



December 17, 2018

David P. Zambito

VIA HAND DELIVERY

Direct Phone 717-703-5892
Direct Fax 215-989-4216
dzambito@cozen.com

CONTAINS CONFIDENTIAL INFORMATION

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
Harrisburg, PA 17120

Re: In re: Application and related filings of Pennsylvania-American Water Company under Sections 507, 1102(a), and 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 507, 1102(a), 1329, for approval of its acquisition of wastewater system assets of Exeter Township, related wastewater service rights, fair market valuation ratemaking treatment, deferral of the post-acquisition improvement costs, and certain contracts with municipal corporations; Docket No. A-2018-3004933 et al.

PENNSYLVANIA-AMERICAN WATER COMPANY'S RESPONSES TO DEFICIENCY LETTER OF THE BUREAU OF TECHNICAL UTILITY SERVICES

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the responses of Pennsylvania-American Water Company to the Deficiency Letter of the Bureau of Technical Utility Services in the above-referenced matter. Copies are being served upon the public advocates in accordance with the attached Certificate of Service and in accordance with the Commission's *Final Implementation Order* entered October 27, 2016, at Docket No. M-2016-2543193.

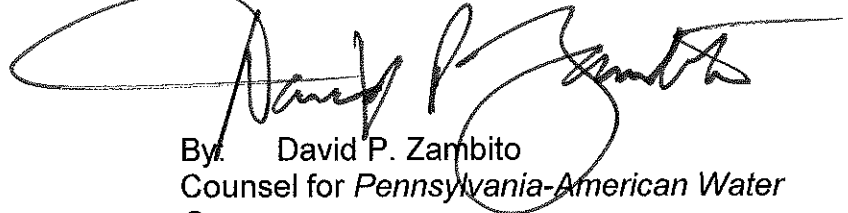
Also enclosed are two CD-ROMs. One contains **CONFIDENTIAL** information. We ask that this information be maintained in a non-public file.

RECEIVED
2018 DEC 17 PM 4:27
SECRETARY'S BUREAU
P. P. U. C.

Thank you for your attention to this matter. Please date-stamp the extra copy of the filing and return it with our courier. Please do not hesitate to contact me if you have any questions.

Sincerely,

COZEN O'CONNOR

A handwritten signature in black ink, appearing to read "David P. Zambito", is written over the printed name and title.

By: David P. Zambito
Counsel for *Pennsylvania-American Water
Company*

DPZ:kmg
Enclosure

cc: Per Certificate of Service
Sean Donnelly, Bureau of Technical Utility Services
Susan Simms Marsh, Esquire
Chief Administrative Law Judge Charles E. Rainey, Jr.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for :
approval of (1) the transfer, by sale, of substantially :
all of the Township of Exeter's 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 portions of the :
Township of Exeter, and in portions of Alsace and :
Lower Alsace Townships, to one bulk service :
interconnection point with Alsace Township, and to :
four bulk service interconnection points with St. :
Lawrence Borough, Berks County, Pennsylvania. :

Docket No. A-2018-3004933 *et al.*

CERTIFICATE OF SERVICE


I hereby certify that I have this day served a true copy of the foregoing **Pennsylvania-American Water Company's to the Deficiency Letter of the Bureau of Technical Utility Services** regarding its acquisition of the wastewater assets of Exeter Township, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA HAND DELIVERY

Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17120

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

Office of Small Business Advocate
Department of Community and
Economic Development
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101-1303




David P. Zambito, Esquire
Counsel for *Pennsylvania-American Water Company*

Date: December 17, 2018

VERIFICATION

I, Michael Salvo, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: December 17, 2018

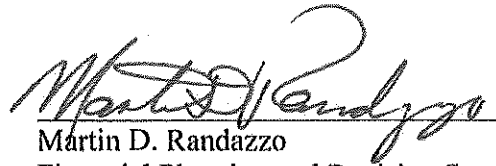


Michael Salvo
Senior Manager, Business Development
Pennsylvania American Water Company

