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November 5, 2010

VIA HAND DELIVERY

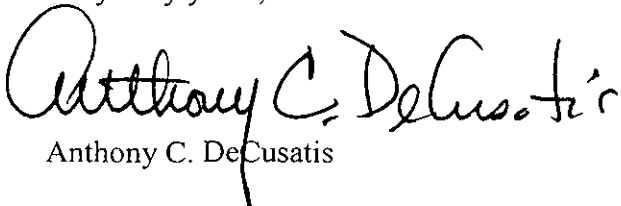
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: **Pennsylvania Public Utility Commission v. Pennsylvania-American Water
Company (Clarion Wastewater Operations)
Docket No. R-2010-2166208**

Dear Secretary Chiavetta:

Enclosed are an unbound original and three copies of the Joint Petition For Settlement Of All Issues In Rate Proceeding (Joint Petition) in the above-captioned matter. An additional copy of the Joint Petition and an additional copy of this letter are also enclosed, which we request that you date-stamp and return to us. The Joint Petition has been served in the manner indicated on the enclosed Certificate of Service.

Very truly yours,


Anthony C. DeCusatis

Enclosure

cc: Per Certificate of Service

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION** :
:
:
V. :
:
**PENNSYLVANIA-AMERICAN WATER
COMPANY - CLARION WASTEWATER
OPERATIONS** :

DOCKET NO. R-2010-2166208, et al

**JOINT PETITION FOR SETTLEMENT
OF ALL ISSUES IN
RATE PROCEEDING**

TO CHIEF ADMINISTRATIVE LAW JUDGE CHARLES E. RAINEY, JR.:

Pennsylvania-American Water Company – Clarion Wastewater Operations (“PAWC,” “Company” or “Clarion”), the Office of Trial Staff (“OTS”) and the Office of Consumer Advocate (“OCA”)¹ (collectively, “Joint Petitioners”), by their respective counsel, respectfully submit this Joint Petition For Settlement Of All Issues In Rate Proceeding (“Joint Petition”) and request that Chief Administrative Law Judge Charles E. Rainey, Jr. (“Chief ALJ Rainey”) recommend approval of the settlement of this proceeding (“Settlement”) as set forth in this Joint Petition. Joint Petitioners also request that the Pennsylvania Public Utility Commission (“Commission”) adopt Chief ALJ Rainey’s recommended approval of the Settlement, permit PAWC to file the tariff annexed hereto as Appendix A to become effective pursuant to the terms set forth therein, terminate its investigation at Docket No. R-2010-2166208 and mark the docket closed. In support of their request, the Joint Petitioners state as follows:

¹ In this proceeding, the only active parties are the Company, OTS and OCA, and all are signatories to this Joint Petition.

I. BACKGROUND

1. On April 23, 2010, PAWC filed with the Commission Tariff Wastewater – Pa. P.U.C. No. 10 (“Tariff No. 10”), which applies to its Clarion Wastewater Operations. Tariff No. 10 reflects an increase in Clarion Wastewater’s total annual operating revenues of \$968,817, or approximately 83%, over the level of revenues anticipated for the future test year ending December 31, 2010. By Order entered June 16, 2010, the Commission instituted a formal investigation at the above Docket No. R-2010-2166208 to determine the lawfulness, justness and reasonableness of PAWC’s existing and proposed rates, rules and regulations. Accordingly, Tariff No. 10 was suspended by operation of law until January 22, 2011. The case was then assigned to Administrative Law Judge Charles A. Rainey, Jr.² for purposes of conducting hearings and issuing a Recommended Decision.

2. A Formal Complaint was filed against PAWC’s proposed rates by OCA. OTS filed a Notice of Appearance at this docket and fully participated in the proceeding.

3. A telephonic Prehearing Conference was conducted by ALJ Rainey on July 8, 2010. At the Prehearing Conference, PAWC agreed to voluntarily extend the suspension period to January 27, 2011, and subsequently filed a tariff supplement to effect that change to facilitate the establishment of the litigation schedule. At the Prehearing Conference, such a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all written direct, rebuttal and surrebuttal testimony would be distributed in advance of

² Administrative Law Judge Rainey was appointed Chief Administrative Law Judge effective September 20, 2010. For purposes of this Joint Petition, the Joint Petitioners will address His Honor by his new title prospectively and refer to him as “ALJ Rainey” when noting events prior to his promotion to Chief ALJ.

hearings and oral rejoinder by PAWC witnesses could be provided at the evidentiary hearings. At the Prehearing Conference, the evidentiary hearings were scheduled for September 14-17 and 22, 2010, at which all previously distributed testimony and exhibits would be offered into the record and the parties' individual witnesses would be made available for cross-examination.

4. During the course of the proceeding, ALJ Rainey conducted a telephonic Public Input Hearing at 2:00 p.m. on August 23, 2010. All of the public input witnesses testified under oath, and their testimony was transcribed. The Public Input Hearing generated approximately 79 pages of transcript.

5. Accompanying the original filing of Tariff No. 10, supporting information was provided by PAWC as required by the Commission's regulations at 52 Pa. Code § 53.52 et seq. for both the historic test year ended December 31, 2009, and the future test year ending December 31, 2010. PAWC's supporting information included the prepared direct testimony of six initial witnesses and the respective exhibits sponsored by each. Considerable additional information was supplied in response to approximately 238 interrogatories and data requests submitted to PAWC by the active parties to the proceeding. On August 5, 2010, in accordance with the previously established schedule, OTS and OCA distributed their respective written Direct Testimonies and related Exhibits (a total of six written statements and numerous exhibits) addressing issues that included rate of return, rate base, revenues, depreciation, operating expenses, income taxes, rate structure/cost allocation and rate design. On August 26, 2010, PAWC distributed Rebuttal Testimony and related Exhibits from four of their expert witnesses.

On September 8, 2010,³ Surrebuttal Testimony and Exhibits were distributed by OTS (three statements).

6. Upon notification to ALJ Rainey from the active parties that a settlement in principle had been reached on a number of the major issues, the ALJ cancelled the evidentiary hearings previously scheduled for September 14-17, 2010.

7. Negotiations continued among the active parties seeking to achieve a settlement of the remaining issues in the case. As a result of those negotiations, the parties were able to agree to resolve all issues, resulting in the comprehensive settlement terms and conditions set forth herein, and thereafter notified Chief ALJ Rainey, who then cancelled the sole remaining evidentiary hearing scheduled for September 22, 2010. Except to the extent specifically set forth herein, the Joint Petitioners acknowledge that, while they have not sought, nor would they be able, to agree upon the specific rate case adjustments presented in their respective testimony and exhibits, they are in full agreement that adoption of each and every term and condition of this instant Settlement is in the best interest of PAWC - Clarion's wastewater customers and PAWC and, therefore is in the public interest.

II. TERMS AND CONDITIONS

8. The Settlement consists of the following terms and conditions:

a. Upon the Commission's approval of this Settlement, PAWC will be permitted to charge the rates for wastewater service set forth in the proposed Tariff annexed hereto as Appendix A (hereafter, the Settlement Rates). The Settlement Rates are designed to

³ A one-day extension was agreed to by the parties and approved by the Administrative Law Judge for the submission of surrebuttal testimony.

produce additional annual operating revenue of \$600,000, as shown on the Proof of Revenues annexed hereto as Appendix B. The Tariff set forth in Appendix A complies with the terms of the Settlement. The Settlement Rates are designed to produce approximately \$1,758,623 in total annual wastewater revenue (including Other Revenue) as shown in Appendix B, page 2, column 6.

b. The Joint Petitioners respectfully request Chief ALJ Rainey and the Commission to act as expeditiously as possible to ensure implementation of the Settlement Rates on January 1, 2011. Upon the entry of a Commission Order approving this Joint Petition, PAWC will be permitted to file a tariff in the form attached hereto as Appendix A to become effective upon one day's notice.

c. PAWC will not file for another general wastewater rate increase for the Clarion Wastewater Operations under Section 1308(d) of the Public Utility Code prior to March 31, 2013. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy or statutes which directly and substantially affect PAWC's rates, this Settlement shall not prevent PAWC from filing tariff supplements to the extent necessitated by such action.

d. The Joint Petitioners agree that PAWC will be authorized to establish depreciation rates as set forth in PAWC Exhibit 5-B and will use those depreciation rates to calculate the depreciation expense it records on its regulated books of account. Additionally, the Joint Petitioners agree that PAWC shall amortize its actual negative net salvage incurred through December 31, 2010 over ten years, rather than five years as set forth in its initial filing.

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

(1) The Settlement Rates reflect the allocation of the agreed increase in revenues among customer classes in the manner shown in Appendix B.

(2) Under the Settlement Rates, the customer charges are as follows:

Residential	\$7.50 Per Month
Commercial	\$20.00 Per Month
Municipal	\$20.00 Per Month
Industrial	\$20.00 Per Month

(3) Under the Settlement Rates, usage charges are calculated to recover the revenues allocated to each class that are not recovered through the customer charges set forth above.

f. As set forth in the Tariff attached as Appendix A, PAWC will provide a fifteen percent (15%) reduction in the total bill for eligible low-income residential customers under the low-income customer assistance program that PAWC is establishing under the Settlement. In its next base rate case for the Clarion Wastewater Operations, the Company will propose that this reduction be treated as a function of residential rate design and the revenue foregone because of the low-income reduction for eligible low-income residential customers be

⁴ Subparagraphs (1) - (3) provide a general description of the rate structure and rate design incorporated in the Settlement Rates. While every effort has been made to ensure that such description is accurate, if any inconsistency exists between such description and the rates set forth in Appendix A, the latter shall take precedence.

recovered from the residential class; nothing in this Settlement will preclude any Joint Petitioner from opposing such proposal or offering an alternative.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

9. PAWC, OTS and OCA have each prepared, and attached to this Joint Petition, their respective Statements in Support identified as Appendices C, D and E respectively, setting forth the bases upon which they believe that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

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

a. The Settlement provides for an increase in annual operating revenues of \$600,000 in lieu of the \$968,817 increase originally requested. A comparison of an average residential customer's monthly wastewater bill under current rates, the rates initially proposed by the Company and under the Settlement Rates is shown below:

CURRENT RATES	PROPOSED RATES	SETTLEMENT RATES
\$21.52	\$40.37	\$30.44

(Based on monthly usage of 3,300 gallons for an average residential customer.)

b. As set forth in Paragraph 8.c., above, PAWC has agreed to not file another general base rate case under Section 1308(d) of the Public Utility Code for Clarion before March 31, 2013, subject to the limited exceptions stated in Paragraph 8.c.

c. As described in Paragraph 8.e.(2), above, under the Settlement Rates, customer charges for residential are reduced from \$15.00 per month, as initially proposed in

Tariff No. 10, to \$7.50 per month. It is anticipated that this change will mitigate the effect of the increase on lower-use customers in that group.

d. The Company has agreed to expand its residential low-income assistance plan from offering a 35% reduction of the applicable customer charge for eligible low-income customers, as proposed in Tariff No. 10, to 15% of eligible customers' total wastewater bill. As such, the percentage reduction is applied to the eligible customer's total bill rather than simply to the customer charge portion of the bill. The Company also agreed to revise the low-income assistance plan so that customers will not lose eligibility if they make reasonable good faith efforts to avoid a delinquency.

