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October 16, 2017

FEDERAL EXPRESS

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v.
Pennsylvania-American Water Company
Docket No. R-2017-2595853**

Dear Secretary Chiavetta:

Enclosed for filing in the above-captioned matter, is a **Joint Petition for Settlement of Rate Investigation ("Joint Petition")** with accompanying Appendices A through P. Because the document exceeds 250 pages, we are filing one unbound hard copy and a disc containing a pdf of the entire Joint Petition and accompanying appendices. Pursuant to 52 Pa. Code § 1.11(a)(2), the Joint Petition will be deemed filed on October 16, 2017, which is the date shown on the Federal Express delivery receipt attached to the envelope containing this letter and the Joint Petition.

As evidenced by the enclosed Certificate of Service, copies of the Joint Petition are being served upon the presiding Administrative Law Judges Dennis J. Buckley and Benjamin J. Myers, and all active parties.

Very truly yours,



Anthony C. DeCusatis



Enclosures

c: Per Certificate of Service (w/encls.)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

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DOCKET NO. R-2017-2595853

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Joint Petition for Settlement of Rate Investigation** on the following persons, in the manner specified below, in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC AND FEDERAL EXPRESS

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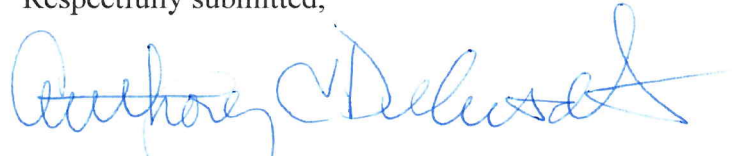
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Respectfully submitted,



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Dated: October 16, 2017

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
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DOCKET NOS. R-2017-2595853, *et al.*

**JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

October 16, 2017

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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DOCKET NOS. R-2017-2595853, et al.

**JOINT PETITION FOR SETTLEMENT
OF
RATE INVESTIGATION**

**TO THE HONORABLE DENNIS J. BUCKLEY AND BENJAMIN J. MYERS,
ADMINISTRATIVE LAW JUDGES:**

Pennsylvania-American Water Company (“PAWC” or the “Company”), the Bureau of Investigation and Enforcement (“BI&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), AK Steel Corp. (“AK Steel”), the Commission on Economic Opportunity (“CEO”) and the Pennsylvania-American Water Large Users Group (“PAWLUG”) (collectively, the “Joint Petitioners”) respectfully submit this Joint Petition for Settlement of Rate Investigation (“Joint Petition”) and request that the Administrative Law Judges: (1) approve the settlement of this proceeding as set forth in this Joint Petition (the “Settlement”) without modification; and (2) recommend that the Commission adopt the Settlement, permit PAWC to file the tariff for its water operations annexed hereto as Appendix A and the tariff for its wastewater operations annexed hereto as Appendix B to become effective pursuant to the terms set forth therein, terminate its investigation at Docket No. R-2017-2595853, *et al.* and mark the consolidated docket closed. In support of their request, the Joint Petitioners state as follows:

I. BACKGROUND

1. On April 28, 2017, the Company filed Original Tariff Water-Pa. P.U.C. No. 5 and Original Tariff Wastewater Pa. P.U.C. No. 16 requesting an increase in its total annual operating revenues to become effective June 27, 2017. The amount of the requested increase equaled \$107.9 million, or approximately 16.4%. By Order entered May 18, 2017, the Pennsylvania Public Utility Commission (“Commission”) instituted a formal investigation at Docket No. R-2017-2595853 to determine the lawfulness, justness and reasonableness of the Company’s existing and proposed rates, rules and regulations. Original Tariff Water-Pa. P.U.C. No. 5 and Original Tariff Wastewater Pa. P.U.C. No. 16 were thereby suspended by operation of law until January 27, 2018, unless permitted by Commission order to become effective at an earlier date. The case was then assigned to Administrative Law Judges Dennis J. Buckley and Benjamin J. Myers (“ALJs”) for purposes of conducting hearings and issuing a Recommended Decision.

2. Forty-one (41) Complaints were filed against the Company’s proposed rates, including Complaints filed by the OCA, OSBA and PAWLUG. Petitions to Intervene were filed by AK Steel and CEO, which the Company did not oppose and which the ALJs granted in their Orders issued on July 24, 2017 and August 1, 2017, respectively. BI&E entered its appearance and participated fully in this proceeding. Among the Complainants and Intervenors, OCA, the OSBA, AK Steel, CEO, and PAWLUG actively participated in this proceeding.

3. A Prehearing Conference was held on May 25, 2017, at which a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all case-in-chief, rebuttal and surrebuttal testimony would be submitted in advance of

hearings and oral rejoinder could be offered at the hearings. Evidentiary hearings were scheduled for September 18, 21-22, 25-26, 2017 at which all testimony and exhibits would be placed in the record and all witnesses presented for cross-examination, if any, thereon.

4. The Company filed timely Answers denying the material averments of all Complaints prior to the entry of the Investigation Order. By letter dated May 23, 2017, PAWC notified the ALJs and the parties that it would rely upon 52 Pa. Code § 5.61(d), which provides that answers to Complaints docketed in Commission-instituted investigations of rates are not required except as directed by the Commission or presiding offer. At the Prehearing Conference, the ALJs directed the Company to submit answers to any Complaints served after May 18, 2017 within twenty days of service. To that end, the Company filed timely Answers denying the material averments of such Complaints until the ALJs informed the Company on August 14, 2017 that it no longer needed to file Answers.

5. A total of nine public input hearings were held, with forty-four (44) individuals testifying at those hearings, as follows:

DATE	LOCATION	START TIME	NUMBER OF WITNESSES THAT TESTIFIED
July 24, 2017	Washington	1:00 P.M.	2
July 24, 2017	Pittsburgh	6:00 P.M.	0
July 25, 2017	Uniontown	1:00 P.M.	2
July 27, 2017	Harrisburg ("Smart Hearing")	1:00 P.M.	7
July 27, 2017	New Cumberland (Camp Hill)	6:00 P.M.	4
August 1, 2017	Wilkes-Barre/Scranton	1:00 P.M.	4
August 1, 2017	East Stroudsburg	6:00 P.M.	13

August 3, 2017	East Fallowfield Twp. (Coatesville)	1:00 P.M.	2
August 3, 2017	Wyomissing (Reading)	6:00 P.M.	10

6. Accompanying Original Tariff Water-Pa. P.U.C. No. 5 and Original Tariff Wastewater Pa. P.U.C. No. 16, the Company filed the detailed supporting information required by the Commission’s regulations (52 Pa. Code § 53.52 *et seq.*) for an historic test year ended December 31, 2016, a future test year ending December 31, 2017 and a fully projected future test year (“FPPTY”) ending December 31, 2018. In addition, the Company filed the two cost of service studies related to the provision of wastewater service in the Company’s Scranton service area¹ that the Commission directed it to prepare and file in its Final Order at Docket No. A-2016-2537209.² The Company’s supporting information included the prepared direct testimony of fifteen (15) initial witnesses and the various exhibits sponsored by them. Considerable additional information was supplied in response to interrogatories and data requests. In accordance with the previously established schedule, on August 9, 2017, BI&E, OCA, OSBA, CEO and AK Steel submitted a total of fourteen (14) written statements and numerous exhibits addressing rate of return, accounting, rate base, operating and maintenance expenses, rate structure/cost allocation, consolidation of water and wastewater revenue requirements and operational and service-related issues. On August 31, 2017, PAWC filed ten (10) statements and various associated exhibits constituting its rebuttal testimony in this case and BI&E, OCA,

¹ PAWC Exhibit 3-A (Scranton Wastewater Operations), p. 30; PAWC Exhibit 3-A (Scranton Wastewater Operations) Revised, p. 30; PAWC Exhibit No. 12-G, Schedule C.

² *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, Docket No. A-2016-2537209 (Final Order entered Oct. 19, 2016).*

OSBA, PAWLUG and AK Steel submitted a total of five (5) statements of rebuttal testimony. On September 15, 2017, surrebuttal testimony was submitted by BI&E (seven statements), OCA (four statements), OSBA (one statement) and AK Steel (one statement).

7. Negotiations were conducted by the Joint Petitioners to try to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein. In light of the Settlement and the fact that all parties to this proceeding waived cross-examination, a hearing was held on September 26, 2017, for the purpose of entering testimony and exhibits into the record.

8. While the Joint Petitioners acknowledge that, except to the extent specifically set forth herein, they have not sought, nor would they be able, to agree upon the specific rate case adjustments which support their respective conclusions, they are in full agreement that this Settlement is in the best interest of the Company and its customers and, therefore, is in the public interest.

II. TERMS AND CONDITIONS

The Settlement consists of the following terms and conditions:

A. Revenue Requirement

9. Upon the Commission's approval of this Settlement, but no earlier than January 1, 2018 (*see* Paragraph 36 below), PAWC will be permitted to charge the rates for water service set forth in the proposed Original Tariff annexed hereto as Appendix A and the rates for wastewater service set forth in the proposed Original Tariff annexed hereto as Appendix B (hereafter, the Settlement Rates). The Settlement Rates are designed to produce additional annual operating revenue of \$61.85 million, as shown on the proof of revenues annexed hereto as Appendix C.

The Water Original Tariff set forth in Appendix A and the Wastewater Original Tariff set forth in Appendix B have been reviewed by the Joint Petitioners and comply with the terms of the Settlement. The Settlement Rates are designed to produce approximately \$719.15 million in total annual combined water and wastewater revenue (including Other Revenue) as shown in Appendix C (Summary of Proof of Revenues).

10. The Joint Petitioners agree that the Company's originally filed pro forma present rate revenue level has been used to establish the Settlement Rates. The Joint Petitioners specifically agree that this provision is for the purposes of settlement for this case only and does not establish precedent for addressing any alleged impacts of declining per-customer usage for any future PAWC rate cases.

11. In the Company's next base rate filing, the Company will submit a separate revenue requirement study for each combined sewer system ("CSS") and will file a cost of service study that separately identifies all storm water costs for CSS operations.

12. The Joint Petitioners acknowledge and agree that the depreciation rates set forth in PAWC Exhibit Nos. 11-C, 11-F and 11-I are appropriate for ratemaking purposes in this case and that the Company will use such depreciation rates to calculate the depreciation expense it records on its regulated books of account.

13. The Joint Petitioners agree that the Settlement Rates reflect the amortizations set forth in Appendix D to the Joint Petition, which includes amortizations of the transaction costs that PAWC recorded in connection with its acquisition of the wastewater utility assets of the Scranton Sewer Authority ("SSA") and the Borough of New Cumberland ("New Cumberland"),

as well as the costs of the Customer Class Demand Study performed for the Company's water operations in accordance with the Commission-approved settlement of PAWC's rate proceeding at Docket No. R-2011-2232243 ("Demand Study"). For settlement purposes, the parties agree that a ten (10) year amortization period shall be employed for the New Cumberland transaction costs and the Demand Study and that a forty (40) year amortization period shall be employed for the SSA transaction costs. The Company will not claim in this or future rate filings an amortization of or return on the acquisition adjustment it recorded in regard to its acquisition of the wastewater assets of the SSA. Additionally, all positive or negative acquisition adjustments that were not previously approved by the Commission and are identified on Appendix D will not be amortized as either a positive or negative amortization in rates charged to customers in this or future rate filings.

14. As part of this Settlement, the Company has agreed to provide the Commission's Bureau of Technical Utility Services ("TUS"), BI&E, OCA and OSBA, on or before April 30, 2018, an update to PAWC Exhibit No. 3-C, which will include actual plant additions and retirements by month for the twelve months ending December 31, 2017. On or before April 30, 2019, PAWC will update Exhibit No. 3-C for the twelve months ending December 31, 2018. In PAWC's next base rate proceeding, the Company will prepare and submit a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2018 to its projections in this case. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of the Joint Petitioners' positions on various issues.

15. The Company will not implement a Distribution System Improvement Charge ("DSIC") during the calendar year ending December 31, 2018. The first DSIC in 2019 will be

effective no earlier than April 1, 2019 based on DSIC-eligible expenditures during January and February 2019. In any event, the Company will not begin to impose a DSIC until the total aggregate gross plant costs (before depreciation or amortization) associated with the eligible property that has been placed in service exceeds the following total aggregate plant costs claimed by the Company in the FPFTY:

Water - \$149,660,658 (as shown in detail on Appendix E)

Total Wastewater - \$6,770,153 (as shown in detail on Appendix E)

In compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, the amounts shown in Appendix E constitute the baseline of gross plant balances to be achieved in order to restart charges under the Company's DSIC. This provision relates solely to the calculation of the DSIC during the time that the Settlement Rates are in effect and is not determinative for future ratemaking purposes of the projected plant additions to be included in rate base in a fully projected future test year filing.

16. The Joint Petitioners agree and hereby stipulate that the Company shall use the rate of return on equity ("ROE") as calculated for water utilities and published in the "Bureau of Technical Utilities Services Report on the Quarterly Earnings of Jurisdictional Utilities" for the most recent quarter for purposes of calculating the ROE component of the Company's DSIC.

17. The Company will record, for accounting and regulatory purposes, pension expense based on accrual accounting, according to FASB Accounting Standards Codification Topic 715 or "ASC 715" (formerly Statement of Financial Accounting Standards 87). In addition, the Company will establish a 10-year amortization of its deferred pension liabilities on its books at December 31, 2017. Nothing in this Settlement precludes any party from contesting

the Company's pension expense claim and associated ratemaking effects in its next base rate case.

18. The Company will remove from utility plant in service \$12 million claimed for Scranton wastewater easements to be acquired. Only when the easements are acquired and transferred to the Company will the Company record them to utility plant in service. Any costs incurred to acquire easements associated with assets acquired from the SSA above \$12 million will not be claimed in future rate filings. The Company may establish a regulatory asset, for accounting purposes only, in an amount not to exceed \$12 million. The regulatory asset will be reduced by the amount of Scranton wastewater easements recorded to utility plant in service. The Company will not claim any portion of the regulatory asset as an addition to rate base or as an expense for ratemaking purposes. All parties shall have the right to challenge the reasonableness and prudence of the costs incurred to acquire the Scranton wastewater easements.

19. The Company has the right to request Commission approval to defer any annual fees paid to the Pennsylvania Department of Environmental Protection set forth in proposed 25 Pa. Code § 109.1401 (PAWC Exhibit ECA-1R, 47 *Pa. Bulletin* 4986, 5039 (Aug. 26, 2017)) to record those costs when they occur as a regulatory asset, and claim such costs for recovery in the Company's next base rate filing. Any party has the right to oppose such request.

20. The Company agrees to make an allocation of common costs between water and wastewater operations in its next base rate filing. This includes, but is not limited to, an allocation to the revenue requirement for wastewater operations of costs charged to PAWC from American Water Works Service Company.

B. Base Rate Stay-Out

21. PAWC will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its existing water operations, wastewater operations excluding Scranton wastewater or Scranton wastewater operations prior to March 31, 2020. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy or statutes which directly and substantially affect the Company's rates, this Settlement shall not prevent the Company from filing tariffs or tariff supplements to the extent necessitated by such action.

C. Act 40 Of 2016

22. Section 1301.1(a), 66 Pa.C.S. § 1301.1(a), which was added to the Public Utility Code by Act 40 of 2016, provides in relevant part that a utility's federal income tax expense shall be calculated on a "stand-alone" basis for ratemaking purposes. As a consequence, consolidated tax adjustments would no longer be reflected in calculating income tax expense for ratemaking purposes. Section 1301.1(b), 66 Pa.C.S. § 1301.1(b), deals with the use of amounts representing a "differential" calculated by reference to Section 1301.1(a).

23. The level of revenue requirement included in this Settlement reflects the resolution of the parties' positions in the dispute regarding 66 Pa.C.S. § 1301.1(a). The Company submitted, in its response to Filing Requirement IV.14 (marked as confidential), a calculation of what its consolidated tax adjustment would be in this case. That amount of \$4.4 million, identified in PAWC Statement No. 10 (page 4), was not contested by any party.

24. The parties acknowledge that issues regarding the impact of 66 Pa.C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges are

currently being litigated before the Commission in *Petition of Metropolitan Edison Co., et al., for Approval of a DSIC*, Docket Nos. P-2015-2508942, P-2015-2508936, P-2015-2508931, and P-2015-2508948 (“Petition of Met-Ed”). The Company will not contest the right of a party to raise issues regarding the impact of 66 Pa.C.S. § 1301.1 on the treatment of federal and state income tax deductions in calculating DSIC charges by filing a complaint against the Company’s first quarterly DSIC charge filed after the resolution of the Petition of Met-Ed or by filing a pleading to initiate a generic proceeding.

D. Low-Income Issues

25. The low income customer charge discount for residential water customers will be increased from 80% to 85%, as reflected in the Settlement Rates. In addition, for its wastewater operations, the Company agrees to increase the residential low-income discount from 15% to 20% of the wastewater bill for qualifying low-income wastewater customers. The Company intends to continue to use community-based organizations to assist in the implementation of its low-income assistance programs.

26. The Company’s annual contribution to its hardship grant program will be increased from its current level of \$300,000 to \$400,000 for water operations and from \$10,000 to \$50,000 for wastewater operations. In accordance with current practice, such contribution will be recorded as a “below the line” expense and will not be claimed by PAWC for recovery in its rates. This term of the Settlement is set forth for information purposes, and the Commission’s approval of this term is not requested.

E. Service-Related Issues

27. With regard to service-related issues, in response to concerns raised by the OCA in its testimony in this case and by customers at the Public Input Hearings, the Company will take the actions as set forth in Appendix F to this Joint Petition.

F. Unaccounted For Water

28. In its next water base rate filing, the Company will include, and serve upon BI&E, OCA and OSBA, copies of the Section 500 sheet of its Annual Report, in live Excel format, for each water operational district for the three preceding reporting years ending prior to the date of the Company's filing.

G. Street Sweeping Within The City Of Scranton And The Borough Of Dunmore

29. The Company agrees to prepare an agreement between the Company and the City of Scranton and the Borough of Dunmore (the "Municipalities") to memorialize its existing cooperative arrangement with the Municipalities explained in the Rebuttal Testimony of Company witness Kaufman (PAWC St. 3-R, pp. 12-13), which shall provide that: (1) the Company will have regular periodic meetings with the Municipalities; (2) at such meetings the Company will discuss and provide input regarding the Municipalities' street sweeping schedules, identify priority areas for street sweeping and also identify areas that need additional street sweeping by the Municipalities; and (3) the Company is responsible for cleaning out catch basins that are within the combined sewer system to remove grit and other material. The Company agrees to submit an agreement meeting the foregoing criteria (the "Agreement") to the Municipalities within three months of the date the Settlement Rates become effective pursuant to

a Final Order of the Commission approving the Settlement. The Company further agrees to use its best efforts to obtain the execution of the Agreement by the Municipalities within a reasonable period thereafter, provided, however, that the Company will not be required to enter into the Agreement if the Municipalities require terms or conditions in addition to those set forth above that are not acceptable to the Company.

30. Within thirty days of the execution of the Agreement by all parties to the Agreement, the Company will file a copy of the Agreement with the Commission for approval under Section 507 of the Public Utility Code, 66 Pa.C.S. § 507. Nothing set forth herein will preclude any Settling Party from raising, in the docket initiated by the filing of the Agreement, any issues regarding whether the Agreement complies with the terms of the Settlement and satisfies the requirements of Section 507 for approval by the Commission, nor will it preclude any party from asserting a claim in a subsequent base rate proceeding that the terms of the Agreement should be revised or that costs claimed by the Company should be disallowed pursuant to a Commission mandated revision to the Agreement or for the Company's failure to comply with the terms of the Agreement.

31. Additionally, and also consistent with Mr. Kaufman's Rebuttal Testimony, the Company will not claim for recovery from customers any charges the Municipalities may seek to impose upon the Company for street sweeping.

H. Formal Complaint Of Stockton Alloway

32. Mr. Stockton Alloway filed a Formal Complaint that raised concerns regarding the fixed rate he is charged for wastewater service provided by the Company in the Coatesville wastewater operations. Mr. Alloway is a wastewater customer, but not a water customer of the

Company and, therefore, there are no metered water data for Mr. Alloway and he is charged the flat rate set forth in the Company's tariff. Mr. Alloway is a single individual and has argued that his actual wastewater usage is significantly lower than the average customer usage that is used to develop the fixed wastewater rate. The Company agrees to create a limited pilot program to address, and develop information about, the kinds of concerns raised by Mr. Alloway's Formal Complaint. If technically feasible, the Company will install, at the Company's cost, a meter on Mr. Alloway's well to measure his actual usage. The Company will bill Mr. Alloway's wastewater service under its metered wastewater rates according to his actual metered water usage instead of the fixed rate charge.

I. Main Extensions

33. The Company agrees to invest \$2.2 million to construct water main extensions under and pursuant to Rule 27.1(F) of its water tariff, which authorizes main extensions to be installed without customer contributions subject to Commission approval in order to address health and safety concerns. A portion of the \$2.2 million investment will be used to install the water main extensions identified in Appendix G annexed hereto, subject to the additional terms and conditions set forth therein. The Company will work with the OCA and other interested parties to identify additional main extensions that satisfy the criteria of Tariff Rule 27.1 (F) and will use the remaining committed investment to construct such main extensions under and pursuant to Tariff Rule 27.1. With respect to the foregoing commitments, the following terms and conditions also apply:

a. The Company and the OCA will work together to establish a reasonable timeframe for the completion of the projects identified in Appendix G and such other projects

that are within the scope of the Company's committed investment once the specifications for such projects are known.

b. The Company shall apply least-cost principles in designing and constructing the main extensions that are within the scope of its commitments in this Settlement.

c. The Commission's approval of this Joint Petition will constitute the approval required under Tariff Rule 27.1(F) to construct the projects identified in Appendix G.

d. PAWC agrees to continue to use its best efforts to apply for grants from applicable local municipalities and to receive contributions from other sources, such as from Marcellus Shale drilling companies, in order to mitigate the cost for the main extension projects identified in Appendix G and other projects that are within the scope of its commitments in this Settlement. To the extent any grants are received, they will not diminish the Company's commitment to invest \$2.2 million for main extensions that meet the criteria of Tariff Rule 27.1(F) pursuant to this Settlement but, instead, will enable the Company to fund additional projects under Tariff Rule 27.1(F).

e. The Joint Petitioners agree that the provisions set forth in Paragraph 33 and Appendix G are not precedential as to conditions that might validate the application of Tariff Rule 27.1(F) in the future and shall not be cited as such in any subsequent proceeding.

f. The Company agrees to continue working with interested parties to refine its existing process for systematic evaluation of main extension requests to ameliorate, by the application of Tariff Rule 27.1 (F), documented health and safety problems that exist within its service territory because of the inadequate quantity or quality of property owners' individual

well water supplies. This will include discussion of specific measures to ensure that requests that may qualify under Tariff Rule 27.1(F) are identified accurately and timely.

J. Cost Allocation And Rate Design

34. The Settlement Rates set forth in Appendix A reflect the Joint Petitioners' agreement with regard to water rate structure, rate design and the distribution of the increase in revenues in this case, as follows:³

a. Under the Settlement Rates, the Rate Zone 1 5/8-inch customer charge for the residential customer class will be \$16.50 per month in lieu of the \$18.50 customer charge proposed by the Company. The same percentage increase as that for 5/8 inch meters will be applied to the customer charges for all other meter sizes and classes of customers in Rate Zone 1, except for the Industrial class. The 5/8-inch customer charge for the Industrial class in Rate Zone 1 under the Settlement Rates will be \$24.50, and the same percentage increase will be applied for all other meter sizes.

b. Rate Zone 50 is being consolidated with Rate Zone 1 under the Settlement Rates.

c. Rate Zones 40, 41, 46, 47 and 51 have been consolidated into a new Rate Zone 2. The customer charges have been equalized with Rate Zone 1. The usage charge for all classes will be \$0.900 per 100 gallons. However, for customers in the former Rate Zone 40 (Nittany), the \$0.900 rate will be phased-in over two years with increases occurring in January 2018 and January 2019.

³ Subparagraphs a. - f. provide a general description of the water rate structure and water rate design incorporated in the Settlement Rates. While every effort has been made to ensure that the description is accurate, if any inconsistency exists between such description and the rates set forth in Appendix A, the latter shall take precedence.

d. Rate Zone 52 has been renamed as Rate Zone 3 and its customer charges have been equalized with Rate Zone 1. The usage charge for all classes will be phased into \$0.5000 per 100 gallons with increases occurring in January 2018 and January 2019.

e. Appendix H contains billing comparisons showing the impact on the bill of an average customer in each major general service rate class if the Settlement Rates are approved.

f. The Company agrees to hold a non-binding collaborative with PAWLUG and any other Joint Petitioners that express an interest in participating to discuss rate designs for high-usage customer accounts that are not part of the Industrial class. The Company will not be required to propose any changes to its current rate structure and rate design in a future rate case based on the discussions held as part of the non-binding collaborative. While the collaborative shall be similarly non-binding on all participants, any Joint Petitioner may independently propose modifications to PAWC's rate structure or rate design based on discussions or information exchanged through the collaborative.

35. The Settlement Rates set forth in Appendix B reflect the Joint Petitioners' agreement with regard to wastewater rate structure, rate design and the distribution of the increase in revenues in this case, as follows.⁴

a. The Company currently has twelve (12) wastewater rate zones, one of which is the Scranton wastewater operations that the Company acquired from SSA. Under the Settlement Rates, the existing wastewater rate zones will be reduced to five. Existing wastewater

⁴ If any inconsistency exists between the information provided in subparagraphs a.-d. and the rates set forth in Appendix B, the latter shall take precedence.

Rate Zones 2, 3, and 6-10 will be consolidated with wastewater Rate Zone 1. The other four rates zones will consist of new Rate Zone 2 (New Cumberland), new Rate Zone 3 (Scranton), Rate Zone 4 (Koppel) and Rate Zone 5 (Franklin).

b. For Rate Zones 1-4, most customers receiving wastewater service are also water customers of the Company, and for such customers, the Settlement Rates provide for a customer charge and for volumetric charges to be based on the customers' water usage, which is consistent with the design of the current rates for customers in those the rate zones. For customers in Rate Zones 1-4 that are not water customers of the Company and for all customers in Rate Zone 5, none of whom are water customers of the Company, the Settlement Rates provide a flat rate charge. The Settlement Rates for all classes of customers and classes of wastewater service for Rate Zones 1-5 are set forth in the applicable portions of the Wastewater Tariff attached as Appendix B.

c. Appendix I contains billing comparisons showing the impact on the bill of an average customer in each major rate class if the Settlement Rates are approved.

d. Combined Water and Wastewater Revenue Requirement: Pursuant to Section 1311(c) of the Public Utility Code and the Commission's Implementation Order in Docket No. R-2013-2355276, under the Settlement Rates a portion of the wastewater revenue requirement totaling \$4,700,000 is being allocated to water customers, as shown in Appendix C, Water Operations, Schedule 10. Of this amount, \$2,317,000 is attributable to a portion of the Scranton wastewater revenue requirement and \$2,383,000 is attributable to a portion of the revenue requirement of Company's wastewater operations excluding Scranton.

K. Effective Date

36. The Joint Petitioners agree to exercise their best efforts to obtain approval of this Settlement by the Commission on or before December 7, 2017, and the implementation of the Settlement Rates on January 1, 2018, which is the beginning of the rate year. Upon the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file a tariff for water service, in the form attached hereto as Appendix A, and a tariff for wastewater service, in the form attached hereto as Appendix B, to become effective on January 1, 2018 upon less than statutory notice. The changes outlined in the Company's interrogatory responses identified in the direct testimony of OCA witness Scott Rubin's direct testimony have been reflected in the proposed Original Tariffs for water service and wastewater service, provide as Appendix A and Appendix B, respectively.

III. PUBLIC INTEREST CONSIDERATIONS

37. The Joint Petitioners have each prepared, and attach to this Joint Petition, Statements in Support identified as Appendices J through P, respectively, setting forth the bases upon which they believe that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

38. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

a. The Settlement provides for an increase in annual operating revenues of \$61.85 million, or approximately 9.41%, in lieu of the \$107.9 million, or approximately 16.4%, increase originally requested.

b. Acceptance of the Settlement will avoid the necessity of further administrative and possible appellate proceedings at substantial cost to the Joint Petitioners, other parties, and the Company's customers.

c. The Settlement Rates will allocate the agreed upon combined water and wastewater revenue requirement to each rate zone and customer class in a manner that is reasonable in light of the rate structure/cost of service positions of all parties and implement Section 1311(c) of the Public Utility Code in a manner that is agreeable to all parties.

d. The Joint Petitioners arrived at the Settlement terms after conducting extensive discovery, submitting testimony and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391 and 69.401), and is supported by a substantial record.

IV. ADDITIONAL TERMS AND CONDITIONS

39. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within three business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and

effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions. The Joint Petition does not establish precedent and neither the Joint Petition nor Commission approval of the Joint Petition shall be cited in other proceedings. Joint Petitioners agree that, while the Settlement, upon Commission approval without modification, will be enforceable according to its terms, the Joint Petition does not expressly or implicitly represent approval of any specific claim or claims made in this proceeding and agree not to contend otherwise in any other proceeding.

40. All Joint Petitioners will make reasonable, good faith efforts to obtain approval of the Settlement by the ALJs and the Commission without modification. If the ALJs, in their Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

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

1. That Administrative Law Judges Buckley and Myers and the Commission approve the Settlement embodied in this Joint Petition, including all terms and conditions thereof;

2. That the Commission find the Settlement Rates to be just and reasonable and grant the Company permission to file the Original Water Tariff attached hereto as Appendix A and Original Wastewater Tariff attached hereto as Appendix B to become effective on January 1, 2018, which increase the Company's rates so as to produce an increase in annual operating combined water and wastewater revenues of \$61.85 million in lieu of the \$107.9 million originally requested and that produce approximately \$719.15 million in total annual combined water and wastewater revenue (including Other Water Revenues) as shown in Appendix C, Schedule A, column 8 (Water Operations), Schedule A, column 6 (Wastewater Operations Excluding Scranton) and Schedule A, column 6 (Scranton Wastewater Operations); that the Commission terminate its inquiry and investigation at Docket Nos. R-2017-2595853, *et al.* and mark the file closed.

Respectfully submitted,

PENNSYLVANIA-AMERICAN
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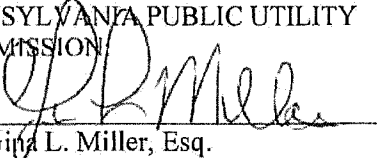
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DATED: October 16, 2017

DB1/ 93583298.5

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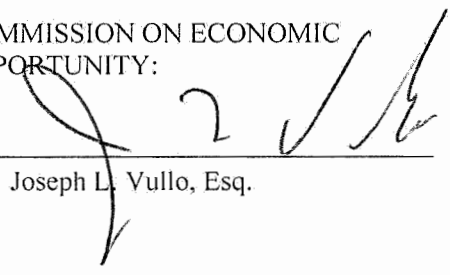
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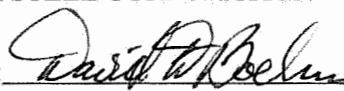
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Respectfully submitted,

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WATER COMPANY

By: _____
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Anthony C. DeCusatis, Esq.
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Charis Mincavage, Esq.
Adeolu A. Bakare, Esq.

DATED: October 16, 2017

**PENNSYLVANIA-AMERICAN WATER COMPANY
(hereinafter referred to as the "Company")**

D/B/A

Pennsylvania American Water

SUSPENSION SUPPLEMENT TO

WATER SERVICE TARIFF NO. 5

RATES, RULES AND REGULATIONS

GOVERNING THE DISTRIBUTION AND SALE OF

WATER SERVICE

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED ADJACENT THERETO IN:

ADAMS, ALLEGHENY, ARMSTRONG, BEAVER, BERKS, BUCKS,
BUTLER, CENTRE, CHESTER, CLARION, CLEARFIELD, CLINTON, COLUMBIA,
CUMBERLAND, DAUPHIN, FAYETTE, INDIANA, JEFFERSON, LACKAWANNA,
LANCASTER, LAWRENCE, LEBANON, LUZERNE, MCKEAN, MONROE, MONTGOMERY,
NORTHAMPTON, NORTHUMBERLAND, PIKE, SCHUYLKILL, SUSQUEHANNA,
UNION, WARREN, WASHINGTON, WAYNE, AND YORK COUNTIES.

Issued:

Effective Date: January 1, 2018

Issued by:
Jeff McIntyre, President
Pennsylvania American Water
800 West Hersheypark Drive
Hershey, PA 17033

<https://www.amwater.com/paaw/>

NOTICE

This Tariff makes Increases, Decreases and Changes to Existing Rates, Rules and Regulations.

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff makes increases, decreases and changes to existing rates, rules and regulations as approved at Docket No. R-2017-2595853.

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

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PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

**(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Central Pennsylvania

Berwick District

Columbia County

The Boroughs of Berwick and Briar Creek and the Township of Briar Creek

Luzerne County

The Borough of Nescopeck and the Township of Salem

Frackville District

Schuylkill County

The Borough of Frackville and the Townships of Butler, Mahanoy, New Castle, Walker and West Mahanoy

Hershey/Palmyra District

Dauphin County

The Townships of Conewago, Derry (which includes the area commonly referred to as "Hershey"), Londonderry, South Hanover and West Hanover

Lebanon County

The Borough of Palmyra and the Townships of Annville, North Annville, North Londonderry, South Annville and South Londonderry

Lake Heritage District

Adams County

The Townships of Mount Joy, Mount Pleasant and Straban

Mechanicsburg District

Cumberland County

The Boroughs of Camp Hill, Lemoyne, New Cumberland, Shiremanstown and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and Upper Allen

York County

Townships of Fairview and Newberry

Milton/White Deer District

Northumberland County – Rate Zone 1 and Rate Zone 3 (McEwensville)

The Boroughs of McEwensville, Milton, Northumberland and Watsonstown and the Townships of Delaware, East Chillesquaque, Point, Turbot, Upper Augusta and West Chillesquaque

Union County

The Borough of Lewisburg and the Townships of Buffalo, East Buffalo, Gregg, Kelly and White Deer

PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)

Northeastern Pennsylvania

Abington District

Lackawanna County

The Boroughs of Clarks Green, Clarks Summit and Dalton and the Townships of Glenburn and South Abington

Bangor Water District

Northampton County – Rate Zone 1 and Rate Zone 2 (Berry Hollow)

The Boroughs of Bangor and Roseto and the Townships of Lower Mount Bethel, Plainfield, Upper Mt. Bethel and Washington

Blue Mountain Lake District

Monroe County

The Townships of Smithfield and Stroud

Lehman Pike District

Pike County – Rate Zone 1 and Rate Zone 2 (All Seasons)

The Townships of Delaware, Lehman and West Fall

Mid-Monroe District

Monroe County

Township of Middle Smithfield

Nazareth District

Monroe County

The Townships of Hamilton and Ross

Northampton County

The Boroughs of Nazareth, Pen Argyl, Stockertown, Tatamy and Wind Gap and the Townships of Bushkill, Forks, Lower Nazareth, Palmer, Plainfield and Upper Nazareth

Poconos District

Lackawanna County

The Township of Jefferson

Monroe County

The Borough of Mount Pocono, the Township of Coolbaugh and the Village of Tobyhanna

Wayne County

The Township of Salem

PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

**(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Northeastern Pennsylvania (cont'd)

Scranton District

Lackawanna County

The Cities of Carbondale and Scranton, the Boroughs of Archbald, Blakely, Dickson City, Dunmore, Jermyn, Jessup, Mayfield, Moosic, Old Forge, Olyphant, Taylor, Throop and Vandling and the Townships of Carbondale, Fell, North Abington, Roaring Brook and Scott

Susquehanna County

The Borough of Forest City

Wayne County

The Township of Clinton

Susquehanna District

Susquehanna County

The Boroughs of Great Bend, Hallstead, Lanesboro, Montrose, Susquehanna and Thompson and the Townships of Bridgewater, Great Bend, Harmony and Oakland

Wilkes-Barre District

Luzerne County – Rate Zone 1 and Rate Zone 2 (Sutton Hills)

The Cities of Nanticoke, Pittston and Wilkes-Barre, the Boroughs of Ashley, Avoca, Courtdale, Dallas, Dupont, Duryea, Edwardsville, Exeter, Forty Fort, Hughestown, Kingston, Laflin, Larksville, Laurel Run, Luzerne, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Pittston, West Wyoming, Wyoming and Yatesville and the Townships of Conyngham, Fairview, Hanover, Hunlock, Jackson, Jenkins, Kingston, Newport, Pittston, Plains, Plymouth, Rice, Union, Wilkes-Barre and Wright

Southeastern Pennsylvania

Coatesville District

Chester County

The City of Coatesville, the Boroughs of Atglen, Parkesburg and South Coatesville and the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley, West Caln and West Sadsbury

Lancaster County

The Borough of Quarryville and the Townships of Bart, Colerain, Eden and Sadsbury

Glen Alsace District

Berks County

The Borough of St. Lawrence and the Townships of Amity, Earl, Exeter and Ruscombmanor

Norristown District

Montgomery County

The Boroughs of Bridgeport and Norristown and the Townships of East Norriton, Lower Providence, Perkiomen, Plymouth, Skippack, Upper Merion, West Norriton, Whitmarsh, Whitpain and Worcester

PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)

Southeastern Pennsylvania (cont'd)

Penn Water District

Berks County

The Boroughs of Sinking Spring and Wyomissing and the Townships of Cumru, Lower Heidelberg, South Heidelberg and Spring

Royersford District

Chester County

The Borough of Spring City and the Townships of East Pikeland, East Coventry, East Vincent, Schuylkill and West Vincent

Montgomery County

The Borough of Royersford and the Townships of Limerick, Lower Pottsgrove and Upper Providence

Yardley District

Bucks County

The Borough of Yardley and the Townships of Falls and Lower Makefield

Western Pennsylvania

Brownsville

Fayette County

The Borough of Brownsville and the Townships of Brownsville, Jefferson, Luzerne and Redstone

Washington County

The Boroughs of California, Coal Center and West Brownsville and the Township of East Pike Run

Butler District

Butler County

The City of Butler, the Boroughs of Connoquenessing, East Butler and Saxonburg and the Townships of Butler, Center, Clinton, Connoquenessing, Donegal, Forward, Franklin, Jackson, Jefferson, Lancaster, Oakland, Penn and Summit

Clarion District

Clarion County

The Boroughs of Clarion, Shipperville, Sligo and Strattanville and the Townships of Clarion, Elk, Farmington, Highland, Knox, Limestone, Monroe, Paint and Piney

Connellsville District

Fayette County

The City of Connellsville, the Borough of South Connellsville and the Townships of Bullsken and Connellsville

Ellwood District

Beaver County

The Boroughs of Big Beaver, Ellwood City and Koppel and the Townships of Franklin and North Sewickley

Lawrence County

The Boroughs of Ellport and Ellwood City and the Townships of Perry and Wayne

PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

**(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Western Pennsylvania (cont'd)

Indiana District

Indiana County

The Borough of Indiana and the Township of White

Kane District

McKean County

The Borough of Kane and the Township of Wetmore

Kittanning District

Armstrong County

The Boroughs of Applegold and Kittanning and the Townships of Manor and Rayburn

Mon-Valley District

Allegheny County

The City of Clairton, the Boroughs of Elizabeth, Glassport, Liberty, Lincoln and West Elizabeth and the Townships of Elizabeth and Forward

Washington County

The City of Monongahela, the Borough of New Eagle and the Township of Carroll

New Castle District

Lawrence County

The City of New Castle and the Boroughs of New Beaver and South New Castle and the Townships of Hickory, Mahoning, Neshannock, North Beaver, Shenango, Taylor and Union

Philipsburg District

Centre County – Rate Zone 1 and Rate Zone 2 (Nittany)

The Boroughs of Philipsburg and South Philipsburg and the Townships of Boggs, Rush and Walker

Clearfield County

The Boroughs of Chester Hill, Osceola Mills and Wallacetown and the Townships of Boggs, Bradford, Decatur, Graham and Morris

Clinton County – Rate Zone 1 and Rate Zone 2 (Nittany)

The Township of Porter

Pittsburgh District

Allegheny County

The City of Pittsburgh [16th, 18th, 19th, 20th, 28th, 29th, 30th, 31st, and 32nd wards], the Boroughs of Baldwin, Bethel Park, Brentwood, Bridgeville, Carnegie, Castle Shannon, Crafton, Dormont, Dravosburg, Green Tree, Heidelberg, Homestead, Ingram, Jefferson, Mount Oliver, Munhall, Pleasant Hills, Rosslyn Farms, Thornburg, West Homestead, West Mifflin, Whitaker and Whitehall and the Townships of Baldwin, Collier, Mt. Lebanon, Robinson, Scott, South Fayette, South Park and Upper St. Clair

Washington County

The Borough of Finleyville and the Township of Union

PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

**(By State Region and Company Water District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Western Pennsylvania (cont'd)

Punxsutawney District

Jefferson County

The Boroughs of Big Run and Punxsutawney and the Townships of Bell, Gaskill, Henderson, McCalmont and Young

Uniontown District

Fayette County – Rate Zone 1 and Rate Zone 2 (Balsinger)

The City of Uniontown and the Townships of Dunbar, German, Menallen, North Union and South Union

Warren District

Warren County

The City of Warren and the Townships of Conewango, Glade, Meade and Pleasant

Washington/McDonald

Allegheny County

The Township of North Fayette

Beaver County

The Borough of Frankfort Springs and the Township of Hanover

Washington County

The City of Washington and the Boroughs of Burgettstown, Canonsburg, Claysville, East Washington, Houston, McDonald, Midway and West Middletown and the Townships of Amwell, Buffalo, Canton, Cecil, Chartiers, Cross Creek, Donegal, East Finley, Fallowfield, Hanover, Hopewell, Independence, Nottingham, Jefferson, Morris, Mount Pleasant, North Franklin, North Strabane, Peters, Robinson, Smith, Somerset, South Franklin and South Strabane

THIS PAGE HELD FOR FUTURE USE

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

**RATE ZONE 1 - GENERAL METERED SERVICE
 FOR ALL RATE CLASSES EXCEPT INDUSTRIAL**

APPLICABILITY

The rates under this schedule apply throughout the territories, unless otherwise noted on the territories served page, served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Residential, Commercial, Municipal and Other Water Utility Classes.

METERED SERVICE

All water supplied by the Company under this rate schedule for any and all purposes, except Industrial, Qualified Private Fire Hydrants and Public Fire Hydrants, shall be metered. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

RATE

Service Charge For All Rate Classes Except Industrial

The following monthly service charge shall apply based on the size of meter required to render adequate service, as determined by the Company:

<u>Size of Meter</u>	<u>Service Charge Per Month Except Other Water Utilities</u>		<u>Service Charge Per Month Other Water Utilities Group A & B</u>	
5/8 inch	\$ 16.50	(I)	\$ 24.00	(I)
3/4 inch	25.00	(I)	36.00	(I)
1 inch	41.60	(I)	60.10	(I)
1-1/2 inch	67.90	(I)	120.00	(I)
2 inch	108.60	(I)	192.10	(I)
3 inch	202.60	(I)	360.00	(I)
4 inch	254.30	(I)	600.10	(I)
6 inch	380.60	(I)	1,200.00	(I)
8 inch	736.90	(I)	1,921.00	(I)
10 inch	1,067.20	(I)	2,760.00	(I)
12 inch	1,528.50	(I)	3,960.00	(I)

Consumption Charges For all Rate Classes Except Industrial

The following rates shall apply per 100 gallons:

Residential

All at \$1.2217 (I)

Commercial

First 16,000 gallons \$1.2205, All in excess of 16,000 gallons \$0.9153 (I)

Municipal

First 16,000 gallons \$1.4742, All in excess of 16,000 gallons \$0.8705 (I)

Other Water Utilities

Group A All at \$0.7219 (I)

Group B All at \$0.9805 (I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

**RATE ZONE 1- GENERAL METERED SERVICE
 FOR INDUSTRIAL RATE CLASS**

APPLICABILITY

The rates under this schedule apply throughout the territories, unless otherwise noted on the territories served page, served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Industrial Class.

METERED SERVICE

All water supplied by the Company under this rate schedule for any and all purposes shall be metered. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

RATE

Service Charge For Industrial Rate Class

The following monthly service charge shall apply based on the size of meter required to render adequate service, as determined by the Company:

<u>Size of Meter</u>	<u>Service Charge Per Month</u>	
5/8 inch	\$ 24.50	(I)
3/4 inch	36.75	(I)
1 inch	61.40	(I)
1-1/2 inch	122.70	(I)
2 inch	196.35	(I)
3 inch	368.10	(I)
4 inch	613.50	(I)
6 inch	1,227.00	(I)
8 inch	1,963.65	(I)
10 inch	2,821.80	(I)
12 inch	4,050.00	(I)

Consumption Charges For Industrial Rate Class

The following rates shall apply per 100 gallons per month:

<u>Industrial</u>		<u>Industrial Curtailment</u>	
First 16,000	\$1.1843 (I)	First 16,000	\$1.1843 (I)
Next 584,000	\$0.9010 (I)	Next 584,000	\$0.9010 (I)
All in Excess of 600,000	\$0.7088 (I)	Next 14,400,000	\$0.7088 (I)
		All In Excess of 15,000,000	\$0.4328 (I)

* Subject to the availability criteria and terms and conditions of the Industrial Curtailment Rate of this tariff, the foregoing rates shall apply per 100 gallons per month for service provided under the Industrial Curtailment Rate.

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 1 – GENERAL UNMETERED SERVICE
FOR THE RESIDENTIAL CLASS

APPLICABILITY

The rate under this schedule applies throughout the territories, unless otherwise noted on the territories served page, served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rate is available to a customer in the Residential Class that is added to the Company's service territory through an acquisition and does not have a meter at the customer's service address on the date of closing of such acquisition.

UNMETERED SERVICE

All water supplied by the Company under this rate schedule will be unmetered. However, the Company may install a meter of appropriate size at the customer's premise based on the Company's meter installation schedule as determined by the Company. Upon installation of a meter at the customer's service address by the Company, a customer will no longer be eligible for this rate schedule and will be charged a service charge based on the size of meter required to render adequate service along with a charge for consumption usage based upon the applicable Rate Zone's metered rates in effect for the residential class.

RATE

The following monthly rate for service shall apply: \$60.80 per month. (I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 2 – GENERAL METERED SERVICE

APPLICABILITY

The rates as set forth below apply in the Nittany, Sutton Hills, All Seasons, Balsinger and Berry Hollow service territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in all Customer Classes.

METERED SERVICE

All water supplied by the Company under this rate schedule for any and all purposes, shall be metered. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

RATE

Service Charge For All Rate Classes

The following monthly service charge shall apply based on the size of meter required to render adequate service, as determined by the Company:

<u>Size of Meter</u>	<u>Service Charge</u>	
	<u>Per Month</u>	
5/8 inch	\$ 16.50	(I)
3/4 inch	25.00	(I)
1 inch	41.60	(I)
1-1/2 inch	67.90	(I)
2 inch	108.60	(I)
3 inch	202.60	(I)
4 inch	254.30	(I)
6 inch	380.60	(I)
8 inch	736.90	(I)
10 inch	1,067.20	(I)
12 inch	1,528.50	(I)

Consumption Charges for All Rate Classes in all Service Territories except Nittany

All consumption billed at \$0.9000 per hundred gallons (I)

Consumption Charges for All Rate Classes in Nittany Service Territory

Effective January 1, 2018

All consumption billed at \$0.6800 per hundred gallons (I)

Effective January 1, 2019

All consumption billed at \$0.9000 per hundred gallons (I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 3 – GENERAL METERED SERVICE

APPLICABILITY

The rates as set forth below apply in the McEwensville service territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in all Customer Classes.

METERED SERVICE

All water supplied by the Company under this rate schedule for any and all purposes, shall be metered. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

RATE

Service Charge For All Rate Classes

The following monthly service charge shall apply based on the size of meter required to render adequate service, as determined by the Company:

<u>Size of Meter</u>	<u>Service Charge</u>	
	<u>Per Month</u>	
5/8 inch	\$ 16.50	(I)
3/4 inch	25.00	(I)
1 inch	41.60	(I)
1-1/2 inch	67.90	(I)
2 inch	108.60	(I)
3 inch	202.60	(I)
4 inch	254.30	(I)
6 inch	380.60	(I)
8 inch	736.90	(I)
10 inch	1,067.20	(I)
12 inch	1,528.50	(I)

Consumption Charges for All Rate Classes

Effective January 1, 2018

All consumption billed at \$0.3200 per hundred gallons (I)

Effective January 1, 2019

All consumption billed at \$0.5000 per hundred gallons (I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

LOW-INCOME RIDER – ALL RATE ZONES
FOR QUALIFYING RESIDENTIAL CUSTOMERS

APPLICABILITY

This rider applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available for a customer in the Residential Class that meets the low-income criteria of 150% based on the Federal Poverty Level. To remain eligible for this rate, such customer must continually make timely payments on the discounted bills.

RATE

The rates for the service charge or minimum bill under this tariff will be 15% of the prevailing service charge or minimum bill in the rate zone where service is rendered.

The rate for water usage shall be billed at the existing rates applicable to the rate zone where service is rendered.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

INDUSTRIAL CURTAILMENT RATE

APPLICABILITY

This rate applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rate is available to a customer that:

- (1) purchases water from the Company for industrial purposes;
- (2) enters into a Service Agreement for a period of not less than one year;
- (3) purchased an average of 15 million gallons of water per month, determined on the basis of metered usage for the twelve months preceding the month in which the Service Agreement becomes effective;
- (4) purchases at least 15 million gallons per month each and every month during the term of the Service Agreement;
- (5) maintained a maximum hour to average hour ratio of 1.66 or less for the twelve months preceding the billing month; determined on the basis of demand-metered data or such equivalent data as the Company may otherwise agree to accept;
- (6) maintains a maximum hour to average hour ratio of 1.66 or less in each billing month during the initial term of the Service Agreement and any renewal terms thereof;
- (7) has fully operational non-fire protection water storage capability, available for use during periods of curtailment, equal to ten (10) times the customer's average hourly usage.

RATE

Service Charge

The Service Charges under this rate schedule will be the same as those set forth on the Schedule of Rates Applicable to Rate Zone 1 for Industrial Rate Class.

Consumption Charges

The Consumption Charges for the Industrial Curtailment Rates are shown on the Schedule of Rates Applicable to Rate Zone 1 for Industrial Rate Class and separately identified as applicable only to service under the Industrial Curtailment Rate.

TERMS AND CONDITIONS

Curtailment. The Company may request the customer to curtail its water usage to assist the Company in addressing a system emergency, including insufficiency, for any reason, of the Company's source of supply, treatment/purification, pumping, transmission, storage or distribution capacity to serve customers' demands. However, the maximum continuous period of each requested curtailment may not exceed six (6) hours and the number of curtailments requested may not exceed three (3) in any one calendar month nor exceed a total of six (6) curtailments in any year, measured in twelve-month intervals commencing on the effective date of the Service Agreement. The customer will be provided not less than one hour's notice before a requested curtailment is expected to begin. Notice may be by telephone to the customer contact identified in the Service Agreement.

SCHEDULE OF RATES

INDUSTRIAL CURTAILMENT RATE (CONT'D)

TERMS AND CONDITIONS (CONT'D)

Amount of Curtailment. When a curtailment is requested, the customer shall curtail all usage of Company-supplied water for industrial purposes. Company-supplied water may continue to be used for sanitary purposes, fire suppression and boiler feed-water make-up, provided, however, that such permitted usage shall not exceed, in aggregate, 15% of the customer's average daily usage during the preceding month, prorated for the period of the requested curtailment.

Failure to Curtail When Requested. Failure to comply with the Company's request for curtailment shall result in all usage by the customer during the billing period in which such curtailment was requested being billed at the Company's otherwise applicable Industrial Class Rate plus \$0.05 per hundred gallons for all usage in excess of 15 million gallons per month. If the customer fails to comply with the Company's requests for curtailment three times during any one year-period, measured in twelve-month intervals commencing on the effective date of the Service Agreement, the customer shall cease to be eligible for service under the Industrial Curtailment Rate and shall thereafter be billed under the otherwise applicable Industrial Class Rate for service commencing on the first day of the billing period following the billing period in which the event of ineligibility occurred.

Metering. The customer shall pay the Company the cost, including installation, of all metering equipment, including meter interface units, that the Company, in its sole judgement, determines is necessary to properly implement the rate and to monitor the customer's compliance with the availability criteria and the terms and conditions hereof.

Inspection. The customer shall permit Company personnel and the Company's authorized agents, representatives, consultants and experts access to the customer's facilities during regular business hours and upon not less than 24 hours' notice and shall permit inspection thereof including, without limitation, the customer's water storage facilities, as requested by the Company, to determine, to the Company's satisfaction, whether the customer is in compliance with the availability criteria and terms and conditions hereof.

Service Agreement Probation Period. Service Agreements entered into for service under this rate will provide a probation period of 60 days commencing on the effective date of the Service Agreement. Within 15 days of the end of the probation period, the customer may voluntarily terminate the Service Agreement by giving written notice to the Company. Thereafter, the customer will be furnished service under the Company's Industrial Rate. If the Service Agreement is terminated under this provision, then, for the probation period, the customer will be responsible for paying all amounts, if any due to the Company under this rate if the customer failed to curtail when requested.

Voluntary Discontinuance of Service Under This Rate. If a customer at the conclusion of the probation period or of the initial or any renewal term of a Service Agreement entered into under this rate voluntarily, and in accordance with the terms of such Service Agreement, elects not to continue to receive service under this rate such customer may not again request to receive service hereunder for a period of at least twelve months.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

INDUSTRIAL STANDBY RATE

APPLICABILITY

This rate applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rate is available to a new industrial customer that has an alternative supply source or an existing industrial customer that purchases water from the Company and develops or obtains a new source of supply. In order to obtain service under this rate, the customer must execute a Service Agreement with the Company for a period of not less than two years.

An alternative source of supply for a new customer or a new source of supply for an existing customer, for purposes of this tariff, means any external or internal source of water supply other than the Company, including expansion of, or additions to, an existing source of water supply, that has capacity available to supply the customer with at least 100,000 gallons per day of water on average and, in the case of an existing customer, was added after the effective date of supplement 49 to Tariff Water Pa. P.U.C. No. 4 (August 28, 1998).

NOMINATION OF STANDBY SERVICE

The Service Agreement with the Company will identify the nature and amount of the customer's requirements for Standby Service. Standby Service will be available on a firm basis, an interruptible basis or combinations thereof. Customers electing to receive Standby Service on an interruptible basis will be subject to the same Terms and Conditions of curtailment as set forth in the Industrial Curtailment Rate.

The amounts of Standby Service to be nominated are the customer's requirements to meet Average Day Demand, Maximum Day Demand and Maximum Hour Demand. The sum of the customer's nominated firm and interruptible Maximum Day Demands shall be equal to the maximum day capacity of the new customer's alternative supply or the existing customer's new source of supply or such other reasonable amount agreed to by the Company and the customer.

RATE

Service Charge

The monthly Service Charges under this rate schedule will be the same as those set forth on the Schedule of Rates Applicable to Rate Zone 1 for the industrial rate classification.

Demand Charges

The monthly Demand Charges under this rate schedule will be applied to the customer's nominated firm and interruptible standby demands in hundred gallons as set forth in the Service Agreement and are as follows:

	<u>Firm Standby Service</u>		<u>Interruptible Standby Service</u>	
Average Day Demand	\$20.3678	(I)	\$5.0320	(I)
Maximum Day Demand	\$ 2.5600	(I)	\$0.7341	(I)
Maximum Hour Demand	\$33.2258	(I)	\$6.8221	(I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

INDUSTRIAL STANDBY RATE (CONT'D)

RATE (cont'd)

Consumption Charges

In addition to the Service Charges and the Demand Charges, Consumption Charges will be rendered for all water delivered during the standby event in accordance with the following schedule:

Up to Average Daily Deliveries by Company during the seven days preceding the beginning of the standby event multiplied by the days during the standby event	Zone 1 Industrial Rates
Next gallons - Firm Average Day Demand Nomination multiplied by the days during the standby event	\$0.0583 per hundred gallons (I)
Next gallons - Interruptible Average Day Demand Nomination multiplied by the days during the standby event	\$0.8778 per hundred gallons (I)
All amounts above sum of previously described amounts	\$1.2844 per hundred gallons (I)

TERMS AND CONDITIONS

Initial Notification of Company. Each customer that develops or obtains a new source of supply and retains a connection to the Company's system becomes a Standby Service customer and shall notify the Company within ten (10) days of so doing. The notification shall include the Maximum Day capacity of the source of supply and the customer's nominations of firm and interruptible standby demand requirements. The customer shall within thirty (30) days of developing or obtaining such new source of supply enter into a Service Agreement with the Company for Standby Service.

Each customer that is taking service under a Standby Service Agreement and increases the capacity of its source of supply shall be subject to the same notification requirements with respect to the additional capacity.

Notification of Standby Event. When a customer requires deliveries of water pursuant to this rate schedule, the customer shall notify the Company representative designated in the Service Agreement as soon as practical. The customer shall advise the Company representative of the probable daily quantities and the expected duration of the standby event. The customer also shall provide the Company with a notarized affidavit within thirty (30) days of the beginning of the standby event that describes the cause of the interruption of the customer's alternative supply. When the customer no longer requires deliveries of water pursuant to this rate schedule, the customer shall notify the Company representative. The time between these two notifications shall constitute the duration of the standby event.

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

INDUSTRIAL STANDBY RATE (CONT'D)

TERMS AND CONDITIONS (CONT'D)

Use in Excess of Contractual Demands. If and when the actual amounts of Standby Service Demands exceed the nominated amounts set forth in the Service Agreement, the actual demands shall become the nominated demands for the remainder of the term of the Service Agreement. Further, the customer will be billed an additional charge equal to the difference between the actual demand and previously nominated demand multiplied by the applicable demand charge and the number of months since the beginning of the term of the Service Agreement.

Metering Equipment. The customer shall pay the Company the cost, including installation, of all metering equipment, including meter interface units, that the Company, in its sole judgment, determines is necessary to properly implement Standby Service and to monitor the customer's compliance with its terms and conditions.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RESALE AND ELECTRIC GENERATION STANDBY RATE

APPLICABILITY

This rate applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rate is available to a new customer that has an alternative supply or an existing customer that develops or obtains a new source of supply. To obtain service under this rate, the customer must purchase water from the Company for resale or electric generation purposes and execute a Service Agreement with the Company for a period of not less than ten years.

An alternative source of supply for a new customer or a new source of supply for an existing customer, for purposes of this tariff, means any external or internal source of water supply other than the Company, including expansion of, or additions to, an existing source of water supply, that has capacity available to supply the customer with at least 100,000 gallons per day of water on average and, in the case of an existing customer, was added after the effective date of supplement 49 to Tariff Water Pa. P.U.C. No. 4 (August 28, 1998).

NOMINATION OF STANDBY SERVICE

The Service Agreement with the Company will identify the nature and amount of the customer's requirements for Standby Service. Standby Service will be available on a firm basis.

The amounts of Standby Service to be nominated are the customer's requirements to meet Average Day Demand, Maximum Day Demand and Maximum Hour Demand. The customer's nominated firm Maximum Day Demand shall be equal to the maximum day capacity of the new customer's alternative supply or the existing customer's new source of supply or such other reasonable amount agreed to by the Company and the customer.

RATE

Service Charge

The monthly Service Charges under this rate schedule will be the same as those set forth on the Schedule of Rates Applicable to Rate Zone 1 for the customer's rate classification.

Demand Charges

The monthly Demand Charges under this rate schedule will be applied to the customer's nominated firm standby demands in hundred gallons as set forth in the Service Agreement and are as follows:

	<u>Firm Standby Service</u>	
Average Day Demand	\$20.3678	(I)
Maximum Day Demand	\$ 2.5600	(I)
Maximum Hour Demand	\$33.2258	(I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RESALE AND ELECTRIC GENERATION STANDBY RATE (CONT'D)

RATE (cont'd)

Consumption Charges

In addition to the Service Charge and the Demand Charges, Consumption Charges will be rendered for all water delivered during the standby event in accordance with the following schedule:

Up to Average Daily Deliveries by Company during the seven days preceding the beginning of the standby event multiplied by the days during the standby event	Applicable Zone 1 Rates
Next gallons - Firm Average Day Demand Nomination multiplied by the days during the standby event	\$0.0583 per hundred gallons (I)
All amounts above sum of previously described amounts	\$1.2844 per hundred gallons (I)

TERMS AND CONDITIONS

Initial Notification of Company. Each customer that develops or obtains a new source of supply and retains a connection to the Company's system becomes a Standby Service customer and shall notify the Company within ten (10) days of so doing. The notification shall include the Maximum Day capacity of the source of supply and the customer's nomination of firm standby demand requirements. The customer shall within thirty (30) days of developing or obtaining such new source of supply enter into a Service Agreement with the Company for Standby Service. Each customer that is taking service under a Standby Service Agreement and increases the capacity of its source of supply shall be subject to the same notification requirements with respect to the additional capacity.

Notification of Standby Event. When a customer requires deliveries of water pursuant to this rate schedule, the customer shall notify the Company representative designated in the Service Agreement as soon as practical. The customer shall advise the Company representative of the probable daily quantities and the expected duration of the standby event. The customer also shall provide the Company with a notarized affidavit within thirty (30) days of the beginning of the standby event that describes the cause of the interruption of the customer's alternative supply. When the customer no longer requires deliveries of water pursuant to this rate schedule, the customer shall notify the Company representative. The time between these two notifications shall constitute the duration of the standby event.

Use in Excess of Contractual Demands. If and when the actual amounts of Standby Service Demands exceed the nominated amounts set forth in the Service Agreement, the actual demands shall become the nominated demands for the remainder of the term of the Service Agreement. Further, the customer will be billed an additional charge equal to the difference between the actual demand and previously nominated demand multiplied by the applicable demand charge and the number of months since the beginning of the term of the Service Agreement.

Metering Equipment. The customer shall pay the Company the cost, including installation, of all metering equipment, including meter interface units, that the Company, in its sole judgment, determines is necessary to properly implement Standby Service and to monitor the customer's compliance with its terms and conditions.

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RIDER DIS - DEMAND BASED INDUSTRIAL SERVICE

APPLICABILITY

This rate applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available to a Customer or Applicant that:

- (1) purchases water from the Company for industrial purposes;
- (2) enters into a Service Agreement for a term of not less than 2 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to purchase an average of 20 million gallons of water per month at a daily load factor of not less than 0.60; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. The Company will require updates of competitive alternatives every five years. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

RATE

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the Company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing with the Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code § 1.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RIDER DRS - DEMAND-BASED RESALE SERVICE

APPLICABILITY

This rider applies throughout the territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available to a Customer or Applicant that:

- (1) purchases water from the Company for resale;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to maintain a daily load factor of not less than 0.75; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

RATE

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the Company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing with the Pennsylvania Public Utility Commission/ Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code §1.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RIDER DGS - DEMAND BASED GOVERNMENTAL SERVICE

APPLICABILITY

This rider applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available to a Customer or Applicant that:

- (1) is a department, agency, bureau or instrumentality of the government of the United States or of the Commonwealth of Pennsylvania and agrees to purchase water from the Company;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to purchase an average of 15 million gallons of water per month at a daily load factor of not less than 0.60; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. The Company will require updates of competitive alternatives every five years. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

RATE

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the Company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing with the Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code § 1.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RIDER EGS - ELECTRIC GENERATION SERVICE

APPLICABILITY

This rider applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available to the electric generating facilities of a Customer or Applicant that:

- (1) is engaged in the business of generating electric power for sale to the public or to public utilities;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) agrees to purchase at least 20 million gallons of water per month; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

RATE

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the Company's Rate Schedule that would otherwise apply to the qualifying customer absent Rate EGS.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing with the Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code § 1.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

PRIVATE FIRE SERVICE –UNMETERED

APPLICABILITY

The rates under this schedule apply throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page

AVAILABILITY

The rates under this schedule are available to any existing unmetered private fire service customer who continues to utilize the service connection solely for fire prevention purposes in connection with the customer's fire sprinkler system, standpipe connection, or any other emergency or fire protection facilities.

RATE

Service Charge

The following shall apply based on the size of service line connection required to render adequate service, as determined by the Company:

<u>Size of Connection with Main</u>	<u>Service Charge Per Month</u>	
1 inch	\$ 4.41	(I)
1-1/4 inch	4.41	(I)
1-1/2 inch	6.35	(I)
2 inch	11.29	(I)
3 inch	25.67	(I)
4 inch	45.19	(I)
6 inch	102.68	(I)
8 inch	182.77	(I)
10 inch	285.45	(I)
12 inch	410.72	(I)

Qualified Private Fire Hydrants

Service under this classification is subject to regulations set forth in Section 2.11 "Qualified Private Fire Hydrants".

Qualified Private Fire Hydrants \$26.87 per month

(I) means Increase

SCHEDULE OF RATES

PRIVATE FIRE SERVICE –UNMETERED (CONT'D)

TERMS AND CONDITIONS

Billing. Bills for unmetered private fire service and Qualified Private Fire Hydrants will be rendered monthly in arrears.

Inspection. The customer shall permit Company personnel and the Company's authorized agents, representatives, consultants and experts access to the customer's facilities during regular business hours and upon not less than 24 hours' notice and shall permit inspection thereof to determine, to the Company's satisfaction, whether the customer is in compliance with the availability criteria and terms and conditions hereof. The Company shall have the right to install a consumption detection device on the service line or use other investigative measures to determine whether the service line is being utilized for purposes other than fire protection.

Metering Equipment. Whenever, inspection of consumption detection devices on the service line or other investigative measures, indicate the service connection is being utilized for purposes other than fire protection, the Company will require the installation of a meter of appropriate size, and shall charge for service at the rates set forth under the Company's metered private fire service.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

PRIVATE FIRE SERVICE – METERED

APPLICABILITY

The rates under this schedule apply throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to a customer that has existing private fire services that were previously unmetered and subsequently became metered in accordance with the terms and conditions of the rate schedule "Private Fire Service – Unmetered".

RATE

<u>Size of Connection with Main</u>	<u>Minimum Per Month</u>	
1 inch	\$ 36.09	(I)
1-1/4 inch	36.09	(I)
1-1/2 inch	51.55	(I)
2 inch	82.49	(I)
3 inch	154.66	(I)
4 inch	193.33	(I)
6 inch	290.00	(I)
8 inch	444.66	(I)
10 inch	625.11	(I)
12 inch	938.00	(I)
 SPRINKLERED RISK – Minimum charge Including 200 Heads	 \$ 53.80 Monthly	 (I)
 SPRINKLERED RISK – Over 200 Heads Per Head	 \$ 0.14 Monthly	 (I)
 STANDPIPE SERVICE	 \$ 41.83 Monthly	 (I)

TERMS AND CONDITIONS

Amount of Use. If the service is utilized as a general water service line as indicated by a continuing use of water in excess of 10,000 gallons per month for a period of three or more consecutive months, the customer shall be transferred to the Company's general service rate schedule and the minimum rate by size of meter will apply to this service in addition to the consumption charge.

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

PUBLIC FIRE SERVICE

APPLICABILITY

The rates under this schedule apply throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers with applications accepted by the Company under Section 8.5 of this tariff. Service under this classification is subject to regulations set forth in Section No. 8 "Public Fire Hydrants".

RATE

Replacement of existing public fire hydrants with Company owned public fire hydrants will in all circumstances be charged at a rate of \$240.00 per annum or \$20 per month unless stated otherwise below.

The annual charge for each public fire hydrant is \$240.00 per annum or \$20.00 per month except as noted below:

All hydrants added after January 1, 2000, will be billed at 25% of the cost of service or \$17.11 per month. (I)

<u>Municipalities</u>	<u>Monthly Charge for Each Public Fire Hydrant</u>
Moshannon Valley Area	
Bradford Township for hydrants contracted prior to February 18, 1988	\$ 6.25
Brownsville Area	\$17.55
California Area	\$18.05
Reading Area	\$18.19

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

STATE TAX ADJUSTMENT SURCHARGE

In addition to the net charges provided for in this Tariff, a surcharge of 0.00% will apply to all bills rendered **(I)** on and after the Effective Date shown on the bottom on this page.

The above surcharges will be recomputed, using the elements prescribed by the Commission whenever any of the tax rates used in calculation of the surcharge are changed.

The above recalculations will be submitted to the Commission within 10 days after the occurrence of the event or date which occasioned such recomputations. If the recomputed surcharge is less than the one in effect, the Company will, and if the recomputed surcharge is more than the one in effect the Company may, submit with such recomputation a Tariff or Supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

PENNVEST SURCHARGE

1. In Addition to the charges provided in this tariff, and pursuant to the Commission's Statement of Policy at 52 Pa. Code §§ 69.361 et seq., and Section 1307(a) of the Public Utility Code, a 0.00% surcharge will be uniformly applied to all classes of customers (with the exception of public fire protection customers) for service rendered on or after May 1, 1998. This percentage-based surcharge will be adjusted to conform to the principal and interest amounts payable pursuant to the final PENNVEST amortization schedule. The percentage is determined by:

$$\frac{\text{total yearly PENNVEST principal and interest amounts payable}}{\text{total yearly revenues (less the revenues associated with public fire protection)}}$$

2. The PENNVEST surcharge shall remain in effect if and until included in the general base rates of the Company; provided, however, that the surcharge may be continued or adjusted by the Company as additional PENNVEST loans, which have been approved for other PAWC regionalization projects, are closed.
3. The surcharge will be effective the first billing cycle immediately following final drawdown of a PENNVEST loan. The surcharge is solely designed to begin timely recovery of PENNVEST principal and interest loan obligation(s), and will remain in effect until included by the Company in the general base rates of the Company.
4. The surcharge will be reflected as a separate line item on each customer's bill and will be subject to reconciliation and refund.
5. The Company will segregate all revenues dedicated for PENNVEST repayment so long as the surcharge remains in effect.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

EXCEPT PUBLIC FIRE PROTECTION

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to all bills rendered with an ending read date on and after the Effective Date shown on the bottom of this page. (D)

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 36, 37 and 38 of this tariff.

(D) means Decrease

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

1. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate case and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property to the extent that such PENNVEST funding is recovered via a PENNVEST surcharge.

Eligible Property: The DSIC-eligible property will consist of the following:

- services (account 333000), meters (account 334100) and hydrants (account 335000) installed as in-kind replacements for customers;
- mains and valves (account 331800) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- main extensions (account 331800) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting significant health and safety concern for customers currently receiving service from the Company or the acquired Company;
- main cleaning and relining (account 331800) projects and;
- unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

Effective Date: The DSIC will become effective for bills rendered on and after January 1, 1997.

2. Computation of the DSIC

Calculation: The initial charge, effective January 1, 1997, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between September 1, 1996, and November 30, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant addition placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date to which DSIC-Eligible Plant Additions Reflected</u>
April 1	February 28
July 1	May 31
October 1	August 31
January 1	November 30

The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (CONT'D)

2. Computation of the DSIC (cont'd)

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission Staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

DSIC Surcharge Amount: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for service under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

Formula: The formula for calculation of the DSIC surcharge is as follows:

$$\text{DSIC} = \frac{(\text{DSI} * \text{PTRR}) + \text{Dep}}{\text{PQR}} + \frac{e}{\text{PQR}}$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC eligible property.

Dep = Depreciation expense related to DSIC eligible property.

e = Amount calculated (+/-) under the annual reconciliation feature or Commission Audit as described below.

PQR = Projected quarterly revenues for service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period, will be based on the applicable three-month period, including any revenue from acquired companies that are now being charged the rates of the acquiring company.

Quarterly Updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (CONT'D)

3. Safeguards

Cap: The DSIC will be capped at 7.50% of the amount billed to customers under otherwise applicable rates and charges.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any of 66 Pa. C.S. sec. 1350, et seq. shall be credited to customer accounts. It will also be subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the utility may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307 (e), over a one-year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on the over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. sec. 101, et seq.) and will be refunded in the same manner as an over-collection. The Company is not permitted to accrue interest on under collections.

New Base Rates: The DSIC charge will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC.

All Customer Classes: The DSIC shall be applied equally to all customer classes.

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section. The utility shall file a tariff supplement implementing the reset to zero due to overearning on one-days' notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Utility has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed cost.

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

Residual E-Factor Recovery Upon Reset to Zero: The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any over collection to customers and is entitled to recover any under collections as set forth in Section 3 – Audit Reconciliation. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, The Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

Public Fire Protection: The DSIC of a water utility will not apply to public fire protection customers.

PENNSYLVANIA-AMERICAN WATER COMPANY**SCHEDULE OF RATES****MISCELLANEOUS FEES**

<u>Fee Description</u>	<u>Fee Amount</u>	<u>Tariff Reference</u>
1. Service Activation Fee (New Accounts)	\$30	See Section 3.4 of Rules and Regulations
2. Turn On Fee (Service Discontinuance or Service Reconnection Fee)	\$30	See Section 11.1 of Rules and Regulations
3. Return Check Fee	\$20	See Section 10.5 of Rules and Regulations

THIS PAGE HELD FOR FUTURE USE

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

1. The Water Tariff

1.1 Filing and Availability

A copy of this Tariff, which is the rates, rules and regulations under which water service will be supplied by the Company to its Applicants and Customers in Pennsylvania, is on file with the Pennsylvania Public Utility Commission, and is available and open for inspection at the offices of the Company.

1.2 Revisions

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Pennsylvania "Public Utility Code," and such changes, when effective, shall have the same force and effect as the present Tariff.

