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May 24, 2013

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MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VIA FEDERAL EXPRESS OVERNIGHT

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
2nd Floor North
Harrisburg, PA 17120

Re: Painter v. Aqua Pennsylvania, Inc. (C-2011-2239556)

Dear Ms. Chiavetta:

Enclosed for filing is an original and three copies of Complainants' Brief in Opposition to Respondent's Motion for Summary Judgment accompanied with an original and three copies of the corresponding Appendix of Exhibits. I have also enclosed a copy of the both the cover sheet of the Opposition and the Appendix. Kindly date-stamp the copies and return them to me in the self-addressed, stamped envelope I have provided.

Very truly yours,

DEL SOLE CAVANAUGH STROYD LLC

By: 

Stephen J. Del Sole

Enclosure

cc: Honorable Conrad A. Johnson (w/ enclosure) Via FedEx Overnight
Christopher T. Wright, Esq. (w/ enclosure) Via FedEx Overnight

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

WALTER PAINTER and DONNA)
PAINTER, on behalf of themselves and all)
others similarly situated,)
)
Complainants,)
)
v.)
)
AQUA PENNSYLVANIA, INC.,)
)
Respondent.)

C-2011-2239556

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MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BRIEF IN OPPOSITION TO RESPONDENT'S
MOTION FOR SUMMARY JUDGMENT**

TO ADMINISTRATIVE LAW JUDGE
CONRAD A. JOHNSON:

Complainants, Walter and Donna Painter, on behalf of themselves and all others similarly situated, hereby submit this Brief in Opposition to Respondent's Motion for Summary Judgment:

I. INTRODUCTION

Walter and Donna Painter ("Complainants") originally brought this action against Aqua Pennsylvania, Inc. ("Respondent") in the Court of Common Pleas of Lawrence County, asserting claims of conversion, breach of contract, and violation of the Unfair Trade Practices and Consumer Protection Law ("UTPCPL"). Specifically, Complainants, whose monthly water billing cycle does not coincide with the calendar month,¹ contend that Respondents overcharged them by applying an increased DSIC rate prior to the "effective date" advertised by Respondent. It is Complainants' position that this recurring overcharge is in violation of the Tariff approved

¹ For example, the Complainants' billing cycle ran from March 2 to April 1 in one of the bills at issue. As explained herein, of the thirty one-days in that particular billing cycle, thirty fell before the April 1 effective date of a DSIC rate increase, but Complainants were charged the higher rate for the entire billing cycle.

by the Pennsylvania Utility Commission (“Commission” or “PUC”), the regulations of the Pennsylvania Utility Code, the common law of Pennsylvania, and the UTPCPL.

Respondents have filed a Motion for Summary Judgment, seeking dismissal of Complainants’ claims. The basis of their Motion is the Pennsylvania Utility Commission’s recent decision in Pettko v. Pennsylvania American Water Company. However, summary judgment cannot be granted in this case because several questions of fact exist which must—in accordance with due process requirements—be adjudicated after a hearing on the merits before the Commission.

As Respondent has brought the issues of Pettko front-and-center in this litigation—claiming that the issues are identical to the present case—and the undersigned counsel was involved in that litigation, Complainants hereby incorporate the Pettko record in this matter.

II. ARGUMENT

A. Respondent’s Motion for Summary Judgment is premature.

Respondent’s filing of a Motion for Summary Judgment at this stage of the case is procedurally improper. Not only has a decision on Respondent’s Motion for Judgment on the Pleadings not been issued, but Respondent has not even answered the Complaint. Most importantly, however, Complainant has not been afforded an opportunity to conduct discovery in this case, as they are clearly permitted under 52 Pa. Code § 5.331. On this basis alone, Respondent’s Motion must be denied.

B. There is a genuine issue of material fact as to whether Respondent violated its Tariff by charging its customers increased DSIC rates for the portion of their billing cycle prior to the approved effective date of the increase set forth in the Tariff.

1. *The Commission-approved Tariff does not permit rate increases prior to the “effective date.”*

The Tariff governing Respondent’s billings specifically states that increases in the DSIC charged to its customers have a definite effective date. Specifically, the Tariff states that the DSIC is to be updated quarterly with an “*Effective Date of Change*” set at April 1, July 1, October 1, and January 1. (Relevant portions of the Tariff are Exhibit A to Appendix). Respondent specifically advertised DSIC rate increases and their approved effective dates in their bills to customers. For example, the bill immediately following the July 1, 2009 DSIC increase stated: “*Effective July 1, 2009*, the allowable DSIC charge is 5.00%.” (Complainants’ bills are Exhibit B to Appendix). The plain language of both the governing Tariff and Respondent’s billing statements demonstrate that there is a specific effective date for the rate increases. However, Respondent ignored the effective dates and applied the increased rate to those portions of a customer’s bill which occurred *before* the effective date. Depending on the billing cycle of the customer, it is possible that a significant portion—or, in some cases, nearly all—of the billing period occurred prior to the effective date of the increase. Respondent nevertheless charges the customer the increased rate for usage prior to the effective date. As such, for those portions of its customers’ bills for which Respondent charges the increased rate before the effective date set forth in the Tariff, Respondent is in violation of Section 1303 of the Public Utility Code, which requires both that a utility only charge the rates permitted by the

Commission-approved Tariff and “compute bills under the rate most advantageous to the patron.”² Respondent failed to adhere to either requirement.

Respondent’s Motion claims that it is permitted, as a matter of law, to charge the increased rate even for portions of a customer’s bill which occur prior to the effective date of a DSIC rate increase because the DSIC, it claims, is permitted on a “bills rendered” rather than “services rendered” basis. It further claims that “the issue of billing the DSIC on the “bills rendered” basis is a matter of well-settled law that was recently confirmed by the Commission.” Respondent’s Motion for Summary Judgment, p. 1.

Although Respondent has cited to several (self-selected) documents to support this contention, it has not pointed to a single definition of “bills rendered” from this Commission, case law, or the Pennsylvania Code—much less one which supports its contention that a customer may be billed an increased rate for his entire bill, where only a portion, perhaps a small portion, of the bill arose after the approved effective date. While Complainants do not question that the increased DSIC may be collected from customers on the portion of their bill arising after the effective date, Respondent has not demonstrated that it may collect the increased rate for portions of the bill prior to the effective date of the increase permitted by the Tariff. To do so would run counter to the Public Utility Code and the very concept of an “effective date.”

Respondent cites to the Commission’s August 22, 1996 Order (attached as Appendix B to Respondent’s Brief) which gave Philadelphia Suburban Water Company authorization to begin

² “No public utility shall, directly or indirectly, by any device whatsoever, or in anywise, demand or receive from any person, corporation, or municipal corporation a greater or lesser rate for any service rendered or to be rendered by such public utility than that specified in the tariffs of such public utility applicable thereto. The rates specified in such tariffs shall be the lawful rates of such public utility until changed, as provided in this part. Any public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, compute bills under the rate most advantageous to the patron.” 66 Pa.C.S.A. § 1303.

imposing a DSIC charge on its customers.³ This is a red-herring, as Complainants do not dispute that, pursuant to this Order, the Respondent has the right to charge the DSIC and to periodically raise the rate.

Respondent claims that it is authorized to levy the DSIC charge on a “bills rendered” as opposed to a “services rendered” basis. Neither of these terms are defined in the Public Utility Code, the PUC’s Order, or in Respondent’s Tariff. Furthermore, neither the Order nor the Commission *specifically* states that the DSIC is to be levied on a “bills rendered” basis. Nor does Respondent’s Tariff even use the phrase “bills rendered.” Nevertheless, Respondent is requesting that this Commission adopt a definition of that term which permits it to charge the increased rate for the period of the customer’s bill which predates the effective date set forth in the Tariff (for some customers that period could very well be nearly an entire month).

The actual language that Respondent itself represented to its customers in its Tariff underscores the fact that the DSIC charge was to be applied only to the proportional period of the bill that fell on or after the effective date of the rate increase:

DSIC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied *to the effective portion of the total amounts billed* to each customer under the company’s otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS).

Aqua Pennsylvania, August 15, 2009 Tariff, p. 20A (emphasis added) (*see* Exhibit A to Appendix). Respondent’s Motion for Summary Judgment omitted citation to this language from its own Commission-approved tariff, which demonstrates that the charge is to be applied to the

³ It is interesting to note that in the Opinion and Order, the Commission expressly states that “To begin with, the company proposes that the DSIC become effective for *service rendered* on and after July 1, 1996.” Opinion and Order, p. 3 (emphasis added). This position undermines Respondent’s contention that the charge is levied on simply the total amount of any bill issued after the effective date of the rate increase, regardless of whether the charges on such bill are for a period of time prior to the PUC-approved effective date of the rate increase.

effective portion of the bill, not the entire bill. Presuming that it intended the phrase “effective portion” to have significance and not just be surplusage, Respondent’s factual argument fails under the language of its own Tariff, which the Commission approved and which the Complainants do not challenge (and, indeed, take for granted).

Respondent’s billing practice also runs afoul of the plain language of the Public Utility Code, which provides that “[a]ny public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, *compute bills under the rate most advantageous to the patron.*” 66 Pa.C.S.A. § 1303 (emphasis added). To charge patrons the increased DSIC rate for portions of their bills prior to the effective date of that rate is a means of calculating the bill in the manner most favorable to the utility, to the detriment of the patron. Further, as explained below, to do so creates arbitrary classes of customers who have to pay more or less based simply upon the timeframe of their billing period. This is patently unreasonable and contrary to the language of Sections 1301 (requiring rates to be just and reasonable) and 1303.

Further, the March 29, 2000 letter from a Commission auditor attached as Appendix D to Respondent’s Motion does not prove Respondent’s claim. The letter recognized that Respondent was collecting the charge on a “services rendered” basis, as opposed to a “bills rendered” basis, although the letter did not define those terms. The letter did not state, as Respondent suggests, that the application of the “services rendered” approach was improper or erroneous. Nor did the letter suggest (much less direct, as Respondent argues) that Respondent was required to change

the manner in which it collected the DSIC.⁴ To the contrary, the focus of the letter was how and when the prior DSIC shortfall could be recouped.

Thus, even though Respondent's factual argument in support of its preliminary objections is one-sided and premature, the very evidence set forth by Respondent simply fails to demonstrate that Respondent was permitted (or required) to charge customers the increased DSIC rate for portions of their billing period prior to the effective date of that rate increase. The unequivocal language of Respondent's Tariff itself specified that the DSIC is to be calculated on the *effective portion* of the customers' bills. This, among other factors, directly undermines the premature and misleading factual argument set forth by Respondent.

Finally, Respondent cannot rely on its citation from PUC v. Metropolitan Edison Company, 37 P.U.R.4th 77, 96 n.3 (PUC 1980), to support its claim that it is permitted to charge customers the increased DSIC rate for portions of their billing cycle which predate the Commission-approved effective date of the increase.⁵ First, the portion of that opinion cited by Respondent is from a single footnote addressing a collateral proceeding. The case did not address the definitions of or differences between "bills rendered" and "services rendered." Rather, it addressed several issues regarding the effects of the shut-down of one of the Three Mile Island reactors following its near-meltdown. As such, the language cited is, at the very best, dicta.

⁴ This point is underscored by the fact that in Defendant's August 14, 2009 Tariff, more than nine years after the letter, the plain language of Defendant's Tariff specifically advertised that it would charge the DSIC on the *effective portions* of the customer's bill.

⁵ The DSIC charge was first approved by the PUC in 1996, sixteen years after the case upon which Respondent relies.

2. *Multiple interpretations of “bills rendered” exist.*

Even in light of the Commission’s Pettko decision, which is relied upon by Respondent, it remains unknown precisely what “bills rendered” means in the context of utility rate collections. There exist alternatives to Respondent’s proffered “bills rendered” interpretation. For example, the DSIC increases could be applied only to bills rendered for usage after the effective date. This method would be distinguishable from pro-rating (which would also be acceptable to Complainants) for services because the increased charge would apply at the beginning of each rate-payer’s billing cycle beginning *after* the effective date. This would prevent a rate payer from being overcharged based upon its billing cycle. However, neither this method or proration have been utilized by Respondent and the Commission has failed to provide guidance on the precise meaning of “bills rendered.” As such, a question of fact indeed remains regarding whether Respondent is acting in accordance with its Tariff.

Summary judgment is only permitted where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. 52 Pa.Code §5.102(d). In this case, it is evident when reviewing the documents attached by the Respondent along with its bills and Tariff (that it did not attach or cite) that there is a genuine issue of material fact as to whether it was permitted to charge its customers increased DSIC rates for the portion of their bills that preceded the Commission-approved effective date—or only (as the Tariff states) on the “effective portion.” As such, the Motion for Summary Judgment should be denied.

C. Respondent's DSIC billing methods create an inherently inequitable system whereby increases in rates will always be imposed on some customers in a manner disproportionate to other customers.

Respondent's position renders the *effective date of change* set forth in the governing Tariff meaningless. In practice, it begins charging the increased amount for some of its customers nearly a month *before* the effective date which was approved by this Commission.

Respondent's position—that it is permitted to bill customers increased DSIC rates for their entire billing cycle, including those portions of the cycle which occur prior to the effective date of the rate increase—creates a system where some customers will *always* bear the burden of the rate increase to a greater degree than other customers. This practice plainly violates Section 1304 of the Public Utility Code. Section 1304 states, in relevant part:

No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage.

66 Pa.C.S.A. §1304. Respondent's billing practices violate the provisions of this section in that they accrue to the disadvantage of some customers over others—determined only on the basis of the running dates of the customer's billing cycle.

By way of illustration, Complainants' billing cycle for March of 2009 (*see* Exhibit B to Appendix) ran from March 2 to April 1. Therefore, even though the *effective date* of the DSIC increase was April 1, Complainants, and all others with the same billing cycle, were forced to pay the increased rate for their entire billing cycle even though *all but one day of that period occurred before the effective date of the increase*. For other customers who have billing cycles which begin and end in the first week of the month, those customers were forced to pay the increased rate for nearly an entire month prior to its effective date. Contrast this with the customer whose billing cycle runs from the first of the month or immediately before, who will

pay the increased rate for only days, if at all, before the effective date. Because of the regularity of billing periods, the same customers will always end up paying proportionally more each time the DSIC rate is increased—based only on when their billing period falls in the month. This is inherently inequitable and is in violation of Section 1304 of the Public Utility Code.

Finally, Respondent claims that because the DSIC is reconciled on a regular basis, it *cannot* collect more than it is permitted. While this may be true in the aggregate *as to Respondent*, there is no mechanism by which the *individual aggrieved customers* are refunded their pro-rata share of the amounts they paid prior to the effective date of a DSIC rate increase. Indeed, even if DSIC rates are lowered *as a whole*, there is no mechanism to pay back the specific amounts that each customer was prematurely billed. Further, each time the DSIC rate would be increased in the future, the same customers with a disadvantageous billing cycle will again be required to pay a disproportionate share. This is untenable under Section 1304.

D. The PUC's adoption of the ALJ's decision in *Pettko* does not resolve several genuine issues of material fact in this case.

1. *Complainants are prepared to offer credible expert testimony that Respondent violated its Tariff.*

Complainant's have an expert witness prepared to provide unequivocal testimony that the failure of Respondent to pro-rate the DSIC charges violates both the Commission-approved company Tariff and Commission regulations. Complainant's expert (also retained in the Pettko case) has provided written direct testimony: "Under the standard and accepted way that rates can appropriately be adjusted, the rate change can only occur on the "effective date." Under the tariff, those dates are the specific quarterly dates identified. ... By disregarding the effective date, the utility's billing practices create an inherently inequitable system whereby some customers will *always* bear the increased rates more than others." Further, Complainant's expert

stated unequivocally that the utility's assertion that it was permitted to bill retroactively and not pro-rate based upon the "effective date" is "retroactive application of the rates is unlawful. As correctly noted by the ALJ in Pettko, this testimony *must be accepted as true* at the summary judgment stage of the litigation. Therefore, these conclusions, while they may be subject to challenges to weight and credibility at a hearing, cannot merely be discounted at the summary judgment stage.

2. *The damages caused to Complainants are a question of fact.*

Complainants must be afforded an opportunity to conduct discovery and, ultimately, prove at a hearing precisely how they were harmed by the unlawful actions of Respondent. The damages caused by Respondent simply cannot be determined as a matter of law.

E. **Respondent's Reliance upon the Pettko Decision is improper because the Pettko decision is flawed.**

Respondent's Motion for Summary Judgment is effectively a renewed Motion for Judgment on the Pleadings, now relying on the Commission's recent decision in Pettko v. Pennsylvania-American Water Company. Respondent's reliance upon the Pettko decision—which adopted the ALJ's Decision—is improper because the decision exceeded its authority at the summary judgment phase and is materially flawed.

1. *The Pettko Complainant was denied an opportunity to be heard on the merits regarding genuine issues of material fact.*

The Pennsylvania Commonwealth Court has recently held:

Due process principles apply to administrative proceedings, and require an opportunity, among other things, to hear the evidence adduced by the opposing party, cross examine witnesses, introduce evidence on one's own behalf, and present argument. As our Supreme Court explained, there must be notice, an opportunity to present one's cause and proceeding appropriate to the character of the particular case, and an adjudication in the same nature as is present in other causes. Where these things are present there is due process of law.

D.Z. v. Bethlehem Area School District, 2 A.3d 712 (Pa.Comm.w. 2010) (citing Kowenhoven v. Allegheny County, 901 A.2d 1003 (Pa. 2006)). The Commonwealth Court has further held that questions concerning reasonableness of rates and the difference between rates are factual questions for the Commission, whose findings must be upheld if supported by competent evidence. Philadelphia Electric Co. v. Pa. P.U.C., 470 A.2d 654, 657 (Pa.Comm.w. 1984); see also Building Owners and Managers Assoc. v. Pa. P.U.C., 470 A.2d 1092, 1094 (Pa.Comm.w. 1984) (“questions concerning reasonableness of rates and the difference between rates are factual questions for the Commission, whose findings must be upheld if supported by competent evidence.”).

The Commission in Pettko accepts the ALJ’s determination that there exist no genuine issues of material fact regarding the Complainant’s claims. This conclusion is entirely inconsistent with the findings of the ALJ. The ALJ in Pettko went to great lengths to make numerous factual findings, many of which were not supported by the record. Further, it is undisputed that the Complainant in Pettko was denied an opportunity to present evidence relating to the at-issue questions of fact and meaningfully challenge the evidence offered by his opponent, as required by due process. In the present case, denying Complainants the opportunity to take discovery and present evidence at a hearing will be a clear due process violation.

a. Damages

In Pettko, the ALJ not only dismissed Complainant’s damage claims, but went so far as to perform his own independent calculations based on hypothetical customer data that was not part of the record. Certainly, there has been no discovery in the present case nor any record from which the Respondent herein can make the same assertion. The calculations in Pettko demonstrate that the ALJ impermissibly assumed the role of fact finder prior to a full hearing on

the merits. The ALJ further concluded that “[c]ertainly [Complainant] cannot be considered prejudiced or disadvantaged by being over charged \$0.03.” In making this unsupported finding, the ALJ dismissed Respondent’s clear violation of its Tariff and, accordingly, the Public Utility Code. Furthermore, this finding ignores the obvious possibility that over-charges will continue into the future and increase in amount.

The ALJ also found that “[o]ver the course of time, it is not unreasonable that the increases and decreases would generally offset each other.” The specific harm caused to the Complainant is a question of fact. Just as the Complainant in Pettko should have been provided with a full and fair opportunity to present evidence in support of his allegations of harm, Complainants in this case must be afforded that opportunity. The ALJ’s finding that, in the aggregate, increases and decreases may offset each other is a question of fact that should have been determined based upon evidence of record. Complainants in this case must be afforded an opportunity to rebut Respondent’s claim that he has not been harmed by Respondent’s collection practices. Furthermore, on a fundamental basis, the fact that a complainant *may* benefit from a rate decrease in the future does not excuse a respondent from billing him in violation of the Tariff right now.

b. Definition of “bills rendered”

In Pettko, no definition of the phrase “bills rendered” was been provided by either Respondent or the Commission (this is also true in the present case). Indeed, the term does not even exist in the Tariffs. As such, no meaningful interpretation of the authority purportedly provided by the Commission to Respondent could be ascertained. To the contrary, the Pettko Complainant offered evidence that bears directly upon the Commission’s intent in authorizing the DSIC. Specifically, that the charges are to be applied for services rendered on or after the

effective dates of the increase. Complainant has an expert prepared to testify that this is the common and universally accepted way that these usage based charges are applied. Absent explanation of the phrase “bills rendered,” or the location of that phrase in the DSIC Tariff language, the meaning of “bills rendered” remains a question of fact that must be resolved by way of a hearing to determine whether Respondent complied with the intention of the Commission in collecting DSIC fees from Complainant.

c. Definition of “effective date”

The ALJ’s Decision allowed the Pettko Respondent to ignore the plain language of the Tariff in setting forth an effective date, by consistently applying rate changes in advance of the determined “effective date.” These retroactive rates render the “effective dates” in the Commission-approved Tariff meaningless. Permitting Respondent to apply rate increases prior to the “effective date” set forth by the Commission is patently unfair and a violation of the Public Utility Code. It is Complainant’s position that such a finding is not consistent with the intention of the Commission. At the very least, a question of fact exists regarding the interpretation of the phrase “effective date” as set forth in the Tariff and a hearing should be permitted on this issue.

Moreover, failure to provide notice to customers in advance of a rate change is inconsistent with the purpose of the Code—that every rate be just and reasonable, and in conformity with regulations or orders of the Commission. 66 Pa.C.S. § 1301. Retroactive rate increases without notice to customers simply cannot be viewed as just.

In accordance with due process—a touchstone of American jurisprudence—Complainants must be afforded an opportunity to have a hearing on each of the aforementioned questions of fact. Complainants must be permitted to offer evidence and cross-examine and/or otherwise challenge the evidence presented by Respondent.

2. *The Pettko Complainant was denied the discovery necessary to fully and fairly develop the record.*

The Pettko ALJ held that the Complainant was given that opportunity to present his case through the serving of his direct case. However, Complainant was not given the opportunity to fully investigate his case as, despite numerous requests, no depositions were permitted.