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

e. The Settlement Rates will allocate the agreed upon revenue requirement in a manner that is reasonable in light of the rate structure/cost of service positions put forth by the active parties to the proceeding.

IV. ADDITIONAL TERMS AND CONDITIONS

11. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case. It is understood, however, that provisions of Paragraph Nos. 8.d. and f. above, which by their terms are to have on-going effect, shall be binding upon the Joint Petitioners in future proceedings once the Commission approves the Settlement. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without any modification.

If the Commission should disapprove the Settlement or modify the terms and conditions herein, then this Settlement may be withdrawn upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order by any of the Joint Petitioners. In such event, the Settlement shall be of no force and effect. In the event that the Commission disapproves the Settlement or PAWC or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

12. If, in his Recommended Decision, Chief Administrative Law Judge Rainey recommends that the Commission adopt the Settlement as herein proposed without modification, then the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by Chief Administrative Law Judge Rainey in his Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

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

1. That Chief Administrative Law Judge Rainey recommend and the Commission approve the Settlement embodied in this Joint Petition, including all terms and conditions thereof;
2. That the Commission find the Settlement Rates to be just and reasonable and grant PAWC permission to file the Tariff attached hereto as Appendix A, which will become

effective on one day's notice for service rendered on and after January 1, 2011, which Tariff, *inter alia*, increases PAWC's rates so as to produce an increase in annual operating revenues of not more than \$600,000 in lieu of the \$968,817 originally requested and that produce approximately \$1,758,623 in total annual wastewater revenue (including Other Revenue) as shown in Appendix B, page 2.

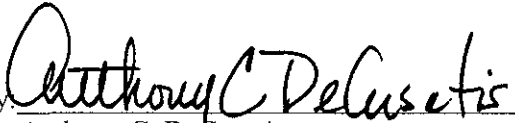
3. That the Commission terminate its inquiry and investigation at Docket No. R-2010-2166208 and mark the file and related Complaints closed.

Respectfully submitted,

OFFICE OF TRIAL STAFF OF THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION:

PENNSYLVANIA-AMERICAN WATER
COMPANY

By: _____
Charles Daniel Shields
Senior Prosecutor
Carrie Wright
Prosecutor
For Johnnie E. Simms,
Chief Prosecutor

By: 
Anthony C. DeCusatis
Seth A. Mendelsohn
Counsel For
Pennsylvania-American Water Company

OFFICE OF CONSUMER ADVOCATE:

By: _____
Dianne E. Dusman
Senior Assistant Consumer Advocate
Shaun A. Sparks
Assistant Consumer Advocate
For Irwin A. Popowsky
Consumer Advocate

Dated: November 4, 2010

3. That the Commission terminate its inquiry and investigation at Docket No. R-2010-2166208 and mark the file and related Complaints closed.

Respectfully submitted,

OFFICE OF TRIAL STAFF OF THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION:

PENNSYLVANIA-AMERICAN WATER
COMPANY

By: Carrie Wright
Charles Daniel Shields
Senior Prosecutor
Carrie Wright
Prosecutor
For Johnnie E. Simms,
Chief Prosecutor

By: _____
Anthony C. DeCusatis
Seth A. Mendelsohn
Counsel For
Pennsylvania-American Water Company

OFFICE OF CONSUMER ADVOCATE:

By: _____
Dianne E. Dusman
Senior Assistant Consumer Advocate
Shaun A. Sparks
Assistant Consumer Advocate
For Irwin A. Popowsky
Consumer Advocate

Dated: October 20, 2010

3. That the Commission terminate its inquiry and investigation at Docket No.

R-2010-2166208 and mark the file and related Complaints closed.

Respectfully submitted,

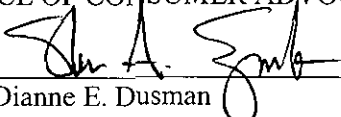
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PENNSYLVANIA-AMERICAN WATER
COMPANY

By: _____
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Senior Prosecutor
Carrie Wright
Prosecutor
For Johnnie E. Simms,
Chief Prosecutor

By: _____
Anthony C. DeCusatis
Seth A. Mendelsohn
Counsel For
Pennsylvania-American Water Company

OFFICE OF CONSUMER ADVOCATE:

By:  _____
Dianne E. Dusman
Senior Assistant Consumer Advocate
Shaun A. Sparks
Assistant Consumer Advocate
For Irwin A. Popowsky
Consumer Advocate

Dated: November 4, 2010

LIST OF APPENDICES

APPENDIX A Proposed Tariff (Settlement Rates)
APPENDIX B Proof of Revenues
APPENDIX C PAWC Statement
APPENDIX D OTS Statement
APPENDIX E OCA Statement

RECEIVED

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PA PUBLIC UTILITY COMMISSION
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APPENDIX A
PROPOSED TARIFF (SETTLEMENT RATES)

Tariff Wastewater PA P.U.C. No.13
Canceling Tariff Wastewater PA P.U.C. No.10
Canceling Tariff Wastewater PA P.U.C. No. 5

Pennsylvania-American Water Company
Clarion Wastewater Operations
(Hereinafter referred to as the "Company")

D/B/A

Pennsylvania American Water

RATES, RULES AND REGULATIONS
GOVERNING THE PROVISION OF WASTEWATER
COLLECTION TREATMENT AND/OR DISPOSAL SERVICE
TO THE PUBLIC IN CLARION BOROUGH, CLARION TOWNSHIP
AND MONROE TOWNSHIP, CLARION COUNTY

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

This tariff makes increases and changes to existing
rates, rules and regulations.

Filed in compliance with Commission Order R-2010-2166208,
Adopted xxxx xx, 2010.

Issued:

Effective: January 1, 2011

By: Kathy Pape, President
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033

LIST OF CHANGES

Increases/Decreases

This tariff provides for one set of uniform rates for the Company's Clarion Wastewater Operations. All metered and unmetered charges have been increased for an overall increase of 51.8%.

The Company is changing service charges and increasing the volumetric charges for each bill class to recover the proposed increase.

The \$100 advance deposit required to be placed on the Company's sewer capacity waiting list has been increased to \$200.

The service lateral inspection fee has been increased from \$50.00 to \$100.

A \$30 service reconnection and discontinuance fee has been added.

A \$20 return check fee has been added.

The Company is adding a service charge discount of 15% on a customer's total wastewater bill for qualifying low income customers.

Changes

A page has been added for the State Tax Adjustment Surcharge.

Language has been added to include capacity reservation fees and their applicability under "Schedule of Miscellaneous Fees and Charges".

The entire set of Rules and Regulations has been revised to more closely align with the Commission's generic set of Wastewater Rules and Regulations and to also better reflect the actual operations of the Clarion Wastewater system.

The language for Clarion Wastewater's sewer capacity allocation policy has been retained as Section M. References to "taps" have been changed to "sewer capacity".

(I) Indicates Increase, (D) Indicates Decrease, (C) Indicates Change

Issued: **Effective: January 1, 2011**

TABLE OF CONTENTS

	<u>Page Number</u>
Title Page	1
List of Changes	2
Table of Contents	3 3A
Territories Served	4
Part I - Rates	
Metered and Unmetered Charges	5
Schedule of Miscellaneous Fees and Charges	5A
Low Income Tariff	6
State Tax Adjustment Surcharge	7
Part II - Definitions	8 8A 8B 8C
Part III - Rules and Regulations	
Section A - Applications for Service	9
Section B - Construction and Maintenance of Facilities	10 11
Section C - Discontinuance, Termination and Restoration of Service	12 13
Section D - Billing and Collection	14
Section E - Deposits	15 16
Section F - Wastewater Control Regulations	17 18 19 20 21
Section G - Line Extensions	22
Section H - Service Continuity	23
Section I - Waivers	24

TABLE OF CONTENTS

	<u>Page Number</u>
Section J - Amendment of Commission Regulations	24
Section K - Industrial/Commercial Service Limitations	24 25 26
Section L - Privilege to Investigate/Rights of Access	27
Section M - Sewer Capacity Allocation Policy	28 29

TERRITORIES SERVED

Clarion County

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

Part I: Rates

Schedule of Rates for Service

Metered Charges

Service Charges

All metered customers shall be subject to a monthly service charge.

<u>Bill Class</u>	<u>Monthly Service Charge</u>
Residential	\$ 7.50
Commercial	20.00
Industrial	20.00
Municipal	20.00

Usage Charge For All Bill Classes

(Based on water or wastewater usage)

Usage Charge \$.689 per hundred gallons

Unmetered Charges

Flat rate fees for customers not metered for water or wastewater usage.

<u>Unmetered Rates</u>	<u>Monthly Rate</u>
Residential Flat Rate	\$30.44 per tap
Commercial Flat Rate	42.94 per tap
Municipal Flat Rate	2,470.00 Flat Fee

Schedule of Miscellaneous Fees and Charges

A. Capacity Reservation Fee

A fee per EDU charged by the Company for the allocation of treatment, pumping, and transmission, trunk and interceptor main capacity. (C)(I)

1. Shared Service Laterals: Each residential unit will be treated separately for purposes of determining an applicable capacity reservation fee whether such residential unit is served by a single service lateral or share a common service lateral with one of more other residential units.
2. Within the Company's service territory or for any future development, a capacity reservation fee of \$1,000 per EDU will be charged. A \$200 advance deposit is required to be placed on the Sewer Capacity "waiting list" with the remainder payable at the time of Connection. See Section M, Sewer Capacity Allocation Policy.

B. Service Lateral Inspection Fee (C)(I)

A \$100 inspection fee will be charged for the Company's time involved in the inspection of a service lateral tie-in to the Company's wastewater system.

C. Service Reconnection and Discontinuance Fee (C)(I)

A fee will be charged for the shut-off and turn-on of any service. The fee for service performed during regularly scheduled hours shall be \$30. For non-regularly-scheduled working hours, the fee is equivalent to the cost incurred by the Company. The Service Reconnection and Discontinuance Fee will apply only once if the customer is both a water and wastewater customer of the Company.

D. Return Check Charges (C)(I)

The customer will be responsible for the payment of a \$20 charge for each time a check presented to the Company for payment on that customer's utility bill is returned by the payer bank for any reason including, but not limited to, insufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished, or unauthorized signature. This charge is in addition to any charge which may be assessed against the Customer by the bank. The Return Check Charge will apply only once if the customer is both a water and wastewater customer of the Company.

Schedule of Rates Applicable to All Rate Zones
For Qualifying Low-Income Customers (C)

Tariff Qualifications

In order to qualify to be billed under this tariff, a customer must meet the low-income criteria of 150% based on the Federal Poverty Level. After qualifying to be billed under this tariff, customers must continually make timely payments on the discounted bills.

