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July 2, 2019

**VIA ELECTRONIC FILING**

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

Re: Application of Pennsylvania-American Water Company Pursuant to Sections 507, 1102, and 1329 of the Public Utility Code for approval of its Acquisition of the Water Assets of Steelton Borough Authority

Docket No. A-2019-3006880

**Joint Petition for Approval of Settlement of All Issues**

Dear Secretary Chiavetta:

Enclosed for filing please find the Joint Petition for Approval of Settlement of All Issues (“Joint Petition”) between Pennsylvania-American Water Company (“PAWC”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), Office of Small Business Advocate (“OSBA”) and Steelton Borough Authority (“Steelton”). Please note that Appendix “K” to the Joint Petition will be provided by I&E at a later date.

Copies are being served on all parties on the attached Certificate of Service and the presiding Administrative Law Judges in this proceeding. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Elizabeth Rose Triscari

Enclosures

cc: The Honorable Administrative Law Judge Steven K. Haas (*via electronic and first-class mail*)  
The Honorable Administrative Law Judge Benjamin J. Myers (*via electronic and first-class mail*)  
Per Certificate of Service (*via electronic and first-class mail*)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American :  
Water Company for Acquisition of the : Docket No. A-2019-3006880  
Water Treatment and Distribution Systems :  
Assets of Steelton Borough Authority :

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the Joint Petition for Settlement upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**VIA E-MAIL AND FIRST CLASS MAIL**


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Dated: July 2, 2019

  
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Administrative Law Judges Steven K. Haas and Benjamin J. Myers

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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 water system assets of Steelton Borough Authority,  
related water service rights, fair market valuation  
ratemaking treatment, deferral of the post-acquisition  
improvement costs, and certain contracts with municipal  
corporations

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: Docket No. A-2019-3006880  
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**JOINT PETITION FOR APPROVAL OF  
SETTLEMENT OF ALL ISSUES**

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**I. INTRODUCTION**

Pennsylvania-American Water Company (“PAWC” or “Company”), the Office of Consumer Advocate (“OCA”), the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission (“I&E”), the Office of Small Business Advocate (“OSBA”), and Steelton Borough Authority (“Steelton”) (singularly, a “Joint Petitioner” and collectively, the “Joint Petitioners”) hereby join in this “Joint Petition for Approval of Settlement of All Issues” (“Settlement”) and respectfully request that the Honorable Administrative Law Judges Steven K. Haas and Benjamin J. Myers (the “ALJs”) recommend approval of, and the Pennsylvania Public Utility Commission (“Commission”) approve, this Settlement without modification.

In support of the Settlement, the Joint Petitioners state the following:

## **II. BACKGROUND**

1. The Settlement pertains to the application initially filed by PAWC on January 2, 2019 and as amended on February 19, 2019 (“Application”), pursuant to Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), and Section 1329 of the Code, 66 Pa. C.S. §1329, requesting (among other things) that the Commission issue Certificates of Public Convenience to PAWC for the transfer to PAWC, by sale, of substantially all of the assets, properties and rights of Steelton (the “Transaction”), related to Steelton’s water system (the “Steelton System”), and to set the fair market value of the acquisition for rate-base ratemaking purposes.

2. On January 9, 2019, the Commission’s Bureau of Technical Utility Services (“TUS”) notified PAWC that certain items were missing from the Application.

3. On January 14, 2019, PAWC provided the items requested by TUS.

4. On January 17, 2019, the Commission issued a Secretarial Letter notifying PAWC that the Application was conditionally accepted for filing. The Application would be finally accepted for filing purposes upon the filing of a verification indicating that PAWC had complied with certain conditions, including notification requirements.

5. Steelton filed a Petition to Intervene on January 22, 2019. The ALJs granted the unopposed petition at the prehearing conference held on May 17, 2019.

6. I&E filed its Notice of Appearance on January 23, 2019.

7. OCA filed a Protest and Public Statement on February 5, 2019.

8. OSBA filed a Notice of Intervention on February 6, 2019.

9. On March 11, 2019, PAWC began individual notice to its customers of the Application through a bill insert during a 31-day billing cycle.

10. PAWC provided individual notice of the Application to Steelton customers through a direct mailing on March 29, 2019.

11. On April 15, 2019, PAWC provided verification to the Commission that it completed individualized notice to potentially affected PAWC water and wastewater customers as well as notice to all then-current Steelton water customers.

12. The Commission accepted the Application for filing by Secretarial Letter dated April 16, 2019 and assigned the matter to the Office of Administrative Law Judge for adjudication and disposition.

13. On April 18, 2019, ALJs Haas and Myers issued a Prehearing Order, scheduling a Prehearing Conference for May 17, 2019 and, *inter alia*, establishing discovery rule modifications.

14. Notice of the Application was published in the *Pennsylvania Bulletin* on April 27, 2019. *49 Pa. Bull.* 2099. That Notice established the deadline for filing protests and petitions to intervene as May 14, 2019.

15. PAWC filed a Petition for Protective Order on May 15, 2019. There were no objections and the Protective Order was issued on May 15, 2019.

16. A prehearing conference was held on May 17, 2019. Among other things, the Prehearing Order established an expedited procedural schedule in recognition of the October 16, 2019 statutory deadline for Commission action. 66 Pa. C.S. § 1329(d)(2).

17. Evidentiary hearings were held on June 10, 2019, during which time the Joint Petitioners communicated to the ALJs that they were working toward a settlement of all issues and therefore had agreed to a mutual waiver of cross-examination of all witnesses and the entry of evidence into the record by stipulation.

18. On June 26, 2019, the Joint Petitioners notified ALJs Haas and Myers that a settlement resolving all issues in this matter had been reached and proposed that a Joint Petition for Settlement and Statements in Support be filed on or before July 2, 2019.

### **III. SETTLEMENT TERMS**

The Joint Petitioners agree as follows:

#### **A. Approval of Application**

19. The Application shall, subject to the other terms and conditions contained in the Settlement, be approved as being in the public interest and the Commission shall issue such Certificates of Public Convenience as may be necessary to evidence its approval pursuant to 66 Pa. C.S. § 1102(a) of (i) the transfer, by sale, of substantially all of Steelton's assets, properties and rights related to its water treatment, transportation, and distribution facilities to PAWC as provided in the Application, and (ii) PAWC's right to begin to offer, render, furnish or supply water service to the public in the areas served by Steelton as indicated in the Application.

#### **B. Tariff**

20. The *pro forma* tariff supplement attached to the Amended Application as Revised Appendix A-13 and attached hereto as **Appendix A**, including all rates, rules and regulations regarding conditions of PAWC's water service as revised therein, shall be permitted to become effective immediately upon closing of the Transaction.

#### **C. Fair Market Value for Ratemaking Rate Base Purposes**

21. Pursuant to 66 Pa. C.S. § 1329, PAWC shall be permitted to use \$20,500,000 for ratemaking rate base purposes based on a modified purchase price of \$21,750,000 for the acquired assets. Commission approval of the Transaction shall be conditioned upon PAWC's filing of an

amendment to the Asset Purchase Agreement, along with copies of required authorizations from Steelton Borough Authority's Board of Directors that adjusts the purchase price to \$21,750,000.

22. The Joint Petitioners agree that the adjustment to ratemaking rate base reflects a compromise of the various positions of the Joint Petitioners. All Joint Petitioners reserve the right to present adjustments and oppose adjustments to appraisals in future cases.

**D. Rates**

23. In the first base rate case that includes Steelton water system assets, PAWC will submit a cost of service study that removes all revenues, expenses and rate base associated with the operation of the Steelton System. In the first base rate case that includes Steelton water system assets, PAWC will also provide a separate cost of service study for the Steelton System.

24. Except as explicitly stated herein, nothing contained in the Settlement or in the Commission's approval of the Application shall preclude any Joint Petitioner from asserting any position or raising any issue in a future PAWC base rate proceeding.

25. Steelton Customer Rates

a. In its first base rate case following the closing of the acquisition, PAWC will propose to move the Steelton System to its cost of service or 1.4 times the current Steelton rates, whichever is lower, based on a separate cost of service study for the Steelton System, provided that such rates for Steelton customers do not exceed the proposed Zone 1 water rate.

b. The current average Steelton rate is \$33.78 per month based on 4,000 gallons of monthly usage.

c. The OCA, I&E and OSBA reserve their rights to fully address this proposal and to make other rate proposals in the base rate case.



**E. Low Income Program Outreach**

26. Within the first 90 days of PAWC's ownership of the Steelton System, PAWC shall include a bill insert to the Steelton-area customers regarding its low income programs and shall include such information in a welcome letter to Steelton-area customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs' eligibility requirements for participation in the programs, and PAWC's contact information.

**F. Distribution System Improvement Charge**

27. If PAWC proposes to modify its Long-Term Infrastructure Improvement Plan ("LTIIP") to include the Steelton System, PAWC will not reprioritize other existing capital improvements that the Company already committed to undertake in other service areas. Upon approval by the Commission of such modification to its LTIIP, PAWC shall be permitted to collect a distribution system improvement charge ("DSIC") related to the Steelton System prior to the first base rate case in which the Steelton assets are incorporated into rate base.

**G. Accrual of Allowance for Funds Used During Construction and**

28. The Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to accrue Allowance for Funds Used During Construction ("AFUDC"). Any claim for AFUDC related to post-acquisition improvements not recovered through the DSIC will be addressed in PAWC's first base rate case which includes Steelton water system assets, pursuant to 66 Pa.C.S. § 1329(f)(1). The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request.

## **H. Deferral of Depreciation for Post-Acquisition Improvements**

29. The Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to defer depreciation related to post acquisition improvements not recovered through the DSIC for book and ratemaking purposes. Any claim for deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes will be addressed in PAWC's first base rate case which includes Steelton water system assets. The Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request.