52 Pa. Code § 5.331(a) states plainly that “[a] party to the Commission proceeding may conduct discovery.” 52 Pa. Code § 5.331(b) references a party’s “right to discovery.” 66 Pa.C.S. § 333(b) states that “[a] party to the proceeding shall be able to take depositions of witnesses upon oral examination” subject to certain conditions, which were satisfied in Pettko. Despite the clear language of the above statutes, and numerous requests by Complainant, he was *not given an opportunity to conduct essential discovery during the Pettko litigation.* The ALJ concluded that Complainant could not meet his burden to prove non-compliance with the tariff (even though the burden is on the Respondent), however, the Complainant was never even provided a full and fair opportunity to gather evidence.

In this case, the Complainants have not been given the opportunity to engage in any discovery of the facts underlying the Tariff and the Respondent’s so-called “bills rendered” defense.

3. *The Pettko decision impermissibly narrowed the issue to an “unreasonable discrimination” analysis.*

Complainant’s argument was not merely limited to discriminatory billing practices. Complainant’s position was significantly broader—alleging that Respondent’s billing practices, as specifically applied to Complainant, are unfair *and in violation of law*. While the language of Section 1304 of the Public Utility Code, prohibiting discrimination against consumers, is applicable, Complainant’s allegations were not confined to Section 1304 alone. Therefore, the

ALJ's Initial Decision (affirmed by the Commission), which was limited to an analysis of "reasonableness" under the case law discussing Section 1304, impermissibly narrowed the claims made by Complainant.

Furthermore, as stated above, questions concerning reasonableness of rates and the difference between rates are questions of fact and consistent with the Commonwealth Court opinions in both PECO, 470 A.2d 654 (Pa.Comm. 1984), and Building Owners, 470 A.2d 1092, (Pa.Comm. 1984) must be resolved by the Commission. In consideration of this Commonwealth Court precedent, it is clear that the ALJ did not have authority to resolve such factual disputes at the summary judgment stage. Similarly, in the present case, these factual issues cannot be determined without providing Complainants a full and fair opportunity to take discovery, present evidence at a hearing, and rebut Respondent's factual assertions.

Moreover, a review of the facts developed in the limited discovery in the Pettko action reflects that the PUC, itself, questioned the application of the DSIC on a so-called "bills rendered" basis. These facts further draw into question Respondent's premature request for summary judgment in this action as well.

For example, in the original petition to the PUC for approval to implement the DSIC, the proposed tariff states that the DSIC will be applied to "services rendered." (The March 15, 1996 Petition is Exhibit C to Appendix). The Petition states, at Paragraph 4, that "the charge would become *effective*, with Commission approval, as of July 1, 1996." There can be no legitimate dispute that "services rendered" must be read in the context of, and in conjunction with, the entire tariff so as to give meaning to the "effective date."

The DSIC Petition was supplemented on March 22, 1996 to include another proposed tariff. (The March 22, 1996 Supplement is Exhibit D to Appendix). That proposed tariff again

represented that the charge will, in fact, be applied to “services rendered” after the specific quarterly effective dates.

In its Order approving the implementation of the DSIC the Commission noted that: *“the company proposes that the DSIC become effective for services rendered on and after July 1, 1996.”* Certainly, this reflects the Commission’s logical understanding that a usage-based rate would be applied after the specific “effective date” of that change. With this in mind, the Commission set forth sample tariff language that is identical to the approved tariff. (See Respondent’s Appendix A at page 13 and attachment A thereto.) Thus, the only logical reading of the tariff when viewed in the context of the Petition and Order approving the DSIC is that the Commission intended rate changes to be applied to services after the effective date of the change.

Although they are no statutes, it is well-established that when interpreting a tariff the canons of statutory construction apply, including the provisions of the Statutory Construction Act. PPL Electric Utilities Corp. v. PUC, 912 A.2d 386, 400-403 (Pa.Comm. 2006). Under these canons of interpretation, “it is well settled that public utility tariffs must be applied consistently with their language.” Id. at 402. As such, “a tariff, like a statute, must be construed to give effect to all of its terms, and when the words are clear and free from ambiguity, they are not to be disregarded under the pretext of pursuing its spirit.” Id. at 403. Thus, “*without regard to what the utility may have intended*, the utility is required to apply the language in the existing tariff as approved by the Commission.” Id. at 402 (emphasis added); *see also* United States Steel Corp. v. PUC, 850 A.2d 783 (Pa.Comm. 2004).

Moreover, Respondent’s argument is further confounded by the provisions governing quarterly updates in the DSIC Tariff. The Tariff requires Aqua Pennsylvania to provide the Commission, the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small

Business Advocate with supporting data for each quarterly update. Obviously, the purpose of doing so is to approve the appropriate rate adjustment for the following quarter. That information is required to be filed “at least ten (10) days prior to the *effective date* of the update.” But under Respondent’s interpretation it can start charging the new DSIC rate *before* the supporting data for the rate change is even filed, much less approved. For example, for the DSIC rate change effective January 1, a customer with a billing period that runs from December 2 to January 2, will be charged the increased DSIC rate beginning on December 2nd, even though the supporting data for the rate change is not even filed for review by the Commission until December 23. Such an interpretation renders the quarterly update provision of the Tariff meaningless.

Although Claimant herein has not had the opportunity to develop a factual record to rebut Respondent’s claims, the evidence developed in the Pettko action, upon which Respondent here relies, is instructive. In Pettko, the Respondent relied heavily upon so-called “pronouncements” of the PUC Bureau of Audits. Respondent in Pettko asserted that statements of the Bureau of Audits set forth the “approval” of the PUC. That assertion was simply wrong. The Pennsylvania Code makes clear that statements in an audit are not legal determinations. Section 1.96 states:

*Statements contained in formal opinions of the Commission or in decisions of a presiding officer which are not necessary in resolving the case, and informal opinions, whether oral or written, expressed by Commissioners, presiding officers, legal counsel, employees or representatives of the Commission **and reports drafted by Commission bureaus are only considered as aids to the public, do not have the force and effect of law or legal determinations, and are not binding upon the Commonwealth or the Commission.***

52 Pa. Code § 1.96. (emphasis added). Thus, the opinions of the PUC Bureau of Audits do not carry the preclusive effect advocated in Pettko. However, the evaluations of the Bureau of

Audits may indeed be relevant and an area that the Claimant herein should be allowed to explore to determine whether the application of the DSIC by Aqua Pennsylvania is appropriate. In Pettko, the PUC audits raised more questions than answers and demonstrated that the Respondent in Pettko, like Aqua Pennsylvania herein, is misapplying the DSIC charge. For example, the December 1999 DSIC Audit for the year ending December 31, 1997, states:

The DSIC is to be expressed as a percentage carried to two decimal places and is applied to the *effective portion of the total amount billed* to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection services and the State Tax Adjustment Surcharge (STAS).

(The 1999 Audit Attached as Exhibit E to Appendix; *see* Section 3, p. 5). Likewise, the same audit discusses the collection of the DSIC:

Distribution System Improvement Charge revenue is derived by multiplying the respective quarterly DSIC rate by **the applicable portion** of the total amount billed to each customer (excluding public fire protection service customers) exclusive of any STAS in effect.

(*see* Exhibit E, Section 4, p. 5) (emphasis added). The "effective" and "applicable" portion of the total amount billed suggests pro-ration. That is, the new rate is only applied to that portion of the total amount billed after the effective date. This language dispels the contention that Aqua Pennsylvania is permitted to apply the increased DSIC charge to its customers for portions of their bills falling *before* the effective date of the authorized rate increase.

Thereafter, in subsequent audits the confusion about the application of the DSIC only grew. In the December 7, 2001, audit report for the two years ended December 31, 1999, the auditor expressed further opinions that the DSIC was being misapplied. (The December 7, 2001 Audit Report is Exhibit F to Appendix). The report notes that in response to the findings of the prior audit, Penn American simply attempted to change the wording of its quarterly filings to now state that application of the DSIC is on a "bills rendered" basis. It is noteworthy that

nowhere in the tariff does it state that “application is on a bills rendered basis” as suggested in the audit.

Moreover, despite the finding in the 1999 audit report, the 2001 report states directly that Penn American is still **not** following its Tariff. The report states: “Our audit testing disclosed that the Company is not totally applying its DSIC on a ‘bills rendered’ basis.” (see Exhibit F to Appendix at page 16.). The report notes that:

“The Company, however, is not totally applying its DSIC on a ‘services rendered’ basis either. The Company does not pro rate its bills when the DSIC rate changes.”

As a result, the Bureau of Audits did not “approve” of how the DSIC was applied. Indeed, as noted in the report, the Bureau of Audits could not figure out how the DSIC was applied. The Bureau essentially threw up its hands and recommended that the tariff be changed to “wording which describes how the company is actually billing its DSIC surcharge.” That is hardly a pronouncement that the Bureau found the tariff properly applied as “bills rendered.”

Thereafter, the Audit Report of September 18, 2003, for the two years ended December 31, 2001, reflects more concerns with the application (or mis-application) of the DSIC. (The September 2003 Report is Exhibit G to Appendix). Finding No. 2 of that report states:

*For PA-American, the DSIC is applied to bills rendered with an ending read date equal to or greater than the effective date of the DSIC tariff supplement, and the new base rates become effective with service rendered. When the base rate changes on a date other than the ending read date, the Company prorates the base rates. However, when the DSIC changes on a date other than the ending read date, the Company does not prorate the DSIC. This inconsistent application could result in billing inequities, specifically charging for fixed costs and depreciation for the same distribution plant in base rates and the DSIC at the same time. **It is important to note that this DSIC tariff wording concern is not unique to PA-American, but generic to all companies utilizing the DSIC.***

(emphasis added). After reviewing the Tariff and based upon his extensive experience in distribution improvement charges for utilities, Complainant's expert has presented testimony that billing the DSIC on a "bills rendered" basis violates the tariff and is inconsistent with the concept of distribution improvement charges. He states:

There is no support for this reasoning and it is a twisted interpretation of a fundamental principle of how utility rates are charged. First, as noted, the plain language of the tariff means what it says. "Effective date" in the context of utility rate adjustments means that any rate adjustment is only effective as of that particular date. Penn American's interpretation would emasculate the meaning of "effective date" set forth in the computation of the DSIC language in the tariff. The common practice applied to all usage based charges, in addition to the plain language of both the governing tariff and Penn American's billing statements, demonstrates that there is a specific effective date of the rate increases. This would be expected given that it is a usage based charge. Penn American, however, applies the increased rate even to those portions of a customer's bill which predate the approved effective date.

* * *

There is a presumption that in interpreting a tariff it should be read in favor of the customer, not the utility. In addition, tariffs are not to be read so as to be contrary to legal principles and so as to not have a discriminatory result. In this case, the only interpretation of Penn American's tariff that favors the customer, that is consistent with standard rate calculation practice, and that does not result in discriminatory rates is that the DSIC must be prorated. Conversely, reading the tariff in the manner suggested by Penn American results in discriminatory rates being charged to customers based upon the random billing cycles. That is why a usage based fee has a very specific effective date so all customers are billed consistently. The PUC could not have intended such a clearly improper and inequitable practice. Indeed, all other states that I am familiar with that have infrastructure improvement charges that are usage based, like the DSIC, prorate the charge on customer bills.

(The Direct Testimony of Frank W. Radigan is Exhibit H to Appendix).

Thus, even though Respondent suggests that it is an established fact that it was permitted to bill the increased DSIC charge for periods prior to the approved effective date of the increase, there is no documentary support for that position. On the contrary, the documents related to the DSIC charge developed in Pettko (and which are equally applicable here) support the opposite

contention—that “effective date” means just that. Respondent was required to pro-rate so as to only charge the increased rate *after* the effective date. At the very least, there is a genuine issue of material fact which renders summary judgment inappropriate.

Finally, the ALJ misinterpreted the Commonwealth Court’s opinion in Mill v. Pa. P.U.C., 447 A.2d 1100 (Pa.Comm. 1982), in finding that Section 1304 permits a variation from a tariff, so long as it is not unreasonable. The Mill opinion simply does not stand for this proposition. Rather, the Commonwealth Court held that “[i]t is true that Section 1303 prohibits a public utility from demanding or receiving a rate less than that established in the applicable tariff, but Section 1304 modifies that prohibition by providing that a utility should not grant any unreasonable preference or advantage to any person.” Mill at 1102. Contrary to the ALJ’s interpretation, this language does not permit a public utility to violate a tariff. This language merely suggests that in the event that enforcement of a tariff creates a variation in rates among customers, that variation must not be unreasonable. There is absolutely no language in the Mill opinion to suggest that tariffs need not be followed explicitly—as required by 1303.

4. *The Pettko decision impermissibly underwent an “unreasonable burden analysis.”*

The Pettko ALJ also found that “[r]equiring [Respondent] to pro-rate the DSIC charge on a usage basis for every one of its two million customers, as [Complainant] desires, would require [Respondent] to read the meter for every one of its customers on the first day the new rate is implemented.” Initially, this finding should never have been made because there was no fact of record to support it. Additionally, this argument was never raised by the Respondent. Finally, no authority was cited to support the position that a public utility may violate a tariff merely to avoid an increased burden. In the present case, Respondent is not following the express language of its Tariff by charge the DSIC rate increase *prior* to the effective date of the increase.

F. **The Court of Common Pleas has already ruled that the Commission's jurisdiction over this case is not exclusive.**

Respondent's argument that the Commission has exclusive jurisdiction over all of Complainants' claims disregards the Opinion issued by the Court of Common Pleas in this case, which simply applied the plain language of Section 103(c) of the Public Utility Code.

This case was transferred to the Commission from the Court of Common Pleas of Lawrence County in order for the Commission to rule on certain limited issues. The case remains pending in the Court of Common Pleas and has been stayed. In his December 13, 2010 Opinion, President Judge Dominick Motto stated:

The Court finds that the PUC has initial and primary jurisdiction over the subject matter of this Complaint; to wit, the rates charged by the Defendant and the Defendant's billing practices, but that *the jurisdiction of the PUC is not exclusive* beyond these matters and the remedies allowed by the Public Utility Code... [T]his proceeding shall be stayed pending the transfer of this case to the PUC, with this Court to thereafter proceed on the claims not resolved by the PUC after its eventual rulings on issues relating to rates and billing practices.

Opinion at 2 (emphasis added). Respondent inexplicably argues that the Commission should rule that the Court of Common Pleas has no jurisdiction over any of Complainants' claims when the Court itself has already ruled that it does in fact have jurisdiction. The Commission is not empowered to determine the jurisdiction of the Court of Common Pleas contrary to the Court's own ruling. Moreover, to do so would violate Section 103(c) of the Public Utility Code.

Further, this precise issue was brought before the Commonwealth Court in the Pettko case. The Court held that the Pennsylvania Public Utility Commission does not have exclusive jurisdiction over a customer's claims under the UTPCPL. Pettko v. Penn American Water Authority, 39 A.3d 473, 483 (Pa.Comm.w. 2012). This decision is decisively in favor of Complainants and contrary to Respondent's position.

The Court's retention of jurisdiction over matters outside the Commission's purview is consistent with the plain language of Section 103(c) of the Public Utility Code. Respondent's interpretation, on the other hand, would render Section 103(c) virtually meaningless and grant public utilities immunity for a wide range of unlawful conduct. Section 103(c) of states:

Remedies cumulative. Except as otherwise provided in this part, nothing in this part shall abridge or alter the existing rights of action or remedies in equity or under common or statutory law of this Commonwealth, and *the provisions of this part shall be cumulative and in addition to such rights of action and remedies.*

66 Pa.C.S.A. § 103(c) (emphasis added). Thus, the plain language of the Public Utility Code states that the remedies provided to customers by the Commission do not nullify the statutory and common law rights of action also available. Respondent argues that this provision only applies to remedies that are "unrelated to rates and services." Respondent's Brief at Paragraph 53. This interpretation is unsupported by the language of the statute or by common sense. It is difficult to imagine how a customer could have a claim against a public utility that was "unrelated to" either "rates" or services." Under Respondent's position, public utilities would be immune from all of the remedies that Section §103(c) was enacted to preserve.

The jurisdiction of the Court of Common Pleas in this case has already been determined by the trial court and affirmed by the Commonwealth Court. It is further supported by the plain language of Section §103(c). The Commission is required to rule on those matters within its own jurisdiction and leave the Court to resolve any other matters in a manner consistent with the Court's Opinion.

G. Complainants are entitled to the relief requested in the Complaint.

Contrary to Respondent's arguments, Complainants are entitled to the relief requested in the Complaint. Complainants are entitled to a refund for amounts billed to them prior to the effective dates of increased DSIC charges. A refund on this basis would not constitute

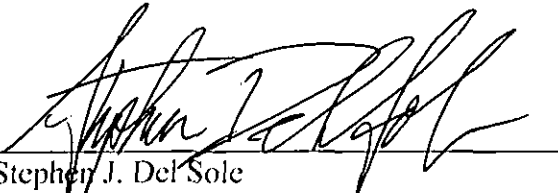
retroactive rate-making or violate the “Commission-made rates” doctrine because the Commission never authorized Respondent to bill increased charges before their effective dates. On the contrary, Respondent’s practice makes a mockery of the very concept of an “effective date.”

The other relief requested by Complainants may be awarded by the Court of Common Pleas when it lifts its stay and makes its ruling in light of the Commission’s ruling.

III. CONCLUSION

Respondent’s Motion, which is premature, fails to establish as a matter of law that Respondent is permitted to charge its customers, including Complainants, increased DSIC rates for periods of their billing cycle which occur prior to the effective date of the rate increase. To the contrary, Respondent’s billing practices unfairly and disproportionately burden its customers with unauthorized charges in violation of the Commission-approved Tariff, the Public Utility Code, and other Pennsylvania law. Additionally, Respondent’s argument that the Commission’s jurisdiction is exclusive is contrary to the authority provided by the Commonwealth Court and the plain language of the Public Utility Code. Respondent’s Motion for Summary Judgment should be denied.

DEL SOLE CAVANAUGH STROYD LLC

By: 
Stephen J. Del Sole
Patrick K. Cavanaugh

Counsel for Complainants

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 24th day of May, 2013 a true and correct copy of the foregoing *Brief in Opposition to Respondent's Motion for Summary Judgment* was served on the following by Federal Express Overnight:

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17101

Honorable Conrad A. Johnson
Administrative Law Judge
301 Fifth Avenue
Suite 220, Piatt Place
Pittsburgh, PA 15222

Christopher T. Wright, Esquire
Post & Schell, PC
17 North Second Street
12th Floor
Harrisburg, PA 17101
Counsel for Respondent

RECEIVED

MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU


Stephen J. Del Sole

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

WALTER PAINTER and DONNA)
PAINTER, on behalf of themselves and all)
others similarly situated,)
)
Complainants,)
)
v.)
)
AQUA PENNSYLVANIA, INC.,)
)
Respondent.)

C-2011-2239556

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MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**APPENDIX OF EXHIBITS TO COMPLAINANT'S OPPOSITION TO
RESPONDENT'S MOTION FOR SUMMARY JUDGMENT**

A

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SECRETARY'S BUREAU

Aqua Pennsylvania, Inc.

Supplement No. 88

to

Water-PA. P.U.C. No. 1

Third Revised Page No. 20A

Canceling Second Revised Page No. 20A

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

main cleaning and relining (account 3310) projects; and

un-reimbursed funds related to capital projects to relocate Company facilities due to highway relocations. (account 3310)

Effective Date: The DSIC will become effective for bills issued on and after January 1, 1997.

II. Computation of the DSIC

Calculation: The initial charge, effective January 1, 1997, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between September 1, 1996 and November 30, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date Of Change</u>	<u>Date To Which DSIC Eligible Plant Additions Reflected</u>
April 1	February 28/29
July 1	May 31
October 1	August 31
January 1	November 30

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission and labeled Distribution System Improvement Charge Return in its Value Line Water Company Group analysis.

DSIC Surecharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected applicable revenue for sales of water for the quarterly period during which the charge will be effective.



DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Formula: The formula for calculation of the DSIC surcharge is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep} + e}{\text{PQR}}$$

Where:

DSI= the original cost of eligible distribution system improvement projects, net of accumulated depreciation.

PTRR= the pre-tax return rate applicable to eligible distribution system improvement projects.

Dep= depreciation expense related to eligible distribution system improvement projects.

e the amount calculated under the annual reconciliation feature as described below.

PQR= projected quarterly revenue including revenue from existing customers plus revenue from any customers which will be acquired by the beginning of the applicable service period.

Quarterly updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

III. Safeguards

Cap: The DSIC will be capped at 7.5% of the amount billed to customers under otherwise applicable rates and charges.

Audits/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to an annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage-lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P. S. sec. 101, et seq.) and will be refunded in the same manner as an overcollection.

Aqua Pennsylvania, Inc.

Supplement No. 88
to
Water-PA, P.U.C. No. 1
Fourth Revised Page No. 20C
~~Canceled Third Revised Page No. 20C~~

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC.

