

V. RATE BASE

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.1

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

1. Provide a schedule showing the measures of value and the rates of return at the original cost in the current case. All claims made on this exhibit should be cross-referenced to appropriate exhibits.

Answer: Please refer to rate base page contained in Exhibit No. 3-A.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.2

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

2. If a claim is made for construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the historic and future test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project. This exhibit should be updated at the conclusion of these proceedings.

Answer: There is no claim being made for construction work in progress in this filing.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.3

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

3. If a claim is made for non-revenue producing construction work in progress, include, in the form of an exhibit, the summary page from all work orders, amount expended at the end of the historic and future test year and anticipated in-service dates. Indicate if any of the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include a list of items needed to complete each project, such as landscaping and fencing, and estimated total amounts to be spent to complete each project. These exhibits should be updated at the conclusion of these proceedings.

Answer: The Company's initial claim does not include any non-revenue producing construction work in progress.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Plant Held for Future Use

FR V.4

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

4. If a claim is made for plant held for future use, supply the following:
 - a. A brief description of the plant or land site and original its cost.
 - b. Expected date of use for each item claimed.
 - c. Explanation as to why it is necessary to acquire each item in advance of its date of use.
 - d. Date when each item was acquired.
 - e. Date when each item was placed in the plant held for future use.

Answer: The Company has made no claim for Utility Plant Held for Future Use in its rate base elements.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Fuel Stocks

FR V.5

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

5. If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances, noting quantity and price for the fuel inventories by type of fuel for the thirteen months prior to the end of the historic test year by location, station, etc. Explain the method of determining the claim if other than that described above.

Answer: None

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.6

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

6. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

Answer: See Materials and Supplies Exhibit No. 3-A.
See Cash Working Capital in Exhibit No. 3-A.
See Accrued and Prepaid Taxes in Exhibit No. 3-A.
See Cash Working Capital – Interest and Dividends Exhibit No. 3-A.
See Deferred Taxes in Exhibit No. 3-A.
For further explanation please see the Direct Testimony of Company witness John R. Cox.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Working Capital Items

FR V.7

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

7. Provide schedules and data in support of the following working capital items:
- a. Prepayments—List and identify all items
 - b. Federal Income Tax accrued or prepaid
 - c. Pennsylvania State Income Tax accrued or prepaid
 - d. Pennsylvania Capital Stock Tax accrued or prepaid
 - e. Pennsylvania Public Utility Realty Tax accrued or prepaid
 - f. Payroll taxes accrued or prepaid
 - g. Any adjustments related to the above items for ratemaking purposes.

Answer:

- a. Please refer to the FR V.8 & FRV 9.
- b. Please refer to the Accrued and Prepaid Taxes Exhibit No. 3-A.
- c. Please refer to the Accrued and Prepaid Taxes Exhibit No. 3-A.
- d. Not applicable
- e. Please refer to the Accrued and Prepaid Taxes (Property Taxes) Exhibit No. 3-A.
- f. Please refer to the FR V.8.
- g. Please refer to Exhibit No. 3-A.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.8

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

8. Supply an exhibit supporting the claim for cash working capital requirement based on the lead-lag method.
 - a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days.

Answer: Please refer to attached exhibit for a calculation of the revenue lag which was based on total sales of PA American Water. The expense lag days utilized in this filing are from the most recent PA American Water 2009 water rate filing at Docket No. R-2009-2097323 and a summary of these days are attached.

PENNSYLVANIA-AMERICAN WATER COMPANY

CALCULATION OF REVENUE LAG DAY

		MONTHLY
SERVICE PERIOD	(1)	15.2
BILLING LAG	(2)	4.0
COLLECTION LAG	(3)	31.34
TOTAL		50.5
(1) DAYS PER YEAR (2009)		365
CUSTOMER BILLINGS PER YEAR		12
AVG DAYS PER BILLING PERIOD		30.41667
DIVIDED BY		2
SERVICE PERIOD LAG		15.2

(2) The billing lag represents the time period between when the meter is read and the bill is mailed. Four days is the number established in prior rate proceedings.

(3) The collection lag is calculated by dividing the average accounts receivable balance per day by the average billed revenue per day.