1.3 Applications of Tariff

The Tariff provisions apply to any party or parties applying for or receiving service from the Company, including Unauthorized Use of Service.

RULES AND REGULATIONS

2. Definitions

- 2.1 Activation of Service Connection:** Activation of service connection is the initiation of service in an Applicant's or a Customer's name. It may include, but is not limited to, physically turning water service on at the property, processing the Applicant's or Customer's application or request to transfer service, and an initial service call to the property, if necessary.
- 2.2 Applicant:** An Applicant shall mean any Residential Applicant or Non-Residential Applicant.
- 2.3 Customer:** A Customer shall mean any Residential Customer or Non-Residential Customer.
- 2.4 Creditworthiness:** An assessment of an Applicant's or Customer's ability to meet bill payment obligations for utility services.
- 2.5 Cross-Connection:** A cross-connection is any pipe, valve or other physical connection, or other arrangement or device connecting the pipelines of the Company, or facilities directly or indirectly connected therewith, to and with pipes or fixtures by which any contamination might be admitted or drawn from lines other than the Company's into the distribution system of the Company, or into lines connected therewith.
- 2.6 Flat Rate Service:** Any unmetered customer service connection except public fire service.
- 2.7 Multiple Premise:** A multiple premise is adaptable to subdivision and is used by more than one family or occupant. It shall then be construed to be a double premise, triple premise, etc., depending upon the number of families, occupants, or subdivision.
- 2.8 Non-Residential Applicant:** Any person other than a Residential Applicant who applies for water service. This term shall not include a person, who within sixty (60) days after termination or discontinuance of service, seeks to transfer service within the Company's service territory or to reinstate service at the same address.
- 2.9 Non-Residential Customer:** Any person other than a Residential Customer who is contracting for and/or receiving water service through a meter connection, and who is primarily responsible for the payment of all bills rendered for said service. This term includes a transfer of service from a previous account within the Company's service territory or a reinstatement of service at the same location within sixty (60) days following termination or discontinuance of the previous service.
- 2.10 Point of Sale:** The point of sale of water service or fire protection service contracted for by the customer is the Street Service Connection.
- 2.11 Qualified Private Fire Hydrant:** Any privately-owned fire hydrant located on a Service Line serving said hydrant exclusively. Said hydrant must be located in the open, be visible, and shall not be more than fifty (50) feet from the Company main servicing the hydrant.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

2. Definitions (cont'd)

- 2.12 Remote Meter Reading Device:** A device which by electrical impulse or otherwise transmits readings from a meter, usually located within a residence, to a more accessible location outside of a residence.
- 2.13 Residential Applicant:** A natural person at least 18 years of age not currently receiving service who applies for residential service provided by the Company or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested. A Residential Applicant does not include a person who, within 30 days after service termination or discontinuance of service, seeks to have another service reconnected at the same location or transferred to another location within the Company's service territory.
- 2.14 Residential Customer:** A natural person at least 18 years of age in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested. A Residential Customer includes a person who, within 30 days after service termination or discontinuance of service, seeks to have service reconnected at the same location or transferred to another location within the Company's service territory.
- 2.15 Service Line:** The Company-owned piping and appurtenances which run between and are connected to the Company's main and its street service connection.
- 2.16 Service Pipe:** That portion of a water line not owned by the Company which transmits water from the Company-owned water main to the Customer's premise. The water service pipe begins at the Company-owned street service connection and continues into the structure on the premise to be supplied.
- 2.17 Single Premise:** A single premise is herein construed to cover a structure used by one family or occupant or where used by more than one family or occupant not adaptable to subdivision.
- 2.18 Street Service Connection:** A street service connection is hereby understood to include a connection to the main pipe to and including the control valve and control valve box, used to carry water from the main to the curb line. The control valve and box terminates the Company's responsibility for expense of the street service connection.
- 2.19 Temporary Service:** A water service connection which, at the time of application, is anticipated to be in service for less than a 12-month period.
- 2.20 Unauthorized Use of Service:** Unreasonable interference or diversion of service, including meter tampering (any act which affects the proper registration of service through a meter), by-passing unmetered service that flows through a device connected between a main or service line and customer-owned facilities, unauthorized service restoration, or the otherwise taking or receiving of water service without the knowledge or approval of the Company.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

2. Definitions (cont'd)

2.21 Water Use Standards: The maximum water use for certain plumbing fixtures installed in all new construction or renovation to achieve the maximum efficiency of water use which is technologically feasible and economically justified:

<u>Plumbing Fixture</u>	<u>Maximum Water Use</u>
showerheads	2.5 gallons/minute
lavatory faucets	2.2 gallons/minute
kitchen faucets	2.2 gallons/minute
water closets	1.6 gallons/flush
urinals	1.0 gallons/flush

The Company may, at any appropriate time, amend any of the water use standards listed above relevant to technological developments relating to the water use or water efficiency of any of the specified plumbing fixtures. Amendments will also apply only to new construction and renovation.

RULES AND REGULATIONS

3. Application for Service and Street Service Connection

3.1 Application for Service

Any Applicant who wishes to receive water service from the Company under this Tariff must contact the Company and complete an application for service. Applications for service may be made by completing a written application, by telephoning the Company, or through application via the Company's website on the Internet.

Prior to providing utility service, the Company may require the Applicant to provide: (1) information that positively identifies him/her self; (2) the name of any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested; (3) the names of each adult occupant residing at the location, and proof of their identity; or (4) a cash deposit, as may be required in accordance with Section 7 of this Tariff.

In the case of Residential Applicants, the Company may ask for the combined gross income of all adult occupants at the time the application for service is made; however, the Residential Applicant is not required to provide the information as a condition of receiving water service, unless such applicant is seeking to enroll in the Company's *Help to Others Program*.

3.2 Application for Street Service Connection

Any applicant who wishes to receive street service connection from the company must complete, in writing, an application for service on a form provided by the company. Upon receipt of the proper application, the Company will install a street service connection and will maintain the same at its expense, provided that the property to be served abuts a public highway in which a main pipe of the distribution system of the Company is located at a point at least halfway across the portion of the property abutting said highway. Each applicant shall be entitled to receive one street service connection free of charge. Application for street service connection at a property shall be made in writing. Costs for the installation of additional or replacement connections and for the removal of existing facilities will be the responsibility of the applicant or customer.

3.3 Application for Temporary Service

A Temporary Service will be made after the applicant has paid the entire estimated cost of the installation and abandonment of said Temporary Service. If the actual cost, when determined, differs from the estimate, the Applicant will pay to the Company any excess amount due, or the Company will refund to the Applicant any excess amount paid.

3.4 Activation of Service Connection

Whenever an Applicant requests activation of a service connection, the Applicant shall pay a charge as shown on the Miscellaneous Fees rate schedule. The Company may require that the Applicant, or a responsible designee, be present at the time service is activated. For non-regularly-scheduled working hours, the fee is equivalent to the cost incurred by the Company.

3.5 Right to Reject

The Company may limit the amount or character of service it will supply, or may reject applications for service for the following reasons: requested service is not available under a standard rate; requested service may affect service to other customers; for a Non-Residential Applicant's or Non-Residential Customer's failure to establish Creditworthiness; for failure to address prior Company debts; for the Applicant's failure to provide identifying documentation of the Applicant and each adult occupant residing at the location; when identifying documentation cannot be verified; for the reasons set forth in Section 4.1, or for other good and sufficient reasons.

RULES AND REGULATIONS

4. Service Pipes

4.1 Right to Reject

The Company may refuse to connect with any piping system or furnish water through one already connected if such system is not properly installed and maintained. The Company may also refuse to connect, etc., if lead base materials as defined in the Safe Drinking Water Act have been used after June 19, 1988, in any plumbing beyond the Company's curb stop. It shall be the Customer's responsibility to provide the Company with such certification.

4.2 Stop and Waste Valve

The Customer shall install a stop and waste valve on the service pipe immediately inside of the foundation wall of the building supplied and also on the outlet side of the meter. A double check valve shall also be installed on the outlet side of the meter. Such valves should be so located as to be easily accessible to the occupants and to provide proper drainage for the pipes in the building.

4.3 Service Pipe Limitation

No fixture shall be attached to or any branch made in the service pipe between the meter and the street main. No extension of service shall be made by the Customer to provide water service to another premise.

4.4 Trench Restriction

No service pipe shall be laid in the same trench with gas pipe, sewer pipe, electric cable, telephone cable or any other facility of a public service company, nor within three (3) feet of any open excavation or vault.

4.5 Service Pipe Specifications

The Company may specify the size, kind, quality and depth of the materials which shall be laid between the curb valve and the structure on the premise to be supplied. The Company may also disapprove any plumbing materials used within the premise to be supplied.

4.6 Check Valve, Backflow Prevention Device and Service Pipe Strainers

A minimum of an approved American Society of Sanitary Engineering 1024 (ASSE 1024) dual check valve shall be installed on all service pipes for residential service. Residential accounts having a lawn irrigation system or fire sprinkler system will be required to install a reduced pressure zone backflow prevention device on the line which services this part of the customer's system. Reduced pressure zone devices are to be tested and/or repaired annually. On service pipes for commercial or industrial service, a backflow prevention device of a type approved by the Company shall be installed. The location of the double check valve or backflow prevention device shall be approved by the Company. Service pipes used for fire protection must in addition have an approved fire service pipe strainer. The double check valve and backflow prevention device shall be owned and maintained by the Customer. Non-residential Customers shall certify annually, in writing to the Company, that these devices have been maintained and are in working order. This is to include a test and /or repairs performed by an inspector who is a certified backflow prevention device tester. They are also subject to Company inspection at reasonable times. A backflow prevention device tester must be certified by an entity that performs training to test and repair Check valves and backflow prevention devices which meet or exceed American Society of Sanitary Engineering (ASSE), American Backflow Prevention Association (ABPA) or equivalent standards and provides certification that such training has been completed in accordance with these requirements.

4.7 Pressure Regulators

When the static pressure is 100 lbs. or more at the Customer's premise, the Customer shall be responsible for the installation and maintenance of a pressure regulator or valve, which shall be installed on the inlet side of the meter.

RULES AND REGULATIONS

4. Service Pipes (cont'd)

4.8 Water use Standards for Plumbing Fixtures

The Company may refuse to connect with any piping system or furnish water through one already connected in any new construction or renovation which does not comply with the Company's water use standards for plumbing fixtures.

4.9 Customer Responsibility for Service Pipe

The Customer shall have full responsibility for the installation, repair, replacement, and maintenance of all Service Pipes, including full responsibility for metered water usage attributable to a leak in the Service Pipe; The failure of a Customer to properly install and maintain a Service Pipe, including replacement, shall constitute grounds for the Company to initiate action to terminate service to the Customer and seek recovery for any damage to the Company's facilities caused by an improperly functioning Service Pipe. Where an undetected, non-surfacing, underground leak is found in a Customer's Service Pipe, the Company shall credit the Customer with a one-time bill adjustment equal to forty percent (40%) of that portion of one month's consumption that exceeds the average monthly usage, based on the prior twelve month period, upon proper verification that the leak has been repaired. The Company shall require documentation to establish, to the Company's satisfaction, the existence of such repaired leak at the Customer's premises. Such bill adjustment will be provided only to the extent the Customer has not received a bill adjustment for an undetected, non-surfacing, underground leak at the same premises in the past five (5) years.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

5. Meters and Meter Installations

5.1 Meter Installations

The Company will furnish and install for each Customer, without charge, a suitable meter and will keep the same in repair. All Company meters will be owned by the Company and remain the property of the Company and shall be accessible to the Company and subject to its control. The Customer, however, shall properly protect the meter from damage by frost or other causes and shall be held responsible for repairs or replacement of the meter made necessary by the negligence or intentional act of the Customer.

5.2 Meter Space and Location

(a) The Customer shall provide a safe, readily-accessible, and protected location for the installation of a meter at such point as will control the entire supply to the premise. The location must be acceptable to the Company as most convenient for its service so that the meter may be easily examined, read, or removed. For new construction, the meter shall be required to be installed outside the building in a meter box/vault unless otherwise approved or specified by the Company. The location of the meter box/vault shall be subject to the express approval of the Company; in most cases, the meter box/vault shall be located inside the property line by the Customer. For existing premises and circumstances, subject to the Company's approval, a meter may be set within the structure to be served, at a location approved by the Company, after the Customer has had the plumbing arranged (including the installation of special devices if required by the Company) to receive the meter at a convenient point inspected and approved by the Company so as to control the entire supply of water to the property.

(b) In addition, at the Company's option, the Customer shall also provide a safe and readily accessible location outside of his residence for the installation of a remote meter reading device. If the Customer does not maintain ready access to the meter and the remote meter reading device, the Company may install an outside meter setting at the Customer's expense.

5.3 Automatic Meter Reading

The Company, without charge to the Customer, may install meters capable of being read automatically from a central location using telephone lines. To install this automatic meter reading equipment, the Company will require access to a telephone line of the premise receiving water service. If installation is denied, the Company may impose a meter reading fee equal to the cost of manually reading the meter or terminate service. If the automatic meter reading equipment can be installed, the Customer must provide the Company with the telephone number of the line to which the equipment will be connected and immediately advise the Company of any changes in the number.

RULES AND REGULATIONS

5. Meters and Meter Installations (cont'd)

5.4 Outside Meter Installations (Meter Box/Vaults)

Meter boxes/vaults shall be owned, furnished, installed and maintained by the Customer which meets the Company's specifications, at Customer's expense, unless otherwise agreed to by the Company. At the Company's discretion the Company has the right to install a meter box/vault for a Customer's property. The meter box or vault shall be placed immediately inside the Customer's property line or at such other location as may be ordered by the Company. The size and dimensions of the meter box or vault shall be as approved by the Company, give adequate access to the meter, and permit its installation or removal. When a concrete vault is used, a 10 foot wide (minimum) paved surface from the road to the vault, including curb depression, must be provided and maintained for vehicle access.

The Company has the authority to require a Customer or property owner, at their expense, to install a meter box/vault prior to restoration of service where there has been a termination of service by Company due to Unauthorized Use of Service.

5.5 Meter Service

All service provided by the Company except public fire and qualified private hydrant protection shall be metered.

5.6 Meter Installations for Flat-Rate Accounts and Unmetered Private Fire Services

Within 45 calendar days of notification by the Company, a flat-rate or unmetered private fire service Customer will provide a suitable meter setting at his own expense. The Company will provide the Customer with standard specifications for the meter setting. Any Customer who does not provide a suitable meter setting within the 45-day period will be subject to termination of service; or, at the option of the Company in the case of an unmetered fire service Customer, the installation will be made by the Company and a surcharge applied to the Customer's bill. The surcharge will be an annual fee equal to 17% of the total actual cost of installation.

5.7 Tampering with Meters or other Utility Equipment

When a meter or other utility equipment on a Customer's premises has been tampered with and the customer enjoys the use of or receives benefit from the water service intended to be metered, it may be reasonably inferred that the Customer tampered with the meter or other utility equipment. The penalties for tampering include but, are not limited to, termination of service, recovery by the Company of all costs related to the tampering, including payment for such water service as the Company may estimate from available information has been used but not registered by the Company's meter, and criminal sanctions pursuant to the laws of the Commonwealth. In addition, the Company has the authority to require a Customer or property owner, at their expense, to install a meter box/vault prior to restoration of service where there has been a termination of service by Company due to tampering with a meter or other utility equipment.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

6. Meter Tests

6.1 Meter Tests

The Company may at any time remove any meter for routine tests, repairs or replacement and may, at its option and expense, test any meter when it has reason to believe that the meter is registering inaccurately.

6.2 Request Tests

Any Customer may request the Company to make a special test of the accuracy of a meter, which test will be made in accordance with 52 Pa. Code § 65.8. The test of a meter requested by a Customer may be witnessed by the Customer or his duly authorized representative.

6.3 Meter Test Fees

When a fee is to be paid for a special test, the fee shall be paid in advance by the Customer. Should the meter be found upon said test to be incorrect to the prejudice of the Customer according to the standard percentage variable set forth in 52 Pa. Code § 65.8, the fee so paid shall be returned to the Customer. If said meter is found to be incorrect, the Customer's bill shall be adjusted in accordance with 52 Pa. Code § 65.9. When a fee is to be paid for special tests of meters made upon request by the Customer, the following shall apply in accordance with 52 Pa. Code § 65.8.

<u>Size of Meter</u>	<u>Fee for Test</u>
5/8" to 1" inclusive	As currently in effect
1-1/4" to 2"	As currently in effect
Larger than 2"	As currently in effect

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

7. Credit

7.1 Customer's Liability for Charges

The Customer who has made application for water service to any premise shall be held liable for all water service furnished to such premise until such time as the Customer properly notifies the Company to discontinue the service for this account.

7.2 Prior Company Debts

(a) Service will not be furnished to former Customers until any indebtedness to the Company for previous service of the same or similar classification has been satisfied or a payment arrangement has been made on the debt. This rule does not apply to the disputed portion of disputed bills under investigation. The Company will apply this rule to the disputed portion of disputed bills, if, and only if: (1) the Company has made diligent and reasonable efforts to investigate and resolve the dispute; (2) the result of the investigation is that the Company determines that the customer's claims are unwarranted or invalid; and (3) the Commission and/or the Bureau of Consumer Services has decided a formal or informal complaint in the Company's favor and no timely appeal is filed.

(b) The Company may utilize means in accordance with applicable law of determining an Applicant's or Customer's liability for any indebtedness to the Company for previous service, including, but not limited to, the following: (1) use of Company records that containing confidential information previously provided to the Company for service; (2) information contained on a valid mortgage, lease or deed; (3) other information contained in the Company's records that indicate that the Applicant was an adult occupant during the time the prior debt accrued; (4) use of commercially available skip tracing software that contains records of names and addresses; and (5) use of information contained in credit reporting data utilized by the Company.

7.3 Customer's Deposit

(a) Non-Residential: The Company may charge deposits to Non-Residential Applicants and Non-Residential Customers if they have bad credit, lack Creditworthiness, or for other reasonable grounds determined by the Company, and as permitted by Federal Bankruptcy Law.

(c) Residential: The Company may charge deposits to Residential Applicants and Residential Customers as permitted by Commission statutes, rules regulations, and as permitted by Federal Bankruptcy Law.

(1) Deposits may be required from a Residential Applicant who is unable to establish Creditworthiness to the satisfaction of the Company through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that falls within the range of general industry practice and specifically assess the risk of public utility bill payment.

(2) Deposits may be required from a Residential Customer who fails to comply with the material terms or conditions of a settlement or payment arrangement or is delinquent in the payment of two consecutive bills, or three or more bills within the preceding twelve months.

RULES AND REGULATIONS

7. Credit (cont'd)

7.3 Customer's Deposit (cont'd):

(c) Residential (cont'd):

(3) Prior to reconnection of service, deposits may be required from a Residential Applicant or Residential Customer whose service was terminated for any of the following reasons: (a) nonpayment of an undisputed delinquent account; (b) failure to complete payment of a deposit, providing a guarantee or establish credit; (c) failure to permit access to meters, service connections or other property of Company for the purpose of replacement, maintenance, repair or meter reading; (d) Unauthorized Use of Service on or about the affected dwelling; (e) failure to comply with the material terms of a settlement or payment arrangement; (f) fraud or material misrepresentation of identity for the purposes of obtaining utility service; (g) tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other Company equipment; or (h) violating tariff provisions on file with the Commission so as to endanger the safety of a person or the integrity of the Company's water distribution system.

7.4 Deposit Amount

For Residential Applicants or Customers, the cash deposit required shall be in an amount equal to 1/6 of an Applicant's or Customer's estimated annual bill at the time the Company determines the deposit is required. For Non-Residential Applicants or Customers, the amount of the deposit shall be the Company's projection of the sum of the Company charges in the customer's two highest monthly bills in the 12 months following the deposit. The provisions of 11 U.S.C. §366(b) of the Federal Bankruptcy Code, or any successor statute or provision, shall, if inconsistent, supersede the provisions of this rule.

7.5 Return of Deposit for Current Service

Deposits secured from Non-Residential Customers will be returned when the Customer discontinues service and has no unpaid bills or at the Company's discretion. Deposits secured from Residential Customers shall be returned to the depositor when the Customer has paid all bills for service in full and on time for twelve (12) consecutive months.

7.6 Interest on Deposits for Current Service

Interest on deposits will be accrued until is returned to the Customer. Interest for all Customer deposits shall be computed at the rate governed by 66 Pa. C.S. §1404(c)(6). On deposits held for more than a year, the Company will pay to the depositor, at the end of each calendar year, the interest accrued thereon. Deposits shall cease to bear interest upon termination or discontinuance of the service covered by the deposit.

7.7 Payment Period for Deposits

Any Non-Residential Applicant or Customer shall pay the required deposit in full prior to the provision of service. Any Residential Applicant or Customer shall have up to 90 days to pay the deposit in full and may elect to pay the required deposit in three installments: 50% billed upon the determination that the deposit is required; 25% billed 30 days after the determination; and 25% billed 60 days after the determination. The Residential Applicant or Customer may elect to pay the deposit in full before the due date.

RULES AND REGULATIONS

8. Public Fire Hydrants

8.1 Ownership and Maintenance

All public fire hydrants furnished, installed, and paid for by the Company shall be inspected and maintained by the Company.

8.2 Use Restricted

The use of fire hydrants, whether owned by the Company or by the Customer, will be restricted to the taking of water for the extinguishing of above-ground fires. Water shall not be taken from any fire hydrant for construction purposes, extinguishing underground fires, sprinkling streets, flushing sewers or gutters or for any other use unless specifically permitted by the Company for the particular time and occasion. If the Company grants permission to use fire hydrants for purposes other than the extinguishment of fires, such use will be applied only if an approved backflow prevention device is attached to the hydrant. Said device shall be furnished by the Customer.

8.3 Change in Location

Whenever a change in location of a fire hydrant is ordered by a municipality, such change will be made at the expense of the municipality.

8.4 Public Hydrants Installed on Main Lines Installed After December 31, 1988

Whenever a hydrant is ordered subsequent to the completed installation of a new main installed after December 31, 1988, a NON REFUNDABLE charge of \$1000 per hydrant along with any applicable state and federal tax liabilities, plus any local permit/occupancy fees will be required with the application. The fee for any hydrant installed on mains installed prior to January 1, 1989 or installed during construction of new mains installed after December 31, 1988 will be limited to only the pertinent local permit or occupancy costs imposed by the ordering party.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

8. Public Fire Hydrants (cont'd)

8.5 Application for Public Fire Hydrant Service

Service No. _____

This Application made in triplicate this _____ day of _____, 20____, by _____ (Applicant) (a Municipal corporation of the Commonwealth of Pennsylvania), hereinafter called the "Applicant", to the **Pennsylvania-American Water Company** (a corporation of the Commonwealth of Pennsylvania), doing business in the of _____, hereinafter called the "Water Company."

The Applicant, upon the terms and conditions hereinafter set forth, hereby applies to the Water Company for the installation of (a) public fire hydrant(s) to be located at:

In consideration for which the Applicant agrees to be bound by all the terms and conditions of this application, and the Water Company's tariff as amended from time to time, and to pay the Water Company for service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this application may be accepted by the Water Company are as follows:

First: The public fire hydrant shall be furnished, installed, inspected, and maintained by the Water Company.

Second: The use of the public fire hydrant will be restricted to the taking of water for the extinguishing of above-ground fires. Water shall not be taken from any fire hydrant for construction purposes, extinguishing underground fires, sprinkling streets, flushing sewers or gutters, or for any other use unless specifically permitted by the Water Company for the particular time and occasion. If the Water Company grants permission to use the fire hydrant for purposes other than the extinguishment of fires, such use will be applied only if an approved backflow prevention device is attached to the hydrant. Said device shall be furnished by the Applicant.

RULES AND REGULATIONS

8. Public Fire Hydrants (cont'd)

8.5 Application for Public Fire Hydrant Service (cont'd)

Third: Whenever a change in location of a fire hydrant is ordered by the Applicant, such change will be made at the expense of the Applicant.

Fourth: The Water Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but it cannot and does not guarantee that such will not occur. The extent of the rights of the Applicant under this application is to receive, but only at times of fire, such supply of water as shall then be available and no other or greater. The Applicant agrees that the Water Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fires or to protect any persons or property against loss or damage by fire, or otherwise. The extent of the Company's liability for any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever, shall be subject to the limitations set forth in Section 15.1 of its Tariff.

Fifth: The Applicant will indemnify, save harmless, and defend the Water Company from all claims, loss, costs, or damage on account of injury to persons or property occurring as a result of its use or operation, or the existence of said public fire hydrant(s) including but not limited to injury or damage to persons or property by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever, to the extent that the injury to persons or property is the result of the intentional acts or negligence of the Applicant, its employees or agents, and only to the extent that the Applicant could be held directly liable under the Pennsylvania Political Subdivision Tort Claims Act set forth in 42 Pa.C.S. § 8541 et seq. Nothing in this paragraph shall be deemed a waiver, contractual or otherwise, of the protections afforded the Applicant at 42 Pa. C.S. § 8541 et seq.

Sixth: The Applicant will notify the Water Company of each occasion on which a public fire hydrant is used so that the Company may be able to make a follow-up inspection.

Seventh: The rights and obligations of the Applicant hereunder shall be further subject at all times to the rates, rules and regulations of the Water Company that now exist or which may hereafter be adopted.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

8. Public Fire Hydrants (cont'd)

8.5 Application for Public Fire Hydrant Service (cont'd)

Eighth: The Applicant agrees to provide any permits required by the Applicant relative to this application for public fire hydrant(s) contracted for or its future replacement.

IN WITNESS WHEREOF the Applicant through a duly authorized official has hereunto signed this Application the day and year first above written.

WITNESS APPLICANT

_____ By _____

IN WITNESS WHEREOF the Water Company hereby accepts the foregoing Application this day of

_____, 20__.

WITNESS PENNSYLVANIA-AMERICAN WATER COMPANY

_____ By _____
(Vice) President

[End of Application]

RULES AND REGULATIONS

9. Sales for Resale

9.1 Water Supply Agreement

When the Company enters into an agreement with another public water supply agency to sell water to said agency pursuant to the Company's metered rates as filed and effective from time to time, any condition of said agreement with respect to service thereunder shall be incorporated by reference to these rules and regulations. Said water supply agreement must be filed with the Public Utility Commission pursuant to the Public Utility Code (66 C.S.A. § 507) when the public water supply agency is a municipal corporation, as defined in said Code.

RULES AND REGULATIONS

10. Payment Terms

10.1 Billing Period

The Company shall render a bill once every billing period to every Customer in accordance with approved rate schedules. The due date for payment of a bill for service to Residential and Non-Residential Customers shall be no less than twenty (20) days from the date of transmittal. Payment received by the Company more than five (5) days after the due date will be charged a penalty of 1.50%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

10.2 Service Termination

If a bill is not paid on or before its due date, service will be terminated. If a bill for service to a Qualified Private Fire Hydrant is not paid on or before its due date, service will be terminated upon written notice given fifteen (15) days in advance by the Company to the Customer.

10.3 Consumption not Combined

The use of water by the same Customer in different premises or localities will not be combined, and each installation shall stand by itself.

10.4 Disputed Bills

In the event of a dispute between the Customer and the Company respecting any bill, the Company will forthwith make such investigation as may be required by the particular case and report the result thereof to the Customer. When the Company has made such a report to the Customer sustaining the bill as rendered, the Customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, it will issue a corrected bill with a new due date for payment. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be returned to the Customer if the error arose from any cause other than the incorrect estimating of a Customer's consumption for the period in dispute.

10.5 Return Check Fee

The Customer will pay a fee as shown on the Miscellaneous Fees rate schedule, per incident where a check or automatic transfer of funds, which has been presented to the Company or its agent for payment of any bill, is returned by the bank for any reason including, but not limited to, non-sufficient funds, account closed, payment stopped, two signatures required, postdated, stale date, no account, drawn against uncollected funds, and unauthorized signature. This fee is in addition to any and all charges assessed by the bank.

PENNSYLVANIA-AMERICAN WATER COMPANY

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11. Turn-On Fee

11.1 Turn On Fee

A Turn On Fee shall be paid by the Customer prior to the reconnection of service to any premise at which service has been terminated due to non-payment of a bill or other violation of the tariff or discontinued at the Customer's request. For reconnection of service performed during regularly-scheduled working hours, the fee is as shown on the Miscellaneous Fees rate schedule. For restoration of service performed during non-regularly-scheduled working hours, the Company reserves the right to bill the Customer for the cost incurred by the Company (relating to overtime and holiday hours) in addition to the Turn On Fee shown on the Miscellaneous Fees rate schedule. If the Company incurs out of the ordinary expense to affect termination of service for non-payment of bills or due to lack of access to the Company's facilities, the Customer must reimburse the Company for those expenses in addition to the Turn On Fee on prior to service reconnection.

RULES AND REGULATIONS

12. Termination and Discontinuance of Water Service

12.1 Termination by Company

The Company may terminate service upon prior notice for any of the following reasons:

- (A) For willful or indifferent waste of water due to any cause;
- (B) For failure to protect from injury or damage the meter and connections or for failure to protect and properly maintain the service pipe or fixtures on the property of the Customer;
- (C) For molesting or tampering by the Customer, or others with the knowledge of the Customer, with any meter, connections, service pipe, curb valve, seal or any other property of the Company controlling or regulating the Customer's water supply;
- (D) Failure to permit access to meters, service connection or other property of the Company for the purpose of replacements, maintenance, operation or repair after proper notice.
- (E) For non-payment of water service when due;
- (F) For termination of wastewater service by Company in accordance with the Company's wastewater tariff on file with the Commission;
- (G) For violation of any rule of the Company except as covered in Section 12.2 below.

12.2 Grounds for Immediate Termination by Company

The Company may terminate service immediately and without prior notice for any of the following reasons:

- (A) Unauthorized Use of Service delivered on or about the affected dwelling;
- (B) Fraud or material misrepresentation of the Customer's identity for the purpose of obtaining service;
- (C) Tampering with meters or other Company equipment;
- (D) Violating tariff provisions on file with the Commission so as to endanger the safety of a person or the integrity of the Company's delivery system;
- (E) For existence of a cross connection in violation of Rule 22;
- (F) For Customer's tendering payment for reconnection of service that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice; or
- (G) After receiving a written termination notice from the Company, for Customer's tendering payment which is subsequently dishonored under 13 Pa. C.S. § 3502, or, in the case of an electronic payment, that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice.

RULES AND REGULATIONS

12. Termination and Discontinuance of Water Service (cont'd)

12.3 Service Restoration Following Termination of Service

When water service to any premise has been terminated by Company for any reason, it will be restored only after the conditions, circumstances, or practices which caused the water service to be terminated are corrected and all applicable prior debts, deposits and fees paid.

12.4 Discontinuance of Service by Customer

A Customer who wishes to have service discontinued shall give at least three (3) days' notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the Customer shall be responsible for all service rendered until the time that the Company shall have actual or constructive notice of the Customer's intent to discontinue service. The Customer shall not begin to use nor cease to use water service without the prior consent of the Company.

RULES AND REGULATIONS

13. Abatements and Refunds

13.1 Meter Registration

The quantity of water recorded by the meter shall be accepted as correct by both the Customer and the Company except when the meter has been found to be registering inaccurately or has ceased to register. If a meter is found not to have registered for a period or not to have fully measured the entire flow due to meter interference, the Company shall compute the water used by taking the average of the water used for the nearest meter reading period immediately preceding and the meter reading period immediately following the date when the meter was found to be not registering or interfered with. This amount shall be the amount of water used by the Customer during the billing period in which the meter was found not to have registered. Exceptions may be made only if the facts clearly show that the stated method does not give the correct consumption for the period.

RULES AND REGULATIONS

14. Service Continuity

14.1 Regularity of Supply

The Company may, at any time, shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it. The Company will, so far as circumstances permit, notify Customers to be affected by any interruptions in the water service.

RULES AND REGULATIONS

15. Liability of Company

15.1 Liability for Damages

The liability of the Company for any loss or damages due to any negligent act of omission or commission, by the Company, shall be limited to and in no event exceed an amount equivalent to 1/4 the average charge of 4 billing periods to the Customer for the period of service during which such deficiency has occurred. Such average shall be determined by reference to the billed charges to the Customer for the four billing periods immediately prior to the billing period during which the loss or damage occurred.

The Company has limited liability for a service termination performed at the request of a municipality or municipal authority conducted pursuant to 53 P.S. § 3102.501 et seq. or any agreement executed thereunder; all such requests shall be deemed reasonable and proper by the Company without further inquiry. If the Company is found liable for any damages caused by terminating service pursuant to an agreement executed under the law, liability shall be limited to the customer charge for the period in question.

In any legal action where a court does not recognize, or is being asked to interfere with or hamper, the jurisdiction of the Commission to authorize limitations of liability or to exclusively determine whether the service and facilities of the Company are in conformity with the regulation and Order of the Commission, the Company may certify to the Commission the question of the appropriateness of such court action by filing a petition for declaratory judgment with the Commission.

The Company shall not be liable in any action where the loss or damage involves an act of God or does not involve a duty of the Company, including breaks or leaks on facilities that are not owned by the Company, such as breaks, leaks, defects or condition in the Customer's own service line, meter vault, pressure reducing valve, back flow prevention device, check valve, pressure relief valve, or any other control valve, internal plumbing or fixture, or due to the materials out of which those facilities are made. Further, the Company shall not be liable in any action where the loss or damage does not involve a breach of a duty of the Company, including where the Company does not receive actual notice, either written or oral, that a Company facility (located within the public right-of-way, in a sidewalk or on a Customer's property) is in need of repair, such as the condition or elevation of a curb box or valve box that is not proven to have been in that condition at the time of installation or that is caused by a plumber, developer, or other person or event.

15.2 Defect in Customer's Service or Customer-Owned Meter

The Company shall in no event be liable for any loss or damage caused by reasons of any break, leak or defect in the Customer's own service pipe, line or fixtures or Customer-owned meter not caused by any negligent act of omission or commission of the Company.

15.3 Responsibility for Repair and Replacement of Private Water Service Pipe

The maintenance, repair or replacement of a private water service pipe is the responsibility of the Customer served by the pipe. The Company reserves the right to require the Customer served by a private water service pipe to repair or replace the pipe, or enter into a main extension deposit agreement, at the Customer's option, if the pipe is leaking, can no longer be used for whatever reason, or is otherwise endangering the public's safety. The Customer must perform such repair or replacement, at the Customer's own expense. The Customer must perform such repair or enter into said main extension deposit agreement immediately after receiving notice from the Company that the private water service pipe is endangering the public safety or within ten days after receiving notice from the Company that the pipe is leaking or can no longer be used. The Company reserves the right to terminate water service to the Customer after legal notice if such required action is not taken within the time indicated above.

RULES AND REGULATIONS

16. General

16.1 Interference with Facilities

No person shall turn the water on or off at any street valve, corporation stop, curb valve or other street connection or disconnect or remove any meter without the consent of the Company. The control of the water supply by the Customer shall be by means of a separate stop and waste valve.

16.2 Inspection of Premises

All service pipes, meters and fixtures, including any and all fixtures within the premise receiving the supply of water, shall, at all reasonable hours, be subject to inspection by any duly authorized employee of the Company.

16.3 Construction of Company Facilities

Water used for construction of Company Facilities (for example flushing a new water main installation), where water service is temporarily furnished or utilized for the construction of Company facilities, shall wherever practical, be supplied through a meter at a rate equal to the production cost of water established in the most recent rate filing of the Company.

16.4 Company Right of Access

The Company's authorized representatives shall have the right of access at all reasonable times to all parts of any premises connected with the system, including meters, service connections and other property owned by it on the premises of the Customer, for the purpose of examining and inspecting connections and fixtures, including the water and/or wastewater metering arrangement, for disconnecting service for any proper cause, or for purposes of replacement, maintenance, operation or repair thereof.

RULES AND REGULATIONS

17. Multiple Meters

17.1 Meters Treated Separately

When more than one meter is installed upon a Customer's premise at the request of a Customer or due to conditions existing upon the premise of the Customer, then each meter shall be treated separately as if it belonged to a separate Customer.

17.2 Registration Combined

In all other instances where more than one meter is installed on a Customer's premise that supplies through a battery metering station, then the registration of all meters shall be combined (other than residential use), and the minimum/service charge shall be the sum of the individual minimum/service charges for all such meters.

18. Separate Meter and Service Line

18.1 Independent Service

Each meter serving a premise or multiple premise shall be supplied through an independent service pipe from a separate control valve or valve box unless specifically approved and authorized by the Company.

RULES AND REGULATIONS

19. Lawn Sprinkler System

19.1 Special Service Connection

Upon request of the Customer, the Company may install a service connection, meter tile and meter to supply an underground lawn sprinkler system. The Customer will be responsible for the entire cost including taxes of this installation, excluding the cost of the meter. Should it be necessary to remove or reinstall the meter on a lawn sprinkler system on a seasonal basis, the cost for this service shall be paid for by the Customer. Upon request of the Customer to turn the water on or off for a lawn sprinkler system on a seasonal basis, the cost of this service shall be paid for by the Customer. The Customer shall be charged \$30.00 each time he requests the meter to be set or removed, or the water to be turned on or off.

RULES AND REGULATIONS

**20. Termination of Free Service
Under Certain Contracts and
Other Instruments**

20.1 Terms and Conditions

Notwithstanding any contrary provision contained in any deed, grant, contract, franchise, permit, consent or other instrument (other than an instrument expressly set forth in and constituting a part of this tariff) made, executed or delivered between the Company or any predecessor in interest and a Customer of the Company or any predecessor in interest:

- (A) Every person who takes water shall pay for all water taken as provided in the applicable schedule of rates set forth herein and subject to the Rules and Regulations of the Company.
- (B) No credit, off-set or other allowance shall be allowed by the Company against any water bill on account of the making, execution, or delivery of, or pursuant to any provisions of, any such instrument.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

21. Qualified Private Fire Hydrant

21.1 Terms and Conditions

Qualified Private Fire Hydrants will be installed under the terms and conditions of the Application for Qualified Private Fire Hydrant.

21.2 Application for Qualified Private Fire Hydrant

Service No. _____

This Application made in triplicate this __ day of __, 20__, by _____ (a corporation of (Applicant) the State of _____), hereinafter called the "Applicant," to the Pennsylvania-American Water Company (a corporation of the Commonwealth of Pennsylvania), doing business in the _____ of _____, hereinafter called the "Water Company."

The Applicant, upon the terms and conditions hereinafter set forth, hereby applies to the Water Company for a __ inch service line connected to the street main of the Water Company on Street between _____ Street and _____ Street in the _____ of _____, for the purpose of attaching to said service line the following Qualified Private Fire Hydrant:

such hydrant to be located within or upon the premise of the Applicant abutting the street on which the said main of the Water Company is located.

In consideration for which, the Applicant agrees to be bound by all the terms and conditions of this application, and the Water Company's tariff as amended from time to time, and to pay the Water Company for service at the schedule of rates in effect from time to time during the rendition of such service.

The further terms and conditions upon which this application may be accepted by the Water Company are as follows:

RULES AND REGULATIONS

21. Qualified Private Fire Hydrant (cont'd)

21.2 Application for Qualified Private Fire Hydrant (cont'd)

First: The service connection from the street main to the curblineline shall be installed by the Water Company following its receipt of a deposit from the applicant and compliance with such further terms and conditions as set forth hereafter in this paragraph. The Applicant shall deposit with the Water Company, upon notice from the Water Company that it is prepared and able to go forward with work requested by the Applicant, an amount in cash equal to the Estimated Cost. The Estimated Cost shall be all costs to install the service connection, as such costs are determined by the Water Company.

Upon such written notice as described above, a Preliminary Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required in accordance with foregoing provisions. Upon completion of the installation of the service connection, a Final Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required based on the same calculation as set forth above but by using the actual cost of the service connection, including the actual installation cost of the service and other facilities, for the Estimated Cost. If the payment shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the Applicant will deposit any additional amount shown to be due or the Water Company will refund to the Applicant any excess amount shown to have been deposited. The amount held by the Water Company in accordance with the Final Memorandum shall be the property of the Water Company. The service connection will be maintained by the Water Company at its expense.

Second: The service control valve shall be under the control of the Water Company, except during times of fire, when it shall be under the control of the Chief of the Fire Department of said municipality and the Applicant agrees to obtain approval of said Chief of this application.

Third: All fixtures and openings (other than control valves) shall be kept closed and sealed, and not opened or used except during time of fire or for test of the system by Fire or Insurance Inspector. Applicant shall notify the Company, prior to conducting all tests and immediately upon extinguishing each fire or on completion of the test so said fixtures and openings can again be closed and sealed.

RULES AND REGULATIONS

21. Qualified Private Fire Hydrant (cont'd)

21.2 Application for Qualified Private Fire Hydrant (cont'd)

Fourth: The Water Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but it cannot and does not guarantee that such will not occur. The extent of the rights of the Applicant under this application is to receive, but only at times of fire on said premises, such supply of water as shall then be available and no other or greater. The Applicant agrees the Water Company shall not be considered in any manner an insurer of property or persons, or to have undertaken to extinguish fire or to protect any persons or property against loss or damage by fire, or otherwise, and that the extent of the Water Company's liability for any and all claims for damages on account of any injury to property or persons by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever, shall be subject to the limitations set forth in Section 15.1 of its Tariff as may be amended from time to time.

Fifth: The Applicant will indemnify, save harmless, and defend the Water Company from all claims, loss, costs, or damage on account of injury to persons or property occurring as a result of the installation, operation, performance, or existence of said fire hydrant(s) including but not limited to injury or damage to persons or property by reason of fire, water, failure to supply water or pressure, or for any other cause whatsoever, to the extent that the injury to persons or property is the result of the intentional acts or negligence of the Applicant, its employees or agents.

Sixth: This application does not contemplate uses of fixtures other than herein stated. If a supply of water for use other than extinguishment of fire is desired by the Applicant, then same shall be taken only through a service pipe, separately connected with the street main of the Water Company and not connected directly or indirectly with the service line contemplated by this application. Any waste of water or use of water for purposes other than the extinguishment of fire through this connection shall be deemed a violation of the terms and conditions of this application and the rules and regulations of the Water Company.

Seventh: The Applicant shall furnish, attach and make a part hereof, an accurate sketch showing the pipes, valves, hydrant, and appurtenances contemplated in this application. Such sketch must also show any other water supply system and pipe lines and appurtenances which may exist on the premises.

RULES AND REGULATIONS

21. Qualified Private Fire Hydrant (cont'd)

21.2 Application for Qualified Private Fire Hydrant (cont'd)

Eighth: The rights and obligations of the Applicant hereunder shall be further subject at all times to the rates, rules and regulations of the Water Company that now exist or which may hereafter be adopted.

Ninth: The Applicant agrees to obtain in advance the approval of the Water Company for any change or alteration.

Tenth: Upon acceptance by the Water Company and the completion of the service connection herein contemplated, this application shall be in force as a contract and shall continue as such until the hydrant is removed by the Applicant and this application is cancelled by written notice fifteen (15) days in advance, given by the Applicant, to the Water Company.

Eleventh: The Water Company has the right to discontinue or disconnect said service line and terminate this application, upon written notice given fifteen (15) days in advance by the Water Company to the Applicant for failure to pay any bill when due, or for any violation of any of the terms and conditions of this application, or for any violation of the Water Company's rules. In emergencies, the Water Company also has the right, without notice, to shut off all or any part of its facilities and discontinue the service when deemed necessary.

Twelfth: The acceptance of this application by the Water Company must be executed by its Manager and/or Operations or Business Manager before same becomes effective as a contract.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

21. Qualified Private Fire Hydrant (cont'd)

21.2 Application for Qualified Private Fire Hydrant (cont'd)

IN WITNESS WHEREOF the Applicant _____ has _____ hereunto signed
name _____ the day and year first above written.

WITNESS:

(Applicant)

APPROVED

WITNESS:

_____ of _____

(Chief of Fire Department)

IN WITNESS WHEREOF the Water Company hereby accepts the foregoing application this
day of _____, 20__.

WITNESS: PENNSYLVANIA-AMERICAN WATER COMPANY

(Manager)

[End of Application]

RULES AND REGULATIONS

22. Cross-Connections

22. Prohibition of Cross-Connection

No cross-connection shall be installed or continued. A cross-connection shall be considered to be eliminated if the method of backflow prevention is approved in writing by the Company. The cost of installation, material, and maintenance of the backflow prevention device shall be paid for by the Customer. Thereafter, it is the responsibility of the Customer to have an annual test and/or repairs of the device performed by an inspector who is a certified backflow prevention device tester. A backflow prevention device tester must be certified by an entity that performs training to test and repair Check valves and backflow prevention devices which meet or exceed American Society of Sanitary Engineering (ASSE), American Backflow Prevention Association (ABPA) or equivalent standards and provides certification that such training has been completed in accordance with these requirements.

22.2 Right of Company to Terminate Water Service

The Company shall have the right to terminate water service under any of the following circumstances:

- (A) Violation by a Customer or by a property owner or occupant of these Rules and Regulations regarding Cross-Connections;
- (B) Failure to have the annual test and /or repairs of the backflow prevention device performed.
- (C) Receipt by the Company of an order from DER, health authorities, plumbing inspectors or another similar agency to discontinue service to premises on the grounds of violation of any federal, state or local law, ordinance, rule or regulation or of these Rules and Regulations regarding Cross-Connections, or because of danger to health because of the existence of Cross-Connections, or upon notice to the Company from any such agency that it has ordered a Cross-Connection existing on the premises to be discontinued and that such order has not been complied with.

RULES AND REGULATIONS

23. MAIN EXTENSIONS FOR NON BONA FIDE SERVICE APPLICANTS

23.1 General Provisions

- (A) When an extension to serve an applicant other than a Bona Fide Service Applicant (i.e Non Bona Fide Applicant) is required or requested, such extension will be made under the terms of an "Water Facilities Line Extension Agreement" which can be viewed on the Company's website at www.pennsylvaniaamwater.com.
- (B) The Company shall have exclusive right to determine the type and size of mains to be installed and the other facilities required to render adequate service. Should it be necessary, in the Company's opinion, to extend beyond the last lot in a street to connect to an existing main thus to provide more adequate and reliable service, this additional extension shall be part of the total main extension whenever the last lot in the street does not exceed 150 feet to make such connection. All estimated or actual cost figures referred to in the "Water Facilities Line Extension Agreement" shall include a reasonable allowance for overhead costs.
- (C) In determining the length of and necessity for any extension required pursuant hereto, the terminal point of such extension shall, in all cases, be at the point in the curb line which is equidistant from the side property lines of the last lot for which water service is requested, except as provided in Paragraph B above wherein it may be necessary to extend beyond the last lot and connect to an existing main to provide for more adequate and reliable water service. A street service connection will be provided only when Customer service lines from the curb to the premises to be served are laid in a straight line at right angles to the curb line.
- (D) For the purposes of this rule:

"Bona Fide Service Applicant" shall mean a person or entity applying for General Water Service to an existing structure for which a valid occupancy permit has been issued if such structure is within the Company's certificated service territory and is either: (1) a primary residence of the Applicant; or (2) a place of business. An Applicant shall be deemed a "**Non Bona Fide Service Applicant**" if such Applicant is requesting water service to: (1) a building lot or subdivision; or (2) a primary residence if such primary residence was constructed, or the request for water service was made, as part of a plan for the development of a residential subdivision. To become an Applicant, a person or entity must file a signed application for a new Street Service Connection to qualifying premises and request water service to begin immediately following installation of the Street Service Connection. If the Company shall be delayed or prevented from installing the Street Service Connection for a period of one (1) year or more from the date of application, the Bona Fide Service Applicant shall have the right to withdraw the Application for Service.

"Street Service Connection" shall mean a pipe with appurtenances used to conduct water from a distribution main of the Company to the curb line of the premises.

RULES AND REGULATIONS

23. MAIN EXTENSIONS FOR NON BONA FIDE SERVICE APPLICANTS (cont'd)

23.1 General Provisions (cont'd)

- (E) If there is no other way in which service can be provided, the prospective residential Customer may obtain a recorded easement or right-of-way that runs with the land, of at least fifteen (15) feet in width connecting the property to be served to the street wherein the Company's main is located. Such easement or right-of-way shall not cross multiple properties. The prospective residential Customer shall present the Company with a certified copy of a duly recorded instrument which (a) describes the easement or right-of-way by metes and bounds, (b) gives the easement in perpetuity to the heirs, successors and assigns of said prospective Customer, (c) grants access to the service pipe for purposes of repair and replacement, and (d) is recorded in the County Office of the Recorder of Deeds.
- (F) The Non Bona fide Service Applicant shall be required to install water mains, service lines, hydrants and appurtenances thru a Company pre-qualified contractor retained by the applicant and to pay all costs associated related thereto. The Company has the sole right to accept or reject the proposed contractor. Additionally, the Company may undertake construction of all or part of the facilities otherwise subject to this section, in which event the Non Bona Fide Service Applicant will retain financial responsibility for the installation of mains, services, hydrants and appurtenances as specified in an Offsite Marketing Agreement.
- (G) All costs related to construction, materials, installations, permits, engineering, franchise applications, legal fees, inspections, relocations of facilities as required, and overheads, whether initially incurred by the Applicant or the Company, related to the water main shall be the responsibility of the Non Bona Fide Applicant.
- (H) The Non Bona Fide Service Applicant shall provide an estimate of the cost of construction to the Company, which must be acceptable to the Company. Estimates which appear to be inaccurate may be rejected by the Company.
- (I) The Non Bona Fide Service Applicant shall obtain all necessary permits from federal, state, and local authorities. If any of these authorities require the Company to obtain such permits, the Applicant shall provide all engineering, design, research and complete the application for the Company's signature and submission.

RULES AND REGULATIONS

23. MAIN EXTENSIONS FOR NON BONA FIDE SERVICE APPLICANTS (cont'd)

23.1 General Provisions (cont'd)

(J) **Customer Refunds:** The cost of design, construction, and installation of the Water facilities shall be advanced in aid of construction subject to refunds by the Company to the Applicant. The Company hereby agrees to refund to the Applicant, during the period of ten years from the execution date of the Agreement, a per customer refund amount for each additional customer for whom a street service connection shall be directly connected to the Water Facilities. The per customer refund, for a residential customer, shall be determined as follows: for each street service connection made for a residential customer, the refund will be three times the average annual revenue of a residential customer. The average annual revenue for residential customers will be based upon the calculation set forth in the Company's last approved base rate case. For non-residential customers, the refund shall be equal to the actual revenue the Company receives for the first twelve months of water sales to that specific customer. In order to be entitled to refunds, Applicant must be in compliance with the terms and conditions of this Water Facilities Line Extension Agreement. The Company may refuse to provide earned refunds where Applicant owes additional dollars to the Company for the project in this Agreement or any other Water Facilities Extension Agreement. Notwithstanding the foregoing, however, the total amount refunded shall not exceed the final construction costs of the Water Facilities. The Applicant may request refunds once in each calendar quarter, furnishing the Company, at such time, a listing of additional customers. However, the failure on the part of the Applicant to make such a request shall not constitute a waiver of any rights hereunder to relieve the Company of the obligation to make refunds with reasonable promptness.

(K) Additional terms and conditions pertaining to transfer of ownership of facilities, "as built" information, etc. are contained in the "Water Facilities Line Extension Agreement" as indicated in section 23.1 (A).

RULES AND REGULATIONS

23. MAIN EXTENSIONS FOR NON BONA FIDE SERVICE APPLICANTS (cont'd)

23.2 Offsite Development Marketing Contracts

Where it is prudent, reasonable and in the public interest, the Company may, at its option enter into offsite development marketing contracts which depart from the standard terms of the extension deposit agreement. These marketing agreements shall become effective thirty (30) days after the Company has filed a copy thereof with the Pennsylvania Public Utility Commission, or in the event that the Commission institutes an investigation, at such time as the Commission grants its approval thereof.

RULES AND REGULATIONS

24. Water Conservation Contingency Plan

24.1 Conservation Measures

(a) General

If the Company is experiencing a short term supply shortage, the Company may request general conservation of inside water uses and may impose mandatory conservation measures to reduce or eliminate nonessential uses of water.

(b) Voluntary Conservation

The Company shall first request voluntary curtailment of all nonessential uses of water.

(c) Mandatory Conservation

If voluntary cooperation does not achieve satisfactory results, mandatory compliance will be imposed. If any Customer refuses to comply with such mandatory measures, the Company may either adjust the outside water valve connection in a manner which will restrict water flow or otherwise restrict flow such as by the insertion of a plug device. Prior to taking such action, an authorized Company employee shall make a bona fide attempt to deliver notice of the valve adjustment or other flow restriction to a responsible person at the affected premise and fully explain the reason for the proposed flow restriction and the means by which the Customer may eliminate the grounds for such flow restriction. Actual cost associated with restricting, terminating and restoring said service shall be paid by the Customer.

RULES AND REGULATIONS

24. Water Conservation Contingency Plan (cont'd)

(d) Nonessential uses of water include

- (1) The use of hoses, sprinklers, or other means for sprinkling or watering of shrubbery, trees, lawns, grass, plants, vines, gardens, vegetables, flowers, or other vegetation.
- (2) The use of water for washing automobiles, trucks, trailers, trailer houses, or any other type of mobile equipment.
- (3) The washing of streets, driveways, parking lots, service station aprons, office buildings, exteriors of homes, sidewalks, apartments, or other outdoor surfaces.
- (4) The operation of any ornamental fountain or other structures making a similar use of water.
- (5) The use of water for filling swimming or wading pools.
- (6) The operation of any water-cooled comfort air conditioning which does not have water-conserving equipment.
- (7) The use of water from fire hydrants shall be restricted to extinguishing of fires only.
- (8) The use of water from fire hydrants to flush a sewer line or sewer manhole.
- (9) The use of water for commercial farms and nurseries other than a bare minimum to preserve plants, crops, and livestock.

24.2 Drought Emergency

In the event of a drought emergency, as declared by a Basin Commission and by a proclamation of executive order issued by the Governor, the Company is authorized to collect fines set forth in its Local Water Rationing Plan as filed with and approved by the Pennsylvania Emergency Management Agency.

RULES AND REGULATIONS

**25. Residential Structures Equipped with
Automatic Fire Protection Systems**

25.1 Prohibition

The Company will not impose a standby charge upon owners of residential structures solely because said structure is equipped with an automatic fire protection system. After installing the necessary metering equipment as set forth in 25.2, the customer will be billed at rates applicable to any residential customer with a 5/8" meter. Customers whose service was supplied through meters larger than 5/8" prior to installing metering equipment necessary to equip an automatic fire protection system, will continue to be billed at the rate for the meter that existed prior to the installation.

25.2 Definitions

For purposes of this section, a "residential structure" is any building which contains only individually metered dwelling units intended for human habitation. "Standby charges" are charges for the availability of water supply during fire emergency in addition to the regular rates, but do not include costs for the upsizing of company-owned service lines and meters, costs for the installation of additional lines, or the cost of backflow prevention devices for purposes of residential sprinkler systems. Any such charges, together with any and all applicable taxes, shall be borne by the owner of a residential structure on a one-time basis.

RULES AND REGULATIONS

26. Classification of Revenue (Classes of Service)

26.1 Residential

Sales to single premises residences or to multiple premises residences, including apartment houses, apartment buildings, detached houses, rowhouses, townhouses, condominiums and mobile homes, where each unit or premises is served through a separate meter.

26.2 Commercial

- A. Sales to multiple premises residence served through a single meter or battery of meters.
- B. Sales to all private institutions and organizations.
- C. Sales to manufacturing or processing establishments where the water is not used principally in the manufacturing or processing functions.
- D. Include sales to residences such as apartment and boarding houses, hotels, offices, office buildings, retail and wholesale commercial establishments, laundries, churches, private schools and colleges, private hospitals, private cemeteries, etc., where water is not used primarily for industrial purposes.

26.3 Industrial

- A. Sales to manufacturing or processing establishments where the water is used principally in the manufacturing or processing functions.
- B. Sales of water to manufacturing and industrial consumers such as steel works, automobile manufacturers, breweries, public utilities (other than sales to Other Water Utilities), stock yards, packing houses, grain elevators, bottling works.

26.4 Municipal

- A. Sales to governmental agencies (other than sales of water for resale).
- B. Sales of water for municipal and other public purposes, other than public fire protection. Include sales for sewer and street flushing, also for street and sidewalk construction when done by the municipality. Also include sales such as the filling of public swimming pools, drinking and display fountains, parks, schools, hospitals, cemeteries, buildings. Sales of water for City, County, State and Federal uses are to be included in this classification.

RULES AND REGULATIONS

26. Classification of Revenue (Classes of Service) (cont'd)

26.5 Other Water Utilities (Sales for Resale)

Sales to private or public water utilities, municipal corporation or water authority where the water is to be resold to customers of the utilities.

Group A: Customers purchasing water as a primary source of supply as evidenced by their relationship of maximum day use to average day use.

Group B: Customers purchasing water for emergency or peak shaving purposes as evidenced by their relationship of maximum day use to average day use.

26.6 Private Fire Protection

Covers all unmetered and metered charges for private fire protection service, including Qualified Private Fire Hydrants.

26.7 Public Fire Protection

Charges rendered to municipalities for public fire hydrant (rental) stand-by charges.

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS

27.1 General Provisions

(A) (1) The Company will extend existing distribution mains for a Bona Fide Service Applicant making application for water service, other than temporary or seasonal service, under, and pursuant to, these Rules and Regulations, to commence immediately upon installation of the Street Service Connection.

(2) When the costs of the main extension exceed the Company Contribution as defined in Subsection (D), then such extension will be made under and pursuant to the terms of an Extension Deposit Agreement for Bona Fide Service Applicant, as hereinafter set forth, and subject to the applicable provisions of these Rules and Regulations. The construction of facilities to serve such Bona Fide Service Applicant will not commence until an Extension Deposit Agreement for Bona Fide Service Applicant has been executed and all applicable terms and conditions therein have been satisfied by the Applicant.

(3) When an extension is requested or required to serve a Bona Fide Service Applicant requiring Special Utility Service, construction of the extension or of any facilities needed to provide such Special Utility Service will not commence until a Special Utility Service Agreement has been executed and all applicable terms and conditions therein have been satisfied by the Applicant including, but not limited to, paying the requisite sum of money for construction of the facilities needed to furnish Special Utility Service, in accordance with the Preliminary Memorandum to such Special Utility Service Agreement.

(B) The Company shall have exclusive right to determine the type and size mains to be installed and the other facilities required to render adequate service. If a Bona Fide Service Applicant desires any facilities other than those facilities determined by the Company to be required to render adequate service, those other facilities will be installed by, owned by, maintained by, and will become the sole responsibility of the Bona Fide Service Applicant.

(C) In determining the length of and necessity for any extension required pursuant hereto, the terminal point of such extension shall, in all cases, be at the point in the curb line which is equidistant from the side property lines of the last lot for which water service is requested, except as provided in Paragraph B above wherein it may be necessary to extend beyond the last lot and connect to an existing main to provide adequate and reliable water service. A street service connection will be provided only when Customer service lines from the curb to the premises to be served are laid in a straight line at right angles to the curb line.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.1 General Provisions (cont'd)

(D) For the purposes of this rule:

1) "Bona Fide Service Applicant" shall mean a person or entity applying for General Water Service to an existing structure for which a valid occupancy permit has been issued or lot for which a building permit has been issued if such structure or lot is within the Company's certificated service territory and is either: (1) a primary residence of the Applicant; or (2) a place of business. An Applicant shall not be deemed a Bona Fide Service Applicant if such Applicant is requesting water service to: (1) a building lot or subdivision; or (2) a primary residence if such primary residence was constructed, or the request for water service was made, as part of a plan for the development of a residential subdivision; or (3) water service for temporary or seasonal services. To become a Bona Fide Service Applicant, a person or entity must file a signed application for a new Street Service Connection to qualifying premises, extend the necessary service line to the curb line of premises, agree to separate any existing private well system from the public water system in accordance with the Cross Connection provisions of the Company's tariff, and request water service to begin immediately following installation of the Street Service Connection. If the Company shall be delayed or prevented from installing the Street Service Connection for a period of one (1) year or more from the date of application, the Bona Fide Service Applicant shall have the right to withdraw the Application for Service.

2) "Company Contribution" shall mean that portion of the main extension costs which the Company will fund based upon the following formula:

Average Annual Revenue	\$ _____
Minus	
Operation and Maintenance Expenses	\$ _____
Subtotal	\$ _____
Divided by	
Depreciation Rate and Weighted Cost of Debt	_____ %
Company Investment	\$ _____

The Bona Fide Service Applicant will be required to pay one-third of the Customer Contribution prior to the commencement of any work by the Company. The Customer Contribution will be an amount equal to the difference between the Company Contribution and the cost of the main extension and applicable interest charges. After the initial payment any remainder will be amortized over thirty-six (36) equal monthly installments beginning with the Bona Fide Service Applicant's first bill for water service. The Company will also provide information to the applicant on financial institutions that may offer financing to the Bona Fide Service Applicant for the line extension.

(a) The Average Annual Revenue for residential customers with a 5/8" meter shall be calculated based upon the average residential consumption for customers with a 5/8" meter used to determine rates approved by the Pennsylvania Public Utility Commission in the Company's last approved general rate increase. Consumption for residential customers with larger meters will be determined by selecting up to twenty (20) existing customers with similar meter sizes, as available, which have received service for at least twelve (12) months prior to the date of application, and applying the Company's latest approved rates to the annual average consumption of those customers.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.1 General Provisions (cont'd)

(b) The Average Annual Revenue for Commercial and Municipal customers shall be calculated by selecting up to twenty (20) existing, similar commercial or municipal ratepayers, as available, which have received service for at least twelve (12) months prior to the date of application, to determine the average consumption to be used in calculating the Company Contribution.

(c) Operation and Maintenance Expenses shall be the Company's average annual operation and maintenance costs associated with serving an additional customer.

(d) The depreciation rate shall be the Company's depreciation rate for the facilities to be installed as determined in the Company's last approved general rate increase filing.)

(e) The weighted cost of debt shall be the Company's long-term debt costs as determined in the Company's last approved general rate increase.

3) "General Water Service" shall mean basic residential water service or water service for general commercial or municipal purposes but excluding, without limitation, water service for seasonal or temporary uses and water service solely for sprinkler systems or for any other fire protection use.

4) "Special Utility Service" shall mean any residential or business service which exceeds that required for ordinary residential purposes. By way of illustration but not limitation, Special Utility Service shall include: the installation of facilities such as oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet specific pressure criteria, or service to large water consuming commercial and industrial facilities. An otherwise Bona fide applicant requesting service which includes a special utility servicecomponent is entitled to a Bona fide applicant status, including the corresponding contribution toward the costs of the line extension which do not meet the special utility service criteria.

5) "Street Service Connection" shall mean a pipe with appurtenances used to conduct water from a distribution main of the Company to the curb line of the premises.

(E) (1) Street service supplying a premises shall not pass through or across any premises or property other than that to be supplied, except as provided in (E) (2). No water pipes or plumbing in any premises shall be extended therefrom to adjacent or other premises. Street service connections shall not be connected to hydrant branch lines and they will not be permitted to cross intervening properties unless there is no other way in which service can be provided and appropriate easements are obtained. Only service applicant(s) owning property in fee which directly abuts a street wherein there is an existing main of the Company will be permitted to attach a street-service connection to the Company's main for the purpose of receiving water service therefrom, unless appropriate easements are obtained pursuant to Subsection (2) below. It is understood that such property owned in fee by the said service applicant(s) shall be a complete standard building lot which complies with the existing zoning laws and regulations of the municipality in which such property is located. It is further understood that if such property owned in fee by a service applicant(s) is subsequently sold, the purchaser of such property will be entitled to receive water service upon compliance with all of the provisions of this tariff, but that the seller of such property shall only be entitled to continue to receive service if such seller complies with all of the provisions of this tariff.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.1 General Provisions (cont'd)

(2) A residential service applicant(s) may obtain a recorded easement or right-of-way that runs with the land, of at least fifteen (15) feet in width connecting the property to be served to the street wherein the Company's main is located. Such easement or right-of-way shall not cross multiple properties. The residential service applicant(s) shall present the Company with a certified copy of a duly recorded instrument which (a) describes the easement or right-of-way by metes and bounds, (b) gives the easement in perpetuity to the heirs, successors and assigns of said residential service applicant(s), (c) grants access to the service pipe for purposes of repair and replacement, and (d) is recorded in the County Office of the Recorder of Deeds.

(F) Where substantial public need exists and the public health and safety may be compromised by the absence of a public water supply in a portion of the Company's authorized service territory, the Company, subject to the Commission's prior approval, may install main extensions and Special Utility Service facilities without the payment of the Customer Contribution that would otherwise be required under subparagraphs (A)(3) and (D)(2), respectively of the Rule 27.1.

PENNSYLVANIA-AMERICAN WATER COMPANY

Calculation of Company Funded Portion of Main Extensions
(For Illustrative Purposes Only)

Average Annual Revenue	\$340
minus	
Operation and Maintenance Expenses	\$102
<u>Subtotal</u>	<u>\$238</u>
Divided by	
Depreciation Rate (Mains Only) and Weighted Debt Costs	6.08%
<u>Total</u>	<u>\$3,914</u>

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT

THIS AGREEMENT entered into this _____ day of _____, 20____, by and between Pennsylvania-American Water Company hereinafter called the "COMPANY," and _____ hereinafter called the "BONA FIDE SERVICE APPLICANT."

WHEREAS, the BONA FIDE SERVICE APPLICANT desires extension of the water mains of the COMPANY, as hereinafter described;

NOW, THEREFORE, this agreement WITNESSETH:

FIRST: THE COMPANY contracts and agrees to lay the water main(s) (and other facilities, if any) as shown in red on the diagram hereto attached and made a part hereof described and located as follows:

(LEAVE SPACE FOR DESCRIPTION)

SECOND: It is expressly understood and agreed that if the COMPANY shall be delayed or prevented from installing the water main (s) (and other facilities, if any) hereinabove described because of its failure to secure pipe or other construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than one (1) year from the date thereof, the BONA FIDE SERVICE APPLICANT shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to the COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by the BONA FIDE SERVICE APPLICANT shall not be invoked if the COMPANY has received the construction material, in which event the COMPANY shall have the obligation to prosecute the work diligently to its completion.

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

THIRD: The BONA FIDE SERVICE APPLICANT hereby agrees, upon notice from the COMPANY that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, to pay for the actual costs of extending the facilities as provided in Paragraph FIRST hereof, by depositing an amount in cash equal to (1) the Estimated Cost less (2) the Company Contribution. Items (1) and (2) are to be determined as follows:

(1) The Estimated Cost shall be the estimated cost of the extension, including the estimated cost of said main(s) and the estimated cost of any other facilities which the COMPANY shall have determined are required to render adequate service.

(2) The Company Contribution shall be a credit as determined by the following formula:

Average Annual Revenue	\$ _____
Minus	
Operation and Maintenance Expenses	\$ _____
Subtotal	\$ _____
Divided by	
Depreciation Rate and Weighted Cost of Debt	_____ %
Company Investment	\$ _____

multiplied by the number of bona fide service applicants who will be directly served by the extension.

The BONA FIDE SERVICE APPLICANT agrees to pay at least one-third of the deposit prior to the commencement of construction of the extension, and the remainder of the deposit plus applicable interest charges in thirty-six (36) equal monthly installments beginning with BONA FIDE SERVICE APPLICANT'S first bill for water service. Interest will be charged on the unpaid portion each month, equal to the monthly portion of the embedded cost of long-term debt recognized in the Company's last approved general rate increase.

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

Upon such written notice, a Preliminary Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required in accordance with foregoing provisions. Upon completion of the installation of the extension, a Final Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required based on the same calculations as set forth above but by using the actual cost of the extension, including the actual installation costs of the mains and other facilities, for the Estimated Cost and calculating the Applicable Credit. If the deposit shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the APPLICANT will deposit any additional amount shown to be due or the COMPANY will refund to the APPLICANT any excess amount shown to have been deposited. Any additional amount of required deposit must be made by the APPLICANT to the COMPANY before the granting of refunds to the APPLICANT.

FOURTH: The COMPANY hereby agrees to refund to the BONA FIDE SERVICE APPLICANT during the period of ten (10) years from actual date of deposit as shown on the Preliminary Memorandum a Per-Customer Refund Amount for each additional BONA FIDE SERVICE APPLICANT for whom a street service connection shall be directly attached to such main extension, as distinguished from extensions or branches thereof; provided however, that the total amount refunded shall not exceed the amount of the original deposit by the BONA FIDE SERVICE APPLICANT to the COMPANY as of the date of the refund, and further provided that, if there is an unpaid balance owed then the Per-Customer Refund Amount shall first be deducted from the unpaid balance. All or any part of the deposit not refunded within said 10-year period shall become the property of the COMPANY. The Customer Refund Amount shall be the Company contribution divided by the number of customers connected to the initial main extension.

FIFTH: The BONA FIDE SERVICE APPLICANT may request refunds under Paragraph FOURTH, once in each Calendar quarter, furnishing the COMPANY, at such time, a listing of additional bona fide service applicants; however, failure on the part of the BONA FIDE SERVICE APPLICANT to make such request shall not constitute a waiver of any rights hereunder or relieve the COMPANY of the obligation to make refunds with reasonable promptness.

SIXTH: The ownership of the water main(s) and other facilities installed hereunder shall at all times be with the COMPANY, its successors and assigns.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

SEVENTH: This agreement shall be valid and binding on the COMPANY only when executed by its duly authorized representative.

EIGHTH: This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

NINTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to the COMPANY at

(Address of COMPANY)

and to the BONA FIDE SERVICE APPLICANT at

(Address of BONA FIDE SERVICE APPLICANT)

TENTH: This agreement is entered into pursuant to the legally established Rules and Regulations of the COMPANY, and the words, phrases, and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed in triplicate by the parties hereto on the date first above written.

WITNESS: PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

WITNESS: BONA FIDE SERVICE APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

PRELIMINARY MEMORANDUM

This Preliminary Memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraph THIRD of a certain agreement in writing between the parties entered into on the ___ day of _____, 20__, for the installation by the COMPANY of certain water main(s) and other facilities therein described. It is, therefore, agreed and stipulated:

- | | | | |
|-----|------------------------------------|---------|---------------|
| (a) | Estimated Cost Main(s) | \$_____ | |
| (b) | Estimated Cost of Other Facilities | \$_____ | |
| (c) | | Total | \$_____ |
| (d) | Company Contribution | \$_____ | |
| (e) | Amount of Deposit | \$_____ | (c) minus (d) |

This Preliminary Memorandum shall be attached to the original agreement in accordance with the provisions of Paragraph THIRD thereof.

Dated: _____
Date of Payment

WITNESS:

PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

WITNESS:

BONA FIDE SERVICE APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.2 EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

FINAL MEMORANDUM

This Final Memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraph THIRD of a certain agreement in writing between the parties entered into on the ___ day of _____, 20 __ , for the installation by the COMPANY of certain water main(s) and other facilities therein described. It is, therefore, agreed and stipulated:

(a)		Actual Cost of Main(s)	\$ _____
(b)	Actual Cost of Other Facilities		\$ _____
(c)	Total		_____
(d)	Company Contribution		\$ _____
(e)	Amount of Deposit		\$ _____ (c) minus (d)

This Final Memorandum shall be attached to the original agreement in accordance with the provisions of Paragraph THIRD thereof.

Dated: _____
Date of Payment

PENNSYLVANIA-AMERICAN WATER COMPANY

WITNESS:

BY: _____

Title: _____

WITNESS:

BONA FIDE SERVICE APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.3 SPECIAL UTILITY SERVICE

THIS AGREEMENT entered into this ____ day of _____, 20____, by and between Pennsylvania-American Water Company hereinafter called the "COMPANY," and _____ hereinafter called the "APPLICANT."

WHEREAS, the APPLICANT desires Special Utility Service, as defined in Section 27.1D(4) of the Company's tariff and as hereinafter described;

NOW, THEREFORE, this agreement WITNESSETH:

FIRST: THE COMPANY contracts and agrees to construct the facilities needed to furnish Special Utility Service shown in red on the diagram hereto attached and made a part hereof and described and located as follow:

(LEAVE SPACE FOR DESCRIPTION)

SECOND: It is expressly understood and agreed that if the COMPANY shall be delayed or prevented from installing facilities hereinabove described because of its failure to secure construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than one (1) year from the date thereof, the APPLICANT shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to the COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by the APPLICANT shall not be invoked if the COMPANY has received the construction material and the APPLICANT has made the deposit as hereinafter required, in which event the COMPANY shall have the obligation to prosecute the work diligently to its completion.

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.3 SPECIAL UTILITY SERVICE (cont'd)

THIRD: The APPLICANT hereby agrees to pay to the COMPANY, upon notice from the COMPANY that it is prepared and able to go forward with the work provided in Paragraph First hereof, an amount in cash equal to the Estimated Cost. The Estimated Cost shall be the estimated cost including material, labor and overheads of the facilities hereinabove described for providing Special Utility Service.

Upon such written notice, a Preliminary Memorandum in the form attached shall be prepared and signed by both parties showing the payment required in accordance with foregoing provisions. Upon completion of the installation of the facilities, a Final Memorandum in the form attached shall be prepared and signed by both parties showing the payment required based on the same calculation as set forth above but by using the actual installation cost of the facilities, for the Estimated Cost. If the payment shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the APPLICANT shall pay any additional amount shown to be due or the COMPANY will refund to the APPLICANT, without interest, any excess amount shown to have been paid, it being the intent of this agreement that the payment required shall be based on actual installation cost. If the actual installation cost exceeds the payment required as shown on the Preliminary Memorandum, the additional amount of required payment must be made by the APPLICANT to the COMPANY before service to the APPLICANT commences.