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Report (Schedule D-2, line 14) show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section. (C)

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

(C) Indicates Change

B



Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
SHENANGO
1157850 PWSID # PA643005-1

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
Fax: **866.780.8292**
e Mail: custserv@aquamerica.com

Questions about your water service?... Contact us before the due date.
Bill Date **March 04, 2010** Total Amount Due **\$ 25.49** Current Charges Due Date **March 26, 2010**

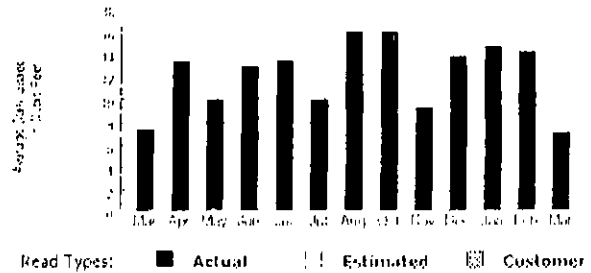
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Reading	Usage	Units
58882059	5/8	03/01/10	28	Actual	32700	200	Cubic Feet
		02/01/10		Actual	32500		
Average Daily Usage = 7 Cubic Feet				Total Days:	28	Total Usage	200 Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 37.83
Total Payments Received	37.83
Remaining Balance	0.00
Customer Charge	13.15
200 cubic feet @ \$0.052715 per CF	10.54
Total Water Charges	23.69
DSIC Charge	1.78
Surcharge	0.02
Amount Due	\$ 25.49

Water Usage History



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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Message Center (see reverse side for other information)

- Effective January 1, 2010, the allowable DSIC charge is 7.5%, which reflects \$203 million in distribution system improvements made by the company since June 2008, including the replacement of aging water pipes and other infrastructure as well as improvements to water quality
- Effective March 1, 2010 the STAS surcharge rate is 0.1038% to reflect the retroactive change in the 2009 Capital Stock and Franchise Tax rate from 1.89 mills to 2.89 mills.
- If you are a low-income customer and you are unable to pay your past-due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low-income customer assistance "Helping Hand" program

Keep top portion for your records.
Return this portion with your payment.

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
Amount Due **\$ 25.49** Current Charges Due Date **March 26, 2010**
Amount Enclosed

Seq: 03997410 0354 Doc: 506010 21945 1 AT 0 357

0765013

*****AUTO***3-DIGIT 161 C 69 P 86
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142-5014



Please make check payable to Aqua PA.
Print your account number on your check,
then mail to address on back.

00105566007650130000000025490





Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

Account Number 001055660 0765013

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue Bryn Mawr, PA 19010-3489

Tel: 877.987.2782 Fax: 866.780.8292 e Mail: custserv@aquamerica.com

Questions about your water service? Contact us before the due date. Bill Date January 11, 2010 Total Amount Due \$ 44.29 Due Date February 02, 2010

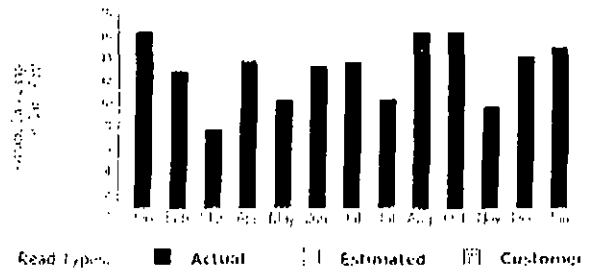
Meter Data

Table with columns: Meter, Size, Billing Period, Days, Read Type, M3, M3 Billing, Usage, and Unit. Includes Average Daily Usage and Total Usage information.

Billing Detail

Table showing billing details: Amount Owed from Last Bill (\$ 37.74), Total Payments Received (37.74), Balance (0.00), Customer Charge (13.15), Total Water Charges (41.20), OSIC Charge (3.09), Amount Due 02/02/10 (\$ 44.29).

Water Usage History



Message Center (see reverse side for other information)

- Effective January 1, 2010, the allowable OSIC charge is 7.5%, which reflects \$203 million in distribution system improvements made by the company since June 2008... If you are a low-income customer and you are unable to pay your past-due account, please call 877-987-2782... Please note, your account number is a 16-digit number.

Keep top portion for your records. Return this portion with your payment.

AQUA Water Bill

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

Account Number 001055660 0765013 Total Amount Due \$ 44.29 Due Date February 02, 2010 Amount Enclosed

*****AUTO**3-DIGIT 161 C 169 P 200 DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON PA 16142-5014



Please make check payable to Aqua PA. Print your account number on your check, then mail to address on back.

00105566007650130000000044291



QUESTIONS ABOUT YOUR BILL ?

Customer Service: 877.WTR.AQUA or 877.987.2782 Fax: 610-645-1160 e-mail: custserv@aquaamerica.com www.aquapennsylvania.com

If you have a billing question or complaint, call or write to us before the due date on your bill. You can contact us for a rate schedule which is an explanation of how to verify that your bill is correct or for an explanation of our charges. Our customer service address is listed on the front of the bill. You may also call, fax or e-mail your comments to one of the customer service telephone numbers or at the e-mail address listed above. When writing, please use a separate piece of paper and include your name, address, and account number. Notes written on the bill may delay processing of your payment.

EXPLANATION OF TERMS

Actual (A) Read: Meter reading obtained by a company employee or one of our automatic meter reading systems.

Customer Charge: This charge covers the cost of having water service available, including operations, maintenance, meter reading, and other necessary services that are not covered under the consumption charge. It is billed whether or not you use any water.

Customer Read: Meter reading obtained from our customer.

Distribution System Improvement Charge (DSIC): The DSIC is a percentage charge that is applied to the bill. The charge covers costs associated with replacing aging distribution system facilities, such as water mains, service lines, meters, valves, fire hydrants, etc.

Employee Identification: All employees carry an identification card showing their picture and employee number.

Estimated (E) Bill: When we are unable to read your meter, we base the bill on your past water use. If you receive an estimated bill, you may have a new bill by reading the meter and calling the company with that reading. Note, revised bills will not be issued after the due date of the estimated bill.

Late Charge: A penalty of 1.25 percent on unpaid balances, not to exceed 15 percent yearly.

Meter Reading: We attempt to read the water meter every billing period. We either have our meter reader visit your property or obtain the reading through one of our automatic meter reading systems.

Minimum Charge: This charge includes a water allowance, plus the cost of having water service available, including operations, maintenance, meter reading, and other necessary services that are not covered under the consumption charge. It is billed whether or not you use any water.

Payment Methods: You can pay your bill by any of the following methods:

By mail: Place your check or money order in the enclosed pre-addressed envelope. Put a stamp on the envelope and mail it to us.

Aqua Pennsylvania: P.O. Box 1229, Newark, NJ 07101-1229. DO NOT SEND CASH.

By phone: Customers with bank accounts or credit cards may pay their bills over the phone for a fee by calling this toll free number: 866.269.2906. Customers with bank accounts may also pay through their bank. (Call the company or your bank for details.)

In Person: You can pay your bill in person with cash, check, or money order at several locations throughout the Aqua service territory. Please call us or visit www.aquapennsylvania.com to find the location closest to you.

ZipCheck®: A program in which your payment is automatically deducted from your bank account. You save the cost of postage and using bank checks. Details and applications are available from the company. Please call our Customer Service Department.

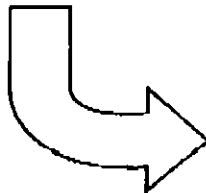
Payment Terms: You should pay your bill on or before the due date.

Return Check Charge: If for any reason your check is returned to us from the bank, we will add a service charge to your account.

State Tax Adjustment Surcharge (Surcharge): This is a charge for certain tax changes, which the Pennsylvania Public Utility Commission allows the company to recover.

Please tear along the fold and return this portion with your payment.

PLACE THIS STUB SO THAT THE
NAME "Aqua Pennsylvania"
SHOWS THROUGH THE WINDOW
OF THE PAYMENT ENVELOPE.



Aqua Pennsylvania

P.O. Box 1229

Newark, NJ 07101-1229





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 BILL NUMBER
 11/28/09 PW:JG # 16610034

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Brye Plaza, PA 19010-3489

Tel: **677.987.2782**
 Fax: **866.780.8292**
 e-Mail: custserv@aquamerica.com

Questions about your water service? ... Contact us before the due date.
 Bill Date: **December 04, 2009** Total Amount Due: **\$ 37.74** Due Date: **December 28, 2009**

Meter Data

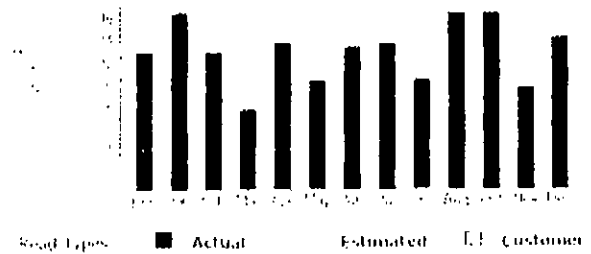
Water Meter	Serial Number	Installation Date	Current Reading	Previous Reading	Reading Date	Change	Unit
58882059	5/B	12/01/09	29	Actual	31600	400	Cubic Feet
		11/02/09		Actual	31200		
		Total Days	29	Total Change		400	Cubic Feet

Average Daily Usage = 14 Cubic Feet
 1 CF equals 7.48 gallons

Billing Detail

Amount Owed from Last Bill	\$ 31.30
Total Payments Received	31.30
Balance	0.00
Customer Charge	13.15
7.75 cubic feet @ \$0.00715 per CF	14.23
Peak 120 cubic feet @ \$0.00075 per CF	7.81
Total Water Charges	35.19
GSC Charge	2.55
Amount Due 12/28/09	\$ 37.74

Water Usage History



Message Center (see reverse side for other information)

- Effective October 1, 2009, the allowable GSC charge is 7.56%, which reflects \$168 million in distribution system improvements made by the company since June 2003, including the replacement of aging water pipes and other infrastructure as well as improvements to water quality. The Pennsylvania Public Utility Commission permits a maximum infrastructure surcharge of 7.56%.
- If you are a low income customer and you are unable to pay your past-due account, please call 677-987-2782 for more information about Aqua Pennsylvania's low income customer assistance "Helping Hand" program.

Keep top portion for your records.
 Return this portion with your payment.

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Brye Plaza, PA 19010-3489

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 Total Amount Due: **\$ 37.74** Due Date: **December 28, 2009**
 Amount Enclosed: \$

*****AUTO** DIGIT METER ** P U
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142-5014



Please make check payable to Aqua PA
 Print your account number on your check,
 then mail to address on back.

0010556600765013000000003774





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **January 07, 2008** Total Amount Due **\$ 26.66** Due Date **January 29, 2008**

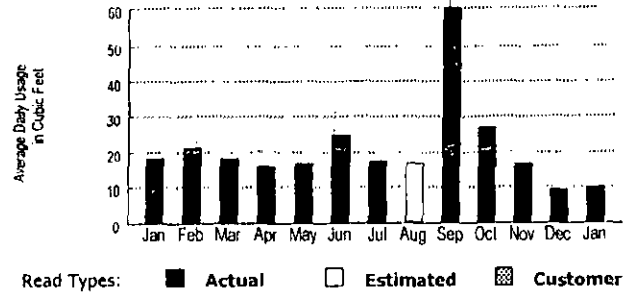
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	01/03/08	30	Actual	22100	300	Cubic Feet
		12/04/07		Actual	21800		
Average Daily Usage = 10 Cubic Feet 1 CF equals 7.48 gallons						Total Usage:	300 Cubic Feet

Billing Detail

Amount Owed from Last Bill \$ 26.65
 Total Payments Received 26.65
Balance **0.00**
 Customer Charge 11.50
 270 cubic feet @ \$0.045025 per CF 12.16
 Next 30 cubic feet @ \$0.050995 per CF 1.53
 Total Water Charges 25.19
 DSIC Charge 1.26
 Surcharge 0.21
Amount Due 01/29/08 **\$ 26.66**

Water Usage History



Message Center

- Effective August 26, 2007 the State Tax Adjustment Surcharge (Surcharge) is .85% of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$126.1 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 26.66** Due Date **January 29, 2008**

*1/9 by 1/11
 AB6BN4X2*

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=39823 Cyc=15S4 1up=563651

*****AUTO**3-DIGIT 161 C 112 P 126
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000026667





Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **February 08, 2008** Total Amount Due **\$ 37.46** Due Date **March 03, 2008**

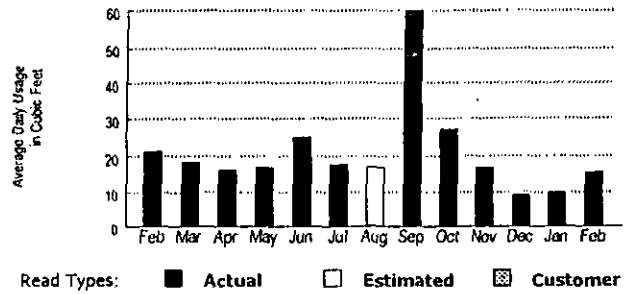
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	02/05/08	33	Actual	22600	500	Cubic Feet
		01/03/08		Actual	22100		
Average Daily Usage = 15 Cubic Feet		Total Days: 33		Total Usage:		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 26.66
 Total Payments Received..... 26.66
Balance..... 0.00
 Customer Charge..... 11.50
 270 cubic feet @ \$0.045025 per CF 12.16
 Next 230 cubic feet @ \$0.050995 per CF 11.73
 Total Water Charges 35.39
 DSIC Charge..... 1.77
 Surcharge 0.30
Amount Due 03/03/08 \$ 37.46

Water Usage History



Message Center

- Effective August 26, 2007 the State Tax Adjustment Surcharge (Surcharge) is .85% of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$126.1 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

2/14 by 2/13 JB 144 H

Account Number
001055660 0765013
 Total Amount Due **\$ 37.46** Due Date **March 03, 2008**

Seq=31980 Cyc=15S4 1up=574780

*****AUTO**3-DIGIT 161 C 91 P 109
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.



00105566007650130000000037469



Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **March 06, 2008** Total Amount Due **\$ 32.06** Due Date **March 31, 2008**

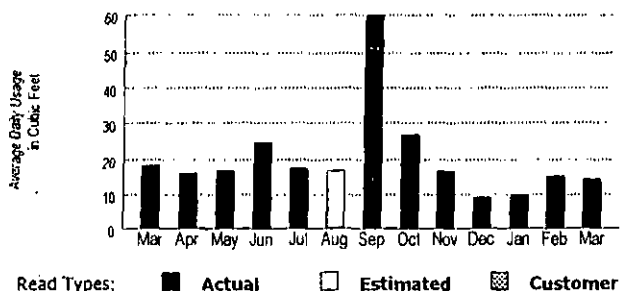
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	03/04/08	28	Actual	23000	400	Cubic Feet
		02/05/08		Actual	22600		
Average Daily Usage = 14 Cubic Feet		Total Days: 28		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 37.46
Total Payments Received.....	37.46
Balance	0.00
Customer Charge.....	11.50
270 cubic feet @ \$0.045025 per CF.....	12.16
Next 130 cubic feet @ \$0.050995 per CF.....	6.63
Total Water Charges	30.29
DSIC Charge.....	1.51
Surcharge	0.26
Amount Due 03/31/08	\$ 32.06

Water Usage History



Message Center

- Effective August 26, 2007 the State Tax Adjustment Surcharge (Surcharge) is .85% of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$126.1 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 32.06** Due Date **March 31, 2008**

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=36826 Cyc=15S4 1up=583517

*****AUTO***3-DIGIT 161 C 100 P 111
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



3/11/08
 by

3/13/08

QBVP4YK

00105566007650130000000032062

Notes:

Action Level (AL): The concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow.

Fluoride: Fluoride may help prevent tooth decay for children, but can be harmful in excess. Customers in the Shenango Division receive water from fluoridated supplies. This information may be helpful to you, your pediatrician or your dentist in determining whether fluoride supplements or treatment are appropriate.

Maximum Contaminant Level (MCL): The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology. Some levels are based on a running annual average.

Maximum Contaminant Level Goal (MCLG): The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

Maximum Residual Disinfectant Level (MRDL): The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.

Maximum Residual Disinfectant Level Goal (MRDLG): The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.

NA: Not applicable.

ND: Not detected.

NTU: Nephelometric turbidity unit (cloudiness of water).

ppb: A unit of concentration equal to one part per billion.

ppm: A unit of concentration equal to one part per million.

PWSID: Public water supply identification number.

Total Organic Carbon: The level reported under "Level Found" for Total Organic Carbon (TOC) is the lowest ratio between percentage of TOC actually removed to the percentage of TOC required to be removed. A value greater than one indicates that the water system is in compliance with the TOC removal requirements. A value of less than one indicates a Treatment Technique violation of the TOC removal requirements.

Turbidity: Monitored as a measure of treatment efficiency for removal of particles. Plant Performance Level: 0.3 NTU.

Treatment Technique (TT): A required process intended to reduce the level of a contaminant in drinking water.

Unregulated Contaminant Monitoring Rule: During 2003, monitoring was conducted for a series of unregulated compounds. This is a federal program and results were reported to USEPA. There were no unregulated contaminants detected in the Shenango Valley Division system.

Our water systems are designed and operated to deliver water to our customers' plumbing systems that complies with state and federal drinking water standards. This water is disinfected using chlorine, but it is not necessarily sterile. Customers' plumbing, including treatment devices, might remove, introduce or increase contaminants in tap water. All customers, and in particular operators of facilities like hotels and institutions serving susceptible populations (like hospitals and nursing homes), should properly operate and maintain the plumbing systems in these facilities. You can obtain additional information from the EPA's Safe Drinking Water Hotline at 800.426.4791.



AQUA.

2007 Shenango Valley Division Water Quality Report PWSID# PA6430054

Este informe contiene información muy importante sobre su agua de beber. Tradúzcalo o hable con alguien que lo entienda bien.

About Your Drinking Water -- Aqua Pennsylvania, Inc. (Aqua) is pleased to provide you with its 2007 Consumer Confidence Report for the Shenango Valley Division (public water supply ID PA6430054), which contains important information about your drinking water. The report summarizes the quality of water Aqua provided in 2007 including details about water sources, what the water at your tap contains, and how it compares to standards set by regulatory agencies. We are pleased to report that we were in compliance with all water quality regulations in 2007. Although the report lists only those regulated substances that were detected in your water, we test for more than what is reported. This report is only a summary of our testing during 2007. If you have any questions about the information in this report, please call 724.347.7418.

Sources of Supply -- Water for the Shenango Valley Division comes from the Shenango River, which is fed by a 650-square mile watershed located north of Sharon, Pennsylvania. A Source Water Assessment for the Shenango River was completed in 2003 by the Pennsylvania Department of Environmental Protection (DEP). Information on source water assessment is available on the DEP Web site at www.dep.state.pa.us (DEP keyword "source water"). Complete reports were distributed to municipalities, water suppliers, local planning agencies, and DEP offices. Copies of the complete report are available for review at the DEP Northwest Regional Office, 814.332.6899.

The sources of drinking water (tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals and radioactive material, and can pick up substances resulting from the presence of animals or from human activity.

Contaminants that may be present in source water include:

- Microbial contaminants, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.
- Inorganic contaminants, such as salts and metals, which can be naturally occurring or result from urban storm runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.
- Pesticides and herbicides, which may come from a variety of sources such as agriculture, stormwater runoff, and residential uses.
- Organic chemical contaminants, including synthetic and volatile organics, which are byproducts of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff and septic systems.
- Radioactive contaminants, which can be naturally occurring or result from oil and gas production and mining activities.

In order to ensure that tap water is safe to drink, EPA prescribes regulations that limit the amount of certain contaminants in water provided by public water systems. FDA regulations establish limits for contaminants in bottled water, which must provide the same protection for public health.

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's (EPA) Safe Drinking Water Hotline at 800.426.4791.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by cryptosporidium and other microbial contaminants are available from the Safe Drinking Water Hotline at 800.426.4791.