VERIFICATION

I, Martin D. Randazzo, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

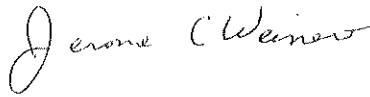
Date: December 17, 2018



Martin D. Randazzo
Financial Planning and Decision Support
Pennsylvania American Water Company

VERIFICATION

I, Jerome C. Weinert, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Date: December 17, 2018

Jerome C. Weinert, P.E.
Principle and Director
AUS Consultants
855 West Forest Home Avenue, Suite 201
Greenfield, Wisconsin 53228

VERIFICATION

I, Harold Walker III, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: December 17, 2018

Harold Walker III

VERIFICATION

I, Bernard J. Grundusky, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: December 17, 2018

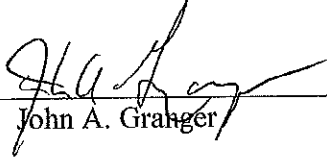


Bernard J. Grundusky

VERIFICATION

I, John A. Granger, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: December 17, 2018



John A. Granger

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

1. Checklist Item No. 5 - The Application's Appendix A-5, Page 3, referenced working papers of Gannett Fleming's Fair Market Value Appraisal which were not included with the filing. Please provide a copy of each of the following working papers:
 - a. "Exeter Township provided electronic files (PDF and Excel)";
 - b. "Wastewater System's Customer data";
 - c. "Exeter Township 2018 Fee Schedule"; and
 - d. "Exeter Township 2017 Fee Schedule".

Answer:

Attached is the requested information.

Attachment (a1) 2017-2021 Sewer Budget

Attachment (a2) 2016 Financial Unaudited Fund 08

Attachment (b) Customer by Type Class

Attachment (c) 2018 Fee Schedule

Attachment (d) 2017 Fee Schedule

Answer provided by: Harold Walker, III, Manager, Financial Studies, Gannett Fleming Valuation and Rate Consultants, LLC

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

2. Checklist Item No. 8 - The Application's Appendix A-8 did not indicate the total fees paid to the utility valuation experts (UVEs) for providing the completed appraisals and the UVE invoices did not itemize non-UVE services (i.e., engineering assessment services). Please revise Appendix A-8 to include a statement providing this information.

Answer for Gannett Fleming Valuation and Rate Consultants, LLC:

The service agreement and some related invoices, provided by the Township in **Appendix A-8**, relate to services that do not pertain to the engineering assessment and UVE services provided to the Township. Attached as **Appendix A-8-b REV** is the service agreement applicable to the engineering assessment and UVE services provided to the Township. Also attached as **Appendix A-8-c REV** are the related invoices for service provided to date and a summary of the total related fees.

The attached service agreement consists of three phases of services, OCPRE, ENGA, and FMV. The services provided under phase OCPRE were "pre-bid" related services. The services provided under phase ENGA were Engineering Assessment services and the services provided under phase FMV were UVE services. We believe 25% of the OCPRE services were incorporated in the Engineering Assessment as a preliminary inventory was developed during this process.

Answer provided by: Harold Walker, III, Manager, Financial Studies, Gannett Fleming Valuation and Rate Consultants, LLC

Date: December 17, 2018

Answer for AUS Consultants, Inc.:

Please see response to Item No. 4, Checklist Item No. 8.

Answer provided by: Jerome C. Weinert, Principal and Director, AUS Consultants, Inc.

