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October 10, 2000

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LEBOEUF, LAMB, GREENE & MACRAE
SECRETARY'S BUREAU

James McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

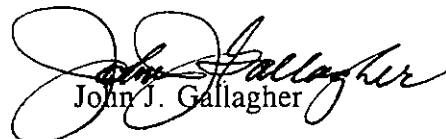
Re: Application of Pennsylvania-American Water Company for
Approval of the Purchase of the City of Coatesville Authority
Water Works and Wastewater Systems
Docket Nos. A-212285F0071 and A-230073F0002

Dear Secretary McNulty:

Enclosed please find an original and three (3) copies of a Statement Pennsylvania-American Water Company in Support of Stipulation for Settlement. This Statement has been served on all the parties listed on the attached service list. A copy of the Statement has also been served on Administrative Law Judge Cocheres.

Should you have any questions concerning this filing, please contact me at your convenience.

Sincerely,


John J. Gallagher

JJG/jtk

cc: All Parties on Service List (w/encl.)
Administrative Law Judge Louis Cocheres (w/encl.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water Company for :
Approval of (1) The Transfer, By Sale, of Substantially All of the :
Water Works Property And Rights of the City of Coatesville :
Authority Water System to Pennsylvania-American Water :
Company, and (2) The Rights of Pennsylvania-American Water :
Company to Begin to Offer or Furnish Water Service to the Public :
in all of the City of Coatesville, Parkesburg Borough, and South :
Coatesville Borough, Chester County, Pennsylvania And Portions :
of Sadsbury Township, Caln Township, East Fallowfield :
Township, Valley Township, Atglen Borough, and West Sadsbury :
Township, Chester County, Pennsylvania and Quarryville Borough, :
Bart Township, Colerain Township, Eden Township and Sadsbury :
Township, Lancaster County, Pennsylvania; and (3) Certain :
Additional Regulatory Approvals

Docket No. A-212285F0071

Application of Pennsylvania-American Water Company for :
Approval of (1) the Transfer, by Sale, of Substantially All of the :
City of Coatesville Authority's Assets, Properties and Rights :
Related to its Wastewater System to Pennsylvania-American Water :
Company; and (2) The Right of Pennsylvania-American Water :
Company to Begin to Offer or Furnish Wastewater Service to the :
Public in the City of Coatesville and Parkesburg Borough, Chester :
County, Pennsylvania and Portions of Caln Township, East :
Fallowfield Township, Valley Township, Sadsbury Township, and :
West Sadsbury Township, Chester County, Pennsylvania; and (3) :
Certain Additional Regulatory Approvals

Docket No. A-230073F0002

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OCT 10 PM 12:00
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**STATEMENT OF
PENNSYLVANIA-AMERICAN WATER COMPANY
IN SUPPORT OF STIPULATION OF SETTLEMENT**

DOCKETED
OCT 17 2000

John J. Gallagher
LeBoeuf, Lamb, Greene & MacRae L.L.P.
200 North Third Street
Suite 300
P.O. Box 12105
Harrisburg, PA 17108-2105
(717) 232-8199

Dated: October 10, 2000

**Counsel for Pennsylvania-
American Water Company**

TO ADMINISTRATIVE LAW JUDGE LOUIS G. COCHERES:

Pennsylvania-American Water Company ("PAWC") joins in the Stipulation of Settlement among PAWC, City of Coatesville ("City") and the City of Coatesville Authority ("CCA"), the Office of Trial Staff ("OTS"), the Office of Small Business Advocate ("OSBA"), and the Office of the Consumer Advocate ("OCA"), filed with the Pennsylvania Public Utility Commission ("PUC") on October 6, 2000. PAWC respectfully submits that this Stipulation is in the public interest and should be approved for the following reasons:

1. The Stipulation removes issues concerning rates, cost allocation and cost recovery from this case and preserves the rights of the OTS, OCA and OSBA to raise those issues in PAWC's next base rate proceeding. Stipulation at ¶ 7. PAWC has consistently maintained that these issues are more appropriately addressed in a base rate case rather than an Application proceeding.

2. The Stipulation resolves allegations that the Asset Purchase Agreement is inconsistent with the Public Utility Code or PUC policies. Specifically:

a. The Stipulation explicitly states that the PUC "at all times retains jurisdiction and authority over the rates and service of PAWC applicable to Coatesville and other municipalities serviced by CCA," and "the agreement between PAWC and the CCA cannot abrogate or modify the PUC's jurisdiction and authority in any manner." Stipulation at ¶ 8. This provision promotes the public interest by maintaining the PUC's authority with regard to Applications and their underlying agreements. The parties to this case did not disagree as to whether or not the PUC actually maintained authority over the instant Applications and the

underlying contract, but they disagreed as to the whether or not the contract attempted to restrict the PUC's jurisdiction.

b. The Stipulation states that PAWC will charge CCA's existing rates until the later of two events: (1) the expiration of three (3) years from closing on the underlying acquisition or (2) the effective date of new tariff rates approved by the PUC in the first PAWC base rate case to conclude by PUC Order following the expiration of the three-year period.