FOURTH: The ownership of the facilities installed hereunder shall at all times be with the COMPANY, its successors and assigns.

FIFTH: This agreement shall be valid and binding on the COMPANY only when executed by its duly authorized representative.

SIXTH: This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.3 SPECIAL UTILITY SERVICE (cont'd)

SEVENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to the COMPANY at

(Address of Company)

and to the Applicant at _____
(Address of APPLICANT)

EIGHTH: This agreement is entered into pursuant to the legally established Rules and Regulations of the COMPANY, and the words, phrases, and terms thereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed in triplicate by the parties hereto on the date first above written.

WITNESS:

PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

WITNESS:

APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

27. MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

27.3 SPECIAL UTILITY SERVICE (cont'd)

PRELIMINARY MEMORANDUM

This Preliminary Memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraph THIRD of a certain agreement in writing between the parties entered into on the ____ day of _____, 20____, for the installation by the COMPANY of certain facilities therein described. It is, therefore, agreed and stipulated:

(a) Estimated Cost of Facilities \$ _____
for Special Utility Service
(exclusive of the cost of the
main and appurtenances, street
service connection and meter)

This Preliminary Memorandum shall be attached to the original agreement in accordance with the provisions of Paragraph THIRD thereof.

Dated: _____
Date of Payment

WITNESS: _____ PENNSYLVANIA-AMERICAN WATER COMPANY
BY: _____
Title: _____
WITNESS: _____ APPLICANT:

RULES AND REGULATIONS

28. FLAT RATE SERVICE

28.1 Every Individual Dwelling, Apartment, Flat, Store, Shop, Office, etc. either in the same building or otherwise, occupied as a dwelling or business place either by the same party or different parties, shall be considered a separate occupancy and shall be charged for accordingly, for flat rate service.

28.2 No addition to or alteration of any pipe or fixture changing or affecting the use of water by flat rate consumer shall be made by any person without notice in writing to the Water Company.

28.3 The use of the hose or pave wash, except where metered, either from a pave wash or screw nozzle or spigot for sprinkling street, pavements, lawns and gardens or for window and porch washing, shall be permitted upon payment of the specified rate, for the season from the first of April to the first of November only and between the hours from **6 A.M. to 8 A.M.** and **6 P.M. to 8 P.M.** and must be confined to the premises on which it is located, and one-half of the width of the street in front thereof. Sprinkling without a nozzle will not be permitted. A screw nozzle or spigot on any hydrant or fixture located on any premises or on the ground floor in any building, except as a drain on a hot water boiler, will be considered a pave wash unless a pave wash is charged to the premises.

The charges for the use of the hose are for one season and no allowance or rebate will be made for portions of a season. The rate is based on a frontage of fifty (50) feet or less.

All hose must be held in the hand. AUTOMATIC sprinklers are subject to a special agreement. Setting hose in a stationary position or letting it run shall be considered AUTOMATIC SPRINKLING.

28.4 Where no meter is used, every fixture, whether used or not, will be deemed and held as used, and will be charged for at the established rate so long as it shall remain connected with the service pipes. Parties desiring to discontinue the use of any fixture must have the same disconnected, so that it cannot be used again without the aid of a plumber, and then the charge for their use (except for hose used for sprinkling, which is charged for by the season) will cease from the time when written notice of the same is left at the Company's office.

28.5 Flat rate consumers desiring a reduction from water bills for vacancies shall report in writing at the Offices of the Company at the beginning of and again at the end of each vacancy. Then an allowance may be made for the period reported, provided this period is continuous and not less than 30 days. A vacancy is defined to be premises from which the household goods, stock, equipment, etc., have been removed.

PENNSYLVANIA-AMERICAN WATER COMPANY
Wastewater Division
(hereinafter referred to as the “Company”)
D/B/A
Pennsylvania American Water

SUSPENSION SUPPLEMENT TO

WASTEWATER SERVICE TARIFF NO. 16

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHINGS OF

WASTEWATER COLLECTION AND DISPOSAL SERVICE

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED IN:

ADAMS COUNTY, BEAVER COUNTY, CHESTER COUNTY, CLARION COUNTY,
CUMBERLAND COUNTY, LACKAWANNA COUNTY, MONROE COUNTY, NORTHUMBERLAND
COUNTY, PIKE COUNTY, WASHINGTON COUNTY AND YORK COUNTY

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

Issued:

Effective Date: January 1, 2018

Issued by:
Jeff McIntyre, President
Pennsylvania American Water
800 West Hersheypark Drive
Hershey, PA 17033

<https://www.amwater.com/paaw/>

NOTICE

The Tariff makes Increases, Decreases and Changes to Existing Rates, Rules and Regulations.

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff makes increases, decreases and changes to existing rates, rules and regulations as approved at Docket No. R-2017-2595853.

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

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PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED

**(By State Region and Company Wastewater System District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Central Pennsylvania

Fairview District

York County. Portions of Fairview Township.

Franklin District – Rate Zone 5

Adams County. Portions of the Townships of Franklin, Hamiltonban and Highland.

McEwensville District

Northumberland County. McEwensville Borough.

New Cumberland District – Rate Zone 2

Cumberland County. The Borough of New Cumberland.

Northeastern Pennsylvania

Northeast District – Lehman Pike and Blue Mountain Lakes

Monroe County. Portions of the Townships of Middle Smithfield, Smithfield and Stroud.
Pike County. Portions of Lehman Township.

Pocono District

Monroe County. A portion of Coolbaugh Township.

Scranton Sewer District – Rate Zone 3

Lackawanna County. The City of Scranton and the Borough of Dunmore.

Southeastern Pennsylvania

Coatesville District

Chester County. The City of Coatesville, the Borough of Parkesburg and portions of the Borough of South Coatesville and portions of the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley, West Caln and West Sadsbury.

Western Pennsylvania

Clarion District

Clarion County. Clarion Borough and portions of the Townships of Clarion and Monroe.

Claysville District

Washington County. Claysville Borough and portions of the Townships of Donegal.

Koppel District – Rate Zone 4

Beaver County. Koppel Borough.

Paint-Elk District

Clarion County. Shippenville Borough and portions of the Townships of Elk and Paint.

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PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 1 – METERED AND UNMETERED

APPLICABILITY

The rates under this schedule apply throughout the territories served under this tariff, unless otherwise noted on the territories served page, for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Residential, Commercial, Municipal and Industrial classes.

METERED CHARGES (Based on Water Usage or Sewage Flows, determined at PAWC's discretion)

All metered customers shall be subject to a monthly service per equivalent dwelling unit (EDU).

A. <u>Residential</u> ***		
Service Charge per month:	\$10.00	(I)
Usage Charge per 100 gallons	\$1.5132	(I)
B. <u>Commercial</u>		
Service Charge per month:	\$25.00	(I)
Usage Charge per 100 gallons	\$1.1601	(I)
C. <u>Industrial</u>		
Service Charge per month:	\$25.00	(I)
Usage Charge per 100 gallons:	\$1.1601	(I)
D. <u>Municipal</u>		
Service Charge per month:	\$25.00	(I)
Usage Charge per 100 gallons:	\$1.1601	(I)
E. <u>Special Rate Charges</u>		
Bulk Metered Usage – Caln Twp., Sadsbury Twp., Valley Twp., V.A. Hospital and West Brandywine Twp.		
Service Charge per month	\$250.00	
Usage Charge per 100 gallons	\$0.9639	(I)
Mittal Steel and Victory Brewing Company		
Service Charge per month:	\$250.00	
Usage Charge per 100 gallons:	\$0.9300	(I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 1 – METERED AND UNMETERED

UNMETERED CHARGES -This charge is a flat rate fee for customers not metered for water consumption.

A. Residential ***

Flat rate per month, per EDU: \$64.93 (I)

B. Commercial

Flat rate per month, per EDU: \$64.93 (I)

C. Special Rate Charges

Knouss Foods, flat rate per month: \$4,572.75 (I)

Strattanville Borough, flat rate per month \$3,403.40 (I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 2 – METERED

APPLICABILITY

The rates as set forth below apply in the Borough of New Cumberland service territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to all customers located in the Borough of New Cumberland.

RATES

Service Charges:

All metered customers shall be subject to a monthly service charge of \$28.62. (I)

Usage Charge For All Bill Classes:

First	2,100 gallons per month	Service Charge	(I)
Next	900 gallons per month	\$1.3463 per hundred	(I)
Next	3,000 gallons per month	\$1.1457 per hundred	(I)
Next	16,300 gallons per month	\$0.9170 per hundred	(I)
Next	52,300 gallons per month	\$0.6894 per hundred	(I)
All over 74,600 gallons per month		\$0.5762 per hundred	(I)

(I) means Increase

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 3 – METERED AND UNMETERED

APPLICABILITY

The rates as set forth below will apply in the Scranton Sewer service territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Residential, Commercial, Industrial and Municipal classes.

METERED CHARGES (Based on Water Usage or Sewage Flows, determined at PAWC’s discretion)

All metered customers shall be subject to a monthly service charge per equivalent dwelling unit (EDU).

A. Residential

Service Charge per month	\$19.50
Usage Charge per 100 gallons	\$0.6173
Flat Rate	\$41.91

**B. Commercial – Apartments and Non-Residential
Customers billed under the residential rate by Scranton
Sewer Authority**

Service Charge per month	\$19.50
Usage Charge per 100 gallons	\$0.6173

**C. Commercial (Other than Customers in subsection (B)
above), Industrial and Municipal**

Service Charge per month	\$19.50
Usage Charge per 100 gallons	
First 5,000 gallons per month	\$0.6173
All Over 5,000 gallons per month	\$0.8871

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 4 – METERED AND UNMETERED

APPLICABILITY

The rates as set forth below will apply in the Koppel Sewer service territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Residential, Commercial and Municipal classes.

METERED CHARGES (Based on Water Usage or Sewage Flows, determined at PAWC’s discretion)

All metered customers shall be subject to a monthly service charge per equivalent dwelling unit (EDU).

A. Residential

Service Charge per month	\$30.00
Usage Charge per 100 gallons	\$0.65

B. Commercial

Service Charge per month	\$25.00
Usage Charge per 100 gallons	\$1.1601

C. Municipal

Service Charge per month	\$25.00
Usage Charge per 100 gallons	\$1.1601

UNMETERED CHARGES

This charge is a flat fee for customers not metered for water consumption. All flat rates will be billed monthly.

Penn State Special Metals	\$1,623.90
PSC Metals	\$ 628.70
Koppel Steel	\$9,755.60

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE 5 – UNMETERED

APPLICABILITY

The rates as set forth below will apply in the Franklin Township Sewer service territory served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to customers in the Residential, Commercial and Municipal classes.

UNMETERED CHARGES

This charge is a flat fee for customers not metered for water consumption.

A Flat Rate of \$75.10 per month shall be billed to each unmetered customer that is not on a sand mound.

A Flat Rate of \$54.60 per month shall be billed to each unmetered customer that is on a sand mound.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

Miscellaneous Fees and Charges

The following defines the application of the capacity reservation fee within the Company's service territory:

- A. Capacity Reservation Fee: A fee per EDU charged by the Company for the allocation of treatment, pumping, and transmission, trunk and interceptor main capacity.
1. Shared Service Lines: Each residential unit will be treated separately for purposes of determining an applicable capacity reservation fee -- whether such residential unit is served by a single service line or shares a common service line with one or more other residential units.
 2. Within the Company's service territory, no capacity reservation fee will be charged for any applicant for wastewater service that meets the criteria of a Bona Fide Service Applicant, as defined in 52 Pa. Code Section 65.1 if "wastewater" were substituted for "water".
 3. Within the Company's service territory or for any future development, a capacity fee of \$4,000 per EDU will be charged, and payable at the time the Planning Module is fully executed by the Company, the relevant municipality, and the Pennsylvania Department of Environmental Protection.
 4. For commercial and industrial customers, the EDUs per customer will be those set forth in the Planning Module that includes such customer, as approved by the Company, the relevant municipality and the Pennsylvania Department of Environmental Protection. If, after a commercial or industrial customer's EDUs are established, in the manner previously described, and the associated capacity reservation fees are paid, changes in the customer's facilities or mode of operation result in an increase in the number of EDUs or an increase in the customer's estimated wastewater flow above the levels set forth in the Planning Module previously used to determine the customer's EDUs, the customer must update the applicable Planning Module and submit it for approval by the Company, the relevant municipality and the Pennsylvania Department of Environmental Protection, and the customer will be required to pay any additional capacity reservation fees that are due based upon the calculation of capacity reservation fees using the EDUs reflected in the revised, approved Planning Module. The Company may at its discretion re-calculate the number of EDUs utilized by analyzing the actual wastewater flow over a period of one year. If the EDUs are greater than previously reserved and paid for by the Capacity Reservation Fee, the customer will be required to pay any additional capacity reservation fees.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

Miscellaneous Fees and Charges (cont'd)

The following defines the application of the capacity reservation fee for the Company's bulk customers who are members of the Municipal Sewer Group (MSG) in the Company's Coatesville wastewater service territory:

1. Within the service area of an MSG member, no capacity reservation fee will be charged for an applicant for wastewater service that meets the criteria of a Bona Fide Service Applicant, as defined in 52 Pa. Code Section 65.1 if "wastewater" were substituted for "water" and "bulk customer's service area" were substituted for "the utility's certificated service territory" in the definition of a Bona Fide Applicant.

2. A capacity reservation fee of \$525 per EDU will be used for determining the payments for capacity available prior to the expansion of the Company's wastewater treatment plant under existing agreements between the Company and its bulk customers.

3. A capacity reservation fee of \$4,000 per EDU will be used for determining payments for capacity available after the expansion of the Company's wastewater treatment plant under existing agreements except as follows:

- a. Valley Township will be charged \$525 per EDU for up to 100 EDUs of the 0.4 million gallons per day of post-expansion capacity under its existing agreement with the Company for which it has not yet paid.
- b. Sadsbury Township will be charged \$525 per EDU for not more than 100 EDUs of post-expansion capacity under any future agreement it may enter into with PAWC for additional post-expansion capacity.
- c. West Brandywine Township will be charged \$525 per EDU for 188,100 gallons per day of capacity under the Second Addendum dated December 11, 2008, to its sewage treatment agreement with the Company.

4. A capacity reservation fee of \$4,000 per EDU will be used for all new agreements (including amendments to existing agreements) with bulk customers. The capacity reservation fees will be paid at the time Planning Modules are fully executed by the Company, the relevant municipality, and the Pennsylvania Department of Environmental Protection, although a bulk customer will have the option to pay earlier, if it so chooses.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

Miscellaneous Fees and Charges (cont'd)

B. Service Line Inspection Fee

Charge for the Company's time involved in the inspection of a Service Line tie-in to the Company's wastewater system.

<u>Size of Water Meter</u>	
5/8" and 3/4"	\$50.00
1"	\$50.00
1 1/2"	\$50.00
2"	\$50.00
3"	\$50.00
4"	\$50.00
6"	\$50.00
8"	\$50.00

C. Service Reconnection and Discontinuance Fee

A fee will be charged for the shut-off and turn-on of any service. The fee for service performed during regularly scheduled hours shall be \$30.00. For non-regularly-scheduled working hours, the fee is equivalent to the cost incurred by the Company. The Service Reconnection and Discontinuance Fee will apply only once if the customer is both a water and wastewater customer of the Company.

D. Return Check Fee

The customer will be responsible for the payment of a \$20.00 charge for each time a check presented to the Company for payment on that customer's utility bill is returned by the payer bank for any reason including, but not limited to, insufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished, or unauthorized signature. This fee is in addition to any charge which may be assessed against the Customer by the bank. The Return Check Fee will apply only once if the customer is both a water and wastewater customer of the Company.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES
Miscellaneous Fees and Charges (cont'd)

E. Wastewater Plant, Residential Septage and Commercial Waste Disposal Fee.

The Fee to be paid by private contractors to the Company to dispose of private residential septage and commercial Wastes at the Company's wastewater treatment plant.

The following rates shall be charged to haulers of residential septic waste who deliver waste:

<u>%Solids</u>	<u>% Solids</u>	<u>Cost Per Gallon</u>
	< = 0.5%	\$0.0200
	< = 1%	\$0.0250
> 1%	< = 2%	\$0.0300
> 2%	< = 3%	\$0.0345
> 3%	< = 4%	\$0.0395
> 4%	< = 5%	\$0.0445
> 5%	< = 6%	\$0.0495
> 6%	< = 7%	\$0.0545
> 7%	< = 8%	\$0.0590

1. The Company reserves the right to limit the total amount of residential septage received in a day and /or the total numbers of loads received from a single hauler on a per day basis based on maintaining proper operation of the Company's wastewater treatment plant.
2. At the discretion of the Company, the Company reserves the right to accept or reject commercially generated waste based on the amount and constituents in the waste or for other good reason as determined by the Company. The cost, as determined by the Company, for testing and disposal will be a multiple of the residential septage fee based on the type and strength of the waste.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

LOW-INCOME RIDER – ALL RATE ZONES
FOR QUALIFYING RESIDENTIAL CUSTOMERS

APPLICABILITY

This rider applies throughout the territories served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

This rider is available for a customer in the Residential Class that meets the low-income criteria of 150% based on the Federal Poverty Level. To remain eligible for this rate, such customer must continually make timely payments on the discounted bills.

RATE

Customers under this rate schedule will receive a 20% discount off their total wastewater bill.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

STATE TAX ADJUSTMENT SURCHARGE

In addition to the net charges provided for in this Tariff, a surcharge of 0.00% will apply to all bills rendered on and after the Effective Date shown on the bottom of this page.

The above surcharges will be recomputed; using the elements prescribed by the Commission whenever any of the tax rates used in calculation of the surcharge are changed.

The above recalculations will be submitted to the Commission within 10 days after the occurrence of the event or date which occasioned such recomputations. If the recomputed surcharge is less than the one in effect, the Company will, and if the recomputed surcharge is more than the one in effect the Company may, submit with such recomputation a Tariff or Supplement to reflect such recomputed surcharge, the effective date of which shall be 10 days after filing.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to bills rendered on (D) or after the Effective Date shown on the bottom of this page.

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 18.2, 18.3 and 18.4 of this tariff.

(D) means Decrease

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

1. General Description

Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Utility with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional wastewater problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Utility projects receiving PENNVEST funding or using PENNVEST surcharges are not DSIC eligible property to the extent of the PENNVEST funding or surcharge.

Eligible Property: The DSIC-eligible property will consist of the following:

- Collection sewers, collecting mains and service laterals, including sewer taps, curb stops and lateral cleanouts installed as in-kind replacements for customers; Accounts (360, 361 and 363)
- Collection mains and valves for gravity and pressure systems and related facilities such as manholes, grinder pumps, air and vacuum release chambers, cleanouts, main line flow meters, valve vaults and lift stations installed as replacements or upgrades for existing facilities that have worn out, are in deteriorated condition or are required to be upgraded by law, regulation or order; Accounts (360, 361, 364 and 365)
- Collection main extensions installed to implement solutions to wastewater problems that present a significant health and safety concern for customers currently receiving service from the wastewater utility; Accounts (360, 361 and 363)
- Collection main rehabilitation including inflow and infiltration projects; Accounts (360, 361 and 363)
- Unreimbursed costs related to highway relocation projects where a wastewater utility must relocate its facilities; and
- Other related capitalized costs.

Effective Date: The DSIC will become effective for bills rendered on or after January 1, 2015.

2. Computation of the DSIC

Calculation: The initial non-zero DSIC, effective April 1, 2015, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between January 1, 2015 through February 28, 2015. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date to which DSIC-Eligible Plant Additions Reflected</u>
April 1	February 28
July 1	May 31
October 1	August 31
January 1	November 30

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

2. Computation of the DSIC (cont'd)

Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Utility's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC eligible property.

Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected wastewater revenue (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of revenues from the STAS.

Formula: The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep}}{\text{PQR}} + \frac{e}{\text{PQR}}$$

Where:

- DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- Dep = Depreciation expense related to DSIC-eligible property.
- e = Amount calculated under the annual reconciliation feature or Commission Audit, as described below.
- PQR = Projected quarterly revenues for wastewater service will be based on the applicable three-month period, (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.

Quarterly Updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, Commission's Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

3. Customer Safeguards

Cap: The DSIC is capped at 5% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.

Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the utility may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307 (e), over a one year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on the over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection. The utility is not permitted to accrue interest on under collections.

New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

All customer classes: The DSIC shall be applied equally to all customer classes.

Earning Reports: The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section. The utility shall file a tariff supplement implementing the reset to zero due to overearning on one-days' notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Utility has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed cost.

Residual E-Factor Recovery Upon Reset to Zero: The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any over collection to customers and is entitled to recover any under collections as set forth in Section 3 – Audit Reconciliation. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, The Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

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PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section A – DEFINITIONS

The following words and phrases, when used in this tariff, shall have the meanings assigned below unless the context clearly indicates otherwise:

1. **Applicant:** A person, association, partnership, corporation, municipality, authority, state or federal governmental agency or other entity who applies to become a customer of the Company in accordance with Section C, of this tariff.
2. **B.O.D. (Biochemical Oxygen Demand):** The quantity of oxygen, expressed in milligrams per liter, utilized in the biochemical oxidation of organic matter under the standard laboratory procedure for five (5) days at twenty (20) degrees Centigrade. The standard laboratory procedure shall be that found in the latest approved edition of "Standard Methods for the Examination of Water and Sewage" published by the American Public Health Association, the American Water Works Association, and/or the Water Pollution Control Federation.
3. **Capacity Reservation fee:** A fee charged by the Company for the allocation of capacity on a per EDU basis.
4. **Combined Sewer:** A sewage collection system which conveys both sanitary sewage and storm water flow.
5. **Commission:** The Pennsylvania Public Utility Commission.
6. **Company:** Pennsylvania-American Water Company and its duly authorized officers, agents and employees, each acting within the scope of his authority and employment.
7. **Company Service Line:** Company owned wastewater service line from the sewer main of the Company which connects to the Customer Service Line at the edge of the right-of-way or actual property line.
8. **Customer:** A person or entity who is an owner, occupant or who contracts with the Company for or who takes or receives wastewater collection, treatment and/or disposal service.
9. **Customer Service Line:** Customer owned wastewater service line extending from the end of the Company Service Line or connection to and within the customer's premise.
10. **Domestic Wastewater:** The liquid waste or liquid borne waste: (1) resulting from the non-commercial preparation, cooking and handling of food; (2) consisting of human excrement; or (3) consisting of wastewater, non-commercial laundering water, domestic housekeeping wastewater, and similar types of wastes from sanitary uses, whether generated in residences or sanitary facilities in commercial or industrial facilities, but does not include any storm water or ground water introduced from facilities such as roof leaders, sump pumps, floor drains or industrial wastewater.
11. **Dwelling Unit:** A structure or dwelling intended to be occupied as a whole by one family.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section A – DEFINITIONS (cont'd)

12. **Equivalent Dwelling Units (EDU):** The EDU is a measure based upon the estimated average daily wastewater flow for the type of business, as calculated by the PaDEP Regulation at 25 Pa Code: 73.17 divided by the typical estimated average daily wastewater flow from a current single-family unit.
13. **Garbage:** The solid wastes from domestic cooking and dispensing of food, and from the handling and storage of produce.
14. **Garbage Properly Shredded:** The term “Properly Shredded Garbage”, as used herein, shall mean the wastes from the preparation, cooking, and dispensing of food that have been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half inch in dimension.
15. **Grinder pump:** Any mechanical or powered device, owned by the Customer, used to grind, macerate or fluidize garbage so that it can be discharged into the Sanitary Sewer.
16. **Industrial/Commercial Wastes:** Any liquid, gaseous or water borne wastes from industrial processes or commercial establishments, as distinct from domestic wastewater.
17. **Industrial/Commercial Waste Permit:** A wastewater permit issued as required by the Company to an Industrial/Commercial user which discharges Industrial/Commercial Waste.
18. **Industrial/Commercial Waste Pretreatment Program:** A program established by the Company that requires industrial and commercial dischargers to monitor, test, treat and control as necessary pollutants in their wastewater prior to discharge into the Sanitary or Combined Sewer.
19. **Line extension (for line extension purposes):** An addition to the Company’s main line which is necessary to serve the premises of a Customer. Refer to Section H.
20. **Main:** The Company’s pipe, excluding service connections, located in a public highway, street, alley or private right-of-way which pipe is used in transporting wastewater.
21. **Meter:** Any device supplied by the Company or other for the purpose of measuring water consumption or wastewater discharge.
22. **Nonresidential Service:** Wastewater service supplied to a commercial or industrial building, including a hotel or motel, or to a master-metered trailer park or multi-tenant apartment building, or to any customer who purchases wastewater service from the Company for the purpose of resale.
23. **Pretreatment:** The application of physical, chemical and/or biological processes to reduce the amount pollutants in, or alter the nature of the polluting properties of, an industrial/commercial process wastewater prior to discharging such wastewater into the Sanitary or Combined Sewer.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section A – DEFINITIONS (cont'd)

24. **Public Utility:** Persons or corporations owning or operating equipment or facilities in this Commonwealth for water, electric or wastewater collection, treatment, or disposal for the public for compensation.
25. **Residential Applicant:** A natural person at least 18 years of age not currently receiving service who applies for residential service provided by the Company or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested. A Residential Applicant does not include a person who, within 30 days after service termination or discontinuance of service, seeks to have another service reconnected at the same location or transferred to another location within the Company's service territory.
26. **Residential Customer:** A natural person at least 18 years of age in whose name a residential service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested. A Residential Customer includes a person who, within 30 days after service termination or discontinuance of service, seeks to have service reconnected at the same location or transferred to another location within the Company's service territory.
27. **Residential Service:** Wastewater service supplied to an individual single-family residential dwelling unit.
28. **Regulatory Agency:** Agencies, including but not limited to the Commission, the Pennsylvania Department of Environmental Protection (DEP), U.S. Environmental Protection Agency (EPA), which have authority over the operations of and/or discharges into and/or from the Company's treatment facilities
29. **Sanitary Sewer:** A sewer which primarily carries sanitary wastewater, together with such storm, surface and ground water as may be present.
30. **Storm Sewer:** A sewer which carries surface, ground water, or storm water from the buildings, ground, streets, or other areas.
31. **Storm Water Flow:** Any flow occurring during or following any form of natural precipitation, and resulting from such precipitation, including snowmelt.
32. **Suspended Solids:** Solids that either float on the surface of, or are in suspension in water, wastewater, or other liquids, and which are largely removable by filtration.
33. **Tariff:** All of the service rates, rules and regulations issued by the Company, together with any supplements or revisions thereto, officially approved by the Commission and contained in this document.
34. **Toxic Substances:** Any substances where gaseous, liquid or solid waste which, when discharged to a public sewer in sufficient quantities, will be detrimental to any biological wastewater treatment process, constitute a hazard to human beings or animals, inhibit aquatic life, or create a hazard to recreation in receiving waters of the effluent from a wastewater treatment plant, or as defined pursuant to PL 92500 (Federal Water Pollution Control Act Amendments of 1972) or its amendments.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section A – DEFINITIONS (cont'd)

35. **Unauthorized Use of Service:** Unreasonable interference or diversion of service, including meter tampering (any act which affects the proper registration of service through a meter), by-passing unmetered service that flows through a device connected between a main or service line and customer-owned facilities, unauthorized service restoration, unauthorized stormwater/groundwater connection to Sanitary or Combined Sewer, or the otherwise taking or receiving of wastewater service without the knowledge or approval of the Company.

36. **Wastes:** Any liquid, gaseous, or solid substances or combination thereof which are discarded, leached, or spilled substances or combination thereof including sanitary wastewater but excluding storm-water.

37. **Wastewater:** The liquid and water-carried wastes from dwellings, commercial facilities, industrial facilities and institutions, together with any groundwater, surface water, and storm water that may be present, whether treated or untreated, in the Company's sewer system.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section B – The Wastewater Tariff

1. Filing and Availability

A copy of this Tariff, which is the rates, rules and regulations under which wastewater service will be supplied by the Company to its Applicants and Customers in Pennsylvania, is on file with the Pennsylvania Public Utility Commission, and is available and open for inspection at the offices of the Company.

2. Revisions

This Tariff may be revised, amended, supplemented and otherwise changed from time to time in accordance with the Pennsylvania "Public Utility Code," and such changes, when effective, shall have the same force and effect as the present Tariff.

3. Applications of Tariff

The Tariff provisions apply to any party or parties applying for or receiving service from the Company, including Unauthorized Use of Service.

RULES AND REGULATIONS

Section C - Applications for Service

1. **Service Application Required:** Any Applicant who wishes to receive wastewater service from the Company under this Tariff must contact the Company and complete an application for service. Applications for service may be made by completing a written application, by telephoning the Company, or through application via the Company's website on the Internet. All applications for service must signed by the owner or owners of the property to which wastewater collection service will be provided; except that where a lessee of property occupies or uses the property under a lease having a fixed term of more than six (6) months, the lessee may request service as an applicant. The Company may, at its sole discretion, require that a separate contract for service be signed by the applicant.

Prior to providing utility service, the Company may require the Applicant to provide: (1) information that positively identifies him/her self; (2) the name of any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested; (3) the names of each adult occupant residing at the location, and proof of their identity; or (4) a cash deposit, as may be required in accordance with Section G of this Tariff.

In the case of Residential Applicants, the Company may ask for the combined gross income of all adult occupants at the time the application for service is made; however, the Residential Applicant is not required to provide the information as a condition of receiving wastewater service, unless such applicant is seeking to enroll in the Company's *Help to Others Program*.

Non residential service customers which desire to discharge Industrial/Commercial Wastes into the Sanitary Sewer or existing industrial/commercial users which desire to commence operations of a new facility or a new or different process that will affect the characteristics of the wastewater discharging into the Sanitary Sewer, shall notify the Company prior to the commencement of the new or different operations at the facility and provide such other information regarding the proposed discharge as the Company may request, including an application for an Industrial Waste Discharge Permit when deemed necessary.

2. **Change in Ownership or Tenancy:** A new application must be made to the Company upon any change in ownership where the owner of the property is the Customer, or upon any change in the identity of a lessee where the lessee of the property is the Customer. The Company shall have the right to discontinue or otherwise interrupt wastewater collection service upon three (3) days notice if a new application has not been made and approved for the new customer.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section C - Applications for Service (cont'd)

3. **Acceptance of Application and Right to Reject:** An application for service shall be considered accepted by the Company only upon written approval by the Company. All regulatory requirements shall be met before Company can provide approval. The Company may limit the amount or character of service it will supply, or may reject applications for service for the following reasons: requested service is not available under a standard rate; requested service may affect service to other customers; for a non-Residential Applicant's or non-Residential Customer's failure to establish Creditworthiness; for failure to address prior Company debts; for the Applicant's failure to provide identifying documentation of the Applicant and each adult occupant residing at the location; when identifying documentation cannot be verified; for the reasons set forth in Section D, paragraph 5, or for other good and sufficient reasons.
4. **Temporary Service:** In the case of temporary service for less than a 12-month period, the Company may require the Customer to pay all costs of making the service connection and for its removal after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. If the actual costs differ from the estimate, the Applicant will pay to the Company any excess amount due or the Company will refund to the Applicant any excess amount paid.

RULES AND REGULATIONS

Section D - Construction and Maintenance of Facilities

- 1. Customer Service Line:** The Customer service line shall be furnished, installed, maintained and/or replaced, when necessary, by and at the sole expense of the Customer. The Company reserves the right to determine the size, type, quality, depth, and connection location of the customer service lines. Prior to connection to the Company service line, the Customer, at their sole cost, shall have the Customer service line air pressure tested and checked for alignment by a Company approved qualified person under the supervision of a Company representative.
- 2. Separate Trench:** The customer wastewater service line shall not be laid in the same trench with drain or water pipe, the facilities of any other public utility or of any municipality or municipal authority that provides a public utility service.
- 3. Customer's Responsibilities:** All service lines, connections and fixtures furnished by the customer shall be maintained by the Customer in good working order. All valves, meters and appliances furnished by the Company and on property owned or leased by the Customer shall be protected properly by the customer. All leaks in the Customer service line or any pipe or fixtures in or upon the customer's premises must be repaired immediately by the Customer as determined solely by the Company. The failure of a Customer to properly install and maintain a service line, including replacement, shall constitute grounds for the Company to initiate action to terminate service to the customer and seek recovery for any damage to the Company's facilities caused by an improperly functioning service line. For Customers who also receive water service from the Company, where an undetected, non-surfacing, underground leak is found in a Customer's Water Service Pipe, the Company shall credit the Customer with a one-time bill adjustment for wastewater service equal to forty percent (40%) of that portion of one month's consumption that exceeds the average monthly usage, based on the prior twelve month period, upon proper verification that the Water Service Pipe leak has been repaired. The Company shall require documentation to establish, to the Company's satisfaction, the existence of such repaired leak at the Customer's premises. Such bill adjustment will be provided only to the extent the Customer has not received a bill adjustment for an undetected, non-surfacing, underground leak at the same premises in the past five (5) years.
- 4. Customer Grinder Pump:** In areas of the collection system where the Company has installed a pressure sewage collection system or where required as determined by the Company, the Customer, in conjunction with the construction of their service line, shall install, own, operate, and maintain and replace a grinder pump and holding tank at the Customer's expense as specified by the Company prior to connection and shall maintain such facilities in good order and repair. The pump shall meet specifications as provided by the Company. The failure of a customer to properly install and maintain a grinder pump, including replacement, shall constitute grounds for the Company to initiate action to terminate service to the customer and seek recovery for any damage to the Company's facilities caused by an improperly functioning grinder pump.
- 5. Right to Reject:** The Company may refuse to connect with any customer service line or furnish wastewater collection, treatment and/or disposal through a service already connected if such system or service is not properly installed or maintained.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section D – Construction and Maintenance of Facilities (cont'd)

6. Water Use Standards for Certain Plumbing Fixtures: This rule establishes maximum water use criteria for certain plumbing fixtures installed in all new construction or renovation. Such standards have been implemented to achieve maximum efficiency of water use which the Commission has determined is technologically feasible and economically justified.

(a) Maximum permitted water usage levels shall be as follows:

<u>Plumbing Fixture</u>	<u>Maximum Water Use</u>
water closets	1.6 gallons/flush
urinals	1.5 gallons/flush

(b) The Company may exempt particular customers, or classes of customers, when it is determined that the water use standards for plumbing fixtures listed above are unreasonable, cannot be accommodated by existing technology or are otherwise inappropriate.

7. Individual Service Lines: Except as otherwise expressly authorized by the Company, each individual customer shall be served only through a separate service line connected directly to the Company Service Line, and that Customer Service Line shall not cross over the property of or serve any other customer or premise. The maximum service line length shall be two hundred and fifty (250) feet from the point of connections with clean-outs every 50 feet. The Company shall have the right to waive this maximum length requirement at its sole discretion. No additional attachment may be made to any Customer Service Line for any purpose without the express written approval of the Company.

8. Connection to Company Mains: No connection shall be made to the Company's main, nor detachment from it, except under the direction and control of the Company. All such connections shall be property of the Company and shall be accessible to it and under its control. The Company will furnish, install and maintain all service lines from the main to the property line or right-of-way.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section E - Discontinuance, Termination and Restoration of Service

1. Discontinuance by Customer: Where a customer requests the Company to discontinue service, the following rules shall apply:

(a) A customer who wishes to have service discontinued shall give at least three (3) days notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the Customer shall be responsible for all service rendered until the time that the Company shall have actual or constructive notice of the Customer's intent to discontinue service. The Customer shall not begin to use nor cease to use wastewater service without the prior consent of the Company.

2. Termination by Company: Wastewater and/or water service to the Customer may be terminated for good cause, including, but not limited to, the following:

- (a) making an application for wastewater service that contains material misrepresentations;
- (b) failure to repair leaks in sewer pipes or fixtures;
- (c) Unauthorized Use of Service, tampering with any Company Service Line, or installing or maintaining any unauthorized connection;
- (d) theft of sewer service, which shall include taking service without having made a proper application for service under Section C;
- (e) failure to pay, when due, any charges accruing under this tariff;
- (f) discharge of any prohibited substance listed in Section R into the wastewater system;
- (g) receipt by the Company of an order or notice from the Department of Environmental Protection, a health agency, local plumbing inspector or other similar authority, to terminate service to the property served on the grounds of violation of any law or ordinance, or upon notice to the Company from any such authority that has ordered an existing violation on the property to be corrected and that such order has not been complied with or
- (h) material violation of any provisions of the tariff;
- (i) failure to permit access to meters, service connection or other property of the Company for the purpose of replacements, maintenance, operation or repair of meter reading device after proper notice;
- (j) failure to properly install and maintain a grinder pump, including its replacement when improperly functioning as solely determined by the Company;

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section E - Discontinuance, Termination and Restoration of Service (cont'd)

2. Termination by Company (cont'd)

- (k) any unauthorized, un-inspected, or improper connection, as herein defined, found to exist will be required to be disconnected within ten (10) days. The Company may require a plumber's sworn statement or certificate as evidence that the connection has been discontinued;
- (l) Not abiding by the provisions of the Company's Industrial/ Commercial Waste Pretreatment Program;
- (m) Failure to remove direct connections to the Customer Service Line that allow surface, subsurface, storm water, or roof run off water into the Sanitary Sewer;
- (n) Not complying with any part of this tariff;
- (o) Supplying sewer service to other units, buildings or premises when Capacity Reservation Fees have not been paid for in accordance with tariff;
- (p) For termination of water service by Company in accordance with the Company's water tariff on file with the Commission;
- (q) For Customer's tendering payment for reconnection of service that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice; or
- (r) After receiving a written termination notice from the Company, for Customer's tendering payment which is subsequently dishonored under 13 Pa. C.S. § 3502, or, in the case of an electronic payment, that is subsequently dishonored, revoked, canceled or otherwise not authorized and which has not been cured or otherwise made in full payment within three business days of the Company's notice.

In order to terminate wastewater service, the Company can at its discretion install a shut off valve on the Company's Service Line to terminate service. The cost for the installation of the shut off valve and all the other charges accruing under this tariff shall be paid to the Company before service is restored.

3. Turn-on Charge: Whenever service is discontinued or terminated pursuant to Rule 1 or Rule 2 of this Section, service shall be permitted by the Company only upon the payment by the Customer of a turn-on fee and the curing of the problem that gave rise to the terminations if under Rule 2. Refer to Schedule of Miscellaneous Fees and Charges; section C for Service Reconnection and Discontinuance Fee.

4. Service Restoration Following Termination of Service: When wastewater service to any premise has been terminated by Company for any reason, it will be restored only after the conditions, circumstances, or practices which caused the wastewater service to be terminated are corrected and all applicable arrearages, deposits and fees paid.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section F - Billing and Collection

1. **Billing Period:** The Company shall render a bill once every billing period to every Customer in accordance with approved rate schedules. The due date for payment of a bill for Residential and Non-Residential service shall be no less than twenty (20) days from the date of transmittal. If the last day for payment falls on a Saturday, Sunday or bank holiday, or on any day when the offices of the Company are not open to the general public, the due date shall be extended to the next business day. The Company may not impose a late-payment charge unless payment is received more than five (5) days after the stated due date.
2. **Late-Payment Charge:** All amounts not paid when due shall accrue a late-payment charge at the rate not to exceed one and fifty one-hundredths percent (1.50%) per billing period, not to exceed eighteen percent (18%) per year when not paid as prescribed in Rule 2 of this Section.
3. **Change in Billing Address:** Where a customer fails to notify the Company of a change in billing address, the Customer shall remain responsible to remit payment by the billing due date.
4. **Application of Payment:** Utility bills rendered by the Company shall include only the amount due for utility service. Where a customer remittance to the Company includes payment for any non-utility services, proceeds will be applied first to pay all outstanding regulated utility charges.
5. **Return Check Fee:** The customer will be responsible for return check fee as provided in the Schedule of Miscellaneous Fees and Charges section of the tariff, per incident where a check or automatic transfer of funds, which has been presented to the Company or its agent for payment of any bill, is returned by the bank for any reason including, but not limited to, non-sufficient funds, account closed, payment stopped, two signatures required, postdated, stale date, no account, drawn against uncollected funds, and unauthorized signature. This fee is in addition to any and all charges assessed by the bank.
6. **Disputed Bills:** In the event of a dispute between the Customer and the Company with respect to any bill, the Company will promptly make such investigation as may be required by the particular case and report the result to the Customer. The Customer is not obligated to pay the disputed amount during the pendency of the Company's investigation. When the Company has made a report to the Customer sustaining the bill as rendered, the Customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, the Company will issue a corrected bill with a new due date for payment. Any amount received by the Company in excess of the amount determined to be due by the Company's investigation of the dispute shall be refunded to the Customer.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section G – Credit/Deposits

1. Customer's Liability for Charges:

The Customer who has made application for wastewater service to any premise shall be held liable for all wastewater service furnished to such premise until such time as the Customer properly notifies the Company to discontinue the service for this account.

2. Prior Company Debts:

(a) Service will not be furnished to former Customers until any indebtedness to the Company for previous service of the same or similar classification has been satisfied or a payment arrangement has been made on the debt. This rule does not apply to the disputed portion of disputed bills under investigation. The Company will apply this rule to the disputed portion of disputed bills, if, and only if: (1) the Company has made diligent and reasonable efforts to investigate and resolve the dispute; (2) the result of the investigation is that the Company determines that the customer's claims are unwarranted or invalid; and (3) the Commission and/or the Bureau of Consumer Services has decided a formal or informal complaint in the Company's favor and no timely appeal is filed.

(b) The Company may utilize means in accordance with applicable law of determining an Applicant's or Customer's liability for any indebtedness to the Company for previous service, including, but not limited to, the following: (1) use of Company records that containing confidential information previously provided to the Company for service; (2) information contained on a valid mortgage, lease or deed; (3) other information contained in the Company's records that indicate that the Applicant was an adult occupant during the time the prior debt accrued; (4) use of commercially available skip tracing software that contains records of names and addresses; and (5) use of information contained in credit reporting data utilized by the Company.

3. Residential Customers' Deposits: The Company may charge deposits to Residential Applicants and Residential Customers as permitted by Commission statutes, rules regulations, and as permitted by Federal Bankruptcy Law.

- (a) . Deposits may be required from a Residential Applicant who is unable to establish Creditworthiness to the satisfaction of the Company through the use of a generally accepted credit scoring methodology which employs standards for using the methodology that falls within the range of general industry practice and specifically assess the risk of public utility bill payment.
- (b) Deposits may be required from a Residential Customer who fails to comply with the material terms or conditions of a settlement or payment arrangement or is delinquent in the payment of two consecutive bills, or three or more bills within the preceding twelve months.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section G – Credit/Deposits (cont'd)

3. Residential Customers' Deposits (cont'd):

- (c) Prior to reconnection of service, deposits may be required from a Residential Applicant or Residential Customer whose service was terminated for any of the following reasons: (a) nonpayment of an undisputed delinquent account; (b) failure to complete payment of a deposit, providing a guarantee or establish credit; (c) failure to permit access to meters, service connections or other property of Company for the purpose of replacement, maintenance, repair or meter reading; (d) Unauthorized Use of Service on or about the affected dwelling; (e) failure to comply with the material terms of a settlement or payment arrangement; (f) fraud or material misrepresentation of identity for the purposes of obtaining utility service; (g) tampering with meters, including, but not limited to, bypassing a meter or removal of an automatic meter reading device or other Company equipment; or (h) violating tariff provisions on file with the Commission so as to endanger the safety of a person or the integrity of the Company's water distribution system.
- (d) **Deposit Amount and Payment Period** - For Residential Applicants or Customers, the cash deposit required shall be in an amount equal to 1/6 of an Applicant's or Customer's estimated annual bill at the time the Company determines the deposit is required. Any Residential Applicant or Customer shall have up to 90 days to pay the deposit in full and may elect to pay the required deposit in three installments: 50% bill upon the determination that the deposit is required; 25% billed 30 days after the determination; and 25% billed 60 days after the determination. The Residential Applicant or Customer may elect to pay the deposit in full before the due date.
- (e) **Deposit Refunds and Interest**—A deposit will be refunded if service is discontinued and the final bill is paid or if the customer has paid the bills for the prior 12-month period without having been late on more than two (2) occasions and is not currently delinquent. Interest on deposits will be accrued until is returned to the Customer or upon termination or discontinuance of the service covered by the deposit. Deposits from residential customers shall bear simple interest at the rate determined by the Secretary of Revenue for interest on the underpayment of tax under section 806 of The Fiscal Code (72 P.S. § 806). The applicable interest rate for each year shall be determined as of January 1 of that year.

4. Nonresidential Customers' Deposits:

- (a) The Company may charge deposits to Non-Residential Applicants and Non-Residential Customers if they have bad credit, lack Creditworthiness, or for other reasonable grounds determined by the Company, and as permitted by Federal Bankruptcy Law.
- (b) The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (c) **Deposit Refunds and Interest**— A deposit will be refunded if the customer pays all bills on time over a 12-month period or if service is disconnected and the final bill has been paid. There will be no interest paid on deposits for nonresidential accounts.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section H - Line Extensions for Applicants other than Bona Fide Service Applicants

1. When an extension to serve a Customer is required or requested, such extension will be made under the terms of a "Sewer Main Extension Agreement" or a "Sewer Main Extension Deposit Agreement".
2. Customer shall contribute all facilities required for the Company to directly connect the Customer to the Sanitary Sewer. This includes pumping stations, vaults, manholes, mains or any other apparatuses where applicable. The Company shall have the right to locate the facilities as required to meet the long term system needs of the Customers.
3. Customer shall also pay a capacity reservation fee to the Company for each proposed equivalent dwelling unit.
4. **Size of Main and Other Facilities:** The Company shall have the exclusive right to determine the type and size of mains and the other facilities required to render adequate service. However, where the Company decides to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Sewer Main Extension Agreement or Sewer Main Extension Deposit Agreement shall include only the material and installation cost for a pipe the size of which is necessary to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of the Company. All estimated or actual cost figures referred to in the Sewer Main Extension Agreement or Sewer Main Extension Deposit Agreement shall include a reasonable allowance for overhead costs and taxes as appropriate.
5. **Length of Extension:** In determining the necessary length of an extension, the terminal point of such extension shall be at that point in the property line or right-of-way, which is equidistant from the side property lines of the last lot for which service was requested except where the Company, in its sole opinion, determines that it is necessary to extend beyond the last lot and connect to an existing main to provide adequate and reliable wastewater service. A street service connection will be provided only for customer service lines that extend at right angles from the curb line in a straight line to the premises to be served.
6. **Offsite Development Marketing Contracts:** Where it is prudent, reasonable and in the public interest, the Company may, at its option enter into offsite development marketing contracts which depart from the standard terms of the "Sewer Main Extension Agreement" or "Sewer Main Extension Deposit Agreement". These marketing agreements shall become effective 30 days after the Company has filed a copy thereof with the Pennsylvania Public Utility Commission, or in the event that the Commission institutes an investigation, at such time as the Commission grants its approval thereof.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section I- Service Continuity

1. Regularity of Service: The Company may, at any time, shut off service in case of accident or for the purpose of making connections, alterations, repairs or changes, or for other reasons. The Company will, pursuant to Commission regulations at 52 Pa. Code '67.1 and as circumstances permit, notify customers to be affected by service interruptions.

2. Liability for Damages:

(a) **Limitation of Damages for Service Interruptions:** The Company's liability to a customer for any loss or damage from any excess or deficiency in the wastewater collection service due to any cause other than willful misconduct or negligence by the Company, its employees or agents shall be limited to an amount no more than the Customer charge or minimum bill for the period in question. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but cannot and does not guarantee that such will not occur.

(b) **Responsibility for Customer Facilities:** The Company shall not be liable for any loss or damage caused by reason of any break, blockage, leak or other defect in a Customer's service line, fixtures or other installations, except where the damage is a result of the negligence or willful misconduct of the Company, its employees or agents. The Company shall in no event be responsible for maintenance of, or for damage done by sewage escaping from a blockage of the customer's service line or any other pipe or fixture, or from any other cause occurring to any premise or within any house or building.

(c) When the Company incurs costs and the blockage or defect is determined to be on the customer's service line, the Company may request reimbursement and the Customer is responsible to reimburse the Company for associated costs.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section J– Waivers

The Company may, at its sole discretion, waive any of the Rules contained herein that operate for the benefit of the Company; provided, that no such waiver will be valid unless in writing and signed by an authorized representative of the Company, and provided that no waiver will be allowed where the waiver would constitute a violation of the Public Utility Code, the regulations of the Commission or of any other applicable statute, law or regulation.

Section K– Amendment of Commission Regulations

Whenever Commission regulations in Title 52 of the Pennsylvania Code are duly amended in such a way as would produce a difference between Commission regulations and this tariff, this tariff is deemed to be amended so as to be consistent with the amendments to the regulations, except that if application of the amendment to Title 52 is discretionary, this tariff will remain unchanged.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section L. Privilege to Investigate/Right of Access

The Company's authorized representatives shall have the right of access at all reasonable times to all parts of any premises connected with the system, including meters, service connections and other property owned by it on the premises of the Customer, for the purpose of examining and inspecting connections and fixtures, including the water and/or wastewater metering arrangement, for disconnecting service for any proper cause, or for purposes of replacement, maintenance, operation or repair thereof.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section M – MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS

General Provisions

(A)(1) The Company will extend existing sewer mains for a Bona Fide Service Applicant making application for sewer service, other than temporary or seasonal service, under, and pursuant to, these Rules and Regulations, to commence immediately upon installation of the Street Service Connection.

(2) When the costs of the main extension exceed the Company Contribution as defined in Subsection (D), then such extension will be made under and pursuant to the terms of an Extension Deposit Agreement for Bona Fide Service Applicant, as hereinafter set forth, and subject to the applicable provisions of these Rules and Regulations. The construction of facilities to serve such Bona Fide Service Applicant will not commence until an Extension Deposit Agreement for Bona Fide Service Applicant has been executed and all applicable terms and conditions therein have been satisfied by the Applicant.

(3) When an extension is requested or required to serve a Bona Fide Service Applicant requiring Special Utility Service, construction of the extension or of any facilities needed to provide such Special Utility Service will not commence until a Special Utility Service Agreement has been executed and all applicable terms and conditions therein have been satisfied by the Applicant including, but not limited to, paying the requisite sum of money for construction of the facilities needed to furnish Special Utility Service, in accordance with the Preliminary Memorandum to such Special Utility Service Agreement.

(B) The Company shall have exclusive right to determine the type and size mains to be installed and the other facilities required to render adequate service. If a Bona Fide Service Applicant desires any facilities other than those facilities determined by the Company to be required to render adequate service, those other facilities will be installed by, owned by, maintained by, and will become the sole responsibility of the Bona Fide Service Applicant.

(C) In determining the length of and necessity for any extension required pursuant hereto, the terminal point of such extension shall, in all cases, be at the point in the curb line which is equidistant from the side property lines of the last lot for which sewer service is requested, except as provided in Paragraph B above wherein it may be necessary to extend beyond the last lot and connect to an existing main to provide adequate and reliable sewer service. A street service connection will be provided only when Customer service lines from the curb to the premises to be served are laid in a straight line at right angles to the curb line.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section M –MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

(D) For the purposes of this rule:

(1) "Bona Fide Service Applicant" shall mean a person or entity applying for General Sewer Service to an existing structure for which a valid occupancy permit has been issued if such structure is within the Company's certificated service territory and is either: (1) a primary residence of the Applicant; or (2) a place of business. An Applicant shall not be deemed a Bona Fide Service Applicant if such Applicant is requesting sewer service to: (1) a building lot or subdivision; or (2) a primary residence if such primary residence was constructed, or the request for sewer service was made, as part of a plan for the development of a residential subdivision; or (3) sewer service for temporary or seasonal services. To become a Bona Fide Service Applicant, a person or entity must file a signed application for a new Street Service Connection to qualifying premises, extend the necessary customer service line to the curb line of premises, and request sewer service to begin immediately following installation of the Street Service Connection. If the Company shall be delayed or prevented from installing the Street Service Connection for a period of one (1) year or more from the date of application, the Bona Fide Service Applicant shall have the right to withdraw the Application for Service.

(2) "Company Contribution" shall mean that portion of the main extension costs which the Company will fund based upon the following formula:

Average Annual Revenue	\$ _____
Minus	
Operation and Maintenance Expenses	\$ _____
Subtotal	\$ _____
Divided by	
Depreciation Rate and Weighted Cost of Debt	_____ %
Company Investment	\$ _____

The Bona Fide Service Applicant will be required to pay one-third of the Customer Contribution prior to the commencement of any work by the Company. The Customer Contribution will be an amount equal to the difference between the Company Contribution and the cost of the main extension and applicable interest charges. After the initial payment any remainder will be amortized over thirty-six (36) equal monthly installments beginning with the Bona Fide Service Applicant's first bill for sewer service. The Company will also provide information to the applicant on financial institutions that may offer financing to the Bona Fide Service Applicant for the line extension.

(a) The Average Annual Revenue for residential customers with a 5/8" water meter shall be calculated based upon the average residential consumption for customers with a 5/8" water meter used to determine rates approved by the Pennsylvania Public Utility Commission in the Company's last approved general rate increase. Consumption for residential customers with larger water meters will be determined by selecting up to twenty (20) existing customers with similar water meter sizes, as available, which have received service for at least twelve (12) months prior to the date of application, and applying the Company's latest approved rates to the annual average consumption of those customers.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section M – MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

(b) The Average Annual Revenue for Commercial, Industrial and Municipal customers shall be calculated by selecting up to twenty (20) existing, similar commercial, industrial or municipal ratepayers, as available, which have received service for at least twelve (12) months prior to the date of application, to determine the average consumption to be used in calculating the Company Contribution.

(c) Operation and Maintenance Expenses shall be the Company's average annual operation and maintenance costs associated with serving an additional customer.

(d) The depreciation rate shall be the Company's depreciation rate for the facilities to be installed as determined in the Company's last approved general rate increase filing.

(e) The weighted cost of debt shall be the Company's long-term debt costs as determined in the Company's last approved general rate increase.

(3) "General Sewer Service" shall mean basic residential sewer service or sewer service for general commercial or municipal purposes but excluding, without limitation, sewer service for seasonal or temporary uses and sewer service solely for sprinkler systems or for any other fire protection use.

(4) "Special Utility Service" shall mean any residential or business service which exceeds that required for ordinary residential purposes. By way of illustration but not limitation, Special Utility Service shall include: the installation of facilities such as oversized mains, lift stations, additional plant capacity or pretreatment facilities required as necessary to adequately treat or convey flows, or service to large sewer producing commercial and industrial applicants. An otherwise Bona fide applicant requesting service which includes a special utility service component is entitled to a Bona fide applicant status, including the corresponding contribution toward the costs of the line extension which do not meet the special utility service criteria.

(5) "Street Service Connection" shall mean a pipe with appurtenances used to conduct sewer from a collection main of the Company to the curb line of the premises.

(E) (1) Street service supplying a premise shall not pass through or across any premises or property other than that to be supplied, except as provided in (E) (2). No sewer pipes or plumbing in any premises shall be extended therefrom to adjacent or other premises. Street service connections will not be permitted to cross intervening properties unless there is no other way in which service can be provided and appropriate easements are obtained. Only service applicant(s) owning property in fee which directly abuts a street wherein there is an existing main of the Company will be permitted to attach to the Company's service line for the purpose of receiving sewer service therefrom, unless appropriate easements are obtained pursuant to Subsection(2) below. It is understood that such property owned in fee by the said service applicant(s) shall be a complete standard building lot which complies with the existing zoning laws and regulations of the municipality in which such property is located. It is further understood that if such property owned in fee by a service applicant(s) is subsequently sold, the purchaser of such property will be entitled to receive sewer service upon compliance with all of the provisions of this tariff, but that the seller of such property shall only be entitled to continue to receive service if such seller complies with all of the provisions of this tariff.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section M – MAIN EXTENSIONS FOR BONA FIDE SERVICE APPLICANTS (cont'd)

(2) A residential service applicant(s) may obtain a recorded easement or right-of-way that runs with the land, of at least fifteen (15) feet in width connecting the property to be served to the street wherein the Company's main is located. Such easement or right-of-way shall not cross multiple properties. The residential service applicant(s) shall present the Company with a certified copy of a duly recorded instrument which (a) describes the easement or right-of-way by metes and bounds, (b) gives the easement in perpetuity to the heirs, successors and assigns of said residential service applicant(s), (c) grants access to the customer or company service line for purposes of repair and replacement, and (d) is recorded in the County Office of the Recorder of Deeds.

(F) Where substantial public need exists and the public health and safety may be compromised by the absence of a public sewer supply in a portion of the Company's authorized service territory, the Company, subject to the Commission's prior approval, may install main extensions and Special Utility Service facilities without the payment of the Customer Contribution that would otherwise be required under subparagraphs (A)(3) and (D)(2), respectively of Section M.

PENNSYLVANIA-AMERICAN WATER COMPANY

**Calculation of Company Funded Portion of Main Extensions
(For Illustrative Purposes Only)**

Average Annual Revenue	\$340
minus	
Operation and Maintenance Expenses	\$102
<u>Subtotal</u>	<u>\$238</u>
Divided by	
Depreciation Rate (Mains Only) and Weighted Debt Costs	6.08%
<u>Total</u>	<u>\$3,914</u>

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section N – EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT

THIS AGREEMENT entered into this _____ day of _____, 20____, by and between Pennsylvania-American Water Company hereinafter called the "COMPANY," and _____ hereinafter called the "BONA FIDE SERVICE APPLICANT."

WHEREAS, the BONA FIDE SERVICE APPLICANT desires extension of the sewer mains of the COMPANY, as hereinafter described;

NOW, THEREFORE, this agreement WITNESSETH:

FIRST: THE COMPANY contracts and agrees to lay the sewer main(s) (and other facilities, if any) as shown in red on the diagram hereto attached and made a part hereof described and located as follows:

(LEAVE SPACE FOR DESCRIPTION)

SECOND: It is expressly understood and agreed that if the COMPANY shall be delayed or prevented from installing the sewer main (s) (and other facilities, if any) hereinabove described because of its failure to secure pipe or other construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than one (1) year from the date thereof, the BONA FIDE SERVICE APPLICANT shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to the COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by the BONA FIDE SERVICE APPLICANT shall not be invoked if the COMPANY has received the construction material, in which event the COMPANY shall have the obligation to prosecute the work diligently to its completion.

THIRD: The BONA FIDE SERVICE APPLICANT hereby agrees, upon notice from the COMPANY that it is prepared and able to go forward with the work provided in Paragraph FIRST hereof, to pay for the actual costs of extending the facilities as provided in Paragraph FIRST hereof, by depositing an amount in cash equal to (1) the Estimated Cost less (2) the Company Contribution. Items (1) and (2) are to be determined as follows:

(1) The Estimated Cost shall be the estimated cost of the extension, including the estimated cost of said main(s) and the estimated cost of any other facilities which the COMPANY shall have determined are required to render adequate service.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section N – EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

(2) The Company Contribution shall be a credit as determined by the following formula:

Average Annual Revenue	\$ _____
Minus	
Operation and Maintenance Expenses	\$ _____
Subtotal	\$ _____
Divided by	
Depreciation Rate and Weighted Cost of Debt	_____ %
Total	\$ _____

multiplied by the number of bona fide service applicants who will be directly served by the extension.

The BONA FIDE SERVICE APPLICANT agrees to pay at least one-third of the deposit prior to the commencement of construction of the extension, and the remainder of the deposit plus applicable interest charges in thirty-six (36) equal monthly installments beginning with BONA FIDE SERVICE APPLICANT'S first bill for sewer service. Interest will be charged on the unpaid portion each month, equal to the monthly portion of the embedded cost of long-term debt recognized in the Company's last approved general rate increase.

Upon such written notice, a Preliminary Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required in accordance with foregoing provisions. Upon completion of the installation of the extension, a Final Memorandum in the form attached shall be prepared and signed by both parties showing the deposit required based on the same calculations as set forth above but by using the actual cost of the extension, including the actual installation costs of the mains and other facilities, for the Estimated Cost and calculating the Applicable Credit. If the deposit shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the APPLICANT will deposit any additional amount shown to be due or the COMPANY will refund to the APPLICANT any excess amount shown to have been deposited. Any additional amount of required deposit must be made by the APPLICANT to the COMPANY before the granting of refunds to the APPLICANT.

FOURTH: The COMPANY hereby agrees to refund to the BONA FIDE SERVICE APPLICANT during the period of ten (10) years from actual date of deposit as shown on the Preliminary Memorandum a Per-Customer Refund Amount for each additional BONA FIDE SERVICE APPLICANT for whom a street service connection shall be directly attached to such main extension, as distinguished from extensions or branches thereof; provided however, that the total amount refunded shall not exceed the amount of the original deposit by the BONA FIDE SERVICE APPLICANT to the COMPANY as of the date of the refund, and further provided that, if there is an unpaid balance owed then the Per-Customer Refund Amount shall first be deducted from the unpaid balance. All or any part of the deposit not refunded within said 10-year period shall become the property of the COMPANY. The Customer Refund Amount shall be the Company contribution divided by the number of customers connected to the initial main extension.

FIFTH: The BONA FIDE SERVICE APPLICANT may request refunds under Paragraph FOURTH, once in each Calendar quarter, furnishing the COMPANY, at such time, a listing of additional bona fide service applicants; however, failure on the part of the BONA FIDE SERVICE APPLICANT to make such request shall not constitute a waiver of any rights hereunder or relieve the COMPANY of the obligation to make refunds with reasonable promptness.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section N – EXTENSION DEPOSIT AGREEMENT FOR BONA FIDE SERVICE APPLICANT (cont'd)

SIXTH: The ownership of the sewer main(s) and other facilities installed hereunder shall at all times be with the COMPANY, its successors and assigns.

SEVENTH: This agreement shall be valid and binding on the COMPANY only when executed by its duly authorized representative.

EIGHTH: This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

NINTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to the COMPANY at

(Address of COMPANY)

and to the BONA FIDE SERVICE APPLICANT at

(Address of BONA FIDE SERVICE APPLICANT)

Issued:

Effective:

TENTH: This agreement is entered into pursuant to the legally established Rules and Regulations of the COMPANY, and the words, phrases, and terms hereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed in triplicate by the parties hereto on the date first above written.

WITNESS:

PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

WITNESS:

BONA FIDE SERVICE APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section O– SPECIAL UTILITY SERVICE

THIS AGREEMENT entered into this ____ day of _____, 20____, by and between Pennsylvania-American Water Company hereinafter called the "COMPANY," and _____ hereinafter called the "APPLICANT."

WHEREAS, the APPLICANT desires Special Utility Service, as defined in Section M(4) of the Company's tariff and as hereinafter described;

NOW, THEREFORE, this agreement WITNESSETH:

FIRST: THE COMPANY contracts and agrees to construct the facilities needed to furnish Special Utility Service shown in red on the diagram hereto attached and made a part hereof and described and located as follow:

(LEAVE SPACE FOR DESCRIPTION)

SECOND: It is expressly understood and agreed that if the COMPANY shall be delayed or prevented from installing facilities hereinabove described because of its failure to secure construction materials, or for any other causes beyond its control, such failure or delay in performance shall be excused; provided, however, if such failure or delay in performance shall extend for a period of more than one (1) year from the date thereof, the APPLICANT shall have the right to cancel and terminate this agreement on thirty (30) days' written notice to the COMPANY, and thereafter both parties shall be relieved of all duties and obligations arising hereunder. But this right to cancel and terminate by the APPLICANT shall not be invoked if the COMPANY has received the construction material and the APPLICANT has made the deposit as hereinafter required, in which event the COMPANY shall have the obligation to prosecute the work diligently to its Complete on.

THIRD: The APPLICANT hereby agrees to pay to the COMPANY, upon notice from the COMPANY that it is prepared and able to go forward with the work provided in Paragraph First hereof, an amount in cash equal to the Estimated Cost. The Estimated Cost shall be the estimated cost including material, labor and overheads of the facilities hereinabove described for providing Special Utility Service.

Upon such written notice, a Preliminary Memorandum in the form attached shall be prepared and signed by both parties showing the payment required in accordance with foregoing provisions. Upon completion of the Memorandum in the form attached shall be prepared and signed by both parties showing the payment required based on the same calculation as set forth above but by using the actual installation cost of the facilities, for the Estimated Cost. If the payment shown to be due on the Final Memorandum differs from that shown on the Preliminary Memorandum, the APPLICANT shall pay any additional amount shown to be due or the COMPANY will refund to the APPLICANT, without interest, any excess amount shown to have been paid, it being the intent of this agreement that the payment required shall be based on actual installation cost. If the actual installation cost exceeds the payment required as shown on the Preliminary Memorandum, the additional amount of required payment must be made by the APPLICANT to the COMPANY before installation of the facilities, a Final service to the APPLICANT commences.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section O- SPECIAL UTILITY SERVICE (cont'd)

FOURTH: The ownership of the facilities installed hereunder shall at all times be with the COMPANY, its successors and assigns.

FIFTH: This agreement shall be valid and binding on the COMPANY only when executed by its duly authorized representative.

SIXTH: This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the respective parties.

SEVENTH: Any notice given hereunder shall be deemed sufficient if in writing and sent by registered mail to the COMPANY at

(Address of Company)
and to the Applicant at _____
(Address of APPLICANT)

EIGHTH: This agreement is entered into pursuant to the legally established Rules and Regulations of the COMPANY, and the words, phrases, and terms thereof are to be understood and interpreted in conformity with said Rules and Regulations, which are hereby incorporated herein by reference.

Executed in triplicate by the parties hereto on the date first above written.

WITNESS:

WITNESS:

PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section O- SPECIAL UTILITY SERVICE (cont'd)

PRELIMINARY MEMORANDUM

This Preliminary Memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraph THIRD of a certain agreement in writing between the parties entered into on the ____ day of _____, 20____, for the installation by the COMPANY of certain facilities therein described. It is, therefore, agreed and stipulated:

(a) Estimated Cost of Facilities \$ _____
for Special Utility Service
(exclusive of the cost of the
main and appurtenances, street
service connection and meter)

This Preliminary Memorandum shall be attached to the original agreement in accordance with the provisions of Paragraph THIRD thereof.

Dated: _____
Date of Payment

PENNSYLVANIA-AMERICAN WATER COMPANY

WITNESS:

BY: _____

Title: _____

WITNESS:

APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section O- SPECIAL UTILITY SERVICE (cont'd)

FINAL MEMORANDUM

This Final Memorandum is executed by the parties hereto under and pursuant to the provisions of Paragraph THIRD of a certain agreement in writing between the parties entered into on the ____ day of _____, 20____, for the installation by the COMPANY of certain facilities therein described. It is, therefore, agreed and stipulated:

- (a) Actual Cost of Facilities \$ _____
for Special Utility Service
exclusive of the cost of the
main and appurtenances, street
service connection and meter)

This Final Memorandum shall be attached to the original agreement in accordance with the provisions of Paragraph THIRD thereof.

Dated: _____
Date of Payment on
Preliminary Memorandum

WITNESS:

PENNSYLVANIA-AMERICAN WATER COMPANY

BY: _____

Title: _____

WITNESS:

APPLICANT:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section P - Grinder Pumps for Paint-Elk Wastewater

This section applies to those customers from the former Paint-Elk Joint Sewer Authority (PEJSA) whose service addresses are listed on updated Schedule 1.1 of the acquisition closing documents. Original Schedule 1.1 from the Purchase Agreement was included in PAWC's Application filing on 12/6/2013, which was approved by the Public Utility Commission's Order entered on July 24, 2014, at Docket Number A-2013-2395998.

1. Those customers within the Former PEJSA whose addresses do not appear on Schedule 1.1 of the Purchase Agreement own their Customer service line in its entirety, including the grinder pump on their Customer service line should one exist.
2. For those customers within the Former PEJSA whose addresses appear on Schedule 1.1 of the Purchase Agreement, PAWC shall own and maintain the grinder pump units for a period of three years from the date of Closing.
3. PAWC shall be responsible to repair/replace any malfunctioning grinder pumps during this three year period. The decision to repair/replace shall be made in PAWC's sole discretion. Any customer may indicate to PAWC 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.
4. The customer must agree to allow PAWC the necessary access to maintain the grinder pump unit or PAWC's obligation as to that particular customer shall cease without any further obligation from PAWC.
5. Three years from the date of Closing, PAWC's obligation to operate and maintain the grinder pump units shall cease. At that time, PAWC will provide written notification to the addresses listed on 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.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section Q – Liability of Company (General)

1. The liability of the Company for any loss or damages due to any negligent act of omission or commission, by the Company, shall be limited to and in no event exceed an amount equivalent to 1/4 the average charge of 4 billing periods to the Customer for the period of service during which such deficiency has occurred. Such average shall be determined by reference to the billed charges to the Customer for the four billing periods immediately prior to the billing period during which the loss or damage occurred.
2. In any legal action where a court does not recognize, or is being asked to interfere with or hamper, the jurisdiction of the Commission to authorize limitations of liability or to exclusively determine whether the service and facilities of the Company are in conformity with the regulation and Order of the Commission, the Company may certify to the Commission the question of the appropriateness of such court action by filing a petition for declaratory judgment with the Commission.
3. Notwithstanding any provision in this tariff to the contrary, the Company shall not be liable in any action where the loss or damage involves an act of God or does not involve a duty of the Company, including breaks or leaks on facilities that are not owned by the Company, such as breaks, leaks, defects or condition in the Customer's own service line, meter vault, pressure reducing valve, back flow prevention device, check valve, pressure relief valve, or any other control valve, internal plumbing or fixture, or due to the materials out of which those facilities are made. Further, the Company shall not be liable in any action where the loss or damage does not involve a breach of a duty of the Company, including where the Company does not receive actual notice, either written or oral, that a Company facility (located within the public right-of-way, in a sidewalk or on a Customer's property) is in need of repair, such as the condition or elevation of a curb box or valve box that is not proven to have been in that condition at the time of installation or that is caused by a plumber, developer, or other person or event.

RULES AND REGULATIONS

Section R- Wastewater Control Regulations

1. **Applicability:** These provisions shall apply throughout the Company's service territory. For those systems where an Industrial Pretreatment Program (IPP) is required by the United States Environmental Protection Agency (EPA), Pennsylvania Department of Environmental Protection (DEP) or by the Company, all applicable customers shall comply with such IPP regulations. For a Commercial or Industrial Customer that is also subject to the provisions of an IPP of this tariff, to the extent a conflict exists between the provisions of this Section and the provisions of the applicable IPP, the terms of the IPP shall control. .
2. **General Prohibitions:**
 - (a) No storm water from pavements, area ways, runoff basins, roof runoff water, foundation drains, subsurface drains, water from springs, cooling water, basement sump pumps, unpolluted industrial or commercial process water or other sources shall be admitted to the Company Sanitary Sewer.
 - (b) The discharge of garbage to the Sanitary or Combined Sewer is expressly prohibited. Properly shredded biodegradable garbage may be discharged into the Sanitary or Combined Sewer with no particle greater than one-half inch in dimension.
3. **Prohibited Discharges:** The Company reserves the right to refuse connection to its Sanitary or Combined Sewer and/or to compel the discontinuance of the use of any system, or to require pre-treatment of Wastes by any Customer, in order to prevent the discharge of any Wastes to the Sanitary or Combined Sewer system which may be deemed harmful to the Sanitary or Combined Sewer system, or to have an adverse effect on the sewage treatment processes. Except from the written consent of the Company, there shall be excluded from the sewage system but not limited to, any wastes having suspended solids and Wastes having any or all of the following characteristics:
 - (a) Wastes containing any gasoline, naphtha, fuel, oil or other liquids, solids or gases which by reason of their nature or quality may cause fire or explosion or be in any other way injurious to persons, the structures of the wastewater system or its operation.
 - (b) Wastes having a temperature in excess of 120 degrees F. or less than 32 degrees F that enters the Sanitary or Combined Sewer or Wastes entering the plant that increase the temperature of the Wastewater at the headworks of the plant to exceed 104 degrees F.
 - (c) Wastes having a pH lower than 6.0 or higher than 9.0, or having any corrosive property capable of causing damage or hazards to structures, equipment or personnel of the wastewater system.
 - (d) Wastes containing any noxious or malodorous gas or substance that either singly or by interaction with sewage or other wastes is likely in the opinion of the Company to create a public nuisance or hazard to life or prevent entry to sewers for their maintenance and repair.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section R- Wastewater Control Regulations (cont'd)

- (e) Wastes containing ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, hair, chemical or paint residues, greases, paunch, manure, dairy products, cotton, wool, plastic or other fibers, lime, slurry or any other solid or viscous material of such character or in such quantity as in the opinion of the Company may cause an obstruction to the flow in sewers or otherwise interfere with the proper operation of the sewer system.
- (f) Wastes containing insoluble, non-flocculent substances having a specific gravity in excess of 2.65.
- (g) Wastes containing soluble substances in such concentrations as to cause the specific gravity to be greater than 1.1.
- (h) Wastes containing any substances which may affect the effluent and may cause violation of the National Pollutant Discharge Elimination System Permit.
 - (i) Wastes containing other matter detrimental to the operation of a sewage treatment plant or Sanitary or Combined Sewers causing erosion, corrosion or deterioration in sewers, equipment and structures of a sanitary or sewage treatment plant.
 - (j) Wastes containing fats, wax, tar, grease or oil of petroleum origin, whether emulsified or not, in excess of one hundred mg/L, or petroleum oil, non biodegradable cutting oil or petroleum products of mineral oil origin in amounts that will cause interference or pass through at the wastewater treatment facilities.
 - (k) Wastes containing an average concentration of oils and greases, of the Hydrocarbon variety or any Freon extractables which are not biodegradable in excess of 10 mg/L.
 - (l) Wastes containing more than 10 mg/L of any of the following gases: hydrogen sulfide; sulfur dioxide; nitrous oxide; or any of the halogens.
 - (m) Wastes containing a toxic or poisonous substance, in a sufficient quantity to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals or create any hazard in the sewer system operation or exceed the limitation set forth in a National Categorical Pretreatment Standard. Toxic pollutants or substances shall include but not limited to Wastewater containing cyanide, chromium, cadmium, mercury, copper, nickel, or materials listed as hazardous materials.
 - (n) Any waste containing toxic substances in quantities sufficient to interfere with the biochemical/biological processes of the sewage treatment works or that will pass through the sewage treatment works and exceed the state and/or federal requirements in respect thereof.
 - (o) Any waste containing radioactive isotopes or other radioactive materials.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section R- Wastewater Control Regulations

- (p) Sludges resulting from the treatment of concentrated solutions that are not acceptable for discharge to the Sanitary or Combined Sewer.
- q) Waste introduced into the Sanitary or Combined Sewer with any pollutants which cause pass through or interference; whether or not the customer is subject any other national, state, or local pretreatment standards or requirements.
- r) Waste containing any color which may not be removed in the wastewater treatment process.

