAWC. In addition, this Application was published in *The Pennsylvania Bulletin*, 43 Pa. B 1685, Saturday, March 23, 2013. The protest period ended April 8, 2013. No protests were filed and no hearings were held.

The subject Application referenced the location of the existing service territory of HTMA. The territory is further explained with a map, attached to this Application as Exhibit L. The service territory is approximately 110 acres.

PAWC is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC is currently engaged in the water and wastewater supply business and furnishes service to a service territory encompassing more than 373 communities across the Commonwealth with a combined population of over two million people as reflected in documents already on file with the Commission. PAWC's existing service territory covers various counties throughout Pennsylvania, including Adams County and neighboring Cumberland and York Counties.

HTMA is a municipal authority organized under the Pennsylvania Municipal Authority Act of May 2, 1945, P.L. 382. HTMA owns and operates a public sanitary wastewater treatment system in portions of Hamiltonban Township, Adams County, Pennsylvania. HTMA provides wastewater services to the public in a service territory encompassing a portion of Hamiltonban Township, Adams County, Pennsylvania, with a population of approximately 500. HTMA has a mailing address of PO Box 526, Carrolls Tract Road, Fairfield, PA 17320. As of December 31, 2012, HTMA furnished wastewater service to 158 customers (residential – 68, commercial – 14, industrial –76).

On October 2, 2013, PAWC filed an Amendment to its original application (Amendment). By the Amendment, PAWC sought the Commission's permission to revise the application by clarifying HTMA's service territory to include a portion of Highland Township. The Amendment also revised paragraph 5 of the original application to read "HTMA provides wastewater service to the public in a service territory encompassing a portion of Hamiltonban Township, Adams County, with a population of approximately 500, along with approximately six customers along Carrolls Tract Road in Highland Township, Adams County, Pennsylvania." PAWC also submitted a revised Exhibit L (map of the area served) and resubmitted Exhibit M (description of the area served) of its application to include the six customers of HTMA that are located in Highland Township.

PAWC has stated that the six residential customers in Highland Township have been provided notice of PAWC's request to acquire HTMA's wastewater system and to provide wastewater service to their homes in Highland Township. PAWC mailed each resident a letter which included a copy of the updated application on October 17, 2013. No protests were filed and no hearings were held.

HTMA's sanitary wastewater system (described by the Pennsylvania Department of Environmental Protection (DEP) as Orrtanna Village Sewer Treatment Plant) conveys wastewater via gravity to a single wastewater treatment facility. HTMA's customers on the system consist of residential, small commercial and the Knouse Foods facility discharging sanitary waste. The collection system and treatment facility was constructed in the mid-1970s. The collection system is a typical sanitary wastewater system constructed in 1976 with small extensions constructed over the years. HTMA's system consists of approximately 5,550 feet of 8-inch gravity wastewater mains and approximately 1,000 feet of 2-inch low pressure wastewater mains. HTMA's treatment plant utilizes a lagoon system for treatment and a spray field for discharge. The plant

includes influent grinding, biological treatment using two lagoons in series, chlorination, and spray field disposal. Waste sludge is removed from the lagoons as required and hauled out for disposal by a private hauler.

HTMA's plant has a design capacity of 50,000-gpd and operates under Water Quality Management Permit No. 0172403. There is no National Pollution Discharge Elimination System (NPDES) permit required because it utilizes spray irrigation as opposed to discharging directly into a river or stream. HTMA's treatment plant has no provision for storage of effluent. Therefore, the plant discharges to the spray field regardless of the saturation of the spray field or freezing temperatures. Discharging to the spray field when it is saturated from heavy rain or when it is frozen has resulted in DEP documenting runoff from the spray field entering an unnamed tributary of Little Marsh Creek. This constitutes a violation of the Clean Streams Law. DEP has also noted that the spray field is used in freezing temperatures which is a violation of its operating permit. An executed Consent Order and Agreement (CO&A) between DEP and HTMA entered into on August 21, 2013, to address these violations, was provided to the Commission by DEP.

PAWC also plans to interconnect HTMA's wastewater system with Franklin Township Municipal Sewer Authority (FTMSA) in the future. The Order approving the application for the acquisition of FTMSA by PAWC at Docket No. A-2013-2344624 was approved by the Commission and entered on August 29, 2013. PAWC has stated that FTMSA has available capacity that is above the amount needed for its current customer base and reasonable growth in the foreseeable future. According to PAWC, by regionalizing the HTMA system via an interconnection to FTMSA, the available capacity can be utilized and the customer base will be increased as well as eliminating the need for HTMA to construct a new wastewater treatment plant within a few miles of the FTMSA system.

FTMSA owns a public sanitary wastewater system in Franklin Township, Adams County, Pennsylvania, permitted under NPDES No. PA 0248088 and a sand mound sanitary system serving approximately 14 residences in an area within Franklin Township, Adams County, Pennsylvania, known locally as “Poplar Springs.” FTMSA operates both systems.

FTMSA’s sanitary wastewater system, which went into service in 2009, conveys wastewater via gravity to the Franklin Township Treatment Plant (FTTP). There are no lift stations in Franklin Township’s wastewater collection system. The FTTP uses the sequential batch reactor (SBR) treatment process with a design capacity of 200,000-gpd and is permitted for 200,000-gpd under NPDES Permit No. 0248088. The FTTP includes influent screening, biological treatment using SBR technology, chemical phosphorus removal, chlorination, and dechlorination. Waste activated sludge is digested in the plant’s digester. Digested sludge is hauled out for disposal by a private hauler.

The Poplar Springs sand mound system serves 14 homes. The sand mound system consists of two 1,500 gallon septic tanks with a 1,800 gallon final settling tank, pump station, and 10,000 square feet sand mound. The sanitary wastewater collection system conveys wastewater via gravity to a series of septic tanks. Effluent from the septic tanks is pumped to the sand mound. There is no NPDES permit required for the sand mound system since there is no direct discharge into a river or stream. The sand mound system was installed in late 2003.

PAWC plans to continue to operate FTMSA using the existing treatment facilities and collection system to handle wastewater service for FTMSA customers. PAWC has stated that within 18 months of closing, it anticipates the completion of the current on-going improvements it is making to the FTMSA system. These improvements

include the installations of remote monitoring, a chemical room, an eyewash station, effluent chlorine analyzers, and a chemical containment compartment.

PAWC has stated that the estimated cost of the interconnection from HTMA to FTMSA is \$2 million. PAWC will install a pump station to be located at the site of the existing HTMA treatment plant. The pump station is anticipated to have two pumps and discharge into a 4-inch force main. The force main will be approximately 10,800 feet. PAWC has stated that it will pay for the interconnection using short-term debt and cash. PAWC anticipates completing construction of the interconnecting pipeline within 12-18 months of closing on the HTMA system.

PAWC and HTMA entered into an Asset Purchase Agreement (Agreement) on February 7, 2013, attached to the application as Exhibit F. The assets to be acquired were described in paragraph 1.1 of the Agreement. The agreement highlighted the transfer of assets such as HTMA's right, title, and interest in and to all of the assets, properties and rights owned by HTMA and used in the business of providing sanitary wastewater service of every kind, nature and description existing on the closing date.

These assets include the physical plant, equipment, and facilities comprising the existing wastewater system owned by HTMA (collection system, pumping stations, equipment, tools, inventory, etc.) for providing sanitary wastewater service to the public in and about Hamiltonban Township, Adams County, Pennsylvania, including any equipment and materials purchased in connection with the H₂O grant. Other assets include inventory and all other sanitary wastewater system assets and appurtenances, rights, titles, and interests of HTMA in and to such land, easements, right-of-ways, as described on Schedule 4.8 and Schedule 4.9 of the Agreement, and such franchises, licenses, and permits related to HTMA's wastewater system.

Excluded assets include the wastewater laterals on the customer side of the curb stop, the grinder pump units of the individual homeowners, all storm water systems, cash, HTMA's accounts receivable, personal property of HTMA not part of the wastewater system and personal property of HTMA not located at the sanitary wastewater treatment facility. HTMA's spray field currently assessed at \$410,300 is also excluded from the sale. According to the Agreement, the spray field will be leased back to PAWC for one dollar (\$1.00) per year for as long as PAWC desires to use the spray field facility and until the pipeline is connected and operational between the HTMA and the FTMSA systems.

PAWC has stated that the proposed transfer will have no immediate effect on the rates for service to be charged its existing customers. For HTMA's customers, PAWC has also stated that it will adopt HTMA's rates existing at the time of closing shown as Exhibit K (Schedule 6.2.2) of the application. Per Schedule 6.2.2, the charge for wastewater service is \$50 per month per EDU. According to the Agreement, these rates shall remain in effect until the earlier of October 31, 2014 or the Commission's approval of a reduced rate as a result of PAWC's best efforts to utilize Act 11 of 2012 to reduce the rates charged to the wastewater customers in a base rate filing.

The Agreement executed on February 7, 2013, also stated that HTMA will use its best efforts to seek to renew a \$496,500 H₂O grant within 30 days of signing the Agreement. This grant will be utilized by HTMA to purchase the pump and other related equipment as prescribed and directed by PAWC once FTMSA's low pressure force main and pump station is designed and permitted. PAWC will provide pump station equipment specifications and engineering services to assist in obtaining the appropriate pump station equipment and pipe materials to be purchased by the grant. The pump station will be available for expansion under PAWC's engineering plan as deemed necessary for interconnection between FTMSA and HTMA.

PAWC, in response to staff's data request No. A-9, has stated that the H₂O grant was modified to allow for the funds to be used to purchase/build the required pump station. PAWC has indicated that the grant has been extended for another year and is still valid. PAWC provided a letter dated February 14, 2013, reflecting the modification. PAWC also averred that for utility plant funded by the \$496,500, PAWC will show a corresponding increase in contributed property. PAWC estimates the total cost of the project to be approximately \$2 million. PAWC will be responsible for the difference in the total cost of the project in its quest to bring HTMA into compliance with regulatory and environmental requirements by interconnecting HTMA and FTMSA.

The purchase price for the system is \$339,700. Negotiations were conducted at arm's length. The Agreement states that the purchase price would be adjusted for capital expenditures made by HTMA after February 7, 2013, through closing net of applicable insurance proceeds, grants, contributions or advances and the adjustment would not total more than \$100,000 or less than \$500 as outlined in paragraph 2.2 of the Agreement. PAWC has indicated that HTMA has not made any additional capital investment in the system since the execution of the Agreement on February 7, 2013. PAWC is in the process of updating the Act 537 Plan to reflect the change in ownership and is designing and permitting the new pump station and interconnecting wastewater main.

PAWC stated that an original cost study will be conducted subsequent to closing and will establish the depreciated original cost for HTMA's utility plant based on the results of the study. The tentative journal entries to record the transfer in PAWC's accounts include:

Utility Plant	\$510,000
---------------	-----------

Accumulated Depreciation (\$170,300)
Short term debt & Cash (\$339,700)

PAWC has stated that it will undertake an original cost study to establish the depreciated original cost of HTMA's utility plant. Upon completion and update of the original cost study and finalizing the property's depreciated original cost and book value, PAWC will amend the pro forma balance sheet giving effect to the transfer, accordingly.

PAWC stated that there are no investment securities owned by HTMA that are being transferred in this transaction.

PAWC will finance the purchase with a note and cash. PAWC also indicated that no additional permanent capital will be required by PAWC for the purpose of financing the matters and things involved in this application.

PAWC submits that the proposed transfer will have a beneficial effect on HTMA's customers. PAWC states that it has the managerial, technical and financial capabilities to operate the system within the regulatory guidelines, make improvements as needed, and improve centralized management including customer and administrative services.

PAWC has stated that no entity provides water service to HTMA's customers. Each household is on an individual well owned by the property owner.

PAWC is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission.

DEP is in support of the acquisition of HTMA by PAWC as it believes PAWC is better equipped to handle the issues highlighted in the CO&A. PAWC has indicated that the Act 537 Plan will be revised and updated to address the acquisition of the HTMA system by PAWC. HTMA's outstanding violations will be cured by the acquisition of HTMA through the connection of the HTMA system to the FTMSA system and the elimination of HTMA's spray-irrigation system. According to PAWC, the Act 537 Plan Revision and Implementation Schedule are expected to be completed and approved by DEP by the first quarter of 2014.

PAWC did not provide a letter from Adams County in support of the Application. However, copies of the Application were served upon the County Commissioners and the County Planning Commission on March 21, 2013. The County did not file a protest or objection to the Application. The protest period ended on April 8, 2013.

Based upon the facts that PAWC will expand its service territory to customers in compliance with our regulations, that the economies of scale of an expanded customer base has a beneficial effect on existing customers, and that PAWC will be meeting the needs of new customers without any detriment to its existing customers the Commission finds that granting PAWC's application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company at A-2013-2352182 is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval of the acquisition by Pennsylvania-American Water Company of the wastewater system assets of Hamiltonban Township Municipal Authority, Hamiltonban Township, Adams County, as described in the Application.

3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to Section 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in portions of Hamiltonban Township, Adams County.

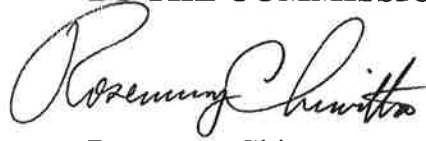
4. That Pennsylvania-American Water Company will file a tariff supplement for the subject service territory and rates within 10 days after the date of closing.

5. That Pennsylvania-American Water Company will file copies of its original cost study of Hamiltonban Township Municipal Authority's wastewater assets with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

6. That nothing herein shall be construed to exempt Pennsylvania-American Water Company from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

7. That a copy of this Order be served upon Pennsylvania-American Water Company, Hamiltonban Township Municipal Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Southcentral Regional Office and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: December 5, 2013

ORDER ENTERED: December 5, 2013

**SATISFACTION OF THE CRITERIA ESTABLISHED BY §1327(A)
FOR INCLUDING IN RATE BASE A POSITIVE ACQUISITION ADJUSTMENT**

Hamiltonban Township Municipal Authority and Hamiltonban Township (“HTMA”)

Section 1327(a) ¹ Criteria	Satisfied (Y/N)	Explanation	Attachments/References
(1) the property is used and useful in providing water or sewer service;	Y	Original cost study prepared and submitted to the Commission	Reference: Original Cost Study
(2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;	Y	Total Customers – 158	Attachment: Commission Order Docket Nos. A-2013-2352182
(3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:	Y		

¹ The introductory paragraph of Section 1327(a) provides as follows:

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility, provided that the acquiring public utility proves that...

Section 1327(a)Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;</p>	Y	<p>DEP documenting runoff from the spray field entering an unnamed tributary of Little Marsh Creek. This constitutes a violation of the Clean Streams Law. DEP has also noted that the spray field is used in freezing temperatures, which is a violation of its operating permit. An executed Consent Order and Agreement (CO&A) between DEP and HTMA entered into on August 21, 2013, to address these violations, was provided to the Commission by DEP.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>
<p>(ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;</p>			
<p>(iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;</p>			
<p>(iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or</p>			

<p>(v) any other facts, as the commission may determine, that evidence the inability of the small water or sewer utility to furnish or maintain adequate, efficient, safe and reasonable service and facilities;</p>			
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Section 1327(a) Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(4) reasonable and prudent investments will be made to assure that the customers served by the property will receive adequate, efficient, safe and reasonable service;</p>	Y	<p>PAWC also plans to interconnect HTMA's wastewater system with Franklin Township Municipal Sewer Authority to address this issue.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>
<p>(5) the public utility, municipal corporation or person whose property is being acquired is in agreement with the acquisition and the negotiations which led to the acquisition were conducted at arm's length;</p>	Y	<p>PAWC and HTMA into an Asset Purchase Agreement.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>
<p>(6) the actual purchase price is reasonable;</p>	Y	<p>PAWC and HTMA agreed on the purchase price. The Commission approved the company's application to acquire HTMA. An OC Study was completed to support utility plant purchase.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>
<p>(7) neither the acquiring nor the selling public utility, municipal corporation or person is an affiliated interest of the other;</p>	Y	<p>Neither PAWC nor HTMA was an affiliated interest of the other. PAWC is a jurisdictional public utility corporation existing under the laws of the Commonwealth and HTMA is a municipal authority organized under the Pennsylvania Municipal Authority Act of May 2, 1945, P.L. 382.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>

(8) the rates charged by the acquiring public utility to its pre-acquisition customers will not increase unreasonably because of the acquisition; and	Y	The purchase agreement and the PUC order stipulated that PAWC adopt the Authority's rate structure.	Attachment: Commission Order Docket Nos. A-2013-2352182	
(9) the excess of the acquisition cost over the depreciated original cost will be added to the rate base to be amortized as an addition to expense over a reasonable period of time with corresponding reductions in the rate base.	Y	PAWC believes strongly that it has satisfied the criteria established by 1327(a).	Reference: Section 1327(a)	

Shippenville Borough

Wastewater

R-2014-2441953

**PENNSYLVANIA AMERICAN
 SHIPPENVILLE ACQUISITION
 CLOSED 8/4/2015**

	Total
UPIS	\$1,472,374
Accumulated Depreciation	(674,925)
CIAC / CAC	(686,063)
Accumulated Depreciation	385,817
Net UPIS	<u>\$497,204</u>
Costs - GL 10400000	718,587
Utility Plant Acquisition Adjustment	<u><u>\$221,383</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd. Cherry Hill, NJ 08003
 (866) 777-8426

Batch # (SSC USE):
 Company Code: **1024 - Pennsylvania American**
 Prepared By (Operating Unit):
 Prepared By (SSC): **Jim Rippert**

Document Type: **UA**
 Journal # (SSC USE):
 Document Date: **9/28/2015**
 Posting Date: **9/28/2015**
 Requested By (Operating Unit):
 Approved By (SSC): **JIM RIPPERT**

*Director
 FMA
 9/29/15*

Quarter Impacted: **3rd**

This is not a Reversing Entry:

Doc Header Text
 Shipperville Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:
 To record the Shipperville acquisition which closed on 8/4/2015

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Pooling Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400003		50	Acq costs including purchase price		2438					717,926.00
1024	10135320		40	UPIS - Shipperville		2438			B24-01-0035	30,270.93	
1024	10135330		40	UPIS - Shipperville		2438				242.07	
1024	10135340		40	UPIS - Shipperville		2438				2.00	
1024	10135430		40	UPIS - Shipperville		2438				33,497.08	
1024	10135440		40	UPIS - Shipperville		2438				123,353.86	
1024	10136030		40	UPIS - Shipperville		2438				53,265.99	
1024	10136110		40	UPIS - Shipperville		2438				107,477.85	
1024	10136330		40	UPIS - Shipperville		2438				11,488.78	
1024	10138400		40	UPIS - Shipperville		2438				4,349.62	
1024	10137110		40	UPIS - Shipperville		2438				19,380.88	
1024	10138000		40	UPIS - Shipperville		2438				388,644.58	
1024	10138100		40	UPIS - Shipperville		2438				30,192.33	
1024	27111000		50	CIAC - Shipperville		2438					122,977.27
1024	27113000		50	CIAC - Shipperville		2438					11,486.78
1024	27118000		50	CIAC - Shipperville		2438					551,568.47
1024	10801000		50	Depr Reserve - Shipperville		2438					674,924.86
1024	27200000		40	CIAC Depr Reserve - Shipperville		2438				385,917.09	
1024	12320000		40	Goodwill		2438			B24-01-0035	220,722.38	
Totals										2,076,914.24	2,076,914.24

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

***Acquisition of the
Shipperville Borough Sewer System***

Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at August 4, 2015

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

September 2015

Pennsylvania-American Water Company, Inc.

Acquisition of the Shipperville Borough's Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of August 4, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 8/04/15	Service Life	Calculated Depreciation Reserve 8/04/15	Depreciated Original Cost at 8/04/15
<u>Non-Depreciable Plant:</u>						
353.2	Land & Land Rights - Collection System	Various	\$30,270.93		\$0.00	\$30,270.93
353.3	Land & Land Rights - Pumping	1983	242.07		0.00	242.07
353.4	Land & Land Rights - Treatment & Disposal System	1983	2.00		0.00	2.00
	Total Non-Depreciable Plant		\$30,515.00		\$0.00	\$30,515.00
<u>Depreciable Plant:</u>						
354.3	Structures & Improvements - Pumping	1988	\$33,497.08	40	\$22,680.31	\$10,816.77
354.4	Structures & Improvements - Treatment & Disposal	1988	\$123,653.86	65	\$51,522.44	\$72,131.42
360	Collection Sewers - Force	1988	\$53,265.99	70	\$20,608.86	\$32,657.13
361	Mains - Gravity	1988	\$797,477.85	70	\$308,547.97	\$488,929.88
363	Services to Customers	1988	\$10,679.10	55	\$5,258.65	\$5,420.45
	Services to Customers	2008	807.68	55	104.02	703.66
	Total Account 363		\$11,486.78		\$5,362.67	\$6,124.11
364	Flow Measuring Devices	1988	\$4,249.82	20	\$4,249.82	\$0.00
371	Pumping Equipment	1988	\$17,594.81	25	\$17,594.81	\$0.00
	Pumping Equipment	2013	1,796.07	25	149.67	1,646.40
	Total Account 371		\$19,390.88		\$17,744.48	\$1,646.40
380	Treatment & Disposal Equipment	1988	\$289,144.58	40	\$195,774.97	\$93,369.61
	Treatment & Disposal Equipment	2001	79,500.00	40	27,990.62	51,509.38
	Total Account 380		\$368,644.58		\$223,765.59	\$144,878.99
381	Plant Sewers	1988	\$30,192.33	40	\$20,442.72	\$9,749.61
	Total Depreciable Plant		\$1,441,859.17		\$674,924.86	\$766,934.31
	Total Plant in Service		\$1,472,374.17		\$674,924.86	\$797,449.31
<u>Deduct: Account 271 - Contributions in aid of Construction:</u>						
354.3	Structures & Improvements - Pumping	1988	(\$33,497.08)	40	(\$22,680.31)	(\$10,816.77)
354.4	Structures & Improvements - Treatment & Disposal	1988	(\$123,653.86)	65	(\$51,522.44)	(\$72,131.42)
360	Collection Sewers - Force	1988	(\$53,265.99)	70	(\$20,608.86)	(\$32,657.13)
361	Mains - Gravity	1988	(\$122,977.27)	70	(\$47,580.49)	(\$75,396.78)
363	Services to Customers	1988	(\$10,679.10)	55	(\$5,258.65)	(\$5,420.45)
	Services to Customers	2008	(807.68)	55	(104.02)	(703.66)
	Total Account 363		(\$11,486.78)		(\$5,362.67)	(\$6,124.11)
364	Flow Measuring Devices	1988	(\$4,249.82)	20	(\$4,249.82)	\$0.00
371	Pumping Equipment	1988	(\$17,594.81)	25	(\$17,594.81)	\$0.00
380	Treatment & Disposal Equipment	1988	(\$289,144.58)	40	(\$195,774.97)	(\$93,369.61)
381	Plant Sewers	1988	(\$30,192.33)	40	(\$20,442.72)	(\$9,749.61)
	Total Contributions in Aid of Construction		(\$686,062.52)		(\$385,817.09)	(\$300,245.43)
	Total Plant in Service (Net)		\$786,311.65		\$289,107.77	\$497,203.88

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held March 11, 2015

Commissioners Present:

Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
James H. Cawley
Pamela A. Witmer
Gladys M. Brown

Application of Pennsylvania-American Water Company-Wastewater Division (PAWC-WD) for approval of: (1) the transfer, by sale, of substantially all of Shippenville Borough properties and rights related to its wastewater system to PAWC-WD, and (2) the rights of PAWC-WD to begin to offer or furnish wastewater service to the public in Shippenville Borough and an additional portion of Elk Township, Clarion County, Pennsylvania.

A-2014-2441953

ORDER

BY THE COMMISSION:

By the application (Application) filed on September 9, 2014, Pennsylvania-American Water Company–Wastewater Division (PAWC-WD), 800 West Hersheypark Drive, Hershey, PA 17033, Utility Code 230073, seeks a certificate of public convenience pursuant to 66 Pa. C.S. Sections 1102(a)(1)(i) and (3) of the Public Utility

Code, evidencing commission approval of: 1) the transfer, by sale, of substantially all of Shippenville Borough properties and rights related to its wastewater system to PAWC-WD, and 2) the rights of PAWC-WD to begin to supply wastewater service to the public in Shippenville Borough and an additional portion of Elk Township, Clarion County, Pennsylvania. PAWC-WD is a wholly-owned division of Pennsylvania-American Water Company (PAWC), Utility Code 212285.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of service and publication were submitted by PAWC-WD. In addition, notice of this Application was published in *The Pennsylvania Bulletin*, 44 Pa.B. 6059, on Saturday, September 20, 2014. The protest period ended October 6, 2014. No protests were filed and no hearings were held.

PAWC-WD is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC-WD is currently engaged in the business of collecting, treating, transporting and disposing of wastewater and sewage for the public. The PAWC-WD existing service territory covers various counties throughout Pennsylvania including Clarion County. As of July 31, 2014, PAWC-WD furnished wastewater service to 16,676 customers as follows: 15,840-residential, 778-commercial, 6-industrial, 48-municipal and 4-sale for resale.

Shippenville Borough (Shippenville) is an incorporated municipality organized and existing under the laws of the Commonwealth of Pennsylvania that owns and operates a public sanitary wastewater treatment system, National Pollution Discharge Elimination System (NPDES) No. PA0103276, serving customers in Shippenville Borough and a portion of Elk Township, Clarion County, Pennsylvania. Shippenville has a mailing address of P.O. Box 244, Shippenville, PA 16254. As of March 4, 2014,

Shippenville furnished wastewater service to 245 customers of whom 226 were residential, 17 were commercial and 2 were municipal. In supplemental information provided to the commission, there are 222 residential, 17 commercial customers and 1 municipal customer in Shippenville Borough while there are 4 residential customers and 1 municipal customer in Elk Township. PAWC furnishes water services in the proposed service territory.

II. LOCATION OF FACILITIES TO BE ACQUIRED

The Application states Shippenville’s wastewater service area includes Shippenville Borough and a portion of Elk Township encompassing approximately 254 acres. The Application’s Exhibit L contains a map that depicts the entire proposed service territory. The proposed service territory is located approximately 2,000 feet west of PAWC-WD’s newly acquired wastewater service territory in Paint and Elk Townships, formerly owned by the Paint–Elk Joint Sewer Authority.

III. DESCRIPTION OF FACILITIES TO BE ACQUIRED

According to the Pennsylvania Department of Environmental Protection (DEP), Shippenville’s wastewater treatment system was constructed in the late 1980’s and consists of an oxidation ditch treatment process, clarifier, chlorine contact tank with a liquid sodium hypochlorite feed system, aerated sludge holding tank and sludge drying beds. The wastewater treatment plant has a permitted hydraulic capacity of 50,000 gallons per day (GPD) that serves approximately 245 Equivalent Dwelling Units (EDUs). The wastewater treatment plant’s effluent is discharged to Deer Creek and its residual sludge is disposed of at Tri-County Landfill.

Shippenville's wastewater collection system contains one lift station with two 46 gallon per minute (gpm) pumps that serve seven residences through 600 linear feet (L.F.) of force main. There is approximately 21,300 L.F. of gravity sewer line that consists of 12,500 feet of 6 inch diameter PVC sewer pipe, 7,700 feet of 8 inch diameter PVC sewer pipe, and 1,100 feet of 1 ¼ inch diameter force main and related appurtenances.

IV. PURCHASE AGREEMENT

The subject Application contained an executed purchase agreement (Agreement) dated August 13, 2014, between Shippenville Borough and PAWC-WD. The Agreement, established a purchase price for the system of \$690,000. The purchase price will be paid directly to Shippenville on the date of closing by corporate check or wire transfer at PAWC-WD's discretion. Shippenville will cease providing service after the sale to PAWC-WD is completed. The negotiations were conducted at arm's length and PAWC-WD and Shippenville are not affiliated within the meaning of 66 Pa. C.S. Section 2101 et seq.

The assets to be acquired include all land and land rights, sanitary wastewater treatment plant and related appurtenances, collection system mains and related appurtenances, pumping stations, laterals (i.e., main to edge of road or curb-line or property-line or right-of-way), equipment, tools, inventory and all other sanitary wastewater system assets and appurtenances. The assets also include all rights, titles, and interests of Shippenville in and to such land, easements, and rights-of-way, as identified in the Agreement's Schedule 4.8 and Schedule 4.9 and franchises, licenses, and permits related to Shippenville's wastewater system.

Specifically excluded from the acquired assets are (i) the sewer laterals from edge of road or curb-line or property-line or right-of-way to and throughout the customer's property; (ii) any and all grinder pump units, and related appurtenances, of the individual customers; (iii) all storm water system facilities; and (iv) those assets listed in the Agreement's Schedule 1.2 plus seller's cash and accounts receivable on the seller's books at closing, as well as all personal property not used in the everyday operation of the wastewater system. PAWC-WD also stated that no investment securities owned by Shippenville will be transferred as part of the proposed transaction.

The tentative journal entries to record the transfer in PAWC-WD's accounts are as follows:

	<u>Debit</u>	<u>Credit</u>
Utility Plant		\$1,350,000
Accumulated Depreciation	\$660,000	
Short Term Debt	\$690,000	

PAWC-WD stated that it will undertake an original cost study to determine the original cost and accumulated depreciation of Shippenville wastewater utility plant in service. Once the original cost study is prepared and the property's depreciated original cost and book value are finalized, PAWC-WD will amend the pro forma balance sheet giving effect to the transfer, accordingly. PAWC-WD stated it will initially finance the transfer by short term bank debt which, at the appropriate time will be replaced through the issuance of long-term debt.

PAWC-WD's projected revenues and expenses, found in the Application's Exhibit N are based upon the rates set-forth on Schedule 6.2.2 and tie into Shippenville's revenues of \$135,339 for the year ending 2013 as identified in the Application's Exhibit D. The expenses of \$43,577, as identified in the Application's Exhibit N, included the

following estimated values: \$21,383 for labor and related expenses; \$7,200 for treatment and related expenses; \$4,800 for maintenance, testing and related expenses; and \$10,194 for miscellaneous expenses.

V. PROPOSED RATES

PAWC-WD stated that it will adopt Shippenville rates existing at the time of closing for Shippenville customers and noted that current rates do not distinguish between customer classes. According to PAWC-WD, there are no known “unmetered customers” and a typical Shippenville metered residential customer using 4,000 gallons of water pays \$55.00 per month for wastewater service. PAWC-WD provided a comparison of the rates metered wastewater customers pay in its Rate Zone 2 that includes its Clarion Wastewater System District. This comparison indicated that a typical metered residential customer in PAWC-WD’s Rate Zone 2 using 4,000 gallons of water pays \$48.04 per month for wastewater service.

VI. OPERATIONS UNDER PAWC-WD

Shippenville is approximately 1.2 miles from PAWC-WD’s recently acquired Paint-Elk wastewater system. PAWC-WD stated the Shippenville wastewater system will be operated and managed out of the Clarion Wastewater System District. Pending closing, PAWC-WD plans to offer an employment opportunity to the current Shippenville operator, who along with the Clarion Wastewater System District’s four full-time employees will support the Shippenville wastewater system operations on a full time basis. PAWC-WD will also have professional support from other PAWC-WD departments, including engineering, environmental, security, loss control and safety, as well as administrative support.

PAWC-WD stated that after closing, it intends to interconnect the Shippenville wastewater collection system to the Paint-Elk wastewater system. Once interconnected, PAWC-WD will decommission the Shippenville wastewater treatment plant and operate both collection systems as a regional wastewater provider utilizing its Paint-Elk wastewater treatment plant to treat the combined flows.

VII. ADDITIONAL MATTERS PERTINENT TO THIS TRANSACTION

PAWC-WD stated it will permit, engineer, design and construct, at its expense, a wastewater line to interconnect the Shippenville wastewater system to PAWC-WD's Paint-Elk wastewater system to serve the customers of Shippenville from PAWC-WD's existing Paint-Elk wastewater system. PAWC will use its best efforts to secure DEP's approval of the required permits, to include updating any and all Act 537 Official Sewage Facilities Plans (Act 537 Plans) for Shippenville Borough and Paint and Elk Townships as required by DEP, and shall prepare all regulatory applications, plans and documents required for the wastewater system improvements at PAWC-WD's expense. In the time between closing and the demolition of Shippenville's existing wastewater treatment plant, PAWC-WD will operate the existing wastewater treatment plant until the interconnection improvements have been placed into service. PAWC-WD stated the interconnection will take approximately 18 months from the date of closing and estimated the cost of the interconnection to be \$1,505,000.

PAWC-WD states in the Agreement that the Shippenville wastewater system, as operated by Shippenville, is subject to a DEP Consent Order and Agreement, (COA) dated November 4, 2010, attached as Schedule 8.1.17. PAWC shall participate along with Shippenville in obtaining a revised or new COA consistent with PAWC-WD's plan to interconnect the Shippenville wastewater system with PAWC-WD's Paint-Elk

wastewater system, and for the subsequent abandonment, demolition and removal of the existing wastewater treatment plant.

VIII. REGULATORY REQUIREMENTS

Regarding the acquisition of Shippenville, and the concomitant rendering of public utility wastewater service to the territory served by Shippenville as described in Exhibit L of the Application, we find that the Application and its supporting documents meet the requirements of both the Public Utility Code and our regulations.

Regarding the PAWC-WD's intention is to interconnect the Shippenville collection system to the recently acquired Paint-Elk wastewater system; we understand that these areas within the affected political subdivisions have yet to obtain municipal and DEP approvals for updating the Act 537 Plans of Shippenville Borough and Elk and Paint Townships.

IX. PUBLIC INTEREST CONSIDERATIONS OF APPROVED CERTIFICATE

PAWC-WD submits that the proposed transfer will have a beneficial effect on Shippenville customers in that they will receive the benefit of PAWC-WD's experience in managing and operating water and wastewater systems which will result in efficiencies and improvements in the service to the customers to be transferred. PAWC-WD states that its existing customers will benefit because the acquisition will expand the customer base, over which existing costs are recovered, and thereby stabilize or reduce per-customer costs.

PAWC-WD is current with its annual, quarterly earnings and the Security Planning and Readiness report filing requirements and there are no outstanding fines or assessments due to the Commission. Further, the DEP's Northwestern Regional Office stated it has no pending actions or outstanding compliance with PAWC-WD within the DEP Northwest Region.

X. CONCLUSION

Based upon the facts that PAWC-WD will expand its service territory to customers in compliance with our regulations, the beneficial economies of scale of an expanded customer base, and that PAWC-WD will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC-WD's application for approval of the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public; **THEREFORE,**

IT IS ORDERED:

1. That the application of Pennsylvania-American Water Company-Wastewater Division at A-2014-2441953 is hereby approved.

2. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. Sections 1102(a)(1)(i) and (3), of the Public Utility Code evidencing Commission approval of the acquisition by Pennsylvania-American Water Company-Wastewater Division of the wastewater system assets of Shippenville Borough, Clarion County.

3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. Sections 1102(a)(1)(i) and (3), evidencing Commission approval for Pennsylvania-American Water Company-Wastewater Division to begin to

offer or furnish wastewater service to the public in Shippenville Borough and an additional portion of Elk Township, Clarion County.

4. That Pennsylvania-American Water Company–Wastewater Division will file copies of its original cost study of the Shippenville Borough’s wastewater assets with the Secretary’s Bureau and the Bureau of Technical Utility Services, upon completion of said study.

5. That Pennsylvania-American Water Company–Wastewater Division will file copies of the updated, DEP approved, Act 537 Official Sewage Facilities Plans for Shippenville Borough and Paint and Elk Townships with the Secretary’s Bureau and the Bureau of Technical Utility Services, upon receipt of said approved plans from DEP prior to the construction of the proposed interconnect of the Shippenville collection system to Pennsylvania-American Water Company–Wastewater Division’s Paint-Elk wastewater system.

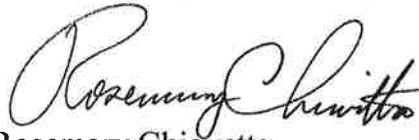
6. That nothing herein shall be construed to exempt Pennsylvania-American Water Company–Wastewater Division from obtaining all necessary permits, licenses, and approvals from other local, state, and federal government agencies having jurisdiction.

7. That within ten days following the date of closing, the Pennsylvania-American Water Company–Wastewater Division shall file, with the Commission, a tariff supplement for the subject service territory and rates, effective on the date of closing.

8. That a copy of this Order be served upon Pennsylvania-American Water Company–Wastewater Division, Shippenville Borough, Elk Township, Paint Township, the Bureau of Investigation and Enforcement, the Office of Consumer

Advocate, the Department of Revenue, Bureau of Corporate Taxes, and the Department of Environmental Protection, Northwest Regional Office and Central Office-Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: March 11, 2015

ORDER ENTERED: March 11, 2015

**SATISFACTION OF THE CRITERIA ESTABLISHED BY §1327(A)
FOR INCLUDING IN RATE BASE A POSITIVE ACQUISITION ADJUSTMENT**

Shippenville Borough

Section 1327(a) ¹ Criteria	Satisfied (Y/N)	Explanation	Attachments/References
(1) the property is used and useful in providing water or sewer service;	Y	Original cost study prepared and submitted to the Commission	Reference: Original Cost Study
(2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;	Y	Total Customers – 245	Attachment: Commission Order Docket No. A-2014-2441953
(3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:	Y		

¹ The introductory paragraph of Section 1327(a) provides as follows:

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility, provided that the acquiring public utility proves that....

Section 1327(a)Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;</p>	Y	<p>Shippenville was operating under a Consent Order & Agreement (CO&A) with the Pennsylvania Department of Environmental Protection (DEP) on November 4, 2010 to address discharge violations.</p>	<p>Attachment: Commission Order Docket No. A-2014-2441953</p>
<p>(ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;</p>			
<p>(iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;</p>			
<p>(iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or</p>			
<p>(v) any other facts, as the commission may determine, that evidence the inability of the small water or sewer utility to furnish or maintain adequate, efficient, safe and</p>			

reasonable service and facilities;			
Section 1327(a) Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(4) reasonable and prudent investments will be made to assure that the customers served by the property will receive adequate, efficient, safe and reasonable service;</p>	Y	<p>P AWC-WD will permit, engineer, design and construct, at its expense, a wastewater line to interconnect the Shippenville wastewater system to P AWC-WD's Paint-Elk wastewater system to serve the customers of Shippenville from P AWC-WD's existing Paint-Elk wastewater system at a cost of \$1,505,000.</p>	<p>Attachment: Commission Order Docket Nos. A-2013-2352182</p>
<p>(5) the public utility, municipal corporation or person whose property is being acquired is in agreement with the acquisition and the negotiations which led to the acquisition were conducted at arm's length;</p>	Y	<p>P AWC and Shippenville Borough entered into an Asset Purchase Agreement.</p>	<p>Attachment: Commission Order Docket No. A-2014-2441953</p>
<p>(6) the actual purchase price is reasonable;</p>	Y	<p>P AWC and Shippenville Borough agreed on the purchase price. The Commission approved the company's application to acquire Shippenville Borough. An OC Study was completed to support utility plant purchase.</p>	<p>Attachment: Commission Order Docket No. A-2014-2441953</p>
<p>(7) neither the acquiring nor the selling public utility, municipal corporation or person is an affiliated interest of the other;</p>	Y	<p>Neither P AWC nor Shippenville Borough was an affiliated interest of the other. P AWC is a jurisdictional public utility corporation existing under the laws of the Commonwealth and Shippenville Borough is a municipal authority organized under the Pennsylvania</p>	<p>Attachment: Commission Order Docket No. A-2014-2441953</p>

			Municipal Authority Act of May 2, 1945, P.L. 382.	
(8) the rates charged by the acquiring public utility to its pre-acquisition customers will not increase unreasonably because of the acquisition; and	Y		The purchase agreement and the PUC order stipulated that PAWC adopt the Authority's rate structure.	Attachment: Commission Order Docket No. A-2014-2441953
(9) the excess of the acquisition cost over the depreciated original cost will be added to the rate base to be amortized as an addition to expense over a reasonable period of time with corresponding reductions in the rate base.	Y		PAWC believes strongly that it has satisfied the criteria established by 1327(a).	Reference: Section 1327(a)

McEwensville Municipal Authority

Wastewater

R-2015-2460982

**PENNSYLVANIA AMERICAN
MCEWENSVILLE WASTEWATER ACQUISITION
CLOSED 10/21/2015**

WW

	<u>Total</u>
UPIS	\$ 1,220,492
Accumulated Depreciation	(541,288)
CIAC / CAC	(877,303)
Accumulated Depreciation	418,372
Net UPIS	<u>\$ 220,273</u>
 CAC	 (66,000)
 Less: Purchase Price / Acq Costs - GL 10400000	 (155,796)
 Utility Plant Acquisition Adjustment	 <u><u>\$ (1,523)</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
(856) 777-8428

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward
Tom Markward 11-15-15
 Quarter Impacted: 4th

Document Type: UA
 Journal # (SSC USE): _____
 Document Date: November 2015
 Posting Date: November 2015
 Requested By (Operating Unit): _____
 Approved By (SSC): Tom Markward
 This is not a Reversing Entry:

JMA
11/22/15
Ungley 11/23/15

Doc Header Text
 McEwensville Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the McEwensville acquisition which closed on 10/21/2015

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Acq costs including purchase price		2401			B24-01-0038		365,949.47
1024	10130320		40	UPIIS - McEwensville Water		2484				18,568.50	
1024	10130340		40	UPIIS - McEwensville Water		2484				20.00	
1024	10130420		40	UPIIS - McEwensville Water		2484				112,203.40	
1024	10130700		40	UPIIS - McEwensville Water		2484				42,066.73	
1024	10131152		40	UPIIS - McEwensville Water		2484				7,146.89	
1024	10132010		40	UPIIS - McEwensville Water		2484				1,308.34	
1024	10133000		40	UPIIS - McEwensville Water		2484				67,739.80	
1024	10133100		40	UPIIS - McEwensville Water		2484				202,580.43	
1024	10133300		40	UPIIS - McEwensville Water		2484				58,096.33	
1024	10133410		40	UPIIS - McEwensville Water		2484				9,492.42	
1024	10133500		40	UPIIS - McEwensville Water		2484				15,835.95	
1024	27111000		50	CIAC - McEwensville Water		2484					79,304.17
1024	27113000		50	CIAC - McEwensville Water		2484					34,783.58
1024	27115000		50	CIAC - McEwensville Water		2484					7,848.20
1024	72801100		50	CAC - McEwensville Water		2484					8,000.00
1024	10801000		50	Depr Reserve - McEwensville Water		2484					205,566.69
1024	27206000		40	CIAC Depr Reserve - McEwensville Water		2484				12,321.93	
1024	10135320		40	UPIIS - McEwensville Sewer		2485				72.50	
1024	10135330		40	UPIIS - McEwensville Sewer		2485				14.60	
1024	10135340		40	UPIIS - McEwensville Sewer		2485				14.60	
1024	10135430		40	UPIIS - McEwensville Sewer		2485				62,224.03	
1024	10135440		40	UPIIS - McEwensville Sewer		2485				133,860.33	
1024	10136000		40	UPIIS - McEwensville Sewer		2485				57,907.87	
1024	10136150		40	UPIIS - McEwensville Sewer		2485				388,111.90	
1024	10136300		40	UPIIS - McEwensville Sewer		2485				38,050.76	
1024	10136400		40	UPIIS - McEwensville Sewer		2485				10,478.99	
1024	10137110		40	UPIIS - McEwensville Sewer		2485				31,226.24	
1024	10138000		40	UPIIS - McEwensville Sewer		2485				492,085.38	
1024	10139300		40	UPIIS - McEwensville Sewer		2485				4,548.80	
1024	27111000		50	CIAC - McEwensville Sewer		2485					227,074.58
1024	27113000		50	CIAC - McEwensville Sewer		2485					38,050.76
1024	27118000		50	CIAC - McEwensville Sewer		2485					612,178.12
1024	72801100		50	CAC - McEwensville Sewer		2485					86,000.00
1024	10801000		50	Depr Reserve - McEwensville Sewer		2485					541,287.84
1024	27206000		40	CIAC Depr Reserve - McEwensville Sewer		2485				418,372.01	
1024	25833700		50	Deferred Gain on Acquisition - Water		2484			B24-01-0036		3,215.07
1024	25833700		50	Deferred Gain on Acquisition - Sewer		2485			B24-01-0038		2,287.54
Totals										2,188,244.62	2,188,244.62

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

*Acquisition of the
McEwensville Municipal Authority - Sewer System*

Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at October 21, 2015

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

November 2015

Pennsylvania-American Water Company, Inc.

Acquisition of the McEwensville Municipal Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 21, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/21/15	Service Life	Calculated Depreciation Reserve 10/21/15	Depreciated Original Cost at 10/21/15
<u>Non-Depreciable Plant:</u>						
353.2	Land & Land Rights - Collection System	Various	\$72.50		\$0.00	\$72.50
353.3	Land & Land Rights - Pumping	1983	14.50		0.00	14.50
353.4	Land & Land Rights - Treatment & Disposal System	1983	14.50		0.00	14.50
	Total Non-Depreciable Plant		\$101.50		\$0.00	\$101.50
<u>Depreciable Plant:</u>						
354.3	Structures & Improvements - Pumping	1985	\$48,137.69	40	\$36,504.41	\$11,633.28
	Structures & Improvements - Pumping	1992	14,086.34	40	8,217.03	5,869.31
	Total Account 354.3		\$62,224.03		\$44,721.44	\$17,502.59
354.4	Structures & Improvements - Treatment & Disposal	1985	\$133,860.33	65	\$62,468.15	\$71,392.18
360	Collection Sewers - Pressure	1985	\$23,225.58	70	\$10,064.42	\$13,161.16
	Collection Sewers - Pressure	1992	34,682.29	70	11,560.76	23,121.53
	Total Account 360		\$57,907.87		\$21,625.18	\$36,282.69
361	Mains - Gravity	1985	\$297,854.84	70	\$129,070.43	\$168,784.41
	Mains - Gravity	1988	11,606.51	70	4,532.07	7,074.44
	Mains - Gravity	2014	79,650.55	70	1,517.15	78,133.40
	Total Account 361		\$389,111.90		\$135,119.65	\$253,992.25
363	Services to Customers	1985	\$19,500.46	55	\$10,754.80	\$8,745.66
	Services to Customers	1988	1,896.40	55	942.45	953.95
	Services to Customers	1992	2,628.60	55	1,115.16	1,513.44
	Services to Customers	2014	14,025.30	55	340.01	13,685.29
	Total Account 363		\$38,050.76		\$13,152.42	\$24,898.34
364	Flow Measuring Devices	2006	\$10,476.99	20	\$4,889.26	\$5,587.73
371	Pumping Equipment	1985	\$6,476.79	25	\$6,476.79	\$0.00
	Pumping Equipment	1992	2,554.62	25	2,384.31	170.31
	Pumping Equipment	2008	7,224.81	25	2,119.28	5,105.53
	Pumping Equipment	2011	14,970.02	25	2,594.80	12,375.22
	Total Account 371		\$31,226.24		\$13,575.18	\$17,651.06
380	Treatment & Disposal Equipment	1985	\$248,205.35	40	\$188,222.39	\$59,982.96
	Treatment & Disposal Equipment	2006	238,553.01	40	55,662.37	182,890.64
	Treatment & Disposal Equipment	2008	1,804.01	40	330.74	1,473.27
	Treatment & Disposal Equipment	2010	2,325.92	40	310.12	2,015.80
	Treatment & Disposal Equipment	2011	2,097.09	40	227.18	1,869.91
	Total Account 380		\$492,985.38		\$244,752.80	\$248,232.58
393	Tools, Shop & Garage Equipment	2010	\$2,257.60	20	\$602.03	\$1,655.57
	Tools, Shop & Garage Equipment	2012	2,289.20	20	381.53	1,907.67
	Total Account 343		\$4,546.80		\$983.56	\$3,563.24
	Total Depreciable Plant		\$1,220,390.30		\$541,287.64	\$679,102.66
	Total Plant in Service		\$1,220,491.80		\$541,287.64	\$679,204.16

Pennsylvania-American Water Company, Inc.

Acquisition of the McEwensville Municipal Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 21, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/21/15	Service Life	Calculated Depreciation Reserve 10/21/15	Depreciated Original Cost at 10/21/15
<u>Deduct: Account 271 - Contributions in aid of Construction:</u>						
354.3	Structures & Improvements - Pumping	1985	(\$48,137.69)	40	(\$36,504.41)	(\$11,633.28)
	Structures & Improvements - Pumping	1992	(14,086.34)	40	(8,217.03)	(5,869.31)
	Total Account 354.3		(\$62,224.03)		(\$44,721.44)	(\$17,502.59)
354.4	Structures & Improvements - Treatment & Disposal	1985	(\$133,860.33)	65	(\$62,468.15)	(\$71,392.18)
360	Collection Sewers - Pressure	1985	(\$23,225.58)	70	(\$10,064.42)	(\$13,161.16)
	Collection Sewers - Pressure	1992	(34,682.29)	70	(11,560.76)	(23,121.53)
	Total Account 360		(\$57,907.87)		(\$21,625.18)	(\$36,282.69)
361	Mains - Gravity	1985	(\$77,909.65)	70	(\$33,760.85)	(\$44,148.80)
	Mains - Gravity	1988	(11,606.51)	70	(4,532.07)	(7,074.44)
	Mains - Gravity	2014	(79,650.55)	70	(1,517.15)	(78,133.40)
	Total Account 361		(\$169,166.71)		(\$39,810.07)	(\$129,356.64)
363	Services to Customers	1985	(\$19,500.46)	55	(\$10,754.80)	(\$8,745.66)
	Services to Customers	1988	(1,896.40)	55	(942.45)	(953.95)
	Services to Customers	1992	(2,628.60)	55	(1,115.16)	(1,513.44)
	Services to Customers	2014	(14,025.30)	55	(340.01)	(13,685.29)
	Total Account 363		(\$38,050.76)		(\$13,152.42)	(\$24,898.34)
364	Flow Measuring Devices	2006	(\$10,476.99)	20	(\$4,889.26)	(\$5,587.73)
371	Pumping Equipment	1985	(\$6,476.79)	25	(\$6,476.79)	\$0.00
	Pumping Equipment	1992	(2,554.62)	25	(2,384.31)	(170.31)
	Total Account 371		(\$9,031.41)		(\$8,861.10)	(\$170.31)
380	Treatment & Disposal Equipment	1985	(\$248,205.35)	40	(\$188,222.39)	(\$59,982.96)
	Treatment & Disposal Equipment	2006	(148,380.01)	40	(34,622.00)	(113,758.01)
	Total Account 380		(\$396,585.36)		(\$222,844.39)	(\$173,740.97)
	Total Depreciable Plant		(\$877,303.46)		(\$418,372.01)	(\$458,931.45)
	Total Plant in Service (Net)		\$343,188.34		\$122,915.63	\$220,272.71

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held October 1, 2015

Commissioners Present:

Gladys M. Brown, Chairman
John F. Coleman, Jr., Vice Chairman
Pamela A. Witmer
Robert F. Powelson

Application of the Pennsylvania-American Water Company - Wastewater Division (PAWC-WD) for approval of (1) the transfer, by sale, of substantially all of the wastewater system assets and rights of the McEwensville Municipal Authority to PAWC-WD, and (2) the right of PAWC-WD to furnish wastewater service to the public in McEwensville Borough, Northumberland County, Pennsylvania

A-2015-2460982

ORDER

BY THE COMMISSION:

By the application (Application) filed on December 31, 2014, and later amended on August, 14, 2015, the Pennsylvania-American Water Company - Wastewater Division (PAWC-WD), utility code 230073, 800 West Hersheypark Drive, Hershey, PA 17033, seeks a certificate of public convenience pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §§ 1102(a)(1)(i), and (3), evidencing Commission approval of: 1) the acquisition by PAWC-WD of substantially all of the wastewater system assets of the McEwensville Municipal Authority (MBMA), and 2) the right of PAWC-WD to begin to offer or furnish wastewater service to the public in McEwensville

Borough, Northumberland County, Pennsylvania. PAWC-WD is a wholly-owned division of Pennsylvania-American Water Company (PAWC), utility code 212285.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of publication and service to appropriate entities were submitted by PAWC-WD. In addition, notice of this Application was published in The Pennsylvania Bulletin, 45 Pa.B. 399, Saturday, January 17, 2015. The protest period ended February 2, 2015. No protests were filed and no hearings were held.

PAWC-WD is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC-WD is currently engaged in the business of collecting, treating, transporting and disposing of wastewater and sewage for the public. PAWC-WD and its parent company, PAWC, respectively furnish wastewater and water service to the public in service territories encompassing more than 400 communities across the Commonwealth with a combined population of over 2,100,000. As of November 30, 2014, PAWC-WD furnished wastewater service to 17,109 customers as follows: 16,157-residential, 890-commercial, 7-industrial, 51-municipal and 4-sale for resale. The Application provided a description of PAWC-WD's and PAWC's certificated service territories, along with a detailed history that outlined all the mergers, acquisitions and consolidations which have created PAWC-WD and PAWC as both utilities exist today.

MBMA is a municipal authority organized under the Municipality Authorities Act of May 2, 1945, P.L. 382 that owns and operates public water and wastewater systems. MBMA's wastewater system provides service to the public in McEwensville Borough, Northumberland County. MBMA has a mailing address of P.O. Box 50, McEwensville, PA 17749. As of December 1, 2014, MBMA furnished wastewater service to 139 customer connections or 160 equivalent dwelling units (EDUs). MBMA also provides

water service to McEwensville Borough and a portion of Delaware Township, Northumberland County. Currently, MBMA furnishes water service to 135 of its wastewater customer connections. There are four MBMA wastewater customers not served by MBMA's water system that receive water service from individual wells. The application of PAWC for approval of its acquisition of MBMA's water system is pending before the Commission at Docket No. A-2015-2460981.

According to PAWC-WD, MBMA only has one customer class designated as "residential" for all of its water and wastewater service connections and utilizes an unwritten policy of charging EDU multipliers to customers whose buildings are comprised of multiple dwelling units or contain non-residential (i.e., commercial, industrial, governmental, etc.) uses. MBMA's EDU allocation is established for its existing customers as evidenced on copies of past water and wastewater billings. However, MBMA has no established EDU definition in which to characterize future customers. PAWC-WD stated the numeric breakdown of the 139 MBMA wastewater customer connections by PAWC-WD's customer class is as follows: 129-residential (129 EDUs), 9-commercial (30 EDUs) and 1-municipal (1 EDU). PAWC-WD plans to adopt MBMA's use of the EDU multipliers assigned to MBMA's existing customers with multiple dwelling units or non-residential property uses and will apply PAWC-WD's existing EDU definition, as contained in its current wastewater tariff, for future customers that will be served by MBMA's wastewater system.

II. LOCATION OF FACILITIES TO BE ACQUIRED

PAWC-WD proposes to purchase MBMA's wastewater treatment plant and collection system that serves 139 customer connections within McEwensville Borough. A map depicting the proposed wastewater service territory and a description of the proposed territory's boundaries are contained in the Application, as amended on August 14, 2015, marked as Revised Exhibits M-1 and M-2. MBMA is located within

Northumberland County, east of Interstate 180 and 1.5 miles north of Interstate 80. The proposed wastewater service territory area, as amended, encompasses approximately 79 acres.

III. DESCRIPTION OF FACILITIES TO BE ACQUIRED

PAWC-WD will acquire MBMA's wastewater treatment and collection systems. MBMA's wastewater treatment plant operates under the National Pollutant Discharge Elimination System (NPDES) Permit No. PA0111414. According to MBMA's 2014 Chapter 94 Annual Municipal Wasteload Management Report and supplemental information provided by PAWC-WD, MBMA's wastewater treatment system is a lagoon-type system that was placed into operation in 1984. The system consists of two 110,000 gallon aerated lagoons. Each lagoon contains two cells separated by baffles, followed by a plate settler. Wastewater flows sequentially from Lagoon No.1 to Lagoon No.2. Sludge is recycled back to the wet well and solids are wasted periodically by hauling wet sludge. In 2006, eight floating attached growth bioreactors were installed in Lagoon No.2 and an ultrasonic level monitor and chart recorder were installed at the effluent weir. The disinfection system uses calcium hypochlorite and a chlorine contact tank prior to discharge. The wastewater treatment plant has a permitted capacity of 45,000 gallons per day with the effluent discharging to an unnamed tributary to Warrior Run. MBMA's wastewater treatment plant is located to the west of McEwensville Borough in neighboring Delaware Township.

MBMA's wastewater collection system assets include five pump stations, 56 manholes, four cleanouts, a minimum of 140 company service laterals and the following inventory of plastic sewer pipe: 250 linear feet of 1.5-inch diameter, 800 linear feet of 2.5-inch diameter, 200 linear feet of 3-inch diameter, 1,000 linear feet of 4-inch diameter, 100 linear feet of 6-inch diameter, 9,900 linear feet of 8-inch diameter and 900 linear feet of 10-inch diameter.

IV. PURCHASE AGREEMENT

On December 17, 2014, PAWC entered into an asset purchase agreement (Agreement) with MBMA by which PAWC agreed to purchase the water and wastewater system assets of MBMA for the consideration of \$370,000. A copy of the Agreement is attached to the Application and is marked as Exhibit F. According to PAWC, the negotiations were conducted at arm's length and PAWC and MBMA are not affiliated with each other. The estimated portion of the purchase attributed to MBMA's wastewater system is \$185,000. The Agreement provides that PAWC will purchase the water and wastewater systems as defined in Section 1.1 of the Agreement.

Excluded assets are discussed in the Agreement's Section 1.2 and specifically exclude sewer service laterals and water service lines on the customer side, any and all grinder pump units and related appurtenances, meter pits, and all storm water system facilities. Excluded assets are further defined in Schedule 1.2 of the Agreement and also include account receivables due for services rendered for the benefit of MBMA's customers up to the date of closing, plus seller's cash and cash equivalents held in bank or other related accounts, with the exception of \$12,000 held in escrow for an extension agreement referenced in the Agreement's Schedule 4.13, and any and all personal property situated within property and facilities owned by McEwensville Borough and shared between McEwensville Borough and MBMA. Excluded liabilities are discussed in the Agreement's Section 1.3 and specifically exclude any liabilities of MBMA including any obligations owed by MBMA to others.

As discussed in the Agreement's Schedule 4.13, PAWC and PAWC-WD will assume the Sewer Extension Agreement for EDU reservation for water and sewer service between MBMA and Kenneth R. Weaver and Norma G. Weaver (collectively the Weavers) dated February 8, 2006. MBMA collected \$60,000 from the Weavers in water

and sewer reservation fees for 50 EDUs allocated to an undeveloped parcel of land located in Delaware Township along the southwest portion of McEwensville Borough. The combined MBMA EDU reservation fee is based on \$1,200/EDU and is comprised of \$400 per EDU for water and \$800 per EDU for sewer. PAWC-WD stated the Weavers will have a \$60,000 credit in the form of a customer deposit applied against future PAWC-WD wastewater capacity reservation fees. PAWC-WD also stated that it will refund the \$60,000 reservation fee if the Weavers do not receive approval for their subdivision. MBMA also collected \$12,000 in customer advances from the Weavers for legal, engineering and inspection fees that may be incurred by MBMA in connection with the project. PAWC-WD stated that upon completion of the project, PAWC-WD will refund any unused portion of the \$12,000 payment to the Weavers. PAWC-WD reported that subdivision plans for the Weaver development have not been filed or approved and no structures have been built.

PAWC and PAWC-WD will also assume the agreement between MBMA and Kevin L. Yordy and Janet L. Yordy (collectively the Yordys) dated March 28, 2009 pertaining to water and sewer service. The Yordy Agreement pertains to the Yordy residential development located on the eastern side of Susquehanna Trail (State Route 1007) in the southern portion of McEwensville Borough that consists of 34 building lots. At the time of the execution of the Agreement, the Yordy's paid MBMA \$8,000 that was held in an escrow account. The escrow was established to pay for all legal, engineering and inspection fees incurred by MBMA in connection with the Yordy development. PAWC-WD stated that of the \$8,000 in escrow, \$3,006.94 was returned to the Yordys and the escrow account was closed by MBMA. PAWC-WD reported that there are three lots with structures on them in the Yordy Development.

V. ADDITIONAL CAPITAL REQUIREMENTS

PAWC-WD provided supplemental information stating it will spend \$356,670 on improvements to MBMA's wastewater system and anticipates completing the capital improvements within 12 months of closing. MBMA's wastewater system improvements and costs include \$26,420 to install security fencing at the pump stations; \$66,050 to install a Supervisory Control and Data Acquisition (SCADA) system and telemetry; \$33,025 for a portable generator for the lift station; \$33,025 for a spare pump at the treatment plant; \$132,100 for a treatment plant generator and \$66,050 to replace the lagoon aeration system.