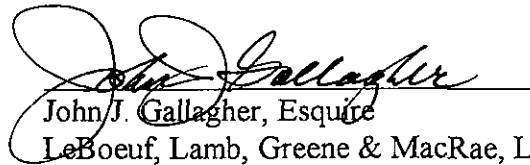
Stipulation at ¶ 6. This provision is in the public interest because it maintains PUC authority over rates of regulated utilities. It is also in the public interest because it provides for stability of utility rates in the area currently served by CCA without violating the Commission's desire for, and PAWC's movement toward, single tariff pricing. The PUC frequently approves an acquiring entities' proposal to adopt the rates currently charged by the acquired entity, until a base rate case is filed. There is no reason why it should not approve a similar provision in this case.

c. The Stipulation eliminates the requirement that PAWC provide free public fire hydrant service to the City in perpetuity. Instead, PAWC will charge the City for public fire hydrant service and the City will pay those charges. At the end of each year, PAWC will make a contribution to the City's Economic Development Fund equal to the amount of the City's payment for public fire hydrant service. PAWC will not seek recovery of said contribution in any base rate case. Stipulation at ¶¶ 9 and 10. This arrangement is in the public interest because it resolves any concern about discriminatory rates or cost-shifting among classes of ratepayers. It also resolves concerns about the PUC's jurisdiction over a rate that is in effect "in perpetuity," as well as concerns about the legality of a 0% (zero per cent) charge for public fire hydrant service under Section 1328 of the Public Utility Code. 66 Pa. C.S. § 1328. This

arrangement is nevertheless consistent with the bidding process, in which bidders were informed that the free public fire hydrant service requirement was non-negotiable, and were told to make whatever arrangements necessary to waive or pay fire hydrant fees on behalf of the City. City of Coatesville Statement No. 1.0, Exhibit 1.0-C, at 2. It therefore preserves the essence of the agreement originally reached by the parties to the Asset Purchase Agreement. Finally, this arrangement is in the public interest because PAWC will be making payments to a worthy cause, the Economic Development Fund of Coatesville City, without charging ratepayers for that contribution. This arrangement, it is submitted, is just the kind of win-win settlement that should be encouraged by the Commission.

WHEREFORE, PAWC respectfully requests that the Stipulation be APPROVED without modification by this Honorable Commission.

Respectfully submitted,



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(717) 232-8199

**Counsel for Pennsylvania-American
Water Company**

Dated: October 4, 2000

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American Water : Docket No. A-212285F0071
Company for Approval of (1) The Transfer, By :
Sale, of Substantially All of the Water Works :
Property And Rights of the City of Coatesville :
Authority Water System to :
Pennsylvania-American Water Company, and :
(2) The Rights of Pennsylvania-American :
Water Company to Begin to Offer or Furnish :
Water Service to the Public in all of the City of :
Coatesville, Parkesburg Borough, and South :
Coatesville Borough, Chester County, :
Pennsylvania And Portions of Sadsbury :
Township, Caln Township, East Fallowfield :
Township, Valley Township, Atglen Borough :
and West Sadsbury Township, Chester County, :
Pennsylvania and Quarryville Borough, Bart :
Township, Colerain Township, Eden Township :
and Sadsbury Township, Lancaster County, :
Pennsylvania; and (3) Certain Additional :
Regulatory Approvals :
:
:
:

Application of Pennsylvania-American Water : Docket No. A-230073F0002
Company for Approval of (1) the Transfer, by :
Sale, of Substantially All of the City of :
Coatesville Authority's Assets, Properties and :
Rights Related to its Wastewater System to :
Pennsylvania-American Water Company; and (2) :
The Right of Pennsylvania-American Water :
Company to Begin to Offer or Furnish :
Wastewater Service to the Public in the City of :
Coatesville and Parkesburg Borough, Chester :
County, Pennsylvania and Portions of Caln :
Township, East Fallowfield Township, Valley :
Township, Sadsbury Township, and West :
Sadsbury Township, Chester County, :
Pennsylvania; and (3) Certain Additional :
Regulatory Approvals :
:
:

CERTIFICATE OF SERVICE

I hereby certify that I have this 10th day of October, 2000, served a true and correct copy of the foregoing Statement of Pennsylvania-American Water Company in Support of Stipulation of Settlement, upon the participants, listed below, in accordance with the requirements of 52 Pa. Code §§ 1.54 and 5.41(b):

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Corporate Counsel
Pennsylvania-American Water Company
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Mark Kropilak, Esq.
Philadelphia Suburban Water Company
762 W. Lancaster Ave.
Bryn Mawr, PA 19010-3489
(1 copy via U.S. Mail)

Kevin Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
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P.O. Box 495
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(1 copy via U.S. Mail)

Wayne G. Reed, Executive Director
City of Coatesville Authority
114 East Lincoln Highway
P.O. Box 791
Coatesville, PA 19320
(1 copy via U.S. Mail)

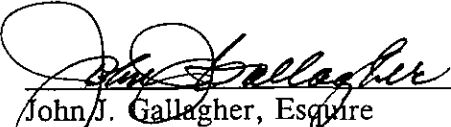
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Conrad, O'Brien, Gellman & Rohn, P.C.
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(1 copy via U.S. Mail)

Paul G. Janssen, Jr., City Manager
City of Coatesville
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Coatesville, PA 19320
(1 copy via U.S. Mail)

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Ronald C. Nagle, Esquire
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**Counsel for Pennsylvania-American
Water Company**

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 10, 2000

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room B-20
Harrisburg, PA 17120

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00 OCT 10 PM 2:42
PA P.U.C.
SECRETARY'S BUREAU