Effluent limitations promulgated as categorical standards, 40 C.F.R. Chapter 1, Subchapter N and 40 C.F.R. 403.6 shall apply in any instance where they are more stringent than those in this section.

The local limits in this section may be supplemented with more stringent limitations if the Company determines that the limitations in subsection (a) through (p) above may not be sufficient to protect the operation of the sewerage system or to enable the water pollution control plant to comply with water quality standards or effluent limitations specified in the Company's NPDES permit.

- 4. **Disposal of Wastes From Septic Tanks and Cesspools:** No person shall dispose of wastes from septic tanks, cesspools, or other such sources of sanitary sewage to the Company's Sanitary or Combined Sewer, except as designated by the Company.
- 5. **Penalties:** The Company reserves the right to terminate water and/or wastewater service for violation of any provision of these regulations, subject to PUC rules and regulations.
- 6. **Damages:** In the event of any damage to the Company's wastewater system caused by a Customer, or a Customer's representative, such damage shall be immediately reported to the Company and said Customer shall reimburse the Company for the costs of such repairs, testing, consulting and all other costs associated with the damage. Any user violating any of the provisions of these Rules and Regulations shall become liable to the Company for all expenses, losses, or damages occasioned by the Company by reason of such violation, whether incidental or consequential.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section S – Stormwater Connections to Sanitary or Combined Sewer System:

(a) No person shall install any new connection to discharge stormwater or groundwater drainage to a Sanitary or Combined Sewer, or undertake any modification that increases the flow of stormwater or groundwater being discharged via an existing connection to the Sanitary or Combined Sewer, without applying for and obtaining a Connection Permit from the Company. Consideration and issuance of any Connection Permit is subject to the following:

(1) No new or increased discharge of stormwater or groundwater to the Sanitary or Combined Sewer will be permitted if separate stormwater system facilities or receiving streams exist in reasonable proximity to the proposed connection to the Sanitary or Combined Sewer. The person seeking a Connection Permit must demonstrate to the satisfaction of the Company that the discharge stormwater or groundwater flows to anywhere but to the Sanitary or Combined Sewer is not (i) technically or economically feasible, or (ii) permissible under applicable environmental regulations.

(2) No new or increased discharge of stormwater or groundwater will be allowed unless there is adequate capacity in the Sanitary or Combined Sewer system, and such flows can be managed in compliance with all laws and requirements applicable to the Sanitary or Combined Sewer system. When known or potential hydraulic capacity overloads may exist or may be created as the result of the proposed new or modified connection to the Sanitary or Combined Sewer, the Company reserves the right to require a detailed hydraulic study of the affected portion of the Sanitary or Combined Sewer system. The work and costs associated with such study shall be paid for by the party seeking the Connection Permit.

(3) Any new or modified connection involving the discharge of stormwater or groundwater to the Sanitary or Combined Sewer shall comply with all applicable state regulations and municipal ordinances.

(4) In the case of new or modified connections from a property that is presently contributing stormwater or groundwater drainage to a Sanitary or Combined Sewer, the peak rate of discharge must be controlled. The peak rate of discharge to the Sanitary or Combined Sewer after development or improvement shall be no greater than 75% of the peak rate of discharge to the Sanitary or Combined Sewer prior to development or improvement under storm conditions up to a 100-year rainfall event. Stormwater peak discharge and runoff shall be determined through the use of: (A) the USDA NRCS Soil Cover Complex Method as set forth in Urban Hydrology for Small Watersheds, Technical Release No. 55 (USDA, 1986), with specific attention given to antecedent moisture conditions, flood routing, time of concentration, and peak discharge specifications included therein and in Hydrology National Handbook, Section 4 (USDA, 1985); (B) the USDA NRCS Technical Release No. 20; or (C) other procedures as approved by the Company. Refer to Pennsylvania Stormwater Best Management Practices Manual (363-0300-002) dated December 30, 2006.

(5) Except where specifically approved by the Company, all new sanitary sewer laterals and mains shall be separate from stormwater laterals and mains.

(b) If a connection to the Sanitary or Combined Sewer is permitted as provided in 5(a), (1) any facilities using the connection to the Sanitary or Combined Sewer shall utilize inlet structures equipped with devices to prevent solids and floatable debris from entering the Sanitary or Combined Sewer of a design approved by the Company; and (2) the connection shall be made to an existing or new manhole or other Company approved structure that complies with design standards prescribed by the Company.

(c) No downspout gutter shall be connected to the Sanitary or Combined Sewer.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section T – Industrial Pretreatment Program (Coatesville District) (IPP-C)

This Section applies to Industrial and Commercial customers served under Rate Zone 1 and located in the Coatesville District area of the Company's service territory. All such customers shall comply with the "Coatesville District Industrial Pretreatment Program Regulations" ("IPP-C") and as may be amended by the Company or the Pennsylvania Department of Environmental Protection from time to time. The currently effective IPP-C will be made available on the Company's website.

Such customers shall be responsible for the charges and fees scheduled below related to the implementation, administration, and enforcement of the IPP-C, and for the additional costs for treatment of wastewaters from such customers who have excess loadings and characteristics. Fees under this Section are separate from and in addition to all other rates chargeable by the Company under this tariff.

The fees as set forth in Schedule IPP-C-1 below will be in effect for customers subject to the IPP-C. Terms are as defined by IPP-C.

SCHEDULE IPP-C-1

1.1 General Fees.

1.1.1 Application for Service/Waste Survey - Each new commercial or industrial customer will be assessed a charge for the review of the Waste Survey Form attached to the Company's Application for Service Form.	\$50.00
1.1.2. Industrial Wastewater Discharge Permit Application or Permit Modification Application - Each customer determined to be a Significant Industrial User will be assessed a charge for the review of the Industrial Wastewater Discharge Permit application and for site inspection.	\$1,100.00
1.1.3. Industrial Wastewater Discharge Permit - Each customer required to submit an Industrial Wastewater Discharge Permit Application will be assessed a charge for the preparation of the Industrial Wastewater Discharge Permit that is specific to that customer, which may include, but is not limited to pretreatment, waste minimization and spill control requirements, local limits and other conditions required by the Company's IPP-C.	At Cost
1.1.4. Industrial Wastewater Discharge Permit Application for Renewal or Transfer - Each customer with a discharge permit will be assessed a charge for the review of the application for renewal or transfer of the permit. If changes are required to the permit, they will be done at cost as noted in Item #3 above.	\$250.00

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section T – Industrial Pretreatment Program (Coatesville District) (IPP-C) (cont'd)

1.1 General Fees (cont'd)

- 1.1.5. Facilities for Pretreatment, Accidental Discharge, Slug Control and or Monitoring** - Customers required to provide facilities for wastewater pretreatment and/or accidental/slug discharge or monitoring will be assessed a charge for the Company to review the plans and operating procedures required by the Company's IPP-C. At Cost
- 1.1.6. Monitoring Reports** - Customers will be assessed a charge for the Company to review each of the reports submitted as required by the Company's IPP-C. \$250.00
- 1.1.7. Facility Inspections** - Customers that require inspections by the Company for permitting, monitoring and compliance/noncompliance purposes will be assessed a charge for these services per each inspection. \$250.00
- 1.1.8. Sampling and Analysis** - Customers whose discharge requires the Company to perform or to arrange for compliance monitoring will be assessed a charge for each sampling event and laboratory analysis. This charge may include sampler rental and set-up, sample pick-up or delivery and lab report charges. At Cost
- 1.1.9. Noncompliance Repair or Maintenance** - Customers causing any violations that result in needed repairs or maintenance to the Company's Sewer System will be assessed a charge to reimburse the Company for its expenses. This charge may include but is not limited to, charges from haulers, cleaning crews, contractors, plumbers, excavations and vacuum sewer services. At Cost

1.2 Specific Fees.

1.21 In the event that the Company consents to accept into the Sanitary Sewer system Industrial/Commercial Wastes containing more than 300 milligrams per liter by weight (mg/L) of suspended solids and/or 300 mg/L of 5 day biochemical oxygen demand, otherwise prohibited under this Section, there is hereby imposed for such service in addition to the sanitary sewage quantity, a surcharge for the Suspended Solids and 5-day Biochemical Oxygen Demand (BOD5) contained in said wastes in excess of 300 mg/L, in accordance with the following schedule:

(i) \$0.10 per pound of BOD5 in excess of 300 mg/L. Calculated as: $BOD5 \text{ in mg/L} - 300 \text{ mg/l} \times \text{Wastewater volume in million gallons} \times 8.34 \times \$0.10/\text{pound}$.

(ii) \$0.06 per pound of Total Suspended Solids (TSS) in excess of 300 mg/L. Calculated as: $TSS \text{ in mg/L} - 300 \text{ mg/l} \times \text{Wastewater volume in million gallons} \times 8.34 \times \$0.06/\text{pound}$.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section T – Industrial Pretreatment Program (Coatesville District) (IPP-C) (cont'd)

1.2 Specific Fees (cont'd)

1.2.2 In the event the Company elects to accept Industrial/Commercial Wastes having a pH below 6.0 S.U. the total acid equivalent of such wastes, expressed as 100% sulfuric acid shall be considered as one pound of Suspended Solids. For purposes of calculating Surcharges, the total sum computed by adding the acid equivalent so determined to the actual Suspended Solids content shall be considered to be the Suspended Solids content of the acidic wastes. The charges for treatment of such acidic wastes shall be subject to the same Surcharges as above set forth for wastes containing excessive solids.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section U– Industrial Pretreatment Program (Scranton-Area) (All Service Areas under Rate Zones 1 (Except Coatesville), 2 and 3) (IPP-S)

This Section applies to Industrial and Commercial customers served throughout the Company's service territory under Rate Zone 1 of this tariff, except for the customers subject to Section T of this tariff pursuant to the provisions thereof, and Rate Zones 2 and 3 of this tariff, All such customers shall comply with the "Industrial Pretreatment Program (Scranton-Area)" ("IPP-S") as required by and submitted to the Pennsylvania Department of Environmental Protection and as may be amended from time to time. The currently effective IPP-S will be made available on the Company's website.

Such customers shall be responsible for the charges and fees scheduled below related to the implementation, administration, and enforcement of the IPP-S, and for the additional costs for treatment of wastewaters from such customers who have loadings and characteristics that are in excess of Domestic Sewage as defined by the IPP-S. Pursuant to the IPP-S, IPP-S fees are set by this tariff. IPP-S fees are separate from and in addition to all other rates chargeable by the Company under this tariff.

The fees as set forth in Schedule IPP-S-1 below will be in effect for customers subject to the IPP-S. Terms are as defined by IPP-S.

SCHEDULE IPP-S-1

1.1. General Fees

1.1.1. IWDP Application Fee: \$1,000.00

1.1.2. IWDP Transfer/Modification/Renewal Fee: \$250.00

1.1.3. Facility Inspection Fee: \$250.00 per inspection

1.1.4. Monitoring Report Review Fee: \$250.00 per monitoring report

1.1.5. Sampling and Analysis Fee: Actual cost of sampling and laboratory analysis plus 25% to cover administrative costs.

1.1.6. Accidental Discharge, Slug Control, and/or Monitoring Fee: Actual cost of response to accidental discharges or discharges of slugs loads, including but not limited to the costs incurred for any additional treatment or other actions required to manage such discharges, monitoring and response to such discharges, correction of any resulting contamination or other impacts to the Treatment Works, including the Collection System and Treatment Plant.

1.1.7. Compliance and Enforcement Fee - Administrative and Legal: Actual cost incurred by the Company for investigation and actions to address a User's non-compliance with the terms of this IPP or any IWDP.

1.1.8. Damage Repair: Actual cost for cleaning, repair, replacement and/or correction of any damage to the Treatment Works, including the Collection System and the Treatment Plant, caused or contributed to by a User's discharge.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section U – Industrial Pretreatment Program (Scranton-Area) (All Service Areas under Rate Zones 1 (Except Coatesville), 2 and 3) (IPP-S) (cont'd)

1.2. Specific Fees

1.2.1. **Industrial Loading Fee** - applicable on a quarterly basis to discharges with loadings above typical Domestic Sewage loadings up to but not exceeding any applicable Local Limit or IWDP limit, based on sampling and analysis by the Company and sampling required to be reported by the User under an IWDP:

Quarterly Fee (\$) = $Q \times \{((\text{BOD5 Actual} - \text{BOD5 Domestic}) \times \text{BOD5 Cost Factor}) + ((\text{NH3-N Actual} - \text{NH3-N Domestic}) \times \text{NH3-N Cost Factor}) + ((\text{TSS Actual} - \text{TSS Domestic}) \times \text{TSS Cost Factor})\}$

Where:

BOD5 Actual = actual concentration of BOD5 in mg/l as measured by the Company or the Industrial User

BOD5 Cost Factor = Treatment cost for BOD5 for the system = 0.0045

BOD5 Domestic = 330 mg/l, the typical concentration in Domestic Sewage

NH3-N Actual = actual concentration of NH3-N in mg/l as measured by the Company or the Industrial User

NH3-N Cost Factor = Treatment cost for NH3-N for the system = 0.0063

NH3-N Domestic = 23 mg/l, the typical concentration in Domestic Sewage

Q = Total flow for the quarter measured in thousand gallons

TSS Actual = actual concentration of TSS in mg/l as measured by the Company or the Industrial User

TSS Cost Factor = treatment cost for TSS for the system = 0.0028

TSS Domestic = 350 mg/l, the typical concentration in Domestic Sewage

1.2.2. **Excess Loading Fee** - applicable to discharges with loadings that exceed a Local Limit or IWDP limit:

If in any monthly period, the loading of BOD5, NH3-N, or TSS exceeds a Local Limit or IWDP limit, then for the applicable parameter, in calculating the Industrial Loading Fee under §1.2.1, the BOD5 Cost Factor, , NH3-N Cost Factor and/or TSS Cost Factor, applicable to the total loading of that parameter will be 125% of the value set forth in §1.2.1 to compensate for the additional administrative, oversight and management costs associated with managing such excessive loadings.

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section U – Industrial Pretreatment Program (Scranton-Area) (All Service Areas under Rate Zones 1 (Except Coatesville), 2 and 3) (IPP-S) (cont'd)

1.2 Specific Fees (cont'd)

- 1.2.3. **Special Discharge Fee** - applicable to discharges with loadings or concentrations that exceed a Local Limit or IWDP limit and that impact sludge handling or disposal methods and costs, necessitate acquisition of nutrient credits, result in damages to the facility, or require extraordinary measures:

Fee = Actual cost incurred by the Company, including but not limited to: (1) additional costs of managing impacted sludge (including costs related to use of alternative disposal facilities, additional monitoring, etc.), (2) costs of acquiring nutrient credits to meet NPDES Permit cap limits; (3) costs of repairs to and restoration of the Treatment Works, including the Collection System and Treatment Plant; or (4) costs of implementing any other measures required to control, manage and address such excessive loadings or concentrations.

PENNSYLVANIA-AMERICAN WATER COMPANY
SUMMARY OF PROOF OF REVENUES
R-2017-2595853

	Water Operations	Wastewater Excluding Scranton	Scranton Wastewater	Total Company
Pro Forma Revenues Under Present Rates	\$ 611,304,771	\$ 24,027,897	\$ 21,963,725	\$ 657,296,393
Additional Annual Operating Revenue (Settlement Increase)	56,281,090	2,907,300	2,660,893	61,849,283
Pro Forma Revenues Under Settlement Rates	<u>\$ 667,585,862</u>	<u>\$ 26,935,197</u>	<u>\$ 24,624,618</u>	<u>\$ 719,145,677</u>
Overall % Increase	9.21%	12.10%	12.11%	9.41%

PENNSYLVANIA-AMERICAN WATER COMPANY
HERSHEY, PENNSYLVANIA

DOCKET NO. R-2017-2595853

PROOF OF REVENUE

APPLICATION OF PRESENT AND SETTLEMENT RATES
TO CONSUMPTION ANALYSIS FOR THE
TWELVE MONTHS ENDED DECEMBER 31, 2016
AND PRO FORMA REVENUE
UNDER PRESENT AND SETTLEMENT RATES
AS OF DECEMBER 31, 2018

WATER OPERATIONS

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
COMPARISON OF PRO FORMA COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

Customer Classification (1)	Water Operations (2)	Pro Forma Cost of Service, as of December 31, 2018**		Pro Forma Revenues Under Present Rates		Pro Forma Revenues Under Settlement Rates		Settlement Increase		
		Allocation of Wastewater COS* (3)	Total Amount (4)	Percent of Total (5)	Amount (6)	Percent of Total (7)	Amount (8)	Percent of Total (9)	Amount (10)	Percent Increase (11)
Residential	\$ 449,063,560	\$ 9,150,477	\$ 468,214,037	65.6%	\$ 391,680,390	65.9%	\$ 427,223,887	65.6%	\$ 35,543,498	9.1%
Commercial	174,298,088	3,721,272	178,019,360	25.6%	146,051,454	24.6%	162,340,355	24.9%	16,288,901	11.2%
Industrial	28,717,591	530,944	29,248,535	4.2%	24,374,710	4.1%	26,938,397	4.1%	2,563,687	10.5%
Public (Municipal)	18,218,303	283,070	18,501,373	2.7%	19,756,771	3.3%	20,614,653	3.3%	857,882	4.3%
Other Water Utilities - Group A	813,482		813,482	0.1%	717,324	0.1%	769,819	0.1%	52,495	7.3%
Other Water Utilities - Group B	69,946		69,946	0.0%	38,877	0.0%	42,768	0.0%	3,891	10.0%
Private Fire Protection	4,428,790		4,428,790	0.6%	3,825,469	0.6%	4,160,354	0.6%	334,884	8.8%
Public Fire Protection	8,679,321		8,679,321	1.2%	8,465,136	1.4%	8,679,321	1.4%	214,186	2.5%
Total Sales of Water	684,289,081	13,685,763	697,974,844	100.0%	594,910,130	100.0%	650,769,554	100.0%	55,859,424	9.4%
Other Water Revenues	12,521,147	119,424	12,640,571		11,918,965		12,295,442		376,477	3.2%
Contract Sales - Industrial	2,867,888		2,867,888		2,839,461		2,867,888		28,427	1.0%
Contract Sales - Resale	1,652,978		1,652,978		1,636,216		1,652,978		16,762	1.0%
Total	\$ 701,331,093	\$ 13,805,187	\$ 715,136,280		\$ 611,304,771		\$ 667,585,862		\$ 56,281,090	9.2%

* Includes unrecovered Wastewater Cost of Service including Scranton Wastewater. See Schedule 10 for the allocation of Wastewater Cost of Service at settlement.

** At Filing.

PENNSYLVANIA AMERICAN WATER COMPANY
 COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
 RESIDENTIAL, COMMERCIAL AND MUNICIPAL

Customer Charges	Present Rates Per Month										Settlement Rates		
	Zone 1 PAWC	Zone 40 Nittany	Zone 41 Sutton Hills	Zone 46 All Seasons	Zone 47 Balsinger	Zone 50 Acquisition	Zone 51 Berry Hollow	Zone 52 McEwensville	Zone 1 PAWC	Zone 2 (Zones 40, 41, 46, 47, 51)	Zone 3 (Zone 52 McEwensville)		
5/8	\$ 15.00	\$ 11.50	\$ 15.00	\$ 13.75	\$ 15.00	\$ 13.75	\$ 18.20	\$ 18.00	\$ 16.50	\$ 16.50	\$ 16.50		
3/4	22.70	20.80	22.70	20.80	22.70	20.80			25.00	25.00	25.00		
1	37.80	34.60	37.80	34.60	37.80	34.60			41.60	41.60	41.60		
1 1/2	61.70	56.50	61.70	56.50	61.70	56.50			67.90	67.90	67.90		
2	98.70	90.40	98.70	90.40	98.70	90.40			108.60	108.60	108.60		
3	184.10		184.10	168.60	184.10	168.60			202.60	202.60	202.60		
4	231.20		231.20	211.70	231.20	211.70			254.30	254.30	254.30		
6	346.00		346.00	316.80	346.00	316.80			380.60	380.60	380.60		
8	669.90		669.90	613.40	669.90	613.40			736.90	736.90	736.90		
10	970.20		970.20	888.40	970.20	888.40			1,067.20	1,067.20	1,067.20		
12	1,389.53		1,389.53		1,389.53				1,528.50	1,528.50	1,528.50		
Consumption Charges, per 100 Gallons:													
<u>Residential</u>													
First Block	1.0141	0.5350	0.7100	0.7100	0.6200	0.9101	0.6550	-	1.2217	0.9000	0.5000		
Second Block					0.5000		0.6010	0.6000	-				
Third Block							0.5370						
Fourth Block							0.4700						
<u>Commercial</u>													
First Block	0.9876	0.5350	0.7100	0.7100	0.6200	0.8979		-	1.2205	0.9000	0.5000		
Second Block	0.7562	0.5350	0.7100	0.7100	0.5000	0.6883		0.6000	0.9153	0.9000	0.5000		
Construction rate	0.0553								0.0589				
<u>Municipal</u>													
First Block	0.9857	0.5350	0.7100	0.7100	0.6200	0.8979		-	1.4742	0.9000	0.5000		
Second Block	0.8099	0.5350	0.7100	0.7100	0.5000	0.7454		0.6000	0.8705	0.9000	0.5000		
Flat Rate									60.80				

* 3,000 gallon allowance.

Note: Nittany consumption rate, as of 1/1/2018, equals \$0.6800 per 100 gallons
 McEwensville's consumption rate, as of 1/1/2018, equals \$0.3200 per 100 gallons.

PENNSYLVANIA-AMERICAN WATER COMPANY

COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
 INDUSTRIAL

<u>Customer Charges</u>	<u>Present Rates</u>	<u>Settlement Rates</u>
	Zone 1	Zone 1
5/8	\$ 21.80	\$ 24.50
3/4	32.70	36.75
1	54.60	61.40
1 1/2	109.10	122.70
2	174.60	196.35
3	327.30	368.10
4	545.50	613.50
6	1,091.00	1,227.00
8	1,746.00	1,963.65
10	2,509.00	2,821.80
12	3,600.00	4,050.00

Consumption Charges, per 100 Gallons:

Industrial

First Block	0.9898	1.1843
Second Block	0.7398	0.9010
Third Block	0.5866	0.7088
Fourth Block	0.3962	0.4328

PENNSYLVANIA-AMERICAN WATER COMPANY

COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
 ZONE 1 - OTHER WATER UTILITIES

<u>Customer Charges</u>	<u>Present Rates Per Month</u>		<u>Settlement Rates Per Month</u>	
	<u>Group A</u>	<u>Group B</u>	<u>Group A</u>	<u>Group B</u>
5/8	\$ 21.80	\$ 21.80	\$ 24.00	\$ 24.00
3/4	\$ 32.70	32.70	36.00	36.00
1	\$ 54.60	54.60	60.10	60.10
1 1/2	\$ 109.10	109.10	120.00	120.00
2	\$ 174.60	174.60	192.10	192.10
3	\$ 327.30	327.30	360.00	360.00
4	\$ 545.50	545.50	600.10	600.10
6	\$ 1,091.00	1,091.00	1,200.00	1,200.00
8	\$ 1,746.00	1,746.00	1,921.00	1,921.00
10	\$ 2,509.00	2,509.00	2,760.00	2,760.00
12	\$ 3,600.00	3,600.00	3,960.00	3,960.00
 <u>Other Water Utilities</u>				
For all Consumptions Per 100 Gallons:	0.6730	0.8979	0.7219	0.9805

PENNSYLVANIA-AMERICAN WATER COMPANY

COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
 PRIVATE FIRE PROTECTION

<u>Size of Connection</u>	<u>Present Rates per Month</u>	<u>Settlement Rates per Month</u>
<u>Unmetered</u>		
1	\$ 3.69	\$ 4.41
1 1/4	3.69	4.41
1 1/2	5.32	6.35
2	9.45	11.29
3	21.49	25.67
4	37.83	45.19
6	85.96	102.68
8	153.01	182.77
10	238.97	285.45
12	343.84	410.72
Fire Hydrants	26.87	26.87
<u>Size of Connection</u>	<u>Present Rates per Month</u>	<u>Settlement Rates per Month</u>
<u>Metered</u>		
1	\$ 30.21	\$ 36.09
1 1/2	43.16	51.55
2	69.06	82.49
3	129.48	154.66
4	161.85	193.33
6	242.78	290.00
8	372.26	444.66
10	523.32	625.11
Hydrants	26.87	26.87
Sprinkler first 200	45.04	53.80
Sprinkler over 200	0.12	0.14
Standpipes	35.02	41.83

PENNSYLVANIA-AMERICAN WATER COMPANY

COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
 PUBLIC FIRE PROTECTION

<u>Service Area</u>	Public Fire Hydrant Rate Per Month	
	Present	Settlement
Rate Zone 1	\$ 20.00	\$ 20.00
Hydrants at 1/4 the Cost of Service	15.10	17.11
Bradford Township	6.25	6.25
Brownsville Area	17.55	17.55
California Area	18.05	18.05
Reading Area	18.19	18.19

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
 SUMMARY OF PROFORMA REVENUES UNDER SETTLEMENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018
 AND THE CALCULATION OF THE REVENUE INCREASE UNDER SETTLEMENT RATES

Customer Classification (1)	Pro Forma Revenues, Present Rates (Schedule 3) (2)	Bill Analysis Revenues, Settlement Rates (Schedule 2) (3)	Adjustment Factor (Sch. 3, col 4) (4)	Revenues, Settlement Rates (5)=(4)X(3)	Pro Forma Adjustments, Settlement Rates (Schedule 2) (6)	Total Pro Forma Revenue (7)=(5)+(6)	Settlement Increase (8)=(7)-(2)	Percent Increase (9)
METERED SALES								
Residential	\$ 391,524,883	\$ 437,305,022	0.99860215	\$ 436,693,735	\$ (9,628,469)	\$ 427,065,265	\$ 35,540,382	9.1%
Commercial	146,051,454	161,484,156	0.99834808	161,217,397	1,122,958	162,340,355	16,288,901	11.2%
Industrial	27,214,171	30,424,083	0.99929777	30,402,718	(596,434)	29,806,285	2,592,114	9.5%
Municipal	19,756,771	20,762,631	0.99509107	20,660,709	(46,056)	20,614,653	857,882	4.3%
Other Water Utilities - Group A	2,353,539	2,305,075	0.99991017	2,304,868	117,929	2,422,797	69,258	2.9%
Other Water Utilities - Group B	38,877	43,248	0.98888462	42,768	-	42,768	3,891	10.0%
Total Metered Sales	586,939,695	652,324,215		651,322,194	(9,030,071)	642,292,123	55,352,428	9.4%
UNMETERED SALES								
Residential	155,507	158,323	1.00188787	158,622	-	158,622	3,116	2.0%
Commercial	-	-	1.00000000	-	-	-	-	
Private Fire Protection	3,825,469	4,160,354	1.00000000	4,160,354	-	4,160,354	334,884	8.8%
Public Fire Protection	8,465,136	8,679,321	1.00000000	8,679,321	-	8,679,321	214,186	2.5%
Subtotal Unmetered Sales	12,446,111	12,997,998		12,998,297	-	12,998,297	552,185	4.4%
Total Sales of Water	599,385,806	665,322,213		664,320,491	(9,030,071)	655,290,420	55,904,613	9.3%
Other Operating Revenues	11,918,965	11,918,965		11,918,965	376,477	12,295,442	376,477	3.2%
Total	\$ 611,304,771	\$ 677,241,178		\$ 676,239,456	\$ (8,653,594)	\$ 667,585,862	\$ 56,281,090	9.2%

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

SUMMARY OF APPLICATION OF SETTLEMENT RATES TO CUSTOMER BILL ANALYSIS AND PRO FORMA ADJUSTMENTS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016 AND 2018

Rate Zone (1)	Residential (2)	Commercial (3)	Industrial (4)	Municipal (5)	Sales for Resale		Metered Total (8)	Flat Rate	
					Group A (6)	Group B (7)		Residential (9)	Commercial (10)
<u>Settlement Rate Application, Schedule 5</u>									
Zone 1	\$ 436,621,413	\$ 161,397,171	\$ 30,424,083	\$ 20,760,210	\$ 2,305,075	\$ 43,248	\$ 651,551,200	\$ 158,323	\$ -
Zone 40	330,689	60,350		2,206			393,244		
Zone 41	52,988						52,988		
Zone 46	13,462	-					13,462		
Zone 47	159,922	19,279					179,201		
Zone 50	59,778						59,778		
Zone 51	17,143						17,143		
Zone 52	49,627	7,356		215			57,198		
Total	\$ 437,305,022	\$ 161,484,156	\$ 30,424,083	\$ 20,762,631	\$ 2,305,075	\$ 43,248	\$ 652,324,215	\$ 158,323	\$ -
<u>Proforma Adjustments, Schedule 8</u>									
Zone 1	\$ (9,628,469)	\$ 1,122,958	\$ (596,434)	\$ (46,056)	\$ 117,929	\$ -			
Zone 40									
Zone 41									
Zone 46									
Zone 47									
Zone 49									
Zone 50									
Zone 51									
Zone 52									
Total	\$ (9,628,469)	\$ 1,122,958	\$ (596,434)	\$ (46,056)	\$ 117,929	\$ -	\$ -	\$ -	\$ -

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

SUMMARY OF REVENUE UNDER PRESENT RATES AND PRO FORMA REVENUES UNDER PRESENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification (1)	Adjusted Revenues, Per Books Present Rates 12/31/2016 (a)	Bill Analysis Revenues, Present Rates (Schedule 4) (3)	Adjustment Factor (4)=(2)/(3)	Revenues Under Present Rates (5)=(4)X(3)	Pro Forma Adjustments Present Rates (Schedule 4) (6)	Add Back Annualized DSIC Revenue (7)	Total Pro Forma Revenue Present Rates (8)=(5)+(6)+(7)
	(2)	(3)	(4)=(2)/(3)	(5)=(4)X(3)	(6)	(7)	(8)=(5)+(6)+(7)
METERED SALES							
Residential	\$ 373,711,454 (b)	\$ 374,234,579	0.99860215	\$ 373,711,455	\$ (9,813,115)	\$ 27,626,543	\$ 391,524,883
Commercial	135,391,505	135,615,532	0.99834808	135,391,506	468,024	10,191,924	146,051,454
Industrial	26,010,444	26,028,722	0.99929777	26,010,444	(540,753)	1,744,480	27,214,171
Municipal	18,503,471	18,594,751	0.99509107	18,503,471	(125,079)	1,378,379	19,756,771
Other Water Utilities - Group A	2,258,960	2,259,163	0.99991017	2,258,960	41,821	52,758	2,353,539
Other Water Utilities - Group B	38,877	39,314	0.98888462	38,877	-	-	38,877
Total Metered Sales	\$ 555,914,711	\$ 556,772,061	0.99846014	\$ 555,914,712	\$ (9,969,101)	\$ 40,994,084	\$ 586,939,695
UNMETERED SALES							
Residential	144,658	144,385	1.00188787	144,658	-	10,849	155,507
Commercial	-	-	1.00000000	-	-	-	-
Private Fire Protection	3,558,576	3,558,576 (c)	1.00000000	3,558,576	-	266,893	3,825,469
Public Fire Protection	8,465,136	8,465,136 (d)	1.00000000	8,465,136	-	-	8,465,136
Subtotal Unmetered Sales	12,168,369	12,168,097	-	12,168,369	-	277,742	12,446,111
Total Sales of Water	568,083,080	568,940,157	-	568,083,082	(9,969,101)	41,271,826	599,385,806
Other Operating Revenues	12,425,094	12,425,094	-	12,425,094	(506,129)	-	11,918,965
Total	\$ 580,508,174	\$ 581,365,251	-	\$ 580,508,176	\$ (10,475,230)	\$ 41,271,826	\$ 611,304,771

(a) Excludes DSIC and Unbilled Revenue.

(b) Does not include Unmetered Sales.

(c) See Schedule 6.

(d) See Schedule 7.

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS AND PRO FORMA ADJUSTMENTS
 FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016, 2017 AND 2018

Rate Zone (1)	Residential (2)	Commercial (3)	Industrial (4)	Municipal (5)	Sales for Resale		Metered Total (8)	Flat Rate	
					Group A (6)	Group B (7)		Residential (9)	Commercial (10)
<u>Present Rate Application, Schedule 5</u>									
Zone 1	\$ 373,755,691	\$ 135,559,364	\$ 26,028,722	\$ 18,592,557	\$ 2,259,163	\$ 39,314	\$ 556,234,811	\$ 144,385	
Zone 40	206,844	37,086		1,978			245,908		
Zone 41	43,634						43,634		
Zone 46	10,962	-					10,962		
Zone 47	121,105	14,447					135,552		
Zone 50	46,054						46,054		
Zone 51	14,028						14,028		
Zone 52	36,261	4,635		216			41,112		
Total	\$ 374,234,579	\$ 135,615,532	\$ 26,028,722	\$ 18,594,751	\$ 2,259,163	\$ 39,314	\$ 556,772,061	\$ 144,385	\$ -
<u>Proforma Adjustments - Schedule 8</u>									
Zone 1	\$ (9,813,115)	\$ 468,024	\$ (540,753)	\$ (125,079)	\$ 41,821	\$ -			
Zone 40									
Zone 41									
Zone 46									
Zone 47									
Zone 49									
Zone 50									
Zone 51									
Zone 52									
Total	\$ (9,813,115)	\$ 468,024	\$ (540,753)	\$ (125,079)	\$ 41,821	\$ -	\$ -	\$ -	\$ -

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge						
5/8	6,943,082	-	\$ 15.00	\$ 104,146,230	\$ 16.50	\$ 114,560,853
5/8, Low Income	185,887	-	3.00	557,661	2.48	461,000
3/4	9,740	-	22.70	221,098	25.00	243,500
1	46,904	-	37.80	1,772,971	41.60	1,951,206
1 1/2	663	-	61.70	40,907	67.90	45,018
2	1,249	-	98.70	123,276	108.60	135,641
4	142	-	231.10	32,816	254.30	36,111
6	106	-	346.00	36,676	380.60	40,344
8	22	-	669.90	14,738	736.90	16,212
Subtotal	7,187,795	-		106,946,373		117,489,884
First Block	-	261,219,226	1.0214	266,809,318	1.2217	319,131,529
Subtotal	-	261,219,226		266,809,318		319,131,529
Total Class - Metered	7,187,795	261,219,226		\$ 373,755,691		\$ 436,621,413
Flat Rate Customers	2,604		\$ 55.45	144,385	\$ 60.80	158,323
<u>Commercial - Monthly</u>						
Customer Charge						
5/8	345,916	-	\$ 15.00	\$ 5,188,740	\$ 16.50	\$ 5,707,614
3/4	21,592	-	22.70	490,138	25.00	539,800
1	79,806	-	37.80	3,016,667	41.60	3,319,930
1 1/2	15,228	-	61.70	939,568	67.90	1,033,981
2	42,907	-	98.70	4,234,921	108.60	4,659,700
3	1,279	-	184.10	235,464	202.60	259,125
4	16,583	-	231.20	3,833,990	254.30	4,217,057
6	15,153	-	346.00	5,242,938	380.60	5,767,232
8	5,162	-	669.90	3,458,024	736.90	3,803,878
10	633	-	970.20	614,137	1,067.20	675,538
Subtotal	544,259	-		27,254,587		29,983,855
First Block (First 160)	-	35,185,709	0.9911	34,872,557	1.2205	42,944,158
Second Block (Over 160)	-	96,628,596	0.7597	73,408,744	0.9153	88,444,154
Subtotal	-	131,814,305		108,281,301		131,388,312
Construction Usage		424,526	0.0553	23,476	0.0589	25,005
Total Class	544,259	132,238,831		\$ 135,559,364		\$ 161,397,171

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Industrial - Monthly</u>						
Customer Charge						
5/8	589	-	\$ 21.80	\$ 12,840	\$ 24.50	\$ 14,431
3/4	73	-	32.70	2,387	36.75	2,683
1	1,099	-	54.60	60,005	61.40	67,479
1 1/2	506	-	109.10	55,205	122.70	62,086
2	1,988	-	174.60	347,105	196.35	390,344
3	165	-	327.30	54,005	368.10	60,737
4	791	-	545.50	431,491	613.50	485,279
6	778	-	1,091.00	848,798	1,227.00	954,606
8	403	-	1,746.00	703,638	1,963.65	791,351
10	120	-	2,509.00	301,080	2,821.80	338,616
ConAgra Demand	12	-	122,680.00	1,472,160	126,391.00 (a)	1,516,692
Subtotal	6,524	-		4,288,714		4,684,304
First Block (First 160)	-	765,320	0.9898	757,514	1.1843	906,404
Second Block (Next 5,840)	-	9,161,793	0.7398	6,777,894	0.9010	8,254,775
Third Block (Over 6,000)	-	19,074,342	0.5866	11,189,009	0.7088	13,519,818
Fourth Block - Industrial Curtailment	-	4,198,290	0.3962	1,663,362	0.4328	1,817,020
US Steel	-	1,376,568	0.4573	629,505	0.4619 (a)	635,837
Hershey Commodity 1	-	1,925,613	0.2250	433,263	0.2307 (a)	444,208
Hershey Commodity 2	-	148,077	0.2284	33,821	0.2307 (a)	-
Hershey Commodity Penalty	-	-	-	98,603	-	-
ConAgra Commodity	-	3,079,154	0.0510	157,037	0.0525 (a)	161,717
Subtotal	-	39,729,157		21,740,008		25,739,779
<u>Total Class</u>	6,524	39,729,157		\$ 26,028,722		\$ 30,424,083
(a) Assumes a 1% increase over present rates.						
<u>Municipal - Monthly</u>						
Customer Charge						
5/8	10,192	-	\$ 15.00	\$ 152,880	\$ 16.50	\$ 168,168
3/4	688	-	22.70	15,618	25.00	17,200
1	5,682	-	37.80	214,780	41.60	236,371
1 1/2	1,018	-	61.70	62,811	67.90	69,122
2	7,515	-	98.70	741,731	108.60	816,129
3	358	-	184.10	65,908	202.60	72,531
4	1,572	-	231.20	363,446	254.30	399,760
6	2,255	-	346.00	780,230	380.60	858,253
8	564	-	669.90	377,824	736.90	415,612
10	72	-	970.20	69,854	1,067.20	76,838
Subtotal	29,916	-		2,845,082		3,129,984
First Block (First 160)	-	1,962,912	0.9911	1,945,443	1.4742	2,893,726
Second Block (Over 160)	-	16,928,777	0.8153	13,802,032	0.8705	14,736,501
Subtotal	-	18,891,690		15,747,475		17,630,226
<u>Total Class</u>	29,916.0	18,891,690		\$ 18,592,557		\$ 20,760,210

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Other Water Utilities Monthly - Group A</u>						
Customer Charge						
2	12		174.60	2,095	192.10	2,305
4	12		545.50	6,546	600.10	7,201
6	48		1091.00	52,368	1,200.00	57,600
8	36		1746.00	62,856	1,921.00	69,156
10	12		2509.00	30,108	2,760.00	33,120
Oakdale Demand 1	10		7,283.49	72,835	7,423.69 (a)	74,237
Oakdale Demand 2	2		7,350.19	14,700	7,423.69 (a)	14,847
Subtotal	132	-		241,508		258,466
First Block	-	744,944	0.6730	501,347	0.7219	537,775
WACMA Commodity 1	-	713,951	0.2330	166,351	0.2360 (a)	168,492
WACMA Commodity 2	-	3,617,369	0.2340	846,464	0.2360 (a)	853,699
Oakdale Commodity 1	-	245,600	0.0690	16,946	0.0710 (a)	17,438
Oakdale Commodity 2	-	52,510	0.0700	3,676	0.0710 (a)	3,728
Newtown Commodity 1	-	438,980	0.2673	117,339	0.2420 (a)	106,233
Newtown Commodity 2	-	469,520	0.2690	126,301	0.2420 (a)	113,624
Evans City Commodity 1	-	49,223	0.3010	14,816	0.3100 (a)	15,259
Evans City Commodity 2	-	743,097	0.3020	224,415	0.3100 (a)	230,360
Subtotal	-	7,075,194		\$ 2,017,655		\$ 2,046,609
Total Group A	132.0	7,075,194		\$ 2,259,163		\$ 2,305,075

(a) Assumes a 1% increase over present rates.

<u>Other Water Utilities Monthly - Group B</u>						
Customer Charge						
1	12	-	\$ 54.60	\$ 655	\$ 60.10	\$ 721
2	36	-	174.60	6,286	192.10	6,916
3	12	-	327.30	3,928	360.10	4,321
4	36	-	545.50	19,638	600.10	21,604
6	8	-	1,091.00	8,728	1,200.00	9,600
Subtotal	104	-		39,235		43,162
First Block	-	88	0.8979	79	0.9805	86
Subtotal	-	88		79		86
Total Group B	104	88		\$ 39,314		\$ 43,248
Total Other Water Utilities	236	7,075,282		\$ 2,298,477		\$ 2,348,323

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 40 - NITTANY

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Consumption (6)	Settlement Rate (7)	Settlement Revenue (8)
<u>Residential - Monthly</u>							
Customer Charge							
5/8	5,828	-	\$ 11.50	\$ 67,022	-	\$ 16.50	\$ 96,162
5/8, Low Income	51	-	2.50	128	-	2.48	126
3/4	-	-	20.80	-	-	25.00	-
1	36	-	34.60	1,246	-	41.60	1,498
1 1/2	-	-	56.50	-	-	67.90	-
2	-	-	108.60	-	-	108.60	-
Subtotal	5,915	-		68,396	-		97,786
First Block	-	258,781	0.5350	138,448	258,781	0.9000	232,903
Subtotal	-	258,781		138,448	258,781		232,903
Total	5,915	258,781		206,844	258,781		330,689
<u>Commercial - Monthly</u>							
Customer Charge							
5/8	436	-	11.50	5,014	-	16.50	7,194
3/4	-	-	20.80	-	-	25.00	-
1	48	-	34.60	1,661	-	41.60	1,997
Subtotal	484	-		6,675	-		9,191
First Block	-	56,843	0.5350	30,411	56,843	0.9000	51,159
Second Block	-	-	0.5350	-	-	0.9000	-
Subtotal	-	56,843		30,411	56,843		51,159
Total Class	484	56,843		37,086	56,843		60,350
<u>Municipal - Monthly</u>							
Customer Charge							
5/8	12	-	11.50	138	-	16.50	198
3/4	-	-	20.80	-	-	25.00	-
1	24	-	34.60	830	-	41.60	998
1 1/2	-	-	56.50	-	-	67.90	-
Subtotal	36	-		968	-		1,196
First Block	-	1,887	0.5350	1,010	1,887	0.9000	1,010
Second Block	-	-	0.5350	-	-	0.9000	-
Subtotal	-	1,887		1,010	1,887		1,010
Total	36	1,887		1,978	1,887		2,206
Total Rate Zone	6,435	317,511		\$ 245,908	317,511		\$ 393,244

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 41 - SUTTON HILLS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge						
5/8	924	-	\$ 15.00	\$ 13,860	\$ 16.50	\$ 15,246
5/8, Low Income		-	3.00	-	2.48	-
Subtotal	<u>924</u>	<u>-</u>		<u>13,860</u>		<u>15,246</u>
All Usage	<u>-</u>	<u>41,935</u>	0.7100	<u>29,774</u>	0.9000	<u>37,742</u>
Subtotal	<u>-</u>	<u>41,935</u>		<u>29,774</u>		<u>37,742</u>
Total	924	41,935		\$ 43,634		\$ 52,988

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 46 - ALL SEASONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO PRO FORMA ADJUSTMENTS
YEAR ENDED DECEMBER 31, 2016

<u>Rate Block</u> <u>100 Gallons</u> (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Total</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Rate</u> (6)	<u>Settlement</u> <u>Revenue</u> (7)
<u>Residential - Monthly</u>						
Customer Charge	453		13.75	6,229	16.50	7,475
	12		2.75	33	2.48	30
Subtotal	<u>465</u>	-		<u>6,262</u>		<u>7,504</u>
All Usage	-	<u>6,620</u>	0.7100	<u>4,700</u>	0.900	<u>5,958</u>
Subtotal	<u>-</u>	<u>6,620</u>		<u>4,700</u>		<u>5,958</u>
Total	465	6,620		10,962		13,462

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 47 - BALSINGER

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

<u>Rate Block</u> <u>100 Gallons</u> (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Present</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Consumption</u> (6)	<u>Settlement</u> <u>Rate</u> (7)	<u>Settlement</u> <u>Revenue</u> (8)
<u>Residential - Monthly</u>							
Customer Charge							
5/8	2,993	-	\$ 15.00	\$ 44,895	-	\$ 16.50	\$ 49,385
5/8, Low Income	48	-	3.00	144	-	2.48	119
Subtotal	<u>3,041</u>	<u>-</u>		<u>45,039</u>	<u>-</u>		<u>49,504</u>
First Block	-	122,687	0.6200	76,066	122,687	0.9000	110,418
Second Block	-	-	0.5000	-	-	0.9000	-
Subtotal	<u>-</u>	<u>122,687</u>		<u>76,066</u>	<u>122,687</u>		<u>110,418</u>
Total	3,041	122,687		121,105	122,687		159,922
<u>Commercial - Monthly</u>							
Customer Charge							
5/8	321	-	15.00	4,815	-	16.50	5,297
Subtotal	<u>321</u>	<u>-</u>		<u>4,815</u>	<u>-</u>		<u>5,297</u>
First Block	-	15,536	0.6200	9,632	15,536	0.9000	13,982
Second Block	-	-	0.5000	-	-	0.9000	-
Subtotal	<u>-</u>	<u>15,536</u>		<u>9,632</u>	<u>15,536</u>		<u>13,982</u>
Total Class	321	15,536		14,447	15,536		19,279
Total Rate Zone	3,362	138,223		\$ 135,552	138,223		\$ 179,201

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 50 - ACQUISITIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

<u>Rate Block</u> <u>100 Gallons</u> (1)	<u>Number</u> <u>Of Bills</u> (2)	<u>Present</u> <u>Consumption</u> (3)	<u>Present</u> <u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Settlement</u> <u>Rate</u> (7)	<u>Settlement</u> <u>Revenue</u> (8)
<u>Residential - Monthly</u>						
Customer Charge						
5/8	1,036	-	13.75	14,245	16.50	17,094
5/8, Low Income	13	-	2.75	36	2.48	32
3/4	-	-	20.80	-	25.00	-
1	-	-	34.60	-	41.60	-
1 1/2	-	-	56.50	-	67.90	-
2	-	-	90.40	-	108.60	-
Subtotal	<u>1,049</u>	<u>-</u>		<u>14,281</u>		<u>17,126</u>
All Usage	-	<u>34,912</u>	0.9101	<u>31,773</u>	1.2217	<u>42,652</u>
Subtotal	<u>-</u>	<u>34,912</u>		<u>31,773</u>		<u>42,652</u>
Total	1,049	34,912		46,054		59,778
Total Rate Zone	1,049	34,912		46,054		59,778

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 51 - BERRY HOLLOW

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (7)	Settlement Revenue (8)
<u>Residential - Monthly</u>						
Customer Charge						
5/8	320	-	\$ 18.20	\$ 5,824	\$ 16.50	\$ 5,280
5/8, Low Income	12	-	3.64	44	2.48	30
Subtotal	332	-		5,868		5,310
First 3,300 gallons	-	9,033	0.6550	5,917	0.9000	8,130
Next 1,700 gallons	-	1,838	0.6010	1,105	0.9000	1,654
Next 1,700 gallons	-	1,003	0.5370	539	0.9000	903
Over 6,700 gallons	-	1,274	0.4700	599	0.9000	1,147
Subtotal	-	13,148		8,160		11,833
Total Rate Zone	332	13,148		\$ 14,028		\$ 17,143

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 52 - MCEWENSVILLE

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2016

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Consumption (6)	Settlement Rate (7)	Settlement Revenue (8)
<u>Residential - Monthly</u>							
Minimum Charge/Customer Charge 5/8, Low Income	1,527	34,238	\$ 18.00	\$ 27,486	-	\$ 16.50	\$ 25,196
	-	-	18.00	-	-	2.48	-
Subtotal	1,527	34,238		27,486	-		25,196
All Usage	-	14,625	0.6000	8,775	48,863	0.5000	24,432
Subtotal	-	14,625		8,775	48,863		24,432
Total	1,527	48,863		36,261	48,863		49,627
<u>Commercial - Monthly</u>							
Minimum Charge/Customer Charge	225	6,312	\$ 18.00	4,050	-	\$ 16.50	3,713
Subtotal	225	6,312		4,050	-		3,713
First Block	-	975	0.6000	585	7,287	0.5000	3,644
Second Block	-	-	0.6000	-	-	0.5000	-
Subtotal	-	975		585	7,287		3,644
Total Class	225	7,287		4,635	7,287		7,356
<u>Municipal - Monthly</u>							
Minimum Charge/Customer Charge	12	34	\$ 18.00	216	-	\$ 16.50	198
Subtotal	12	34		216	-		198
First Block	-	-	0.6000	-	34	0.5000	17
Second Block	-	-	0.6000	-	-	0.5000	-
Subtotal	-	-		-	34		17
Total	12	34		216	34		215
Total Rate Zone	1,764.00	56,184.00		\$ 41,112	56,184		\$ 57,198

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

APPLICATION OF PRESENT AND SETTLEMENT RATES TO PRIVATE FIRE CONNECTIONS AS OF 12-31-2018

Rate Zone, Connection Size (1)	Number (2)	Present Rates		Number (5)	Settlement Rates	
		Rate (3)	Revenue (4)		Rate (6)	Revenue (7)
Zone 1						
1" or 1 1/4"	2	\$ 44.28	\$ 89	2	\$ 52.92	\$ 106
1 1/2"	4	63.84	255	4	76.20	305
2"	47	113.40	5,330	47	135.48	6,368
3"	15	257.88	3,868	15	308.04	4,621
4"	319	453.96	144,813	319	542.28	172,987
6"	1,195	1,031.52	1,232,666	1,195	1,232.16	1,472,431
8"	611	1,836.12	1,121,869	611	2,193.24	1,340,070
10"	52	2,867.64	149,117	52	3,425.40	178,121
12"	19	4,126.08	78,396	19	4,928.64	93,644
1" Metered	14	362.52	5,075	14	433.08	6,063
1-1/2" Metered	3	517.92	1,554	3	618.60	1,856
2" Metered	5	828.72	4,144	5	989.88	4,949
3" Metered	11	1,553.76	17,091	11	1,855.92	20,415
4" Metered	34	1,942.20	66,035	34	2,319.96	78,879
6" Metered	55	2,913.36	160,235	55	3,480.00	191,400
8" Metered	11	4,467.12	49,138	11	5,335.92	58,695
10" Metered	7	6,279.84	43,959	7	7,501.32	52,509
Hydrants	1,440	322.44	464,314	1,440	322.44	464,314
Sprinkler first 200	7	540.48	3,783	7	645.60	4,519
Sprinkler over 200	1,835	1.44	2,642	1,835	1.68	3,083
Standpipes	10	420.24	4,202	10	501.96	5,020
Total Private Fire	5,696		3,558,576	5,696		4,160,354

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS

APPLICATION OF PRESENT AND SETTLEMENT RATES TO
THE NUMBER OF PUBLIC FIRE HYDRANTS AS OF DECEMBER 31, 2018

Service Area (1)	Proforma Number of Hydrants (2)	Present Annual Rate (3)	Pro Forma Present Revenue (4)	Settlement Annual Rate (5)	Pro Forma Settlement Revenue (6)
Rate Zone 1	26,004	\$ 240.00	\$ 6,240,960	\$ 240.00	\$ 6,240,960
Hydrants at 1/4 the Cost of Service	8,880	181.20	1,609,056	205.32	1,823,242
Bradford Township	46	75.00	3,450	75.00	3,450
Brownsville Area	233	210.60	49,070	210.60	49,070
California Area	75	216.60	16,245	216.60	16,245
Reading Area	2,503	218.28	546,355	218.28	546,355
 Total	 37,741		 \$ 8,465,136		 \$ 8,679,321

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO PROFORMA ADJUSTMENTS
YEAR ENDED DECEMBER 31, 2016, 2017 AND 2018

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year/Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge						
5/8	64,824	-	\$ 15.00	\$ 972,360	\$ 16.50	\$ 1,069,596
5/8, Low Income		-	5.25	-	2.48	-
3/4	96	-	22.70	2,179	25.00	2,400
1	432	-	37.80	16,330	41.60	17,971
1 1/2		-	61.70	-	67.90	-
2		-	98.70	-	108.60	-
4		-	231.10	-	254.30	-
Subtotal	65,352	-		990,869		1,089,967
All Usage - Test Year	-	689,492	1.0214	704,247	1.2217	842,352
All Usage - Test Year adjusted for Present Rate	-	261,908,718	-0.0073	(1,911,934)	0.0000	-
All Usage - 2017, 2018	-	(9,462,870)	1.0141	(9,596,297)	1.2217	(11,560,788)
Subtotal	-	253,135,339		(10,803,984)		(10,718,437)
Total Metered	65,352	253,135,339		(9,813,115)		(9,628,469)
Flat Rate	-		55.45	-	60.80	-
<u>Commercial - Monthly</u>						
Customer Charge						
5/8	(948)	-	15.00	(14,220)	16.50	(15,642)
3/4	(72)	-	22.70	(1,634)	25.00	(1,800)
1	(204)	-	37.80	(7,711)	41.60	(8,486)
1 1/2	(36)	-	61.70	(2,221)	67.90	(2,444)
2	(108)	-	98.70	(10,660)	108.60	(11,729)
3	-	-	184.10	-	202.60	-
4	-	-	231.20	-	254.30	-
6	12	-	346.00	4,152	380.60	4,567
8	-	-	669.90	-	736.90	-
10	-	-	970.20	-	1,067.20	-
Subtotal	(1,356)	-		(32,294)		(35,534)
Test Year First Block (First 160)	-	(163,520)	0.9911	(162,065)	1.2205	(199,576)
Test Year Second Block (Over 160)	-	1,527,508	0.7597	1,160,448	0.9153	1,398,128
Test Year Adj Present Rates (First 160)		35,022,189	(0.0035)	(122,578)	-	-
Test Year Adj Present Rates (Over 160)		98,156,104	(0.0035)	(343,546)	-	-
Present Rate First Block (First 160)		(55,680)	0.9876	(54,990)	1.2205	(67,957)
Present Rate Second Block (Over 160)		30,480	0.7562	23,049	0.9153	27,898
Subtotal	-	1,338,788		500,318		1,158,493
Total Class	(1,356)	1,338,788		468,024		1,122,958

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO PROFORMA ADJUSTMENTS
YEAR ENDED DECEMBER 31, 2016, 2017 AND 2018

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year/Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Industrial - Monthly</u>						
Customer Charge						
5/8		-	21.80	-	24.50	-
3/4		-	32.70	-	36.75	-
1		-	54.60	-	61.40	-
1 1/2		-	109.10	-	122.70	-
2		-	174.60	-	196.35	-
6		-	1,091.00	-	1,227.00	-
8		-	1,746.00	-	1,963.65	-
10		-	2,509.00	-	2,821.80	-
ConAgra Demand	12	-	2,460.00 (a)	29,520	-	-
Subtotal	12	-		29,520		-
First Block (First 160)	-	-	0.9898	-	1.1843	-
Second Block (Next 5,840)	-	(13,851)	0.7398	(10,247)	0.9010	(12,480)
Third Block (Over 6,000)	-	(930,068)	0.5866	(545,578)	0.7088	(659,228)
Hershey Commodity Change	-	1,925,613	0.0034 (b)	6,547	-	-
Hershey Commodity Addit. Usage	-	326,310	0.2284	74,529	0.2307	75,275
Hershey Penalty - DIS Contract	-	-	(98,602.77)	(98,603)	-	-
ConAgra Commodity	-	3,079,154	0.0010 (a)	3,079	-	-
Subtotal	-	4,387,158		(570,273)		(596,434)
Total	12	4,387,158		(540,753)		(596,434)

(a) Equal to the increase in ConAgra Demand and Commodity charges as of 12/8/2016

(b) Equal to the increase in the Hershey Commodity Charge as of 11/7/2016

<u>Municipal - Monthly</u>						
Customer Charge						
5/8	-	-	15.00	-	16.50	-
3/4	-	-	22.70	-	25.00	-
1	-	-	37.80	-	41.60	-
1 1/2	-	-	61.70	-	67.90	-
2	24	-	98.70	2,369	108.60	2,606
3	-	-	184.10	-	202.60	-
4	-	-	231.20	-	254.30	-
6	-	-	346.00	-	380.60	-
8	-	-	669.90	-	736.90	-
10	-	-	970.20	-	1,067.20	-
Subtotal	24	-		2,369		2,606
First Block (First 160)	-	-	0.9911	-	1.4742	-
Second Block (Over 160)	-	(55,901)	0.8153	(45,576)	0.8705	(48,662)
Test Year Adj Present Rates (First 160)	-	1,962,912	(0.0054)	(10,600)	-	-
Test Year Adj Present Rates (Over 160)	-	16,872,876	(0.0054)	(91,114)	-	-
First Block (First 160)	-	3,840	0.9857	3,785	1.4742	5,661
Second Block (Over 160)	-	19,826	0.8099	16,057	0.8705	17,259
Subtotal	-	18,803,554		(127,448)		(48,662)
Total	24	18,803,554		(125,079)		(46,056)

PENNSYLVANIA-AMERICAN WATER COMPANY - WATER OPERATIONS
ZONE 1 -PAWC

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO PROFORMA ADJUSTMENTS
YEAR ENDED DECEMBER 31, 2016, 2017 AND 2018

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Test Year/Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Other Water Utilities Monthly - Group A</u>						
Customer Charge						
6	-		1,091.00	-	1,200.0	-
Oakdale Demand	10		66.70 (c)	667	-	-
Subtotal	10	-		667		-
First Block	-	16,202	0.6730	10,904	0.7219	11,696
Farmington Commodity Adjustment				(1,454)		
Newtown-Artesian Commodity	-	438,980	0.0017 (d)	746	0.2420	106,233
Oakdale Commodity	-	245,600	0.0010 (c)	246	-	-
Evans City Commodity	-	49,223	0.0060 (e)	295	-	-
Evans City Commodity 2	-	743,097	0.0050 (e)	3,715	-	-
WACMA Commodity Rate	-	713,951	0.0070 (f)	4,998	-	-
WACMA Commodity Rate 2	-	3,617,369	0.0060 (f)	21,704	-	-
Subtotal	-	5,824,422		41,154		117,929
Total	10	5,824,422		41,821		117,929
<p>(c) Equal to the increase in Oakdale Demand and Commodity rates as of 10/24/2016 (d) Equal to the increase in Newtown-Artesian Commodity as of 7/1/2016. (e) Equal to the increases in Evans City commodity rate on 1/1/2017. (f) Equal to the increases in WACMA commodity rate on 2/11/2016 and 2/11/2017.</p>						
Total Other Water Utilities	10	5,824,422		\$ 41,821		\$ 117,929

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 1 - PAWC

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$16.11	\$16.50	\$0.40	2.45%
1,000	\$27.00	\$28.72	\$1.72	6.37%
2,000	\$37.88	\$40.93	\$3.06	8.07%
3,000	\$48.77	\$53.15	\$4.38	8.98%
3,000	\$48.77	\$53.15	\$4.38	8.98%
3,630 *	\$55.63	\$60.85	\$5.22	9.38%
4,000	\$59.66	\$65.37	\$5.71	9.57%
5,000	\$70.54	\$77.59	\$7.04	9.98%
6,000	\$81.43	\$89.80	\$8.37	10.28%
7,000	\$92.33	\$102.02	\$9.69	10.50%
8,000	\$103.22	\$114.24	\$11.02	10.67%
9,000	\$114.10	\$126.45	\$12.35	10.83%
10,000	\$124.99	\$138.67	\$13.68	10.94%
11,000	\$135.88	\$150.89	\$15.00	11.04%
12,000	\$146.76	\$163.10	\$16.34	11.13%
13,000	\$157.66	\$175.32	\$17.67	11.21%
14,000	\$168.55	\$187.54	\$18.99	11.27%
15,000	\$179.43	\$199.76	\$20.33	11.33%
16,000	\$190.32	\$211.97	\$21.65	11.38%
17,000	\$201.21	\$224.19	\$22.98	11.42%
18,000	\$212.09	\$236.41	\$24.31	11.46%
19,000	\$222.98	\$248.62	\$25.64	11.50%
20,000	\$233.88	\$260.84	\$26.96	11.53%
25,000	\$288.31	\$321.93	\$33.61	11.66%
30,000	\$342.76	\$383.01	\$40.25	11.74%
35,000	\$397.20	\$444.10	\$46.89	11.81%
40,000	\$451.64	\$505.18	\$53.54	11.86%
45,000	\$506.09	\$566.27	\$60.18	11.89%
50,000	\$560.52	\$627.35	\$66.83	11.92%
60,000	\$669.41	\$749.52	\$80.11	11.97%
70,000	\$778.30	\$871.69	\$93.39	12.00%
80,000	\$887.18	\$993.86	\$106.68	12.02%
90,000	\$996.06	\$1,116.03	\$119.97	12.04%
100,000	\$1,104.94	\$1,238.20	\$133.26	12.06%
110,000	\$1,213.83	\$1,360.37	\$146.54	12.07%
120,000	\$1,322.71	\$1,482.54	\$159.83	12.08%
130,000	\$1,431.60	\$1,604.71	\$173.11	12.09%
140,000	\$1,540.48	\$1,726.88	\$186.40	12.10%
150,000	\$1,649.36	\$1,849.05	\$199.69	12.11%
160,000	\$1,758.25	\$1,971.22	\$212.97	12.11%
170,000	\$1,867.13	\$2,093.39	\$226.26	12.12%
180,000	\$1,976.02	\$2,215.56	\$239.54	12.12%

* Average monthly bill.

** Present rates include 7.50% DSIC and -.13% STAS

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 40 - NITTANY

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$12.35	\$16.50	\$4.15	33.63%
1,000	\$18.09	\$25.50	\$7.41	40.95%
2,000	\$23.84	\$34.50	\$10.66	44.74%
3,000	\$29.58	\$43.50	\$13.92	47.06%
3,630 *	\$33.20	\$49.17	\$15.97	48.11%
4,000	\$35.32	\$52.50	\$17.18	48.62%
5,000	\$41.07	\$61.50	\$20.43	49.75%
6,000	\$46.81	\$70.50	\$23.69	50.60%
7,000	\$52.56	\$79.50	\$26.94	51.26%
8,000	\$58.30	\$88.50	\$30.20	51.80%
9,000	\$64.05	\$97.50	\$33.45	52.23%
10,000	\$69.79	\$106.50	\$36.71	52.60%
11,000	\$75.53	\$115.50	\$39.97	52.91%
12,000	\$81.28	\$124.50	\$43.22	53.18%
13,000	\$87.02	\$133.50	\$46.48	53.41%
14,000	\$92.77	\$142.50	\$49.73	53.61%
15,000	\$98.51	\$151.50	\$52.99	53.79%
16,000	\$104.26	\$160.50	\$56.24	53.95%
17,000	\$110.00	\$169.50	\$59.50	54.09%
18,000	\$115.74	\$178.50	\$62.76	54.22%
19,000	\$121.49	\$187.50	\$66.01	54.33%
20,000	\$127.23	\$196.50	\$69.27	54.44%
25,000	\$155.95	\$241.50	\$85.55	54.85%
30,000	\$184.68	\$286.50	\$101.82	55.14%
35,000	\$213.40	\$331.50	\$118.10	55.34%
40,000	\$242.12	\$376.50	\$134.38	55.50%
45,000	\$270.84	\$421.50	\$150.66	55.63%
50,000	\$299.56	\$466.50	\$166.94	55.73%
60,000	\$357.01	\$556.50	\$199.49	55.88%
70,000	\$414.45	\$646.50	\$232.05	55.99%
80,000	\$471.89	\$736.50	\$264.61	56.07%
90,000	\$529.33	\$826.50	\$297.17	56.14%
100,000	\$586.78	\$916.50	\$329.72	56.19%
110,000	\$644.22	\$1,006.50	\$362.28	56.24%
120,000	\$701.66	\$1,096.50	\$394.84	56.27%
130,000	\$759.11	\$1,186.50	\$427.39	56.30%
140,000	\$816.55	\$1,276.50	\$459.95	56.33%
150,000	\$873.99	\$1,366.50	\$492.51	56.35%
160,000	\$931.43	\$1,456.50	\$525.07	56.37%
170,000	\$988.88	\$1,546.50	\$557.62	56.39%
180,000	\$1,046.32	\$1,636.50	\$590.18	56.41%

* Average monthly bill.

** Present rates include 7.50% DSIC and -.13% STAS

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 41 - SUTTON HILLS

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$16.11	\$16.50	\$0.39	2.45%
1,000	\$23.73	\$25.50	\$1.77	7.46%
2,000	\$31.35	\$34.50	\$3.15	10.04%
3,000	\$38.98	\$43.50	\$4.52	11.61%
3,630 *	\$43.77	\$49.17	\$5.40	12.33%
4,000	\$46.60	\$52.50	\$5.90	12.66%
5,000	\$54.22	\$61.50	\$7.28	13.42%
6,000	\$61.85	\$70.50	\$8.65	13.99%
7,000	\$69.47	\$79.50	\$10.03	14.44%
8,000	\$77.09	\$88.50	\$11.41	14.80%
9,000	\$84.71	\$97.50	\$12.79	15.09%
10,000	\$92.34	\$106.50	\$14.16	15.34%
11,000	\$99.96	\$115.50	\$15.54	15.54%
12,000	\$107.58	\$124.50	\$16.92	15.72%
13,000	\$115.21	\$133.50	\$18.29	15.88%
14,000	\$122.83	\$142.50	\$19.67	16.01%
15,000	\$130.45	\$151.50	\$21.05	16.13%
16,000	\$138.08	\$160.50	\$22.42	16.24%
17,000	\$145.70	\$169.50	\$23.80	16.33%
18,000	\$153.32	\$178.50	\$25.18	16.42%
19,000	\$160.95	\$187.50	\$26.55	16.50%
20,000	\$168.57	\$196.50	\$27.93	16.57%
25,000	\$206.69	\$241.50	\$34.81	16.84%
30,000	\$244.80	\$286.50	\$41.70	17.03%
35,000	\$282.92	\$331.50	\$48.58	17.17%
40,000	\$321.04	\$376.50	\$55.46	17.28%
45,000	\$359.15	\$421.50	\$62.35	17.36%
50,000	\$397.27	\$466.50	\$69.23	17.43%
60,000	\$473.50	\$556.50	\$83.00	17.53%
70,000	\$549.73	\$646.50	\$96.77	17.60%
80,000	\$625.97	\$736.50	\$110.53	17.66%
90,000	\$702.20	\$826.50	\$124.30	17.70%
100,000	\$778.43	\$916.50	\$138.07	17.74%
110,000	\$854.67	\$1,006.50	\$151.83	17.77%
120,000	\$930.90	\$1,096.50	\$165.60	17.79%
130,000	\$1,007.13	\$1,186.50	\$179.37	17.81%
140,000	\$1,083.36	\$1,276.50	\$193.14	17.83%
150,000	\$1,159.60	\$1,366.50	\$206.90	17.84%
160,000	\$1,235.83	\$1,456.50	\$220.67	17.86%
170,000	\$1,312.06	\$1,546.50	\$234.44	17.87%
180,000	\$1,388.29	\$1,636.50	\$248.21	17.88%

* Average monthly bill.

** Present rates include 7.50% DSIC and -.13% STAS

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 46 - ALL SEASONS

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$14.76	\$16.50	\$1.74	11.79%
1,000	\$22.39	\$25.50	\$3.11	13.89%
2,000	\$30.01	\$34.50	\$4.49	14.96%
3,000	\$37.63	\$43.50	\$5.87	15.60%
3,630 *	\$42.43	\$49.17	\$6.74	15.88%
4,000	\$45.26	\$52.50	\$7.24	16.00%
5,000	\$52.88	\$61.50	\$8.62	16.30%
6,000	\$60.50	\$70.50	\$10.00	16.53%
7,000	\$68.13	\$79.50	\$11.37	16.69%
8,000	\$75.75	\$88.50	\$12.75	16.83%
9,000	\$83.37	\$97.50	\$14.13	16.95%
10,000	\$91.00	\$106.50	\$15.50	17.03%
11,000	\$98.62	\$115.50	\$16.88	17.12%
12,000	\$106.24	\$124.50	\$18.26	17.19%
13,000	\$113.87	\$133.50	\$19.63	17.24%
14,000	\$121.49	\$142.50	\$21.01	17.29%
15,000	\$129.11	\$151.50	\$22.39	17.34%
16,000	\$136.74	\$160.50	\$23.76	17.38%
17,000	\$144.36	\$169.50	\$25.14	17.41%
18,000	\$151.98	\$178.50	\$26.52	17.45%
19,000	\$159.61	\$187.50	\$27.89	17.47%
20,000	\$167.23	\$196.50	\$29.27	17.50%
25,000	\$205.35	\$241.50	\$36.15	17.60%
30,000	\$243.46	\$286.50	\$43.04	17.68%
35,000	\$281.58	\$331.50	\$49.92	17.73%
40,000	\$319.69	\$376.50	\$56.81	17.77%
45,000	\$357.81	\$421.50	\$63.69	17.80%
50,000	\$395.93	\$466.50	\$70.57	17.82%
60,000	\$472.16	\$556.50	\$84.34	17.86%
70,000	\$548.39	\$646.50	\$98.11	17.89%
80,000	\$624.62	\$736.50	\$111.88	17.91%
90,000	\$700.86	\$826.50	\$125.64	17.93%
100,000	\$777.09	\$916.50	\$139.41	17.94%
110,000	\$853.32	\$1,006.50	\$153.18	17.95%
120,000	\$929.56	\$1,096.50	\$166.94	17.96%
130,000	\$1,005.79	\$1,186.50	\$180.71	17.97%
140,000	\$1,082.02	\$1,276.50	\$194.48	17.97%
150,000	\$1,158.25	\$1,366.50	\$208.25	17.98%
160,000	\$1,234.49	\$1,456.50	\$222.01	17.98%
170,000	\$1,310.72	\$1,546.50	\$235.78	17.99%
180,000	\$1,386.95	\$1,636.50	\$249.55	17.99%

* Average monthly bill.

** Present rates include 7.50% DSIC and -.13% STAS

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 47 - BALSINGER

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$16.11	\$16.50	\$0.39	2.42%
1,000	\$22.76	\$25.50	\$2.74	12.04%
2,000	\$29.42	\$34.50	\$5.08	17.27%
3,000	\$36.08	\$43.50	\$7.42	20.57%
3,630 *	\$40.27	\$49.17	\$8.90	22.10%
4,000	\$42.73	\$52.50	\$9.77	22.86%
5,000	\$49.39	\$61.50	\$12.11	24.52%
6,000	\$56.05	\$70.50	\$14.45	25.78%
7,000	\$62.70	\$79.50	\$16.80	26.79%
8,000	\$69.36	\$88.50	\$19.14	27.60%
9,000	\$76.02	\$97.50	\$21.48	28.26%
10,000	\$82.67	\$106.50	\$23.83	28.83%
11,000	\$89.33	\$115.50	\$26.17	29.30%
12,000	\$95.99	\$124.50	\$28.51	29.70%
13,000	\$102.65	\$133.50	\$30.85	30.05%
14,000	\$109.30	\$142.50	\$33.20	30.38%
15,000	\$115.96	\$151.50	\$35.54	30.65%
16,000	\$122.62	\$160.50	\$37.88	30.89%
17,000	\$129.27	\$169.50	\$40.23	31.12%
18,000	\$135.93	\$178.50	\$42.57	31.32%
19,000	\$142.59	\$187.50	\$44.91	31.50%
20,000	\$149.24	\$196.50	\$47.26	31.67%
25,000	\$182.53	\$241.50	\$58.97	32.31%
30,000	\$215.81	\$286.50	\$70.69	32.76%
35,000	\$249.10	\$331.50	\$82.40	33.08%
40,000	\$282.38	\$376.50	\$94.12	33.33%
45,000	\$315.67	\$421.50	\$105.83	33.53%
50,000	\$348.95	\$466.50	\$117.55	33.69%
60,000	\$415.52	\$556.50	\$140.98	33.93%
70,000	\$482.09	\$646.50	\$164.41	34.10%
80,000	\$548.66	\$736.50	\$187.84	34.24%
90,000	\$615.23	\$826.50	\$211.27	34.34%
100,000	\$681.80	\$916.50	\$234.70	34.42%
110,000	\$748.37	\$1,006.50	\$258.13	34.49%
120,000	\$814.94	\$1,096.50	\$281.56	34.55%
130,000	\$881.51	\$1,186.50	\$304.99	34.60%
140,000	\$948.08	\$1,276.50	\$328.42	34.64%
150,000	\$1,014.65	\$1,366.50	\$351.85	34.68%
160,000	\$1,081.22	\$1,456.50	\$375.28	34.71%
170,000	\$1,147.79	\$1,546.50	\$398.71	34.74%
180,000	\$1,214.35	\$1,636.50	\$422.15	34.76%

* Average monthly bill.