### **I. Transaction and Closing Costs**

30. The Joint Petitioners acknowledge that the Application includes a request that PAWC be permitted to claim transaction and closing costs associated with the Transaction. The Joint Petitioners agree that they will not contest this request in this proceeding, but they reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review. The Joint Petitioners' assent to this term should not be construed to operate as their preapproval of PAWC's request

### **J. Investigation of Alternatives to Total Replacement of Steelton Water Treatment Plant**

31. In the first base rate case that includes a claim for recovery of costs related to a new Steelton water treatment plant, if PAWC constructs such plant, PAWC will provide a report indicating what alternatives to total replacement of the Steelton water treatment plant were considered, provide cost/benefit information for each alternative and support for the chosen action.

32. The report will be included in PAWC's base rate filing and served on all Joint Petitioners and the Commission's Bureau of Technical Utility Services.

33. All Joint Petitioners reserve their respective rights to support or challenge a claim for recovery of costs related to improvements to the Steelton System, including a new Steelton water treatment plant, in future proceedings.

**K. Discovery Issue**

34. On July 2, 2019, Steelton provided under confidential cover, copies to the OCA, I&E and OSBA of all proposals and accompanying exhibits received by Steelton with respect to the proposed sale of its water system. All Joint Petitioners reserve their rights to raise this issue in any future proceeding and the Joint Petitioners agree that no decision in this case nor this settlement shall be used as precedent in any future proceeding.

**L. Customer Notice**

35. The Joint Petitioners agree that PAWC shall mail the notice attached hereto as **Appendix B** to existing customers of Steelton notifying them of the settlement in this proceeding concurrently with the filing of this Joint Petition. The Joint Petitioners agree that such notice of settlement provides existing customers of Steelton with adequate notice and opportunity to be heard on this proposed Settlement.

36. The Joint Petitioners agree that, (1) in future Section 1329 water system acquisition proceedings, PAWC will send a notice substantially in the form attached hereto as **Appendix C** to existing customers of the system being acquired and a notice substantially in the form attached hereto as **Appendix D** to existing water customers of PAWC and (2) in future Section 1329

wastewater system acquisition proceedings, PAWC will send a notice substantially in the form attached hereto as **Appendix E** to existing customers of the system being acquired and a notice substantially in the form attached hereto as **Appendix F** to existing water and/or wastewater customers of PAWC. The Joint Petitioners will not challenge the sufficiency or adequacy of such notices in future PAWC Section 1329 proceedings prior to PAWC filing its next base rate case, except the Joint Petitioners may challenge whether the notices conform to Attachment C, D, E or F, or the Rate Impact Calculations attached hereto as **Appendix G**.

**M. Approval of Section 507 Agreements**

37. Pursuant to 66 Pa. C.S. § 507, the Commission shall issue a Certificate of Filing or approvals for the Asset Purchase Agreement By and Between Steelton Borough Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of November 14, 2018 and the First Amendment to the Asset Purchase Agreement (reflecting revised purchase price per the Settlement).<sup>1</sup>

**N. Other Necessary Approvals**

38. The Commission shall issue any other approvals or certificates appropriate, customary, or necessary under the Code to carry out the Transaction contemplated in the Application in a lawful manner.

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<sup>1</sup> The OCA does not join in this paragraph but does not oppose PAWC's request.

**O. Standard Settlement Conditions**

39. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in the Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement. The Joint Petitioners acknowledge and agree that the Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

40. The Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights, including the right to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

41. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. The Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement the Settlement.

42. Each Joint Petitioner has prepared a Statement in Support of Settlement (attached as Appendices H-L) setting forth the bases upon which the Joint Petitioner believes the Settlement to be fair, just and reasonable and, therefore, in the public interest.

43. If the ALJs recommend approval of the Settlement without modification, the Joint Petitioners will waive their rights to file Exceptions.

**IV. REQUEST FOR RELIEF**

**WHEREFORE**, Pennsylvania-American Water Company, the Office of Consumer Advocate, the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission, the Office of Small Business Advocate, and the Steelton Borough Authority, by their respective counsel, respectfully request that:

(a) The Honorable Administrative Law Judges Steven K. Haas and Benjamin J. Myers recommend approval of, and the Commission approve this Settlement as submitted, including all terms and conditions thereof, without modification.

(b) The Commission's proceeding at Docket No. A-2019-3006880 be terminated and marked closed.

(c) The Application filed by PAWC on January 2, 2019, as amended, be granted, subject to the following conditions:

(1) In the first base rate case that includes Steelton water system assets, PAWC will submit a cost of service study that removes all revenues, expenses and rate base associated with the operation of the Steelton System.

(2) In the first base rate case that includes Steelton water system assets, PAWC will also provide a separate cost of service study for the Steelton System.

(3) That PAWC file an amendment to the Asset Purchase Agreement, along with copies of required authorization from Steelton Borough Authority's Board of Directors that adjusts the purchase price to \$21,750,000.

(4) That PAWC, in its first base rate case following the closing of the acquisition, will propose to move the Steelton System to its cost of service or 1.4 times the current Steelton rates, whichever is lower, based on a separate cost of service study for the Steelton System, provided that such rates for Steelton customers do not exceed PAWC's proposed Zone 1 water rate.

(5) That PAWC will, in the first base rate case that includes a claim for recovery of costs related to a new Steelton water treatment plant, if PAWC constructs such plant, PAWC will provide a report indicating what alternatives to total replacement of the Steelton water treatment plant were considered, provide cost/benefit information for each alternative and support for the chosen action. The report will be included in PAWC's base rate filing and served on all Joint Petitioners and the Commission's Bureau of Technical Utility Services.

(6) That Steelton provide under confidential cover, copies to the OCA, I&E and OSBA of all proposals and accompanying exhibits received by Steelton with respect to the proposed sale of its water system.

(7) That PAWC will provide customer notice in future Section 1329 water and wastewater acquisition proceedings consistent with Appendices C-G and Paragraph 36 of this Settlement.

(d) The Commission issue Certificates of Public Convenience under 66 Pa. C.S. §§ 1102(a) and 1103(a) evidencing Commission approval of: (i) the transfer, by sale, of Steelton's assets, properties and rights related to its water system to PAWC as provided in the Application,

and (ii) PAWC's right to begin to offer, render, furnish or supply water service in the areas served by Steelton as indicated in the Application.

(e) The Commission permit PAWC, upon closing of the Transaction, to issue a compliance tariff supplement, consistent with the *pro forma* tariff supplement (attached hereto as **Appendix A**), to be effective on the date of issuance.

(f) The Commission approve, under 66 Pa. C.S. § 1329(c), a rate base addition of \$20,500,000 associated with the acquisition of the System.

(g) Within the first 90 days of PAWC's ownership of the Steelton System, PAWC shall include a bill insert to the Steelton-area customers regarding its low income programs and shall include such information in a welcome letter to Steelton-area customers. The bill insert and welcome letter shall include, at a minimum, a description of the available low income programs eligibility requirements for participation in the programs, and PAWC's contact information.

(h) The Commission approve, pursuant to 66 Pa. C.S. § 1329(d), the collection of a distribution system improvement charge related to the Steelton System prior to the first base rate case in which the Steelton assets are incorporated into rate base, conditioned on PAWC filing and the Commission approving a modified water long term infrastructure improvement plan to include the Steelton System, which does not reprioritize other existing capital improvements that the Company already committed to undertake in other service areas.

(i) The Commission, pursuant to 66 Pa. C.S. § 1329(f), permit PAWC to accrue an allowance for funds used during construction ("AFUDC"). The Commission recognizes that any claims for AFUDC will be addressed in PAWC's first base rate case which includes Steelton water system assets.



(j) The Commission, pursuant to 66 Pa. C.S. § 1329(f), permit PAWC to defer depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes. The Commission recognizes that any claims for recovery of deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes, will be addressed in PAWC's first base rate case which includes Steelton water system assets.

(k) The Commission, pursuant to 66 Pa. C.S. § 1329(d)(iv), permit PAWC to include, in its next base rate case, a claim for transaction and closing costs related to the acquisition of the Steelton System. The Commission recognizes that the Joint Petitioners reserve their rights to litigate their positions fully in future rate cases when this issue is ripe for review and does not construe the Joint Petitioners' assent to this term to operate as their preapproval of PAWC's request.

(l) The Commission issue Certificates of Filing or approval for the Asset Purchase Agreement By and Between Steelton Borough Authority, as Seller, and Pennsylvania-American Water Company, as Buyer, dated as of November 14, 2018 and the First Amendment to the Asset Purchase Agreement (reflecting revised purchase price per the Settlement).

(m) The Commission issue any other approvals or certificates appropriate, customary or necessary under the Code to carry out the Transaction contemplated in the Application in a lawful manner.

Respectfully submitted,



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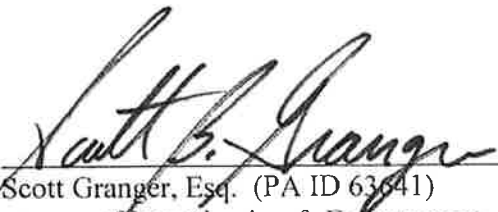
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Water Company*

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Harrisburg, PA 17105-3265  
*Counsel for Bureau of Investigation and  
Enforcement*



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Alessandra L. Hylander, Esq. (PA ID 320967)  
McNees Wallace & Nurick LLC  
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300 North Second Street  
Harrisburg, PA 17101  
*Counsel for Office of Small Business Advocate*

### **List of Appendices:**

- A. Pro forma tariff supplement (Application Revised Appendix A-13)
- B. Customer notice of settlement for existing customers of Steelton
- C. Customer notice for future PAWC Section 1329 water acquisitions (notice to customers of the system being acquired)
- D. Customer notice for future PAWC Section 1329 water acquisitions (notice to water customers of PAWC)
- E. Customer notice for future PAWC Section 1329 wastewater acquisitions (notice to customers of the system being acquired)
- F. Customer notice for future PAWC Section 1329 wastewater acquisitions (notice to water and wastewater customers of PAWC)
- G. Customer Notice Rate Impact Calculations
- H. Statement in Support of PAWC
- I. Statement in Support of Steelton
- J. Statement in Support of OCA
- K. Statement in Support of I&E (to be provided by I&E at a later date)
- L. Statement in Support of OSBA

## **APPENDIX A**



Supplement No. xx to  
Tariff Water-PA P.U.C. No. 5

**PENNSYLVANIA-AMERICAN WATER COMPANY**  
**(hereinafter referred to as the "Company")**  
**D/B/A**  
**Pennsylvania American Water**

**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: xxxxx xx, xxxx**

**Effective: xxxxx xx, xxxx**

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

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

**The tariff authorizes Pennsylvania-American Water Company to furnish water service to the public in the Borough of Steelton and a portion of Swatara Township. (Refer to pages 2, 4, 5, 9, 16.7 and 31.1)**

**NOTICE**

Supplement No. xx to  
Tariff Water-PA P.U.C. No. 5  
xx Revised Page 2  
Canceling xx Revised Page 2

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This tariff supplement authorizes Pennsylvania American Water Company to begin to offer or furnish water service to the public in the Borough of Steelton and a portion of Swatara Township as ordered by the Pennsylvania Public Utility Commission at Docket No. A-xxxx – xxxxxxxx entered xxxxx xx, xxxx.