Re: Application of Pennsylvania-American Water Company (CCA/Water)
Docket No. A-212285F0071

Application of Pennsylvania-American Water Company (CCA/Wastewater)
Docket No. A-230073F0002

Dear Secretary McNulty:

On October 6, 2000, PAWC, the City, CCA, OTS, OSBA and OCA submitted to the Presiding Judge a Stipulation of Settlement in which PAWC, the City and CCA agreed to revise the Asset Purchase Agreement ("APA") to delete Article 3, Section 3.4(b) to the extent it states "the City shall not at any time, be required to pay charges for public fire hydrants." Accordingly the Office of Trial Staff's issue relating to public fire hydrant charges have been resolved. Consequently OTS will not be filing a Main Brief in this proceeding but reserves the right to file a Reply Brief.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Johnnie E. Simms
Senior Prosecutor
Office of Trial Staff

ORIGINAL

JES:alb

106

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :

v. :

Docket No. A-212285F0071

Docket No. A-230073F0002

Application of Pennsylvania-American :
Water Company :

DOCKETED

OCT 17 2000

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing Letter, dated

October 10, 2000, either personally, by first class mail, electronic mail, or by fax

upon the persons listed below:

Honorable Louis G. Cocheres
Administrative Law Judge
PA Pubic Utility Comm.
Room G-08A North Office Bldg.
Harrisburg, PA 17105

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& MacRae, LLP
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Velma A. Redmond, Esquire
VP Sec. Corp. Counsel
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Company
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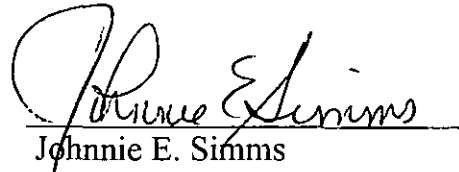
Helen J. Ebenshade, Esquire
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Kristin C. Camp, Esquire
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Johnnie E. Simms
Senior Prosecutor
Office of Trial Staff

Dated: October 10, 2000
Docket No. A-212285F0071
Docket No. A-230073F0002

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

Bernard A. Ryan, Jr
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

October 19, 2000

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James J. McNulty, Secretary
Pennsylvania Public Utility Commission
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Harrisburg, PA 17105-3265

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PA.P.U.C.
SECRETARY'S BUREAU

Re: Pennsylvania-American Water Company
Docket Nos. A-212285F0071, ~~A-212373F0002~~

Dear Mr. McNulty:

A-230073 F0002

Enclosed please find the original and three copies of the Statement in Support of the Office of Small Business Advocate if the Stipulation of Settlement of the Application of Pennsylvania-American Water Company's Application to Acquire the Water Works Property and Wastewater System of the City of Coatesville Authority for filing in this case.

As evidenced by the enclosed certificate of service, a copy has been served on all parties to this proceeding.

Sincerely,

Carol F. Pennington
Assistant Small Business Advocate

Enclosures

cc: Hon. Louis G. Cocheres
Parties of Record

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application of Pennsylvania-American Water :
Company for Approval of (1) the transfer, by sale, of :
substantially all the water works property and rights of the :
City of Coatesville Authority water system to :
Pennsylvania-American Water Company, and (2) the :
rights of Pennsylvania-American Water Company to :
begin to offer or furnish water service to the public in the :
City of Coatesville, Parkesburg Borough, South :
Coatesville Borough, Sadsbury Township and :
West Caln Township, Chester County, Pennsylvania and :
Portions of Caln Township, East Fallowfield Township :
Valley Township, Atglen Borough, West Sadsbury :
Township, Chester County, Pennsylvania and :
Quarryville Borough, Bart Township, Colerain :
Township, Eden Township and Sadsbury Township, :
Lancaster County, Pennsylvania; and (3) certain :
additional regulatory approvals :

Docket Nos.:
A-212285F0071

In re: Application of Pennsylvania-American Water :
Company for Approval of (1) the transfer, by sale, :
of substantially all of the City of Coatesville :
Authority's assets, properties and rights related :
to its wastewater system to Pennsylvania-American :
Water Company, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or :
furnish wastewater service to the public in all of the :
City of Coatesville and Parkesburg Borough, :
Chester County, Pennsylvania and portions of Caln :
Township, East Fallowfield Township, Valley :
Township, Sadsbury Township, and West Sadsbury :
Township, Chester County, Pennsylvania; and :
(3) certain additional regulatory approvals :

A-212373F0002

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STATEMENT IN SUPPORT OF THE
OFFICE OF SMALL BUSINESS ADVOCATE
OF THE STIPULATION OF SETTLEMENT OF THE
APPLICATION OF PENNSYLVANIA-AMERICAN WATER
COMPANY'S APPLICATION TO ACQUIRE THE WATER
WORKS PROPERTY AND WASTEWATER SYSTEM OF
THE CITY OF COATESVILLE AUTHORITY

The Office of Small Business Advocate (“OSBA”), one of the signatories to the Stipulation of Settlement of the Application of Pennsylvania-American Water Company (“PAWC”) to acquire the water system and wastewater system of the City of Coatesville Authority (“CCA”), submits this statement in support regarding the application and requests approval of the Stipulation of Settlement by the presiding Administrative Law Judge and the Commission.