PENNSYLVANIA AMERICAN WATER
 2009 REVENUE LAG STUDY-COLLECTION LAG
 METHOD-AVERAGE ACCOUNTS RECEIVABLE BALANCE
 SOURCE-DAILY BALANCE REPORT

DAY	Jan-08	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	\$34,849,823	\$35,810,199	\$36,109,113	\$35,964,738	\$37,092,755	\$36,209,385	\$36,958,703	\$37,060,775	\$38,414,725	\$38,315,590	\$35,652,639	\$33,903,935
2	\$38,475,820	\$36,130,653	\$36,109,113	\$36,242,627	\$37,092,755	\$36,161,960	\$37,126,481	\$37,060,775	\$37,805,475	\$38,457,570	\$35,652,639	\$35,433,738
3	\$38,475,820	\$37,021,280	\$35,943,497	\$36,914,924	\$37,092,755	\$36,303,168	\$37,126,481	\$37,060,775	\$38,851,497	\$38,457,570	\$36,767,796	\$35,954,718
4	\$38,475,820	\$37,712,855	\$35,984,735	\$36,914,924	\$37,092,755	\$36,849,416	\$37,126,481	\$37,788,603	\$38,851,497	\$38,457,570	\$37,138,901	\$35,954,718
5	\$38,475,820	\$38,103,034	\$36,160,764	\$36,914,924	\$36,128,279	\$37,385,379	\$37,126,481	\$37,788,603	\$38,851,497	\$38,457,570	\$37,138,901	\$36,618,534
6	\$35,899,635	\$38,123,992	\$36,448,670	\$36,914,924	\$36,339,980	\$37,385,379	\$37,126,481	\$37,494,813	\$38,851,497	\$37,864,505	\$37,737,357	\$36,618,534
7	\$35,899,635	\$38,123,992	\$36,448,670	\$34,423,459	\$36,363,235	\$37,385,379	\$34,436,134	\$38,307,650	\$38,851,497	\$37,651,575	\$37,737,357	\$36,618,534
8	\$37,016,887	\$38,123,992	\$36,448,670	\$34,423,459	\$37,161,979	\$37,385,379	\$36,417,045	\$38,307,650	\$38,851,497	\$38,454,565	\$37,737,357	\$36,422,251
9	\$37,786,782	\$38,123,992	\$36,448,670	\$36,665,835	\$37,161,979	\$36,476,256	\$37,026,238	\$38,307,650	\$38,851,497	\$38,684,215	\$37,737,357	\$36,652,836
10	\$37,786,782	\$36,969,257	\$35,581,639	\$37,235,258	\$37,161,979	\$37,031,256	\$37,026,238	\$38,307,650	\$37,566,292	\$38,684,215	\$37,142,135	\$37,829,667
11	\$37,786,782	\$37,828,280	\$35,932,888	\$37,235,258	\$37,161,979	\$38,071,528	\$37,026,238	\$35,907,097	\$38,191,320	\$38,684,215	\$37,757,028	\$38,838,958
12	\$36,610,750	\$38,733,245	\$36,391,692	\$37,235,258	\$36,689,555	\$38,694,414	\$37,026,238	\$38,061,314	\$38,191,320	\$40,902,847	\$36,446,460	\$38,838,958
13	\$37,312,778	\$39,777,668	\$37,258,496	\$36,844,616	\$37,073,801	\$38,694,414	\$37,026,238	\$40,005,854	\$38,191,320	\$39,144,712	\$36,446,460	\$38,838,958
14	\$38,422,862	\$39,777,668	\$37,258,496	\$35,500,532	\$37,990,132	\$38,694,414	\$35,037,660	\$40,931,478	\$38,191,320	\$39,328,548	\$39,150,661	\$38,838,958
15	\$39,332,484	\$39,777,668	\$37,258,496	\$35,987,645	\$38,625,473	\$38,694,414	\$38,128,458	\$40,931,478	\$38,822,518	\$40,053,569	\$39,150,661	\$39,155,923
16	\$40,180,428	\$41,765,828	\$37,258,496	\$36,663,795	\$38,625,473	\$38,654,973	\$39,446,485	\$40,931,478	\$39,654,101	\$40,053,569	\$39,150,661	\$40,095,442
17	\$40,180,428	\$40,516,030	\$37,082,138	\$37,711,554	\$38,625,473	\$39,631,580	\$40,297,234	\$40,960,503	\$40,656,618	\$40,593,137	\$38,936,042	\$41,465,780
18	\$42,278,174	\$40,816,194	\$38,777,733	\$37,711,554	\$38,369,304	\$40,842,522	\$40,297,234	\$41,647,881	\$41,357,103	\$40,593,137	\$39,382,588	\$42,516,263
19	\$41,865,892	\$41,121,835	\$39,470,410	\$37,711,554	\$38,566,553	\$41,568,322	\$40,297,234	\$42,319,542	\$41,357,103	\$40,593,137	\$40,124,090	\$42,516,263
20	\$42,194,129	\$41,121,835	\$39,470,410	\$37,711,554	\$39,479,003	\$41,568,322	\$40,297,234	\$42,450,374	\$41,357,103	\$40,627,262	\$40,477,899	\$42,516,263
21	\$42,597,037	\$41,121,835	\$39,470,410	\$38,180,206	\$39,775,681	\$41,568,322	\$41,999,784	\$43,231,755	\$41,357,103	\$40,982,929	\$40,477,899	\$42,656,971
22	\$42,597,037	\$39,802,988	\$38,369,601	\$38,720,134	\$39,775,681	\$40,215,115	\$41,873,925	\$43,231,755	\$41,574,014	\$41,930,437	\$40,477,899	\$42,486,512
23	\$40,854,661	\$37,476,565	\$38,335,428	\$38,720,134	\$39,775,681	\$39,414,619	\$41,873,925	\$42,776,622	\$41,536,642	\$41,930,437	\$39,210,860	\$43,044,533
24	\$39,884,962	\$36,109,113	\$37,823,105	\$38,720,134	\$39,031,847	\$38,636,184	\$41,873,925	\$40,519,983	\$40,799,652	\$41,930,437	\$38,141,535	\$43,044,533
25	\$38,567,036	\$36,086,975	\$37,823,105	\$37,546,300	\$39,093,171	\$38,636,184	\$39,484,801	\$39,796,377	\$40,799,652	\$38,835,387	\$38,141,535	\$43,044,533
26	\$38,567,036	\$36,086,975	\$37,823,105	\$36,811,088	\$37,171,075	\$38,636,184	\$38,944,618	\$38,588,877	\$39,430,734	\$38,071,150	\$38,141,535	\$42,255,858
27	\$35,810,199	\$35,519,090	\$37,823,105	\$36,468,172	\$35,473,479	\$38,636,184	\$38,511,654	\$38,588,877	\$37,160,012	\$37,196,736	\$38,141,535	\$40,098,994
28	\$35,810,199	\$34,255,423	\$34,255,423	\$34,922,551	\$35,462,872	\$34,998,308	\$38,361,362	\$38,588,877	\$35,152,874	\$34,797,348	\$33,900,689	\$38,395,417
29	\$35,831,087											\$36,683,433
30												
31												
TOTAL	\$1,207,442,305	\$1,086,531,095	\$1,151,803,212	\$1,109,402,115	\$1,170,613,138	\$1,156,635,123	\$1,192,873,372	\$1,227,906,691	\$1,180,623,856	\$1,218,860,658	\$1,142,717,909	\$1,222,804,488