Issued: xxxxx xx, xxxx

Effective Date: xxxx xx, xxxx

**PENNSYLVANIA-AMERICAN WATER COMPANY**

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**PENNSYLVANIA-AMERICAN WATER COMPANY**

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(C) means Change

**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 adjacent territory in West Mahanoy, Butler, New Castle Townships and portions of Mahanoy and Walker Townships.

**Hershey/Palmyra District**

***Dauphin County***

Portions of the Townships of Conewago, Derry (which includes the area commonly referred to as "Hershey"), Londonderry, and West Hanover; adjacent territory in South 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, West Fairview and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and portions of Upper Allen Township

***York County***

Portions of 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 Watsontown and portions of the Townships of Delaware, East Chillesquaque, Point, Turbot, Upper Augusta and West Chillesquaque

***Union County***

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

**Steelton District**

(C)

***Dauphin County***

The Borough of Steelton and a portion of Swatara Township.

(C) means Change

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SCHEDULE OF RATES**

**RATE ZONE 5 - GENERAL METERED SERVICE**  
**FOR ALL RATE CLASSES**

(C)

**APPLICABILITY**

The rates as set forth below apply in the Steelton 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 in all rate classes.

**METERED SERVICE**

All water supplied by the Company under this rate schedule for any and all purposes except, 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**

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	\$ 14.78
3/4 inch	14.78
1 inch	32.37
1-1/4 inch	58.29
1-1/2 inch	58.29
2 inch	84.20
3 inch	191.06
4 inch	249.52
6 inch	399.23
8 inch	579.97

**Consumption Charges For All Rate Classes**

The following rates shall apply per 100 gallons per month:

	<u>Service Charge</u>
First 1,700 gallons per month	
Next 18,300 gallons per month	\$.8260
Next 30,000 gallons per month	\$.9120
All Over 50,000 gallons per month	\$.7880

(C) means Change

Issued: xxxxx xx, xxxx

Effective Date: xxxxx xx, xxxx

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

**PRIVATE FIRE SERVICE – METERED** (C)

**APPLICABILITY**  
The rates under this schedule apply in the Steelton Service Territory.

**AVAILABILITY**  
The rates under this schedule are available to UGI Energy Services LLC located at the West Franklin Street Liquefied Natural Gas Facility.

**RATE**  
**Service Charge**  
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>
16 inch	\$ 1,159.94
18 inch	1,304.93
20 inch	1,449.92

**Consumption Charges For All Rate Classes**  
The following rates shall apply per 100 gallons per month:

	<u>Service Charge</u>
First 1,700 gallons per month	
Next 18,300 gallons per month	\$.8260
Next 30,000 gallons per month	\$.9120
All Over 50,000 gallons per month	\$.7880

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Redline Version

Supplement No. xx to  
Tariff Water-PA P.U.C. No. 5

**PENNSYLVANIA-AMERICAN WATER COMPANY**  
**(hereinafter referred to as the "Company")**  
**D/B/A**  
**Pennsylvania American Water**

**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: xxxxx xx, xxxx**

**Effective: xxxxx xx, xxxx**

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

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

**The tariff authorizes Pennsylvania-American Water Company to furnish water service to the public in the Borough of Steelton and a portion of Swatara Township. (Refer to pages 2, 4, 5, 9, 16.7 and 31.1)**

**NOTICE**



PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This tariff supplement authorizes Pennsylvania American Water Company to begin to offer or furnish water service to the public in the Borough of Steelton and a portion of Swatara Township as ordered by the Pennsylvania Public Utility Commission at Docket No. A-xxxx – xxxxxxx entered xxxxx xx, xxxx.

**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 adjacent territory in West Mahanoy, Butler, New Castle Townships and portions of Mahanoy and Walker Townships.

**Hershey/Palmyra District**

**Dauphin County**

Portions of the Townships of Conewago, Derry (which includes the area commonly referred to as "Hershey"), Londonderry, and West Hanover; adjacent territory in South 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, West Fairview and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and portions of Upper Allen Township

**York County**

Portions of 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 portions of the Townships of Delaware, East Chillesquaque, Point, Turbot, Upper Augusta and West Chillesquaque

**Union County**

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

(C)

**Steelton District**

**Dauphin County**

The Borough of Steelton and a portion of Swatara Township.

(C) means Change

**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SCHEDULE OF RATES**

**RATE ZONE 5 - GENERAL METERED SERVICE  
FOR ALL RATE CLASSES EXCEPT INDUSTRIAL**

(C)

**APPLICABILITY**

The rates as set forth below apply in the Steelton 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 in all rate 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**

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>
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**Consumption Charges For All Rate Classes**

The following rates shall apply per 100 gallons per month:

	<u>Service Charge</u>
First 1,700 gallons per month	
Next 18,300 gallons per month	\$.8260
Next 30,000 gallons per month	\$.9120
All Over 50,000 gallons per month	\$.7880

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**PENNSYLVANIA-AMERICAN WATER COMPANY**

**SCHEDULE OF RATES**

**PRIVATE FIRE SERVICE – METERED**

(C)

**APPLICABILITY**

The rates under this schedule apply in the Steelton Service Territory.

**AVAILABILITY**

The rates under this schedule are available to UGI Energy Services LLC located at the West Franklin Street Liquefied Natural Gas Facility.

**RATE**

**Service Charge**

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>
16 inch	\$ 1,159.94
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**Consumption Charges For All Rate Classes**

The following rates shall apply per 100 gallons per month:

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All Over 50,000 gallons per month	\$.7880

(C) means Change

## **APPENDIX B**

# NOTICE OF PROPOSED JOINT SETTLEMENT OF WATER ACQUISITION AND RATE BASE ADDITION

(Docket No. A-2019-3006880)



Dear Customer:

We are sending this notice to you, as a Steelton Borough Authority customer, to advise you of a Joint Petition for Settlement (Settlement) filed with the Public Utility Commission (PUC) regarding the application of Pennsylvania-American Water Co. for approval to acquire the Steelton Borough Authority water system assets. The proposed Settlement has been agreed to by Pennsylvania-American, Steelton Borough Authority, the PUC's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate to resolve the issues raised in this case. **If you have any comments regarding the Settlement, you must submit them to Administrative Law Judges Steven K. Haas and Benjamin J. Myers, and the Secretary of the PUC, postmarked no later than July 12, 2019.**

On July 2, 2019, Pennsylvania-American filed the proposed Settlement with the PUC and served a copy of the proposed Settlement on Judges Haas and Myers. The Settlement and supporting documents are available on our website at the following web address:

[www.pennsylvaniaamwater.com/steeltonsettlement](http://www.pennsylvaniaamwater.com/steeltonsettlement)

If, however, you would like a paper copy, please contact Pennsylvania-American's Customer Advocacy Group at (717) 550-1606 and one will be provided to you.

This brief summary of some of the points of the Settlement is provided for your convenience. However, we encourage you to please review the Settlement in its entirety. The Settlement, if approved, would do the following:

- Allow Pennsylvania-American to acquire the Steelton Borough Authority water system assets and begin to supply water service in the areas served by Steelton Borough Authority.
- Allow Pennsylvania-American to add \$20.5 million to its rate base pursuant to 66 Pa.C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates. Pennsylvania-American's original request was a rate base addition of \$22.3 million.
- **Your current water rates will not change until the conclusion of Pennsylvania-American's next base rate case, no earlier than January 1, 2021.**
- In Pennsylvania-American's first base rate case following the closing of this transaction, it will propose to move Steelton customer rates to cost of service or 1.4 times current Steelton customer rates (as shown below), whichever is lower.

Rate Class	Average Usage	Average Monthly* Bill at Current Rates	Average Monthly Bill at 1.4x Current Rates	Proposed Percentage Increase
Residential	3,630 gal/month	\$30.72	\$43.01	40%
Commercial	22,000 gal/month	\$201.77	\$282.48	40%
Industrial	476,000 gal/month	\$3,932.28	\$5,505.19	40%

\* Steelton Borough Authority customers are billed quarterly. As Pennsylvania-American customers, all customers will be billed monthly.

These amounts could change and will depend on the actual rate increase approved by the PUC and how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers.

## ACTIONS YOU CAN TAKE

1. You may support the proposed Settlement. To do so, please send a letter to the Secretary of the Commission with copies to Judges Haas and Myers postmarked no later than July 12, 2019.
2. You may object to the proposed Settlement. To do so, please send a letter to the Secretary of the Commission with copies to Judges Haas and Myers postmarked no later than July 12, 2019.
3. You may choose to do nothing.

Your letter of support or objection should **include the PUC docket number A-2019-3006889** and must be **postmarked no later than July 12, 2019** and sent to the Commission's Secretary, with copies to Judges Haas and Myers.