Introduction

On February 29, 2000, PAWC filed separate applications with the Pennsylvania Public Utility Commission (“Commission”) seeking approval of the transfer and sale of the waterworks and wastewater assets of the CCA. The OSBA filed a protest to the waterworks application on March 28, 2000. Protests were also filed by the Office of Consumer Advocate (“OCA”), the Office of Trial Staff (“OTS”), Philadelphia Suburban Water Company (“PSW”), Mr. Ernest Campos, Caln Township and Sadsbury Township. Both Caln Township and Sadsbury Township subsequently withdrew their protests. This matter was assigned to Administrative Law Judge (“ALJ”) Louis Cocheres, who by his Prehearing Order of July 26, 2000, joined CCA and the City of Coatesville as indispensable parties.

The OSBA did not file testimony in this case because the OSBA’s sole issue concerned the legality of exempting the City of Coatesville from public fire hydrant charges in perpetuity as set forth in PAWC’s waterworks application. However, testimony in this case was filed by OCA, OTS and Mr. Campos. A number of settlement conferences were held both before and after the evidentiary hearings held on September 6

and 7, 2000. The result of these conferences is embodied in the Settlement signed by PAWC, the OSBA, OCA, and OTS. Neither Mr. Campos nor PSW could resolve their differences with PAWC. These two parties and PAWC submitted briefs concerning their respective issues to the ALJ.

The Settlement and the Public Interest.

The OSBA is a party to the Stipulation of Settlement that PAWC, OTS and OCA have also agreed to sign. The Settlement is in the public interest for the following reasons:

1. The issues raised by the OSBA, OTS and OCA concerning rates, cost allocation and cost recovery are preserved in full and may be raised in the first PAWC base rate case which seeks to increase rates for the former customers of the CCA. If in the estimation of the parties in a future rate filing, PAWC's claims are unfair or unreasonable, the parties will not be foreclosed from pursuing such rate-related issues because of their agreement to this settlement.

2. The provision in the Waterwork's Application requiring that the City not pay public fire hydrant charges has been deleted by agreement of the CCA and PAWC. Consequently, the issue which brought the OSBA into this case in the first place has been resolved.

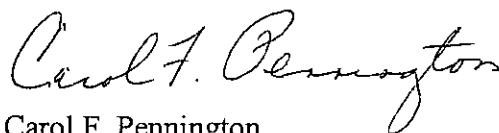
3. Any contributions which PAWC has agreed to make to the City's Economic Development Fund during those years when the City pays fire hydrant charges will not be claimed in any of PAWC's future base rate cases. Therefore, the rest of PAWC's customers will not be asked to subsidize any contributions to the City and a possible issue in a future rate case has been eliminated.

All of the above conditions will ensure that all of PAWC's public fire service customers pay for services which they receive from the Company. This is consistent with various provisions of the Public Utility Code and will benefit all customers including small business customers.

Conclusion.

For the reasons stated herein, and for the reasons stated in the Stipulation of Settlement itself, the Office of Small Business Advocate believes that the adoption of the Settlement is in the public interest. The OSBA asks that the Administrative Law Judge and the Commission adopt the Stipulation of Settlement of this application proceeding.

Respectfully submitted,



Carol F. Pennington
Assistant Small Business Advocate

Date: October 19, 2000

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application of Pennsylvania-American Water :
Company for Approval of (1) the transfer, by sale, of :
substantially all the water works property and rights of the :
City of Coatesville Authority water system to :
Pennsylvania-American Water Company, and (2) the :
rights of Pennsylvania-American Water Company to :
begin to offer or furnish water service to the public in the :
City of Coatesville, Parkesburg Borough, South :
Coatesville Borough, Sadsbury Township and :
West Caln Township, Chester County, Pennsylvania and :
Portions of Caln Township, East Fallowfield Township :
Valley Township, Atglen Borough, West Sadsbury :
Township, Chester County, Pennsylvania and :
Quarryville Borough, Bart Township, Colerain :
Township, Eden Township and Sadsbury Township, :
Lancaster County, Pennsylvania; and (3) certain :
additional regulatory approvals. :

Docket No.: A-212285F0071
A-212373-F0002

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the Statement in Support of the Stipulation of Settlement on behalf of the Office of Small Business Advocate by first class mail (unless otherwise indicated) upon the persons addressed below:

Hon. Louis G. Cocheres
Administrative Law Judge
Pennsylvania Public Utility Commission
P.O. Bxox 3265
Harrisburg, PA 17105-3265
(hand delivered)

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800 West Hersheypark Drive
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(717) 237-7161 (fax)



Carol F. Pennington
Assistant Small Business Advocate

Dated: October 19, 2000

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania-American Water Company for Approval of (1) The Transfer, By Sale, of Substantially All of the Water Works Property And Rights of the City of Coatesville Authority Water System to Pennsylvania-American Water Company, and (2) The Rights of Pennsylvania-American Water Company to Begin to Offer or Furnish Water Service to the Public in all of the City of Coatesville, Parkesburg Borough, and South Coatesville Borough, Chester County, Pennsylvania And Portions of Sadsbury Township, Caln Township, East Fallowfield Township, Valley Township, Atglen Borough, West Sadsbury Township, and West Caln Township, Chester County, Pennsylvania and Quarryville Borough, Bart Township, Colerain Township, Eden Township and Sadsbury Township, Lancaster County, Pennsylvania; and (3) Certain Additional Regulatory Approvals