Rates for Service

Customers will receive a 15% discount off their total wastewater bill.

STATE TAX ADJUSTMENT SURCHARGE

(C)

In addition to the net charges provided for in this Tariff, a surcharge of negative 0.00% will apply to all services rendered.

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

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

PART II: DEFINITIONS

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

1. **Applicant:** A person, association, partnership, corporation, municipality, authority, state or federal governmental agency or other entity who applies to become a customer of the Company in accordance with Part III, Section A, of this tariff.

2. **B.O.D. (Biochemical Oxygen Demand):** The quantity of oxygen, expressed in milligrams per liter, utilized in the biochemical oxidation of organic matter under the standard laboratory procedure for five (5) days at twenty (20) degrees Centigrade. The standard laboratory procedure shall be that found in the latest approved edition of "Standard Methods for the Examination of Water and Sewage" published by the American Public Health Association.

3. **Capacity Reservation fee:** A fee charged by the Company for the allocation of capacity on a per EDU basis.

4. **Commission:** The Pennsylvania Public Utility Commission.

5. **Company:** Pennsylvania-American Water Company and its duly authorized officers, agents and employees, each acting within the scope of his authority and employment.

6. **Company Service Lateral:** Company owned wastewater service lateral from the sewer main of the Company which connects to the Customer Service Lateral at the edge of the right-of-way or actual property line.

7. **Customer:** A person or entity who is an owner, occupant or who contracts with the Company for or who takes or receives wastewater collection, treatment and/or disposal service.
8. **Customer Service Lateral:** Customer owned wastewater service lateral extending from the end of the Company Service Lateral or connection to and within the customer's premise.
9. **Domestic Wastewater:** The liquid waste or liquid borne waste: (1) resulting from the non-commercial preparation, cooking and handling of food; (2) consisting of human excrement; or (3) consisting of wastewater, non-commercial laundering water, domestic housekeeping wastewater, and similar types of wastes from sanitary uses, whether generated in residences or sanitary facilities in commercial or industrial facilities, but does not include any storm water or ground water introduced from facilities such as roof leaders, sump pumps, floor drains or industrial wastewater. Domestic Wastewater includes sanitary wastes having suspended solids (SS) less than 300mg/L, 5 day Biochemical Oxygen Demand (BOD%) less than 300 mg/L, and a chlorine demand less than 25mg/L.
10. **Dwelling Unit:** A structure or dwelling intended to be occupied as a whole by one family.
11. **Equivalent Dwelling Units (EDU):** The EDU is a measure based upon the estimated average daily wastewater flow for the type of business, as calculated by the PaDEP Regulation at 25 Pa Code: 73.17 divided by the typical estimated average daily wastewater flow from a current single-family unit (One EDU shall be equal to 400 gallons per day of sewage for a single-family unit, unless modified by the Company).
12. **Garbage:** The solid wastes from domestic cooking and dispensing of food, and from the handling and storage of produce.
13. **Garbage Properly Shredded:** The term "Properly Shredded Garbage", as used herein, shall mean the wastes from the preparation, cooking, and dispensing of food that have been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half inch in dimension.

14. **Grinder pump:** Any mechanical or powered device, owned by the Customer, used to grind, macerate or fluidize garbage so that it can be discharged into the Sanitary Sewer.
15. **Industrial/Commercial Wastes:** Any liquid, gaseous or water borne wastes from industrial processes or commercial establishments, as distinct from domestic wastewater.
16. **Industrial/Commercial Waste Permit:** A wastewater permit issued as required by the Company to an Industrial/Commercial user which discharges Industrial/Commercial Waste.
17. **Industrial/Commercial Waste Pretreatment Program:** A program established by the Company that requires industrial and commercial dischargers to monitor, test, treat and control as necessary pollutants in their wastewater prior to discharge into the Sanitary Sewer.
18. **Line extension (for line extension purposes):** An addition to the Company's main line which is necessary to serve the premises of a Customer. Refer to Section G.
19. **Main:** The Company's pipe, excluding service connections, located in a public highway, street, alley or private right-of-way which pipe is used in transporting wastewater.
20. **Meter:** Any device supplied by the Company or other for the purpose of measuring water consumption or wastewater discharge.
21. **Nonresidential Service:** Wastewater service supplied to a commercial or industrial building, including a hotel or motel, or to a master-metered trailer park or multi-tenant apartment building, or to any customer who purchases wastewater service from the Company for the purpose of resale.
22. **Pretreatment:** The application of physical, chemical and/or biological processes to reduce the amount of pollutants in, or alter the nature of the polluting properties of, an industrial/commercial process wastewater prior to discharging such wastewater into the Sanitary Sewer.
23. **Public Utility:** Persons or corporations owning or operating equipment or facilities in this Commonwealth for water, electric, and natural gas service, or wastewater collection, treatment, or disposal, to or for the public for compensation.

24. **Residential Service:** Wastewater service supplied to an individual single-family residential dwelling unit.
25. **Regulatory Agency:** Agencies, including but not limited to the Commission, the Pennsylvania Department of Environmental Protection (DEP), U.S. Environmental Protection Agency (EPA), which have authority over the operations of and/or discharges into and/or from the Company's treatment facilities.
26. **Sanitary Sewer:** A sewer which primarily carries sanitary wastewater, together with such storm, surface and ground water as may be present.
27. **Storm Sewer:** A sewer which carries surface, ground water, or storm water from the buildings, ground, streets, or other areas.
28. **Suspended Solids:** Solids that either float on the surface of, or are in suspension in water, wastewater, or other liquids, and which are largely removable by filtration.
29. **Tariff:** All of the service rates, rules and regulations issued by the Company, together with any supplements or revisions thereto, officially approved by the Commission and contained in this document.
30. **Toxic Substances:** Any substances where gaseous, liquid or solid waste which; when discharged to a public sewer in sufficient quantities, will be detrimental to any biological wastewater treatment process, constitute a hazard to human beings or animals, inhibit aquatic life, or create a hazard to recreation in receiving waters of the effluent from a wastewater treatment plant, or as defined pursuant to PL 92500 (Federal Water Pollution Control Act Amendments of 1972) or its amendments.
31. **Wastes:** Any liquid, gaseous, or solid substances or combination thereof which are discarded, leached, or spilled substances or combination thereof including sanitary wastewater but excluding storm-water.
32. **Wastewater:** The liquid and water-carried wastes from dwellings, commercial facilities, industrial facilities and institutions, together with any groundwater, surface water, and storm water that may be present, whether treated or untreated, in the Company's sewer system.

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PART III: RULES AND REGULATIONS

Section A - Applications for Service

- 1. Service Application Required:** All applications for service must be in writing on a form provided by the Company and signed by the owner or owners of the property to which wastewater collection service will be provided; except that where a lessee of property occupies or uses the property under a lease having a fixed term of more than six (6) months, the lessee may request service as an applicant. The Company may, at its sole discretion, require that a separate contract for service be signed by the applicant.

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

- 2. Change in Ownership or Tenancy:** A new application must be made to the Company upon any change in ownership where the owner of the property is the Customer, or upon any change in the identity of a lessee where the lessee of the property is the Customer. The Company shall have the right to discontinue or otherwise interrupt wastewater collection service upon three (3) days notice if a new application has not been made and approved for the new customer.
- 3. Acceptance of Application:** An application for service shall be considered accepted by the Company only upon oral or written approval by the Company. The Company may provide service to the applicant pending formal review and acceptance of the application.
- 4. Temporary Service:** In the case of temporary service for less than a 12-month period, the Company may require the Customer to pay all costs of making the service connection and for its removal after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. If the actual costs differ from the estimate, the Applicant will pay to the Company any excess amount due or the Company will refund to the Applicant any excess amount paid.

Section B - Construction and Maintenance of Facilities

1. **Customer Service Lateral:** The Customer service lateral shall be furnished, installed, maintained and/or replaced in accordance with company specifications, when necessary, by and at the sole expense of the Customer. The Company reserves the right to determine the size, type, quality, depth, and connection location of the customer service laterals. Prior to connection to the Company service lateral, the Customer, at their sole cost, shall have the Customer service lateral air pressure tested and checked for alignment by a Company approved qualified person under the supervision of a Company representative.
2. **Separate Trench:** The customer wastewater service lateral shall not be laid in the same trench with drain or water pipe, the facilities of any other public utility or of any municipality or municipal authority that provides a public utility service.
3. **Customer's Responsibilities:** All service laterals, connections and fixtures furnished by the customer shall be maintained by the Customer in good working order. All valves, meters and appliances furnished by the Company and on property owned or leased by the Customer shall be protected properly by the customer. All leaks in the Customer service line or any pipe or fixtures in or upon the customer's premises must be repaired immediately by the Customer as determined solely by the Company.
4. **Customer Grinder Pump:** In areas of the collection system where the Company has installed a pressure sewage collection system or where required as determined by the Company, the Customer, in conjunction with the construction of their service lateral, shall install, own, operate, and maintain and replace a grinder pump and holding tank at the Customer's expense as specified by the Company prior to connection and shall maintain such facilities in good order and repair. The pump shall meet specifications as provided by the Company.
5. **Right to Reject:** The Company may refuse to connect with any customer service lateral or furnish wastewater collection, treatment and/or disposal through a service already connected if such system or service is not properly installed or maintained.

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

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

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

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

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

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

Section C - Discontinuance, Termination and Restoration of Service

1. **Discontinuance by Customer:** Where a customer requests the Company to discontinue service, the following rules shall apply:
 - (a) A customer who wishes to have service discontinued shall give at least three (3) days notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the Customer shall be responsible for all service rendered until the time that the Company shall have actual or constructive notice of the Customer's intent to discontinue service. The Customer shall not begin to use nor cease to use wastewater service without the prior consent of the Company. A customer discontinuing service remains a customer for purposes of paying turn-on fees pursuant to Rule 3 of this Section for a period of nine (9) months.
 - (b) Where a customer requests turn-on of service within six (6) months of disconnection, the Customer shall be subject to monthly minimum billing for the period of disconnection.