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

3. Checklist Item No. 8 - The Application's Appendix A-8 did not contain supporting documentation to justify Gannett Fleming's invoices, which contained rates that do not match those outlined in the rate schedule of Gannett Fleming's Agreement for Consulting Engineering Services. Please revise Appendix A-8 to include appropriate supporting documentation for the following invoice items:
- a. The June 14, 2017, invoice indicated a \$70 hourly rate for a technician.
 - b. The August 8, 2017, invoice indicated a \$41,032.30 charge for OCNLD Study Services.
 - c. The September 29, 2017, invoice indicated a \$230 hourly rate for Harold Walker, a \$230 hourly rate for Engineer VI, and a \$105 hourly rate for Support Staff.
 - d. The October 17, 2017, invoice indicated a \$230 hourly rate for Engineer VI, and a \$105 hourly rate for Support Staff.
 - e. The November 27, 2017, invoice indicated a \$230 hourly rate for Harold Walker, and a \$105 hourly rate for Support Staff.
 - f. The December 11, 2017, invoice indicated a \$230 hourly rate for Harold Walker.
 - g. The May 21, 2018, invoice indicated a \$230 hourly rate for Harold Walker, and a \$105 hourly rate for Support Staff.
 - h. The June 26, 2018, invoice indicated a \$105 hourly rate for Support Staff a \$180 hourly rate for Engineer V.
 - i. A copy of Invoice No. 062852*3495 dated July 23, 2018, for \$13,162.50 was not included with the filing.

Answer:

Please see the response of Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") to Question #2. The Gannett Fleming rate schedule that was part of the Agreement for Consulting Services and was used for invoicing purposes is included in response to Question #2. The Gannett Fleming rate schedule reflects rates for employees that are more likely to work on the proposed project.

In some instances, employees from our parent company, Gannett Fleming, Inc. are utilized based on their expertise, availability and cost. In these instances, the invoiced rate is always equal to or less than the rate shown on the Gannett Fleming rate schedule. For example, in 3h., an Engineer V was utilized at a \$180 hourly rate while a Senior Engineers' rate on the Gannett Fleming's rate schedule is listed at \$230.

Answer provided by: Harold Walker, III, Manager, Financial Studies, Gannett Fleming Valuation and Rate Consultants, LLC

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

4. Checklist Item No. 8 - The Application's Appendix A-8 did not contain enough supporting documentation for the AUS invoices. Specifically, the invoices appear to be lump sum costs that are not justified by work hours and hourly rates. Please revise Appendix A-8 to include appropriate supporting documentation.

Answer:

Please see attached spreadsheet, AUS Exeter Expense Activity Log, detailing hours worked and hourly rates charged by AUS Consultants' staff in developing the Exeter Sewer Appraisal for Pennsylvania American Water Company.

A copy of AUS Consultants October 1, 2018 final invoice is attached as **Appendix A-8-a REV.**

Answer provided by: Jerome C. Weinert, Principal and Director, AUS Consultants, Inc.

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

5. Checklist Item No. 14 - The Application's Appendix A-14 REV contained a partial copy of PAWC Statement No. 1 REV (i.e., the document is truncated and stops at page 15). Please revise Appendix A-14 REV to include a full copy of PAWC Statement No. 1 REV.

Answer:

Please see attached PAWC Statement No. 1 REV-A.

Answer provided by: Bernard J. Grundusky, Jr., Senior Director of Business Development,
Pennsylvania-American Water Company

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

6. Checklist Item No. 15 - The Page 1 of Gannett Fleming's Township of Exeter Wastewater System Engineering Assessment and Original Cost in the Application's Appendix A-15-a referenced plant held for future use but does not separately identify it as indicated in the report. Please revise Appendix A-15-a to separately identify plant held for future use. Additionally, please note this revision must be signed, dated, and sealed by a licensed engineer.

Answer:

The mentioning of plant held for future use on Page 1 of Gannett Fleming's Township of Exeter Wastewater System Engineering Assessment and Original Cost in the Application's **Appendix A-15** is generic language intended to summarize the role and requirements of the Engineering Assessment. It was not intended to suggest that there is any plant held for future use since there is none. Therefore, **Appendix A-15** does not need to be revised to separately identify plant held for future use since no such plant exists.

Answer provided by: Harold Walker, III, Manager, Financial Studies, Gannett Fleming Valuation and Rate Consultants, LLC

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

7. Checklist Item No. 15 - The Application's Appendix A-15-f did not identify the account numbers of the tentative journal entries for booking the acquisition. Please identify the account numbers.