Docket No. A-212285F0071

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Application of Pennsylvania-American Water Company for Approval of (1) the Transfer, by Sale, of Substantially All of the City of Coatesville Authority's Assets, Properties and Rights Related to its Wastewater System to Pennsylvania-American Water Company; and (2) The Right of Pennsylvania-American Water Company to Begin to Offer or Furnish Wastewater Service to the Public in the City of Coatesville and Parkesburg Borough, Chester County, Pennsylvania and Portions of Caln Township, East Fallowfield Township, Valley Township, Sadsbury Township, and West Sadsbury Township, Chester County, Pennsylvania; and (3) Certain Additional Regulatory Approvals

Docket No. A-230073F0002

DOCKETED OCT 27 2000

PHILADELPHIA SUBURBAN WATER COMPANY'S ANSWER AND OBJECTIONS TO PENNSYLVANIA-AMERICAN WATER COMPANY'S MOTION TO MOVE PAWC'S EXHIBIT 8.0 INTO THE RECORD AND MOTION FOR SANCTIONS

Pursuant to 52 Pa. Code §§ 1.35(c)(2), 5.61, 5.62(a), 5.103(c), 5.402(b) and 5.571(c), the Philadelphia Suburban Water Company (“PSW”), by its counsel, hereby answers and objects to Pennsylvania-American Water Company’s (“PAWC”) “Motion To Move PAWC’s Exhibit 8.0 Into The Record” and further, moves for sanctions, as follows:

ANSWER

1. Denied as a legal conclusion or legal argument. By way of further answer, there is no “PAWC Exhibit 8.0” because there was no document marked as such for identification during the hearings. Furthermore, PAWC’s so-called Exhibit 8.0 consists of out-of-court statements from out-of-court declarants offered to prove the truth of the matters asserted in the out-of-court statements after the record has closed.

2. Denied that the on-the-record agreement required PAWC to provide PAWC’s so-called Exhibit 8.0 to all the parties, and further denied that PAWC in fact provided PAWC’s so-called Exhibit 8.0 to all the parties on September 11, 2000 subject to a Protective Order. By way of further answer, to the best of PSW’s information, knowledge and belief, PAWC provided the documents comprising PAWC’s so-called Exhibit 8.0 only to PSW on Friday, September 8, 2000, in accordance with the discussion and on-the-record agreement at the September 7, 2000 hearing — and PSW and its counsel have in fact handled these documents in a confidential manner as promised at the hearing, despite the parties’ inability to agree on an appropriate Protective Order (described below). PAWC’s cover letter (copy attached as Exhibit A) transmitting the documents comprising PAWC’s so-called Exhibit 8.0 does not indicate that PAWC provided copies of the documents to the other parties on September 8, and PSW has received no other documents showing service on the other parties of the documents comprising PAWC’s so-called Exhibit 8.0 – with the exception of the certificate of service accompanying PAWC’s instant motion.

By way of further answer, the Protective Order accompanying the documents PAWC provided to PSW on September 8 has been used in telecommunications proceedings before the Commission and, in PSW's view, was overly-broad and contained many provisions inapplicable and not well-suited to address the limited situation presented by PAWC witness Johnston's lunch-time recollection of information pertaining to the Exhibit 1.1-D. PSW's counsel discussed these concerns with PAWC's counsel during the week following PSW's initial receipt of the telco Protective Order and submitted a revised Protective Order and a "redlined" version to PAWC's counsel on Friday afternoon, September 15, 2000. Copies of the e-mails transmitting PSW's revised and redlined versions of the Protective Order are attached as Exhibit B. At 4:27 Friday afternoon, October 6, 2000 – *three weeks later* – PSW's counsel first received notice from PAWC's counsel that PSW's revisions were unacceptable. A copy of PAWC's e-mail notice is attached as Exhibit C.

3. Denied that the record "was left open specifically to give the parties an opportunity to introduce any or all of the attached documents [PAWC's so-called Exhibit 8.0]." By way of further answer, in accordance with the on-the-record agreement, only PSW was intended to receive and did receive the documents comprising PAWC's so-called Exhibit 8. In addition, the on-the-record agreement allowed only PSW to submit as a late-filed exhibit any of these documents "if they find something they think is relevant." Tr. at 373. The discussion immediately preceding this quoted portion of the ALJ's summary of the agreement clearly demonstrates that the ALJ was referring to PSW — and not to any of the other parties — when he used the term "they":

JUDGE COCHERES: . . . And in lieu of continued cross-examination, Philadelphia Suburban has agreed to review the back-up documentation which supports Pennsylvania-American Exhibit 1.1-D, the request for service material; that the back-up information should be reviewed and subject to a confidentiality agreement.

And they have offered that the material that they find there be admissible subsequent to the close of today's hearing if they find something they think is relevant.

And there was some question as to whether we would have a further hearing on the subject, and the answer to that is definitively no.

And in response, Pennsylvania-American has agreed that it will provide a confidentiality agreement to be signed by Philadelphia Suburban promptly, no later than tomorrow morning, and that it will turn over those documents promptly tomorrow, and that if we use the briefing schedule, that the material will be admissible as an addendum to Philadelphia Suburban's main brief.

....

And insofar as I'm concerned, the record will remain open for the limited purpose of receiving material that is supplied in response to this, for lack of a better way of putting it, data request.