2. **Termination by Company:** Wastewater and/or water service to the Customer may be terminated for good cause, including, but not limited to, the following:
 - (a) making an application for wastewater service that contains material misrepresentations;
 - (b) failure to repair leaks in sewer pipes or fixtures;
 - (c) tampering with any Company Service lateral, or installing or maintaining any unauthorized connection;
 - (d) theft of sewer service, which shall include taking service without having made a proper application for service under Part III, Section A;
 - (e) failure to pay, when due, any charges accruing under this tariff;
 - (f) discharge of any prohibited substance listed in Section F into the wastewater system;

- (g) receipt by the Company of an order or notice from the Department of Environmental Protection, a health agency, local plumbing inspector or other similar authority, to terminate service to the property served on the grounds of violation of any law or ordinance, or upon notice to the Company from any such authority that has ordered an existing violation on the property to be corrected and that such order has not been complied with or
- (h) material violation of any provisions of the tariff;
- (i) failure to properly install and maintain a grinder pump, including its replacement when improperly functioning as solely determined by the Company;
- (j) any unauthorized, un-inspected, or improper connection, as herein defined, found to exist will be required to be disconnected within ten (10) days. The Company may require a plumber's sworn statement or certificate as evidence that the connection has been discontinued.
- (k) Not abiding by the provisions of the Company's Industrial/Commercial Waste Pretreatment Program.
- (l) Failure to remove direct connections to the Customer Service lateral that allow surface, subsurface, storm water, or roof run off water into the Sanitary Sewer.
- (m) Not complying with any part of this tariff.
- (n) Supplying sewer service to other units, buildings or premises when Capacity Reservation Fees have not been paid for in accordance with tariff.

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

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

Section D - Billing and Collection

1. **Issuance of Bills:** The Company will bill each customer within fifteen (15) days of the last day of each billing period.
2. **Billing Due Date:** The due date for payment of a bill for nonresidential service shall be no less than fifteen (15) days from the date of transmittal. The due date for payment of a bill for residential service shall be no less than twenty (20) days from the date of transmittal. If the last day for payment falls on a Saturday, Sunday or bank holiday, or on any day when the offices of the Company are not open to the general public, the due date shall be extended to the next business day. The Company may not impose a late-payment charge unless payment is received more than five (5) days after the stated due date.
3. **Late-Payment Charge:** All amounts not paid when due shall accrue a late-payment charge at the rate not to exceed one and fifty one-hundredths percent (1.50%) per billing period, not to exceed eighteen percent (18%) per year when not paid as prescribed in Rule 2 of this Section.
4. **Change in Billing Address:** Where a customer fails to notify the Company of a change in billing address, the Customer shall remain responsible to remit payment by the billing due date.
5. **Application of Payment:** Utility bills rendered by the Company shall include only the amount due for utility service. Where a customer remittance to the Company includes payment for any non-utility services, proceeds will be applied first to pay all outstanding regulated utility charges.
6. **Return Check Charge:** The customer will be responsible for return check charge as provided in the Schedule of Miscellaneous Fees and Charges section of the tariff.

7. **Disputed Bills:** In the event of a dispute between the Customer and the Company with respect to any bill, the Company will promptly make such investigation as may be required by the particular case and report the result to the Customer. The Customer is not obligated to pay the disputed amount during the pendency of the Company's investigation. When the Company has made a report to the Customer sustaining the bill as rendered, the Customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, the Company will issue a corrected bill with a new due date for payment. Any amount received by the Company in excess of the amount determined to be due by the Company's investigation of the dispute shall be refunded to the Customer.

Section E - Deposits

1. Residential Customers:

- (a) New Applicants—The Company will provide service without requiring a deposit unless the applicant was terminated for nonpayment within the prior twelve (12) months or has an unpaid balance for prior service from the Company. Then the Company may require a deposit that will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (b) Existing Customers—If a customer has paid late on two (2) consecutive occasions or a total of three (3) times within the prior 12-month period, the Company may send a letter informing the Customer that a deposit may be required if another late payment is received within the next twelve (12) months. An existing customer may be required to pay a deposit as a condition to having service restored after termination for non-payment or for failure to comply with a payment agreement. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.

- (c) Deposit Refunds and Interest—A deposit will be refunded if service is discontinued and the final bill is paid or if the customer has paid the bills for the prior 12-month period without having been late on more than two (2) occasions and is not currently delinquent. Deposits from residential customers shall bear simple interest at the rate of the average of one-year Treasury Bills for September, October and November of the previous year, payable annually without deductions for taxes thereon unless otherwise required by law. The applicable interest rate for each year shall be determined as of January 1 of that year.

2. Nonresidential Customers:

- (a) New Applicants - A deposit may be required from any new applicant who does not have prior satisfactory credit history with the Company. The amount of the deposit will not be greater than an estimated average bill for one (1) billing period plus the estimated bill for one (1) additional month's service.
- (b) Existing Customers—Deposit requirements for existing nonresidential customers shall be as established for residential customers in Rule 1 of this Section.
- (c) Deposit Refunds and Interest— A deposit will be refunded if the customer pays all bills on time over a 12-month period or if service is disconnected and the final bill has been paid. There will be no interest paid on deposits for nonresidential accounts.

Section F- Wastewater Control Regulations

1. General Prohibitions:

- (a) No storm water from pavements, area ways, runoff basins, roof runoff water, foundation drains, subsurface drains, water from springs, cooling water, basement sump pumps, unpolluted industrial or commercial process water or other sources shall be admitted to the Company Sanitary Sewer.
- (b) The discharge of garbage to the Sanitary Sewer is expressly prohibited. Properly shredded biodegradable garbage may be discharged into the Sanitary Sewer with no particle greater than one-half inch in dimension.

2. Sampling and Analysis:

- (a) All measurements, tests and analyses of the characteristics of waters and wastes to which reference is made in the Company's rules may be determined in accordance with the latest DEP and EPA approved editions of "Standard Methods for the Examination of Water and Wastewater" under Act 252 as prepared by DEP and approved and published jointly by the American Public Health Association, the American Water Works Association, and/or the Water Pollution Control Federation or other reference sources specified by regulatory agency requirements, such as "Methods for Chemical Analysis of Water and Wastes," U.S.E.P.A. 1974 or its subsequent updated version.
- (b) All measurements, test, inspections and analyses deemed by the Company to be necessary under this Section or any other part of the Rules and Regulations of the Company, shall be done by the Company or its agents, employees or contractors. If the measurements, test, inspections and/or analyses determine that a customer has created a situation which is in violation of any statute, ordinance, rule or regulation then the customer shall be required to pay all costs incurred in order to measure, test, inspect, analyze and remedy the situation. Otherwise, the costs involved are to be borne by the Company. Costs assessed against a Customer pursuant to this Section shall be in addition to any other fees charged by the Company. The costs shall be payable within 30 days of presentation of a bill for such costs by the Company to the Customer(s).

- (c) Where the Company deems it advisable, it may require any customer discharging wastes to install and maintain, at his or her own expense, in a manner approved by the Company or its representative, a suitable device to continuously measure and record the pH of the wastes so discharged.
- (d) In the event any person, firm or corporation producing any industrial wastes otherwise excluded from the Sanitary Sewer, desires to discharge the same into any portion of the Company's sanitary sewer system, the Company may at its option, consent to such discharge at a charge in accordance with the Company's established Schedule of Rates, Surcharges and discounts applicable to such Industrial/Commercial Wastes, as provided in Section K.8 entitled "Surcharge for Industrial Wastes." Such consent may be made contingent upon the applicant providing and maintaining apparatus for regulating the rate of discharge and/or treating the wastes at his or its expense prior to discharge as the Company may deem necessary. Such consent will stipulate the location and type of metering device to be used for measuring the quantity of such wastes discharged to the sewage system, and will also stipulate the method and frequency of sampling such wastes. Each analysis will be made on a composite of twenty-four (24) hourly (or a larger number of more frequent) samples of wastes collected over a singly twenty-four (24) hour day; the volume of each of the samples will be proportional to the rate of Waste flow. The average suspended solid content or acid equivalent of the wastes for the quarter will be calculated in such a manner as to be as truly representative of the entire quarterly flow and composition of the waste as possible. Particular care will be exercised to insure that the difference in character or composition of the wastes during the week ends or nights when industrial operations are at a minimum, are properly considered in arriving at quarterly averages.

3. **Prohibited Discharges for the Clarion Wastewater Operations:** The Company reserves the right to refuse connection to its Sanitary Sewer and/or to compel the discontinuance of the use of any system, or to require pre-treatment of Wastes by any Customer, in order to prevent the discharge of any Wastes to the Sanitary Sewer system which may be deemed harmful to the Sanitary Sewer system, or to have an adverse effect on the sewage treatment processes. Except from the written consent of the Company, there shall be excluded from the sewage system but not limited to, any wastes having suspended solids (SS) in excess of 300 mg/L, 5 day Biochemical Oxygen Demand (BOD5) in excess of 300 mg/L, a chlorine demand in excess of 25 mg/L and Wastes having any or all of the following characteristics:
- (a) Wastes containing any gasoline, naphtha, fuel, oil or other liquids, solids or gases which by reason of their nature or quality may cause fire or explosion or be in any other way injurious to persons, the structures of the wastewater system or its operation.
 - (b) Wastes having a temperature in excess of 120 degrees F. or less than 32 degrees F that enters the Sanitary Sewer or Wastes entering the plant that increase the temperature of the Wastewater at the headworks of the plant to exceed 104 degrees F.
 - (c) Wastes having a pH lower than 6.0 or higher than 9.0, or having any corrosive property capable of causing damage or hazards to structures, equipment or personnel of the wastewater system.
 - (d) Wastes containing any noxious or malodorous gas or substance that either singly or by interaction with sewage or other wastes is likely in the opinion of the Company to create a public nuisance or hazard to life or prevent entry to sewers for their maintenance and repair.
 - (e) Wastes containing ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, hair, chemical or paint residues, greases, paunch, manure, dairy products, cotton, wool, plastic or other fibers, lime, slurry or any other solid or viscous material of such character or in such quantity as in the opinion of the Company may cause an obstruction to the flow in sewers or otherwise interfere with the proper operation of the sewer system.

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- (f) Wastes containing insoluble, non-flocculent substances having a specific gravity in excess of 2.65.
- (g) Wastes containing soluble substances in such concentrations as to cause the specific gravity to be greater than 1.1.
- (h) Wastes containing any substances which may affect the effluent and may cause violation of the National Pollutant Discharge Elimination System Permit.
- (i) Wastes containing other matter detrimental to the operation of a sewage treatment plant or Sanitary Sewers causing erosion, corrosion or deterioration in sewers, equipment and structures of a sanitary or sewage treatment plant.
- (j) Wastes containing fats, wax, tar, grease or oil of petroleum origin, whether emulsified or not, in excess of one hundred mg/L, or petroleum oil, non biodegradable cutting oil or petroleum products of mineral oil origin in amounts that will cause interference or pass through at the wastewater treatment facilities.
- (k) Wastes containing an average concentration of oils and greases, of the Hydrocarbon variety or any Freon extractables which are not biodegradable in excess of 10 mg/L.
- (l) Wastes containing more than 10 mg/L of any of the following gases: hydrogen sulfide; sulfur dioxide; nitrous oxide; or any of the halogens.

(m) Wastes containing a toxic or poisonous substance, in a sufficient quantity to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals or create any hazard in the sewer system operation. Toxic pollutants or substances shall include but not limited to Wastewater containing cyanide, chromium, cadmium, mercury, copper, nickel, or materials listed as hazardous materials.

(n) Any waste containing toxic substances in quantities sufficient to interfere with the biochemical/biological processes of the sewage treatment works or that will pass through the sewage treatment works and exceed the state and/or federal requirements in respect thereof.

