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File #: 174732

June 30, 2020

VIA ELECTRONIC FILING

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

**Re: Joint Application of Aqua America, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC and Peoples Gas Company LLC for All of the Authority and the Necessary Certificates of Public Convenience to Approve a Change in Control of Peoples Natural Gas Company LLC and Peoples Gas Company LLC by Way of the Purchase of All of LDC Funding, LLC's Membership Interests by Aqua America, Inc.
Docket Nos. A-2018-3006061, A-2018-3006062 and A-2018-3006063**

Dear Secretary Chiavetta:

By Order ("Order") entered January 24, 2020, in the above-captioned proceeding, the Pennsylvania Public Utility Commission ("Commission") approved the sale of Peoples Natural Gas Company LLC ("Peoples Natural Gas") and Peoples Gas Company LLC ("Peoples Gas") to Aqua America, Inc., the parent company of Aqua Pennsylvania, Inc. (Aqua PA). Aqua Pennsylvania Wastewater, Inc. (Aqua PA Wastewater") is a wholly-owned subsidiary of Aqua PA. Subsequent to the entry of the Commission's Order, Aqua America, Inc. changed its name to Essential Utilities, Inc. ("Essential"). Closing on the sale occurred on March 16, 2020.

The Commission's Order approved, with certain modifications, a Joint Petition for Approval Of Non-Unanimous, Complete Settlement Among Most Parties ("Settlement"). As relevant to this letter, the Settlement provided for two rate credits to be provided to customers. The first is to be a \$13 Million rate credit to be provided to all Peoples Natural Gas and Peoples Gas customers. This credit is referred to as the "Goodwin Tombaugh rate credit." The second is to be a \$10 Million rate credit to be provided to Peoples Natural Gas, Peoples Gas, Aqua PA and Aqua PA Wastewater customers. This

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credit is referred to as the “general rate credit.” The credits are to be provided no later than the end of 2020. Settlement ¶ 33, 41, as modified by the Commission’s Order, at p. 212. Ordering Paragraph 9 of the Commission’s Order further directed that the companies:

shall, within sixty (60) days prior to the rate credits appearing on customers' bills, file with the Secretary of the Commission, with a copy served on the Commission's Bureau of Technical Utility Services, a document detailing how the rate credits will be calculated and applied to customers' bills.

In compliance with the Commission’s Order, attached as Appendix “A” is a description of how the rate credits will be calculated and applied to customers’ bills of the four utilities.

As indicated in Appendix “A,” the companies propose different bill dates for application of the bill credits, with the credits to Aqua PA and Aqua PA Wastewater customers to appear on the bills issued in September 2020, and the credits to Peoples Natural Gas and Peoples Gas customers to appear on the bills issued in November 2020. The later credit date for the gas company customers is timed to help offset increased bills resulting from winter temperatures.

This transmittal letter and attachment are being served on all parties to the above-referenced proceeding, as well as to the Commission’s Bureau of Technical Services. Any questions regarding this filing may be directed to the undersigned.

Respectfully yours,



Michael W. Hassell

MWH/kl
Attachment

cc: Kimberly Joyce
Andrew Wachter
Lynda Petrichevich
Joe Gregorini
William Roberts, II
Carol Scanlon
Paul Diskin, Director, TUS
Certificate of Service

APPENDIX A

Acquisition Rate Credit Methodology

Note: On page 1 of the Settlement Footnote No. 1 defines Aqua as Aqua PA and Aqua PA Wastewater and Footnote No. 2 defines the Peoples Companies as Peoples Natural Gas and Peoples Gas.