SUM OF A/R BALANCES 14,068,213,961
 PLUS: SALES WRITE OFF OF UNCOLLECTIBLES DEDUCTED FROM A/R BALANCE 5,070,738
 SUBTOTAL 14,073,284,699
 AVERAGE A/R BALANCE PER DAY 38,556,944
 AVERAGE BILLED REVENUE PER DAY 1,230,092
 AVERAGE LAG 31.34

WATER & WASTEWATER REVENUE EXCLUDING UNBILLED	448,983,526
DAYS IN YEAR (2009)	365
AVERAGE BILLED REVENUE PER DAY	1,230,092

PENNSYLVANIA AMERICAN WATER - NORTHEAST WW OPERATIONS

NOTES TO RATE BASE ELEMENTS

SUPPORT OF EXPENSE DAYS

DOCKET # R-2009-2097323

<u>DESCRIPTION</u>	<u>LAG DAYS</u>
CHEMICALS	30
GROUP INSURANCE	-13.4
LABOR AND LABOR RELATED	12.5
LEASED EQUIPMENT	2
TRANSPORTATION	29.1
MISCELLANEOUS	25.3
PURCHASED POWER	26.5
WASTE DISPOSAL	26.1

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.9

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

9. Indicate if amortized expenses have been removed from the lead/lag study. If so, please provide documentation showing such removal. If not, provide a list of such amortization expenses included.

Answer: The Company does not have any have any amortizations in the test year.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Rate Base

FR V.10

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

10. Identify the funds availability arrangements or terms which the Company has with its banks with respect to deposits of customer checks. For example, does the Company have same day or next day access to funds deposited?

Answer:

The Company has several methods of collecting customer accounts receivables - - lockbox maintained by Mellon Bank, for both paper checks and electronic payments; over-the-counter payments (Mom & Pop stores) administered by Checkfree; direct debits initiated by American Water; Internet & Pay-by-phone administered by On-line Resources; and collection agencies. Availability of funds range from same day availability for some local checks at the lockbox; to 1 day availability for the majority of checks and electronic payments; to 2 day availability for OTC, internet, pay-by-phone checks, and collection agencies.

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Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission

FR V.11

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

- 11 In reference to Materials and Supplies:
- a. What method of inventory valuation was used to develop the claim for materials and supplies?
 - b. Does the utility use a material and supply model to calculate needed material and supply levels?
 - c. If so, provide the model. Supply an illustrative example of how the monthly balances are derived.
 - d. Provide the actual monthly value for the inventory of materials and supplies for the past 12 months. Supply as of the end of the historic test year, a 13-month average, by month, for the material and supply account.
 - e. Provide the monthly level of materials and supplies for three years prior to the conclusion of the historic test year.