(o) Any waste containing radioactive isotopes or other radioactive materials.

(p) Sludges resulting from the treatment of concentrated solutions that are not acceptable for discharge to the Sanitary Sewer.

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

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

(s) Waste introduced into the Sanitary Sewer with any pollutants which cause pass through or interference; whether or not the customer is subject any other national, state, or local pretreatment standards or requirements.

(t) Waste containing any color, which may not be removed in the wastewater treatment process.

4. **Disposal of Wastes From Septic Tanks and Cesspools:** No person shall dispose of wastes from septic tanks, cesspools, or other such sources of sanitary sewage to the Company's Sanitary Sewer, except as designated by the Company.

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5. **Penalties:** The Company reserves the right to terminate water and/or wastewater service for violation of any provision of these regulations, subject to PUC rules and regulations.
6. **Damages:** In the event of any damage to the Company's wastewater system caused by a Customer, or a Customer's representative, such damage shall be immediately reported to the Company and said Customer shall reimburse the Company for the costs of such repairs, testing, consulting and all other costs associated with the damage.

Any user violating any of the provisions of these Rules and Regulations shall become liable to the Company for all expenses, losses, or damages occasioned by the Company by reason of such violation, whether incidental or consequential.

Section G- Line Extensions

1. When an extension to serve a Customer is required or requested, such extension will be made under the terms of a "Sewer Main Extension Agreement" or a "Sewer Main Extension Deposit Agreement".
2. Customer shall contribute all facilities required for the Company to directly connect the Customer to the Sanitary Sewer. This includes pumping stations, vaults, manholes, mains or any other apparatuses where applicable. The Company shall have the right to locate the facilities as required to meet the long term system needs of the Customers.
3. Customer shall also pay a capacity reservation fee to the Company for each proposed equivalent dwelling unit.
4. **Size of Main and Other Facilities:** The Company shall have the exclusive right to determine the type and size of mains and the other facilities required to render adequate service. However, where the Company decides to install a pipe larger than necessary to render extension of adequate service to the applicant, estimated or actual cost figures in the Sewer Main Extension Agreement or Sewer Main Extension Deposit Agreement shall include only the material and installation cost for a pipe the size of which is necessary to provide adequate service to the applicant. Any incremental costs of a larger pipe will be the responsibility of the Company. All estimated or actual cost figures referred to in the Sewer Main Extension Agreement or Sewer Main Extension Deposit Agreement shall include a reasonable allowance for overhead costs and taxes as appropriate.

5. **Length of Extension:** In determining the necessary length of an extension, the terminal point of such extension shall be at that point in the property line or right-of-way, which is equidistant from the side property lines of the last lot for which service was requested except where the Company, in its sole opinion, determines that it is necessary to extend beyond the last lot and connect to an existing main to provide adequate and reliable wastewater service. A street service connection will be provided only for customer service laterals that extend at right angles from the curb line in a straight line to the premises to be served.
6. **Offsite Development Marketing Contracts:** Where it is prudent, reasonable and in the public interest, the Company may, at its option enter into offsite development marketing contracts which depart from the standard terms of the "Sewer Main Extension Agreement" or "Sewer Main Extension Deposit Agreement". These marketing agreements shall become effective 30 days after the Company has filed a copy thereof with the Pennsylvania Public Utility Commission, or in the event that the Commission institutes an investigation, at such time as the Commission grants its approval thereof.

Section H- Service Continuity

1. **Regularity of Service:** The Company may, at any time, shut off service in case of accident or for the purpose of making connections, alterations, repairs or changes, or for other reasons. The Company will, pursuant to Commission regulations at 52 Pa. Code '67.1 and as circumstances permit, notify customers to be affected by service interruptions.
2. **Liability for Damages:**
- (a) **Limitation of Damages for Service Interruptions:** The Company's liability to a customer for any loss or damage from any excess or deficiency in the wastewater collection service due to any cause other than willful misconduct or negligence by the Company, its employees or agents shall be limited to an amount no more than the Customer charge or minimum bill for the period in question. The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but cannot and does not guarantee that such will not occur.

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

Section I- Waivers

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

Section J- Amendment of Commission Regulations

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

Section K - Industrial and Commercial Service Limitations.

1. **Pretreatment:** All Industrial/Commercial Waste proposed for discharge into the Sanitary Sewer shall be categorized to determine the degree of pretreatment, if any, necessary in order that the Waste will not adversely affect the system or the sewage treatment facilities. The Company will have the authority to regulate and set limitations on any Waste discharge into its Sanitary Sewer by regulating the rate of any Waste discharge into its Sanitary Sewer and/or by requiring necessary pretreatment, and excluding certain waste, if necessary, to protect the integrity of the Company's system.

2. **IPP:** At such time as an Industrial Pretreatment Program (IPP) is required by the United States Environmental Protection Agency (EPA), Pennsylvania Department of Environmental Protection (DEP), or the Company implements an IPP, the Company shall develop and enforce the IPP in accordance with applicable regulations.

3. **Customer Limitations:** Customers specifically agree that service applies exclusively for Domestic Wastewater. If any Customer discharges Industrial or Commercial Waste that:

- (a) the existing wastewater treatment plant is unable to satisfactorily treat; or,
- (b) is not in compliance with any discharge permit standards, disrupts the normal functioning of the existing wastewater treatment plant; or,
- (c) is more costly to treat than typical Domestic Wastewater; or,
- (d) requires the utilization of more wastewater treatment plant capacity per gallon of effluent than that required by average typical Domestic Wastewater,

then the Customer shall provide, at the Customer's own expense, such pretreatment deemed necessary by the Company before such Waste is discharged into the Sanitary Sewer. No Commercial or Industrial Waste, whether pretreated or not, may be discharged without prior written authorization from the Company. The Company reserves the right to set the applicable discharge limits on any waste stream entering its collection system. An Industrial/Commercial Waste Pretreatment Agreement will need to be executed prior to allowing the discharge to occur.

4. **Company Limitations:** The Company will not be liable nor bound to increase wastewater treatment plant operations to accommodate Industrial or Commercial Waste.

5. **Flow Limitations:** The Company reserves the right to control quantities and rate of discharge of such Industrial and Commercial Wastes on the basis of 24 hours per day and 7 days per week.

6. **Grease, Oil, Sand Traps, and interceptors:** The Company reserves the right to require the installation of grease, oil, sand traps or interceptors at the Company's discretion when necessary for the proper handling of liquid wastes containing grease in excessive amounts, any flammable wastes, sand, or other harmful ingredients. All traps/interceptors shall be of a type and capacity approved by the Company and shall be located as to be readily and easily accessible for cleaning and inspection. Grease, oil, sand traps or interceptors shall be installed in all new filling stations, garages, restaurants, and other new facilities wherein heavy discharge of grease, oil, sand is to be expected. Owners of grease, oil, sand traps or interceptors are required to clean out the device on a regular basis to maintain good operation of the trap. The Company reserves the right to require owners of grease, oil, sand traps or interceptors to submit records of cleaning to the Company at the Company's discretion.
7. **Specific Dangers:** In general, any Waste provided by a Customer will be considered harmful to the Company's Sanitary Sewer and any other facility if it may cause any of the following damaging effects:
- (a) chemical reaction either directly or indirectly with the materials of construction of the system in such a manner as to impair the strength or durability of the sewer structures;
 - (b) mechanical action that will destroy the sewer structures;
 - (c) restriction of the hydraulic capacity of the sewer structures;
 - (d) restriction of the normal inspection or maintenance of the sewer structures;
 - (e) danger to public health and safety; or
 - (f) obnoxious condition contrary to public interest.

The Company may terminate service as per Section C if any of these specific dangers, or other dangers, as determined by the Company are caused by the Customer.

8. Surcharge for Industrial/Commercial Wastes:

(a) In the event that the Company consents to accept into the Sanitary Sewer system Industrial/Commercial Wastes containing more than 300 milligrams per liter by weight (mg/L) of suspended solids and/or 300 mg/L of 5 day biochemical oxygen demand, otherwise prohibited under this Section, there is hereby imposed for such service in addition to the sanitary sewage quantity, a surcharge for the Suspended Solids and 5 day Biochemical Oxygen Demand (BOD5) contained in said wastes in excess of 300 mg/L and a chlorine demand in excess of 25 mg/L in accordance with the following schedule:

- (i) \$0.10 per pound of BOD5 in excess of 300 mg/L.
- (ii) \$0.06 per pound of Suspended Solids in excess of 300 mg/L.
- (iii) Actual chlorine cost per pound of chlorine demand in excess of 25 mg/L.
- (iv) \$0.10 per pound for COD levels above 525 mg/L.

(b) In the event the Company elects to accept Industrial/Commercial Wastes having a pH below 6.0, the total acid equivalent of such wastes, expressed as 100% sulfuric acid shall be considered as one pound of Suspended Solids. For purposes of calculating Surcharges, the total sum computed by adding the acid equivalent so determined to the actual Suspended Solids content shall be considered to be the Suspended Solids content of the acidic wastes. The charges for treatment of such acidic wastes shall be subject to the same Surcharges as above set forth for wastes containing excessive solids.

Section L. Privilege to Investigate/Right of Access

The Company's authorized representatives shall have the right of access at all reasonable times to all parts of any premises connected with the system, for the purpose of examining and inspecting connections and fixtures, including the water and/or wastewater metering arrangement, or for disconnecting service for any proper cause.

**Section M. Sewer Capacity Allocation Policy for the Clarion
Wastewater Operations**

1. The Company shall maintain a "waiting list" of names of individuals requesting sewer capacity.
2. Individuals who wish to be placed on the list must make their request in writing indicating the following information:
 - A. name
 - B. address
 - C. phone number
 - D. location of proposed tap(s)
 - E. number of edu's required
 - F. proposed use of building
 - G. approximate date needed
3. Sewer capacity (tap) requests may be submitted any time after July 1st of the year preceeding the year in which the tap is to be utilized.
4. Once the sewer capacity reservation (tap)fee and inspection fee is paid and the sewer permit issued the permittee has six (6) months to put the tap into service. At the time the tap is placed into service the following conditions must be met: 1) the building or structure must be substantially completed, 2) the lateral shall be constructed and tapped into the main sewer line, and 3) the permittee shall commence paying monthly sewer bills.
5. If the conditions outlined in item #4 are not met within the allotted six month period, the sewer permit shall be revoked and the sewer capacity reservation (tap) fee and inspection fee forfeited. The Company shall notify the permittee of such action, in writing.
6. Having one's name on the waiting list shall constitute having an "option" to obtain sewer capacity in the subject year. After the 1st of each year the Company may sell sewer capacity to individuals not on the waiting list or to individuals not at the top of the waiting list to the extent that the sale of the sewer capacity when added to the total number of edu's on the waiting list (or ahead of that individual on the list) does not exceed the total number of edu's available to be added to the system during that year. If the sale of the sewer capacity (and resulting edu's) would result in the potential of exceeding total allowable edu's, when considered in conjunction with the

total edu's requested on the waiting list (or ahead of the applicant on the list), the sale could not be made until those individuals on the waiting list (or ahead on the list) are contacted. At that point, the Company shall determine the availability of edu's by contacting the individuals on the waiting list beginning with the first person and working down the list.

