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Anthony C. DeCusatis
Of Counsel
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November 5, 2010

VIA HAND DELIVERY

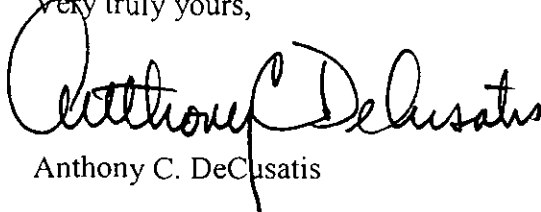
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Pennsylvania Public Utility Commission v. Pennsylvania-American Water
Company (Northeast Wastewater Operations)
Docket No. R-2010-2166214**

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

RECEIVED
2010 NOV -5 PM 3:51
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

V.

**PENNSYLVANIA-AMERICAN
WATER COMPANY –
NORTHEAST WASTEWATER
OPERATIONS**

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DOCKET NO. R-2010-2166214, et al

JOINT PETITION
FOR SETTLEMENT
OF
ALL ISSUES IN RATE PROCEEDING

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NOV 05 2010

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

NOVEMBER 5, 2010

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

V.

**PENNSYLVANIA-AMERICAN WATER
COMPANY - NORTHEAST
WASTEWATER OPERATIONS**

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DOCKET NO. R-2010-2166214 et al

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NOV 05 2010

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

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

Pennsylvania-American Water Company – Northeast Wastewater Operations (“PAWC,” “Company” or “Northeast”), the Office of Trial Staff (“OTS”), the Office of Consumer Advocate (“OCA”) and Richard and Antoinette Callori¹ (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-2010-2166214 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, OCA and the Calloris, 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. 9 ("Tariff No. 9"), which applies to its Northeast Wastewater Operations. Tariff No. 9 reflects an increase in Northeast Wastewater's total annual operating revenues of \$2,099,490, or approximately 240% 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-2010-2166214 to determine the lawfulness, justness and reasonableness of PAWC's existing and proposed rates, rules and regulations. Accordingly, Tariff No. 9 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. At total of eleven (11) Formal Complaints were filed against PAWC's proposed rates, including a Complaint filed by OCA. OTS filed a Notice of Appearance at this docket and fully participated in the proceeding. Among the Complainants, OCA and Richard and Antoinette Callori were active parties and are signatories to the Joint Petition.

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

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. Specifically, and consistent with Commission practice, a schedule was adopted whereby all written direct, rebuttal and surrebuttal testimony would be distributed in advance of 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 two Public Input Hearings in the service territory, as follows:

Date	Start Time	Location
July 30, 2010	1:00 p.m.	Saw Creek Estates (Bushkill, PA)
	7:00 p.m.	Saw Creek Estates (Bushkill, PA)

All of the public input witnesses testified under oath, and their testimony was transcribed. The public input hearings generated approximately 304 pages of transcript.

5. Accompanying the original filing of Tariff No. 9, 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 *nine initial witnesses and the respective exhibits sponsored by each. Considerable additional information was supplied in response to approximately 284 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 five of their expert witnesses and Richard and Antoinette Callori distributed one piece of Rebuttal Testimony and related exhibits. 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 - Northeast's wastewater customers and PAWC and, therefore is in the public interest.

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

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), which reflect the phase-in described in Paragraph No. 8.b., hereafter. The Settlement Rates are designed to produce additional annual operating revenue of \$1,475,000,⁴ 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, as an annual average over the six-year phase-in period, and annually thereafter, approximately \$2,348,359 in total annual wastewater revenue (including Other Revenue) as shown in Appendix B, page 12, column 6.

b. The Settlement reflects PAWC's agreement to phase in the total annual increase in the manner set forth in the schedule attached hereto as Appendix C. As shown in Appendix C, the phase-in plan covers a significant period of six (6) years beginning on the effective date of authorized implementation of the initial phased-in Settlement Rates, proposed for January 1, 2011, and continuing through December 31, 2016.

c. The Joint Petitioners respectfully request Chief ALJ Rainey and the Commission to act as expeditiously as possible to ensure implementation of the initial Settlement

⁴ Because of the phase-in: (1) the Settlement Rates to be in effect in 2011 and 2012 are designed to produce additional annual operating revenue that is less than \$1,475,000; (2) the Settlement Rates to be in effect in 2014-2016 are designed to produce additional annual operating revenue that is more than \$1,475,000; and (3) the Settlement Rates to be in effect in 2013 and on and after January 1, 2017, are designed to produce additional annual operating revenue of \$1,475,000. On average, over the entire six-year phase-in period (January 1, 2011 through December 31, 2016), the Settlement Rates are designed to produce additional annual operating revenue of \$1,475,000.

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.

d. PAWC will not file for another general wastewater rate increase for the Northeast Wastewater Operations under Section 1308(d) of the Public Utility Code prior to March 31, 2016. 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.

e. The Joint Petitioners agree that PAWC will be authorized to establish depreciation rates as set forth in PAWC Exhibit 8-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.

f. 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:⁵

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

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

⁵ 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.

Residential
Commercial

\$7.50 Per Month
\$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.

g. 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 Northeast 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 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 D, E and F, 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, averaged over the six-year phase-in period and annually thereafter (see footnote 4), of \$1,475,000 in lieu of the \$2,099,490 increase originally requested. Additionally, the Settlement

Rates provide for an extended phase-in of the negotiated increase that produces a series of smaller annual increases rather than a single large increase, thereby mitigating potential rate shock to customers. Under the phase-in provided for herein, no interest or any other carrying charges are included to compensate for the possible time value of money impact related to the timing of recovery of the proposed increase over the phase-in period. A comparison of an average residential customer's monthly wastewater bill under current rates, under the rates initially proposed by the Company and under the Settlement Rates for each year of the phase-in is shown below:

	CURRENT RATES	PROPOSED RATES	SETTLEMENT RATES				
			2011	2012	2013	2014-2016	2017
Blue Mountain	\$23.05	\$80.02	\$35.57	\$50.16	\$64.26	\$78.63	\$64.26
Lehman Pike	\$16.90	\$57.70	\$25.13	\$34.29	\$43.15	\$52.18	\$43.15
Winona Lakes	\$27.33	\$69.03	\$30.43	\$42.35	\$53.87	\$65.60	\$53.87

(Based on monthly usage for an average residential customer of 4,407 gallons in the Blue Mountain Area, 2,768 gallons in the Lehman Pike Area, and 3,600 gallons in the Winona Lakes Area.)

b. As set forth in Paragraph 8.d., above, PAWC has agreed to not file another general base rate case under Section 1308(d) of the Public Utility Code for Northeast before March 31, 2016. Accordingly, given the seven-month suspension provided for under Section 1308(d), another general base rate increase would not become effective during the six-year period of the phase-in.

c. As described in Paragraph 8.f.(2), above, under the Settlement Rates, customer charges for residential are reduced from \$20.00 per month, as initially proposed in Tariff No. 9, 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. 9, 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.

e. 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.

f. 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.e. and g. 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, as

an annual average over the six-year phase-in period and annually thereafter, of not more than \$1,475,000 in lieu of the \$2,099,490 originally requested and that thereby produce approximately \$2,348,359 in total annual wastewater revenue (including Other Revenue), as an annual average over the six-year phase-in period and annually thereafter, as shown in Appendix B, page 12.


3. That the Commission terminate its inquiry and investigation at Docket No. R-2010-2166214 and mark the file and related Complaints closed.