** Present rates include 7.50% DSIC and -.13% STAS

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 50 - ACQUISITIONS

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$14.76	\$16.50	\$1.74	11.79%
1,000	\$24.54	\$28.72	\$4.18	17.03%
2,000	\$34.31	\$40.93	\$6.62	19.29%
3,000	\$44.08	\$53.15	\$9.07	20.58%
3,630 *	\$50.24	\$60.85	\$10.61	21.12%
4,000	\$53.85	\$65.37	\$11.52	21.39%
5,000	\$63.62	\$77.59	\$13.97	21.96%
6,000	\$73.39	\$89.80	\$16.41	22.36%
7,000	\$83.17	\$102.02	\$18.85	22.66%
8,000	\$92.94	\$114.24	\$21.30	22.92%
9,000	\$102.71	\$126.45	\$23.74	23.11%
10,000	\$112.48	\$138.67	\$26.19	23.28%
11,000	\$122.25	\$150.89	\$28.64	23.43%
12,000	\$132.02	\$163.10	\$31.08	23.54%
13,000	\$141.80	\$175.32	\$33.52	23.64%
14,000	\$151.57	\$187.54	\$35.97	23.73%
15,000	\$161.34	\$199.76	\$38.42	23.81%
16,000	\$171.11	\$211.97	\$40.86	23.88%
17,000	\$180.88	\$224.19	\$43.31	23.94%
18,000	\$190.65	\$236.41	\$45.76	24.00%
19,000	\$200.43	\$248.62	\$48.19	24.04%
20,000	\$210.20	\$260.84	\$50.64	24.09%
25,000	\$259.06	\$321.93	\$62.87	24.27%
30,000	\$307.92	\$383.01	\$75.09	24.39%
35,000	\$356.77	\$444.10	\$87.33	24.48%
40,000	\$405.63	\$505.18	\$99.55	24.54%
45,000	\$454.49	\$566.27	\$111.78	24.59%
50,000	\$503.35	\$627.35	\$124.00	24.63%
60,000	\$601.07	\$749.52	\$148.45	24.70%
70,000	\$698.79	\$871.69	\$172.90	24.74%
80,000	\$796.50	\$993.86	\$197.36	24.78%
90,000	\$894.22	\$1,116.03	\$221.81	24.80%
100,000	\$991.94	\$1,238.20	\$246.26	24.83%
110,000	\$1,089.66	\$1,360.37	\$270.71	24.84%
120,000	\$1,187.37	\$1,482.54	\$295.17	24.86%
130,000	\$1,285.09	\$1,604.71	\$319.62	24.87%
140,000	\$1,382.81	\$1,726.88	\$344.07	24.88%
150,000	\$1,480.52	\$1,849.05	\$368.53	24.89%
160,000	\$1,578.24	\$1,971.22	\$392.98	24.90%
170,000	\$1,675.96	\$2,093.39	\$417.43	24.91%
180,000	\$1,773.68	\$2,215.56	\$441.88	24.91%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 51 - BERRY HOLLOW

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$18.20	\$16.50	-\$1.70	-9.34%
1,000	\$24.75	\$25.50	\$0.75	3.03%
2,000	\$31.30	\$34.50	\$3.20	10.22%
3,000	\$37.85	\$43.50	\$5.65	14.93%
3,630 *	\$41.80	\$49.17	\$7.37	17.63%
4,000	\$44.02	\$52.50	\$8.48	19.26%
5,000	\$50.03	\$61.50	\$11.47	22.93%
6,000	\$55.40	\$70.50	\$15.10	27.26%
7,000	\$60.57	\$79.50	\$18.93	31.25%
8,000	\$65.27	\$88.50	\$23.23	35.59%
9,000	\$69.97	\$97.50	\$27.53	39.35%
10,000	\$74.67	\$106.50	\$31.83	42.63%
11,000	\$79.37	\$115.50	\$36.13	45.52%
12,000	\$84.07	\$124.50	\$40.43	48.09%
13,000	\$88.77	\$133.50	\$44.73	50.39%
14,000	\$93.47	\$142.50	\$49.03	52.46%
15,000	\$98.17	\$151.50	\$53.33	54.32%
16,000	\$102.87	\$160.50	\$57.63	56.02%
17,000	\$107.57	\$169.50	\$61.93	57.57%
18,000	\$112.27	\$178.50	\$66.23	58.99%
19,000	\$116.97	\$187.50	\$70.53	60.30%
20,000	\$121.67	\$196.50	\$74.83	61.50%
25,000	\$145.17	\$241.50	\$96.33	66.36%
30,000	\$168.67	\$286.50	\$117.83	69.86%
35,000	\$192.17	\$331.50	\$139.33	72.50%
40,000	\$215.67	\$376.50	\$160.83	74.57%
45,000	\$239.17	\$421.50	\$182.33	76.23%
50,000	\$262.67	\$466.50	\$203.83	77.60%
60,000	\$309.67	\$556.50	\$246.83	79.71%
70,000	\$356.67	\$646.50	\$289.83	81.26%
80,000	\$403.67	\$736.50	\$332.83	82.45%
90,000	\$450.67	\$826.50	\$375.83	83.39%
100,000	\$497.67	\$916.50	\$418.83	84.16%
110,000	\$544.67	\$1,006.50	\$461.83	84.79%
120,000	\$591.67	\$1,096.50	\$504.83	85.32%
130,000	\$638.67	\$1,186.50	\$547.83	85.78%
140,000	\$685.67	\$1,276.50	\$590.83	86.17%
150,000	\$732.67	\$1,366.50	\$633.83	86.51%
160,000	\$779.67	\$1,456.50	\$676.83	86.81%
170,000	\$826.67	\$1,546.50	\$719.83	87.08%
180,000	\$873.67	\$1,636.50	\$762.83	87.31%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 52 - MCEWENSVILLE

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
-	\$18.00	\$16.50	-\$1.50	-8.33%
1,000	\$18.00	\$21.50	\$3.50	19.44%
2,000	\$18.00	\$26.50	\$8.50	47.22%
3,000	\$18.00	\$31.50	\$13.50	75.00%
3,630 *	\$21.78	\$34.65	\$12.87	59.09%
4,000	\$24.00	\$36.50	\$12.50	52.08%
5,000	\$30.00	\$41.50	\$11.50	38.33%
6,000	\$36.00	\$46.50	\$10.50	29.17%
7,000	\$42.00	\$51.50	\$9.50	22.62%
8,000	\$48.00	\$56.50	\$8.50	17.71%
9,000	\$54.00	\$61.50	\$7.50	13.89%
10,000	\$60.00	\$66.50	\$6.50	10.83%
11,000	\$66.00	\$71.50	\$5.50	8.33%
12,000	\$72.00	\$76.50	\$4.50	6.25%
13,000	\$78.00	\$81.50	\$3.50	4.49%
14,000	\$84.00	\$86.50	\$2.50	2.98%
15,000	\$90.00	\$91.50	\$1.50	1.67%
16,000	\$96.00	\$96.50	\$0.50	0.52%
17,000	\$102.00	\$101.50	-\$0.50	-0.49%
18,000	\$108.00	\$106.50	-\$1.50	-1.39%
19,000	\$114.00	\$111.50	-\$2.50	-2.19%
20,000	\$120.00	\$116.50	-\$3.50	-2.92%
25,000	\$150.00	\$141.50	-\$8.50	-5.67%
30,000	\$180.00	\$166.50	-\$13.50	-7.50%
35,000	\$210.00	\$191.50	-\$18.50	-8.81%
40,000	\$240.00	\$216.50	-\$23.50	-9.79%
45,000	\$270.00	\$241.50	-\$28.50	-10.56%
50,000	\$300.00	\$266.50	-\$33.50	-11.17%
60,000	\$360.00	\$316.50	-\$43.50	-12.08%
70,000	\$420.00	\$366.50	-\$53.50	-12.74%
80,000	\$480.00	\$416.50	-\$63.50	-13.23%
90,000	\$540.00	\$466.50	-\$73.50	-13.61%
100,000	\$600.00	\$516.50	-\$83.50	-13.92%
110,000	\$660.00	\$566.50	-\$93.50	-14.17%
120,000	\$720.00	\$616.50	-\$103.50	-14.38%
130,000	\$780.00	\$666.50	-\$113.50	-14.55%
140,000	\$840.00	\$716.50	-\$123.50	-14.70%
150,000	\$900.00	\$766.50	-\$133.50	-14.83%
160,000	\$960.00	\$816.50	-\$143.50	-14.95%
170,000	\$1,020.00	\$866.50	-\$153.50	-15.05%
180,000	\$1,080.00	\$916.50	-\$163.50	-15.14%

* Average monthly bill.

PENNSYLVANIA AMERICAN WATER

WASTEWATER COST OF SERVICE RECOVERED IN WATER RATES
BY CLASS OF CUSTOMER

Residential	\$ 3,411,904
Commercial	1,085,819
Industrial	48,353
Public (Municipal)	113,505
Total Tariff Sales	<u>\$ 4,659,582</u>
Contract Sales	-
Other Revenues	40,418
Total	<u><u>\$ 4,700,000</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
HERSHEY, PENNSYLVANIA

DOCKET NO. R-2017-2595853

PROOF OF REVENUE

APPLICATION OF PRESENT AND SETTLEMENT RATES
TO CONSUMPTION ANALYSIS FOR THE
TWELVE MONTHS ENDED DECEMBER 31, 2016
AND PRO FORMA REVENUE
UNDER PRESENT AND SETTLEMENT RATES
AS OF DECEMBER 31, 2018

WASTEWATER OPERATIONS
(EXCLUDING SCRANTON WASTEWATER OPERATIONS)

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania

PENNSYLVANIA AMERICAN WATER COMPANY
WASTEWATER OPERATIONS EXCLUDING SCRANTON WASTEWATER
COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

Customer Classification (1)	Cost of Service Per Settlement		Revenues, Present Rates		Revenues, Settlement Rates		Settlement Increase	
	Amount (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 16,660,846	63.7%	\$ 13,802,424	59.3%	\$15,896,551	60.8%	\$ 2,094,127	15.2%
Non-Residential	4,600,671	17.6%	4,219,900	18.1%	4,666,274	17.8%	446,374	10.6%
Large Industrial	1,015,933	3.9%	947,849	4.1%	1,021,906	3.9%	74,057	7.8%
Bulk Users/VA Hospital	3,884,805	14.8%	4,310,091	18.5%	4,577,629	17.5%	267,538	6.2%
Total Sales	26,162,254	100.0%	23,280,262	100.0%	26,162,360	100.0%	2,882,098	12.4%
Other Revenues	772,837		747,635		772,837		25,202	3.4%
COS Recovered from Water Rates	2,383,000		0		0		0	
Total	\$ 29,318,091		\$ 24,027,897		\$ 26,935,197		\$ 2,907,300	12.1%

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS EXCLUDING SCRANTON
COMPARATIVE SCHEDULE OF PRESENT AND SETTLEMENT RATES
RESIDENTIAL, COMMERCIAL, MUNICIPAL, INDUSTRIAL AND SPECIAL RATE CUSTOMERS

	Present Rates Per Month											Settlement Rates				
	Zone 1 - Coatesville/Claysville/Clean Treatment	Zone 2 - Clairon/Pocono	Zone 3 - Pike/Winona/Blue Mtn.	Zone 4 - Koppel	Zone 5 - Franklin	Zone 6 - Paint Elk	Zone 7 - Hamiltonban	Zone 8 - Shippensville	Zone 9 - McEwensville	Zone 10 - Fairview	Zone 11 - New Cumberland	Zone 1 - Koppel	Zone 4 - Koppel	Zone 5 - Franklin	Zone 3 - New Cumberland	
Customer Charges																
Residential - Per Edu	\$ 7.50	\$ 7.50	\$ 7.50	\$ 38.36	**	\$ 36.00		\$ 42.00	**	\$ 64.00	\$ 25.54	****	\$ 30.00		\$ 28.62	
Non-Residential	\$ 20.00	\$ 20.00	\$ 20.00			\$ 36.00		\$ 42.00	**	\$ 77.67	***	****	\$ 25.00		\$ 28.62	
5/8-inch	7.50 *												\$ 25.00		\$ 28.62	
3/4 to 1 1/2 inch	10.00 *												\$ 25.00		\$ 28.62	
2-inch and up	20.00 *												\$ 25.00		\$ 28.62	
Consumption Charges																
Per 100 Gallons:																
Residential																
First Block	1.2880	1.0135	1.2880	-		0.7000		-		NA	0.0000		0.6500		0.0000	
Second Block				0.3290				0.6500		NA	1.2010				1.3463	
Third Block											1.0220				1.1457	
Fourth Block											0.8180				0.9170	
Fifth Block											0.6150				0.6894	
Sixth Block											0.5140				0.5762	
Commercial																
First Block	1.1194	1.0073	1.2880	-		0.7000		-		1.1506	-		1.1601		0.0000	
Second Block		0.7722	1.2880	0.3290				0.6500			1.2010				1.3463	
Third Block											1.0220				1.1457	
Fourth Block											0.8180				0.9170	
Fifth Block											0.6150				0.6894	
Sixth Block											0.5140				0.5762	
Municipal																
First Block	1.1194	1.0073		-		0.7000		-		1.1506	-		1.1601		0.0000	
Second Block		0.8423		0.3290				0.6500			1.2010				1.3463	
Third Block											1.0220				1.1457	
Fourth Block											0.8180				0.9170	
Fifth Block											0.6150				0.6894	
Sixth Block											0.5140				0.5762	
Industrial																
First Block	1.1194	1.0059														
Second Block	1.1194	0.7519														
Third Block	1.1194	0.5962														
Fourth Block																
Fifth Block																
Sixth Block																
Bulk Unmetered		2,839.00											3,403.40			
Special Rates																
Customer Charge	250.00												250.00			
Consumption Charge	0.8528												0.9300			
Large Industrial	0.8664												0.9639			
Bulk Users/Via Hosp				7,144.47									9,755.60			
Koppel Steel - Flat Rate				460.41									628.70			
PSC Metals - Flat Rate				1,185.28									1,623.90			
PSSM - Flat Rate																
Knove Foods - Flat Rate							4,981.67									
Elat Rate																
Residential	58.50	47.63	58.50		85.00	72.00		42.00		64.00				75.10		
Non-Residential	58.50	47.63	58.50		85.00				48.00					75.10		
Industrial									48.00							
Property Owners Assoc	58.50	47.63														
Residential - Sand Mound					39.24										54.60	

* Applied only to Coatesville.
 ** Includes 2,000 gallon allowance, except Koppel which has a 4,000 gallon allowance.
 *** Includes 6,800 allowance.
 **** Includes 2,100 gallon allowance

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS EXCLUDING SCRANTON

SUMMARY OF PROFORMA REVENUE UNDER SETTLEMENT RATES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification (1)	Pro Forma Revenues, Present Rates (Schedule 3) (2)	Bill Analysis Revenues, Settlement Rates (Schedule 5) (3)	Adjustment Factor (Sch 3, col 4) (4)	Revenues Under Settlement Rates (5)=(4)X(3)	Pro Forma Adjustments Settlement Rates (Schedule 6) (6)	Total Pro Forma Revenue Settlement Rates (7)=(5)+(6)	Settlement Increase (8)=(7)-(2)	Percent Increase (9)
METERED SALES								
Residential	13,802,423	\$ 14,172,035	0.999290	\$ 14,161,969	\$ 1,734,582	\$ 15,896,551	\$ 2,094,128	15.2%
Commercial	3,377,677	3,434,820	0.996638	3,423,273	313,055	3,736,328	358,651	10.6%
Industrial	178,274	227,577	0.975452	221,991	(11,639)	210,352	32,077	18.0%
Municipal	621,714	760,546	1.000024	760,564	(40,969)	719,595	97,881	15.7%
Total Non-Residential	4,177,665	4,422,943		4,405,828	260,446	4,666,274	488,609	11.7%
Large Industrial	990,084	1,047,623	0.975452	1,021,906		1,021,906	31,822	3.2%
Bulk Sales - Coatesville	4,310,091	4,580,591	0.999353	4,577,629		4,577,629	267,538	6.2%
Total Sales	23,280,262	24,223,192		24,167,332	1,995,028	26,162,360	2,882,098	
Other Operating Revenues	747,635	772,837		772,837	-	772,837	\$ 25,202	3.4%
Total	24,027,897	24,996,029	-	24,940,169	1,995,028	26,935,197	2,907,300	12.1%

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS EXCLUDING SCRANTON

SUMMARY OF APPLICATION OF SETTLEMENT RATES TO CUSTOMER BILL ANALYSIS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016 AND 2018

Wastewater Area (1)	Sch. Ref.	Residential (2)	Commercial (3)	Industrial (4)	Municipal (5)	Large Industrial (6)	Bulk Users (7)	Total (8)
<u>Settlement Rate Application</u>								
Zone 1 - Coatesville/Claysville		\$ 4,961,107	\$ 1,026,919	\$ 28,606	\$ 60,804	\$ 1,047,623	\$ 4,580,591	\$ 11,705,650
Zone 2 - Clarion/Pocono		3,577,090	990,180		517,959			5,085,229
Zone 3 - Northeast		1,930,776	134,451					2,065,227
Zone 4 - Koppel		195,335	7,929	144,098	8,731			356,093
Zone 5 - Franklin		245,425	17,709		21,967			285,101
Zone 6 - Paint Elk		220,929	246,996		419			468,344
Zone 7 - Hamiltonban		52,983	7,792	54,873				115,647
Zone 8 - Shippenville		128,304	11,170		993			140,467
Zone 9 - McEwensville		89,636	15,507		339			105,483
Zone 10 - Fairview		2,640,501	952,975		148,255			3,741,730
Zone 11 - New Cumberland		129,949	23,192		1,078			154,220
Total		14,172,035	3,434,820	227,577	760,546	1,047,623	4,580,591	24,223,192
<u>Proforma Adjustments</u>								
Zone 1 - Coatesville/Claysville		107,514		(11,639)				95,875
Zone 10 - Fairview		168,252	43,279		(61,185)			150,346
Zone 11 - New Cumberland		1,458,816	269,776		20,216			1,748,807
		1,734,582	313,055	(11,639)	(40,969)	-	-	1,995,028

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS EXCLUDING SCRANTON
 SUMMARY OF REVENUE UNDER PRESENT RATES AND PROFORMA REVENUE UNDER PRESENT RATES
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification	Adjusted Revenues, Per Books Present Rates 12/31/2016 (a)	Bill Analysis Revenues, Present Rates (Schedule 5)	Adjustment Factor	Revenues Under Present Rates	Pro Forma Adjustments Present Rates (Schedule 6)	Add Back Annualized DSIC Revenue	Total Present Rate Revenue
<u>METERED SALES</u>							
Residential	11,830,550	\$ 11,838,959	0.99928973	\$ 11,830,550	\$ 1,557,318	\$ 414,556	\$ 13,802,423
Commercial	3,006,956	3,017,099	0.99663838	3,006,956	281,051	89,669	3,377,677
Industrial	188,128	192,863	0.97545186	188,128	(11,231)	1,377	178,274
Municipal	629,676	629,661	1.00002373	629,676	(42,818)	34,856	621,714
Total Non-Residential	3,824,761	3,839,623		3,824,761	227,001	125,903	4,177,665
Large Industrial	947,849	971,702	0.97545186	947,849		42,235	990,084
Bulk Sales/VA - Coatesville	4,119,401	4,122,066	0.99935343	4,119,401		190,690	4,310,091
Total Sales	20,722,561	20,772,350		20,722,561	1,784,319	773,383	23,280,262
Other Operating Revenues	690,097	690,097		690,097	57,538		747,635
Total	\$ 21,412,658	\$ 21,462,447		\$ 21,412,658	\$ 1,841,857	\$ 773,383	\$ 24,027,897

(a) Excludes Unbilled Revenue.

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS EXCLUDING SCRANTON

SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016 AND 2018

Wastewater Area (1)	Sch. Ref.	Residential (2)	Commercial (3)	Industrial (4)	Municipal (5)	Large Industrial (6)	Bulk Users/VA (7)	Total (8)
<u>Present Rate Application</u>								
Zone 1 - Coatesville/Claysville		\$ 4,158,043	\$ 923,414	\$ 27,553	\$ 57,730	\$ 971,702	\$ 4,122,066	\$ 10,260,509
Zone 2 - Clarion/Pocono		2,454,378	725,706		385,429			3,565,513
Zone 3 - Northeast		1,609,970	147,776					1,757,746
Zone 4 - Koppel		156,459	6,569	105,530	12,454			281,012
Zone 5 - Franklin		274,124	20,043		24,863			319,030
Zone 6 - Paint Elk		229,256	173,214		504			402,974
Zone 7 - Hamiltonban		40,800	8,504	59,780	1,104			109,084
Zone 8 - Shippenville		121,922	9,835		576			132,861
Zone 9 - McEwensville		75,344	13,543					89,463
Zone 10 - Fairview		2,602,714	967,803		146,039			3,716,556
Zone 11 - New Cumberland		115,949	20,691		962			137,602
Total		11,838,959	3,017,099	192,863	629,661	971,702	4,122,066	20,772,350
<u>Proforma Adjustments</u>								
Zone 1 - Coatesville/Claysville		89,838		(11,231)	(60,853)			78,607
Zone 10 - Fairview		165,844	40,370		18,035			145,361
Zone 11 - New Cumberland		1,301,635	240,681					1,560,351
Total		1,557,318	281,051	(11,231)	(42,818)	-	-	1,784,319

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 1

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	75,185	-	\$ 7.50	\$ 563,890	\$ 10.00	\$ 751,854
Low Income	3,532	-	6.38	22,517	8.00	28,256
All Usage	-	2,600,186	1.2880	3,349,040	1.5132	3,934,602
Low Income	-	146,077	1.0948	159,925	1.2106	176,835
Subtotal	-	2,746,263		3,508,965		4,111,437
Total	78,717	2,746,263		4,095,372		4,891,547
Unmetered Sales	1,071	-	58.50	62,672	64.93	69,560
Total Residential	79,789	2,746,263		4,158,043		4,961,107
<u>Non-Residential - Commercial - Monthly</u>						
Customer Charge - 5/8 "	2,578	-	\$ 7.50	19,334	\$ 25.00	64,446
Customer Charge - 3/4"- 1 1/2"	901	-	10.00	9,014	25.00	22,535
Customer Charge - 2" and up	2,585	-	20.00	51,707	25.00	64,633
	6,065			80,055		151,615
All Usage		737,829	1.1194	825,926	1.1601	855,955
Subtotal	-	737,829		825,926		855,955
Total	6,065	737,829		905,981		1,007,570
Unmetered Sales	298	-	58.50	17,433	64.93	19,349
Total Commercial	6,363	737,829		923,414		1,026,919
<u>Non-Residential - Public - Monthly</u>						
Customer Charge	228	-	20.00	4,564	25.00	5,705
All Usage		47,495	1.1194	53,166	1.1601	55,099
Subtotal	-	47,495		53,166		55,099
Total	228	47,495		57,730		60,804

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 1

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Non-Residential Industrial Regular Rate - Monthly</u>						
Customer Charge	12	-	20.00	240	25.00	300
First Block	-	24,400	1.1194	27,313	1.1601	28,306
Second Block	-	-	1.1194	-	1.1601	-
Third Block	-	-	1.1194	-	1.1601	-
Subtotal	-	24,400		27,313		28,306
Total	12	24,400		27,553		28,606
<u>Large Industrial Special Rate - Monthly</u>						
Customer Charge	24	-	250.00	6,000	250.00	6,000
All Usage	-	983,440	0.8528	838,678	0.9300	914,599
Subtotal	-	983,440		838,678		914,599
Total	24	983,440		844,678		920,599
Sampling and IPP charges				127,024		127,024
Total - Large Industrial				971,702		1,047,623
Total Industrial	36	1,007,840		999,255		1,076,230
<u>Bulk Users</u>						
Customer Charge	48	-	250.00	12,000	250.00	12,000
All Usage	-	4,420,053	0.8664	3,829,534	0.9639	4,260,489
Subtotal	-	4,420,053		3,829,534		4,260,489
Total	48	4,420,053		3,841,534		4,272,489
Sampling Charges				-		-
Industrial Waste Surcharges				24,250		24,250
Total Bulk Users	48	4,420,053		3,865,784		4,296,739
<u>VA Hospital - Monthly</u>						
Customer Charge	12	-	250.00	3,000	250.00	3,000
All Usage	-	282,760	0.8664	244,983	0.9639	272,552
Subtotal	-	282,760		244,983		272,552
Total	12	282,760		247,983		275,552

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 1

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
Sampling Charges				1,185		1,185
IPP Surcharges				7,115		7,115
Total VA Hospital	12	282,760		256,282		283,852
	<hr/>	<hr/>		<hr/>		<hr/>
Total System	<u>86,475</u>	<u>9,242,240</u>		<u>10,260,509</u>		<u>11,705,650</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 2

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Total Consumption (6)	Settlement Rate (7)	Settlement Revenue (8)
<u>Residential Metered - Monthly</u>							
Customer Charge	60,975		\$ 7.50	\$ 457,315		\$ 10.00	\$ 609,754
Low Income	2,833		6.38	18,075		8.00	22,664
Usage	-	1,841,197	1.0135	1,866,053	1,841,197	1.5132	2,786,099
Low Income	-	127,774	0.8615	110,077	127,774	1.2106	154,678
Subtotal	-	<u>1,968,971</u>		<u>1,976,130</u>	<u>1,968,971</u>		<u>2,940,777</u>
Total	63,808	1,968,971		2,451,520	1,968,971		3,573,194
<u>Residential Unmetered - Monthly</u>							
Service Charge*	<u>60</u>		47.63	<u>2,858</u>		64.93	<u>3,896</u>
Total Residential	63,868	1,968,971		2,454,378	1,968,971		3,577,090
<u>Commercial Metered - Monthly</u>							
Customer Charge	3,810		20.00	76,204		25.00	95,255
Usage - Up to 160	-	228,889	1.0073	230,560	228,889	1.1601	265,534
Usage - Over 160	-	<u>542,531</u>	0.7722	<u>418,942</u>	<u>542,531</u>	1.1601	<u>629,390</u>
Subtotal	-	<u>771,420</u>		<u>649,502</u>	<u>771,420</u>		<u>894,924</u>
Total Commercial	3,810	771,420		725,706	771,420		990,180

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 2

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Total Consumption (6)	Settlement Rate (7)	Settlement Revenue (8)
<u>Industrial Metered - Monthly</u>							
Customer Charge	-		20.00	-	-	25.00	-
First Block	-	-	1.0073	-	-	1.1601	-
Second Block	-	-	0.7519	-	-	1.1601	-
Subtotal	-	-		-	-		-
Total Industrial	-	-		-	-		-
<u>Municipal Metered - Monthly</u>							
Customer Charge	240		20.00	4,800	-	25.00	6,000
Usage - First 160	-	20,009	1.0073	20,155	20,009	1.1601	23,212
Usage - Over 160	-	386,093	0.8423	325,206	386,093	1.1601	447,906
Subtotal	-	406,102		345,361	406,102		471,119
Total Municipal Metered	240	406,102		350,161	406,102		477,119
<u>Municipal Unmetered - Monthly</u>							
Customer Charge	12	-	2,939.00	35,268		3,403.40	40,841
Total Municipal	252	406,102		385,429	406,102		517,959
Total - Clarion	67,931	3,146,493		\$ 3,565,513	3,146,493		\$ 5,085,229

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 3 WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	37,548		\$ 7.50	281,611	\$ 10.00	375,482
Low Income	1,807		6.38	11,529	8.00	14,456
All Usage	-	951,630	1.2880	1,225,700	1.5132	1,440,007
Low Income Usage	-	69,133	1.0948	75,686	1.2106	83,689
Subtotal	-	<u>1,020,763</u>		<u>1,301,386</u>		<u>1,523,696</u>
Total Residential	39,355	1,020,763		1,594,526		1,913,634
<u>Residential Monthly - Flat Rate</u>						
Customer Charge	264		58.50	15,444	64.93	17,142
Total - Residential	39,619	1,020,763		1,609,970		1,930,776
<u>Commercial - Monthly</u>						
Customer Charge						
5/8" & 3/4"	193		20.00	3,865	25.00	4,831
1"	-		20.00	-	25.00	-
2"	-		20.00	-	25.00	-
4"	-		20.00	-	25.00	-
Total - Service Charge	193			3,865		4,831
All Usage	-	111,732	1.2880	143,911	1.1601	129,620
Subtotal	-	<u>111,732</u>		<u>143,911</u>		<u>129,620</u>
Total Commercial	193	111,732		147,776		134,451
Total Zone	39,812	1,132,495		1,757,746		2,065,227

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 4 - KOPPEL WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Consumption	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>							
Customer Charge	3,880	98,292	38.36	148,848	-	30.00	116,409
Low Income		-	38.36	-	-	24.00	-
All Usage	-	23,133	0.3290	7,611	121,425	0.6500	78,926
Low Income	-	-	0.3290	-	-	0.5200	-
Subtotal	-	23,133		7,611	121,425		78,926
Total Residential	3,880	121,425		156,459	121,425		195,335
<u>Non-Residential - Commercial - Monthly</u>							
Customer Charge - 5/8 "	166	2,633	38.36	6,363	-	25.00	4,147
Customer Charge - 3/4"- 1 1/2"	-	-	38.36	-	-	25.00	-
Customer Charge - 2" and up	-	-	38.36	-	-	25.00	-
	166	2,633		6,363			4,147
All Usage	-	627	0.3290	206	3,260	1.1601	3,782
Subtotal	-	627		206	3,260		3,782
Total Commercial	166	3,260		6,569	3,260		7,929
<u>Non-Residential - Public - Monthly</u>							
Customer Charge	322	278	38.36	12,352	-	25.00	8,050
All Usage	-	309	0.3290	102	587	1.1601	681
Subtotal	-	309		102	587		681
Total	322	587		12,454	587		8,731
<u>Non-Residential Industrial - Monthly</u>							
Koppel Steel Fixed Charge	12	-	7,144	85,734	-	9,755.60	117,067
PSC Metals Fixed Charge	12	-	460	5,525	-	628.70	7,544
PSSM Fixed Charge	12	-	1,189	14,271	-	1,623.90	19,487
Total - Industrial	36	-		105,530	-		144,098
Total System	4,404	125,272		281,012	125,272		356,093

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 5 - FRANKLIN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Unmetered Sales	3,150	-	\$ 85.00	\$ 267,767	\$ 75.10	\$ 236,580
Unmetered Sales - Sand Mound	162	-	39.24	6,357	54.60	8,845
Total Residential	<u>3,312</u>	<u>-</u>		<u>274,124</u>		<u>245,425</u>
<u>Non-Residential - Commercial - Monthly</u>						
Unmetered Sales	<u>236</u>	<u>-</u>	85.00	<u>20,043</u>	75.10	<u>17,709</u>
Total Commercial	236	-		20,043		17,709
<u>Non-Residential - Public - Monthly</u>						
Unmetered Sales	<u>293</u>	<u>-</u>	85.00	<u>24,863</u>	75.10	<u>21,967</u>
Total	293	-		24,863		21,967
Total System	<u><u>3,841</u></u>	<u><u>-</u></u>		<u><u>\$ 319,030</u></u>		<u><u>\$ 285,101</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 6 - PAINT ELK WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	3,827	-	\$ 36.00	\$ 137,788	\$ 10.00	\$ 38,275
Low Income		-	36.00	-	8.00	-
All Usage	-	113,578	0.7000	79,505	1.5132	171,866
Low Income	-	-	0.7000	-	1.2106	-
Subtotal	-	113,578		79,505		171,866
Total	3,827	113,578		217,293		210,141
Unmetered Sales	166	-	72.00	11,963	64.93	10,788
Total Residential	3,994	113,578		229,256		220,929
<u>Non-Residential - Commercial - Monthly</u>						
Customer Charge - 5/8 "	1,156	-	36.00	41,615	25.00	28,899
Customer Charge - 3/4"- 1 1/2"	-	-	36.00	-	25.00	-
Customer Charge - 2" and up	-	-	36.00	-	25.00	-
	1,156			41,615		28,899
All Usage	-	187,998	0.7000	131,599	1.1601	218,096
Subtotal	-	187,998		131,599		218,096
Total Commercial	1,156	187,998		173,214		246,996
<u>Non-Residential - Public - Monthly</u>						
Customer Charge	12	-	36.00	432	25.00	300
All Usage	-	103	0.7000	72	1.1601	119
Subtotal	-	103		72		119
Total	12	103		504		419
Total System	5,162	301,679		\$ 402,974		\$ 468,344

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 7 - HAMILTONBAN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Unmetered Sales	816	-	\$ 50.00	\$ 40,800	\$ 64.93	\$ 52,983
Total Residential	<u>816</u>	<u>-</u>		<u>40,800</u>		<u>52,983</u>
<u>Non-Residential - Commercial - Monthly</u>						
Unmetered Sales	<u>120</u>	<u>-</u>	70.87	<u>8,504</u>	64.93	<u>7,792</u>
Total Commercial	120	-		8,504		7,792
<u>Non-Residential - Knouss Foods - Monthly</u>						
Unmetered Sales	<u>12</u>	<u>-</u>	4,981.67	<u>59,780</u>	4,572.75	<u>54,873</u>
Total	12	-		59,780		54,873
Total System	<u>948</u>	<u>-</u>		<u>\$ 109,084</u>		<u>\$ 115,647</u>

* Based on 70 EDU's.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 8 - SHIPPENVILLE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Bills (7)	Settlement Consumption (8)	Settlement Rate (9)	Settlement Revenue (10)
<u>Residential - Monthly</u>								
Customer Charge	2,457	40,688	\$ 42.00	\$ 103,177	2,491	-	\$ 10.00	\$ 24,566
Low Income		-	42.00	-		-	8.00	-
All Usage	-	26,624	0.6500	17,306		68,556	1.5132	103,738
Low Income	-	-	0.6500	-		-	1.2106	-
Subtotal	-	26,624		17,306	-	68,556		103,738
Flat Rate	34	-	42.00	1,439	-	-	64.93	-
Total Residential	2,491	67,312		121,922	2,491	68,556		128,304
<u>Non-Residential - Commercial - Monthly</u>								
Customer Charge - 5/8 "	181	2,290	42.00	7,599		-	25.00	4,523
Customer Charge - 3/4" - 1 1/2"	-	-	42.00	-		-	25.00	-
Customer Charge - 2" and up	-	-	42.00	-		-	25.00	-
	181	2,290		7,599				4,523
All Usage	-	3,440	0.6500	2,236		5,730	1.1601	6,647
Subtotal	-	3,440		2,236		5,730		6,647
Total Commercial	181	5,730		9,835		5,730		11,170
<u>Non-Residential - Public - Monthly</u>								
Customer Charge	25	234	42.00	1,050		-	25.00	625
All Usage	-	83	0.6500	54		317	1.1601	368
Subtotal	-	83		54		317		368
Total	25	317		1,104		317		993
Total System	2,697	73,359		\$ 132,861		74,603		\$ 140,467

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 9 - MCEWENSVILLE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Total Consumption (6)	Settlement Rate (7)	Settlement Revenue (8)
<u>Residential - Monthly</u>							
Flat Rate/Customer Charge Low Income	1,570	-	\$ 48.00	\$ 75,344		\$ 10.00 \$ 8.00	\$ 15,697
All Usage Low Income		-	\$ -		48,863	1.5132 1.2106	73,939 -
Total Residential	<u>1,570</u>	<u>-</u>		<u>75,344</u>	<u>48,863</u>		<u>89,636</u>
<u>Non-Residential - Commercial - Monthly</u>							
Flat Rate/Customer Charge	282	-	48.00	13,543		25.00	\$ 7,054
All Usage			-	-	7,287	1.1601	8,454
Total Commercial	<u>282</u>	<u>-</u>		<u>13,543</u>	<u>7,287</u>		<u>\$ 15,507</u>
<u>Non-Residential - Public - Monthly</u>							
Flat Rate/Customer Charge	12	-	48.00	576		\$ 25.00	300
All Usage		-	-	-	34	1.1601	39
Total	<u>12</u>	<u>-</u>		<u>576</u>	<u>34</u>		<u>339</u>
Total System	<u>1,864</u>	<u>-</u>		<u>\$ 89,463</u>			<u>\$ 105,483</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 10 - FAIRVIEW WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Consumption	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>							
Flat Rate/Customer Charge Low Income	40,667	-	\$ 64.00	\$ 2,602,714	-	\$ 10.00 8.00	\$ 406,674 -
All Usage Low Income		-	\$ -	\$ -	1,476,227	1.5132 1.2106	2,233,827 -
Total Residential	<u>40,667</u>	<u>-</u>		<u>\$ 2,602,714</u>	<u>1,476,227</u>		<u>\$ 2,640,501</u>
<u>Non-Residential - Commercial - Monthly</u>							
Customer Charge - 5/8 "	2,120	76,795	77.67	164,632	-	25.00	52,991
Customer Charge - 3/4"- 1 1/2"	-	-	77.67	-	-	25.00	-
Customer Charge - 2" and up	-	-	77.67	-	-	25.00	-
	<u>2,120</u>	<u>76,795</u>		<u>164,632</u>	<u>-</u>		<u>52,991</u>
All Usage Subtotal	<u>-</u>	<u>546,837</u>	1.1506	<u>629,191</u>	<u>623,632</u>	1.1601	<u>723,475</u>
Flat Rate	2,718	-	64.00	173,980	-	64.93	176,508
Total Commercial	<u>4,838</u>	<u>623,632</u>		<u>967,803</u>	<u>623,632</u>		<u>952,975</u>
<u>Non-Residential - Public - Monthly</u>							
Customer Charge	96	5,283	77.67	7,457	-	25.00	2,400
All Usage Subtotal	<u>-</u>	<u>120,443</u>	1.1506	<u>138,582</u>	<u>125,726</u>	1.1601	<u>145,855</u>
Total	<u>96</u>	<u>125,726</u>		<u>146,039</u>	<u>125,726</u>		<u>148,255</u>
Total System	<u><u>45,601</u></u>	<u><u>749,358</u></u>		<u><u>\$ 3,716,556</u></u>	<u><u>2,225,585</u></u>		<u><u>\$ 3,741,730</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 11 - NEW CUMBERLAND WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	2,824		\$ 25.54	72,125	\$ 28.62	80,823
Low Income	-		25.54	-	24.33	-
First 2,100	-	50,468	-	-	-	-
Next 900	-	14,401	1.2010	17,296	1.3463	19,388
Next 3,000	-	19,796	1.0220	20,232	1.1457	22,680
Next 16,300	-	6,209	0.8180	5,079	0.9170	5,694
Next 52,300	-	1,555	0.6150	956	0.6894	1,072
Over 74,600	-	507	0.5140	261	0.5762	292
Subtotal	-	92,936		43,824		49,126
Total Residential	2,824	92,936		115,949		129,949
<u>Commercial - Monthly</u>						
Customer Charge						
5/8" & 3/4"	278		25.54	7,100	28.62	7,956
1"			25.54	-	28.62	-
1 1/2"			25.54	-	28.62	-
2"			25.54	-	28.62	-
3"			25.54	-	28.62	-
4"			25.54	-	28.62	-
Total - Service Charge	278			7,100		7,956
First 2,100	-	4,983	-	-	-	-
Next 900	-	1,760	1.2010	2,114	1.3463	2,369
Next 3,000	-	4,132	1.0220	4,223	1.1457	4,734
Next 16,300	-	7,098	0.8180	5,806	0.9170	6,509
Next 52,300	-	2,005	0.6150	1,233	0.6894	1,382
Over 74,600	-	419	0.5140	215	0.5762	241
Subtotal	-	20,397		13,591		15,236
Total Commercial	278	20,397		20,691		23,192

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 11 - NEW CUMBERLAND WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Public - Monthly</u>						
Customer Charge						
5/8" & 3/4"	10		25.54	255	28.62	286
1"			25.54	-	28.62	-
2"			25.54	-	28.62	-
6"			25.54	-	28.62	-
				255		286
Total - Service Charge	10			255		286
First 2,100	-	114	-	-	-	-
Next 900	-	40	1.2010	48	1.3463	54
Next 3,000	-	86	1.0220	88	1.1457	99
Next 16,300	-	326	0.8180	267	0.9170	299
Next 52,300	-	494	0.6150	304	0.6894	341
Over 74,600	-		0.5140	-	0.5762	-
Subtotal	-	1,060		707		792
Total Public	10	1,060		962		1,078
Total Zone	3,112	114,393		137,602		154,220

PENNSYLVANIA-AMERICAN WATER COMPANY
RATE ZONE 1

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO ADJUSTMENTS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	1,656	-	\$ 7.50	\$ 12,420	\$ 10.00	\$ 16,560
Low Income	-	-	6.38	-	8.00	-
All Usage	-	60,107	1.2880	77,418	1.5132	90,954
Low Income	-	-	1.0948	-	1.2106	-
Subtotal	-	60,107		77,418		90,954
Total	1,656	60,107		89,838		107,514
Unmetered Sales	-	-	58.50	-	64.93	-
Total Residential	1,656	60,107		89,838		107,514
<u>Non-Residential Industrial Regular Rate - Monthly</u>						
Customer Charge	-	-	20.00	-	25.00	-
First Block	-	(10,033)	1.1194	(11,231)	1.1601	(11,639)
Second Block	-	-	1.1194	-	1.1601	-
Third Block	-	-	1.1194	-	1.1601	-
Subtotal	-	(10,033)		(11,231)		(11,639)
Total	-	(10,033)		(11,231)		(11,639)

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 10 - FAIRVIEW WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO ADJUSTMENTS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Consumption	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>							
Flat Rate/Customer Charge Low Income	2,591	-	\$ 64.00	\$ 165,844	-	\$ 10.00 8.00	\$ 25,913
All Usage Low Income					94,065 -	1.5132 1.2106	142,339 -
Total Residential	<u>2,591</u>	<u>-</u>		<u>\$ 165,844</u>	<u>94,065</u>		<u>\$ 168,252</u>
<u>Non-Residential - Commercial - Monthly</u>							
Customer Charge - 5/8 "	(35)	533	77.67	(2,708)	-	25.00	(872)
Customer Charge - 3/4"- 1 1/2"	-	-	77.67	-	-	25.00	-
Customer Charge - 2" and up	-	-	77.67	-	-	25.00	-
	<u>(35)</u>	<u>533</u>		<u>(2,708)</u>	<u>-</u>		<u>(872)</u>
All Usage Subtotal	<u>-</u>	<u>23,756</u>	1.1506	<u>27,334</u>	<u>24,289</u>	1.1601	<u>28,178</u>
Flat Rate	246	-	64.00	15,744	-	64.93	15,973
Total Commercial	211	24,289		40,370	24,289		43,279
<u>Non-Residential - Public - Monthly</u>							
Customer Charge	-	147	77.67	-	-	25.00	-
All Usage Subtotal	<u>-</u>	<u>(52,888)</u>	1.1506	<u>(60,853)</u>	<u>(52,741)</u>	1.1601	<u>(61,185)</u>
Total	-	(52,741)		(60,853)	(52,741)		(61,185)
Total System	<u>2,802</u>	<u>(28,452)</u>		<u>\$ 145,361</u>	<u>65,613</u>		<u>\$ 150,346</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 11 - NEW CUMBERLAND WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO ADJUSTMENTS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	31,291		\$ 25.54	799,172	\$ 28.62	895,548
Low Income	-		25.54	-	8.00	-
First 2,100	-	556,984	-	-	-	-
Next 900	-	160,693	1.2010	192,992	1.3463	216,341
Next 3,000	-	226,824	1.0220	231,814	1.1457	259,872
Next 16,300	-	78,139	0.8180	63,918	0.9170	71,653
Next 52,300	-	16,715	0.6150	10,280	0.6894	11,523
Over 74,600	-	6,729	0.5140	3,459	0.5762	3,877
Subtotal	-	1,046,084		502,463		563,267
Total Residential	31,291	1,046,084		1,301,635		1,458,816
<u>Commercial - Monthly</u>						
Customer Charge						
5/8" & 3/4"	2,757		25.54	70,414	28.62	78,905
1"	88		25.54	2,248	28.62	2,519
1 1/2"	48		25.54	1,226	28.62	1,374
2"	24		25.54	613	28.62	687
3"	6		25.54	153	28.62	172
4"	36		25.54	919	28.62	1,030
Total - Service Charge	2,959			75,573		84,687
First 2,100	-	42,231	-	-	-	-
Next 900	-	22,605	1.2010	27,149	1.3463	30,433
Next 3,000	-	56,600	1.0220	57,845	1.1457	64,846
Next 16,300	-	87,692	0.8180	71,732	0.9170	80,414
Next 52,300	-	10,726	0.6150	6,596	0.6894	7,395
Over 74,600	-	3,474	0.5140	1,786	0.5762	2,002
Subtotal	-	223,328		165,108		185,089
Total Commercial	2,959	223,328		240,681		269,776

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 11 - NEW CUMBERLAND WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO ADJUSTMENTS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Public - Monthly</u>						
Customer Charge						
5/8" & 3/4"	59		25.54	1,513	28.62	1,696
1"	36		25.54	919	28.62	1,030
2"	23		25.54	587	28.62	658
6"	12		25.54	306	28.62	343
Total - Service Charge	130			3,327		3,728
First 2,100	-	2,435	-	-	-	-
Next 900	-	891	1.2010	1,070	1.3463	1,200
Next 3,000	-	2,578	1.0220	2,635	1.1457	2,954
Next 16,300	-	8,142	0.8180	6,660	0.9170	7,466
Next 52,300	-	5,987	0.6150	3,682	0.6894	4,127
Over 74,600	-	1,286	0.5140	661	0.5762	741
Subtotal	-	21,319		14,708		16,488
Total Public	130	21,319		18,035		20,216
Total Zone	34,380	1,290,731		1,560,351		1,748,807

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 1 - COATESVILLE/CLAYSVILLE/CLEAN TREATMENT

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$7.88	\$10.00	\$2.13	26.98%
1,000	\$21.40	\$25.13	\$3.73	17.44%
2,000	\$34.92	\$40.26	\$5.34	15.29%
3,000	\$48.45	\$55.40	\$6.95	14.34%
3,630 *	\$56.96	\$64.93	\$7.97	13.99%
4,000	\$61.97	\$70.53	\$8.56	13.81%
5,000	\$75.50	\$85.66	\$10.17	13.46%
6,000	\$89.02	\$100.79	\$11.77	13.23%
7,000	\$102.54	\$115.92	\$13.38	13.05%
8,000	\$116.07	\$131.06	\$14.99	12.91%
9,000	\$129.59	\$146.19	\$16.60	12.81%
10,000	\$143.12	\$161.32	\$18.21	12.72%
11,000	\$156.64	\$176.45	\$19.81	12.65%
12,000	\$170.16	\$191.58	\$21.42	12.59%
13,000	\$183.69	\$206.72	\$23.03	12.54%
14,000	\$197.21	\$221.85	\$24.64	12.49%
15,000	\$210.74	\$236.98	\$26.25	12.45%
16,000	\$224.26	\$252.11	\$27.85	12.42%
17,000	\$237.78	\$267.24	\$29.46	12.39%
18,000	\$251.31	\$282.38	\$31.07	12.36%
19,000	\$264.83	\$297.51	\$32.68	12.34%
20,000	\$278.36	\$312.64	\$34.29	12.32%
25,000	\$345.98	\$388.30	\$42.33	12.23%
30,000	\$413.60	\$463.96	\$50.37	12.18%
35,000	\$481.22	\$539.62	\$58.41	12.14%
40,000	\$548.84	\$615.28	\$66.45	12.11%
45,000	\$616.46	\$690.94	\$74.49	12.08%
50,000	\$684.08	\$766.60	\$82.53	12.06%

* Average monthly bill.

** Present Bill includes 5.0% DSIC.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 2 - CLARION/POCONO

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$7.88	\$10.00	\$2.13	26.98%
1,000	\$18.52	\$25.13	\$6.62	35.73%
2,000	\$29.16	\$40.26	\$11.11	38.09%
3,000	\$39.80	\$55.40	\$15.60	39.19%
3,630 *	\$46.50	\$64.93	\$18.42	39.62%
4,000	\$50.44	\$70.53	\$20.09	39.82%
5,000	\$61.08	\$85.66	\$24.58	40.23%
6,000	\$71.73	\$100.79	\$29.07	40.52%
7,000	\$82.37	\$115.92	\$33.56	40.74%
8,000	\$93.01	\$131.06	\$38.05	40.91%
9,000	\$103.65	\$146.19	\$42.54	41.04%
10,000	\$114.29	\$161.32	\$47.03	41.15%
11,000	\$124.93	\$176.45	\$51.52	41.24%
12,000	\$135.58	\$191.58	\$56.01	41.31%
13,000	\$146.22	\$206.72	\$60.50	41.38%
14,000	\$156.86	\$221.85	\$64.99	41.43%
15,000	\$167.50	\$236.98	\$69.48	41.48%
16,000	\$178.14	\$252.11	\$73.97	41.52%
17,000	\$188.78	\$267.24	\$78.46	41.56%
18,000	\$199.43	\$282.38	\$82.95	41.59%
19,000	\$210.07	\$297.51	\$87.44	41.62%
20,000	\$220.71	\$312.64	\$91.93	41.65%
25,000	\$273.92	\$388.30	\$114.38	41.76%
30,000	\$327.13	\$463.96	\$136.83	41.83%
35,000	\$380.34	\$539.62	\$159.28	41.88%
40,000	\$433.55	\$615.28	\$181.74	41.92%
45,000	\$486.75	\$690.94	\$204.19	41.95%
50,000	\$539.96	\$766.60	\$226.64	41.97%

* Average monthly bill.

** Present Bill includes 5.0% DSIC.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 3 - LEHMAN PIKE/WINONA/BLUE MTN.

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
	0	\$7.88	\$10.00	\$2.13
1,000	\$21.40	\$25.13	\$3.73	17.44%
2,000	\$34.92	\$40.26	\$5.34	15.29%
3,000	\$48.45	\$55.40	\$6.95	14.34%
3,630 *	\$56.96	\$64.93	\$7.97	13.99%
4,000	\$61.97	\$70.53	\$8.56	13.81%
5,000	\$75.50	\$85.66	\$10.17	13.46%
6,000	\$89.02	\$100.79	\$11.77	13.23%
7,000	\$102.54	\$115.92	\$13.38	13.05%
8,000	\$116.07	\$131.06	\$14.99	12.91%
9,000	\$129.59	\$146.19	\$16.60	12.81%
10,000	\$143.12	\$161.32	\$18.21	12.72%
11,000	\$156.64	\$176.45	\$19.81	12.65%
12,000	\$170.16	\$191.58	\$21.42	12.59%
13,000	\$183.69	\$206.72	\$23.03	12.54%
14,000	\$197.21	\$221.85	\$24.64	12.49%
15,000	\$210.74	\$236.98	\$26.25	12.45%
16,000	\$224.26	\$252.11	\$27.85	12.42%
17,000	\$237.78	\$267.24	\$29.46	12.39%
18,000	\$251.31	\$282.38	\$31.07	12.36%
19,000	\$264.83	\$297.51	\$32.68	12.34%
20,000	\$278.36	\$312.64	\$34.29	12.32%
25,000	\$345.98	\$388.30	\$42.33	12.23%
30,000	\$413.60	\$463.96	\$50.37	12.18%
35,000	\$481.22	\$539.62	\$58.41	12.14%
40,000	\$548.84	\$615.28	\$66.45	12.11%
45,000	\$616.46	\$690.94	\$74.49	12.08%
50,000	\$684.08	\$766.60	\$82.53	12.06%

* Average monthly bill.

** Present Bill includes 5.0% DSIC.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 4 - KOPPEL

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$38.36	\$30.00	-\$8.36	-21.79%
1,000	\$38.36	\$36.50	-\$1.86	-4.85%
2,000	\$38.36	\$43.00	\$4.64	12.10%
3,000	\$38.36	\$49.50	\$11.14	29.04%
3,630 *	\$38.36	\$53.60	\$15.24	39.72%
4,000	\$38.36	\$56.00	\$17.64	45.99%
5,000	\$41.65	\$62.50	\$20.85	50.06%
6,000	\$44.94	\$69.00	\$24.06	53.54%
7,000	\$48.23	\$75.50	\$27.27	56.54%
8,000	\$51.52	\$82.00	\$30.48	59.16%
9,000	\$54.81	\$88.50	\$33.69	61.47%
10,000	\$58.10	\$95.00	\$36.90	63.51%
11,000	\$61.39	\$101.50	\$40.11	65.34%
12,000	\$64.68	\$108.00	\$43.32	66.98%
13,000	\$67.97	\$114.50	\$46.53	68.46%
14,000	\$71.26	\$121.00	\$49.74	69.80%
15,000	\$74.55	\$127.50	\$52.95	71.03%
16,000	\$77.84	\$134.00	\$56.16	72.15%
17,000	\$81.13	\$140.50	\$59.37	73.18%
18,000	\$84.42	\$147.00	\$62.58	74.13%
19,000	\$87.71	\$153.50	\$65.79	75.01%
20,000	\$91.00	\$160.00	\$69.00	75.82%
25,000	\$107.45	\$192.50	\$85.05	79.15%
30,000	\$123.90	\$225.00	\$101.10	81.60%
35,000	\$140.35	\$257.50	\$117.15	83.47%
40,000	\$156.80	\$290.00	\$133.20	84.95%
45,000	\$173.25	\$322.50	\$149.25	86.15%
50,000	\$189.70	\$355.00	\$165.30	87.14%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 5 - FRANKLIN

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$85.00	\$75.10	-\$9.90	-11.65%
1,000	\$85.00	\$75.10	-\$9.90	-11.65%
2,000	\$85.00	\$75.10	-\$9.90	-11.65%
3,000	\$85.00	\$75.10	-\$9.90	-11.65%
3,630 *	\$85.00	\$75.10	-\$9.90	-11.65%
4,000	\$85.00	\$75.10	-\$9.90	-11.65%
5,000	\$85.00	\$75.10	-\$9.90	-11.65%
6,000	\$85.00	\$75.10	-\$9.90	-11.65%
7,000	\$85.00	\$75.10	-\$9.90	-11.65%
8,000	\$85.00	\$75.10	-\$9.90	-11.65%
9,000	\$85.00	\$75.10	-\$9.90	-11.65%
10,000	\$85.00	\$75.10	-\$9.90	-11.65%
11,000	\$85.00	\$75.10	-\$9.90	-11.65%
12,000	\$85.00	\$75.10	-\$9.90	-11.65%
13,000	\$85.00	\$75.10	-\$9.90	-11.65%
14,000	\$85.00	\$75.10	-\$9.90	-11.65%
15,000	\$85.00	\$75.10	-\$9.90	-11.65%
16,000	\$85.00	\$75.10	-\$9.90	-11.65%
17,000	\$85.00	\$75.10	-\$9.90	-11.65%
18,000	\$85.00	\$75.10	-\$9.90	-11.65%
19,000	\$85.00	\$75.10	-\$9.90	-11.65%
20,000	\$85.00	\$75.10	-\$9.90	-11.65%
25,000	\$85.00	\$75.10	-\$9.90	-11.65%
30,000	\$85.00	\$75.10	-\$9.90	-11.65%
35,000	\$85.00	\$75.10	-\$9.90	-11.65%
40,000	\$85.00	\$75.10	-\$9.90	-11.65%
45,000	\$85.00	\$75.10	-\$9.90	-11.65%
50,000	\$85.00	\$75.10	-\$9.90	-11.65%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 6 - PAINT ELK

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$36.00	\$10.00	-\$26.00	-72.22%
1,000	\$43.00	\$25.13	-\$17.87	-41.55%
2,000	\$50.00	\$40.26	-\$9.74	-19.47%
3,000	\$57.00	\$55.40	-\$1.60	-2.81%
3,630 *	\$61.41	\$64.93	\$3.52	5.73%
4,000	\$64.00	\$70.53	\$6.53	10.20%
5,000	\$71.00	\$85.66	\$14.66	20.65%
6,000	\$78.00	\$100.79	\$22.79	29.22%
7,000	\$85.00	\$115.92	\$30.92	36.38%
8,000	\$92.00	\$131.06	\$39.06	42.45%
9,000	\$99.00	\$146.19	\$47.19	47.66%
10,000	\$106.00	\$161.32	\$55.32	52.19%
11,000	\$113.00	\$176.45	\$63.45	56.15%
12,000	\$120.00	\$191.58	\$71.58	59.65%
13,000	\$127.00	\$206.72	\$79.72	62.77%
14,000	\$134.00	\$221.85	\$87.85	65.56%
15,000	\$141.00	\$236.98	\$95.98	68.07%
16,000	\$148.00	\$252.11	\$104.11	70.35%
17,000	\$155.00	\$267.24	\$112.24	72.42%
18,000	\$162.00	\$282.38	\$120.38	74.31%
19,000	\$169.00	\$297.51	\$128.51	76.04%
20,000	\$176.00	\$312.64	\$136.64	77.64%
25,000	\$211.00	\$388.30	\$177.30	84.03%
30,000	\$246.00	\$463.96	\$217.96	88.60%
35,000	\$281.00	\$539.62	\$258.62	92.04%
40,000	\$316.00	\$615.28	\$299.28	94.71%
45,000	\$351.00	\$690.94	\$339.94	96.85%
50,000	\$386.00	\$766.60	\$380.60	98.60%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 7 - HAMILTONBAN

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$50.00	\$64.93	\$14.93	29.86%
1,000	\$50.00	\$64.93	\$14.93	29.86%
2,000	\$50.00	\$64.93	\$14.93	29.86%
3,000	\$50.00	\$64.93	\$14.93	29.86%
3,630 *	\$50.00	\$64.93	\$14.93	29.86%
4,000	\$50.00	\$64.93	\$14.93	29.86%
5,000	\$50.00	\$64.93	\$14.93	29.86%
6,000	\$50.00	\$64.93	\$14.93	29.86%
7,000	\$50.00	\$64.93	\$14.93	29.86%
8,000	\$50.00	\$64.93	\$14.93	29.86%
9,000	\$50.00	\$64.93	\$14.93	29.86%
10,000	\$50.00	\$64.93	\$14.93	29.86%
11,000	\$50.00	\$64.93	\$14.93	29.86%
12,000	\$50.00	\$64.93	\$14.93	29.86%
13,000	\$50.00	\$64.93	\$14.93	29.86%
14,000	\$50.00	\$64.93	\$14.93	29.86%
15,000	\$50.00	\$64.93	\$14.93	29.86%
16,000	\$50.00	\$64.93	\$14.93	29.86%
17,000	\$50.00	\$64.93	\$14.93	29.86%
18,000	\$50.00	\$64.93	\$14.93	29.86%
19,000	\$50.00	\$64.93	\$14.93	29.86%
20,000	\$50.00	\$64.93	\$14.93	29.86%
25,000	\$50.00	\$64.93	\$14.93	29.86%
30,000	\$50.00	\$64.93	\$14.93	29.86%
35,000	\$50.00	\$64.93	\$14.93	29.86%
40,000	\$50.00	\$64.93	\$14.93	29.86%
45,000	\$50.00	\$64.93	\$14.93	29.86%
50,000	\$50.00	\$64.93	\$14.93	29.86%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 8 - SHIPPENVILLE

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$42.00	\$10.00	-\$32.00	-76.19%
1,000	\$42.00	\$25.13	-\$16.87	-40.16%
2,000	\$42.00	\$40.26	-\$1.74	-4.13%
3,000	\$48.50	\$55.40	\$6.90	14.22%
3,630 *	\$52.60	\$64.93	\$12.33	23.45%
4,000	\$55.00	\$70.53	\$15.53	28.23%
5,000	\$61.50	\$85.66	\$24.16	39.28%
6,000	\$68.00	\$100.79	\$32.79	48.22%
7,000	\$74.50	\$115.92	\$41.42	55.60%
8,000	\$81.00	\$131.06	\$50.06	61.80%
9,000	\$87.50	\$146.19	\$58.69	67.07%
10,000	\$94.00	\$161.32	\$67.32	71.62%
11,000	\$100.50	\$176.45	\$75.95	75.57%
12,000	\$107.00	\$191.58	\$84.58	79.05%
13,000	\$113.50	\$206.72	\$93.22	82.13%
14,000	\$120.00	\$221.85	\$101.85	84.87%
15,000	\$126.50	\$236.98	\$110.48	87.34%
16,000	\$133.00	\$252.11	\$119.11	89.56%
17,000	\$139.50	\$267.24	\$127.74	91.57%
18,000	\$146.00	\$282.38	\$136.38	93.41%
19,000	\$152.50	\$297.51	\$145.01	95.09%
20,000	\$159.00	\$312.64	\$153.64	96.63%
25,000	\$191.50	\$388.30	\$196.80	102.77%
30,000	\$224.00	\$463.96	\$239.96	107.13%
35,000	\$256.50	\$539.62	\$283.12	110.38%
40,000	\$289.00	\$615.28	\$326.28	112.90%
45,000	\$321.50	\$690.94	\$369.44	114.91%
50,000	\$354.00	\$766.60	\$412.60	116.55%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 9 - MCEWENSVILLE

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$48.00	\$10.00	-\$38.00	-79.17%
1,000	\$48.00	\$25.13	-\$22.87	-47.64%
2,000	\$48.00	\$40.26	-\$7.74	-16.12%
3,000	\$48.00	\$55.40	\$7.40	15.41%
3,630 *	\$48.00	\$64.93	\$16.93	35.27%
4,000	\$48.00	\$70.53	\$22.53	46.93%
5,000	\$48.00	\$85.66	\$37.66	78.46%
6,000	\$48.00	\$100.79	\$52.79	109.98%
7,000	\$48.00	\$115.92	\$67.92	141.51%
8,000	\$48.00	\$131.06	\$83.06	173.03%
9,000	\$48.00	\$146.19	\$98.19	204.56%
10,000	\$48.00	\$161.32	\$113.32	236.08%
11,000	\$48.00	\$176.45	\$128.45	267.61%
12,000	\$48.00	\$191.58	\$143.58	299.13%
13,000	\$48.00	\$206.72	\$158.72	330.66%
14,000	\$48.00	\$221.85	\$173.85	362.18%
15,000	\$48.00	\$236.98	\$188.98	393.71%
16,000	\$48.00	\$252.11	\$204.11	425.23%
17,000	\$48.00	\$267.24	\$219.24	456.76%
18,000	\$48.00	\$282.38	\$234.38	488.28%
19,000	\$48.00	\$297.51	\$249.51	519.81%
20,000	\$48.00	\$312.64	\$264.64	551.33%
25,000	\$48.00	\$388.30	\$340.30	708.96%
30,000	\$48.00	\$463.96	\$415.96	866.58%
35,000	\$48.00	\$539.62	\$491.62	1024.21%
40,000	\$48.00	\$615.28	\$567.28	1181.83%
45,000	\$48.00	\$690.94	\$642.94	1339.46%
50,000	\$48.00	\$766.60	\$718.60	1497.08%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 10 - FAIRVIEW

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$64.00	\$10.00	-\$54.00	-84.38%
1,000	\$64.00	\$25.13	-\$38.87	-60.73%
2,000	\$64.00	\$40.26	-\$23.74	-37.09%
3,000	\$64.00	\$55.40	-\$8.60	-13.44%
3,630 *	\$64.00	\$64.93	\$0.93	1.45%
4,000	\$64.00	\$70.53	\$6.53	10.20%
5,000	\$64.00	\$85.66	\$21.66	33.84%
6,000	\$64.00	\$100.79	\$36.79	57.49%
7,000	\$64.00	\$115.92	\$51.92	81.13%
8,000	\$64.00	\$131.06	\$67.06	104.78%
9,000	\$64.00	\$146.19	\$82.19	128.42%
10,000	\$64.00	\$161.32	\$97.32	152.06%
11,000	\$64.00	\$176.45	\$112.45	175.71%
12,000	\$64.00	\$191.58	\$127.58	199.35%
13,000	\$64.00	\$206.72	\$142.72	222.99%
14,000	\$64.00	\$221.85	\$157.85	246.64%
15,000	\$64.00	\$236.98	\$172.98	270.28%
16,000	\$64.00	\$252.11	\$188.11	293.93%
17,000	\$64.00	\$267.24	\$203.24	317.57%
18,000	\$64.00	\$282.38	\$218.38	341.21%
19,000	\$64.00	\$297.51	\$233.51	364.86%
20,000	\$64.00	\$312.64	\$248.64	388.50%
25,000	\$64.00	\$388.30	\$324.30	506.72%
30,000	\$64.00	\$463.96	\$399.96	624.94%
35,000	\$64.00	\$539.62	\$475.62	743.16%
40,000	\$64.00	\$615.28	\$551.28	861.38%
45,000	\$64.00	\$690.94	\$626.94	979.59%
50,000	\$64.00	\$766.60	\$702.60	1097.81%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 11 - NEW CUMBERLAND

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$25.54	\$28.62	\$3.08	12.06%
1,000	\$25.54	\$28.62	\$3.08	12.06%
2,000	\$25.54	\$28.62	\$3.08	12.06%
3,000	\$36.35	\$40.74	\$4.39	12.07%
3,630 *	\$42.79	\$47.96	\$5.18	12.10%
4,000	\$46.57	\$52.19	\$5.62	12.08%
5,000	\$56.79	\$63.65	\$6.86	12.08%
6,000	\$67.01	\$75.11	\$8.10	12.09%
7,000	\$75.19	\$84.28	\$9.09	12.09%
8,000	\$83.37	\$93.45	\$10.08	12.09%
9,000	\$91.55	\$102.62	\$11.07	12.09%
10,000	\$99.73	\$111.79	\$12.06	12.09%
11,000	\$107.91	\$120.96	\$13.05	12.09%
12,000	\$116.09	\$130.13	\$14.04	12.09%
13,000	\$124.27	\$139.30	\$15.03	12.09%
14,000	\$132.45	\$148.47	\$16.02	12.09%
15,000	\$140.63	\$157.64	\$17.01	12.09%
16,000	\$148.81	\$166.81	\$18.00	12.10%
17,000	\$156.99	\$175.98	\$18.99	12.10%
18,000	\$165.17	\$185.15	\$19.98	12.10%
19,000	\$173.35	\$194.32	\$20.97	12.10%
20,000	\$181.53	\$203.49	\$21.96	12.10%
25,000	\$216.95	\$243.19	\$26.24	12.10%
30,000	\$247.70	\$277.66	\$29.96	12.10%
35,000	\$278.45	\$312.13	\$33.68	12.10%
40,000	\$309.20	\$346.60	\$37.40	12.10%
45,000	\$339.95	\$381.07	\$41.12	12.10%
50,000	\$370.70	\$415.54	\$44.84	12.10%

* Average monthly bill.

PENNSYLVANIA-AMERICAN WATER COMPANY
HERSHEY, PENNSYLVANIA

DOCKET NO. R-2017-2595853

PROOF OF REVENUE

APPLICATION OF PRESENT AND SETTLEMENT RATES
TO CONSUMPTION ANALYSIS FOR THE
TWELVE MONTHS ENDED DECEMBER 31, 2016
AND PRO FORMA REVENUE
UNDER PRESENT AND SETTLEMENT RATES
AS OF DECEMBER 31, 2018

SCRANTON WASTEWATER OPERATIONS

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Harrisburg, Pennsylvania

PENNSYLVANIA AMERICAN WATER COMPANY
SCRANTON WASTEWATER
COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

Customer Classification (1)	Cost of Service Per Settlement*		Revenues, Present Rates		Revenues, Settlement Rates		Settlement Increase	
	Amount (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
Residential	\$ 15,473,590	63.5%	\$13,739,039	63.2%	\$ 15,299,786	62.7%	\$ 1,560,747	11.4%
Non-Residential	8,471,442	34.8%	7,470,477	34.3%	8,469,529	34.8%	999,052	13.4%
Large Industrial	422,385	1.7%	539,840	2.5%	617,877	2.5%	78,037	14.5%
Total Sales	24,367,417	100.0%	21,749,356	100.0%	24,387,192	100.0%	2,637,836	12.1%
COS Recovered from Water	2,317,000							
Other Revenues	257,526		214,369		237,426		23,057	10.8%
Total	\$ 26,941,943		\$ 21,963,725		\$ 24,624,618		\$ 2,660,893	12.1%

* Allocation between Sanitary and Stormwater updated in response to Data Request I&E-RS-111.