The following are the tentative journal entries that will be used to record the MBMA water and wastewater systems purchase into the accounts of PAWC and PAWC-WD:

	<u>Debit</u>	<u>Credit</u>
Utility Plant		
Water	\$460,000	
Wastewater	<u>\$1,050,000</u>	
Total	\$1,510,000	
Accumulated Depreciation		
Water		\$275,000
Wastewater		<u>\$865,000</u>
Total		\$1,140,000
Short Term Debt		
Water		\$185,000
Wastewater		<u>\$185,000</u>
Total		<u>\$370,000</u>

PAWC-WD stated that it will undertake an original cost study to determine the value of MBMA's wastewater system assets including any contributed property. Once the original cost study is complete and the property's depreciated original cost and book value are established, PAWC-WD will amend the pro forma balance sheet giving effect to the transfer, accordingly. PAWC-WD also stated it will finance the purchase with a note and cash.

VI. PROPOSED RATES

PAWC-WD stated that at the time of closing, the MBMA customers will be transferred to PAWC-WD and PAWC-WD will adopt MBMA's existing rates. However for future wastewater customers, PAWC-WD will apply its currently tariffed capacity reservation and miscellaneous fees in lieu of MBMA's fees effective at closing. MBMA currently charges a monthly service charge of \$48.00 per EDU. A typical MBMA residential customer with a 5/8-inch meter using 4,000 gallons with a 1 EDU allocation currently pays \$48.00 per month or \$576.00 annually. Under PAWC-WD's Zone 1 Rates, the same MBMA residential customer would pay \$59.02 per month ($\$7.50 + [\$12.88/1,000 \text{ gallons} \times 4,000 \text{ gallons}]$) or \$708.24 annually.

For commercial customers, MBMA uses an EDU multiplier based upon the size and type of the building or facility (e.g., 3 EDUs for a 3-unit apartment building or 5 EDUs for a 5-unit apartment building, etc.). A typical MBMA commercial customer using a 1-inch meter consuming 9,600 gallons with a 3 EDU allocation currently pays \$144.00 per month ($\$48.00/\text{EDU} \times 3 \text{ EDUs}$) or \$1,728.00 annually. Under PAWC-WD's Zone 1 Rates, the same MBMA commercial customer would pay \$127.46 per month ($\$20.00 + [\$11.194/1,000 \text{ gallons} \times 9,600 \text{ gallons}]$) or about \$1,529.52 annually.

A typical MBMA municipal customer with a 5/8-inch meter using 4,000 gallons with a 1 EDU allocation currently pays \$48.00 per month or \$576.00 annually. Under PAWC-WD's Zone 1 Rates, the same MBMA municipal customer would pay \$52.28 per month ($\$7.50 + [\$11.194/1,000 \text{ gallons} \times 4,000 \text{ gallons}]$) or about \$627.36 annually

The estimated annual revenue for 139 customer connections will be approximately \$92,160. PAWC-WD estimated its annual operating expenses will be \$66,386 producing an estimated operating income of approximately \$25,774 ($\$92,160 \text{ Annual Revenues} - \$66,386 \text{ Annual Expenses}$).

VII. OPERATIONS UNDER PAWC-WD

PAWC-WD's target date to begin providing service to the homes currently served by the MBMA wastewater system is immediately upon closing. In supplemental information, PAWC-WD stated MBMA's wastewater system will be operated as a stand-alone system and will be maintained through PAWC's Milton Division. PAWC-WD stated that MBMA's acquired wastewater system assets will be operated by a contract operator, Myers Environmental Services, with additional support provided by PAWC-WD. MBMA's acquired assets are approximately 2.6 miles from PAWC's Milton Division systems.

VIII. ACT 537 SEWAGE FACILITIES AND LAND-USE PLANNING COMPLIANCE

PAWC-WD's wastewater service territory, as depicted in the initial Application, contained portions of Delaware Township surrounding McEwensville Borough that were not designated for public sewer in the Act 537 Plan Update for the Northern Neighbors Wastewater Regionalization Plan for Delaware Township, McEwensville Borough, et.al.

(Act 537 Plan Update) as approved by DEP on February 16, 2010. PAWC-WD's currently requested wastewater service territory, as amended on August 14, 2015, contains only McEwensville Borough and agrees with the Act 537 Plan Update. The portions of Delaware Township surrounding McEwensville Borough, identified as Study Areas 3 and 4 in the approved Act 537 Plan Update, were not designated for public sewer and will require DEP sewage facilities planning approval prior to any future service territory expansion.

PAWC-WD sent letters to Delaware Township and Northumberland County seeking verification that its acquisition of the MBMA's water and wastewater systems will comply with municipal and county land use planning. PAWC-WD submitted copies of the subject request letters that it sent to Delaware Township and Northumberland County along with corresponding certified mail receipts. According to PAWC-WD, it has not received any comments from Delaware Township or Northumberland County regarding the requests.

IX. OTHER CONSIDERATIONS

According to DEP, PAWC-WD and MBMA have no outstanding compliance or operational issues. Also, PAWC-WD is current with its annual and quarterly earnings and the security planning and readiness report filing requirements. Further, PAWC-WD has no outstanding fines or assessments due to the Commission.

X. CONCLUSION

PAWC-WD states the transfer will have no detrimental effect on the service provided to PAWC-WD's existing customers or the customers transferred by MBMA. MBMA customers will receive the benefit of PAWC-WD's experience in managing and operating wastewater systems which will result in efficiencies and improvements in the

service to the customers to be transferred. PAWC-WD also has the managerial, technical and financial capabilities to safely and adequately operate the MBMA's wastewater system in compliance with the Public Utility Code, the Clean Streams Law and other regulatory requirements, and to make improvements as needed, on a short and long term basis.

Based upon the facts that PAWC-WD will expand its service territory to customers in compliance with Commission regulations and that PAWC-WD will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC-WD's application for the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public;

THEREFORE,

IT IS ORDERED:

1. That the Application, as amended on August 14, 2015, of the Pennsylvania-American Water Company - Wastewater Division at Docket A-2015-2460982 is hereby approved.

2. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(1)(i), evidencing Commission approval for the Pennsylvania-American Water Company - Wastewater Division to begin to offer, render, furnish and supply wastewater service to the public in McEwensville Borough, Northumberland County.

3. That Pennsylvania-American Water Company - Wastewater Division shall notify the Commission within 10 days of the closing with the McEwensville Municipal Authority.

4. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(3), evidencing Commission approval of the acquisition by the Pennsylvania-American Water Company - Wastewater Division of substantially all of the wastewater system assets of the McEwensville Municipal Authority, in McEwensville Borough, Northumberland County, as described in the amended Application.

5. That Pennsylvania-American Water Company - Wastewater Division will file copies of its original cost study of the wastewater system assets acquired from McEwensville Municipal Authority with the Secretary's Bureau and the Bureau of Technical Utility Services, upon completion of said study.

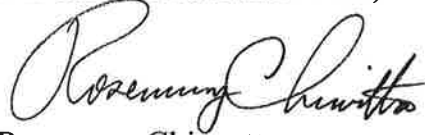
6. That Pennsylvania-American Water Company - Wastewater Division shall file a tariff supplement incorporating the McEwensville Municipal Authority's wastewater service territory and existing wastewater service rates that includes an equivalent dwelling unit definition within 10 days following the date of closing, to become effective on one day's notice.

7. That nothing herein shall be construed as an approval or determination of costs or expenses for the purpose of just or reasonable rates or to exempt Pennsylvania-American Water Company - Wastewater Division from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.

8. That a copy of this Order be served upon The Pennsylvania-American Water Company - Wastewater Division, the McEwensville Municipal Authority, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, the Bureau of Corporate Taxes,

the Department of Environmental Protection – Northcentral Regional Office and its
Central Office Bureau of Regulatory Counsel.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: October 1, 2015

ORDER ENTERED: October 1, 2015

Fairview Township

Wastewater

R-2015-2486532

**PENNSYLVANIA AMERICAN
FAIRVIEW WW ACQUISITION
CLOSED 12/22/2015**

	<u>Total</u>
UPIS	\$ 32,911,889
Accumulated Depreciation	(9,824,833)
CIAC / CAC	(7,124,670)
Accumulated Amortization	1,971,083
Net UPIS	<u>\$ 17,933,469</u>
CWIP - Act 537 Plan - Phase 2 Project	524,123
PA Turnpike Utility Relocation Project	1,438,828
Reimbursement from PA Turnpike (CIAC)	(734,726)
Red Barn Deposit - refundable to PAAW thru 2024	300,000
Net Assets	<u>\$ 19,461,695</u>
Less Credits:	
Purchase Price / Acq Costs - GL 10400000	16,497,755
Capacity Fee Agreements - 10 days	1,883
Prepaid Tapping Fees	521,925
Resident Billing for Services - 10 days	80,680
Land Lease for Cellular Tower - 10 days	572
Payable to Fairview - Turnpike Utility Relocation	704,102
Plus Expenses:	
Red Barn Trading expenses	2,836
Lower Allen Treatment & Outfall	3,574
Utility Plant Acquisition Adjustment	<u><u>\$ (1,661,188)</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd. Cherry Hill, NJ 08003
(866) 777-8426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward
Tom Markward 1-29-16
 Quarter Impacted: 1st

Document Type: UA
 Journal # (SSC USE): _____
 Document Date: January 2016
 Posting Date: January 2016
 Requested By (Operating Unit): _____
 Approved By (SSC): Nancy Yilmaz
 This is not a Reversing Entry:

Amylee 2/1/16
Melvin
2-2

Doc Header Text

Fairview WW Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the Fairview WW acquisition which closed on 12/22/2015

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
			50	Acq costs including purchase price		2460			824-01-0040		18,578,707.06
1024	10400000		40	UPIS - Fairview WW		2460				210,625.73	
1024	10135320		40	UPIS - Fairview WW		2460				77,044.50	
1024	10135330		40	UPIS - Fairview WW		2460				260,618.04	
1024	10135340		40	UPIS - Fairview WW		2460				2,518,425.72	
1024	10135430		40	UPIS - Fairview WW		2460				42,889.48	
1024	10135440		40	UPIS - Fairview WW		2460				685,364.21	
1024	10135450		40	UPIS - Fairview WW		2460				42,889.48	
1024	10135540		40	UPIS - Fairview WW		2460				404,589.70	
1024	10138000		40	UPIS - Fairview WW		2460				791,727.89	
1024	10138110		40	UPIS - Fairview WW		2460				18,216,824.61	
1024	10138300		40	UPIS - Fairview WW		2460				1,935,677.23	
1024	10138400		40	UPIS - Fairview WW		2460				13,248.46	
1024	10137110		40	UPIS - Fairview WW		2460				119,197.00	
1024	10138000		40	UPIS - Fairview WW		2460				7,177,333.90	
1024	10138200		40	UPIS - Fairview WW		2460				169,747.05	
1024	10139000		40	UPIS - Fairview WW		2460				996.40	
1024	10139100		40	UPIS - Fairview WW		2460				171,893.02	
1024	10139300		40	UPIS - Fairview WW		2460				3,870.54	
1024	10139400		40	UPIS - Fairview WW		2460				19,032.73	
1024	10139500		40	UPIS - Fairview WW		2460				72,784.90	
1024	27111000		50	CIAC - Fairview WW		2460					8,243,741.84
1024	27113000		50	CIAC - Fairview WW		2460					589,558.80
1024	27116000		50	CIAC - Fairview WW		2460					291,369.23
1024	10801000		50	Depr Reserve - Fairview WW		2460					9,824,832.85
1024	27206000		40	CIAC Depr Reserve - Fairview WW		2460				1,971,082.91	
1024	53150000		40	CWIP - Phase 2 Project			R24-6001.15-P-0001			524,123.23	
1024	53150000		40	CWIP - PA Turnpike Utility Relo Proj			R24-6001.15-P-0002			1,438,828.00	
1024	72802000		50	CIAC - PA Turnpike Utility Relo Proj			R24-6001.15-P-0002				734,726.00
1024	23430000		50	Turnpike Utility Relocation - payable to Fairview		2460					704,102.00
1024	40319900		50	Capacity fees - 10 days		2460					1,883.00
1024	40222000		50	Resident Billing for services - 10 days		2460					80,880.00
1024	40319900		50	Cellular Tower land lease - 10 days		2460					572.00
1024	26281450		50	Prepaid tapping fees		2460					521,825.00
1024	52500000		40	Red Barn Trading expenses			E24-1600-246000			2,836.00	
1024	52500000		40	Lower Allen Treatment & Outfall			E24-1600-246000			3,574.00	
1024	14611000		40	Red Barn deposit - current portion		2460				12,500.00	
1024	18740000		40	Red Barn deposit - long term portion		2460				267,500.00	
1024	25633700		50	Deferred Gain on Acquisition		2460			824-01-0040		1,580,235.06
Totals										37,162,333.24	37,162,333.24

(f)

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

*Acquisition of the
Fairview Township - Sewer System*

Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at December 22, 2015

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

May 2016

Pennsylvania-American Water Company, Inc.

Acquisition of the Fairview Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 22, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/22/15	Service Life	Calculated Depreciation Reserve 12/22/15	Depreciated Original Cost at 12/22/15
<u>Non-Depreciable Plant:</u>						
353.2	Land & Land Rights - Collection System	Various	\$210,625.73		\$0.00	\$210,625.73
353.3	Land & Land Rights - Pumping System	Various	77,044.50		0.00	77,044.50
353.4	Land & Land Rights - Treatment & Disposal System	Various	280,618.04		0.00	280,618.04
Total Non-Depreciable Plant			\$568,288.27		\$0.00	\$568,288.27
<u>Depreciable Plant:</u>						
354.3	Structures & Improvements - Pumping	1965	\$48,454.85	40	\$48,454.85	\$0.00
354.3	Structures & Improvements - Pumping	1983	42,172.00	40	34,264.75	7,907.25
354.3	Structures & Improvements - Pumping	1987	29,681.60	40	21,148.14	8,533.46
354.3	Structures & Improvements - Pumping	1989	35,341.48	40	23,413.73	11,927.75
354.3	Structures & Improvements - Pumping	1993	475,213.05	40	267,307.34	207,905.71
354.3	Structures & Improvements - Pumping	1997	104,486.00	40	48,324.78	56,161.22
354.3	Structures & Improvements - Pumping	1998	152,567.76	40	66,748.40	85,819.36
354.3	Structures & Improvements - Pumping	2009	132,677.21	40	21,560.05	111,117.16
354.3	Structures & Improvements - Pumping	2013	175,196.98	40	10,949.81	164,247.17
354.3	Structures & Improvements - Pumping	2014	91,700.00	40	3,438.75	88,261.25
354.3	Structures & Improvements - Pumping	2015	1,230,934.79	40	15,386.68	1,215,548.11
Total Account 354.3			\$2,518,425.72		\$560,997.28	\$1,957,428.44
354.4	Structures & Improvements - Treatment & Disposal	1965	\$53,961.55	65	\$41,923.97	\$12,037.58
354.4	Structures & Improvements - Treatment & Disposal	1993	309,492.40	65	107,131.98	202,360.42
354.4	Structures & Improvements - Treatment & Disposal	2001	137,565.15	65	30,687.61	106,877.54
354.4	Structures & Improvements - Treatment & Disposal	2008	89,153.00	65	10,286.88	78,866.12
354.4	Structures & Improvements - Treatment & Disposal	2011	21,609.11	65	1,496.02	20,113.09
354.4	Structures & Improvements - Treatment & Disposal	2012	9,700.00	65	522.31	9,177.69
354.4	Structures & Improvements - Treatment & Disposal	2013	34,883.00	65	1,341.65	33,541.35
354.4	Structures & Improvements - Treatment & Disposal	2014	29,000.00	65	669.23	28,330.77
Total Account 354.4			\$685,364.21		\$194,059.65	\$491,304.56
354.7	Structures & Improvements - General	2003	\$42,889.48	30	\$17,870.62	\$25,018.86
355	Power Generation Equipment	1987	\$19,246.40	30	\$18,284.08	\$962.32
355	Power Generation Equipment	1993	201,611.77	30	151,208.83	50,402.94
355	Power Generation Equipment	1997	30,447.00	30	18,775.65	11,671.35
355	Power Generation Equipment	1998	12,580.62	30	7,338.70	5,241.92
355	Power Generation Equipment	2002	45,294.00	30	20,382.30	24,911.70
355	Power Generation Equipment	2006	18,550.00	30	5,874.17	12,675.83
355	Power Generation Equipment	2013	23,585.00	30	1,965.42	21,619.58
355	Power Generation Equipment	2015	53,275.00	30	887.92	52,387.08
Total Account 355			\$404,589.79		\$224,717.07	\$179,872.72
360	Collection Sewers - Force	1965	\$13,337.78	70	\$9,622.26	\$3,715.52
360	Collection Sewers - Force	1983	13,724.00	70	6,371.86	7,352.14
360	Collection Sewers - Force	1987	13,458.90	70	5,479.70	7,979.20
360	Collection Sewers - Force	1989	11,014.50	70	4,169.78	6,844.72
360	Collection Sewers - Force	1993	356,659.19	70	114,640.45	242,018.74
360	Collection Sewers - Force	2015	383,533.52	70	2,739.53	380,793.99
Total Account 360			\$791,727.89		\$143,023.58	\$648,704.31

Pennsylvania-American Water Company, Inc.

Acquisition of the Fairview Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 22, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/22/15	Service Life	Calculated Depreciation Reserve 12/22/15	Depreciated Original Cost at 12/22/15
361	Mains - Gravity	1965	\$294,128.37	70	\$212,192.61	\$81,935.76
361	Mains - Gravity	1975	1,359,925.71	70	786,814.16	573,111.55
361	Mains - Gravity	1976	248,103.94	70	140,001.51	108,102.43
361	Mains - Gravity	1978	79,828.73	70	42,765.39	37,063.34
361	Mains - Gravity	1983	444,855.74	70	206,540.17	238,315.57
361	Mains - Gravity	1987	70,622.50	70	28,753.45	41,869.05
361	Mains - Gravity	1989	2,347,848.24	70	888,828.26	1,459,019.98
361	Mains - Gravity	1992	26,854.49	70	9,015.44	17,839.05
361	Mains - Gravity	1993	5,372,367.02	70	1,726,832.26	3,645,534.76
361	Mains - Gravity	1995	619,945.18	70	181,555.37	438,389.81
361	Mains - Gravity	1997	428,553.84	70	113,260.66	315,293.18
361	Mains - Gravity	1998	1,222,146.25	70	305,536.56	916,609.69
361	Mains - Gravity	2000	640,910.56	70	141,915.91	498,994.65
361	Mains - Gravity	2001	34,690.03	70	7,185.79	27,504.24
361	Mains - Gravity	2002	976,035.44	70	188,235.41	787,800.03
361	Mains - Gravity	2003	252,879.80	70	45,157.11	207,722.69
361	Mains - Gravity	2004	135,192.47	70	22,210.19	112,982.28
361	Mains - Gravity	2005	161,506.24	70	24,225.94	137,280.30
361	Mains - Gravity	2006	331,674.44	70	45,012.96	286,661.48
361	Mains - Gravity	2009	88,554.38	70	8,222.91	80,331.47
361	Mains - Gravity	2011	83,323.56	70	5,356.51	77,967.05
361	Mains - Gravity	2013	486,454.70	70	17,373.38	469,081.32
361	Mains - Gravity	2015	2,510,422.98	70	17,931.59	2,492,491.39
Total Account 361			\$18,216,824.61		\$5,164,923.54	\$13,051,901.07
363	Services to Customers	1965	\$33,733.26	55	\$30,973.27	\$2,759.99
363	Services to Customers	1975	167,802.40	55	123,563.59	44,238.81
363	Services to Customers	1976	8,636.76	55	6,202.76	2,434.00
363	Services to Customers	1978	8,757.60	55	5,971.09	2,786.51
363	Services to Customers	1983	39,381.30	55	23,270.77	16,110.53
363	Services to Customers	1987	6,251.04	55	3,239.18	3,011.86
363	Services to Customers	1989	160,884.15	55	77,516.91	83,367.24
363	Services to Customers	1992	3,418.40	55	1,460.59	1,957.81
363	Services to Customers	1993	457,204.56	55	187,038.23	270,166.33
363	Services to Customers	1995	74,166.40	55	27,643.84	46,522.56
363	Services to Customers	1997	49,257.70	55	16,568.50	32,689.20
363	Services to Customers	1998	130,546.74	55	41,537.60	89,009.14
363	Services to Customers	2000	74,612.48	55	21,027.15	53,585.33
363	Services to Customers	2001	4,276.00	55	1,127.31	3,148.69
363	Services to Customers	2002	116,321.84	55	28,551.72	87,770.12
363	Services to Customers	2003	25,559.44	55	5,808.96	19,750.48
363	Services to Customers	2004	15,817.68	55	3,307.33	12,510.35
363	Services to Customers	2005	18,571.80	55	3,545.53	15,026.27
363	Services to Customers	2006	26,048.62	55	4,499.31	21,549.31
363	Services to Customers	2009	8,108.10	55	958.23	7,149.87
363	Services to Customers	2011	21,922.42	55	1,793.65	20,128.77
363	Services to Customers	2013	59,991.36	55	2,726.88	57,264.48
363	Services to Customers	2015	424,407.18	55	3,858.25	420,548.93
Total Account 363			\$1,935,677.23		\$622,190.65	\$1,313,486.58
364	Flow Measuring Devices	2008	\$13,246.46	20	\$4,967.42	\$8,279.04

Pennsylvania-American Water Company, Inc.

Acquisition of the Fairview Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 22, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/22/15	Service Life	Calculated Depreciation Reserve 12/22/15	Depreciated Original Cost at 12/22/15
371	Pumping Equipment	2015	\$119,197.00	25	\$2,383.94	\$116,813.06
380	Treatment & Disposal Equipment	1965	\$84,176.50	40	\$84,176.50	\$0.00
380	Treatment & Disposal Equipment	1992	862,979.35	40	507,000.37	355,978.98
380	Treatment & Disposal Equipment	1993	3,110,791.35	40	1,749,820.13	1,360,971.22
380	Treatment & Disposal Equipment	2005	21,823.00	40	5,728.54	16,094.46
380	Treatment & Disposal Equipment	2006	22,805.00	40	5,416.19	17,388.81
380	Treatment & Disposal Equipment	2007	21,289.49	40	4,524.02	16,765.47
380	Treatment & Disposal Equipment	2008	66,978.00	40	12,558.38	54,419.62
380	Treatment & Disposal Equipment	2009	12,880.89	40	2,093.14	10,787.75
380	Treatment & Disposal Equipment	2010	72,459.00	40	9,963.11	62,495.89
380	Treatment & Disposal Equipment	2011	7,074.42	40	795.87	6,278.55
380	Treatment & Disposal Equipment	2012	702,687.42	40	61,485.15	641,202.27
380	Treatment & Disposal Equipment	2013	1,177,133.13	40	73,570.82	1,103,562.31
380	Treatment & Disposal Equipment	2015	1,014,256.35	40	12,678.20	1,001,578.15
	Total Account 380		\$7,177,333.90		\$2,529,810.42	\$4,647,523.48
382	Outfall Sewer Lines	1993	\$169,747.05	70	\$54,561.55	\$115,185.50
390	Office Furniture & Equipment	1993	\$996.40	20	\$996.40	\$0.00
391	Transportation Equipment	2002	\$22,872.16	10	\$22,872.16	\$0.00
391	Transportation Equipment	2006	67,613.90	10	64,233.21	3,380.69
391	Transportation Equipment	2011	18,680.00	10	8,406.00	10,274.00
391	Transportation Equipment	2013	62,726.96	10	15,681.74	47,045.22
	Total Account 391		\$171,893.02		\$111,193.11	\$60,699.91
393	Tools, Shop & Garage Equipment	1965	\$2,152.54	20	\$2,152.54	\$0.00
393	Tools, Shop & Garage Equipment	2007	1,718.00	20	730.15	987.85
	Total Account 393		\$3,870.54		\$2,882.69	\$987.85
394	Laboratory Equipment	1965	\$5,007.53	15	\$5,007.53	\$0.00
394	Laboratory Equipment	1993	4,660.82	15	4,660.82	0.00
394	Laboratory Equipment	2011	9,364.38	15	2,809.31	6,555.07
	Total Account 394		\$19,032.73		\$12,477.66	\$6,555.07
395	Power Operated Equipment	2002	\$72,784.90	10	\$72,784.90	\$0.00
	Total Depreciable Plant		\$32,343,600.93		\$9,719,840.48	\$22,623,760.45
	Total Plant in Service		\$32,911,889.20		\$9,719,840.48	\$23,192,048.72
<u>Deduct: Account 271 - Contributions in Aid of Construction:</u>						
354.3	Structures & Improvements - Pumping	1983	(\$22,561.36)	40	(\$18,331.11)	(\$4,230.25)
354.3	Structures & Improvements - Pumping	1993	(78,812.97)	40	(44,332.30)	(34,480.67)
354.3	Structures & Improvements - Pumping	1998	(152,567.76)	40	(66,748.40)	(85,819.36)
	Total Account 354.3		(\$253,942.09)		(\$129,411.81)	(\$124,530.28)

Pennsylvania-American Water Company, Inc.

Acquisition of the Fairview Authority - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 22, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/22/15	Service Life	Calculated Depreciation Reserve 12/22/15	Depreciated Original Cost at 12/22/15
355	Power Generation Equipment	1993	(\$24,846.52)	30	(\$18,634.89)	(\$6,211.63)
355	Power Generation Equipment	1998	(12,580.62)	30	(7,338.70)	(5,241.92)
	Total Account 355		(\$37,427.14)		(\$25,973.59)	(\$11,453.55)
360	Collection Sewers - Force	1983	(\$13,724.00)	70	(\$6,371.86)	(\$7,352.14)
360	Collection Sewers - Force	1993	(85,987.20)	70	(27,638.74)	(58,348.46)
	Total Account 360		(\$99,711.20)		(\$34,010.60)	(\$65,700.60)
361	Mains - Gravity	1975	(\$542,439.00)	70	(\$313,839.71)	(\$228,599.29)
361	Mains - Gravity	1978	(79,828.73)	70	(42,765.39)	(37,063.34)
361	Mains - Gravity	1983	(433,494.64)	70	(201,265.37)	(232,229.27)
361	Mains - Gravity	1989	(195,852.30)	70	(74,144.09)	(121,708.21)
361	Mains - Gravity	1992	(26,854.49)	70	(9,015.44)	(17,839.05)
361	Mains - Gravity	1993	(432,107.25)	70	(138,891.62)	(293,215.63)
361	Mains - Gravity	1995	(141,718.36)	70	(41,503.23)	(100,215.13)
361	Mains - Gravity	1997	(290,615.76)	70	(76,805.59)	(213,810.17)
361	Mains - Gravity	1998	(893,222.05)	70	(223,305.51)	(669,916.54)
361	Mains - Gravity	2000	(640,910.56)	70	(141,915.91)	(498,994.65)
361	Mains - Gravity	2001	(34,690.03)	70	(7,185.79)	(27,504.24)
361	Mains - Gravity	2002	(976,035.44)	70	(188,235.41)	(787,800.03)
361	Mains - Gravity	2003	(252,879.80)	70	(45,157.11)	(207,722.69)
361	Mains - Gravity	2004	(135,192.47)	70	(22,210.19)	(112,982.28)
361	Mains - Gravity	2005	(161,506.24)	70	(24,225.94)	(137,280.30)
361	Mains - Gravity	2006	(331,674.44)	70	(45,012.96)	(286,661.48)
361	Mains - Gravity	2009	(88,554.38)	70	(8,222.91)	(80,331.47)
361	Mains - Gravity	2013	(486,454.70)	70	(17,373.38)	(469,081.32)
	Total Account 361		(\$6,144,030.64)		(\$1,621,075.55)	(\$4,522,955.09)
363	Services to Customers	1978	(\$8,757.60)	55	(\$5,971.09)	(\$2,786.51)
363	Services to Customers	1989	(18,308.85)	55	(8,821.54)	(9,487.31)
363	Services to Customers	1992	(3,418.40)	55	(1,460.59)	(1,957.81)
363	Services to Customers	1993	(49,379.68)	55	(20,200.78)	(29,178.90)
363	Services to Customers	1995	(17,614.52)	55	(6,565.41)	(11,049.11)
363	Services to Customers	1997	(33,651.30)	55	(11,319.07)	(22,332.23)
363	Services to Customers	1998	(109,121.13)	55	(34,720.36)	(74,400.77)
363	Services to Customers	2000	(74,612.48)	55	(21,027.15)	(53,585.33)
363	Services to Customers	2001	(4,276.00)	55	(1,127.31)	(3,148.69)
363	Services to Customers	2002	(116,321.84)	55	(28,551.72)	(87,770.12)
363	Services to Customers	2003	(25,559.44)	55	(5,808.96)	(19,750.48)
363	Services to Customers	2004	(15,817.68)	55	(3,307.33)	(12,510.35)
363	Services to Customers	2005	(18,571.80)	55	(3,545.53)	(15,026.27)
363	Services to Customers	2006	(26,048.62)	55	(4,499.31)	(21,549.31)
363	Services to Customers	2009	(8,108.10)	55	(958.23)	(7,149.87)
363	Services to Customers	2013	(59,991.36)	55	(2,726.88)	(57,264.48)
	Total Account 363		(\$589,558.80)		(\$160,611.26)	(\$428,947.54)
	Total Contributions in Aid of Construction		(\$7,124,669.87)		(\$1,971,082.81)	(\$5,153,587.06)
	Total Plant in Service (Net)		\$25,787,219.33		\$7,748,757.67	\$18,038,461.66

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held December 17, 2015

Commissioners Present:

Gladys M. Brown, Chairman
John F. Coleman, Jr., Vice Chairman
Pamela A. Witmer
Robert F. Powelson
Andrew G. Place

Application of the Pennsylvania-American Water Company - Wastewater Division (PAWC-WD) for approval of (1) the transfer, by sale, of substantially all of the wastewater system assets and rights of Fairview Township to PAWC-WD, and (2) the right of PAWC-WD to furnish wastewater service to the public in a portion of Fairview Township, York County, Pennsylvania

A-2015-2486532

ORDER

BY THE COMMISSION:

By the application (Application) filed on June 5, 2015, the Pennsylvania-American Water Company - Wastewater Division (PAWC-WD), utility code 230073, 800 West Hersheypark Drive, Hershey, PA 17033, seeks a certificate of public convenience pursuant to Sections 1102(a)(1)(i) and (3) of the Public Utility Code, 66 Pa. C.S. §§ 1102(a)(1)(i), and (3), evidencing Commission approval of: 1) the acquisition by PAWC-WD of substantially all of the wastewater system assets of Fairview Township,

and 2) the right of PAWC-WD to begin to offer or furnish wastewater service to the public in a portion of Fairview Township, York County, Pennsylvania. PAWC-WD is a wholly-owned division of the Pennsylvania-American Water Company (PAWC), utility code 212285.

I. BACKGROUND AND AFFECTED ENTITIES

Proofs of publication and service to appropriate entities were submitted by PAWC-WD. In addition, notice of this Application was published in the *Pennsylvania Bulletin*, 45 Pa.B. 3297, on Saturday, June 20, 2015. The protest period ended July 6, 2015. No protests were filed and no hearings were held.

PAWC-WD is a regulated public utility company, duly organized and existing under the laws of the Commonwealth of Pennsylvania. PAWC-WD is currently engaged in the business of collecting, treating, transporting and disposing of wastewater and sewage for the public. PAWC-WD and its parent company, PAWC, respectively furnish wastewater and water service to the public in service territories encompassing more than 400 communities across the Commonwealth with a combined population of over 2,200,000. As of April 30, 2015, PAWC-WD furnished wastewater service to 17,198 customers as follows: 16,254 residential, 882 commercial, 7 industrial, 51 municipal and 4 bulk. The Application provided a description of PAWC-WD's and PAWC's certificated service territories, along with a detailed history that outlined all the mergers, acquisitions and consolidations which have created PAWC-WD and PAWC as both utilities exist today.

Fairview Township is a township of the second class, organized and existing under the laws of the Commonwealth of Pennsylvania, which owns and operates wastewater systems that provide wastewater collection, conveyance, treatment and disposal services to the public in Fairview Township, York County. Two of Fairview Township's

wastewater systems include wastewater treatment plants (WWTPs) while the third system collects and conveys wastewater to a WWTP owned and operated by a municipal authority in another municipality. As of April 30, 2015, Fairview Township furnished wastewater service to 3,912 customers consisting of 3,724 residential and 188 commercial customers. Fairview Township has a mailing address of 599 Lewisberry Road, New Cumberland, PA 17070.

II. LOCATION OF FACILITIES TO BE ACQUIRED

Fairview Township is located in the northern most portion of York County. Cumberland County and the Yellow Breeches Creek border Fairview Township to the northwest and Dauphin County and the Susquehanna River border the Township to the northeast. Two interstate highways, I-83 and I-76 (Pennsylvania Turnpike) traverse the Township. Interstate I-83 crosses the Township generally from north to south while the Pennsylvania Turnpike crosses from east to west. The junction of the two interstate highways is situated in the northern portion of the Township. According to mapping depicting the existing sewer areas in Fairview Township's Act 537 Sewage Facilities Plan Update (Act 537 Plan Update) approved by the Pennsylvania Department of Environmental Protection (DEP) on July 27, 2011, Fairview Township's wastewater system assets are situated within the following three service areas that are generally described in terms of each service area's proximity to Interstate I-83 and the Pennsylvania Turnpike:

1. Fairview Township's North WWTP service area, which is generally the northcentral and northeastern portions of Fairview Township situated along the Interstate I-83 corridor between the Pennsylvania Turnpike and Reesers Summit and extending east to the Susquehanna River,

2. Fairview Township's South WWTP service area, which is generally the south-central portion of Fairview Township situated along the Interstate I-83 corridor between Reesers Summit and the border with Newberry Township, and
3. Lower Allen Township's WWTP service area, which is generally the developed portion of Fairview Township located north of the Pennsylvania Turnpike and west of Interstate I-83.

Maps depicting the proposed wastewater service territory and a description of the proposed territory's boundaries are contained in the Application marked as Exhibit L. The proposed overall wastewater service territory area encompasses approximately 7,517 acres. PAWC provides water service in a portion of Fairview Township and Fairview Township's wastewater systems are contained within PAWC's existing water system footprint.

III. DESCRIPTION OF FACILITIES TO BE ACQUIRED

As of December 31, 2014, Fairview Township owned and maintained wastewater system assets that include approximately 360,600 feet (68 miles) of collection and conveyance pipe, approximately 1,700 manholes, 12 pump stations, and two wastewater treatment plants. Fairview Township's wastewater system assets consist of three separate systems. Two of Fairview Township's wastewater systems, the North and South wastewater systems, provide collection, conveyance, treatment and disposal services to approximately 3,300 customers while its third system provides wastewater collection and conveyance services to approximately 600 customers with treatment and disposal provided by the Lower Allen Township Authority's wastewater treatment facility.

Fairview Township's North WWTP service area, generally situated in the northcentral and northeastern portions of the Township, has a collection and conveyance

system that includes approximately 99,200 feet (18 miles) of sewer pipe, approximately 510 manholes and four pump stations. According to Fairview Township's 2014 Annual Municipal Wasteload Management Report for the North WWTP (North WWTP's 2014 Report), the North WWTP's collection and conveyance facilities include sewer mains ranging in size from 8 to 12 inches in diameter. The North WWTP's 2014 Report states there are no known major problems within the North WWTP's collection system and there are no combined sewers in the collection system. Further, the North WWTP's 2014 Report states the oldest sewer lines contributing flow to the North WWTP were constructed in 1965 and describes the overall condition of the collection system as being reflective of its age and materials of construction.

The North WWTP operates under the National Pollutant Discharge Elimination System (NPDES) Permit No. PA0081868 and has a permitted and designed average wastewater flow of 0.726 million gallons per day (MGD) based on monthly average flow and 1.206 MGD based on maximum monthly flow. Following its original construction in 1965, the North WWTP underwent upgrades in 1992 and again in 2013. Improvements to the wastewater treatment plant constructed in 2013 consisted of a new headworks building, screening and replacement of chlorine disinfection with ultraviolet (UV) disinfection. The North WWTP's process now consists of preliminary screening, extended aeration activated sludge, final clarification and UV disinfection. Solids are wasted periodically and are transported to Fairview Township's South WWTP for further processing. The effluent is discharged into Lower Allen Township Authority's outfall interceptor that leads to the Susquehanna River, which is governed by the Fairview Township and Lower Allen Township Authority agreement for Fairview Township to have capacity rights to discharge treated wastewater into Lower Allen Township Authority's outfall interceptor. In addition, Fairview Township maintains an agreement with the Red Barn Trading Company for the purchase of 20,000 pounds total nitrogen credits per year for 15 years (i.e., 2010 to 2024) to comply with the Chesapeake Bay requirements contained in the North WWTP's NPDES Permit.

Fairview Township's South WWTP service area, generally situated in the southcentral portion of the Township, has a collection and conveyance system that includes approximately 210,600 feet (40 miles) of sewer pipe, approximately 1,010 manholes and six pump stations. According to Fairview Township's 2014 Annual Municipal Wasteload Management Report for the South WWTP (South WWTP's 2014 Report), the collection and conveyance facilities include sewer mains ranging in size from 8 to 16 inches in diameter. The South WWTP's 2014 Report states there are no known major problems within its collection system which was primarily constructed in 1993. The South WWTP's 2014 Report describes the collection system as in relatively good condition. There are no combined sewers in the South WWTP's collection system.

The South WWTP operates under NPDES Permit No. PA0082589 and has the permitted and designed average wastewater flow of 0.50 MGD based on monthly average flow and 0.94 MGD based on maximum monthly flow. The South WWTP was constructed in 1993 and consists of preliminary screening, sequencing batch reactors and disinfection with chorine. The treated wastewater is discharged to an unnamed tributary to Fishing Creek. Solids handling facilities are comprised of an aerobic digester/storage tank and belt press filtration. Dewatered biosolids are disposed of at Modern Landfill in Lower Windsor and Windsor Townships, York County. Fairview Township maintains an agreement with the Red Barn Trading Company for the purchase of 20,000 pounds total nitrogen credits per year for 15 years (i.e., 2010 to 2024) to comply with the Chesapeake Bay requirements contained in the South WWTP's NPDES Permit.

Fairview Township's wastewater service area that collects and conveys wastewater flow to the Lower Allen Township Authority's WWTP, generally situated in the northwest portion of the Township, has a collection and conveyance system that includes approximately 50,800 feet (10 miles) of sewer pipe, approximately 200 manholes, and two pump stations. According to PAWC, the collection area encompasses

approximately 670 acres and the collection and conveyance facilities include interceptors and gravity sewer mains ranging in size from 8 to 10 inches in diameter along with 2 inch diameter force mains that transport wastewater to the Lower Allen Township Authority's WWTP. The flow of wastewater from Fairview Township to the Lower Allen Township Authority WWTP is governed by an agreement between the two entities that allocates reserve capacity to Fairview Township at the Lower Allen Township Authority's WWTP for the collection, transportation, treatment and discharge of sewage.

IV. PURCHASE AGREEMENT

On June 1, 2015, PAWC-WD entered into a purchase agreement (Agreement) with Fairview Township by which PAWC-WD agreed to purchase the wastewater system assets of Fairview Township for the consideration of \$16,800,000. In addition, PAWC-WD will pay Fairview Township for the costs incurred by Fairview Township less the reimbursement from the Pennsylvania Turnpike Commission for the Lewisberry Road sewer main relocation project, referred to as the Turnpike Relocation Project, up to a maximum of \$1,000,000. Both the purchase price and the reimbursement shall be paid to Fairview Township on the date of closing. A copy of the Agreement is attached to the Application and is marked as Exhibit F. According to PAWC-WD, the negotiations were conducted at arm's length. PAWC-WD and Fairview Township are not affiliated with each other. Also, PAWC-WD states no investment securities will be transferred in the proposed transaction.

PAWC-WD will purchase Fairview Township wastewater system assets as defined in the Agreement's Section 1.1. Generally, the Agreement states that every asset, property and right owned by Fairview Township and used in the provision of sanitary wastewater service, whether real, personal, mixed, tangible or intangible, and including all the physical plant, property, equipment, and facilities comprising the wastewater systems owned by Fairview Township shall be conveyed. Also, included in the acquired

assets is the remaining deposit balance from the contract with the Red Barn Trading Company as well as developer/customer deposits.

Excluded assets are described in the Agreement's Section 1.2 and specifically exclude sewer service laterals on the customer side, any and all grinder pump units and related appurtenances of the individual customers, and all storm water system facilities as well as the assets listed in the Agreement's Schedule 1.2. The list of excluded assets in the Agreement's Schedule 1.2 consists of cash, accounts receivable, two-way radio communications equipment, 2005 John Deere tractor, 2011 Ford F-550 truck, Mitel phone equipment, Trimble survey equipment and a push camera. Excluded liabilities are discussed in the Agreement's Section 1.3 and specifically exclude any liabilities of Fairview Township including any obligations owed by Fairview Township to others.

The Agreement's Section 4.8 mentions that, at the time of closing, PAWC-WD and Fairview Township will enter into a mutually agreeable lease to allow Fairview Township's continued use of the existing yard waste and household electronics recycling center located adjacent the Fairview Township's North WWTP until such time as Fairview Township is able to relocate the recycling center to another site.¹

The Agreement's Schedule 4.11 lists a land lease agreement between the Fairview Township Authority and the Pennsylvania Cellular Telephone Corp., dated April 18, 1996, for the installation of a communication tower. The initial annual rent was \$13,200 and is adjusted periodically based upon the National Consumer Price Index. The maximum length of term for this lease is 25 years. Schedule 4.11 also lists the

¹ See Docket U-2015-2507298 filed by PAWC-WD on October 5, 2015. The term of the subject Lease is three years and the rent will be \$1.00 annually. In addition, Fairview Township has agreed to pay PAWC-WD 10% of all taxes or assessments against the premises located at 57 Fairview Road, New Cumberland, Pennsylvania 17070. The property PAWC-WD is acquiring from Fairview Township for the North WWTP is comprised of six separate parcels of which two appear to contain the proposed lease area for the recycling center.

assignment of the communication tower's land lease agreement to Fairview Township dated June 25, 1997.

The Agreement's Section 4.12 and Schedule 4.12 identify the following known contracts that Fairview Township has relating to its wastewater systems:

1. Red Barn Trading Agreement of Sale - On April 10, 2008, the Fairview Township Authority and Fairview Township entered into an agreement with the Red Barn Trading Company for the Fairview Township Authority and Fairview Township to purchase in advance \$375,000 nitrogen water quality nutrient credits for a period of 15 years. Each year \$12,500 of this advance payment is used to meet the annual obligation. As of December 31, 2014, \$312,500 of the advance payment was still available. During 2014, Fairview Township paid \$100,051, net of the \$12,500 advance payment, for the nutrient credits. Fairview Township has commitments through 2024 of \$1,016,477, net of the advance payment of \$312,500 as of December 31, 2014. According to the Agreement, the Red Barn Trading Agreement of Sale will be assigned to PAWC-WD.
2. Reservation of Capacity Fee Agreements - The following is a list of the six owners who purchased capacity fee reservations from Fairview Township along with their equivalent dwelling unit (EDU) allocation: Chris McKinney (1 EDU); Paul E. Shearer Trust (3 EDUs); DJH Penn Valley (13 EDUs); Eastern Development & Planning (157 EDUs); Old York Developers, LLC (26 EDUs); and Gemcraft Homes (39 EDUs). While the Application references these agreements, the filing is silent as to whether PAWC-WD will assume the same. Therefore, we shall direct PAWC-WD to provide copies of the agreements and clarify its intention thereto.

3. Prepaid Tapping Fee Agreements - The following is a list of 8 owners who purchased prepaid tapping fees with their remaining EDUs and associated EDU value: Briarcliff, Phase 1 & 2 (3 EDUs, \$9,045); Old Orchard, Phase 3 (46 EDUs, \$204,240); Woods @ Deer Run (7 EDUs, \$31,080); Pelleschi (2 EDUs, \$8,880); Beinhower (2 EDUs, \$8,880); Woodbridge, Phase 7 – S&A (6 EDUs, \$26,640); Woodbridge, Phases 8-11 (31 EDUs, \$252,030); and Weatherstone (27 EDUs, \$108,27). According to the Agreement, the Prepaid Tapping Fee Agreements will be assigned to PAWC-WD.

4. Lower Allen Township Agreement for Connection to the Outfall Line of the Lower Allen Township Authority - The original agreement was between the Fairview Township Authority and the Lower Allen Township Authority is dated December 28, 1976. This agreement was amended twice: first on June 6, 1994 and then on March 13, 2000. The total reserved outfall capacity from Fairview Township's North wastewater treatment plant in the Lower Allen Township Authority outfall line is 726,000 gallons per day. According to the Agreement, the Connection to the Outfall Line of the Lower Allen Township Authority Agreement will be assigned to PAWC-WD.

5. Lower Allen Township Agreement for Collection, Transportation, Treatment, and Discharge of Sewage from Portions of Fairview Township - The original Agreement between the Fairview Township/Fairview Township Authority and the Lower Allen Township is dated December 28, 1976. This agreement was amended twice; first on September 6, 1990 and then on September 4, 1997. This agreement with Lower Allen Township is for the collection, transportation, treatment and discharge of sewage from portions of Fairview Township. According to the Agreement, the Collection, Transportation, Treatment, and Discharge of Sewage from Portions of Fairview Township Agreement with Lower Allen Township will be assigned to PAWC-WD.

Finally, the Agreement's Section 6.2.3 states that PAWC-WD will construct at its sole cost and expense the Phase 2 Collection System Extension within the North WWTP's service area as identified in Fairview Township's Act 537 Plan Update. The Phase 2 Collection System Extension will be constructed within the time frame stipulated and agreed to with DEP, which as of June 1, 2015, is December 31, 2016. Prior to closing, Fairview Township shall have completed the design for the Phase 2 Collection System Extension and shall have all permits in hand and shall have secured easements, rights-of-way and property necessary for the project. The Phase 2 Collection System Extension will include the construction of 21,425 feet of gravity sewer pipe; 9,110 feet of force main; 735 feet of low pressure sewer pipe and three pump stations. The project is expected to cost approximately \$8,297,000 and will serve approximately 250 additional customer connections.

V. ADDITIONAL CAPITAL REQUIREMENTS

PAWC-WD provided supplemental information stating it will spend approximately \$13.1 million on improvements to Fairview Township's wastewater system and anticipates completing the capital improvements within the first five years of ownership. Of the \$13.1 million in proposed improvements, approximately \$8.3 million is for the construction of the sewer extension to serve Fairview Farms, which is identified as the Phase 2 Sewer Project in Fairview Township's Act 537 Plan Update. The Meadowbrook Mobile Home Park is included in the Fairview Farms sewer service area.

PAWC-WD
Capital Improvements Schedule and Cost Estimate
for Fairview Township Wastewater Systems

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Infiltration and Inflow Study	\$46,970	\$53,680	\$0	\$0	\$0	\$100,650
Targeted Sewer Replacements	\$0	\$0	\$1,006,500	\$1,006,500	\$1,006,500	\$3,019,500
Flow Meter Installation	\$134,200	\$0	\$0	\$0	\$0	\$134,200
Safety and Security	\$67,100	\$0	\$0	\$0	\$0	\$67,100
Pump Station SCADA	\$106,018	\$0	\$0	\$0	\$0	\$106,018
Pump Station Improvements	\$201,300	\$247,599	\$0	\$0	\$0	\$448,899
Treatment Plant SCADA	\$127,490	\$0	\$0	\$0	\$0	\$127,490
Treatment Plant Improvements	\$134,200	\$641,476	\$0	\$0	\$0	\$775,676
Phase 2 Sewer Project	\$4,148,257	\$4,148,257	\$0	\$0	\$0	\$8,296,514
TOTALS	\$4,965,535	\$5,091,012	\$1,006,500	\$1,006,500	\$ 1,006,500	\$13,076,047

The following are the tentative journal entries that will be used to record the Fairview Township wastewater system purchase into the accounts of PAWC-WD:

	<u>Debit</u>	<u>Credit</u>
Utility Plant	\$27,499,024	
Accumulated Depreciation		\$12,213,025
Utility Plant Acquisition Adjustment	\$1,514,001	
Short Term Debt		\$16,800,000

PAWC-WD will undertake an original cost study and will establish the depreciated original costs of Fairview Township's wastewater system assets including any contributed property. Subsequently, PAWC-WD will amend the pro forma balance sheet giving effect to the transfer. PAWC-WD will initially finance the purchase by short term bank debt that will be replaced through the issuance of long-term debt at the appropriate time.

VI. PROPOSED RATES

At the time of closing, the Fairview Township wastewater customers will be transferred to PAWC-WD at Fairview Township's existing rates, which shall be maintained at least until December 31, 2017 as specified in the Agreement. However, PAWC-WD intends to bill on a monthly basis in lieu of quarterly billing and will propose in its next base rate filing to move the flat rate customers to a volumetric-based tariff rate. In addition, PAWC-WD will apply its currently tariffed rules and regulations as well as miscellaneous fees including the capacity reservation fee in lieu of Fairview Township's current tap-in fee effective at closing.

For residential customers, Fairview Township currently charges a quarterly flat rate of \$192 per EDU in accordance with Sections 232-14 and A302-1 of its municipal ordinances. Further, Section 232-13 of Fairview Township's municipal ordinance, last amended December 6, 2010, defines an EDU as a daily sewage flow in any amount up to 225 gallons per day. Accordingly, a typical Fairview Township residential customer using 10,950 gallons per quarter with a 1 EDU allocation currently pays \$192 quarterly or \$768 annually. After closing, the same Fairview Township residential customer will pay \$64 monthly or \$768 annually. Under PAWC-WD's current Zone 1 Rates, the same Fairview Township residential customer would pay \$54.51 per month (\$7.50 Service Charge + [$\$1.2880 \text{ Usage Charge}/100 \text{ gallons} \times 3,650 \text{ gallons}$]) or \$654.12 annually.

PAWC-WD represents that the Fairview Township non-residential customers are metered and billed on a volumetric-basis. Accordingly, a typical Fairview Township non-residential customer using 55,290 gallons per quarter with a 1 EDU allocation currently pays \$636.17 quarterly ($\$233.00 \text{ per EDU} + [(55,290 \text{ gallons} - 20,250 \text{ gallons}) \times \$1.1506/100 \text{ gallons}]$) or \$2,544.68 annually. After closing, the same Fairview Township non-residential customer will pay \$212.06 monthly ($\$77.67 \text{ per EDU} +$

[(18,430 gallons – 6,750 gallons) x \$1.1506/100 gallons]) or \$2,544.72 annually. Under PAWC-WD’s current Zone 1 Rates, the same Fairview Township non-residential customer would pay \$226.31 monthly (\$20.00 Service Charge + [\$1.1194 Usage Charge/100 gallons x 18,430 gallons]) or about \$2,715.72 annually.

We note that Fairview Township also has a non-metered quarterly flat rate contained in Sections 232-14 and A302-1 of its municipal ordinances. For clarification, we shall direct PAWC-WD to confirm whether all non-residential customers are metered and, if not, how those customers will be billed.

In supplemental information provided, PAWC-WD estimated its annual revenue based upon Fairview Township’s 2014 financial information will be approximately \$4,198,000. PAWC-WD estimated its annual operating expenses will be \$2,191,000 producing an estimated operating income of approximately \$2,007,000 (\$4,198,000 Annual Revenues – \$2,191,000 Annual Expenses).

VII. OPERATIONS UNDER PAWC-WD

PAWC-WD’s target date to begin providing service to the homes currently served by the Fairview Township wastewater systems is immediately upon closing. PAWC-WD stated Fairview Township’s wastewater systems will be operated as stand-alone systems and will be operated and managed from PAWC’s Mechanicsburg operations.

VIII. ACT 537 SEWAGE FACILITIES PLAN AND LAND-USE PLANNING COMPLIANCE

PAWC-WD stated its proposed service territory is in accordance with Fairview Township’s Act 537 Plan Update as approved by DEP on July 27, 2011. The proposed service territory includes the Timber Ridge and Fairview Farms areas of Fairview

Township. The Timber Ridge area is being served by the Phase 1 Collection System extension to the North WTTP. The Fairview Farms area will be served by the Phase 2 Collection System extension to the same plant.

PAWC-WD sent letters to Fairview Township and the York County Planning Commission seeking verification that its acquisition of the Fairview Township wastewater system will comply with municipal and county land use planning. PAWC-WD submitted copies of the subject request letters that it sent to Fairview Township and York County along with corresponding certified mail receipts as well as the responses from entities indicating the acquisition is in compliance with current municipal and county land use planning.

IX. OTHER CONSIDERATIONS

According to DEP, PAWC-WD and Fairview Township have no outstanding compliance or operational issues. Also, PAWC-WD is current with its annual, quarterly earnings and security planning and readiness report filing requirements. Further, PAWC-WD has no outstanding fines or assessments due to the Commission.

X. CONCLUSION

PAWC-WD avers the proposed transfer will have no detrimental effect on the service provided to PAWC-WD's existing customers or the customers transferred by Fairview Township. The transferred customers will receive the benefit of PAWC-WD's experience in managing and operating wastewater systems which will result in efficiencies and improvements in service. PAWC-WD's existing customers will benefit because the acquisition will expand the customer base, over which existing costs are recovered and thereby stabilize per-customer costs. PAWC-WD also has the managerial, technical and financial capabilities to safely and adequately operate the Fairview

Township's wastewater systems in compliance with the Public Utility Code, the Clean Streams Law and other regulatory requirements, and to make improvements as needed, on a short and long term basis.

Based upon the facts that PAWC-WD will expand its service territory to customers in compliance with Commission regulations and that PAWC-WD will be meeting the needs of new customers without any detriment to its existing customers, the Commission finds that granting PAWC-WD's application for the acquisition is necessary or proper for the service, accommodation, convenience, or safety of the public;

THEREFORE,

IT IS ORDERED:

1. That the Application of the Pennsylvania-American Water Company - Wastewater Division at Docket A-2015-2486532 is hereby approved.

2. That Pennsylvania-American Water Company - Wastewater Division shall notify the Commission within 10 days of the closing with Fairview Township.

3. That upon notice of closing, a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(1)(i) evidencing Commission approval for the Pennsylvania-American Water Company - Wastewater Division to begin to offer, render, furnish and supply wastewater service to the public in a portion of Fairview Township, York County.

4. That within 10 days of the date of this Order, Pennsylvania-American Water Company - Wastewater Division shall provide the Commission with clarification as to how each of Fairview Township's 188 non-residential wastewater customers were previously billed (i.e., flat rate, volumetric-based, or other) in order to verify

Pennsylvania-American Water Company – Wastewater Division’s commitment to retaining the same rates as Fairview Township.

5. That a Certificate of Public Convenience be issued pursuant to 66 Pa. C.S. § 1102(a)(3) evidencing Commission approval of the acquisition by the Pennsylvania-American Water Company - Wastewater Division of substantially all of the wastewater system assets of Fairview Township as described in the Application.

6. That Pennsylvania-American Water Company - Wastewater Division will file copies of its original cost study of the wastewater system assets acquired from Fairview Township with the Secretary’s Bureau and the Bureau of Technical Utility Services, upon completion of said study.

7. That Pennsylvania-American Water Company - Wastewater Division file copies of all the Reservation of Capacity Fee Agreements listed in the Application’s Schedule 4.12 with the Secretary’s Bureau and the Bureau of Technical Utility Services within 10 days of the closing with Fairview Township and clarify whether PAWC-WD will assume responsibility for the agreements.

8. That Pennsylvania-American Water Company - Wastewater Division file copies of all the Prepaid Tapping Fees Agreements listed in the Application’s Schedule 4.12 with the Secretary’s Bureau and the Bureau of Technical Utility Services within 10 days of the closing with Fairview Township.

9. That Pennsylvania-American Water Company - Wastewater Division shall file a tariff supplement incorporating Fairview Township’s wastewater service territory and existing wastewater service rates within 10 days following the date of closing, to become effective on one day’s notice.

10. That nothing herein shall be construed as an approval or determination of costs or expenses for the purpose of just or reasonable rates or to exempt Pennsylvania-American Water Company - Wastewater Division from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.

11. That a copy of this Order be served upon The Pennsylvania-American Water Company - Wastewater Division, York County Commissioners, Fairview Township Board of Supervisors, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Department of Revenue, the Bureau of Corporate Taxes, the Department of Environmental Protection – Southcentral Regional Office and its Central Office Bureau of Regulatory Counsel.

BY THE COMMISSION,


Rosemary Chivetta
Secretary

(SEAL)

ORDER ADOPTED: December 17, 2015

ORDER ENTERED: December 17, 2015

Borough of New Cumberland

Wastewater

R-2016-2544151

**PENNSYLVANIA AMERICAN WATER COMPANY
BOROUGH OF NEW CUMBERLAND SEWER AUTHORITY ACQUISITION
CLOSED 10/31/2016**

	Total
UPIS	\$ 25,375,642
Accumulated Depreciation	(4,058,229)
CIAC / CA	(143,187)
Accumulated Depreciation	91,052
Net UPIS	<u>\$ 21,265,279</u>
Purchase Price	23,000,000
Acquisition Costs	150,030
Utility Plant Acquisition Adjustment	<u><u>\$ 1,884,751</u></u>



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
(856) 777-8426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward
 Quarter Impacted: 4th

Document Type: UA
 Journal # (SSC USE): _____
 Document Date: November 30, 2016
 Posting Date: November 30, 2016
 Requested By (Operating Unit): _____
 Approved By (SSC): Nancy Yilmaz
 This is not a Reversing Entry:

Handwritten notes:
 11/21/16
 [Signature]

Doc Header Text

New Cumberland Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

To record the New Cumberland WW acquisition which closed on 10/31/2016.