- The Secretary's address is: Secretary's Bureau, Pennsylvania Public Utility Commission, Commonwealth Keystone Bldg., 400 North Street, Harrisburg, PA 17120
- The Judges' address is: Honorable Steven K. Haas and Honorable Benjamin J. Myers, Office of Administrative Law Judge, Pennsylvania Public Utility Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. For more information, please feel free to contact Pennsylvania-American's Customer Advocacy Group at (717) 550-1606 or the PA Office of Consumer Advocate toll-free at 1-800-684-6560.



## **APPENDIX C**

# NOTICE OF PROPOSED WATER ACQUISITION AND RATE BASE ADDITION

(Docket No. A-\_\_\_\_\_)

Dear [Municipality] customer:

On \_\_\_\_\_, the Pennsylvania Public Utility Commission (PUC) conditionally accepted for filing the application of Pennsylvania-American Water Co. for approval to acquire the [Municipality] water system assets. [Municipality] serves approximately \_\_\_\_\_ customers in \_\_\_\_\_ County. Pennsylvania-American's application also requests that the PUC authorize an addition of \$\_\_\_\_\_ to Pennsylvania-American's rate base pursuant to 66 Pa.C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water bills of Pennsylvania-American customers, including the [Municipality] water customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current water rates will not change until the conclusion of Pennsylvania-American's next base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Pennsylvania-American's next base rate case will conclude no earlier than January 1, 2021. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential rate impact could be as follows:

PAWC WATER				
Rate Class	Average Usage	Average Monthly Bill at [Municipality] Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$	\$	\$ or %
Commercial	22,000 gal/month	\$	\$	\$ or %
Industrial	476,000 gal/month	\$	\$	\$ or %

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers and the period of time over which such rate increases could occur.

## PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

## ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

1. **Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
2. **Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania American Water's transaction and

if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.

3. **Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at:

[Counsel Name and Address]

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-\_\_\_\_\_. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

## **APPENDIX D**

# NOTICE OF PROPOSED WATER ACQUISITION AND RATE BASE ADDITION

(Docket No. A-\_\_\_\_\_)

Dear Customer:

On \_\_\_\_\_, the Pennsylvania Public Utility Commission (PUC) conditionally accepted for filing the application of Pennsylvania-American Water Co. for approval to acquire the [Municipality] water system assets. [Municipality] serves approximately \_\_\_\_\_ customers in \_\_\_\_\_ County. Pennsylvania-American's application also requests that the PUC authorize an addition of \$\_\_\_\_\_ to Pennsylvania-American's rate base pursuant to 66 Pa.C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water bills of Pennsylvania-American customers, including the [Municipality] water customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current water rates will not change until the conclusion of Pennsylvania-American's next base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Pennsylvania-American's next base rate case will conclude no earlier than January 1, 2021. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential rate impact could be as follows:

PAWC WATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$	\$	\$ or %
Commercial	22,000 gal/month	\$	\$	\$ or %
Industrial	476,000 gal/month	\$	\$	\$ or %

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers. For Pennsylvania-American customers in a rate zone other than Rate Zone 1, the potential rate impact could vary from the chart above.

## PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

## ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

1. **Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.

2. **Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania American Water's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.
3. **Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at

[Counsel Name and Address]

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-\_\_\_\_\_. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

## **APPENDIX E**

# NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-\_\_\_\_\_)

Dear [Municipality] Customer:

On \_\_\_\_\_, the Pennsylvania Public Utility Commission (PUC) conditionally accepted for filing the application of Pennsylvania-American Water Co. for approval to acquire the [Municipality] wastewater system assets. [Municipality] serves approximately \_\_\_\_\_ customers in \_\_\_\_\_ County. Pennsylvania-American's application also requests that the PUC authorize an addition of \$\_\_\_\_\_ to Pennsylvania-American's rate base pursuant to 66 Pa.C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including the [Municipality] wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current wastewater rates will not change until the conclusion of Pennsylvania-American's next base rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Pennsylvania-American's next base rate case will conclude no earlier than January 1, 2021. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential wastewater rate impact could be as follows:

WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at [Municipality] Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$	\$	\$ or %
Commercial	22,000 gal/month	\$	\$	\$ or %
Industrial	476,000 gal/month	\$	\$	\$ or %

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers and the period of time over which such rate increases could occur.

## PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

## ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

1. **Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
2. **Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania American Water's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to



company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.

3. **Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at  
  
[Counsel Name and Address]

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-\_\_\_\_\_. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

## **APPENDIX F**

# NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-\_\_\_\_\_)

Dear Customer:

On \_\_\_\_\_, the Pennsylvania Public Utility Commission (PUC) conditionally accepted for filing the application of Pennsylvania-American Water Co. for approval to acquire the [Municipality] wastewater system assets. [Municipality] serves approximately \_\_\_\_\_ customers in \_\_\_\_\_ County. Pennsylvania-American's application also requests that the PUC authorize an addition of \$\_\_\_\_\_ to Pennsylvania-American's rate base pursuant to 66 Pa.C.S. § 1329. A utility's rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including the [Municipality] wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current rates will not change until the conclusion of Pennsylvania-American's next rate case where Pennsylvania-American requests and receives PUC approval to increase its rates. Pennsylvania-American's next base rate case will conclude no earlier than January 1, 2021. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential rate impact could be as follows:

PAWC WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$	\$	\$ or %
Commercial	22,000 gal/month	\$	\$	\$ or %
Industrial	476,000 gal/month	\$	\$	\$ or %

PAWC WATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$	\$	\$ or %
Commercial	22,000 gal/month	\$	\$	\$ or %
Industrial	476,000 gal/month	\$	\$	\$ or %

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers. For Pennsylvania-American customers in a rate zone other than Rate Zone 1, the potential rate impact could vary from the chart above.

## PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

## ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American's request by:

1. **Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
2. **Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania American Water's transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.
3. **Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before \_\_\_\_\_. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American's counsel at:

[Counsel name and address]

The documents filed in support of the application are available on the PUC's website at [www.puc.pa.gov](http://www.puc.pa.gov), for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American's offices at 852 Wesley Drive, Mechanicsburg, PA 17055. The PUC docket number is A-\_\_\_\_\_. For more information, you may contact the PUC's Bureau of Consumer Services at 1-800-692-7380.

## **APPENDIX G**

## Customer Notice Increase Calculation 1329 Acquisition - Water

Acquisition  
Revenue Deficiency  
Calculated

Step 1

Seller's Water Customer Notice - Proposed Impact Calculated

Step 2

Determine:

Full Cost of Service (COS)

Seller's Current Water Rates vs. Full Cost of Service Rates

Increase % calculated based on :

100% of COS acquisition revenue deficiency  
Year One Revenues of Acquired System

Buyer's Existing Water Customer Notice - Proposed Impact Calculated

Step 3

Rate Zone 1

Buyer's Current Rate Zone 1 Water Rates vs. Buyer's Current Rate Zone 1 Water Rates (adjusted for impact of acquisition)

Increase % of Rate Zone 1 Rates calculated based on :

100% of COS acquisition revenue deficiency  
Buyer's Applicable Water Revenue + Year One Revenues of Acquired System

Note: No rate impact chart for wastewater will be shown on water acquisition notices.

Note: For purposes of calculating rate impact for water notices, the term "Buyer's applicable water revenue" means \$667,585,862, which is the revenue approved in the settlement of PAWC's most recent (2017) water base rate case. This amount specifically excludes revenues from any systems acquired under Section 1329 that were not reflected in the 2017 base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Note: No notice requirement for customers in water systems already acquired under Section 1329 that were not reflected in the most recent (2017) wastewater base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

*Customer Notice Increase Calculation  
1329 Acquisition - Wastewater*

Step 1

Acquisition Revenue Deficiency Calculated
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Step 2 Determine ACT 11 % allocation from wastewater to water - based on prior rate case

ACT 11 Allocation % - Based on Prior Rate Case
ACT 11 allocation of wastewater revenue requirement deficiency to water Total additional annual wastewater revenue requirement before ACT11

Step 3 Seller's Wastewater Customer Notice - Proposed Impact Calculated

Determine:

Full Cost of Service (COS)
Seller's Current Rates vs. Full Cost of Service Rates Increase % calculated based on : 100% of COS acquisition revenue deficiency after ACT 11 allocation to water Year One Revenues of Acquired System

Step 4 Buyer's Existing Wastewater Customer Notice - Proposed Impact Calculated

Rate Zone 1
Buyer's Current Rate Zone 1 Wastewater Rates vs. Buyer's Current Rate Zone 1 Wastewater Rates (adjusted for impact of acquisition) Increase % of Rate Zone 1 Rates calculated based on : 100% of COS acquisition revenue deficiency after ACT 11 allocation to water Buyer's Applicable Wastewater Revenue + Year One Revenues of Acquired System

Note: For purposes of calculating rate impact for wastewater customer notices, the term "Buyer's applicable wastewater revenue" means \$26,935,197, which is the revenue approved in the settlement of PAWC's most recent (2017) wastewater base rate case. This amount specifically excludes revenues from the Scranton system and any systems acquired under Section 1329 that were not reflected in the 2017 base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Note: No notice requirement for customers in wastewater systems already acquired under Section 1329 that were not reflected in the most recent (2017) wastewater base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Rate Zone 1
Buyer's Current Rate Zone 1 Water Rates vs. Buyer's Current Rate Zone 1 Water Rates (adjusted for impact of acquisition)
Increase % of Rate Zone 1 Rates calculated based on :
<u>ACT 11 allocation of wastewater revenue requirement to water</u> Buyer's Applicable Water Revenue

Note: For purposes of calculating rate impact for water customer notices, the term "Buyer's applicable water revenue" means \$667,585,862, which is the revenue approved in the settlement of PAWC's most recent (2017) water base rate case. This amount specifically excludes revenues from any systems acquired under Section 1329 that were not reflected in the 2017 base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Note: No notice requirement for customers in wastewater systems already acquired under Section 1329 that were not reflected in the most recent (2017) wastewater base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.