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number:
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **May 05, 2008**
 Total Amount Due **\$ 37.14**
 Due Date **May 28, 2008**

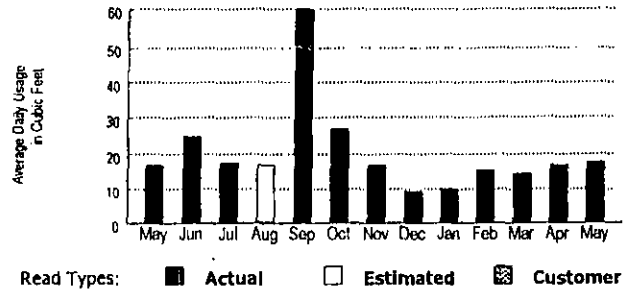
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	05/01/08	28	Actual	24000	500	Cubic Feet
		04/03/08		Actual	23500		
Average Daily Usage = 17 Cubic Feet		Total Days: 28		Total Usage:		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 37.14
Total Payments Received	37.14
Balance	0.00
Customer Charge	11.50
270 cubic feet @ \$0.045025 per CF	12.16
Next 230 cubic feet @ \$0.050995 per CF	11.73
Total Water Charges	35.39
DSIC Charge	1.77
Surcharge	0.02 Credit
Amount Due 05/28/08	\$ 37.14

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective April 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$137.5 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 37.14**
 Due Date **May 28, 2008**

Amount Enclosed

\$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=29081 Cyc=15S4 1up=601603

*****AUTO**3-DIGIT 161 C 84 P 111
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000037147





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **June 05, 2008** Total Amount Due **\$ 37.14** Due Date **June 27, 2008**

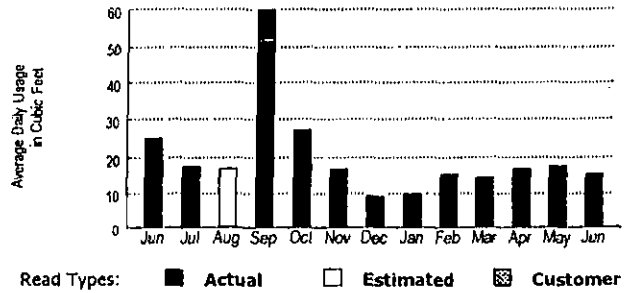
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	06/03/08	33	Actual	24500	500	Cubic Feet
		05/01/08		Actual	24000		
Average Daily Usage = 15 Cubic Feet		Total Days: 33		Total Usage:		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 37.14
 Total Payments Received 37.14
Balance **0.00**
 Customer Charge 11.50
 270 cubic feet @ \$0.045025 per CF 12.16
 Next 230 cubic feet @ \$0.050995 per CF 11.73
 Total Water Charges 35.39
 DSIC Charge 1.77
 Surcharge 0.02 Credit
Amount Due 06/27/08 **\$ 37.14**

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective April 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$137.5 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054 EXP. 1/31/08
REV. 10/07

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

*PA 6/12
 000501209*

Seq=38607 Cyc=15S4 1up=611039

*****AUTO***3-DIGIT 161 C 113 P 137
 DONNAWALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



Account Number
001055660 0765013
 Total Amount Due **\$ 37.14** Due Date **June 27, 2008**

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

00105566007650130000000037147





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **July 03, 2008**
 Total Amount Due **\$ 31.78**
 Due Date **July 25, 2008**

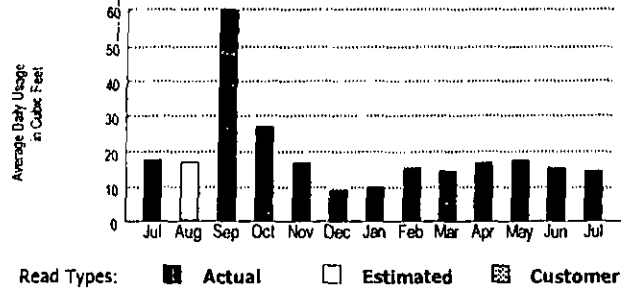
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	07/01/08	28	Actual	24900	400	Cubic Feet
		06/03/08		Actual	24500		
Average Daily Usage = 14 Cubic Feet		Total Days: 28		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 37.14
 Total Payments Received..... 37.14
Balance..... **0.00**
 Customer Charge..... 11.50
 270 cubic feet @ \$0.045025 per CF..... 12.16
 Next 130 cubic feet @ \$0.050995 per CF..... 6.63
 Total Water Charges 30.29
 DSIC Charge..... 1.51
 Surcharge 0.02 Credit
Amount Due 07/25/08 **\$ 31.78**

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective July 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$141.3 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054 APR 2008 REV 001

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 31.78**
 Due Date **July 25, 2008**

Amount Enclosed

\$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=21553 Cyc=15S4 1up=619248

0765013

*****AUTO**3-DIGIT 161 C 69 P 98
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000031786





Service To: **DONNA/WALTER PAINTER**
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **August 11, 2008** Total Amount Due **\$ 26.43** Due Date **September 03, 2008**

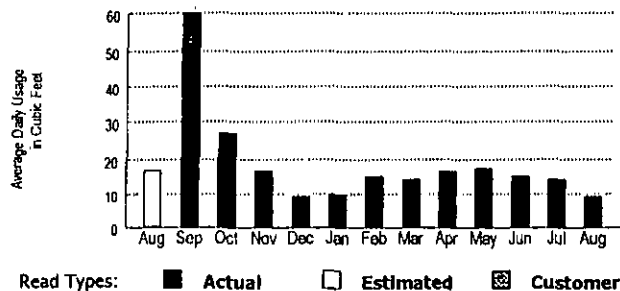
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	08/01/08	31	Actual	25200	300	Cubic Feet
		07/01/08		Actual	24900		
Average Daily Usage = 9 Cubic Feet		Total Days: 31		Total Usage:		300	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 31.78
Total Payments Received	31.78
Balance	0.00
Customer Charge	11.50
270 cubic feet @ \$0.045025 per CF	12.16
Next 30 cubic feet @ \$0.050995 per CF	1.53
Total Water Charges	25.19
DSIC Charge	1.26
Surcharge	0.02 Credit
Amount Due 09/03/08	\$ 26.43

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective July 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$141.3 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 26.43** Due Date **September 03, 2008**

4/18 #1 3/29

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=40411 Cyc=1554 1up=630851 0765013
 *****AUTO***3-DIGIT 161 C 109 P 118
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000026435





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number:
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **September 04, 2008** Total Amount Due **\$ 53.21** Due Date **September 26, 2008**

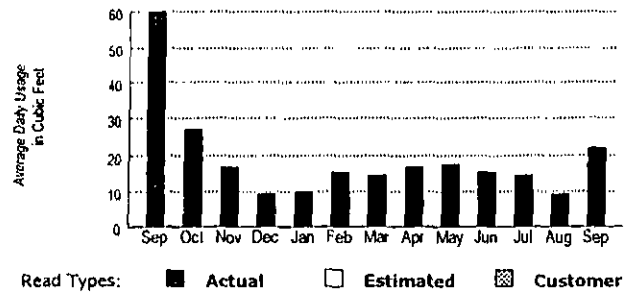
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	09/02/08	32	Actual	25900	700	Cubic Feet
		08/01/08		Actual	25200		
Average Daily Usage = 21 Cubic Feet		Total Days: 32		Total Usage:		700	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 26.43
 Total Payments Received 26.43
Balance **0.00**
 Customer Charge 13.15
 270 cubic feet @ \$0.052715 per CF 14.23
 Next 430 cubic feet @ \$0.060075 per CF 25.83
 Total Water Charges 53.21
Amount Due 09/26/08 **\$ 53.21**

Water Usage History



Message Center

- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054P-10-10
 09/04/08

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

*9/10/08
 #1393*

Account Number
001055660 0765013
 Total Amount Due **\$ 53.21** Due Date **September 26, 2008**

Seq=31192 Cyc=15S4 1up=638432 0765013
 *****AUTO**3-DIGIT 161 C 89 P 118
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.



0010556600765013000000053217





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number:
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaamerica.com**

Questions about your water service?... Contact us before the due date.

Bill Date: **December 04, 2008** Total Amount Due: **\$ 35.80** Due Date: **December 26, 2008**

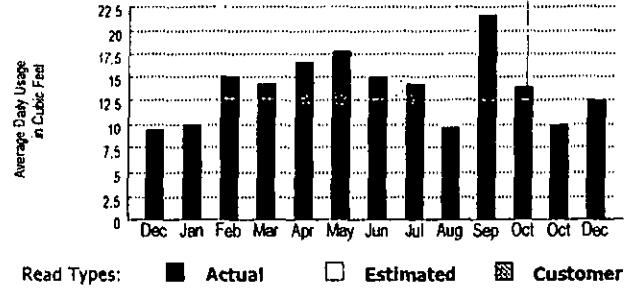
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	12/02/08	32	Actual	27000	400	Cubic Feet
		10/31/08		Actual	26600		
Average Daily Usage = 12 Cubic Feet		Total Days: 32		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 29.68
Total Payments Received	29.68
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 130 cubic feet @ \$0.060075 per CF	7.81
Total Water Charges	35.19
DSIC Charge	0.61
Amount Due 12/26/08	\$ 35.80

Water Usage History



Message Center

- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective October 1, 2008 the allowable DSIC charge is 1.73 %. This reflects \$ 41 million in system improvements made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054
 PS15-4-4
 REV 10/07

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due Due Date
\$ 35.80 December 26, 2008

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=32424 Cyc=15S4 1up=669030

0765013

*****AUTO***-DIGIT 161 C 95 P 123
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000035808





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **November 04, 2008** Total Amount Due **\$ 29.68** Due Date **November 26, 2008**

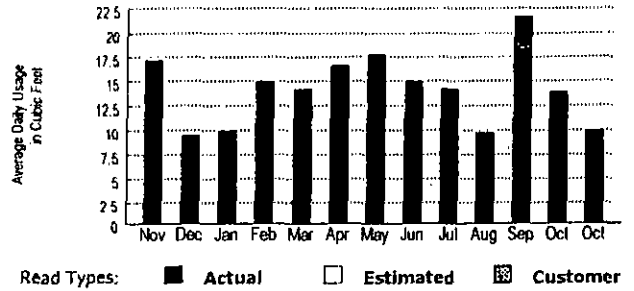
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	10/31/08	30	Actual	26600	300	Cubic Feet
		10/01/08		Actual	26300		
Average Daily Usage = 10 Cubic Feet		Total Days: 30		Total Usage:		300	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 35.80
 Total Payments Received 35.80
Balance **0.00**
 Customer Charge 13.15
 270 cubic feet @ \$0.052715 per CF 14.23
 Next 30 cubic feet @ \$0.060075 per CF 1.80
 Total Water Charges 29.18
 DSIC Charge 0.50
Amount Due 11/26/08 **\$ 29.68**

Water Usage History



Message Center

- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective October 1, 2008 the allowable DSIC charge is 1.73 %. This reflects \$ 41 million in system improvements made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054
 REV 10/07

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 29.68** Due Date **November 26, 2008**

11/10/08 1519

Seq=26735 Cyc=15S4 1up=659016

0765013

*****AUTO**E-DIGIT 161 C 72 P 85
 DONNAWALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014

Amount Enclosed

\$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

00105566007650130000000029682





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.

Bill Date **October 03, 2008** Total Amount Due **\$ 35.80** Due Date **October 27, 2008**

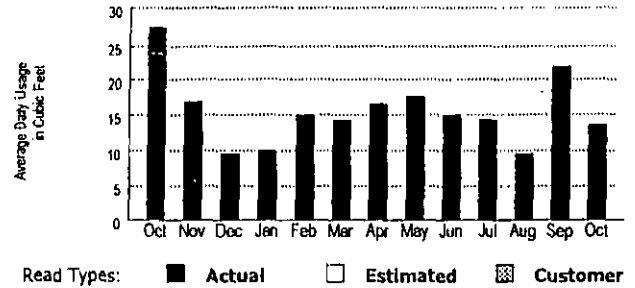
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	10/01/08	29	Actual	26300	400	Cubic Feet
		09/02/08		Actual	25900		
Average Daily Usage = 13 Cubic Feet		Total Days: 29		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 53.21
Total Payments Received	53.21
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 130 cubic feet @ \$0.060075 per CF	7.81
Total Water Charges	35.19
DSIC Charge	0.61
Amount Due 10/27/08	\$ 35.80

Water Usage History



Message Center

- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective October 1, 2008 the allowable DSIC charge is 1.73 %. This reflects \$ 41 million in system improvements made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.
- Look in an upcoming bill for information about Aqua's Helping Hand program for low-income customers.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054 PA 10/03/08
 REV 10/07

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 35.80** Due Date **October 27, 2008**

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

10/9 1455
 Seq=25412 Cyc=15S4 Sup=649051 0765013
 *****AUTO***3-DIGIT 161 C 79 P 111
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000035808





Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

Account Number 001055660 0765013 SHENANGO PWSID # PA6430054

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue Bryn Mawr, PA 19010-3489

Tel: 877.987.2782 Fax: 866.780.8292 e Mail: custserv@aquaamerica.com

Questions about your water service?... Contact us before the due date.

Bill Date February 05, 2009 Total Amount Due \$ 36.27 Due Date February 27, 2009

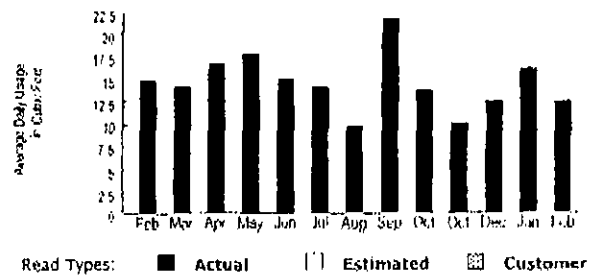
Meter Data

Table with columns: Meter, Size, Billing Period, Days, Read Type, Meter Readings, Usage, Units. Includes average daily usage and total usage information.

Billing Detail

Table listing billing items: Amount Owed from Last Bill, Total Payments Received, Balance, Customer Charge, Total Water Charges, OSIC Charge, Amount Due 02/27/09.

Water Usage History



Message Center (see reverse side for other information)

- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment. Effective January 1, 2009 the allowable OSIC charge is 3.08 %.

Return this portion with your payment. Keep top portion for your records.

Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number 001055660 0765013 Total Amount Due \$ 36.27 Due Date February 27, 2009

Seq:30238 Cyc:15S4 Iup:888791 0785013 *****AUTO***-DIGIT 161 C 82 P 96 DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON PA 16142-5014



Amount Enclosed \$111.11 Please make check payable to Aqua PA. Print your account number on your check, then mail to address on back.

00105566007650130000000036273





Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

Account Number 001055660 0765013 SHENANGO 1157850 PWSID # PA6430054

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue Bryn Mawr, PA 19010-3489

Tel: 877.987.2782 Fax: 866.780.8292 e Mail: custserv@aquaaamerica.com

Questions about your water service?... Contact us before the due date.

Bill Date April 03, 2009

Total Amount Due \$ 36.56

Due Date April 27, 2009

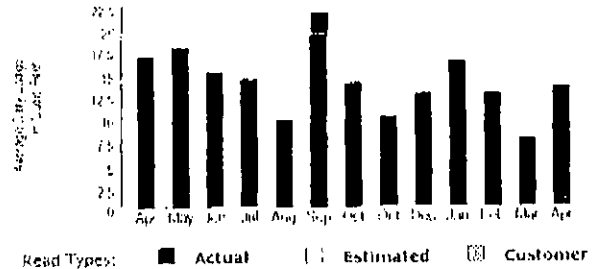
Meter Data

Table with columns: Meter, Size, Billing Period, Days, Read Type, Meter Readings, Usage, Units. Includes average daily usage of 13 cubic feet.

Billing Detail

Table listing billing details: Amount Owed from Last Bill (\$10.69), Total Payments Received (10.69), Balance (0.00), Customer Charge (13.15), Total Water Charges (35.19), DSIC Charge (1.37), Amount Due 04/27/09 (\$36.56).

Water Usage History



Message Center (see reverse side for other information)

- Please note, your account number is a 16-digit number. The full 16 digits including any zeros must be provided to ensure correct and prompt posting to your Aqua account. Effective April 1, 2009 the allowable DSIC charge is 3.88%. If you are a low income customer and you are unable to pay your past-due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low-income customer assistance "Helping Hand" program.

Return this portion with your payment. Keep top portion for your records.

Service To: DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc. 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number 001055660 0765013 Total Amount Due \$ 36.56 Due Date April 27, 2009 Amount Enclosed

Seq: 20713 Cye: 1004 Top: 700541

0765012

*****AUTO**3-DIGIT 161 (63 P 89 DONNA/WALTER PAINTER 126 COLONY DR NEW WILMINGTON PA 16142 5014



Please make check payable to Aqua PA. Print your account number on your check, then mail to address on back.

00105566007650130000000036567





DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

001055660 0765013
SHENANGO
1157850 PWSID # PA6430054

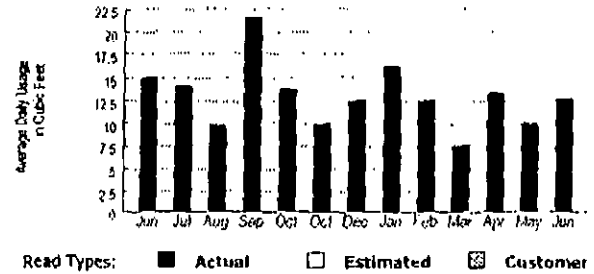
Aqua Pennsylvania, Inc. Tel: 877.987.2782 Questions about your water service?... Contact us before the due date.
762 W. Lancaster Avenue Fax: 866.780.8292 Bill Date Total Amount Due Due Date
Bryn Mawr, PA 19010-3489 e Mail: custserv@aquapennsylvania.com June 05, 2009 \$ 36.56 June 29, 2009

Meter Data	Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
	58882059	5/8	06/01/09 05/01/09	31	Actual Actual	29200 28800	400	Cubic Feet
Average Daily Usage = 12 Cubic Feet 1 CF equals 7.48 gallons		Total Days: 31		Total Usage:		400	Cubic Feet	

Billing Detail

Amount Owed from Last Bill	\$ 0.00
Total Payments Received.....	0.00
Balance	0.00
Customer Charge.....	13.15
270 cubic feet @ \$.052715 per CF	14.23
Next 130 cubic feet @ \$.060075 per CF	7.81
Total Water Charges	35.19
DSIC Charge.....	1.37
Amount Due 06/29/09	\$ 36.56

Water Usage History



Message Center (see reverse side for other information)

- Please note, your account number is a 16-digit number. The full 16-digits including any zeros must be provided to ensure correct and prompt posting to your Aqua account
- Effective April 1, 2009 the allowable DSIC charge is 3.88 %. This reflects \$ 104 million in system improvements made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.
- If you are a low-income customer and you are unable to pay your past-due account, please call 877 987.2782 for more information about Aqua Pennsylvania's low-income customer assistance "Helping Hand" program.

Return this portion with your payment.
Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

pd 6/11

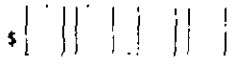
Seq=32424 Cyc=1554 Iup=750580 32424 1 AT 0.357

0765013

*****AUTO**3-DIGIT 161 C 94 P 118
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142-5014



Account Number
001055660 0765013
Total Amount Due Due Date
\$ 36.56 June 29, 2009
Amount Enclosed



Please make check payable to Aqua PA.
Print your account number on your check,
then mail to address on back.

00105566007650130000000036567





SERVICE TO:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
SHERMAN CO
1157050 PWSID # PAG430054

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
Fax: **866.780.8292**
e Mail: custserv@aquamerica.com

Questions about your water service?... Contact us before the due date.

Bill Date
July 06, 2009

Total Amount Due
\$ 36.95

Due Date
July 28, 2009

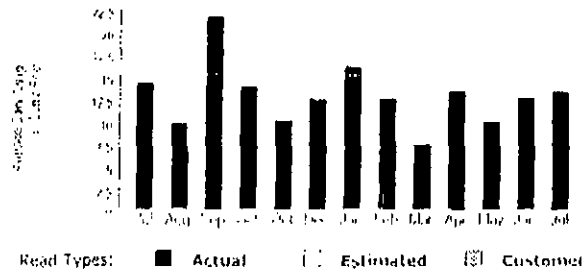
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Reading	Usage	Unit
58882059	5/8	07/01/09	30	Actual	29600	400	Cubic Feet
		06/01/09		Actual	29200		
Average Daily Usage - 13 Cubic Feet		Total Days		Total Usage		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 36.56
Total Payments Received	36.56
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 130 cubic feet @ \$0.060075 per CF	7.81
Total Water Charges	35.19
DSIC Charge	1.76
Amount Due 07/28/09	\$ 36.95

Water Usage History



Message Center (see reverse side for other information)

- Effective July 1, 2009 the allowable DSIC charge is 5.00 %. This reflects \$ 133 million in system improvements made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.
- If you are a low-income customer and you are unable to pay your past-due account, please call 877 987 2782 for more information about Aqua Pennsylvania's low-income customer assistance "Helping Hand" program
- Please note, your account number is a 16-digit number. The full 16-digits including any zeros must be provided to ensure correct and prompt posting to your Aqua account.

Return this portion with your payment.
Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
Total Amount Due Due Date
\$ 36.95 July 28, 2009
Amount Enclosed

00105566007650130000000036950

*****AUTO**3-DIGIT LBL C ON P 98
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142-5014



Please make check payable to Aqua PA.
Print your account number on your check,
then mail to address on back.

00105566007650130000000036950





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 BILL NUMBER
 1157850 PWRID # PWR400003

Aqua Pennsylvania, Inc.
 262 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: custserv@aquaamerica.com

Questions about your water service? ... Contact us before the due date.

Bill Date: **October 07, 2009** Total Amount Due: **\$ 44.19** Due Date: **October 29, 2009**

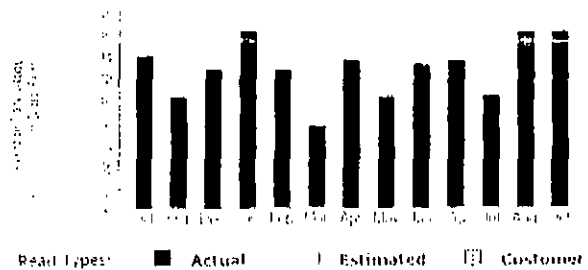
Meter Data

Meter	Size	Billing Period	Days	Read Type	Estimated Usage	Usage	Unit
58882059	5/8	10/01/09	31	Actual	30900	500	Cubic Feet
		08/31/09		Actual	30400		
Average Daily Usage = 16 Cubic Feet		Total Days	31	Total Usage		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 43.26
Total Payments Received	43.26
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 230 cubic feet @ \$0.060075 per CF	13.82
Total Water Charges	41.20
DSIC Charge	2.99
Amount Due 10/29/09	\$ 44.19

Water Usage History



Message Center (see reverse side for other information)

- Effective October 1, 2009, the allowable DSIC charge is 7.26%, which reflects \$158 million in distribution system improvements made by the company since June 2008, including the replacement of aging water pipes and other infrastructure as well as improvements to water quality. The Pennsylvania Public Utility Commission permits a maximum infrastructure surcharge of 7.5%.
- If you are a low-income customer and you are unable to pay your past-due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low-income customer assistance "Helping Hand" program.

Keep top portion for your records.
 Return this portion with your payment.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 262 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due Due Date
\$ 44.19 **October 29, 2009**
 Amount Enclosed

*****AUTO**3-DIGIT BILL (118 P 127
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

00105566007650130000000044193





Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
-HILMANG0

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
Fax: **866.780.8292**
e Mail: **custserv@aquaamerica.com**

Questions about your water service? ... Contact us before the due date

Bill Date **January 07, 2009** Total Amount Due **\$ 42.47** Due Date **January 29, 2009**

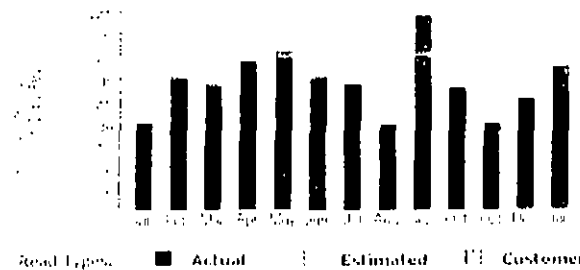
Meter Data

Meter	Serial	Installation Date	Unit	Reading	Reading Date	Usage	Unit
58882059	578	01/02/09	31	Actual	27500	500	Cubic Feet
		12/02/08		Actual	27000		
Average Daily Usage			16 Cubic Feet	Total Usage		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 35.80
Total Payments Received	35.80
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 230 cubic feet @ \$0.056075 per CF	13.82
Local Water Charges	41.20
DISC Charge	1.27
Amount Due 01/29/09	\$ 42.47

Water Usage History



Message Center

- Please note your account number is a 16 digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2009 the allowable DISC charge is 3.08%. This reflects \$ 75 million in system improvements made by the company since Aug. 2008. Those improvements include the replacement of aging water pipes and other restructure as well as improvements to the quality of the water that we serve.