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Cost Center	Profit Center	WBS Element	Internal Order	Assignment	Debit Amount	Credit Amount
1024	10400000		50	Purchase Price net of deposit	2487				B24-01-0044		23,000,000.00
1024	10135320		40	UPIS - New Cumberland WW	2487					(K.1) 93.50	
1024	10135330		40	UPIS - New Cumberland WW	2487					3.00	
1024	10135340		40	UPIS - New Cumberland WW	2487					29.00	
1024	10135430		40	UPIS - New Cumberland WW	2487					485,614.05	
1024	10135440		40	UPIS - New Cumberland WW	2487					9,371,209.61	
1024	10135530		40	UPIS - New Cumberland WW	2487					262,800.82	
1024	10136000		40	UPIS - New Cumberland WW	2487					1,743,842.61	
1024	10136110		40	UPIS - New Cumberland WW	2487					4,733,527.71	
1024	10136300		40	UPIS - New Cumberland WW	2487					33,215.87	
1024	10136400		40	UPIS - New Cumberland WW	2487					884,383.06	
1024	10137110		40	UPIS - New Cumberland WW	2487					5,249,710.89	
1024	10138000		40	UPIS - New Cumberland WW	2487					12,139.53	
1024	10138200		40	UPIS - New Cumberland WW	2487					8,359.00	
1024	10139000		40	UPIS - New Cumberland WW	2487					98,031.00	
1024	10139100		40	UPIS - New Cumberland WW	2487					183,170.88	
1024	10139300		40	UPIS - New Cumberland WW	2487					13,320.89	
1024	10139400		40	UPIS - New Cumberland WW	2487					345,636.00	
1024	27116000		50	CIAC - New Cumberland WW	2487						143,186.65 (L.1)
1024	10801600		50	Depr Reserve - New Cumberland WW	2487						4,058,226.63 (M.2)
1024	27208000		48	CIAC Depr Reserve - New Cumberland WW	2487						
1024	12310000		40	Goodwill	2487				B24-01-0044	(M.2) 91,052.02 (B) 1,734,721.30	
Totals										27,201,416.28	27,201,416.28

**Pennsylvania American Water Company
Borough of New Cumberland
Acquisition Costs**

Closing Costs	\$43,380
Company Labor	3,924
Customer Notification	8,734
Legal	91,700
Miscellaneous	1,592
PUC	700
Total	\$150,030

Document type	Dr/Cr indicator	Document Number	Cost Element	Name	Type	Val/COArea CrCy	Posting Date
PA	D	1004472001	68533000	PNC AWCC-PR-Out ACH	Closing Costs	178	11/10/2016
PA	D	1004503221	68533000	PNC AWCC-PR-Out ACH	Closing Costs	7	11/25/2016
SA	D	1004460849	52801000	Reclass New Cumb Purchase Price	Closing Costs	43,196	10/31/2016
PA	D	1004471999	50110000	Company Labor	Company Labor	87	11/10/2016
PA	D	1004472001	50421000	Company Labor	Company Labor	95	11/10/2016
PA	D	1004472001	50422000	Company Labor	Company Labor	122	11/10/2016
PA	D	1004472001	50550000	Company Labor	Company Labor	432	11/10/2016
PA	D	1004472001	50100000	Company Labor	Company Labor	2,329	11/10/2016
PA	D	1004503221	50421000	Company Labor	Company Labor	4	11/25/2016
PA	D	1004503221	50422000	Company Labor	Company Labor	5	11/25/2016
PA	D	1004503221	50550000	Company Labor	Company Labor	15	11/25/2016
PA	D	1004503221	50100000	Company Labor	Company Labor	91	11/25/2016
	D	301130190	95572000	Company Labor	Company Labor	5	11/30/2016
	D	301130190	95017100	Company Labor	Company Labor	7	11/30/2016
	D	301130190	95051000	Company Labor	Company Labor	10	11/30/2016
	D	301130190	95500000	Company Labor	Company Labor	12	11/30/2016
	D	301130190	95061000	Company Labor	Company Labor	14	11/30/2016
	D	301120964	95572000	Company Labor	Company Labor	76	11/30/2016
	D	301120964	95017100	Company Labor	Company Labor	103	11/30/2016
	D	301120964	95051000	Company Labor	Company Labor	154	11/30/2016
	D	301120964	95500000	Company Labor	Company Labor	174	11/30/2016
	D	301120964	95061000	Company Labor	Company Labor	209	11/30/2016
	D	301140867	95061000	Company Labor	Company Labor	-6	12/31/2016
	D	301140867	95500000	Company Labor	Company Labor	-5	12/31/2016
	D	301140867	95051000	Company Labor	Company Labor	-5	12/31/2016
	D	301140867	95017100	Company Labor	Company Labor	-3	12/31/2016
	D	301140867	95572000	Company Labor	Company Labor	-2	12/31/2016
ZI	D	1004511866	52566000	CASKEY GROUP LLC	Customer Notification	1,091	11/17/2016
KR	D	1004488272	52514905	Customer Communication - Mailings	Customer Notification	7,176	11/16/2016
ZI	D	1004167308	52562000	PA MEDIA GROUP	Customer Notification	467	8/5/2016
SV	D	1004630237	53110000	00000880464 Herbert Rowland & Grubic Inc	Legal	200	12/30/2016
SN	C	1004320242	53150000	500039376810242016	Legal	-1,308	9/26/2016
SN	C	1004415795	53150000	5000397296	Legal	-505	10/26/2016
SN	C	1004415795	53150000	5000397299	Legal	-1,877	10/26/2016
KR	D	1004165471	53150000	Cozen O'Connor	Legal	153	8/10/2016
KR	D	1004292342	53150000	Cozen O'Connor	Legal	23,113	9/26/2016
KR	D	1004357449	53150000	Cozen O'Connor	Legal	33,158	10/6/2016
KR	D	1004393279	53150000	Cozen O'Connor	Legal	4,208	10/24/2016
KR	D	1004576425	53150000	Cozen O'Connor	Legal	10,654	12/9/2016
KR	D	1004212367	53150000	K & L GATES LLP	Legal	566	9/1/2016
KR	D	1004357447	53150000	K & L GATES LLP	Legal	8,926	10/6/2016
KR	D	1004456855	53150000	K & L GATES LLP	Legal	1,886	11/2/2016
KR	D	1004520476	53150000	K & L GATES LLP	Legal	880	11/30/2016
SV	D	1004654012	53155000	K&L Gates	Legal	1,798	12/31/2016
KR	D	1003950963	53150000	Stock and Leader	Legal	313	6/1/2016
KR	D	1004162176	53150000	Stock and Leader	Legal	1,220	8/9/2016
KR	D	1004393278	53150000	Stock and Leader	Legal	2,457	10/24/2016
KR	D	1004460826	53150000	Stock and Leader	Legal	655	11/3/2016
KR	D	1004489735	53150000	Stock and Leader	Legal	3,827	11/16/2016
KR	D	1004495554	53150000	Stock and Leader	Legal	1,380	11/17/2016
ZI	D	1004478381	52535000	JUICE & JAVA CAFE	Misc	157	11/8/2016
ZI	D	1004531231	52500000	JUICE & JAVA CAFE - 19079	Misc	1,164	11/28/2016
KR	D	1003894935	52562500	Overnight Shipping - Natural Account	Misc	15	5/20/2016
KR	D	1003996333	52562500	Overnight Shipping - Natural Account	Misc	45	6/21/2016
ZI	D	1004353717	50457000	STAPLES 00112409	Misc	9	10/3/2016
ZI	D	1004479272	50457000	STAPLES 00112409	Misc	4	11/8/2016
ZI	D	1004477821	52562000	WKI CTCORPORATION	Misc	198	11/8/2016
ZI	D	1003986192	52500000	PA PUBLIC UTILITY COMM	PUC	350	6/15/2016
ZI	D	1004167313	52500000	PA PUBLIC UTILITY COMM	PUC	350	8/5/2016

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

*Acquisition of the
Borough of New Cumberland - Sewer System*

Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at October 31, 2016

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

November 2016

Pennsylvania-American Water Company, Inc.

Acquisition of the Borough of New Cumberland - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 31, 2016
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/31/16	Service Life	Calculated Depreciation Reserve 10/31/16	Depreciated Original Cost at 10/31/16
Non-Depreciable Plant:						
353.2	Land & Land Rights - Collection System	Various	\$93.50		\$0.00	\$93.50
353.3	Land & Land Rights - Pumping System	Various	3.00		0.00	3.00
353.4	Land & Land Rights - Treatment & Disposal System	Various	29.00		0.00	29.00
Total Non-Depreciable Plant			\$125.50		\$0.00	\$125.50
Depreciable Plant:						
354.3	Structures & Improvements - Pumping	1982	\$29,509.52	40	\$25,329.00	\$4,180.52
354.3	Structures & Improvements - Pumping	1985	94,930.00	40	74,361.83	20,568.17
354.3	Structures & Improvements - Pumping	1991	285,470.50	40	180,797.98	104,672.52
354.3	Structures & Improvements - Pumping	2014	53,662.45	40	3,130.31	50,532.14
354.3	Structures & Improvements - Pumping	2015	22,041.58	40	734.72	21,306.86
Total Account 354.3			\$486,614.05		\$284,353.84	\$201,260.21
354.4	Structures & Improvements - Treatment & Disposal	1957	\$115,643.52	65	\$105,561.78	\$10,081.74
354.4	Structures & Improvements - Treatment & Disposal	1975	419,410.21	65	266,701.88	152,708.33
354.4	Structures & Improvements - Treatment & Disposal	1996	590,948.00	65	184,860.66	406,087.34
354.4	Structures & Improvements - Treatment & Disposal	2014	8,245,208.08	65	295,981.83	7,949,226.25
Total Account 354.4			\$9,371,209.81		\$853,108.15	\$8,518,103.66
355	Power Generation Equipment	2014	\$255,142.38	30	\$19,844.41	\$235,297.97
355	Power Generation Equipment	2015	37,658.42	30	1,673.71	35,984.71
Total Account 355			\$292,800.80		\$21,518.12	\$271,282.68
360	Collection Sewers - Force	1957	\$19,260.35	70	\$16,325.44	\$2,934.91
360	Collection Sewers - Force	1982	4,316.60	70	2,117.19	2,199.41
360	Collection Sewers - Force	2014	1,720,265.66	70	57,342.19	1,662,923.47
Total Account 360			\$1,743,842.61		\$75,784.82	\$1,668,057.79
361	Mains - Gravity	1957	\$1,398,959.84	70	\$1,185,785.01	\$213,174.83
361	Mains - Gravity	1981	11,023.25	70	8,713.62	2,309.63
361	Mains - Gravity	1982	30,703.85	70	23,832.04	6,871.81
361	Mains - Gravity	1982	45,891.00	70	22,508.44	23,382.56
361	Mains - Gravity	1994	62,380.00	70	19,902.19	42,477.81
361	Mains - Gravity	1999	17,969.74	70	4,449.65	13,520.09
361	Mains - Gravity	2007	35,860.00	70	4,781.33	31,078.67
361	Mains - Gravity	2008	14,300.29	70	1,702.42	12,597.87
361	Mains - Gravity	2009	2,459,913.65	70	257,705.24	2,202,208.41
361	Mains - Gravity	2012	397,157.39	70	24,585.93	372,571.46
361	Mains - Gravity	2013	135,315.70	70	8,443.60	128,872.10
361	Mains - Gravity	2014	39,811.00	70	1,327.03	38,483.97
361	Mains - Gravity	2015	84,242.00	70	1,804.61	82,637.39
Total Account 361			\$4,733,527.71		\$1,563,341.11	\$3,170,186.60
363	Services to Customers	1957	\$159,356.34	55	\$159,356.34	\$0.00
363	Services to Customers	1961	905.88	55	905.88	0.00
363	Services to Customers	1962	3,003.00	55	2,988.60	36.40
363	Services to Customers	1982	10,782.56	55	6,718.45	4,064.11
363	Services to Customers	1999	3,530.17	55	1,112.54	2,417.63
363	Services to Customers	2007	19,290.00	55	3,273.45	16,016.55
363	Services to Customers	2008	5,432.63	55	823.13	4,609.50
363	Services to Customers	2009	1,789,027.78	55	238,537.03	1,550,490.73
363	Services to Customers	2012	28,675.00	55	2,251.36	26,323.64
363	Services to Customers	2013	32,400.00	55	1,963.64	30,436.36
363	Services to Customers	2014	34,200.00	55	1,450.91	32,749.09
363	Services to Customers	2015	36,100.00	55	875.15	35,224.85
Total Account 363			\$2,122,583.34		\$420,234.48	\$1,702,348.86
364	Flow Measuring Devices	2008	\$13,883.37	20	\$5,784.74	\$8,098.63
364	Flow Measuring Devices	2014	14,359.80	20	1,675.31	12,684.49
364	Flow Measuring Devices	2015	4,972.70	20	331.51	4,641.19
Total Account 364			\$33,215.87		\$7,791.56	\$25,424.31

Pennsylvania-American Water Company, Inc.

Acquisition of the Borough of New Cumberland - Sewer System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of October 31, 2016
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 10/31/16	Service Life	Calculated Depreciation Reserve 10/31/16	Depreciated Original Cost at 10/31/16
371	Pumping Equipment	1957	\$12,038.26	25	\$12,038.26	\$0.00
371	Pumping Equipment	1982	7,169.88	25	7,169.88	0.00
371	Pumping Equipment	2011	399.51	25	85.23	314.28
371	Pumping Equipment	2014	657,607.46	25	61,376.70	596,230.76
371	Pumping Equipment	2016	7,147.95	25	95.31	7,052.64
	Total Account 371		\$684,383.06		\$80,785.38	\$603,597.68
380	Treatment & Disposal Equipment	2002	\$291,110.62	40	\$104,314.64	\$186,795.98
380	Treatment & Disposal Equipment	2014	4,958,600.27	40	289,251.68	4,669,348.59
	Total Account 380		\$5,249,710.89		\$393,566.32	\$4,856,144.57
382	Outfall Sewer Lines	1957	\$12,139.53	70	\$10,289.70	\$1,849.83
390	Office Furniture & Equipment	1975	\$2,100.00	20	\$2,100.00	\$0.00
390	Office Furniture & Equipment	2008	400.00	20	168.67	233.33
390	Office Furniture & Equipment	2012	5,850.00	20	1,267.50	4,582.50
	Total Account 390		\$8,350.00		\$3,534.17	\$4,815.83
391	Transportation Equipment	2000	\$20,700.00	10	\$20,700.00	\$0.00
391	Transportation Equipment	2006	5,500.00	10	5,500.00	0.00
391	Transportation Equipment	2011	44,236.00	10	23,592.53	20,643.47
391	Transportation Equipment	2012	25,595.00	10	11,091.17	14,503.83
	Total Account 391		\$96,031.00		\$60,883.70	\$35,147.30
393	Tools, Shop & Garage Equipment	1957	\$638.18	20	\$638.18	\$0.00
393	Tools, Shop & Garage Equipment	1992	4,302.42	20	4,302.42	0.00
393	Tools, Shop & Garage Equipment	1995	11,692.49	20	11,692.49	0.00
393	Tools, Shop & Garage Equipment	1999	7,957.58	20	6,896.57	1,061.01
393	Tools, Shop & Garage Equipment	2005	8,278.87	20	4,690.23	3,588.64
393	Tools, Shop & Garage Equipment	2006	75,500.00	20	39,008.33	36,491.67
393	Tools, Shop & Garage Equipment	2008	6,200.00	20	2,583.33	3,616.67
393	Tools, Shop & Garage Equipment	2010	59,209.93	20	18,749.81	40,460.12
393	Tools, Shop & Garage Equipment	2012	5,538.41	20	1,199.56	4,338.85
393	Tools, Shop & Garage Equipment	2013	3,552.00	20	592.00	2,960.00
393	Tools, Shop & Garage Equipment	2015	305.00	20	20.33	284.67
	Total Account 393		\$183,170.88		\$90,373.25	\$92,797.63
394	Laboratory Equipment	1975	\$3,567.00	15	\$3,567.00	\$0.00
394	Laboratory Equipment	2000	2,905.46	15	2,905.46	0.00
394	Laboratory Equipment	2005	2,348.43	15	1,774.37	574.06
394	Laboratory Equipment	2016	4,500.00	15	100.00	4,400.00
	Total Account 394		\$13,320.89		\$8,346.83	\$4,974.06
395	Power Operated Equipment	2011	\$345,636.00	10	\$184,339.20	\$161,296.80
	Total Depreciable Plant		\$25,375,516.44		\$4,058,228.63	\$21,317,287.81
	Total Plant in Service		\$25,375,641.94		\$4,058,228.63	\$21,317,413.31
Deduct: Account 271 - Contributions in Aid of Construction:						
354.4	Structures & Improvements - Treatment & Disposal	1975	(\$143,186.65)	85	(\$91,052.02)	(\$52,134.63)
	Total Contributions in Aid of Construction		(\$143,186.65)		(\$91,052.02)	(\$52,134.63)
	Total Plant in Service (Net)		\$25,232,455.29		\$3,967,176.61	\$21,265,278.68

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held October 27, 2016

Commissioners Present:

Gladys M. Brown, Chairman
Andrew G. Place, Vice Chairman
John F. Coleman, Jr.
Robert F. Powelson
David W. Sweet

Application of Pennsylvania-American Water :
Company for Approval of (1) the transfer, :
by sale, of substantially all of the Borough of :
New Cumberland's assets, properties and rights :
related to its wastewater collection and treatment :
system to Pennsylvania-American Water Company, :
(2) the right of Pennsylvania-American Water : A-2016-2544151
Company to begin to offer or furnish wastewater :
service to the public in the Borough of New :
Cumberland, Cumberland County, Pennsylvania, :
and (3) the right of Pennsylvania-American Water :
Company to begin to offer or furnish wastewater :
service to three residential customers in Lower :
Allen Township, Cumberland County, :
Pennsylvania :

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judges
Elizabeth H. Barnes and Steven K. Haas, dated October 13, 2016;

THEREFORE,

IT IS ORDERED:

1. That the Joint Petition for Approval of Unanimous Settlement of All Issues, filed by Pennsylvania-American Water Company, the Office of Consumer Advocate, and the Bureau of Investigation & Enforcement of the Pennsylvania Public Utility Commission on September 2, 2016 at Docket No. A-2016-2544151, including all terms and conditions thereof, is approved without modification.

2. That all protests at Docket No. A-2016-2544151 are dismissed.

3. That the Commission's Secretary shall issue a Certificate of Public Convenience, pursuant to Sections 1102(a)(1) and 1102(a)(3) of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1102(a)(1), 1102(a)(3), evidencing the Commission's approval of (i) the transfer, by sale, of substantially all of the Borough of New Cumberland, Cumberland County, Pennsylvania's assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, (ii) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of New Cumberland, Cumberland County, Pennsylvania, and (iii) the right of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to three residential customers in Lower Allen Township, Cumberland County, Pennsylvania.

4. That Pennsylvania-American Water Company is directed to file a tariff supplement on at least one day's notice, consistent with the *pro forma* tariff supplement attached to the Joint Petition for Approval of Unanimous Settlement of All Issues as Appendix A, to become effective upon the closing date of this Transaction.

5. That the Commission's Secretary shall issue Certificates of Filing under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, for the "Asset Purchase Agreement Between the Borough of New Cumberland and Pennsylvania-American Water

Company,” dated May 5, 2016, and all agreements with a municipal corporation identified therein as either having been entered into or to be entered into or assumed by Pennsylvania-American Water Company, to include:

- a. Escrow Agreement by and among the Borough of New Cumberland, Pennsylvania-American Water Company and Johnson, Duffie, Stewart & Weidner, P.C., dated April 13, 2016 (Exhibit A to APA);
- b. Form of Assignment of Contracts Agreement (Exhibit B to APA) to be entered into by and between the Borough of New Cumberland and Pennsylvania-American Water Company as of the closing date of the Transaction pursuant to which the contracts identified in Schedules 5.1(c) and 4.1(k) of the “Asset Purchase Agreement Between the Borough of New Cumberland and Pennsylvania-American Water Company,” dated May 5, 2016, will be assigned from the Borough of New Cumberland to Pennsylvania-American Water Company (“Assignment Agreement”);
- c. The Agreement, dated March 29, 1995, by and among Lower Allen Township, Melvin K. Johnson and Helen S. Johnson, Grace Margaret Swift, Richard M. Spohn, Jr. and Renee Spohn, and the Borough of New Cumberland (Exhibit M to the Application), as will be assigned to Pennsylvania-American Water Company at closing of the Transaction; and,
- d. Capital Regional Water Contract Waste Hauling Permit No. WH-0916-18, effective date September 30, 2015, as may be renewed or reissued prior to the closing date, as will be assigned to Pennsylvania-American Water Company at closing of the Transaction.

6. That within 30 days following closing of the Transaction, PAWC shall, as a matter of compliance with this Order, file executed versions of the Assignment Agreement.

7. That all other approvals or certificates appropriate, customary, or necessary under the Pennsylvania Public Utility Code to carry out the Transaction in a lawful manner are granted.

8. That Docket No. A-2016-2544151 shall be marked closed following the completion of directives contained in Ordering Paragraphs 4 and 6.

BY THE COMMISSION

A handwritten signature in cursive script, appearing to read "Rosemary Chiavetta".

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: October 27, 2016

ORDER ENTERED: October 27, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water	:	
Company for Approval of (1) the transfer,	:	
by sale, of substantially all of the Borough of	:	
New Cumberland's assets, properties and rights	:	
related to its wastewater collection and treatment	:	
system to Pennsylvania-American Water Company,	:	
(2) the right of Pennsylvania-American Water	:	A-2016-2544151
Company to begin to offer or furnish wastewater	:	
service to the public in the Borough of New	:	
Cumberland, Cumberland County, Pennsylvania,	:	
and (3) the right of Pennsylvania-American Water	:	
Company to begin to offer or furnish wastewater	:	
service to three residential customers in Lower	:	
Allen Township, Cumberland County,	:	
Pennsylvania	:	

RECOMMENDED DECISION

Before
Elizabeth H. Barnes
Administrative Law Judge

Steven K. Haas
Administrative Law Judge

INTRODUCTION

This decision recommends approval, without modification, of a Joint Petition for Approval of Unanimous Settlement of all Issues (Settlement) in the above-captioned application proceeding as it is in the public interest and supported by substantial evidence.

HISTORY OF THE PROCEEDING

On May 5, 2016, Pennsylvania-American Water Company d/b/a Pennsylvania American Water (PAWC) (A-230073) and the Borough of New Cumberland (Borough) (together, Joint Petitioners) entered into an “Asset Purchase Agreement” (APA) for the transfer, by sale, of substantially all of the Borough’s assets, properties and rights related to its wastewater collection and treatment system (System) to PAWC. On May 6, 2016, PAWC filed the above-captioned application (“Application”) requesting, *inter alia*, Commission approval of the transaction, PAWC’s provision of wastewater service in the applied-for territory, and issuance of Certificates of Filing for certain agreements with municipal corporations.

On May 9, 2016, the Commission’s Secretary acknowledged receipt of the Application, but required proof of service of the Application to certain entities in accordance with 52 Pa. C.S. §§ 1.57 and 1.58. On the same date PAWC filed a certificate of service showing proof of service to those entities. On May 16, 2016, PAWC filed Revised Exhibit I (Schedule 6.7 – Borough of New Cumberland’s Rates to be adopted by PAWC as its base rates effective at Closing) and Revised Exhibit J (PAWC Supplement No. ___ to Tariff Wastewater Pa PUC No. 15, p. 4.11, regarding rates for all Borough of New Cumberland Wastewater customers) to the Application.

Notice of the Application was published on May 21, 2016 in the *Pennsylvania Bulletin*, 46 Pa. B. 2649. The Notice stated that the deadline for protests and petitions to intervene was June 6, 2016. Notice was also published in *The Patriot News* on May 19, 2016 and May 24, 2016. Proof of Publication in *The Patriot News* was filed with the Commission by PAWC on June 6, 2016.

On May 23, 2016, the Commission sent a letter with data requests from the Commission’s Bureau of Technical Utility Services to PAWC. PAWC responded to the requests on June 3, 2016, and provided copies of the Department of Environmental Protections Act 537 Official Sewage Facilities Plan for New Cumberland Borough dated June 30, 2009.

The Pennsylvania Office of Consumer Advocate (OCA) filed a protest to the Application on June 6, 2016. No other persons or entities protested the Application or sought to intervene in the proceeding by the June 6, 2016 deadline set by the Commission's Secretary.

On June 30, 2016, a Notice was issued scheduling a Prehearing Conference for July 12, 2016, at 10:00 a.m., in Hearing Room 2 of the Commonwealth Keystone Building in Harrisburg, Pennsylvania and assigning us as presiding officers. Also on June 30, 2016, a Prehearing Order was issued. PAWC and OCA submitted Prehearing Conference Memoranda in accordance with the Prehearing Conference Order. The Prehearing Conference was held as scheduled on July 12, 2016.

By Procedural Order dated July 12, 2016, we addressed certain procedural matters, including discovery rule modifications, and established the following procedural schedule for the case:

Prehearing Conference	July 12, 2016
PAWC Prepared Direct Testimony	July 22, 2016
OCA Prepared Direct Testimony	August 15, 2016
PAWC Prepared Rebuttal Testimony	August 29, 2016
OCA Prepared Surrebuttal Testimony	September 8, 2016
Hearing with Oral Rejoinder	September 19, 2016
Main Briefs	October 7, 2016
Reply Briefs	October 21, 2016.

In accordance with the procedural schedule, PAWC served the following prepared direct testimony and exhibits on July 22, 2016:¹

PAWC Statement No. 1, Direct Testimony of Bernard J. Grundusky, Jr., PAWC Director of Business Development (including PAWC Exhibits BJG-1, BJG-2 & BJG-3);

PAWC Statement No. 2, Direct Testimony of Michael J. Guntrum, P.E., PAWC Senior Project Manager - Engineering (including PAWC Exhibit MJG-1);

¹ By Joint Stipulation for Admission of Evidence filed on the same date as this Settlement, the Joint Petitioners sought admission of the testimony and exhibits into the evidentiary record.

PAWC Statement No. 3, Direct Testimony of Joseph F. Woodward, Jr., PAWC Senior Manager - Operations;

PAWC Statement No. 4, Direct Testimony of John R. Cox, American Water Works Service Company Manager of Rates and Regulations; and,

PAWC Statement No. 5, Direct Testimony of James S. Merante, American Water Works Service Company Director of Financial Strategy, Planning, and Decision Support for the Mid Atlantic Division.

The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on August 1, 2016. PAWC provided I&E with copies of all previously-served testimony and exhibits.

On August 12, 2016, we granted an electronic mail request by the Joint Petitioners for an extension of the due date for non-company prepared direct testimony until August 18, 2016, in order to facilitate on-going settlement discussions.

On August 18, 2016, the Joint Petitioners notified us by electronic mail that they had reached a unanimous settlement of all issues and requested that we suspend the procedural schedule pending the filing of a joint petition for approval of settlement and stipulation for admission of evidence. By electronic mail on the same day, we granted the request to suspend the procedural schedule.

By Order Suspending Litigation Schedule dated August 18, 2016, we suspended the litigation schedule, cancelled the September 19, 2016 hearing, and gave the parties leave until September 2, 2016, to file a joint petition for approval of settlement and a joint stipulation for admission of evidence (along with statements in support and verifications). Also on August 18, 2016, a Cancellation Notice of the initial hearing was issued.

On September 2, 2016, the Joint Petitioners filed a Joint Petition for Approval of Unanimous Settlement of all Issues (Settlement Petition) and a Joint Stipulation for Admission of Evidence. On September 7, 2016, an omitted page 3 of the Joint Stipulation was filed. On

September 15, 2016, we issued an Order Admitting Testimony and Exhibits into the evidentiary record by which we admitted into evidence PAWC's application, testimony and exhibits. The record closed on September 15, 2016. This matter is ripe for a decision.

FINDINGS OF FACT

We adopt many of the jointly proposed findings of fact attached to the Settlement in Appendix B.

1. Pennsylvania American Water Company (PAWC) is a certificated public utility doing business as Pennsylvania Water Company at Docket No. A-230073 that furnishes water and wastewater service to the public in a Pennsylvania service territory encompassing more than 400 communities in 36 counties, including Cumberland County and neighboring counties of Dauphin and York, and serves a combined population of over 2,300,000 across the Commonwealth. PAWC St. No. 1, 10:3-10.

2. The Borough of New Cumberland (Borough) owns and operates a wastewater treatment system (System).

3. The Office of Consumer Advocate (OCA) is authorized to represent the interests of utility consumers before the Commission pursuant to 71 P.S. §309-2, *et seq.*

4. The Commission's Bureau of Investigation and Enforcement (I&E) is authorized under 66 Pa. C.S. §§ 308 and 701 as well as 52 Pa. Code §§ 1.8 and 5.72 to intervene in the instant proceeding for purposes of representing the public interest in ratemaking and service matters before the Commission.

5. PAWC and the Borough entered into an Asset Purchase Agreement (APA) on May 5, 2016, wherein PAWC agrees to pay \$23 million in exchange for the Borough's assets, properties and rights related to the System. PAWC St. No. 1, 4:13-5:2.

6. PAWC, a subsidiary of American Water Works Company, Inc. (“American Water”), is the largest regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, engaged in the business of collecting, treating, storing, supplying, distributing, and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. PAWC St. No. 1, 9:20-10:3; PAWC St. No. 2, 10:9-20.

7. PAWC furnishes water and wastewater service to the public in a service territory encompassing more than 400 communities in 36 counties, including Cumberland County and neighboring counties of Dauphin and York. Overall, PAWC serves a combined population of over 2,300,000 across the Commonwealth and is American Water’s largest subsidiary with nearly 21 percent of American Water’s regulated customer base. PAWC St. No. 1, 10:3-10.

8. PAWC has a Call Center with extended hours and a low-income customer assistance program. PAWC St. No. 3, 10:5-12:5.

9. PAWC currently employs approximately 1,000 professionals with expertise in all areas of water and wastewater utility operations, including engineering, regulatory compliance, water and wastewater operations, including engineering, regulatory compliance, water and wastewater treatment plant operation and maintenance, distribution and collection system operation and maintenance, materials management, risk management, human resources, legal, accounting and, most importantly, customer service. PAWC St. No. 1, 10:9-14; PAWC St. No. 2, 10:4-8.

10. American Water has a 50-person team of corporate engineers which has handled a wide variety of system evaluations, selected treatment processes, and established critical design criteria for water and wastewater treatment systems in order to improve operations and prioritize capital improvements. PAWC St. No. 2, 10:21-11:2.

11. PAWC, and its predecessor, Riverton Consolidated Water Company, have been providing local water service to the Borough and the Township of Lower Allen, Cumberland County, PA since 1904. PAWC St. No. 10:22-23.

12. As of June 30, 2016, PAWC furnishes wastewater services to 21,302 customers in Pennsylvania, inclusive of 20,144 residential customers, 1,085 commercial customers, seven industrial customers, and four bulk customers. PAWC St. No. 1, 11:15-17.

13. PAWC currently operates 15 wastewater treatment plants. Treatment processes include state-of-the-art biological nutrient removal (“BNR”) systems, sequential batch reactors, and oxidation ditches. PAWC St. No. 2, 9:20-10:3.

14. PAWC has specific experience in treatment technologies involving BNR. PAWC operates three BNR facilities in Pennsylvania. On a nationwide basis, American Water affiliates operate 54 wastewater treatment plants utilizing BNR technology and processes. PAWC St. No. 2, 11:3-9.

15. PAWC furnishes water services to 653,549 customers, inclusive of 601,147 residential customers, 45,074 commercial customers, 520 industrial customers, 4,350 fire protection customers and 2,458 municipal, resale and other customers. PAWC St. No. 1, 11:17-20.

16. PAWC has an ongoing program of capital investment focused on systematically replacing and adding new pipes, treatment and pumping facilities, and other water and wastewater infrastructure. PAWC has funded in excess of \$1 billion in capital construction over the past five years with expenditures expected to total \$275 million to \$300 million per year for the next five years. PAWC St. No. 2, 11:12-17.

17. In the proximity of the Borough, PAWC owns, operates, and maintains two water treatment plants, providing service to more than 39,000 customers in 12 communities in Cumberland County, including PAWC’s water customers located within the Borough limits. PAWC St. No. 1, 11:1-3.

18. PAWC has a good compliance history. There are currently no legal proceedings which would suggest that PAWC is not legally fit to provide service to System customers in the public interest. PAWC St. No. 1, 14:1-3.

19. PAWC had total assets of approximately \$3.9 billion and annual revenues of approximately \$613 million as of December 31, 2015. PAWC St. No. 1, 14:11-13; PAWC St. No. 5, 3:19-20.

20. For 2015, PAWC had operating income of approximately \$307 million and net income of approximately \$143 million. PAWC's operating results produced cash flows from operations of approximately \$308 million. PAWC St. No. 1, 14:12-13.

21. PAWC presently has liquidity through a \$220 million line of credit through American Water Capital Corp. ("AWCC"), a wholly-owned subsidiary of American Water. PAWC's strong credit ratings allow PAWC to obtain additional capacity on this line of credit. PAWC St. No. 5, 4:7-10.

22. PAWC carries a corporate credit rating of "A3" from Moody's Investors Services and an "A" rating from Standard and Poor's Rating Services. PAWC obtains long-term debt financing through AWCC at favorable interest rates and payment terms. When applicable, PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Economic Development Financing Authority. PAWC St. No. 5, 4:12-17.

23. PAWC may also obtain additional equity investments through American Water. PAWC St. No. 5, 4:19-20.

24. PAWC has strong operating cash flows and net income and, therefore, a strong balance sheet. PAWC's strong operating and financial performance allows it to obtain competitive interest rates for long-term debt financing and access to equity investments from its parent company. PAWC St. No. 5, 5:1-6.

25. PAWC will initially fund the Transaction with short-term debt and will later replace it with a combination of long-term debt and equity capital. PAWC St. No. 5, 10-12.

26. As of March 31, 2016, the Borough furnishes wastewater services to 3,158 customers, inclusive of 2,890 residential customers, 258 commercial customers and 10 municipal customers. PAWC St. No. 1, 11:13-14.

27. The System is a typical sanitary sewer system with a collection system consisting of approximately 27 miles of pipe ranging from 6 to 21-inch diameter, three lift stations (or sewer pumping stations) and a wastewater treatment plant (“WWTP”). The majority of the collection system was constructed in the 1950’s with terra cotta (vitrified clay pipe) mains and brick manholes. The lift stations are all float controlled and are locally operated. PAWC St. No. 2, 2:15-3:15.

28. The WWTP appears to be well-designed and maintained, be in good physical condition, and has sufficient capacity. PAWC St. No. 2, 3:15-4:7.

29. The System has had no violations or compliance issues with the Pennsylvania Department of Environmental Protection (“DEP”) or the United States Environmental Protection Agency in the past five years. PAWC St. No. 2, 4:11-16.

30. There currently are no industrial waste dischargers in the Borough nor is the WWTP experiencing any treatment difficulties commonly associated with industrial waste discharges in a primarily domestic wastewater system. PAWC St. No. 2 4:17-5:1.

31. Pursuant to the APA, the Borough has agreed to retain ordinances that prohibit stormwater system facilities from being connected to, or from causing stormwater flows into, the System. PAWC St. No. 2, 5:1-3.

32. The Borough currently has four employees that PAWC intends to employ to manage the System in conjunction with PAWC’s existing operations in Central Pennsylvania. PAWC St. No. 3, 4:4-13, 9:6-17.

33. PAWC intends to regionalize the wastewater operations of its Fairview Township system and the System for purposes of emergency response and shared equipment, which will give PAWC greater flexibility and efficiencies to operate the System. PAWC St. No. 3, 7:9-22.

34. PAWC's Central Pennsylvania operations include resources from more than 100 operational, engineering, and administrative staff. These resources will be available to assist with operation of the System. The resources of PAWC's other operating divisions and of American Water will also be available. PAWC St. No. 3, 8:1-9:5.

35. PAWC has assembled a transition team to manage the transition of existing staff and operations of the System from the Borough to PAWC. PAWC St. No. 3, 4:14-5:4.

36. PAWC, in conjunction with the Borough, has committed to educate System customers regarding the transition of ownership and operation -- including an announcement letter to customers following closing of the Transaction which will provide information regarding rates, billing, and customer service center hours and phone number. PAWC St. No. 3, 9:18-10:4.

37. PAWC maintains cyber security, physical security, business continuity, and emergency plans and has strong working relationships with the Commission's Emergency Response Staff. PAWC also coordinates closely with local first responders and participates in emergency exercises. PAWC St. No. 3, 14:12-16:11.

38. PAWC participates in the Pennsylvania One-Call System, and each of PAWC's operating districts has at least one member of its personnel dedicated to completing dig notifications. PAWC St. No. 3, 16:12-19.

39. PAWC maintains an employee health and safety program. PAWC St. No. 3, 16:20-18:3.

40. PAWC has a customer compliance team located in its Hershey Office responsible for ensuring that customer disputes are resolved in compliance with the Commission's regulations. PAWC also has a customer advocacy team located in the Hershey Office responsible for addressing customer disputes and escalated concerns. PAWC St. No. 3, 18:4-15.

41. PAWC has a program to protect customers against utility employee imposters. PAWC informs customers of the dangers of imposter-related crimes, and the precautions that can be taken, through bill inserts, news releases, social media posts, and website information. PAWC helped to form the Keystone Alliance to Stop Utility Imposters and to launch the Alliances' public awareness campaign. PAWC St. No. 3, 18:16-19:4.

42. PAWC's applied for service territory complies with the Borough's DEP-approved Act 537 Plan. PAWC St. No. 2, 5:6-13.

43. PAWC has committed to \$2,000,000 in capital improvements in water and wastewater infrastructure located in the Borough over the first five years of PAWC ownership of the System. PAWC St. No. 2, 5:15-9:10.

44. No municipal authority, corporation, partnership or individual other than the Borough is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by PAWC in service territory applied for by PAWC, and no competitive condition will be created. PAWC St. No. 1, 15:13-16.

45. Upon closing of the Transaction, the Borough will permanently discontinue all wastewater service to the public. PAWC St. No. 1, 15:16-17.

46. In addition to the service territory within the limits of the Borough, PAWC will provide wastewater service to three residential customers located in the Township of Lower Allen, Cumberland County ("Lower Allen"). The Borough currently provides wastewater services to the three customers pursuant to an existing agreement which will be assumed by PAWC. PAWC St. No. 1, 15:18-16:5.

47. Service to the customers located in Lower Allen will overlap with the wastewater service territory of Lower Allen; however, Lower Allen supports PAWC's continued service to such customers. PAWC St. No. 1, 16:6-16; PAWC Exh. BJG-1 (Exh. N.).

48. The initial rates to be applied to System customers following closing of the Transaction will be the Borough's current customer charge and consumption charge; provided, however, that the customer charge and consumption charges will be divided and billed monthly instead of quarterly as the Borough currently bills. Following closing, System customers will be subject to all rates other than the customer charge and consumption charge, including capacity reservation fees, tapping fees and the like, as well as non-rate related terms and conditions of service. PAWC St. No. 4, 3:19-4:11.

49. As part of the request for bids process conducted by the Borough for the sale of the System, PAWC entered into an Escrow Agreement by and among the Borough of New Cumberland, Pennsylvania-American Water Company and Johnson, Duffie, Stewart & Weidner, P.C., dated April 13, 2016. PAWC Exh. BJG-1 (Exh. A to APA).

50. Pursuant to the APA, PAWC will assume contracts in accordance with a Form of Assignment of Contracts Agreement to be entered into by and between the Borough and PAWC as of the closing date of the transaction pursuant to which the contracts identified in Schedules 5.1(c) and 4.1(k) of the APA will be assigned from the Borough to PAWC. PAWC St. No. 1, 17:11-18:4; PAWC Exh. BJG-1 (Exh. B to APA).

51. PAWC will assume the Agreement, dated March 29, 1995, by and among Lower Allen Township, Melvin K. Johnson and Helen S. Johnson, Grace Margaret Swift, Richard M. Spohn, Jr. and Renee Spohn, and the Borough of New Cumberland. Assumption of this agreement is necessary in order to continue wastewater service to the three customers located in Lower Allen following the close of the Transaction. PAWC St. No. 1, 17:11-18:4; PAWC Exh. BJG-1 (Exh. M to Application).

52. PAWC will assume the Capital Regional Water Contract Waste Hauling Permit No. WH-0916-18, effective date September 30, 2015, as may be renewed or reissued prior to the closing date of the Transaction. Assumption of this agreement is necessary in order for PAWC to receive a necessary waste hauling service related to the operation of the System. PAWC St. No. 1, 17:11-18:4; PAWC Exh. BJK-1 (Exh. B, Sch. 5.1(c), and Sch. 4.1(k) to APA); PAWC St. No. 2, 4:4-7.

LEGAL STANDARDS

In this case, the signatory Joint Petitioners submitted a settlement of all issues. Commission policy promotes settlements. 52 Pa.Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa.Code § 69.401. The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters. Pa. Pub. Util. Comm’n, et al. v. City of Lancaster – Bureau of Water, Docket Nos. R-2010-2179103, *et al.* (Opinion and Order entered July 14, 2011) (Lancaster). The Commission must review proposed settlements to determine whether the terms are in the public interest. Pa. Pub. Util. Comm’n v. The York Water Company, PUC Docket No. R-00049165 (Order entered October 4, 2004); Pa. Pub. Util. Comm’n v. C S Water and Sewer Associates, 74 Pa. PUC 767 (1991). Pa. Pub. Util. Comm’n LBPS v. PPL Utilities Corporation, M-2009-2058182 (Opinion and Order November 23, 2009); Pa. Pub. Util. Comm’n v. Philadelphia Gas Works, M-00031768 (Opinion and Order January 7, 2004); 52 Pa. Code § 69.1201 Warner v. GTE North, Inc., Docket No. C-00902815 (Opinion and Order entered April 1, 1996) (Warner); Pa. Pub. Util. Comm’n v. CS Water and Sewer Associates, 74 Pa. PUC 767 (1991).

Additionally, the decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. Norfolk & Western

Ry. Co. v. Pa. Pub. Util. Comm'n, 489 Pa. 109, 413 A.2d 1037 (1980); Erie Resistor Corp. v. Unemployment Comp. Bd. of Review, 194 Pa. Superior Ct. 278, 166 A.2d 96 (1961); and Murphy v. Comm., Dept. of Public Welfare, White Haven Center, 85 Pa. Commonwealth Ct. 23, 480 A.2d 382 (1984).

Pursuant to 66 Pa.C.S. §§1102 and 1103, the Applicant must demonstrate by a preponderance of the evidence that the party to whom the assets and service obligations are being transferred is technically, financially and legally fit. Seaboard Tank Lines, 502 A.2d 762, 764 (Pa.Cmwlth. 1985); Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n, 138 A.2d 240, 243 (Pa.Super. 1958). Under the proposed transaction, as modified by the conditions of the Settlement Petition, PAWC would acquire substantially all of the Borough's wastewater collection and treatment system assets, as well as the rights to provide wastewater service in the Borough and to three residential customers in Lower Allen Township, Cumberland County. Accordingly, PAWC must demonstrate that it is technically, financially and legally capable of owning and operating the facilities involved in the transaction.

In City of York v. Pennsylvania Pub. Util. Comm'n, 295 A.2d 825 (Pa. 1972), the Pennsylvania Supreme Court held that the proponents of a merger or acquisition must show, by a preponderance of the evidence, that the proposed transaction will also promote the service, accommodation, convenience or safety of the public in some substantial way. In Popowsky v. Pennsylvania Public Utility Commission, 937 A.2d 1040 (Pa. 2007), the Pennsylvania Supreme Court explained the City of York standard as follows:

In summary, as indicated in City of York, the appropriate legal framework requires a reviewing court to determine whether substantial evidence supports the Commission's finding that a merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way. In conducting the underlying inquiry, the Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the PUC properly applies a preponderance of the evidence standard to make factually-based determinations (including predictive ones informed by expert judgment) concerning certification matters.

937 A.2d at 1057.

In this proceeding, the parties have reached an agreement, set forth in the Settlement Petition, settling all issues in the case.

SETTLEMENT TERMS

The settlement terms that have been agreed upon by the parties are as follows, with the original numbering as set forth in the settlement retained for ease of reference:

A. Approval of Application

13. The Application shall, subject to the other terms and conditions contained in this Settlement, be approved as being in the public interest and the Commission shall issue a Certificate of Public Convenience pursuant to 66 Pa. C.S. §§ 1102(a)(1), 1102(a)(3) evidencing the rights requested by PAWC in the Application.

B. Rates

14. Upon closing of the Transaction, PAWC shall issue, to become effective on the same date as issuance, a tariff supplement consistent with the *pro forma* tariff supplement contained in PAWC Exhibit BJG-2 to PAWC Statement No. 1 (Direct Testimony of Bernard J. Grundusky, Jr.) and labeled as Revised Exhibit J. A copy of the *pro forma* tariff supplement is attached hereto as **Appendix A**.

15. PAWC shall propose base rate increases for System customers consistent with one of the following two options, subject to challenge in the base rate case by a Party and subject to the Commission's approval:

a. To the extent PAWC's first base rate case following closing of the Transaction is filed by PAWC proposing wastewater base rates to take effect in the year 2018 or 2019, PAWC shall propose a maximum rate increase for System customers consistent with the terms set forth in Section 6.7 of the APA. In PAWC's second and third base rate filings following closing of the Transaction, PAWC shall propose revenue allocations and rate structures which equalize, in a gradual manner, the wastewater base rates for System customers with PAWC's system average wastewater base rates (Rate Zone 1) by the

effective date of rates resulting from the respective second and third base rate filings following closing of the Transaction. Nothing contained in this agreement is intended to prohibit I&E, OCA or any other party in any future proceeding from opposing PAWC's proposals or proposing increases that are different than what PAWC proposes.

b. To the extent PAWC's first base rate case following closing of the Transaction is filed by PAWC proposing wastewater base rates to take effect no earlier than January 1, 2020, PAWC shall propose revenue allocations and rate structures which equalize, in a gradual manner, the wastewater base rates for System customers with PAWC's system average wastewater base rates (Rate Zone 1) by the effective date of rates resulting from the first and second base rate filings following closing of the Transaction. Nothing in this agreement is intended to prohibit I&E, OCA or any other party in any future proceeding from opposing PAWC's proposals or proposing increases that are different than what PAWC proposes.

16. In order to include the plant-in-service of the System in PAWC's rate base, PAWC shall perform an original cost plant-in-service study of the System in compliance with the Commission's statements of policy at 52 Pa. Code § 69.711, 69.721 (whichever may apply). Nothing in this agreement is intended to prohibit I&E, OCA or any other party in any future proceeding from contesting the ratemaking claims made by PAWC as a result of the original cost plant-in-service study of the System.

17. No acquisition adjustment is proposed or approved in this proceeding. In the event that PAWC makes a claim in its next base rate proceeding that the acquisition price for ratemaking purposes should be higher than book value, or that any increment above book value should be included in rates as an acquisition adjustment, such claim will be addressed in the base rate proceeding. OCA and I&E reserve their respective rights to oppose such claim.

18. Except as explicitly agreed upon in this Settlement Term Sheet, nothing contained herein or in the Commission's approval of the Joint Application shall preclude any Party from asserting any position or raising any issue in a future base rate proceeding.

C. Capital Improvements

19. The \$2 million in capital improvements promised by PAWC in Section 6.8 of the APA shall be in addition to and shall not reprioritize any capital improvements to which PAWC committed in its Long Term Infrastructure Improvement Plan for its Wastewater Operations (“LTIP”), as approved by Commission order entered May 7, 2015 at Docket No. P-2014-2431005.

20. PAWC shall not seek to recover eligible capital expenses associated with the System through its wastewater Distribution System Improvement Charge (“DSIC”) until the plant-in-service of the System is incorporated into PAWC’s rate base through a base rate case following closing of the Transaction.

21. PAWC shall not seek to include revenues associated with System customers in the calculation of its wastewater DSIC until the plant-in-service of the System is incorporated into PAWC’s rate base through a base rate case following closing of the Transaction.

22. PAWC shall not charge a wastewater DSIC to System customers until after Commission disposition of PAWC’s first base rate filing following closing of the Transaction in which the plant-in-service of the System is incorporated into PAWC’s rate base.

D. Agreements with Municipal Corporations

23. The Commission shall issue Certificates of Filing under Section 507 of the Code, 66 Pa. C.S. § 507, for the APA and all agreements with a municipal corporation identified therein as either having been entered into or to be entered into or assumed by PAWC, to include:

a. Escrow Agreement by and among the Borough of New Cumberland, Pennsylvania-American Water Company and Johnson, Duffie, Stewart & Weidner, P.C., dated April 13, 2016 (Exhibit A to APA);

b. Form of Assignment of Contracts Agreement (Exhibit B to APA) to be entered into by and between the Borough of New Cumberland and PAWC as of the closing date of the transaction pursuant to which the contracts identified in Schedules 5.1(c) and 4.1(k) of the APA will be assigned from the Borough to PAWC at closing;

c. The Agreement, dated March 29, 1995, by and among Lower Allen Township, Melvin K. Johnson and Helen S. Johnson, Grace Margaret Swift, Richard M. Spohn, Jr. and Renee Spohn, and the Borough of New Cumberland (Exhibit M to the Application) (to be assigned to PAWC at closing per the Assignment of Contracts Agreement described in subsection (b) above); and,

d. Capital Regional Water Contract Waste Hauling Permit No. WH-0916-18, effective date September 30, 2015, as may be renewed or reissued prior to the closing date (to be assigned to PAWC at closing per the Assignment of Contracts Agreement described in subsection (b) above).

Settlement at 5-9.

DISCUSSION

The issues before us are whether PAWC has the technical, financial, and legal fitness to acquire and operate the System in a compliant manner and whether approval of the Settlement is in the public interest and supported by substantial evidence.

Technical, Financial and Legal Fitness of PAWC to acquire the System

There is a presumption that PAWC is technically, financially and legally fit as it is currently a certificated public utility. *See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992). This presumption has not been rebutted by any intervenor in this proceeding, and we are unaware of any significant major complaints pending against PAWC regarding the company's fitness. Further, the Application was directly served upon the Department of Environmental Protection (DEP) as well as Cumberland County Commissioners and the Cumberland County Planning Commission. Also, the Application was served upon the local authorities including: Lower Allen Twp. Authority, Lemoyne Municipal Authority, and Lower Allen Township. None of these entities have intervened to protest the Application and the DEP has not reported any pending actions or complaints against the Borough. This weighs in favor of finding fitness.

Additionally, there is substantial evidence in the stipulated record to support findings of technical, financial and legal fitness as PAWC is a subsidiary of American Water Works Company, Inc. (“American Water”), the largest regulated public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania, engaged in the business of collecting, treating, storing, supplying, distributing, and selling water to the public, and collecting, treating, transporting and disposing of wastewater for the public. PAWC St. No. 1, 9:20-10:3; PAWC St. No. 2, 10:9-20. PAWC furnishes water and wastewater service to the public in a service territory encompassing more than 400 communities in 36 counties, including Cumberland County and neighboring counties of Dauphin and York. In the proximity of the Borough, PAWC owns, operates, and maintains two water treatment plants, providing service to more than 39,000 customers in 12 communities in Cumberland County, including PAWC’s water customers located within the Borough limits. PAWC St. No. 1, 11:1-3.

Overall, PAWC serves a combined population of over 2,300,000 across the Commonwealth and is American Water’s largest subsidiary with nearly 21 percent of American Water’s regulated customer base. PAWC St. No. 1, 10:3-10. PAWC currently employs approximately 1,000 professionals with expertise in all areas of water and wastewater utility operations, including engineering, regulatory compliance, water and wastewater operations, including engineering, regulatory compliance, water and wastewater treatment plant operation and maintenance, distribution and collection system operation and maintenance, materials management, risk management, human resources, legal, accounting and, most importantly, customer service. PAWC St. No. 1, 10:9-14; PAWC St. No. 2, 10:4-8.

As of June 30, 2016, PAWC furnishes wastewater services to 21,302 customers in Pennsylvania, inclusive of 20,144 residential customers, 1,085 commercial customers, seven industrial customers, and four bulk customers. PAWC St. No. 1, 11:15-17. PAWC currently operates 15 wastewater treatment plants. Treatment processes include state-of-the-art biological nutrient removal systems, sequential batch reactors, and oxidation ditches. PAWC St. No. 2, 9:20-10:3.

PAWC has an ongoing program of capital investment focused on systematically replacing and adding new pipes, treatment and pumping facilities, and other water and wastewater infrastructure. PAWC has funded in excess of \$1 billion in capital construction over the past five years with expenditures expected to total \$275 million to \$300 million per year for the next five years. PAWC St. No. 2, 11:12-17.

With regard to financial fitness, PAWC had total assets of approximately \$3.9 billion and annual revenues of approximately \$613 million as of December 31, 2015. PAWC St. No. 1, 14:11-13; PAWC St. No. 5, 3:19-20. For 2015, PAWC had operating income of approximately \$307 million and net income of approximately \$143 million. PAWC's operating results produced cash flows from operations of approximately \$308 million. PAWC St. No. 1, 14:12-13. PAWC presently has liquidity through a \$220 million line of credit through American Water Capital Corp., a wholly-owned subsidiary of American Water. PAWC's strong credit ratings allow PAWC to obtain additional capacity on this line of credit. PAWC St. No. 5, 4:7-10. PAWC carries a corporate credit rating of "A3" from Moody's Investors Services and an "A" rating from Standard and Poor's Rating Services. PAWC obtains long-term debt financing through AWCC at favorable interest rates and payment terms. When applicable, PAWC also uses low-cost financing through the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Economic Development Financing Authority. PAWC St. No. 5, 4:12-17. PAWC may also obtain additional equity investments through American Water. PAWC St. No. 5, 4:19-20. PAWC has strong operating cash flows and net income and, therefore, a strong balance sheet. PAWC's strong operating and financial performance allows it to obtain competitive interest rates for long-term debt financing and access to equity investments from its parent company. PAWC St. No. 5, 5:1-6.

PAWC plans to initially fund the Transaction with short-term debt and will later replace it with a combination of long-term debt and equity capital. PAWC St. No. 5, 10-12. This shows a financial ability to fund the Transaction.

With regard to legal fitness, PAWC has a relatively good compliance history. There are currently no significantly major pending complaints at the Commission which would

suggest that PAWC is not legally fit to provide service to System customers in the public interest. PAWC St. No. 1, 14:1-3. Accordingly, we find substantial record evidence to support the Settlement and approval of the Transaction. PAWC is technically, financially, and legally fit to own and operate the System in the public interest.

Public Interest

The parties agreed and stipulated that the Transaction will produce affirmative public benefits of a substantial nature. These benefits include, but are not limited to: 1) further regionalization of wastewater operations in Pennsylvania; 2) greater access to technical resources for operation of the System; 3) greater access to capital for necessary investments to the System; and 4) improved customer service for System customers.

PAWC furnishes water and wastewater service to the public in a service territory encompassing more than 400 communities in 36 counties, including Cumberland County and neighboring counties of Dauphin and York. PAWC St. No. 1, 10:3-10. As of June 30, 2016, PAWC furnishes wastewater services to 21,302 customers in Pennsylvania, inclusive of 20,144 residential customers, 1,085 commercial customers, seven industrial customers, and four bulk customers. PAWC St. No. 1, 11:15-17. Approval of the Transaction would enable PAWC to continue to regionalize its operations. Regionalization permits PAWC to pursue economies of scale and spread costs over a larger customer base for the benefit of all of its ratepayers. The Borough currently has only four employees who operate the System. PAWC St. No. 3, 4:4-13, 9:6-17. In contrast, PAWC's Central Pennsylvania operations include resources from more than 100 operational, engineering, and administrative staff. These resources will be available to assist with operation of the System. The resources of PAWC's other operating divisions and of American Water will also be available. PAWC St. No. 3, 8:1-9:5. Moreover, PAWC intends to employ the Borough's four employees and regionalize the wastewater operations of its Fairview Township system and the System for purposes of emergency response and shared equipment, which will give PAWC greater flexibility and efficiencies to operate the System. PAWC St. No. 3, 7:9-22.

PAWC has represented that it has significant access to capital and that access will be used to ensure that necessary investment is made in the System and that the System is operated in the public interest. This capability is demonstrated by PAWC's commitment to invest \$2,000,000 in capital improvements in water and wastewater infrastructure located in the Borough over the first five years of PAWC ownership of the System. PAWC St. No. 2, 5:15-9:10. Under PAWC ownership, System customers should experience improved and broadened customer service -- including extended call center hours, rapid response to emergency situations, additional bill payment options, enhanced customer information and education programs, and access to PAWC's low-income customer assistance program. PAWC St. No. 3, 10:5-12:5. These benefits are possible because of PAWC's larger customer base, expertise, and financial capabilities.

The Joint Petitioners agreed that the Settlement will ensure that PAWC implements rates for System customers in a gradual manner and that System customers will not be unreasonably subsidized by other PAWC customers. Under Paragraphs 15.a. and 15.b. of the Settlement, PAWC has committed to increase rates for System customers in a gradual manner over the course of PAWC's next two to three base rate cases and to bring such rates in line with PAWC's system average rates (Rate Zone 1) over that time period. *See* Settlement, ¶¶ 15.a., 15.b. These Settlement provisions are consistent with the Commission's policies of rate gradualism and single tariff pricing and economically benefit both the customers of the acquired wastewater system as well as the existing customers of PAWC. 66 Pa.C.S. §§1102(a) and 1103.

We agree that the rates set forth in the *pro forma* tariff supplement attached to the Settlement as Appendix A regarding a new Zone 12 for New Cumberland customers appear to be somewhat comparable to existing rates in PAWC's current Zones 1 and 2, and do not appear to be unjust or unreasonable; therefore, they should be adopted as PAWC's initial rates for System customers.

Finally, and importantly, we note that OCA, I&E, and other interested parties have not waived any right to participate in, and advocate their positions in, future PAWC base rate proceedings. *See, e.g.*, Settlement, ¶¶ 15.a., 15.b., 16, 17 ("Except as explicitly agreed upon

in this Settlement Term Sheet, nothing contained herein or in the Commission's approval of the Joint Application shall preclude any Party from asserting any position or raising any issue in a future base rate proceeding.'').

PAWC's Long Term Infrastructure Improvement Plan (LTIP) and Distribution System Improvement Charge (DSIC)

As part of the Settlement, PAWC has affirmed that its promised \$2 million in capital improvements will be consistent with its Long Term Infrastructure Improvement Plan for its Wastewater Operations ("LTIP") and its wastewater Distribution System Improvement Charge ("DSIC"). Specifically, PAWC has agreed that: (a) the promised \$2 million in capital improvements shall be in addition to and shall not reprioritize any capital improvements to which PAWC committed in its LTIP; (b) PAWC shall not seek to recover eligible capital expenses associated with the System through its wastewater DSIC until the plant-in-service of the System is incorporated into PAWC's rate base through a base rate case following closing of the Transaction; (c) PAWC shall not seek to include revenues associated with System customers in the calculation of its wastewater DSIC until the plant-in-service of the System is incorporated into PAWC's rate base through a base rate case following closing of the Transaction; and, (d) PAWC shall not charge a wastewater DSIC to System customers until after Commission disposition of PAWC's first base rate filing following closing of the Transaction in which the plant-in-service of the System is incorporated into PAWC's rate base. *See Settlement, ¶¶ 18-21.*

Certificates of Filing

As part of the Settlement, the Joint Petitioners have agreed that that Commission should issue Certificates of Filing under Section 507 of the Code, 66 Pa. C.S. § 507, for certain agreements between PAWC and municipal corporations. Such agreements include the Asset Purchase Agreement for the Transaction, the escrow agreement pursuant to which PAWC participated in the Borough's request for bids process, and other agreements regarding PAWC's assumption of Borough responsibilities in order to operate the System in the public interest upon closing of the Transaction. The agreements, or forms of the agreements, have been provided to the Commission and the parties in conjunction with this proceeding. They are reasonable and, therefore, Certificates of Filing should be issued.

Joint Petition addresses OCA and I&E Concerns

PAWC will initially charge current Borough customers the base rates charged by the Borough at the time of closing. (OCA Stmt. in Support, p.2). The company will not increase the rates of its acquired customers before January 1, 2018. The settlement provides for the gradual increase in rates for current Borough customers over the course of the next two to three base rate cases in order to bring those rates in line with PAWC's existing system average rates (Rate Zone 1) over that time period. (PAWC Stmt. in Support, p. 9). This will be accomplished under one of two scenarios, depending on the timing of the company's next base rate case, as set forth in paragraphs 15.a. and 15.b of the APA:

a. To the extent PAWC's first base rate case following closing of the Transaction is filed by PAWC proposing wastewater base rates to take effect in the year 2018 or 2019, PAWC shall propose a maximum rate increase for System customers consistent with the terms set forth in Section 6.7 of the APA. In PAWC's second and third base rate filings following closing of the Transaction, PAWC shall propose revenue allocations and rate structures which equalize, in a gradual manner, the wastewater base rates for System customers with PAWC's system average wastewater base rates (Rate Zone 1) by the effective date of rates resulting from the respective second and third base rate filings following closing of the Transaction. Nothing contained in this agreement is intended to prohibit I&E, OCA or any other party in any future proceeding from opposing PAWC's proposals or proposing increases that are different than what PAWC proposes.

b. To the extent PAWC's first base rate case following closing of the Transaction is filed by PAWC proposing wastewater base rates to take effect no earlier than January 1, 2020, PAWC shall propose revenue allocations and rate structures which equalize, in a gradual manner, the wastewater base rates for System customers with PAWC's system average wastewater base rates (Rate Zone 1) by the effective date of rates resulting from the first and second base rate filings following closing of the Transaction. Nothing in this agreement is intended to prohibit I&E, OCA or any other party in any future proceeding from opposing PAWC's proposals or proposing increases that are different than what PAWC proposes.

The settlement addresses a concern raised by the OCA as to whether the proposed rates and increase limitations were reasonable, given that the rate for PAWC's current wastewater customers under its Rate Zone 1 is nearly \$10 per month higher, for a customer using 3,000 gallons per month, than the rates of current Borough customers. The settlement satisfies the concerns raised by the OCA. The OCA states:

The proposed Settlement addresses these issues by ensuring that PAWC will begin moving rates for the acquired customers toward PAWC's system-average wastewater base rates in its first or second base rate case post-closing. Settlement, ¶15.a, b. It also preserves the right of OCA and other parties to propose further movement in those cases. Id. These terms help to limit the rate impact of the acquisition on PAWC's existing customers.

(OCA Stmt. in Support, p. 3).

I&E agrees that these rate provisions in the settlement are in the public interest, as it states:

Regardless of the terms of the APA, PAWC has acknowledged that nothing in the APA is intended to prohibit I&E, OCA or any other party in any future proceeding from opposing PAWC's proposals or proposing increases that are different than what PAWC proposes. From I&E's perspective, this is an essential element of the Settlement because it ensures protection for PAWC's existing ratepayers. Specifically, PAWC's rate commitments under the APA will not restrict other parties from recommending, or the Commission from approving, higher rates for System customers than now contemplated in the APA. This reservation of rights respects the Public Utility Code because the Commission is obligated to set just and reasonable rates in every PAWC base rate case filed, regardless of the APA's terms.

(I&E Stmt. in Support, p. 8).

We agree that the evidence of record shows the Settlement is in the public interest in that it will ensure that PAWC implements rate increases for current Borough customers in a gradual manner and that these customers will not be unreasonably subsidized by other PAWC customers. The Settlement Petition makes clear that Commission approval of the Transaction

will in no way infringe upon or impede the rights of OCA, I&E or other interested parties to participate in and advocate their positions in future PAWC rate proceedings. (Settlement, ¶¶ 15.a., 15.b., 16, 17).

Under the settlement, PAWC has committed to spend \$2 million for capital improvements to the water and wastewater infrastructure located within the Borough over the five year period immediately following the closing date of the Transaction. APA, §6.8. OCA expressed concern about how this commitment would fit with PAWC's obligations under its existing Long Term Infrastructure Improvement Plan, approved by the Commission on December 4, 2014 at Docket No. P-2014-2431005, as well as the calculation of the wastewater Distribution System Improvement Charge (DSIC). (OCA Stmt. in Support, p. 3). The Settlement Petition makes clear that the spending of the \$2 million in capital improvements will be in addition to, and will not reprioritize, any capital improvements that PAWC is already committed to undertake for its existing customers. (Settlement, ¶19). In addition, the Settlement provides that PAWC shall not seek to recover eligible capital expenses associated with the System through its DSIC until the plant-in-service of the system is incorporated into PAWC's rate base through a base rate case following closing of the Transaction. (Settlement, ¶20). OCA agrees that these terms “. . . will help to mitigate the rate impact of the proposed improvements to the acquired system on existing customers until the acquired customers begin paying a wastewater DSIC.” (OCA Stmt. in Support, p. 3). I&E states:

In I&E's view, this term benefits System customers while protecting existing PAWC customers. System customers will benefit from improved water and wastewater infrastructure, promoting safer and more reliable service. At the same time, the capital improvements already identified and planned for existing PAWC ratepayers will not be jeopardized by PAWC's commitments to the Borough. Therefore, I&E opines that this term is in the public interest.