## **APPENDIX H**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Administrative Law Judges Steven K. Haas and Benjamin J. Myers

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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 water system assets of Steelton Borough Authority,  
related water service rights, fair market valuation  
ratemaking treatment, deferral of the post-acquisition  
improvement costs, and certain contracts with municipal  
corporations

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: Docket No. A-2019-3006880  
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**STATEMENT OF PENNSYLVANIA-AMERICAN WATER  
COMPANY IN SUPPORT OF THE JOINT PETITION FOR  
APPROVAL OF SETTLEMENT OF ALL ISSUES**

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Pennsylvania-American Water Company (“PAWC”) files this Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Settlement”), entered into by PAWC, the Pennsylvania Public Utility Commission’s Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and Steelton Borough Authority (“Steelton”) (singularly, a “Joint Petitioner” and collectively, the “Joint Petitioners”) in the above-captioned proceeding. PAWC respectfully requests that the Honorable Administrative Law Judges Steven K. Haas and Benjamin J. Myers (the “ALJs”) recommend approval of, and that the Pennsylvania Public Utility Commission (“Commission”) approve, the Settlement, including all terms and conditions thereof, without modification.

**I. INTRODUCTION**

The Settlement pertains to the application (“Application”) filed by PAWC pursuant to Section 1102(a) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. § 1102(a), and Section 1329 of the Code, 66 Pa. C.S. § 1329, requesting (among other things) that the Commission issue Certificates of Public Convenience to PAWC for the transfer to PAWC, by sale, of substantially all of the assets, properties and rights of Steelton (the “Transaction”), related to Steelton’s water system (the “Steelton System”), and to set the fair market value of the acquisition for rate-base ratemaking purposes.

The Settlement, if approved, will resolve all of the issues raised in this proceeding. The Settlement is in the best interest of Steelton and its existing customers, PAWC and its existing customers, and the public-at-large. It is in the public interest and, accordingly, should be approved.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm’n v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. Pub. Util. Comm’n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

As an initial matter, the fact that the Settlement resolves all issues is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest – particularly given the diverse interests of the Joint Petitioners and the active role that they have taken in this proceeding. The

Settlement was achieved through the hard work and perseverance of the Joint Petitioners. They have repeatedly demonstrated their good faith and willingness to cooperate to resolve this complex case within the six-month deadline mandated by the General Assembly in Section 1329 of the Code, 66 Pa. C.S. § 1329. Through collaborative efforts of the Joint Petitioners and effective case management by the ALJs, the Application is in a position to be decided by the Commission in less than six months -- demonstrating that the timeline set forth by the General Assembly in Section 1329 can indeed work effectively.

It should be noted that the Joint Petitioners, and their counsel and experts, have considerable experience in acquisition proceedings. Their knowledge, experience and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on all the issues. The Joint Petitioners, their counsel and experts fully explored all the issues in this case.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners and satisfies the various requirements of the Code. For these reasons, and the reasons set forth below, the Settlement is in the public interest and should be approved without modification.

## **II. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

The Joint Petitioners have agreed to a settlement of all issues in this proceeding. This includes issues arising under Sections 1103(a), 1329 and 507 of the Code. 66 Pa. C.S. §§ 1103(a), 1329, and 507.

## A. Section 1103 Approvals

### 1. Fitness

PAWC must demonstrate that it is technically, financially, and legally fit to own and operate the Steelton System. *Seaboard Tank Lines, Inc. v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958). As a certificated public utility, PAWC enjoys a rebuttable presumption that it possesses the requisite fitness.<sup>1</sup> *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308, 1310 (Pa. Cmwlth. 1992). Although no party challenged PAWC's fitness, PAWC introduced extensive evidence demonstrating its technical, financial, and legal fitness.

With respect to technical fitness, PAWC is the Commonwealth's largest water and wastewater provider. It furnishes service to more than 400 communities in 36 counties, serving a combined population in excess of 2,400,000. PAWC St. No. 1 p. 11. PAWC employs approximately 1,100 professionals with expertise in all areas of water and wastewater utility operations. PAWC St. No. 1 p. 12. In addition, as a subsidiary of American Water Works Company, Inc. ("American Water"), PAWC has available to it additional highly-trained professionals with expertise in specialized areas. These operations and process experts have deep experience in the operation and maintenance of different types of water technologies. PAWC St. No. 2 p. 11. PAWC has an ongoing program of capital investment focused on systematically replacing and adding new pipes and infrastructure. PAWC has funded more than \$1 billion in infrastructure investment in the past five years. PAWC St. No. 2 pp. 11-12.

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<sup>1</sup> Similarly, PAWC enjoys a presumption of a continuing public need for service because public utility service is already being provided in the service territory. *Re Glenn Yeager et al.*, 49 Pa. P.U.C. 138 (1975). No party has contested the need for water service in Steelton.

With respect to legal fitness, PAWC has a record of environmental compliance, a commitment to invest in necessary capital improvements and resources, and experienced managerial and operating personnel necessary to provide safe and reliable water service to the residents of Steelton. PAWC has a good compliance history with the Commission and there are currently no legal proceedings that would suggest that PAWC is not legally fit to provide service in Steelton. PAWC St. No. 1 p. 15.

With respect to financial fitness, PAWC had total assets of approximately \$4.6 billion as of December 31, 2017. It had a net income of approximately \$161 million for the 12 months ending December 31, 2017. PAWC St. No. 3 p. 3. In addition to positive operating cash flows, PAWC may obtain financing through a \$400 million line of credit, long term debt financing, and/or equity investments. PAWC St. No. 3 p. 4.

## **2. Public Benefit**

PAWC must demonstrate that the Transaction and PAWC's ownership/operation of the Steelton System will "affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way." *City of York v. Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). An acquisition provides an affirmative benefit if the benefits of the transaction outweigh the adverse impacts of the transaction. *Application of CMV Sewage Co., Inc.*, 2008 Pa. PUC LEXIS 950. When looking at the benefits and detriments of a transaction, the focus of the analysis must be on all affected parties, not merely a particular group or a particular geographic area. *Middletown Township v. Pa. Pub. Util. Comm'n*, 85 Pa. Cmwlth. 191, 482 A.2d 674 (1984).

The Transaction, with the conditions described in the Settlement, benefits all of the stakeholder groups impacted by the Transaction. The Transaction benefits members of the public-

at-large in that the Transaction promotes the Commission's policy favoring regionalization and consolidation of water and wastewater systems. PAWC St. No. 1 p. 13.

The Transaction benefits Steelton in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for Steelton:

- Steelton voluntarily entered into the Asset Purchase Agreement ("APA") in order to get out of the utility business and receive the purchase price, which it will use to promote public purposes.
- The Steelton System will become taxable property.

The Transaction benefits Steelton's existing customers in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for Steelton's existing customers:

- The Steelton System will become a Commission-regulated utility, and its customers will gain the protection of the Code, the Commission, I&E, OCA, and the OSBA.
- Customers will have access to PAWC's proven and enhanced customer service, including its customer assistance program (H2O Help to Others), customer dispute resolution process, extended call hours, additional bill payment options, and enhanced customer information and education programs. PAWC St. No. 1. p. 14; PAWC St. No. 4 pp. 13-15.
- PAWC has committed to invest \$35.7 million in capital improvement in water infrastructure in the Steelton System in the next ten years, including replacement of the existing water treatment plant and the development and implementation of a distribution system improvement plan consisting of main and service replacements and customer metering change-out/upgrades. PAWC St. No. 2 pp. 8-9.
- PAWC can draw upon a broader range of engineering and professional experience, and has deeper financial resources than Steelton, to address any environmental compliance challenges of the Steelton System. PAWC St. No. 2 p. 10.

The Settlement contains additional public benefits for Steelton's existing customers, in that it requires PAWC to provide information to Steelton's customers regarding its low-income programs within 90 days of PAWC's ownership of the Steelton System and limits PAWC's proposed rate

increase for existing Steelton customers in its next base rate case to its cost of service or 1.4 times the current Steelton rate, whichever is lower.

The Transaction benefits PAWC's existing water customers in the same way that it benefits all other members of the public-at-large. In addition, the Transaction has specific benefits for PAWC's existing water customers:

- The Transaction will have no immediate impact on the rates paid by PAWC's existing customers. PAWC St. No. 1 p. 14.
- In the long term, the Transaction will benefit PAWC's existing water customers because it will add new customers to PAWC's water customer base, who can share the cost of operating the entire PAWC water system. PAWC St. No. 1 p. 14.
- The Transaction allows PAWC the opportunity to avoid capital costs of \$23 million. PAWC St. No. 2-R p. 4.
- The Transaction will promote the public policy goals embodied in Section 1329.
- The Transaction will promote the public policy goal of improving and maintaining public infrastructure.

In short, as modified by the terms and conditions in the Settlement, the Transaction has affirmative public benefits of a substantial nature for every impacted group. These benefits clearly outweigh any alleged detriments. Accordingly, the ALJs and the Commission should find that the Settlement is in the public interest.

### **3. Cost of Service Studies**

In the interest of resolving this case and based on the unique circumstances of this case, PAWC will submit two cost of service studies in its next base rate case: (a) a cost of service study that removes all costs and revenues associated with the operation of the Steelton System; and (b) a cost of service study for the Steelton System. Under the Settlement, PAWC's obligation to prepare cost of service studies extends only to its next base rate case. In this way, unnecessary cost of



service studies can be avoided in subsequent rate cases. Accordingly, the ALJs and the Commission should find that the Settlement is in the public interest.

**B. Section 1329 Approvals**

**1. Ratemaking Rate Base**

PAWC and Steelton agreed to use the procedure set forth in Section 1329 for the Transaction. Section 1329 created a voluntary procedure for valuing a wastewater or water system being sold by a municipality or municipal authority to a public utility or other entity. In that procedure, the buyer and the seller each obtain an appraisal of the system by a Commission-approved utility valuation expert (“UVE”). The ratemaking rate base of the selling utility is the lesser of: (1) the purchase price agreed-to by the parties, or (2) the fair market value of the selling utility (defined as the average of the two UVEs’ appraisals). The ratemaking rate base of the selling utility is then incorporated into the rate base of the acquiring public utility during the acquiring public utility’s next base rate case.