Goodwin Tombaugh Rate Credit - \$13 million

Requirement:

Paragraph #33 of the acquisition settlement as modified in the Commission's Final Order entered on January 24, 2020 requires that a rate credit be provided as follows:

Complete rehabilitation of the bare steel in the system is estimated to cost \$120 million in present dollars. Up to \$120 million for the rehabilitation of the bare steel in the system is eligible for full recovery subject to Commission scrutiny and approval in a base rate proceeding. During the repair and replacement of the system, if it becomes apparent that this estimate is no longer sufficient, based on the actual extent of the rehabilitation effort, the Peoples Companies and the statutory advocates will meet to discuss. If an agreement cannot be reached, the Peoples Companies will submit a filing to the Commission for decision for those amounts over the \$120 million. All parties will retain their rights to either challenge or support such a filing. Regardless of the actual capital spent to rehabilitate the systems, Aqua America agrees to provide all Peoples Companies' customers a rate credit of \$13 million. The rate credit will appear on the Peoples Companies' customers' bills within a prompt and reasonable time period following the closing date of the Proposed Transaction, but in no event later than the end of the year in which the Proposed Transaction is closed. The Joint Applicants will file a written notification with the Commission's Secretary to inform the Commission when the rate credit begins appearing on customers' bills.

Additionally, per Ordering Paragraph No. 9 (b) of the same Order:

That pursuant to the time frames set forth in modified Settlement Paragraph Numbers 33 and 41, Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Peoples Gas Company, LLC shall, within sixty (60) days prior to the rate credits appearing on customers' bills, file with the Secretary of the Commission, with a copy served on the Commission's Bureau of Technical Utility Services, a document detailing how the rate credits will be calculated and applied to customers' bills.

Peoples Companies Calculation Methodology - Goodwin Tombaugh Rate Credit

The credit will be calculated as follows:

- This credit will be provided to Peoples Natural and Peoples Gas Company customers only.
- The credit will be allocated by class and by company based upon the total revenue, net of gas costs, from the most recent base rate cases (Peoples Natural at Docket No. R-2018-3008618 and Peoples Gas at Docket No. R-2013-2355886) as follows:

Peoples Natural	Allocation %
Residential	62.10%
SGS	7.58%
MGS	9.81%
LGS	8.03%
Peoples Gas	
Residential	9.00%
SGS	1.19%
MGS	1.12%
LGS	1.16%
	100.00%

- The per customer credit for the Residential, Small General Service and Medium General Service classes will be calculated by taking the allocated rate credit dollar amount divided by the number of customers in the class.
- The per customer credit for the Large General Service class will be calculated customer by customer based upon actual 2019 revenue net of gas costs.
- Customers on the low income Customer Assistance Program (“CAP”) will receive the rate credit as a credit to their billed usage. As with other credits to their billed usage, such credit will reduce the CAP Credit that they receive, thus it will not impact their “ask to pay” amount. The reasoning behind this approach is that the basis for this credit is to offset future costs related to Goodwin Tombaugh. Since CAP customers do not pay for rate increases and only pay a percentage of their income, future costs related to Goodwin Tombaugh will not be borne by low income customers on CAP.
- Active customers near the date of issuing the credit will be used to develop the per customer credit to ensure that we capture customers active as close to the actual rate credit date as possible.

This methodology is consistent with the settlement approach to refund Rider TCJA in the most recent Peoples Natural Gas base rate case at Docket No. R-2018-3006818.

Credit Timing - Goodwin Tombaugh Rate Credit

The Peoples companies intend to provide the credit in early November 2020. The reason for waiting until then is to provide the credit to customers just prior to winter in order to help offset the increase in usage that occurs beginning in November.

General Rate Credit - \$10 million

Requirement:

Paragraph #41 of the acquisition settlement as modified in the Commission's Final Order entered on January 24, 2020 requires that a rate credit be provided as follows:

Separate and apart from the \$13 million rate credit provided in Paragraph 33 above, Aqua America will provide a one-time \$10 million rate credit to the Peoples Companies' natural gas customers, Aqua PA Water customers, and Aqua PA Wastewater customers. The rate credit will appear on customer bills within a prompt and reasonable time period following the closing date, but in no event later than the end of the year in which the Proposed Transaction is closed. The Joint Applicants will file a written notification with the Commission's Secretary to inform the Commission when the rate credit begins appearing on customers' bills.