Tr. at 373-74 (emphasis added). The ALJ later confirmed that the on-the-record agreement permitted only PSW the option of submitting these documents as a late-filed exhibit. Tr. at 539. PAWC's authorized late-filed exhibit referenced by the ALJ was "PAWC Exhibit 7.0" (documents relating to Application of Pennsylvania-American Water Company and Woodland-Bigler Area Authority at PUC Docket No. A-212285, F.003, which PAWC filed September 11, 2000) — not PAWC's so-called Exhibit 8.0.

OBJECTIONS

4. PAWC's motion is an inappropriate method of requesting introduction of additional evidence into the record after the record has closed. The context of 52 Pa. Code § 5.402 clearly shows that subsection 5.402(b) merely provides a procedural remedy for moving into evidence an exhibit that has been marked for identification at the hearing but not moved into evidence at the hearing for some reason, perhaps inadvertence. To construe subsection 402(b) as providing an

alternative to the petition to reopen required by 52 Pa. Code 5.571 would render Section 5.571 superfluous.

5. PAWC's motion is particularly inappropriate in these proceedings because after the hearings concluded, the ALJ clearly instructed the parties not to attach extra-record evidence to briefs. Tr. at 538. The ALJ also informed the parties of the ways in which to have additional evidence put into the record after the record has closed. In addition to late-filed exhibits (one reserved by PSW and one reserved by PAWC) and official notice, the ALJ stated that the "only other way left is to petition to reopen the record and that's covered in the Commission's regulations." Tr. at 539. PAWC's instant motion, filed and served with its Main Brief, is a clear violation of the substance of the ALJ's prohibition — if not the letter of it.

6. Section 5.571(a) of the Commission's regulations provides that "[a]t any time after the record is closed but before a final decision is issued, a participant may file a petition to reopen the record for the purpose of taking additional evidence." 52 Pa. Code § 5.571(a). The petition must "set forth clearly the facts claimed to constitute grounds requiring the reopening of the proceeding, including material changes of fact or law alleged to have occurred since the conclusion of the hearing." 52 Pa. Code § 5.571(b). PAWC's motion does not – and cannot – meet the requirements of a petition to reopen since there are no grounds requiring the reopening of the record for the purpose of introducing documents that both PAWC and CCA had ample opportunity to introduce during the course of the proceeding — but decided not to do so. As a result of its inability to meet the requirements of Commission regulation subsection 5.571(a), PAWC relies upon regulation subsection 5.402(b) and permission granted by the ALJ to PSW as the basis for its motion. As shown above in ¶s 3 and 4 (which are incorporated herein by reference), PAWC's reliance is improper and misplaced.

7. PAWC's so-called Exhibit 8.0 is hearsay and should not be admitted. The ALJ has already recognized that Mr. Johnston's testimony and exhibits relating to alleged service requests received by the City of Coatesville Authority ("CCA") is hearsay. Tr. at 533. The documents comprising PAWC's so-called Exhibit 8.0 are offered to prove the truth of the matters asserted therein; the alleged service requests provide evidentiary support for PAWC's service territory request only if they are true – that is, only if they are actually requests for service and they actually pertain to the purported areas. The inability to challenge the reliability, trustworthiness and accuracy of the out-of-court statements comprising PAWC's so-called Exhibit 8.0 was demonstrated very clearly at the September 7 hearing. Under cross-examination in the morning, PAWC witness Johnston admitted that he was unfamiliar with the details of the information contained in his Exhibit 1.1-D. During the lunch break, Mr. Johnston's recollection of certain information was transformed through discussions with his subordinate employee – who was neither the declarant of any of the out-of-court statements nor the recipient of any of the out-of-court statements.

8. PAWC did not submit written testimony from any of the declarants of the out-of-court statements comprising PAWC's so-called Exhibit 8.0 and did not call any of the out-of-court declarants as witnesses during the two days of hearings. Moreover, the recipient of the out-of-court statements – CCA – chose not to move any testimony into evidence after being joined as an indispensable party. Under these circumstances, both PAWC and CCA waived any right to request that these unidentified documents be admitted into the record after the record has closed because they both had ample opportunity to do so *before* the record closed. PAWC – like all the other parties in these proceedings – should be required to live with its litigation decisions and not be allowed to supplement the record with information that PAWC chose not to submit during the hearings.

MOTION FOR SANCTIONS

9. Section 1.35(c) of the Commission's regulations provides that:

(c) Effect [of subscription of a document].

(1) The signature of the person subscribing a document filed with the Commission constitutes a certificate by the individual that:

(i) The person has read the document being subscribed and filed, and knows the contents thereof.

(ii) The document has been subscribed and executed in the capacity specified upon the document with full power and authority to do so, if executed in a representative capacity.

(iii) The document is well grounded in fact and is warranted by existing law or in good faith argument for the extension, modification or reversal of existing law, to the best of the person's knowledge, information and belief formed after reasonable inquiry.

(iv) The document is not interposed for an improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

52 Pa. Code § 1.35(c).

10. Section 1.35(c)(2) permits the presiding officer or the Commission to impose "an appropriate sanction" if a document is signed in violation of subsection (c) of Section 1.35. 52 Pa. Code § 1.35(c)(2).

11. PAWC's motion is not well grounded in fact, as shown by the ALJ's summary of the on-the-record agreement, quoted above in ¶ 3 (which is incorporated herein by reference).