PENNSYLVANIA AMERICAN WATER COMPANY
 SCRANTON WASTEWATER OPERATIONS

SUMMARY OF PRESENT AND SETTLEMENT RATES - MONTHLY

Customer Class	Present Rates	Settlement Rates
<u>Residential</u>		
Customer Charge	\$ 19.50	\$ 19.50
Customer Charge - Low Income	\$ 16.58	\$ 15.60
All Flow	\$0.5000	\$0.6173
Low Income Flow	\$0.4250	\$0.4938
<u>Commercial - Apartments and Non-Residential Customers billed under Residential rates</u>		
5/8"	19.50	19.50
3/4" - 1 1/2"	19.50	19.50
2" and Up	19.50	19.50
All Flow (per 100 gallons)	0.5000	\$0.6173
<u>Commercial Other Than Apartments, Industrial and Municipal</u>		
Customer Charge	19.50	19.50
Flow Charge (per 100 gallons)		
Up to 5,000 gallons	0.5000	0.6173
Over 5,000 gallons	0.7750	0.8871

PENNSYLVANIA-AMERICAN WATER COMPANY - SCRANTON WASTEWATER OPERATIONS

SUMMARY OF PRO FORMA REVENUE UNDER PRESENT AND SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification	Total Present Rate Revenue	Total Settlement Rate Revenue	Total Increase
	(2)	(3)	(4)=(3)-(2)
<u>METERED SALES</u>			
Residential	13,739,039	\$ 15,299,786	\$ 1,560,747
Commercial	6,430,214	7,279,078	848,865
Industrial	1,224,470	1,401,813	177,343
Municipal	355,634	406,514	50,881
Total Sales	21,749,356	24,387,192	\$ 2,637,836
Other Operating Revenues	214,369	237,426	23,057
Total	\$ 21,963,725	\$ 24,624,618	2,660,893

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS

SUMMARY OF PRO FORMA REVENUE UNDER SETTLEMENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification (1)	Adjusted Revenues, Per Books Present Rates 12/31/2016	Bill Analysis Revenues, Settlement Rates (Schedule 6) (3)	Adjustment Factor (4)=(2)/(3)	Revenues Under Settlement Rates (5)=(4)X(3)	Pro Forma Adjustments		Total Settlement Rate Revenue (8)=(5)+(6)+(7)
					Present Rates (Schedule 7) (6)	Settlement Rate Revenue (7)	
<u>METERED SALES</u>							
Residential	13,704,038	\$ 15,378,457	1.000000	\$ 15,378,455	\$ (78,668)	\$	15,299,786
Commercial	6,486,527	7,279,080	1.000000	7,279,078	-		7,279,078
Industrial	1,249,183	1,401,813	1.000000	1,401,813	-		1,401,813
Municipal	362,253	406,515	0.999999	406,514	-		406,514
Total Sales	21,802,001	24,465,865		24,465,861	(78,668)	\$	24,387,192
Other Operating Revenues	214,369	237,426		237,426			237,426
Total	\$ 22,016,370	\$ 24,703,291		\$ 24,703,287	\$ (78,668)	\$	24,624,618

PENNSYLVANIA-AMERICAN WATER COMPANY - SCRANTON WASTEWATER OPERATIONS

SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016 AND 2018

Wastewater Area (1)	Sch. Ref. (2)	Residential (3)	Commercial (4)	Industrial (5)	Municipal (6)	Total (6)
<u>Present Rate Application</u>						
Scranton WW	\$ 15,378,457	\$ 7,279,080	\$ 1,401,813	\$ 406,515	\$ 24,465,865	
Total	<u>15,378,457</u>	<u>7,279,080</u>	<u>1,401,813</u>	<u>406,515</u>	<u>24,465,865</u>	
<u>Proforma Adjustments</u>						
Scranton WW	(78,668)					(78,668)
	<u>(78,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,668)</u>

PENNSYLVANIA-AMERICAN WATER COMPANY - WASTEWATER OPERATIONS

SUMMARY OF PRO FORMA REVENUE UNDER PRESENT RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2018

Customer Classification (1)	Adjusted Revenues, Per Books Present Rates 12/31/2016 (a) (2)	Bill Analysis Revenues, Present Rates (Schedule 6) (3)	Adjustment Factor (4)=(2)/(3)	Revenues Under Present Rates (5)=(4)X(3)	Pro Forma Adjustments		Total Present Rate Revenue (8)=(5)+(6)+(7)
					Present Rates (Schedule 7) (6)	Present Rate Revenue (7)	
<u>METERED SALES</u>							
Residential	13,791,699	\$ 13,791,702	1.000000	\$ 13,791,700	\$ (52,661)		\$ 13,739,039
Commercial	6,430,214	6,430,215	1.000000	6,430,214	-		6,430,214
Industrial	1,224,470	1,224,470	1.000000	1,224,470	-		1,224,470
Municipal	355,634	355,634	0.999999	355,634	-		355,634
Total Sales	21,802,017	21,802,021		21,802,018	(52,661)		\$ 21,749,356
Other Operating Revenues	214,369	214,369		214,369			214,369
Total	\$ 22,016,386	\$ 22,016,390		\$ 22,016,387	\$ (52,661)		\$ 21,963,725
<u>(a) Unbilled Revenue.</u>							

PENNSYLVANIA-AMERICAN WATER COMPANY - SCRANTON WASTEWATER OPERATIONS

SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2016 AND 2018

Wastewater Area (1)	Sch. Ref. (2)	Residential (3)	Commercial (4)	Industrial (5)	Municipal (6)	Total (6)
<u>Present Rate Application</u>						
Scranton WW	\$ 13,791,702	\$ 6,430,215	\$ 1,224,470	\$ 355,634	\$ 21,802,021	
Total	<u>13,791,702</u>	<u>6,430,215</u>	<u>1,224,470</u>	<u>355,634</u>	<u>21,802,021</u>	
<u>Proforma Adjustments</u>						
Scranton WW	(52,661)	-	-	-	(52,661)	
	<u>(52,661)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,661)</u>	

PENNSYLVANIA-AMERICAN WATER COMPANY
SCRANTON WASTEWATER OPERATIONS
AS OF DECEMBER 31, 2016
APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Billed at Rate Residential Rate</u>						
Customer Charge	357,603	-	\$ 19.50	\$ 6,973,262	\$ 19.50	\$ 6,973,262
All Usage	-	13,433,035	0.5000	6,716,518	0.6173	8,292,213
Subtotal	-	13,433,035		6,716,518		8,292,213
Total Residential	357,603	13,433,035		\$ 13,689,780		15,265,474
<u>Residential Billed at Commercial - Apartments and Non Residential Customers billed under Residential Rate</u>						
Customer Charge	1,372	-	\$ 19.50	26,754	\$ 19.50	26,754
All Usage	-	41,229	0.5000	20,615	0.6173	25,451
Subtotal	1,372	41,229		20,615		25,451
Total	1,372	41,229		\$ 47,369		52,205
<u>Residential Billed at Commercial Other than Apartments Rate</u>						
Customer Charge	1,099	-	19.50	21,431	19.50	21,431
Up to 5,000 gallons		31,911	0.5000	15,956	0.6173	19,699
Over 5,000 gallons		22,150	0.7750	17,166	0.8871	19,649
Subtotal	-	54,061		33,122		39,348
Total	1,099	54,061		54,553		60,778
Total Residential	360,074	13,528,325		13,791,702		15,378,457
<u>Commercial - Billed at Residential Rate</u>						
Customer Charge	24,280	-	\$ 19.50	\$ 473,460	\$ 19.50	\$ 473,460
Up to 5,000 gallons		1,694,341	0.5000	847,171	0.6173	1,045,917
Over 5,000 gallons						
Subtotal	-	1,694,341		847,171		1,045,917
Total	24,280	1,694,341		\$ 1,320,631		1,519,377

PENNSYLVANIA-AMERICAN WATER COMPANY
SCRANTON WASTEWATER OPERATIONS
AS OF DECEMBER 31, 2016
APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Commercial Billed at Commercial - Apartments and Non Residential Customers billed under Residential Rate</u>						
Customer Charge	7,701		\$ 19.50	150,170	\$ 19.50	150,170
All Usage	-	335,004	0.5000	167,502	0.6173	206,798
Subtotal	<u>7,701</u>	<u>335,004</u>		<u>167,502</u>		<u>206,798</u>
Total	7,701	335,004		\$ 317,672		\$ 356,967

Commercial Billed at Commercial Other than Apartments Rate

Customer Charge	37,573	-	19.50	732,674	19.50	732,674
Up to 5,000 gallons		526,397	0.5000	263,199	0.6173	324,945
Over 5,000 gallons		<u>4,898,114</u>	<u>0.7750</u>	<u>3,796,039</u>	<u>0.8871</u>	<u>4,345,117</u>
Subtotal	<u>-</u>	<u>5,424,511</u>		<u>4,059,238</u>		<u>4,670,062</u>
Total	37,573	5,424,511		4,791,912		5,402,735
Total Commercial	69,554	7,453,856		6,430,215		7,279,080

Industrial Billed at Commercial - Apartments and Non Residential Customers billed under Residential Rate

Customer Charge	192	-	\$ 19.50	3,744	\$ 19.50	3,744
All Usage	-	23,684	0.5000	11,842	0.6173	14,620
Subtotal	<u>192</u>	<u>23,684</u>		<u>11,842</u>		<u>14,620</u>
Total	192	23,684		\$ 15,586		18,364

Industrial Billed at Commercial Other than Apartments Rate

Customer Charge	266	-	19.50	5,187	19.50	5,187
Up to 5,000 gallons		11,209	0.5000	5,605	0.6173	6,919
Over 5,000 gallons		<u>849,358</u>	<u>0.7750</u>	<u>658,252</u>	<u>0.8871</u>	<u>753,465</u>
Subtotal	<u>-</u>	<u>860,567</u>		<u>663,857</u>		<u>760,385</u>
Total	266	860,567		669,044		765,572

PENNSYLVANIA-AMERICAN WATER COMPANY
SCRANTON WASTEWATER OPERATIONS
AS OF DECEMBER 31, 2016
APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Industrial - Manual Bills</u>						
Customer Charge	84	-	19.50	1,638	19.50	1,638
Up to 5,000 gallons		4,200	0.5000	2,100	0.6173	2,593
Over 5,000 gallons		691,745	0.7750	536,102	0.8871	613,647
Subtotal	-	695,945		538,202		616,239
Total	84	695,945		539,840		617,877
Total Industrial	542	1,580,196	-	1,224,470	-	1,401,813
<u>Public billed at Residential Rate</u>						
Customer Charge	186	-	\$ 19.50	\$ 3,627	\$ 19.50	\$ 3,627
All Usage	-	14,628	0.5000	7,314	0.6173	9,030
Subtotal	-	14,628		7,314		9,030
Total	186	14,628		\$ 10,941		12,657
<u>Public Billed at Commercial Other than Apartments Rate</u>						
Customer Charge	560	-	19.50	10,920	19.50	10,920
Up to 5,000 gallons		19,721	0.5000	9,861	0.6173	12,174
Over 5,000 gallons		417,951	0.7750	323,912	0.8871	370,764
Subtotal	-	437,672		333,773		382,938
Total	560	437,672		344,693		393,858
Total Public	746	452,300		355,634		406,515
Total System	<u>430,916</u>	<u>23,014,677</u>		<u>\$ 21,802,021</u>		<u>24,465,865</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
 SCRANTON WASTEWATER OPERATIONS
 AS OF DECEMBER 31, 2016
 APPLICATION OF PRESENT RATES AND SETTLEMENT RATES TO THE PRO FORMA ADJUSTMENT

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Settlement Rate (6)	Settlement Revenue (7)
<u>Residential - Billed at Rate Residential Rate</u>						
Customer Charge						
Customer Charge Low Income	8,844		(2.92)	\$ (25,824)	(3.90)	(34,492)
All Usage	<u>-</u>	<u>357,822</u>	(0.0750)	<u>(26,837)</u>	(0.1235)	<u>(44,177)</u>
Subtotal	-	357,822		(26,837)		(44,177)
Total Residential	-	357,822		\$ (52,661)		(78,668)

PENNSYLVANIA-AMERICAN WATER COMPANY
ZONE 12 - SCRANTON

COMPARISON OF BILLS UNDER PRESENT AND SETTLEMENT RATES
RESIDENTIAL - MONTHLY
5/8 INCH METERS

CONSUMPTION GALLONS (1)	BILLS UNDER		INCREASE	
	PRESENT RATES** (2)	SETTLEMENT RATES (3)	AMOUNT (4)	PERCENT (5)
0	\$19.50	\$19.50	\$0.00	0.00%
1,000	\$24.50	\$25.67	\$1.17	4.79%
2,000	\$29.50	\$31.85	\$2.35	7.95%
3,000	\$34.50	\$38.02	\$3.52	10.20%
3,630 *	\$37.65	\$41.91	\$4.26	11.31%
4,000	\$39.50	\$44.19	\$4.69	11.88%
5,000	\$44.50	\$50.37	\$5.86	13.18%
6,000	\$49.50	\$56.54	\$7.04	14.22%
7,000	\$54.50	\$62.71	\$8.21	15.07%
8,000	\$59.50	\$68.88	\$9.38	15.77%
9,000	\$64.50	\$75.06	\$10.56	16.37%
10,000	\$69.50	\$81.23	\$11.73	16.88%
11,000	\$74.50	\$87.40	\$12.90	17.32%
12,000	\$79.50	\$93.58	\$14.08	17.71%
13,000	\$84.50	\$99.75	\$15.25	18.05%
14,000	\$89.50	\$105.92	\$16.42	18.35%
15,000	\$94.50	\$112.10	\$17.60	18.62%
16,000	\$99.50	\$118.27	\$18.77	18.86%
17,000	\$104.50	\$124.44	\$19.94	19.08%
18,000	\$109.50	\$130.61	\$21.11	19.28%
19,000	\$114.50	\$136.79	\$22.29	19.46%
20,000	\$119.50	\$142.96	\$23.46	19.63%
25,000	\$144.50	\$173.83	\$29.33	20.29%
30,000	\$169.50	\$204.69	\$35.19	20.76%
35,000	\$194.50	\$235.56	\$41.06	21.11%
40,000	\$219.50	\$266.42	\$46.92	21.38%
45,000	\$244.50	\$297.29	\$52.79	21.59%
50,000	\$269.50	\$328.15	\$58.65	21.76%

* Average monthly bill.

Pennsylvania American Water Company

R-2017-2595853

Amortizations Agreed to in the Joint Petition for Settlement

Description	Source Docket No.	Amount	Amortization		Annual Amortization	Note
			Period (Years)	Amortization End Date		
Scranton Sewer Authority Acquisition Costs	R-2016-2537209	\$2,977,445	40	12/31/2057	\$74,436	Exhibit 3A Scranton WW page 18
New Cumberland Borough Wastewater Acquisition Costs	R-2016-2544151	150,030	10	12/31/2027	15,003	Exhibit 3A WW excluding Scranton page 27
PAWC Demand Study	R-2011-2232243	267,086	10	12/31/2027	26,709	Exhibit 3A Water page 51

Pennsylvania American Water Company

R-2017-2595853

Utility Plant Acquisition Adjustments - Excluded for Rate Making

Description	Type	Docket No.	UPAA Amount	Note
Pocono Mountain Lake Forest Community	Water	R-2013-2350899	(\$87,257)	Exhibit 3C Water page 13
Berry Hollow Water Company, Inc	Water	A-2013-2356801	(8,219)	Exhibit 3C Water page 26
Scott Township	Water	R-2013-2395994	28,010	Exhibit 3A Water page 33
Abby Woods Homeowners Association	Water	A-2015-2470483	(184,779)	Exhibit 3C Water page 57
Paint Township Municipal Authority	Water	A-2012-2285320	(190,016)	Exhibit 3C Water page 71
McEwensville Municipal Authority	Water	R-2015-2460981	(2,142)	Exhibit 3C Water page 84
Kopple Borough	Wastewater	R-2012-2307203	48,100	Exhibit 3A WW excluding Scranton page 27
Hamiltonban Township Municipal Authority	Wastewater	R-2013-2352182	182,213	Exhibit 3A WW excluding Scranton page 27
Shippensville Borough	Wastewater	R-2014-2441953	221,383	Exhibit 3A WW excluding Scranton page 27
Borough of New Cumberland WW	Wastewater	R-2016-2544151	1,734,721	Exhibit 3A WW excluding Scranton page 27
Franklin Township Municipal Sewer Authority	Wastewater	R-2013-2433624	(614,006)	Exhibit 3C WW excluding Scranton page 23
Paint Elk Joint Sewer Authority	Wastewater	R-2013-2395998	(731,138)	Exhibit 3C WW excluding Scranton page 39
McEwensville Municipal Authority	Wastewater	R-2015-2460982	(1,523)	Exhibit 3C WW excluding Scranton page 104
Fairview Township	Wastewater	R-2015-2486532	(1,661,188)	Exhibit 3C WW excluding Scranton page 123
Scranton Sewer Authority (SSA)	Wastewater	R-2016-2537209	22,581,168	Exhibit 3C WW Scranton Wastewater page 18

Pennsylvania American Water Company
R-2017-2595853
Amortizations Approved in Prior Cases

Water - Positive Utility Plant Acquisition Adjustments

Description	Case Approved Docket No.	Present Rate	Amortization	Amortization End Date	Annual Amortization	Note
		12/31/2017 Amount	Period (Years)			
PG&W	R-973944	\$9,005,138	40	9/30/2037	\$455,956	Exhibit 3A Water page 32
Redstone	R-2009-2097323	59,606	10	10/31/2019	32,513	Exhibit 3A Water page 33
Three Lane	R-2009-2097323	42,307	10	10/31/2019	23,076	Exhibit 3A Water page 33
Saxonburg	R-2011-2232243	168,840	10	10/31/2021	44,046	Exhibit 3A Water page 33
Birch Acres	R-2011-2232243	2,395	10	10/31/2021	625	Exhibit 3A Water page 33
Lake Spangenberg	R-2013-2355276	82,252	10	12/31/2023	13,709	Exhibit 3A Water page 33
Fernwood	R-2013-2355276	33,782	10	12/31/2023	5,630	Exhibit 3A Water page 33
Olwen Heights	R-2013-2355276	32,373	10	12/31/2023	5,396	Exhibit 3A Water page 33

Water - Negative Utility Plant Acquisition Adjustments

Description	Case Approved Docket No.	Unamortized	Amortization	Amortization End Date	Annual Amortization	Note
		Balance 12/31/2017	Period (Years)			
Boggs Township	R-2011-2232243	(\$104,088)	10	10/31/2021	(\$27,154)	Exhibit 3A Water page 60
Amwell Municipal Authority	R-2011-2232243	(79,021)	10	10/31/2021	(20,614)	Exhibit 3A Water page 60
Sutton Hills Homeowners Assn	R-2011-2232243	(26,707)	10	10/31/2021	(6,967)	Exhibit 3A Water page 60
Indian Rocks Property Owners Assn.	R-2013-2355276	(7,405)	10	12/31/2023	(1,234)	Exhibit 3A Water page 60
North Fayette County Mun Auth.	R-2013-2355276	(377,798)	10	12/31/2023	(62,966)	Exhibit 3A Water page 60
Wildcat Park Corporation	R-2013-2355276	(49,628)	10	12/31/2023	(8,271)	Exhibit 3A Water page 60

Wastewater (Excluding Scranton) - Positive Utility Plant Acquisition Adjustments

Description	Case Approved Docket No.	Present Rate	Amortization	Amortization End Date	Annual Amortization	Note
		12/31/2017 Amount	Period (Years)			
Clean Treatment Sewage Company	R-2013-2355276	352,693	10	12/31/2023	58,782	Exhibit 3A Wastewater excluding Scranton page 27

**PENNSYLVANIA-AMERICAN WATER COMPANY
DSIC ELIGIBLE GROSS PLANT ADDITIONS
FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
R-2017-2595853**

Water Operations	\$	149,660,658
Wastewater Excluding Scranton WW	\$	4,514,155
Scranton Wastewater		<u>2,255,998</u>
Total Wastewater	\$	6,770,153

PENNSYLVANIA-AMERICAN WATER COMPANY
DSIC ELIGIBLE GROSS PLANT ADDITIONS
FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
WATER OPERATIONS
SOURCE: VOLUME 5 EXHIBIT NO. 3-C

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE
331.00				
	Mains - Replaced / Restored	B	3,191,524	3/31/2018
	Mains - Unscheduled	C	4,381,376	3/31/2018
	Mains - Relocated	D	1,177,045	3/31/2018
	Mains - Replaced / Restored	B	27,298,833	6/30/2018
	Mains - Unscheduled	C	2,731,776	6/30/2018
	Mains - Relocated	D	733,884	6/30/2018
	Mains - Replaced / Restored	B	33,127,233	9/30/2018
	Mains - Unscheduled	C	4,753,024	9/30/2018
	Mains - Relocated	D	1,276,887	9/30/2018
	Castlewood/Shenango Twp Main Extensions	I24-310012	9,226,290	11/30/2018
	Mains - Replaced / Restored	B	14,982,535	12/31/2018
	Mains - Unscheduled	C	3,953,824	12/31/2018
	Mains - Relocated	D	1,062,184	12/31/2018
	Moltke & Birch Main Improvements	I24-910038	3,715,340	12/31/2018
	Account Subtotal		<u>\$111,611,755</u>	
333.00				
	Services and Laterals - Replaced	H	3,749,639	3/31/2018
	Services and Laterals - Replaced	H	4,485,124	6/30/2018
	Services and Laterals - Replaced	H	5,871,873	9/30/2018
	Castlewood/Shenango Twp Main Extensions	I24-310012	237,589	11/30/2018
	Services and Laterals - Replaced	H	4,847,436	12/31/2018
	Account Subtotal		<u>\$19,191,661</u>	
334.00				
	Meters - Replaced	J	2,014,543	3/31/2018
	Meters - Replaced	J	4,511,103	6/30/2018
	Meters - Replaced	J	3,540,298	9/30/2018
	Castlewood/Shenango Twp Main Extensions	I24-310012	140,000	11/30/2018
	Meters - Replaced	J	4,066,299	12/31/2018
	Account Subtotal		<u>\$14,272,243</u>	
335.00				
	Hydrants - Replaced	F	907,116	3/31/2018
	Hydrants - Replaced	F	1,173,588	6/30/2018
	Hydrants - Replaced	F	1,187,406	9/30/2018
	Castlewood/Shenango Twp Main Extensions	I24-310012	160,000	11/30/2018
	Hydrants - Replaced	F	1,156,889	12/31/2018
	Account Subtotal		<u>\$4,584,999</u>	
	Grand Total		<u><u>\$149,660,658</u></u>	

PENNSYLVANIA-AMERICAN WATER COMPANY
DSIC ELIGIBLE GROSS PLANT ADDITIONS
FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
WASTEWATER OPERATIONS EXCLUDING SCRANTON WASTEWATER
SOURCE: VOLUME 5 EXHIBIT NO. 3-C

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE
354.30	Koppel Borough Upgrades	124-350001	218,805	Dec-18
	Account Subtotal		<u>\$218,805</u>	
361.10	Collection Sewers - Gravity Mains - Replaced / Restored	B	126,036	3/31/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	49,852	3/31/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,078,060	6/30/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	31,082	6/30/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	1,308,228	9/30/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	54,080	9/30/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	591,676	12/31/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	44,986	12/31/2018
	Koppel Borough Upgrades	124-350001	343,835	12/31/2018
	Account Subtotal		<u>\$3,627,835</u>	
361.20	Manholes - Replaced	F	15,374	3/31/2018
	Manholes - Replaced	F	19,892	6/30/2018
	Manholes - Replaced	F	20,125	9/30/2018
	Manholes - Replaced	F	19,609	12/31/2018
	Koppel Borough Upgrades	124-350001	62,515	12/31/2018
	Account Subtotal		<u>\$137,515</u>	
363.00	Services and Laterals - Replaced	H	104,849	3/31/2018
	Services and Laterals - Replaced	H	125,414	6/30/2018
	Services and Laterals - Replaced	H	164,191	9/30/2018
	Services and Laterals - Replaced	H	135,546	12/31/2018
	Account Subtotal		<u>\$530,000</u>	
	Grand Total		<u><u>\$4,514,155</u></u>	

PENNSYLVANIA-AMERICAN WATER COMPANY
DSIC ELIGIBLE GROSS PLANT ADDITIONS
FUTURE TEST FOR YEAR ENDED DECEMBER 31, 2018
SCRANTON WASTEWATER OPERATIONS
SOURCE: VOLUME 5 EXHIBIT NO. 3-C

STATE ACCT NO	DESCRIPTION OF ADDITION	PROJECT NUMBER	ADDITION AMOUNT	COMP DATE
361.10				
	Collection Sewers - Gravity Mains - Replaced / Restored	B	27,855	3/31/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	276,952	3/31/2018
	Collection Sewers - Gravity Mains - Relocated	D	69,239	3/31/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	238,256	6/30/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	172,678	6/30/2018
	Collection Sewers - Gravity Mains - Relocated	D	43,170	6/30/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	289,126	9/30/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	300,445	9/30/2018
	Collection Sewers - Gravity Mains - Relocated	D	75,112	9/30/2018
	Collection Sewers - Gravity Mains - Replaced / Restored	B	130,763	12/31/2018
	Collection Sewers - Gravity Mains - Unscheduled	C	249,921	12/31/2018
	Collection Sewers - Gravity Mains - Relocated	D	62,482	12/31/2018
	Account Subtotal		<u>\$1,935,999</u>	
361.20				
	Manholes - Replaced	F	24,600	3/31/2018
	Manholes - Replaced	F	31,826	6/30/2018
	Manholes - Replaced	F	32,200	9/30/2018
	Manholes - Replaced	F	31,373	12/31/2018
	Account Subtotal		<u>\$119,999</u>	
363.00				
	Services and Laterals - Replaced	H	39,566	3/31/2018
	Services and Laterals - Replaced	H	47,326	6/30/2018
	Services and Laterals - Replaced	H	61,959	9/30/2018
	Services and Laterals - Replaced	H	51,149	12/31/2018
	Account Subtotal		<u>\$200,000</u>	
	Grand Total		<u><u>\$2,255,998</u></u>	

APPENDIX F

Summary of Service-Related Issues and Commitments (Per Paragraph 27 of the Joint Petition)

Service-Related Summary – East Stroudsburg Public Input Hearing/Blue Mountain Lakes

1. At the Public Input Hearing held in East Stroudsburg, water customers testified regarding water quality issues in the Blue Mountain Lake System. The customer testimony consisted principally of the following: (1) Mr. Tom Aspray testified that his water was “brown a third of the year” (Tr. 255-256), and it was his understanding that most residents had installed in-home filtration systems “so they can drink the water” (Tr. 256); (2) Mr. W. Scott Kappes testified that he had experienced “brackish color in our water, both brown and/or cloudy”(Tr. 261); (3) Mr. Vincent Ricci produced a bottle of water from his tap which he testified was clear but “if you look there’s particles floating in it;” he further testified that “it’s not daily, but there’s always a tinge of color, a tint,” and produced additional bottles of discolored water that he testified were drawn from his tap (Tr. 263 and 265 and East Stroudsburg Hearing Exh. 1); Mr. Ricci also testified that white laundry never stays white and gets darker with every wash (Tr. 264 -265) and that he does not drink the tap water in his home (Tr. 265). In one of the informal rate protests filed in this case, one of the informal complainants who is a customer of the Blue Mountain Lake system also complained of sediment in the water. *See* OCA St. 4 at 10-11.

2. In the Company’s Rebuttal Testimony, PAWC witness Kaufman explained that the Company has been working with the Blue Mountain Lakes Homeowners’ Association regarding issues with manganese in the water. The presence of manganese does not impact the health, safety or potability of the water, but high levels of insoluble manganese can cause water discoloration. PAWC St. 3-R at 7. The Company stated that it adds a chemical sequestrant to keep the manganese in a soluble state and to prevent discoloration. The Company has been adding the sequestrant to the water produced from two wells (Well Nos. 1 and 3) since 2007. Well No. 3 has been the baseload well and Well No. 1 has provided supply during times of higher usage. PAWC St. 3-R at 7. Over the past year, the raw manganese levels in Well No. 3 have increased to 0.16-0.20 m/l range. PAWC St. 3-R at 7.

The Company began to experience customer complaints starting in April 2017. As a result, the Company flushed its system in May 2017. Customer complaints continued following the flushing. PAWC St. 3-R at 7-8.

3. The Company agrees to make two changes to reduce the levels of insoluble manganese in the Blue Mountain Lakes water supply: (1) utilize a new sequestrant that is expected to be more effective; and (2) use Well No. 1 (which has lower levels of manganese) as the baseload well. *See* PAWC St. 3-R at 8. On August 15, 2017, the Company requested a permit modification from the Pennsylvania Department of Environmental Protection (“PaDEP”) related to the proposed change in sequestrant. The Company is in receipt of the PaDEP Permit #2450133 dated September 7, 2017 approving this change in sequestrant and is in the process of introducing this new sequestrant into the system. At least one week will be needed for the distribution system to acclimate before samples/monitoring begins (PAWC response to OCA 20-

005), after which a gradual adjustment to the well outputs will occur to baseload more off Well #1. The Company will then conduct a uni-directional flush of the distribution system later this year (PAWC St. 3-R at 8).

4. The Company agrees to perform monthly iron and manganese laboratory tests of Well No. 1 and Well No. 3 water. The test results together with applicable complaints received from customers of the Blue Mountain Lakes system will be submitted to the OCA, I&E, and OSBA on a quarterly basis. The Company will also coordinate with the Blue Mountain Lakes Homeowners' Association with regard to the action being taken to reduce manganese levels. The Company will be permitted to discontinue the testing upon agreement by the Company, OCA, I&E and OSBA.

5. If sequestration does not reliably solve the manganese problems (discolored water and staining of laundry and water fixtures) from Well Nos. 1 and 3 within six months of the date the Commission approves the Settlement, the Company agrees to work with OCA, I&E and OSBA to address and resolve the elevated manganese levels, which may include developing more suitable sources of water supply or installing an iron and manganese removal treatment facility.

Service-Related Summary – East Stroudsburg Public Input Hearing/Saw Creek Estates

1. At the Public Input Hearing held in East Stroudsburg, water customer testified regarding service issues in Saw Creek Estates. The customer testimony consisted of the following: (1) Ms. Barbara DeNooyer testified that a “valve that was in my guest bathroom burst open” causing flooding in her home and that her plumber attributed the valve’s failure to her having water pressure of “140 lbs.,” Ms. DeNooyer also testified that “I’ve heard of other people’s water heaters going [because] they couldn’t take the pressure” (Tr. 225 and 227); Ms. DeNooyer was also dissatisfied with the Company’s handling of a billing “glitch” that she understood to have affected 2,500 customers in Saw Creek Estates (Tr. 226); (2) Ms. Donna Clair Gasiewicz testified that she had a laboratory test of her water “quite a number of years ago” and the “amount of manganese was above the allowable limit” (Tr. 267); Ms. Gasiewicz also testified she bought bottled water instead of drinking or cooking with tap water (Tr. 268), that white laundry never stays white and gets darker with every wash (Tr. 269), that “all my fixtures have been ruined” and “the inside of toilet tanks where the clean water is, is completely black” (Tr. 268), that “twice a year my hot water heater gets . . . backed up with manganese or whatever” (Tr. 272); (7) Ms. Suzanne Mark, Secretary of the Board of Directors for the Saw Creek Homeowner’s Association testified that the Homeowners’ Association had been trying for five years to get fire hydrants installed in “newer sections of Saw Creek” at what the Homeowners’ Association believed was the lower rate per hydrant charged for public hydrants in Lehman Township (Tr. 245); she also testified about the need to rely upon a water tanker for fire protection and stated “A house burned down across the street from me, and in 20 minutes it was fully engulfed” (Tr. 247); Ms. Mark also complained about a large trench that was not refilled and water runoff from pipes that took two months to fix (Tr. 246).

2. The Company has taken or will take the following actions regarding issues raised at the Public Input Hearings:

a. Discoloration of water. The Company talked to Ms. Donna Claire Gasiewicz regarding her testimony that elevated manganese levels are an issue with her water. The Company talked to Ms. Gasiewicz at the public input hearing and also reached out to her to sample her water. Ms. Gasiewicz declined the request for samples at the public input hearing. PAWC St. 2-R at 6-7.

In the Rebuttal Testimony of PAWC witness Sheridan, the Company explained that Ms. Gasiewicz resides in the Well Nos. 2 and 3 gradient which adjoins the Section 1 gradient where the Company plans to activate Saw Creek Wells 6 and 7, complete with a new iron and manganese removal plant by December 2018. *See* PAWC St. 2-R at 7 and PAWC St. 3 at 13. In the interim, the Company agrees to confirm that the sequestrant is optimized in the Well Nos. 2 and 3 gradient and to adjust the dosage or change the type of sequestrant, if needed. *See* PAWC St. 2-R at 7. The Company also stated that the additional treated well supplies from Well Nos. 6 and 7 (to be activated next year) can provide a supplemental finished water supply into the Well Nos. 2 and 3 gradient, if needed. *See* PAWC St. 2-R at 7.

The Company will perform monthly iron and manganese laboratory tests of Well 2 and Well 3 water. The tests results together with applicable complaints received from the customers of the Saw Creek Estates system will be submitted to the OCA, I&E, and OSBA on a quarterly basis. The Company will be permitted to discontinue the testing upon agreement by the Company, OCA, I&E and OSBA. Pending the activation of Well Nos. 6 and 7 by December 2018, if chemical sequestration and well output adjustments do not produce finished water under the SMCL for iron and manganese within six months of the date the Commission approves the Settlement, the Company agrees to work with OCA, I&E and OSBA to address and mitigate the elevated manganese levels until Well Nos. 6 and 7 are activated. If, after six months of the activation of Well Nos. 6 and 7, the activation of those wells has not resolved the manganese issues, the Company agrees to work with OCA, I&E and OSBA to address and resolve the elevated manganese levels, which may include developing other, more suitable sources of water supply or installing an iron and manganese removal treatment facility.

b. Pressure. The Company will continue to investigate the identified issues regarding water pressure. *See* PAWC St. 2-R at 7. The Company will inform the OCA, I&E, and OSBA on a quarterly basis regarding its progress on the investigation of the pressure issues until they are resolved. The Company will obtain quarterly pressure readings in the main adjacent to the DeNooyer's premises and provide the results, along with any other pressure readings during that quarter in Saw Creek Estates, to I&E, OCA and the OSBA along with its quarterly progress reports. The Company will be permitted to discontinue the pressure readings upon agreement by the Company, OCA, I&E and OSBA.

c. Billing Issue. In his Rebuttal Testimony, PAWC witness Sheridan explained that the billing issues described by Ms. DeNooyer were caused by a problem with the Company's billing system (PAWC St. 2-R at 7). The issue impacted approximately 2,000 customers and resulted in the Company using estimated meter readings. Mr. Sheridan stated that the Company had provided notification to its customers affected by the billing issue. Regarding Ms. DeNooyer's complaint, the customer had an estimated reading of 5,700 gallons for the period of

May 4, 2017-June 23, 2017. On June 23, 2017, the Company read the customer's actual usage for the period and determined that the actual usage was 4,300 gallons. The customer's bill for the period of May 4-June 23 was cancelled, and she was issued a new bill for the actual usage of 5,400 gallons (4,300 for the May bill and 1,100 gallons for the June bill). *See* PAWC St. 2-R at 7. The billing issue has been resolved.

d. **Construction and Road Work.** In his Rebuttal Testimony, PAWC witness Sheridan explained that the Company is working with the Saw Creek Beautification Committee regarding the landscaping issues the Committee would like to have addressed and resolved. *See* PAWC St. 2-R at 7-8. Mr. Sheridan explained that the Company is working with the Homeowners' Association to resolve the construction and roadwork issues associated with the 2016 service line replacement project before beginning the 2017 service line replacement project. *See* PAWC St. 2-R at 8. The Beautification Committee and the Homeowners' Association are satisfied with the Company's response, and the issues raised have been resolved.

e. **Fire Hydrants.** The Company currently has 56 fire hydrants installed in Saw Creek, and has worked with Lehman Township and its fire department to identify locations in Saw Creek where it will install an additional eleven fire hydrants in 2017. The first of the additional hydrants was installed on August 29, 2017. By having the hydrants sponsored by Lehman Township, the hydrants can be charged at the same public fire rate charged to Lehman Township, which also resolves the Saw Creek Homeowners' Association's concerns.

Service-Related Summary – Yardley/Lower Makefield

1. On July 13, 2017, Representative Warren sent a letter to the Commission that identified the following issues: (1) brown water constantly for about three weeks; and (2) paint-like taste and smell for two weeks after the discolored water cleared. *See* OCA St. 4 at 13. On July 28, 2017, Borough Council President for Yardley Borough identified similar concerns regarding brown water. In the informal rate protests filed in this case, one of the informal complainants also complained of a "pink residue" appearing on water fixtures last year. OCA St. 4 at 13.

2. The Company conducted flushing in its Yardley system, including Lower Makefield Township, from April to mid-June 2017. When the Company flushed the area during the day, the Company received calls later that afternoon and evening about dirty or yellow water from customers located in the areas that had been flushed. In response to the customers' calls, Company personnel went to the areas affected and flushed fire hydrants near the customers' homes, which cleared the water. PAWC St. 3-R, at 9. The Company tested and analyzed water samples, and the test results showed only discolored water. The Company also reviewed its treatment processes at the plant and did not find any issues. After receiving the letters, the Company reached out to Representative Warren's office and the Council President's office. The Company was not able to speak with the Council President but will continue to reach out to the Council President. *See* PAWC St. 2-R at 9-10.

3. PAWC witness Sheridan also testified that the pink residue is caused by airborne coliform bacteria called *Serratia marcescens*. The bacteria live in soil and are disturbed during construction activities. The bacteria may be addressed with chlorine disinfection. The

Company stated that it conducted chlorine and bacteria sampling in the distribution system and in 10-15 customers' homes. All sample results showed adequate chlorine residuals and the absence of coliform bacteria. The Company determined that the chlorine residual in the water delivered by the Company is adequate to prevent these bacteria from being present in the water PAWC delivers to its customers. *See* PAWC St. 2-R at 9.

4. The Company tried to follow-up on the complaints of "paint-like" taste and odor for specifics about where and when taste and odor occurred. (The Company did not receive any complaints, calls or inquiries directly from any customers.) Additional specific information was not available to be provided. If there are additional complaints of a "paint-like" smell and taste, the Company will investigate those complaints and provide a report on the results of its investigation to I&E, OCA and OSBA regarding the possible cause.

Service-Related Summary- East Fallowfield Public Input Hearing

1. At the Public Input Hearing in East Fallowfield, Deanna Blevins, a water customer of the Company, testified that she had experienced brown water for two weeks after a flushing of the system in July and lingering grey/cloudy water in August. Tr. 311-314. Ms. Blevins continued to boil water due to the cloudiness. Tr. 311-312, 314. Ms. Blevins stated that "yuck water" had come into home because of a backwater issue in June. Tr. 313.

2. The Company collected samples from the consumer. The sample analysis showed that the water supply met primary drinking water quality standards, but also showed that Ms. Blevins' water had "relatively high iron levels and relatively low chlorine levels." PAWC St. 2-R at 2. The Company verified that Ms. Blevins' service line is copper and installed a new curb stop and backflow device. The Company also performed a series of flushings and samplings on their system and took further samples of water from Ms. Blevins' system. *Id.* The water quality did not change as expected as a result of the flushing. The Company performed directional flushing in the vicinity to determine the source of the iron and chlorine issues. The Company determined that a 500-foot section of 4-inch cast iron main is the likely cause and identified the main for replacement. The Company began the main replacement project on August 30, 2017; the Company completed construction and plans to place the main in service shortly.

3. After the main replacement is completed, the Company will test Ms. Blevins' water for three consecutive months to determine whether the manganese and iron levels have been reduced below secondary drinking water maximum contaminant levels (mcls). The iron and manganese test results will be submitted to I&E, OCA and OSBA. The Company will be permitted to discontinue the testing upon agreement by the Company, OCA, I&E and OSBA. If the main replacement does not fix the problem in six months, the Company will submit a report to the OCA, I&E, and OSBA that includes a schedule for reducing the manganese level below the secondary mcls.

Service-Related Summary- Wilkes-Barre Public Input Hearing

1. At the Wilkes-Barre Public Input Hearing, Mr. James Straub, a water customer of the Company, identified two service-related issues: (1) the Company had been charging him

landlord transfer fees on his rental properties contrary to a 1992 Commission Order at Docket No. C-913768; and (2) he had reported a long-term leak of water at a location in the city that stated had not been repaired by the Company. Tr. 201-203.

2. The Company explained that it has investigated the billing issue and has discontinued the practice of billing multiple transfer fees to landlords when the account is transferred back to the landlord's name. *See* PAWC St. 2-R at 3. The Company spoke with Mr. Straub on September 5, 2017 and September 11, 2017, and Mr. Straub is satisfied with regard to the transfer fee issue.

3. The Company had investigated the leak on Main Street in Wilkes-Barre that Mr. Straub reported and had determined that it was not a leak from a Company-owned main. Rather, the leak was occurring on private property on the property owner's service pipe. The Company contacted the property owner and requested that the leak be repaired. *See* PAWC St. 2-R at 3.

Service-Related Summary- Harrisburg and New Cumberland

1. At the Public Input Hearings held in New Cumberland and Harrisburg on July 27, 2017, Mr. and Mrs. Fenicle, water customers of the Company, identified issues regarding water quality. The Fenicles testified that the water occasionally smells and is cloudy, that there are particles in the water, and that water pressure issues necessitated the installation of a pressure release valve. Tr. 102-103, 162. At the Public Input Hearings, Company personnel provided the Fenicles with their business cards so that they could call and schedule a convenient time for the Company to collect water samples for testing and analysis. PAWC St. 2-R, p. 4.

2. After the Public Input Hearing, the PAWC Water Quality and Environmental Compliance Supervisor and Central Pennsylvania Operations Superintendent contacted the consumers. The Company personnel collected samples from the Fenicles' home on August 30, 2017. There was no odor detected and all values were within acceptable ranges. The sampling results were shared with the Fenicles. *See* PAWC St. 2-R at 4. The Company reported that the Fenicles appeared to be satisfied with the Company's response.

Service-Related Summary – Wyomissing

1. At the Wyomissing Public Input Hearing, Dorothy Reilly, a water customer of the Company, complained of high levels of calcium in her water that she stated ruined her bathroom faucet and that her water had an occasional chlorine smell. She stated that she had not received any response to her concerns. Tr. 350. Another consumer, Mr. William Sheffer, complained of high mineral content in his water and bad taste. Tr. 353-354.

2. After the Public Input Hearing, the PAWC Water Quality Supervisor contacted Ms. Reilly. The Company collected a sample of Ms. Reilly's water. The sample showed that pH, residual chlorine, and iron levels were within acceptable levels. The manganese reading was above the secondary maximum containment level (smcl). The manganese levels effect staining and taste but are not a health concern. *See* PAWC St. 2-R at 4-5.

3. The Company agrees to perform monthly iron and manganese laboratory tests of the water and submit the tests results together with applicable complaints received from the customers to the I&E, OCA and OSBA on a quarterly basis for six months. The Company will be permitted to discontinue the testing upon agreement by the Company, OCA, I&E and OSBA. If the smcl for manganese continues to be exceeded after six months from the date the Commission approves the Settlement, the Company agrees to work with OCA, I&E and OSBA to address and resolve the elevated manganese levels, which may include developing more suitable sources of water supply or installing an iron and manganese removal treatment facility.

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APPENDIX G

MAIN EXTENSIONS (Per Paragraph 33 Of The Joint Petition)

Project Area 1 – Lindley Road, Canonsburg, Washington County (OCA Statement No. 4, p. 7).

The Company will construct a main extension to meet the need identified in OCA Statement No. 4 (p. 7). In order to assure adequate turn-over of the water in the main, given the service conditions for this application, the Company may have to install pipe with a diameter of less than 6-inches and perhaps as small as 2-inches. As a consequence, the main extension would not be capable of supporting public fire hydrants.

Project Area 2 – High Street, Hopwood, Fayette County (OCA Statement No. 4, p. 8).

The project will address the service issue identified in the OCA's testimony (OCA Statement No. 4, p. 8) and also provide the capability to address water quality and quantity issues of the other potential customers in the project's scope. The revised project scope has been developed and provided to the OCA. The initiation of this project is subject to obtaining certain necessary permits from the Pennsylvania Department of Environmental Protection ("DEP"). The DEP's issuance of such permits may be affected by the number of customers committing to receive service from the main extension. Consequently, the project may be subject to a contingency that would have to be resolved before the Company can move forward with this project.

Project Area 3 – 121 Campbell Road, Bulgar, Washington County (OCA Statement No. 4, p. 8).

The Company will construct a main extension to meet the need identified in OCA Statement No. 4 (p. 8). In order to assure adequate turn-over of the water in the main, given the service conditions for this application, the Company may have to install pipe with a diameter of less than 6-inches and perhaps as small as 2-inches. As a consequence, the main extension would not be capable of supporting public fire hydrants. Additionally, the OCA and the Company will explore discussions with a natural gas drilling company to determine if the natural gas drilling company might be willing to contribute towards the cost of the main extension. If such a contribution is obtained, it will be used to reduce the cost of the main extension. Additionally, it is possible that the natural gas drilling company may fund an alternative to a Company main extension to address the service issue identified by the OCA, such as funding the drilling of a new well. If that were to occur, this project would not be needed, and funds not invested by the Company in this project would be available, and would be used, for other projects within the scope of the Company's commitments in this settlement.

**Pennsylvania American Water - Water
Residential Average Monthly Bill Comparison
R-2017-2595853**

Current Rate Zone	New Rate Zone	Name	Acquisition Date	Present Rates	Settlement Rates	Amount	% Change
1	1	General	Various	\$55.63	\$60.85	\$5.22	9.38%
40	2	Nittany *	02/03/10	33.20	41.18	7.98	24.04%
41	2	Sutton Hills	05/05/10	43.77	49.17	5.40	12.34%
44/50	1	Wildcat and Acquisitions	11/17/11	50.24	60.85	10.61	21.12%
46	2	All Seasons	02/20/12	42.43	49.17	6.74	15.88%
47	2	Balsinger	10/04/12	40.27	49.17	8.90	22.10%
51	2	Berry Hollow	04/03/14	41.80	49.17	7.37	17.63%
52	3	McEwensville **	10/21/15	21.78	28.12	6.34	29.11%

Based on 5/8" meter and 3,630 gallons per month

* Nittany average monthly bill will increase to \$49.17 in January 2019.

** McEwensville average monthly bill will increase to \$34.65 in January 2019.

**Pennsylvania American Water - Water
Commercial Average Monthly Bill Comparison
R-2017-2595853**

Current Rate Zone	New Rate Zone	Name	Present Rates	Settlement Rates	Amount	% Change
1	1	General	\$258.97	\$291.80	\$32.83	12.68%
40	2	Nittany *	163.52	191.20	27.68	16.93%
47	2	Balsinger	187.04	239.60	52.56	28.10%
52	3	McEwensville **	21.78	28.12	6.34	29.11%

All rate zones except McEwensville based on 1" meter and 22,000 gallons per month

* Nittany average monthly bill will increase to \$239.60 in January 2019.

** McEwensville based on 5/8" meter and average monthly consumption of 3,630 gallons. The average monthly bill will increase to \$34.65 in January 2019.

Pennsylvania American Water - Water
Industrial Average Monthly Bill Comparison
R-2017-2595853

Current Rate	New Rate	Name	Present Rates	Settlement Rates	Amount	% Change
1	1	General	\$ 4,008.22	\$ 4,526.84	\$518.62	12.94%

Based on 2" meter and 475,600 gallons per month

**Pennsylvania American Water - Wastewater
Residential Average Monthly Bill Comparison
R-2017-2595853**

Current Rate Zone	New Rate Zone	Name	Acquisition Date	Present Rates	Settlement Rates	Amount	% Change
1	1	Coatesville, Claysville, Clean Treatment	Various	\$56.96	\$64.93	\$7.97	13.99%
2	1	Clarion and Pocono	Various	46.50	64.93	18.43	39.63%
3	1	Lehman Pike, Winona Lakes, Blue Mountain	Various	56.96	64.93	7.97	13.99%
4	4	Koppel	05/31/13	38.36	53.60	15.24	39.73%
5	5	Franklin	08/29/13	85.00	75.10	(9.90)	-11.65%
5	5	Franklin - Sand Mound	08/29/13	39.24	54.60	15.36	39.14%
6	1	Paint-Elk	07/31/14	61.41	64.93	3.52	5.73%
7	1	Hamiltonban	11/03/14	50.00	64.93	14.93	29.86%
8	1	Shippenville	08/04/15	52.60	64.93	12.33	23.44%
9	1	McEwensville	10/21/15	48.00	64.93	16.93	35.27%
10	1	Fairview	12/22/15	64.00	64.93	0.93	1.45%
11	2	New Cumberland	10/31/16	42.79	47.96	5.17	12.08%
12	3	Scranton	12/29/16	37.65	41.91	4.26	11.31%

Based on 3,630 gallons per month

**Pennsylvania American Water - Wastewater
Commercial Average Monthly Bill Comparison
R-2017-2595853**

Current Rate Zone	New Rate Zone	Name	Present Rates	Settlement Rates	Amount	% Change
1	1	Coatesville, Claysville, Clean Treatment	\$279.58	\$280.22	\$0.64	0.23%
2	1	Clarion and Pocono	238.88	280.22	41.34	17.31%
3	1	Lehman Pike, Winona Lakes, Blue Mountain	318.53	280.22	(38.31)	-12.03%
4	4	Koppel*	38.36	48.20	9.84	25.65%
5	5	Franklin	85.00	75.10	(9.90)	-11.65%
6	1	Paint-Elk	190.00	280.22	90.22	47.48%
7	1	Hamiltonban	70.87	64.93	(5.94)	-8.38%
8	1	Shipperville	172.00	280.22	108.22	62.92%
9	1	McEwensville **	48.00	55.16	7.16	14.92%
10	1	Fairview	252.56	280.22	27.66	10.95%
11	2	New Cumberland	197.89	221.83	23.94	12.10%
12	3	Scranton	176.25	201.18	24.93	14.14%

Based on 22,000 gallons per month

* Koppel based average monthly consumption of 2,000 gallons.

** McEwensville based average monthly consumption of 2,600 gallons.

**Pennsylvania American Water - Wastewater
 Industrial Total Revenue Comparison
 R-2017-2595853**

Current Rate Zone	New Rate Zone	Name	Present Rates	Settlement Rates	Amount	% Change
1	1	Coatesville, Claysville, Clean Treatment	\$999,255	\$1,076,230	\$76,975	7.70%
12	3	Scranton	1,224,470	1,401,813	177,343	14.48%

The wastewater industrial class has a limited number of customers, the calculations shown above are based on the total customer class.

BOEHM, KURTZ & LOWRY

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VIA E-FILE

October 11, 2017

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

*Re: Pennsylvania Public Utility Commission v. Pennsylvania-American Water Company
Docket No. R-2017-2595853*

Dear Secretary Chiavetta:

Please find enclosed the AK STEEL CORPORATION's STATEMENT IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION for filing in the above-captioned proceeding.

By copy of this letter, all parties listed on the Certificate of Service have been served.

Respectfully submitted,



David F. Boehm, Esq. (PA Attorney I.D. # 72752)
BOEHM, KURTZ & LOWRY

COUNSEL FOR AK STEEL CORPORATION

DFBkew
Enclosure

cc: Certificate of Service
ALJ Dennis J. Buckley – debuckley@pa.gov
ALJ Benjamin J. Myers – benmyers@pa.gov
Pa. Public Utility Commission
400 North Street
Harrisburg, PA 17120

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
V. : **Docket No. R-2017-2595853**
PENNSYLVANIA-AMERICAN WATER COMPANY :

**AK STEEL CORPORATION'S STATEMENT IN SUPPORT OF
THE JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

AK Steel Corporation ("AK Steel") has participated in the above-referenced case, has reviewed the evidence, joins in the settlement and believes the settlement is in the public interest. Therefore, AK Steel supports its adoption by the ALJ and the Pennsylvania Public Utility Commission.

Respectfully submitted,



David F. Boehm, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202


Ph: 513.421.2255 Fax: 513.421.2764

e-mail: dboehm@BKLawfirm.com

October 11, 2017

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of October, 2017 I served a true copy of the AK STEEL CORPORATION's STATEMENT IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION on the following persons listed on the attached Certificate of Service in the matter specified in accordance with the requirements of 52 Pa. Code §1.54:


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VIA E-MAIL AND REGULAR U.S. MAIL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION,	:	
	:	
V.	:	Docket No. R-2017-2595853
	:	
PENNSYLVANIA-AMERICAN	:	
WATER COMPANY	:	

COMMISSION ON ECONOMIC OPPORTUNITY'S
STATEMENT IN SUPPORT OF JOINT PETITION
FOR SETTLEMENT OF RATE INVESTIGATION

NOW COMES the Intervenor, the Commission on Economic Opportunity (CEO) and files this Statement in Support of the Joint Petition for Settlement of Rate Investigation in the above-captioned matter and agrees to its terms based upon the following:

1. CEO is a not-for-profit Pennsylvania corporation and an advocate for its clients - the low-income population of Luzerne County.
2. CEO intervened in the above-captioned matter to address the adequacy of the Company's programs for its low-income customers and the effect of any proposed rate increase or change in rate structure on those programs and customers.
3. Although CEO joins in the settlement of all issues, this Statement in Support will address only those issues that CEO addressed in its intervention and testimony.
4. CEO supports the Joint Petition for Settlement of Rate Investigation and believes that it is in compliance with the applicable laws and regulations and serves the public interest based upon the following:

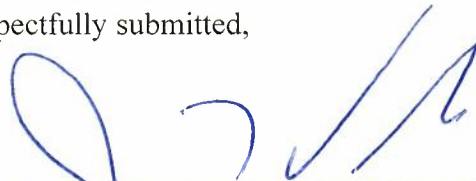
A. The Settlement increases funding for the Company's Hardship funds. This increase will help low-income customers deal with the effect of the rate increase resulting from this Settlement;

B. In the Settlement the Company reiterates its intent to continue to use community-based organizations to assist in the implementation of its universal service programs;

C. The Company proposed in its initial filing to increase its fixed monthly residential customer charge from \$15.00 to \$18.50. Such an increase in the fixed charge would have lessened the motive and ability of the residential class to conserve energy and reduce their monthly bill. The Settlement lessens such a negative impact in that it provides that the fixed monthly residential customer charge will set at \$16.50.

For the reasons set forth above the Commission on Economic Opportunity supports and joins in the Joint Petition for Settlement of Rate Investigation.

Respectfully submitted,



JOSEPH L. VULLO, ESQUIRE
I.D. No. 41279
Burke Vullo/Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
(570) 288-6441
Attorney for Commission on Economic
Opportunity

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

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V.

DOCKET NO. R-2017-2595853, *et al.*

PENNSYLVANIA-AMERICAN WATER
COMPANY

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

TO ADMINISTRATIVE LAW JUDGES DENNIS J. BUCKLEY AND BENJAMIN J. MYERS:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Gina L. Miller, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Petition ("Joint Petition" or "Settlement") are in the public interest and represent a fair, just, and reasonable balance of the interests of Pennsylvania-American Water Company ("PAWC" or "the Company"), and its customers.

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how an amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E's analysis of PAWC's base rate filings, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety and without modification.

2. On April 28, 2017, PAWC filed Original Tariff Water-Pa. P.U.C. No. 5 and Original Tariff Wastewater Pa. P.U.C. No. 16 to request an increase of its annual operating revenues to become effective on June 27, 2017. PAWC requested an overall increase of \$107.9 million, or approximately 16.4%.

3. By Order entered May 18, 2017, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of the existing and proposed rates, rules, and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filings were suspended by operation of law on June 27, 2017, until January 27, 2018, unless permitted by Commission Order to become effective at an earlier date.

4. I&E entered the Notice of Appearance of Prosecutor Gina L. Miller on May 8, 2017.

5. Administrative Law Judges Dennis J. Buckley and Benjamin J. Myers (“ALJs”) were assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

6. The ALJs held a prehearing conference on May 25, 2017, during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

7. I&E attended the following Public Input Hearings: July 24, 2017 in Washington, PA at 1:00 p.m. and in Pittsburgh, PA at 6:00 p.m.; July 25, 2017 in Uniontown, PA at 1:00 p.m.; July 27, 2017 in Harrisburg, PA at 1:00 p.m. (smart hearing) and in Camp Hill, PA 6:00 p.m.; August 1, 2017 in Wilkes-Barre, PA at 1:00 p.m. and in East Stroudsburg, PA at 6:00 p.m.; August 3, 2017 in East Fallowfield Township, PA at 1:00 p.m.; and in August 3, 2017 in Wyomissing, PA at 6:00 p.m.

8. In accordance with the procedural schedule established at the prehearing conference, I&E served all active parties the following pieces of testimony and accompanying exhibits, which were entered into the evidentiary record on September 26, 2017:

- I&E Statement No. 1-the direct testimony of Anthony Spadaccio
- I&E Exhibit No. 1-the exhibit to accompany the direct testimony of Anthony Spadaccio
- I&E Statement No. 1-SR-the surrebuttal testimony of Anthony Spadaccio
- I&E Statement No. 2-the direct testimony of D.C. Patel
- I&E Exhibit No. 2-the exhibit to accompany the direct testimony of D.C. Patel
- I&E Statement No. 2-SR-the surrebuttal testimony of D.C. Patel

- I&E Exhibit No. 2-SR--the exhibit to accompany the surrebuttal testimony of D.C. Patel
- I&E Statement No. 3-the direct testimony of Ethan H. Cline
- I&E Exhibit No. 3-the exhibit to accompany the direct testimony of Ethan H. Cline
- I&E Statement No. 3-SR-the surrebuttal testimony of Ethan H. Cline
- I&E Exhibit No. 3-SR-the exhibit to accompany the surrebuttal testimony of Ethan H. Cline
- I&E Statement No. 4-the direct testimony of Kokou Apetoh
- I&E Exhibit No. 4-the exhibit to accompany the direct testimony of Kokou Apetoh
- I&E Statement No. 4-SR-the surrebuttal testimony of Kokou Apetoh
- I&E Exhibit No. 4-SR-the exhibit to accompany the surrebuttal testimony of Kokou Apetoh
- I&E Statement No. 5-the direct testimony of Jeremy B. Hubert
- I&E Exhibit No. 5-the exhibit to accompany the direct testimony of Jeremy B. Hubert
- I&E Statement No. 5-SR-the surrebuttal testimony of Jeremy B. Hubert
- I&E Exhibit No. 5-SR-the exhibit to accompany the surrebuttal testimony of Jeremy B. Hubert
- I&E Statement No. 6-the direct testimony of Joseph Kubas
- I&E Exhibit No. 6-the exhibit to accompany the direct testimony of Joseph Kubas
- I&E Statement No. 6-R-the rebuttal testimony of Joseph Kubas
- I&E Statement No. 6-SR-the surrebuttal testimony of Joseph Kubas
- I&E Exhibit No. 6-SR-the exhibit to accompany the surrebuttal testimony of Joseph Kubas
- I&E Statement No. 7-the direct testimony of Brenton Grab
- I&E Exhibit No. 7-the exhibit to accompany the direct testimony of Brenton Grab
- I&E Statement No. 7-SR-the exhibit to accompany the surrebuttal testimony of Brenton Grab

9. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Company and other parties to the proceeding. Following extensive settlement negotiations, the parties reached a settlement.

II. TERMS AND CONDITIONS OF SETTLEMENT

10. It is the policy of the Commission to encourage settlements.¹ The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.²

11. This policy statement highlights the importance of settlement in Commission proceedings. The instant rate case was filed on April 28, 2017, and over the past six months, the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the course of the settlement process. As such, the issues raised by I&E have been

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJs and the Commission without modification:

A. Revenue Requirement (Joint Petition ¶¶ 9-20)

1. Rate Increase (Joint Petition ¶ 9)

At the outset of this case, PAWC requested an increase in annual operating revenues of \$107.9 million, or approximately 16.4%. However, pursuant to the Joint Petition, the Settlement Rates are designed to produce additional annual operating revenue of \$61.85 million.³ Below is a summary of the revenue increase requested by PAWC, and the agreed upon increase contained in the Settlement:

	Company Proposed Increase ⁴	Percentage of Company Proposed Increase	Settlement ⁵ Increase	Percentage Increase of Settlement Rates
Water operations	\$103,831,510	17%	\$56,281,090	9.21%
Wastewater Operations Excluding Scranton	\$4,094,298	17%	\$2,907,300	12.1%

³ Joint Petition, Appendix C (Summary of Proof of Revenues).

⁴ PAWC Exhibit 3-A (Combined Water and Wastewater Revenue Requirement-Summary).

⁵ Joint Petition, Appendix C (Summary of Proof of Revenues).

Scranton Wastewater Operations	\$0	0%	\$2,660,983	12.1%
Overall	\$107,925,808	16.4%	\$61,849,283	9.41%

I&E analyzed the ratemaking claims contained in base rate filings including operating and maintenance expenses, rate base, taxes, cash working capital, rate structure, capital structure, and the cost of equity and debt. The Settlement represents over a \$46 million savings for PAWC customers. For these reasons, I&E fully supports the revenue levels compromised upon in the Settlement.

Due to the “black box” nature of the Settlement, there is no agreement upon individual issues; rather, the parties have agreed to an overall increase to base rates that is substantially less than what was requested by PAWC. Line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find that the Settlement satisfies the public interest nor could such a result be achieved as part of a settlement. Black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation.

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

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.⁶

I&E individually, and the Joint Petitioners collectively, considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party has agreed that the Settlement benefits its particular interest. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”⁷ The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates that the Joint Petition reflects a compromise of the litigated positions held by those parties. Therefore, I&E submits that the Settlement balances the interests of PAWC and its customers in a fair and equitable manner.

⁶ *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

⁷ *Pa. P.U.C. v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

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

2. Separate Revenue Requirement Studies For Each Combined System (Joint Petition ¶ 11)

Pursuant to the settlement, PAWC has agreed that that in its next base rate filing, it will the Company will submit a separate revenue requirement study for each combined sewer system and will file a cost of service study that separately identifies all storm water costs for combined sewer system operations. These terms, which were recommended by I&E during the course of this proceeding, serve to protect the public interest in several ways. As I&E witness Kubas explained, separate cost of service studies for combined sewer systems are necessary to preserve fair ratemaking:

[t]o establish fair and reasonable rates it is critical for the Company to provide separate COSSs [cost of service studies] which will be needed to determine the cost of providing storm water service in combined systems such as the Scranton system. Wastewater systems that do not provided storm water service should be addressed separately. Since most of PAWC's wastewater systems do not provide storm water service, this separation is necessary to segregate the cost of

providing storm water service from systems that provide only sanitary sewer service.⁸

As witness Kubas explained, combined sewer systems impose unique and additional costs on ratepayers that do not exist for regular wastewater service.⁹

By way of further explanation, a system's classification as a combined sewer system means that its ratepayers have additional costs built into their rates that traditional sanitary sewer customers do not. Examples of these additional costs include capital plant costs for storm water catch basins and overflows for when the volumes exceed the capacity of the treatment facility. Further related costs include maintenance expenses for cleaning the catch basins and additional chemical expenses.¹⁰

Without having a cost of service study that identifies and separates these costs, there will be no way for the Commission to properly review and, as appropriate, assign these costs in PAWC's next base rate case. Importantly, the Commission has already recognized that, "[a]s with all rate design issues, the basis of rate setting is a cost of service study."¹¹ Therefore, PAWC's agreement to submit a separate revenue requirement for each combined sewer system and to file a cost of service study to separately identify all storm water costs is in the public interest because it will provide

⁸ I&E St. No. 6, pp. 26-27.

⁹ I&E St. No. 6, pp. 25-26.

¹⁰ Id.

¹¹ *Joint Application of Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton*, Docket No. A-2016-2537209, p. 86 (Order entered October 19, 2016) ("Scranton acquisition case").

information available in the form necessary to enable the Commission to properly allocate costs and determine just and reasonable rates in PAWC's next base rate case. From I&E's perspective, this Settlement term was essential because without it, the Commission's ability to evaluate any cost spreading from the perspective of cost causation could be compromised. However, pursuant to the Settlement, the studies and information will be available to the Commission and will preserve future ratemaking options.

3. Acquisition Adjustments (Joint Petition ¶ 13)

The Joint Petition provides that while the Settlement Rates reflect the amortization of transaction costs related to PAWC's acquisition of the Sewer Authority of the City of Scranton ("SSA") and the Borough of New Cumberland, which will be amortized at 40 years and 10 years, respectively. Importantly, PAWC will not claim an amortization of or a return on the acquisition adjustment it recorded for its acquisition of the SSA assets. Additionally, with regard to the fourteen other positive or negative acquisitions at issue in this proceeding,¹² PAWC has agreed not to amortize these as either a positive or negative amortization in rates charged to customers in this case or in its future rate filings. This term regarding the acquisition adjustments, and especially as it pertains to the SSA acquisition adjustment, was a critical part of I&E's willingness to join in the Settlement.

To be sure, I&E expressed its opposition to PAWC claiming an acquisition adjustment in conjunction with its 2016 purchase of the SSA's assets in the underlying

¹² Joint Petition, Appendix D.

acquisition proceeding.¹³ Specifically, in the Scranton acquisition case, I&E noted that the acquisition failed to meet the criteria of 66 Pa. C.S. § 1327(a),¹⁴ which establishes nine criteria that must be met before a utility can claim an acquisition adjustment in rate base.¹⁵ In its Final Order that approved PAWC's acquisition of the SSA assets, the Commission noted I&E's concerns, but it indicated that any potential claim that PAWC may make for an acquisition adjustment resulting from its purchase of the SSA assets would be ripe for review in PAWC's next rate case filing.¹⁶ The Commission also noted that if PAWC made a claim for such an adjustment, the availability of an original cost study would help parties assess the reasonableness of the claimed adjustment, especially in light of the potentially substantial difference between the book value and the purchase price of the SSA assets.¹⁷

In this proceeding, which is PAWC's next rate case filing its acquisition of the SSA assets, it presented an original cost study reflecting a net book value of the assets acquired of \$133,229,843, and resulting in a claimed positive acquisition adjustment of \$24,919,648.¹⁸ PAWC's filing proposed to amortize the acquisition adjustment for ratemaking purposes over a period of 40 years. I&E opposed the acquisition adjustment

¹³ *Joint Application of Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton*, Docket No. A-2016-2537209, (Order entered October 19, 2016) ("Scranton acquisition case").
¹⁴ "Section 1327."

¹⁵ Scranton acquisition case, Docket No. A-2016-2537209, I&E Main Brief, pp. 25-27.

¹⁶ Scranton acquisition case, Docket No. A-2016-2537209, Opinion and Order, p. 69 (Order entered October 19, 2016).

¹⁷ *Id.* The Commission was referring to the difference between the book value of the SSA's assets that OCA offered, \$74 million, and the \$195 million purchase price that PAWC paid for the SSA's assets.

¹⁸ PAWC Ex. No. 3-A (Scranton), p. 9, In. 17; I&E St. no. 5, p. 12. (The purchase price that PAWC paid for the SSA assets \$158,788,456, and when the book value, \$133,229,843) is subtracted from that, it produces a result of \$25,558,613; however, the adjustment also reflects one year of annual amortization expense, \$638,965).

as being unwarranted due to its failure to conform to the criteria of Section 1327. Specifically, as I&E witness Hubert explained, did not meet all of the nine criteria necessary to support its inclusion of the acquisition adjustment; instead, PAWC failed three of these criteria. Mr. Hubert opined that (1) SSA was viable at the time that PAWC acquired its assets, (2) the SSA was providing adequate, efficient, safe and reasonable service when it was acquired; and (3) that PAWC failed to demonstrate that its purchase price for the SSA was reasonable; therefore, PAWC failed to satisfy subsections (a)(2), (a)(3), and (a)(6) of Section 1327.¹⁹ Accordingly, I&E recommended that PAWC's acquisition adjustment be denied.

Notably, I&E witness Hubert also engaged in a painstaking review of the other fourteen acquisition adjustments that were at issue in this case.²⁰ These included acquisition adjustments for Scott Township Municipal Authority, Pocono Mountain Lake Forest Community Association, Berry Hollow Water Company, Inc., Abbey Woods Homeowners Association, Paint Township Municipal Water Authority, McEwensville Municipal Authority (Water), Koppel Borough Wastewater, Hamiltonban Township Municipal Authority, Shippensville Borough, New Cumberland Borough, Franklin Township Municipal Sewer Authority, Paint-Elk Joint Sewer Authority, McEwensville Municipal Authority (Wastewater), and Fairview Township.²¹ As Mr. Hubert noted, in some cases, PAWC paid less than the depreciated original costs for the systems, resulting

¹⁹ I&E St. No. 5, pp. 15-27.

²⁰ I&E St. No. 5, pp. 8-11, pp. 30-50.

²¹ PAWC Exhibit No. 3-C.

in a negative acquisition adjustment, and in some cases, it paid more, resulting in a positive acquisition adjustment.²² Mr. Hubert also addressed each of these remaining fourteen acquisitions individually, making recommendations for each on a case-by-case basis, but each resulted only in a fraction of the rate base impact and expense adjustments of the SSA acquisition adjustment.²³

From I&E's perspective, the Joint Petition's provision indicating that PAWC will not claim an amortization of or return on the SSA acquisition adjustment substantially benefits the public interest. PAWC's ratepayers will now be shielded from the substantial rate impact that would have resulted from the treatment proposed in PAWC's filing. I&E opines that this was a result that had to be avoided, because PAWC's acquisition of the SSA acquisition did not meet the criteria necessary to entitle PAWC to recoup an acquisition adjustment. Furthermore, I&E opines that the Section 1327 criteria provides for recognition of acquisition adjustments only under a very specific set of circumstances, in part, to shield captive ratepayers from bearing the brunt of acquisitions to which they were not a party. Accordingly, the Settlement term here protects PAWC's ratepayers from paying an unwarranted premium. Finally, PAWC has agreed not to amortize the remaining acquisition adjustments, as either a positive or negative amortization in rates charged to customers in this case or in its future rate filings,

²² Id.; I&E St. No. 5, pp. 4-5.

²³ I&E St. No. 5, pp. 51, 53.

similarly protects ratepayers, promotes consistency, and was necessary to achieve a global resolution of this matter.

4. Fully Projected Future Test Year Reporting Requirements (Joint Petition ¶ 14)

In these base rate filings, PAWC elected to use a Fully Projected Future Test Year (FPFTY) as permitted under Act 11 of 2012. The FPFTY represents a dramatic change from the standard ratemaking process. Although previously allowing for use of a Future Test Year, Section 315 of the Public Utility Code, 66 Pa. C.S. §315, traditionally required that utility investment be used and useful in the provision of service before the investment was reflected in rates. By allowing this extended projection, the FPFTY essentially allows a utility to require ratepayers to pay a return on its projected investment in future facilities that are not in place and providing service at the time the new rates take effect and that are not subject to any guarantee of being completed and placed into service.

Considering the impact of FPFTY projections, I&E sought to have PAWC provide interim reports until the filing of the next base rate cases in order to be able to timely review and verify the status of the its rate base projections.²⁴ This Settlement specifies the Exhibits that will be updated for the twelve months ended December 31, 2017 and December 31, 2018. In addition, PAWC agreed to provide, as a part of the next

²⁴ I&E St. No. 4, pp. 41-42.

base rate case, a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2018 to its projections in this case. Accordingly, I&E fully supports the Settlement term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of the projections in its next base rate filing.

5. DSIC (Joint Petition ¶ 15)

In accordance with the Settlement, PAWC will not will not implement a Distribution System Improvement Charge ("DSIC") during the calendar year ending December 31, 2018. Additionally, the first DSIC in 2019 will be effective no earlier than April 1, 2019 and it will be based on DSIC-eligible expenditures during January and February 2019. Additionally, PAWC has agreed to impose its DSIC in a manner that is consistent with the Commission's Supplemental Implementation Order at Docket No. M-2012-2293611. I&E avers that this term is in the public interest because it benefits both PAWC and its ratepayers. First, PAWC benefits because it will have access to DSIC funding for necessary infrastructure improvement, which will facilitate its obligation to maintain adequate, efficient, safe, and reasonable service and facilities.²⁵ PAWC's customers will benefit because pursuant to this term, they will not need to fund the DSIC until April 1, 2019, at the earliest. Accordingly, ratepayers will experience relief from paying DSIC costs for a fixed period of time, but even when the charge becomes

²⁵ 66 Pa. C.S. § 1501.

effective, these customers will benefit from the safe and effective service that is facilitated through improved infrastructure.

6. Treatment of Pension Expense (Joint Petition ¶ 17)

Pursuant to the Settlement, the Joint Petitioners have agreed that PAWC will record, for accounting and regulatory purposes, pension expense based on accrual accounting, according to FASB Accounting Standards Codification Topic 715 or “ASC 715.” Importantly, the Joint Petition also provides that no party is barred from contesting the Company’s pension expense claim and associated ratemaking effects in its next base rate case. This latter term addresses I&E’s concerns, which I&E witness Patel presented in this case as follows:

I do not support Ms. Hawn’s new claim in her rebuttal testimony that the Company will develop its future pension claims for ratemaking purposes in future base rate cases based solely on an accrual basis in accordance with ASC 715. In fairness to ratepayers, I&E will evaluate this Company’s and all other regulated utilities’ pension expense claims in future base rate cases on a case-by-case basis.²⁶

As Mr. Patel explained, preserving the ability to review PAWC’s pension expense claim in its next rate case is paramount to protecting ratepayers. Because the Settlement both permits PAWC to adopt the accounting methodology it believes best mitigates expense fluctuations²⁷ and it preserves interested parties and the Commission’s ability to review, and, as appropriate, adjust this expense in a future rate case, it is in the public interest.

²⁶ I&E St. No. 2-SR, pp. 34-35.

²⁷ PAWC St. No. 6, p. 6.

7. Easements (Joint Petition ¶ 18)

Pursuant to the Joint Petition, PAWC has agreed to remove from its utility plant in service \$12 million that it claimed for Scranton wastewater easements to be acquired. Additionally, PAWC will not record the easements to its utility plant in service until they are acquired and transferred to PAWC, and to the extent that costs to acquire these easements exceeds \$12 million, any costs in excess of this amount will not be claimed in future rate filings. While the Settlement provides that PAWC may establish a regulatory asset, for accounting purposes only, not to exceed \$12 million, if it does so, the regulatory asset will be reduced by the amount of the easements recorded to its utility plant in service. However, for ratemaking purposes, PAWC will not claim any portion of the regulatory asset an addition to rate base or as an expense. Finally, nothing in the Settlement prohibits parties from challenging the reasonableness and prudence of the costs incurred to acquire the Scranton wastewater easements.

From I&E's perspective, this Settlement term was essential to ensure that the public interest is protected. As I&E witness Kubas explained, the issue regarding these easements arose simply because the former SSA failed to transfer all of the necessary easements to PAWC when PAWC acquired the SSA.²⁸ This was unprecedented, because typically all necessary easements are transferred when the acquired property is transferred so that the new owner, in this case, PAWC, has unhindered and unfettered

²⁸ I&E St. No. 6, p. 62.

access to inspect repair, or possibly replace necessary property plant and equipment.²⁹ Because SSA was unable to transfer the easements to PAWC upon closing, SSA and PAWC agreed that \$12 million would be placed into an escrow account to cover SSA's cost to incur the necessary easements.³⁰ In this rate case, PAWC claimed \$12 million in the Scranton operations rate base. This \$12 million included \$3 million for easements acquired in the future test year ending 2017, and \$9 million for Easements acquired in the PFPTY ending 2018.³¹ I&E objected to this treatment on several bases, including the fact that through the discovery process, PAWC indicated that no easements had yet been acquired, the record indicated that there were 781 missing easements.³² Accordingly, uncertainty existed as to whether and when PAWC might obtain these easements and how much they might cost.

Despite the uncertainty surrounding the terms and timing of PAWC's acquisition of the easements, witness Kubas pointed out that the Company's proposed treatment of these easement essentially assumed that each easement has a corresponding value of \$15,365 (\$12,000, which will be included in a plant account that does not depreciate and will earn a return of investment in perpetuity.³³ Mr. Kubas explained that it is inappropriate for PAWC to assign an arbitrary escrow amount of \$12 million to be set as a rate base value for the easements.³⁴ Additionally, ratepayers should not be compelled

²⁹ Id. at p. 64.

³⁰ Id. at p. 62; Scranton Acquisition - Revised Asset Purchase Agreement filed October 31, 2016.

³¹ Id. at p. 64; PAWC Exhibit No. 3-A, Future test Year Additions, Scranton Wastewater.

³² Id. at pp. 64-65; I&E Exhibit No. 6, Sch. 14.

³³ Id. at p. 65.

³⁴ Id.

to pay for the costs of these unacquired and speculative easements, until the easements are acquired and the corresponding escrowed funds are released.³⁵

The Settlement addresses the concerns that I&E raised because it provides that PAWC will not record easements to its utility plant in service until they are actually acquired. Ratepayers benefit from this term because they will not be subjected to paying for easements that PAWC does not yet possess, which would be an unfair and unreasonable result. Furthermore, because PAWC has agreed that any costs for easements that exceed the \$12 million escrow amount will not be recovered from ratepayers, ratepayers are protected from the impact of any easement negotiations that could lead to PAWC paying a substantially higher amount than \$12 million. At the same time, the Settlement benefits PAWC because it is provided with an avenue to address its anticipated \$12 million easement expense with the establishment of a regulatory asset. Finally, parties to this proceeding have reserved the right to challenge the reasonableness and prudence of the costs incurred to acquire the Scranton wastewater easements, which adds an additional layer of protection for PAWC's ratepayers and preserves the Commission's ability to review these costs. Accordingly, this term protects PAWC and its ratepayers; therefore, it is in the public interest.

³⁵ Id. at p. 66.

8. Fees to the Pennsylvania Department of Environmental Protection (Joint Petition ¶ 19)

During the course of this proceeding, PAWC indicated that it anticipates being subject to a pending Department of Environmental Protection (“DEP”) fee package of approximately \$819,000 per year.³⁶ This annual fee could materialize as a result of a DEP rule, pending consideration, that would impose new annual program fees on public water system.³⁷ Pursuant to the Joint Petition, PAWC memorializes its right to request that the Commission grant its approval to defer any such fees and to record those costs, when they occur, as a regulatory asset, and to recover them in its next base rate case. I&E does not oppose this term, because while it contemplates providing cost recovery to PAWC for any fees that might result from the pending DEP fee package, it also preserves parties’ rights to oppose PAWC’s request when it is made. In this way, the parties’ ability to review and make recommendations regarding the rate treatment of any DEP fees that may materialize is not jeopardized.