(I&E Stmt. in Support, pp. 9-10).

PAWC has agreed, as part of the Settlement, to perform an original cost plant-in-service study of the System prior to including it in rate base, in compliance with the

Commission's policy statements at 52 Pa. Code §§ 69.711 or 69.721. PAWC has further agreed that neither I&E, OCA nor any other party will be prohibited from contesting PAWC's future ratemaking claims made resulting from the original cost plant-in-service study of the system. I&E supports this settlement provision, stating, ". . . while the original cost plant-in-service study should be performed, it is of paramount importance that parties will not be bound by its results for ratemaking purposes. (I&E Stmt. in Support, pp. 8-9). We find this provision to be in the public interest in that it assures compliance with applicable Commission policy statements while, at the same time, preserves the rights of interested parties to challenge the results of the study in a future rate proceeding.

In addition to the various terms discussed above, the Settlement will produce a number of other affirmative public benefits. First, approval of the Transaction will enable PAWC to further regionalize its operations, which allows the company to realize economies of scale and spread costs over a larger customer base, thereby benefitting all customers. (PAWC Stmt. in Support, pp. 7-8). Further, the Borough currently has only four employees who operate the System. PAWC's Central Pennsylvania operations, by contrast, include more than 100 operational, engineering and administrative staff. These resources, as well as the resources of PAWC's other operating divisions and American Water, will be available to assist in operating the newly acquired System. (PAWC Stmt. in Support, p. 8). Additionally, System customers will benefit from improved and expanded customer service resources, such as extended call center hours, rapid response to emergency conditions, additional bill payment options, enhanced customer information and education programs, and access to PAWC's low-income customer assistance program. (PAWC Stmt. in Support, p. 8; I&E Stmt. in Support, p. 8). All of these benefits are in the public interest and support approval of the Transaction.

Lastly, PAWC is requesting that the Commission issue Certificates of Filing, under Section 507 of the Public Utility Code, 66 Pa. Code § 507, for the APA and all agreements with a municipal corporation identified therein as either having been entered into or to be entered into or assumed by PAWC. These agreements are set forth in Paragraph 23 of the Settlement Petition and include the APA, the escrow agreement pursuant to which PAWC participated in the Borough's request for bids process, and other agreements regarding PAWC's assumption of

Borough responsibilities associated with the operation of the System. The Joint Petitioners agree that the Commission should issue the necessary Certificates of Filing. No party to this proceeding challenged or otherwise questioned the legality or necessity of these agreements. We agree that these various agreements are a necessary part of the transaction, are reasonable and are in the public interest.

For all of the reasons set forth above, we find that the Joint Petition for Approval of Unanimous Settlement of all Issues, which is not opposed by any party, is in the public interest. Additionally, we find PAWC has the financial, technical and legal fitness to acquire and operate in a compliant manner the Borough's System. Accordingly, we recommend that the Commission approve the settlement without modification. The benefits of the proposed transaction, as modified by the settlement, warrant issuance of the requested Certificates of Public Convenience and Certificates of filing.

CONCLUSIONS OF LAW

We adopt many of the parties' proposed conclusions of law as attached to the Settlement at Appendix C.

1. Commission policy promotes settlement. *See* 52 Pa. Code § 5.231.
2. A settlement lessens the time and expense that the parties must expend litigating a case and, at the same time, conserves precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401.
3. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

4. The Settlement and its proposed terms and conditions are in the public interest and, therefore, should be approved without modification.

5. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a) (“Procedure to obtain certificates of public convenience”).

6. A certificate of public convenience is required for “any public utility to begin to offer, render, furnish or supply within this Commonwealth service of a different nature or to a different territory than that authorized” 66 Pa. C.S. § 1102(a)(1).

7. A certificate of public convenience is required for “any public utility . . . to acquire from . . . any person or corporation, including a municipal corporation, by any method or device whatsoever . . . the title to, or possession or use of, any tangible or intangible property used or useful in the public service.” 66 Pa. C.S. § 1102(a)(3).

8. An applicant for a certificate of public convenience must demonstrate that the transaction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” City of York v. Pa. Pub. Util. Comm’n, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972).

9. PAWC ownership and operation of the System, consistent with the terms and conditions of the Settlement, will affirmatively promote the service, accommodation, convenience, or safety of the public in a substantial way.

10. An applicant for a certificate of public convenience public must demonstrate that it is technically, financially, and legally fit to own and operate the acquired public utility assets. Seaboard Tank Lines v. Pa. Pub. Util. Comm’n, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm’n, 138 A.2d. 240, 243 (Pa. Super. 1958).

11. The fitness of a currently certificated public utility is presumed. See e.g., South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992).
12. Financial fitness means that the applicant should possess the financial ability to give reliable and respectable service to the public. The applicant should own or should have sufficient financial resources to obtain the equipment needed to perform the proposed service. Re Perry Hassman, 55 Pa. P.U.C. 661, 662-63 (1982); Re: O'Connor, 54 Pa. P.U.C. 547 (1980); Merz White Way Tours v. Pa. Pub. Util. Comm'n, 201 A.2d 446 (Pa. Super. 1964).
13. Technical fitness means that the applicant has the technical capacity to meet a public need in a satisfactory fashion. It must possess sufficient staff, facilities, and operating skills to make the proposed service feasible, profitable, and a distinct service to the public. Re Perry Hassman, 55 Pa. P.U.C. 661, 662-63 (1982); Re: O'Connor, 54 Pa. P.U.C. 547 (1980); Pa. Pub. Util. Comm'n v. Pa. Radio Tele. Corp., 342 A.2d 489 (Pa. Cmwlth. 1975); Merz White Way Tours v. Pa. Pub. Util. Comm'n, 201 A.2d 446 (Pa. Super. 1964).
14. Legal fitness means a public utility's propensity to operate safely and legally. Seaboard Tank Lines, Inc., 502 A.2d at 764. The lack of legal fitness is demonstrated by persistent disregard for, flouting, or defiance of the Code and the Commission's orders and regulations. For applicants that already possess operating authority, past performance should be analyzed to determine whether the applicant has obeyed the Code and Commission regulations, particularly those regulations dealing with public safety. Re Perry Hassman, 55 Pa. P.U.C. 661, 662-63 (1982); Re: O'Connor, 54 Pa. P.U.C. 547 (1980).
15. PAWC is technically, financially, and legally fit to own and operate the System in the public interest.
16. Issues relating to rates are properly reserved for a future PAWC rate proceeding.
17. Public utility rates must be just and reasonable. 66 Pa. C.S. § 1301.

18. The rates set forth in the *pro forma* tariff supplement attached to the Settlement as Appendix A regarding a new Zone 12 for New Cumberland customers are comparable to existing rates in PAWC's current Zone 1 and 2 rates, and do not appear to be unjust or unreasonable; therefore, should be adopted as PAWC's initial rates for System customers.

19. The Settlement preserves the rights of interested parties to raise rate-related issues in a future PAWC rate proceeding and does not restrict the Commission from adjudicating rate-related issues in a future rate proceeding.

20. A contract between a public utility and a municipal corporation must be filed with the Commission at least 30 days prior to its effective date. 66 Pa. C.S. § 507 ("Contracts between public utilities and municipalities).

21. The Commission will initiate proceedings regarding a contract between a public utility and a municipal corporation only if the Commission has a concern regarding the reasonableness, legality or any other matter affecting the validity thereof. 66 Pa. C.S. § 507.

22. The following agreements between PAWC and a municipal corporation do not appear to be unreasonable, illegal, or otherwise invalid and, accordingly, the Commission should issue Certificates of Filing for such agreements pursuant to Section 507 of the Code, 66 Pa. C.S. § 507:

- i. "Asset Purchase Agreement Between the Borough of New Cumberland and Pennsylvania-American Water Company," dated May 5, 2016;
- ii. Escrow Agreement by and among the Borough of New Cumberland, Pennsylvania-American Water Company and Johnson, Duffie, Stewart & Weidner, P.C., dated April 13, 2016 (Exhibit A to APA);
- iii. Form of Assignment of Contracts Agreement (Exhibit B to APA) to be entered into by and between the Borough of New Cumberland and Pennsylvania-American Water Company as of the closing date of the Transaction pursuant to which the contracts identified in Schedules 5.1(c) and 4.1(k) of the APA will be assigned from the Borough to PAWC at closing;

- iv. The Agreement, dated March 29, 1995, by and among Lower Allen Township, Melvin K. Johnson and Helen S. Johnson, Grace Margaret Swift, Richard M. Spohn, Jr. and Renee Spohn, and the Borough of New Cumberland (Exhibit M to the Application) (to be assigned to PAWC at closing of the Transaction); and,
- v. Capital Regional Water Contract Waste Hauling Permit No. WH-0916-18, effective date September 30, 2015, as may be renewed or reissued prior to the closing date (to be assigned to PAWC at closing of the Transaction).

23. The Transaction is in the public interest and, consistent with the terms and conditions of the Settlement, should be approved.

24. The Commission has jurisdiction over the parties to, and the subject matter of, this proceeding. 66 Pa. C.S. § 1327.

ORDER

THEREFORE,

IT IS RECOMMENDED:

- 1. That the Joint Petition for Approval of Unanimous Settlement of All Issues, filed by Pennsylvania-American Water Company, the Office of Consumer Advocate, and the Bureau of Investigation & Enforcement of the Pennsylvania Public Utility Commission on September 2, 2016 at Docket No. A-2016-2544151, including all terms and conditions thereof, is approved without modification.
- 2. That all protests at Docket No. A-2016-2544151 are dismissed.
- 3. That the Commission's Secretary shall issue a Certificate of Public Convenience, pursuant to Sections 1102(a)(1) and 1102(a)(3) of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1102(a)(1), 1102(a)(3), evidencing the Commission's approval of (i) the transfer, by sale, of substantially all of the Borough of New Cumberland, Cumberland County,

Pennsylvania's assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, (ii) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the Borough of New Cumberland, Cumberland County, Pennsylvania, and (iii) the right of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to three residential customers in Lower Allen Township, Cumberland County, Pennsylvania.

4. That Pennsylvania-American Water Company is directed to file a tariff supplement on at least one day's notice, consistent with the *pro forma* tariff supplement attached to the Joint Petition for Approval of Unanimous Settlement of All Issues as Appendix A, to become effective upon the closing date of this Transaction.

5. That the Commission's Secretary shall issue Certificates of Filing under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, for the "Asset Purchase Agreement Between the Borough of New Cumberland and Pennsylvania-American Water Company," dated May 5, 2016, and all agreements with a municipal corporation identified therein as either having been entered into or to be entered into or assumed by Pennsylvania-American Water Company, to include:

- a. Escrow Agreement by and among the Borough of New Cumberland, Pennsylvania-American Water Company and Johnson, Duffie, Stewart & Weidner, P.C., dated April 13, 2016 (Exhibit A to APA);
- b. Form of Assignment of Contracts Agreement (Exhibit B to APA) to be entered into by and between the Borough of New Cumberland and Pennsylvania-American Water Company as of the closing date of the Transaction pursuant to which the contracts identified in Schedules 5.1(c) and 4.1(k) of the "Asset Purchase Agreement Between the Borough of New Cumberland and Pennsylvania-American Water Company," dated May 5, 2016, will be assigned from the Borough of New Cumberland to Pennsylvania-American Water Company ("Assignment Agreement");
- c. The Agreement, dated March 29, 1995, by and among Lower Allen Township, Melvin K. Johnson and Helen S. Johnson, Grace Margaret Swift, Richard M. Spohn, Jr. and Renee Spohn, and the Borough of New Cumberland (Exhibit M to the Application), as will be assigned to Pennsylvania-American Water Company at closing of the Transaction; and,

d. Capital Regional Water Contract Waste Hauling Permit No. WH-0916-18, effective date September 30, 2015, as may be renewed or reissued prior to the closing date, as will be assigned to Pennsylvania-American Water Company at closing of the Transaction.

6. That within 30 days following closing of the Transaction, PAWC shall, as a matter of compliance with this Order, file executed versions of the Assignment Agreement.

7. That all other approvals or certificates appropriate, customary, or necessary under the Pennsylvania Public Utility Code to carry out the Transaction in a lawful manner are granted.

8. That Docket No. A-2016-2544151 shall be marked closed following the completion of directives contained in Ordering Paragraphs 4 and 6.

Dated: October 13, 2016

/s/
Elizabeth H. Barnes
Administrative Law Judge

/s/
Steven K. Haas
Administrative Law Judge

**SATISFACTION OF THE CRITERIA ESTABLISHED BY §1327(A)
FOR INCLUDING IN RATE BASE A POSITIVE ACQUISITION ADJUSTMENT**

Borough of New Cumberland

Section 1327(a)¹ Criteria	Satisfied (Y/N)	Explanation	Attachments/References
(1) the property is used and useful in providing water or sewer service;	Y	Original cost study prepared and submitted to the Commission	Reference: Original Cost Study
(2) the public utility acquired the property from another public utility, a municipal corporation or a person which had 3,300 or fewer customer connections or which was nonviable in the absence of the acquisition;	Y	Total Customers – 3,158	Attachment: Commission Order Docket No. A-2016-2544151
(3) the public utility, municipal corporation or person from which the property was acquired was not, at the time of acquisition, furnishing and maintaining adequate, efficient, safe and reasonable service and facilities, evidence of which shall include, but not be limited to, any one or more of the following:			

¹ The introductory paragraph of Section 1327(a) provides as follows:

If a public utility acquires property from another public utility, a municipal corporation or a person at a cost which is in excess of the original cost of the property when first devoted to public service less the applicable accrued depreciation, it shall be a rebuttable presumption that the excess is reasonable and that excess shall be included in the rate base of the acquiring public utility, provided that the acquiring public utility proves that....

Section 1327(a)Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(i) violation of statutory or regulatory requirements of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service and facilities;</p>	Y	<p>The Borough of New Cumberland had no DEP violations or operational concerns at the time of closing, they had day-to-day concerns with continuing to meet current and future regulations with their aging workforce (losing valued experience), not being able to meet needed future capital investment without continually raising sewer rates on a small and somewhat stagnant customer base.</p>	
<p>(ii) a finding by the commission of inadequate financial, managerial or technical ability of the small water or sewer utility;</p>			
<p>(iii) a finding by the commission that there is a present deficiency concerning the availability of water, the palatability of water or the provision of water at adequate volume and pressure;</p>			
<p>(iv) a finding by the commission that the small water or sewer utility, because of necessary improvements to its plant or distribution system, cannot reasonably be expected to furnish and maintain adequate service to its customers in the future at rates equal to or less than those of the acquiring public utility; or</p>			
<p>(v) any other facts, as the commission may determine, that evidence the inability of the small water or sewer utility to furnish or maintain adequate, efficient, safe and reasonable service and facilities;</p>	Y	<p>Prior to PAWC acquiring The Borough of New Cumberland's wastewater system, they had recently made significant investments into their wastewater treatment plant and collections system to meet more stringent regulatory discharge requirement along with resolving hydraulic overloading within the</p>	

		<p>collections system. With these large investments, the Borough of New Cumberland knew they could no longer maintain affordable rates for their customers long-term. Coupled with their aging workforce, they also sought to secure a knowledgeable, experienced company to own, maintain, invest in the wastewater system that would meet and exceed The Borough of New Cumberland's customer sewer needs well into the future.</p>	
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Section 1327(a) Criteria	Satisfied (Y/N)	Explanation	Attachments/References
<p>(4) reasonable and prudent investments will be made to assure that the customers served by the property will receive adequate, efficient, safe and reasonable service;</p>	Y	<p>PAWC will spend \$2,000,000 in capital improvements to the water & wastewater infrastructure located with the Borough over the five-year period immediately following the Closing Date.</p>	<p>Attachment: Commission Order Docket No. A-2016-2544151</p>
<p>(5) the public utility, municipal corporation or person whose property is being acquired is in agreement with the acquisition and the negotiations which led to the acquisition were conducted at arm's length;</p>	Y	<p>PAWC and Borough of New Cumberland entered into an Asset Purchase Agreement.</p>	<p>Attachment: Commission Order Docket No. A-2016-2544151</p>
<p>(6) the actual purchase price is reasonable;</p>	Y	<p>PAWC and Borough of New Cumberland agreed on the purchase price. The Commission approved the company's application to acquire Borough of New Cumberland. An OC Study was completed to support utility plant purchase.</p>	<p>Attachment: Commission Order Docket No. A-2016-2544151</p>

<p>(7) neither the acquiring nor the selling public utility, municipal corporation or person is an affiliated interest of the other;</p>	<p>Y</p>	<p>Neither PAWC nor Borough of New Cumberland was an affiliated interest of the other. PAWC is a jurisdictional public utility corporation existing under the laws of the Commonwealth and Borough of New Cumberland is a municipal authority organized under the Pennsylvania Municipal Authority Act of May 2, 1945, P.L. 382.</p>	<p>Attachment: Commission Order Docket No. A-2016-2544151</p>
<p>(8) the rates charged by the acquiring public utility to its pre-acquisition customers will not increase unreasonably because of the acquisition; and</p>	<p>Y</p>	<p>The purchase agreement and the PUC order stipulated that PAWC adopt the Authority's rate structure.</p>	<p>Attachment: Commission Order Docket No. A-2016-2544151</p>
<p>(9) the excess of the acquisition cost over the depreciated original cost will be added to the rate base to be amortized as an addition to expense over a reasonable period of time with corresponding reductions in the rate base.</p>	<p>Y</p>	<p>PAWC believes strongly that it has satisfied the criteria established by 1327(a).</p>	<p>Reference: Section 1327(a)</p>

**Pennsylvania-American Water Company - Scranton Wastewater Operations
Future Test Year Additions, Acquisitions**

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FUTURE TEST YEAR ADDITIONS

SCRANTON WASTEWATER

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2017
 SCRANTON WASTEWATER OPERATIONS

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
353.00	Scranton WW Rights of Way Account Subtotal	124-92###	3,000,000 \$3,000,000	Dec-17	None		\$0
389.10	Comprehensive Planning Studies	S	14,739	Mar-17	None		
	Comprehensive Planning Studies	S	126,075	Jun-17	None		
	Comprehensive Planning Studies	S	152,992	Sep-17	None		
	Comprehensive Planning Studies	S	69,194	Dec-17	None		
	Account Subtotal		\$363,000				\$0
354.30	Outfall #011 - Von Storch	124-920002	685,848	Dec-17	None		
	Outfall #038 - Wurtz Avenue	124-920012	541,538	Dec-17	None		
	Account Subtotal		\$1,227,386				\$0
354.40	Outfall #066 - Burke Street	124-920015	196,429	Feb-17	Outfall #066 - Burke Street	33,000	Feb-17
	Structures And Improvements - T&D	N	20,250	Mar-17	Retire Structures And Improvements - T&D	1,620	Mar-17
	Structures And Improvements - T&D	N	33,000	Jun-17	Retire Structures And Improvements - T&D	2,640	Jun-17
	Outfall #065 - Drinker Street	124-920014	162,500	Jun-17	None		
	Structures And Improvements - T&D	N	39,600	Sep-17	Retire Structures And Improvements - T&D	3,168	Sep-17
	Structures And Improvements - T&D	N	57,150	Dec-17	Retire Structures And Improvements - T&D	4,572	Dec-17
	Outfall #012 - Grove St, #033 - W. Parker, #040 - W. Market, #073	124-920003	733,333	Dec-17	None		
	Outfall #038 - Wurtz Avenue	124-920012	33,847	Dec-17	None		
	Outfall #072 - Leggetts Street	124-920017	122,034	Dec-17	None		
	Outfall #011 - Von Storch	124-920002	1,175,739	Dec-17	None		
	Account Subtotal		\$2,573,882			\$45,000	
355.00	Process Plant Facilities and Equipment	Q	86,150	Mar-17	None		
	Process Plant Facilities and Equipment	Q	247,143	Jun-17	None		
	Process Plant Facilities and Equipment	Q	336,122	Sep-17	None		
	Process Plant Facilities and Equipment	Q	616,834	Dec-17	None		
	Account Subtotal		\$1,286,249				\$0
361.10	Outfall #066 - Burke Street	124-920015	803,571	Jun-17	Outfall #066 - Burke Street	5,000	Jun-17
	Developer Funded	DV	-	Mar-17	None		
	Collection Sewers - Gravity Mains - New	A	2,297	Mar-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	23,214	Mar-17	Retire Collection Sewers - Gravity Mains	464	Mar-17
	Collection Sewers - Gravity Mains - Unscheduled	C	276,952	Mar-17	Retire Collection Sewers - Gravity Mains	5,539	Mar-17
	Collection Sewers - Gravity Mains - Relocated	D	69,239	Mar-17	Retire Collection Sewers - Gravity Mains	1,385	Mar-17
	Developer Funded	DV	-	Jun-17	None		
	Collection Sewers - Gravity Mains - New	A	4,180	Jun-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	198,559	Jun-17	Retire Collection Sewers - Gravity Mains	3,971	Jun-17

ACCT NO	DESCRIPTION OF ADDITION	NUMBER	AMOUNT	DATE	DESCRIPTION OF RETIREMENT	AMOUNT	DATE
353.00	Collection Sewers - Gravity Mains - Unscheduled	C	172,678	Jun-17	Retire Collection Sewers - Gravity Mains	3,454	Jun-17
	Collection Sewers - Gravity Mains - Relocated	D	43,170	Jun-17	Retire Collection Sewers - Gravity Mains	863	Jun-17
	Outfall #065 - Drinker Street	124-920014	292,500	Jun-17	None		
	Developer Funded	DV	-	Sep-17	None		
	Collection Sewers - Gravity Mains - New	A	7,260	Sep-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	240,952	Sep-17	Retire Collection Sewers - Gravity Mains	4,819	Sep-17
	Collection Sewers - Gravity Mains - Unscheduled	C	300,445	Sep-17	Retire Collection Sewers - Gravity Mains	6,009	Sep-17
	Collection Sewers - Gravity Mains - Relocated	D	75,112	Sep-17	Retire Collection Sewers - Gravity Mains	1,502	Sep-17
	Developer Funded	DV	-	Dec-17	None		
	Collection Sewers - Gravity Mains - New	A	6,263	Dec-17	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	108,977	Dec-17	Retire Collection Sewers - Gravity Mains	2,180	Dec-17
	Collection Sewers - Gravity Mains - Unscheduled	C	249,926	Dec-17	Retire Collection Sewers - Gravity Mains	4,999	Dec-17
	Collection Sewers - Gravity Mains - Relocated	D	62,482	Dec-17	Retire Collection Sewers - Gravity Mains	1,250	Dec-17
	Outfall #038 - Wurtz Avenue	124-920012	676,923	Dec-17	None		
	Outfall #072 - Leggetts Street	124-920017	677,966	Dec-17	None		
	Outfall #011 - Von Storch	124-920002	1,698,288	Dec-17	None		
	Account Subtotal		\$5,990,954			\$41,435	
361.20	Manholes - New	E	6,389	Mar-17	None		
	Manholes - Replaced	F	24,600	Mar-17	Retire Manholes	492	Mar-17
	Manholes - New	E	5,708	Jun-17	None		
	Manholes - Replaced	F	31,826	Jun-17	Retire Manholes	637	Jun-17
	Manholes - New	E	8,492	Sep-17	None		
	Manholes - Replaced	F	32,200	Sep-17	Retire Manholes	644	Sep-17
	Manholes - New	E	4,411	Dec-17	None		
	Manholes - Replaced	F	31,373	Dec-17	Retire Manholes	627	Dec-17
	Account Subtotal		\$144,999			\$2,400	
363.00	Services and Laterals - New	G	4,490	Mar-17	None		
	Services and Laterals - Replaced	H	39,566	Mar-17	Retire Services	1,583	Mar-17
	Services and Laterals - New	G	4,601	Jun-17	None		
	Services and Laterals - Replaced	H	47,326	Jun-17	Retire Services	1,893	Jun-17
	Services and Laterals - New	G	5,573	Sep-17	None		
	Services and Laterals - Replaced	H	61,959	Sep-17	Retire Services	2,478	Sep-17
	Services and Laterals - New	G	5,336	Dec-17	None		
	Services and Laterals - Replaced	H	51,149	Dec-17	Retire Services	2,046	Dec-17
	Account Subtotal		\$220,000			\$8,000	
364.00	Outfall #065 - Drinker Street	124-920014	97,500	Jun-17	None		
	Outfall #012 - Grove St, #033 - W. Parker, #040 - W. Market, #073 Front St	124-920003	146,667	Dec-17	None		
	Account Subtotal		\$244,167			\$0	
371.00	Outfall #011 - Von Storch	124-920002	509,487	Dec-17	None		
	Outfall #038 - Wurtz Avenue	124-920012	406,154	Dec-17	None		
	Account Subtotal		\$915,641			\$0	

ACCT NO	DESCRIPTION OF ADDITION	NUMBER	AMOUNT	DATE	DESCRIPTION OF RETIREMENT	AMOUNT	DATE
353.00							
390.00							
	Office Furniture & Equipment	K	28,394	Mar-17	None		
	Office Furniture & Equipment	K	75,303	Jun-17	None		
	Office Furniture & Equipment	K	40,677	Sep-17	None		
	Office Furniture & Equipment	K	152,322	Dec-17	Retire - Office Furniture & Equipment	10,097	Dec-17
	Account Subtotal		\$296,696				\$10,097
391	Vehicles	O	427,910		None		
	Account Subtotal		\$427,910				\$0
393.00							
	Tools and Equipment	P	73,085	Mar-17	None		
	Tools and Equipment	P	149,996	Jun-17	None		
	Tools and Equipment	P	117,929	Sep-17	None		
	Tools and Equipment	P	71,989	Dec-17	None		
	Account Subtotal		\$412,999				\$0
396.00							
	Communication Equipment	M	12,089	Mar-17	None		
	Communication Equipment	M	63,723	Jun-17	None		
	Outfall #065 - Drinker Street	124-920014	97,500	Jun-17	None		
	Communication Equipment	M	58,905	Sep-17	None		
	Communication Equipment	M	53,084	Dec-17	None		
	Outfall #012 - Grove St, #033 - W. Parker, #040 - W. Market, #073 Front St	124-920003	220,000	Dec-17	None		
	Outfall #038 - Wurtz Avenue	124-920012	541,538	Dec-17	None		
	Outfall #011 - Von Storch	124-920002	130,638	Dec-17	None		
	Account Subtotal		\$1,177,477				\$0
397.00							
	Miscellaneous Equipment	L	18,961	Mar-17	None		
	Miscellaneous Equipment	L	22,865	Jun-17	None		
	Miscellaneous Equipment	L	38,419	Sep-17	None		
	Miscellaneous Equipment	L	232,755	Dec-17	None		
	Account Subtotal		\$313,000				
	Grand Total		\$18,594,360				\$106,932

PENNSYLVANIA-AMERICAN WATER COMPANY
 PLANT ADDITIONS AND RETIREMENTS - BY STATE ACCOUNT
 FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
 SCRANTON WASTEWATER OPERATIONS

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE	DESCRIPTION OF RETIREMENT	RETIREMENT AMOUNT	COMP DATE
353.00	Scranton WW Rights of Way	I24-92###	2,250,000	Mar-18	None		
	Scranton WW Rights of Way	I24-92###	2,250,000	Jun-18	None		
	Scranton WW Rights of Way	I24-92###	2,250,000	Sep-18	None		
	Scranton WW Rights of Way	I24-92###	2,250,000	Dec-18	None		
	Account Subtotal		\$9,000,000				\$0
389.10	Comprehensive Planning Studies	S	25,419	Mar-18	None		
	Comprehensive Planning Studies	S	217,418	Jun-18	None		
	Comprehensive Planning Studies	S	263,837	Sep-18	None		
	Comprehensive Planning Studies	S	119,326	Dec-18	None		
	Account Subtotal		\$626,000				\$0
354.30	Outfall #079 - Myrtle Street	I24-920018	1,014,706	Dec-18	Outfall #079 - Myrtle Street	10,000	Dec-18
	Account Subtotal		\$1,014,706			\$10,000	
354.40	Structures And Improvements - General	N	66,758	Mar-18	Retire Structures And Improvements - General	5,341	Mar-18
	Structures And Improvements - General	N	108,789	Jun-18	Retire Structures And Improvements - General	8,703	Jun-18
	Outfall #049 River Street	I24-920013	146,341	Jun-18	Outfall #049 River Street	13,500	Jun-18
	Structures And Improvements - General	N	130,549	Sep-18	Retire Structures And Improvements - General	10,444	Sep-18
	Structures And Improvements - General	N	188,404	Dec-18	Retire Structures And Improvements - General	15,072	Dec-18
	Outfall #018 - Love Road	I24-920004	370,192	Dec-18	None		
	Account Subtotal		\$1,011,033			\$53,060	
355.00	Process Plant Facilities and Equipment	Q	78,398	Mar-18	None		
	Process Plant Facilities and Equipment	Q	224,902	Jun-18	None		
	Process Plant Facilities and Equipment	Q	305,874	Sep-18	None		
	Process Plant Facilities and Equipment	Q	561,326	Dec-18	None		
	Account Subtotal		\$1,170,500				\$0
361.10	Developer Funded	DV	-	Mar-18	None		
	Collection Sewers - Gravity Mains - New	A	2,297	Mar-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	27,855	Mar-18	Retire Collection Sewers - Gravity Mains	557	Mar-18
	Collection Sewers - Gravity Mains - Unscheduled	C	276,952	Mar-18	Retire Collection Sewers - Gravity Mains	5,539	Mar-18
	Collection Sewers - Gravity Mains - Relocated	D	69,239	Mar-18	Retire Collection Sewers - Gravity Mains	1,385	Mar-18
	Developer Funded	DV	-	Jun-18	None		
	Collection Sewers - Gravity Mains - New	A	4,180	Jun-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	238,256	Jun-18	Retire Collection Sewers - Gravity Mains	4,765	Jun-18
	Collection Sewers - Gravity Mains - Unscheduled	C	172,678	Jun-18	Retire Collection Sewers - Gravity Mains	3,454	Jun-18
	Collection Sewers - Gravity Mains - Relocated	D	43,170	Jun-18	Retire Collection Sewers - Gravity Mains	863	Jun-18
	Outfall #049 River Street	I24-920013	1,353,659	Jun-18	Outfall #049 River Street	5,000	Jun-18
	Developer Funded	DV	-	Sep-18	None		
	Collection Sewers - Gravity Mains - New	A	7,260	Sep-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	289,126	Sep-18	Retire Collection Sewers - Gravity Mains	5,783	Sep-18
	Collection Sewers - Gravity Mains - Unscheduled	C	300,445	Sep-18	Retire Collection Sewers - Gravity Mains	6,009	Sep-18

ACCT NO	DESCRIPTION OF ADDITION	NUMBER	AMOUNT	DATE	DESCRIPTION OF RETIREMENT	AMOUNT	DATE
353.00	Collection Sewers - Gravity Mains - Relocated	D	75,112	Sep-18	Retire Collection Sewers - Gravity Mains	1,502	Sep-18
	Developer Funded	DV	-	Dec-18	None		
	Collection Sewers - Gravity Mains - New	A	6,263	Dec-18	None		
	Collection Sewers - Gravity Mains - Replaced / Restored	B	130,763	Dec-18	Retire Collection Sewers - Gravity Mains	2,615	Dec-18
	Collection Sewers - Gravity Mains - Unscheduled	C	249,921	Dec-18	Retire Collection Sewers - Gravity Mains	4,998	Dec-18
	Collection Sewers - Gravity Mains - Relocated	D	62,482	Dec-18	Retire Collection Sewers - Gravity Mains	1,250	Dec-18
	Outfall #018 - Love Road	124-920004	1,608,654	Dec-18	None		
	Account Subtotal		\$4,918,312			\$43,720	
361.20	Manholes - New	E	6,389	Mar-18	None		
	Manholes - Replaced	F	24,600	Mar-18	Retire Manholes	492	Mar-18
	Manholes - New	E	5,708	Jun-18	None		
	Manholes - Replaced	F	31,826	Jun-18	Retire Manholes	637	Jun-18
	Manholes - New	E	8,492	Sep-18	None		
	Manholes - Replaced	F	32,200	Sep-18	Retire Manholes	644	Sep-18
	Manholes - New	E	4,411	Dec-18	None		
	Manholes - Replaced	F	31,373	Dec-18	Retire Manholes	627	Dec-18
	Account Subtotal		\$144,999			\$2,400	
363.00	Services and Laterals - New	G	4,490	Mar-18	None		
	Services and Laterals - Replaced	H	39,566	Mar-18	Retire Services	1,583	Mar-18
	Services and Laterals - New	G	4,601	Jun-18	None		
	Services and Laterals - Replaced	H	47,326	Jun-18	Retire Services	1,893	Jun-18
	Services and Laterals - New	G	5,573	Sep-18	None		
	Services and Laterals - Replaced	H	61,959	Sep-18	Retire Services	2,478	Sep-18
	Services and Laterals - New	G	5,336	Dec-18	None		
	Services and Laterals - Replaced	H	51,149	Dec-18	Retire Services	2,046	Dec-18
	Account Subtotal		\$220,000			\$8,000	
364.00	Outfall #018 - Love Road	124-920004	121,154	Dec-18	None		
	Account Subtotal		\$121,154			\$0	
371.00	Outfall #079 - Myrtle Street	124-920018	744,118	Dec-18	Outfall #079 - Myrtle Street	5,000	Dec-18
	Account Subtotal		\$744,118			\$5,000	
390.00	Office Furniture & Equipment	K	5,742	Mar-18	None		
	Office Furniture & Equipment	K	15,228	Jun-18	None		
	Office Furniture & Equipment	K	8,226	Sep-18	None		
	Office Furniture & Equipment	K	30,804	Dec-18	None		
	Account Subtotal		\$60,000			\$0	
393.00	Tools and Equipment	P	8,848	Mar-18	None		
	Tools and Equipment	P	18,159	Jun-18	None		
	Tools and Equipment	P	14,277	Sep-18	None		
	Tools and Equipment	P	8,716	Dec-18	None		
	Account Subtotal		\$50,000			\$0	
396.00							

ACCT NO	DESCRIPTION OF ADDITION	NUMBER	AMOUNT	DATE	DESCRIPTION OF RETIREMENT	AMOUNT	DATE
353.00	Communication Equipment	M	12,089	Mar-18	None		
	Communication Equipment	M	63,723	Jun-18	None		
	Communication Equipment	M	58,905	Sep-18	None		
	Communication Equipment	M	53,084	Dec-18	None		
	Ourfall #079 – Myrtle Street	124-920018	541,176	Dec-18	None		
	Account Subtotal		\$728,977				\$0
397.00	Miscellaneous Equipment	L	22,339	Mar-18	None		
	Miscellaneous Equipment	L	26,938	Jun-18	None		
	Miscellaneous Equipment	L	45,261	Sep-18	None		
	Miscellaneous Equipment	L	274,213	Dec-18	None		
	Account Subtotal		\$368,751				\$0
	Grand Total		\$20,178,550				\$122,180

Sewer Authority of the City of Scranton

Wastewater

R-2016-2537209

**PENNSYLVANIA AMERICAN WATER COMPANY
 SCRANTON SEWER AUTHORITY ACQUISITION
 CLOSED 12/28/16**

	<u>Total</u>
Acquired Assets Net of Assumed Liabilities (excluding transfer tax)	\$ 121,229,843
Easements to be Acquired by Scranton and Transferred Post Closing	12,000,000
Total Assets Net of Assumed Liabilities	<u>133,229,843</u>

Cost	Purchase Price (excluding transfer tax)	155,811,011	
	Acquisition Costs	2,977,445	
Total Costs			<u>158,788,456</u>

Utility Plant Acquisition Adjustment	<u>\$ 25,558,613</u>
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**PENNSYLVANIA AMERICAN
SCRANTON SEWER AUTHORITY ACQUISITION
CLOSED 12/28/2016**

	\$	42,735
Fixed Assets		
Utility Plant In Service (UPIS)	\$	169,597,360
Accumulated Depreciation	\$	(60,877,646)
Contraction Work In Progress	\$	16,701,571
Contributions in Aid of Construction	\$	(11,454,549)
Accumulated Amortization	\$	3,698,482
Total UPIS, net	\$	117,665,218
 Current Assets		
Acquired Cash	\$	4,906,720
Unbilled Revenue	\$	1,244,505
Accounts Receivable	\$	5,601,958
Allowance for Doubtful Accounts	\$	(1,920,583)
Prepaid Deposit	\$	18,000
Total Current Assets	\$	9,850,600
 Long-term Liabilities		
Pennvest Loan #27881 Assumed by PAWC	\$	(6,285,976)
Total Long-term Liabilities	\$	(6,285,976)
 Transfer Tax - PAWC Share	\$	540,482
 Assets and Liabilities (Including Transfer Tax)	\$	121,770,325
 Easements to be Acquired by Scranton and Transferred Post Closing	\$	12,000,000
 Total Acquired Assets and Liabilities	\$	133,770,325
 Cash Paid by PAWC:		
Purchase Price	\$	195,000,000
Purchase Price Adjustment	\$	(32,903,014)
Pennvest Loan #27881	\$	(6,285,975)
Transfer Tax - PAWC Share	\$	540,482
Total Cash Paid by PAWC	\$	156,351,493
 Subtotal (Cash Paid - Total Acquired Assets & Liabilities)	\$	22,581,168
Acquisition Costs	\$	2,977,445
 Utility Plant Acquisition Adjustment	\$	25,558,613



JOURNAL ENTRY REQUEST

Shared Services Center 131 Woodcrest Rd, Cherry Hill, NJ 08003
(866) 777-8426

Batch # (SSC USE): _____
 Company Code: 1024 - Pennsylvania American
 Prepared By (Operating Unit): _____
 Prepared By (SSC): Tom Markward

Document Date: _____
 Posting Date: _____
 Requested By (Operating Unit): _____
 Approved By (SSC): Nancy Yilmaz

Quarter Impacted: _____

Doc Header Text

Scranton WW Acq 25 Character Maximum

JOURNAL ENTRY DESCRIPTION:

Scranton Sewer Authority Journal Entry Summary Acquisition Closed 12/28/16

Please add rows as necessary to the table below in order to complete your requested journal entry.

Company Code	GL Account	Trading Partner	Posting Key	Explanation	Profit Center	Debit Amount	Credit Amount
1024	23599999		50	Purchase Price net of adjustments	2492		156,351,492.50
1024	23599999		40	Cash deposit from Scranton accts	2492	4,030,000.00	
1024	13182419		40	FNCB Acct # 57-200113-9	2492	739,874.86	
1024	13182419		40	FNCB Acct # 57-200103-0	2492	69,588.96	
1024	13182419		40	FNCB Acct # 57-200098-2	2492	52,295.20	
1024	13182419		40	FNCB Acct # 57-100059-5	2492	13,702.25	
1024	13182419		40	FNCB Acct # 56-912635-0	2492	158.60	
1024	13500000		40	Petty Cash	2492	1,100.00	
1024	14400000		40	Unbilled Revenue	2492	1,244,505.39	
1024	14611000		40	Converted AR	2492	5,601,958.43	
1024	14300000		50	Allowance for Doubtful Accounts	2492		1,920,583.28
1024	16410000		40	Postage Deposit	2492	18,000.00	
1024	18680162		40	Acquisition Costs Deferred	2492	540,482.04	
1024	22110000		50	Pennvest Loan #27881 Assumed by PAWC	2492		6,285,975.50
1024	10135320		40	UPIS - WW Land & Land Rights - Coll	2492	234,252.10	
1024	10135430		40	UPIS - WW Struct & Imp - SPP	2492	3,907,437.35	
1024	10135440		40	UPIS - WW Struct & Imp - TDP	2492	50,981,238.73	
1024	10136000		40	UPIS - WW Collection Sewers	2492	239,206.24	
1024	10136110		40	UPIS - WW Collecting Mains	2492	77,110,267.46	
1024	10136300		40	UPIS - WW Services Sewer	2492	9,592,628.52	
1024	10136400		40	UPIS - WW Flow Measuring Device	2492	401,003.88	
1024	10137110		40	UPIS - WW Pump Equipment - Elect	2492	2,569,862.70	
1024	10138000		40	UPIS - WW - T&D Equip	2492	14,618,708.29	
1024	10138200		40	UPIS - WW Outfall Sewer Line	2492	0.00	
1024	10138910		40	UPIS - WW Other Plant & Misc Equip	2492	4,142,753.27	
1024	10139000		40	UPIS - WW Office Furniture	2492	1,117,338.21	
1024	10139100		40	UPIS - WW Transportation Equipment	2492	3,394,097.17	
1024	10139300		40	UPIS - WW Tool Shop & Garage	2492	514,681.58	
1024	10139400		40	UPIS - WW Laboratory Equipment	2492	108,802.28	
1024	10139500		40	UPIS - WW Power Operated Equipment	2492	665,081.72	
1024	10700000		40	Construction Work in Progress	2492	16,701,571.23	
1024	10801000		50	Accumulated Depreciation	2492		60,877,645.89
1024	27111000		50	CIAC - NT Mains WW	2492		8,113,082.47
1024	27113000		50	CIAC - NT Services WW	2492		841,466.15
1024	27116000		50	CIAC - NT Other WW	2492		2,500,000.00
1024	27201000		40	Accum Amort CIAC - Mains	2492	3,077,355.59	
1024	27206000		40	Accum Amort CIAC - Other	2492	621,126.57	
1024	12310000		40	Goodwill	2492	34,581,167.17	
						236,890,245.79	236,890,245.79

Scranton WW Acquisition Costs

Expense Breakdown

Contract Svc - Legal Cozen O'Connor	\$ 1,005,525
Contract Svc - Legal K & L Gates LLP	622,863
Contract Svc - Legal Reed Smith	267,811
Contract Svc - Fried Frank Harris Shriver &	318,059
Contract Svc - Legal Drinker Biddle & Reath	2,948
Contract Svc - Gannett Fleming	132,811
Transfer Tax	540,482
Contract Svc - Morgan Lewis	15,507
Contract Svc - Willis Towers Watson	8,543
Customer Education Communication - Print	4,953
Land Services Inc.	22,000
Postage - Customer Notifications	35,942
Total	\$ 2,977,445

Document type	Dr/Cr Indicator	Document Number	Cost Element	Cost element descr.	Val/COArea Crvy	Posting Date	Description
SA	D	1004749033	53150000	Contract Svc-Other - Natural Account	540,482.04	1/31/2017	RA-Acquisition Costs
KR	D	1004057236	53150000	Contract Svc-Other - Natural Account	192,850.38	7/5/2016	Cozen O'Connor
KR	D	1004248714	53150000	Contract Svc-Other - Natural Account	176,735.66	9/6/2016	Cozen O'Connor
KR	D	1004574809	53150000	Contract Svc-Other - Natural Account	143,336.21	12/8/2016	Cozen O'Connor
KR	D	1004666928	53150000	Contract Svc-Other - Natural Account	139,889.27	1/11/2017	Fried Frank Harris Shriver &
KR	D	1004298545	53150000	Contract Svc-Other - Natural Account	118,204.78	9/28/2016	REED SMITH LLP
KR	D	1003856356	53150000	Contract Svc-Other - Natural Account	105,661.23	5/4/2016	Cozen O'Connor
KR	D	1004287704	53150000	Contract Svc-Other - Natural Account	98,390.26	9/22/2016	K & L GATES LLP
KR	D	1004288407	53150000	Contract Svc-Other - Natural Account	89,641.16	9/22/2016	K & L GATES LLP
KR	D	1004288410	53150000	Contract Svc-Other - Natural Account	84,076.40	9/22/2016	K & L GATES LLP
KR	D	1004298543	53150000	Contract Svc-Other - Natural Account	79,105.80	9/28/2016	REED SMITH LLP
KR	D	1003958411	53150000	Contract Svc-Other - Natural Account	78,951.03	6/3/2016	Cozen O'Connor
KR	D	1004610977	53150000	Contract Svc-Other - Natural Account	64,268.89	12/27/2016	K & L GATES LLP
KR	D	1004393445	53150000	Contract Svc-Other - Natural Account	63,787.23	10/24/2016	Cozen O'Connor
KR	D	1004350527	53150000	Contract Svc-Other - Natural Account	60,001.00	10/5/2016	Cozen O'Connor
KR	D	1004414879	53150000	Contract Svc-Other - Natural Account	56,846.27	10/31/2016	Fried Frank Harris Shriver &
KR	D	1004754081	53150000	Contract Svc-Other - Natural Account	54,849.46	2/7/2017	Cozen O'Connor
KR	D	1004288408	53150000	Contract Svc-Other - Natural Account	52,384.80	9/22/2016	K & L GATES LLP
KR	D	1004013341	53150000	Contract Svc-Other - Natural Account	49,792.30	6/27/2016	K & L GATES LLP
KR	D	1004707050	53150000	Contract Svc-Other - Natural Account	47,955.06	1/27/2017	K & L GATES LLP
KR	D	1004599237	53150000	Contract Svc-Other - Natural Account	47,265.30	12/21/2016	Cozen O'Connor
KR	D	1004608169	53150000	Contract Svc-Other - Natural Account	44,328.70	12/22/2016	K & L GATES LLP
KR	D	1003789697	53150000	Contract Svc-Other - Natural Account	41,888.60	4/20/2016	Cozen O'Connor
KR	D	1004598422	53150000	Contract Svc-Other - Natural Account	40,258.65	12/20/2016	Fried Frank Harris Shriver &
KR	D	1004013339	53150000	Contract Svc-Other - Natural Account	38,813.81	6/27/2016	K & L GATES LLP
KR	D	1004298544	53150000	Contract Svc-Other - Natural Account	38,324.70	9/28/2016	REED SMITH LLP
KR	D	1004559235	53150000	Contract Svc-Other - Natural Account	36,374.84	12/2/2016	Cozen O'Connor
WE	D	1004379128	53110000	Contract Svc-Eng - Natural Account	31,690.96	10/17/2016	GRIR-Non-inventory
KR	D	1004298542	53150000	Contract Svc-Other - Natural Account	29,253.20	9/28/2016	REED SMITH LLP
KR	D	1004287703	53150000	Contract Svc-Other - Natural Account	26,924.67	9/22/2016	Fried Frank Harris Shriver &
KR	D	1004350526	53150000	Contract Svc-Other - Natural Account	22,000.00	10/5/2016	Land Services USA Inc
KR	D	1004015358	53150000	Contract Svc-Other - Natural Account	21,629.20	6/28/2016	K & L GATES LLP
KR	D	1004608170	53150000	Contract Svc-Other - Natural Account	20,506.38	12/22/2016	K & L GATES LLP
WE	D	1004272791	53110000	Contract Svc-Eng - Natural Account	17,385.97	9/15/2016	GRIR-Non-inventory
ZF	D	1004559681	52566000	Postage - Natural Account	17,611.35	12/5/2016	Caskey Group Inc
KR	D	1003956885	53150000	Contract Services - Legal	15,506.55	6/3/2016	Morgan Lewis
KR	D	1004099569	53150000	Contract Svc-Other - Natural Account	14,308.93	7/26/2016	Fried Frank Harris Shriver &
KR	D	1004799985	53150000	Contract Svc-Other - Natural Account	13,211.70	2/27/2017	Fried Frank Harris Shriver &
KR	D	1004251453	53150000	Contract Svc-Other - Natural Account	12,325.00	9/7/2016	Gannett Fleming Valuation &
KR	D	1004666927	53150000	Contract Svc-Other - Natural Account	11,760.76	1/11/2017	Fried Frank Harris Shriver &
WE	D	1004486053	53110000	Contract Svc-Eng - Natural Account	11,582.22	11/15/2016	GRIR-Non-inventory
KR	D	1004251454	53150000	Contract Svc-Other - Natural Account	11,385.00	9/7/2016	Gannett Fleming Valuation &
ZF	D	1004501684	52566000	Postage - Natural Account	9,999.48	11/22/2016	Caskey Group Inc
KR	D	1004293827	53150000	Contract Svc-Other - Natural Account	9,598.53	9/27/2016	Fried Frank Harris Shriver &
KR	D	1004287699	53150000	Contract Svc-Other - Natural Account	9,486.50	9/22/2016	Gannett Fleming Valuation &
KR	D	1004251457	53150000	Contract Svc-Other - Natural Account	9,302.02	9/7/2016	Gannett Fleming Valuation &
ZF	D	1004559681	52566000	Postage - Natural Account	8,330.68	2/27/2017	Caskey Group Inc
KR	D	1004013340	53150000	Contract Svc-Other - Natural Account	7,677.80	6/27/2016	K & L GATES LLP
WE	D	1004163431	53110000	Contract Svc-Eng - Natural Account	6,831.25	8/10/2016	GRIR-Non-inventory
KR	D	1004208818	53150000	Contract Svc-Other - Natural Account	5,616.94	8/30/2016	Willis Towers Watson
KR	D	1004070945	53150000	Contract Svc-Other - Natural Account	5,260.53	7/12/2016	Fried Frank Harris Shriver &
WE	D	1004574876	53110000	Contract Svc-Eng - Natural Account	5,183.76	12/8/2016	GRIR-Non-inventory
KR	D	1004573336	52514905	Customer Education Communication - Print	4,953.38	12/8/2016	Caskey Group Inc
KR	D	1004561666	53150000	Contract Svc-Other - Natural Account	4,293.00	12/5/2016	Cozen O'Connor
WE	D	1004063526	53110000	Contract Svc-Eng - Natural Account	4,351.80	7/7/2016	GRIR-Non-inventory
WE	D	1004574877	53110000	Contract Svc-Eng - Natural Account	4,351.30	12/8/2016	GRIR-Non-inventory
KR	D	1004414880	53150000	Contract Svc-Other - Natural Account	3,925.00	10/31/2016	GANNETT FLEMING CO
KR	D	1003868522	53150000	Contract Svc-Other - Natural Account	3,398.40	5/9/2016	K & L GATES LLP
KR	D	1003993994	53150000	Contract Svc-Other - Natural Account	2,947.89	6/20/2016	Drinker Biddle & Reath
KR	D	1004166100	53150000	Contract Svc-Other - Natural Account	2,926.32	8/11/2016	Willis Towers Watson
KR	D	1004171558	53150000	Contract Svc-Other - Natural Account	2,274.00	8/12/2016	REED SMITH LLP
WE	D	1004272793	53110000	Contract Svc-Eng - Natural Account	2,162.19	9/15/2016	GRIR-Non-inventory
WE	D	1004379127	53110000	Contract Svc-Eng - Natural Account	1,080.71	10/17/2016	GRIR-Non-inventory
KR	D	1004771859	53150000	Contract Svc-Other - Natural Account	699.07	2/15/2017	Gannett Fleming Valuation &
KR	D	1004452724	53150000	Contract Svc-Other - Natural Account	649.00	11/1/2016	REED SMITH LLP
KR	D	1004415709	53150000	Contract Svc-Other - Natural Account	512.50	10/31/2016	Gannett Fleming Valuation &
WE	D	1004677988	53110000	Contract Svc-Eng - Natural Account	350.61	1/16/2017	GRIR-Non-inventory
KR	D	1004660642	53150000	Contract Svc-Other - Natural Account	205.00	1/5/2017	GANNETT FLEMING CO
DR	C	1004089700	53150000	Contract Svc-Other - Natural Account	-468.65	7/19/2016	Buchanan Ingersoll & Rooney
					2,977,444.73		

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

*Acquisition of the
Assets of the Scranton Sewer Authority*

Original Cost of Wastewater Utility Plant
And Depreciation Reserve Calculations
at December 29, 2016

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

January 2017

Pennsylvania-American Water Company, Inc.

Acquisition of the Assets of the Scranton Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 29, 2016
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/29/16	Service Life	Calculated Depreciation Reserve 12/29/16	Depreciated Original Cost at 12/29/16
Non-Depreciable Plant:						
353.2	Land & Land Rights - Collection System	Various	\$80,662.60		\$0.00	\$80,662.60
353.3	Land & Land Rights - Pumping System	Various	43,570.00		0.00	43,570.00
353.4	Land & Land Rights - Treatment & Disposal System	Various	110,019.50		0.00	110,019.50
Total Non-Depreciable Plant			\$234,252.10		\$0.00	\$234,252.10
Depreciable Plant:						
354.3	Structures & Improvements - Pumping	1972	\$575,666.97	40	\$575,666.97	\$0.00
354.3	Structures & Improvements - Pumping	2006	3,300,035.38	40	866,259.29	2,433,776.09
354.3	Structures & Improvements - Pumping	2015	31,735.00	40	1,190.06	30,544.94
Total Account 354.3			\$3,907,437.35		\$1,443,116.32	\$2,464,321.03
354.4	Structures & Improvements - Treatment & Disposal	1972	\$12,952,506.78	65	\$8,867,485.41	\$4,085,021.37
354.4	Structures & Improvements - Treatment & Disposal	1985	1,267,451.78	65	614,226.63	653,225.15
354.4	Structures & Improvements - Treatment & Disposal	2003	2,501,831.45	65	519,611.15	1,982,220.30
354.4	Structures & Improvements - Treatment & Disposal	2004	240,403.35	65	46,231.41	194,171.94
354.4	Structures & Improvements - Treatment & Disposal	2009	7,215.00	65	832.50	6,382.50
354.4	Structures & Improvements - Treatment & Disposal	2010	8,406,838.33	65	840,683.83	7,566,154.50
354.4	Structures & Improvements - Treatment & Disposal	2011	9,525.00	65	805.96	8,719.04
354.4	Structures & Improvements - Treatment & Disposal	2012	23,690.00	65	1,640.08	22,049.92
354.4	Structures & Improvements - Treatment & Disposal	2013	8,325.00	65	448.27	7,876.73
354.4	Structures & Improvements - Treatment & Disposal	2014	188,545.95	65	7,251.77	181,294.18
354.4	Structures & Improvements - Treatment & Disposal	2015	5,556,898.70	65	128,236.12	5,428,662.58
354.4	Structures & Improvements - Treatment & Disposal	2016	19,818,007.39	65	152,446.21	19,665,561.18
Total Account 354.4			\$50,981,238.73		\$11,179,899.34	\$39,801,339.39
360	Collection Sewers - Force	1972	\$234,615.90	70	\$149,148.68	\$85,467.22
360	Collection Sewers - Force	1989	4,590.34	70	1,803.35	2,786.99
Total Account 360			\$239,206.24		\$150,952.03	\$88,254.21
361	Mains - Gravity	1918	\$3,720,731.28	70	\$3,720,731.28	\$0.00
361	Mains - Gravity	1938	1,153,152.41	70	1,153,152.41	0.00
361	Mains - Gravity	1945	271,759.88	70	271,759.88	0.00
361	Mains - Gravity	1950	1,108,002.03	70	1,052,601.93	55,400.10
361	Mains - Gravity	1955	553,931.92	70	486,668.76	67,263.16
361	Mains - Gravity	1960	1,066,508.50	70	860,824.72	205,683.78
361	Mains - Gravity	1965	773,415.03	70	569,012.49	204,402.54
361	Mains - Gravity	1970	899,730.31	70	597,677.99	302,052.32
361	Mains - Gravity	1972	16,495,171.40	70	10,486,216.10	6,008,955.30
361	Mains - Gravity	1973	1,168,506.45	70	726,143.29	442,363.16
361	Mains - Gravity	1974	609,018.00	70	369,760.93	239,257.07
361	Mains - Gravity	1975	2,590,140.75	70	1,535,583.44	1,054,557.31
361	Mains - Gravity	1977	454,042.66	70	256,209.79	197,832.87
361	Mains - Gravity	1978	1,204,725.84	70	662,599.21	542,126.63
361	Mains - Gravity	1979	1,253,071.14	70	671,288.11	581,783.03
361	Mains - Gravity	1980	1,457,013.74	70	759,728.59	697,285.15
361	Mains - Gravity	1981	976,953.26	70	495,454.87	481,498.39
361	Mains - Gravity	1982	743,812.60	70	366,593.35	377,219.25
361	Mains - Gravity	1983	536,942.66	70	256,965.42	279,977.24
361	Mains - Gravity	1984	611,408.49	70	283,868.23	327,540.26
361	Mains - Gravity	1985	2,017,578.05	70	907,910.12	1,109,667.93

Pennsylvania-American Water Company, Inc.

Acquisition of the Assets of the Scranton Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of December 29, 2016
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/29/16	Service Life	Calculated Depreciation Reserve 12/29/16	Depreciated Original Cost at 12/29/16
361	Mains - Gravity	1986	1,112,251.83	70	484,624.01	627,627.82
361	Mains - Gravity	1987	946,423.49	70	398,849.90	547,573.59
361	Mains - Gravity	1988	374,841.19	70	152,613.91	222,227.28
361	Mains - Gravity	1989	3,385,384.69	70	1,329,972.56	2,055,412.13
361	Mains - Gravity	1990	3,907,575.19	70	1,479,296.32	2,428,278.87
361	Mains - Gravity	1991	1,595,880.81	70	581,356.58	1,014,524.23
361	Mains - Gravity	1992	2,574,679.36	70	901,137.78	1,673,541.58
361	Mains - Gravity	1993	469,066.79	70	157,472.42	311,594.37
361	Mains - Gravity	1994	240,487.25	70	77,299.47	163,187.78
361	Mains - Gravity	1995	63,543.34	70	19,516.88	44,026.46
361	Mains - Gravity	1996	252,789.46	70	74,031.20	178,758.26
361	Mains - Gravity	1997	322,029.44	70	89,708.20	232,321.24
361	Mains - Gravity	1998	2,100,662.06	70	555,174.97	1,545,487.09
361	Mains - Gravity	1999	935,698.54	70	233,924.64	701,773.90
361	Mains - Gravity	2000	303,806.51	70	71,611.53	232,194.98
361	Mains - Gravity	2002	114,591.98	70	23,736.91	90,855.07
361	Mains - Gravity	2003	6,750.00	70	1,301.79	5,448.21
361	Mains - Gravity	2004	2,086,438.61	70	372,578.32	1,713,860.29
361	Mains - Gravity	2005	1,973,894.42	70	324,282.65	1,649,611.77
361	Mains - Gravity	2006	1,621,012.72	70	243,151.91	1,377,860.81
361	Mains - Gravity	2007	892,892.35	70	121,178.25	771,714.10
361	Mains - Gravity	2008	266,777.32	70	32,394.39	234,382.93
361	Mains - Gravity	2010	300,503.25	70	27,903.87	272,599.38
361	Mains - Gravity	2011	835,833.02	70	65,672.59	770,160.43
361	Mains - Gravity	2012	306,212.94	70	19,685.12	286,527.82
361	Mains - Gravity	2013	357,225.38	70	17,861.27	339,364.11
361	Mains - Gravity	2014	397,514.47	70	14,196.95	383,317.52
361	Mains - Gravity	2015	16,178.80	70	346.69	15,832.11
361	Mains - Gravity	2016	9,683,705.85	70	69,169.33	9,614,536.52
	Total Account 361		\$77,110,267.46		\$34,430,801.32	\$42,679,466.14
363	Services to Customers	1918	\$27,515.60	55	\$27,515.60	\$0.00
363	Services to Customers	1938	144,755.10	55	144,755.10	0.00
363	Services to Customers	1945	22,988.29	55	22,988.29	0.00
363	Services to Customers	1950	56,278.80	55	56,278.80	0.00
363	Services to Customers	1955	48,679.71	55	48,679.71	0.00
363	Services to Customers	1960	76,154.48	55	76,154.48	0.00
363	Services to Customers	1965	78,429.72	55	73,438.74	4,990.98
363	Services to Customers	1970	106,824.27	55	90,315.06	16,509.21
363	Services to Customers	1972	579,573.92	55	468,927.99	110,645.93
363	Services to Customers	1973	116,887.81	55	92,447.63	24,440.18
363	Services to Customers	1974	139,735.00	55	107,977.05	31,757.95
363	Services to Customers	1975	332,974.60	55	251,244.47	81,730.13
363	Services to Customers	1977	107,076.26	55	76,900.22	30,176.04
363	Services to Customers	1978	281,896.00	55	197,327.20	84,568.80
363	Services to Customers	1979	300,946.68	55	205,190.92	95,755.76
363	Services to Customers	1980	266,091.96	55	176,588.30	89,503.66
363	Services to Customers	1981	234,753.75	55	151,522.88	83,230.87
363	Services to Customers	1982	190,062.15	55	119,220.80	70,841.35
363	Services to Customers	1983	132,799.92	55	80,887.22	51,912.70
363	Services to Customers	1984	157,785.94	55	93,237.15	64,548.79
363	Services to Customers	1985	324,685.98	55	185,956.52	138,729.46
363	Services to Customers	1986	295,474.98	55	163,854.31	131,620.67
363	Services to Customers	1987	205,043.94	55	109,978.11	95,065.83

Pennsylvania-American Water Company, Inc.