Respectfully submitted,

OFFICE OF TRIAL STAFF OF THE
PENNSYLVANIA PUBLIC UTILITY
COMMISSION:

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

PENNSYLVANIA-AMERICAN WATER
COMPANY:

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

RICHARD AND ANTOINETTE CALLORI:

By: _____
Edmund Berger
Counsel For
Richard and Antoinette Callori

Dated: November 4, 2010

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OFFICE OF TRIAL STAFF OF THE
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COMMISSION:

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

PENNSYLVANIA-AMERICAN WATER
COMPANY:

By: _____
Anthony C. DeCusatis
Seth A. Mendelsohn
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Assistant Consumer Advocate
For Irwin A. Popowsky
Consumer Advocate

RICHARD AND ANTOINETTE CALLORI:

By: _____
Edmund Berger
Counsel For
Richard and Antoinette Callori

Dated: October 20, 2010

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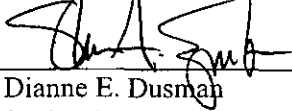
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Counsel For
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Assistant Consumer Advocate
For Irwin A. Popowsky
Consumer Advocate

By: _____
Edmund Berger
Counsel For
Richard and Antoinette Callori

Dated: November 4, 2010

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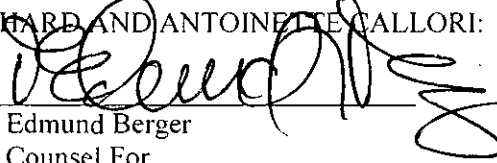
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COMMISSION:

PENNSYLVANIA-AMERICAN WATER
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Carrie Wright
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For Johnnie E. Simms,
Chief Prosecutor

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

OFFICE OF CONSUMER ADVOCATE:

RICHARD AND ANTOINETTE CALLORI:
By:  _____
Edmund Berger
Counsel For
Richard and Antoinette Callori

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

Dated: October 28 2010

LIST OF APPENDICES

APPENDIX A Proposed Tariff (Settlement Rates)
APPENDIX B Proof of Revenues
APPENDIX C Schedule – Phase-In Plan
APPENDIX D PAWC Statement
APPENDIX E OTS Statement
APPENDIX F OCA Statement

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NOV 05 2010

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX A

PROPOSED TARIFF (SETTLEMENT RATES)

Tariff Wastewater PA P.U.C. No.12
Canceling Tariff Wastewater PA P.U.C. No. 9
Canceling Tariff Wastewater PA P.U.C. No. 4

Pennsylvania-American Water Company
Northeast 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 PORTIONS OF
LEHMAN TOWNSHIP, PIKE COUNTY AND
MIDDLE SMITHFIELD TOWNSHIP AND PORTIONS OF
SMITHFIELD AND STROUD TOWNSHIPS, MONROE 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-2010-2166214,
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 Northeast Wastewater Operations. All metered and unmetered charges have been increased for an overall increase of 169%.

The Company is reducing service charges and increasing volumetric charges for each bill class, thus moving revenues more in-line with the cost of providing service.

The total rate increase will be phased in over a six year period, beginning January 1, 2011. Subsequent rates will be increased January 1, 2012, 2013, and 2014. The rates in effect on January 1, 2014, will remain in effect through the years 2014, 2015, and 2016. On January 1, 2017, the rates will be reduced to those in effect on January 1, 2013.

The Company is proposing to increase the service lateral inspection fee from \$10 to \$100.

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

A \$20 return check fee has been added.

A miscellaneous fee has been added to be paid by private contractors to the Company to dispose of private residential septage and commercial wastes at the Company's wastewater treatment plant.

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

Changes

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

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 Northeast Wastewater system.

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

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

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TERRITORIES SERVED

Lehman Pike (Includes Winona Lakes)

Pike County. A portion of Lehman Township.

Monroe County. A portion of Middle Smith Field Township

Blue Mountain Lakes

Monroe County. Portions of the townships of Smithfield and Stroud.

Part I: Rates - The rates as set forth below will be in effect from January 1, 2011 through December 31, 2011.

Schedule of Rates Applicable to Northeast Wastewater Operations

Metered Rates

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 (D)
Commercial	20.00 (I) (D)

Usage Charge For All Bill Classes:

Per 100 gallons of metered water or wastewater usage \$.637 (I)

Flat Rates

Residential Flat Rate of \$31.71 per month shall be billed to each unmetered customer. (I)

Part I: Rates - The rates as set forth below will be in effect from
January 1, 2012 through December 31, 2012.

Schedule of Rates Applicable to Northeast Wastewater Operations

Metered Rates

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

Usage Charge For All Bill Classes:

Per 100 gallons of metered water or wastewater usage \$.968 (I)

Flat Rates

Residential Flat Rate of \$44.28 per month shall be billed to each
unmetered customer. (I)

Part I: Rates - The rates as set forth below will be in effect from
January 1, 2013 through December 31, 2013.

Schedule of Rates Applicable to Northeast Wastewater Operations

Metered Rates

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

Usage Charge For All Bill Classes:

Per 100 gallons of metered water or wastewater usage \$1.288 (I)

Flat Rates

Residential Flat Rate of \$56.44 per month shall be billed to each
unmetered customer. (I)

Part I: Rates - The rates as set forth below will be in effect from
January 1, 2014 through December 31, 2016.

Schedule of Rates Applicable to Northeast Wastewater Operations

Metered Rates

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

Usage Charge For All Bill Classes:

Per 100 gallons of metered water or wastewater usage \$1.614 (I)

Flat Rate

Residential Flat Rate of \$68.83 per month shall be billed to each
unmetered customer. (I)

Part I: Rates - The rates as set forth below will be in effect beginning January 1, 2017.

Schedule of Rates Applicable to Northeast Wastewater Operations

Metered Rates

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

Usage Charge For All Bill Classes:

Per 100 gallons of metered water or wastewater usage \$1.288 (D)

Flat Rate

Residential Flat Rate of \$56.44 per month shall be billed to each unmetered customer. (D)

Schedule of Miscellaneous Fees and Charges

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

All customer service laterals from the curb to the real property shall be of pipe approved by the Company, and kept in good repair at the expense of the customer. The Company shall be notified of the installation of the customer's service lateral and shall require an inspection of the installation prior to its enclosure at a fee of \$100. Customer's service lateral shall be kept in good repair at the customer's expense and be subject to inspection at any reasonable time by the Company, or its representatives, and the customer shall grant the Company entry into and through the premises of the customer for purposes of inspecting the customer's service lateral.

B. 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 \$30.00. 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.

C. Return Check Charges (C) (I)

The customer will be responsible for the payment of a \$20.00 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 Miscellaneous Fees and Charges

D. Wastewater Plant, Residential Septage and Commercial Waste Disposal Fee. (C)

The Fee to be paid by private contractors to the Company to dispose of private residential septage and commercial wastes at the Company's wastewater treatment plant. The acceptance or rejection of all residential septage and commercial waste will be at the discretion of the Company.

The following rates shall be charged to haulers of residential septic waste who deliver waste:

<u>%Solids</u>	<u>% Solids</u>	<u>Cost Per Gallon</u>
	< = 1%	\$.025
> 1%	< = 2%	.030
> 2%	< = 3%	.0345
> 3%	< = 4%	.0395
> 4%	< = 5%	.0445
> 5%	< = 6%	.0495
> 6%	< = 7%	.0545
> 7%	< = 8%	.059

1. The Company reserves the right to limit the total amount of residential septage received in a day and /or the total numbers of loads received from a single hauler on a per day basis based on maintaining proper operation of the Company's wastewater treatment plant.