The individual will be asked if they wish to exercise their option to obtain sewer capacity.

If they would, they will have five (5) days to submit an application for sewer permit and pay the designated sewer capacity reservation (tap) fee and inspection fee, at which time the six month "clock" begins. If they elect not to exercise their option at the time of notification their name will be dropped from the waiting list. To place their name back on the waiting list for future consideration they will need to provide another written request (see item #3).

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APPENDIX B

PROOF OF REVENUES

PENNSYLVANIA AMERICAN WATER
CLARION WASTEWATER OPERATIONS

SUMMARY OF PRESENT AND PROPOSED RATES

<u>Customer Class</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Monthly Customer Charge</u>	<u>Usage Charge Per 100 Gallons</u>	<u>Monthly Customer Charge</u>	<u>Usage Charge Per 100 Gallons</u>
<u>Residential</u>				
Customer Charge	\$20.00		\$7.50	
Low Income	20.00		6.38	
Minimum 2,999 Gallons		0		NA
Next 7,000 gallons or First 9,999		\$0.4580		\$0.689
Low Income		NA		0.586
Next 9,000 gallons		0.4410		0.689
Next 12,000 gallons		0.4110		0.689
All Over 30,999 gallons		0.3560		0.689
Residential Unmetered	20.00		30.44	
<u>Non-Residential</u>				
Customer Charge	20.00		20.00	
Minimum 2,999 Gallons		0		NA
Next 7,000 gallons or First 9,999		0.4580		0.689
Next 9,000 gallons		0.4410		0.689
Next 12,000 gallons		0.4110		0.689
All Over 30,999 gallons		0.3560		0.689
Non-Residential Unmetered	20.00		42.94	
<u>Bulk Unmetered</u>	1,625.00		2,470.00	

PENNSYLVANIA AMERICAN WATER
 CLARION WASTEWATER OPERATIONS
 SUMMARY OF REVENUE UNDER PRESENT AND PROPOSED RATES
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

Customer Classification <u>(1)</u>	Proforma Present Rates Revenue 12/31/2010 <u>(2)</u>	Bill Analysis Revenues at Present Rates <u>(3)</u>	Adjustment Factor <u>(4)=(2)/(3)</u>	Bill Analysis Revenues Proposed Rates <u>(5)</u>	Revenues Under Proposed Rates <u>(6)=(5)x(4)</u>
Residential	\$567,173	\$566,960	1.00037509	\$684,705	\$684,962
Commercial	374,678	374,860	0.99951353	667,818	667,493
Public	195,364	195,441	0.99960602	373,805	373,658
Bulk (Unmetered)	<u>19,500</u>	<u>19,500</u>	1.00000000	<u>29,640</u>	<u>29,640</u>
Total Sales	\$1,156,715	\$1,156,762		\$1,755,969	\$1,755,753
Other Operating Revenues	<u>2,050</u>	<u>2,050</u>		<u>2,870</u>	<u>2,870</u>
Total	<u>\$ 1,158,765</u>	<u>\$ 1,158,812</u>		<u>\$ 1,758,839</u>	<u>\$ 1,758,623</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
CLARION WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2010

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	Proposed Rate (7)	Proposed Revenue (8)
<u>Residential Metered - Monthly</u>							
Customer Charge w/ Minimum 2,999 gallons	22,207	486,220	20.00	444,143		7.50	166,554
Low Income	264	5,780	20.00	5,280		6.38	1,684
Next 7,000 gallons or First 9,999 gallons		223,854	0.4580	102,525	707,063	0.689	487,166
Low Income*			0.4580	0	8,791	0.586	5,152
Next 9,000 gallons		21,916	0.4410	9,665	21,916	0.689	15,100
Next 12,000 gallons		7,555	0.4110	3,105	7,555	0.689	5,205
All Over 30,999 gallons		2,927	0.3560	1,042	2,927	0.689	2,017
Subtotal	0	256,252		116,337	748,253		514,641
Total Residential	22,471	748,253		565,760	748,253		682,879
<u>Residential Unmetered - Monthly</u>							
Service Charge*	60		20.00	1,200		30.44	1,827
Total Residential	22,531	748,253		566,960	748,253		684,705
<u>Commercial Metered - Monthly</u>							
Customer Charge w/ Minimum 2,999 gallons	3,648	75,570	20.00	72,967		20.00	72,967
Next 7,000 gallons or First 9,999 gallons		100,825	0.4580	46,178	176,395	0.689	121,536
Next 9,000 gallons		81,835	0.4410	36,089	81,835	0.689	56,384
Next 12,000 gallons		76,874	0.4110	31,595	76,874	0.689	52,967
All Over 30,999 gallons		527,501	0.3560	187,791	527,501	0.689	363,448
Subtotal	0	787,036		301,653	862,606		594,336
Total Commercial Metered	3,648	862,606		374,620	862,606		667,303
<u>Commercial Unmetered - Monthly</u>							
Service Charge*	12		20.00	240		42.94	515
Total Commercial	3,660	862,606		374,860	862,606		667,818

* Based on average usage of 3,330 gallons per month.

PENNSYLVANIA-AMERICAN WATER COMPANY
CLARION WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED DECEMBER 31, 2010

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	Proposed Rate (7)	Proposed Revenue (8)
<u>Municipal Metered - Monthly</u>							
Customer Charge w/ Minimum 2,999 gallons	216	4,976	20.00	4,320	0	20.00	4,320
Next 7,000 gallons or First 9,999 gallons		7,856	0.4580	3,598	12,832	0.689	8,841
Next 9,000 gallons		8,518	0.4410	3,756	8,518	0.689	5,869
Next 12,000 gallons		8,336	0.4110	3,426	8,336	0.689	5,744
All Over 30,999 gallons		506,577	0.3560	180,341	506,577	0.689	349,031
Subtotal	0	531,287		191,121	536,263		369,485
Total Municipal Metered	216	536,263		195,441	536,263		373,805
<u>Bulk Unmetered - Monthly</u>							
Customer Charge	12		1,625.00	19,500		2,470.00	29,640
Total - Clarion	26,420	2,147,122		1,156,762	2,147,122		1,755,969

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SECRETARY'S BUREAU

APPENDIX C

PAWC STATEMENT

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2010-2166208
	:	
PENNSYLVANIA-AMERICAN WATER COMPANY – CLARION WASTEWATER OPERATIONS	:	

**STATEMENT OF PENNSYLVANIA-AMERICAN WATER COMPANY
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT
OF RATE PROCEEDING**

Pennsylvania-American Water Company (PAWC or the Company) believes that the proposed Settlement is in the best interests of the Company and its customers, and is therefore in the public interest. The Settlement was achieved only after extensive discovery, submission of direct, rebuttal and surrebuttal testimony by the parties on a wide range of issues, and negotiations among the Joint Petitioners as to the appropriate revenue level, rate structure, rate design and other matters. PAWC is in full agreement with each of the reasons set forth in the Joint Petition in support of the proposed Settlement. In addition, the Company offers the following reasons why the Settlement is in the public interest and should be approved.

I. INTRODUCTION AND OVERVIEW

This is the first base rate case filed by PAWC for its Clarion Wastewater Operations since PAWC, with the Commission’s approval, acquired the Clarion wastewater system in October 2008 from the Clarion Area Municipal Authority (Authority). Additionally, as explained below, the Joint Petition (Paragraph 8.c.) contains a stay-out provision under which the

Company could not file another general base rate case under Section 1308(d) of the Public Utility Code, subject to certain exceptions noted therein, before March 31, 2013. Consequently, factoring in the suspension period of a possible future rate case, the rates to be established under the Settlement will remain unchanged for at least three years from their proposed effective date (January 1, 2011).

The Settlement provides that the Company will increase its rates to produce additional annual operating revenue of \$600,000, or approximately 51.7%, in lieu of the \$968,817, or 83.5%, proposed by the Company in its initial filing. A comparison of an average residential customer's monthly wastewater bill under current rates, the rates PAWC initially proposed and the Settlement Rates is shown below:

Current Rates	Proposed Rates	Settlement Rates
\$21.52	\$40.37	\$30.44

(Based on monthly usage of 3,330 gallons for an average residential customer.)

Under the Settlement, the Company is instituting a new low-income customer assistance program that will provide a 15% reduction from the wastewater bill of eligible low-income customers. Under this program eligibility will be determined on same criterion used for participation in the Low-Income Home Energy Assistance Program, which is currently 150% of the Federal Poverty Guideline.

The rate structure aspect of this case was also the subject of extensive negotiations among the parties. The rate structure and rate design elements, which are set forth in detail in Paragraph No. 8.e. of the Joint Petition, provide a fair, reasonable and non-discriminatory distribution of the revenue increase among the various customer classes.

II. REASONS FOR THE INCREASE

The need to increase the Clarion wastewater rates is driven by several factors. However, a significant factor responsible for the increase is the Company's investment of \$3.375 in new plant and equipment, as explained in detail by PAWC's Vice President of Engineering, David R. Kaufman (PAW St. 1, pp. 4-5). These investments included substantial upgrades to the Clarion Wastewater Treatment Plant, collection system improvements, installation of new Supervisory Control and Data Acquisition (SCADA) equipment, security upgrades at the treatment plant and lift stations, and wastewater system mapping and hydraulic modeling (PAW St. 1, pp. 6-10). Many of the investments made by the Company were needed to satisfy conditions of a Consent Order issued by the Pennsylvania Department of Environmental Protection (Pa. DEP) to the Authority in 2006, for which Pa. DEP required PAWC to assume responsibility at the time of PAWC's acquisition of the Clarion system (PAW St. 1, pp. 3-5).

As Mr. Kaufman explained, before the Clarion system was acquired by PAWC, it had a long history of environmental compliance issues with the Pa. DEP dating back to 1979 when Pa. DEP first notified the Authority that its treatment plant was hydraulically and organically overloaded. As a result of the overload conditions, Pa. DEP issued Consent Order in 1983 to address the problem. However, due to the Authority's non-compliance, Pa. DEP issued another Consent Order in 2000 to reduce the hydraulic overload, address over-flows and bring the treatment facility into compliance. When the Authority did not comply with the 2000 Consent Order, Pa. DEP refused to renew the Authority's National Pollutant Discharge Elimination System (NPDES) permit and fined the Authority for discharging inadequately treated wastewater into nearby streams. In 2006, Pa. DEP issued a third Consent Order, which established new timelines for the Authority to bring its system into compliance with federal and state regulations.