12. PAWC's motion is not warranted by existing law or a good faith argument for the extension, modification or reversal of existing law, because the ALJ has, in essence, already informed PAWC that the documents comprising PAWC's so-called Exhibit 8.0 are hearsay (Tr. at

533), and the ALJ is clearly correct, as shown above in ¶s 7 & 8 (which are incorporated herein by reference).

13. PAWC's motion was interposed for an improper purpose — to harass PSW and cause needless increase in the cost of litigation to PSW. Under the circumstances of these proceedings (¶s 4, 5 & 6 are hereby incorporated by reference), there is no proper purpose for PAWC's motion.

14. As authorized by 52 Pa. Code § 1.35(c)(2), PSW requests that the ALJ or the Commission impose sanctions upon PAWC and its attorneys including, but not limited to, PSW's expenses and attorneys' fees incurred in responding to PAWC's motion, along with civil penalties under 66 Pa. C.S. § 3301.

WHEREFORE, for the reasons set forth above, the Philadelphia Suburban Water Company respectfully requests that PAWC's motion to admit PAWC Exhibit 8.0 into the record in these proceedings be denied and that sanctions be imposed upon PAWC and its attorneys as the ALJ or the Commission deems just, reasonable and appropriate, including, but not limited to, PSW's expenses and attorneys' fees incurred in responding to PAWC's motion, along with civil penalties under Section 3301 of the Public Utility Code.

Respectfully submitted,



Kevin J. Moody, Esq.
Daniel Clearfield, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street
Harrisburg, PA 17101
(717) 237-7160

Mark J. Kropilak, Esquire
Vice President and General Counsel
Philadelphia Suburban Water Company
762 Lancaster Avenue
Bryn Mawr, PA 19010
(610) 645-1080

Dated: October 20, 2000

EXHIBIT A

RECEIVED SEP - 8 2000

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September 8, 2000

VIA HAND DELIVERY

Kevin Moody, Esquire
Wolf, Block, Schorr and Solis-Cohen
212 Locust Street - Suite 300
Harrisburg, PA 17101

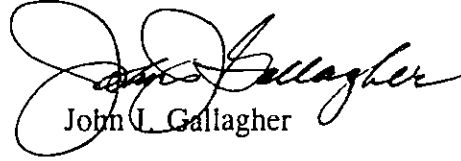
Re: Protective Order for City of Coatesville Authority Service
Request Information

Dear Mr. Moody:

Enclosed please find the compilation of service request documentation which Philadelphia Suburban Water Company requested at the hearing on September 7, 2000. This information is being provided pursuant to the discussion we had with Judge Cocheres regarding the release of the information pursuant to a Protective Order. I have enclosed a copy of that Protective Order and attached Appendix A for your execution. Upon your execution and its return to me, I will forward a copy to Judge Cocheres.

Should you have any questions concerning this information or the Protective Order, please contact me at your convenience.

Sincerely yours,


John L. Gallagher

JJG/jrh
enclosures

cc: Velma A. Redmond, Esquire (w/o enclosures)
Helen J. Esbenshade, Esquire (w/o enclosures)

EXHIBIT B

From: Kevin J. Moody
To: "JRHURST@LLGM.COM".internet.WBSSC
Date: 9/15/00 3:29PM
Subject: Re: Protective Order for PAWC.WPD

Attached is a revised protective order that deletes inapplicable language from the telco protective order and includes language specific to this matter.

Please provide this to John Gallagher and Sue Benedek ASAP with my apologies that it took so long to get back to them. PSW management personnel have been in management meetings nearly all week and have been generally unavailable. Please have John or Sue call me if they have questions or concerns about this. Thanks.

Kevin J. Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street, Suite 300
Harrisburg, PA 17101
(717) 237-7187
(717) 237-7161 (fax)

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>>> "JANA HURST" <JRHURST@LLGM.COM> 09/13/00 11:51AM >>>
Per your request.

"This e-mail, including attachments, contains information that is confidential and it may be protected by the attorney/client or other privileges. This e-mail, including attachments, constitutes non-public information intended to be conveyed only to the designated recipient(s). If you are not an intended recipient, please delete this e-mail, including attachments, and notify me by return mail, e-mail or at 717-232-8199. The unauthorized use, dissemination, distribution or reproduction of this e-mail, including attachments, is prohibited and may be unlawful.

Jana Hurst
jrhurst@llgm.com
(717) 232-8199 - (phone)
(717) 232-8720 - (fax)

From: Kevin J. Moody
To: "JRHURST@LLGM.COM".internet.WBSSC
Date: 9/15/00 3:41PM
Subject: Re: Protective Order for PAWC.WPD

See attached.

Kevin J. Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street, Suite 300
Harrisburg, PA 17101
(717) 237-7187
(717) 237-7161 (fax)

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>>> "JANA HURST" <JRHURST@LLGM.COM> 09/15/00 03:39PM >>>

Thanks for the protective order. Before they ask, may I please have the red-lined version emailed to me also. Thanks

"This e-mail, including attachments, contains information that is confidential and it may be protected by the attorney/client or other privileges. This e-mail, including attachments, constitutes non-public information intended to be conveyed only to the designated recipient(s). If you are not an intended recipient, please delete this e-mail, including attachments, and notify me by return mail, e-mail or at 717-232-8199. The unauthorized use, dissemination, distribution or reproduction of this e-mail, including attachments, is prohibited and may be unlawful.