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

Return this portion with your payment.
Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
Total Amount Due **\$ 42.47** Due Date **January 29, 2009**
Amount Received

*****AUTO**J-0161E 666 3 666 P 137
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142 5014



Please make check payable to Aqua PA
Print your account number on your check,
then mail to address on back.

00105566007650140000000042476





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 POLYMER
 11/2/92 12/20/07 PAID 8/09

Aqua Pennsylvania, Inc.
 202 W. Lancaster Avenue
 Bryn Mawr, PA 19010-5889

Tel: 877.987.2782
 Fax: 866.780.8292
 e-Mail: custserv@aquaamerica.com

Questions about your water service?... Contact us before the due date.

Bill Date **March 04, 2009** Total Amount Due **\$ 10.69** Due Date **March 26, 2009**

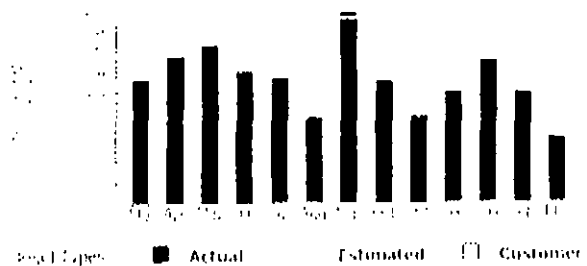
Meter Data

meter	size	start date	days	meter type	total usage	total charge
58887059	5/8	03/02/09	27	Actual	23100	200
		02/03/09		Actual	27900	
Average Daily Usage		Total Days			Total charge	
7.48 Cubic Feet		27			200	
1.41 equals 7.48 gallons						

Billing Detail

Amount Forward from Last Bill	\$ 36.27
Total Payments Received	50.00
Balance	13.73 Credit
Customer Charge	13.15
200 cubic feet @ \$0.0575 per CF	11.54
Total Water Charges	23.69
DSIC Charge	0.73
Amount Due 03/26/09	\$ 10.69

Water Usage History



Message Center (see reverse side for other information)

- Please note your account number is a 16 digit number. The full 16 digits must be provided to ensure correct routing of your Aqua payment.
- Effective January 1, 2009 the allowable DSIC charge is 3.08%. This reflects \$.75 million in system improvements made by the company over the date 2008. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.
- If you are a low income customer and you are unable to pay your past-due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low income customer assistance "Helping Hand" program.

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 202 W. Lancaster Avenue • Bryn Mawr, PA 19010-5889

Account Number
001055660 0765013
 Total Amount Due **\$ 10.69** Due Date **March 26, 2009**
 Amount Due Credit

*****AST09**1 DIGIT 666 3 56 P 74
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142 5013



Please make check payable to Aqua PA.
 Print your account number on your check
 then mail to address on back

0010556600765013000000000101412





SERVICE TO:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

ACCOUNT NUMBER
001055660 0765013
IN NAME OF
CUSTOMER # PPA00004

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Tel: 877.987.2782
Fax: 866.780.8292
e-Mail: custserv@aquaamerica.com

Questions about your water services? Contact us before the due date.
Bill Date: **May 05, 2009**
Total Amount Due: **\$ 30.31**
Due Date: **May 27, 2009**

Meter Data

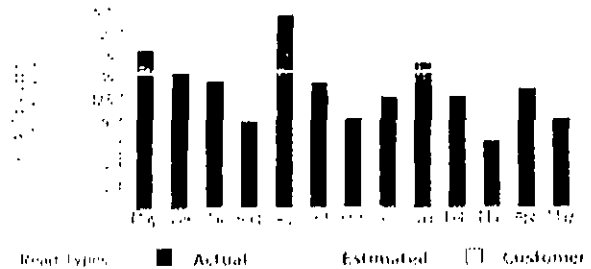
Date	Reading	Flow (GPM)	Flow (GPD)	Flow (MGD)	Flow (MG)	Flow (MG)	Flow (MG)
05/01/09	5882059	58	30	Actual	28800	300	Cubic Feet
04/01/09				Actual	28500		
Average Daily Usage: 10 Cubic Feet		Total Days: 31		Total Usage:		300	Cubic Feet

1 CF equals 7.48 gallons

Billing Detail

Amount Owed from Last Bill	\$ 36.56
Total Payments Received	36.56
Balance	0.00
Customer Charge	13.15
170 cubic feet @ \$0.077/15 per CF	14.23
Heat 30 cubic feet @ \$0.0600/15 per CF	1.80
Total Water Charges	29.18
ES&C Charge	1.13
Amount Due 05/27/09	\$ 30.31

Water Usage History



Message Center (see reverse side for other information)

- Please note, your account number is a 16 digit number. The full 16-digits including any zeros must be provided to ensure correct and prompt posting to your Aqua account.
- Effective April 1, 2009 the allowable ES&C charge is 3.88%. This reflects \$ 164 million in system improvement made by the company since June 2008. These improvements include the replacement of aging water pipes and other infrastructure, as well as improvements to the quality of the water that we serve.
- If you are a low-income customer and you are unable to pay your past-due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low income customer assistance "Energy Help" program.

Return this portion with your payment
Keep top portion for your records.

SERVICE TO:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
Total Amount Due: **\$ 30.31**
Due Date: **May 27, 2009**
Amount Enclosed

10/2009 05/05/09 105 13877 1A10090

*****AUTO** DIGIT BILL ** 5010 51
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142 5014



Please make check payable to Aqua PA
Print your account number on your check,
then mail to address on back.

0010556600765013000000003031





Service ID:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

ACCOUNT NUMBER
001055660 0765013
 BILL NUMBER
 PWLS# 02530023

Aqua Pennsylvania, Inc.
 162 W. Lancaster Avenue
 Bryn Mawr, PA 19010-5889

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e-Mail: custserv@aquaamerica.com

Questions about your water service? Contact us before the due date.
 Bill Date: **September 03, 2009** Total Amount Due: **\$ 43.26** Due Date: **September 25, 2009**

Meter Data

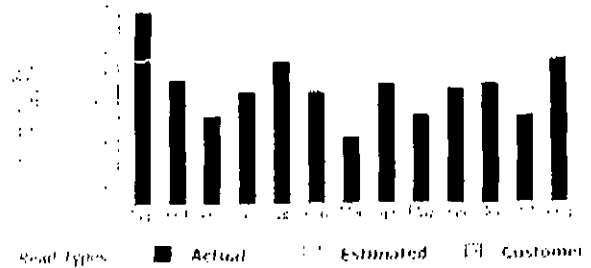
Meter	Serial	Start Date	End Date	Start Type	Start Reading	End Reading	Usage	Unit
5882659	588	08/31/09	07/31/09	Actual	30400	29900	500	Cubic Feet
		Total Days: 31		Total Usage:		500	Cubic Feet	

Average Daily Usage: 16 Cubic Feet
 1.1 gallons / 4.8 gallons

Billing Detail

Amount owed from Last Bill	\$ 40.64
Total Payments Received	30.64
Balance	0.00
Customer Usage	13.15
2.75 cubic feet @ \$0.052715 per CF	14.23
10.40 cubic feet @ \$0.006675 per CF	13.87
Total Water Charges	41.20
ES&S Charge	2.06
Amount Due 09/25/09	\$ 43.26

Water Usage History



Message Center (see reverse side for other information)

- Effective July 1, 2009 the allowable DRSC charge is 5.00%. This reflects \$ 1.5 million in system improvements made by the company since June 2004. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.
- If you are a low income customer and you are unable to pay your past due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low income customer assistance "Helping Hand" program.
- Please note, your account number is a 16-digit number. The full 16-digits including any zeros must be provided to ensure correct and prompt posting to your Aqua account.

Return this portion with your payment.
 Keep top portion for your records.

Refer to
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 162 W. Lancaster Avenue • Bryn Mawr, PA 19010-5889

Account Number
001055660 0765013
 Total Amount Due: **\$ 43.26** Due Date: **September 25, 2009**
 Amount Enclosed

*****ATTN: DIGIT BILLING P 09
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142 5044



Please make check payable to Aqua PA
 Print your account number on your check,
 then mail to address on back.

00105566007650130000000043265





Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
SII NAME: 0
1157850 PW: 311 # 140430024

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Tel: 877.987.2782
Fax: 866.780.8292
e-Mail: custserv@aquaaamerica.com

Questions about your water service?... Contact us before the due date.
Bill Date: **November 05, 2009** Total Amount Due: **\$ 31.30** Due Date: **December 01, 2009**

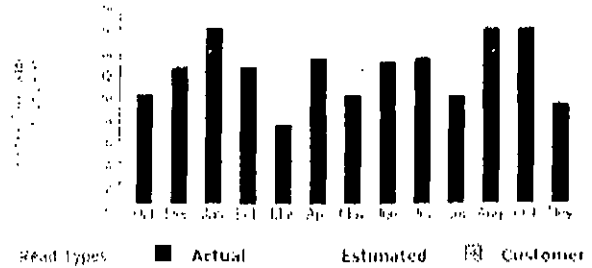
Meter Data

Meter	Serial	Install Date	Read Date	Read Type	Volume	Unit
58882059	5/8	11/02/09	32	Actual	31206	Cubic Feet
		10/01/09		Actual	30900	
Average Daily Usage: 1.9 Cubic Feet		Total Days: 32		Total Usage:		309 Cubic Feet
1 CF equals 7.48 gallons						

Billing Detail

Amount Owed from Last Bill	\$ 44.19
Total Payments Received	44.19
Balance	0.00
Customer Charge	13.15
270 cubic feet @ \$0.052715 per CF	14.23
Next 30 cubic feet @ \$0.060075 per CF	1.80
Total Water Charges	29.18
OSIC Charge	2.12
Amount Due 12/01/09	\$ 31.30

Water Usage History



Message Center (see reverse side for other information)

- Effective October 1, 2009, the allowable OSIC charge is 7.26%, which reflects \$168 million in distribution system improvements made by the company since June 2008, including the replacement of aging water pipes and other infrastructure as well as improvements to water quality. The Pennsylvania Public Utility Commission permits a maximum infrastructure surcharge of 7.5%.
- If you are a low income customer and you are unable to pay your past due account, please call 877-987-2782 for more information about Aqua Pennsylvania's low income customer assistance "Helping Hand" program.

Keep top portion for your records.
Return this portion with your payment.

Service To:
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
Total Amount Due: **\$ 31.30** Due Date: **December 01, 2009**
Amount Enclosed

*****AUTOMATED DIGIT BILLING SERVICE*****
DONNA/WALTER PAINTER
126 COLONY DR
NEW WILMINGTON PA 16142 5014



Please make check payable to Aqua PA
Print your account number on your check,
then mail to address on back.

00105566007650130000000031303





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaamerica.com**

Questions about your water service?... Contact us before the due date.

Bill Date **January 07, 2008** Total Amount Due **\$ 26.66** Due Date **January 29, 2008**

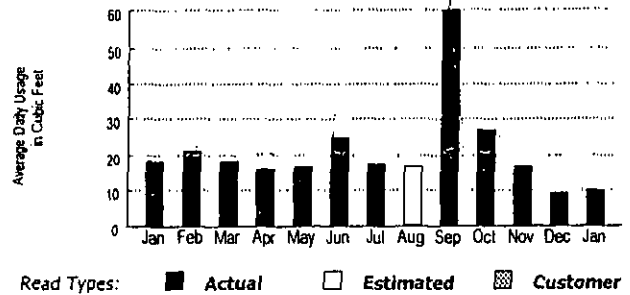
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	01/03/08	30	Actual	22100	300	Cubic Feet
		12/04/07		Actual	21800		
Average Daily Usage = 10 Cubic Feet		Total Days: 30		Total Usage:		300	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 26.65
 Total Payments Received 26.65
Balance **0.00**
 Customer Charge 11.50
 270 cubic feet @ \$0.045025 per CF 12.16
 Next 30 cubic feet @ \$0.050995 per CF 1.53
 Total Water Charges 25.19
 DSIC Charge 1.26
 Surcharge 0.21
Amount Due 01/29/08 **\$ 26.66**

Water Usage History



Message Center

- Effective August 26, 2007 the State Tax Adjustment Surcharge (Surcharge) is .85% of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$126.1 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

*1/9 by 1/11
 AB6BN4X2*

Seq=39823 Cyc=1554 Iup=563651

*****AUTO**3-DIGIT 161 C 112 P 126
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



Account Number
001055660 0765013
 Total Amount Due **\$ 26.66** Due Date **January 29, 2008**

Amount Enclosed

\$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

00105566007650130000000026667





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaamerica.com**

Questions about your water service?... Contact us before the due date.

Bill Date **March 06, 2008** Total Amount Due **\$ 32.06** Due Date **March 31, 2008**

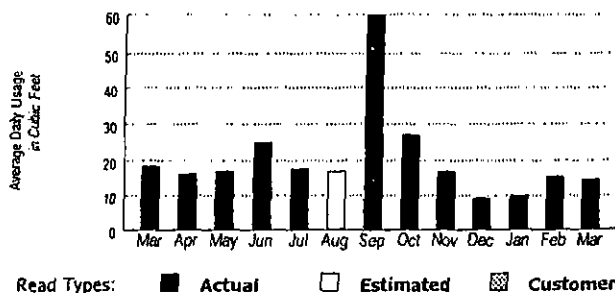
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	03/04/08	28	Actual	23000	400	Cubic Feet
		02/05/08		Actual	22600		
Average Daily Usage = 14 Cubic Feet		Total Days: 28		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill.....	\$ 37.46
Total Payments Received.....	37.46
Balance.....	0.00
Customer Charge.....	11.50
270 cubic feet @ \$0.045025 per CF.....	12.16
Next 130 cubic feet @ \$0.050995 per CF.....	6.63
Total Water Charges.....	30.29
DSIC Charge.....	1.51
Surcharge.....	0.26
Amount Due 03/31/08.....	\$ 32.06

Water Usage History



Message Center

- Effective August 26, 2007 the State Tax Adjustment Surcharge (Surcharge) is .85% of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective January 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$126.1 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 32.06** Due Date **March 31, 2008**

3/11/08
 by

Amount Enclosed

\$

3/13/08

Seq=36826 Cyc=15S4 1up=583517

*****AUTO**3-DIGIT 161 C 100 P 111
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014

QBVB3P4XK

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.



00105566007650130000000032062

Notes:

Action Level (AL): The concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow.

Fluoride: Fluoride may help prevent tooth decay for children, but can be harmful in excess. Customers in the Shenango Division receive water from fluoridated supplies. This information may be helpful to you, your pediatrician or your dentist in determining whether fluoride supplements or treatment are appropriate.

Maximum Contaminant Level (MCL): The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology. Some levels are based on a running annual average.

Maximum Contaminant Level Goal (MCLG): The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

Maximum Residual Disinfectant Level (MRDL): The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.

Maximum Residual Disinfectant Level Goal (MRDLG): The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.

NA: Not applicable.

ND: Not detected.

NTU: Nephelometric turbidity unit (cloudiness of water).

ppb: A unit of concentration equal to one part per billion.

ppm: A unit of concentration equal to one part per million.

PWSID: Public water supply identification number.

Total Organic Carbon: The level reported under "Level Found" for Total Organic Carbon (TOC) is the lowest ratio between percentage of TOC actually removed to the percentage of TOC required to be removed. A value greater than one indicates that the water system is in compliance with the TOC removal requirements. A value of less than one indicates a Treatment Technique violation of the TOC removal requirements.

Turbidity: Monitored as a measure of treatment efficiency for removal of particles. Plant Performance Level: 0.3 NTU.

Treatment Technique (TT): A required process intended to reduce the level of a contaminant in drinking water.

Unregulated Contaminant Monitoring Rule: During 2003, monitoring was conducted for a series of unregulated compounds. This is a federal program and results were reported to USEPA. There were no unregulated contaminants detected in the Shenango Valley Division system.

~~Our water systems are designed and operated to deliver water to our customers' plumbing systems that complies with state and federal drinking water standards. This water is disinfected using chlorine, but it is not necessarily sterile. Customers' plumbing, including treatment devices, might remove, introduce or increase contaminants in tap water. All customers, and in particular operators of facilities like hotels and institutions serving susceptible populations (like hospitals and nursing homes), should properly operate and maintain the plumbing systems in these facilities. You can obtain additional information from the EPA's Safe Drinking Water Hotline at 800.426.4791.~~





**2007 Shenango Valley Division Water Quality Report
PWSID# PA6430054**

Este informe contiene información muy importante sobre su agua de beber. Tradúzcalo o hable con alguien que lo entienda bien.

About Your Drinking Water -- Aqua Pennsylvania, Inc. (Aqua) is pleased to provide you with its 2007 Consumer Confidence Report for the Shenango Valley Division (public water supply ID PA6430054), which contains important information about your drinking water. The report summarizes the quality of water Aqua provided in 2007 including details about water sources, what the water at your tap contains, and how it compares to standards set by regulatory agencies. We are pleased to report that we were in compliance with all water quality regulations in 2007. Although the report lists only those regulated substances that were detected in your water, we test for more than what is reported. This report is only a summary of our testing during 2007. If you have any questions about the information in this report, please call 724.347.7418.

Sources of Supply -- Water for the Shenango Valley Division comes from the Shenango River, which is fed by a 650-square mile watershed located north of Sharon, Pennsylvania. A Source Water Assessment for the Shenango River was completed in 2003 by the Pennsylvania Department of Environmental Protection (DEP). Information on source water assessment is available on the DEP Web site at www.dep.state.pa.us (DEP keyword "source water"). Complete reports were distributed to municipalities, water suppliers, local planning agencies, and DEP offices. Copies of the complete report are available for review at the DEP Northwest Regional Office, 814.332.6899.

The sources of drinking water (tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals and radioactive material, and can pick up substances resulting from the presence of animals or from human activity.

Contaminants that may be present in source water include:

- Microbial contaminants, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.
- Inorganic contaminants, such as salts and metals, which can be naturally occurring or result from urban storm runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.
- Pesticides and herbicides, which may come from a variety of sources such as agriculture, stormwater runoff, and residential uses.
- Organic chemical contaminants, including synthetic and volatile organics, which are byproducts of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff and septic systems.
- Radioactive contaminants, which can be naturally occurring or result from oil and gas production and mining activities.

In order to ensure that tap water is safe to drink, EPA prescribes regulations that limit the amount of certain contaminants in water provided by public water systems. FDA regulations establish limits for contaminants in bottled water, which must provide the same protection for public health.

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's (EPA) Safe Drinking Water Hotline at .800.426.4791.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. EPA/CDC guidelines on appropriate means to lessen the risk of infection by cryptosporidium and other microbial contaminants are available from the Safe Drinking Water Hotline at 800.426.4791.





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number:
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **May 05, 2008**
 Total Amount Due **\$ 37.14**
 Due Date **May 28, 2008**

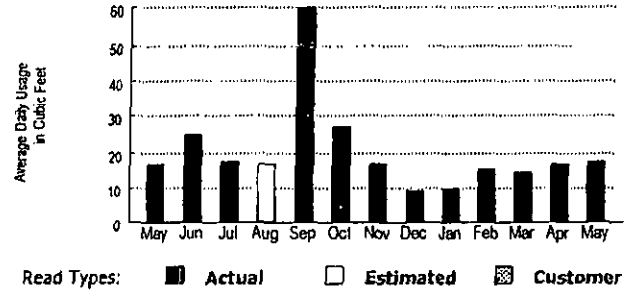
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	05/01/08	28	Actual	24000	500	Cubic Feet
		04/03/08		Actual	23500		
Average Daily Usage = 17 Cubic Feet		Total Days: 28		Total Usage:		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 37.14
Total Payments Received	37.14
Balance	0.00
Customer Charge	11.50
270 cubic feet @ \$0.045025 per CF	12.16
Next 230 cubic feet @ \$0.050995 per CF	11.73
Total Water Charges	35.39
DSIC Charge	1.77
Surcharge	0.02 Credit
Amount Due 05/28/08	\$ 37.14

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective April 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$137.5 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 37.14**
 Due Date **May 28, 2008**

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

*5/12 by
 5/14
 FBOBXERC*

Seq=29081 Cyc=15S4 1up=601603

*****AUTO**3-DIGIT 161 C 84 P 111
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000037147





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **June 05, 2008**
 Total Amount Due **\$ 37.14**
 Due Date **June 27, 2008**

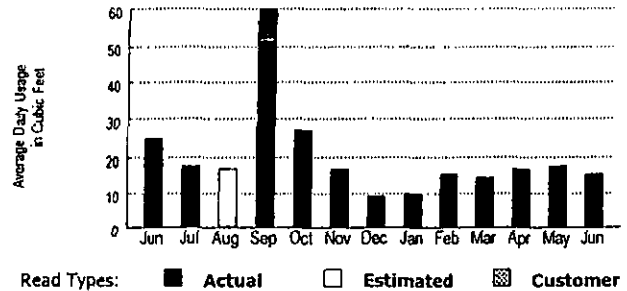
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	06/03/08	33	Actual	24500	500	Cubic Feet
		05/01/08		Actual	24000		
Average Daily Usage = 15 Cubic Feet		Total Days: 33		Total Usage:		500	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill	\$ 37.14	
Total Payments Received	37.14	
Balance	0.00	
Customer Charge	11.50	
270 cubic feet @ \$0.045025 per CF	12.16	
Next 230 cubic feet @ \$0.050995 per CF	11.73	
Total Water Charges	35.39	
DSIC Charge	1.77	
Surcharge	0.02	Credit
Amount Due 06/27/08	\$ 37.14	

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective April 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$137.5 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 37.14**
 Due Date **June 27, 2008**

pd 6/12
000601209

Seq=38607 Cyc=1554 1up=611039

Amount Enclosed
 \$

*****AUTO**3-DIGIT 161 C 113 P 137
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.



00105566007650130000000037147





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.
 Bill Date **July 03, 2008**
 Total Amount Due **\$ 31.78**
 Due Date **July 25, 2008**

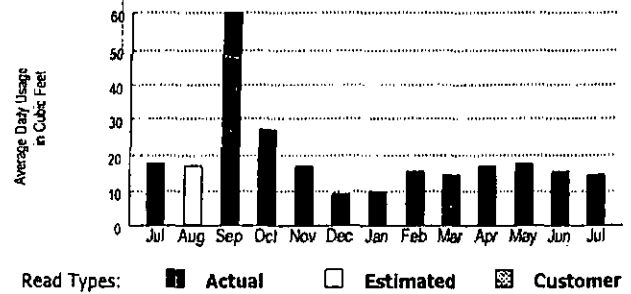
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
58882059	5/8	07/01/08	28	Actual	24900	400	Cubic Feet
		06/03/08		Actual	24500		
Average Daily Usage = 14 Cubic Feet		Total Days: 28		Total Usage:		400	Cubic Feet
1 CF equals 7.48 gallons							

Billing Detail

Amount Owed from Last Bill \$ 37.14
 Total Payments Received..... 37.14
Balance..... **0.00**
 Customer Charge..... 11.50
 270 cubic feet @ \$0.045025 per CF..... 12.16
 Next 130 cubic feet @ \$0.050995 per CF..... 6.63
 Total Water Charges 30.29
 DSIC Charge..... 1.51
 Surcharge 0.02 Credit
Amount Due 07/25/08 **\$ 31.78**

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective July 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$141.3 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054
 REC 1003

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 31.78**
 Due Date **July 25, 2008**

Amount Enclosed

\$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=21553 Cyc=1554 1up=819248

0765013

*****AUTO**E-DIGIT 161 C 69 P 98
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000031786





Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

Account Number:
001055660 0765013
 SHENANGO

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue
 Bryn Mawr, PA 19010-3489

Tel: **877.987.2782**
 Fax: **866.780.8292**
 e Mail: **custserv@aquaaamerica.com**

Questions about your water service?... Contact us before the due date.