9. Allocation of Common Costs (Joint Petition ¶ 20)

Through paragraph 20 of the Joint Petition, PAWC has agreed that in its next base rate filing, it will make an allocation of costs between water and wastewater operations. This allocation will include, but not be limited to, allocation to the revenue requirement for wastewater operations of costs charged to PAWC from the American Water Works Service Company. As I&E explained during the course of this proceeding, failing to

³⁶ PAWC St. No. 16-R, p. 8.

³⁷ Id. at p. 5.

appropriately allocate costs is not in the public interest. Specifically, I&E witness Kubas indicated that in this proceeding, PAWC either failed to allocate or failed to fairly allocate rate case expense, service company costs, and Capitol Operations Facility costs to Scranton wastewater customers and to wastewater customers.³⁸ As an example, PAWC allocated 100% of its Service Company costs to water customers and none of those costs to wastewater or Scranton wastewater customers, although the wastewater customers materially benefitted from the Service Company's operations.³⁹ I&E avers that it concerns in this arena have been resolved through the combined terms of this Settlement. Additionally, through the Settlement, PAWC has now committed to allocate costs in its next base rate case, which will serve the public interest by ensuring that costs are fairly distributed to the parties that benefit from the services that those costs fund.

B. Base Rate Stay-Out (Joint Petition ¶ 21)

Absent the exigent circumstances noted in the Settlement, PAWC will not file for a general rate increase under Section 1308(d) of the Public Utility Code for its existing water operations, wastewater operations excluding Scranton wastewater or Scranton wastewater operations prior to March 31, 2020. The exceptions to this "stay out" provision are those that allow the Company to file for a change in rates if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy, regulation, or statutes which directly and substantially affect PAWC's

³⁸ PAWC St. No. 6, p. 9.

³⁹ PAWC St. No. 6, pp. 13-15.

rates. This stay out provision provides stability and certainty to ratepayers who will experience rate continuity for over two years from the date of settlement approval. At the same time, the Company will not be prejudiced, as in the event that it experiences unforeseeable hardship beyond its own control, warranting a rate change, it would be able to seek a rate relief. For these reasons, the stay out provision of the Settlement is in the public interest and it should be approved.

C. Act 40 of 2016 (Joint Petition ¶¶ 22-24)

The Settlement accurately indicates that the level of revenue requirement it provides for reflects the resolution of the parties' varying positions regarding 66 Pa. C.S. § 1301.1(a), computation of income tax expense for ratemaking purposes. As the Settlement indicates, no party to this proceeding objected to the Company's calculation of a consolidated tax adjustment in the amount of \$4.4 million.⁴⁰ However, I&E objected to the fact that PAWC did not apply the 50% differential of \$2.2 million to its rate base claim in this proceeding.⁴¹ As I&E witness Grab explained, 66 Pa. § C.S. 1301 ("Act 40") was applicable to this case, and I&E interpreted it to require PAWC to apply \$2.2 million (the "50% differential") either as an offset to capital investment or as a reduction to its rate base claim in the instant filing.⁴² However, PAWC witness Nevirauskas disagreed with Mr. Grab and instead opined that PAWC is not required to treat the 50% differential as customer-supplied capital.⁴³ PAWC witness Nevirauskas claimed that the

⁴⁰ PAWC St. No. 10, p. 4.

⁴¹ I&E St. No. 7, pp. 4-5.

⁴² Id. at pp. 3, 7.

⁴³ PAWC St. No. 1-R, p. 46.

50% differential should be treated as utility operating income that is reinvested in utility plant and equipment, which should be included in rate base.⁴⁴

The Settlement eliminates this dispute by imputing a compromise of these and other parties' positions into the agreed upon revenue requirement. I&E submits that this resolution is in the public interest because the Company will be provided with an adequate level of operating income to allow it to meet its obligation to provide safe, adequate, and reliable service. At the same time, parties, including I&E, are able to preserve their respective positions regarding Act 40 while also saving ratepayers the costs that they would incur from the litigation of this matter. Because PAWC, the remaining parties, and the ratepayers benefit from this compromise, I&E avers that it is in the public interest.

D. Low Income Issues (Joint Petition ¶¶ 25-26)

Pursuant to the Settlement, PAWC has agreed to increase the residential water customer charge discount for low-income customers from 80% to 85%. In addition to this commitment, PAWC has additionally agreed to increase the residential wastewater low-income discount from 15% to 20% of the wastewater bill. Finally, PAWC has also agreed to increase its annual contribution to its hardship fund by \$100,000 (from \$300,000 to \$400,000) for water operations and by \$40,000 (from \$10,000 to \$50,000) for wastewater operations. As PAWC points out, the expenses that result from this increased funding will not be borne by ratepayers.

⁴⁴ PAWC St. No. 1-R, p.

Although I&E did not take a position on this issue during the evidentiary portion of this proceeding, I&E nonetheless supports these terms and opines that they are in the public interest for several reasons. First, ensuring that low-income customers have access to financial assistance is in the public interest because it will better facilitate these customers' access to water and wastewater service. Increasing low-income customers' access to water and wastewater service is consistent with the Code's policy of ensuring that service remains available to all customers on reasonable terms and conditions.⁴⁵ Additionally, remaining PAWC ratepayers will be safeguarded from any financial impact of these terms, as they will not be required to subsidize this additional funding through their rates. Accordingly, I&E avers that PAWC's agreement to provide increased funding to qualifying low-income customers is in the public interest.

E. Service-Related Issues (Joint Petition ¶ 27)

A crucial part of this Settlement is that it memorializes PAWC's commitment to address service issues that came to light during this proceeding, and especially during the course of the nine public input hearings held by the Commission. Specifically, as reflected in Exhibit F to the Joint Petition, the Company either has already addressed or has committed to address service issues in the following service areas: East Stroudsburg/Blue Mountain Lakes, East Stroudsburg/Saw Creek Estates, Yardley/Lower

⁴⁵ 66 Pa. C.S. § 1402(3).

Makefield, East Fallowfield, Wilkes-Barre, Harrisburg/New Cumberland, and Wyomissing.

Although Appendix F provides a comprehensive list of complaints and the avenues of redress that PAWC has or will undertake, for purposes of illustration, a few examples will be noted here. For example, at the public input hearing held in East Stroudsburg on August 1, 2017, water customers testified regarding water quality issues in the Blue Mountain Lake System. These complaints focused on water discoloration and of particulate matter existing in the water.⁴⁶ In response, PAWC witness Kaufman explained that the Company has been working with the Blue Mountain Lakes Homeowners' Association regarding issues with manganese in the water.⁴⁷ PAWC explained that while presence of manganese does not impact the health, safety or potability of the water, but high levels of insoluble manganese can cause water discoloration.⁴⁸

To combat this, PAWC instituted a comprehensive action plan, memorialized in Appendix F, which includes (1) utilizing a new sequestrant that is expected to be more effective; and (2) using Well No. 1 (which has lower levels of manganese) as the baseload well. Additionally, PAWC has committed to performing monthly iron and manganese laboratory tests of Well No. 1 and Well No. 3 water. To the extent that these measures do not resolve the manganese issue, sequestration does not reliably solve the

⁴⁶ Tr. at 255-265.

⁴⁷ PAWC St. 3-R at 7.

⁴⁸ Id.

manganese problems (discolored water and staining of laundry and water fixtures) from Well Nos. 1 and 3 within six months of the date the Commission approves the Settlement, then PAWC agrees to work with OCA, I&E and OSBA to address and resolve the elevated manganese levels, which may include developing more suitable sources of water supply or installing an iron and manganese removal treatment facility.

In another example, Representative Warren presented the following complaints to the Commission: (1) the existence of brown water constantly for about three weeks; and (2) the existence of a paint-like taste and smell for two weeks after the discolored water cleared.⁴⁹ On July 28, 2017, Borough Council President for Yardley Borough also identified similar concerns regarding brown water.⁵⁰ Additionally, in the informal rate protests filed in this case, one of the informal complainants also complained of a “pink residue” appearing on water fixtures last year.⁵¹ In response, PAWC explained that these complaints could have resulted from flushing of the Yardley system, including Lower Makefield Township, which occurred during April to mid-June of 2017.⁵² PAWC also explained that the pink residue is caused by airborne coliform bacteria called *Serratia marcescens*, which are present in soil and are disturbed during construction activities. Because *Serratia marcescens* can be addressed with chlorine disinfection, PAWC conducted chlorine and bacteria sampling in the impacted distribution system and the results showed that an adequate chlorine residual was present in the water to prevent

⁴⁹ OCA St. 4, p.13.

⁵⁰ Id.

⁵¹ Id.

⁵² PAWC St. 3-R, at 9.

these bacterial. However, PAWC remains committed to addressing any other complaints that are made.⁵³

Although Appendix F lists several other service concerns that PAWC customers articulated during the public input hearings or through the complaint process, PAWC has reported on its progress in addressing these complaints. In I&E's view, Appendix F memorializes PAWC's commitment to address service complaints, and to develop and implement comprehensive action plans to remedy the issues that arise. Because water quality and safety is of paramount importance, I&E opines that PAWC's commitments in this area are in the public interest.

F. Unaccounted for Water (Joint Petition ¶ 28)

The Joint Petition provides that PAWC will serve I&E, OCA and OSBA with copies of the Section 500 sheet of its Annual Report, in live Excel format, for each water operational district for the three preceding reporting years ending prior to the date of the Company's filing. As OCA witness Fought explained, PAWC provides information regarding unaccounted for water in Section 500 of its Annual Report to the Commission.⁵⁴ PAWC's agreement to provide I&E and other parties with information regarding its unaccounted for water levels will allow these parties to ensure that PAWC is taking the appropriate steps to ensure that unaccounted for water is kept to minimal levels. Ratepayers benefit from cost savings when unaccounted for water is limited to the

⁵³ PAWC St. No. 2-R, pp. 9-10.

⁵⁴ OCA St. No. 4, pp. 15-16.

minimal extent possible. Therefore, as this term will allow parties to monitor PAWC's progress in mitigating unaccounted for water and associated costs, and it serves the public interest.

G. Street Sweeping Within the City of Scranton and the Borough of Dunmore (Joint Petition ¶¶ 29-31)

Pursuant to the Settlement, PAWC agrees to prepare an agreement between the Company and the City of Scranton and the Borough of Dunmore, which will, inter alia, provide for these parties to have regular period meetings to discuss street sweeping schedules, prioritize areas for street sweeping, and memorialize PAWC's responsibility to clean catch basins that within the combined sewer system formerly owned by the Scranton Sewer Authority. PAWC has also agreed to file the resulting agreement with the Commission for review and approval, as it is required to do under 66 Pa. C.S. § 507. Finally, and from I&E's perspective, most importantly, PAWC has agreed that it will not recover resulting street sweeping charges from its customers.

In direct testimony, I&E witness Kubas explained that street sweeping costs are not appropriately recovered in PAWC customers' rates because they are not attributable to utility service, but instead are only attributable to storm water service.⁵⁵ Mr. Kubas also explained that, given the nature of storm water costs, is reasonable to only recover the cost of storm water from the customers in the municipalities that cause storm water costs to be incurred.⁵⁶ As the Settlement memorializes PAWC's agreement that it will not

⁵⁵ I&E St. No. 6, p. 60.

⁵⁶ Id. at p. 57.

attempt to recovery any street sweeping charges from its customers, this term honors the important principle of cost causation, which provides that the parties causing the costs should incur the costs. Additionally, this term prevents PAWC's ratepayers from being compelled to subsidize municipal costs in their rates. Therefore, it is in the public interest.

H. Formal Complaint of Stockton Alloway (Joint Petition ¶ 32)

I&E took no position regarding Mr. Alloway's Formal Complaint during the course of this proceeding. However, I&E nonetheless supports the Settlement's provision to address Mr. Alloway's Formal Complaint, as it was necessary to facilitate a global resolution of this case. Mr. Alloway is a wastewater customer in PAWC's service territory and the Settlement memorializes PAWC's good faith attempt to address the concerns that Mr. Alloway raised as part of this proceeding.

I. Main Extensions (Joint Petition ¶ 33)

During the course of this proceeding, the OCA recommended that PAWC extend water mains to several areas in accordance with Tariff Rule 27.1(F).⁵⁷ OCA opined that the identified main extensions would help to resolve health and safety issues.⁵⁸ Through the Settlement, PAWC has committed to invest \$2.2 million to construct water main extensions, including, but not limited to the following projects that were identified by the OCA: Project Area 1 – Lindley Road, Canonsburg, Washington County; Project Area 2

⁵⁷ OCA St. No. 4, pp. 8-9.

⁵⁸ *Id.* at p. 9.

– High Street, Hopwood, Fayette County; and Project Area 3 – 121 Campbell Road, Bulgar, Washington County.⁵⁹

Although I&E did not take a formal position regarding the OCA’s proposal, I&E nonetheless supports this Settlement term for several reasons. First, the intent of the main extensions recommendation was to protect the health and safety of those within PAWC’s service territory, which is paramount to protecting the public interest. Additionally, PAWC has placed a cap of \$2.2 million on the main extensions, meaning that ratepayers will be protected because costs for the main extensions will not exceed this defined parameter and become onerous. Finally, PAWC has committed to applying least-cost principles in designing and constructing the main extensions, and to use its best efforts to apply for grants and to obtain contributions from other sources to mitigate main extension costs. PAWC’s commitment to mitigate costs provides an additional layer of protection to ratepayers who will shoulder these costs. With these interests in mind, I&E opines that this Settlement term is in the public interest.

J. Cost Allocation and Rate Design (Joint Petition ¶¶ 34-35)

The revenue allocation to each tariff and rate schedule for water is reflected in the Settlement Rates set forth in Appendix A attached to the Joint Petition, and this same information is set forth in Appendix B for the wastewater rate structure. Billing comparisons showing the impact on the bill of an average customer in each major rate

⁵⁹ Joint Petition at ¶ 33; Joint Petition at Appendix G.

class is contained in Appendix H for water customers and in Appendix I for wastewater customers.

One of the considerations I&E uses in appropriately allocating rate increases is the resulting rate of return by customer class and the corresponding relative rate of return by class, i.e. how the rate of return for each class compares to the system average rate of return.⁶⁰ The optimum goal should be to establish proposed rates so that the revenue received from a particular class is equal to the corresponding costs of providing service to that class.⁶¹ A relative rate of return above 1.00 for a class indicates that the cost of providing service is less than the revenue received from that class.⁶² A relative rate of return below 1.00 for a class indicates that the cost of providing service is more than the revenue received from that class.⁶³ Based on the results of I&E's analysis of the cost of service studies, I&E makes recommendations to move the relative rate of return for each class towards 1.00, which it considers to be the ultimate goal. After a full analysis of PAWC's base rate filing and extensive settlement negotiations among the parties, I&E fully supports the revenue allocations as set forth in the Joint Petition.

With respect to rate design, customer charges should be designed to recover the direct and indirect fixed costs incurred to serve that class. I&E testified that PAWC's residential customer cost analysis for water customers was overly-inclusive and

⁶⁰ I&E St. No. 3, pp. 6-7.

⁶¹ I&E St. No. 3, p. 40.

⁶² Id.

⁶³ Id.

performed its own analysis to determine the appropriate residential customer charges.⁶⁴

As shown below, the residential customer charges contained in the Settlement are close to or below what I&E recommended in testimony; therefore, I&E is satisfied that the agreed upon residential customer charges do not include any unwarranted direct or indirect costs:

	Company Present	Company Proposed	I&E Proposed	Settlement
PAWC Water Operations ⁶⁵	\$15.00	\$18.50	\$15.60 ⁶⁶	\$16.50

Additionally, pursuant to the Settlement, water Rate Zone 50 is being combined with Rate Zine 50 and Rate Zones 40, 41, 46, 47 and 51 have been consolidated into a new Rate Zone 2. Furthermore, PAWC's twelve wastewater rate zones will be reduced to five. Specifically, existing wastewater Rate Zones 2, 3, and 6-10 will be consolidated with wastewater Rate Zone 1. The other four rates zones will consist of new Rate Zone 2 (New Cumberland), new Rate Zone 3, (Scranton), Rate Zone 4 (Koppel) and Rate Zone 5 (Franklin). I&E supports the mergers of these enumerated zones and avers that they further the policy of single-tariff pricing. At the same time, I&E also opines that this term represents a compromise of the parties' positions, and that, in conjunction with the

⁶⁴ I&E St. No. 3 pp. 21, 27, 34; I&E Exhibit No. 3, Sch. 14. I&E did not recommend changes to either PAWC's customer charge for wastewater operations not including Scranton or to the Scranton wastewater customer charge.

⁶⁵ This chart is prepared as an illustration of the proposal made for water rate zone 1 (General), as the company's present rate differed slightly in other zones; however, I&E's proposal and the settlement rates apply to all water rate zones.

⁶⁶ I&E St. No. 3, p. 34; I&E Ex. No. 3, Sch. 14, ln.7.

lower level of annual operating revenue than PAWC originally proposed, it addresses the concerns that I&E raised the concept of gradualism.⁶⁷

Finally, the combined water and wastewater revenue requirement was also an important issue for I&E. Pursuant to the Settlement, a portion of the wastewater revenue requirement totaling \$4,700,000 is being allocated to water customers with \$2,317,000 of that amount being attributable to a portion of the Scranton wastewater revenue requirement and \$2,383,000 is attributable to a portion of the revenue requirement for PAWC's other wastewater operations.⁶⁸ These amounts represent a very substantial decrease from PAWC's as-filed proposal to allocate \$13,805,187 of the wastewater revenue requirement to water customers, which was compromised of \$ 3,429,475 of revenue required for PAWC's wastewater operations, excluding Scranton, and \$10,375,712, of revenue requirement from PAWC's Scranton operations.⁶⁹ As I&E witness Kubas explained, PAWC's as-filed proposal was unreasonable, excessive, and a reduction was necessary:

It is in the public interest to moderate the wastewater revenue shortfall that is recovered from water customers for two reasons. First, while almost all wastewater customers are water customers, only 7.7% of water customers are also PAWC wastewater customers (I&E Exhibit No. 6, Schedule 3, page 1, line 14, column D). The other 92.3% of water customers typically incur wastewater bills or septic system costs that are not subsidized. PAWC is requesting that 92.3% of its water customers pay \$13,805,187 of wastewater service costs in their water bill, recovering the cost of a service that

⁶⁷ I&E St. No. 3, pp. 46-47, 55-56, 84.

⁶⁸ Joint Petition, Appendix C.

⁶⁹ PAWC St. No. 1, pp. 9-10; PAWC Exhibit No. 3-A, page 1.

they do not receive. Therefore, it is reasonable to limit the wastewater revenue shortfall that water customers pay. Second, as described below, it is unreasonable for water customers to pay higher rates simply because PAWC purchased the Scranton operations and agreed to freeze the customer charges and usage rates at present levels, generating revenue well below the cost of providing service to the Scranton operation.⁷⁰

Taking into account witness Kubas's recommendation, the Joint Petition has now decreased the proposed \$13,805,187 by \$9,105,187 to \$4.7 million. The Scranton wastewater subsidy is now reduced by \$8,058,712 (from \$10,375,712 to \$2,317,000) and the remaining wastewater subsidy is reduced by \$1,046,475 (from \$3,429,475 to \$2,383,000). I&E submits that these adjustments achieve a result that is in the public interest because while PAWC has been able to use the cost-spreading mechanism provided by Act 11 to provide some relief to wastewater and Scranton wastewater customers, the resulting costs that PAWC's water customers will subsidize have been substantially mitigated.

Therefore, I&E fully supports the settled upon revenue allocation and rates design as set forth in the Joint Petition. I&E believes that the settled upon revenue allocations and rate design are in the public interest as they are consistent with prior Commission decisions, provide stability to PAWC and represent a fair and reasonable rate increase to customers.

⁷⁰ I&E St. No. 6, p. 6.

K. Effective Date (Joint Petition ¶ 36)

Pursuant to the Settlement, the Joint Petitioners have agreed to exercise their best efforts to obtain approval of this Settlement by the Commission on or before December 7, 2017. Achieving this would allow PAWC to implement the settlement rates on January 1, 2018, which is at the beginning of the rate year. I&E supports this term, which will facilitate orderly implementation for PAWC and ensure that it is provided with the necessary revenue to meet its obligations to maintain adequate, efficient, safe, and reasonable service and facilities.⁷¹

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

12. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with PAWC or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties.

⁷¹ 66 Pa. C.S. § 1501.

I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

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

14. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of briefs, the preparation of exceptions, and the potential of filed appeals, all yielding substantial savings for all parties, and ultimately all customers, as well as certainty on the regulatory disposition of issues.

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

16. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

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

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judges Dennis J. Buckley and Benjamin J. Myers recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,



Gina L. Miller

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Pennsylvania Public Utility Commission
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Dated: October 16, 2017

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket Nos. R-2017-2595853,
 : et. al
 :
 Pennsylvania-American Water Company :

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

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

I. INTRODUCTION

A. Background

On April 28, 2017, Pennsylvania-American Water Company (PAWC or the Company) filed Original Tariff Water – Pa P.U.C. No. 5 and Original Tariff Wastewater – Pa. P.U.C. No. 16 with the Pennsylvania Public Utility Commission (Commission) to become effective June 27, 2017. PAWC serves customers located in 36 counties across Pennsylvania. PAWC provides water service to approximately 650,000 customers in portions of Adams, Allegheny, Armstrong, Beaver, Berks, Bucks, Butler, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fayette, Indiana, Jefferson, Lackawanna, Lancaster, Lawrence, Lebanon, Luzerne, McKean, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Susquehanna, Union, Warren, Washington, Wayne, and York counties. The Company provides wastewater service to approximately 55,000 customers in portions of Adams, Beaver, Chester,

Clarion, Cumberland, Lackawanna, Monroe, Northumberland, Pike, Washington, and York Counties.

PAWC sought Commission approval of rates and rate changes that would modify existing tariff provisions and increase the level of rates that PAWC charges for providing water and wastewater service to its customers. If Tariff Water No. 5 and Tariff Wastewater No. 16 had become effective as proposed, PAWC would have had an opportunity to recover an increase in total annual operating revenues of approximately \$107.9 million per year or 16.4% over the amount of annual revenues at present rates. According to the customer notices included in the Company’s filing, a typical Zone 1 residential water customer with a 5/8” meter using 3,630 gallons per month would have seen their rates increase from \$55.53 to \$65.12, or by \$9.49 or 17.06%. The Company’s proposed increase in the average monthly bill for each of PAWC’s water rate zones is provided in the following table:

Rate Zone	Water Territory	Present Rates	Proposed Rates	Increase Amount	Increase Percentage
1	General	\$55.63	\$65.12	\$9.49	17.06%
40	Nittany*	\$33.20*	\$48.84/\$65.12*	\$31.92*	96.14%*
41	Sutton Hills	\$43.77	\$65.12	\$21.35	48.78%
44	Wildcat	\$46.70	\$65.12	\$18.42	39.44%
46	All Seasons	\$42.43	\$65.12	\$22.69	53.48%
47	Balsinger	\$40.27	\$65.12	\$24.85	61.71%
50	Acquisitions	\$50.24	\$65.12	\$14.88	29.62%
51	Berry Hollow	\$41.80	\$65.12	\$23.32	55.79%
52	McEwensville*	\$21.78*	\$45.58/\$65.12*	\$43.34*	198.99%*

*Rates will go to Zone 1 by phase-in in 2018 and 2019.

Similarly, a typical residential wastewater customer with a 5/8” meter using 3,630 gallons per month would have seen the following increases to monthly bills:

Rate Zone	Wastewater Territory	Present Rates	Proposed Rates	Increase Amount	Increase Percentage
1	Coatesville, Claysville, Clean Treatment/NE	\$56.96	\$70.11	\$13.15	23.09%
2	Clarion/Pocono	\$46.50	\$70.11	\$23.61	50.77%
3	LP, Winona, Blue Mt.	\$56.90	\$70.11	\$13.21	23.22%
4	Koppel	\$38.36	\$61.34	\$22.98	59.91%
5	Franklin	\$85.00	\$70.11	\$(14.89)	-17.52%
6	Paint Elk	\$61.41	\$70.11	\$8.70	14.17%
7	Hamiltonban	\$50.00	\$70.11	\$20.11	40.22%
8	Shippenville	\$52.60	\$70.11	\$17.51	33.29%
9	McEwensville	\$48.00	\$70.11	\$22.11	46.06%
10	Fairview	\$64.00	\$70.11	\$6.11	9.55%
11	New Cumberland	\$42.79	\$43.85	\$1.06	2.48%
12	Scranton	\$37.65	\$37.65	\$0.00	0%

B. Procedural History

On May 8, 2017, the OCA filed a Formal Complaint and Public Statement against PAWC's proposed rate increases. The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in this case. Other parties filed Petitions to Intervene or Formal Complaints against the proposed rate increases, including: the Office of Small Business Advocate (OSBA); the Pennsylvania-American Water Large Users Group (PAWLUG); AK Steel Corporation (AK Steel); and the Commission on Economic Opportunity (CEO); as well as forty-one individual formal complainants.

On May 18, 2017, the Commission suspended the Company's proposed tariffs pending investigation. The proceeding was assigned to the Office of Administrative Law Judge and specifically assigned to Administrative Law Judge Dennis J. Buckley and Administrative Law Judge Benjamin J. Myers. On May 25, 2017, ALJ Buckley and ALJ Myers held an initial prehearing conference in this matter. On June 14, 2017, ALJ Buckley and ALJ Myers issued a Second Prehearing Order establishing a procedural schedule and setting forth certain modifications to the Commission's regulations regarding discovery matters. Public input

hearings were convened throughout the Company's service territory in the following locations: Washington, Pittsburgh, Uniontown, Harrisburg ("Smart Hearing"), New Cumberland, Wilkes-Barre, East Stroudsburg, Coatesville, and Reading during July and August 2017.

In accordance with the procedural schedule established for this matter, on August 9, 2017, the OCA submitted the Direct Testimonies of: Ralph C. Smith,¹ OCA Statement 1; Glenn A. Watkins,² OCA Statement 2; Scott J. Rubin,³ OCA Statement 3; and Terry L. Fought,⁴ OCA Statement 4. On August 31, 2017, the OCA submitted the Rebuttal Testimony of Scott J. Rubin, OCA Statement 3R. On September 15, 2017, the OCA submitted the Surrebuttal Testimonies of: Ralph C. Smith, OCA Statement 1SR; Glenn A. Watkins, OCA Statement 2SR; Scott J. Rubin, OCA Statement 3SR; and Terry L. Fought, OCA Statement 4SR.

The testimonies of OCA witnesses Smith, Watkins, Rubin, and Fought, as identified above, were submitted into the record by stipulation of the Parties at the hearing on September 26, 2017. Prior to the hearing, the Parties entered into a settlement in principle on all issues in this proceeding. Cross examination of all witnesses was waived by all Parties.

¹ Mr. Smith is a Senior Regulatory Consultant at Larkin & Associates, PLLC in Livonia, Michigan. He provides consulting and expert witness services regarding rate cases and regulatory filings on behalf of industry, state attorneys general, consumer groups, municipalities, and public service commission staff. Mr. Smith is also a licensed C.P.A. and attorney in Michigan. A complete description of Mr. Smith's qualifications is provided in OCA Statement 1, Attachment RCS-1.

² Mr. Watkins is a Principal and Senior Economist with Technical Associates, Inc. in Richmond, Virginia. He has over 30 years of experience conducting marginal and embedded cost of service, rate design, cost of capital, revenue requirement, and load forecasting studies involving utilities in over 20 states. A more complete description of Mr. Watkins' education and experience is provided in OCA Statement 2, Schedule GAW-1.

³ Mr. Rubin is an independent attorney and public utility industry consultant under contract with the OCA who has testified as an expert witness before utility commissions and courts in seventeen states and the District of Columbia and province of Nova Scotia. OCA St. 2 at 1-2. Since 1984, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 3, Appendix A.

⁴ Mr. Fought is a consulting engineer with more than forty years' experience as a civil engineer. Mr. Fought is a registered Professional Engineer in Pennsylvania, New Jersey and Virginia and is a Professional Land Surveyor in Pennsylvania. Mr. Fought has prepared studies related to and designed water supply, treatment, transmission, distribution and storage for private and municipal wastewater agencies. He has also served as a consultant to the OCA for numerous water and sewer matters since 1984. Mr. Fought's background and qualifications are attached to OCA Statement 4 as Appendix A.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the Joint Petitioners held numerous settlement discussions during the course of this proceeding. These discussions resulted in this Settlement, which addresses the numerous complex issues raised in this case. The OCA submits that the Settlement is in the public interest and in the best interest of the Company's ratepayers and should be approved without modification.

The terms and conditions of the Settlement satisfactorily address issues raised in the OCA's analysis of the Company's filing. The OCA submits that this Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that the Settlement is a product of compromise. The Commission encourages settlement, and the balance of compromises struck by the settling parties is critical to achieving settlement. Accordingly, the OCA urges the Commission to consider the Settlement as a whole.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and the best interest of the Company's ratepayers, and should be approved by the Commission without modification.

II. REVENUE REQUIREMENT (Settlement ¶¶ 9-24, 36)

A. Overall Settlement Rate Increase

As stated above, in its filing PAWC proposed to increase its total annual operating revenues by approximately \$107.9 million per year or 16.4% over the amount of annual revenues at present rates. This request included an increase of approximately \$90 million for the Company's water operations, approximately \$7.5 million for its wastewater operations (excluding Scranton), and approximately \$10.4 million for its Scranton wastewater operations.⁵ OCA St. 1 at 4-5. After reviewing the Company's filing, the OCA recommended a total increase of no greater than \$6.258 million for the Company's water operations, no greater than \$2.957 million for the Company's wastewater operations (excluding Scranton), and no greater than \$3.212 million for the Company's Scranton wastewater operations. OCA St. 1 at 7-15.

Under the Settlement, PAWC will be permitted a total annual revenue increase of \$61.85 million, based on the Company's originally filed pro forma present rate revenue level and including increases for water operations, wastewater operations (excluding Scranton), and Scranton wastewater operations. Settlement ¶¶ 9-10. This represents an increase of 9.41% over present rates. This overall increase is \$46.05 million less than the amount originally requested by PAWC. On a total bill basis, a typical current Zone 1 residential water customer with a 5/8" meter using 3,630 gallons of water per month will see their monthly bill increase from \$55.63 to \$60.85, or by \$5.22 or 9.38%. This is less than the Company's proposal, which would have increased the customer's monthly bill by \$9.49 or 17.06%. The increase in the average monthly bill under the Settlement for each of PAWC's water rate zones is provided in the following table:

⁵ The OCA notes that in the Company's filing, approximately \$13.8 million of the revenue requirement for wastewater operations was proposed to be recovered from the Company's water operations. See OCA St. 1 at 5.

New Rate Zone	Water Territory	Present Rates	Settlement Rates	Increase Amount	Increase Percentage
1	General	\$55.63	\$60.85	\$5.22	9.38%
2	Nittany*	\$33.20	\$41.18/\$49.17	\$15.97	48.11%
2	Sutton Hills	\$43.77	\$49.17	\$5.40	12.33%
2	All Seasons	\$42.43	\$49.17	\$6.74	15.88%
2	Balsinger	\$40.27	\$49.17	\$8.90	22.10%
1	Wildcat & Acquisitions	\$50.24	\$60.85	\$10.61	21.12%
2	Berry Hollow	\$41.80	\$49.17	\$7.37	17.63%
3	McEwensville**	\$21.78	\$28.12/\$34.65	\$12.87	59.09%

*Nittany average monthly bill will increase to \$49.17 in January 2019.

**McEwensville average monthly bill will increase to \$34.65 in January 2019.

Additionally, under the Settlement, a typical residential wastewater customer with a 5/8” meter using 3,630 gallons per month will see the following increases to their monthly bill:

New Rate Zone	Wastewater Territory	Present Rates	Settlement Rates	Increase Amount	Increase Percentage
1	Coatesville, Claysville, Clean Treatment/NE	\$56.96	\$64.93	\$7.97	13.99%
1	Clarion/Pocono	\$46.50	\$64.93	\$18.42	39.62%
1	LP, Winona, Blue Mt.	\$56.96	\$64.93	\$7.97	13.99%
4	Koppel	\$38.36	\$53.60	\$15.24	39.72%
5	Franklin	\$85.00	\$75.10	(\$9.90)	-11.65%
1	Paint Elk	\$61.41	\$64.93	\$3.52	5.73%
1	Hamiltonban	\$50.00	\$64.93	\$14.93	29.86%
1	Shippenville	\$52.60	\$64.93	\$12.33	23.45%
1	McEwensville	\$48.00	\$64.93	\$16.93	35.27%
1	Fairview	\$64.00	\$64.93	\$0.93	1.45%
2	New Cumberland	\$42.79	\$47.96	\$5.18	12.10%
3	Scranton	\$37.65	\$41.91	\$4.26	11.31%

As discussed in Section III, *infra*, the proposed Settlement water, wastewater excluding Scranton, and Scranton wastewater revenue allocations and rate designs that are reflected in these tables, are within the range of possible outcomes in this proceeding. Moreover, the proposed settlement rates represent a reasonable compromise that accomplishes some amount of rate consolidation, while recognizing the need for gradualism in rate increases.

B. Effective Date and Stay-Out Provision

The rates agreed to in the Settlement will become effective no earlier than January 1, 2018. Settlement ¶¶ 9, 36. Importantly, the Settlement includes a stay-out provision wherein the Company has agreed not to file for another general rate increase for its water operations, wastewater operations excluding Scranton, or its Scranton wastewater operations prior to March 31, 2020. Settlement ¶ 21. This provision will provide a measure of rate stability for consumers and will prevent rate increases in quick succession.

C. Revenue Requirement and Cost of Service Studies

The Settlement also includes provisions that will allow the parties to better determine how to properly allocate costs among PAWC's customers in the next base rate case. The Company has agreed to submit separate revenue requirement studies in its next base rate case for each combined sewer system (CSS), as well as a cost of service study that separately identifies costs associated with storm water for each CSS. Settlement ¶ 11. Additionally, in its next base rate case, the Company will allocate common costs between water and wastewater operations, including an allocation to the wastewater revenue requirement of costs charged to PAWC by American Water Works Service Company. Settlement ¶ 20. These provisions will allow the parties to more accurately assign costs to customers in various parts of PAWC's system.

D. Acquisition Adjustments and Amortizations

In his testimony, OCA witness Ralph C. Smith recommended that a number of the Company's claimed acquisition adjustments and related amortizations should be disallowed because the acquisitions did not meet statutory requirements. OCA St. 1 at 26-36, 38-39, 74-78. As part of the Settlement, the Company will be permitted to amortize the transaction costs associated with the acquisition of the Scranton Sewer Authority (SSA) and Borough of New

Cumberland wastewater assets, as well as costs of the Customer Class Demand Study performed in compliance with the settlement in PAWC's 2011 base rate case. Settlement ¶ 13, Appendix D. New Cumberland and Demand Study costs will be amortized over 10 years, while SSA transaction costs will be amortized over 40 years. Id. For SSA, the Company has agreed not to claim an amortization or return on the acquisition adjustment regarding the SSA wastewater asset acquisition. Settlement ¶ 13. The remaining acquisition adjustments listed in Appendix D will not be amortized and will not be included in rates charged to customers in this case or in any future case. Id. This settlement term prevents customers from paying for acquisition adjustments that were not consistent with the requirements of Section 1327 of the Public Utility Code.

E. Scranton Wastewater Easements

The parties in this case raised a number of other concerns related to the Company's acquisition of the Scranton Sewer Authority. As a result, PAWC has agreed to remove \$12 million from its claimed utility plant in service to reflect the fact that easements associated with the Scranton wastewater system have not yet been acquired by SSA and transferred to PAWC. Settlement ¶ 18. The Scranton wastewater easements will be treated as a regulatory asset for accounting purposes in an amount not to exceed \$12 million, and the regulatory asset will be reduced by the amount of easements recorded in utility plant in service as they are acquired. Id. PAWC will not claim the regulatory asset as part of rate base or as an expense for ratemaking purposes, and costs incurred to acquire the easements above the \$12 million will not be claimed in future rate cases. Id. This provision will prevent ratepayers from being charged for easements that the Company has not yet received as part of the Scranton wastewater acquisition.

F. Act 40 of 2017 and the Distribution System Improvement Charge

As part of the “black box” Settlement, the agreed to revenue requirement also reflects a resolution of issues related to the application of Act 40 of 2017, 66 Pa. C.S. § 1301.1(a). Settlement ¶¶ 22-24; see also OCA St. 1 at 79-91. In his direct testimony, OCA witness Smith discussed the Company’s calculation of its \$4.4 million consolidated tax savings adjustment and raised concerns about the Company’s failure to apply 50% of the “Revenue Use” differential to infrastructure projects and 50% to “general corporate purposes” as required by Act 40. OCA St. 1 at 79-91. The Settlement recognizes that the treatment of federal and state tax deductions in calculating a Distribution System Improvement Charge (DSIC) is currently being litigated before the Commission,⁶ and the parties have reserved the right to raise issues regarding PAWC’s DSIC calculation after that case has been resolved. Settlement ¶ 24. Additionally, the Company has agreed not to charge a DSIC during 2018, and its first DSIC in 2019 will be effective no earlier than April 1, 2019. Settlement ¶ 15. The Settlement also specifies the level of total aggregate plant costs that must be reached before a DSIC may be implemented, as well as the rate of return on equity that the Company will use only for the purposes of calculating the DSIC. Settlement ¶¶ 15-16. These provisions will help to ensure that DSIC rates are calculated properly and prevent duplicate recovery of DSIC-eligible expenditures in base rates and DSIC rates.

G. Discussion

In general, the Settlement represents a “black box” approach to all individual revenue requirement and return on equity issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on a variety of financial numbers. The OCA

⁶ See Petition of Metropolitan Edison Co., et al., for Approval of a DSIC, Docket Nos. P-2015-2508942, P-2015-2508936, P-2015-2508931, and P-2015-2508948.

submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would likely have prevented any settlement from being reached.

Based on an analysis of the Company's filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of this case. The increase is reasonable and yields a result that is in the public interest, particularly when accompanied by other important conditions contained in the Settlement such as the stay-out provision and limitations on the Company's ability to charge customers with costs related to various acquisitions, including the Scranton acquisition. The increase agreed to in the Settlement provides adequate funding to allow the Company to maintain safe and adequate service and to make important service quality improvements in targeted areas, as discussed in greater detail below. As such, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of the Company's ratepayers, and should be approved by the Commission.

III. REVENUE ALLOCATION AND RATE DESIGN (Settlement ¶¶ 34-36)

A. Water Revenue Allocation and Rate Design

OCA witness Scott Rubin reviewed the Company's cost of service studies and water rate design proposal. The Company proposed to increase the residential customer charge for a 5/8" meter from \$15.00 to \$18.50 per month, but Mr. Rubin testified that this proposed increase exceeded the cost incurred by the Company to provide customers with a service line, meter, bill,

and customer service and recommended that the customer charge instead be set at \$16.50. OCA St. 3 at 24-27. The Settlement adopts Mr. Rubin's proposal by providing that the Rate Zone 1 5/8" customer charge will be set at \$16.50 per month, which is \$2.00 per month less than originally proposed. Settlement ¶ 34(a). The customer charges for all other meter sizes and classes in Rate Zone 1 will be increased by the same percentage as the 5/8" customer charge, except for the Industrial class. Id.

In its filing, the Company also proposed to consolidate a number of water rate zones into Rate Zone 1. OCA witness Rubin opposed this because it would "result in [those] customers paying extraordinarily large rate increases." OCA St. 3 at 28. Instead, Mr. Rubin recommended that the residential consumption charge should instead be increased in those zones such that the overall increase in residential revenues is no more than 1.5 times the system average residential percentage increase. OCA St. 3 at 30.

The Settlement provides for some rate zone consolidation, but accomplishes this in a way that avoids extreme increases for customers. Rate Zone 50 (Acquisitions) is being consolidated with Rate Zone 1 at settlement rates, while Rate Zones 40 (Nittany), 41 (Sutton Hills), 46 (All Seasons), 47 (Balsinger), and 51 (Berry Hollow) are being consolidated to create a new Rate Zone 2. Settlement ¶ 34(b) and (c). Rate Zone 2 will have the same customer charge as Rate Zone 1, and will have a usage charge of \$0.900 per 100 gallons. Settlement ¶ 34(c). However, for former Rate Zone 40 (Nittany), the usage charge will be phased-in over a two year period to avoid a large increase at one time. Id. Similarly, Rate Zone 52 (McEwensville) will become the new Rate Zone 3, which will also have the same customer charge as Rate Zone 1 but will have a usage charge of \$0.5000 per 100 gallons with the usage charge phased-in over a two year period. Settlement ¶ 34(d). The OCA submits that this agreement represents a reasonable compromise

that accomplishes some amount of rate consolidation while recognizing the need for gradualism in rate increases.

B. Wastewater Revenue Allocation and Rate Design

1. Wastewater Excluding Scranton

The Settlement also moves toward rate consolidation for the Company's wastewater customers. Existing Rate Zones 2 (Clarion/Pocono), 3 (LP, Winona, Blue Mt.), 6 (Paint Elk), 7 (Hamiltonban), 8 (Shippenville), 9 (McEwensville), and 10 (Fairview) will be consolidated with Rate Zone 1. Settlement ¶ 35(a). The remaining rate zones will be renamed as Rate Zone 2 (New Cumberland), Rate Zone 3 (Scranton), Rate Zone 4 (Koppel), and Rate Zone 5 (Franklin). Id. Customers in Rate Zones 1-4 who are also water customers will be charged a volumetric rate based on water usage, while Rate Zone 5 and any other customers that are not also water customers will be charged a flat rate. Settlement ¶ 35(b).

2. Scranton

In its filing, the Company originally did not propose any rate increase for Scranton wastewater customers. The OCA opposed this approach because Scranton customers would be paying well below their cost of service, and customers in other zones would unfairly be required to make up the difference. OCA St. 3 at 49-50. The Settlement includes a rate increase for Scranton wastewater customers. An average residential wastewater customer in Scranton will see his or her bill increase by approximately 11.31%. The OCA submits that this increase is reasonable given the increases that will be implemented in other rate zones, and it is more fair and equitable as it will require Scranton customers to contribute more toward their cost of service.

C. Combined Water and Wastewater Revenue Requirement

In its filing, the Company originally proposed to allocate approximately \$13.8 million of its wastewater revenue requirement to water customers pursuant to Section 1311(c) of the Public Utility Code, 66 Pa. C.S. § 1311(c), including approximately \$3.4 million from wastewater operations excluding Scranton, and approximately \$10.4 million from Scranton wastewater operations. See OCA St. 1 at 5. The OCA opposed this as it would be unfair to water customers to subsidize such a large amount of the wastewater revenue requirement, particularly given that the majority of this subsidy would benefit only Scranton-area wastewater customers. OCA St. 3 at 62-65. OCA witness Rubin recommended instead that this subsidy be limited to recovering \$3.4 million in wastewater costs from water customers. OCA St. 3 at 65-66.

In the Settlement, the parties agreed that \$4.7 million of the wastewater revenue requirement will be allocated to water customers pursuant to Section 1311(c). Settlement ¶ 35(d). Approximately \$2.3 of this amount is attributable to the Scranton wastewater revenue requirement, and the remaining \$2.4 million is attributable to the Company's wastewater operations excluding Scranton. Id. The OCA submits that this compromise provides a reasonable resolution that appropriately limits the amounts of wastewater revenue requirement to be subsidized by water customers, while taking into consideration the impact of PAWC's revenue increase on wastewater customer rates.

D. Tariff Changes

In his direct testimony, OCA witness Rubin identified miscellaneous changes to the Company's tariffs that are necessary to clarify, justify, or modify several tariff provisions. See OCA St. 3 at 66-67. Each of the modifications identified by Mr. Rubin has been incorporated

into the tariffs attached to the Settlement as Appendix A and Appendix B. Settlement ¶ 36, Appendices A and B. These modifications will provide greater clarity to the tariffs.

IV. QUALITY OF SERVICE (Settlement ¶¶ 27-33)

A. Service Quality

A number of water quality and quality of service issues were raised by consumers during public input hearings and through formal and informal complaints. The Settlement addresses service quality issues in specific locations as detailed below. Settlement ¶ 27, Appendix F.

1. Blue Mountain Lake

At the East Stroudsburg public input hearing, customers from Blue Mountain Lake complained of brown or discolored water. See Tr. 255-261, 263-265; East Stroudsburg Hearing Exh. 1 and 2; OCA St. 4 at 10-11; Appendix F at 1, ¶ 1. In rebuttal testimony, PAWC witness Kaufman stated that the Company has been experiencing high levels of insoluble manganese in the water in Blue Mountain Lake which can cause discoloration of the water. PAWC St. 3-R at 7; Appendix F at 1, ¶ 2. The Company has been adding a chemical sequestrant to water from Well No. 1 and Well No. 3 since 2007, but manganese levels in Well No. 3, which provides baseload water, has increased over the last year. Id. In response to customer complaints, the Company flushed the system in May 2017, but complaints have continued. Id.

In order to address the high levels of manganese in Blue Mountain Lake, the Company has agreed to use a new sequestrant that is expected to be more effective, and to begin using Well No. 1 for its baseload water supply since Well No. 1 has lower manganese levels. Appendix F at 1, ¶ 3. The Company will also flush its entire system in Blue Mountain Lake later this year after the new sequestrant is applied. Id. Going forward, the Company will conduct monthly iron and manganese tests of the Well No. 1 and Well No. 3 water, and will provide

quarterly updates to the OCA, I&E, and OSBA regarding test results and any complaints received. Appendix F at 2, ¶ 4. The Company will also coordinate with the Blue Mountain Lake Homeowners' Association regarding manganese reduction efforts. Id. If the manganese problems are not solved within six months of the Commission's approval of the Settlement, PAWC will work with the OCA, I&E, and OSBA to determine additional measures that may be necessary. Appendix F at 2, ¶ 5.

2. Saw Creek Estates

At the East Stroudsburg public input hearing, customers from Saw Creek Estates testified about a variety of service concerns, including high water pressure, billing issues, high levels of manganese, lack of fire hydrants, and construction and road work issues. See Tr. 224-229, 233, 245-249, 267-269, 272; OCA St. 4 at 11-12; Appendix F at 2, ¶ 1. As part of the Settlement, the Company has agreed to take steps to address the issues raised at the public input hearing.

Regarding high manganese levels, PAWC plans to activate new Saw Creek Wells 6 and 7 as well as an iron and manganese removal plant by December 2018. Appendix F at 3, ¶ 2a; see also PAWC St. 3 at 13; PAWC St. 2-R at 7. Until the new wells are in place, PAWC will optimize the sequestrant for Wells No. 2 and 3 gradient, which is where the current problem has been identified. Appendix F at 3, ¶ 2a. The Company will conduct monthly iron and manganese tests of the Well Nos. 2 and 3 water, and will provide quarterly updates to OCA, I&E, and OSBA regarding test results and any complaints received. Id. Until Wells 6 and 7 are activated by the end of 2018, the Company will work with OCA, I&E, and OSBA if these measures have not adequately addressed iron and manganese levels within six months of Commission approval of the Settlement. Id. After Wells 6 and 7 are activated, if the manganese issues have not been

resolved within six months, then PAWC will work with OCA, I&E, and OSBA develop other ways to address the issue. Id.

The Company has also agreed to investigate water pressure issues raised at the public input hearing, including complaints by John and Barbara DeNooyer that high pressure had caused a pipe to break leading to significant damage to their home. See Tr. 225-227. PAWC will continue to investigate the water pressure issue and will provide quarterly updates to OCA, I&E, and OSBA on its findings until the problem is resolved. Appendix F at 3, ¶ 2b. These quarterly reports will include pressure readings from the main adjacent to the DeNooyer's home and at other locations in Saw Creek Estates. Id.

Issues related to billing and construction and road work have been resolved. Appendix F at 4, ¶ 2c and d. Customers were provided notice of a billing issue that affected approximately 2,000 customers and caused the Company to use estimated rather than actual usage, and individual billing inaccuracies related to this issue have been addressed. Appendix F at 4, ¶ 2c. Additionally, PAWC has worked with Saw Creek Homeowners' Association and Lehman Township to address concerns related to hydrant installation and fire protection within Saw Creek Estates, and PAWC is currently installing eleven fire hydrants which will be in place by the end of the year. Appendix F at 4, ¶ 2e.

3. Yardley and Lower Makefield Township

Complaints were submitted about water quality in Yardley and Lower Makefield Township, including letters from Representative Warren and Borough Council President for Yardley Borough, as well as an informal rate protest. OCA St. 3 at 4; Appendix F at 4, ¶ 1. These complaints described instances of brown water, a paint-like taste and smell, and a "pink residue" on fixtures. Id.

The Company states that the discolored water was caused by system flushing in April to mid-June 2017, and it has done additional flushing of hydrants near homes of customer that have complained of discoloration in order to clear the water. Appendix F at 4, ¶ 2. PAWC also tested the water and reviewed treatment processes, and did not find any additional issues. Id. Regarding the pink residue, the Company states that this is caused by an airborne bacteria that can be treated with chlorine; PAWC has conducted additional testing which showed adequate chlorine residuals and the absence of this bacteria. Appendix F at 4-5, ¶ 3. The Company was unable to obtain additional information about the reported paint-like taste and smell, but if additional complaints are received the Company will investigate and provide a report to the OCA, I&E and OSBA on the possible cause. Appendix F at 5, ¶ 4.

4. East Fallowfield Township

At the East Fallowfield public input hearing, water customer Deanna Blevins testified that she experienced brown water and then lingering grey and cloudy water during July and August 2017 after PAWC conducted flushing. Tr. 311-314; Appendix F at 5, ¶ 1. PAWC has tested Ms. Blevins' water and found high iron level and low chlorine levels. PAWC St. 2-R at 2; Appendix F at 5, ¶ 2. To correct this, the Company has installed a new curb stop and backflow device, conducted a series of flushings, and recently completed the replacement of a 500-foot section of 4-inch cast iron main. Appendix F at 5, ¶ 2. The Company has agreed to test Ms. Blevins' water for three consecutive months to determine whether iron and manganese level have been adequately reduced, and will report the results to OCA, I&E, and OSBA. Appendix F at 5, ¶ 3. If iron and manganese levels are not adequately reduced within six months, PAWC will submit a report to the OCA, I&E and OSBA developing further steps to address the problem. Id.

5. Wilkes-Barre

At the Wilkes-Barre public input hearing, water customer James Straub testified that he was being improperly charged landlord transfer fees on his rental properties, and that PAWC had not repaired a long-term water leak in the city. Tr. 201-203; Appendix F at 5-6, ¶ 1. The Company worked with Mr. Straub directly to resolve the transfer fee issue. Appendix F at 6, ¶ 2. The Company also found that the reported water leak was in a privately owned service line, not a Company-owned main, and PAWC has contacted the property owner to request that the leak be repaired. Appendix F at 6, ¶ 3.

6. Harrisburg and New Cumberland

At the New Cumberland and Harrisburg public input hearings, Mr. and Mrs. Fenicle testified that their water occasionally smells, is cloudy and contains particles, and that water pressure issues have caused them to install a pressure release valve. Tr. 102-103, 162; Appendix F at 6, ¶ 1. PAWC followed up with the Fenicles and conducted water testing at their home, which detected no odor and found all values to be within acceptable ranges. Appendix F at 6, ¶ 2. Test results were shared with the Fenicles. Id.

7. Wyomissing

At the Wyomissing public input hearing, water customer Dorothy Reilly testified that she experienced high levels of calcium in her water that ruined her bathroom faucet, and that the water has an occasional chlorine smell. Tr. 350; Appendix F at 6, ¶ 1. PAWC subsequently tested Ms. Reilly's water and found that manganese was above the secondary maximum contaminant level, which is not a health concern but affects taste and can cause staining. Appendix F at 6, ¶ 2. PAWC has agreed to perform monthly iron and manganese tests and to submit tests results and any additional complaints received to OCA, I&E and OSBA on a

quarterly basis for six months. Appendix F at 7, ¶ 3. If manganese levels have not been adequately reduced after six months, the Company has agreed to work with OCA, I&E and OSBA to resolve these issues. Id.

B. Main Extensions

In recent years the OCA has worked with PAWC to extend water mains to customers in need of water service. In his direct testimony, OCA witness Fought discussed locations within the Company's service territory that he recommended receive a main extension without excessive customer contributions based on health and safety concerns, pursuant to Rule 27.1(F) of PAWC's water tariff. OCA St. 4 at 2-9. Specifically, Mr. Fought stated that the following areas have a need for public water:

- Area 1 – Lindley Road, Canonsburg, Washington County (OCA St. 4 at 7)
- Area 2 – High Street, Hopwood, Fayette County (OCA St. 4 at 8)
- Area 3 – 121 Campbell Road, Bulger, Washington County (OCA St. 4 at 8)

As part of the Settlement, the Company has agreed to invest \$2.2 million to construct water main extensions under Rule 27.1(F) of its water tariff. Settlement ¶ 33. A portion of this money will be used to fund the main extensions listed in Appendix G to the Settlement, which are the main extensions recommended by Mr. Fought, and PAWC will work with the OCA and other parties to identify additional main extensions to be funded with the remaining money. Id. Appendix G includes steps to address the three project areas identified in OCA witness Fought's testimony, including possible contingencies or engineering limitations. PAWC and the OCA have agreed to work together to develop reasonable timeframes in which to complete these main replacements. Settlement ¶ 33(a). The Company has also agreed to continue seeking grant funding or other contributions to help offset the costs of these main replacements. Settlement ¶

33(d). The main replacement projects identified in the Settlement will help to provide potable water to customers in PAWC's service territory that otherwise may not have clean water available in their homes. In addition, the Settlement provides that PAWC will provide for enhanced emphasis on documenting health and safety issues where requests for main extensions are made. Settlement ¶ 33(f). The OCA submits that Company's commitment to address the need for additional main extensions, and its efforts to resolve issues associated with these requests is a public benefit.

C. Unaccounted for Water

OCA witness Fought expressed concern about PAWC's level of unaccounted for water (UFW) and the difficulty of reconciling the Company's UFW calculations between PAWC's Annual Pennsylvania Department of Environmental Protection (DEP) Chapter 110 Reports and the information provided in Section 500 of PAWC's PUC Annual Report. OCA St. 4 at 14-23. To aid in evaluating UFW in the Company's next base rate case, the Settlement states that as part of its next water base rate filing, PAWC will provide copies of Section 500 of its PUC Annual Reports in live Excel format for each water operational district for the three years preceding its filing. Settlement ¶ 28. This will allow the parties to better analyze the UFW data, reconcile it with the DEP Chapter 110 Report information, and to more easily identify locations where improvement is necessary.

D. Street Sweeping within the City of Scranton and Borough of Dunmore

In his direct testimony, OCA witness Fought raised questions about which entity is responsible for street cleaning in Scranton and Dunmore as a result of PAWC's acquisition of the Scranton Sewer Authority. OCA St. 4 at 28-29. Mr. Fought noted that the Company stated in discovery responses the municipalities will perform street cleaning through unwritten

cooperative arrangements with PAWC. Id. In rebuttal, PAWC witness David Kaufman clarified that the Company has monthly meetings to discuss street cleaning with the municipalities, and that PAWC does not pay the municipalities for street sweeping. PAWC St. No. 3-R (Revised) at 12. PAWC is responsible for cleaning out catch basins. Id.

As part of the Settlement, the Company has agreed to memorialize the existing cooperative agreement between PAWC, the City of Scranton, and the Borough of Dunmore as to street sweeping. Settlement ¶¶ 29-31. The agreement will provide that:

- (1) The Company will have regular periodic meetings with the Municipalities;
- (2) at such meetings the Company will discuss and provide input regarding the Municipalities' street sweeping schedules, identify priority areas for street sweeping and also identify areas that need additional street sweeping by the Municipalities; and
- (3) the Company is responsible for cleaning out catch basins that are within the combined sewer system to remove grid and other material.

Settlement ¶ 29. The Company will provide this agreement to the municipalities within three months of the date that new rates go into effect and will endeavor to have the agreement executed by the municipalities within a reasonable timeframe. Id. The Company will then file the executed agreement with the Commission. Settlement ¶ 30. Additionally, the Company has agreed that it “will not claim for recovery from customers any charges the Municipalities may seek to impose upon the Company for street sweeping.” Settlement ¶ 31.

These settlement provisions will help to formalize the division of responsibility between PAWC and the municipalities as to street cleaning and ensure that PAWC customers will not be charged for street sweeping expenses in Scranton and Dunmore.

E. Formal Complaint of S. Stockton Alloway

Mr. Stockton Alloway is a PAWC customer in the Coatesville area that receives wastewater service only from the Company. He filed a Formal Complaint in this proceeding

regarding the method PAWC uses to bill him for wastewater service. Because he is not a water customer, there is no metered water data on which to base his wastewater bill; he is instead charged a flat rate for his wastewater service. Mr. Alloway argued that his usage is significantly lower than that of an average customer, and since the flat rate is based on an average customer's usage, he is being charged an unfairly high rate.

The OCA worked with Mr. Alloway and the Company to address the concerns raised in Mr. Alloway's Formal Complaint. As part of the Settlement, the Company agreed to create a limited pilot program to gather usage information and address the billing issues raised by Mr. Alloway. Settlement ¶ 32. This will include the installation of a meter on Mr. Alloway's well, if technically feasible and at the Company's cost, in order to measure actual usage. Id. The Company will then bill Mr. Alloway for his wastewater service under its metered wastewater rates based on actual metered water usage rather than a fixed rate charge. Id.

V. LOW-INCOME ISSUES (Settlement ¶¶ 25-26)

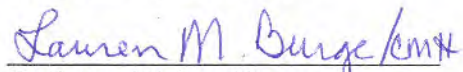
The Settlement includes provisions that will increase assistance to PAWC's low-income customers. For its water operations, the Company agreed to increase its annual contribution to the hardship fund from \$300,000 to \$400,000, as well as to increase the low-income customer charge discount for residential customers from 80% to 85%. Settlement ¶¶ 25-26. Similarly, for its wastewater operations, the Company has agreed to increase its annual contribution to the hardship fund from \$10,000 to \$50,000, as well as to increase the residential low-income discount from 15% to 20% of the wastewater bill for qualifying low-income wastewater customers. Settlement ¶¶ 25-26. The Company's contribution is not recovered from ratepayers. Settlement ¶ 26. These improvements to PAWC's low-income assistance program will help

low-income customers to afford their bills for essential water and wastewater service, and will help limit the impact of the rate increase on low-income customers.

VI. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,



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DATE: October 16, 2017

240434

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2017-2595853
	:	
PENNSYLVANIA-AMERICAN WATER COMPANY	:	

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

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

II. PROCEDURAL BACKGROUND

On April 28, 2017, Pennsylvania-American Water Company (“PAWC” or the “Company”) filed April 28, 2017 to become effective June 27, 2017 (together, the “Tariff Filings”). The proposed Tariff Filings, if approved by the Commission, would increase the Company’s rates by \$107.9 million (16.4%) per year.

On May 10, 2013, the OSBA filed a Complaint against the rates, terms and other provisions of the Tariff Filings. A formal complaint was also filed by the Office of Consumer Advocate (“OCA”) on May 8, 2017 and subsequently by the Pennsylvania-American Water Large Users Group (“PAWLUG”) as well as by several pro se.

complainants. The Commission's Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance on May 8, 2017.

Petitions to Intervene were filed on behalf of the Commission on Economic Opportunity ("CEO") and AK Steel Corp. ("AK Steel").

By Order entered May 18, 2017, the proposed Tariff Filings were suspended by operation of law until January 27, 2018. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariff Filings. The Commission also ordered an investigation into the reasonableness of PAWC's existing rates, rules, and regulations.

Administrative Law Judges ("ALJs") Dennis J. Buckley and Benjamin J. Myers were assigned to this proceeding and issued a Prehearing Order on May 22, 2017. A Prehearing Conference was held on May 25, 2017, at which time a procedural schedule and discovery modifications were agreed upon and the petitions to intervene of AK Steel and CEO were granted.

The OSBA served the Direct, Rebuttal, and Surrebuttal Testimony of Brian Kalcic, on August 9, 2017, August 31, 2017, and September 15, 2017, respectively. These were marked as OSBA Statement No. 1, the Direct Testimony and Exhibits of Brian Kalcic, OSBA Statement No. 1-R, the Rebuttal Testimony of Brian Kalcic, and OSBA Statement No. 1-S, the Surrebuttal Testimony of Brian Kalcic.

The parties successfully negotiated a settlement in principle of all issues. By agreement of the parties, cross-examination of witnesses was waived and an evidentiary hearing was held on September 26, 2017, for the purpose of entering testimony and exhibits into the record.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement of Rate Investigation (“Joint Petition”). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The issues of wastewater revenue allocation, as well as overall cost allocation and rate design, were of primary significance to the OSBA when it concluded that the Joint Petition is in the best interests of PAWC’s small commercial and industrial (“Small C&I”) customers (see Joint Petition, Section J pp. 16-18).

OSBA witness Brian Kalcic determined that all of the Company’s water service customer classes would move closer to cost of service under PAWC’s proposed class revenue allocation (exclusive of the unrecovered cost of wastewater service).¹

However, Mr. Kalcic disagreed with the Company’s proposal to recover \$13.805 million of its claimed wastewater revenue requirement from water service customers, which represented the difference between PAWC’s total claimed wastewater revenue requirement and total proposed wastewater revenues.²

The Company determined its proposed level of wastewater revenues, excluding Scranton (“Non-Scranton WW”), by deciding that the total average percentage increase should equal the total average percentage increase for its Water Operations (17%), inclusive of its proposed allocation of \$13.805 million of its claimed wastewater revenue

¹ OSBA Statement No. 1 at 9.

² *Id.* at 9-10.

requirement to Water Operations.³ PAWC proposed no increase to its Scranton Wastewater Operations (“Scranton WW”), which results in a \$10.376 million revenue deficiency.⁴

Although the OSBA did not oppose *any* shift of PAWC’s claimed wastewater revenue requirement to water customers, acknowledging that Act 11 may be used to mitigate rate increases that wastewater customers might otherwise experience if their rates were established on a stand-alone basis, it asserted that Act 11 does not authorize a permanent shift in revenue responsibility from water to wastewater customers.⁵ In other words, Act 11 does not supersede the cost-of-service principles established by the Commonwealth Court’s decision in *Lloyd*.⁶ The OSBA did not agree with the Company’s ultimate goal of equalizing its wastewater and water charges for two reasons. First, Act 11 does not require consolidation of water and wastewater volumetric charges to effectuate a shift in a portion of a utility’s wastewater revenue requirement to its water customers. Second, water and wastewater service are not like services and therefore there is no cost basis for consolidating the rates for such services over time.⁷

The OSBA further opposed the Company’s specific proposals in this proceeding to limit the overall wastewater increase to Zone 11 – New Cumberland to 2.5% and its

³ *Id.* at 10.

⁴ *Id.*

⁵ *Id.* at 11.

⁶ The Commonwealth Court has unambiguously decided that cost of service should be the “polestar” criterion for rate-setting. In *Lloyd v. Pa. PUC*, the Court held that other rate-making concerns could not trump cost of providing service. *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

⁷ OSBA Statement No. 1 at 11-12.

proposed 0.0% increase to Zone 12 – Scranton. Doing so would impede the attainment of the Company's stated goal of establishing a single, consolidated wastewater rate design for all of the Company's wastewater operations, and result in an unnecessary shift of wastewater revenue responsibility to water customers.⁸ Although PAWC agreed to propose a 2.5% increase for New Cumberland and no increase for Scranton in connection with the acquisition of these wastewater systems, the Commission is not required to approve the Company's proposed increases, pursuant to the Orders approving the acquisitions.⁹ As a result, OSBA recommended a smaller shift of wastewater revenue responsibility to water customers than the Company's proposed \$13.805 million in the amount of \$9.447 million.¹⁰

Mr. Kalcic recommended a shift of \$9.447 million by assigning New Cumberland and Scranton the same overall rate revenue increase of 18.6% that the Company proposed for its remaining wastewater customers located on Rate Zones 1-10. This resulted in additional revenues from Scranton and New Cumberland of \$4.359 million, which subtracted from the Company's proposed \$13.806 million produced the OSBA's recommended revenue shift of \$9.447 million, at the Company's requested revenue requirement level.¹¹

Mr. Kalcic also recommended class revenue allocations for PAWC's water and wastewater customers, after limiting the shift in PAWC's claimed wastewater revenue

⁸ *Id.* at 13.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at 14.

requirement to \$9.447 million.¹² Under Mr. Kalcic's revenue allocation proposals, the combined water and wastewater revenue requirements were revenue neutral, by customer class, compared to the Company's proposals. Mr. Kalcic further recommended that in the case of a reduced overall increase, that his recommended class increases be scaled back proportionately.¹³

Both OCA and I&E witnesses sponsored recommendations with respect to the appropriate amount of (and method for) shifting the wastewater revenue requirement to water customers, and the appropriate increase to assign to Scranton wastewater customers. In response, Mr. Kalcic recommended that whatever the level of the approved shift in wastewater cost responsibility, the Commission should correspondingly reduce the Company's proposed water revenues on a revenue neutral basis, by class.¹⁴

The Joint Petition shifts \$4.7 million of the Company's wastewater revenue requirement to water service customers.¹⁵ This is consistent with the OSBA's proposal to shift \$9.447 million of revenue responsibility before scaleback, or (\$61.85 million divided by \$107.9 million, or 57.3%, times \$9.447 million) \$5.415 million after scaleback, from wastewater to water service customers. The Joint Petition's \$4.7 million shift of revenue responsibility was arrived at, in part, by assigning both New Cumberland and Scranton an overall wastewater increase of 12.1%. Such increases are also consistent with the OSBA's recommendation to assign an 18.6% increase to New Cumberland and Scranton before scaleback, or (57.3% times 18.6%) 10.7% after scaleback.

¹² Schedule BK-5, attached to OSBA Statement No. 1.

¹³ OSBA Statement No. 1 at 15.

¹⁴ OSBA Statement No. 1-R at 3, 6, 10; OSBA Statement No. 1-S at 4.

¹⁵ Joint Petition at Paragraph 35(d).


Finally, Appendix C, Water Operations, Schedule 10 shows how the Joint Petition's \$4.7 million shift in revenue responsibility is recovered from water customer classes. The OSBA has determined that the Joint Petition's combined water and wastewater revenue levels are reasonably close to revenue neutral, on a customer class basis, compared to the Company's original proposals. As such, the OSBA determines that the Joint Petition produces a reasonable outcome that eliminates the risks of litigation on these issues.

Moreover, settlement of the remaining issues in this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the parties, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas. Therefore, the OSBA determines that the settlement is in the best interest of PAWC's Small C&I customers.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJs Buckley and Myers and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,


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Dated: October 16, 2017

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

Docket Nos. R-2017-2595853, *et al.*

**STATEMENT OF PENNSYLVANIA-AMERICAN WATER COMPANY
IN SUPPORT OF THE JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

October 16, 2017

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

Docket Nos. R-2017-2595853 *et al.*

**STATEMENT OF PENNSYLVANIA-AMERICAN WATER COMPANY
IN SUPPORT OF THE JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

**TO THE HONORABLE DENNIS J. BUCKLEY AND BENJAMIN J. MYERS,
ADMINISTRATIVE LAW JUDGES:**

I. INTRODUCTION AND OVERVIEW

Pennsylvania-American Water Company (“PAWC” or the “Company”) submits this Statement in Support with respect to the Joint Petition for Settlement of Rate Investigation (“Joint Petition”) entered into by and among the following Joint Petitioners:

Bureau of Investigation and Enforcement (“I&E”);

Office of Consumer Advocate (“OCA”);

Office of Small Business Advocate (“OSBA”);

AK Steel Corp (“AK Steel”);

Commission on Economic Opportunity (“CEO”); and

The Pennsylvania-American Water Large Users Group (“PAWLUG”).

If the settlement set forth in the Joint Petition (“Settlement”) is approved, it will resolve all issues in this proceeding.

The Settlement of this case was achieved only after a comprehensive investigation of PAWC’s operations and finances, which included: (1) extensive discovery (PAWC responded to 695 interrogatories containing numerous subparts); (2) submission of direct, rebuttal and surrebuttal testimony covering a wide range of issues; (3) informal discovery; (4) public input hearings; and (4) negotiations among the Joint Petitioners as to the appropriate revenue level, rate structure, rate design, and other matters, as set forth in detail in the Joint Petition.

The Settlement has been achieved among parties representing a wide array of stakeholder interests, including residential, commercial, industrial and municipal customers and an organization dedicated to representing the interests of low-income customers. The fact that the Settlement was reached among parties displaying the variety of interests of the Joint Petitioners is, in itself, strong evidence that the Settlement is reasonable and in the public interest. In fact, the Settlement reflects a carefully balanced compromise of the interests of all the Joint Petitioners based on their thorough and detailed consideration of the evidence adduced in this case, all of which was entered into the record at the evidentiary hearing conducted on September 26, 2017.

Significantly, three of the signatories – I&E, OCA, and OSBA – are charged with specific legal obligations to carefully scrutinize all aspects of a utility’s request to increase rates. I&E, which has the broadest mandate, functions as an independent prosecutorial bureau within the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) and, as such, is

charged with representing the public interest in utility rate proceedings.¹ The OCA has a statutory obligation to protect the interests of consumers of public utility service.² And the OSBA represents the interests of small businesses.³ As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have conscientiously and rigorously discharged their statutory obligations. The statutory parties' joining in, and fully supporting, the Settlement is strong evidence that the Settlement's terms and conditions are just, reasonable and in the public interest.⁴

Moreover, as explained hereafter, the Company presented a compelling case for rate relief. This is evidenced by, among other factors, the fact that PAWC's base rates have not increased since January 1, 2014 (PAWC St. 1, p. 6); since the end of the fully projected future test year ("FPFTY") in its last base rate case (December 31, 2014) through the end of the FPFTY in this case (December 31, 2018), PAWC will have invested approximately \$1.26 billion in new and replacement water and wastewater plant (PAWC St. 1, p. 5); and, at the same time, PAWC has experienced a continuing trend of declining water usage by residential customers of 920 gallons, or 2.14%, per year (*Id.* at 29-30).

The Company's need for rate relief and the reasonableness of the increase in revenues set forth in the Settlement is addressed further in Section II, below. Section II also discusses the other terms of the Settlement and explains why they are reasonable in light of the evidence

¹ See *Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Final Order entered Aug. 11, 2011), p. 5 ("BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters . . .").

² See 71 P.S. §§ 309-1 *et seq.*

³ See 73 P.S. §§ 399.41 *et seq.*

⁴ See *Pa. P.U.C. v. T.W. Phillips Gas and Oil Co.*, Docket Nos. R-2010-2167797, *et al.*, 2010 Pa. PUC LEXIS 1598 at *80-85 (Recommended Decision issued Oct. 5, 2010), relying upon the support of I&E's predecessor, the Office of Trial Staff ("OTS"), the OCA and the OSBA as evidence that the settlement in that case was reasonable and in the public interest. The Recommended Decision was expressly approved and adopted by the Commission in its Final Order entered Nov. 4, 2010, at the above-referenced docket.

presented in this case and are in the public interest. Section III is a summation of the reasons why the Settlement as a whole is in the public interest.

A. Overview Of The Company’s Filing And Of The Settlement

The Company initiated this rate case on April 28, 2017, by filing Original Tariff Water-Pa. P.U.C. No. 5 (“Water Tariff No. 5”) and Original Tariff Wastewater Pa. P.U.C. No. 16 (“Wastewater Tariff No. 16”) requesting an increase in total-Company annual operating revenues of \$107.9 million, or 16.4%, based on data for a FPFTY ending December 31, 2018. As required by Section 1308(d) of the Pennsylvania Public Utility Code,⁵ the Company’s proposed tariffs bore an effective date of June 27, 2017. On May 18, 2017, the Commission instituted an investigation of the Company’s existing and proposed rates and, as a result, the Company’s proposed tariffs were suspended by operation of law until January 27, 2018.

Various issues pertaining to the level of revenues to which the Company is entitled were the subject of extensive discovery and were addressed at length in the parties’ direct, rebuttal, and surrebuttal testimony. Revenue requirement was also the subject of intensive negotiations among the Joint Petitioners, which produced an agreement among the Joint Petitioners that PAWC is entitled to an increase in total-Company operating revenues of \$61.85 million in lieu of its initially requested increase of \$107.9 million. The total Company increase is comprised of an increase in operating revenues from water operations of \$56,281,090 and an increase in operating revenues from wastewater operations of \$5,568,193, as shown on the first page of Appendix C to the Joint Petition. Additionally, the Company has agreed that it will not file for another general rate increase under Section 1308(d) for its existing water or existing wastewater

⁵ 66 Pa.C.S. § 1308(d). Hereafter all references to a “Section” are to the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 101 *et seq.*, unless indicated otherwise.

operations prior to March 31, 2020, subject to the exceptions that are customary for “stay-out” provisions in base rate case settlements in Pennsylvania.

This case presented certain additional issues because it is the first base rate case filed by PAWC since it acquired the wastewater assets of The Sewer Authority of the City of Scranton (“Scranton Sewer Authority” or “SSA”) on December 29, 2016. In its filing, PAWC presented testimony by several witnesses⁶ to establish that its acquisition of the wastewater assets of SSA satisfied the criteria set forth in Section 1327(a) to authorize the Company to recover a return of, and a return on, the approximately \$25 million positive acquisition adjustment⁷ it recorded in connection with its acquisition of SSA’s wastewater assets. The Company’s claim was opposed by witnesses on behalf of I&E and the OCA.