2. At the discretion of the Company, the Company reserves the right to accept or reject commercially generated waste based on the amount and constituents in the waste. The cost as determined by the Company for testing and disposal will be a multiple of the residential septage fee based on the type and strength of the waste.

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

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. (C)

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

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6. **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.
7. **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.
8. **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.
9. **Dwelling Unit:** A structure or dwelling intended to be occupied as a whole by one family.
10. **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: Section 73.17, divided by the typical estimated average daily wastewater flow from a current single-family unit.
11. **Garbage:** The solid wastes from domestic cooking and dispensing of food, and from the handling and storage of produce.
12. **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.

13. **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.
14. **Industrial/Commercial Wastes:** Any liquid, gaseous or water borne wastes from industrial processes or commercial establishments, as distinct from domestic wastewater.
15. **Industrial/Commercial Waste Permit:** A wastewater permit issued as required by the Company to an Industrial/Commercial user which discharges Industrial/Commercial Waste.
16. **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.
17. **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.
18. **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.
19. **Meter:** Any device supplied by the Company or other for the purpose of measuring water consumption or wastewater discharge.
20. **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.
21. **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.
22. **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.

23. **Residential Service:** Wastewater service supplied to an individual single-family residential dwelling unit.
24. **Regulatory Agency:** Agencies, including but not limited to the Commission, the Pennsylvania Department of Environmental Protection (DEP), U.S. Environmental Protection Agency (EPA), and the Delaware River Basin Commission (DRBC), which have authority over the operations of and/or discharges into and/or from the Company's treatment facilities.
25. **Sanitary Sewer:** A sewer which primarily carries sanitary wastewater, together with such storm, surface and ground water as may be present.
26. **Storm Sewer:** A sewer which carries surface, ground water, or storm water from the buildings, ground, streets, or other areas.
27. **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.
28. **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.
29. **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.
30. **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.
31. **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, 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. The failure of a customer to properly install and maintain a grinder pump, including replacement, shall constitute grounds for the Company to initiate action to terminate service to the customer and seek recovery for any damage to the Company's facilities caused by an improperly functioning grinder pump.
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. For a gravity collection system, clean-outs on service laterals shall be spaced 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.

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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.

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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 nonpayment 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:** 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.

Issued:

Effective: January 1, 2011

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.
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.

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

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.

Issued:

Effective: January 1, 2011

(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.

3. **Emergency or Scheduled Interruptions:** The Company may temporarily interrupt service; discontinue service without prior written notice; or terminate service within the purview of Subchapters D and E, Chapter 56, Title 52. Only the Company, through its proper agents, has the authority to turn off the water at any corporation stop or curb stop, or to disconnect or remove the meter in order to disrupt sewer service. As necessity may arise in the case of a line break, emergency or other unavoidable cause, the Company shall have the right to temporarily terminate service in order to make necessary repairs, connections, etc.; but the Company will use all reasonable and practicable measures to notify the customer in advance of such discontinuance of service. In such case the Company shall not be liable for any damage or inconvenience suffered by the customer, nor in any case for any claim against it at any time for interruption in service.

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 weeks.
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.

(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.

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APPENDIX B
PROOF OF REVENUES

PENNSYLVANIA AMERICAN WATER COMPANY
NORTHEAST WASTEWATER OPERATIONS

SUMMARY OF PRESENT AND PROPOSED RATES - MONTHLY

Customer Class	Present Rates		2011 Rates		2012 Rates		2013 and 2017 Rates		2014, 2015, and 2016 Rates	
	Customer Charge	Usage Charge (100 Gallons)	Customer Charge	Usage Charge (100 Gallons)	Customer Charge	Usage Charge (100 Gallons)	Customer Charge	Usage Charge (100 Gallons)	Customer Charge	Usage Charge (100 Gallons)
Lehman Pike										
Residential										
5/8" & 3/4"	\$9.45	\$0.269	\$7.50	\$0.637	\$7.50	\$0.968	\$7.50	\$1.288	\$7.50	\$1.614
5/8" & 3/4" Low Income	9.45	0.269	6.38	0.541	6.38	0.823	6.38	1.095	6.38	1.372
1"	15.75	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
1 1/2"	31.50	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
2"	50.40	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
3"	94.50	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
4"	157.50	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
6"	315.00	0.269	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
Residential Flat Rate	21.56		31.71		44.28		56.44		68.83	
Commercial										
5/8" & 3/4"	9.45	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
1"	15.75	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
1 1/2"	31.50	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
2"	50.40	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
3"	94.50	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
4"	157.50	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
6"	315.00	0.296	20.00	0.637	20.00	0.968	20.00	1.288	20.00	1.614
Availability Charge	7.00		-		-		-		-	
Winona Lakes										
Customer Charge	27.33	-	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
Customer Charge - Low Income	27.33	-	6.38	0.541	6.38	0.823	6.38	1.095	6.38	1.372
Availability Charge	15.00	-	-		-		-		-	
Blue Mountain										
Residential and Commercial										
Customer Charge	20.00	-	7.50	0.637	7.50	0.968	7.50	1.288	7.50	1.614
Customer Charge - Low Income	20.00	-	6.38	0.541	6.38	0.823	6.38	1.095	6.38	1.372
Commercial Customer Charge			20.00		20.00		20.00		20.00	
Minimum (2,667 gallons)		-		NA		NA		NA		NA
Next 2,333 gallons or First 5,000 gallons		0.175		0.637		0.968		1.288		1.614
Low Income		0.175		0.541		0.823		1.095		1.372
All Over 5,000 gallons		0.300		0.637		0.968		1.288		1.614

PENNSYLVANIA AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF REVENUE UNDER PRESENT AND 2011 RATES

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	\$776,683	\$776,606	1.00009875	\$1,129,092	\$1,129,204
Commercial	<u>69,829</u>	<u>69,874</u>	0.99935411	<u>143,228</u>	<u>143,136</u>
Total Sales	\$846,512	\$846,480		\$1,272,320	\$1,272,339
Other Operating Revenues	<u>27,307</u>	<u>27,307</u>		<u>92,916</u>	<u>92,916</u>
Total	<u>\$ 873,819</u>	<u>\$ 873,787</u>		<u>\$ 1,365,236</u>	<u>\$ 1,365,255</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS

<u>Rate Zone</u> (1)	<u>Residential</u> (2)	<u>Commercial</u> (3)	<u>Total</u> (4)
<u>Present Rate Application</u>			
Lehman Pike	\$527,745	\$69,623	\$597,368
Winona Lakes	27,367		27,367
Blue Mountain	<u>221,494</u>	<u>251</u>	<u>221,745</u>
Total	<u><u>776,606</u></u>	<u><u>69,874</u></u>	<u><u>846,480</u></u>
<u>Proposed Rate Application - 2011 Rates</u>			
Lehman Pike	\$782,103	\$142,843	\$924,946
Winona Lakes	30,358		30,358
Blue Mountain	<u>316,631</u>	<u>385</u>	<u>317,016</u>
Total	<u><u>1,129,092</u></u>	<u><u>143,228</u></u>	<u><u>1,272,320</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
LEHMAN PIKE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2011 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	2011 Rate (6)	Proposed Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	30,419		9.45	287,463	7.50	228,145
Low Income	600		9.45	5,670	6.38	3,828
All Usage	0	835,900	0.269	224,857	0.637	532,468
Low Income Usage*	0	22,800	0.269	6,133	0.541	12,335
Subtotal	0	858,700		230,990		544,803
Total Residential	31,019	858,700		524,123		776,776
<u>Residential Monthly - Flat Rate</u>						
Customer Charge*	168		21.56	3,622	31.71	5,327
Total - Residential	31,187	858,700		527,745		782,103
<u>Commercial - Monthly</u>						
Customer Charge 5/8" & 3/4"	69		9.45	651	20.00	1,377
1"	22		15.75	347	20.00	440
2"	32		50.40	1,613	20.00	640
4"	12		157.50	1,890	20.00	240
Total - Service Charge	135			4,500		2,697
All Usage	0	220,009	0.296	65,123	0.637	140,146
Subtotal	0	220,009		65,123		140,146
Total Commercial	135	220,009		69,623		142,843
<u>Availability Charge - Monthly</u>						
Customer Charge	6,403		7.00	44,822	0.00	0
Total - Lehman Pike	37,725	1,078,709		642,189		924,946

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
WINONA LAKES WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2011 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Consumption (6)	2011 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Customer Charge	989	35,459	27.33	27,039		7.50	7,420
Low Income	12	430	27.33	328		6.38	77
All Usage	0	0	0.000	0	35,889	0.637	22,861
Low Income usage*	0	0	0.000	0	456	0.541	247
Subtotal	0	0		0	35,889		23,108
Total Residential	1,001	35,889		27,367	35,889		30,358
<u>Availability Charge</u>							
Service Charge	192		0.00	0	0	0.00	0
Total Winona Lakes	1,193	35,889		27,367	35,889		30,358

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
 BLUE MOUNTAIN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2011 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	2011 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	8,807	199,052	20.00	176,149		7.50	66,056
Low Income	108	2,441	20.00	2,160		6.38	689
Next 2,333 gallons or First 5,000 gallons		109,802	0.175	19,215	311,295	0.637	198,295
Low Income Rate*		4,104	0.175	718	4,104	0.541	2,220
All Over 5,000 gallons		77,505	0.300	23,252	77,505	0.637	49,371
Subtotal	0	191,411		43,185	392,904		249,886
Total Residential	8,915	392,904		221,494	392,904		316,631
<u>Commercial - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	10	101	20.00	204		20.00	204
Next 2,333 gallons or First 5,000 gallons		63	0.175	11	164	0.637	104
All Over 5,000 gallons		120	0.300	36	120	0.637	76
Subtotal	0	183		47	284		181
Total Commercial	10	284		251	284		385
Total Blue Mountain	8,926	393,188		221,745			317,016

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF REVENUE UNDER PRESENT AND 2012 RATES

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	\$776,683	\$776,606	1.00009875	\$1,548,607	\$1,548,760
Commercial	<u>69,829</u>	<u>69,874</u>	0.99935411	<u>216,145</u>	<u>216,005</u>
Total Sales	\$846,512	\$846,480		\$1,764,752	\$1,764,765
Other Operating Revenues	<u>27,307</u>	<u>27,307</u>		<u>92,916</u>	<u>92,916</u>
Total	<u>\$ 873,819</u>	<u>\$ 873,787</u>		<u>\$ 1,857,668</u>	<u>\$ 1,857,681</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS

<u>Rate Zone</u> (1)	<u>Residential</u> (2)	<u>Commercial</u> (3)	<u>Total</u> (4)
<u>Present Rate Application</u>			
Lehman Pike	\$527,745	\$69,623	\$597,368
Winona Lakes	27,367		27,367
Blue Mountain	<u>221,494</u>	<u>251</u>	<u>221,745</u>
Total	<u><u>776,606</u></u>	<u><u>69,874</u></u>	<u><u>846,480</u></u>
<u>Proposed Rate Application - 2012 Rates</u>			
Lehman Pike	\$1,059,888	\$215,666	\$1,275,554
Winona Lakes	42,237		42,237
Blue Mountain	<u>446,481</u>	<u>479</u>	<u>446,960</u>
Total	<u><u>1,548,607</u></u>	<u><u>216,145</u></u>	<u><u>1,764,752</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
LEHMAN PIKE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2012 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	2012 Rate (6)	Proposed Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	30,419		9.45	287,463	7.50	228,145
Low Income	600		9.45	5,670	6.38	3,828
All Usage	0	835,900	0.269	224,857	0.968	809,151
Low Income Usage*	0	22,800	0.269	6,133 *	0.823	18,764
Subtotal	<u>0</u>	<u>858,700</u>		<u>230,990</u>		<u>827,915</u>
Total Residential	31,019	858,700		524,123		1,059,888
<u>Residential Monthly - Flat Rate</u>						
Customer Charge*	168		21.56	3,622	44.28	7,439
Total - Residential	31,187	858,700		527,745		1,067,327
<u>Commercial - Monthly</u>						
Customer Charge						
5/8" & 3/4"	69		9.45	651	20.00	1,377
1"	22		15.75	347	20.00	440
2"	32		50.40	1,613	20.00	640
4"	<u>12</u>		157.50	<u>1,890</u>	20.00	<u>240</u>
Total - Service Charge	135			4,500		2,697
All Usage	0	220,009	0.296	65,123	0.968	212,969
Subtotal	<u>0</u>	<u>220,009</u>		<u>65,123</u>		<u>212,969</u>
Total Commercial	135	220,009		69,623		215,666
<u>Availability Charge - Monthly</u>						
Customer Charge	6,403		7.00	44,822	0.00	0
Total - Lehman Pike	37,725	1,078,709		642,189		1,282,993

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
WINONA LAKES WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2012 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Consumption (6)	2012 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Customer Charge	989	35,459	27.33	27,039		7.50	7,420
Low Income	12	430	27.33	328		6.38	77
All Usage	0	0	0.000	0	35,889	0.968	34,741
Low Income usage*	0	0	0.000	0	<u>456</u> *	0.823	<u>375</u>
Subtotal	0	0		0	<u>35,889</u>		<u>35,116</u>
Total Residential	1,001	35,889		27,367	35,889		42,237
<u>Availability Charge</u>							
Service Charge	<u>192</u>		0.00	<u>0</u>	<u>0</u>	0.00	<u>0</u>
Total Winona Lakes	1,193	35,889		27,367	35,889		42,237

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
 BLUE MOUNTAIN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2012 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	2012 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	8,807	199,052	20.00	176,149		7.50	66,056
Low Income	108	2,441	20.00	2,160		6.38	689
Next 2,333 gallons or First 5,000 gallons		109,802	0.175	19,215	311,295	0.968	301,334
Low Income Rate*		4,104	0.175	718 *	4,104	0.823	3,378
All Over 5,000 gallons		<u>77,505</u>	0.300	<u>23,252</u>	<u>77,505</u>	0.968	<u>75,025</u>
Subtotal	0	191,411		43,185	392,904		379,736
Total Residential	8,915	392,904		221,494	392,904		446,481
<u>Commercial - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	10	101	20.00	204		20.00	204
Next 2,333 gallons or First 5,000 gallons		63	0.175	11	164	0.968	159
All Over 5,000 gallons		<u>120</u>	0.300	<u>36</u>	<u>120</u>	0.968	<u>116</u>
Subtotal	0	183		47	284		275
Total Commercial	10	284		251	284		479
Total Blue Mountain	8,926	393,188		221,745			446,960