Answer

- a. The Company's claim for material and supplies is based on an average of end-of-month balances in Account No. 151, that pertains to the Northeast Wastewater Operations, for the thirteen months ended December 2009. The end-of-month balances of Account No. 151 are derived by debiting the opening balances by an amount equal to the cost of material and supplies received during the month and crediting the balance by the cost of material and supplies used during the month (calculated by multiplying the average unit cost of the items by the number of items used).
- b. No. it does not.
- c. Please refer to the response to question b.
- d. Please refer to the Material and Supplies page in Exhibit 3-A.
- e. Please refer to attached schedule.

Pennsylvania American Water Company
 Northeast Wastewater Operations
 Wastewater - Stock Balances

2007 Monthly Level		2008 Monthly Level		2009 Monthly Level	
Jan-07	761.20	Jan-08	567.07	Jan-09	6,368.43
Feb-07	627.20	Feb-08	874.57	Feb-09	6,120.62
Mar-07	1,137.20	Mar-08	615.08	Mar-09	4,657.40
Apr-07	106.00	Apr-08	1,836.24	Apr-09	3,433.88
May-07	1,045.00	May-08	1,545.45	May-09	4,716.72
Jun-07	1,282.90	Jun-08	1,624.56	Jun-09	4,016.26
Jul-07	641.40	Jul-08	1,008.24	Jul-09	4,232.54
Aug-07	1,400.41	Aug-08	1,452.40	Aug-09	3,628.46
Sep-07	670.81	Sep-08	1,251.31	Sep-09	4,025.53
Oct-07	385.84	Oct-08	1,831.82	Oct-09	3,600.89
Nov-07	636.12	Nov-08	1,134.12	Nov-09	3,877.84
Dec-07	901.08	Dec-08	2,017.85	Dec-09	3,771.21

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Projected Plant Additions

FR V.12

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

12. For each non-blanket or projected plant addition to cost the greater of \$100,000 or 0.5% of current rate base, included in the future test year, please provide:
- a. Description of the project.
 - b. Original budgeted cost broken down by Allowance for Funds used during Construction (AFUDC) and non-AFUDC components.
 - c. Current budgeted cost broken down by AFUDC and non-AFUDC components.
 - d. Reason for change in budgeted cost.
 - e. Original estimated date of completion and in service.
 - f. Current estimated date of completion and in service.
 - g. Reason for change in completion date.
 - h. Anticipated retirement related to the plant addition.
 - i. Starting date of project.
 - j. Amount expended to date.
 - k. Percent of project currently complete.
 - l. The depreciation rate applicable.
 - m. Identify which projects are due to a Pennsylvania Department of Environment Protection (PA-DEP) or Federal Environmental Protection Agency (EPA) requirement.

Answer: Please refer to testimony of Company witness David R. Kaufman and Exhibit 3-B which contains future test year additions.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission

FR V.13

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

13. Please explain how the future test year plant balances were projected and provide supporting workpapers and documentation.

Answer: When a rate filing is made based on a future test year, the Company performs a detailed analysis of prospective construction activity to ascertain the in-service date for each project to be completed during the future test year and only the costs associated with those projects is included in the rate base claim. Annual construction plans provide the majority of data relating to the prospective construction activity.

Information by projects has been provided in the Exhibit 3-B which contains the future test year additions. Supporting work papers and documentation for information set forth in that Exhibit can be made available for review in the Company's office in Hershey.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Sole Use of Plant in Service

FR V.14

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

14. Are all of the assets used in the Plant-In-Service, i.e. claim used exclusively by the water or wastewater utility? If not, provide the estimated percentage that each shared asset is used by other entities.

Answer: All of the assets used in the Plant-In-Service claim are used by the Northeast Wastewater Operation.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission
Plant Items Not Used For Water

FR V.15

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

15. Is all plant included in rate base currently being used in providing water or wastewater service? If not, provide a schedule which presents those plant items which are not, and indicate the corresponding amounts and account numbers. Further, provide a detailed narrative explaining the reason why such plant is not being used and the anticipated future disposition of the plant.

Answer: All plant in service included in rate base is used and useful. All projected investments during 2010 will be placed into service by the end of the future test year and will be used and useful.

Pennsylvania-American Water Company
Northeast Wastewater Operations
Data Requirements of the Pennsylvania Public Utility Commission

FR V.16

Pennsylvania-American Water Company
Northeast Wastewater Operations
V. Rate Base

16. Provide all work papers and supporting documentation showing the derivation of the projected balances of Contributions in Aid of Construction, Customers Advances for Construction and Company service line and customer deposits for the future test year.

Answer: The Company is not anticipating receiving customer advances or contributions in aid of construction in 2010.