Answer:

The following are the tentative journal entries for booking the acquisition.

	<u>Debit</u>	<u>Credit</u>
Account 101 – Utility Plant in Service	\$202,272,000	
Account 108 – Accumulated Depreciation	(106,272,000)	
Account 232 – Short Term Debt		\$96,000,000

Answer provided by: Martin D. Randazzo, Financial Planning and Decision Support,
Pennsylvania-American Water

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

8. Checklist Item No. 16 - The Application's Appendix A-16-a through h REV contained a map that appears to include hand-drawn depictions of mains and other wastewater facilities in Alsace Township, northwest of the Alsace Township bulk interconnection location. Please revise Appendix A-16-a REV to define these hand-drawn wastewater facilities on the map with symbols and terms in the map's legend.

Answer:

Please see attached **Appendix A-16-a through h REV-A** illustrating Alsace Township's private sewer collection line. The private main is also represented in the map legend.

Answer provided by:

Michael Salvo, Senior Manager, Business Development, Pennsylvania-American Water Company

Date:

December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

9. Checklist Item No. 16 - The map provided in the Application's Appendix A-16-a through h REV depicts a "private main" and a separate section of service territory at the Daniel Boone Homestead east of the main service territory. Please quantify this separate section's area in acres and provide a description of its boundaries by metes and bounds.

Answer:

Please see attached **Appendix A-16-a through h REV-A** map depicting the separate section in acres, with metes and bounds description, for the Daniel Boone Homestead, which is owned and operated by the Pennsylvania Historical and Museum Commission (PHCM), an independent agency of the Commonwealth of Pennsylvania.

Answer provided by: Michael Salvo, Senior Manager, Business Development, Pennsylvania-American Water Company

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

10. Checklist Item No. 17 - The Application did not identify any agreement Exeter Township has in place or that may be required to provide adequate wastewater collection and disposal capacity for the requested territory containing the Commonwealth's Daniel Boone Homestead. Please provide this information.

Answer:

The Daniel Boone Homestead, approximately 500 acres, is owned and operated by the Pennsylvania Historical and Museum Commission ("PHMC"), an independent agency of the Commonwealth of Pennsylvania. PHMC currently operates a small onsite sewer disposal facility. PHMC desires to eliminate the small sewer disposal facility and connect into Exeter Township's sewer collection system located within Pineland Road. PHMC will own, operate and maintain the new sewer facilities. PHMC has secured Exeter Township approval. Exeter's Resolution for Plan Revision for New Land Development is attached as **Appendix A-17 REV**.

Answer provided by: John A. Granger, Township Manager, Exeter Township

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

11. Checklist Item No. 18 - The rates contained in Appendix A-18-a are not the current rates of the seller and instead appear to be the increased rates required under the asset purchase agreement. Please revise Appendix A-18-a to include a copy of the current rates of the seller.

Answer:

Please see attached Exeter Township's current schedule of rates **Appendix A-18-a-1**. These rates will only remain in effect for a short period, because new rates take effect on January 1, 2019. Also see the attached J. Granger Exeter Memo re Sewer Rate Increase and Exeter Resolution 2018-37.

Answer provided by: John A. Granger, Township Manager, Exeter Township

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

12. Checklist Item No. 20 - The copy of the National Pollution Discharge Elimination System (NPDES) permit provided in the Application's Appendix A-20-b is expired. Please provide a copy of the current NPDES permit or explain the status of any application for renewal of this permit.

Answer:

Exeter Township NPDES Permit No. PA 0026972 expired on February 28, 2013. In May of 2012, Exeter Township, through its engineering firm, Gannett Fleming, provided DEP with a notice of its intention to submit an NPDES renewal permit application. The renewal permit application was submitted in September, 2012. DEP indicated to Exeter Township that due to its workload, the permit application review process will delay permit approval, the existing permit will be held in continuance and Exeter Township to continue operating under the existing permit requirements until such time as DEP can complete its review. With the sale of the sewer system assets to Pennsylvania-American Water Company (PAWC), DEP has indicated it will issue the new NPDES permit to PAWC at the day of Closing.