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF REVENUE UNDER PRESENT AND 2013 AND 2017 RATES

Customer Classification	Proforma Present Rates Revenue 12/31/2010	Bill Analysis Revenues at Present Rates	Adjustment Factor	Bill Analysis Revenues Proposed Rates	Revenues Under Proposed Rates
(1)	(2)	(3)	(4)=(2)/(3)	(5)	(6)=(5)x(4)
Residential	\$776,683	\$776,606	1.00009875	\$1,968,795	\$1,968,989
Commercial	69,829	69,874	0.99935411	286,639	286,454
Total Sales	\$846,512	\$846,480		\$2,255,434	\$2,255,443
Other Operating Revenues	27,307	27,307		92,916	92,916
Total	\$ 873,819	\$ 873,787		\$ 2,348,350	\$ 2,348,359

PENNSYLVANIA-AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS

<u>Rate Zone</u> (1)	<u>Residential</u> (2)	<u>Commercial</u> (3)	<u>Total</u> (4)
<u>Present Rate Application</u>			
Lehman Pike	\$527,745	\$69,623	\$597,368
Winona Lakes	27,367		27,367
Blue Mountain	<u>221,494</u>	<u>251</u>	<u>221,745</u>
Total	<u>776,606</u>	<u>69,874</u>	<u>846,480</u>
<u>Proposed Rate Application - 2013 and 2017 Rates</u>			
Lehman Pike	\$1,343,060	\$286,069	\$1,629,129
Winona Lakes	53,722		53,722
Blue Mountain	<u>572,013</u>	<u>570</u>	<u>572,583</u>
Total	<u>1,968,795</u>	<u>286,639</u>	<u>2,255,434</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
LEHMAN PIKE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2013 AND 2017 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	2013 & 2017 Rate (6)	Proposed Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	30,419		9.45	287,463	7.50	228,145
Low Income	600		9.45	5,670	6.38	3,828
All Usage	0	835,900	0.269	224,857	1.288	1,076,639
Low Income Usage*	0	22,800	0.269	6,133 *	1.095	24,966
Subtotal	0	858,700		230,990		1,101,605
Total Residential	31,019	858,700		524,123		1,333,578
<u>Residential Monthly - Flat Rate</u>						
Customer Charge*	168		21.56	3,622	56.44	9,482
Total - Residential	31,187	858,700		527,745		1,343,060
<u>Commercial - Monthly</u>						
Customer Charge 5/8" & 3/4"	69		9.45	651	20.00	1,377
1"	22		15.75	347	20.00	440
2"	32		50.40	1,613	20.00	640
4"	12		157.50	1,890	20.00	240
Total - Service Charge	135			4,500		2,697
All Usage	0	220,009	0.296	65,123	1.288	283,372
Subtotal	0	220,009		65,123		283,372
Total Commercial	135	220,009		69,623		286,069
<u>Availability Charge - Monthly</u>						
Customer Charge	6,403		7.00	44,822	0.00	0
Total - Lehman Pike	37,725	1,078,709		642,189		1,629,129

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
WINONA LAKES WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2013 AND 2017 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Consumption (6)	2013 and 2017 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Customer Charge	989	35,459	27.33	27,039		7.50	7,420
Low Income	12	430	27.33	328		6.38	77
All Usage	0	0	0.000	0	35,889	1.288	46,225
Low Income usage*	0	0	0.000	0	456 *	1.095	499
Subtotal	0	0		0	35,889		46,724
Total Residential	1,001	35,889		27,367	35,889		53,722
<u>Availability Charge</u>							
Service Charge	<u>192</u>		0.00	<u>0</u>	<u>0</u>	0.00	<u>0</u>
Total Winona Lakes	1,193	35,889		27,367	35,889		53,722

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
 BLUE MOUNTAIN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2013 AND 2017 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	2013 and 2017 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	8,807	199,052	20.00	176,149		7.50	66,056
Low Income	108	2,441	20.00	2,160		6.38	689
Next 2,333 gallons or First 5,000 gallons		109,802	0.175	19,215	311,295	1.288	400,948
Low Income Rate*		4,104	0.175	718 *	4,104	1.095	4,494
All Over 5,000 gallons		77,505	0.300	23,252	77,505	1.288	99,826
Subtotal	0	191,411		43,185	392,904		505,268
Total Residential	8,915	392,904		221,494	392,904		572,013
<u>Commercial - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	10	101	20.00	204		20.00	204
Next 2,333 gallons or First 5,000 gallons		63	0.175	11	164	1.288	211
All Over 5,000 gallons		120	0.300	36	120	1.288	155
Subtotal	0	183		47	284		366
Total Commercial	10	284		251	284		570
Total Blue Mountain	8,926	393,188		221,745			572,583

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF REVENUE UNDER PRESENT AND 2014, 2015 AND 2016 RATES

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	\$776,683	\$776,606	1.00009875	\$2,389,281	\$2,389,517
Commercial	<u>69,829</u>	<u>69,874</u>	0.99935411	<u>358,454</u>	<u>358,223</u>
Total Sales	\$846,512	\$846,480		\$2,747,735	\$2,747,740
Other Operating Revenues	<u>27,307</u>	<u>27,307</u>		<u>92,916</u>	<u>92,916</u>
Total	<u>\$ 873,819</u>	<u>\$ 873,787</u>		<u>\$ 2,840,651</u>	<u>\$ 2,840,656</u>

PENNSYLVANIA-AMERICAN WATER COMPANY
 NORTHEAST WASTEWATER OPERATIONS
 SUMMARY OF APPLICATION OF PRESENT RATES TO CUSTOMER BILL ANALYSIS

<u>Rate Zone</u> (1)	<u>Residential</u> (2)	<u>Commercial</u> (3)	<u>Total</u> (4)
<u>Present Rate Application</u>			
Lehman Pike	\$527,745	\$69,623	\$597,368
Winona Lakes	27,367		27,367
Blue Mountain	<u>221,494</u>	<u>251</u>	<u>221,745</u>
Total	<u><u>776,606</u></u>	<u><u>69,874</u></u>	<u><u>846,480</u></u>
<u>Proposed Rate Application - 2014, 2015 and 2016 Rates</u>			
Lehman Pike	\$1,623,960	\$357,792	\$1,981,752
Winona Lakes	65,422		65,422
Blue Mountain	<u>699,899</u>	<u>662</u>	<u>700,561</u>
Total	<u><u>2,389,281</u></u>	<u><u>358,454</u></u>	<u><u>2,747,735</u></u>