In the Settlement, the Joint Petitioners agreed that \$20,500,000 will go into PAWC’s rate base in its next rate case due to the acquisition of the Steelton System. The proposed Settlement should be adopted because it produces a result that is preferable, in the eyes of each of the Joint Petitioners, to what could have resulted from litigation -- including the possibility of appeals. Moreover, the agreed-upon ratemaking rate base of \$20,500,000 is well within the range of

litigation positions of the Joint Petitioners and, accordingly, supported by substantial record evidence.<sup>2</sup>

Furthermore, this result is in the public interest because it furthers the legislative intent behind Section 1329. First, the Settlement allows a municipality *who wishes to do so* to monetize an asset for maximum value. Second, by establishing a rate base for the Steelton System that is greater than what would have been allowed using traditional ratemaking principles, PAWC is willing to enter into the Transaction. Section 1329 would be ineffective if a willing seller would be unable to find a willing buyer. Finally, the Settlement allows the parties to the Transaction to obtain the necessary Commission approval in a timely manner -- while protecting the existing customers of the acquiring public utility. The Joint Petitioners' negotiated result is in the public interest and should be approved by the ALJs and the Commission.

## **2. Rates**

Section 1329(d)(1)(iv) of the Code requires an application to contain a tariff containing a rate equal to the existing rates of the selling utility at the time of the acquisition, together with a rate stabilization plan, if applicable to the acquisition. None of the Joint Petitioners have argued that the APA includes a rate stabilization plan. Consequently, the Settlement does not address this requirement.

In terms of rates, the Settlement is in the public interest because it would ensure that PAWC will charge rates after closing that are equal to Steelton's existing rates. Consequently, the Settlement should be approved.

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<sup>2</sup> PAWC and Steelton introduced evidence supporting a ratemaking rate base of \$22,340,695, *i.e.*, the lower of the purchase price (\$22,500,000) and the average of the UVE appraisals (\$22,340,695). PAWC St. No. 3 p. 6. OCA introduced evidence supporting a ratemaking rate base of \$16,901,535. OCA St. No. 1 p. 46.

### **3. Distribution System Improvement Charge**

Section 1329(d) of the Code permits an acquiring public utility to collect a distribution system improvement charge (“DSIC”) from the date of closing on the Transaction until new rates are approved in the utility’s next base rate case. In order to qualify for DSIC recovery, a utility must submit a long-term infrastructure investment plan (“LTIP”) to, and receive approval from, the Commission.

PAWC has previously received Commission approval of a water LTIP plan, and received Commission approval of a DSIC tariff, for other portions of its water system. In its Application, PAWC requested conditional approval to implement a DSIC for the Steelton service territory. PAWC proposed to file an amended LTIP for the Steelton service territory. Following Commission approval of that amended LTIP, PAWC would make a tariff supplement compliance filing, which would include the Steelton service territory in PAWC’s existing DSIC tariff.

The Settlement includes conditions to ensure that PAWC’s amended LTIP will not re-prioritize existing commitments in other service areas. In addition, the Settlement recognizes the Commission’s authority to modify PAWC’s LTIP submission. Finally, the Settlement is consistent with the Code and *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Final Implementation Order entered August 2, 2012). For these reasons, the Settlement is in the public interest and should be approved.

### **4. Accrual of Allowance for Funds Used During Construction**

Section 1329(f)(1) of the Code permits an acquiring public utility to accrue an allowance for funds used during construction (“AFUDC”) on post-acquisition improvements that are not included in a DSIC, from the date the cost was incurred until the earlier of the following events: the asset has been in service for a period of four years, or the asset is included in the acquiring

utility's next base rate case. In the Application, PAWC simply requested permission to accrue AFUDC on post-acquisition improvements that are not included in a DSIC. The Settlement is in the public interest because it makes clear that the other Joint Petitioners do not oppose this request and they reserve their rights to litigate their positions fully in the first base rate case that includes the Steelton System assets.

#### **5. Deferred Depreciation**

Similarly, Section 1329(f)(2) of the Code permits an acquiring public utility to defer depreciation on its post-acquisition improvements that are not included in a DSIC. In the Application, PAWC simply requested permission to defer depreciation on post-acquisition improvements that are not included in a DSIC. The Settlement is in the public interest because it makes clear that the other Joint Petitioners do not oppose this request and they reserve their rights to litigate their positions fully in the first base rate case that includes the Steelton System assets.

#### **6. Transaction and Closing Costs**

Section 1329(d)(1)(iv) permits an acquiring public utility to include, in its next base rate case, a claim for the transaction and closing costs incurred for the acquisition. In *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Order entered October 27, 2016) p. 14, the Commission stated that there will be no Commission preapproval of the reasonableness of recovery of these costs in a Section 1329 proceeding. Out of an abundance of caution, the Application requested permission to include, in PAWC's next base rate case, the Transaction and closing costs incurred in this proceeding. The Commission will adjudicate the ratemaking treatment of PAWC's claimed transaction and closing costs at that time. The Settlement is in the public interest because it makes clear that the other Joint Petitioners do not oppose this request and they reserve their rights to litigate their positions fully in future rate cases.

## **7. Customer Notice**

Pursuant to the Commonwealth Court's decision in *McCloskey v. Pa. Public Utility Commission*, 195 A.3d 1055 (Pa.Cmwlt. 2018) and the Commission's Final Supplemental Implementation Order in *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Order entered February 28, 2019), individual notice of Section 1329 proceedings is required in accordance with 52 Pa. Code §53.45. The Settlement is in the public interest because it resolves the issue of customer notice, not only for Steelton customers in this proceeding, but also for future Section 1329 water acquisitions. The agreement of the Joint Petitioners on future 1329 water acquisition notices will limit litigation of this issue, conserving the resources of all Joint Petitioners and the Commission, which benefits the public interest.

### **C. Section 507 Approvals**

Section 507 of the Code requires that contracts between a public utility and a municipal corporation (except for contracts to furnish service at regular tariff rates) be filed with the Commission at least 30 days before the effective date of the contract. The Commission approves the contract by issuing a certificate of filing, unless it decides to institute proceedings to determine whether there are any issues with the reasonableness, legality, or any other matter affecting the validity of the contract.

In the Application, PAWC sought Commission approval of the APA, which PAWC will assume at closing. Approval of this agreement is necessary for PAWC to continue to provide service to all customers presently served by the Steelton System.

The Settlement is in the public interest because it establishes that none of the other Joint Petitioners objects to the Commission's approval of this agreement pursuant to Section 507. The Commission should accordingly issue a Certificate of Filing for, or otherwise approve, the APA.

### **III. CONCLUSION**

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of the Transaction, formal and informal discovery responses, evidence that was entered into the record, and extensive settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evidenced by the fact that all active parties to the proceeding have agreed to the resolution of the issues. PAWC fully supports the Settlement and urges the ALJs and the Commission to approve it without modification.

WHEREFORE, Pennsylvania-American Water Company respectfully requests that the Honorable Administrative Law Judges Steven K. Haas and Benjamin J. Myers recommend approval of, and that the Commission approve, the Settlement, including all terms and conditions thereof, without modification, and enter an order consistent with the Settlement.

Respectfully submitted,



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Dated: July 2, 2019

## **APPENDIX I**



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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 water system assets of Steelton Borough Authority,  
related water service rights, fair market valuation  
ratemaking treatment, deferral of the post-acquisition  
improvement costs, and certain contracts with municipal  
corporations

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**STATEMENT IN SUPPORT OF THE  
STEELTON BOROUGH AUTHORITY**

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The Steelton Borough Authority ("Steelton"), by and through its counsel, submits that the terms of the Joint Petition for Approval of Settlement of All Issues ("Joint Petition" or "Settlement") concurrently filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-captioned proceeding, reflect a full settlement of all issues as set forth below.

As a result of settlement discussions, Pennsylvania-American Water Company ("PAWC" or "Company"), the Office of Consumer Advocate ("OCA"), the Bureau of Investigation and Enforcement of the Pennsylvania Public Utility Commission ("I&E"), the Office of Small Business Advocate ("OSBA"), and Steelton (collectively, "Parties" or "Joint Petitioners") have agreed upon the terms embodied in the foregoing Joint Petition. Steelton 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. This Settlement applies to the application initially filed by PAWC on January 2, 2019, and amended on February 19, 2019 ("Application"), pursuant to Section 1102(a) of the Pennsylvania Public Utility Code ("Code"), 66 Pa. C.S. § 1102(a), and Section 1329 of the Code, 66 Pa. C.S. § 1329, requesting (among other things) that the Commission issue Certificates of Public Convenience to PAWC for the transfer to PAWC, by sale, of substantially all of the assets, properties and rights of Steelton (the "Transaction"), related to Steelton's water system (the "Steelton System"), and to set the fair market value of the acquisition for rate-base ratemaking purposes. Joint Petition, Paragraph 1.

2. On January 22, 2019, Steelton filed a Petition to Intervene in this proceeding. At the May 17, 2019, Prehearing Conference, Steelton's Petition to Intervene was granted. *Id.* at Paragraph 2.

3. Steelton fully participated in litigated proceedings and submitted the following written testimony in support of PAWC's Application: Steelton Statement No. 1, the Direct Testimony and Exhibits of Douglas E. Brown; Steelton Statement No. 2, the Direct Testimony of Dylan W. D'Ascendis; Steelton Statement No. 1-R, the Rebuttal Testimony and Exhibits of Douglas E. Brown; Steelton Statement No. 2-R, the Rebuttal Testimony and Exhibits of Dylan W. D'Ascendis; and Steelton Statement No. 2-SR, the Surrebuttal Testimony of Dylan W. D'Ascendis.

4. After several rounds of testimony and discovery, the Parties convened at an evidentiary hearing on June 10, 2019. At that hearing, the Joint Petitioners communicated to Administrative Law Judges ("ALJs") Steven K. Haas and Benjamin J. Myers that the Joint Petitioners were working toward a settlement of all issues and therefore had agreed to a mutual

waiver of cross of all witnesses and entry of evidence into the record by stipulation. *Id.* at Paragraph 14.