Answer provided by:

John A. Granger, Township Manager, Exeter Township

Date:

December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

13. Checklist Item No. 20 - Copies of operator certificates for the individuals listed in the Application's Appendix A-20-d were not provided. Please provide copies of valid operator certificates for these individuals.

Answer:

Copies of operators' certificates are shown in **Appendix A-20-d-a**. Note: Daniel Farris is no longer a treatment plant operator. Judy L. Stevenson was recently added as an operator.

Answer provided by: John A. Granger, Township Manager, Exeter Township

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

14. Checklist Item No. 24 - The Application's Appendix B-2 REV contained an Intermunicipal Agreement that references an Exhibit "A" on Page 3 that was not included with the filing. Please revise Appendix B-2 REV to include a copy of Exhibit "A".

Answer:

The Intermunicipal Agreement is between Exeter Township, the Exeter Township Authority (which no longer exists) and the Township of Alsace. Exhibit A is an agreement that Alsace intends to enter into with Shady Lane Estates, Ltd. Neither of the parties to Exhibit A are parties to the instant Application Proceeding.

The Parties to the Intermunicipal Agreement are making a good faith effort to locate a copy of Exhibit A. To date, they have not located a copy, but they are continuing to look for it. If they locate a copy, the Parties to the Application Proceeding will introduce it into the evidentiary record in this proceeding.

If the Parties to the Agreement are unable to locate a copy of Exhibit A prior to the closing of the evidentiary record, they will develop a new Exhibit A, which the Parties to the Application Proceeding will introduce into the record.

Answer provided by: John A. Granger, Township Manager, Exeter Township

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

15. Checklist Item No. 24 - The Application's Appendix B-2 REV contained an Intermunicipal Agreement that references an Exhibit "B" on Page 6 that was not included with the filing. Please revise Appendix B-2 REV to include a copy of Exhibit "B".

Answer:

The Intermunicipal Agreement is between Exeter Township, the Exeter Township Authority (which no longer exists) and the Township of Alsace. Exhibit B is a copy of the fees and charges for new connections that Exeter charged as of December 16, 1996.

The Parties to the Intermunicipal Agreement are making a good faith effort to locate a copy of Exhibit B. To date, they have not located a copy, but they are continuing to look for it. If they locate a copy, the Parties to the Application Proceeding will introduce it into the evidentiary record in this proceeding.

If the Parties to the Agreement are unable to locate a copy of Exhibit B prior to the closing of the evidentiary record, the Parties to the Application Proceeding intend to argue that the Commission should approve the Intermunicipal Agreement in the absence of Appendix B, because those rates are no longer in effect anyway.

Answer provided by: John A. Granger, Township Manager, Exeter Township

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

16. Checklist Item No. 24 - The Application's Appendix B-2 REV contained a Second Amendment to Intermunicipal Agreement that is not executed by both parties. Please revise Appendix B-2 REV to include an executed copy of this agreement.

Answer:

A fully executed Second Amendment to Intermunicipal Agreement is attached at **Appendix B-2 REV-A**.

Answer provided by: Michael Salvo, Senior Manager, Business Development, Pennsylvania-American Water Company

Date: December 17, 2018

66 Pa. C.S. Section 1329 Application Completeness Review
Pennsylvania-American Water Company-Wastewater Division
Exeter Township Wastewater System Acquisition at Docket No. A-2018-3004933

17. Checklist Item No. 24 - The Application's Appendix B-3 REV contained an Exhibit A – System Map and Meter Connections that is not legible. Please revise Appendix B-3 REV to include a legible copy of this exhibit.

Answer:

Please see attached legible copy of Exhibit A – System Map to **Appendix B-3 REV**.

Answer provided by: Bernard J. Grundusky, Jr., Senior Director of Business Development,
Pennsylvania-American Water Company

Date: December 17, 2018