The assets PAWC acquired from SSA comprised the first “combined sewer system” (“CSS”) owned by the Company. A CSS collects and conveys a wastewater stream that consists of flows of sewage from homes and businesses, infiltration and in-flow and storm water. By its final Order entered on October 19, 2016 (the “Acquisition Order”),⁸ the Commission found that PAWC’s acquisition of SSA’s wastewater assets “will affirmatively promote the service, accommodation, convenience, or safety of the public in a substantial way,”⁹ and authorized PAWC to acquire the Scranton Sewer Authority’s wastewater assets and to “begin to offer or furnish wastewater service, which includes combined storm/wastewater service, to the public in

⁶ PAWC St. 1, pp. 20-28; PAWC St. 3, pp. 36-50; PAWC St. 14; PAWC St. 15; PAWC St. 1-R, pp. 24-29; PAWC St. 3-R, pp. 13-14; and PAWC St. 14-R.

⁷ A positive acquisition adjustment is recorded for the amount by which a utility’s cost to purchase utility assets exceeds the depreciated original cost of those assets at the time of acquisition. *See* Section 1327(a).

⁸ *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*, Docket No. A-2016-2537209 (Final Order entered Oct. 19, 2016).

⁹ Acquisition Order, p. 50.

the City of Scranton and the Borough of Dunmore.”¹⁰ In addition, the Commission determined that it has jurisdiction over the service provided by a CSS and the addition of storm water to a commingled flow “does not change the character of the lines, mains, and other facilities used for public sewage collection, treatment, or disposal.”¹¹

In the Acquisition Order (p. 28), the Commission also determined that issues pertaining to the allocation of revenue requirement and the design of rates for wastewater service in the City of Scranton and Borough of Dunmore should be addressed in a future base rate proceeding. In so doing, the Commission directed PAWC to submit, as part of its next base rate case, two additional cost-of-service studies: (1) “a cost of service study that fully separates the costs of providing storm water service in the SSA service area;” and (2) “a cost of service study that removes all costs and revenues associated with SSA operations (both wastewater and storm water)”¹² The Commission made it clear, however, that PAWC was free to propose the revenue allocation and rate design it believed would be appropriate. PAWC complied fully with the Commission’s directives.¹³

Witnesses for I&E, the OCA and the OSBA raised a number of issues pertaining to how and from whom the cost of furnishing wastewater service should be recovered. In particular, parties took issue with PAWC’s proposal to invoke the Commission’s authority under Section

¹⁰ Acquisition Order, pp. 93-94.

¹¹ Acquisition Order, p. 27. On Nov. 4, 2016, Act 154 of 2016 became law and amended Section 102’s definition of “wastewater” to eliminate any distinction between a wastewater system that collects, treats and disposes of “sewage” and a wastewater system that also collects, treats and disposes of commingled “storm water.”

¹² Acquisition Order, pp. 86-87.

¹³ See PAWC St. 4, pp. 3-4; PAWC Exhibits 3-A and 3-A (Revised) (Scranton Wastewater Operations) (setting forth the separate revenue requirement for Scranton wastewater operations on a stand-alone basis); PAWC St. 12, pp. 21-27; PAWC Exhibit 12-G, Schedule C (setting forth the cost of storm water service in the Scranton wastewater operations).

1311(c)¹⁴ to recover approximately \$13.8 million of wastewater revenue requirement from the Company's customer base for water operations. Witnesses for I&E and OCA expressed concerns that the Company's proposal would cause customers outside of the Scranton and Dunmore service area to bear a portion of the costs of collecting, treating and disposing of storm water in that service area.

Both the Scranton acquisition adjustment issue and the issue of wastewater cost recovery will be resolved by the Commission's approval of the Settlement. Pursuant to Paragraph No. 13 of the Joint Petition, upon approval of the Settlement, the Company agrees that it will not claim in this or future rate filings an amortization of, or a return on, the acquisition adjustment it recorded in connection with its acquisition of the SSA wastewater assets. Additionally, the Settlement will resolve the parties' issues concerning the recovery of a portion of wastewater revenue requirement from the customer base of the Company's water operations. Specifically, under the Settlement Rates only \$4.7 million of wastewater revenue requirement – not the amount of \$13.8 million PAWC originally proposed – would be allocated to its water operation's cost of service.¹⁵ This reduction effectively assures that the cost of collecting, treating and disposing of storm water in the former SSA's CSS will be remain within, and be recovered from wastewater customers within, PAWC's Scranton and Dunmore wastewater service area. In addition, in Paragraph No. 11 of the Joint Petition, the Company agrees that, in its next base rate filing, it will submit a separate revenue requirement study for each CSS it owns and will file a cost of service study that separately identifies all storm water costs for its CSS operations.

¹⁴ Section 1311(c) provides, in relevant part, that “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.”

¹⁵ See Joint Petition ¶ 35 d. While the Section 1311(c) allocation to water operations under the Settlement Rates plays an important role in mitigating the increases to the Company's 55,000 wastewater customers, it has a *de minimis* effect on water customers' bills – representing an increase of approximately 47¢ per month to an average residential customer.

Various other specific issues that were raised by other parties' testimony have been largely resolved by the compromises on all sides that resulted in the agreed upon increase in revenues of \$61.85 million in lieu of the Company's original proposal. There are certain terms that reflect the Joint Petitioners' agreement on specific issues, which are typically addressed in settlements, such as, for example, the depreciation rates to be used going forward,¹⁶ approved amortizations,¹⁷ the equity return rate to be used in calculating the Company's Distribution System Improvement Charge ("DSIC"),¹⁸ the "baseline" of FPFTY plant additions that must be exceeded before the Company may reinstitute its DSIC¹⁹ and certain accounting issues.²⁰ In addition, the Joint Petitioners have resolved all rate structure and rate design issues by collaboratively developing the Settlement Rates, as set forth in the water and wastewater tariffs provided in Appendices A and B. The Joint Petitioners are in full agreement that the Settlement Rates fairly and reasonably allocate the increase in water and wastewater revenues among PAWC's customer rate classes.²¹

A total of nine public input hearings were held in this case across the Company's service territory.²² The Company believes that, given its size (PAWC provides service to approximately 710,000 customers)²³ and the challenges of serving a geographically diverse service territory (PAWC provides service in 36 of the 67 counties in the Commonwealth),²⁴ there were

¹⁶ Joint Petition ¶ 12.

¹⁷ Joint Petition ¶ 13.

¹⁸ Joint Petition ¶ 16.

¹⁹ Joint Petition ¶ 15.

²⁰ Joint Petition ¶¶ 17, 18 and 19.

²¹ See Joint Petition ¶¶ 34-35.

²² See Joint Petition ¶ 5.

²³ PAWC St. 2, p. 2.

²⁴ *Id.* at 3.

remarkably few service-related issues raised at the public input hearings. Indeed, homeowners appeared at the Washington public input hearing to express their desire to become customers of PAWC and were seeking main extensions to serve themselves and their neighbors in locations where PAWC does not currently have facilities in place.²⁵ That said, PAWC takes every service-related customer complaint very seriously and is dedicated to addressing and resolving any situation where its customers feel they are not receiving service at the high standard to which PAWC holds itself. Accordingly, the Settlement contains specific, detailed terms and commitments by the Company to address every one of the service and billing-related issues that were raised by witnesses at the public input hearings, as well service-related concerns expressed by OCA witness Terry Fought in his direct testimony. In particular, the Company has committed to specific, concrete actions it is taking to reduce the level of insoluble manganese in the Blue Mountain Lakes water supply and to perform a uni-directional flushing of the system. In addition, the Company agrees to enhanced testing, reporting of test results to the statutory parties and coordination with the Blue Mountain Lakes Homeowners' Association as set forth in Appendix F (pp. 1-2) to the Joint Petition. The Company has also committed to specific actions to address manganese levels in the Saw Creek Estates system as set forth in detail in Appendix F (pp. 2-3). The Company will also take other specific measures, as detailed in Appendix F (pp. 3-4) to address pressure, billing and construction-related issues identified by witnesses from Saw Creek Estates. And, as previously indicated, the Joint Petition and Appendix F address the other customer-specific service-related issues raised by witnesses at the public input hearings. In each instance, the Company reached out to the affected customer and communicated what it planned to do (or has already done) to address the customer's concerns.

²⁵ These service requests are also addressed in the Settlement. *See* Joint Petition ¶ 33.

With respect to the previously-noted requests for service from homeowners in Washington County, the Company has worked with the OCA and has made both specific commitments to address those extensions as well a broader commitment to work with the OCA and other interested parties regarding main extensions under and pursuant to Rule 27.1(F) of its water tariff, which authorizes main extensions to be installed without customer contributions, subject to Commission approval, in order to address existing health and safety concerns with homeowners' non-public water supplies.²⁶

As the Commission is aware, PAWC has been an industry leader in initiating, developing and implementing innovative programs to assist low-income and payment-troubled customers.²⁷ Continuing its commitment to assisting low-income customers, PAWC has agreed as part of the Settlement to increase the low-income customer charge discount for residential water customers from 80% to 85% and to increase the residential total-bill discount for qualifying low-income wastewater customers from 15% to 20%.²⁸ Additionally, although this is a matter outside the Commission's jurisdiction and for which Commission approval is not requested, the Settlement provides that PAWC will increase its shareholder contributions to its hardship grant programs from the current level of \$300,000 per year to \$400,000 per year for water operations and from \$10,000 per year to \$50,000 per year for wastewater operations. Such contributions will be recorded "below the line" and not claimed for recovery in rates.

As previously indicated, the specific terms of the Settlement are discussed in more detail in Section II, *infra*.

²⁶ Joint Petition ¶ 33 and Appendix G.

²⁷ See PAWC St. 1, pp. 36-37.

²⁸ Joint Petition ¶ 25.

B. The Settlement Is Consistent With Commission Policy, Practice And Precedent Concerning Settlements

The Commission's long-standing policy, practice and precedent, which are embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401, strongly encourage parties to resolve contested proceedings by settlement. Indeed, in its Policy Statement, the Commission states that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding." There are many reasons why settlements can produce better outcomes and do a better job of promoting the public interest than full litigation, which have been repeatedly affirmed in decisions approving proposed settlements. Those reasons were aptly summarized in Administrative Law Judge Marlane R. Chestnut's Recommended Decision²⁹ approving a settlement of PECO's 2010 electric rate case:

Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing 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. Rate cases are expensive to litigate and the cost of such litigation at a reasonable level is an operating expense recovered in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yields significant expense savings for the company's customers. That is one reason why settlements are encouraged by long-standing Commission policy.

²⁹ *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2010-2161575 (Recommended Decision issued Nov. 2, 2010), p. 12. Judge Chestnut's Recommended Decision was approved and adopted by the Commission in its Final Order entered Dec. 21, 2010.

Although not explicitly discussed in Judge Chestnut's Recommended Decision, settlements also promote the public interest in another important way. In settlements, parties can, through compromise and agreement, craft innovative and creative solutions that the Commission may not be in a position to develop and impose unilaterally. That is certainly the case with the Settlement that has been achieved by the Joint Petitioners in this proceeding.

C. Settlements That Do Not Stipulate Or Identify The Specific Components Underlying A Settled Revenue Increase Have Been Consistently Approved And Strongly Endorsed By The Commission As Promoting The Public Interest

As the Joint Petition makes clear (*see* Paragraph Nos. 8, 38 d. and 39), the Joint Petitioners acknowledge that, subject to the limited exceptions set forth in the Joint Petition, they have not sought, nor would they be able, to agree upon the specific ratemaking adjustments that support their respective decisions to enter into the Settlement. Nonetheless, as the Joint Petitioners explain in their respective Statements in Support, they are in full agreement that the Settlement achieves the following goals:

- Resolves a number of contested issues, by means of inter-related compromises, in a manner that produces an overall outcome well within the range of reasonable outcomes supported by the record evidence;
- Appropriately and fairly balances: (1) the interests of customers in receiving safe, adequate and reliable service at just and reasonable rates; and (2) the interests of the Company and its shareholders in having a reasonable opportunity – through continued prudent and efficient management – to earn a fair return on their investment in property dedicated to the public service, which will support further investment in additional needed plant and equipment;
- Produces a fair result for all parties; and

- Therefore, for all the foregoing reasons, is in the public interest.

As explained above, the Joint Petition embodies a so-called “black box” settlement because the Joint Petitioners have neither agreed upon, nor identified, their individual assessments of the various subsidiary components of the overall revenue requirement upon which they settled. The Joint Petitioners’ approach facilitates settlements by allowing parties to agree to an overall settled outcome that all parties find reasonable without abandoning or reversing their litigation positions on issues they deem important and, thereby, compromising their ability to present their arguments in other proceedings where settlement may not be possible.³⁰ Thus, the net result is reasonable and acceptable to all, so long as the parties are not forced to reveal their positions and strategies or the compromises they made to reach the settled outcome. Nonetheless, limited exceptions to the black box concept were made in this Settlement – as in other settlements that have been approved by the Commission – as needed to implement and administer the Settlement terms, such as those discussed in Section I.A., *supra*, at page 8.

³⁰ See 52 Pa. Code § 5.231 and the Commission’s Policy Statement on Settlements, *supra*. While there are many Commission-approved Recommended Decisions that have found black box settlements to be in the public interest on this basis, one recent example is *Pa. P.U.C. v. Borough of Ambler Water Dept.*, Docket No. R-2014-2400003, 2014 Pa. PUC LEXIS 547 at *12-15, (Recommended Decision of Administrative Law Judge Cynthia Williams Fordham issued Oct. 17, 2014). In her Recommended Decision, Judge Fordham, after summarizing Commission precedent approving black box settlements, affirmed I&E’s position in that case that “the revenue amount and rate design in the Settlement are within the range of potential litigated outcomes” and “further line-by-line identification and ultimate resolution of each revenue-related issue raised in the proceeding beyond those addressed in the Settlement is not necessary to find that the Settlement is in the public interest” *Id.* Judge Fordham’s Recommended Decision was approved and adopted by the Commission in its Final Order entered Dec. 4, 2014. While *Borough of Ambler* involved a relatively smaller utility, black box settlements of base rate increases have been approved on the same basis for many large utilities, such as the settlement of PECO’s 2010 electric rate case discussed previously. See, e.g., *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2015-2468981 (Final Order entered Dec. 17, 2015) (approving a black box settlement for a base rate increase of \$127 million); *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2014-2406274 (Final Order entered Dec. 10, 2014) (approving a black box settlement for a base rate increase of \$32.5 million); *Pa. P.U.C. v. Duquesne Light Co.*, Docket No. R-2013-2372129 (Final Order entered Apr. 23, 2014) pp. 8-15 (approving a black box settlement providing for a base rate increase of \$48 million); *Pa. P.U.C. v. PPL Elec. Utils. Corp.*, Docket No. R-2010-2161694, 2010 Pa. PUC LEXIS 2001 at *15 and *30-35 (Final Order entered Dec. 16, 2010), (approving a black box settlement providing for a base rate increase of \$77.5 million).

The Joint Petitioners' approach to delineating the terms of the Settlement in the Joint Petition, namely, a "black box" subject to limited but appropriate exceptions, has been consistently and repeatedly approved by the Commission. One of the strongest endorsements of black box settlements as not only consistent with the public interest but a means of affirmatively promoting the public interest occurred in two companion cases involving Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro"), which are subsidiaries of a common parent. Citizens and Wellsboro made simultaneous rate filings, and black box settlements were achieved in both cases. The Administrative Law Judge approved the settlements in separate Recommended Decisions³¹ but noted, parenthetically, that " 'Black Box' agreements are sometimes regarded with little enthusiasm" by some participants. The Commission approved both Recommended Decisions in Final Orders issued on January 13, 2010. In each case, then-Chairman Powelson issued separate statements endorsing black box settlements:

I . . . will continue to support settlements, including those of a black box nature, enthusiastically. Determination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. *Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.* (Emphasis added.)

Then-Chairman Powelson's separate statements in *Citizens'* and *Wellsboro, supra*, have been relied upon by parties, Administrative Law Judges and the Commission itself in many

³¹ *Pa. P.U.C. v. Citizens' Elec. Co. of Lewisburg, PA*, Docket No. R-2010-2172665, 2010 Pa. PUC LEXIS 1890 at *20-21, (Recommended Decision issued Dec. 21, 2010), *Pa. P.U.C. v. Wellsboro Elec. Co.*, Docket No. R-2010-2172662, 2010 Pa. PUC LEXIS 1891 at *17-18 (Recommended Decision issued Dec. 21, 2010).

subsequent cases. For example, in Peoples TWP LLC's 2013 base rate case,³² the Commission approved the settlement reached in that case and denied all of an objecting party's exceptions. In response to a complainant's specific objection to the black box nature of the settlement, the Commission stated that its holding was squarely based on Commissioner Powelson's statements in *Citizens'* and *Wellsboro*³³:

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

As evidenced by the authorities discussed above, the Commission fully endorses the concept of black box settlements such as the Settlement achieved in this case.

D. General Standard For Approval Of Settlements

It is well-established that, in order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest. *See Pa. P.U.C. v. CS Water & Sewer Assoc.*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Philadelphia Elec. Co.*, 60 Pa. P.U.C. 1, 22 (1985). In Section II, below, each of the principal terms of the Settlement is discussed in light of the record evidence

³² *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Final Order entered Dec. 19, 2013), pp. 27-28.

³³ *Id.* at 28.

and the parties' positions. As explained therein, the final resolution achieved by each of those terms is consistent with, and promotes, the public interest.

II. SPECIFIC SETTLEMENT TERMS³⁴

A. Revenue Requirement (Joint Petition, Paragraphs 9-20)

1. Revenue Increase (Joint Petition, Paragraph 9)

As explained in Section I.A., *supra*, following detailed formal and informal discovery, the submission of multiple rounds of testimony and extensive negotiations, the Joint Petitioners agreed to the Settlement embodied in the Joint Petition, which resolves all issues in this case. The Settlement provides for a total-Company increase in operating revenues of \$61.85 million, based on its pro forma present rate revenue level, to become effective as of January 1, 2018, in lieu of the \$107.9 million PAWC initially requested in its April 28, 2017 rate filing.

Under the Settlement Rates, the monthly bill of a typical residential water customer in the Company Rate Zone 1 (in which 99.8% of all water customers are served) will increase from \$55.63 to \$60.85, or by 9.38%. A billing comparison for all general water service customer classes in all of the Company water rate zones is provided in Appendix H to the Joint Petition. The Company has a number of separate wastewater rate zones under its current rates. Under the Settlement Rates, a number of the smaller wastewater rate zones are being consolidated into Rate Zone 1 and, as a result, under the Settlement Rates, the Company will have a total of five wastewater rate zones. The increase in the monthly bill of an average wastewater customer in each of the Company's existing rate zones under the Settlement Rates is provided in Appendix I to the Joint Petition. By way of illustration, for customers that were in Rate Zone 1 as it was

³⁴ Section II of this Statement in Support contains a general description of the terms and conditions of the Settlement set forth in the Joint Petition. While every effort has been made to try to ensure that the descriptions are accurate, if any inconsistency exists or is perceived between the Statement in Support and the terms and conditions of the Joint Petition, the Joint Petition shall take precedence and shall control.

constituted under the Company's current rates and will remain in Rate Zone 1 under the Settlement Rates, the monthly bill of a typical residential wastewater customer will increase from \$56.96 to \$64.93, or by 13.9%.³⁵

There are four important factors that need to be considered and understood in order to place the proposed revenue increase under the Settlement in the proper context: (1) the time elapsed since the Company's last base rate case; (2) the Company's efforts to control operating and maintenance ("O&M") expenses and improve efficiency, while maintaining and enhancing customer service; (3) the Company's substantial investment in new and replacement property to replacing aging infrastructure and comply with evolving legal and regulatory drinking water and environmental standards; and (4) the continuing trend of year-over-year reductions in per-customer residential water usage.³⁶

PAWC's current base rates were established by the Commission's Final Order entered December 19, 2013 at Docket No. R-2013-2355276 and became effective on January 1, 2014. Consequently, if the Settlement in this case is approved, PAWC's customers will have experienced no increase in distribution base rates in four years.

Since filing its last base rate case in April 2013, PAWC has been successful in controlling the growth in its operating and maintenance ("O&M") expenses. In fact, the Company's claim for O&M expenses for its water operations (excluding depreciation) in this case is approximately \$2.4 million *less* than the amount requested in its 2013 base rate case even though the

³⁵ All of the wastewater Settlement Rates and resulting average customer bills would be higher absent the Section 1311(c) allocation of a portion of wastewater revenue requirement to water operations, which was discussed in Section I.A., *supra*.

³⁶ See PAWC St. 1, pp. 3-6 and 29-30 (explaining the forces driving the need for a rate increase); PAWC St. 2, pp. 4-32 (explaining the Company's efforts to improve efficiencies and reduce costs while maintaining and enhancing high quality service); PAWC St. 3, pp. 3-36 and 41-50 (explaining the major projects included in the Company's future test year ("FTY") and FPFTY capital additions); PAWC St. 9 (explaining and quantifying the on-going trend of declining per-customer residential water consumption).

Company's existing rates have been in effect since January 2014 and the Company has expanded its water service footprint by acquiring a number of water systems since its last base rate case.³⁷ This reduction is the direct result of the Company's prudent management and its dedication to continuous improvement, which drive efficiencies while, at the same time, maintaining and enhancing customer service.³⁸ However, the Company's very successful efforts to contain its O&M expenses could not fully compensate for the sustained, high levels of investment PAWC has made, and continues to make, since its last case, and the on-going reduction in per-customer water usage it is experiencing.

Significantly, between the end of the FPFTY in PAWC's last base rate case (December 31, 2014) through the end of the FPFTY in this case (December 31, 2018), the Company will have invested over \$1.26 billion in new plant and equipment, and the majority of this investment is in source of supply, treatment, distribution and collection assets.³⁹ A significant part of this total investment is being used to improve service to small, troubled water and wastewater systems that PAWC has acquired in furtherance of the Commission's policy to have larger, viable utilities acquire and upgrade smaller, less viable and service-troubled systems.⁴⁰ In fact, PAWC has been an industry leader in helping the Commission meet the significant challenges

³⁷ PAWC St. 1, p. 6. As Mr. Nevirauskas explained at page six of his direct testimony a similar comparison for the Company's wastewater operations would not be meaningful because of the larger number and size of the wastewater systems PAWC has absorbed since its last base rate case relative to the smaller size of its pre-2014 wastewater operations.

³⁸ See PAWC St. 2.

³⁹ PAWC St. 1, p. 5. See PAWC St. 3, pp. 3-36 and 41-50. By way of illustration, the Company's FTY/FPFTY additions include \$52.6 million for the rehabilitation of impounding dams at its reservoirs to meet applicable safety standards for design-level floods; approximately \$100 million for water treatment plant upgrades and water treatment facilities; \$23.7 million for water infrastructure service reliability improvement projects in the Company's northeast region; \$50 million for improvements to small and troubled systems acquired by PAWC; and over \$220 million to install new and replacement mains, services and meters.

⁴⁰ PAWC St. 1, p. 5. See PAWC St. 8 (identifying the small, troubled and non-viable water and wastewater systems PAWC acquired since its last base rate case and explaining the regulatory violations and service deficiencies each system experienced, which have been or shortly will be addressed by PAWC). See also PAWC St. 3, pp. 20-28 (discussing improvements made, or to be made, to the acquired systems).

posed by the many small, troubled systems that still exist across the Commonwealth. To address all of these diverse capital needs, PAWC must raise substantial amounts of debt and equity capital and, in the process, must demonstrate its ability to provide a reasonable return in order to convince investors to commit their funds for its use.

While PAWC has been making substantial investments in new and replacement plant to maintain and enhance service to customers, it has been experiencing – and will continue to experience – a well-documented multi-year trend of declining per-customer residential consumption.⁴¹ The decline in consumption was delineated and quantified by PAWC witness Gregory P. Roach based on a comprehensive analysis, which demonstrated a continuing decline in residential consumption of 920 gallons, or 2.14%, per year.⁴² Averaged across PAWC’s residential customer base, this equates to about 2.5 gallons less usage per day per account. Mr. Roach explained the statistical analysis he performed to quantify the ten-year trend of declining residential usage and discussed the reasons why the decline will continue for the foreseeable future. In broad summary, the primary driver of this decline in usage is water-efficient plumbing fixtures and water-efficient appliances, which are mandated by federal law. Other factors contributing to the decline include increased societal emphasis on conservation and the environment, Company and government programs encouraging efficient water use, and changes in consumer behavior in response to price signals provided by rising water and energy rates.⁴³

The factors discussed above, namely, increased investment and declining load growth, have compromised the Company’s ability to earn a fair return on its investment absent rate relief, notwithstanding its efforts to control its O&M expenses. On a pro forma basis, PAWC’s water

⁴¹ PAWC St. 1, p. 29.

⁴² PAWC St. 9.

⁴³ *Id.*

and wastewater operations are projected to produce an overall return on invested capital of 6.29%, and a return on common equity of only 7.20%, during the twelve months ending December 31, 2018.⁴⁴ Those return levels are clearly inadequate, as PAWC witness Ann E. Bulkley pointed out in her direct testimony.⁴⁵ Absent rate relief, PAWC's financial results would deteriorate even further in 2019 and thereafter and could jeopardize its ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer service levels. It is particularly important for PAWC to maintain and possibly improve its credit ratings because water and wastewater service is extremely capital intensive, as evidenced by the level of investment PAWC has made and will continue to make since its last base rate case, as discussed previously. Accordingly, it is important that PAWC obtain the increased revenues that the Settlement will provide.

2. Pro Forma Present Rate Revenues As Filed By The Company Used To Establish the Settlement Rates (Joint Petition, Paragraph 10)

As previously explained, PAWC has been experiencing a multi-year trend of declining residential consumption. The Company, therefore, adjusted its revenue under present rates to reflect the decline in residential consumption by calculating the impact of the decline in consumption from the mid-point of the historic test year ("HTY") to the mid-point of the FPFTY – an interval of 24 months. Paragraph No. 10 of the Joint Petition embodies the Joint Petitioners' agreement that PAWC's pro forma present rate revenues reflecting its adjustment for the decline in residential consumption calculated and included in the Company's rate filing have been used to establish the Settlement Rates. The Joint Petitioners also agreed that this provision is for purposes of this case only and does not establish a binding precedent for future rate cases.

⁴⁴ PAWC St. 1, p. 6 and Schedule RPN-2.

⁴⁵ See PAWC St. 13, pp. 3-4 (summarizing current market-determined equity cost rates and providing Ms. Bulkley's recommended rate of return on equity).

3. Revenue Requirement And Cost of Service Studies For Each CSS (Joint Petition, Paragraph 11)

As explained in Section I.A., *supra*, this was the first case filed by PAWC that included a CSS, namely the former SSA wastewater system. As previously discussed, in the Acquisition Order, the Commission directed the Company to separately identify the revenue requirement associated with the former SSA CSS and separately identify the costs associated with collecting, treating and disposing of storm water in that system. The Company presented the separate cost of service studies the Commission directed it to file and, as also previously explained, the Settlement resolves all issues related to the recovery of storm water costs in the Scranton/Dunmore service area. In Paragraph 11, the Company has agreed to provide in its next base rate filing a separate revenue requirement study for each CSS it owns and a cost of service study that separately identifies all storm water costs for CSS operations. This provision assures that the Commission and the parties in the Company's next base rate case get the information related to all PAWC-owned CSSs comparable to the cost of service information developed and filed in this case pursuant to the Commission's directive in the Acquisition Order.

4. Depreciation Rates (Joint Petition, Paragraph 12)

The Company proposed annual depreciation accrual rates developed by John J. Spanos⁴⁶ based on detailed depreciation studies conducted with regard to the Company's water and wastewater assets for the HTY, FTY and FPFTY.⁴⁷ The depreciation rates proposed by the Company were reviewed and accepted by all other parties. Accordingly, the Joint Petitioners acknowledge and agree that those depreciation rates are appropriate for ratemaking purposes in

⁴⁶ Mr. Spanos is a Senior Vice President of Gannett Fleming Valuation and Rate Consultants, LLC, and has testified extensively on depreciation for regulated utilities in proceedings before the PUC and the regulatory agencies and courts of other states. *See* PAWC St. 11, Appendices A and B.

⁴⁷ PAWC St. 11; PAWC Exhibits 11-A through 11-I.

this case and that PAWC will use those depreciation rates to calculate the depreciation expense it records on its regulated books of account.

5. Amortizations (Joint Petition, Paragraph 13)

Paragraph 13 reflects the Joint Petitioners' agreement resolving issues pertaining to amortizations to recover certain costs claimed by the Company and amortizations proposed by I&E and the OCA to return certain amounts to customers. The provisions of Paragraph 13 will be discussed in three parts.

First, the Joint Petitioners agree that the Company will be permitted to amortize transaction costs it incurred in connection with its acquisition of the wastewater assets of SSA and the Borough of New Cumberland and the cost of the water operations' Customer Class Demand Study performed pursuant to the Commission-approved settlement of the Company's 2011 base rate case at Docket No. 2011-2232243. In each instance, the amounts being recovered by amortization are actual, out-of-pocket costs incurred by the Company. The amounts being amortized, the periods of amortization and the annual amortization amounts are set forth in Appendix D to the Joint Petition.

Second, with respect to the acquisition adjustment the Company recorded in connection with its acquisition of SSA's wastewater assets, the Company agrees that it will not seek in this or future rate cases to recover a return of, or a return on, that amount. The assets will be included in rate base at their depreciated original cost, and the positive acquisition adjustment will not be amortized for recovery.

Third, the Company made a number of acquisitions of smaller water and wastewater systems since its last base rate case. Some of those systems were acquired for more than their depreciated original cost, which resulted in PAWC recording a positive acquisition adjustment. Other acquisitions were made at less than the acquired system's depreciated original cost, which

resulted in PAWC recording a negative acquisition adjustment. As to the acquisitions made for more than original cost, PAWC's initial filing invoked the authority of Section 1327(a) to claim the amounts of those positive acquisition adjustments as additions to rate base and proposed to recover those amounts by amortizing them over ten years. I&E and the OCA opposed the Company's claims for a positive acquisition adjustment. In addition, I&E and the OCA, invoking Section 1327(e), proposed that the Company credit to customers the negative acquisition adjustments it recorded in connection with acquisitions made at less than the acquired system's depreciated original cost by amortizing those amounts over ten years as an addition to income. The Company opposed these proposed adjustments. In Paragraph 13 of the Joint Petition, the Joint Petitioners agreed that neither the positive nor the negative acquisition adjustments claimed by the Company would be amortized. The assets acquired by the Company will be included in rate base at their depreciated original cost.

6. Plant In Service Updates And Comparison Of Utility Plant And Expenses (Joint Petition, Paragraph 14)

I&E witness Kokou M. Apetoh recommended that the Company provide updates to PAWC Exhibit No. 3-C for the FTY and FPFTY, and OCA witness Ralph C. Smith recommended comparison of actual data to the Company's expense and rate base claims in this case. These have been standard requests in base rate case settlements for utilities that employ a FPFTY since FPFTYs have been authorized by Act 11 of 2012. Accordingly, the Company has agreed to provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA, on or before April 30, 2018, an update to PAWC Exhibit No. 3-C, which will include actual plant additions and retirements by month for the twelve months ending December 31, 2017. It has also agreed to provide, on or before April 30, 2019, an update to Exhibit No. 3-C for the twelve months ending December 31, 2018. Additionally, the Company agreed that, in its

next base rate proceeding, it will prepare and submit a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2018 to its projections in this case. However, Paragraph 14 expressly recognizes that this is a black box settlement that is a compromise of the Joint Petitioners' positions on various issues and the requested updates and comparisons are being provided for information purposes only.

7. Baseline For Restarting Charges Under The DSIC (Joint Petition, Paragraph 15)

Section 1358(b)(1) requires that a utility's DSIC be reset at zero on the effective date of new base rates. Section 1358(b)(2) specifies when, after such a "reset," a utility may begin to charge a DSIC. In its Supplemental Implementation Order,⁴⁸ the Commission has set forth its criteria for determining when a utility may charge a DSIC following a base rate "reset." Consistent with the requirements of the Supplemental Implementation Order, Paragraph 15 and Appendix E of the Joint Petition sets forth the "baselines" for water and wastewater operations that, when reached, will permit the Company to reinstitute charges under the respective water and wastewater DSIC Riders. In addition, the Company has agreed that, in any event, it will not reinstitute a DSIC prior to April 1, 2019.

8. Return On Equity For DSIC Revenue Requirements (Joint Petition, Paragraph 16)

As explained in Section I, *supra*, the revenue requirement elements of the Settlement reflect, for the most part, a matrix of compromises by the Joint Petitioners and, therefore, specific ratemaking adjustments are not spelled out in the Joint Petition, subject to limited exceptions. The Joint Petitioners have recognized that, notwithstanding the "black box" nature of the Settlement regarding revenue requirement, it is important to resolve, as part of the

⁴⁸ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Final Supplemental Implementation Order entered Sept. 21, 2016.

Settlement, the rate of return on equity that Joint Petitioners agree should be used by the Company in computing the Company's DSIC revenue requirement. To that end, the Joint Petitioners have agreed and stipulated in Paragraph 16 of the Joint Petition that the Company shall use the rate of return on equity as calculated for water utilities and published in the "Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities" ("TUS Quarterly Earnings Report") for the most recent quarter for calculating the return on equity component of the Company's DSIC. The TUS calculation is a recognized and accepted benchmark return on equity for use in calculating revenue requirement under the DSIC. Moreover, TUS regularly updates its calculation to reflect changes in market-determined equity costs based on a clearly stated methodology and database. A term similar to Paragraph 16 has been adopted in settlements of numerous base rate cases for major utilities that employ a DSIC.

9. Pension Expense Recorded For Accounting And Ratemaking Purposes (Joint Petition, Paragraph 17)

The Company's claim for pension expense in this case is based on the pension expense it will record for financial reporting purposes during the FPFTY in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 715 ("ASC 715"), which is a new title for the accounting standard formerly known as Financial Accounting Standards Board Statement No. 87 ("FAS-87").⁴⁹ As part of its pension expense claim, the Company also proposed to amortize over ten years the deferred pension liabilities recorded on its books of account at December 31, 2017, which results in a reduction to its pro forma pension expense.⁵⁰ No party to this case challenged the Company's claim for pension expense or

⁴⁹ PAWC St. 6, p. 6.

⁵⁰ *Id.* The deferred liabilities represent the net amount by which the Company's cash contributions to its pension fund exceeded its accruals of pension expense for financial reporting purposes determined pursuant to ASC 715.

expressed any disagreement with the manner in which it was determined. Paragraph 17 of the Joint Petition reflects the Joint Petitioners' agreement that the Company may continue to record pension expense for accounting and regulatory purposes based on principles of accrual accounting pursuant to ASC 715 and the ten-year amortization of deferred pension liabilities. However, Paragraph 17 makes clear that the Settlement does not preclude any party from contesting the Company's pension expense claims and associated ratemaking effects in its next base rate case.

**10. Easements To Be Acquired By SSA And Transferred To PAWC
(Joint Petition, Paragraph 18)**

At the time PAWC acquired the SSA's wastewater assets, SSA had not memorialized record title to various easements needed for its wastewater facilities and the operation of those facilities. Consequently, PAWC withheld the sum of \$12 million from the purchase price that otherwise would have been payable to SSA at closing, which amount represents an estimate of the costs to acquire the wastewater easements. Additionally, SSA continues to have the obligation to obtain and properly memorialize its title to the easements and transfer those property interests to PAWC. As the easements are acquired and transferred, escrowed funds will be released to SSA equal to its acquisition costs. However, SSA has the obligation to obtain and transfer the easements to PAWC with no additional compensation from PAWC even if SSA's acquisition costs exceed the amount escrowed.⁵¹

For purposes of its initial filing, PAWC estimated that easements having an acquisition cost of \$3,000,000 would be obtained by SSA and transferred to the Company in the FTY (2017) and easements having an acquisition cost of \$9,000,000 would be obtained by SSA and

⁵¹ Because the escrow represents a portion of the purchase price payable to SSA pursuant to the Asset Purchase Agreement between PAWC and SSA, if SSA obtains and transfers to PAWC all of the easements for less than the amount escrowed, the remaining balance could then be released to SSA.

transferred to the Company in the FPFTY (2018). Accordingly, the Company included those amounts in its claims for utility plant in service for the FTY and FPFTY, respectively.⁵²

However, following PAWC's initial filing, the pace of SSA's acquisitions of the easements was not progressing at the rate the Company estimated. Based on such updated actual information and lack of clarity as to the pace at which the easements would be acquired and transferred to PAWC, I&E opposed including the estimated costs of the easements in the Company's rate base in this case. As part of the Settlement, the Company has agreed: (1) to remove from its pro forma utility plant in service the \$12 million it has initially claimed for the easements; (2) record the cost of such easements in its plant in service accounts only upon the actual acquisition and transfer of those easements to the Company; and (3) not include in utility plant in service any costs incurred by SSA to acquire the easements in excess of \$12 million. Paragraph 18 also provides that any party, in a future rate case where the easements, following acquisition, are included in the Company's rate base claim, will have the right to challenge the reasonableness and prudence of the costs incurred to acquire the easements.

Paragraph 18 also outlines the accounting treatment PAWC may employ for the \$12 million of escrowed funds pending the acquisition and transfer of all the Scranton easements. Specifically, it provides that PAWC may establish a regulatory asset, for accounting purposes only, in an amount not to exceed \$12 million, which will be reduced by the amount of Scranton wastewater easements acquired and recorded to utility plant in service. The Company will not claim any portion of the regulatory asset as an addition to rate base or as an expense for ratemaking purposes.

⁵² See PAWC Exhibit 3-C (Scranton Wastewater Operations), pp. 2 and 5 (Account 353).

11. Annual Fees To The Pennsylvania Department Of Environmental Protection (“DEP”) (Joint Petition, Paragraph 19)

In order to increase funding needed to support its drinking water regulatory program in Pennsylvania, DEP’s Environmental Quality Board (“EQB”) initiated a Proposed Rulemaking to establish assessments of annual fees on regulated public water systems in the Commonwealth. DEP’s action was prompted by a directive from the United States Environmental Protection Agency (“EPA”) requiring DEP to submit an action plan to address various performance issues EPA had identified with respect to DEP’s administration and enforcement of the federal Safe Drinking Water Program.⁵³ EQB approved the proposed rulemaking package for increased DEP fees, and the rulemaking is pending review by the Independent Regulatory Review Commission (“IRRC”).⁵⁴ DEP’s timeline anticipates the new fee structure becoming effective in 2018.⁵⁵

Under the annual fee schedule developed pursuant to the Proposed Rulemaking, PAWC would face additional annual fees payable to DEP of approximately \$820,000.⁵⁶ Therefore, PAWC included that amount as an operating expense for its water operations in its initial filing. I&E opposed the Company’s claim on the grounds that DEP’s rulemaking had not been finalized, changes could be made in response to IRRC comments, and DEP’s implementation timeline was insufficiently definite to warrant the conclusion that the increased fees would become payable in 2018. The I&E’s position on this issue was subsumed in the “black box” agreement achieved with respect to the allowed revenue increase in this case. In view of the opposition to the Company’s claim, Paragraph 19 embodies an agreement that the Company’s claim for increased DEP fees is not reflected in the Settlement revenue requirement and,

⁵³ PAWC St. 16-R, pp. 2-6.

⁵⁴ *Id.* at 6-7.

⁵⁵ *Id.* at 7.

⁵⁶ PAWC Exhibit EAC-6R.

therefore, the Company has the right to request that the Commission: (1) approve a deferral of any annual fees it may, hereafter, actually pay to DEP under the fee program finally adopted; (2) permit the Company to record the deferred costs as a regulatory asset; and (3) allow it to recover the deferred amounts in its next water base rate filing. Paragraph 19 also provides that any party has the right to oppose the Company's deferral request if one is made.

12. Allocation Of Common Costs Between Water And Wastewater Operations (Joint Petition, Paragraph 20)

Witnesses for I&E and the OCA questioned whether the Company had allocated "common" costs (i.e., costs that benefit the Company's total customer base but are not specifically identifiable to either water or wastewater service) between water and wastewater operations and alleged that certain common costs had been included in the water revenue requirement that, perhaps, should be allocated between both types of service. Paragraph 20 memorializes the Company's agreement to make an explicit allocation of common costs between water and wastewater operations in its next base rate filing, including charges to PAWC from American Water Works Service Company that may constitute such "common" costs.

13. The Revenue Requirement Provisions Of The Settlement Are Reasonable And In The Public Interest

In light of the standards consistently applied by this Commission, the revenue requirement provisions of the Settlement are reasonable and in the public interest, particularly when viewed in conjunction with the stay-out provisions discussed in Section II.B., *infra*. In its Final Order approving the settlement of Aqua PA's 2009 base rate case, the Commission outlined the following general principles for assessing whether a settlement meets the public interest standard:⁵⁷

⁵⁷ *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, Docket No. R-2009-2132019, 2010 Pa. PUC LEXIS 1808 at *22-24 (Final Order entered June 16, 2010).

The purpose of this investigation is to establish rates for Aqua customers which are “just and reasonable” pursuant to Section 1301 of the Public Utility Code (Code), 66 Pa.C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pennsylvania Gas and Water Co. v. Pennsylvania Pub. Util. Comm’n*, 341 A.2d 239 (Pa. Cmwlth. 1975). In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield Water Works and Improvement Co. v. Public Service Comm’n of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield* the United States Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Neither the Public Utility Code nor principles of due process require the Commission to adhere to a specific formula or methodology to determine “just and reasonable” utility rates.⁵⁸

Indeed, Pennsylvania appellate precedent⁵⁹ holds, as follows:

⁵⁸ See *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 315-16 (1989) (“the Commission was not bound to the use of any single formula or combination of formulae in determining rates”), quoting *FPC v. Hope Nat. Gas Co.*, 320 U.S. 591, 605 (1944).

⁵⁹ *Pa. P.U.C. v. Pennsylvania Gas and Water Co.*, 492 Pa. 326, 337, 424 A.2d 1213, 1219 (1980).

[T]he power to fix “just and reasonable” rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term “just and reasonable” was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.

In short, “just and reasonable” rates, like the associated concept of a “fair return,” are not point values. Rather both “just and reasonable” rates and a “fair return” exist within a “constitutional range of reasonableness.”⁶⁰ And, there are a variety of ways in which the parameters of the “constitutional range of reasonableness” can be determined. As long-standing Commission precedent establishes, one important – and reasonable – way to identify an outcome that is within the acceptable “range” is through the settlement process. In that way, parties with differing interests engage in an adversarial process to scrutinize the evidence supporting a rate request and, based on robust negotiations, agree to a reasonable overall result.

Applying the ratemaking principles discussed above and the standards employed by the Commission for assessing settlements, the revenue level set forth in the Settlement is reasonable, in the public interest and should be approved. As previously explained, the interval since the Company’s last base rate case, the significant increase in its plant in service since that time, and declining residential usage, among other factors detailed in the testimony of PAWC’s witnesses, present a compelling case for rate relief.

Moreover, with respect to the *Bluefield*, *Hope*, and *Barasch* standards, the Settlement carefully balances: (1) the right of the Company and its investors “to earn a return on the value of the property which it employs for the convenience of the public” and “to maintain and support

⁶⁰ *Duquesne Light Co.*, *supra*, 488 U.S. at 312. See also, *Pennsylvania Gas and Water Co.*, *supra*.

its credit and enable it to raise the money necessary for the proper discharge of its public duties,” with (2) the right of customers to pay rates that are commensurate with “business undertakings which are attended by corresponding risks and uncertainties” without providing the utility “profits . . . realized or anticipated in highly profitable enterprises or speculative ventures.”⁶¹ That balance is assured by the fact that parties legally obligated to protect consumers and the public interest vigorously investigated all aspects of the Company’s proposed increase and concluded that the Settlement Rates are just and reasonable. Similarly, the Company carefully considered the proposed revenue increase in light of the obligation to its investors to secure a reasonable opportunity to earn a fair return, maintain the financial stability of its business, and obtain needed capital on reasonable terms. The Company concluded that the Settlement Rates satisfy those criteria. The careful balance of interests achieved by the Settlement avoids what could have been a significant expenditure of time, money and other resources by the parties and the Commission to individually resolve a number of issues and proposed adjustments that have now been subsumed by the inter-related compromises that led to the Settlement. Those savings are in everyone’s interest and, in themselves, are another important reason why the Settlement promotes the public interest.

B. Base Rate Stay-Out (Joint Petition, Paragraph 21)

Paragraph 21 sets forth the Company’s agreement to a base rate stay-out. Specifically, it provides that PAWC will not file for another general rate increase under Section 1308(d) for its existing water or wastewater (including Scranton) operations prior to March 31, 2020. The stay-out is subject to the exceptions that are customary for stay-out provisions in base rate case settlements in Pennsylvania. The stay-out provision will provide customers base rate stability for

⁶¹ *Bluefield*, quoted in *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, *supra*.

a period of approximately four years (2018-2021 – reflecting the notice and suspension period if a rate filing were made on March 31, 2020), which is three years beyond the end of the FPPTY in this case.

C. Act 40 of 2016 (Joint Petition, Paragraphs 22-24)

As explained in Paragraph 22 of the Joint Petition, Act 40 of 2016 (“Act 40”) was enacted to add Section 1301.1. Section 1301.1(a) provides that a utility’s federal income tax expense shall be calculated on a “stand-alone” basis for ratemaking purposes. As a consequence, so-called consolidated tax adjustments (“CTA”) are no longer reflected in calculating income tax expense for ratemaking purposes.⁶² In addition, Section 1301.1(b) deals with the use and reinvestment of the utility operating income represented by a “differential” calculated with reference to Section 1301.1(a).

Witnesses for I&E and the OCA raised issues concerning the application of Section 1301.1(b) in this case. Specifically, I&E witness Brendon Grab and OCA witness Smith contended that 50% and 100%, respectively, of the utility operating income that results because, under Act 40’s prohibition of CTAs, a utility is no longer precluded from recovering all of its income tax expense, should, nonetheless, be deducted from the Company’s rate base as if it were a contribution in aid of construction made by customers. The Company presented extensive testimony explaining why the opposing party witnesses’ contentions were improper and, in fact, contrary to Act 40.⁶³ Since these issues pertained to the Company’s revenue requirement, they were subsumed in the Joint Petitioners’ Settlement with regard to the revenue increase to which

⁶² See Prepared Testimony of Gladys M. Brown, Chairman, Pennsylvania Public Utility Commission, before the Pennsylvania House of Representatives Consumer Affairs Committee (Sept. 28, 2015), p. 4, regarding H.B. 1436, which became Act 40: “The proposed bill introduces legislation that requires a public utility’s federal income tax expenses to be calculated on a ‘stand-alone’ basis – separate from gains or losses of any affiliates – when establishing base rates for the regulated utility”

⁶³ PAWC St. 1-R, pp. 42-54.

they agreed, as noted in Paragraph 23 of the Joint Petition. Additionally, in the same paragraph, the Joint Petitioners agreed that the Company had appropriately calculated the CTA “differential” for purposes of Section 1301.1(b).

OCA witness Smith also attempted to introduce a second Act 40-related issue in this case, namely, whether Section 1301.1(a) requires the Commission to amend the formula for calculating the DSIC to include terms to reflect accumulated deferred income taxes (“ADIT”) and certain plant-related state income tax deductions and credits.⁶⁴ The Company vigorously opposed Mr. Smith’s proposal. Mr. Smith had submitted similar testimony in the 2016 base rate cases of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (“FirstEnergy Companies”). Although those cases were settled, the settlements reserved the issue raised by Mr. Smith for briefing and decision. The Commission, however, determined that the reserved issue was not appropriately decided in a base rate case and referred the issue to the docket at which the Commission had previously approved the FirstEnergy Companies’ Petitions to establish their DSIC Riders.⁶⁵ Paragraph 24 acknowledges what transpired in the FirstEnergy Companies’ 2016 base rate cases and memorializes the Company’s agreement that it will not contest the right of a party to raise issues regarding the impact of Section 1301.1(a) on the treatment of federal and state income tax deductions in calculating DSIC charges by filing a complaint against the Company’s first quarterly DSIC charge filed after the resolution of the FirstEnergy Companies’ DSIC-related proceedings at Docket Nos. P-2015-2508942, P-2015-2508936, P-2015-2508931 and P-2015-2508948. Accordingly, this issue is *not* before the ALJs or the Commission in this case.

⁶⁴ See OCA St. 1, pp. 92-94.

⁶⁵ *Pa. P.U.C. v. Metropolitan Edison Co.*, Docket Nos. R-2016-2537349, *et al.*; *Pa. P.U.C. v. Pennsylvania Elec. Co.*, Docket Nos. R-2016-2537352, *et al.*; *Pa. P.U.C. v. Pennsylvania Power Co.*, Docket Nos. R-2016-2537355, *et al.*; *Pa. P.U.C. v. West Penn Power Co.*, Docket Nos. R-2016-2537359, *et al.* (Final Order entered Jan. 19, 2017).

D. Assistance For Low-Income Customers (Joint Petition, Paragraphs 25-26)

As explained in Section I.A., *supra*, PAWC led the water industry in developing and implementing a low-income assistance program for water customers and, to its knowledge, is the only wastewater utility offering assistance to low-income wastewater customers.⁶⁶ Consistent with its leadership role in this important area, PAWC will increase the low-income customer charge discount for residential water customers from 80% to 85% and will increase the total-bill discount for wastewater customers from 15% to 20%.

PAWC was also the first water utility to initiate a hardship fund, which is administered by the Dollar Energy Fund, to provide grants to low-income customers to assist them in paying their water bills. It also took the lead in initiating a similar program for wastewater customers. Because these programs are funded entirely by voluntary contributions from PAWC's shareholders and from customers who elect to contribute to help their fellow customers, they are not subject to the Commission's jurisdiction, as the Commission has previously held. Nonetheless, the Company is committing as part of the Settlement to increase its contribution to the hardship grant program from \$300,000 to \$400,000 per year for water operations and from \$10,000 to \$50,000 per year for wastewater operations. This term is included in the Joint Petition for information purposes, and the Commission's approval thereof is not requested.

E. Service-Related Issues (Joint Petition, Paragraph 27)

As explained in Section I.A., *supra*, under the terms of the Settlement, the Company is committing to take the specific, concrete actions set forth in detail in Appendix F to the Joint Petition to address every one of the service and billing issues raised by witnesses at the public input hearings and in the testimony of OCA witness Fought. As described in detail in Appendix

⁶⁶ See PAWC St. 1, pp. 36-37.

F and as summarized in Section I.A, the Company’s commitments include measures to address the water quality and other service and billing-related issues raised at the public input hearing in East Stroudsburg by customers in Blue Mountain Estates and Saw Creek Estates. The Company has worked closely and collaboratively with the OCA in developing Appendix F, and the OCA has expressed its satisfaction that these measures properly address the concerns raised by customers and will resolve (and in some cases already have resolved) all of the service and other issues raised in customers’ public input testimony and Mr. Fought’s direct testimony.

F. Unaccounted For Water Reporting (Joint Petition, Paragraph 28)

OCA witness Fought raised certain questions about the nature of the data the Company was reporting regarding its unaccounted for water (also referred to as “non-revenue” water). After working with the OCA and its witness to specifically identify the information that would meet their needs, the Joint Petitioners agreed to the term set forth in Paragraph 28 of the Joint Petition. Under this provision, the Company will provide to the statutory parties copies of the Section 500 sheet of its Annual Report, in live Excel format, for each of its water operational districts for the three preceding reporting years ending prior to the date of the Company’s next water base rate filing.

G. Street Sweeping – City of Scranton And Borough Of Dunmore (Joint Petition, Paragraphs 29-31)

The operation of a CSS can be affected by the amount of grit and other debris that may enter the system from storm water inlets in public streets. Street sweeping can reduce somewhat the amount of such material entering the CSS. Consequently, PAWC already has in place a cooperative arrangement with the City of Scranton and the Borough of Dunmore (the “Municipalities”) to meet with them and provide input and set priorities for street sweeping being done by the Municipalities within their political boundaries. This arrangement was

described by PAWC witness Kaufman in his rebuttal testimony,⁶⁷ and has been working well and effectively to meet the Company's needs as the owner and operator of the CSS within the Municipalities. Nonetheless, the OCA expressed its desire that the cooperative arrangement be memorialized in an agreement with the Municipalities. Because the Company cannot make a commitment on behalf of the Municipalities to have them enter into such an agreement, Paragraphs 29-30 set forth the actions PAWC will take to attempt to enter into an agreement having the general terms set forth in Paragraph 29. Paragraph 30 acknowledges that if such an agreement is entered into, it must be filed with the Commission pursuant to Section 507. Finally, Paragraph 31 provides that PAWC will not claim for recovery from customers any charges the Municipalities may seek to impose upon the Company for street sweeping.

H. Pilot Program – Formal Complaint Of Stockton Alloway (Joint Petition, Paragraph 32)

PAWC has a relatively small number of wastewater customers who are not also water customers of the Company. For customers who are both water and wastewater customers, wastewater rates consist of a customer charge and a volumetric charge, with the latter based on water usage (since water usage is indicative of flows of wastewater that the Company must collect and process). For customers that receive wastewater service but are not water customers of PAWC (or of any other public water supplier that meters their water usage), the Company charges a flat rate that, for a residential customer, is calibrated to the usage of an average water customer.

Mr. Stockton Alloway is a wastewater customer of PAWC, but has a private water well for his domestic water supply. Mr. Alloway filed a Formal Complaint alleging that the fixed rate he is charged for wastewater service provided by the Company is unfair because he is a single

⁶⁷ PAWC St. 3-R, pp. 12-13.

individual and his actual water usage is significantly lower than that of an average residential water customer.

The Company, working with the OCA, has agreed to create a limited pilot program to address, and develop information about, the kinds of concerns raised by Mr. Alloway's Formal Complaint. Accordingly, if technically feasible,⁶⁸ it will install a meter on Mr. Alloway's well, at the Company's cost, to measure his actual usage and bill Mr. Alloway's wastewater service under its metered wastewater rates in lieu of the fixed rate he is currently charged. The Company will use the metered data to assess how its flat rate wastewater bills compare to usage-based bills for similar customers.

I. Main Extensions (Joint Petition, Paragraph 33)

Section 1301.1, which was added to the Public Utility Code by Act 40, was discussed previously in Section II.C., *supra*. Section 1301.1(b) provides, in relevant part, as follows:

If a differential accrues to a public utility resulting from applying the ratemaking methods employed by the commission prior to the effective date of subsection (a) for ratemaking purposes, the differential shall be used as follows:

- (1) fifty percent to support reliability or infrastructure related to the rate-base eligible capital investment as determined by the commission; and
- (2) fifty percent for general corporate purposes.

As explained in Section II.C., and as set forth in Paragraph 23 of the Joint Petition, the Joint Petitioners are in agreement that the "differential" between making a CTA (i.e., the "ratemaking methods employed by the commission prior to the effective date of [Section 1301.1]") and not making a CTA is \$4.4 million. Therefore, fifty percent of the "differential"

⁶⁸ The Company will need to determine whether the configuration of Mr. Alloway's well and interior piping can accommodate the installation of a meter.

(i.e., \$2.2 million) must be reinvested by the Company “to support reliability or infrastructure related to rate-base eligible capital investment.”

In Paragraph 33 of the Joint Petition, the Company has agreed to invest fifty percent of the “differential” to construct water main extensions under and pursuant to Rule 27.1(F) of its water tariff. That rule authorizes main extensions to be installed by the Company without customer contributions, subject to Commission approval, in order to address health and safety concerns. Such health and safety concerns most often arise because of the deterioration of the quality or quantity of water available to a homeowner from an on-lot well.

Paragraph 33 further provides that a portion of the \$2.2 million investment earmarked under this provision of the Settlement will be used to install water main extensions identified in Appendix G to the Joint Petition, subject to the additional terms and conditions set forth in Appendix G. These specifically identified main extensions will address the need for water service identified by witnesses who appeared at the Washington public input hearing as well as the service needs of other homeowners along the route of those main extensions who may also be experiencing the degradation of their on-lot water wells. The Company also agrees to work with the OCA and other interested parties to identify additional main extensions that satisfy the criteria of Tariff Rule 27.1(F) and will use the remaining committed investment to construct such main extensions to alleviate health and safety concerns.

In Paragraphs 33. a., b. and d., the Company agrees to work with the OCA to establish a reasonable timeframe to complete the projects listed in Appendix G as well as other projects undertaken with the investment committed in Paragraph 33; to apply “least-cost principles in designing and constructing the main extensions; and to continue to use its best efforts to try to obtain third-party funding for the main extensions to mitigate the cost of those projects. In

Paragraph 33. c., the Joint Petitioners agree that the Commission's approval of the Joint Petition will constitute its approval required under Tariff Rule 27.1(F) to construct the projects identified in Appendix G pursuant to that Rule. In Paragraph 33. e., the Joint Petitioners agree that the terms of Paragraph 33 and Appendix G are not precedential as to conditions that might validate the application of Tariff Rule 27.1(F) in the future and will not be cited as such in any future proceeding. In Paragraph 33. f., the Company agrees to continue working with interested parties to refine its existing process to evaluate main extension requests made to address health and safety problems pursuant to Tariff Rule 27.1(F).

J. Cost Allocation, Revenue Allocation And Rate Design (Joint Petition, Paragraphs 34-35)

PAWC submitted separate cost of service studies for its water operations, its wastewater operations excluding Scranton and the Scranton wastewater operations, as explained in detail in the direct testimony of PAWC witness Paul R. Herbert.⁶⁹ In addition, Mr. Herbert prepared a cost of service study that separated the cost of providing storm water service in the Scranton/Dunmore service area.⁷⁰ For the water operations' cost of service study, Mr. Herbert employed the well-accepted base-extra capacity method, as described in the 2017 (seventh edition) of the Water Rates Manual published by the American Water Works Association.⁷¹ For wastewater operations excluding Scranton and for the Scranton wastewater operations, Mr. Herbert's cost of service studies were prepared using the functional cost allocation methodology described in "Financing and Charges for Wastewater Systems," Manual of Practice No. 27,

⁶⁹ PAWC St. 12, pp. 4-15 (water), 15-20 (wastewater, excluding Scranton) and 21-27 (Scranton wastewater).

⁷⁰ PAWC St. 12, pp. 21-27 and PAWC Exhibit 12-G. The development of the separate cost of service for the entirety of the Scranton wastewater operations (the second of the two studies the Commission directed the Company to prepare) is set forth in PAWC Exhibit 3-A (Scranton Wastewater), which was revised in PAWC Exhibit 3-A (Scranton Wastewater) submitted as part of PAWC's rebuttal case.

⁷¹ PAWC St. 12, p. 5.

published by the Water Environment Federation. That allocation methodology was modified in order to determine the incremental cost related to handling storm water for the Scranton CSS.⁷² No party took issue with the cost of service studies Mr. Herbert prepared. Accordingly, all parties' witnesses were in general agreement that the Company's cost of service studies reasonably identified the customer class costs of service for water and wastewater operations and were an appropriate guide in allocating revenues among customer classes in order to move all classes closer to their indicated cost of service, recognizing that the movement toward cost of service should be tempered by the concept of gradualism.

The allocation of the revenue increase under the Settlement Rates was subject to careful consideration and detailed negotiations among the Joint Petitioners. As a result, the Joint Petitioners were able to reach agreement on the allocation among customer classes of the revenue increase under the Settlement Rates that is depicted in the tariffs provided as Appendices A and B and the proof of revenues set forth in Appendix C to the Joint Petition, which contains separate sections for water operations, wastewater operations excluding Scranton and Scranton wastewater operations. That allocation is within the range proposed by witnesses for the Joint Petitioners and, more importantly, it provides for reasonable movement toward the system average rate of return by the various customer classes as measured by the Company's cost of service study. Accordingly, the revenue allocation effected by the Settlement Rates is consistent with the Commonwealth Court's decision in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006). Moreover, as the Commonwealth Court recognized in pre-*Lloyd* decisions, which were not disturbed by its holding in *Lloyd*, "there is no single cost of service study or methodology

⁷² PAWC St. 12, pp. 16-22.

that can be used to answer all questions pertaining to costs”⁷³ nor is there any “set formula for determining proper ratios among rates of different customer classes.”⁷⁴ Additionally, as discussed in Section I.A., *supra*, the Settlement Rates assure that the cost of collecting, treating and disposing of storm water in the Scranton CSS remains in the Company’s Scranton/Dunmore service area and is recovered from customers in that service area. Additionally, the Settlement Rates provide for a modest allocation of total wastewater revenue requirement (\$4.7 million) to water operations pursuant to Section 1311(c), as described in Paragraph 35. d. of the Joint Petition. As explained in Section I.A., *supra*, the Section 1311(c) allocation reflected in the Settlement Rates provides for a relatively small (approximately 47¢ per month) increase in the water bill of residential customers.

Under the Settlement Rates, the Company will reduce the number of rate zones in its water operations by consolidating existing Rate Zone 50 into Rate Zone 1 and consolidating Rate Zones 40, 41, 46, 47 and 51 into a new Rate Zone 2. Rate Zone 52 will be re-designated Rate Zone 3. Consequently, under the Settlement Rates, the Company will have three water rate zones.

Under the Settlement Rates, the Company will reduce the number of rate zones in its wastewater operations from twelve to five, consisting of Rate Zone 1 (into which existing Rate Zones 2, 3 and 6-10 will be consolidated), Rate Zone 2 (New Cumberland), Rate Zone 3 (Scranton), Rate Zone 4 (Koppel) and Rate Zone 5 (Franklin).

With respect to rate design, the issue that received the most significant attention was the customer charge for water operations. Under the Settlement Rates, the Rate Zone 1 5/8-inch meter customer charge for the residential customer class will be \$16.50 per month in lieu of the

⁷³ *Executone of Philadelphia, Inc. v. Pa. P.U.C.*, 415 A.2d 445, 448 (Pa. Cmwlth. 1980).

⁷⁴ *Peoples Nat. Gas Co. v. Pa. P.U.C.*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979).

\$18.50 customer charge proposed by the Company. The same percentage increase as that for 5/8 inch meters will be applied to the customer charges for all other meter sizes and classes of customers in Rate Zone 1, except for the Industrial class. The 5/8-inch customer charge for the Industrial class in Rate Zone 1 under the Settlement Rates will be \$24.50, and the same percentage increase will be applied for all other meter sizes.

Every rate proceeding consists of two parts. First, the overall revenues to which a utility is entitled must be determined. The second part of the process must determine how much of the total revenue requirement each rate class should bear. The allocation of revenue responsibility can be one of the more contentious parts of a rate proceeding because it is a “zero sum” exercise among the non-utility parties – any revenue responsibility not borne by a particular rate class must be borne by one or more other rate classes. While cost of service studies are the touchstone for reasonable allocations of revenue responsibility among rate classes,⁷⁵ the Commission has often stated that cost of service analyses must reflect the exercise of judgment and are as much a matter of art as of science.⁷⁶ For that reason, Pennsylvania appellate courts have repeatedly held that the Commission, in crafting a reasonable rate structure, is “invested with a flexible limit of judgment” and may establish just, reasonable and non-discriminatory rates within a “range of reasonableness.”⁷⁷

Thus, establishing a reasonable revenue allocation requires a careful balancing of the countervailing interests of the non-utility parties representing the various customer classes. Accordingly, this aspect of a rate proceeding is particularly well suited to achieving a reasonable overall outcome based on the give-and-take of the settlement process. That is precisely what

⁷⁵ See *Lloyd v. Pa. P.U.C.*, *supra*.

⁷⁶ See *Pa. P.U.C. v. Philadelphia Suburban Water Co.*, 75 Pa. P.U.C. 391, 440 (1991).

⁷⁷ *U.S. Steel Corp. v. Pa. P.U.C.*, 37 Pa. Cmwlth., 173, 187, 390 A.2d 865, 872 (1978).

occurred in this case, which resulted in a complete settlement of all contested issues involving revenue allocation and rate design among an array of parties representing the interests of residential, commercial, industrial and municipal customers.

While settlement negotiations among parties representing a diverse array of customer and stakeholder interests can, in itself, assure a reasonable outcome, the revenue allocation under the Settlement Rates also comports with well-accepted ratemaking principles. As previously explained, the Joint Petitioners are in general agreement that the Settlement Rates make appropriate progress in moving all classes closer to their cost of service consistent with the principle of gradualism.

With respect to rate design, the Settlement Rates reflect the need to recover the customer component of total cost of service in the customer charge, while recognizing that increases in the customer charges can impact low-usage customers. Accordingly, the Settlement Rates provide for an increase in the Company's residential water customer charge, but in a lesser amount than the customer charge the Company originally proposed.

For all the foregoing reasons, the proposed revenue allocation and rate design are reasonable, appropriately balance the interests of all parties, and are in the public interest.

K. Effective Date (Joint Petition, Paragraph 36)

The increase in revenues negotiated by the Joint Petitioners reflects their agreement that the Settlement Rates should become effective as of January 1, 2018. Accordingly, Paragraph 36 provides that the Joint Petitioners agree to exercise their best efforts to obtain approval of this Settlement by the Commission on or before December 7, 2017,⁷⁸ and the implementation of the Settlement Rates on January 1, 2018, which is the beginning of the rate year in this case. Upon

⁷⁸ The Commission has scheduled a regular public meeting for Dec. 7, 2017.

the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file a tariff for water service, in the form attached hereto as Appendix A, and a tariff for wastewater service, in the form attached hereto as Appendix B, to become effective on January 1, 2018 upon less than statutory notice. Paragraph 36 also acknowledges that changes outlined in the Company's interrogatory responses, which were identified in the direct testimony of OCA witness Scott Rubin, have been reflected in the proposed tariffs provided as Appendix A and Appendix B, respectively.

III. SUMMARY: THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement, both in its specific terms and viewed holistically, is reasonable, supported by record evidence, and is in the public interest for, among others, the following principal reasons:

- The revenue requirement provisions provide for Settlement Rates that are within the “constitutional range of reasonableness”⁷⁹ and are consistent with the legal standards articulated in the *Bluefield*, *Hope* and *Barasch* decisions, as interpreted and applied by the Pennsylvania Supreme Court in *Pennsylvania Gas and Water*. The Settlement Rates reflect a careful balance of the interests of customers with those of the Company and its investors. As such, the Settlement Rates protect customers from paying excessive rates while allowing the Company and its investors a reasonable opportunity to earn a fair return on their investment in property devoted to public service and to obtain additional capital needed to meet the Company's service obligations. *See* Section II.A., *supra*.

⁷⁹ *See Duquesne Light, supra*.

- The rate structure and rate design provisions of the Settlement resolve a number of contentious issues in a manner that is acceptable to parties representing the major customer classes and service classifications. The Joint Petitioners are in general agreement that the Settlement Rates provide for reasonable progress in moving all major customer classes closer to their cost of service consistent with the Commission-approved principle of gradualism. *See* Section II.J., *supra*.
- The Settlement resolves various contested issues, including, in particular, those pertaining to the Company's provision of wastewater service in the Scranton CSS in a manner that is fair to the various stakeholders involved and provides a reasonable resolution. *See* Sections I.A., and II. C., E. and J., *supra*.
- The Settlement assures that all service-related and billing issues raised by witnesses at public input hearings and in the direct testimony of OCA witness Fought will be addressed and resolved by specific, concrete measures set forth in detail in Appendix F to the Joint Petition. *See* Sections II.E. and I., *supra*.
- The Settlement materially enhances the assistance available to low-income water and wastewater customers of the Company. *See* Section II.D., *supra*.
- In reaching this Settlement, the Joint Petitioners thoroughly considered all issues, including those raised in the testimony and evidence presented by the parties to this proceeding and during public input hearings. As a result of that consideration, the Joint Petitioners believe that the Settlement meaningfully addresses all such issues and, therefore, should be approved without modification.

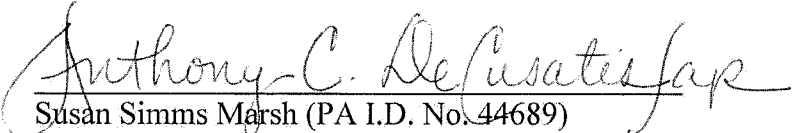
- All of the foregoing benefits are achieved while also conserving the time, resources and money that would otherwise have to be expended if this case were to be fully litigated. Customers are direct beneficiaries of these savings.

IV. CONCLUSION

For the reasons set forth above and in the Joint Petition, PAWC submits that the Settlement is a fair and reasonable compromise that is fully supported by the record evidence. Accordingly, the Company respectfully requests that the Administrative Law Judges and the Commission: (1) approve the Settlement without modification; (2) find that the Settlement Rates are just and reasonable; and (3) grant the Company permission to file the tariffs attached to the

Joint Petition as Appendices A and B to become effective for service rendered on and after
January 1, 2018.

Respectfully submitted,



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Dated: October 16, 2017

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

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DOCKET NO. R-2017-2595853

**STATEMENT IN SUPPORT OF THE
PENNSYLVANIA-AMERICAN WATER LARGE USERS GROUP**

The Pennsylvania-American Water Large Users Group ("PAWLUG"), by and through its counsel, submits that the Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement"), filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission") resolves all issues among the Joint Petitioners. As a result of settlement discussions, Pennsylvania-American Water Company ("PAWC" or "Company"), PAWLUG, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Bureau of Investigation and Enforcement ("BI&E"), AK Steel Corp. ("AK Steel"), and the Commission on Economic Opportunity ("CEO") (collectively, "Parties" or "Joint Petitioners"), have agreed upon the terms embodied in the foregoing Joint Petition. PAWLUG offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

I. BACKGROUND

1. On April 28, 2017, the Company filed Original Tariff Water-Pa. P.U.C. No. 5 ("Water Tariff") and Original Tariff Wastewater-Pa. P.U.C. No. 16 ("Wastewater Tariff"), which

contained changes in rates, rules and regulations calculated to produce approximately \$107.9 million, or 16.4%, in additional revenues.

2. On May 24, 2017, PAWLUG filed a Complaint in the above-captioned proceeding, which set forth a list of issues to be investigated, including:

- a. The size of the requested rate increase, especially in light of the relief provided by the Commission in PAWC's 2013, 2011, 2009, and 2007 base rate proceedings;
- b. The accuracy and legitimacy of the Cost of Service Study allocation methodology;
- c. The proposed distribution of the increase among customer classes;
- d. Rate structure and rate design;
- e. Issues relating to ongoing recovery from ratepayers for infrastructure improvements under the Distribution System Improvement Charge ("DSIC");
- f. The nexus between PAWC's revenue claims in this proceeding and the benefits that the Company has received, and will continue to receive, through the DSIC; and
- g. The ability that PAWC has to avail itself of the substantial federal and state funds for infrastructure improvements.

3. A Prehearing Conference was held on May 25, 2017, before Administrative Law Judges ("ALJs") Dennis J. Buckley and Benjamin J. Myers, and a procedural schedule was established for discovery, written testimony, settlement discussions, and hearings.

4. On or about September 21, 2017, the Parties informed the ALJs that a settlement in principle had been reached.

II. STATEMENT IN SUPPORT

5. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa.

Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in several negotiations to resolve the issues raised by various Parties. These ongoing discussions produced the foregoing Settlement.

6. The Joint Petitioners agree that approval of the proposed Settlement is in the best interest of the Parties involved.

7. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated;
- b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Joint Petition;
- c. The Joint Petition results in an increase in PAWC's rates by \$61.85 million, which is approximately 57.3% of the Company's original request of \$107.9 million; and
- d. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

8. In addition, the Joint Petition specifically satisfies the concerns of PAWLUG by: (1) providing for a reasonable compromise among the Parties concerning the water system rate increase and distribution of such increase among customer classes. *See* Joint Petition at pp. 5-6; (2) implementing reasonable rate design for non-Residential customers reflecting compromise positions from parties regarding PAWC's as-filed customer charges.¹ *See id.* at 16; (3) requiring a three-year stay-out for future PAWC base rate requests. *See id.* at 10; (4) requiring that PAWC

¹ Litigation positions on the appropriate increase for customer charges ranged from I&E's proposal to limit all Zone 1 customer charge increases to 4% to the PAWLUG and PAWC proposals to maintain PAWC's as-filed Zone 1 Industrial customer charge increase of 23%. *See* I&E Statement No. 3, p. 35; *but cf.* PAWLUG Statement No. 1-R, p. 10; PAWC Statement No. 12-R, p. 15. Under the settlement terms, customer charges for all Zone 1 Residential, Commercial, and Industrial customers will increase by approximately 10-12.5%.

set its DSIC at zero, effective through December 31, 2018. *See id.* at 7-8; and (5) compelling PAWC to convene a non-binding collaborative to discuss rate designs for high-usage customer accounts that are not part of the Industrial class.² *See id.* at 17.

9. PAWLUG supports the Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by the ALJs or the Commission, PAWLUG will resume its litigation position.

10. As set forth above, PAWLUG submits that the Settlement is in the public interest and adheres to the Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. Although the Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the Parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation of a number of major issues in this proceeding. *See* 52 Pa. Code § 69.391.

² Currently, many high usage accounts remain on Commercial or Municipal Rate Schedules despite consumption exceeding that of Industrial customers benefitting from a declining 3rd block rate. The collaborative will allow parties to consider whether rate design changes may be appropriate for certain large customers not currently eligible for PAWC's Industrial Rate Schedule.

III. CONCLUSION

WHEREFORE, the Pennsylvania-American Water Large Users Group respectfully requests that the Administrative Law Judges and the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement of Rate Investigation without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By



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