Bill Date **August 11, 2008** Total Amount Due **\$ 26.43** Due Date **September 03, 2008**

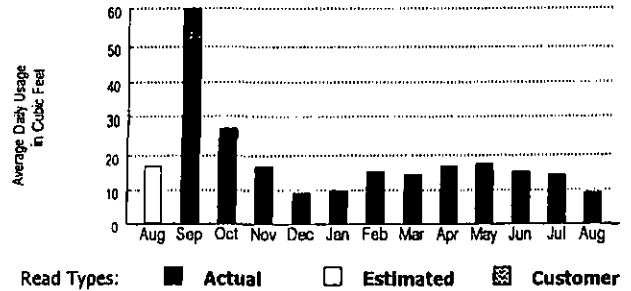
Meter Data

Meter	Size	Billing Period	Days	Read Type	Meter Readings	Usage	Units
S8882059	5/8	08/01/08	31	Actual	25200	300	Cubic Feet
		07/01/08		Actual	24900		
Average Daily Usage = 9 Cubic Feet 1 CF equals 7.48 gallons		Total Days: 31		Total Usage:		300	Cubic Feet

Billing Detail

Amount Owed from Last Bill \$ 31.78
 Total Payments Received 31.78
Balance **0.00**
 Customer Charge 11.50
 270 cubic feet @ \$0.045025 per CF 12.16
 Next 30 cubic feet @ \$0.050995 per CF 1.53
 Total Water Charges 25.19
 DSIC Charge 1.26
 Surcharge 0.02 Credit
Amount Due 09/03/08 **\$ 26.43**

Water Usage History



Message Center

- Effective April 1, 2008 the State Tax Adjustment Surcharge (Surcharge) is (.07%) of your water charges.
- Please note your account number is a 16-digit number. The full 16-digits must be provided to ensure correct posting of your Aqua payment.
- Effective July 1, 2008 the allowable DSIC charge is 5.00 %. This reflects \$141.3 million in system improvements made by the company since July 2006. These improvements include the replacement of aging water pipes and other infrastructure as well as improvements to the quality of the water that we serve.

1157850

IMPORTANT NOTICE: SEE REVERSE SIDE FOR OTHER INFORMATION

PA6430054

Return this portion with your payment.
 Keep top portion for your records.

Service To:
DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON, PA 16142

AQUA Water Bill

Aqua Pennsylvania, Inc.
 762 W. Lancaster Avenue • Bryn Mawr, PA 19010-3489

Account Number
001055660 0765013
 Total Amount Due **\$ 26.43** Due Date **September 03, 2008**

8/18 #1 339

Amount Enclosed
 \$

Please make check payable to Aqua PA.
 Print your account number on your check,
 then mail to address on back.

Seq=40411 Cyc=1554 1up=630851 0765013

*****AUTO**E-DIGIT 161 C 109 P 118
 DONNA/WALTER PAINTER
 126 COLONY DR
 NEW WILMINGTON PA 16142-5014



00105566007650130000000026435



C

2000 One Logan Square
Philadelphia, PA 19103-6993
215-963-5000
Fax: 215-963-5299

Morgan, Lewis
& Bockius LLP
C O U N S E L O R S A T L A W

Anthony C. DeCusatis
215-963-5034

March 15, 1996

RECEIVED

MAY 24 2013

VIA HAND DELIVERY

Mr. John G. Alford, Secretary
Pennsylvania Public Utility Commission
New Filing Section, Room B-18
North Office Building
Commonwealth and North Streets
P.O. Box 3265
Harrisburg, PA 17120

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Petition of Pennsylvania-American Water Company
For Approval To Implement A Tariff Supplement
Establishing A Distribution System Improvement Charge


Dear Secretary Alford:

Enclosed for filing are an original and seven (7) copies of the Petition of Pennsylvania-American Water Company For Approval To Implement A Tariff Supplement Establishing A Distribution System Improvement Charge ("Petition"), together with supporting data as specified in 52 Pa. Code § 53.52. As noted in the Petition, PAWC requests approval to file the proposed tariff supplement, submitted as Exhibit A to the Petition, to become effective as of July 1, 1996.

As evidenced by the attached certificate of service, copies of the Petition and supporting data have been served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate.

An additional copy of this letter, the Petition and supporting data are enclosed, which we request that you date stamp as evidence of filing.

Very truly yours,


Anthony C. DeCusatis
ACD/lms

Encl.

cc: Per Certificate of Service (w/encl)

Philadelphia Washington New York Los Angeles Miami Harrisburg Princeton London Brussels Frankfurt Tokyo

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PENNSYLVANIA-AMERICAN :
WATER COMPANY FOR APPROVAL TO :
IMPLEMENT A TARIFF SUPPLEMENT : Docket No. _____
ESTABLISHING A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

CERTIFICATE OF SERVICE

I hereby certify that I have, this 15th day of March, 1996, served a true and correct copy of the aforementioned Petition and supporting data specified in 52 Pa. Code § 53.52 upon the persons and in the manner indicated below:


BY HAND DELIVERY

Irwin A. Popowsky, Esq.
Consumer Advocate
Dianne E. Dusman, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Charles F. Hoffman, Esq.
Wayne T. Scott, Esq.
Pennsylvania Public Utility
Commission
Pitnick Building, 3rd Floor
901 North 7th Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Bernard A. Ryan, Esq.
Small Business Advocate
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17120

DATED: March 15, 1996


Thomas P. Gadsden
Anthony C. DeCusatis
Counsel for Pennsylvania-
American Water Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PENNSYLVANIA-AMERICAN :
WATER COMPANY FOR APPROVAL TO :
IMPLEMENT A TARIFF SUPPLEMENT : Docket No. _____
ESTABLISHING A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

PETITION

Pursuant to Section 1307(a) of the Public Utility Code, 66 Pa.C.S. § 1307(a) and the regulations of the Pennsylvania Public Utility Commission (the "Commission") at 52 Pa. Code § 5.41, Pennsylvania-American Water Company ("PAWC" or the "Company") hereby requests approval to implement the tariff supplement attached hereto as Exhibit A to be effective for service rendered on and after July 1, 1996. Approval of the proposed tariff supplement is proper and in the public interest for the reasons set forth fully below.

I. INTRODUCTION AND OVERVIEW

1. PAWC requests the Commission's approval to establish a Distribution System Improvement Charge ("DSIC"), pursuant to Section 1307(a) of the Public Utility Code, to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense-reducing distribution system improvement projects completed and placed in service between base rate cases. The DSIC will not apply initially to customers located within the authorized service territory formerly served by the Pennsylvania

Gas and Water Company ("PG&W") that was acquired by PAWC as of February 16, 1996. Likewise, the Company's investment in infrastructure improvements made within the service territory acquired from PG&W are not included in the initial calculation of the surcharge under the DSIC. All references made hereafter in this Petition to the Company's number of customers, rate base, revenues, expenses, investment in public utility property and similar data shall exclude the effect of the Company's acquisition of PG&W's water business, unless expressly stated otherwise.

2. The DSIC is designed to provide the Company with the resources it needs to accelerate its investment in new utility plant to replace aging water distribution infrastructure, comply with evolving regulatory requirements imposed by the Safe Drinking Water Act ("SDWA"), develop and implement solutions to regional water supply problems and participate in the costs of extending facilities to serve new customers.

Innovative alternatives to traditional base rate filings are essential if the Company is to meet the challenge of infrastructure replacement and rehabilitation. The magnitude of this problem is formidable. To illustrate, the Company has approximately 5,600 miles of mains and is currently replacing between 25 and 30 miles of main each year. At this pace, it would require between 185 and 225 years to make all of the needed improvements in existing facilities. Significantly, the

Company's total investment in mains has an average remaining life of approximately 75 years. Obviously, the Company must find a way to significantly increase the rate at which it will make improvements to its distribution system in order to prevent the degradation of water quality and reliability and to avoid saddling customers in the not too distant future with an enormous liability for deferred improvements. In this regard, it must be kept in mind that water is the only utility service that is ingested and, consequently, a degradation of water quality could present unique public health and safety concerns. The DSIC is designed to address this mounting problem by giving the Company the resources it needs to make improvements in a timely and orderly fashion.

3. The Company proposes that the DSIC become effective for bills rendered on and after July 1, 1996. The initial charge will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between August 1, 1995^{1/} and May 31, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update.

^{1/} The Company's currently-effective base rates were established in a rate proceeding at Docket No. R-00943231 on the basis of data for a future test year ending July 31, 1995.

4. The DSIC will be expressed as a percentage and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service. In Exhibit B to this Petition, the Company has set forth a sample calculation of the DSIC reflecting actual DSIC-eligible additions through January 31, 1996 and projected additions of DSIC-eligible plant through May 31, 1996.^{2/} The cost elements (depreciation and pre-tax return) included in the calculation of the DSIC are explained in detail in Section VI., infra. Based on the calculations in Exhibit B, the charge that would become effective, with Commission approval, as of July 1, 1996, would be 1.01%. This would add approximately 28 cents to the monthly bill for an average residential customer of the Company.

5. The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges. If the cap were reached, no further increases in the DSIC would be permitted.

6. The DSIC will be subject to an annual reconciliation, whereby the revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between such revenues and

^{2/} If the DSIC is approved, this calculation will be updated with actual data as of May 31, 1996 in a filing to be made not less than 10 days prior to the proposed implementation date.

costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e). In addition, the DSIC will be subject to audit at intervals determined by the Commission.

7. The DSIC will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions would be reflected in the quarterly updates of the DSIC.

8. The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual and Quarterly Earnings Reports show that the Company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC.

II. THE NEED FOR THE DSIC

9. For many years, it was assumed that the water utility business was a relatively risk-free endeavor, particularly in comparison with other fixed utilities. Sources of supply were abundant, water quality concerns were few and capital requirements were minimal and largely attributable to requests for new service. Unfortunately, that is no longer the case.

10. Due to a variety of legislative and regulatory initiatives, PAWC, along with other major water companies, has been required to make a very significant investment in new utility plant in recent years. Such projects have included the

filtration of surface water supplies in compliance with the SDWA, the replacement of aging water distribution system infrastructure, the implementation of meter replacement programs and the active participation in the development of solutions to regional water supply problems. Notwithstanding this substantial undertaking, PAWC does not expect its capital attraction needs to abate. Indeed, capital expenditures are projected to exceed \$97 million in 1997 alone. Moreover, this figure does not take into account the potential ramifications of Act 27, which authorizes the Commission to require "capable public utilities" to acquire small troubled water systems under certain specified conditions (see 66 Pa.C.S. § 529). As evidenced by its recently adopted Policy Statement (Incentives For Acquisition And Merger Of Small Nonviable Water Utilities, Docket No. M-00950686 (February 22, 1996)), the Commission is encouraging larger water companies to help deal with the problem of small, troubled water systems.^{3/}

As noted in Paragraph No. 1, supra, and as more fully discussed in Section III, infra, the Company faces a large and growing challenge to make improvements to its distribution system before that property reaches the end of its service life and begins to create serious, adverse effects on water quality and service reliability. Simply stated, the integrity of the

^{3/} PAWC has been particularly active in this area, as evidenced by its recent acquisition of a number of small, troubled systems such as Skyline Water Company, Hickory Water Company, Silver Water Company, A Country Place Water Company and Pocono Farms East Water Company.

Company's distribution system and its future viability may be put at risk if PAWC is not given the necessary regulatory flexibility to deal with this problem.

11. Apart from the sheer magnitude of the future capital investment facing PAWC, it must be kept in mind that most of the projects involved will not produce any additional sales. For example, responsible water utilities typically replace, on average, 5% of their existing meters each and every year. Similarly, the replacement or cleaning and lining of an aging distribution main does not increase a water utility's available water supply -- it simply enables the utility to provide a safer, more reliable and more environmentally acceptable product.

12. When a utility is engaged in a relatively large capital program consisting of many smaller revenue neutral projects (i.e. non-revenue producing and non-expense reducing), each completed project places a strain on earnings until the utility next seeks and is granted rate relief. This is currently the case for PAWC as it allocates more of its capital resources to small revenue neutral projects. As shown by the data in Exhibit C, revenue-neutral infrastructure replacement projects, while relatively small on an individual basis, are a large and increasing component of the Company's total construction budget.

13. If sales to existing customers grew at a rate sufficient to offset the Company's mounting capital costs, the lag in recognition of new plant additions would obviously pose a

far less serious problem. Unfortunately, that has not been the experience of PAWC or of most water utilities in Pennsylvania. To the contrary, due to an aging population, new plumbing codes, conservation and other factors, average residential customer usage has been flat in many parts of the Commonwealth and has actually declined in some areas. To illustrate, despite the addition of approximately 38,200 customers since 1989, PAWC's total sales of water for 1995 were 328 million gallons less than such sales in 1989. At the same time, PAWC has worked hard to keep its expenses in check. During the 6-year period from 1989 to 1995, the Company's total per-customer operating and maintenance expenses, excluding depreciation, have increased by less than the rate of inflation. In other words, in real dollar terms, total per-customer operating and maintenance expenses have declined.

14. In light of the mounting challenges described above, it is critically important that PAWC maintain access to the capital markets on reasonable terms. While this task would be formidable under normal circumstances, it has been made all the more difficult by Standard and Poor's ("S&P") tightening of the ratings benchmarks for water utilities. Those revisions, which, amongst other things, increased coverage requirements and decreased acceptable debt leverage levels, underscore the investment community's growing concern over the risks facing the water utility industry today. Particularly insightful in this

regard are the following excerpts from the June 15, 1992 edition of Creditweek in which S&P published the new benchmarks:

S&P has revised its public financial benchmarks for investor-owned water utilities. The more stringent standards . . . were implemented as a result of S&P's conclusion that credit risk has escalated in the water utility industry in recent years due to significant challenges related to developing future water supplies and assuring the quality of existing supplies

* * *

Poor internal cash generation along with modest demand growth of under 1% will require state utility regulators to play an even more significant role in the future financial well-being of the industry. Traditional ratemaking policy has not provided sufficient credit support during the construction cycle of the electric industry over the past 15 years. To avoid a repeat in the water industry, regulators must be aware of the increased challenges the industry faces. With large rate-base additions, along with increasing nonrevenue-producing assets to meet future and current water needs and mandated water quality standards, regulators will need to implement innovative regulatory policy to allow for reasonable financial measures. (Emphasis added.)

15. The adoption of the DSIC represents the type of "innovative regulatory policy" that is needed if PAWC is to have a meaningful opportunity to recover its capital costs on revenue-neutral distribution system improvement projects and thereby remain in a position to attract needed capital at the lowest possible cost for all of its construction requirements.

III. THE KINDS OF PLANT ADDITIONS THAT
WILL BE ELIGIBLE FOR THE DSIC

16. Under the Company's proposal, only specified and limited categories of plant additions will be eligible for cost recovery under the DSIC. Specifically, eligible property additions will consist of revenue-neutral infrastructure replacement projects and Company-funded main extensions.

17. Revenue-neutral infrastructure replacement projects will be limited to services and meters installed as replacements for existing customers and mains installed as replacements for existing facilities that have worn out, are in deteriorated condition, or are otherwise at the end of their service lives.

18. Company-funded main extensions consist of facility extensions installed at the request of bona fide applicants for service, less the cost advanced or contributed by the applicant. Under the Company's existing tariff rules, PAWC is required to fund a main installation to the extent that the annual revenue to be received from the customer(s) served therefrom is sufficient to cover the Company's annual incremental operating and maintenance expenses associated with serving the customer(s) and depreciation expense on that investment. This currently amounts to approximately \$11,000 for each residential customer. The formula for determining the Company's funding obligation leaves the capital costs on the Company's investments subject to

inclusion in rates at some future date, thereby defining that portion of the investment as non-revenue supported.

19. As discussed in Section II, supra, the DSIC-eligible property additions are individually small but represent a very substantial investment in aggregate. By way of comparison, the Company's annual investment in this kind of property could equal, or exceed, the cost of a large water treatment plant. Moreover, the construction of DSIC-eligible property creates uniquely difficult attrition problems.

20. When the Company constructs one or a few large projects, such as water treatment plants, there are several factors that help to mitigate the effects of attrition. First, although the projects take a long time to complete and require large expenditures, AFUDC can be accrued on the Company's investment, so that earnings are not affected by capital costs incurred during construction. Second, because these projects have long lead times and known completion dates, the Company has some flexibility in timing a base rate case to synchronize rate recognition with the estimated in-service dates of the projects. In this way, the period between the cessation of AFUDC accruals and the recovery of the projects' capital costs in base rates can be minimized.

21. In contrast, similar attrition-mitigating factors are not available for DSIC-eligible property for two principal reasons. First, because hundreds of such projects are completed

throughout the year, it is impossible to synchronize rate recognition with placement in service. Consequently, even for a water utility that files for rate relief on an annual basis, there is, on average, a six to seven month gap when its investment in revenue neutral, replacement plant is earning neither a paper (i.e., AFUDC) nor a cash return.

Secondly, PAWC does not even accrue AFUDC on projects that are expected to take less than one month to complete or fail to meet a certain dollar threshold. Unfortunately, most jobs involving the replacement of distribution mains, meters and services fall into this category because they typically take only a few days to complete. Even larger projects of similar nature are often completed in a few weeks. As to these projects, even if AFUDC were accrued for a month or less, there would be little offset to the major cause of attrition, which occurs after the projects are placed in service.

22. Without the DSIC, the cost recovery and attrition problems created by infrastructure replacement and main extension projects will only get worse, given the magnitude of the future investment those projects will demand. As shown by the data in Exhibit C, these types of projects are an increasing proportion of the Company's total capital spending. This increasing level of expenditures is fully justified given the daunting size of the task facing the Company.

23. As discussed in Paragraph No. 1, supra, the Company has approximately 5,600 miles of mains, which it is currently rehabilitating at a rate of 25-30 miles per year. At this pace, total rehabilitation will require between 185 and 225 years or approximately 110 to 150 years more than the remaining life of these facilities. However, these data do not tell the whole story. Of the Company's existing mains, over 2,200 miles are less than 6" in diameter. While these mains are adequate in some applications for providing domestic water service, they are smaller than the Commission's minimum diameter requirement of 6 inches for new installations and, in many instances, do not provide sufficient fire flows. Replacement of these mains is a high priority item.

24. The Company's current rate of infrastructure rehabilitation must be accelerated to avoid a serious shortfall between the end of the service lives of existing property and the replacement or rehabilitation of that property. However, to achieve a meaningful acceleration in the rate of performing this work, it is imperative that the Company have the resources to increase its investment above current levels. Traditional base rate filings, even on an annual basis, cannot keep pace with the increase in investment which this program demands. For example, the Company projects that it will approximately double its rate base over the next 10 years from infrastructure rehabilitation projects. By way of comparison, this level of new investment as a proportion of rate base is similar to the growth in rate base

which electric utilities experienced from expenditures (exclusive of AFUDC) for nuclear plant construction.

However, a comparison of financial ratios for the water and electric industries shows that water utilities face significant obstacles to sustaining such a high rate of investment:^{4/}

- Pennsylvania water utilities have significantly higher fixed cost ratios than in-state electric companies (58.5% vs. 28.0%).
- Water utilities' achieved rates of return on equity are materially lower than those of electric utilities.
- Internally generated funds, cash flow from depreciation and the ratio of capital expenditures to total revenues are all significantly less favorable for water utilities than electric utilities.

25. What are the likely consequences if the Company cannot increase its rate of infrastructure rehabilitation? In the Company's view, there will be significant adverse consequences for itself, its customers and, ultimately, for the economic vitality of the Commonwealth as a whole. Unless steps are taken now to provide the necessary resources for a greater amount of distribution system improvement work, water quality, reliability and customer service in general will suffer and potentially degrade to unacceptable levels.

^{4/} See The Financial Challenge Of Water Utilities, A. Kaloko (1994).

26. Infrastructure rehabilitation cannot be deferred indefinitely. A day of reckoning will come, as it already has for some large municipally-owned systems that tried to keep rates low, in the short term, by deferring maintenance, replacement and rehabilitation of essential facilities. The result has been the need for those systems to make enormous investments over short time horizons without the flexibility to manage either the construction or the financing of these improvements in an orderly fashion. And, at the same time customers are being hit with significantly higher rates to finance these improvements, they are experiencing the leading edge of the serious service problems that are the inevitable result of neglecting the need for consistent, timely rehabilitation of their water systems. Customers are understandably displeased when demands for higher rates are accompanied by poor service.