Jana Hurst
jrhurst@llgm.com
(717) 232-8199 - (phone)
(717) 232-8720 - (fax)

>>> "Kevin J. Moody" <KMoody@wolfblock.com> 09/15/00 03:29PM >>>

Attached is a revised protective order that deletes inapplicable language from the telco protective order and includes language specific to this matter.

Please provide this to John Gallagher and Sue Benedek ASAP with my apologies that it took so long to get back to them. PSW management personnel have been in management meetings nearly all week and have been generally unavailable. Please have John or Sue call me if they have questions or concerns about this. Thanks.

Kevin J. Moody, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
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Harrisburg, PA 17101
(717) 237-7187
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>>> "JANA HURST" <JRHURST@LLGM.COM> 09/13/00 11:51AM >>>

Per your request.

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Jana Hurst

jhurst@llgm.com

(717) 232-8199 - (phone)

(717) 232-8720 - (fax)

EXHIBIT C

From: "JONATHAN NASE" <JNASE@LLGM.COM>
To: <kmoody@wolfblock.com>
Date: 10/6/00 4:27PM
Subject: revised protective order

John Gallagher asked that I respond to your proposed revisions to the protective order.

The changes are not acceptable. It seems better to just say everything provided is proprietary. Otherwise, we would need a list of developers of which PSW had first-hand knowledge concerning their requests for service prior to the date that the proprietary information was provided, and the whole thing becomes a mess that is impossible to enforce. That is exactly what the Judge wanted to avoid at the hearing.

We also object to the changes in Paragraph 4. We can see the need for a party's counsel and expert witnesses to see the information, but why do all of PSW's officers and employees need access to the information? The reference to "late-filed exhibits by PSW" is also a problem. The Judge made clear at the hearing what exhibits were and were not allowable following the hearing, and we do not think we have authority to expand on that.

Please let me know how you want to proceed.

Thanks.

JPN

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Jonathan P. Nase
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
Suite 300, 200 North Third Street
Harrisburg, PA 17108-2105
(717) 232-8199
jnase@llgm.com

CC: "JOHN GALLAGHER" <JXGALLAG@LLGM.COM>

LEBOEUF, LAMB, GREENE & MACRAE
L.L.P.

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VIA HAND DELIVERY

November 15, 2000

The Honorable Louis G. Cocheres
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

DOCKETED
NOV 21 2000

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Re: Application of Pennsylvania-American Water Company (CCA/Water)
Docket Nos. A-212285F0071, A-230073F0002, U-00004550, U-00004551,
U-00004552, U-00004553, U-00004554, U-00004555, U-00004556,
U-00004557, U-00004558, U-00004559, U-00004560, U-00004561,
U-00004562

Dear Judge Cocheres:

By letter dated October 10, 2000 you notified all parties that the record in this proceeding would be reopened for the limited purpose of receiving evidence on the contracts at the docket numbers listed above. As you indicated in that same letter, the referenced contracts are form contracts between the City of Coatesville Authority ("CCA") and various municipalities for the supply of bulk water and sewer service which will be assumed by Pennsylvania-American Water Company ("PAWC"). These contracts are referenced at page 13 of both the Water and Wastewater Applications and Schedule 1.5.1 of the Asset Purchase Agreement.

As of the date of this letter I have not received any requests from any party to proceed with an evidentiary hearing. As a consequence, I am requesting that the hearing currently scheduled for Friday, November 17, 2000 be cancelled.

The Honorable Louis G. Cocheres

November 15, 2000

Page 3

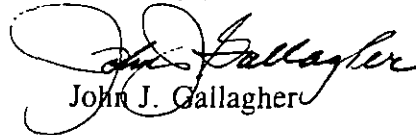
| | | |
|----------------------|----|---|
| U-00004555 212285 | 14 | Agreement between the City of Coatesville; the Coatesville Sewage Plant Authority; Caln Township; and Caln Township, Chester County, Municipal Authority further supplementing the existing sewer collection and treatment services contract (Exhibits 12 and 13) |
| U-00004556 212285 | 15 | Agreement between CCA and West Brandywine Township for sewer collection and treatment services |
| U-00004557 212285 | 16 | Agreement between CCA and West Sadsbury for sewer collection and treatment services |
| U-00004558 212285 | 17 | Agreement between CCA and Sadsbury Township for sewer collection and treatment services |
| U-00004559 212285 | 18 | Agreement between Parkesburg Borough and CCA for the purchase of a wastewater system and for sewer collection and treatment services |
| U-00004560 212285 | 19 | Consent to Novation and Assignment, signed by Parkesburg Borough |

The Honorable Louis G. Cocheres
November 15, 2000
Page 4

| | | |
|----------------------|----|--|
| U-00004561 212285 | 20 | Agreement between CCA and East Fallowfield Township for water and wastewater service to Water and Sewer District #1 in said Township |
| U-00004562 212285 | 21 | Agreement between CCA and East Fallowfield Township for water and wastewater service to Water and Sewer District #2 in said Township |

Copies of this letter and attachments have been forwarded to all the parties on the attached service list. Should you have any questions concerning this matter please contact me at your convenience.

Sincerely yours,



John J. Gallagher

JJG/jtk

cc: All Parties on Certificate of Service
Velma Redmond, Esq.
Secretary James McNulty (Cover Letter Only)