PENNSYLVANIA-AMERICAN WATER COMPANY
LEHMAN PIKE WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2014, 2015 AND 2016 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	2014 2015 & 2016 Rate (6)	Proposed Revenue (7)
<u>Residential - Monthly</u>						
Customer Charge	30,419		9.45	287,463	7.50	228,145
Low Income	600		9.45	5,670	6.38	3,828
All Usage	0	835,900	0.269	224,857	1.614	1,349,142
Low Income Usage*	0	22,800	0.269	6,133 *	1.372	31,282
Subtotal	0	858,700		230,990		1,380,424
Total Residential	31,019	858,700		524,123		1,612,397
<u>Residential Monthly - Flat Rate</u>						
Customer Charge*	168		21.56	3,622	68.83	11,563
Total - Residential	31,187	858,700		527,745		1,623,960
<u>Commercial - Monthly</u>						
Customer Charge						
5/8" & 3/4"	69		9.45	651	20.00	1,377
1"	22		15.75	347	20.00	440
2"	32		50.40	1,613	20.00	640
4"	12		157.50	1,890	20.00	240
Total - Service Charge	135			4,500		2,697
All Usage	0	220,009	0.296	65,123	1.614	355,095
Subtotal	0	220,009		65,123		355,095
Total Commercial	135	220,009		69,623		357,792
<u>Availability Charge - Monthly</u>						
Customer Charge	6,403		7.00	44,822	0.00	0
Total - Lehman Pike	37,725	1,078,709		642,189		1,981,752

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
WINONA LAKES WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2014, 2015 AND 2016 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Consumption (6)	2014 2015 & 2016 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Customer Charge	989	35,459	27.33	27,039		7.50	7,420
Low Income	12	430	27.33	328		6.38	77
All Usage	0	0	0.000	0	35,889	1.614	57,925
Low Income usage*	0	0	0.000	0	456 *	1.372	626
Subtotal	0	0		0	35,889		58,550
Total Residential	1,001	35,889		27,367	35,889		65,422
<u>Availability Charge</u>							
Service Charge	<u>192</u>		0.00	<u>0</u>	<u>0</u>	0.00	<u>0</u>
Total Winona Lakes	1,193	35,889		27,367	35,889		65,422

* Based on average monthly consumption of 3,800 gallons

PENNSYLVANIA-AMERICAN WATER COMPANY
 BLUE MOUNTAIN WASTEWATER OPERATIONS

APPLICATION OF PRESENT RATES AND 2014, 2015 AND 2016 RATES TO CONSUMPTION ANALYSIS

Rate Block 100 Gallons (1)	Number Of Bills (2)	Present Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Total Consumption (6)	2014 2015 & 2016 Rate (7)	Proposed Revenue (8)
<u>Residential - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	8,807	199,052	20.00	176,149		7.50	66,056
Low Income	108	2,441	20.00	2,160		6.38	689
Next 2,333 gallons or First 5,000 gallons		109,802	0.175	19,215	311,295	1.614	502,430
Low Income Rate*		4,104	0.175	718	4,104	1.372	5,631
All Over 5,000 gallons		77,505	0.300	23,252	77,505	1.614	125,093
Subtotal	0	191,411		43,185	392,904		633,154
Total Residential	8,915	392,904		221,494	392,904		699,899
<u>Commercial - Monthly</u>							
Service Charge w/ Minimum 2,667 gallons	10	101	20.00	204		20.00	204
Next 2,333 gallons or First 5,000 gallons		63	0.175	11	164	1.614	265
All Over 5,000 gallons		120	0.300	36	120	1.614	194
Subtotal	0	183		47	284		458
Total Commercial	10	284		251	284		662
Total Blue Mountain	8,926	393,188		221,745			700,561

* Based on average monthly consumption of 3,800 gallons

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX C

SCHEDULE – PHASE IN PLAN

Pennsylvania American Water
Northeast Phase In - 6 Year

		Over 6 Years
Current Revenues	\$ 873,819	
Revenue Requirement Increase	\$ 1,475,000	8,850,000
Revenue Requirement	\$ 2,348,819	14,092,914
% Increase	169%	

	2011	2012	2013	2014	2015	2016	2017	Total
Current Annual Revenue	\$ 873,819	\$ 873,819	\$ 873,819	\$ 873,819	\$ 873,819	\$ 873,819	\$ 873,819	
Annual Increase In Rates	\$ 492,000	\$ 492,000	\$ 492,000	\$ -	\$ -	\$ -	\$ -	
Deferral Recovery	\$ -	\$ -	\$ -	\$ 492,000	\$ 492,000	\$ 492,000	\$ -	
Phase-in Rate Change From Current Rates	\$ 492,000	\$ 984,000	\$ 1,476,000	\$ 1,476,000	\$ 1,476,000	\$ 1,476,000	\$ 1,476,000	\$ 8,856,000
Resulting Rates (Revenue Requirement)	\$ 1,365,819	\$ 1,857,819	\$ 2,349,819	\$ 2,841,819	\$ 2,841,819	\$ 2,841,819	\$ 2,349,819	\$ 14,098,914
% Increase (Rates)	56.30%	36.02%	26.48%	20.94%	0.00%	0.00%	-17.31%	
Cumulative % Increase From Current Rates	56.30%	112.61%	168.91%	225.22%	225.22%	225.22%	168.91%	
Revenue Requirement (Deficiency) / Recovery	\$ (983,000)	\$ (491,000)	\$ 1,000	\$ 493,000	\$ 493,000	\$ 493,000	\$ 1,000	
Cumulative Revenue Requirement (deficiency) / Rec	(983,000)	(1,474,000)	(1,473,000)	(980,000)	(487,000)	6,000	7,000	

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX D

PAWC STATEMENT

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 :
 v. : **DOCKET NO. R-2010-2166214**
 :
PENNSYLVANIA-AMERICAN WATER :
COMPANY – NORTHEAST :
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 Northeast Wastewater Operations since PAWC, with the Commission’s approval, acquired the three wastewater systems that comprise its Northeast Wastewater Operations. PAWC acquired the Lehman Pike (Saw Creek) system in 2002, the Blue Mountain system in 2005 and the Winona Lakes system in 2006 (PAW

St. 1, pp. 3-6). Additionally, as explained below, the Joint Petition (Paragraph 8.d.) contains a six-year stay-out provision under which the Company could not increase the Northeast wastewater rates, absent certain extraordinary conditions, until January 1, 2017.

The Settlement provides that the Company will increase its rates to produce additional annual operating revenue of \$1,475,000, or approximately 168%, in lieu of the \$2,099,490, or 240%, proposed by the Company in its initial filing. Additionally, the Settlement Rates reflect the Company's agreement to a six-year phase-in plan. Under the phase-in plan, three increases of approximately \$492,000 will occur on January 1, 2011, 2012 and 2013 such that the rates that become effective on January 1, 2013 are designed to produce additional annual operating revenue of \$1,475,000. On January 1, 2014, an additional increase of \$492,000 will become effective and remain in effect until December 31, 2016. This increase will recover the difference between \$1,475,000 per year and the increases that were actually implemented for 2011 and 2012, without any interest or other carrying charges. As of January 1, 2017, the Northeast wastewater rates will be reduced to the same rates in effect in 2013, which, as explained above are designed to recover additional annual operating revenues of \$1,475,000. Consequently, the Settlement Rates are designed to recover, on average, over the entire six-year phase-in period, from January 1, 2011 through December 31, 2016, \$1,475,000 in additional annual operating revenue. The phase-in plan reflected in the Settlement Rates is similar to the six-year phase-in plans that the Commission approved in base rates cases for Philadelphia Electric Company (PECO) in 1986 and Duquesne Light Company (Duquesne) in 1988,¹ except that, unlike the Duquesne phase-in plan, the phase-in plan set forth in the Settlement does not provide for interest or any other carrying charges.

¹ *Pa. P.U.C. v. Philadelphia Elec. Co.*, 61 Pa. P.U.C. 589, 672 (1986); *Pa. P.U.C. v. Duquesne Light Co.*, 66 Pa. P.U.C. 518, 701 (1988).