Acquisition of the Assets of the Scranton Sewer Authority

Summary of Original Cost, Calculated Depreciation Reserve
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Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/29/16	Service Life	Calculated Depreciation Reserve 12/29/16	Depreciated Original Cost at 12/29/16
363	Services to Customers	1988	70,509.94	55	36,536.97	33,972.97
363	Services to Customers	1989	746,798.97	55	373,399.49	373,399.48
363	Services to Customers	1990	832,608.91	55	401,166.11	431,442.80
363	Services to Customers	1991	393,283.11	55	182,340.35	210,942.76
363	Services to Customers	1992	531,951.61	55	236,960.26	294,991.35
363	Services to Customers	1994	66,342.64	55	27,140.17	39,202.47
363	Services to Customers	1995	17,159.15	55	6,707.67	10,451.48
363	Services to Customers	1996	69,426.23	55	25,877.05	43,549.18
363	Services to Customers	1997	87,126.12	55	30,890.17	56,235.95
363	Services to Customers	1998	573,379.95	55	192,864.17	380,515.78
363	Services to Customers	1999	165,344.70	55	52,609.68	112,735.02
363	Services to Customers	2000	12,081.20	55	3,624.36	8,456.84
363	Services to Customers	2004	187,388.21	55	42,588.23	144,799.98
363	Services to Customers	2005	502,155.36	55	104,996.12	397,159.24
363	Services to Customers	2006	406,003.36	55	77,509.73	328,493.63
363	Services to Customers	2007	228,819.60	55	39,523.39	189,296.21
363	Services to Customers	2008	64,952.16	55	10,038.06	54,914.10
363	Services to Customers	2009	79,573.30	55	10,850.90	68,722.40
363	Services to Customers	2011	170,969.39	55	17,096.94	153,872.45
363	Services to Customers	2012	79,926.00	55	6,539.40	73,386.60
363	Services to Customers	2013	16,092.23	55	1,024.05	15,068.18
363	Services to Customers	2014	63,321.52	55	2,878.25	60,443.27
	Total Account 363		\$9,592,628.52		\$4,904,548.07	\$4,688,080.45
364	Flow Measuring Devices	2009	\$19,181.61	20	\$7,193.10	\$11,988.51
364	Flow Measuring Devices	2010	104,719.11	20	34,033.71	70,685.40
364	Flow Measuring Devices	2011	9,728.50	20	2,675.34	7,053.16
364	Flow Measuring Devices	2012	12,254.13	20	2,757.18	9,496.95
364	Flow Measuring Devices	2013	5,882.00	20	1,029.35	4,852.65
364	Flow Measuring Devices	2014	3,236.17	20	404.52	2,831.65
364	Flow Measuring Devices	2016	246,002.36	20	6,150.06	239,852.30
	Total Account 364		\$401,003.88		\$54,243.26	\$346,760.62
371	Pumping Equipment	1997	\$74,241.00	25	\$57,907.98	\$16,333.02
371	Pumping Equipment	1998	126,283.62	25	93,449.88	32,833.74
371	Pumping Equipment	2006	346,984.97	25	145,733.69	201,251.28
371	Pumping Equipment	2008	62,260.00	25	21,168.40	41,091.60
371	Pumping Equipment	2009	44,215.81	25	13,264.74	30,951.07
371	Pumping Equipment	2010	786,048.51	25	204,372.61	581,675.90
371	Pumping Equipment	2012	53,890.00	25	9,700.20	44,189.80
371	Pumping Equipment	2013	27,499.94	25	3,849.99	23,649.95
371	Pumping Equipment	2014	21,950.00	25	2,195.00	19,755.00
371	Pumping Equipment	2015	53,680.00	25	3,220.80	50,459.20
371	Pumping Equipment	2016	972,808.85	25	19,456.18	953,352.67
	Total Account 371		\$2,569,862.70		\$574,319.47	\$1,995,543.23
380	Treatment & Disposal Equipment	1984	\$1,055,180.71	40	\$857,334.33	\$197,846.38
380	Treatment & Disposal Equipment	1986	64,089.04	40	48,867.89	15,221.15
380	Treatment & Disposal Equipment	1987	1,660,003.55	40	1,224,252.62	435,750.93
380	Treatment & Disposal Equipment	1988	919,728.60	40	655,306.63	264,421.97

Pennsylvania-American Water Company, Inc.

Acquisition of the Assets of the Scranton Sewer Authority

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Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 12/29/16	Service Life	Calculated Depreciation Reserve 12/29/16	Depreciated Original Cost at 12/29/16
380	Treatment & Disposal Equipment	1994	240,349.45	40	135,196.57	105,152.88
380	Treatment & Disposal Equipment	1995	210,054.10	40	112,904.08	97,150.02
380	Treatment & Disposal Equipment	1996	165,925.39	40	85,036.76	80,888.63
380	Treatment & Disposal Equipment	1997	42,322.23	40	20,632.09	21,690.14
380	Treatment & Disposal Equipment	1998	47,878.66	40	22,143.88	25,734.78
380	Treatment & Disposal Equipment	2003	24,295.90	40	8,199.87	16,096.03
380	Treatment & Disposal Equipment	2004	5,234,903.35	40	1,635,907.30	3,598,996.05
380	Treatment & Disposal Equipment	2006	11,772.93	40	3,090.39	8,682.54
380	Treatment & Disposal Equipment	2009	260,012.20	40	48,752.29	211,259.91
380	Treatment & Disposal Equipment	2010	248,635.18	40	40,403.22	208,231.96
380	Treatment & Disposal Equipment	2011	17,809.00	40	2,448.74	15,360.26
380	Treatment & Disposal Equipment	2012	48,330.00	40	5,437.13	42,892.87
380	Treatment & Disposal Equipment	2014	73,530.88	40	4,595.68	68,935.20
380	Treatment & Disposal Equipment	2016	4,293,887.12	40	53,673.59	4,240,213.53
	Total Account 380		\$14,618,708.29		\$4,964,183.06	\$9,654,525.23
389.6	Other Plant & Miscellaneous Equipment	2013	\$4,142,753.27	25	\$579,985.46	\$3,562,767.81
390	Office Furniture & Equipment	1997	\$10,096.70	20	\$9,844.28	\$252.42
390	Office Furniture & Equipment	2007	34,229.60	20	16,259.06	17,970.54
390	Office Furniture & Equipment	2008	54,626.00	20	23,216.05	31,409.95
390	Office Furniture & Equipment	2009	13,014.19	20	4,880.32	8,133.87
390	Office Furniture & Equipment	2010	74,451.51	20	24,196.74	50,254.77
390	Office Furniture & Equipment	2011	31,757.95	20	8,733.44	23,024.51
390	Office Furniture & Equipment	2012	81,649.54	20	18,371.15	63,278.39
390	Office Furniture & Equipment	2013	22,813.81	20	3,992.42	18,821.39
390	Office Furniture & Equipment	2014	65,694.99	20	8,211.87	57,483.12
390	Office Furniture & Equipment	2015	14,460.77	20	1,084.56	13,376.21
390	Office Furniture & Equipment	2016	714,543.15	20	17,863.58	696,679.57
	Total Account 390		\$1,117,338.21		\$136,653.47	\$980,684.74
391	Transportation Equipment	2001	\$7,500.00	10	\$7,500.00	\$0.00
391	Transportation Equipment	2002	95,000.00	10	95,000.00	0.00
391	Transportation Equipment	2004	75,000.00	10	75,000.00	0.00
391	Transportation Equipment	2005	21,215.00	10	21,215.00	0.00
391	Transportation Equipment	2006	274,132.58	10	274,132.58	0.00
391	Transportation Equipment	2007	46,030.00	10	43,728.50	2,301.50
391	Transportation Equipment	2008	225,283.34	10	191,490.84	33,792.50
391	Transportation Equipment	2009	648,949.00	10	486,711.75	162,237.25
391	Transportation Equipment	2010	245,374.89	10	159,493.68	85,881.21
391	Transportation Equipment	2011	69,519.00	10	38,235.45	31,283.55
391	Transportation Equipment	2012	283,568.72	10	127,605.92	155,962.80
391	Transportation Equipment	2013	569,531.08	10	199,335.88	370,195.20
391	Transportation Equipment	2014	74,011.10	10	18,502.78	55,508.32
391	Transportation Equipment	2015	628,453.46	10	94,268.02	534,185.44
391	Transportation Equipment	2016	130,529.00	10	6,526.45	124,002.55
	Total Account 391		\$3,394,097.17		\$1,838,746.85	\$1,555,350.32
393	Tools, Shop & Garage Equipment	2006	\$44,148.67	20	\$23,178.05	\$20,970.62
393	Tools, Shop & Garage Equipment	2007	88,820.75	20	42,189.86	46,630.89
393	Tools, Shop & Garage Equipment	2008	32,994.25	20	14,022.56	18,971.69

Pennsylvania-American Water Company, Inc.

Acquisition of the Assets of the Scranton Sewer Authority

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393	Tools, Shop & Garage Equipment	2009	57,515.11	20	21,568.17	35,946.94
393	Tools, Shop & Garage Equipment	2010	42,200.18	20	13,715.06	28,485.12
393	Tools, Shop & Garage Equipment	2011	29,347.68	20	8,070.61	21,277.07
393	Tools, Shop & Garage Equipment	2012	55,529.53	20	12,494.14	43,035.39
393	Tools, Shop & Garage Equipment	2013	116,235.29	20	20,341.18	95,894.11
393	Tools, Shop & Garage Equipment	2014	13,575.00	20	1,696.88	11,878.12
393	Tools, Shop & Garage Equipment	2015	6,574.00	20	493.05	6,080.95
393	Tools, Shop & Garage Equipment	2016	27,741.12	20	693.53	27,047.59
	Total Account 393		\$514,681.58		\$158,463.09	\$356,218.49
394	Laboratory Equipment	2006	\$4,744.41	15	\$3,321.09	\$1,423.32
394	Laboratory Equipment	2007	3,524.28	15	2,232.04	1,292.24
394	Laboratory Equipment	2008	44,629.31	15	25,289.94	19,339.37
394	Laboratory Equipment	2010	9,256.54	15	4,011.17	5,245.37
394	Laboratory Equipment	2011	7,356.65	15	2,697.44	4,659.21
394	Laboratory Equipment	2012	12,243.36	15	3,673.01	8,570.35
394	Laboratory Equipment	2013	10,187.71	15	2,377.13	7,810.58
394	Laboratory Equipment	2014	16,860.02	15	2,810.00	14,050.02
	Total Account 394		\$108,802.28		\$46,411.82	\$62,390.46
395	Power Operated Equipment	2006	\$99,992.04	10	\$99,992.04	\$0.00
395	Power Operated Equipment	2007	19,935.00	10	18,938.25	996.75
395	Power Operated Equipment	2008	48,270.00	10	41,029.50	7,240.50
395	Power Operated Equipment	2009	180,900.00	10	135,675.00	45,225.00
395	Power Operated Equipment	2010	27,950.00	10	18,167.50	9,782.50
395	Power Operated Equipment	2012	99,654.42	10	44,844.49	54,809.93
395	Power Operated Equipment	2013	157,521.76	10	55,132.62	102,389.14
395	Power Operated Equipment	2016	30,858.50	10	1,542.93	29,315.57
	Total Account 395		\$665,081.72		\$415,322.33	\$249,759.39
	Total Depreciable Plant		\$169,363,107.40		\$60,877,645.89	\$108,485,461.51
	Total Plant in Service		\$169,597,359.50		\$60,877,645.89	\$108,719,713.61
Deduct: Account 271 - Contributions in Aid of Construction:						
354.4	Structures & Improvements - Treatment & Disposal	2010	(\$2,500,000.00)	65	(\$250,000.00)	(\$2,250,000.00)
361	Mains - Gravity	1975	(\$1,126,806.24)	70	(\$668,035.13)	(\$458,771.11)
361	Mains - Gravity	1980	(666,820.35)	70	(347,699.18)	(319,121.17)
361	Mains - Gravity	1985	(1,228,189.32)	70	(552,685.19)	(675,504.13)
361	Mains - Gravity	1987	(305,663.05)	70	(128,815.14)	(176,847.91)
361	Mains - Gravity	1988	(151,345.68)	70	(61,619.31)	(89,726.37)
361	Mains - Gravity	1989	(123,733.90)	70	(48,609.75)	(75,124.15)
361	Mains - Gravity	1990	(724,072.74)	70	(274,113.25)	(449,959.49)
361	Mains - Gravity	1991	(25,642.53)	70	(9,341.21)	(16,301.32)
361	Mains - Gravity	1992	(2,011,562.90)	70	(704,047.02)	(1,307,515.88)
361	Mains - Gravity	1999	(658,904.50)	70	(164,726.13)	(494,178.37)
361	Mains - Gravity	2000	(303,806.51)	70	(71,611.53)	(232,194.98)
361	Mains - Gravity	2011	(377,451.99)	70	(29,656.94)	(347,795.05)
361	Mains - Gravity	2013	(125,000.00)	70	(6,250.00)	(118,750.00)
361	Mains - Gravity	2014	(284,082.76)	70	(10,145.81)	(273,936.95)

Pennsylvania-American Water Company, Inc.

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	Total Account 361		(\$8,113,082.47)		(\$3,077,355.59)	(\$5,035,726.88)
363	Services to Customers	1980	(\$74,724.96)	55	(\$49,590.20)	(\$25,134.76)
363	Services to Customers	1985	(120,069.93)	55	(68,767.32)	(51,302.61)
363	Services to Customers	1987	(40,721.46)	55	(21,841.51)	(18,879.95)
363	Services to Customers	1988	(18,711.88)	55	(9,696.16)	(9,015.72)
363	Services to Customers	1989	(13,882.73)	55	(6,941.37)	(6,941.36)
363	Services to Customers	1990	(95,958.58)	55	(46,234.59)	(49,723.99)
363	Services to Customers	1991	(3,304.91)	55	(1,532.28)	(1,772.63)
363	Services to Customers	1992	(286,387.09)	55	(127,572.43)	(158,814.66)
363	Services to Customers	1999	(89,861.25)	55	(28,592.22)	(61,269.03)
363	Services to Customers	2000	(12,081.20)	55	(3,624.36)	(8,456.84)
363	Services to Customers	2011	(51,990.64)	55	(5,199.06)	(46,791.58)
363	Services to Customers	2014	(33,771.52)	55	(1,535.07)	(32,236.45)
	Total Account 363		(\$841,466.15)		(\$371,126.57)	(\$470,339.58)
	Total Contributions in Aid of Construction		(\$11,454,548.62)		(\$3,698,482.16)	(\$7,756,066.46)
	Total Plant in Service (Net)		\$158,142,810.88		\$57,179,163.73	\$100,963,647.15

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held October 6, 2016

Commissioners Present:

Gladys M. Brown, Chairman
Andrew G. Place, Vice Chairman, Dissenting Statement
John F. Coleman, Jr.
Robert F. Powelson
David W. Sweet, Statement

Joint Application of Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton for Approval of (1) the transfer, by sale, of substantially all of the Sewer Authority of the City of Scranton's Sewer System and Sewage Treatment Works assets, properties and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Scranton and the Borough of Dunmore, Lackawanna County, Pennsylvania

A-2016-2537209

OPINION AND ORDER

BY THE COMMISSION:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition are the Exceptions filed by Pennsylvania-American Water Company (PAWC) and the Sewer Authority of the City of Scranton (SSA) (Joint

Applicants) and the Office of Consumer Advocate (OCA) on September 2, 2016, to the Recommended Decision (R.D.) of Administrative Law Judges (ALJs) David A. Salapa and Steven K. Haas, issued on August 24, 2016, in the above captioned proceeding. On September 8, 2016, the OCA, the Joint Applicants, the Office of Small Business Advocate (OSBA), and the Commission's Bureau of Investigation and Enforcement (I&E) filed Replies to Exceptions.

I. History of the Proceeding

On March 30, 2016, the Joint Applicants filed their joint application requesting that the Commission, pursuant to 66 Pa. C.S. § 1102, approve PAWC's acquisition of substantially all of the assets of SSA's sewer system and sewage treatment works and approve PAWC's application to render wastewater service in the areas served by SSA (Joint Application).¹

On April 5, 2016, the OCA filed a protest and public statement and on April 8, 2016, I&E filed a notice of appearance.

Notice of the Joint Application was published in the April 9, 2016 *Pennsylvania Bulletin* at 46 Pa. B. 1882, specifying a deadline of April 25, 2016, for filing protests, petitions to intervene and answers to the Joint Application.

The Joint Applicants published notice of the Joint Application in the *Scranton Times* on April 12, 2016, and April 19, 2016. On April 25, 2016, the Joint Applicants filed proofs of publication with the Commission.

On April 25, 2016, the OSBA filed an answer, notice of intervention and public statement.

¹ The Joint Applicants averred that approval of the Joint Application would go a long way in addressing the long-term financial problems of the City of Scranton and the Borough of Dunmore. According to the Joint Applicants, the City has been operating under the protection of the Municipalities Financial Recovery Act, Act of 1987, P.L. 246, No. 47 (Act 47) for the past twenty-five years, during which the management of its business affairs has been under the review of an independent coordinator. Joint Application at 4.

On May 13, 2016, the Joint Applicants filed a motion, pursuant to 52 Pa. Code §§ 5.91 and 5.103, to amend Exhibit L of the Joint Application, involving industrial pretreatment programs (IPP-S).² No answers were filed in response to the motion to amend the Joint Application. By order dated June 15, 2016, the ALJs granted the motion to amend.

On July 1, 2016, the Joint Applicants filed seven unsigned *pro forma* agreements, pursuant to 66 Pa. C.S. § 507, seeking Commission approval of the agreements. The *pro forma* agreements are between PAWC and SSA where PAWC agreed to assume contractual obligations of SSA. The contractual obligations are agreements between SSA and various entities concerning the acquisition of facilities or the provision of services by SSA.

On July 6-8, 2016, evidentiary hearings were held as scheduled. The evidentiary hearings resulted in a 168-page transcript, consisting of pages forty-nine through 217. The record also includes various statements and exhibits submitted by the Parties.

On July 19, 2016, the Parties filed Main Briefs (M.B). On July 27, 2016, the Parties, with the exception of OSBA, filed Reply Briefs (R.B.), and the record was closed on the same day.

On August 24, 2016, the Commission issued the Recommended Decision of ALJs Salapa and Haas, in which the ALJs denied the Joint Application. Exceptions were due on August 31, 2016, and Replies to Exceptions were due on September 6, 2016.

² The Joint Applicants averred that the IPP-S would not be reviewed and approved by the Commission, but would be submitted for review and approval by the Pennsylvania Department of Environmental Protection (DEP) as part of the National Pollutant Discharge Elimination System (NPDES) Permit for SSA's wastewater system.

On August 31, 2016, the Joint Applicants filed an unopposed request for an extension of time to file Exceptions and Replies to Exceptions. The Joint Applicants requested an additional two days to file Exceptions and Replies, stating that the additional time was required due to the shortened Exceptions period and the ongoing conversations between the Parties regarding the issues raised in the case.

On the same day, the Joint Applicants filed a letter memorializing the Commission's approval of the two-day extension request by telephone. Per the letter, Exceptions were due on September 2, 2016, and Reply Exceptions were due on September 8, 2016.

As previously noted, the Joint Applicants and the OCA filed Exceptions on September 2, 2016. No Exceptions were filed by I&E and the OSBA. Replies to Exceptions were filed by the OCA, I&E, OSBA and the Joint Applicants on September 8, 2016.

II. Background

SSA is a municipal authority organized under the laws of Pennsylvania. SSA owns and operates a wastewater collection and treatment system that provides wastewater service to the City of Scranton (City) and the Borough of Dunmore (Borough) in Lackawanna County. SSA's wastewater collection system is a 100-year old, gravity fed, combined sewer and stormwater conveyance system. The system includes a sixty million gallons per day (60-MGD) capacity wastewater treatment plant built in 1969-1970. SSA's wastewater collection and treatment system consists of approximately 275 miles of sewer mains, of which approximately 172 miles are combined sewers, eighty combined outflows and seven pumping stations. SSA's wastewater treatment plant services approximately 31,229 customers for an estimated population of approximately 90,000. Approximately 95% of SSA's wastewater customers are residential customers who account for about 85% of SSA's revenues. Joint Application at 3-4; SSA St. 1 at 3.

PAWC is a public utility regulated by the Commission, providing water and wastewater service to the public. PAWC provides water and wastewater service to more than 400 communities in Pennsylvania. PAWC currently provides water service to the City and the Borough and operates fifteen wastewater treatment plants in Pennsylvania, including three Biological Nutrient Removal (BNR) wastewater treatment plants similar to SSA's wastewater system. Joint Application at 3; PAWC St. 3 at 4.

The majority of SSA's service area is currently served by combined sewers, which collect and convey a combined wastewater stream consisting of flows of sewage from homes and businesses' infiltration and inflow and stormwater (SSA's combined wastewater). The remainder of SSA's combined wastewater system (not including the

MS4 system, which is not part of this acquisition)³ consists of sanitary sewer mains which discharge wastewater into the combined sewer main. Joint Applicants' M.B. at 1. According to the Joint Applicants, SSA's combined wastewater system is under a consent decree between SSA, DEP, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Justice (DOJ) (Consent Decree). *Id.*

The Consent Decree, dated January 31, 2013, requires, *inter alia*, short and long term system improvements on SSA's wastewater system and ongoing operating requirements to ensure proper treatment and control discharges that comply with applicable federal and state environmental laws. The Consent Decree commits SSA to approximately \$140 million in capital improvements over a twenty-five year period ending December 1, 2037 (Long Term Control Plan or LTCP). *Id.*; SSA St. 1 at 4. In addition, SSA's consultants estimated that to meet the financial demands of the improvements required in the Consent Decree, SSA would have to raise its customers' wastewater rates an average of 4.75% per year over the next thirty years. SSA St. 1 at 5. Consequently, SSA considered either entering into an agreement with a third party to operate and maintain its wastewater collection and treatment system or selling the system to an entity that is capable of implementing the requirements of the Consent Decree while also maintaining reasonable wastewater rates for its customers. *Id.*

On March 3, 2015, SSA issued a Request for Proposal (RFP) soliciting proposals for a long term maintenance and operations agreement as well as proposals for the purchase of its wastewater collection and treatment system. On December 15, 2015, SSA executed a Memorandum of Understanding (MOU) with PAWC, after it selected PAWC as its preferred bidder. The MOU outlined a time period for negotiation and execution of a sales agreement between SSA and PAWC. On March 29, 2016, SSA and PAWC successfully negotiated and executed an Asset Purchase Agreement (APA). Per

³ MS4 stands for Municipal Separate Storm Sewer System.

the APA, PAWC will purchase substantially all of the assets, properties and rights of SSA's wastewater collection and treatment system for \$195 million, subject to certain adjustments, including a variance adjustment. Joint Application; Exhibit J. Below are some of the terms of the APA:

Purchase Price: PAWC agrees to pay the sum of \$195 million for SSA's wastewater assets to be transferred. This price shall be reduced by the amount necessary to bring the closing cash balance to \$38,340,626. Further, at closing, there will be a cost of full defeasances of the total amount of the outstanding indebtedness as of the closing effective time. *Id.*

1.9% Compounded Annual Growth Rate (1.9% CAGR) and Variance Adjustment: The purchase price of SSA's wastewater system assets may be adjusted should the Commission approve rates that produce revenues from SSA's wastewater customers in excess of 1.9% CAGR at the end of year ten following closing. The Parties to the APA would determine the formula for the 1.9% CAGR if there is a need to adjust the purchase price at the end of the tenth year following closing. For instance, if the revenues from SSA's customers exceed the 1.9% CAGR after year ten following closing, PAWC would adjust the purchase price to compensate SSA for the excess amount. Section 7.07(e) of the APA states that SSA can retain the excess payment from PAWC or redistribute it to SSA's wastewater customers. The Joint Applicants, nonetheless, indicated that the 1.9% CAGR would in no way limit the Commission's ability to set just and reasonable rates for PAWC in a future base rate proceeding. PAWC St. 4 at 2-3, 6.

Wastewater Rates: Over time, PAWC intends to adopt system wide uniform wastewater rates and to move all of its wastewater customers, including SSA's wastewater customers' rates to its Rate Zone 1 rates. Therefore, the APA provides that PAWC will gradually bring SSA's wastewater customers' rates into alignment with PAWC's Rate Zone 1 rates. To do this, PAWC will adopt, upon closing, SSA's current

wastewater customer charge and consumption charge, as long as PAWC would be allowed to bill monthly as opposed to SSA's current bi-monthly billing. After closing, SSA's wastewater customers will adopt PAWC's existing wastewater tariff on file with the Commission regarding all rates and non-related terms and conditions of service except for the customer charge and consumption charge. *Id.* at 3.

Wastewater Rate Freeze: PAWC has agreed not to implement a rate increase for SSA's customers prior to January 1, 2018, and not to implement a distribution system improvement charge (DSIC) prior to January 1, 2019. PAWC would also, in its first rate increase following closing, propose a 0% increase for SSA's wastewater customers. The APA, nonetheless, acknowledges that the Commission has the final say on whether or not an increase in SSA's wastewater customers' rates will be needed. *Id.* at 4.

Equal Increments in Wastewater Rates: The APA also indicates that from years eleven through thirteen following closing, PAWC would bring SSA's customers' rates in line with the average system rates in equal increments. Per the APA, these increments would ultimately, be decided by the Commission. *Id.* at 5.

Employment: The APA also obligates PAWC to offer employment to eligible SSA employees after closing of the transaction. Joint Application, Exh. J.

III. Discussion

A. Legal Standards

As the proponent of a rule or order in this proceeding, PAWC and SSA have the burden of proof to establish that they are entitled to the relief they are seeking. 66 Pa. C.S. § 332(a). The Joint Applicants must establish their case by a preponderance of the evidence. *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600 (Pa. Cmwlth. 1990), *alloc. denied*, 529 Pa. 654, 602 A.2d 863 (1992). That is, the Joint Applicants' evidence must be more convincing, by even the smallest amount, than that presented by any opposing party. *Se-Ling Hosiery, Inc. v. Margulies*, 364 Pa. 45, 70 A.2d 854 (1950). Additionally, this Commission's decision must be supported by substantial evidence in the record. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 489 Pa. 109, 413 A.2d 1037 (1980).

In this case, the Joint Applicants are seeking approval of PAWC's acquisition of substantially all of the assets of SSA's wastewater collection and treatment system and approval of PAWC's application to provide wastewater service in the areas served by SSA. Accordingly, the Joint Applicants have the burden of proving that they satisfy the requirements of the Public Utility Code (Code), particularly Sections 1102 and 1103 of the Code, 66 Pa. C.S. §§ 1102 and 1103. Section 1102(a) provides that the Commission must issue a Certificate of Public Convenience (Certificate) as a legal prerequisite to a public utility offering service or abandoning service and certain property transfers by public utilities. The Code provides the following, in pertinent part:

Upon the application of any public utility and the approval of such application by the commission, evidenced by its certificate of public convenience first had and obtained, and upon compliance with existing laws, it shall be lawful:

* * *

(3) For any public utility ... to acquire from, or to transfer to, any person or corporation, including a municipal corporation, by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

66 Pa. C.S. § 1102(a)(3).

The Commission will only grant a Certificate “if the Commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience or safety of the public.” To ensure that a transaction is in the public interest, the Commission may impose conditions in granting a Certificate that it deems to be just and reasonable. 66 Pa. C.S. § 1103(a).

In order for the Commission to approve the proposed transaction under Sections 1102 and 1103 of the Code, the Joint Applicants must demonstrate that the proposed acquisition will “affirmatively promote the ‘service, accommodation, convenience, or safety of the public’ in some substantial way.” *City of York v. Pa. PUC*, 449 Pa. 136, 141, 295 A.2d 825, 828 (1972) (*City of York*). The Pennsylvania Supreme Court explained the *City of York* standard as follows:

[T]he appropriate legal framework requires a reviewing court to determine whether substantial evidence supports the Commission’s finding that a merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way. In conducting the underlying inquiry, the Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the PUC properly applies a preponderance of the evidence standard to make factually-based determinations (including

predictive ones informed by expert judgment) concerning certification matters.

Popowsky v. Pa. PUC, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007).

Additionally, pursuant to Section 1103 of the Code, the Joint Applicants must show that PAWC is technically, legally, and financially fit to own and operate the assets it will acquire from SSA. *Seaboard Tank Lines v. Pa. PUC*, 502 A. 2d 762, 764 (Pa. Cmwlt. 1985); *Warminster Twp. Mun. Auth. v. Pa. PUC*, 138 A.2d 240, 243 (Pa. Super. 1958). As a certificated public utility, there is a rebuttable presumption that PAWC possesses the requisite fitness. *South Hills Movers, Inc. v. Pa. PUC*, 601 A.2d 1308, 1310 (Pa. Cmwlt. 1992).

In reviewing the agreements filed by PAWC and SSA, Section 507 of the Code, 66 Pa. C.S. § 507, provides the applicable standards. Pursuant to Section 507, contracts or agreements between a public utility and a municipal corporation, except contracts to furnish service at regular tariff rates, must be filed with the Commission at least thirty days prior to the effective date of the contract or agreement. In determining whether to approve such agreements, the Commission will consider the reasonableness, legality, or any other matter affecting the validity of the agreement.

B. Commission Jurisdiction over a Combined Wastewater System

We note at the outset that the Parties and the ALJs use the terms “sewage” and “wastewater” interchangeably. This is due to a change in the industry standard terminology from the use of the term “sewage” to the use of the term “wastewater,” the current, standard term in the industry. The Code also contains both the terms “sewer” and “wastewater.” *See* Joint Applicants’ M.B. at 15; OCA’s M.B. at 12.

1. Positions of the Parties

a. OCA

The OCA averred that the Commission has jurisdiction over wastewater services under Section 102 of the Code, but does not have jurisdiction over stormwater services. The OCA stated that the Code does not address stormwater and that wastewater and stormwater are two distinct services. OCA M.B. at 9-10, 12; OCA St. 2 at 8-9. The OCA argued that this construction is consistent with the common and approved meaning of the term “wastewater” within the industry in which wastewater and stormwater are always referred to separately. OCA M.B. at 12; OCA St. 1 at 6-8 (citing *DEP Manual* at 43.4 and 25 Pa. Code § 102.1).

The OCA also relied on *Pa. PUC v. City of Lancaster-Sewer Fund*, Docket No. R-00049862 (Order entered August 26, 2005) (*Lancaster*) and *Pa. PUC v. City of Lancaster-Sewer Fund*, Docket No. R-00049862 (Order entered September 15, 2008) (*Lancaster Remand*) (collectively, *Lancaster Decisions*) to support its position that stormwater is distinct from and not included in the definition of “wastewater” in the Code and that the costs of providing stormwater service are distinct from the costs of providing wastewater service, even when one system is providing both services. OCA M.B. at 14-15. The OCA stated that the Commission determined in the *Lancaster Decisions* that the costs of treatment of the City of Lancaster’s stormwater could not be recovered from jurisdictional customers’ rates. The OCA contended that, not only do Pennsylvania statutes, regulations, and cases distinguish stormwater from wastewater and sewage, but water and wastewater industry standards differentiate between stormwater and sewage in terms of how these services are defined, produced, collected, treated, and billed. OCA M.B. at 19-28.

b. Joint Applicants

The Joint Applicants averred that, pursuant to the Statutory Construction Act of 1972, 1 Pa. C.S. §§ 1501-1991 (Statutory Construction Act), the Commission has express authority under Section 102 of the Code over combined wastewater service. Joint Applicants’ M.B. at 13-14. The Joint Applicants explained that, under Section 102 of the Code, a “public utility” includes “[a]ny person or corporations now or hereafter *owning or operating* in this Commonwealth *equipment or facilities for . . . (vii) [s]ewage collection, treatment, or disposal* for the public for compensation.” 66 Pa. C.S. § 102. (emphasis added). The Joint Applicants concluded that there was no dispute in the record that the combined wastewater system in this case consists of equipment or facilities designed for sewage collection, treatment, and disposal. The Joint Applicants described SSA’s system as an integrated wastewater system designed and operated to collect and treat pollutants in wastewater. The Joint Applicants stated that the fact that the combined wastewater system collects and transports stormwater in addition to sewage does not change the character of the lines, mains, and other facilities used for public sewage collection, treatment, or disposal services. Joint Applicants’ M.B. at 16.

The Joint Applicants averred that, assuming there is an argument that there is some question about the Commission’s express jurisdiction over a combined system that collects and treats sewage and stormwater, the Commission has necessarily implied authority over combined wastewater service. The Joint Applicants contended that the Commission has jurisdiction over combined wastewater service under accepted wastewater engineering definitions and environmental regulations, which treat sewage and stormwater or other fluids flowing within the system as “wastewaters.” *Id.* at 20-24.

2. ALJs' Recommendation

Initially, the ALJs noted that resolution of this issue would depend on whether the stormwater collected by SSA's combined system is sewage or wastewater. The ALJs stated that if the stormwater is sewage or wastewater, then the combined system is providing public utility service because it is providing sewage collection, treatment, or disposal consistent with Section 102 of the Code, 66 Pa. C.S. § 102. The ALJs determined that the stormwater collected in SSA's combined system is sewage and, therefore, the combined system is subject to the Commission's jurisdiction. R.D. at 19.

In reaching this determination, the ALJs did not find the Commission's decision in *Lancaster Remand* to be controlling or persuasive because, in that case, there were no combined sewers located in the area where the jurisdictional customers resided. R.D. at 19 (citing *Lancaster*). The ALJs observed that in *Lancaster*, the Commission found that the City of Lancaster was unfairly allocating stormwater costs to jurisdictional customers, but the Commission did not address its jurisdiction over a combined sewer system. R.D. at 19.

Stating that there were no controlling Commission decisions regarding jurisdiction over combined sewer systems, the ALJs examined the provisions of the Code to determine whether the Commission has jurisdiction over a combined system under Section 102 of the Code. *Id.* The ALJs noted that the Code uses the term "sewer" in Sections 102, 510, 529, 1327, and 1526 and "wastewater" in Sections 1311, 1351, 1358, and 1403. The ALJs also noted that "wastewater utility" is defined in Section 1403 of the Code, 66 Pa. C.S. § 1403, as "[a]n entity owning or operating equipment or facilities for the collection, treatment or disposal of sewage to or for the public for compensation." The ALJs stated that the Code does not otherwise define either "sewer" or "wastewater" and does not define or include the term "stormwater." R.D. at 19.

In the absence of definitions for “sewage,” “sewer,” and “wastewater” in the Code or in the Commission’s Regulations, the ALJs examined the history of the inclusion of an entity operating equipment or facilities for “sewage collection, treatment, or disposal for the public for compensation” within the definition of a “public utility” under Section 102 of the Code. The ALJs stated that the definition in Section 102 is exactly the same as the definition in the previous Act of May 28, 1937, P.L. 1053, creating the Commission at 66 P.S. § 1102(17)(g), and the prior Act also did not define the term “sewage.” R.D. at 20. The ALJs noted that the Act of May 28, 1937 abolished the Public Service Commission, which had been created by the Act of July 26, 1913, P.L. 1374 (Public Service Commission Law). The ALJs also noted that the former Act of July 26, 1913, defined a public service company as including “sewage corporations” but did not define the term “sewage” or “sewage corporations.” R.D. at 21.

The ALJs found that based on their review of the history of the use of “sewage collection, treatment, or disposal” within the definition of a public utility, it was evident that, from the creation of the Public Service Commission in 1913, entities operating equipment for collection, treatment, or disposal of sewage would have been considered public service companies and, later, public utilities. R.D. at 21 (citing *Wayne Title & Trust Co. v. Wayne Sewerage Co.*, 3 Pa. P.S.C. 1170 (1919) (*Wayne*); *Wayne Sewerage Co. v. Fronefield*, 76 Pa. Super. 491 (1921) (*Fronefield*); *Dickson v. Drexel*, 285 Pa. 419, 132 A. 284 (1926) (*Dickson*) (the *Wayne Sewerage Cases*)). The ALJs explained that the *Wayne* decision concerned a rate case involving the Wayne Sewerage Company, and the *Fronefield* and *Dickson* cases pertained to free sewer service provided by the Wayne Sewerage Company prior to the company’s regulation by the Public Service Commission. The ALJs further explained that the *Fronefield* and *Dickson* decisions described the Wayne Sewerage Company’s predecessors in 1883 as having constructed the town of Wayne by laying out streets and lots and constructing a gravity drainage or sewage system by laying drains or pipes in the streets and, subsequently, constructing houses and connecting the houses to the drainage system. R.D. at 21. The

ALJs concluded that based on this description of the service provided by the Wayne Sewerage Company, it appeared that the company's system was initially constructed as a combined system and handled water from the streets and sewage from the houses. *Id.* at 21-22. The ALJs observed that when the Public Service Commission exercised regulatory authority over the Wayne Sewerage Company in *Wayne*, the Commission referred to the entire system as a sewage system and, therefore, interpreted the term "sewage" in its enabling statute to include water from the streets and sewage from the houses. The ALJs determined that from the time the Public Service Commission began regulating public service companies, it appears to have regulated combined sewage systems. *Id.* at 22. The ALJs reasoned that this conclusion was supported by the testimony of PAWC's witness, who stated that combined systems like SSA's had been used from the mid-1800s to the mid-1900s but are no longer designed or built. SSA's combined system, parts of which were constructed in the 1970s, continues to operate as a legacy system. *Id.* at 22 (citing Tr. at 145).

The ALJs continued that since the Public Service Commission began regulating combined sewage systems, the term "sewage" had been used in the definitions in the Act of July 26, 1913, the Act of May 28, 1937, and the current Code. The ALJs noted that the General Assembly has not substituted the term "wastewater" for the term "sewage" at 66 Pa. C.S. § 102, and the General Assembly has not defined the term "sewage" at 66 Pa. C.S. § 102, let alone defined it in a manner that excludes stormwater. The ALJs determined that in the absence of a definition in the Code for "sewage," the General Assembly intended that the definition of "sewage" continue to have the same meaning it had in the Act of July 26, 1913. R.D. at 22. The ALJs reasoned that because the General Assembly did not alter the definition of sewage in Section 102 of the Code based on the decisions in *Wayne*, *Fronefield*, and *Dickson*, the General Assembly intended to continue regulation of combined systems as sewage systems. Accordingly, the ALJs held that SSA's combined system is a sewage system as defined by Section 102 of the Code and is subject to Commission regulation. R.D. at 23.

3. Exceptions and Replies

a. OCA's Exceptions

The OCA avers that the ALJ erred by finding that the Commission has jurisdiction over stormwater service. First, the OCA states that the cases regarding the Wayne system that the ALJs cited to are not dispositive. OCA Exc. at 4. The OCA argues that these cases do not conclusively show that the Wayne system was a combined system, because there may have been a sanitary sewer system and a storm water drainage system. *Id.* at 5. The OCA observes that the fact that the sewage system pipes were placed in the streets and the homes were subsequently connected to the pipes does not mean that the sewage system handled water from the streets. *Id.* (citing *Fronefield* at 494). The OCA contends that even if the system was initially constructed as a combined system, there is no indication that the system was a combined system when the Public Service Commission was created in 1913, a span covering thirty years and two owners. OCA Exc. at 5 (citing *Dickson*, 285 Pa. at 422, 132 A. at 284). According to the OCA, it is clear that only the rates for the sanitary sewer system were at issue in the Wayne cases, and there was no mention of downspout connections or lot size, roof area, or paved area that are used to set stormwater rates. OCA Exc. at 5-6 (citing *Wayne* at 1174).

Second, the OCA states that guidance on this issue can be found in other statutes promulgated by the General Assembly that address stormwater and sewer service. The OCA avers that in instances where the General Assembly has intended to include stormwater in the types of service an entity can provide, it has amended a statute to add “stormwater” when the existing statute authorized the provision of “sewer” service. OCA Exc. at 6. The OCA points to the General Assembly’s 2013 amendment of the Municipality Authorities Act to allow municipalities to operate “storm water planning management, and implementation” projects. *Id.* at 6-7 (citing 53 Pa. C.S. § 5607(a)(18)).

The OCA explains that the statute already provided for municipal authorities to finance, construct, and maintain projects relating to “sewers, sewer systems or parts thereof” and “sewage treatment works.” OCA Exc. at 7 (citing 53 Pa. C.S. § 5607(a)(5) and (6)). The OCA argues that if “stormwater” were commonly understood to be included in the term “wastewater,” then adding a provision for stormwater would be redundant, and would be contrary to the rules of legislative interpretation which presume that the legislature does not intend for any provisions of a statute to be “mere surplusage.” OCA Exc. at 7 (citing *Holland v. Marcy*, 584 Pa. 195, 206 (2005)). The OCA also points to the Pennsylvania Storm Water Management Act, which defines “public utility service” to include “sewage collection, treatment or disposal” and stormwater as “drainage runoff from the surface of the land resulting from precipitation or snow or ice melt.” OCA Exc. at 7 (citing 32 P.S. § 680.4). The OCA further points to the Pennsylvania Sewage Facilities Act, which defines “sewage” in a manner that the OCA contends excludes storm water. OCA Exc. at 7 (citing 35 P.S. § 750.2).⁴

Third, the OCA avers that the *Lancaster Remand* and *Lancaster* cases are on point. The OCA states the ALJs ignore that the City of Lancaster is the only combined stormwater/wastewater system over which the Commission exercises

⁴ The Sewage Facilities Act, 35 P.S. §§ 750.1, *et seq.*, provides the following:

Sewage means any substance that contains any of the waste products or excrement or other discharge from the bodies of human beings or animals and any noxious or deleterious substances being harmful or inimical to the public health, or to animal or aquatic life, or to the use of water for domestic water supply or for recreation, or which constitutes pollution under the act of June 22, 1937 (P.L. 1987, No. 394), known as “The Clean Streams Law,” as amended.

35 P.S. § 750.1.

jurisdiction. The OCA argues that the decisions in the *Lancaster Remand* and *Lancaster Cases* depend on two findings that apply to the instant case: (1) the costs of providing stormwater service are distinct from the costs of providing wastewater service, even when one system is providing both services; and (2) the Commission-regulated customers should not pay the costs associated with stormwater service as they do not contribute to the stormwater costs. OCA Exc. at 8.

b. Joint Applicants' Replies to OCA's Exceptions

In response, the Joint Applicants aver that the ALJs properly concluded that the Commission has jurisdiction over combined wastewater service under Section 102 of the Code. First, the Joint Applicants state that the *Wayne Sewerage Cases* support a conclusion that the Commission has jurisdiction over combined system service. Joint Applicants' R. Exc. at 2. The Joint Applicants argue that the only reasonable interpretation of the *Wayne Sewerage Cases* is that the Commission has historically exercised jurisdiction over combined systems, because the developer in those cases established a drainage system for the development and allowed abutting property owners to connect and discharge their sewage into that system. The Joint Applicants contend that the OCA ignores the fact that most community sewer systems in Pennsylvania since the 1800s and until relatively recently accepted combined stormwater and sanitary sewage, and there is substantial evidence in the record here to support such a finding. *Id.* at 3. According to the Joint Applicants, the ALJs' rationale is consistent with court decisions that interpret the phrase "sewer system," which was used in the *Wayne Sewerage Cases*, to include storm drains. *Id.* at 4 (citing *Medicus v. Upper Merion Twp.*, 475 A.2d 918 (Pa. Cmwlth. 1984)).

Second, the Joint Applicants state that the Commission need not rely solely on the rationale in the Recommended Decision to support jurisdiction over combined wastewater service, as the rules of statutory interpretation support a conclusion that the

Commission has jurisdiction over combined wastewater service. The Joint Applicants assert that the record is undisputed that the combined wastewater system at issue in this case collects and treats sewage, regardless of whether stormwater also enters that system. *Id.* at 4-5. The Joint Applicants explain that Section 1921(a) of the Statutory Construction Act, 1 Pa. C.S. § 1921(a), provides that the object of statutory interpretation is to determine the General Assembly’s intent based on the express words used in the statute. Joint Applicants’ R. Exc. at 5. The Joint Applicants also explain that when a statute’s words may not be viewed as explicit, courts and agencies may consider, among other things, the occasion and necessity for the statute, the object to be obtained, and the consequences of a particular interpretation and administrative interpretations. *Id.* (citing 1 Pa. C.S. § 1921(c)). Except for statutes subject to strict construction rules, which the Joint Applicants state is not the case here, all statutory provisions “shall be liberally construed to effect their objects and promote justice.” Joint Applicants’ R. Exc. at 5 (citing 1 Pa. C.S. § 1928(c)).

The Joint Applicants observe that the rules of statutory interpretation compel the conclusion that the Commission has jurisdiction over combined wastewater systems based on the express language of the Code, because the Commission has jurisdiction over public utilities and their facilities that collect and treat sewage under Section 102 of the Code. Joint Applicants’ R. Exc. at 4, 5. The Joint Applicants state that the terms “sewage” and “wastewater” used in the Code and the Commission’s Regulations are synonymous. *Id.* at 5. The Joint Applicants aver that, based on the accepted regulatory definitions of “sewage” and “wastewater,” any water, including stormwater, when mixed with sewage and other wastewater, becomes wastewater. *Id.* at 5-6. According to the Joint Applicants, in the wastewater engineering field, once flows from various sources are commingled, it is not possible to differentiate between the wastewaters flowing through sewerage facilities that need to be managed, treated, and discharged responsibly. *Id.* at 6. When water becomes contaminated, it becomes wastewater, which must be collected, treated, and managed responsibly by the operator of

the wastewater system. *Id.* (citing PAWC St. 6-R at 6). The Joint Applicants argue that when human and animal wastes are mixed with other waters, including stormwater, the resulting flows are all “sewage” under the definitions in the Pennsylvania Clean Streams Law, 35 P.S. § 691.1, and Sewage Facilities Act, 35 P.S. § 750.2. Joint Applicants’ R. Exc. (citing PAWC St. 6-R at 5).

The Joint Applicants also argue that because the Code does not exclude combined wastewater service from the Commission’s jurisdiction, then the Commission has a duty to regulate combined systems under Section 501(a) of the Code, 66 Pa. C.S. § 501(a). Joint Applicants’ R. Exc. at 6. The Joint Applicants contend that when the General Assembly enacted Act 11 of 2012, 66 Pa. C.S. §§ 1350-1360, it could have excluded combined wastewater systems from Act 11 or from the Commission’s jurisdiction altogether, but it did not exclude combined systems from the term “sewage” under Section 102 or the more contemporary term “wastewater” in Act 11. The Joint Applicants believe that neither the Commission nor the Courts may read into a statute an express exclusion to the Commission’s jurisdiction that was not added by the legislature. Joint Applicants’ R. Exc. at 7.

Third, the Joint Applicants state that the Commission should reject the OCA’s argument that is based on other statutes. *Id.* at 8. The Joint Applicants argue that the OCA’s reliance on recent amendments to the Municipality Authorities Act is misplaced, as municipal authorities have had the authority to operate “sewer, sewer systems, or parts thereof” and “sewage treatment works” for a significant period of time. *Id.* (citing 53 Pa. C.S. § 5607(a)(5) and (6)). The Joint Applicants observe that the 2013 amendment to the Municipality Authorities Act, Act of July 9, 2013, P.L. 569, No. 2013-68, added clause (18) to 53 Pa. C.S. § 5607(a), empowering municipal authorities to undertake projects involving “stormwater planning, management, and implementation.” Joint Applicants’ R. Exc. at 8-9. According to the Joint Applicants, if, as the OCA argues, combined wastewater systems involve some aspect of stormwater systems and

stormwater is not part of sewage, then the municipal authorities would not have been authorized to operate combined systems before 2013. Such an interpretation, the Joint Applicants contend, contradicts the reality that numerous municipal authorities, including the SSA, have long owned and operated combined wastewater systems under the Municipality Authorities Act. The Joint Applicants aver that the 2013 amendment clarified the power of municipal authorities to undertake pure stormwater projects and activities. *Id.* at 9. The Joint Applicants assert that any stormwater combined with sanitary sewage is wastewater based on accepted regulatory and industry definitions of “sewage” and “wastewater.” The Joint Applicants point out that the OCA is incorrect in its contention that stormwater is excluded from “sewage” based on the definition in the Sewage Facilities Act, because the definition in that Act is very broad. The Joint Applicants conclude that under the definition in the Sewage Facilities Act, when human and animal wastes are mixed with any other flow, whether it is from industrial users, groundwater, or stormwater, all of the resulting flows are considered “sewage.” Joint Applicants’ R. Exc. at 10; PAWC St. 6-R at 5.

Fourth, the Joint Applicants argue that the *Lancaster Decisions* are not controlling or persuasive on the issue of Commission jurisdiction over combined wastewater service. *Id.* The Joint Applicants state that the *Lancaster Decisions* concerned the Commission’s exercise of discretion to allocate costs in a ratemaking proceeding between jurisdictional customers who were outside of the City and did not benefit from the combined wastewater service in the City and non-jurisdictional customers within the City who benefitted from the combined wastewater service. *Id.* at 11. The Joint Applicants aver that the decisions did not address whether the Commission has jurisdiction over combined wastewater service. *Id.*; Joint Applicants’ M.B. at 32-33, R.B. at 36.

Fifth, the Joint Applicants believe that the OCA’s position on Commission jurisdiction over combined system service is contrary to the public interest. The Joint

Applicants state that there are approximately 129 combined wastewater systems in Pennsylvania, many of which serve relatively small communities that are typically older and have more limited financial capabilities. Joint Applicants' R. Exc. at 11 (citing PAWC St. 6-R at 18; PAWC Exh. JCE-3). The Joint Applicants also state that at least eleven municipalities enrolled in Act 47, known as the Municipalities Financial Recovery Act, 53 P.S. §§ 11701.101, *et seq.*, are combined wastewater system communities, a number of which have limited technical and financial capabilities that present challenges in terms of addressing federal and state mandates for managing their combined sewer systems and reducing overflows. The Joint Applicants aver that these communities would benefit from the modernization of their wastewater system assets and professional operation of their systems. The Joint Applicants contend that OCA's position on Commission jurisdiction would deprive Pennsylvania communities of the chance to pursue acquisitions of their combined wastewater systems by capable public utilities and would thwart policy efforts to regionalize wastewater services under Act 11. Joint Applicants' R. Exc. at 12.

4. Disposition

When interpreting a statute under the Statutory Construction Act, “[t]he object of all interpretation and construction of statutes is to ascertain and effectuate the intention of the General Assembly.” 1 Pa. C.S. § 1921(a). The clearest indication of legislative intent is generally the plain language of a statute. *Walker v. Eleby*, 577 Pa 104, 123, 842 A.2d 389, 400 (2004). “When the words of a statute are clear and free from all ambiguity, the letter of it is not to be disregarded under the pretext of pursuing its spirit.” 1 Pa. C.S. § 1921(b). When the words of a statute are not explicit, we may consider other matters in ascertaining legislative intent, including, among other things, the occasion and necessity for the statute, the circumstances under which it was enacted, the object to be attained, the former law, including other statutes on the same or similar subjects, and legislative and administrative interpretations of the statute. 1 Pa. C.S.

§ 1921(c). A statute is considered “ambiguous or unclear if its language is subject to two or more reasonable interpretations.” *Bethenergy Mines, Inc. v. Dep’t of Env’tl. Prot.*, 676 A. 2d 711, 715 (Pa. Cmwlth. 1996).

When the language of a statute is not explicit, a reviewing court must give deference to the interpretation of the legislative intent of a statute made by an administrative agency. The Supreme Court has adopted a “strong deference” standard for reviewing agency interpretations of statutes the agencies are charged to enforce. Under the “strong deference” standard, if a reviewing court determines that the precise question at issue has not been addressed by the legislature, the court will not impose its own construction on the statute, but will review the agency’s construction of the statute to determine whether that construction is permissible. *Pennsylvania Electric Co. v. Pa. PUC*, 648 A.2d 63, 78 (Pa. Cmwlth. 1994).

In this case, neither the language of Section 102 of the Code nor the language of any other Section of the Code explicitly address the Commission’s jurisdiction over a combined sewage system like the combined system operated by SSA. The ALJs engaged in a detailed and well-reasoned analysis in ascertaining the legislative intent and ultimately determining that SSA’s combined system is a sewage system under Section 102 of the Code and, therefore, that the Commission has jurisdiction over the service provided by SSA and the instant Application. As the ALJs noted, the *Wayne Sewage Cases* support the conclusion that entities operating combined sewage systems were considered public service companies and, later, public utilities. When read together, the *Wayne Sewage Cases* indicate that the Wayne Sewerage Company’s predecessors constructed the town of Wayne by laying out streets and lots and constructing a gravity drainage or sewage system by laying drains or pipes in the street. Thereafter, the predecessors constructed houses and connected the houses to the drainage system. The sewage was collected in a receiving reservoir and pumped into another reservoir on top of a hill, from which it filtered down through prepared cinder beds for the purpose of

purifying it before the effluent was discharged into a creek. In 1905 after the Wayne Sewerage Company purchased the sewer system, the commissioner of health of Pennsylvania directed the Company to discontinue this discharge into the creek. As a result, the Wayne Sewerage Company constructed a sanitary system of sewage disposal by which the sewage was conveyed into tanks and filters and treated before it was discharged.

From a technical perspective, the Wayne Sewerage Company's system represented a combined sewage system, which is currently defined as a single pipe system that collects and conveys both sewage and stormwater runoffs into a wastewater treatment plant. *See* OCA St. 1 at 5. As the ALJs noted, this factual conclusion is supported by the evidence in the record that most community sewer systems in Pennsylvania since the 1880s and until the mid-1900s were built as combined stormwater and sanitary sewage systems, similar to the system in the *Wayne Sewerage Cases*. Tr. at 145.

The *Wayne Sewerage Cases* reflect holdings that the Wayne Sewerage Company's sewage system furnished public service and was considered a "public service company" under the Public Service Commission Law of July 26, 1913, and therefore, the rates paid by the Company's customers were also governed by the Public Service Commission Law. *Dickson*, 285 Pa. at 424, 132 A. at 285; *Fronefield*, 76 Pa. Super. at 499; *Wayne*. The definition of a "public service company" in the Public Service Commission Law of July 26, 1913, included "sewage corporations doing business within this State." The definition was altered by the Act of May 28, 1937, to read the same as the current definition in Section 102 of the Code, which defines a public utility as including the provision of "sewage collection, treatment, or disposal for the public for compensation." Given that the term "sewage" was included in the definitions in the Act of July 26, 1913, the Act of May 28, 1937, and the current Code and was not altered by the General Assembly based on the decisions in *Wayne Sewerage Cases* or otherwise, we

concur with the ALJs' decision that the General Assembly intended to continue regulation of combined sewage systems.

Additionally, this Commission has provided some more recent interpretations of the meaning of the term "sewage." In a *Final Rulemaking Order*, adopted on September 12, 1997, at Docket No. L-00950112, we stated that, in an effort to amend or delete obsolete requirements in our Regulations, we were making amendments to certain sections regarding sewer utilities and the provision of sewer service. We indicated that the words "sewer" and "sewerage" would be changed to "wastewater" as in wastewater service or wastewater facility in order to reflect current industry standard terminology. While this did not alter our jurisdictional responsibilities, it indicated an intent to use the word "wastewater" instead of "sewer." While neither the Code nor our Regulations provide a definition of "wastewater," our Model Tariff and PAWC's Commission-approved tariff contain the following definition for "wastewater": "the liquid and water-carried wastes from dwellings, commercial facilities, industrial facilities and institutions, together with any groundwater, surface water, and stormwater that may be present, whether treated or untreated, in the Company's sewer system." Supplement No. 2 to Tariff - Wastewater Pa. P.U.C. No. 15, 1st Revised Page No. 6C. This broad definition, which includes stormwater, provides further support for our jurisdiction over combined sewage systems. In this case, SSA's integrated wastewater system, which includes facilities used and useful in the provision of sewage collection, treatment, and disposal, falls within our jurisdiction under Section 102 of the Code. We agree with the Joint Applicants that the fact that the combined wastewater system collects and transports stormwater, in addition to sewage, does not change the character of the lines, mains, and other facilities used for public sewage collection, treatment, or disposal.

Moreover, we agree with the ALJ that the *Lancaster Decisions* are not controlling or persuasive in deciding the issue of our jurisdiction over combined sewage systems. The City of Lancaster operated a wastewater collection system that served some

customers located outside of its boundaries, and the wastewater service provided to those extraterritorial customers was subject to Commission jurisdiction. One of the main issues addressed in the *Lancaster Decisions* was whether the costs of treatment for the City's stormwater should be passed onto the jurisdictional customers. The Commission determined that the costs associated with collecting, conveying, pumping, and treating the stormwater runoff were not properly recoverable from jurisdictional customers as those customers were not benefitting from the stormwater service. *Lancaster* at 17-18. The Commission did not address jurisdiction over a combined sewage system in those cases, because there were no combined sewers located in the areas where the jurisdictional customers resided. *Id.* at 13. The OCA relies on the *Lancaster Decisions* for its arguments that the costs of providing stormwater service are distinct from the costs of providing wastewater service, and Commission-regulated customers should not pay the costs associated with stormwater service as they do not contribute to the stormwater costs. *See* OCA Exc. at 8. Because this proceeding is an acquisition proceeding and not a rate proceeding like the *Lancaster* proceeding, allocation of stormwater costs are not properly before us at this time. Any such allocation issues are more properly addressed in a future rate proceeding. For all of these reasons, we shall adopt the ALJs' recommendation regarding our jurisdiction in this matter and deny the OCA's Exceptions on this issue.

C. Reasonableness and Public Interest of the Acquisition

1. Positions of the Parties

a. Joint Applicants

The Joint Applicants averred that PAWC is fit to acquire the combined wastewater system and begin rendering service, and that the acquisition will provide a substantial benefit to the public. According to the Joint Applicants, PAWC possesses the

financial, technical, and legal fitness to own and operate the combined wastewater system, and no party challenged PAWC's fitness in this regard. Joint Applicants' M.B. at 38-39.

With regard to financial fitness, the Joint Applicants asserted that PAWC is the Commonwealth's largest water and wastewater provider, with total assets of \$3.9 billion and annual revenues of \$613 million for 2015, including operating income of approximately \$307 million and net income of approximately \$143 million. Joint Applicants' M.B. at 39-40. The Joint Applicants further asserted that PAWC: (1) has access to a \$220 million line of credit through American Water Capital Corp., a wholly-owned subsidiary of American Water Works Company, which can be increased if needed; (2) has high credit ratings with both Moody's Investor Services and Standard and Poor's Rating Services; (3) obtains long-term debt through American Water Capital Corp. at favorable interest rates and payment terms; and (4) utilizes low-cost long-term financing through the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Economic Development Financing Authority. Joint Applicants' M.B. at 40 (citing PAWC St. 5 at 3).

With regard to technical fitness, the Joint Applicants asserted that PAWC has the experience and technical expertise to operate the combined wastewater system and implement the improvements required by the Consent Decree. Joint Applicants' M.B. at 41-42 (citing PAWC St. 2 at 3-17; PAWC Exh. DRK-1). The Joint Applicants also pointed to PAWC's technical expertise in operating other wastewater systems. Joint Applicants' M.B. at 42-43 (citing PAWC St. 3 at 1, 4-7). The Joint Applicants concluded as follows:

PAWC has capable staff, facilities, and operational skills to operate the Combined Wastewater System feasibly and profitably and for the benefit of the public, including the technical capabilities to comply with the requirements of the

Consent Decree and related improvements and operations, including an established track record with extensive experience delivering large, complex water and wastewater capital improvement projects, such as the [Long Term Control Plan] projects associated with [SSA's] Combined Wastewater System.

Joint Applicants' M.B. at 43.

With regard to legal fitness, the Joint Applicants asserted that "PAWC has a good compliance history with respect to the Code and the Commission's rules, orders, and regulations." Joint Applicants' M.B. at 44 (citing PAWC St. 1 at 9). According to the Joint Applicants, there are no pending legal proceedings that would suggest that PAWC is legally unfit to provide service to SSA's customers once the transaction is approved. Joint Applicants' M.B. at 44 (citing PAWC St. 1 at 9).

In addition to its assertions regarding PAWC's fitness, the Joint Applicants averred that PAWC's ownership and operation of the combined wastewater system in SSA service territory would produce an affirmative public benefit of a substantial nature. Joint Applicants M.B. at 44. The Joint Applicants identified the following specific benefits that they alleged will be realized if PAWC is permitted to acquire and operate the combined wastewater system:

- Scranton-area customers will benefit from PAWC's enhanced customer services relating to billing, education, and customer assistance programs. Joint Applicants' M.B. at 45-46 (citing PAWC St. 3 at 25-27).
- PAWC has better and more varied access to capital than SSA and is well-suited to provide wastewater service in the face of substantial environmental obligations arising from the implementation of the Consent

Decree, in addition to raising capital for normal operation and maintenance of the combined wastewater system. Joint Applicants' M.B. at 46-49 (citing PAWC St. 3 at 3; PAWC St. 5 at 1-4; PAWC St. 5-R at 3-8; PAWC St. 6-R at 25-26; SSA St. 1 at 4; PAWC Exh. JSM-1; PAWC Exh. JCE-5; OCA Exh. 1; Tr. at 98, 125-26, 129-31, 200).