5. On June 26, 2019, the Joint Petitioners notified ALJs Haas and Myers that a settlement resolving all issues in this matter had been reached and proposed that a Joint Petition for Settlement and Statements in Support be filed on or before July 2, 2019. Accordingly, Steelton hereby submits this Statement in Support to the Commission for its consideration. *Id.* at Paragraph 15.

## II. STATEMENT IN SUPPORT

5. The Commission has a strong policy favoring settlements. As set forth in the Commission'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 negotiations to settle the issues raised in this proceeding. 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 and is supported by affirmative public benefits 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 reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.

- d. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving PAWC.
8. Further, the Joint Petition specifically satisfies the concerns of Steelton by:
    - a. Authorizing PAWC to acquire Steelton's water system assets, as proposed in the Asset Purchase Agreement appended to PAWC's Application, and as modified by the Joint Petition;
    - b. Affirming that the Asset Purchase Agreement, as amended by the First Amendment to the Asset Purchase Agreement: (1) establishes a \$21,750,000 amended purchase price for Steelton's water system assets (which amounts to 97% of the \$22,500,000 purchase price proposed in PAWC's as-filed application); and (2) is reasonable, legal, and valid such that the Commission should grant a Certificate of Filing in accordance with Section 507 of the Code and any other necessary approvals;<sup>1</sup> and
    - c. Committing PAWC to apply gradualism for any rate increase proposed by PAWC for the acquired Steelton customers in PAWC's next base rate case by requiring that such proposed rate increase be the lesser of cost-of-service for the Steelton system or 1.4x the current Steelton rates.

9. Steelton supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected as proposed by the ALJs or the Commission, Steelton will resume its litigation position, which may differ from the terms of the Joint Petition.

10. As set forth above, Steelton submits that the Joint Petition is in the public interest and adheres to Commission policies promoting negotiated settlements. The Joint Petition was achieved after numerous negotiations. Although the Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the Parties, as well as 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. The Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Joint Petition. Approval of the Joint Petition will permit the Commission and Joint Petitioners to

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<sup>1</sup> Joint Petition, Paragraph 34.

avoid incurring the additional time, expense, and uncertainty of further current litigation in this proceeding. *See* 52 Pa. Code § 69.391.

**WHEREFORE**, the Steelton Borough Authority respectfully requests that the Administrative Law Judges and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Approval of Settlement of All Issues without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to the Steelton Borough Authority

Dated: July 2, 2019

## **APPENDIX J**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Application of Pennsylvania-American Water Company Pursuant to Sections 507, 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water Assets of Steelton Borough Authority :  
: Docket No. A-2019-3006880  
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OCA STATEMENT IN SUPPORT OF  
JOINT PETITION FOR APPROVAL  
OF SETTLEMENT OF ALL ISSUES

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of All Issues (Settlement) respectfully requests that the terms and conditions of the Settlement be approved by the Pennsylvania Public Utility Commission (Commission).

I. INTRODUCTION

On January 2, 2018, Pennsylvania American Water Company (PAWC or Company) filed an Application pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority (Authority). By Secretarial Letter dated January 17, 2019, the Commission conditionally accepted the Application with a condition requiring individual notice to be provided to PAWC's existing water customers and requiring PAWC to ensure that concurrent notice was provided to all current Steelton Borough Authority water customers, along with newspaper notice in the Steelton Borough area. Upon completion, PAWC was directed to file a verification that the notice has been provided.

On January 22, 2019, the Steelton Borough Authority filed a Petition to Intervene. On January 23, 2019, the Bureau of Investigation & Enforcement filed a Notice of Appearance. On January 24, 2019, the OCA filed a Petition for Appeal of Staff Action and/or Determination of Finality, which PAWC answered on January 28, 2019. The Authority filed an Answer on February 4, 2019. The OCA filed a Protest and Public Statement on February 5, 2019. On February 6, 2019, the Office of Small Business Advocate filed a Notice of Intervention. By Secretarial Letter dated February 15, 2019, the Commission informed the OCA that the docket was inactive and that the petition and related answers would be addressed at the time the docket becomes active. On February 19, 2019, PAWC filed an amended pro forma tariff.

On March 8, 2019, PAWC filed a letter stating that it intended to begin serving individual notice of the Application to customers. On April 15, 2019, PAWC filed a letter, with an attached verification, stating that it had complied with the notice requirements contained in the January 17, 2019 Secretarial letter. By Secretarial Letter dated April 16, 2019, the Commission informed PAWC that it had accepted the Application for filing. Notice of a prehearing conference was served on April 17, 2019. A prehearing conference order was issued on April 18, 2019 directing the parties to submit a prehearing conference memorandum by 12:00 p.m. on May 15, 2019 and, *inter alia*, establishing discovery rule modifications.

A prehearing conference was held on May 17, 2019 before Administrative Law Judges Steven K. Haas and Benjamin J. Myers, at which time a litigation schedule was adopted. In accordance with that schedule, the OCA and other parties submitted the following testimony:

May 22, 2019 - Direct Testimony

Ashley E. Everette (OCA Statement 1) and Glenn Watkins (OCA Statement 2)

Anthony Spadaccio (I&E Statement 1) and Ethan H. Cline (I&E Statement 2)



May 30, 2019 – Rebuttal Testimony

Scott D. Fogelsanger (PAWC Statement 1R), David R. Kaufman (PAWC Statement 2R), John R. Cox (PAWC Statement 3R) and Jerome C. Weinert (PAWC Statement 5FR)

Douglas E. Brown (Authority Statement 1R), Dylan W. D’Ascendis (Authority Statement 2R) and Dylan W. D’Ascendis (Authority Statement 2SR)

June 6, 2019 – Surrebuttal Testimony

Ashley E. Everette (OCA Statement 1S) and Glenn A. Watkins (OCA Statement 2S)

Anthony Spadaccio (I&E Statement 1SR) and Ethan H. Cline (I&E Statement 2SR)

An evidentiary hearing was held on June 10, 2019, at which the parties informed ALJs Haas and Myers that they were working toward a settlement and the foregoing testimony was entered into the record by stipulation. On June 26, 2019, the Joint Petitioners notified the Presiding Officers that a settlement resolving all issues had been reached and proposed to submit a Joint Petition for Settlement by July 2, 2019.

## II. TERMS AND CONDITIONS OF JOINT PETITION FOR SETTLEMENT

The terms of the proposed Settlement address matters raised by the OCA in its testimony, including: the ratemaking rate base to be incorporated into the acquiring utility’s revenue requirement, plans to replace the Steelton water treatment plant and the rate impact for existing PAWC water customers and the acquired customers; the adequacy of and accuracy of customer notices; and the application of the Distribution System Improvement Charge (DSIC), as follows:

### 1. Ratemaking Rate Base, Settlement ¶21.

As part of this proceeding, PAWC sought to establish the ratemaking rate base for this acquisition pursuant to Section 1329 of the Public Utility Code, 66 Pa. C.S. § 1329. Based on appraisals presented by PAWC and the Authority, PAWC sought a ratemaking rate base of \$22.34 million, which was slightly less than the \$22.5 million price that PAWC agreed to pay for

the Steelton Borough Authority water system. The OCA's recommended adjustments to the appraisals resulted in an average appraisal amount of \$17.0 million. OCA St. 1S at 27. The parties have agreed in the Settlement that the ratemaking rate base should be \$20.5 million. Settlement ¶ 21. This number represents a compromise of the parties' positions and, in the OCA's judgement, represents a result that is within the range of likely outcomes if the case were fully litigated. This provides some mitigation of the rate impact of the transaction for existing PAWC customers and the acquired Steelton Borough customers by reducing overall costs.

2. Cost of Service Study and Rates, Settlement ¶¶ 23, 25.

In this proceeding, the OCA identified the need for a separate cost of service study for the Steelton Borough Authority system in the first base rate case in which PAWC includes the Authority's assets in rate base. OCA St. 1 at 13-14. A separate cost of service study will provide information to establish rates that reflect the costs for that system. *Id.* at 14.

The Settlement addresses these issues. Paragraph 23 provides that, in its first base rate case following closing in which PAWC includes the Authority assets in rate base, PAWC will provide a separate cost of service study for the Steelton Borough Authority system. Paragraph 25 provides that, in the same rate case, PAWC will propose to move the Steelton system to its cost of service (based on the separate cost of service study) or 1.4 times the current Steelton rates, whichever is lower, provided that such rates for Steelton customers do not exceed the proposed Zone 1 water rate.<sup>1</sup> These settlement terms will provide a means for the parties to use the cost of service data to set rates for those customers that differ, as appropriate, from rates established for other water customers. This will help to mitigate the potential level of subsidy by

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<sup>1</sup> The current average Steelton rate for a residential customer is \$30.72 per month, based on 3,630 gallons usage. OCA St. 1 at 23; Settlement, App. B.

PAWC's other water customers and applies the ratemaking principle of gradualism to rates set for customers in the Steelton service area.

3. Distribution System Improvement Charge (DSIC), ¶27.

The parties to the proposed Settlement agreed that PAWC may apply the DSIC to customers in the Steelton service area prior to the first base rate case in which the system's plant in service is incorporated into rate base pursuant to 66 Pa. C.S. § 1329(d)(4) if certain conditions are met. In particular, Paragraph 27 states that PAWC will revise its Long Term Infrastructure Improvement Plan (LTIIP) to include the Steelton system and related projects before it begins charging the DSIC to those customers. PAWC agrees that the projects for Steelton customers are in addition to the projects already included in its approved LTIIP. This settlement term allows for Steelton customers to begin contributing, up to 7.5% of their total water bill, toward DSIC-eligible capital projects and helps to ensure that DSIC investment is not shifted away from PAWC's existing water service areas during the amended LTIIP period.