The monthly wastewater bills in 2011 for an average residential customer in each of the three communities that comprise the Northeast Wastewater Operations under the Settlement Rates will be \$35.57 (Blue Mountain), \$25.13 (Lehman Pike) and \$30.43 (Blue Mountain), as compared to monthly bills under current rates of \$23.05 (Blue Mountain), \$16.90 (Lehman Pike) and \$27.33 (Winona Lakes) and under the rates originally proposed by the PAWC of \$80.02 (Blue Mountain), \$57.70 (Lehman Pike) and \$69.03 (Winona Lakes). Thereafter, under the Settlement Rates, an average residential customer's monthly wastewater bill in each area will increase on January 1, 2012, 2013 and 2014 and will decrease on January 1, 2017, as shown below:

	Current Rates	Proposed Rates	Settlement Rates				
			2011	2012	2013	2014-2016	2017
Blue Mountain	\$23.05	\$80.02	\$35.57	\$50.16	\$64.26	\$78.63	\$64.26
Lehman Pike	\$16.90	\$57.70	\$25.13	\$34.29	\$43.15	\$52.18	\$43.15
Winona Lakes	\$27.33	\$69.03	\$30.43	\$42.35	\$53.87	\$65.60	\$53.87

(Based on monthly usage for an average residential customer of 4,407 gallons in the Blue Mountain area, 2,768 gallons in the Lehman Pike area, and 3,600 gallons in the Winona Lakes area.)

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.f. 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 Northeast wastewater rates is driven by several factors. However, the largest single factor is the Company's investment of approximately \$6.4 million in new plant and equipment, as explained in detail by PAWC's Vice President of Engineering, David R. Kaufman (PAW St. 2, p. 3). These investments include the construction of the new Blue Mountain Wastewater Treatment Plant, the rehabilitation of the Lehman Pike Wastewater Treatment Plant, and substantial improvements to the Lehman Pike and Winona Lakes collection systems (PAW St. 2, pp. 3-11).

As explained by Don Kessler, the Northeast Manager of Field Operations for PAWC, Blue Mountain and Winona Lakes each had been troubled, non-viable systems that were operating in violation of Commission and/or Pennsylvania Department of Environmental Protection (Pa. DEP) regulations and orders (PAW St. 1). Additionally, as Mr. Kaufman explained, at the time PAWC acquired each of the systems that comprise its Northeast Wastewater Operations, those systems' respective facilities needed substantial work to bring them up to acceptable standards (PAW St. 2, pp. 4-11).

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 \$1,475,000 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, which include the phase-in plan discussed above. A detailed Proof of Revenues is provided as Appendix B.

Subparagraph b. expresses the Joint Petitioners' agreement to adopt the six-year phase-in plan described in Section I, above. Appendix C is a spreadsheet that shows the amount of the increase in annual operating revenue for each year of the phase-in. As previously explained, the six-year phase-in reflected in the Settlement is consistent with the six-year duration and pattern of increases employed in the phase-in plans the Commission approved for Philadelphia Electric Company and Duquesne Light Company when each of those companies brought a large new plant addition into rate base. However, unlike the Duquesne Light Company phase-in plan, the phase-in plan incorporated in the Settlement does not include any interest or carrying charges.

Subparagraph c. 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 d. is PAWC's agreement not to file a general wastewater base rate case for the Northeast Wastewater Operations under Section 1308(d) of the Public Utility Code, subject to the usual exceptions, prior to March 31, 2016. 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, 2017. Thus, the stay-out provides that no additional increase in base rates would occur during the six-year phase-in period.

Subparagraph e. provides that PAWC: (1) will be authorized to establish depreciation rates as set forth in PAWC Exhibit 8-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 f. 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. Additionally, as reflected in the proposed Tariff provided as Appendix A to the Joint Petition, all availability charges have been eliminated.

Subparagraph g. 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

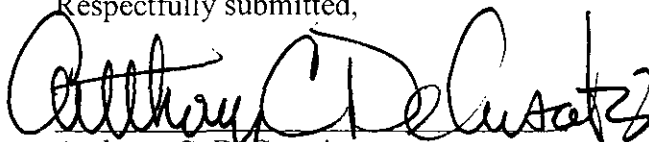
they become delinquent in paying a bill, so long as there is a good faith effort to avoid delinquency.

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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Dated: November 4, 2010

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX E

OTS STATEMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	
v.	:	Docket No. R-2010-2166214
	:	
Pennsylvania American Water Company	:	
Northeast 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, Northeast Wastewater Operations ("PAWC Northeast" or "Company") and its wastewater customers.

1. All active parties to this proceeding participated in settlement discussions and as result, PAWC Northeast, 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 Staff 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 **phased-in** 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. 9 to become effective June 22, 2010. The tariff contained proposed changes in rates, rules, and regulations calculated to produce \$2,099,490 (240.27%) 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 Joseph Kubas, 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 July 30, 2010, ALJ Rainey conducted public input hearings in the Northeast service territory 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 an **unprecedented lengthy phase-in** of additional operating revenues 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) provides that the Company cannot file for another base rate wastewater increase for the Clarion Wastewater Operations under Section 1308(d) of the Public Utility Code before March 31, 2016 – a provision that provides a level of rate stability for that entire period;
- (d) contains 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 \$20.00 per month initially proposed in the filing.
- (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.

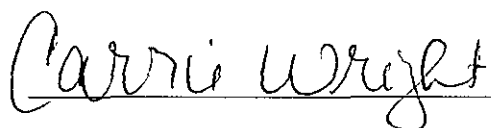
15. If ALJ Rainey recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Reply Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters 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, Northeast 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 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 cursive script that reads "Carrie Wright". The signature is written in black ink and is positioned above a horizontal line.

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Senior Prosecutor
PA Attorney I.D. No. 29363

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

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Dated: October 20, 2010

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX F

OCA STATEMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	
V.	:	Docket No. R-2010-2166214
	:	
PENNSYLVANIA-AMERICAN	:	
WATER COMPANY (NORTHEAST	:	
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 – Northeast Wastewater Operations (PAWC-Northeast 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 ten sets of interrogatories, consisting of 214 questions not including subparts, focusing on PAWC methods and claims; made an on-site inspection of the PAWC-Northeast wastewater treatment plant, and participated in two Public Input Hearings on July 30, 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-Northeast's service territory in response to the many rate objections received by the Commission and the OCA. Consequently, the Commission conducted two Public Input Hearings on July 30, 2010. All told, forty-seven witnesses provided oral testimony related to PAWC-Northeast'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.

As the OCA will explain below, this Petition is novel in that it contains a six-year phase-in period and a six-year rate case stay-out. These aspects of the settlement, which have been devised to mitigate rate shock, stand in contrast to the typical base rate proceeding where the Commission would determine a utility's revenue requirement and set one set of rates that remain constant until reset in a subsequent base rate proceeding. From the OCA's perspective, these are important aspects of the proposed settlement. 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 among the rate classes 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-Northeast 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 Northeast's expense and rate base claims. OCA St. No. 1. Specifically, OCA Exhibit LA-4, page 3 of 28 contains a list of OCA proposed adjustments. Based on its analysis, the OCA recommended an \$821,328 reduction in PAWC-Northeast's claim. OCA St. No. 1 at 8. 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-Northeast'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-Northeast. *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-Northeast with an increase of no more than \$1,278,162 or approximately 61%, of its original request of \$2,099,490. OCA St. No. 1 at 8. 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 Northeast may collect \$1,475,000 in additional annual revenues, subject to the phase-in discussed below. This revenue increase is within approximately 15% of the OCA litigation position. The OCA points out that Mr. Smith based his recommended revenue requirement increase of \$1,278,162 on Dr. Woolridge's recommended return on equity of 9% -- thus, a settlement revenue requirement increase of \$196,838 more than the OCA recommended revenue requirement increase represents a reasonable 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 nevertheless confident that the Petition, as a whole, is lawful and that the agreed-upon revenue requirement will provide PAWC-Northeast 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 provides for a phase-in of rates over a six-year period.