- Scranton-area customers will benefit from being part of a larger customer base, which will allow PAWC to leverage economies of scale, improve efficiencies, lower costs to operate the combined wastewater system, and spread costs of capital improvements across PAWC's combined water and wastewater customer base. Joint Applicants' M.B. at 50 (citing PAWC St. 3 at 3; PAWC St. 4 at 5-8).
- PAWC's commitment to create 100 new jobs in the Scranton area will promote economic development. Joint Applicants' M.B. at 50-52 (citing PAWC St. 3 at 20; PAWC St. 3-R at 2-4; PAWC St. 4-R at 14; Tr. at 117-18).
- Proceeds from the acquisition will help ameliorate the City's financial situation, which has been a major factor limiting economic and other development in the Scranton region for decades. Joint Applicants' M.B. at 52-58 (citing SSA St. 2 at 2-3, 5-7; SSA St. 2-R at 5, 7; SSA St. 3-R at 4, 6-8, 10; PAWC Exh. JCE-R at 8-13).

b. I&E

I&E disagreed with the Joint Applicants' assertion that the acquisition will serve the public interest in accordance with the criteria established in Sections 1102 and 1103 of the Code. I&E M.B. at 4. I&E contended that although the Joint Applicants

posited a number of benefits to SSA's current customers and the City, they failed to identify any substantial benefit to PAWC's existing customers. According to I&E, the benefits to SSA's customers and the City are not relevant because SSA and the City are not properly included in the public interest consideration. I&E R.B. at 2-3. I&E asserted that the Commission, when considering a prior case involving an application filed by CMV Sewerage Company, Inc. (CMV), denied CMV's request to transfer its wastewater assets to the North Codorus Township Sewer Authority (NCTSA), based, in part, on the fact that the public interest included only the regulated utility and its customers. I&E M.B. at 4-5 (citing *Application of CMV Sewerage Company, Inc. for Approval to Transfer to North Codorus Township Sewer Authority all Assets Used and Useful in the Provision of Sewage Collection Service in North Codorus Township, York County, Pennsylvania; and Application of CMV Sewerage Company, Inc. for Approval to Abandon its Provision of Sewage Service to the Public in North Codorus Township, York County, Pennsylvania*, Docket No. A-230056F2002 (Order entered December 23, 2008) (CMV) at 29). I&E argued that, as in *CMV*, the Commission has no explicit or implicit authority over SSA's rates or the City's financial issues. I&E M.B. at 5-7.

I&E also contended that the alleged economies of scale cited by the Joint Applicants are not enough to overcome the harm that will befall PAWC's current customers if costs relating to storm water and the variance adjustment are permitted to be recovered from these customers. I&E R.B. at 3-4. I&E argued that any potential reduction in costs that PAWC's existing customers may experience is undetermined, and may not occur for a long time, considering that "the Joint Applicants appear to recommend that the Commission disregard the rate impact for the foreseeable future." *Id.* at 4. I&E asserted that the Commission must consider the rate impact of the acquisition on PAWC's existing customers in the short term, and not just in the long term, as the Joint Applicants have argued. *Id.* at 5.

c. OCA

The OCA also questioned the Joint Applicants' alleged benefits of the proposed acquisition. The OCA asserted that in considering whether the acquisition meets the affirmative public benefit test established by the Pennsylvania Supreme Court in *City of York*, the benefits and detriments of the transaction must be measured with respect to the impact on all affected parties, and not just on one particular group or geographic subdivision. OCA M.B. at 30 (citing *Middletown Twp. v. Pa. P.U.C.*, 482 A.2d 674 (Pa. Cmwlth. 1984) (*Middletown*)). Thus, the OCA contended that the Commission must evaluate the benefits that will accrue to the existing PAWC wastewater customers, the existing PAWC water customers, and the existing SSA customers who will be transferred to PAWC. According to the OCA, such an evaluation reveals that there is no support for concluding that existing PAWC wastewater and water customers will benefit or that the SSA customers will benefit after year ten following the transaction. OCA M.B. at 31.

The OCA asserted that an acquisition provides an affirmative benefit if the benefits of the transaction outweigh the adverse impacts of that transaction. OCA M.B. at 31 (citing *CMV*). The OCA contended that the "hypothetical benefits" claimed by the Joint Applicants "do not outweigh the certain, short-term adverse impacts on PAWC's existing customers." OCA M.B. at 32. Specifically, the OCA argued that PAWC's customer base will not expand as the Joint Applicants aver, because essentially all of SSA's 31,000 customers are already PAWC water customers. In addition, the OCA claimed that as a result of the acquisition, PAWC's existing wastewater and water customers will (1) pay nearly \$200 million of the costs of capital improvements to the SSA system under the Consent Decree; (2) pay the subsidy for keeping SSA rates lower than cost for the first ten years post-acquisition as a result of the 1.9% CAGR limitation; and (3) pay the subsidy related to not charging the DSIC rate for the first few years after the acquisition. *Id.* at 32-33.

The OCA further contended that if PAWC is required to charge cost-based rates to the SSA customers over the first ten years, then PAWC would be required to pay an enhanced purchase price as a result of the variance adjustment included in the APA. According to the OCA, this would result in the addition of \$104 million to the \$195 million purchase price, which the OCA contends is already more than twice the book value of SSA's assets. The OCA asserts that this additional \$104 million would then be recovered from PAWC's existing customers. On the other hand, the OCA argues that if PAWC limits SSA rates to the level of 1.9% CAGR, the resulting revenue shortfall from SSA customers will be \$104 million, which PAWC intends to recover from its existing water and wastewater customers, even though these customers would receive no benefit from the acquisition. OCA M.B. at 33-35 (citing OCA St. No. 2 at 24-27).

The OCA also objected to PAWC's intention to seek Commission approval to spread the costs of improving SSA's system to its existing water customers under Act 11,⁵ in accordance with the APA. The OCA argued that these existing water customers already pay for their own wastewater disposal and must pay taxes or other fees to control stormwater in their respective communities. According to the OCA, it is unfair and contrary to cost-based ratemaking to require PAWC's existing customers to provide additional subsidies each year to help pay for wastewater disposal and stormwater control in Scranton and Dunmore. OCA M.B. at 35 (citing OCA St. 2 at 33-35; PAWC St. 4 at 4; PAWC Exh. BCG-1, Att. F, Section 7.09(x)).

Finally, the OCA criticized the Joint Applicants' argument that the acquisition will benefit the City. Like I&E, the OCA contended that the benefit to the City is not determinative of the public interest, and that the Joint Applicants' argument in

⁵ Act 11, *inter alia*, amended 66 Pa. C.S. § 1311(c) to permit the Commission to allocate a portion of the wastewater revenue requirement to the combined water and wastewater customer base of a utility that provides both water and wastewater service, if in the public interest.

this regard improperly ignores the impact of the proposed acquisition on the other parties affected by the transaction. OCA M.B. at 36 (citing *Middletown*; SSA St. 2-R at 3; Tr. at 94-96). According to the OCA, the Joint Applicants' assertion that PAWC is better able to operate the SSA system and serve SSA customers is speculative and disregards the adverse impacts of the acquisition on the existing PAWC and SSA customers. OCA M.B. at 36-41.

2. ALJs' Recommendation

In their Recommended Decision, the ALJs concluded that the record evidence in this proceeding supports a finding that PAWC possesses the necessary technical, financial and legal fitness to own and operate the assets it seeks to acquire from SSA, and to provide the proposed service to SSA's customers. R.D. at 25-27. However, as discussed herein, the ALJs concluded that the variance adjustment set forth in the APA is not reasonable or in the public interest and violates the Code. According to the ALJs, the alleged benefits of the acquisition to PAWC's customers, SSA's customers, or the City, cannot overcome this defect. Accordingly, the ALJs recommended that the Commission deny the Joint Application. *Id.* at 42.

3. Exceptions and Replies

a. Joint Applicants' Exceptions

In their Exceptions, the Joint Applicants assert that in addressing the variance adjustment, the ALJs failed to consider the substantial public benefits of the acquisition effectuated by the APA. According to the Joint Applicants, the acquisition will result in at least six affirmative public benefits of a substantial nature. Joint Applicants' Exc. at 18.

First, the Joint Applicants contend that the acquisition will benefit Scranton-area customers by giving them access to the following enhanced services over those currently offered by SSA:

- Extended call center hours for customers;
- Additional bill payment options for customers;
- Enhanced customer information and education programs; and
- Access to PAWC's customer assistance program.

Joint Applicants' Exc. at 18-19 (citing PAWC St. 3 at 25; Joint Applicants' M.B. at 45-46).

Second, the Joint Applicants argue that PAWC is better positioned than SSA to address the numerous costs and obligations associated with improvements to, and operation of, SSA's system. In support of this assertion, the Joint Applicants cite PAWC's strong balance sheet, access to equity markets, \$220 million line of credit and superior credit rating; the highly-leveraged position of SSA; and the effect of service affordability for Scranton-area customers on SSA's access to capital through credit or otherwise. Joint Applicants' Exc. at 19 (citing PAWC St. 5-R at 4-8; Joint Applicants' M.B. at 46-49).

Third, the Joint Applicants aver that Scranton-area customers will benefit by being part of a larger customer base, pointing out that PAWC is the largest investor-owned water and wastewater provider in the Commonwealth. Joint Applicants' Exc. at 19 (citing PAWC St. 3 at 3). The Joint Applicants argue that, due to its size and expertise in wastewater management and the leveraging of economies of scale, PAWC will be able to improve efficiencies and lower costs to operate the SSA system. According to the Joint Applicants, these efficiencies, along with a combined water and wastewater revenue requirement under Act 11, will act to keep rates lower for affected customers than they would be if such customers were not allowed to become part of PAWC's customer base. Joint Applicants' Exc. at 19-20 (citing PAWC St. 4 at 5-6; Joint Applicants' M.B. at 50).

Fourth, the Joint Applicants assert that the acquisition will provide a substantial public benefit because PAWC has committed to create 100 new jobs in the Scranton area by the end of 2020, in addition to the SSA employees that will be utilized by PAWC after completion of the acquisition transaction. According to the Joint Applicants, PAWC anticipates that these employees will service PAWC or its parent organization to accommodate future growth. The Joint Applicants state that the costs of the new jobs will be subject to standard review for reasonableness in a subsequent rate case. Joint Applicants' Exc. at 20 (citing PAWC St. 3 at 20; PAWC St. 3-R at 2-4; PAWC St. 4-R at 14; Tr. at 118; Joint Applicants' M.B. at 50-52).

Fifth, the Joint Applicants contend that the acquisition will provide PAWC with SSA's large treatment plant and the unique and specialized expertise of SSA's skilled personnel, who are familiar with the business of treating wastewater processed at the end of a large combined system. The Joint Applicants argue that this will benefit the customers of both SSA and PAWC. Joint Applicants' Exc. at 20 (citing SSA St. 2-R at 7, 8). In addition, the Joint Applicants state that PAWC's experience with SSA's

treatment plant will help it in the operation of its other smaller plants. Joint Applicants' Exc. at 20.

Finally, the Joint Applicants assert that approval of the acquisition is of critical importance to the City and its taxpayers, who are also SSA ratepayers. The Joint Applicants note that the City is a financially distressed municipality, subject to state supervision under Act 47. According to the Joint Applicants, the acquisition "is the cornerstone of the City's economic recovery plan." Joint Applicants' Exc. at 21 (citing SSA St. 2 at 2-3). As the Joint Applicants further explain:

The monetization of SSA assets is necessary to put the City on the path of reducing the otherwise projected operating budget deficits through 2020. [SSA St. 2], 5:10-13; SSA St. 3-R, 10:6-14. The City's realization of its portion of the anticipated Transaction proceeds will provide immediate relief for its 2017 budget and establish a platform for possible departure from the strictures of Act 47 for the first time in over two decades. Joint Applicants' Main Brief, pp. 52-58; Joint Applicants' Reply Brief, pp. 43-48.

Joint Applicants' Exc. at 21. The Joint Applicants urge the Commission to recognize the General Assembly's determination, as set forth in Act 47, that "addressing the financial problems of distressed municipalities is essential to protecting the health, safety and welfare of not only the citizens of the directly impacted communities, but the citizens of the Commonwealth as a whole." Joint Applicants' Exc. at 21 (citing 53 P.S. § 11701.102(a)).

b. I&E's Replies to Joint Applicants' Exceptions

In its Replies to the Joint Applicants' Exceptions, I&E contends that the benefits enumerated by the Joint Applicants only apply to SSA, its customers, and the

City, and that those entities are not properly included in the public interest consideration. I&E R. Exc. at 18-19 (citing I&E M.B. at 4-7; I&E R.B. at 2-5). I&E argues that historically, the public interest has been defined to include ratepayers, shareholders, and the regulated community, and that attempts to broaden this definition to include municipal authorities and their ratepayers have been rejected, especially when benefits to such entities would potentially harm the regulated utility or its customers. I&E R. Exc. at 19-20 (citing *Pa. PUC v. Bell Atlantic-Pennsylvania, Inc.*, 1995 Pa. PUC Lexis 193, at *34 (*Bell Atlantic*); *CMV*).

I&E also opposes the Joint Applicants' attempt to have the Commission recognize the public interest benefits of addressing the financial plight of municipalities by "insert[ing] itself into the realm of Act 47 municipal recovery." I&E R. Exc. at 20. I&E contends that municipal finance issues are beyond the scope of the Commission's jurisdiction and authority as defined at Section 501 of the Code. *Id.* at 20-21 (citing 66 Pa. C.S. § 501; *CMV* at 29). According to I&E, jurisdictional utility ratepayers should not be required to bear the burden of municipal financial decisions. I&E R. Exc. at 20.

With regard to the question of whether the acquisition will benefit PAWC's existing customers, I&E contends that "the most the Joint Applicants can offer these existing customers is some sharing of best practices with SSA's skilled personnel." I&E R. Exc. at 21. I&E argues that there is no evidence that such sharing is necessary for PAWC to continue providing safe and reliable service to its existing customers. Moreover, I&E asserts that "this purported benefit comes at a hefty price," considering PAWC customers will be required to bear the burden of the purchase price of the acquisition, the cost of infrastructure improvements, and the unknown variance adjustment included in the APA. *Id.*

c. OCA's Replies to Joint Applicants' Exceptions

In its Replies to the Joint Applicants' Exceptions, the OCA contends that the alleged benefits of the acquisition enumerated by the Joint Applicants are overstated, and that the harms will considerably outweigh the benefits. OCA R. Exc. at 11-12. The OCA asserts that there is no evidence that SSA does not possess the necessary technical, managerial, and financial fitness to operate a combined wastewater-stormwater system or to meet its obligations under the Consent Decree. *Id.* at 13-14 (citing OCA St. 1 at 4; OCA St. 2 at 29, 31-32; Tr. at 98-100, 154; OCA M.B. at 38-40). Thus, the OCA concludes that the level and quality of service will be the same under PAWC ownership as it would be under SSA ownership. OCA R. Exc. at 14-15 (citing OCA St. 2 at 29; PAWC Exc. at 20).

The OCA also asserts that there will be no economies of scale as a result of the acquisition, as the Joint Applicants argue, because PAWC already provides water service to SSA's customers. Moreover, the OCA claims that because of the ratemaking concessions that PAWC is seeking, the existing PAWC customers in the SSA service area will be harmed by paying rates above their cost of service so that stormwater improvements can be funded over a greater number of customers. OCA R. Exc. at 15. In addition, the OCA argues that although SSA customers may benefit from rate increase limitations in the short term, they may experience large rate increases in years eleven through thirteen following closing of the acquisition transaction. *Id.* at 15-16.

The OCA also contends that the benefits to the City described by the Joint Applicants are not determinative of the public interest. The OCA states that "[a] determination of the public interest involves examining the impact of the proposed acquisition on all parties that would be affected by the transaction, as opposed to only considering 'one particular group or geographic subdivision'." OCA R. Exc. at 16 (citing *Middletown*; *CMV*). According to the OCA, when the benefits to the City are weighed

against the detriments to existing PAWC customers, the proposed transaction does not establish the substantial affirmative benefits necessary for approval of the acquisition. OCA R. Exc. at 16.

Finally, the OCA disputes the Joint Applicants' assertion that customers of PAWC's presently-owned smaller plants will benefit from the expertise PAWC will gain by operating SSA's treatment plant. The OCA contends that there is no evidence that PAWC is not currently providing adequate service to customers it serves through smaller treatment plants. According to the OCA, any benefit to PAWC's existing customers in this regard "is speculative at best." OCA R. Exc. at 17.

d. OCA's Exceptions

In its Exceptions, the OCA asserts that although the ALJs properly found that the variance adjustment is unreasonable, is not in the public interest, and violates the Code, they erred by not addressing the additional negative impacts of the proposed acquisition on PAWC's existing customers. The OCA contends that there will be no affirmative benefit to these customers as the Joint Applicants aver. OCA Exc. at 16.

The OCA rejects the Joint Applicants' claim that PAWC customers will benefit from sharing costs among a larger customer base. The OCA argues that PAWC's customer base will not expand as a result of the acquisition as the Joint Applicants allege because all of the 31,000 customers served by SSA are already PAWC water customers. OCA Exc. at 16-17. The OCA also discounts PAWC's claim that there will be no immediate rate impact on its existing customers. The OCA contends that PAWC plans to require its existing water and wastewater customers to begin paying between \$146 and \$199 million of the costs of the system improvements associated with the Consent Decree when it increases rates in its next base rate case. The OCA asserts that these costs will be in addition to the purchase price of the acquisition, which the existing water and

wastewater customers will be required to pay. OCA Exc. at 17 (citing PAWC St. 4 at 4, 7; OCA St. 1 at 31; OCA St. 2 at 33). The OCA notes that PAWC's existing customers already pay taxes or other fees to control storm water in their communities. OCA Exc. at 17-18 (citing OCA St. 2 at 34-35).

In addition, the OCA contends that the Joint Applicants failed to establish that PAWC can construct, operate and maintain SSA's wastewater system and implement the proposed improvements associated with the Consent Decree at a lower cost and faster timeframe than SSA. The OCA argues that PAWC's cost of capital will likely be higher compared to that of SSA, which is not required to pay income taxes or state and federal taxes on its equity earnings, and can issue tax-exempt debt. OCA Exc. at 18 (citing OCA St. 1 at 4; OCA St. 2 at 31-32; Tr. at 98; OCA M.B. at 39-40). In addition, the OCA contends that PAWC will use the same employees and follow the same time frame as SSA to meet the obligations under the Consent Decree. According to the OCA, there is no evidence that SSA is not technically or managerially fit. OCA Exc. at 18 (citing OCA St. 1 at 4; OCA St. 2 at 29; Tr. at 154; OCA M.B. at 38-39).

The OCA also maintains that there is no evidence that SSA does not possess the required financial fitness to meet its obligations under the Consent Decree as long as it continues to raise rates in accordance with its rate plan. In support of this contention, the OCA points to Standard and Poor's determination of SSA's healthy financial profile, strong debt service coverage, and liquidity. Moreover, the OCA opines that the cost to the public of having PAWC undertake the capital improvements is likely to be greater than the costs that would be incurred by SSA. OCA Exc. at 19 (citing Tr. at 98-100; OCA M.B. at 39).

In addition, the OCA asserts that PAWC has not shown how the level and quality of service with regard to the SSA system under PAWC ownership would improve over that under SSA ownership. OCA Exc. at 19-20 (citing OCA St. 2 at 29). The OCA

contends that PAWC is unable to quantify any efficiencies or decreased operating costs that will result from the proposed transaction, or indicate when they might occur. Instead, the OCA submits that PAWC “relies on the vague supposition that at some unknown time efficiencies ‘will inevitably be realized because of the size of PAWC’s water and wastewater operations.’” OCA Exc. at 20 (citing PAWC St. 1 at 8; PAWC St. 4 at 5). According to the OCA, all of the risk and all of the costs relating to the acquisition are being shifted to the existing PAWC water customers. OCA Exc. at 20.

Finally, the OCA contends that the benefits of the acquisition to SSA customers are also limited. The OCA argues that although rate increases to SSA customers will be limited during the first ten years following execution of the APA, PAWC intends to move SSA customers to its Rate Zone 1 rates in years eleven through thirteen following closing of the transaction. According to the OCA, this could result in dramatic rate increases for SSA’s customers if, during the first ten years post-acquisition, PAWC proposes rate increases for Rate Zone 1 while limiting rate increases to the SSA customers in accordance with the 1.9% CAGR limitation. OCA Exc. at 20-21.

e. Joint Applicants’ Replies to OCA’s Exceptions

In their Replies to the OCA’s Exceptions, the Joint Applicants dispute the OCA’s contention that the addition of the 31,000 SSA wastewater customers to PAWC’s system will provide no benefit to PAWC’s customers. Quoting the testimony of PAWC witness Rod Nevirauskas, the Joint Applicants state:

While Scranton-area customers may benefit from the sharing of costs initially, PAWC’s other customers will undoubtedly benefit from the revenues generated from Scranton-area customers in the future as the systems servicing those customers require capital improvement. Indeed, the Commission should analyze the rate impact of this Transaction not from a 13-year perspective but from a 100-

year perspective and recognize that other PAWC customers will benefit from the addition of over 31,000 wastewater customers.

Joint Applicants' R. Exc. at 18 (quoting PAWC St. 4-R at 4-5). According to the Joint Applicants, PAWC's customers will benefit in the long-term from the acquisition through regionalization and the sharing of costs. Joint Applicants' R. Exc. at 18.

The Joint Applicants also contend that the prospective rate issues raised by the OCA are beyond the scope of review for the Joint Application and should be reserved for a future PAWC base rate proceeding. The Joint Applicants assert that "the APA makes it abundantly clear that Commission approval of the Transaction would neither bind the parties nor the Commission in future PAWC base rate proceedings." Joint Applicants' R. Exc. at 18 (citing Joint Applicants' R.B. at 27-28).

The Joint Applicants further argue that the OCA's allegation that the acquisition is not in the public interest is based on a false assumption that combined wastewater service is non-jurisdictional. However, the Joint Applicants aver that the OCA's position is incorrect as a matter of law, as the Recommended Decision concluded. The Joint Applicants maintain that PAWC is legally entitled to request that the costs of combined wastewater service be spread across PAWC's combined water and wastewater customer base under Act 11. Joint Applicants' R. Exc. at 18.

In addition, the Joint Applicants assert that the OCA's contention that SSA is fit to continue to own and operate its system is irrelevant to the standard of review for the Joint Application. The Joint Applicants state that the Commission is required to evaluate whether the new owner is fit and whether there is an affirmative public benefit to the proposed transaction. According to the Joint Applicants, the fitness of the prior owner is irrelevant except to the extent that the new owner is more fit, which the Joint

Applicants assert is the case, particularly with regard to PAWC's financial ability to fund the system's needed capital improvements. Joint Applicants' R. Exc. at 18-10 (citing Joint Applicants' R.B. at 38-39, 41-43).

Finally, the Joint Applicants dispute the OCA's assertion that Scranton-area customers will be harmed by PAWC's proposed rates in years eleven through thirteen following the closing of the acquisition transaction. According to the Joint Applicants, the APA provides for a gradual phase-in of rate increases for the Scranton-area customers in order to avoid rate shock, which will bring the customers in line with system average rates. The Joint Applicants aver that the phase-in is also intended to ensure that Scranton-area customers do not unreasonably benefit through low rates at the expense of PAWC's other customers. Moreover, the Joint Applicants assert that according to the APA, the Commission will maintain absolute discretion to set just and reasonable rates, and that the Commission could phase in rates for Scranton-area customers over a longer period of time, if appropriate. However, the Joint Applicants contend that it is premature and inappropriate to speculate as to how the Commission may exercise its ratemaking authority in the future. Joint Applicants' R. Exc. at 19 (citing Joint Applicants' R.B. at 38).

4. Disposition

Upon our consideration of the Parties' Exceptions, Replies to Exceptions, and the record evidence in this proceeding, we find that the Joint Applicants have met their burden of demonstrating, by a preponderance of the evidence, that the acquisition will affirmatively promote the service, accommodation, convenience, or safety of the public in a substantial way. *City of York; Popowsky v. Pa. PUC*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007). We have reached the conclusion that this acquisition is in the public interest based on our consideration of the impact of the acquisition on all affected parties, as required by *Middletown*, 482 A.2d at 682. Initially, we agree with the ALJs'

findings that PAWC possesses the necessary technical, financial and legal fitness to own and operate the assets it seeks to acquire from SSA and to provide the proposed service to SSA's customers. We note that no party in this proceeding disputed the Joint Applicants' claims or the ALJs' findings in this regard.

In addition, we are persuaded by the evidence presented by the Joint Applicants that PAWC is better positioned to own and operate the combined wastewater system and to implement the necessary capital improvements to the system in conformance with the Consent Decree. As the Joint Applicants asserted, PAWC is the Commonwealth's largest water and wastewater provider, with total assets of \$3.9 billion and annual revenues of \$613 million for 2015, including operating income of approximately \$307 million and net income of approximately \$143 million. Joint Applicants' M.B. at 39-40. Also, as PAWC witness James F. Sheridan stated:

PAWC has an established track record with extensive experience delivering large, complex water and wastewater capital improvement projects, such as the Long Term Control Plan ("LTCP") projects associated with [SSA's] system.

PAWC has funded in excess of \$1 billion in capital construction over the past five years, with expenditures expected to total \$275 million to \$300 million per year for the next five years. The magnitude of individual capital projects has exceeded \$100 million.

PAWC St. 3-R at 4.

In addition, PAWC presented evidence that it currently operates fifteen wastewater treatment plants in Pennsylvania, including three biological nutrient removal wastewater treatment plants, similar to SSA's system. PAWC St. 3 at 4. Moreover, as a subsidiary of American Water Works Company, Inc., PAWC has available to it the resources of American Water Works Service Company, Inc., including access to

professionals with expertise in various specialized areas. *Id.* at 8. We note also that PAWC already operates water facilities in the Scranton area. *Id.* at 8-9.

PAWC also provided testimony that it currently has a \$220 million line of credit through American Water Capital Corp. a wholly owned subsidiary of American Water Works Company, Inc., and that its strong credit ratings allow it to obtain additional capacity on this line. PAWC St. 5 at 3. PAWC witness James S. Merante testified that PAWC carries a corporate credit rating of “A3” from Moody’s Investors Services and an “A” rating from Standard and Poor’s Rating Services. *Id.* Mr. Merante further stated that PAWC obtains long-term debt financing through American Water Works Company, Inc. at favorable interest rates and payment terms, and also uses low-cost financing through the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Economic Development Financing Authority. According to Mr. Merante, PAWC may obtain additional equity investments through American Water Works Company, Inc. *Id.* Thus, we believe PAWC’s financial resources to be superior to those of SSA with regard to its ability to meet the demands of operating and maintaining the combined system and fulfilling the requirements of the Consent Decree.

As noted above, the OCA argues that the cost of having PAWC undertake the capital improvements under the Consent Decree is likely to be greater than the cost that would be incurred by SSA, because PAWC’s cost of capital will likely be higher compared to that of SSA. OCA Exc. at 18-19. However, we find persuasive the rebuttal testimony of PAWC witness Merante, who asserted that the cost of capital analysis presented by OCA witness Scott J. Rubin, upon which the OCA relied for its conclusion, did not account for certain important limitations with regard to SSA’s financial position when compared to that of PAWC. PAWC St. 5-R at 4-6. As summarized by Mr. Merante:

Overall, Mr. Rubin's cost of capital analysis does not properly reflect [SSA's] limited access to equity capital (*i.e.*, limited to internally generated funds), the impact of debt issuance costs and debt covenant compliance costs, [SSA's] debt capacity and the impact of increased leverage on [SSA's] borrowing costs, and the impact of [SSA's] need to obtain guarantees for its debt obligations, including guarantees provided by the City, a financially distressed city under Act 47. In light of [SSA's] upcoming environmental compliance costs and need for significant capital investment, the focus in this proceeding should not be on [SSA's] prior – or even current – cost of capital but instead on [SSA's] prospective cost of capital. PAWC is, without question, better capable of meeting the future capital needs of [SSA's] system and this is a substantial public benefit of the transaction.

Id. at 6.

In addition, although the OCA argues that SSA has a relatively healthy financial profile, the Joint Applicants raised a number of significant concerns regarding SSA's ability to maintain long-term financial viability, including the following:

- Any conditions causing customers to not be able to pay for wastewater service and their current taxes are likely to lead to a higher delinquency rate for SSA, which will be noticed by SSA's bond rating agencies;;
- Higher SSA debt costs will inevitably lead to higher rates for SSA customers;
- Increased sewer delinquencies will negatively impact SSA's cash flow and its ability to satisfy its operating financial obligations;
- SSA is highly leveraged with an 80.4% debt to plant ratio;
- SSA will have to consider substantial rate increases on a stand-alone basis of an average of 4.57% *per year* over the

next thirty years to maintain its current financial profile and pay for the Consent Decree improvements;

- SSA's existing rates consume 2.3% of its customers' median household income;
- The combined populations of Scranton and Dunmore have been steadily declining with each ten-year census since a peak in the 1930s;
- Because median household income in the Scranton and Dunmore area has been increasing at a slower rate than the consumer price index, people continue to be unable to afford many services;
- Affordability issues plaguing Scranton area residents and SSA customers, along with SSA's rate inflexibility and related constraints on its ability to access capital, adversely affects SSA's future ability to raise revenue; and,
- SSA's future incapability to raise revenue calls into question its ability to meet the capital and other spending requirements in the Consent Decree .

Joint Applicants' R.B. at 42-43 (emphasis in original) (citations omitted).

Also, according to SSA's witness Eugene P. Barrett, SSA estimated that the requirements of the Consent Decree, the Long Term Control Plan, and ongoing investment needs and expense requirements of SSA could result in the need for average annual rate increases to SSA's customers of 4.57% through the year 2042. SSA determined that PAWC was better positioned than SSA to maintain wastewater rates for SSA's customers at a level below those projected increases. SSA St. 2-R at 7. Likewise, we believe that the significantly greater size of PAWC's customer base and substantial financial resources will allow PAWC to leverage economies of scale in providing wastewater service to SSA's customers, which will mitigate the need for larger and more

frequent rate increases that may prevail should SSA continue to own and operate the combined system.

For the reasons discussed above, we do not agree with the OCA that SSA's technical and financial fitness is commensurate with that of PAWC, and, thus, renders SSA capable of operating, maintaining, and improving the combined wastewater system as efficiently as PAWC. Rather, we find that due to its size, its considerable experience and technical expertise in the operation and maintenance of wastewater systems, and its superior financial resources, PAWC is better positioned to efficiently operate and maintain the combined system, and to successfully fulfill the requirements of the Consent Decree in a safe and economical manner.

In addition, we agree with the testimony of Mr. Barrett that PAWC and its customers will benefit from the addition of SSA's "large treatment plant and its skilled personnel familiar with the complex business of treating wastewater processed at the end of a large combined system." SSA St. 2-R at 7-8. Moreover, we are of the opinion that PAWC's existing customers also stand to benefit from enhanced economies of scale and from the additional revenues generated as a result of the addition of SSA's 31,000 wastewater customers to PAWC's overall customer base. PAWC St. 4-R at 4-5.

As to the concerns raised by I&E and the OCA regarding the alleged detriments of the acquisition to PAWC's existing customers, we note that these concerns center on the potential rate effects of the acquisition. However, we are not in a position to thoroughly adjudicate ratemaking issues relating to the acquisition in this proceeding. Nor do we find that this acquisition proceeding is the appropriate context for addressing these rate issues. The record does not contain sufficient evidence to allow us to evaluate the specific effects of the acquisition on PAWC's revenue requirement or to decide cost allocation and rate design matters. Such issues are better reserved for a future base rate proceeding.

Consistent with the above discussion, we conclude that that the acquisition will affirmatively promote the service, accommodation, convenience, or safety of the public in a substantial way. Accordingly, we will grant the Exceptions of the Joint Applicants, to the extent they argue that the Recommend Decision failed to consider the substantial public benefits of the acquisition, and we will deny the Exceptions of the OCA on this issue.

D. Variance Adjustment of the Purchase Price

1. Positions of the Parties

a. I&E

I&E opposed the approval of the variance adjustment in the APA and requested that the Commission deny the adjustment for the following reasons. First, I&E contended that the variance adjustment, which is an issue of first impression, is not consistent with sound ratemaking principles, would harm PAWC's customers, is not in the public interest, and, therefore, should not be approved. I&E M.B. at 1, 8 and 15. Specifically, I&E questioned the fact that the variance adjustment is based solely on revenue growth, rather than a consideration of both revenue and expenses or net income. I&E further alleged that the variance adjustment is neither an asset purchase nor a used and useful plant, but an intangible asset or goodwill that cannot be recovered in a rate case. *Id.* at 15-18.

Second, I&E questioned the legal standing of the variance adjustment, arguing that the plain language of Section 7.07(e) of the APA regarding the adjustment violates Sections 1303 and 1304 of the Code, 66 Pa. C.S. §§ 1303 and 1304, which are, the prohibition against a utility charging any rate other than that specified in its tariff and

the prohibition against a utility establishing unreasonable differences as to rates between classes of service. *Id.* at 19, citing 66 Pa. C.S. §§ 1303 and 1304. According to I&E, if PAWC decides to directly pay the adjustment to SSA's wastewater customers ten years following closing, as highlighted in Section 7.07(e) of the APA, such payment would be considered a *de facto* rate refund to the affected customers, which ultimately results in their paying less than the prescribed rates in PAWC's tariff. I&E M.B. at 20-21. I&E further argued that even if such a payment is not directly made by PAWC to SSA's wastewater customers but is made through a third-party, as stipulated in Section 7.07(e) of the APA, it is still a violation of Section 1303 of the Code. Furthermore, I&E contended that although 66 Pa. C.S. § 1304 does not prohibit differences in rates, the Commonwealth Court has held that the utility must show that the differential is justified by the difference in cost required to deliver service to each class of customers, which PAWC has failed to establish in the instant proceeding. I&E asserted that the variance adjustment violates 66 Pa. C.S. § 1304, as well on the basis that I&E believes the proposed variance adjustment refund would ultimately, benefit only SSA's wastewater customers and not PAWC's existing customers. I&E M.B. at 21-22.

Next, I&E pointed out that the terms of the APA, which require PAWC to keep SSA's wastewater customers' rates low for the first ten years after closing, to increase the rates from years eleven through thirteen, and, subsequently, to bring SSA's wastewater customers' rates in alignment with PAWC's Rate Zone 1 rates, may violate the concepts of gradualism and may result in rate shock. *Id.* at 22-23. I&E explained that this is even more telling in the significant gap between SSA's residential wastewater customers' rates and PAWC's Rate Zone 1 residential rates.⁶ I&E noted that while it does not oppose PAWC's goal of moving SSA's wastewater customers into PAWC's

⁶ Per PAWC's current tariff, under PAWC's Rate Zone 1 wastewater rates, an average residential customer using 3,000 gallons of water per month pays approximately \$46, while an SSA wastewater residential customer pays approximately \$35.

Rate Zone 1 rates, PAWC's proposed means of achieving this goal is problematic. I&E suggested that PAWC gradually increase SSA's wastewater customers' rates beginning with its first base rate increase filing after closing and over the entire thirteen year period. *Id.* at 23-25.

I&E also pointed out the potential problem with PAWC's ability to claim an acquisition adjustment regarding this transaction in a future base rate proceeding. I&E noted that the instant acquisition may fall short of the requirements of Section 1327 of the Code, 66 Pa. C.S. § 1327(a), which establishes nine criteria that must be met before a utility can claim an acquisition adjustment in rate base. In particular, I&E indicated that this acquisition may be deficient in meeting the requirements in Section 1327(a)(2) and (6), because not only is the purchase price unreasonable but SSA has approximately 31,000 wastewater customers, which is higher than the 3,300 customers required for a utility to claim an acquisition adjustment in a base rate proceeding. *Id.* at 25-27.

b. OSBA

In its opposition to the variance adjustment, OSBA also echoed I&E's arguments that the variance adjustment violates Section 1303 of the Code and may also violate the concepts of gradualism and rate shock. OSBA M.B. at 1-6.

c. OCA

The OCA also opposed the variance adjustment, alleging that based on its calculation of the revenue requirements of SSA's wastewater system and considering the terms of the APA, in the first ten years following closing, PAWC would be required to pay SSA an additional \$104 million above the purchase price of \$195 million. The OCA argued that this additional cost, which is aimed at subsidizing the purchase price, should be borne by PAWC's investors and not PAWC's existing customers. OCA M.B.

at 44-46. The OCA argued that even if the Commission approves the variance adjustment, it should not allow PAWC to use the revenue-sharing provision of Section 1311(c) of the Code, 66 Pa. C.S. § 1311(c), for SSA's wastewater customers for at least the first ten years following closing. The OCA also argued that an acquisition adjustment should not be approved in the instant proceeding. *Id.* at 46-47.

d. Joint Applicants

The Joint Applicants contended that the instant proceeding is not the appropriate forum to address ratemaking treatment of the variance adjustment. They argued that traditional ratemaking issues raised by the opposing Parties, such as recovery of the variance adjustment from ratepayers, recovery of expenses associated with new jobs, and rate gradualism, need not be addressed in this proceeding but should be reserved for a future PAWC base rate proceeding. Joint Applicants' M.B. at 11 and 88. The Joint Applicants averred that although PAWC has committed to bringing SSA's wastewater customers' rates in alignment with its Rate Zone 1 rates over a reasonable period of time, nothing in the APA would deprive the Commission from making a determination of the appropriate rates for PAWC's customers in future base rate proceedings. *Id.*

The Joint Applicants dismissed, as speculative and unfounded, I&E and OSBA's argument regarding potential "rate shock" for SSA's wastewater customers. According to the Joint Applicants, the rates stipulated in the APA would provide a reasonable progression of rate increases designed to bringing SSA's wastewater customers' rates in line with PAWC's system-wide average rates over a thirteen year period. The Joint Applicants do not believe the "rate shock" argument is an issue because the Commission has the discretionary authority to set just and reasonable rates for the affected customers. *Id.* at 82 (citing 66 Pa. C.S. § 1301).

With regard to PAWC's potential claim of an acquisition adjustment for SSA's wastewater system in a future base rate proceeding, the Joint Applicants averred that following closing and prior to its next base rate filing, PAWC would prepare an original cost study of the plant-in-service, which would then be used to make a determination of the need for an acquisition adjustment claim in a future base rate proceeding. The Joint Applicants believe it is premature to speculate about PAWC's acquisition adjustment claim for SSA's wastewater system in the instant proceeding. Joint Applicants' M.B. at 83-84.

The Joint Applicants also averred that it is too early to make a determination regarding the recovery of the variance adjustment through rates in the instant proceeding. They argued that the variance adjustment issue should be reserved for future base rate proceedings, stating as follows:

Because the Variance Adjustment is an adjustment to the purchase price of the SSA assets, its recovery through the rates cannot be determined until after PAWC has prepared a depreciated original cost of plant-in-service study of the SSA system and the Commission, in a base rate proceeding, has determined that the Variance Adjustment exceeds the depreciated original cost plus any allowed acquisition premium. By way of example, if the Commission determines that the depreciated original cost of the SSA system equals \$195 million purchase price and that PAWC is otherwise entitled to an acquisition premium, PAWC could seek to recover the acquisition premium as the result of any Variance Adjustment that is subsequently paid. There is not a time limitation on the Commission's ability to award an acquisition premium. After ten years of experience, the Commission could theoretically determine that PAWC's acquisition of SSA promoted a substantial public interest and that PAWC should be rewarded by way of *ate* [sic] recovery of an acquisition premium.

Id. at 84-85.

The Joint Applicants noted that the rates outlined in the terms of the APA are not binding but are subject to Commission approval and the applicable law. *Id.*

2. ALJs' Recommendation

After a thorough analysis of the positions of the Parties, the ALJs denied the variance adjustment stating that it does not represent a fixed sales price but creates an imprecise sales price that ultimately would be borne by PAWC and its customers. R.D. at 32. In their analysis, the ALJs compared this case to *Philadelphia Suburban Water Co. v. Pa. PUC*, 808 A.2d 1044 (Pa. Cmwlth. 2002) (*Philadelphia Suburban*). According to the ALJs, the similarities between this case and *Philadelphia Suburban* are evident in the Court's identification of similar issues in an asset purchase agreement in *Philadelphia Suburban*. The ALJs explained that, in *Philadelphia Suburban*, PAWC executed an asset purchase agreement with the City of Coatesville Authority (Coatesville) for the purchase of the City's water system. The agreement, as subsequently amended, required PAWC to make an annual contribution to the Coatesville Economic Development Fund in an amount equal to Coatesville's annual charge from PAWC for fire hydrant service. The ALJs noted that the Court found this arrangement failed to provide a fixed sales price and placed the risk of future fire hydrant service on PAWC. R.D. at 32.

The ALJs found that, because the variance adjustment is unknown and unknowable at this time, but is based on future revenues that are tied to future Commission-approved rates, the purchase price is open-ended, unreasonable and not in the public interest. *Id.* at 32-33.

The ALJs emphasized this finding, stating as follows:

In effect, PAWC and SSA are asking the Commission to approve the method for calculating the variance adjustment set forth in the APA now as reasonable and in the public interest. If the Commission approves the method for calculating the variance adjustment as reasonable and in the public interest now, it is also approving the amount that results from using that method as reasonable and in the public interest without knowing what that amount is. This is neither reasonable nor in the public interest. In addition, the 1.9% CAGR, which serves to trigger the variance adjustment, is based on arms-length negotiations between PAWC and SSA and bears no relationship to either the value of the assets that PAWC is acquiring or the estimated future revenue needs for SSA's system based on estimated operating costs. Since the variance adjustment is open ended, bears no relationship to either the value of the assets or estimated operating costs, it is not in the public interest or reasonable as an adjustment to the purchase price.

Id. at 33.

The ALJs were also concerned with the fact that under the terms of the APA, the variance adjustment is only payable by PAWC and not SSA. The ALJs acknowledged that while the variance adjustment is aimed at providing a buffer for SSA's wastewater customers against future anticipated rate increases, it is an unreasonable adjustment to the purchase price, and its payment by PAWC, which they

believe is a *de facto* refund to customers or a deviation from PAWC's tariff, violates Section 1303 of the Code, 66 Pa. C.S. § 1303.⁷ R.D. at 34-42.

The ALJs, however, disagreed with I&E's argument that the variance adjustment violates Section 1304 of the Code, 66 Pa. C.S. § 1304,⁸ because it creates an unreasonable advantage to customers in SSA's territory. According to the ALJs, while

⁷ Under the terms of the APA, PAWC will either pay the variance adjustment directly to the then customers in the SSA service area, or it will make the payment directly to the SSA which, in turn, will distribute the payment, via a third party administrator, to those customers. The ALJs agreed with I&E that both payments would violate 66 Pa. C.S. § 1303, which states as follows:

§ 1303. Adherence to tariffs.

No public utility shall, directly or indirectly, by any device whatsoever, or in anywise, demand or receive from any person, corporation, or municipal corporation a greater or less rate for any service rendered or to be rendered by such public utility than that specified in the tariffs of such public utility applicable thereto. The rates specified in such tariffs shall be the lawful rates of such public utility until changed, as provided in this part. Any public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, compute bills under the rate most advantageous to the patron.

R.D. at 34-37 (citing 66 Pa. C.S. § 1303).

⁸ Section 1304 provides the following:

No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service.

66 Pa. C.S. § 1304 establishes standards that a utility must follow when making rates, which are ultimately incorporated into the tariff, this case does not present a situation where the tariff itself provides an undue preference for one class of ratepayer at the expense of another because the variance adjustment is not part of the tariff applicable to SSA's wastewater customers. R.D. at 40-42.

Having established that the variance adjustment proposed in the APA was not reasonable, not in the public interest, and violated 66 Pa. C.S. § 1303, the ALJs concluded that the Commission cannot approve the variance adjustment or the APA contained in the Joint Application. The ALJs, therefore, denied the Joint Application. *Id.* at 42-43.

3. Exceptions, Replies and Disposition

a. Reasonableness and lawfulness of the variance adjustment

i. Joint Applicants' Exceptions

In their Joint Exception No. 1, the Joint Applicants dispute the ALJs' conclusion that the purchase price, which was an arm's-length negotiation, was unreasonable and not in the public interest due to the associated variance adjustment. According to the Joint Applicants, the variance adjustment potentially adjusts the purchase price paid by PAWC for SSA's wastewater assets in the event that the Commission does not approve PAWC's attempts to abide by SSA's requirements to keep SSA's wastewater customers' rates at reasonable levels in the first ten years after closing. Joint Applicants' Exc. at 2. The Joint Applicants contend that the Commission does not look at the "reasonableness" of the purchase price in an application proceeding. *Id.* at 2-4. Citing to prior Commission-approved acquisitions containing arm's-length negotiated purchase prices; the Joint Applicants assert that the instant proceeding is not

the appropriate forum to contest the reasonableness of a purchase price.⁹ In their argument against the ALJs' conclusion on the purchase price, the Joint Applicants state as follows:

More often, when a Code Section 1102 application warrants additional information on the purchase price of the transaction, the Commission simply orders that original cost studies be reviewed in the next general rate case to determine if the claims relating to the purchase price require further inquiry.

It is entirely appropriate, lawful and customary for the Commission to separate ratemaking issues (like the reasonableness of an acquisition's purchase price) from the central issues presented in a Code Section 1102 evaluation, such as the legal, technical and financial fitness of the acquiring party, and the presence of affirmative public benefits in the transaction.

Joint Applicants' Exc. at 6, 7. The Joint Applicants assert that the reasonableness of a purchase price should be reserved for a post-application rate case proceeding and should not be contested in this proceeding. Joint Applicants' Exc. at 3-8 (citing 66 Pa. C.S. § 1301). The Joint Applicants contend that the ALJs were wrong in concluding that an approval of the APA as filed, including the variance adjustment and the methodology for its calculation, connotes a determination that the final purchase price is reasonable for ratemaking purposes. Comparing the variance adjustment to an automatic adjustment clause under Section 1307 of the Code, 66 Pa. C.S. § 1307, the Joint Applicants assert that while not an automatic adjustment mechanism by any means, the variance adjustment measures PAWC's compliance with the 1.9% CAGR benchmark in the APA, and that the inclusion or exclusion of this adjustment in PAWC's rates should be a matter

⁹ See Joint Applicants' Exc. at 3-8, for examples of Commission-approved acquisition applications with arms-length negotiated purchase prices.

for a subsequent proceeding similar to the automatic adjustment process.¹⁰ The Joint Applicants aver that the variance adjustment tracks PAWC's level of success or failure in achieving its goal of keeping SSA's wastewater rates reasonable compared to the benchmark of the 1.9% CAGR. Joint Applicants' Exc. at 8-10.

Next, the Joint Applicants assert that the ALJs were wrong in their description of the distribution of the variance adjustment to be paid at the end of the tenth year following closing. *Id.* at 10 (citing R.D. at 35). They assert that the ALJs' qualification of the distribution of the variance adjustment as a *de facto* refund to customers misses the mark, because it ignored the several other distribution methods or options proposed in the APA. The Joint Applicants averred that per the APA, they offered three options for the Commission's review regarding the distribution of the variance adjustment. Joint Applicants' Exc. at 11. The Joint Applicants posit that if the Commission is concerned with the distribution of the variance adjustment, it could condition approval of the APA on the removal of both distribution methods while allowing the option that SSA or its successor retain the variance adjustment payment by PAWC. The Joint Applicants allege that the ALJs ignored the fact that the APA clearly indicates that the Joint Applicants were open to receiving guidance from the Commission on the most appropriate or reasonable method of distributing the adjustment. *Id.* at 10-12.

Finally, the Joint Applicants question the ALJs' reliance on *Philadelphia Suburban* in reaching a conclusion that the variance adjustment payment was a *de facto* refund to customers. The Joint Applicants argue that *Philadelphia Suburban* is not applicable to this case and the variance adjustment in the APA does not violate the Court's holding in that case. The Joint Applicants assert that *Philadelphia Suburban* is

¹⁰ The OCA disagrees, stating that the automatic adjustment clause is a true-up of certain expenses on an annual basis while the variance adjustment in this case is a shifting of costs from one group of customers to another. OCA R. Exc. at 8-9.

different from this case for the following reasons: (1) unlike *Philadelphia Suburban*, there is no automatic refund to customers because the APA, including the prescribed variance adjustment formula, states that SSA or its successor have the option of retaining the variance adjustment or refunding the payment to its customers; (2) while *Philadelphia Suburban* involved the utility's constant true-up of rates set by the Commission, which could be construed as free utility service, the APA, in this case, does not reference any PAWC services used and paid for by SSA that form the basis of a PAWC payment to SSA; and (3) unlike *Philadelphia Suburban*, SSA's wastewater customers have no right to determine how and under what circumstances the variance adjustment payment would be made. In light of the above, the Joint Applicants conclude that the ALJs erred in their reliance on *Philadelphia Suburban* in reaching a conclusion that the variance adjustment violates the Code. Joint Applicants' Exc. at 13-15 (citing R.D. at 37; 66 Pa. C.S. § 1303; *Philadelphia Suburban*).

ii. OCA's Replies to Joint Applicants' Exceptions

In its Reply to the Joint Applicants' Exception No. 1, the OCA avers the variance adjustment is unreasonable and unlawful. OCA R. Exc. at 2. In response to the Joint Applicants' argument that the purchase price be reserved for a future base rate proceeding, the OCA avers that the Commission is not prohibited from reviewing the purchase price as part of an application proceeding. OCA R. Exc. at 4 (citing *Application of Pennsylvania-American Water*, 2001 Pa. PUC Lexis 10; *Application of Shenango Valley Water Co.*, 1994 Pa. PUC Lexis 110). The OCA contends that the purchase price is relevant in reviewing the merits of an acquisition and making a determination of the reasonableness of such a transaction. OCA R. Exc. at 4 (citing *Investigation of W.P. Water Co.*, Docket No. I-00070114 (Order entered March 31, 2009)). The OCA further highlights the importance of a critical review prior to approval of the APA in an acquisition such as this one, which involves the purchase price of a municipal entity. OCA R. Exc. at 4 (citing *Application of West Penn Power*, 1996 Pa. PUC Lexis 32). The

OCA questions the fact that while the Joint Applicants argue that rate recovery issues regarding the variance adjustment should be reserved for future rate proceedings, they are, nonetheless, requesting the Commission's pre-approval to recover stormwater costs in the instant proceeding. OCA R. Exc. at 3-4.

Second, the OCA asserts that, contrary to the Joint Applicants' argument that the purchase price is reasonable because it was a result of an arms-length transaction, the Commission has held that an arms-length transaction does not in itself determine the reasonableness of the purchase price. OCA R. Exc. at 5 (citing *Pa. PUC v. Citizens Utilities Water Company of Pennsylvania*, 1996 Pa. PUC Lexis 164) (*Citizens*)). According to the OCA, in *Citizens*, the Commission, in its rejection of the company's claim that the reasonableness of the purchase price could be inferred from the fact that it was an arms-length transaction, stated that the requirement of an arms-length negotiation is a separate requirement of Section 1327 of the Code, 66 Pa. C.S. § 1327, and that "the framers of the statute recognized that an arms-length transaction, even between non-affiliated entities, could produce an unreasonable price." OCA R. Exc. at 4-5 (citing *Citizens* at *37). The OCA avers that, consistent with 66 Pa. C.S. § 1327 and the Commission's policy statement at 52 Pa. Code § 69.711, the Commission must find that a negotiated arms-length purchase price is reasonable. OCA R. Exc. at 5.

The OCA also dispels the Joint Applicants' comparison of the variance adjustment to a proceeding where an original cost study is ordered and reviewed in the next general rate case "to determine if claims relating to the purchase price require further inquiry." *Id.* at 5. The OCA argues that because the variance adjustment, which could change the purchase price by \$104 million, will not be known for ten years, requiring PAWC to conduct an original cost study in the instant proceeding will not change or impact the purchase price in any way. OCA R. Exc. at 5-6.

Next, the OCA disputes the Joint Applicants' contention that the reasonableness of the purchase price should be separated from a Section 1102 review which involves issues such as the legal, technical and financial fitness of the acquiring utility, as well as the affirmative public benefits of the transaction. *Id.* at 6. The OCA avers that based on its assessment, the transaction would not result in an affirmative public benefit because the purchase price, which is dependent on the variance adjustment, would have a significant ratemaking impact over the first ten years after closing of this transaction. OCA R. Exc. at 6-8. The OCA states that with the addition of the variance adjustment, the purchase price could increase by up to \$104 million, which means PAWC would pay more than three times the book value of the assets. *Id.* at 7. The OCA asserts that if the Commission makes a determination that it has jurisdiction over stormwater service, the Commission should protect PAWC's existing customers from subsidizing the payment of the additional \$104 million over the next ten years. *Id.* at 8.

Lastly, the OCA requests that the Commission reject the Joint Applicants' argument that approval of the variance adjustment methodology is not the same as approving the product of the methodology. According to the OCA, the Joint Application stipulates a request for approval of both the variance adjustment and the calculation methodology of the adjustment. *Id.* at 8-9.

iii. I&E's Replies to Joint Applicants' Exceptions

In its Replies to the Joint Applicants' Exception No. 1, I&E asserts that considering the ratemaking implications of the variance adjustment and the purchase price, the ALJs correctly denied the Joint Application based on their determination that the transaction is unreasonable and not in the public interest. I&E further asserts that if the Commission elects to reverse the ALJs' recommendation, it must expressly reject recovery of the variance adjustment from ratepayers so that PAWC can consider other available options prior to closing of this transaction. I&E R. Exc. at 3-7. Next, I&E

submits that the ALJs were correct in their conclusion that because it is impossible to determine the variance adjustment at this time, approving its calculation methodology connotes an allowance of the amount that would result from the methodology, which they believe is not in the public interest. I&E R. Exc. at 11-14. I&E disputes the Joint Applicants' argument that the variance adjustment need not attract the same scrutiny as a Section 1102 filing because it was filed under Section 507 of the Code, 66 Pa. C.S. § 507. I&E asserts that the ALJs rightly conducted a public interest analysis of the terms of the APA and concluded that the variance adjustment set forth in the APA is not reasonable, not in the public interest and violates the Code. I&E R. Exc. at 11-12.

I&E also questions the validity of the variance adjustment, especially, because it is one-directional, *i.e.*, from PAWC to SSA. I&E asserts that the Joint Applicants have failed to make any credible argument for the appropriateness of the adjustment in a regulatory environment and how it meets the just and reasonable rates mandate of the Code. I&E R. Exc. at 14-15.

Finally, I&E disagrees with the Joint Applicants' argument that *Philadelphia Suburban* is not controlling in this proceeding. I&E argues that the ALJs were correct in relying on *Philadelphia Suburban* because, like the ALJs in this case, the Court's rejection of PAWC's asset purchase agreement with Coatesville was also premised on the fact that the transaction failed to establish a fixed sales price and placed the risk of future obligations under the agreement on PAWC. I&E asserts that the Joint Applicants' effort to distinguish this case from *Philadelphia Suburban* by highlighting the several payment options for the variance adjustment is unpersuasive and should be rejected. I&E R. Exc. at 16-18.

iv. OSBA's Replies to Joint Applicants' Exceptions

In response to the Joint Applicants' Exception No. 1, OSBA submits that the ALJs were right in concluding that the variance adjustment in the APA was unreasonable and unlawful. OSBA asserts that irrespective of how the payment of the variance adjustment will be made by PAWC, it violates the plain language of Section 1303 of the Code. Accordingly, OSBA requests that the Commission deny the variance adjustment. OSBA R. Exc. at 3-5.

v. OCA's Exceptions

In its Exception No. 3, the OCA disagrees with the ALJs' explanation in the Recommended Decision that the potential for customer growth in SSA's service territory could affect the revenue calculation under the variance adjustment. OCA Exc. at 14 (citing R.D. at 28-29 and 31-34). The OCA observes that the calculation of the variance adjustment proposed in Schedule 7.07(d), (e) and (f) of the APA ignores any potential change in the number of SSA's customers or sales over the ten-year period.¹¹ OCA Exc. at 14 (citing APA §§ 7.07(d), (e), and (f)). The OCA further asserts that the calculation of the variance adjustment shows that the adjustment has nothing to do with the value of the assets being acquired by PAWC in this transaction. The OCA, nonetheless, agrees with the ALJs' conclusion that the variance adjustment is neither reasonable nor in the public interest because it has no relationship to the value of the assets being purchased. OCA Exc. at 15.

¹¹ According to the OCA, Schedule 7.07(d) of the APA describes the calculation of the starting level of revenues at the time of acquisition (Year 0). It then discusses the revenue calculation in Year X, *i.e.*, a time period after the acquisition. The Year X revenue calculation is described as follows: "Calculate Wastewater Revenue from Scranton System Wastewater Customers at Year X (*based on Year 0 billing determinants and Commission approved rates in Year X*) = Year X Revenue." OCA Exc. at 15 (emphasis added).

vi. Joint Applicants' Replies to OCA's Exceptions

In their Replies to OCA Exception Nos. 3 and 4, the Joint Applicants request permission to withdraw their Exception No. 1 which defends the variance adjustment. The Joint Applicants propose that the Commission approve the Joint Application conditioned upon the Joint Applicants' filing of an APA eliminating the variance adjustment (Proposed Amended APA). The Proposed Amended APA is attached to the Joint Applicants' Replies to Exceptions as Appendix A. The Joint Applicants acknowledge this proposal is necessary in light of the ALJs' denial of the Joint Application, consistent with their finding that the variance adjustment violates Section 1103 of the Code, 66 Pa. C.S. § 1103, and is not in the public interest. The Joint Applicants also believe this proposal would help streamline the Commission's decision in this proceeding and limit potential appellate issues regarding this case. Joint Applicants' R. Exc. at 14-15. According to the Joint Applicants, pursuant to Section 1103, the Commission has the authority to condition the issuance of a Certificate. 66 Pa. C.S. § 1103 (a). Comparing this case to *Philadelphia Suburban* and considering the fact that the ALJs relied on the latter in their denial of the Joint Application, the Joint Applicants question why the ALJs failed to recommend a conditional approval similar to that in *Philadelphia Suburban*, rather than recommending an outright denial of the Joint Application. The Joint Applicants aver that, as the ALJ in *Philadelphia Suburban* recommended an approval of the application conditioned upon the removal of a legally-offensive provision from the asset purchase agreement in that case, the ALJs should have conditioned approval of the instant proceeding on the removal of the variance adjustment from the APA. Joint Applicants' R. Exc. at 14-16.

The Joint Applicants aver that the elimination of the variance adjustment should address the concerns raised by the ALJs and the opposing Parties to this

proceeding.¹² The Joint Applicants also highlight the urgency required in finalizing this transaction as it pertains to the City's financial distress status. Particularly, the Joint Applicants assert that the prompt resolution of the issues in this transaction would go a long way in addressing the City's upcoming 2016-2017 budget crisis. Further, pending issuance of a final Commission decision and in consideration of the fact that other Parties to this proceeding could appeal a Commission Order, the Joint Applicants pledge to consummate the transaction subject to the satisfaction or waiver of all other conditions to the obligations of each of the Joint Applicants. Joint Applicants' R. Exc. at 16-17.

¹² The Proposed Amended APA reflecting an amendment to Section 7.07(d) of the APA, stipulates as follows:

During the ten-year period following the Closing subsequent to the first base rate case filed by Buyer after the Effective Date as described in Section 7.07(c) above, subject to Pa PUC approval and applicable Law, Buyer shall not propose any Rate Increases to be applicable to wastewater customers in the Service Area that would, taking into account all relevant facts and circumstances at such time, reasonably be expected to result in a cumulative positive difference over that ten-year period between (i) the annual revenues associated with the provision of wastewater service to customers in the Service Area calculated at PaPUC rates in accordance with Schedule 7.07(d) and (ii) a 1.9% [CAGR] Rate Increase in annual revenues associated with the provision of wastewater service to customers in the Service Area over that ten-year period relative to the starting amount of annual revenues calculated in accordance with Schedule 7.07(d). However, the Parties acknowledge that Buyer shall have the reasonable discretion to address and agree to Rate Increases for wastewater customers in the Service Area in the context of settlement of a particular Rate Increase proceeding, subject to Pa PUC approval and applicable law.

Joint Applicants' R. Exc., Appendix A at 57.

vii. Disposition

Based on our review of the record, the positions of the Parties, and the applicable law, we will grant the Joint Applicants' request to conditionally approve the Joint Application subject to their filing of the Proposed Amended APA and the removal of the variance adjustment provisions. We acknowledge the OCA's Exception No. 3 regarding customer growth in relation to the variance adjustment; however, based on our decision to conditionally approve the Application, we need not address this argument in detail.

Nevertheless, we note that the OCA argued that, even without the variance adjustment, the \$195 million purchase price set forth in the APA is more than the book value of all of SSA's property, plant and equipment.¹³ OCA M.B. at 33. However, the Joint Applicants have indicated that following closing and prior to its next base rate filing, PAWC would prepare an original cost study of the plant-in-service, which would then be used to make a determination of the need for an acquisition adjustment claim for this transaction in a future base rate proceeding. Joint Applicants' M.B. at 83-84. Consequently, due to the significant difference in the book value of SSA's wastewater plant and the purchase price of this transaction, should PAWC claim an acquisition adjustment in its next rate case filing, the original cost study may be reviewed to determine the reasonableness of the claim, consistent with Section 1327(a) of the Code, 66 Pa. C.S. § 1327(a), and the Commission's policy statement at 52 Pa. Code § 69.721, regarding acquisitions of viable water and wastewater systems. This review may also address any contributions-in-aid-of-construction.