4. Customer Notice, Settlement ¶¶ 35, 36.

During the billing cycle beginning March 11, 2019, PAWC provided one notice to its existing water customers and the Steelton customers, which stated that the acquisition of the Steelton system could increase the monthly water bill for a residential customer by \$0.12. The OCA raised concerns whether the notice provided by PAWC to the Steelton customers was adequate and accurate because:

(1) The calculated rate impact was not based on a Steelton customer bill; it was based on current rates of a current PAWC Zone 1 customer. Steelton's current water rates are \$30.72 per month for 3,630 gallons, as compared to the \$60.85 that PAWC customers currently pay for the same usage. OCA St. 1 at 22-23.

(2) The calculated rate impact did not reflect PAWC's stated intention to move Steelton's rates toward single-tariff pricing. OCA St. 1 at 23-24.

(3) The notice did not inform customers they had the opportunity to request a public input hearing on the proposed acquisition, pursuant to 52 Pa. Code § 53.45. OCA St. 1 at 24.

The Settlement addresses these issues. Paragraph 35 provides that PAWC will mail a new notice to current Steelton customers on July 2, 2019, which informs them of the proposed Settlement<sup>2</sup> and the rate impact that could result if, in PAWC's next base rate case, rates for those customers are increased 1.4 times the current Steelton rates. Settlement, App. B. The notice shows that the bill of an average residential customer paying \$30.72 per month would increase by \$12.29 (or 40%), to \$43.01.<sup>3</sup> Id. This provides more accurate information regarding the level of rate increase that may result from PAWC's acquisition of the Steelton system.

Paragraph 36 provides templates for customer notices and formulas for the calculation of rate impact (depending whether the recipient is a customer of the Seller or PAWC and whether it is a water or wastewater acquisition) that PAWC will use in future acquisition proceedings that the Company files under Section 1329 prior to the filing of its next base rate case. Settlement, Apps. C-G. The notices will provide more accurate information regarding the level of rate increase that may result from PAWC's acquisition of additional water or wastewater systems and inform customers of their option to request a public input hearing on the proposed acquisition. Further, the creation of templates for the notices preemptively addresses common challenges to

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<sup>2</sup> The July 2, 2019 notice provides a link to the proposed Settlement, which is posted on PAWC's website at: [www.pennsylvaniaamwater.com/steeltonsettlement](http://www.pennsylvaniaamwater.com/steeltonsettlement). In addition, the July 2, 2019 notice informs Steelton customers of actions they can take in response to the Settlement (support, object or do nothing) and provides phone numbers to contact at PAWC and the Office of Consumer Advocate for more information.

<sup>3</sup> The 1.4 times increase is based on Paragraph 25, which provides that, in its next base rate proceeding, PAWC will propose to move the Steelton system to its cost of service (based on the separate cost of service study) or 1.4 times the current Steelton rates, whichever is lower, provided that such rates for Steelton customers do not exceed the proposed Zone 1 water rate. Settlement, Paragraph 25.

the notices that might otherwise be litigated and, thus, may help to avoid the necessity of sending more than one notice to the same group of customers in future PAWC Section 1329 proceedings.

PAWC's next base rate case will be the first base rate case to include ratemaking rate base established under Section 1329. As such, Paragraph 36 recognizes that it may be necessary to revisit the template for notices and rate impact calculations when the actual impact of PAWC's acquisitions on revenue requirement and rates for customers in systems acquired under Section 1329 and all other PAWC water and wastewater customers is known. Paragraph ¶ 36; Settlement, App. G.

Paragraph 36 also preserves the parties' rights to challenge whether the notices conform to the templates and rate impact calculations, to ensure that customers receive the level of notice agreed to in this Settlement.

5. Low Income Program Outreach, Settlement ¶ 26.

PAWC has agreed to provide information about PAWC's low-income programs in a bill insert and in a welcome letter to the Steelton system customers, within 90 days of the closing of the transaction. The information will describe the available programs, eligibility requirements and contact information for PAWC. The OCA submits that this provision is reasonable and will provide timely information that may be helpful to some of the Steelton system customers.

6. Allowance for Funds Used During Construction (AFUDC), Settlement ¶28.

Joint Petitioners reserve their rights to litigate future claims for AFUDC, deferral of depreciation on post-acquisition projects pursuant to Section 1329(f), and transaction costs in future rate cases. OCA's assent to this agreement should not be construed to operate as preapproval of PAWC's future requests. This provision preserves all parties' positions in future rate cases.

7. Deferral of Depreciation for Post-Acquisition Improvements, Settlement ¶29.

Joint Petitioners reserve their rights to litigate claims in future rate cases that PAWC may make for deferred depreciation related to post-acquisition improvements not recovered through the DSIC for book and ratemaking purposes. This provision preserves all parties' positions in future rate cases.

8. Transaction and Closing Costs, Settlement ¶ 30.

Joint Petitioners reserve their rights to litigate claims in future rate cases that PAWC may make for transaction and closing costs associated with the acquisition. This provision preserves all parties' positions in future rate cases.

9. Investigation of Alternatives to Treatment Plant Replacement, Settlement ¶ 31.

Paragraph 31 provides that, in its next base rate case that includes a claim for recovery of costs related to a new Steelton water treatment plant, if PAWC constructs such plant, PAWC will provide a report on the cost and benefits of total replacement of the plant compared to other alternatives. This information will facilitate review by the Commission and interested parties of PAWC's chosen action to determine whether the costs are properly recovered in rates.

10. Discovery Issue, Settlement ¶ 34.

In response to an interrogatory by the OCA, the Authority declined to provide copies of the responses to its Requests for Proposals for the sale of the Steelton system assets, which were declined or not accepted. The matter was not certified to the Commission for interlocutory review and thus remained to be addressed as part of the Commission's final order in this proceeding.<sup>4</sup> Paragraph 34 reflects that this matter was resolved by the Authority's provision of the requested proposals to the statutory advocates, under confidential cover.

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<sup>4</sup> Order Denying Petition for Certification (issued June 3, 2019).

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement should be approved.

Respectfully Submitted,



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Dated: July 2, 2019

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## **APPENDIX K**

**(to be provided by I&E at a later date)**



## **APPENDIX L**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Application and related filings of</b>	<b>:</b>	
<b>Pennsylvania-American Water Company</b>	<b>:</b>	
<b>Sections 507, 1102(a), and 1329 of the</b>	<b>:</b>	
<b>Pennsylvania Public Utility Code, 66 Pa.</b>	<b>:</b>	
<b>C.S. §§ 507, 1102(a), 1329, for approval of</b>	<b>:</b>	
<b>its acquisition of water system assets of the</b>	<b>:</b>	<b>Docket No. A-2019-3006880</b>
<b>Steelton Borough Authority, related water</b>	<b>:</b>	
<b>service rights, fair market valuation</b>	<b>:</b>	
<b>ratemaking treatment, deferral of the post-</b>	<b>:</b>	
<b>acquisition improvement costs, and certain</b>	<b>:</b>	
<b>contract with municipal corporations</b>	<b>:</b>	

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**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF SETTLEMENT  
OF ALL ISSUES**

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**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. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of Pennsylvania-American Water Company (“PAWC” or the “Company”) and Steelton Borough Authority (“Steelton”) are adequately represented and protected.

## **II. PROCEDURAL BACKGROUND**

PAWC filed an Application (“Application”) pursuant to Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. §§1102(a), 1329, on January 2, 2019, and amended on February 19, 2019. In its Application, PAWC requested approval of the transfer, by sale, of substantially all of Steelton’s assets, properties and rights related to its water system (“Steelton System”) to PAWC.

Steelton filed a Petition to Intervene on January 22, 2019.

The Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance on January 23, 2019.

On February 5, 2019, the Office of Consumer Advocate (“OCA”) filed a Protest and Public Statement.

On February 6, 2019, the OSBA filed a Notice of Appearance, Notice of Intervention, and Public Statement.

On April 16, 2019, the Commission issued a Secretarial Letter accepting PAWC’s Application for filing.

A Prehearing Conference was held on May 17, 2019, before Administrative Law Judge (“ALJ”) Steven K. Haas and ALJ Benjamin J. Myers, at which time the parties agreed upon a procedural schedule and discovery modifications, memorialized in a prehearing order issued on April 18, 2019.

Subsequently, the parties engaged in extensive formal and informal discovery.

The OCA and I&E served direct testimony on May 22, 2019. The OSBA did not submit direct testimony.

PAWC served rebuttal testimony on May 22, 2019.

PAWC and Steelton served rebuttal testimony on May 30, 2019.

The OCA and I&E served surrebuttal testimony on June 6, 2019.

PAWC served its rejoinder outline on June 7, 2019.

The parties engaged in settlement discussions. A hearing was held on June 10, 2019, at which time evidence was submitted by stipulation and all parties agreed to waive cross-examination. At the June 10, 2019 hearing, the parties notified ALJs Haas and Myers that they were working towards settlement of all issues.

Through subsequent negotiations, the parties reached a settlement of all issues.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Approval of Settlement of All Issues (“Settlement”). The OSBA submits this statement in support of the Settlement.

### **III. STATEMENT IN SUPPORT OF SETTLEMENT**

Upon further review of the Company’s Application and subsequent discovery, the OSBA determined that the issues initially outlined in its prehearing memorandum had been adequately addressed. Thus, the OSBA did not submit testimony in this proceeding.

Although the OSBA did not submit testimony, it does support the resolution outlined in the Settlement. In particular, the OSBA has reviewed and analyzed the testimony related to the fair market value of the Steelton System, and agrees with the figure to be used for ratemaking rate base purposes presented in Paragraph 21 of the Settlement. Additionally, the OSBA does not oppose the terms in the Settlement related to Steelton Customer Rates (*See* Paragraphs 25a. through 25.c), as the OSBA has preserved its right to fully address and make rate proposals concerning the Steelton System in the first base rate case following acquisition. The OSBA has concluded that the

settlement is reasonable and in the interests of the Company's and Steelton's Small C&I customers.

**IV. CONCLUSION**

Settlement of 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 Company and Steelton, but ultimately by the Company's and Steelton'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.

For the reasons set forth in the Settlement, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Settlement and respectfully requests that ALJs Haas and Myers and the Commission approve the Settlement in its entirety without modification.

Respectfully submitted,



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Dated: July 1, 2019