To avoid these kinds of disasters for Pennsylvania's investor-owned utilities, the Commission, in cooperation with the water utility industry and other stakeholders, must take a forward-looking approach and resist the pressure for short-term rate minimization at the cost of long-term rate stability and high quality water service. This can best be accomplished by reappraising traditional cost recovery mechanisms in light of current funding requirements and aggressively seeking out innovative approaches to provide water utilities with the tools they need to deal with the task of making distribution system improvements.

IV. BENEFITS OF THE PROPOSED DSIC

27. There are numerous reasons why approval of the proposed DSIC would advance the public interest. The major benefits are summarized below.

a. Enhanced Service Quality. Establishment of the DSIC would enable the Company to address, in an orderly and comprehensive manner, the problems presented by aging transmission and distribution systems. This work will have a direct effect upon service reliability and water quality. In addition to physical debilitation, in many instances distribution facilities must also be upgraded to provide adequate fire flows. If the work that should be undertaken today is deferred because of financial or other constraints, those problems will only get worse and, ultimately, will jeopardize the Company's ability to provide high quality water service.

b. Accelerated Pace Of Service Improvements. To a very large extent, the kinds of projects eligible for DSIC cost recovery are likely to effect a direct and immediate improvement in the service provided to customers through increased pressures and flows, increased reliability or fewer perturbations in water quality. Approving a mechanism for prompt and reasonable cost recovery for these kinds of projects will give the Company the

financial flexibility to accelerate the pace at which these projects are undertaken and completed.^{5/}

c. Potential Avoidance Of Increased Risk And Higher Capital Costs. When Standard and Poor's tightened the ratings benchmarks for water utilities in the Spring of 1992, it specifically cited the industry's increasing dependence on "nonrevenue-producing assets to meet future and current water needs and mandated water quality standards" and urged regulators to implement "innovative regulatory policy to allow for reasonable financial protection measures" (see discussion supra). Adoption of the DSIC would send a very positive signal to the investment community and, over time, could avoid increased perceptions of risk and higher capital costs. This is particularly important for PAWC in light of the recent decision by Standard and Poor's to downgrade the Company's debt rating from A- to BBB+. A copy of Standard and Poor's most recent credit report explaining the downgrading is attached as Exhibit D.

d. Potential Decrease In The Frequency Of Rate Filings. As the Commission is well aware, the placement in service of new plant additions is one of the major factors driving the need for water utilities to seek increases in base

^{5/} If the Commission desires, the Company would agree to provide periodic reports on the progress of its infrastructure rehabilitation program and document the extent to which that work has been accelerated by reason of the DSIC.

rates. With the approval of the DSIC, PAWC would be in a better position to absorb increases in other categories of costs for a longer period, particularly during times of relatively low inflation. Customers would obviously benefit from the reduction in rate case frequency and the resulting reduction in associated costs. In addition, the DSIC would provide for small, gradual increases and would avoid the potential for "rate shock" that could occur from reflecting large amounts of infrastructure investment in rate base only as part of periodic base rate filings. The avoidance or mitigation of rate shock could be particularly important for low income customers and elderly customers living on a fixed income.

e. Long-Term Viability Of The Water System. As previously explained, the consequences of deferring infrastructure rehabilitation implicate water quality and reliability concerns. If this work is deferred too long, the Company will lose the ability to perform infrastructure rehabilitation in an orderly, gradual manner. At that point, it simply may not be possible to finance all of the work that needs to be done to maintain reasonable service to customers, and the viability of the system would be put in jeopardy. This analysis is not mere hyperbole, as the Commission is aware from the experience of some municipally-owned and investor-owned water utilities in Pennsylvania.

V. THE AUTOMATIC ADJUSTMENT CLAUSE PROVISIONS OF SECTION 1307 MAY LAWFULLY BE EMPLOYED TO RECOVER THE FIXED COSTS OF DSIC-ELIGIBLE PROPERTY

28. Under Section 1307(a) of the Public Utility Code (66 Pa.C.S. §1307(a)), a public utility, subject to certain limited exceptions, ". . . may establish a sliding scale of rates or such other method for the automatic adjustment of the rates of the public utility as shall provide a just and reasonable return on the rate base of such public utility, to be determined upon such equitable or reasonable basis as shall provide such fair return." As discussed infra, the Commission has utilized the discretion provided it under Section 1307(a) to authorize the use of adjustment clauses, similar to the proposed DSIC, to recover a variety of costs.

29. In proposing the DSIC, the Company is mindful of the fact that, in another proceeding, certain parties sought to restrict the use of Section 1307 adjustment clauses to the recovery of fuel expenses and taxes. Investigation Into Demand Side Management By Electric Utilities: UNIFORM COST RECOVERY MECHANISM, 127 PUR4th 516, 522 (1991) (hereafter, the "1991 DSM Order"). In that case, the Commission held that Section 1307(a) is not so restrictive and that it may lawfully be used to recover a variety of costs, including a return on and of utility investments in demand side management measures and improvements

designed to upgrade coal-fired generating units.^{6/} 127 PUR4th at 525. See also Investigation Into Demand Side Management By Electric Utilities: UNIFORM COST RECOVERY MECHANISM, Docket No. I-900005 (December 13, 1993) (Order, p. 39). The Commission's interpretation of Section 1307(a) was affirmed by the Commonwealth Court in Pennsylvania Industrial Energy Coalition v. Pa. P.U.C., 653 A.2d 1336, 1349 (1995) ("PIEC v. Pa. P.U.C."), which held as follows:

Although we agree that Section 1307 should have limited application and the PUC should not use it to disassemble the traditional rate-making process, the General Assembly did not limit the allowance of automatic adjustment to only fuel costs and taxes which are generally beyond the control of the utility. Instead, the General Assembly specifically allowed the recovery of fuel costs and also allowed the PUC or the utilities to initiate the automatic adjustment of costs within specific procedures.^{7/}

^{6/} The Commission's regulations regarding upgrading coal-fired generating units and the use of a Section 1307(a) clause to recover the associated capital costs are set forth at 52 Pa. Code § 57.124 and provide for relief virtually indistinguishable from that requested here.

^{7/} The Commission rejected similar efforts to restrict the use of Section 1307(a) adjustment clauses in Re West Penn Power Co., 76 Pa. P.U.C. 183 (1992) ("West Penn"). In that case, West Penn Power Company sought approval to establish an annual surcharge under Section 1307(a) to recover a return on and of its construction work in progress ("CWIP") expenditures to comply with Phase I of the Clean Air Act Amendments of 1990 ("CAAA"). The Administrative Law Judge recommended that the Commission deny West Penn's request on the grounds that Section 1307 "does not authorize a surcharge for the purpose of a return on rate base." The Commission did not agree with the Judge's interpretation of Section 1307(a): "[W]ith respect to the application of Section 1307(a) to justify a surcharge, we are not swayed

30. In addition to demand side management costs and coal-fired generating unit upgrade costs, the Commission has authorized the use of Section 1307(a) adjustment clauses to recover a wide array of expenses, depreciation and capital costs, including:

- "Take-or-pay" liability of natural gas local distribution companies ("LDCs"). 52 Pa. Code § 69.181.
- "Gas supply realignment costs" and "stranded costs" resulting from FERC Order 636. 52 Pa. Code § 69.341(b).^{8/}
- Principal and interest due on PennVest obligations. 52 Pa. Code § 69.363.^{9/}

31. In view of the foregoing, PAWC respectfully submits that the Commission has the lawful discretion to provide for the

one way or the other that it should or should not apply." 76 Pa. P.U.C. at 203.

^{8/} In that regulation, the Commission also noted that "costs related to new facilities to implement restructuring brought about by FERC Order 636 may be natural gas costs subject to recovery through gas cost rate procedures." 52 Pa. Code § 69.341(b)(4).

^{9/} The Commission's Policy Statement on recovery of PennVest loan obligations was issued after the Commonwealth Court's decision in Masthope Rapids Property Owners Council v. Pa. P.U.C., 135 Pa. Cmwlth. 437, 581 A.2d 994 (1990), which rejected a water utility's attempt to use Section 1307(a) as an after-the-fact justification for a rate increase to cover principal and interest due on a PennVest loan. See 135 Pa. Cmwlth at 443, 581 A.2d at 997-98. In West Penn, the Commission distinguished the Masthope decision and concluded that it could not be viewed as foreclosing the use of Section 1307(a) for the recovery of PennVest principal and interest.

76 Pa. P.U.C. at 203.

recovery of DSIC-eligible costs through a Section 1307(a) clause and should exercise its discretion in this case by approving the Company's request. As noted previously, the costs in question are related to specific, narrow categories of plant additions that are vitally important to the Company's ability to continue to provide safe, reliable water service. Moreover, the need for these plant additions is well-established and, in fact, the Commission has encouraged increased levels of investment in these types of distribution system improvement projects. See Pa. P.U.C. v. Pennsylvania Gas and Water Co., Docket No. R-00922482 (June 23, 1993) (granting a rate increase for the primary purpose of funding distribution system improvements). Additionally, base rate filings -- even if made on an annual basis -- are not adequate to provide timely cost recovery for distribution system improvement investment at the ever increasing levels necessary to address this serious and mounting problem.

32. Simply stated, the only way that unacceptable deferrals of necessary distribution system improvements can be avoided is to provide an alternative to traditional base rate filings that recognizes the Company's need to sustain increased levels of investment. The DSIC is the best available mechanism to deal with this problem.

VI. THE ELEMENTS AND OPERATION OF THE DSIC

33. As explained in Section I, supra, the DSIC will recover the fixed costs, as hereafter defined, of DSIC-eligible plant additions placed in service between base rate cases. As proposed by the Company, the DSIC will become effective for bills rendered on and after July 1, 1996 and will be updated quarterly thereafter.

34. The initial DSIC will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between August 1, 1995 and May 31, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date Of Change</u>	<u>Date To Which DSIC-Eligible Plant Additions Reflected</u>
July 1	May 31
October 1	August 31
January 1	November 30
April 1	February 28/29

35. Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA") and the Office

of Small Business Advocate ("OSBA") at least 10 days prior to the effective date of the update.

36. The fixed costs of DSIC-eligible plant additions will be calculated separately for distribution system improvement projects and Company-funded main extensions, as follows:

a. The fixed costs of distribution system improvement projects will consist of depreciation and pre-tax return. The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of such DSIC-eligible property is recorded. The pre-tax return will be calculated using the state and federal income tax rates and authorized return rates approved by the Commission's final order in PAWC's most recent fully litigated rate case unless, on a pro forma basis, PAWC's capital costs are less than that amount. The pro forma determination will be made using the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC. The cost of equity will be the equity return rate approved in the Company's last fully-litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective

date of the DSIC, then the equity return rate used in the calculation will be the equity return rate approved by the Commission in a final order entered at the conclusion of the most recent fully litigated proceeding for an investor-owned water utility having annual revenues in excess of \$10.0 million.

b. The fixed costs of Company-funded main extensions to be recovered under the DSIC will consist solely of a pre-tax preferred stock and equity return calculated in the same manner as set forth in the preceding subparagraph. Thus, the Company will not seek to recover through the DSIC either depreciation or a return on the debt component of its investment in Company-funded main extensions.

37. The DSIC to be applied to customers' bills will be expressed as a percentage or its decimal equivalent. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue from sales of water for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service. The DSIC will be applied to the total amount billed to each customer, exclusive of amounts billed for public fire protection service. Public fire protection customers will not be subject to the surcharge, because the Company's existing rates for this service cannot be increased by reason of Section 1328 of the Code (66 Pa.C.S. § 1328).

38. The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges, exclusive of revenues derived from public fire protection service.

39. The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the 12 months ending March 31 of each year. Of course, the first reconciliation after the implementation of the DSIC will be for the shorter period from July 1, 1996 to March 31, 1997. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one year period commencing on July 1. Overcollections will be refunded with interest.

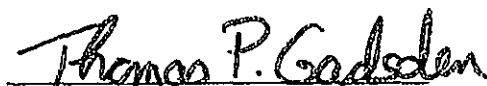
40. The DSIC will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions would be reflected in the quarterly updates of the DSIC.

41. The DSIC would also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Reports show that the Company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC.

VII. CONCLUSION

For the reasons set forth above, the Commission is requested to enter an order granting its approval for PAWC to implement the tariff supplement, attached hereto as Exhibit A, establishing a Distribution System Improvement Charge to be effective for bills rendered on and after July 1, 1996.

Respectfully submitted,



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(215) 963-5234

DATED: March 15, 1996

EXHIBIT A

TARIFF SUPPLEMENT ESTABLISHING
SECTION 1307 DISTRIBUTION
SYSTEM IMPROVEMENT CHARGE

PENNSYLVANIA-AMERICAN WATER CO.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

EXCEPT PUBLIC FIRE PROTECTION

In addition to the net charges provided for in this Tariff, a charge of 1.01% will apply to all service rendered under Rate Zone 1, through Rate Zone 5 and Rate Zone S.

The above charge will be recomputed, using the elements prescribed by the Commission in its order dated _____ at Docket No. _____.

The Company will submit, with such recomputation a Tariff or Supplement to reflect such recomputed charge, the effective date of which shall be 10 days after filing.

Issued: March 15, 1996

Effective: July 1, 1996

EXHIBIT B

SAMPLE CALCULATION OF DSIC
REFLECTING ACTUAL DSIC-ELIGIBLE PLANT
ADDITIONS THROUGH JANUARY 31, 1996 AND PROJECTED
ADDITIONS THROUGH MAY 31, 1996

**PENNSYLVANIA-AMERICAN WATER COMPANY
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
PAGE 1**

DESCRIPTION	SURCHARGE EFFECTIVE 7/1/98
APPLICABLE NET ADDITIONS LESS NEW CUSTOMER EXTENSIONS	6,322,832
LESS:	
ACCUMULATED DEPRECIATION	(85,586)
NET RATE BASE INCLUDED IN DISTRIBUTION SYSTEM IMPROVEMENT CALCULATIONS	6,227,046
ANNUAL REVENUE REQUIREMENT RATE	13.10%
QUARTERLY REVENUE REQUIREMENT RATE	3.28%
APPLICABLE ADDITIONS FOR NEW CUSTOMER EXTENSIONS	11,627,436
LESS:	
ACCUMULATED DEPRECIATION	(88,794)
NET RATE BASE INCLUDED IN DISTRIBUTION SYSTEM IMPROVEMENT CALCULATIONS	11,538,643
ANNUAL REVENUE REQUIREMENT RATE	8.20%
QUARTERLY REVENUE REQUIREMENT RATE	2.05%
QUARTERLY CAPITAL COST RECOVERY	440,789
QUARTERLY DEPRECIATION EXPENSE	48,794
TOTAL QUARTERLY DISTRIBUTION SYSTEM IMPROVEMENT CHARGE REVENUE REQUIREMENT	489,583
 BASE RATE REVENUE TO BE COLLECTED DURING JULY THROUGH SEPTEMBER	 48,531,224
 DISTRIBUTION SYSTEM IMPROVEMENT CHARGE	 1.01%

WEIGHTED COST OF CAPITAL BASED UPON PUC ORDER AT DOCKET NO. R-943231 ENTERED ON JULY 24, 1995

TYPE	AMOUNT (\$000)	CAPITAL STRUCTURE	COST RATE	WEIGHTED AVERAGE COST RATE	REVENUE MULTIPLIER	REVENUE REQUIREMENT
DEBT	3,325,525	57.48%	8.53%	4.90%		4.90%
PREFERRED	18,328	3.24%	7.70%	0.25%	1.75476	0.44%
EQUITY	222,442	39.28%	11.25%	4.42%	1.75476	7.76%
TOTAL	\$566,293	100.00%		9.57%		13.10%

PENNSYLVANIA-AMERICAN WATER COMPANY
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
PAGE 2

BUDGET ITEM	STATE ACCOUNT	DESCRIPTION	ADDITION BREAKDOWN			TOTAL
			1995 ACTUAL AUGUST THROUGH DECEMBER	1996 JANUARY THROUGH MARCH	1996 APRIL THROUGH MAY	
1-B	323	REPLACEMENT SERVICES	\$923,878	383,699	669,096	\$1,976,673
1-C	324	REPLACEMENT METERS	\$680,768	408,432	257,450	\$1,346,650
BP 96-14	322	NEW CUSTOMER EXTENSIONS	\$9,984,103	300,000	1,333,333	\$11,627,436
1-A-5	322	MAIN REPLACEMENTS	\$1,445,973	842,375	992,550	\$3,280,898
BP 96-13	322	REPLACE SMALL DIAMETER MAINS	\$357,000	81,000	486,667	\$924,667
		ESTIMATED ADDITIONS	\$13,401,722	2,015,506	3,739,096	\$19,156,324
		ESTIMATED RETIREMENTS	(\$794,129)	(171,551)	(240,576)	(\$1,206,256)
		NET ADDITIONS	\$12,607,593	1,843,955	3,498,520	\$17,950,068

PENNSYLVANIA-AMERICAN WATER COMPANY
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
PAGE 3

BUDGET ITEM	STATE ACCOUNT	DESCRIPTION	DEPRECIATION RATE	1995 ACTUAL AUGUST THROUGH DECEMBER	1996 JANUARY THROUGH MARCH	1996 APRIL THROUGH MAY	TOTAL
1-B	323	REPLACEMENT SERVICES	1.89%	\$4,614	\$5,272	\$7,759	\$17,645
1-C	324	REPLACEMENT METERS	8.03%	7,659	17,780	24,464	49,903
	322	NEW CUSTOMER EXTENSIONS	1.18%	26,534	29,925	32,334	88,793
1-A-5	322	MAIN REPLACEMENTS	1.18%	3,839	5,508	8,215	17,562
	322	SMALL MAIN REPLACEMENTS	1.18%	948	1,173	2,010	4,131
		APPLICABLE DEPRECIATION EXPENSE		43,594	59,658	74,782	178,033
		CALCULATED ACCUMULATED DEPRECIATION AT QUARTER END		43,594	103,252	178,033	
		PLUS ADDITIONAL HALF QUARTER CHARGE ON CURRENT QUARTER				6,347	
		APPLICABLE ACCUMULATED DEPRECIATION AT QUARTER END		\$43,594	\$103,252	\$184,380	

EXHIBIT C
REVENUE-NEUTRAL DISTRIBUTION SYSTEM
IMPROVEMENT PROJECTS

INFRASTRUCTURE HISTORY

1991-1995

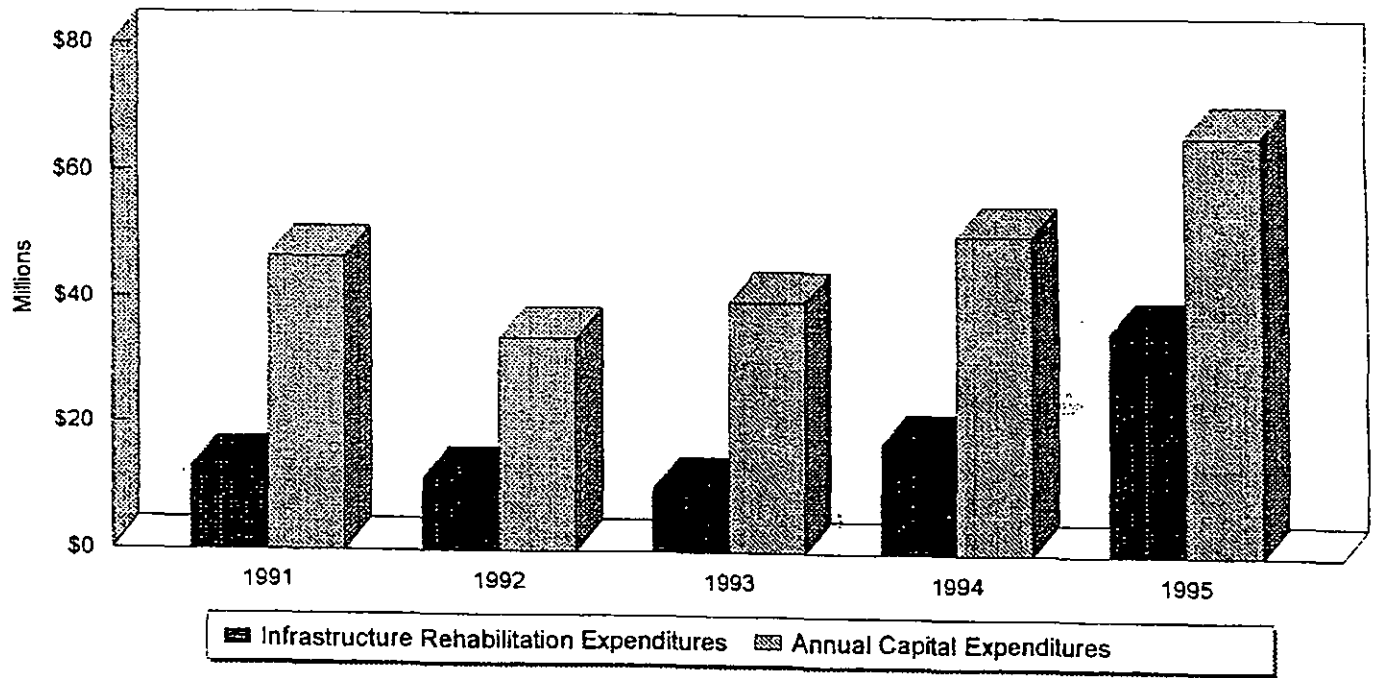


EXHIBIT D

CREDIT REPORT EXPLAINING DOWNGRADE
OF COMPANY'S DEBT RATING

aircraft. Other activities include supplying air traffic control radars, electronic countermeasures, and electronics for undersea applications.

OUTLOOK The firm's good program diversity and priority, coupled with improving operating efficiencies, should support current credit qual-

ity. However, ratings assume that operations will meet healthy financial performance measures over the next three years. Material shortfalls from expectations or debt-financed acquisitions could result in lower ratings.

PENNSYLVANIA-AMERICAN WATER CO.