The 2006 Consent Order also prohibited the Authority from making any new connections to its system because of the hydraulic overload conditions that existed due to serious infiltration and in-flow problems (PAW St. 1, pp. 3-4). As previously explained, since its acquisition of the Clarion system, PAWC has made substantial investments and implemented numerous process improvements to address problems identified in the 2006 Consent Order.

III. THE SETTLEMENT

The Settlement provides for a lower overall increase in annual operating revenue than the Company requested in its initial filing. In addition, and as explained above, the Settlement provides for a six-year phase-in. The phase-in substantially mitigates the impact upon customers of the increase in annual operating revenue by replacing a single large increase with a series of smaller increases over the phase-in period.

All of the substantive terms and conditions of the Settlement are set forth in Paragraph No. 8 of the Joint Petition. The principal terms and conditions are explained below.

Subparagraph a. expresses the Joint Petitioners' agreement to an increase of \$600,000 in annual wastewater revenue in lieu of the increase originally proposed by the Company and also evidences the Joint Petitioners' agreement to the specific rates, rules and terms of service set forth in the tariff annexed to the Joint Petition as Appendix A. A detailed Proof of Revenues is provided as Appendix B.

Subparagraph b. is the Joint Petitioners' request that Chief Administrative Law Judge Rainey and the Commission act as expeditiously as possible to try to ensure that the Settlement Rates become effective on January 1, 2011.

Subparagraph c. is PAWC's agreement not to file a general wastewater base rate case for the Clarion Wastewater Operations under Section 1308(d) of the Public Utility Code, subject

to the usual exceptions, prior to March 31, 2013. With the seven-month suspension provided for under Section 1308(d), if such a filing were made at the earliest date permitted, new base rates would not become effective until January 1, 2014.

Subparagraph d. provides that PAWC: (1) will be authorized to establish depreciation rates as set forth in PAWC Exhibit 5-B (the depreciation study submitted with its initial filing); and (2) will amortize its actual net negative salvage incurred through December 31, 2010 over ten years instead of five years. Although five years is the amortization duration established by long-standing Commission policy and precedent, the Company and other Joint Petitioners agree that, given the facts and circumstances presented in this case, namely, the very large amount of cost of removal associated with the plant that was retired and replaced and/or rehabilitated, a ten-year amortization is appropriate.

Subparagraph e. consists of three parts. Part (1) acknowledges that the Settlement rates reflect the allocation of the agreed increase in revenues among customer classes in the manner shown in Appendix B, which is the Proof of Revenues for the Settlement Rates. Part (2) acknowledges that the Settlement rates provide for customer charges that are lower than those initially proposed by the Company. Part (3) explains that usage charges were increased to recover the revenues allocated to each class that were not recovered through the customer charges set forth above.

Subparagraph f. memorializes the residential low-income assistance program that the Company is instituting for wastewater customers. As proposed in its initial filing, the low-income assistance program would have provided a 35% reduction in the Company's customer charge for eligible customers. Under the Settlement, the low-income assistance program has been revised to provide a 15% discount on eligible customers' entire wastewater bill. Thus, the

benefit to low-income customers has been significantly increased. Additionally, the Company has agreed to revise the terms of the programs so that customers will not lose their eligibility if they become delinquent in paying a bill, so long as there is a good faith effort to avoid delinquency.

Although not addressed in the Settlement, the Company, as outlined in its initial filing, will implement and fund a hardship grant program that will be structured and administered in the same manner as the current program for water customers. The grant program will be funded by voluntary contributions from the Company, its employees and customers. Grants will be provided to assist needy customers in hardship situations.

IV. CONCLUSION

The Settlement is in the public interest. As the explanation of the Settlement terms clearly demonstrates, the Settlement reflects the agreement of parties that represent the interests of a broad range of customers, and the Settlement terms have been carefully designed to resolve in a reasonable fashion the issues and concerns that were raised by the testimony in this case. The Settlement provides a sound and reasonable resolution of this case without the need for additional costly litigation. Accordingly, the Joint Petition should be granted and the Settlement should be approved.

Respectfully submitted,



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Counsel for Pennsylvania-American
Water Company

Dated: November 4, 2010

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX D

OTS STATEMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	
v.	:	Docket No. R-2010-2166208
	:	
Pennsylvania American Water Company Clarion Wastewater Operations	:	

**OFFICE OF TRIAL STAFF
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE PROCEEDING**

TO ADMINISTRATIVE LAW JUDGE CHARLES E. RAINEY, JR.:

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission, ("Commission") by and through Senior Prosecutor Charles Daniel Shields, Prosecutor Carrie Wright and Chief Prosecutor Johnnie E. Simms hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement of Rate Proceeding ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interest of Pennsylvania American Water Company, Clarion Wastewater Operations ("PAWC Clarion" or "Company") and its wastewater customers.

1. All active parties to this proceeding participated in settlement discussions and as a result, PAWC Clarion, OTS, and the Office of Consumer Advocate ("OCA") have agreed upon the terms embodied in the foregoing Joint Petition for Settlement.

2. The Office of Trial Staff⁷ is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest. OTS has met that responsibility here and has vigorously represented the public interest at all times during this base rate proceeding.

3. Prior to agreeing to the instant settlement, OTS legal and technical staff conducted a thorough review of the Company's filing and supporting information, discovery responses and submitted filing data, and contributed to the forthright discussions among the parties during settlement talks. The provisions of this settlement represent a revenue increase that OTS agrees is just and reasonable and in the public interest, but is not based upon any specific adjustments or ratemaking approach, unless otherwise noted.

4. On April 23, 2010, the Company filed Tariff Wastewater-Pa. P.U.C. No. 10 to become effective June 22, 2010. The tariff contained proposed changes in rates, rules, and regulations calculated to produce \$968,817 (83.61%) in additional annual revenues. A number of complaints were filed against the rate increase request.

5. By Order entered June 16, 2010, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law on June 22, 2010, until January 22, 2010, unless permitted by Commission Order to

become effective at an earlier date. Said Order provided that the case be assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary and culminating in the issuance of a Recommended Decision.

6. A Prehearing Conference was subsequently conducted by Administrative Law Judge Charles E. Rainey, Jr. (“ALJ Rainey”) presiding telephonically from Philadelphia and the Harrisburg parties participating from a hearing room in the Keystone Building in Harrisburg. ALJ Rainey consolidated the instant proceeding solely for the purpose of hearings with the three (3) other currently filed Pennsylvania American Water Company (“PAWC”) wastewater proceedings, also prosecuted by OTS Senior Prosecutor Shields and Prosecutor Wright.

7. Extensive and detailed written and informal discovery was conducted by both OTS and OCA, and the Company provided scores of interrogatory responses throughout the course of the proceeding. OTS scrutinized the provided responses in order to develop a thorough perspective and understanding of each relevant base rate issue.

8. On August 5, 2010, OTS distributed the Direct Testimonies and Exhibits of its three assigned OTS Technical Experts, Andrew O’Donnell, Christine Wilson, CPA and Ethan Cline and distributed their Surrebuttal Testimonies and Exhibits on September 7, 2010. These documents were entered into the record by stipulation of the parties. While these OTS testimonies and related exhibits were prepared to present the OTS positions in anticipation of the full litigation of this proceeding, they also serve to provide

background record evidence for the negotiated terms and conditions of the resultant Settlement.

9. On August 23, 2010, ALJ Rainey a conducted public input hearing telephonically in order to give customers an opportunity to provide their comments and perspectives regarding the requested rate increase and the service provided by the Company.

10. In accordance with the Commission's policy favoring settlements, 52 Pa. Code § 5.231, the Joint Petitioners were successful in achieving a full and complete settlement of all issues utilizing the discovery and settlement negotiation process.

11. OTS considers Commission approval of the terms and conditions of the instant proposed Settlement to have the same effect as full and complete litigation and further recognizes that final resolution of this proceeding by approval of the Settlement will result in Commission-made rates.

12. OTS agrees that the terms and conditions of the Settlement are in the public interest for a number of reasons, including that the settlement:

- (a) provides for a level of additional operating revenue that OTS, as one of the Joint Petitioners, agrees is reasonable and lawful;
- (b) avoids the necessity of further administrative and possible appellate court proceedings, which would have been at substantial cost to the involved parties and the Company's ratepayers and thereby conserves time and expenses for all involved. Acceptance of the foregoing settlement will negate the need for the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions and the filing of possible appeals.
- (c) includes a provision whereby the effect of the settlement increase will be further mitigated for lower-use customers as the residential customer charge

will be \$7.50 per month rather than the \$15.00 per month initially proposed in the filing.

- (d) contains noteworthy provisions whereby PAWC will not file for another general wastewater rate increase before March 31, 2013. A provision that provides a level of rate stability for that entire period;
- (e) provides that the Company will reflect a fifteen percent (15%) reduction in the total bill for eligible low-income residential customers under the low-income customer assistance program established under the Settlement.

13. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, OTS or OCA as provided therein.

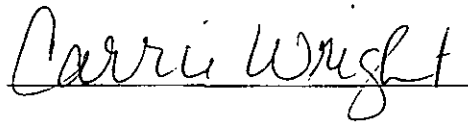
14. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

15. If Chief ALJ Rainey recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Reply Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters that may be proposed by the ALJ in the Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by either or both of the other parties.

16. In conclusion, the Office of Trial Staff has been thoroughly involved in the instant base rate proceeding for wastewater service provided by Pennsylvania American Water Company, Clarion Wastewater Operations and respectfully asserts that it has demonstrated the accuracy and legitimacy of all representations provided in this OTS Statement in Support.

WHEREFORE, the Commission's Office of Trial Staff represents that it fully supports the instant settlement as being in the public interest and respectfully requests that presiding Chief Administrative Law Judge Charles E. Rainey, Jr. recommend, and the Commission subsequently approve without modification, the proposed settlement as set forth in the Joint Petition and approve the respective tariff supplement(s) as submitted with the settlement.

Respectfully Submitted,

A handwritten signature in black ink that reads "Charles Daniel Shields". The signature is written in a cursive style and is positioned above a horizontal line.

Charles Daniel Shields
Senior Prosecutor
PA Attorney I.D. No. 29363

Carrie Wright
Prosecutor
PA Attorney I.D. No. 208185

Johnnie E. Simms
Chief Prosecutor
PA Attorney I.D. No. 33911

Office of Trial Staff
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: October 20, 2010

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX E

OCA STATEMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
V. : Docket No. R-2010-2166208
 :
PENNSYLVANIA-AMERICAN :
WATER COMPANY (CLARION :
WASTEWATER OPERATIONS) :

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE PROPOSED SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory Parties to the proposed Joint Petition For Settlement Of Rate Proceeding (Petition) filed in the above-referenced proceeding, submits that the terms and conditions of the proposed Petition are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (PUC or Commission) approve the Pennsylvania-American Water Company – Clarion Wastewater Operations (PAWC-Clarion or Company) Petition without modification for the following reasons.

I. INTRODUCTION AND BACKGROUND

With the addition of the following, the OCA believes that the background section

of the Petition accurately reflects the procedural history of this proceeding.