¹³ According to the OCA, SSA's balance sheet as of March 31, 2015, places the book value for the wastewater plant at approximately \$74 million and PAWC is not acquiring SSA's entire assets, so the actual book value of the assets PAWC is acquiring is actually less than \$74 million. OCA M.B. at 33.

We also acknowledge the concerns of some of the Parties regarding the rate impact resulting from the rate limitations applicable to SSA's wastewater customers to which the Joint Applicants agreed in the purchase agreement. Specifically, the OCA argues that even with the removal of the variance adjustment, the "substantial detriments of the transaction outweigh the alleged benefits." OCA R. Exc. at 18-19. Furthermore, while not recommending any changes to the ratemaking terms in the APA in this proceeding, I&E argued that the numerous ratemaking terms contained in the APA, including the rate limitations, may cause rate shock issues if not addressed starting in the first base rate case after closing. I&E M.B. at 22-25.

As we stated earlier, this proceeding is not the proper forum for addressing ratemaking issues. Therefore, we will defer *all* future rate related issues raised as a result of this transaction until PAWC's next base rate case. This includes all valuation issues, as well as rate design issues involved in this matter.¹⁴ As we have indicated, disputes over future rates are not ripe for our decision at this time. At closing, PAWC will simply adopt SSA's current customer and usage rates. R.D. at 9.¹⁵ It is not until the time of PAWC's *next* base rate case that the rate issues arising from this transaction will be the subject of a full evidentiary record and ripe for decision.¹⁶ It is not appropriate at this juncture to prejudge those issues, even if it means that PAWC remains at financial risk

¹⁴ Our determination in this regard, however, does not affect the requirement that PAWC file an original cost study of the acquired system's assets consistent with the Commission's policy statement at 52 Pa. Code § 69.721(f).

¹⁵ See Finding of Fact (FOF) No. 36.

¹⁶ As noted, the APA contains an agreement that PAWC will not "implement" a rate increase for SSA customers "prior to January 1, 2018." R.D. at 9, FOF No. 40. This is a rates effective stay-out, as opposed to a rate filing stay-out. The APA also limits the magnitude of increases that *PAWC may propose* for SSA's customers through a multi-year period, but does not restrict any other party's rate case position or bind the Commission in any way. See, for example, R.D. at 9-10, FOF Nos. 40-42; Joint Applicants' M.B. at 84-85.

for the recovery of its costs related to this transaction until the conclusion of that next base rate case when issues such as an acquisition premium and cross subsidization will be resolved.

We expect that all rate issues relating to this transaction will be fully and fairly decided in the next base rate case. Consequently, we will direct PAWC to develop and file cost of service studies regarding this transaction in its next base rate case, as will be explained in greater detail in our disposition of OCA's Exception No. 2 involving stormwater costs allocation.

Nonetheless, as noted, pursuant to 66 Pa. C.S. § 1103(a), the Commission will only grant a Certificate "if the Commission shall find or determine that the granting of such certificate is necessary or proper for the service, accommodation, convenience or safety of the public." 66 Pa. C.S. § 1103(a). We note that, consistent with the elimination of the variance adjustment from the purchase price, approval of this transaction is necessary for the service, accommodation, convenience or safety of the public. The record evidence indicates that SSA's wastewater system is under a Consent Decree with regard to deficiencies that could potentially become a safety and public health issue if not adequately addressed. As we previously indicated in detail, because we have established that PAWC is technically, legally, and financially fit to operate and maintain SSA's combined wastewater system, including making the required improvements to address the deficiencies identified in the Consent Decree, we believe this transaction meets the public interest and affirmative benefit test.

Section 1103 states that to ensure that a transaction is in the public interest, the Commission may impose conditions in granting a Certificate that it deems to be just and reasonable. 66 Pa. C.S. § 1103(a). Pursuant to the Proposed Amended APA, we will, consistent with 66 Pa. C.S. § 1103(a), grant the Joint Applicants' request for the Commission to conditionally approve the Joint Application pending their filing of the

Proposed Amended APA. We also note that our approval of the Joint Application does not connote approval of any ratemaking aspect implicated in the Proposed Amended APA.

b. Clarification Regarding Final Acquisition Price

i. Joint Applicants' Exceptions

In their Exception No. 2, the Joint Applicants request that the Commission clarify that an absolute final purchase price is not required for approval of the Joint Application. Joint Applicants' Exc. at 15. The Joint Applicants assert that in their denial of the Joint Application, the ALJs made overly general statements regarding their inability to determine whether the transaction is in the public interest because the total purchase price was unknown. *Id.* at 15-16 (citing R.D. at 28-33). The Joint Applicants assert that because adjustments are usually made to the purchase price between the time of execution of the asset purchase agreements and closing, there is no way to determine an absolute final purchase price during the Commission approval process of a merger or an acquisition application. The Joint Applicants further compare the variance adjustment to adjustments made to the purchase price during the normal course of business at or following closing, requesting that the Commission acknowledge and clarify that the acquisition need not have a final or absolute purchase price in order to be approved by the Commission.¹⁷ According to the Joint Applicants, because the final purchase price may be reviewed in the context of a future base rate proceeding, the Commission may approve the asset purchase agreement without necessarily knowing a fixed purchase price, as long as the overall transaction is in the public interest. Joint Applicants' Exc. at 15-18.

¹⁷ These adjustments include cash on hand, indebtedness levels at closing and compensation changes as of closing. Joint Applicants' Exc. at 16-17.

ii. OCA's Replies to Joint Applicants' Exceptions

In its Replies to Exceptions, the OCA requests that the Commission deny Joint Applicants' Exception No. 2 because the examples of adjustments to the purchase price identified by the Joint Applicants are made during the normal course of business. According to the OCA, contrary to the Joint Applicants' argument, the variance adjustment, as presented in the APA, will not be made until ten years following closing, and, therefore, cannot be regarded as a normal adjustment to the purchase price. OCA R. Exc. at 10.

iii. I&E's Replies to Joint Applicants' Exceptions

In reply to the Joint Applicants' Exception No. 2, I&E asserts that purchase price is an essential element to any contract, especially, in a public utility setting. I&E avers as follows:

[B]oth the Supreme and the Commonwealth Courts of Pennsylvania have recognized that “[p]rice is an essential term of a contract for the transfer of property and must be sufficiently definite and certain or capable of being ascertained from the contract between parties.”

I&E R. Exc. at 7-8 (citing *Portnoy v. Brown*, 430 Pa. 401, 243 A.2d 444 (1968); *Peerless Publications, Inc. v. City of Montgomery*, 656 A.2d 547, 552 (Pa. Cmwlth. 1995)).

According to I&E, the emphasis placed on the potential impact of the purchase price on PAWC and on the overall transaction by the Joint Applicants should the Commission reject their request for recovery of stormwater costs, is enough reason to ensure that the purchase price is determined in this proceeding. *Id.* at 8-9.

I&E also asserts that while the variance adjustment and the several other adjustments identified by the Joint Applicants all impact the purchase price, the variance adjustment in this case, is premised on future rate cases, which would not be known for over ten years, and could result in unintended consequences for PAWC's ratepayers. I&E, therefore, requests that the Commission reject the variance adjustment as it is an unprecedented adjustment that could have a lasting ratemaking impact on PAWC's existing customers. *Id.* at 10-11.

iv. OSBA's Replies to Joint Applicants' Exceptions

In its Replies to the Joint Applicants' Exception No. 2, OSBA agrees with the ALJs' determination that because the total purchase price will be modified by the variance adjustment, it is unknown at this time. OSBA R. Exc. at 4. OSBA explains its concurrence with the ALJs' recommendation as follows:

As correctly noted by the ALJs "[i]f the Commission were to approve the application now, the issue of the reasonableness of the variance adjustment would already be decided when the variance adjustment amount is actually calculated. In that case, the sole issue to be determined by the Commission in the future... would be whether the variance adjustment was calculated correctly, or in accordance with the formula set forth in Section 7.07 of the APA, not whether the variance adjustment, or the final purchase price is reasonable.

OSBA R. Exc. at 5-6 (citing R.D. at 30).

v. Disposition

As stated above, we will grant the Joint Applicants' request to conditionally approve the Joint Application subject to their filing of the Proposed Amended APA and the removal of the variance adjustment provisions. We believe this change in

circumstances renders the Joint Applicants' Exception No. 2 moot. Consequently, we need not address it further here.

E. Costs Associated with Stormwater

1. Positions of the Parties

a. Joint Applicants

The Joint Applicants requested the Commission establish in this proceeding that it has jurisdiction over combined wastewater service and conclude that, pursuant to Act 11, PAWC is eligible to recover stormwater costs in future rate case proceedings. According to the Joint Applicants, a denial of this request could result in stranded costs for PAWC and significant rate increases for SSA's customers. The Joint Applicants continued that denial of this request would be contrary to the Commission's regionalization goals and could result in PAWC having to pay a significant variance adjustment which they believe would not be in the public interest. Joint Applicants' M.B. at 34-38.

According to the Joint Applicants, Act 11 provides, in pertinent part, as follows:

The commission, when setting base rates, after notice and an opportunity to be heard, may allocate a portion of the wastewater revenue requirement to the combined water and wastewater customer base if in the public interest.

Id. at 86-87 (quoting, in part, 66 Pa. C.S. § 1311(c)).

In acknowledgement of the ratemaking component of the Act 11 language above, the Joint Applicants explained that while the extent to which PAWC may utilize Act 11 in a future base rate proceeding may not be decided now, the Commission should, at a minimum, make a determination in this proceeding that PAWC is eligible to recover combined wastewater service costs from its customer base in a future base rate proceeding. Joint Applicants' M.B.at 86-87.

According to the Joint Applicants, Act 11 encourages capable utilities like PAWC to acquire wastewater systems in need of capital improvement because the spreading of costs helps keeps customers' rates at reasonable levels. To emphasize this point, the Joint Applicants quoted PAWC's witness, Mr. Nevirauskis, as follows:

Given PAWC's size, the needed improvements to the System will not produce an unreasonable rate impact on any PAWC customer if PAWC is permitted, as allowed by Act 11, to utilize a combined water and wastewater revenue requirement. Rather, as capital improvements are made to the System, they will be reasonably spread across PAWC's large customer base. In future years, when capital improvements are needed for some other portion of PAWC's system not directly related to the System, those costs will again be spread across all of PAWC's customers, including SSA's customers.

M.B. at 34.

Next, the Joint Applicants argued that approval of this transaction is in the public interest only if the Commission concludes that it has jurisdiction over combined wastewater service and also makes a determination that PAWC is eligible to utilize Act 11 for recovery of the combined wastewater service costs. The Joint Applicants stressed that failure of the Commission to do so could significantly impact the prospective rates of Scranton-area customers as well as the financial viability of the transaction for PAWC. *Id.* at 35-37. They also contended that failure to approve the

request could result in PAWC significantly exceeding the 1.9% CAGR and having to make a substantial variance adjustment payment to SSA. *Id.* at 37-38.

The Joint Applicants also disputed I&E and the OCA's reliance on the Commonwealth Court's decision in *City of Lancaster – (Sewer Fund) v. Pa. PUC*, No. 1968 C.D. 2005 (Pa. Cmwlth. 2006). They averred that the Commonwealth Court's decision was not applicable in the instant proceeding for a variety of reasons: (1) the Court's decision is unpublished and non-binding; (2) the decision predates Act 11 and deals with municipalities offering service to jurisdictional and non-jurisdictional customers; and (3) there was no evidence that the non-jurisdictional customers would have contributed through rates to the cost of serving the jurisdictional customers. The Joint Applicants noted that PAWC can request to utilize Act 11 to enable it to spread SSA's combined wastewater service costs across its customer base. Joint Applicants' M.B. at 32-33.

Finally, in response to I&E and the OCA's proposal that the Commission require a cost of service study in PAWC's next base rate case that identifies stormwater costs, the Joint Applicants averred that there is no need for such a study because the record evidence in this case does not support cost allocation among PAWC customers. The Joint Applicants continued that while PAWC is not seeking a predetermination of a rate claim for a combined water and wastewater revenue requirement under Act 11 in this proceeding, PAWC is only seeking a Conclusion of Law that because combined wastewater service is a Commission-jurisdictional wastewater service, PAWC should be allowed to utilize Act 11 for stormwater cost recovery in a future base rate proceeding. The Joint Applicants concluded that because the opposing Parties' proposal will be adequately addressed in a future base rate proceeding, it should be rejected. *Id.* at 34-35 and 39-40.

b. I&E

In its opposition to the Joint Applicants' request, I&E asserted that no jurisdictional investor-owned utility currently operates a combined wastewater and stormwater system, or has requested the recovery of stormwater costs from the Commission. I&E averred there is currently only one Commission-regulated municipal system, the City of Lancaster, that operates a combined system, and the Commission, in *Lancaster*, has determined that stormwater costs cannot be recovered from the jurisdictional customers of the municipal system. I&E M.B. at 7-10. I&E asserted that, in *Lancaster*, consistent with the OCA's argument that the costs associated with stormwater service are not recoverable from customers residing outside the city as they are not utility costs, the ALJ determined as follows:

[S]ince stormwater enters the City's combined sewer system through approximately 2,000 stormwater inlets and that when this stormwater is moved with wastewater to the treatment plant, increased pumping and treatment costs are the result. The ALJ further recommended that the costs associated with collecting, conveying, pumping and treating this stormwater are not properly recoverable from jurisdictional customers and must be removed before a proper allocation can be performed between jurisdictional and non-jurisdictional customers.

I&E M.B. at 10, citing *Lancaster* at 15-16. According to I&E, the Commission agreed with the ALJ, stating as follows:

We conclude that there is substantial record evidence that the City's combined wastewater system collects stormwater runoff, and that when this stormwater is moved within the City's system, costs related to operation of the treatment plant and pumping stations are increased.

I&E at 11 (citing *Lancaster* at 17). I&E contended that similar to *Lancaster*, PAWC's current customers in other parts of the Commonwealth would not benefit from the City's stormwater service and should not be made to pay for such services. I&E M.B. at 11-12.

I&E also questioned the cost-sharing benefits of this acquisition as it pertains to PAWC's existing customers. I&E expressed concern over PAWC's testimony regarding the benefits of cost-sharing to PAWC's existing customers. According to I&E, PAWC's testimony that "over time these things will even out as they [SSA's customers] share in the costs of other wastewater systems, and ultimately other water system investment . . . ," is concerning. I&E R.B. at 4. I&E submitted that irrespective of the fact that failure of the Commission to grant PAWC's request may result in an increase in SSA's wastewater customers' rates, stranded costs for PAWC, and significant variance adjustment payment, as claimed by PAWC, if PAWC's current customers would not benefit from the stormwater service in question, they should not be made to pay for such services. *Id.* at 8-14.

Finally, I&E concluded that to ensure stormwater costs are not spread to PAWC's existing customers, the Commission should direct PAWC to provide a cost of service study in its next base rate case separating sanitary sewer and stormwater flows, along with the capital expense and operating costs for the two functions.¹⁸ I&E M.B. at 11-12; I&E R.B. at 2.

¹⁸ I&E contended that the cost of service study would provide ratemaking solutions in a future base rate case proceeding involving the recovery of stormwater related costs. I&E M.B. at 12-13.

c. OCA

The OCA also opposed PAWC's proposal. The OCA echoed I&E's arguments that the Commission's approval of the Joint Applicants' request must be conditioned upon a requirement for PAWC to develop separate rates and charges proportional to its customers' contribution of stormwater to the wastewater system. OCA M.B. at 41. According to the OCA, cost allocation is important in this case since a significant portion of the costs of plant improvements required in the Consent Decree will be expended on SSA's stormwater system and the fact that PAWC's current water and wastewater customers reside in municipalities that are providing and paying for stormwater costs.¹⁹ *Id.* at 42-43.

Furthermore, the OCA contended that the Joint Applicants' reliance on Act 11 in their pre-approval request is an attempt to expand the intent and plain language of Section 1311(c) and should be denied. The OCA noted that Section 1311(c) was amended as part of Act 11 to encourage the acquisition of small failing wastewater systems with few customers by larger water utilities in order to enhance necessary improvements on the small systems. The OCA continued that the amendment of Section 1311(c) was not intended to encourage the acquisition of a large system such as SSA's combined wastewater system. OCA R.B. at 23-24. The OCA averred that even if the Commission rules that combined wastewater service is a jurisdictional service, there is no basis for the Commission to make a determination of PAWC's future stormwater rate recovery in the instant proceeding. *Id.* at 24-27.

¹⁹ The OCA indicated that out of the estimated \$169 million investment costs needed for the LTCP, approximately \$144 million, plus a significant portion of the \$25 million for the wastewater treatment plant upgrade for BNR and Combined Sewer Overflow (CSO) control, is related to stormwater control. OCA M.B. at 42.

2. ALJs' Recommendation

The ALJs did not address PAWC's request for pre-approval to recover stormwater costs in their Recommended Decision in light of their recommendation that the Commission deny the Joint Application.

3. Exceptions and Replies

a. OCA's Exceptions

In its Exception No. 2, the OCA avers that the ALJs erred in failing to address the need for separate allocation of stormwater costs. The OCA asserts that if the Commission makes a determination that it has jurisdiction over the proposed acquisition, the sewage and stormwater rates must be separately allocated and that failure to do so would be harmful to PAWC's existing customers. OCA Exc. at 8-9. The OCA argues that the Joint Applicants' request to recover stormwater costs from PAWC's existing customers ignores the fact that stormwater customers are not the same as wastewater customers and the Commission sets stormwater rates differently from the way it sets water and wastewater rates. Particularly, the OCA notes that pursuant to the Code, rates are set on a cost and cost-causation basis, hence, the Joint Applicants' request to recover stormwater costs from PAWC's existing customers is contrary to the principles of cost-causation and cost-based ratemaking. *Id.* at 10-12. According to the OCA, approval of PAWC's request would result in PAWC's water and wastewater customers paying for the stormwater costs of the City and the Borough, as well as the improvements required under the Consent Decree. The OCA asserts that stormwater costs make up over 85% of the capital improvement costs that are required under the Consent Decree, and are equivalent to approximately \$144 million per 2012 dollars. The OCA, therefore, proposes that the Commission should, if it elects to approve the request, require PAWC to separately allocate stormwater costs so that PAWC's customers can be properly

charged for cost of service. *Id.* at 12. The OCA also suggests that the City and SSA consider charging separate stormwater fees which, according to the OCA, are employed by many municipalities including the City of Philadelphia. *Id.* at 12-13.

b. I&E's Replies to OCA's Exceptions

In response to the OCA's Exception No. 2, I&E acknowledges that the ALJs did not address PAWC's request to recover stormwater costs due to their denial of the Joint Application. I&E, however, states that should the Commission decide to reverse the ALJs' recommendation and approve the Joint Application, the Commission must address this issue in the instant proceeding. I&E, like the OCA, also asserts that while it requests that the Commission deny PAWC's pre-approval request, if the Commission elects to approve the Joint Application, it should direct PAWC to develop a separate cost of service study to isolate stormwater costs. This, according to I&E, will protect PAWC's existing customers from paying SSA's stormwater service costs to which they are not beneficiaries. I&E R. Exc. at 21-24 (citing I&E M.B. at 9-14 and I&E R.B. at 6-11).

c. Joint Applicants' Replies to OCA's Exceptions

In their Replies to OCA Exception No. 2, the Joint Applicants agree with the ALJs' decision not to address this issue. The Joint Applicants assert that the ALJs did not direct the allocation of stormwater costs as a result of their determination that combined storm/wastewater service is jurisdictional and, therefore, there is no need to differentiate wastewater from stormwater service, especially with regard to cost allocation. They further submit that the instant proceeding is not the appropriate place to address such ratemaking issues. Joint Applicants' R. Exc. at 12-13. The Joint Applicants assert that the OCA's arguments for cost allocation are not supported by any binding

legal authority but are simply opinions of its witnesses on how they believe stormwater costs should be billed and collected. *Id.* at 13.

Additionally, in response to the OCA's proposal regarding separate stormwater fees, the Joint Applicants aver that even in the few instances where certain municipalities or municipal authorities have been granted limited authority to impose stormwater fees, the administration of such fees tend to be complex, time-consuming, and expensive, which is in stark contrast to the Commission's regulation of combined water/wastewater service. The Joint Applicants assert that the Commission's regulation of combined storm/wastewater service is fair, straightforward, and permitted under Pennsylvania law. The Joint Applicants assert that the OCA's proposal would deprive investor-owned utilities from acquiring combined storm/wastewater systems despite the fact that such acquisitions are permitted by Pennsylvania law and are in the public interest. The Joint Applicants, therefore, request that the Commission reject the OCA's cost of service study proposal. *Id.* at 13-14.

4. Disposition

Based on our review of the record, the positions of the Parties, and the applicable law, we will grant, in part, OCA's Exception No. 2 and deny the Joint Applicants' request that the Commission pre-approve, in this proceeding, PAWC's ability to recover stormwater costs from its combined water and sewer customer base in the future pursuant to Act 11.

Specifically, the Joint Applicants' in their request for approval to utilize Act 11 in a future base rate proceeding stated as follows:

[T]he applicability of Act 11 to Combined Wastewater service [is] so fundamental to this Transaction that [it] must be resolved in this proceeding and cannot wait until a future PAWC base rate proceeding.

Joint Applicants' M.B. at 35.

However, as previously noted by the Joint Applicants, Act 11 provides, in pertinent part, as follows:

The commission, when setting base rates, after notice and opportunity to be heard, *may* allocate a portion of the wastewater revenue requirement to the *combined water and wastewater* customer base if in the public interest.

66 Pa. C.S. §1311(c) (emphasis added).

The Joint Applicants, in recognition of the ratemaking language in Act 11 above, indicated they are only requesting that the Commission predetermine PAWC's ability to, and not the extent to which it can, utilize Act 11 to recover combined stormwater and wastewater costs in a future base rate proceeding. Joint Applicants' M.B. at 86-87. Nevertheless, it is clear that the approval requested by the Joint Applicants is a traditional ratemaking issue that should be reserved for a future base rate proceeding when the Commission is provided with a full evidentiary record on ratemaking issues. We note that what is before us in this proceeding is an acquisition application pursuant to Sections 1102 and 1103, 66 Pa. C.S. §§ 1102 and 1103. As we have stated, it would be premature for us to prejudge PAWC's eligibility to recover the costs at issue absent a rate request from PAWC and PAWC's presentation of a revenue requirement before the Commission. While we are cognizant of the rate recovery issues associated with utility acquisitions or mergers, the record in this case does not contain sufficient evidence to enable us to make any determination of PAWC's eligibility to recover stormwater costs

or to evaluate the specific effects of the acquisition on PAWC's revenue requirement and rate design matters.

We also note the Joint Applicants alluded, *inter alia*, to the variance adjustment payment as a key reason for their request for the cost recovery. The Joint Applicants, in an effort to emphasize this point, stated as follows:

Likewise, if PAWC is unable to request Commission authorization to spread the costs of the Combined Wastewater service under Act 11, an important component of the Transaction would be undermined and PAWC could have to pay a significant Variance Adjustment (i.e., a purchase price adjustment based upon the 1.9% compound annual growth rate ("CAGR") as set forth in Section 7.07 of the APA.

Joint Applicants' M.B. at 8.

However, as we stated earlier, the Joint Applicants have proposed to amend the APA and to eliminate the variance adjustment from the purchase price in the APA. They have also proposed that the Commission conditionally approve the Joint Application pending their filing of the Proposed Amended APA. Consequently, because we will approve the Proposed Amended APA, we need not address PAWC's request to recover stormwater costs from its existing customer base on the basis of the variance adjustment.

With regard to OCA's Exception No. 2, both the OCA and I&E urge that stormwater costs be separately billed, apart from water and wastewater rates, to prevent the unfair burdening of existing PAWC water and wastewater customers with the capital and operating costs of treating stormwater runoff in the City and the Borough. The OCA further argues that as part of this approval, the Commission should require separated rates in order to ensure that there will be no harm to existing PAWC customers. OCA Exc.

at 8-9, 10-13; OCA R.B. at 22; I&E R. Exc. at 21-24. Although, we decline to formally address specific rate issues in this proceeding, we believe that the issue of stormwater cost recovery is important and should be afforded full and complete consideration by the Commission in PAWC's next base rate case.²⁰

The Commission has some experience with stormwater cost recovery,²¹ but not of the magnitude involved here.²² As with all rate design issues, the basis of rate setting is a cost of service study. The absence of a study designed with specific direction to address recovery of stormwater costs as a separate class would be an impediment to the full development of this issue in PAWC's next base rate proceeding. As noted by I&E, "[a] separate cost of service study would provide ratemaking solutions to this stormwater issue by potentially charging SSA customers or the City for these stormwater costs." I&E M.B. at 12.

Accordingly, we shall direct PAWC to develop and file cost of service studies in its next base rate case, pursuant to Section 53 of our Regulations, 52 Pa. Code § 53.53, Exhibit D, Section VIII, to allow both the rate limitation and stormwater costs allocation issues to be fully vetted within the nine-month time constraint of a fully litigated base rate case. First, we shall direct that PAWC include a cost of service study that fully separates the costs of providing stormwater services in the SSA service area. Moreover, PAWC shall address the pros and cons of designing stormwater rates on this separated basis.

²⁰ In this case, stormwater costs include costs associated with street sweeping and catch basin cleaning in the areas serviced by the combined system that PAWC has agreed to undertake in the purchase agreement.

²¹ See *Pa. P.U.C. v. City of Lancaster Sewer Fund*, Docket No. R-2012-2310366 (Order entered April 18, 2013) and *Lancaster Remand*.

²² I&E states that this represents a case of first impression. I&E M.B. at 9.

Second, PAWC shall file a cost of service study that removes all costs and revenues associated with the SSA operations (both wastewater and stormwater) and, using the same rate design methodology it proposes be adopted in the case, develop rates that exclude the impact of the SSA acquisition included in the base rate filing. These studies will enable the parties in the next base rate case and this Commission to better evaluate the rate impacts of this transaction on PAWC's existing customers. Both studies shall be submitted at the time of filing the next base rate case. The requirement of filing these two items is not intended to limit or affect what PAWC may propose as rates or the positions that it or any party, including the Commission, may take.

E. Public Utility Municipal Contracts/Agreements

1. Positions of the Parties

a. Joint Applicants

The Joint Applicants requested that the Commission should, in conjunction with its approval of the APA and the Joint Application, also approve the municipal agreements to be assumed by PAWC pursuant to the terms of the APA, and authorize PAWC to file a compliance tariff supplement consistent with the *pro forma* tariff supplement.²³ Joint Applicants' M.B. at 58.

On July 1, 2016, the Joint Applicants filed seven unsigned *pro forma* agreements, along with *pro forma* assignment and assumption agreements (A&A agreements), pursuant to Section 507 of the Code, 66 Pa. C.S. § 507, seeking

²³ The *pro forma* tariff supplement which incorporates the Industrial Pretreatment Program (IPP) in the Scranton Area to PAWC's Commission-approved tariff, pursuant to the municipal agreements, was attached as Appendix D to the Joint Applicants' Main Brief.

Commission approval of the agreements. The *pro forma* agreements are agreements between PAWC and SSA in which PAWC agrees to assume contractual obligations of SSA. The contractual obligations are agreements between SSA and various entities concerning the acquisition of facilities or the provision of services by SSA. The agreements are as follows:

Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Dickson City, Pennsylvania, dated April 14, 2003;

Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Taylor, Pennsylvania, dated April 9, 2003;

Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Moosic, Pennsylvania, dated May 13, 2003;

Agreement for the Acceptance, Conveyance, Treatment, and Disposal of Wastewater Received from the Siniawa Enterprises Wastewater Collection System at the Scranton Wastewater Collection System and Wastewater Treatment Plant, as of June 14, 1989;

Agreement for the Acceptance, Conveyance, Treatment, and Disposal of Wastewater Received from the Montage, Inc. Wastewater Collection System at the Scranton Wastewater Collection System and Wastewater Treatment Plant, as of July 24, 2003;

Agreement Providing for Uniformity of Charges Applicable to Residents of Taylor Borough and Residents of the City of Scranton, as of January 12, 1976; and,

Agreement for the Transfer, Conveyance, and Acceptance of the Davis Street, Greenwood Avenue, and Corey Street Sanitary Sewer Conveyance Line from Moosic Borough to the Sewer Authority of the City of Scranton, as of April 16, 2008.

Joint Applicants' M.B at 58-59.

According to the Joint Applicants, approval of the A&A agreements and the municipal agreements would help PAWC maintain existing relationships with neighboring municipalities, recognize geographic limitations on service, and improve efficiency of service. The Joint Applicants requested that the Commission issue Certificates of Filing for the agreements upon PAWC's filing of executed versions of the A&A agreements which are substantially similar in all material respects to the *pro forma* A&A agreements. *Id.* at 59.

b. Other Parties' Positions

None of the other Parties opposed the approval of the municipal agreements filed by the Joint Applicants.

2. ALJs' Recommendation

The ALJs did not address the municipal agreements in their Recommended Decision consistent with their denial of the Joint Application.

3. Exceptions and Replies

a. Joint Applicants' Exceptions

In their Exception No. 4,²⁴ the Joint Applicants request that the Commission conditionally approve the Joint Application, including the municipal agreements filed pursuant to Section 507 of the Code, 66 Pa. C.S. § 507, pending PAWC's filing of the Proposed Amended APA and PAWC's filing of executed versions of the agreements, at which time the Commission can issue a certificate of filing for the APA and the seven agreements. The Joint Applicants assert that approval of the municipal agreements pursuant to 66 Pa. C.S. § 507 is required for closing of the transaction. The Joint Applicants further assert that the seven *pro forma* municipal agreements filed on July 1, 2016, were unsigned because PAWC was still moving the agreements through the municipal approval process.²⁵ Joint Applicants' Exc. at 22-23.

b. OCA's Replies to Joint Applicants' Exceptions

In reply to the Joint Applicants' Exception No. 4, the OCA rejects the Joint Applicants' request, stating that it is premised on a false assumption that the only issue with the APA and the Joint Application is the variance adjustment. OCA R. Exc. at 18. The OCA outlines several reasons it believes there are several other areas of the APA that are problematic. First and foremost, the OCA alleges that in addition to the purchase price and variance adjustment, the transaction is expected to cost PAWC's existing ratepayers \$146 million to \$199 million over the next twenty years in stormwater-related

²⁴ We note that this Exception is mistakenly labeled "Joint Applicants' Exception No. 5" in the Joint Applicants' Exceptions.

²⁵ The Joint Applicants assert that should any of the agreements change, PAWC would file the changed agreement for the Commission to review. Joint Applicants' Exc. at 23.

capital improvements and subsidies. According to the OCA, the thirty year projection of this transaction, without adjusting for PAWC's higher cost of capital, is in excess of \$300 million. *Id.*

The OCA asserts that the benefits claimed by the Joint Applicants that would result from this acquisition are overstated and lacking. The OCA argues that eliminating the variance adjustment from the transaction does not diminish the fact that the detrimental effects of this acquisition outweigh the alleged benefits and, thus, there is no basis to approve the APA or issue Certificates of Filing for the seven agreements. *Id.* at 18-19.

4. Disposition

Based on our review of the record, the positions of the Parties, and the applicable law, we will grant the Joint Applicants' Exception No. 4 and conditionally approve the municipal agreements, subject to the Joint Applicants' filing of executed versions of all the agreements. Although the ALJs did not address the municipal agreements in their Recommended Decision, they denied the Joint Application consistent with their conclusion that the variance adjustment in the APA was unreasonable and not in the public interest. However, the Joint Applicants have proposed to eliminate the variance adjustment from the APA. They have also proposed to file executed municipal agreements with the Commission. Additionally, we note that the OCA did not find issue with the municipal agreements. Rather, the OCA's rejection of the Joint Applicants' Exception No. 4 is based on its disagreement with the APA. Nevertheless, we have addressed the public benefit issues of this transaction and have made a determination that pursuant to the Joint Applicants' Proposed Amended APA, the transaction is in the public interest. We, therefore, see no reason to deny the Joint Applicants' request for a conditional approval of the municipal agreements.

As noted, Section 507 of the Code, 66 Pa. C.S. § 507, is applicable in the review of the agreements filed by the Joint Applicants.²⁶ We shall therefore, approve the subject agreements pursuant to Section 507 of the Code, 66 Pa. C.S. § 507, conditioned upon the Joint Applicants' filing the Proposed Amended APA and the subject executed municipal agreements. Additionally, in order to enable the Commission to track future proceedings involving the municipal agreements, we will also, as a matter of administrative efficiency, direct the Joint Applicants to file the executed municipal agreements under separate "U" docket numbers.

IV. Conclusion

Based on our review of the record, and consistent with the foregoing discussion we shall: (1) grant, in part, the OCA's Exceptions, (2) grant, in part, the Joint Applicants' Exceptions; (3) modify the ALJs' Recommended Decision; (4) conditionally grant the Joint Application, pending the Joint Applicants' filing of the Proposed Amended APA; (5) direct PAWC to file a cost of service study in its next base rate case that fully separates the costs of providing stormwater services in the SSA service area, and to address the pros and cons of designing rates on this separated basis; (6) direct PAWC to file a cost of service study in its next base rate case that, using the same rate design methodology it proposes be adopted in the case, removes all costs and revenues associated with the SSA operations (both sewer and stormwater) from the proposed rates and develops rates that exclude the impact of the SSA acquisition; and (7) conditionally approve the *pro forma* municipal agreements, subject to the Joint Applicants' filing of

²⁶ Pursuant to Section 507, contracts or agreements between a public utility and a municipal corporation, except contracts to furnish service at regular tariff rates, must be filed with the Commission at least thirty days prior to the effective date of the contract or agreement. In determining whether to approve such agreements, the Commission will consider the reasonableness, legality, or any other matter affecting the validity of the agreement. 66 Pa. C.S. § 507.

executed municipal agreements, all consistent with this Opinion and Order;

THEREFORE,

IT IS ORDERED:

1. That the Exceptions filed by the Office of Consumer Advocate on September 2, 2016, are granted, in part, and denied, in part, consistent with this Opinion and Order.

2. That the Exceptions filed by Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton are granted, in part, and denied, in part, consistent with this Opinion and Order.

3. That the Recommended Decision of Administrative Law Judges David A. Salapa and Steven K. Haas, issued on August 24, 2016, is modified, consistent with this Opinion and Order.

4. That the Joint Application filed by Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton is conditionally granted, subject to the condition that Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton file with the Commission, within ten days of the entry of this Opinion and Order, a compliance filing containing the Proposed Amended Asset Purchase Agreement, consistent with Appendix A to the Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton's Replies to Exceptions.

5. That upon the filing of an acceptable Asset Purchase Agreement Compliance Filing, the Commission's Secretary issue a Certificate of Public Convenience evidencing Pennsylvania-American Water Company's right under Sections 1102(a)(1) and 1102(a)(3) of the Pennsylvania Public Utility Code, 66 Pa.

C.S. §§ 1102(a)(1) and 1102(a)(3), to (a) acquire, by sale, substantially all of The Sewer Authority of the City of Scranton's Sewer System and Sewage Treatment Works assets, properties, and rights related to its wastewater collection and treatment system to Pennsylvania-American Water Company, and (b) begin to offer or furnish wastewater service, which includes combined storm/wastewater service, to the public in the City of Scranton and the Borough of Dunmore, Lackawanna County, Pennsylvania.

6. That upon the filing of an acceptable Asset Purchase Agreement Compliance Filing, the Commission's Secretary issue a Certificate of Filing under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, for the Asset Purchase Agreement By and Between The Sewer Authority of the City of Scranton, as Seller, and Pennsylvania-American Water Company, as Buyer, dated March 29, 2015.

7. That the *pro forma* municipal agreements submitted by Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton are conditionally approved, subject to the filing of executed municipal agreements.

8. That upon the filing of acceptable executed versions of assignment and assumption agreements which are substantially-similar in all material respects to the *pro forma* assignment and assumption agreements filed with the Commission on July 1, 2016, the Commission's Secretary issue Certificates of Filing under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, for the following agreements:

a. Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Dickson City, Pennsylvania, dated April 14, 2003 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-

similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016);

b. Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Taylor, Pennsylvania, dated April 9, 2003 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016);

c. Interjurisdictional Agreement Between The Sewer Authority of The City of Scranton and The Borough of Moosic, Pennsylvania, dated May 13, 2003 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016);

d. Agreement for the Acceptance, Conveyance, Treatment, and Disposal of Wastewater Received from the Siniawa Enterprises Wastewater Collection System at the Scranton Wastewater Collection System and Wastewater Treatment Plant, as of June 14, 1989 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016);

e. Agreement for the Acceptance, Conveyance, Treatment, and Disposal of Wastewater Received from the Montage, Inc. Wastewater Collection System at the Scranton Wastewater

Collection System and Wastewater Treatment Plant, as of July 24, 2003 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016);

f. Agreement Providing for Uniformity of Charges Applicable to Residents of Taylor Borough and Residents of the City of Scranton, as of January 12, 1976 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016); and,

g. Agreement for the Transfer, Conveyance, and Acceptance of the Davis Street, Greenwood Avenue, and Corey Street Sanitary Sewer Conveyance Line from Moosic Borough to the Sewer Authority of the City of Scranton, as of April 16, 2008 (as will be assigned and assumed by an assignment and assumption agreement which is substantially-similar in all material respects to the pro forma assignment and assumption agreement filed with the Commission on July 1, 2016).

9. That the executed municipal agreements shall be filed under separate “U” docket numbers.

10. That within ten days after the closing of the transaction, Pennsylvania-American Water Company shall file a compliance tariff supplement consistent with the *pro forma* tariff supplement attached as Appendix D to the Main

Brief of Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton, to become effective on the same date as issuance.


11. That at the time of filing its next base rate case, Pennsylvania-American Water Company shall submit a cost of service study that fully separates the costs of providing stormwater services in the service area of the Sewer Authority of the City of Scranton and addresses the pros and cons of designing rates on this separated basis, consistent with the discussion in this Opinion and Order.

12. That at the time of filing its next base rate case, Pennsylvania-American Water Company shall submit a cost of service study that removes all costs and revenues associated with the operations (both wastewater and stormwater) of the Sewer Authority of the City of Scranton and, using the same rate design methodology it proposes be adopted in that case, develop rates in its next base rate case that exclude the impact of the Sewer Authority of the City of Scranton acquisition, consistent with the discussion in this Opinion and Order.

13. That any directive, requirement, disposition or the like contained in the body of this Opinion and Order that is not the subject of an individual Ordering Paragraph, shall have the full force and effect as if fully contained in this part.

14. That upon compliance by the parties with the terms of this Opinion and Order, this matter be marked closed.

BY THE COMMISSION,


Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: October 6, 2016

ORDER ENTERED: October 19, 2016

**Pennsylvania-American Water Company
Taxes, Other Than Income**

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PURTA

August 1, 2016

PENNSYLVANIA-AMERICAN WATER CO
800 W HERSHEY PARK DR

HERSHEY, PA 17033

**Re: 2015 Pennsylvania Public Utility Realty Tax
Notice of Determination**

Dear Taxpayer:

Pursuant to the Public Utility Realty Tax Act, the Department of Revenue herein provides notice of the state taxable values of PURTA realty and the millage rate for tax year 2015. This notice is based on information provided by County Tax Assessor offices. Any discrepancies must be addressed with that agency and not with the Pennsylvania Department of Revenue. Please note, any net liabilities resulting from prior years' adjustments are due and payable along with the current year liability.

Payment of tax is required within 45 days of the mailing date of this notice. Previous payments, adjustments and credits should be taken into consideration. Payments and correspondence relevant to the PURTA tax or this notice should be mailed directly to the above address.

All payments of \$1,000 or more must be made electronically or by certified or cashier's check remitted in person or by express mail courier. For information on electronic filing options, visit www.etides.state.pa.us.

Thank you for your attention to this matter.

Sincerely,

Department of Revenue
Bureau of Corporation Taxes

Tax Year

2015

1) Total Realty Tax Equivalent (RTE):	\$ 29,954,712
2) Total State Taxable Value (STV) for all utilities:	\$ 1,280,876,963
3) PURTA Millage Rate, including 7.6 mills for PTA:	30.9861 mills
4) Utility STV:	\$109,336,001
5) Liability (Line 3 x Line 4):	\$3,387,896 ✓
6) Utility Transition Credit:	N/A
7) Utility Liability Adjustment:	N/A
8) Utility Transition Credit Adjustment:	N/A

**PLEASE SEE PAGE 2
FOR YEARS 1998 - 2014**

Account ID: 3505313

Details

Tax Year	2014	2013	2012	2011	2010	2009	2008	2007
			<u>Adjusted Totals</u>					
1) Total RTE:	\$29,060,693	\$31,136,041	\$30,794,463	\$30,713,419	\$30,176,204	\$31,157,127	\$30,494,035	\$28,793,209
2) Total STV for all utilities:	\$1,243,216,127	\$1,254,218,377	\$1,264,292,193	\$1,342,310,553	\$1,407,007,573	\$1,531,581,384	\$1,619,230,651	\$1,644,313,440
3) PURTA Millage Rate:	30.9754 mills	32.4251 mills	31.9571 mills	30.481 mills	29.0471 mills	27.9431 mills	26.4324 mills	25.1108 mills
			<u>Utility Adjustment</u>					
4) Utility STV:	\$114,681,882	\$120,520,266	\$111,950,781	\$116,403,401	\$115,370,043	\$125,743,322	\$128,705,446	\$129,153,939
5) Liability (Line 3 x Line 4):	\$3,552,317	\$3,907,882	\$3,577,622	\$3,548,092	\$3,351,165	\$3,513,658	\$3,401,994	\$3,243,159
6) Utility Transition Credit:	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7) Utility Liability Adjustment:	(\$145,009)	(\$156,715)	(\$159,606)	(\$152,930)	(\$145,165)	(\$6,754)	(\$6,293)	(\$6,076)
8) Transition Credit Adjustment:	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Tax Year	2006	2005	2004	2003	2002	2001	2000	1999	1998
			<u>Adjusted Totals</u>						
1) Total RTE:	\$30,439,717	\$30,612,544	\$29,302,335	\$29,253,790	\$28,937,019	\$29,017,627	\$27,994,313	\$38,513,051	\$40,717,661
2) Total STV for all utilities:	\$1,614,801,583	\$1,519,031,215	\$1,420,890,602	\$1,355,850,220	\$1,349,731,942	\$1,323,214,489	\$1,346,009,739	\$2,033,836,776	\$2,070,371,482
3) PURTA Millage Rate:	26.4504 mills	27.7527 mills	28.2225 mills	29.176 mills	29.0391 mills	29.5296 mills	28.398 mills	26.5362 mills	71.9363 mills
			<u>Utility Adjustment</u>						
4) Utility STV:	\$119,038,149	\$108,573,596	\$99,625,709	\$96,627,262	\$91,625,232	\$75,078,511	\$67,281,178	\$68,155,269	\$68,864,304
5) Liability (Line 3 x Line 4):	\$3,148,607	\$3,013,210	\$2,811,687	\$2,819,197	\$2,660,714	\$2,217,038	\$1,910,651	\$1,808,582	\$4,953,843
6) Utility Transition Credit:	N/A	N/A	N/A	N/A	N/A	\$0	\$0	\$0	\$0
7) Utility Liability Adjustment:	(\$7,344)	(\$7,148)	(\$3,736)	(\$4,109)	(\$3,932)	(\$4,015)	\$3,592	\$2,959	\$344
8) Transition Credit Adjustment:	N/A	N/A	N/A	N/A	N/A	\$0	\$0	\$0	\$0

If you do not agree with this Notice of Determination for 2015 PURTA, you may file a Petition for Recalculation with the Board of Finance and Revenue pursuant to Section 1109-A of the Tax Reform Code of 1971. The petition must be postmarked by the U.S. Postal Service or received by the Board of Finance and Revenue within 30 days of the mailing date of this notice. Under separate cover you will receive a Statement of Account. Please review it to confirm the status of payments made, transition credits and adjustments to previous tax liabilities or balances still due. Any overpayment is available for transfer within the account, and any net credit balance for the account is available for refund/assignment.

LOCAL PROPERTY TAXES

**Pennsylvania Property Tax
Property subject to PURTA or Local Property Tax**

Water Operations

	2016	2017	2018
303.00 Land & Land Rights	\$20,792,265	\$20,792,265	\$21,529,597
303.35 Waste Handling and Treatment Land	155,025	155,025	155,025
304.15 Other Water Source Structures	34,232,490	34,442,970	34,442,970
304.20 Power and Pumping Structures	94,243,008	94,243,008	106,327,134
304.30 Purification Buildings	237,411,244	243,660,816	275,049,798
304.36 Waste Handling Struct. & Improv.	11,608,527	11,608,527	11,608,527
304.61 Office Buildings	17,321,374	17,321,374	40,173,707
304.62 Stores, Shop and Garage Buildings	32,976,864	33,896,864	56,345,069
304.63 Miscellaneous Structures and Improvements	2,614,950	3,250,393	4,649,946
	<u>\$451,355,747</u>	<u>\$459,371,242</u>	<u>\$550,281,773</u>

Wastewater Operations Excluding Scranton

	2016	2017	2018
353.00 Land & Land Rights	\$2,856,569	\$2,856,569	\$2,856,569
354.20 Structures And Improvements - Collection	479,297	3,546,057	3,546,057
354.30 Structures And Improvements - SPP	18,127,540	18,210,390	18,738,286
354.40 Structures And Improvements - TDP	50,048,128	50,048,128	50,048,128
354.70 Structures And Improvements - General	4,656,619	4,661,219	4,890,819
	<u>\$76,168,153</u>	<u>\$79,322,363</u>	<u>\$80,079,859</u>

Scranton Wastewater

	2016	2017	2018
353.00 Land & Land Rights	\$234,253	\$234,253	\$234,253
354.30 Structures And Improvements - SPP	3,907,437	5,134,823	6,139,529
354.40 Structures And Improvements - TDP	50,981,239	53,510,121	54,468,094
	<u>\$55,122,929</u>	<u>\$58,879,197</u>	<u>\$60,841,876</u>

**Pennsylvania-American Water Company - Water Operations
Pennsylvania Property Tax**

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2466	Adams	Mount Pleasant	Lake Heritage-Mt. Pleasant	32-105-0050	\$940
2466	Adams	Mount Joy Township	MOUNT JOY	30108-0054---000	815
2466	Adams	Mount Joy Township	MOUNT JOY	30108-0054---000	314
2466	Adams	Mount Pleasant	Mt. Pleasant	32-105-0050	383
2411	Allegheny	Baldwin Borough	Baldwin Boro.	0059-J-375-0000-00	59,034
2411	Allegheny	Baldwin Borough	Baldwin Boro.	0059-J-375-0000-00	18,247
2411	Allegheny	Allegheny County Treasurer	Baldwin Boro.	0059-J-375-0000-00	14,506
2411	Allegheny	Baldwin Borough	Baldwin Boro.	0059-K-00171-0000-00	1,704
2411	Allegheny	Baldwin Borough	Baldwin Boro.	0059-K-00171-0000-00	527
2411	Allegheny	Allegheny County Treasurer	Baldwin Boro.	0059-K-00171-0000-00	419
2411	Allegheny	Bethel Park Municipality	Bethel Park Boro.	0774-J-00475-0000-00	5
2411	Allegheny	Allegheny County Treasurer	Bethel Park Boro.	0774-J-00475-0000-00	1
2411	Allegheny	Bethel Park Municipality	Bethel Park Boro.	0774-J-00475-0000-00	1
2422	Allegheny	Elizabeth Twp	Elizabeth Twp	0998-J-00001-0000-00	1,840
2422	Allegheny	Allegheny County Treasurer	Elizabeth Twp	0998-J-00001-0000-00	395
2422	Allegheny	Elizabeth Twp	Elizabeth Twp	0998-J-00001-0000-00	328
2422	Allegheny	Jefferson Hills Boro.	Jefferson Hills Boro.	1421-G-00093-0000-00	502
2422	Allegheny	Jefferson Hills Boro.	Jefferson Hills Boro.	1421-G-00093-0000-00	145
2422	Allegheny	Jefferson Hills Boro.	Jefferson Hills Boro.	0764-A-00065-0000-00	129
2422	Allegheny	Allegheny County Treasurer	Jefferson Hills Boro.	1421-G-00093-(878 04602 0)	121
2422	Allegheny	Jefferson Hills Boro.	Jefferson Hills Boro.	0764-A-00065-0000-00	37
2422	Allegheny	Allegheny County Treasurer	Jefferson Hills Boro.	0764-A-00065-0000-00	31
2411	Allegheny	North Fayette Twp	North Fayette Twp	0410-K-00008-0000-00	11
2411	Allegheny	Allegheny County Treasurer	North Fayette Twp	0410-K-00008-0000-00	3
2411	Allegheny	North Fayette Twp	North Fayette Twp	0410-K-00008-0000-00	2
2411	Allegheny	Pittsburgh City	Pittsburgh Ward 28	12800-40-F-00134	145
2411	Allegheny	Pittsburgh City	Pittsburgh Ward 28	12800-40-F-00136	73
2411	Allegheny	Allegheny County Treasurer	Pittsburgh Ward 28	0040-F-00134-0000-00 (128 04221 5)	37
2411	Allegheny	Allegheny County Treasurer	Pittsburgh Ward 28	0040-F-00136-0000-00 (128 04222 3)	19
2444	Armstrong	Kittanning Borough	Kittanning Borough	22.89 miles pipe	229
2444	Armstrong	Rayburn Twp.	Rayburn Twp.	118.00-06-02	90
2444	Armstrong	Rayburn Twp.	Rayburn Twp.	118.00-06-02	35
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0253-001-1	3,559
2431	Beaver	Beaver County Treasurer	Franklin Twp	61-104-0253-001-1	1,205
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0253-001-1	518
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0164-016-1	161
2431	Beaver	Beaver County Treasurer	Franklin Twp	61-104-0164-016-1	54
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0253-002-1	32
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0164-016-1	23
2431	Beaver	Beaver County Treasurer	Franklin Twp	61-104-0253-002-1	11
2431	Beaver	Franklin Twp	Franklin Twp	61-104-0253-002-1	5
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0211-000-1	5,727
2431	Beaver	Beaver County Treasurer	North Sewickley Twp	70-016-0211-000-1	1,940
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-103-0137-00A	1,670
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0211-000-1	814
2431	Beaver	Beaver County Treasurer	North Sewickley Twp	70-103-0137-00A	566
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-103-0137-00A	240
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0210-000-1	106
2431	Beaver	Beaver County Treasurer	North Sewickley Twp	70-016-0210-000-1	36
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0212-000-1	32
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0210-000-1	19
2431	Beaver	Beaver County Treasurer	North Sewickley Twp	70-016-0212-000-1	11
2431	Beaver	North Sewickley Twp	North Sewickley Twp	70-016-0212-000-1	9
2459	Berks	Daniel Boone SD	Amity Twp	24-5365-13-14-4338	2,103
2459	Berks	Amity Township	Amity Twp	24-5365-13-14-4338	647
2459	Berks	Exeter Twp	Exeter Twp	43-5335-14-22-8754	19,734
2459	Berks	Exeter Twp	Exeter Twp	43-5335-14-22-8754	6,799
2459	Berks	Exeter Twp	Exeter Twp	43-5335-18-40-8384	2,005
2459	Berks	Exeter Twp	Exeter Twp	43-5335-18-40-8384	675
2459	Berks	Exeter Twp	Exeter Twp	43-5325-12-95-7098	404
2459	Berks	Exeter Twp	Exeter Twp	43-5325-12-95-7098	137
2463	Berks	Sinking Spring	Sinking Spring	79-4386-14-34-2455	541
2463	Berks	Sinking Spring	Sinking Spring	79-4386-14-34-2455	312
2463	Berks	Sinking Spring	Sinking Spring	79-4386-14-34-2457	5
2463	Berks	Sinking Spring	Sinking Spring	79-4386-14-34-2457	3
2463	Berks	South Heidelberg Twp	South Heidelberg Twp	51-4375-01-28-0567	675

Pennsylvania-American Water Company - Water Operations
 Pennsylvania Property Tax

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2463	Berks	South Heidelberg Twp	South Heidelberg Twp	51-4375-01-28-0567	269
2452	Bucks	Lower Makefield Twp.	Lower Makefield Twp.	20-001-001-001	1,354
2451	Bucks	Lower Makefield Twp.	Lower Makefield Twp.	20-001-001-001	322
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 142	132
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 168	132
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 174	132
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 175	132
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 142	57
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 168	57
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 174	57
2433	Butler	Butler City Treasurer	Butler City Ward #4	564 19 175	57
2433	Butler	Butler County Treasurer	Butler City Ward #4	564 19 142	37
2433	Butler	Butler County Treasurer	Butler City Ward #4	564 19 168	37
2433	Butler	Butler County Treasurer	Butler City Ward #4	564 19 174	37
2433	Butler	Butler County Treasurer	Butler City Ward #4	564 19 175	37
2433	Butler	Butler Township	Butler Twp Ward #1	051 40 C8	45
2433	Butler	Butler Township	Butler Twp. Ward #1	051 40 C8	178
2433	Butler	Butler Township	Butler Twp. Ward #1	051 40 C8	112
2433	Butler	Jackson Township	Jackson Township	180-4F102-6P-0000	225
2433	Butler	Jackson Township	Jackson Township	180-4F102-6P-0000	64
2433	Butler	Jackson Township	Jackson Township	180-4F102-6MF-0001	37
2433	Butler	Jackson Township	Jackson Township	180-4F102-6MF-0001	10
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 20	759
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15B	673
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15H	595
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15A	359
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 20	267
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15B	237
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 22G	210
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15H	209
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15A	126
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15G	106
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 22G	74
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 25B	69
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15G	37
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15F	37
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15D	35
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15C	29
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15E	29
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F20 25B	24
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15F	13
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15D	12
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15C	10
2433	Butler	Oakland Twp.	Oakland Twp.	250 2F22 15E	10
2472	Centre	Philipsburg Boro.	Philipsburg Boro.	29-102-122A	40
2472	Centre	Philipsburg Boro.	Philipsburg Boro.	29-102-122A	18
2472	Centre	Rush Twp.	Rush Twp.	05-014-099-0001	15,545
2472	Centre	Rush Twp.	Rush Twp.	05-022-005	10,584
2472	Centre	Rush Twp.	Rush Twp.	05-18-028	9,012
2472	Centre	Rush Twp.	Rush Twp.	05-19-008	4,688
2472	Centre	Rush Twp.	Rush Twp.	05-014-099-0001	2,340
2472	Centre	Rush Twp.	Rush Twp.	05-022-005	1,593
2472	Centre	Rush Twp.	Rush Twp.	05-018-028	1,357
2472	Centre	Rush Twp.	Rush Twp.	05-018-019B	1,075
2472	Centre	Rush Twp.	Rush Twp.	05-019-008	706
2472	Centre	Rush Twp.	Rush Twp.	05-19-007J	458
2472	Centre	Rush Twp.	Rush Twp.	05-018-019B	162
2472	Centre	Rush Twp.	Rush Twp.	05-18-038	147
2472	Centre	Rush Twp.	Rush Twp.	05-018-019A	73
2472	Centre	Rush Twp.	Rush Twp.	05-19-007J	69
2472	Centre	Rush Twp.	Rush Twp.	05-18-038	22
2478	Centre	Walker twp	Walker twp	14-004-002E 000	451
2478	Centre	Walker twp	Walker twp	14-004-002E 000	85
2465	Chester	Berkheimer Tax Admin	Caln Twp	3903 01080000	2,889
2465	Chester	Chester County Treasurer	Caln Twp	3903 01080000	367
2465	Chester	Caln Twp	Caln Twp	39-3-01080000	299

**Pennsylvania-American Water Company - Water Operations
Pennsylvania Property Tax**

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2465	Chester	Berkheimer Tax Admin	Coatesville Boro	1602 00110000	10,368
2465	Chester	Chester County Treasurer	Coatesville Boro	1602 00110000	1,316
2465	Chester	Berkheimer Tax Admin	Coatesville Boro	1604 00190200	748
2465	Chester	Berkheimer Tax Admin	Coatesville Boro	1604 00290000	356
2465	Chester	Chester County Treasurer	Coatesville Boro	1604 00290000	95
2465	Chester	Berkheimer Tax Admin	Coatesville Boro	1605 00190200	81
2465	Chester	Chester County Treasurer	Coatesville Boro	1604 00290000	45
2465	Chester	Chester County Treasurer	Coatesville Boro	1605 00190200	10
2465	Chester	Berkheimer Tax Admin	Coatesville Boro-city of	1602 00110000	4,264
2465	Chester	Berkheimer Tax Admin	Coatesville Boro-city of	1604 00190200	307
2465	Chester	Berkheimer Tax Admin	Coatesville Boro-city of	1604 00290000	146
2465	Chester	Berkheimer Tax Admin	Coatesville Boro-city of	1605 00190200	33
2464	Chester	East Vincent	East Vincent	2101 0092060	1,690
2464	Chester	Chester County Treasurer	East Vincent	2101 00920600	242
2464	Chester	East Vincent	East Vincent	2101 00720000	53
2465	Chester	Octorara School District	Octorara School District	08 030 0249 000	7,167
2465	Chester	Berkheimer Tax Admin	Parkesburg Borough	08 030 0249 000	1,855
2465	Chester	Chester County Treasurer	Parkesburg Borough	08 030 0249 000	788
2465	Chester	Berkheimer Tax Admin	West Caln Twp	2809 00070000	2,820
2465	Chester	Chester County Treasurer	West Caln Twp	2809 00070000	358
2465	Chester	West Caln Twp	West Caln Twp	2809 00070000	84
2465	Chester	Berkheimer Tax Admin	West Clan Twp	2802-0020.0200	1,546
2465	Chester	Chester County Treasurer	West Clan Twp	2802-0020.0200	196
2465	Chester	West Clan Twp	West Clan Twp	2802-0020.0200	46
2443	Clarion	Clarion Boro	Clarion Boro	05-060-001-001-00	1,365
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-043-000-00	207
2443	Clarion	Clarion Twp.	Clarion Twp.	06-010-149-000-00	181
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-122-004-00	181
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-043-000-00	78
2443	Clarion	Clarion Twp.	Clarion Twp.	06-010-149-000-00	68
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-122-004-00	68
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-039-009-00	15
2443	Clarion	Clarion Twp.	Clarion Twp.	06-040-039-009-00	6
2443	Clarion	Paint Twp	Paint Twp	21-030-034-001-00	46
2443	Clarion	Paint Twp	Paint Twp	21-020-037-001-00	23
2443	Clarion	Paint Twp	Paint Twp	21-030-034-001-00	20
2443	Clarion	Strattanville Boro	Strattanville Boro	32-010-001-001-01	430
2443	Clarion	Strattanville Boro	Strattanville Boro	32-010-001-001-01	208
2472	Clearfield	Bradford Twp.	Bradford Twp.	N07-000-00154	2
2472	Clearfield	Bradford Twp.	Bradford Twp.	N07-000-00154	1
2473	Columbia	Berwick Boro.	Berwick Boro.	04A-06-001-00,000	404
2473	Columbia	Berwick Boro.	Berwick Boro.	04A-06-001-00,000	234
2473	Columbia	Briar Creek Twp	Briar Creek Twp	07-03-043-00,000	442
2473	Columbia	Briar Creek Twp	Briar Creek Twp	07-03-043-00,000	185
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-13-1002-306A	754
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-006A	731
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-040	377
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-037	284
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-13-1002-306A	232
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-006A	225
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-040	116
2461	Cumberland	East Pennsboro Boro	East Pennsboro Boro	09-11-3005-037	87
2461	Cumberland	New Cumberland	New Cumberland	25-25-0006-327	878
2461	Cumberland	New Cumberland	New Cumberland	25-25-0006-327	502
2462	Dauphin	Derry Twp	Derry Twp	24-009-049	56,172
2462	Dauphin	Derry Twp	Derry Twp	24-009-049	25,826
2462	Dauphin	Derry Twp	Derry Twp	24-009-052	1,261
2462	Dauphin	Derry Twp	Derry Twp	24-009-020	653
2462	Dauphin	Derry Twp	Derry Twp	24-009-021	598
2462	Dauphin	Derry Twp	Derry Twp	24-009-052	580
2462	Dauphin	Derry Twp	Derry Twp	24-009-020	300
2462	Dauphin	Derry Twp	Derry Twp	24-009-021	275
2462	Dauphin	South Hanover Twp	South Hanover Twp	56-004-013-000-0000	5,045
2462	Dauphin	South Hanover Twp	South Hanover Twp	56-004-013-000-0000	2,106
2425	Fayette	Brownsville Boro. SD	Brownsville Boro.	02-02-0012	161
2425	Fayette	Brownsville Boro.	Brownsville Boro.	02-02-0012	142