The Petition provides that PAWC-Northeast would phase-in the settlement revenue requirement over a period of six years, ending December 31, 2016. Petition at 5; Appendix C. In addition, the Parties propose a stay-out to run with the phase-in, such that rates other than those discussed here will not go into effect prior to January 1, 2017. This phase-in and stay-out are among the longest, if not the longest experienced by Pennsylvania wastewater ratepayers as a result of a settlement. The OCA will briefly explain how the phase-in will work for the benefit of both the Commission and the PAWC-Northeast consumers who may look to the OCA Statement in Support for guidance on these issues.

As an initial matter, the Petition acknowledges that Northeast will have an overall revenue requirement of approximately \$2,348,819 after the \$1,475,000 increase and would be entitled to collect this amount in rates following a Commission Order approving that revenue requirement. Here, Northeast will not forgo this revenue; rather, the Company will postpone the collection of that full revenue amount to limit the initial rate shock that would otherwise occur. This revenue shifting will occur over the six-year period of the phase-in -- from January 2011 through December 2016. For convenience, the following chart uses rounded numbers (exact figures are available in the Appendix C) to illustrate how this will occur:

	2011	2012	2013	2014	2015	2016	Total
Revenue Requirement	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 14,400,000
Rate Increase	\$ 500,000	\$ 1,000,000	\$ 1,500,000	\$ 500,000	\$ 0	\$ 0	
Allowed Phase-in Revenue	\$ 1,400,000	\$ 1,900,000	\$ 2,400,000	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ 14,400,000
Revenue Requirement Deficiency	\$ (1,000,000)	\$ (500,000)	\$ 0	\$ 500,000	\$ 500,000	\$ 500,000	\$ 0

The revenue requirement in the chart shows that the utility may collect a total of \$14,400,000 through rates from 2011 through 2016. Similar to the PAWC-Northeast phase-in, the chart shows how rates would gradually increase to recover this amount over time. The chart shows that while the utility has a revenue requirement deficiency in 2011-2012 and no deficiency in 2013, the phased-in increases would make the deficiency up in 2014, 2015, and 2016. The OCA points out that the overall revenue requirement deficiency in years 2011 through 2013 approximates the Petition's \$492,000 annual revenue increase. In short, the phase-in mechanism uses the principle of gradualism to mitigate rate shock while making the utility whole over time. The chart also shows how the phase-in and recovery period will not result in an over-or-under collection.

3. **The Petition provides that PAWC-Northeast will forgo carrying charges on the revenue deficiency it will experience in the first three years of the phase-in.**

As the OCA explained above, a phase-in acknowledges that a utility is entitled to collect a certain amount in rates, here approximately \$2,348,819. The phase-in

mechanism, however, generates annual revenue shortfalls from that amount -- in this case in years 2011 and 2012. In other words, when a utility operates under phased-in rates, it effectively provides its ratepayers with a "loan" equivalent to the amount of any revenue deficiency. Ratepayers then pay this amount back to the utility in the latter years of the phase-in. Under established ratemaking and utility accounting principles, a utility may be entitled to receive "carrying charges" (interest) on these amounts. Here, however, PAWC-Northeast has agreed to forgo any carrying charges it would otherwise collect for the \$1,474,000 shortfall generated in years 2011 and 2012 of the phase-in. This aspect of the settlement will produce a significant public benefit and work to mitigate rate shock for the PAWC-Northeast customers.

4. The Petition contains a significant stay-out.

The Petition provides that PAWC-Northeast will not file for an additional increase in revenues before March 31, 2016, subject to certain narrow exceptions. This will effectively provide for a "cap" on revenue requirement for six years from January 1, 2011 until January 1, 2017.

To be clear, it is important to distinguish between "revenues" and "rates." The settlement anticipates an increase in *rates* from current levels in each of the first five years of the phase-in period -- that is in the very nature of a phase-in -- but the overall revenue requirement that will produce those rates may not be increased. Under ordinary circumstances, the use of a phase-in process would *not* automatically preclude the filing of an increase request during the term of the phase-in; however, in this case, PAWC-Northeast has made that commitment. The agreement by PAWC-Northeast to

“stay-out” here, in addition to the phase-in proposal, is a considerable benefit to the PAWC-Northeast ratepayers.

5. **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 (gallons)	Current Rate	Proposed Rate	Settlement Rates			
				2011	2012	2013	2014-2016
Blue Mountain	4,407	\$23.05	\$80.02	\$35.57	\$50.16	\$64.26	\$78.63
Lehman Pike	2,768	\$16.90	\$57.70	\$25.13	\$34.29	\$43.15	\$52.18
Winona Lakes	3,600	\$27.33	\$69.03	\$30.43	\$42.35	\$53.87	\$65.60

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 \$20.00 per month requested through the Northeast filing, OCA St. No. 2 at 13. With the customer charge comprising a far 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).

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

Witnesses at the two public input hearings in the PAWC-Northeast territory overwhelmingly identified affordability of wastewater bills as their chief concern. The OCA likewise raised affordability as a primary consideration in this proceeding. OCA

St. No. 2 at 20-23. To address this issue, OCA witness Rubin proposed that PAWC-Northeast 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-Northeast 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 9, ¶ d.

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.

7. **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 Northeast's next rate case.**

The OCA argued that PAWC-Northeast's proposed cost of service study was flawed and that its rate allocations did not (1) equitably allocate costs to serve future customers, including availability charges, (2) properly design residential rates, including rates for low-income customers. OCA St. No. 3 at 3. The OCA specifically argued that the Company's inclusion of rate case costs, bad debt costs, and inflow and

infiltration in its customer charge was flawed. Id. at 4-19. The OCA argued that Northeast's proposed \$20.00 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 \$6.70. Petition at 8; OCA St. No. 2 at 20.

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.

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

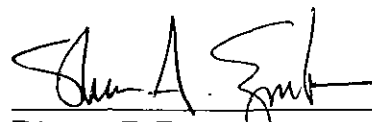
In its accounting testimony, OCA witness Smith stated that PAWC-Northeast's net negative salvage claim amounted to a double-recovery of the same expense amounts and proposed to eliminate the over-collection of that expense. OCA St. No. 1 at 60. The Petition provides a reasonable compromise on this issue. Under the terms of the Petition, Northeast 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 6, ¶ e. When viewed in light of the Petition's revenue requirement increase, 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 without modification as being in the public interest.*

Respectfully Submitted,



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November 4, 2010

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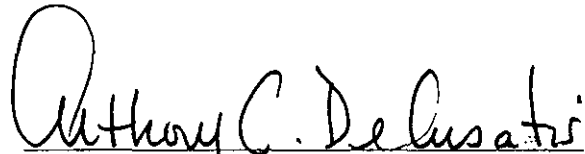
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