Additionally, per Ordering Paragraph No. 9 (b) of the same Order:

That pursuant to the time frames set forth in modified Settlement Paragraph Numbers 33 and 41, Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC, and Peoples Gas Company, LLC shall, within sixty (60) days prior to the rate credits appearing on customers' bills, file with the Secretary of the Commission, with a copy served on the Commission's Bureau of Technical Utility Services, a document detailing how the rate credits will be calculated and applied to customers' bills.

Initial Allocation Methodology - General Rate Credit

The initial allocation of the credit will be calculated as follows:

- This credit will be provided to customers of Peoples Natural, Peoples Gas, Aqua PA Water and Aqua PA Wastewater.
- The credit will initially be allocated between the Companies (Peoples Natural, Peoples Gas, Aqua PA Water and Aqua PA Wastewater) by number of customers as of June 30, 2020.

Peoples Companies:

Peoples Calculation Methodology - General Rate Credit

Following the allocation between the Peoples and Aqua Companies, the respective credit for Peoples Natural and Peoples Gas utility customers will be calculated and applied as follows:

- The credit will then be allocated by class based upon the total revenue, net of gas costs, from the most recent base rate cases (Peoples Natural at Docket No. R-2018-3008618 and Peoples Gas at Docket No. R-2013-2355886) as follows:

Peoples Natural	Allocation %
Residential	62.10%
SGS	7.58%
MGS	9.81%
LGS	8.03%
Peoples Gas	
Residential	9.00%
SGS	1.19%
MGS	1.12%
LGS	1.16%
	100.00%

- The per customer credit for the Residential, Small General Service and Medium General Service classes will be calculated by taking the allocated rate credit dollar amount divided by the number of customers in the class.
- The per customer credit for the Large General Service class will be calculated customer by customer based upon actual 2019 net revenue.
- Similar to the \$13 million Goodwin Tombaugh credit above, customers on the low-income Customer Assistance Program (“CAP”) will receive the rate credit as a credit to their billed usage. As with other credits to their billed usage, such credit will reduce the CAP Credit that they receive, thus it will not impact their “ask to pay” amount.
- Active customers near the date of issuing the credit will be used to develop the per customer credit to ensure that we capture customers active as close to the actual rate credit date as possible.

This methodology is consistent with the settlement approach to refund Rider TCJA in the Peoples Natural Gas recent base rate case at Docket No. R-2018-3008618.

Peoples Credit Timing - General Rate Credit:

The companies intend to provide the credit in November 2020. The reason for waiting until then is to provide the credit to customers just prior to winter in order to help offset the increase in usage that occurs beginning in November.

Aqua Companies:

Aqua PA Calculation Methodology - General Rate Credit:

Following the allocation between the Peoples and Aqua Companies, the respective credit for Aqua Pennsylvania Water and Wastewater utility customers will be calculated and applied as follows:

- The credit will be allocated across the customer classes as shown in the Aqua PA’s most recent base rate case Proof of Revenue in Docket No. R-2018-3003558 and Docket No. R-2018-3003561.
- The customer classes for Water and Wastewater Utility service are as follows:

Water	Allocation %
Residential	66.17%
Commercial	24.07%
Industrial	3.55%
Public	1.75%
Fire - Public/Private	4.46%
	100.00%

Wastewater	Allocation %
Residential	76.82%
Commercial	22.19%
Industrial	0.00%
Public	0.99%
	100.00%

- The allocated credit dollar amount by customer class will be equated to a flat rate credit applied equally to each customer connection in the class.
- Active customers near the date of issuing the credit will be used to develop the per customer credit to ensure that we capture customers active as close to the actual rate credit date as possible.

Aqua Credit Timing - General Rate Credit:

The credit will be applied to the customer’s accounts in September 2020.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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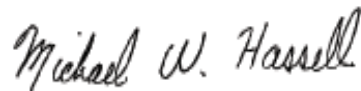
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Date: June 30, 2020

Michael W. Hassell