The OCA filed its Formal Complaint and Public Statement against the proposed increase on April 29, 2010. The OCA initiated very extensive formal and informal discovery after it filed its Complaint. The OCA issued eleven sets of interrogatories, consisting of 183 questions not including subparts, focusing on PAWC methods and claims; made an on-site inspection of the PAWC-Clarion wastewater treatment plant, and participated in telephonic Public Input Hearing on August 23, 2010 in its effort to investigate the Company's revenue increase claims. The OCA is satisfied that it received sufficient information to develop well-supported and well-reasoned litigation issues, and that those issues would be satisfactorily resolved through the terms and conditions of the Petition, if approved without modification by the Commission.

In its Formal Complaint, the OCA requested that the Commission conduct public input hearings in PAWC-Clarion's service territory in response to the rate objections received by the Commission and the OCA. Consequently, the Commission conducted a Public Input Hearing on August 23, 2010. Five witnesses provided oral testimony related to PAWC-Clarion's proposed rates and service. As the OCA will discuss below, the OCA believes that the Petition's terms and conditions adequately address issues raised by those customer witnesses.

The Parties engaged in arduous yet fruitful settlement discussions; the terms and conditions expressed in the Petition are the result of those discussions. The OCA would also point out that each customer formal complainant will have opportunity for review and comment on the Petition prior to Judge Rainey issuing a Recommended Decision in this proceeding.

The Petition's terms and conditions address all of the revenue requirement issues raised by the OCA expert witnesses in testimony. The Parties have also agreed to a compromise revenue allocation to recover the proposed rate increase. The OCA believes that the terms and conditions contained in the Petition are in the public interest and will provide for just and reasonable rates. The OCA therefore requests that the Commission approve the Settlement without modification for all the following reasons.

II. PUBLIC BENEFITS OF THE TERMS AND CONDITIONS OF THE JOINT SETTLEMENT PETITION

The OCA believes that the Petition, taken as a whole, is in the public interest and satisfactorily addresses the issues raised by the OCA analysis of the PAWC-Clarion filing. While the Petition does not directly address all OCA proposed adjustments and recommendations, the OCA recognizes that settlements are the product of compromise. The OCA will discuss in detail below how the terms and conditions contained in the Petition address the OCA's concerns. To the extent that the OCA does not address the specific issues raised by other Parties' testimony in this Statement in Support, the OCA does not oppose the settlement terms and conditions designed to address them.

The OCA submits that the Joint Petition taken as a whole is a reasonable compromise in consideration of likely litigation outcomes and is otherwise in accord with Commission regulations and policy. 52 Pa. Code § 5.231; 52 Pa. Code § 69.401 *et seq.* Therefore, the OCA submits that the Joint Petition is in the public interest and supports Commission approval without modification. In support, the OCA provides as follows:

1. The Petition provides for significant rate limitations.

A major portion of the OCA analysis and recommendation in this proceeding consisted of accounting adjustments to Clarion's expense and rate base claims. OCA St. No. 1. Specifically, OCA Exhibit LA-3, page 3 of 26 contains a list of OCA proposed adjustments. Based on its analysis, the OCA recommended a \$408,865 reduction in PAWC-Clarion's claim. OCA St. No. 1 at 7. The OCA points out that the settlement terms generally do not specify the adoption or rejection of any particular accounting or rate base adjustment proposed by the OCA. Nevertheless, the OCA will discuss how the terms and conditions of the Petition address its major recommended adjustments.

In addition to analyzing PAWC-Clarion's expense and rate base claims, the OCA performed an extensive analysis of its rate of return claim, focusing on the request for an 11.50% return on equity. OCA St. No. 3 at 3. Based on its analysis, the OCA recommended a return on equity of 9.00% for PAWC-Clarion. *Id.* While the Petition does not specify the adoption or rejection of any particular cost of debt or common equity cost rate, the OCA believes that the lower revenue requirement agreed to by the Parties reflects a substantial compromise on this aspect of the filing.

The combined effect of the OCA's accounting, rate base, and rate of return recommendation was to provide PAWC-Clarion with an increase of no more than \$559,952 or approximately 58%, of its original request of a \$968,817 increase. OCA St. No. 1 at 7. While the OCA believes that its adjustments are valid, there is never a guarantee that the Commission would adopt all of the OCA's proposed adjustments or its rate of return recommendations in litigation.

The Petition provides that Clarion may collect \$600,000 in additional annual

revenues, subject to the stay-out discussed below. This revenue increase is within approximately 7% of the OCA litigation position. The OCA points out that Mr. Smith based his recommended revenue requirement increase of \$559,952 on Dr. Woolridge's recommended return on equity of 9% -- thus, a settlement revenue requirement increase of \$40,048 more than the OCA recommended revenue requirement increase represents a complete resolution of these two critical aspects of the OCA presentation in this proceeding.

In addition, the Petition contains additional terms and conditions that would be unavailable in the event of full litigation before the Commission. The OCA is confident that the Petition, as a whole, is lawful and that the agreed-upon revenue requirement will provide PAWC-Clarion adequate resources to provide safe and adequate service to its customers. For these reasons, and the reasons discussed below, the Commission should approve the Petition without modification as being in the public interest.

2. The Petition contains a reasonable stay-out.

The Petition provides that PAWC-Clarion will not file for an additional increase in revenues before March 31, 2013, subject to certain narrow exceptions. This will effectively provide for a "cap" on revenue requirement for three years from January 1, 2011 until January 1, 2014, assuming a fully litigated rate case in 2013. The OCA point out that this stay-out period is longer than the traditional two-year period employed in recent Commission-approved water and wastewater settlement agreements. The agreement by PAWC-Clarion to "stay-out" for this period is a benefit to the PAWC-Clarion ratepayers in that it will provide rate stability for this period.

3. **The effective average rates produced by the Petition are reasonable.**

If approved, the Petition will produce the following rates for the average residential customer with a 5/8" meter:

Monthly Average Usage And Rates						
	Usage	Current	Proposed	Settlement Rates		
	(gallons)	Rate	Rate	2011	2012	2013
5/8" Meter	3,300	\$21.52	\$40.37	\$30.44	\$30.44	\$30.44

Petition at 8. These settlement rates include a fixed customer charge of \$7.50 per month for customers with 5/8" meters. This too is an important compromise from the proposed customer charge of \$15.00 per month requested through the Clarion filing. OCA St. No. 2 at 4. With the customer charge comprising a smaller percentage of the overall bill than that proposed by the Company, customers who engage in conservation of water will have a greater impact on both their water and wastewater bills (since wastewater bills are based upon metered amounts of water usage).

4. **The Petition provides for a 15% overall bill discount for low-income customers.**

Witnesses at the public input hearing in the PAWC-Clarion territory identified affordability of wastewater bills as a chief concern. The OCA likewise raised affordability as a primary consideration in this proceeding. OCA St. No. 2 at 8-11. To address this issue, OCA witness Rubin proposed that PAWC-Clarion provide customers with an income of 150% or less of the federal poverty level with a 15% discount on their entire wastewater bill, rather than a discount on just the customer-charge component.

The Parties agreed to adopt this recommendation in the Petition. This approach is novel in that low-income water discounts are often reductions to the fixed service charge, as PAWC-Clarion initially proposed and not a reduction to both the customer and volumetric charges of the customer bill. As such, the OCA expects this low-income program to provide more relief to payment-troubled customers than the program as initially proposed. Petition at 6, ¶ f.

The OCA believes this to be a reasonable and responsible approach to help mitigate the affordability issues affecting the Company's low-income customers. The OCA believes that the Commission should encourage utilities to take a proactive approach to combating disconnections related to affordability. As such, the OCA submits that this aspect of the Petition is in the public interest and supports Commission approval of the Petition without modification.

- 5. The terms of the Petition resolve the cost of service and rate design issues developed by the OCA and will work to provide further cost allocation efficiencies in Clarion's next rate case.**

The OCA argued that PAWC-Clarion's proposed cost of service testimony was flawed in that it did not have (1) a reasonable basis for the proposed customer charge and, (2) did not adequately protect low-income customers. OCA St. No. 2 at 3. The OCA specifically argued that the Company's inclusion of bad debt costs and inflow and infiltration costs in its customer charge were flawed. *Id.* at 4-8. The OCA argued that Clarion's proposed \$15.00 residential customer charge was excessive and included costs not appropriately related to providing customers with a service line and bill, and that the proposed rate design was therefore flawed. *Id.*

The Petition resolves these issues in a manner consistent with likely litigation outcomes. First, the Petition provides for a residential customer charge of \$7.50, as noted above, a compromise from the OCA's recommendation of \$2.10. Petition at 6; OCA St. No. 2 at 8.

The terms and conditions of these portions of the Petition have the effect of working to have customer charges accurately reflect a fair allocation of the Company's costs of serving the customer. The OCA submits that this aspect of the Petition is in the public interest and supports Commission approval of the Petition without modification.

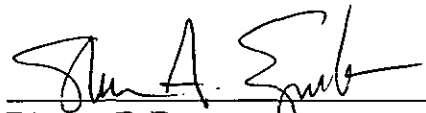
6. The Petition provides for a 10-year amortization of net negative salvage using the depreciation rates established in this proceeding.

In its accounting testimony, OCA witness Smith stated that PAWC-Clarion's net negative salvage claim amounted to a double-recovery of the same expense amounts and proposed to eliminate the over-collection of that expense. OCA St. No. 1 at 60. The Petition provides a reasonable compromise on this issue. Under the terms of the Petition, Clarion will amortize its net negative salvage incurred through December 31, 2010 over a 10-year period, rather than the 5-year period proposed in the filing. Petition at 5. When viewed in light of the Petition's revenue requirement increase, the OCA (negative salvage adjustment) and the length of the stay-out, the OCA believes that this compromise on the Company's net negative salvage claim is reasonable. Approval of this condition without modification is in the public interest.

III. CONCLUSION

For the foregoing reasons, the OCA respectfully requests that the Administrative Law Judge and the Public Utility Commission approve the terms and conditions of the Joint Petition For Settlement Of Rate Proceeding submitted in this proceeding without modification as being in the public interest.

Respectfully Submitted,



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November 4, 2010

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PENNSYLVANIA-AMERICAN WATER
COMPANY – Clarion Wastewater
Operations**

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DOCKET NO. R-2010-2166208

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served copies of the Joint Petition For Settlement Of All Issues In Rate Proceeding upon the following persons in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA HAND DELIVERY

The Honorable Charles E. Rainey, Jr.
Chief Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107
crainey@state.pa.us

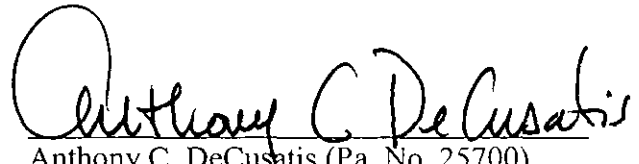
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