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Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2425	Fayette	Brownsville Boro. SD	Brownsville Boro.	02-02-0013	141
2425	Fayette	Brownsville Boro.	Brownsville Boro.	02-02-0013	129
2423	Fayette	Menallen Township	Menallen Township	22-04-0009-01 F	19
2423	Fayette	Menallen Township	Menallen Township	22-17-0086 F	19
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10001 030 00100	1,766
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10006-010-033	1,119
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10001 030 00100	492
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10006-010-033	312
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10007 070 00103	236
2453	Lackawanna	Clarks Summit Boro.	Clarks Summit Boro.	10007 070 00103	66
2453	Lackawanna	Dalton Borough	Dalton Borough	06903 040 00401	699
2453	Lackawanna	Dalton Borough	Dalton Borough	06802-030-00147	528
2453	Lackawanna	Lackawanna County	Dalton Borough	06903-040-00401	252
2453	Lackawanna	Lackawanna County	Dalton Borough	06802-030-00147	190
2453	Lackawanna	Dalton Borough	Dalton Borough	06903 040 00401	144
2453	Lackawanna	Dalton Borough	Dalton Borough	06802-030-00147	109
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140.03-030-043.03	381
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140-01-010-022	368
2457	Lackawanna	Jefferson Twp	Jefferson Twp	14003-040-014	254
2457	Lackawanna	Lackawanna County	Jefferson Twp	140.03-030-043.03	168
2457	Lackawanna	Lackawanna County	Jefferson Twp	140-01-010-022	162
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140.03-030-086.01	140
2457	Lackawanna	Lackawanna County	Jefferson Twp	14003-040-014	112
2457	Lackawanna	Lackawanna County	Jefferson Twp	140.03-030-086.01	62
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140.03-030-043.03	44
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140-01-010-022	43
2457	Lackawanna	Jefferson Twp	Jefferson Twp	14003-040-014	29
2457	Lackawanna	Jefferson Twp	Jefferson Twp	140.03-030-086.01	16
2453	Lackawanna	Lackawanna County	Lackawanna County	10001 030 00100	840
2453	Lackawanna	Lackawanna County	Lackawanna County	10006-010-033	532
2453	Lackawanna	Lackawanna County	Lackawanna County	10007 070 00103	112
2491	Lackawanna	Roaring Brook Twp	Roaring Brook Twp	16901-010-00103	635
2491	Lackawanna	Lackawanna County	Roaring Brook Twp	1690101000103	280
2491	Lackawanna	Roaring Brook Twp	Roaring Brook Twp	1690101000103	76
2491	Lackawanna	Scranton	Scranton	17701-020-00401	65,394
2491	Lackawanna	Scranton	Scranton	17701-020-00401	63,156
2491	Lackawanna	Scranton	Scranton	17701-020-005	18,397
2491	Lackawanna	Scranton	Scranton	17701-020-005	18,259
2431	Lawrence	Neshannock Twp	Neshannock Twp	25-459-100	1,467
2431	Lawrence	Lawrence County Treasurer	Neshannock Twp	2402 (25-459100)	693
2431	Lawrence	Neshannock Twp	Neshannock Twp	2402 (459100NTT)	228
2431	Lawrence	New Beaver Bor	New Beaver Bor	17-1214-0109.000	1,764
2431	Lawrence	Lawrence County Treasurer	New Beaver Bor	17-1214-0109.000	998
2431	Lawrence	New Beaver Bor	New Beaver Bor	17-1214-0109.000	254
2431	Lawrence	Shenango Twp	Shenango Twp	3905-149 (31-315500)	87
2431	Lawrence	Lawrence County Treasurer	Shenango Twp	3905-149 (31-315500)	48
2431	Lawrence	Shenango Twp	Shenango Twp	3905-149 (31-315500)	19
2431	Lawrence	Union Twp.	Union Twp.	4202-173C	255
2431	Lawrence	Lawrence County Treasurer	Union Twp.	4202-173C (34-154406)	120
2431	Lawrence	Union Twp.	Union Twp.	4202-173C (34-154406UNT)	55
2462	Lebanon	Annville-Cleona	N. Annville Twp	25:2313572-369555-0000 (25-040-04	4,872
2462	Lebanon	Annville-Cleona	N. Annville Twp	25:2316227-370437-0000 (25-054-51	3,927
2462	Lebanon	Lebanon County Treasurer	N. Annville Twp	25:2313572-369555-0000 (25-040-04	1,172
2462	Lebanon	Lebanon County Treasurer	N. Annville Twp	25:2316227-370437-0000 (25-054-51	945
2462	Lebanon	Palmyra Area School District	S Londonderry Twp	31:2295416-341250-0000 (31-014-40	3,506
2462	Lebanon	Lebanon County Treasurer	S Londonderry Twp	31:2295416-341250-0000 (31-014-40	1,226
2462	Lebanon	Palmyra Area School District	S Londonderry Twp	31:2295404-343517-0000, 31-014-3	424
2491	Luzerne	Duryea Borough	Duryea Borough	14-C-7-1-D1-R2-D1 (C11-001-04C)	486
2491	Luzerne	Duryea Borough	Duryea Borough	14-C-7-1-D1-R2-D1 (C11-00A-04C)	238
2491	Luzerne	Jackson Township	Jackson Township	31F8 00A093000	6,764
2491	Luzerne	Jackson Township	Jackson Township	31F8 00A093000	5,597
2491	Luzerne	Luzerne Township	Luzerne Township	19-06-0059	5
2491	Luzerne	Plymouth Twp	Plymouth Twp	49-18NW3-001-001-000	528
2491	Luzerne	Plymouth Twp	Plymouth Twp	49-18NW3-001-001-000	340
2446	McKean	Kane Boro	Kane Boro	10-003.302.05	397
2446	McKean	Kane Boro	Kane Boro SD	10-003.302.05	339

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2446	McKean	Wetmore Twp	Wetmore Twp	'30-009-115.00	1,640
2446	McKean	Wetmore Twp	Wetmore Twp	'30-009-115.00	1,029
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/93090	8,908
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/93090	2,401
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/5/2/11-1	720
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/9C/1/445	706
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/92574	398
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	03/14F/2/199	233
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/5/2/11-1	194
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/9C/1/445	190
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/92574	107
2457	Monroe	Coolbaugh Twp	Coolbaugh Twp	03/14F/2/199	63
2468	Monroe	Hamilton Twp.	Hamilton Twp.	07/2/1/12	150
2468	Monroe	Hamilton Twp.	Hamilton Twp.	07/2/1/12	22
2468	Monroe	Middle Smithfield Twp	Middle Smithfield Twp	09/119480	5,229
2468	Monroe	Middle Smithfield Twp	Middle Smithfield Twp	09/5A/3/6	1,046
2468	Monroe	Middle Smithfield Twp	Middle Smithfield Twp	09/119480	936
2468	Monroe	Middle Smithfield Twp	Middle Smithfield Twp	09/5A/3/6	187
2457	Monroe	Mount Pocono	Mt. Pocono	10/2A/1/97	538
2457	Monroe	Mount Pocono	Mt. Pocono	10/2A/1/97	199
2451	Montgomery	East Norriton Twp	East Norriton Twp	33-00-04702-00-9	28,612
2451	Montgomery	East Norriton Twp	East Norriton Twp	33-00-04702-00-9	5,147
2464	Montgomery	Limerick Twp	Limerick Twp	37-00-02163-01-4 SD	7,682
2464	Montgomery	Limerick Twp	Limerick Twp	37-00-02163-01-4	1,771
2451	Montgomery	Norristown	Norristown	13-00-33264-01-4	3,370
2451	Montgomery	Norristown	Norristown	13-00-33264-01-4	1,584
2464	Montgomery	Upper Providence Twp	Upper Providence Twp	61-00240014	2,572
2464	Montgomery	Upper Providence Twp	Upper Providence Twp	61-04730618	2,572
2464	Montgomery	Upper Providence Twp	Upper Providence Twp	61-00240014	339
2464	Montgomery	Upper Providence Twp	Upper Providence Twp	61-04730618	339
2451	Montgomery	Worcester Twp	Worcester Twp	67-00-03313-00-4	4,706
2451	Montgomery	Worcester Twp	Worcester Twp	67-00-03313-00-4	574
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-7-4A-0406	4,513
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-14-3A-0406	1,387
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	J7-2-9-0406	1,010
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-7-6-0406	780
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-14-3-0406	663
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-7-4A-0406	650
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-2-10-0406	459
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-7-4-0406	413
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-14-3A-0406	200
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	J7-2-9-0406	146
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	J7-1-4B-0406	127
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-7-6-0406	112
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-14-3-0406	96
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-2-10-0406	66
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-7-4-0406	58
2456	Northampton	Berkheimer Tax Admin	Bushkill Twp	H7-14-1-0406	36
2456	Northampton	Bushkill Twp	Bushkill Twp	J7-1-4B-0406	18
2456	Northampton	Bushkill Twp	Bushkill Twp	H7-14-1-0406	5
2455	Northampton	Lower Mt. Bethel Twp	Lower Mt. Bethel Twp	F10-13-1E-15-0117	701
2455	Northampton	Northampton County	Lower Mt. Bethel Twp	F10-13-1E-15-1701	153
2455	Northampton	Lower Mt. Bethel Twp	Lower Mt. Bethel Twp	F10-13-1E-15-0117	66
2455	Northampton	Lower Mt. Bethel Twp	Lower Mt. Bethel Twp	F10-13-1E-26-0117	5
2455	Northampton	Northampton County	Lower Mt. Bethel Twp	F10-13-1E-26-S0117	1
2455	Northampton	Lower Mt. Bethel Twp	Lower Mt. Bethel Twp	F10-13-1E-26-0117	1
2456	Northampton	Nazareth Borough	Nazareth Borough	J7-10-20-0421	2,672
2456	Northampton	Nazareth Borough	Nazareth Borough	J7-10-20-0421	770
2456	Northampton	Northampton County	Nazareth Borough	J7-10-20-S0421	606
2456	Northampton	Northampton County	Northampton County	H7-7-4A-S0406	1,023
2456	Northampton	Northampton County	Northampton County	H7-14-3A-S0406	315
2456	Northampton	Northampton	Northampton County	J7-2-9-0406	229
2456	Northampton	Northampton County	Northampton County	H7-7-6-S0406	177
2456	Northampton	Northampton County	Northampton County	H7-14-3-S0406	150
2456	Northampton	Northampton County	Northampton County	H7-2-10-S0406	104
2456	Northampton	Northampton County	Northampton County	H7-7-4-S0406	94

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2456	Northampton	Northampton	Northampton County	J7-1-4B-0406	29
2456	Northampton	Northampton County	Northampton County	H7-14-1-S0406	8
2456	Northampton	Palmer Twp	Palmer Twp	K8-5-2A-1-0324	2,673
2456	Northampton	Palmer Twp	Palmer Twp	K8-5-2A-1-0324	519
2456	Northampton	Palmer Twp	Palmer Twp	K8-5-2A-1-0324	341
2456	Northampton	Pen Argyl Borough	Pen Argyl Borough	D8-3-1-0625	10,887
2456	Northampton	Pen Argyl Borough	Pen Argyl Borough	D8-1-1-0625	3,692
2456	Northampton	Northampton County	Pen Argyl Borough	D8-3-1-0625	2,476
2456	Northampton	Pen Argyl Borough	Pen Argyl Borough	D8-3-1-0625	2,151
2456	Northampton	Pen Argyl Borough	Pen Argyl Borough	D8-1-1-0625	729
2456	Northampton	Plainfield Twp	Plainfield Twp	D8-1-1-0626	60,367
2456	Northampton	Plainfield Twp	Plainfield Twp	E8-1-1-0626	15,637
2456	Northampton	Northampton County	Plainfield Twp	D8-1-1-0626	11,107
2456	Northampton	Plainfield Twp	Plainfield Twp	D8-1-1-0626	6,118
2456	Northampton	Northampton County	Plainfield Twp	E8-1-1-S0626	3,556
2456	Northampton	Northampton County	Plainfield Twp	D8-1-1-0626	2,451
2456	Northampton	Plainfield Twp	Plainfield Twp	E8-1-1-0626	1,959
2456	Northampton	Plainfield Twp	Plainfield Twp	D8-1-1-0626	1,323
2456	Northampton	Northampton County	Plainfield Twp	D8-1-1-S0625	840
2455	Northampton	Upper Mt. Bethel Twp	Upper Mt. Bethel Twp	D9 1 33 0131	11,418
2455	Northampton	Upper Mt. Bethel Twp	Upper Mt. Bethel Twp	C9-1A-9A -0131	3,570
2455	Northampton	Northampton County	Upper Mt. Bethel Twp	D9 1 33 0131	2,485
2455	Northampton	Upper Mt. Bethel Twp	Upper Mt. Bethel Twp	D9 1 33 0131	1,158
2455	Northampton	Northampton County	Upper Mt. Bethel Twp	C9-1A-9A -0131	777
2455	Northampton	Upper Mt. Bethel Twp	Upper Mt. Bethel Twp	C9-1A-9A -0131	362
2455	Northampton	Northampton County	Upper Mt. Bethel Twp	C9-1-9 -0131	50
2455	Northampton	Upper Mt. Bethel Twp	Upper Mt. Bethel Twp	C9-1-9 -0131	23
2456	Northampton	Upper Nazareth Twp	Upper Nazareth Twp	J7-11-5-0432	4,028
2456	Northampton	Northampton County	Upper Nazareth Twp	J7-11-5-0432	914
2456	Northampton	Upper Nazareth Twp	Upper Nazareth Twp	J7-11-5-0432	461
2455	Northampton	Berkheimer Tax Admin	Washington Twp	D9 1 33 0134	21,672
2455	Northampton	Northampton County	Washington Twp	D9 1 33 0134	4,717
2455	Northampton	Washington Twp	Washington Twp	D9 1 33 0134	2,798
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-1-1-0638	5,634
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-1-1-0638	1,330
2456	Northampton	Northampton County	Wind Gap Boro	E8-1-1-S0638	1,281
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-4-3-0638	1,129
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-4-3-0638	267
2456	Northampton	Northampton County	Wind Gap Boro	E8-4-3-0638	257
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-1-23-0638	112
2456	Northampton	Wind Gap Boro	Wind Gap Boro	E8-1-23-0638	26
2456	Northampton	Northampton County	Wind Gap Boro	E8-1-23-0638	25
2455	Northampton	Northampton County	Wind Gap Boro	C9-1-42-0131	5,988
2455	Northampton	Northampton County	Wind Gap Boro	C9-1-6-S0131	1,059
2484	Northumberland	Warrior Run SD	Delaware Twp	021-00-014-056-B-001	93
2484	Northumberland	Delaware Twp Northumber	Delaware Twp	021-00-014-056-B-001	48
2484	Northumberland	Warrior Run SD	McEwensville Boro	030-00-001-017-014	201
2484	Northumberland	Warrior Run SD	McEwensville Boro	030-00-001-017-014	101
2471	Northumberland	Milton Boro.	Milton Boro.	035-00-021-058-F-008	8,891
2471	Northumberland	Milton Boro.	Milton Boro.	035-00-021-058-F-008	3,566
2471	Northumberland	Point Twp.	Point Twp.	039-00-029-015-E	213
2471	Northumberland	Point Twp.	Point Twp.	039-00-029-015-E	96
2471	Northumberland	Milton Borough	West Chillisquaue Twp.	062-00-023-079-A	255
2471	Northumberland	West Chillisquaue Twp.	West Chillisquaue Twp.	062-00-023-079-A	124
2468	Pike	Delaware Twp	Delaware Twp	148.03-02-01-	1,670
2468	Pike	Delaware Twp	Delaware Twp	148.03-02-01-	482
2468	Pike	Delaware Twp	Delaware Twp	168.02-01-31	133
2468	Pike	Delaware Twp	Delaware Twp	168.00-01-02.001	82
2468	Pike	Delaware Twp	Delaware Twp	168.02-01-31	38
2468	Pike	Delaware Twp	Delaware Twp	168.00-01-02.001	24
2468	Pike	Delaware Twp	Delaware Twp	168.02-01-54.008	14
2468	Pike	Delaware Twp	Delaware Twp	168.03-04-39.001	11
2468	Pike	Delaware Twp	Delaware Twp	168.02-01-54.008	4
2468	Pike	Delaware Twp	Delaware Twp	168.03-04-39.001	3
2468	Pike	Lehman Twp.	Lehman Twp.	189.01-02-22	654
2468	Pike	Lehman Twp.	Lehman Twp.	194.03-01-23	327

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2468	Pike	Lehman Twp.	Lehman Twp.	189.03-01-12	327
2468	Pike	Lehman Twp.	Lehman Twp.	193.02-01-30	327
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-49	327
2468	Pike	Lehman Twp.	Lehman Twp.	189.01-02-22	139
2468	Pike	Lehman Twp.	Lehman Twp.	194.03-01-23	70
2468	Pike	Lehman Twp.	Lehman Twp.	189.03-01-12	70
2468	Pike	Lehman Twp.	Lehman Twp.	193.02-01-30	70
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-49	70
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-51	17
2468	Pike	Lehman Twp.	Lehman Twp.	188.04-04-46	17
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-50	17
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-51	4
2468	Pike	Lehman Twp.	Lehman Twp.	188.04-04-46	4
2468	Pike	Lehman Twp.	Lehman Twp.	194.01-02-50	4
2474	Schuylkill	West Mahanoy Twp	West Mahanoy Twp	36-13-14	3
2474	Schuylkill	West Mahanoy Twp	West Mahanoy Twp	36-13-14	1
2463	Spring Township	Spring Township	Spring Township	80-4375-02-99-5074	17
2463	Spring Township	Spring Township	Spring Township	80-4376-19-62-6387	16
2463	Spring Township	Spring Township	Spring Township	80-4385-10-47-4012	3
2463	Spring Township	Spring Township	Spring Township	80-4397-10-45-8909	3
2463	Spring Township	Spring Township	Spring Township	80-4386-06-49-9825	3
2463	Spring Township	Spring Township	Spring Township	80-4387-18-30-1898	2
2463	Spring Township	Spring Township	Spring Township	80-4385-11-57-0044	2
2463	Spring Township	Spring Township	Spring Township	80-4385-10-45-0164	2
2463	Spring Township	Spring Township	Spring Township	80-4376-20-91-4606	1
2454	Susquehanna	Forest City Boro 2nd Ward	Forest City Boro 2nd Ward	249.15-1,008.00	633
2454	Susquehanna	Forest City Boro 2nd Ward	Forest City Boro 2nd Ward	249.15-1,008.00	422
2454	Susquehanna	Harmony Twp.	Harmony Twp.	055.00-1.002.00.000	5,062
2454	Susquehanna	Harmony Twp.	Harmony Twp.	055.00-1.002.00.000	1,669
2454	Susquehanna	Harmony Twp.	Harmony Twp.	055.00-1.002.00.000	554
2454	Susquehanna	Liberty Twp.	Liberty Twp.	070.00-01-002.00	348
2454	Susquehanna	Liberty Twp.	Liberty Twp.	050.00-01-010.00	172
2454	Susquehanna	Liberty Twp.	Liberty Twp.	070.00-1,002.00,	118
2454	Susquehanna	Liberty Twp.	Liberty Twp.	050.00-01-010.00	58
2454	Susquehanna	Susquehanna Boro	Susquehanna Boro	054.14-2,102.00,000	353
2454	Susquehanna	Susquehanna Boro	Susquehanna Boro	054.14-2,102.00,000	247
2454	Susquehanna	Susquehanna Boro	Susquehanna Boro W2	054.11-4.060.00.000	1,512
2454	Susquehanna	Susquehanna Boro	Susquehanna Boro W2	054.11-4.060.00.000	1,057
2454	Susquehanna	Thompson Boro.	Thompson Boro.	114.00-02-001.00	1,360
2454	Susquehanna	Thompson Boro.	Thompson Boro.	114.00-2,001.00	497
2471	Union	Buffalo Twp	Buffalo Twp	001-080-173-00000	3,800
2471	Union	Buffalo Twp	Buffalo Twp	001-080-173-00000	1,979
2471	Union	Buffalo Twp	Buffalo Twp	001-080-001-00000	1,935
2471	Union	Buffalo Twp	Buffalo Twp	001-080-001-00000	1,008
2471	Union	East Buffalo Twp	East Buffalo Twp	002-042-093-00001	12,343
2471	Union	East Buffalo Twp	East Buffalo Twp	002-042-093-00001	7,444
2471	Union	Gregg Twp	Gregg Twp	003-068-019.10000	1,005
2471	Union	Gregg Twp	Gregg Twp	003-068-019.10000	428
2471	Union	Kelly Twp	Kelly Twp	006-046-180-0000	674
2471	Union	Kelly Twp	Kelly Twp	006-046-180-0000	253
2471	Union	White Deer Twp	White Deer Twp	014-056-074.L0000	25,325
2471	Union	White Deer Twp	White Deer Twp	014-056-066.00000	13,945
2471	Union	White Deer Twp	White Deer Twp	014-056-074-00000	10,162
2471	Union	White Deer Twp	White Deer Twp	014-055-148.00000	8,493
2471	Union	White Deer Twp	White Deer Twp	014-056-066.00000	5,596
2471	Union	White Deer Twp	White Deer Twp	014-ONM-069.00000	5,494
2471	Union	White Deer Twp	White Deer Twp	014-055-148.00000	3,408
2471	Union	White Deer Twp	White Deer Twp	014-056-074-00000	3,393
2471	Union	White Deer Twp	White Deer Twp	014-ONM-069.00000	2,205
2471	Union	White Deer Twp	White Deer Twp	014-056-074.L0000	1,361
2471	Union	White Deer Twp	White Deer Twp	014-053-039.00000	1,236
2471	Union	White Deer Twp	White Deer Twp	014-061-060.10000	746
2471	Union	White Deer Twp	White Deer Twp	014-053-039.00000	496
2471	Union	White Deer Twp	White Deer Twp	014-061-060.10000	299
2471	Union	White Deer Twp	White Deer Twp	014-056-067.1	298
2471	Union	White Deer Twp	White Deer Twp	014-056-067.1	120

Pennsylvania-American Water Company - Water Operations
 Pennsylvania Property Tax

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2421	Washington	Carroll Twp.	Carroll Twp.	130-012-04-02-0001-00	68
2421	Washington	Cecil Twp	Cecil Twp	140-009-00-00-0019-00	27
2421	Washington	Cecil Twp	Cecil Twp	140-007-04-02-0043-07	27
2421	Washington	Cecil Twp	Cecil Twp	140-009-00-99-0482-00	14
2421	Washington	Washington County Treasurer	Cecil Twp	140-009-00-00-0019-00	6
2421	Washington	Washington County Treasurer	Cecil Twp	140-007-04-02-0043-07	6
2421	Washington	Cecil Twp	Cecil Twp	140-009-00-00-0019-00	4
2421	Washington	Cecil Twp	Cecil Twp	140-007-04-02-0043-07	4
2421	Washington	Chartiers Twp	Chartiers Twp	170-009-00-00-0019-00	15
2421	Washington	Washington County Treasurer	Chartiers Twp	170-009-00-00-0019-00	3
2421	Washington	Chartiers Twp	Chartiers Twp	170-009-00-00-0019-00	1
2421	Washington	Hanover Twp	Hanover Twp	340-010-00-00-0009-02	395
2421	Washington	Washington County Treasurer	Hanover Twp	340-010-00-00-0009-02	74
2421	Washington	Hanover Twp	Hanover Twp	340-010-00-00-0009-02	12
2421	Washington	Independence Twp	Independence Twp	370-003-00-00-0017-18	72
2421	Washington	Washington County Treasurer	Independence Twp	370-003-00-00-0017-18	14
2421	Washington	Independence Twp	Independence Twp	370-003-00-00-0017-18	8
2421	Washington	Mount Pleasant	Mt. Pleasant	460-007-00-00-0015-01	188
2421	Washington	Washington County Treasurer	Mt. Pleasant	460-007-00-00-0015-01	36
2421	Washington	Mount Pleasant	Mt. Pleasant	460-007-00-00-0015-01	25
2421	Washington	Mount Pleasant	Mt. Pleasant	460-009-01-02-0033-00	16
2421	Washington	Washington County Treasurer	Mt. Pleasant	460-009-01-02-0033-00	3
2421	Washington	Mount Pleasant	Mt. Pleasant	460-009-01-02-0033-00	2
2421	Washington	North Franklin Twp.	North Franklin Twp.	510-002-00-00-0045-00	895
2421	Washington	Washington County Treasurer	North Franklin Twp.	510-002-00-00-0045-00	183
2421	Washington	North Franklin Twp.	North Franklin Twp.	510-002-00-00-0045-00	110
2421	Washington	Washington County Treasurer	North Franklin Twp.	510-005-00-00-0006-02	58
2421	Washington	North Franklin Twp.	North Franklin Twp.	510-005-00-00-0006-02	35
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-003-00-00-0004-00	581
2421	Washington	Washington county treasurer	North Strabane Twp.	520-001-00-00-0014-00	131
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-001-00-00-0014-00	53
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-003-00-00-0004-00	53
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-014-01-00-0016-01	13
2421	Washington	Washington County Treasurer	North Strabane Twp.	520-001-00-00-0014-00	12
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-001-00-00-0014-00	5
2421	Washington	Washington county treasurer	North Strabane Twp.	520-014-01-00-0016-01	3
2421	Washington	North Strabane Twp.	North Strabane Twp.	520-014-01-00-0016-01	1
2411	Washington	Union Twp	Union Twp	640-007-07-00-0016-00	92
2411	Washington	Union Twp	Union Twp	640-007-02-03-0006-00	92
2411	Washington	Union Twp	Union Twp	640-007-02-03-0010-00	92
2411	Washington	Union Twp	Union Twp	640-007-02-03-0007-00	52
2411	Washington	Union Twp	Union Twp	640-007-02-03-0006-00	32
2411	Washington	Union Twp	Union Twp	640-007-02-03-0010-00	32
2411	Washington	Union Twp	Union Twp	640-007-00-00-0016-02	25
2411	Washington	Washington County Treasurer	Union Twp	640-007-07-00-0016-00	18
2411	Washington	Washington county treasurer	Union Twp	640-007-02-03-0006-00	18
2411	Washington	Washington County Treasurer	Union Twp	640-007-02-03-0010-00	18
2411	Washington	Union Twp	Union Twp	640-007-02-03-0007-00	17
2411	Washington	Union Twp	Union Twp	640-007-00-00-0016-02	13
2411	Washington	Washington County Treasurer	Union Twp	640-007-02-03-0007-00	10
2411	Washington	Union Twp	Union Twp	640-007-07-00-0016-00	9
2411	Washington	Washington County Treasurer	Union Twp	640-007-00-00-0016-02	3
2425	Washington	West Brownsville Borough	West Brownsville Borough	675-030-00-00-0001-08	451
2425	Washington	West Brownsville Borough	West Brownsville Borough	675-030-00-00-0001-08	134
2425	Washington	Washington County Treasurer	West Brownsville Borough	675-030-00-00-0001-08	107
2491	Wayne	Clinton Twp	Clinton Twp	06-2-0210-0016	3
2491	Wayne	Clinton Twp	Clinton Twp	06-2-0210-0017	3
2491	Wayne	Clinton Twp	Clinton Twp	06-2-0210-0015	2
2491	Wayne	Clinton Twp	Clinton Twp	06-2-0220-0001	1
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0170A000000	5,081
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0170A000000	2,328
2461	York	York County Tax Collector	Fairview Twp.	270000 0700620000000	1,173
2461	York	York County Tax Collector	Fairview Twp.	270000 0700620000000	545
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0056A000000	464
2461	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-A0-00000	426
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0056A000000	216

**Pennsylvania-American Water Company - Water Operations
 Pennsylvania Property Tax**

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2461	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-A0-00000	204
2461	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-A0-00000	195
2461	York	York County Tax Collector	Fairview Twp.	270000 RF00006B00000	121
2461	York	York County Tax Collector	Fairview Twp.	270000 RF00006B00000	58
2461	York	York County Tax Collector	Fairview Twp.	270000 RF00006B00000	55
2461	York	York County Tax Collector	Fairview Twp.	270000400001A000000	35
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0239K000000	31
2461	York	York County Tax Collector	Fairview Twp.	270000400001A000000	17
2461	York	York County Tax Collector	Fairview Twp.	270000400001A000000	16
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0239K000000	15
2461	York	York County Tax Collector	Fairview Twp.	270000 RF0239K000000	14
2461	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-A0-00000	4
2463	Berks	South Heidelberg Twp	South Heidelberg Twp	51-4365-02-97-2395	38
2463	Berks	South Heidelberg Twp	South Heidelberg Twp	51-4365-02-97-2395	36
Total Local Property Tax_Water					\$1,021,654

**Pennsylvania-American Water Company - Wastewater Operations (excluding Scranton Wastewater)
Pennsylvania Property Tax**

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2467	Chester	Octorara School District	Parkesburg Borough	0806 00680000	\$4,747
2467	Chester	Berkheimer Tax Admin	Parkesburg Borough	0806 00680000	1,229
2467	Chester	Chester County Treasurer	Parkesburg Borough	0806 00680000	522
2467	Chester	Berkheimer Tax Admin	South Coatesville	0902 0001.0000	36,022
2467	Chester	South Coatesville	South Coatesville	0902 0001.0000	8,349
2467	Chester	Berkheimer Tax Admin	South Coatesville	0906 00060200	7,147
2467	Chester	Chester County Treasurer	South Coatesville	0902 0001.0000	4,573
2467	Chester	South Coatesville	South Coatesville	0906 00060200	1,657
2467	Chester	Chester County Treasurer	South Coatesville	0906 00060200	907
2447	Clarion	Clarion Boro	Clarion Boro	05-060-001-001-00	914
2447	Clarion	Clarion Boro	Clarion Boro	05-060-055-000-00	53
2447	Clarion	Clarion Boro	Clarion Boro	05-060-055-000-00	36
2447	Clarion	Elk	Elk	08-010-232-000-00	1,638
2447	Clarion	Elk	Elk	08-010-232-000-00	720
2447	Clarion	Elk	Elk	08-010-144-001-00	218
2447	Clarion	Elk	Elk	08-020-001-001-02	127
2447	Clarion	Elk	Elk	08-010-144-001-00	96
2447	Clarion	Elk	Elk	08-020-001-001-02	56
2447	Clarion	Elk	Elk	08-010-144-002-00	40
2447	Clarion	Elk	Elk	08-010-144-002-00	19
2447	Clarion	Monroe	Monroe	19-030-039-000-00	22,738
2447	Clarion	Monroe	Monroe	19-030-039-000-00	8,531
2438	Clarion	Paint Twp	Paint Twp	21-025-068-000-00	82
2438	Clarion	Paint Twp	Paint Twp	21-025-068-000-00	35
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8/1/1-3	25,711
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8/1/1-3	6,929
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8E/1/253	737
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/103	706
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/104	706
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/105	706
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/107	530
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8E/1/253	199
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/103	190
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/104	190
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/105	190
2458	Monroe	Coolbaugh Twp	Coolbaugh Twp	3/8C/1/107	143
2485	Northumberland	Delaware Twp Northumber	Delaware Twp	021-00-014-032-B-001	566
2485	Northumberland	Delaware Twp Northumber	Delaware Twp	021-00-014-032-B-001	296
2469	Pike	Delaware Twp	Delaware Twp	148.04-03-64.002	359
2469	Pike	Delaware Twp	Delaware Twp	148.04-03-64.002	104
2469	Pike	Lehman Twp.	Lehman Twp.	196.02-02-16	5,138
2469	Pike	Lehman Twp.	Lehman Twp.	196.04-03-68.001	4,324
2469	Pike	Lehman Twp.	Lehman Twp.	196.02-02-16	1,096
2469	Pike	Lehman Twp.	Lehman Twp.	196.04-03-68.001	922
2469	Pike	Lehman Twp.	Lehman Twp.	199.02-02-49.022-	45
2469	Pike	Lehman Twp.	Lehman Twp.	199.02-02-49.022-	10
2460	York	York County Tax Collector	Fairview Twp.	27000230240D000000	13,694
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-B0-00000	10,200
2460	York	York County Tax Collector	Fairview Twp.	270000 SF00810000000	7,806
2460	York	York County Tax Collector	Fairview Twp.	27000230240D000000	6,563
2460	York	York County Tax Collector	Fairview Twp.	27000230240D000000	6,275
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0080-A0-00000	4,889
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-B0-00000	4,674
2460	York	York County Tax Collector	Fairview Twp.	270000 SF00810000000	3,628
2460	York	York County Tax Collector	Fairview Twp.	27000230234A000000	1,381
2460	York	York County Tax Collector	Fairview Twp.	27000130006B000000	846

**Pennsylvania-American Water Company - Wastewater Operations (excluding Scranton Wastewater)
Pennsylvania Property Tax**

Profit Center	County	Tax Entity	Municipality	Parcel Number	2016
2460	York	York County Tax Collector	Fairview Twp.	27000QG0089D00000	721
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-00-00000	678
2460	York	York County Tax Collector	Fairview Twp.	27000230234A000000	662
2460	York	York County Tax Collector	Fairview Twp.	27000230234A000000	633
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-00-00000	580
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-00-00000	568
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-A0-00000	565
2460	York	York County Tax Collector	Fairview Twp.	27000QG0086D00000	421
2460	York	York County Tax Collector	Fairview Twp.	27000130006B000000	405
2460	York	York County Tax Collector	Fairview Twp.	27000130006B000000	388
2460	York	York County Tax Collector	Fairview Twp.	27000QG0089D00000	346
2460	York	York County Tax Collector	Fairview Twp.	27000QG0089D00000	331
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-00-00000	325
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-00-00000	310
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-00-00000	278
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-00-00000	272
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-A0-00000	271
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0067-00-00000	266
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-00-00000	260
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-A0-00000	259
2460	York	York County Tax Collector	Fairview Twp.	27000QG0086D00000	202
2460	York	York County Tax Collector	Fairview Twp.	27000QG0086D00000	193
2460	York	York County Tax Collector	Fairview Twp.	270003500430000000	159
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0080-A0-00000	153
2460	York	York County Tax Collector	Fairview Twp.	270003500430000000	76
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-B0-00000	73
2460	York	York County Tax Collector	Fairview Twp.	270003500430000000	73
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0080-A0-00000	70
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-B0-00000	56
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-A0-00000	24
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-A0-00000	11
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-A0-00000	11
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0068-00-00000	4
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0080-A0-00000	1
2460	York	York County Tax Collector	Fairview Twp.	27-000-SF-0069-A0-00000	0
2460	York	York County Tax Collector	Fairview Twp.	27-000-RE-0132-00-00000-SD	23
2460	York	York County Tax Collector	Fairview Twp.	27-000-RE-0132-00-00000-SD	11
2460	York	York County Tax Collector	Fairview Twp.	27-000-RE-0132-00-00000	11
Total Local Property Tax_Wastewater					\$219,902

GENERAL ASSESSMENT



Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
 Harrisburg, PA 17105-3265


GENERAL ASSESSMENT INVOICE

INVOICE DATE	INVOICE NUMBER
09/05/2016	16-212285

FISCAL YEAR
July 1, 2016 to June 30, 2017

MR ROD P NEVIRASKAS
 REGIONAL FINANCE DIRECTOR
 PA AMERICAN WATER COMPANY
 800 WEST HERSHEY PARK DRIVE
 HERSHEY PA 17033

- Read Carefully Notice of Assessment
- Use Return Envelope Provided
- Make Check Payable to:
Commonwealth of Pennsylvania

Pennsylvania Public Utility Commission	2,547,311
Pennsylvania Office of Consumer Advocate	388,910
Pennsylvania Small Business Advocate	45,755
PAY THIS AMOUNT WITHIN 30 DAYS 	2,981,976

TO RECEIVE PROPER CREDIT FOR YOUR
 PAYMENT, REMOVE THE BOTTOM PART OF
 THIS INVOICE AT THE PERFORATION AND
 RETURN WITH YOUR REMITTANCE


MAIL PAYMENT TO:
 PA PUC
 PO BOX 61380
 HARRISBURG, PA 17106-1380

FOLD AND CUT HERE

RETURN THIS PORTION WITH YOUR REMITTANCE

MR ROD P NEVIRASKAS
 REGIONAL FINANCE DIRECTOR
 PA AMERICAN WATER COMPANY
 800 WEST HERSHEY PARK DRIVE
 HERSHEY PA 17033

INVOICE DATE	INVOICE NUMBER
09/05/2016	16-212285
FISCAL YEAR	
July 1, 2016 to June 30, 2017	

Pennsylvania Public Utility Commission	2,547,311
Pennsylvania Office of Consumer Advocate	388,910
Pennsylvania Small Business Advocate	45,755
PAY THIS AMOUNT WITHIN 30 DAYS 	2,981,976

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

NOTICE OF ASSESSMENT

EXPLANATION OF BILL FOR GENERAL ASSESSMENT
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017

In Section 510 of the Public Utility Code, 66 Pa. C.S. §510, the Pennsylvania General Assembly has authorized the Pennsylvania Public Utility Commission to assess all public utilities a percentage of their gross intrastate operating revenues for the preceding calendar year. Under Section 510, each public utility is required, on or before March 31 of each year to file with the Commission a statement of the utility's gross intrastate operating revenues for the preceding calendar year. After receiving the utilities' statements of gross intrastate operating revenues, the Commission sends general assessment invoices to all public utilities to advise each utility of the amount of assessment that utility owes based upon that utility's activity (gross intrastate operating revenues) in the preceding year. The enclosed assessment is for your proportionate share of the estimated expenses of the Public Utility Commission for the Commission's Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. Filing an objection, however, does not eliminate your obligation to pay the assessment while your objection is being considered. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

Be sure that your personal check or money order is written out in the same amount as your assessment invoice, and make your remittance payable to, "Commonwealth of PA". DO NOT SEND CASH. If you have reason to correspond with the Commission regarding your assessment invoice, please make reference to your invoice number. A receipt for payment will not be issued. Please mail your payment with the return portion of your invoice in the enclosed self-addressed envelope. Please note that rounding of your assessment to the nearest dollar has occurred. Your assessment for the PUC, including the OCA and the OSBA where applicable, has been combined into one invoice; one payment for all applicable assessments is acceptable. **A TWENTY (\$20.00) FEE WILL BE CHARGED FOR ALL DISHONORED OR BAD CHECKS REMITTED AS PAYMENT OF ASSESSMENTS.**

Your assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the Assessment Reports Form GAO-15, AR-15-RR or AR-15-MC which you have filed with the Commission, or have been estimated by the Commission if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

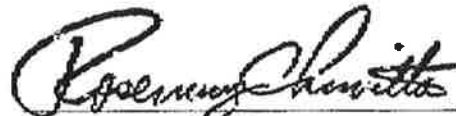
The approved estimate of expenditures of the Commission for the period July 1, 2016 to June 30, 2017 payable as a General Assessment by the public utilities which the Commission regulates has been determined as follows:

Estimate of the expenditures of the Commission for the Fiscal Year July 1, 2016 to June 30, 2017	\$71,947,000
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Deduct:

Pipeline Operators	\$624,260
Prior Years Returned Funds	\$5,517,642
Fee Collections	\$794,358
UCR/NGS/EGS	\$12,261,170
Total Deductions	<u>\$19,197,430</u>
Total Assessment allocated to Public Utility groups furnishing various types of public service	\$52,749,570

The way in which the total Public Utility Commission assessment of \$52,749,570 has been allocated to the various groups of public utilities is shown on Schedules A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P.O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT INFORMATION:

Assessment Section Information - Telephone 717-265-7548

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Allocation of Expenses based on percent of prior year Public Utility Group workload
 Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$21,161,551	46.0922%	\$24,313,438
Gas	\$9,976,477	21.7299%	\$11,462,429
Pipeline	\$139,468	0.3038%	\$160,253
Steam Heat	\$243,441	0.5302%	\$279,678
Tele./Tele.	\$5,760,929	12.5480%	\$6,619,016
Water/Sewer	\$4,302,861	9.3721%	\$4,943,742
Transportation - Passenger	\$2,329,083	5.0730%	\$2,675,986
Transportation - Property	\$618,690	1.3476%	\$710,853
Transportation - Rail	\$1,378,809	3.0032%	\$1,584,175
Total	\$45,911,309	100.00%	\$52,749,570

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group	Gross intrastate revenues by utility group Calendar Year 2015	General Assessment Factor by Utility Group (Col. (a) / by Col. (b))
	(a)	(b)	(c)
Electric	\$24,313,438	\$7,757,320,121	0.003134257401
Gas	\$11,462,429	\$3,419,595,396	0.003351983984
Pipeline	\$160,253	\$51,279,359	0.003125097566
Steam Heat	\$279,678	\$96,935,251	0.002885204269
Tele./Tele.	\$6,619,016	\$2,234,715,615	0.002961905289
Water/Sewer	\$4,943,742	\$1,124,065,085	0.004398092304
Transportation - Passenger	\$2,675,986	\$204,258,071	0.013101004954
Transportation - Property	\$710,853	\$385,233,400	0.001845252774
Transportation - Rail	\$1,584,175	\$120,150,044	0.013184972283
Total	\$52,749,570	\$15,393,552,342	0.003426731454

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

SUPPLEMENTAL SCHEDULE
FEDERAL SHORTFALL RELATED TO GAS SAFETY APPLICABLE TO GAS PUBLIC UTILITIES ONLY

	Estimated Commission Federal Shortfall for Calendar Year 2015 and 6 Months of Calendar Year 2016	Actual Commission Federal Shortfall for Calendar Year 2015 and 6 Months of Calendar Year 2016	Estimated Commission Federal Shortfall for Calendar Year 2016 and 6 Months of Calendar Year 2017
Gas	(\$685,832)	\$329,532	\$356,300
	Net Estimated Commission Federal Shortfall for Fiscal Year 2016-17 Assessment	Reported Revenue for Gas Utility Group for Calendar Year 2015	Supplemental add-on Factor
Gas	\$0	\$3,419,595,396	0.000000000000

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

OFFICE OF SMALL BUSINESS ADVOCATE
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
NOTICE OF ASSESSMENT

EXPLANATION OF BILL FOR GENERAL ASSESSMENT
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017

The Pennsylvania Public Utility Commission is mandated under Act 181 of 1988, to levy upon the public utilities the Commission regulates a yearly assessment to fund the Pennsylvania Office of Small Business Advocate (herein called Small Business Advocate). The Governor and the Appropriation Committees of the Pennsylvania House and Senate approved an estimated operating budget of \$1,470,000 for the Small Business Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

The enclosed assessment bill shows your proportionate share of the expenses of the Small Business Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

Be sure that your personal check or money order is written out in the same amount as your assessment invoice, and make your remittance payable to, "Commonwealth of PA". **DO NOT SEND CASH.** If you have reason to correspond with the Office of Small Business Advocate regarding your assessment invoice, please make reference to your invoice number. Please note that rounding of your assessment to the nearest dollar has occurred. Your assessment for the PUC, including the OCA and the OSBA where applicable, has been combined into one invoice; one payment for all applicable assessments is acceptable. **A TWENTY DOLLAR (\$20.00) FEE WILL BE CHARGED FOR ALL DISHONORED OR BAD CHECKS REMITTED AS PAYMENT OF ASSESSMENTS.**

Your Small Business Advocate assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the report on Form GAO-15 which you have filed with the Commission, or have been estimated by the Commission, if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

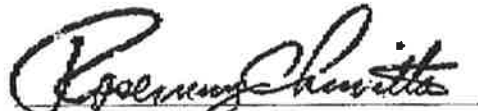
Estimate of the expenditures of the Office of Small
Business Advocate for the Fiscal Year July 1, 2016
to June 30, 2017: \$1,470,000

Deduct:

Credit from previous fiscal years: 360,000

Total Assessment \$1,110,000

The way in which the total Small Business Advocate assessment of \$1,110,000 has been allocated to the various groups of public utilities is shown on Schedule A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P. O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT PERSON:

Assessment Section Information - Telephone 717-265-7548

OFFICE OF SMALL BUSINESS ADVOCATE

Allocation of Expenses based on percent of prior year Public Utility Group workload
Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$577,088	52.0000%	\$577,200
Gas	\$321,837	29.0000%	\$321,900
Steam Heat	\$11,098	1.0000%	\$11,100
Tele./Tele.	\$110,978	10.0000%	\$111,000
Water/Sewer	\$88,783	8.0000%	\$88,800
Total	\$1,109,784	100.00%	\$1,110,000

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group (a)	Gross intrastate revenues by utility group Calendar Year 2015 (b)	General Assessment Factor by Utility Group (Col. (a) / by Col. (b)) (c)
Electric	\$577,200	\$7,757,320,121	0.000074407139
Gas	\$321,900	\$3,419,595,396	0.000094133944
Steam Heat	\$11,100	\$96,935,251	0.000114509427
Tele./Tele.	\$111,000	\$2,234,715,615	0.000049670750
Water/Sewer	\$88,800	\$1,124,065,085	0.000078998984
Total	\$1,110,000	\$14,632,631,468	0.000075857853



PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

OFFICE OF CONSUMER ADVOCATE
NOTICE OF ASSESSMENT

EXPLANATION OF BILL FOR GENERAL ASSESSMENT FOR PENNSYLVANIA
OFFICE OF CONSUMER ADVOCATE, OFFICE OF ATTORNEY GENERAL
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017

The Pennsylvania Public Utility Commission is mandated under Act 15 of 1977, P.L. 19 as amended by Act 107 of 1978 and Act 25 of 1983, to levy upon the public utilities the Commission regulates a yearly assessment to fund the Pennsylvania Office of the Consumer Advocate (herein called Consumer Advocate), Office of the Attorney General. The Governor and the Appropriation Committees of the Pennsylvania House and Senate approved an estimated operating budget of \$5,492,000 for the Consumer Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

The enclosed assessment bill shows your proportionate share of the expenses of the Consumer Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

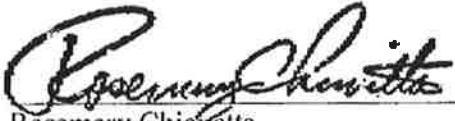
Be sure that your personal check or money order is written out in the same amount as your assessment invoice, and make your remittance payable to, "Commonwealth of PA". **DO NOT SEND CASH.** If you have reason to correspond with the Office of Consumer Advocate regarding your assessment invoice, please make reference to your invoice number. Please note that rounding of your assessment to the nearest dollar has occurred. Your assessment for the PUC, including the OCA and the OSBA where applicable, has been combined into one invoice; one payment for all applicable assessments is acceptable. **A TWENTY DOLLAR (\$20.00) FEE WILL BE CHARGED FOR ALL DISHONORED OR BAD CHECKS REMITTED AS PAYMENT OF ASSESSMENTS.**

Your Consumer Advocate assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the report on Form GAO-15 which you have filed with the Commission, or have been estimated by the Commission, if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the

Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

Estimate of the expenditures of the Office of Consumer Advocate for the Fiscal Year July 1, 2016 to June 30, 2017	\$5,492,000
Deduct:	
Credit from previous fiscal year	574,000
Total OCA Assessment	<u>\$4,918,000</u>

The way in which the total Consumer Advocate assessment of \$4,918,000 has been allocated to the various groups of public utilities is shown on Schedule A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P. O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT PERSON:

Assessment Section Information - Telephone 717-265-7548

OFFICE OF CONSUMER ADVOCATE

Allocation of Expenses based on percent of prior year Public Utility Group workload
Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$2,626,839	54.5595%	\$2,683,237
Gas	\$1,213,549	25.2055%	\$1,239,606
Steam Heat	\$8	0.0002%	\$10
Tele./Tele.	\$235,311	4.8874%	\$240,362
Water/Sewer	\$738,918	15.3474%	\$754,785
Total	\$4,814,625	100.00%	\$4,918,000

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group	Gross intrastate revenues by utility group Calendar Year 2015	General Assessment Factor by Utility Group (Col. (a) / by Col. (b))
	(a)	(b)	(c)
Electric	\$2,683,237	\$7,757,320,121	0.000345897418
Gas	\$1,239,606	\$3,419,595,396	0.000362500780
Steam Heat	\$10	\$96,935,251	0.000000103162
Tele./Tele.	\$240,362	\$2,234,715,615	0.000107558205
Water/Sewer	\$754,785	\$1,124,065,085	0.000671478022
Total	\$4,918,000	\$14,632,631,468	0.000336098125



Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
 Harrisburg, PA 17105-3265

GENERAL ASSESSMENT INVOICE

INVOICE DATE	INVOICE NUMBER
09/01/2016	16-230073

FISCAL YEAR
July 1, 2016 to June 30, 2017

PA AMERICAN WATER CO-WASTEWATER
 ROD P NEVIRASKAS
 800 W HERSHEY PARK DR
 HERSHEY PA 17033

- Read Carefully Notice of Assessment
- Use Return Envelope Provided
- Make Check Payable to:
Commonwealth of Pennsylvania

Pennsylvania Public Utility Commission	\$72,668.00
Pennsylvania Office of Consumer Advocate	\$11,095.00
Pennsylvania Small Business Advocate	\$1,305.00
PAY THIS AMOUNT WITHIN 30 DAYS	\$85,068.00

TO RECEIVE PROPER CREDIT FOR YOUR
 PAYMENT, REMOVE THE BOTTOM PART OF
 THIS INVOICE AT THE PERFORATION AND
 RETURN WITH YOUR REMITTANCE

MAIL PAYMENT TO:
 PA PUC
 PO BOX 61380
 HARRISBURG, PA 17106-1380

FOLD AND CUT HERE

RETURN THIS PORTION WITH YOUR REMITTANCE

PA AMERICAN WATER CO-WASTEWATER
 ROD P NEVIRASKAS
 800 W HERSHEY PARK DR
 HERSHEY PA 17033

INVOICE DATE	INVOICE NUMBER
09/01/2016	16-230073
FISCAL YEAR	
July 1, 2016 to June 30, 2017	

Pennsylvania Public Utility Commission	\$72,668.00
Pennsylvania Office of Consumer Advocate	\$11,095.00
Pennsylvania Small Business Advocate	\$1,305.00
PAY THIS AMOUNT WITHIN 30 DAYS	\$85,068.00

16000023007361 090116100072668002000110950030000130500 000085068003

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

NOTICE OF ASSESSMENT

EXPLANATION OF BILL FOR GENERAL ASSESSMENT
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017

In Section 510 of the Public Utility Code, 66 Pa. C.S. §510, the Pennsylvania General Assembly has authorized the Pennsylvania Public Utility Commission to assess all public utilities a percentage of their gross intrastate operating revenues for the preceding calendar year. Under Section 510, each public utility is required, on or before March 31 of each year to file with the Commission a statement of the utility's gross intrastate operating revenues for the preceding calendar year. After receiving the utilities' statements of gross intrastate operating revenues, the Commission sends general assessment invoices to all public utilities to advise each utility of the amount of assessment that utility owes based upon that utility's activity (gross intrastate operating revenues) in the preceding year. The enclosed assessment is for your proportionate share of the estimated expenses of the Public Utility Commission for the Commission's Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. Filing an objection, however, does not eliminate your obligation to pay the assessment while your objection is being considered. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

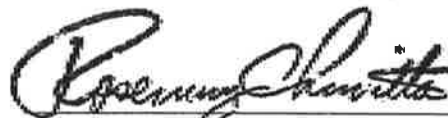
Be sure that your personal check or money order is written out in the same amount as your assessment invoice, and make your remittance payable to, "Commonwealth of PA". **DO NOT SEND CASH.** If you have reason to correspond with the Commission regarding your assessment invoice, please make reference to your invoice number. A receipt for payment will not be issued. Please mail your payment with the return portion of your invoice in the enclosed self-addressed envelope. Please note that rounding of your assessment to the nearest dollar has occurred. Your assessment for the PUC, including the OCA and the OSBA where applicable, has been combined into one invoice; one payment for all applicable assessments is acceptable. **A TWENTY (\$20.00) FEE WILL BE CHARGED FOR ALL DISHONORED OR BAD CHECKS REMITTED AS PAYMENT OF ASSESSMENTS.**

Your assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the Assessment Reports Form GAO-15, AR-15-RR or AR-15-MC which you have filed with the Commission, or have been estimated by the Commission if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

The approved estimate of expenditures of the Commission for the period July 1, 2016 to June 30, 2017 payable as a General Assessment by the public utilities which the Commission regulates has been determined as follows:

Estimate of the expenditures of the Commission for the Fiscal Year July 1, 2016 to June 30, 2017	\$71,947,000
Deduct:	
Pipeline Operators	\$624,260
Prior Years Returned Funds	\$5,517,642
Fee Collections	\$794,358
UCR/NGS/EGS	\$12,261,170
Total Deductions	<u>\$19,197,430</u>
Total Assessment allocated to Public Utility groups furnishing various types of public service	\$52,749,570

The way in which the total Public Utility Commission assessment of \$52,749,570 has been allocated to the various groups of public utilities is shown on Schedules A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P.O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT INFORMATION:

Assessment Section Information - Telephone 717-265-7548

Allocation of Expenses based on percent of prior year Public Utility Group workload
Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$21,161,551	46.0922%	\$24,313,438
Gas	\$9,976,477	21.7299%	\$11,462,429
Pipeline	\$139,468	0.3038%	\$160,253
Steam Heat	\$243,441	0.5302%	\$279,678
Tele./Tele.	\$5,760,929	12.5480%	\$6,619,016
Water/Sewer	\$4,302,861	9.3721%	\$4,943,742
Transportation - Passenger	\$2,329,083	5.0730%	\$2,675,986
Transportation - Property	\$618,690	1.3476%	\$710,853
Transportation - Rail	\$1,378,809	3.0032%	\$1,584,175
Total	\$45,911,309	100.00%	\$52,749,570

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group	Gross intrastate revenues by utility group Calendar Year 2015	General Assessment Factor by Utility Group (Col. (a) / by Col. (b))
	(a)	(b)	(c)
Electric	\$24,313,438	\$7,757,320,121	0.003134257401
Gas	\$11,462,429	\$3,419,595,396	0.003351983984
Pipeline	\$160,253	\$51,279,359	0.003125097566
Steam Heat	\$279,678	\$96,935,251	0.002885204269
Tele./Tele.	\$6,619,016	\$2,234,715,615	0.002961905289
Water/Sewer	\$4,943,742	\$1,124,065,085	0.004398092304
Transportation - Passenger	\$2,675,986	\$204,258,071	0.013101004954
Transportation - Property	\$710,853	\$385,233,400	0.001845252774
Transportation - Rail	\$1,584,175	\$120,150,044	0.013184972283
Total	\$52,749,570	\$15,393,552,342	0.003426731454



**SUPPLEMENTAL SCHEDULE
 FEDERAL SHORTFALL RELATED TO GAS SAFETY APPLICABLE TO GAS PUBLIC UTILITIES ONLY**

	Estimated Commission Federal Shortfall for Calendar Year 2015 and 6 Months of Calendar Year 2016	Actual Commission Federal Shortfall for Calendar Year 2015 and 6 Months of Calendar Year 2016	Estimated Commission Federal Shortfall for Calendar Year 2016 and 6 Months of Calendar Year 2017
Gas	(\$685,832)	\$329,532	\$356,300
	Net Estimated Commission Federal Shortfall for Fiscal Year 2016-17 Assessment	Reported Revenue for Gas Utility Group for Calendar Year 2015	Supplemental add-on Factor
Gas	\$0	\$3,419,595,396	0.000000000000

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

OFFICE OF SMALL BUSINESS ADVOCATE
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
NOTICE OF ASSESSMENT

EXPLANATION OF BILL FOR GENERAL ASSESSMENT
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017

The Pennsylvania Public Utility Commission is mandated under Act 181 of 1988, to levy upon the public utilities the Commission regulates a yearly assessment to fund the Pennsylvania Office of Small Business Advocate (herein called Small Business Advocate). The Governor and the Appropriation Committees of the Pennsylvania House and Senate approved an estimated operating budget of \$1,470,000 for the Small Business Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

The enclosed assessment bill shows your proportionate share of the expenses of the Small Business Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

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Your Small Business Advocate assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the report on Form GAO-15 which you have filed with the Commission, or have been estimated by the Commission, if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

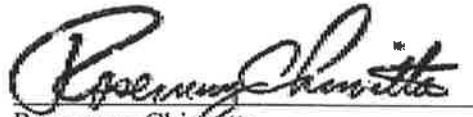
Estimate of the expenditures of the Office of Small
Business Advocate for the Fiscal Year July 1, 2016
to June 30, 2017: \$1,470,000

Deduct:

Credit from previous fiscal years: 360,000

Total Assessment \$1,110,000

The way in which the total Small Business Advocate assessment of \$1,110,000 has been allocated to the various groups of public utilities is shown on Schedule A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P. O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT PERSON:

Assessment Section Information - Telephone 717-265-7548

OFFICE OF SMALL BUSINESS ADVOCATE

Allocation of Expenses based on percent of prior year Public Utility Group workload
Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$577,088	52.0000%	\$577,200
Gas	\$321,837	29.0000%	\$321,900
Steam Heat	\$11,098	1.0000%	\$11,100
Tele./Tele.	\$110,978	10.0000%	\$111,000
Water/Sewer	\$88,783	8.0000%	\$88,800
Total	\$1,109,784	100.00%	\$1,110,000

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group (a)	Gross intrastate revenues by utility group Calendar Year 2015 (b)	General Assessment Factor by Utility Group (Col. (a) / by Col. (b)) (c)
Electric	\$577,200	\$7,757,320,121	0.000074407139
Gas	\$321,900	\$3,419,595,396	0.000094133944
Steam Heat	\$11,100	\$96,935,251	0.000114509427
Tele./Tele.	\$111,000	\$2,234,715,615	0.000049670750
Water/Sewer	\$88,800	\$1,124,065,085	0.000078998984
Total	\$1,110,000	\$14,632,631,468	0.000075857853



PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

OFFICE OF CONSUMER ADVOCATE
NOTICE OF ASSESSMENT

**EXPLANATION OF BILL FOR GENERAL ASSESSMENT FOR PENNSYLVANIA
OFFICE OF CONSUMER ADVOCATE, OFFICE OF ATTORNEY GENERAL
FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017**

The Pennsylvania Public Utility Commission is mandated under Act 15 of 1977, P.L. 19 as amended by Act 107 of 1978 and Act 25 of 1983, to levy upon the public utilities the Commission regulates a yearly assessment to fund the Pennsylvania Office of the Consumer Advocate (herein called Consumer Advocate), Office of the Attorney General. The Governor and the Appropriation Committees of the Pennsylvania House and Senate approved an estimated operating budget of \$5,492,000 for the Consumer Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

The enclosed assessment bill shows your proportionate share of the expenses of the Consumer Advocate for the Fiscal Year July 1, 2016 to June 30, 2017.

YOU ARE REQUIRED TO PAY THIS BILL WITHIN THIRTY DAYS AFTER YOU RECEIVE IT. Objections to the assessment must be made in writing within 15 days and shall set out in detail the grounds upon which you regard the assessment to be excessive, erroneous, unlawful, or invalid. Objections may be filed only by the person, partnership, or corporation assessed. **FAILURE TO PAY THE ASSESSMENT WHEN PAYMENT IS DUE WILL SUBJECT YOU TO PENALTIES.**

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Your Consumer Advocate assessment has been computed by multiplying your gross intrastate operating revenues for the calendar year 2015 by the assessment factor for the public utility group of which you are a member. Your gross intrastate operating revenues for 2015 have been taken from the report on Form GAO-15 which you have filed with the Commission, or have been estimated by the Commission, if you failed to file a timely report. Gross operating revenue reported to the Commission on the Assessment Reports may have been revised by the

Commission to accurately reflect assessable revenue. The assessment factors for the various public utility groups are set forth in Schedule B enclosed herewith.

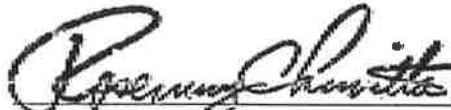
Estimate of the expenditures of the Office of
Consumer Advocate for the Fiscal Year
July 1, 2016 to June 30, 2017 \$5,492,000

Deduct:

Credit from previous fiscal year 574,000

Total OCA Assessment \$4,918,000

The way in which the total Consumer Advocate assessment of \$4,918,000 has been allocated to the various groups of public utilities is shown on Schedule A and B enclosed herewith.



Rosemary Chiavetta
Secretary
PA Public Utility Commission

MAKE INQUIRIES TO:

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
P. O. Box 3265
Harrisburg, PA 17105-3265

FOR CERTIFIED AND EXPRESS CARRIERS

Pennsylvania Public Utility Commission
Bureau of Administrative Services/Assess
400 North Street
Harrisburg, PA 17120

CONTACT PERSON:

Assessment Section Information - Telephone 717-265-7548

OFFICE OF CONSUMER ADVOCATE

Allocation of Expenses based on percent of prior year Public Utility Group workload
Budget Fiscal Year 2016-17

SCHEDULE A

Group	Total Expenditures per Utility Group Calendar Year 2015	Percentage Distribution	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group
Electric	\$2,626,839	54.5595%	\$2,683,237
Gas	\$1,213,549	25.2055%	\$1,239,606
Steam Heat	\$8	0.0002%	\$10
Tele./Tele.	\$235,311	4.8874%	\$240,362
Water/Sewer	\$738,918	15.3474%	\$754,785
Total	\$4,814,625	100.00%	\$4,918,000

SCHEDULE B

Group	Estimated Expenditures Fiscal Year 2016-2017 by Utility Group (a)	Gross intrastate revenues by utility group Calendar Year 2015 (b)	General Assessment Factor by Utility Group (Col. (a) / by Col. (b)) (c)
Electric	\$2,683,237	\$7,757,320,121	0.000345897418
Gas	\$1,239,606	\$3,419,595,396	0.000362500780
Steam Heat	\$10	\$96,935,251	0.000000103162
Tele./Tele.	\$240,362	\$2,234,715,615	0.000107558205
Water/Sewer	\$754,785	\$1,124,065,085	0.000671478022
Total	\$4,918,000	\$14,632,631,468	0.000336098125