Analyst: Alberto J. Santos, New York (212) 208-1375

DOWNGRADED

	TO	FROM
Sr. debt	BBB+	A-

OUTLOOK: STABLE

The rating on Pennsylvania-American Water Co.'s (PAWC) senior debt is lowered and removed from CreditWatch, where it was placed April 28, 1995, following PAWC's announcement that it was acquiring the water assets of Pennsylvania Gas & Water (PGW).

The CreditWatch placement reflects the utility's weak financial profile for the former rating, owing to the additional debt used to finance the acquisition of PGW's water assets. In addition, an aggressive capital spending program will be further heightened by the investment needed to modernize the distribution system of PGW. Moreover, management will be challenged to successfully integrate the new facilities with the existing operations.

PAWC's credit rating is strongly influenced by the qualitative and quantitative fundamentals of the parent company. AWW has 23 operating water utilities, of which PAWC is the largest. Management's strategy is to manage the cash flows and cash needs of all subsidiaries in a way such as to maintain a 60% debt leverage.

Upon acquiring the water assets of Pennsylvania Gas & Water, the utility will become the largest investor-owned operating company in the U.S., second only to its parent company in the number of customers served. PAWC's business position reflects the generally low business risk in the water utility industry. Also recognized is the company's dominant position in Pennsylvania, a supportive regulatory environment, a diverse geographic service area, adequate water operations, and 1% projected sales growth. These factors are offset by the utility's weak financial profile and an aggressive capital spending program.

OUTLOOK The outlook reflects PAWC's stable customer base, continued regulatory support, and greater operating efficiency in the expanded water operations. Moreover, management is expected to improve the utility's financial profile and maintain a 60% debt to capital structure.

**PROFIT SHARING & SAVINGS PLAN FOR DARDEN RESTAURANTS INC.
(EMPLOYEE STOCK OWNERSHIP PORTION)
(FORMERLY KNOWN AS THE PROFIT SHARING & SAVINGS PLAN
OF GENERAL MILLS RESTAURANTS INC.)**

*Analysts: Donald Wong, New York (212) 208-1660,
Dawn Hu, New York (212) 208-8008*

DOWNGRADED

	TO	FROM
\$50 mil. remarketed ESOP nts. due 2007	BBB+/A-2	A+/A1

The rating of the Employee Stock Ownership Portion (ESOP) of the Profit Sharing & Savings Plan for Darden Restaurants Inc. (formerly known as the Profit Sharing & Savings Plan of General Mills Restaurants Inc.) is lowered and removed from CreditWatch, where it was placed Dec. 21, 1995.

At the same time, Standard & Poor's removes the rating from CreditWatch, where it was placed Dec. 21, 1995.

The downgrade reflects the substitution of Darden Restaurants for General Mills as the guarantor of these ESOP notes effective Feb. 14, 1996. Darden Restaurants' senior debt rating is 'BBB+' and commercial paper rating is 'A-2'.

Darden Restaurants was spun off from General Mills in May 1995.

EXHIBIT E

NOTICE OF THE FILING OF PETITION FOR
APPROVAL TO IMPLEMENT TARIFF SUPPLEMENT ESTABLISHING
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

Proposed Rate Change

Pennsylvania-American Water Company replaces 25 to 30 miles of older water mains as well as meters, services, valves, and hydrants each year. The costs of replacing these facilities are part of the rates we charge for service.

Over the years, we took all replacement costs, and made them part of rate increase requests before the Pennsylvania Public Utility Commission (PUC). On March 15, 1996, we filed a request with the PUC to allow us to recover the costs of replacing old water mains, meters, fire hydrants and similar improvements as we incur them. If the PUC approves our request, we will place a small charge on each customer's water bill beginning July 1, 1996. The charge, which will initially be \$0.28 for a typical \$28 water bill, could be adjusted every three months as additional improvements are made.

Reducing the delay between making improvements and collecting the costs of these improvements will allow us to replace more of our aging system. This should lead to better water pressure, better water quality, and improved fire flows. It can also lead to more stable costs for water losses and leak repairs.

To find out more, call the customer service number shown on your water bill.

If you wish to give your comments on this charge to the PUC, please do so no later than May 15, 1996 by:

- calling toll free 800-782-1110 or
- writing to PUC, PO Box 3265, Harrisburg, PA 17105-3265.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PENNSYLVANIA-AMERICAN :
WATER COMPANY FOR APPROVAL TO :
IMPLEMENT A TARIFF SUPPLEMENT : Docket No. _____
ESTABLISHING A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

RESPONSES TO FILING REQUIREMENTS

§ 53.52. APPLICABILITY; PUBLIC UTILITIES OTHER THAN
CANAL, TURNPIKE, TUNNEL, BRIDGE AND WHARF COMPANIES

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

(1) The specific reasons for each change.

Refer to the Petition of Pennsylvania-American Water Company For Approval To Implement A Tariff Supplement Establishing A Distribution System Improvement Charge (the "PAWC Petition").

(2) The total number of customers served by the utility.

At December 31, 1995, Pennsylvania-American Water Company ("PAWC" or the "Company") provided water service to 392,147 customers.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

The proposed Distribution System Improvement Charge ("DSIC") will apply to all customers except those accounts receiving public fire protection service. Additionally, the DSIC will not initially apply to customers located in the service territory previously served by the former Pennsylvania Gas & Water Company ("PG&W"), which was acquired by PAWC. Accordingly, as of December 31, 1995, the DSIC would apply to 391,894

customers, consisting of customers in all of the classifications, excluding public fire protection service, shown below:

Residential	359,838
Commercial	28,078
Industrial	605
Municipal	1,809
Sales for Resale	31
Private Fire Protection	1,533
Public Fire Protection	<u>253</u>
Total	392,147

- (4) The effect of the change on the utility's customers.

Refer to the PAWC Petition, Paragraph Nos. 4 and 5 (pp. 3-4) and Exhibit B.

- (5) The direct or indirect effect of the proposed change on the utility's revenue and expenses.

Refer to the PAWC Petition, Paragraph Nos. 4 and 5 (pp. 3-4) and Exhibit B.

- (6) The effect of the change on the service rendered by the utility.

Refer to the PAWC Petition, Paragraph Nos. 2 and 23-27 (pp. 2-3 and 12-18).

- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

Refer to the PAWC Petition.

- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a

portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.

The PAWC Petition contains a description of the factors considered by the Company in designing the proposed DSIC, including the results of studies conducted by others (see Paragraph No. 24).

- (9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

No customer polls were conducted.

- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Notice of the filing of the PAWC Petition is being provided to all customers by bill insert (see Paragraph No. 42 and Exhibit E).

- (11) FCC, FERC or Commission orders or rulings applicable to the filing.

Refer to Section V. of the PAWC Petition.

- (b) Whenever a public utility other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revisions or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reasons for each increase or decrease.

Refer to the PAWC Petition, which provides a detailed explanation of the reasons why the Company is requesting approval to implement the DSIC.

- (2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and sewer utilities with annual revenues under \$100,000 and municipal

corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.

An operating income statement for the twelve months ending December 31, 1995 is attached as Exhibit A.

- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Refer to the response to § 53.52(a)(3).

- (4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

Based upon the calculation of the initial DSIC set forth in Exhibit B to the PAWC Petition, the total increase projected on an annual basis, by customer classification, is shown below:

Residential	\$1,215,171
Commercial	341,995
Industrial	142,245
Municipal	85,684
Sales for Resale	22,357
Private Fire Protection	15,589
Public Fire Protection	-0-

As explained in Paragraph No. 4 of the PAWC Petition, based on the calculations in Exhibit B to the Petition, the DSIC would increase an average residential customer's monthly bill by 28 cents.

- (5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

No customers will receive a decrease.

- (6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Not applicable.

- (c) If a public utility files a tariff, revision or supplement which it is calculated will increase the bills of a customer or a group of customers by an amount, when projected to an

annual basis, exceeding 3.0% of the operating revenues of the utility -- subsection (b)(4) divided by the operating revenues of the utility for a 12-month period as defined in subsection (b)(2) -- or which it is calculated will increase the bills of 5.0% or more of the number of customers served by the utility -- subsection (b)(3) divided by subsection (a)(2) -- it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by subsections (a) and (b), all of the following information:

- (1) A statement showing the utility's calculation of the rate of return earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost.

Refer to the data supplied in Exhibits A and B. A detailed calculation of the Company's rate of return will be supplied as part of its Annual Report for 1995 to be filed with the Commission on or before April 30, 1996. Upon filing, the Company's Annual Report will be incorporated herein by reference.

- (2) A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).

A balance sheet as of December 31, 1995 is attached as Exhibit B.

- (3) A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).

A summary of the original cost of utility plant in service at December 31, 1995 is provided in Exhibit C.

- (4) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).

Refer to the data supplied in Exhibit B.

- (5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).

Refer to the income statement supplied as Exhibit A. A statement of operating expenses by detailed account for the twelve months ended December 31, 1995 will be supplied in the Company's Annual Report for 1995, which, upon filing, will be incorporated herein by reference.

- (6) A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1)-(5).

As noted in the PAWC Petition, PAWC acquired the water utility business of PG&W as of February 16, 1996. As explained in Paragraph No. 1 of the Petition, the DSIC will not apply initially to customers in the former PG&W service area, and data used to calculate the initial DSIC exclude the effects of that acquisition.

EXHIBIT A
INCOME STATEMENT

200C. INCOME ACCOUNT

1. Classify in Columns (e) to (n), lines 1 to 14, the operating income derived by respondent from each class of utility service, listing the services according to their predominance.
2. If respondent's operations are confined to one utility service, only the total column (c) and (d) need be completed.
3. If the increases or decreases are anywise inconsistent with previously reported figures, explain in a footnote.

Line No.	Account (a)	Sched. Page Ref. (b)	- TOTAL		WATER	
			Current Year (c)	Increase or Decrease From Preceding Year (d)	Current Year (e)	Increase or Decrease From Preceding Year (f)
1	OPERATING INCOME					
2	501 Operating Revenues		180,947,927	8,329,109	180,438,420	7,819,602
3	Operating Revenue Deductions			0		
4	502 Operating Expenses		84,309,952	1,655,560	83,915,176	1,260,784
5	503.1 Depreciation		18,964,910	2,476,027	18,924,812	2,435,929
6	503.2 Amort. & Dep. Prod. Nat. Gas Ld. & Rght*		0	0		
7	504 Amort. of Regulatory Asset		61,548	0	61,548	
8	505 Amort. of Utility Plant Acquisition Adj.		0	0		
9	506 Property Losses Charged to Operations		0	0		
10	507 Taxes*	403	25,765,312	1,203,444	25,765,312	1,203,444
11	Total Operating Revenue Deductions		129,101,722	5,335,031	128,666,848	4,900,157
12	Net Operating Revenues		51,846,205	2,994,078	51,771,572	2,919,445
13	508 Income from Util. Plant Lsd. to Oths.	301				0
14	Utility Operating Income		51,846,205	2,994,078	51,771,572	2,919,445
15	EXPLORATION AND DEVELOPMENT COSTS*					
16	510 Delay Rentals					
17	511 Non-Prod. Well Drilling Expenses					
18	512 Abandoned Leases	715				
19	513 Other Exploration Costs	711				
20	Total Exploration & Dev. Costs		0	0		
21	Net Utility Income		51,846,205	2,994,078	51,771,572	2,919,445
22	OTHER INCOME					
23	520 Income from Mdsing. Job. & Contract Work	302	51,536	(3,480)	51,536	(3,480)
24	521 Income from Non-Utility Oper.	303	0			0
25	522 Revenues from Lease of Oth. Phy. Property	303	0			0
26	523 Dividend Revenues		0			0
27	524 Interest Revenues		0	(63,108)		(63,108)
28	525 Revenue from Sinking and Other Funds	303	0			0
29	526 Miscellaneous Non-Operating Revenues	303	98,016	(141,848)	98,016	(141,848)
30	527 Non-Operating Revenue Deductions	303	36,702	(372,535)	36,702	(372,535)
31	Total Other Income		186,254	(580,971)	186,254	(580,971)
32	Gross Income		52,032,459	2,413,107	51,957,826	2,338,474
33	INCOME DEDUCTIONS					
34	530 Interest on Long-Term Debt		26,352,518	194,379	26,352,518	194,379
35	531 Amortization of Debt Discount & Expenses		220,273	(228)	220,273	(228)
36	532 Amort. of Premium on Debt - - Credit		0			0
37	533 Taxes	403	(1,637)	(320,543)	(1,637)	(320,543)
38	534 Interest on Debt to Affiliated Cos.	304	0			0
39	535 Other Interest Charges	304	1,667,950	1,398,046	1,667,950	1,398,046
40	536 Int. Charged to Constr. - - Credit		(861,543)	(256,813)	(861,543)	(256,813)
41	537 Miscellaneous Amortization	304	(270,360)	(274,211)	(270,360)	(274,211)
42	538 Miscellaneous Income Deductions	304	131,056	(42,588)	131,056	(42,588)
43	Total Income Deductions		27,238,257	698,042	27,238,257	698,042
44	Net Income		24,794,202	1,715,065	24,719,569	1,640,432
45	DISPOSITION OF NET INCOME					
46	540 Miscellaneous Reservation of Net Income	304				
47	Balance Transferred to Earned Surplus		24,794,202	1,715,065	24,719,569	1,640,432

*Applicable to natural gas only.

200C. INCOME ACCOUNT (continued)

SEWER								
Line No.	Current Year (g)	Increase or Decrease From Preceding Year (h)	Current Year (i)	Increase or Decrease From Preceding Year (j)	Current Year (k)	Increase or Decrease From Preceding Year (l)	Current Year (m)	Increase or Decrease From Preceding Year (n)
1								
2	509,507	509,507						
3								
4	394,776	394,776						
5	40,098	40,098						
6								
7								
8								
9								
10								
11	434,874	434,874						
12	74,633	74,633						
13								
14	74,633	74,633						

EXHIBIT B
BALANCE SHEET

**200. COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS**

Balances at Beginning of Year must be consistent with balances at end of previous year.

Line No.	Title of Account (a)	Sched. Page No. (b)	Balance Beginning of Yr. (c)	Balance End Of Year (d)	Increase/ Decrease (e)
1	UTILITY PLANT		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
2	100 Utility Plant	203	740,824,007.79	817,894,777.34	77,270,769.55
3	107 Utility Plant Adjustments	202			0.00
4	Total Utility Plant		740,824,007.79	817,894,777.34	77,270,769.55
5	INVESTMENT AND FUND ACCOUNTS		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
6	110 Other Physical Property		1,264,808.45	1,054,307.87	(210,500.58)
7	111 Investments in Affiliated Companies	208			0.00
8	112 Other Investments	208	0.00		0.00
9	113 Sinking Funds				0.00
10	114 Miscellaneous Special Funds				0.00
11	Total Investment and Fund Accounts		1,264,808.45	1,054,307.87	(210,500.58)
12	CURRENT AND ACCRUED ASSETS		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
13	120 Cash		(0.00)	(0.00)	0.00
14	121 Special Deposits		73,500.00	111,850.00	38,350.00
15	122 Working Funds		114,285.00	14,505.94	(99,779.06)
16	123 Temporary Cash Investments	208	0.00		0.00
17	124 Notes Receivable	209			0.00
18	125 Accounts Receivable	209	13,486,047.99	15,680,956.83	2,194,908.84
19	126 Receivables from Affiliated Companies	209 - 10	66,288.27	12,886.57	(53,401.70)
20	127 Subscriptions to Capital Stock				0.00
21	128 Interest and Dividends Receivable		0.00		0.00
22	129 Rents Receivable				0.00
23	130 Accrued Utility Revenues		9,294,544.00	9,156,363.40	(138,180.60)
24	131 Materials and Supplies	211	1,284,206.90	1,371,712.50	87,505.60
25	132 Prepayments		1,440,345.00	1,261,898.50	(178,446.50)
26	133 Other Current and Accrued Assets		2,494,724.48	2,581,920.45	87,195.97
27	134 Gas Stored Underground*	212A			0.00
28	Total Current and Accrued Assets		28,253,941.64	30,192,094.19	1,938,152.55
29	DEFERRED DEBITS		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
30	140 Unamortized Debt Discount and Exp.	213	1,839,368.45	1,763,745.74	(75,622.71)
31	141 Extraordinary Property Losses	214			0.00
32	142. 1 Prel. Natural Gas Surv. & Inv. Chrg.*	214			0.00
33	142. 2 Other Prel. Surv. & Investgat. Chrg. #	214			0.00
34	143 Clearing Accounts	215			0.00
35	144 Retirement Work in Progress	215	279,189.88	404,757.61	125,567.75
36	145 Other Work in Progress		15,410.55	34,538.37	19,127.82
37	146 Other Deferred Debits	216	101,777,951.53	99,618,370.37	(2,159,581.16)
38	Total Deferred Debits		103,911,920.39	101,821,412.09	(2,090,508.30)
39	CAPITAL STOCK DISCOUNT AND EXPENSES		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
40	150 Discount on Capital Stock				0.00
41	151 Capital Stock Expense		116,754.86	108,562.27	(8,192.59)
42	Total Capital Stock Discount & Expenses		116,754.86	108,562.27	(8,192.59)
43	REACQUIRED SECURITIES		XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
44	152 Reacquired Capital Stock	218	0.00	0.00	0.00
45	153 Reacquired Long-term Debt	219			
46	Total Reacquired Securities				
47	TOTAL ASSETS AND OTHER DEBITS		874,171,433.13	951,071,153.78	76,899,720.63

*Applicable to natural gas utilities only

**200. COMPARATIVE BALANCE SHEET
LIABILITIES AND OTHER CREDITS**

Balances at Beginning of Year must be consistent with balances at end of previous year

Line No.	Account Title (a)	Sched. Page No.(b)	Balance Beginning of Year (c)	Balance End of Year (d)	Increase/ Decrease (e)
1	CAPITAL STOCK		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
2	200 Common Capital Stock	218	19,548,199.00	21,506,886.50	1,958,687.50
3	201 Preferred Capital Stock	218	18,499,100.00	18,267,000.00	(232,100.00)
4	202 Stock Liability for Conversion				0.00
5	203 Premiums and Assessments on Capital Stock		68,661,299.54	86,702,612.04	18,041,312.50
6	204 Capital Stock Subscribed				0.00
7	205 Installments Received on Capital Stock				0.00
8	Total Capital Stock		106,708,598.54	126,476,498.54	19,767,900.00
9	LONG-TERM DEBT		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
10	210 Bonds	219	285,520,000.00	299,510,000.00	13,990,000.00
11	211 Receivers' Certificates	219			0.00
12	212 Advances from Affiliated Companies	220			0.00
13	213 Miscellaneous Long-Term Debt	219			0.00
14	Total Long-Term Debt		285,520,000.00	299,510,000.00	13,990,000.00
15	CURRENT AND ACCRUED LIABILITIES		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
16	220 Notes Payable		19,121,279.00	34,098,964.00	14,977,685.00
17	222 Current Portion of Long-Term Debt		16,010,000.00	10,010,000.00	(6,000,000.00)
18	222 Accounts Payable		7,726,526.39	7,496,666.16	(229,860.23)
19	223 Payable to Affiliated Companies	220-1	34,352.66	341,062.89	306,710.23
20	224 Dividends Declared	206	354,785.05	348,810.85	(5,974.20)
21	225 Matured Long-Term Debt				0.00
22	226 Matured Interest				0.00
23	227 Customers' Deposits		1,173.25	1,173.25	0.00
24	228 Taxes Accrued	222-3	1,062,955.83	107,230.43	(955,725.40)
25	229 Interest Accrued		7,248,684.61	7,064,987.97	(181,696.64)
26	230 Other Current and Accrued Liabilities		5,601,035.35	5,246,227.58	(354,807.77)
27	Total Current and Accrued Liabilities		57,158,792.14	64,715,123.13	7,556,330.99
28	DEFERRED CREDITS		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
29	258 Deferred Income Taxes		118,202,412.00	120,942,979.00	2,740,567.00
30	241 Customers' Advances for Construction	226	41,871,106.67	43,929,026.37	2,057,919.70
31	242 Other Deferred Credits	226	17,741,589.51	16,199,932.56	(1,541,656.95)
32	242 Investment Tax Credit		10,278,004.00	10,044,412.00	(233,592.00)
33	RESERVES		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
34	250.1 Reserve for Depreciation of Utility Plant #1	203	95,000,404.36	112,838,980.85	17,838,576.49
35	250.2 Res. for Amort. & Depl. Prod. Nat. Gas	203			0.00
36	250.3 Reserve for Abandoned Leases*	203			0.00
37	251 Res. for Amort. of Other Limited-Term Ut. Invest.#		3,420.61	3,420.61	0.00
38	252 Res. for Amort. of Ut. Plant Acq. Adj.				0.00
39	253 Res. for Dep. and Amort. of Other Prop.		271,522.28	196,571.42	(74,950.86)
40	254 Reserve for Uncollectible Accounts	226	181,131.98	150,390.13	(30,741.85)
41	255 Insurance Reserve	227			0.00
42	256 Injuries and Damages Reserve	227			0.00
43	257 Employees' Provident Reserve	227			0.00
44	258 Other Reserves	227			0.00
45	Total Reserves		95,456,479.23	113,189,363.01	17,732,883.78
46	CONTRIBUTIONS IN AID OF CONSTRUCTION		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
47	265 Contributions in Aid of Construction	228	32,551,900.12	41,342,663.64	8,790,763.52
48	SURPLUS		XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
49	270 Capital Surplus	228	7,452,325.88	7,452,325.88	0.00
50	271 Earned Surplus	207	101,230,225.04	107,268,809.63	6,038,584.59
51	Total Surplus		108,682,550.92	114,721,135.51	6,038,584.59
52	TOTAL LIABILITIES AND OTHER CREDITS		874,171,433.13	951,071,153.76	76,899,720.63

800. WATER PLANT IN SERVICE (Account 100-1)

1. Report by prescribed accounts the original cost of water plant in service and the additions and retirements of such plant during the year.
2. Do not include as adjustments, corrections of additions and retirements for the current or preceding year. Such items should be included in appropriate column (c) or (d).
3. Credit adjustments in column (e) should be shown in red, or in black enclosed in parenthesis. *State in a footnote the general character of any adjustments in column (e).
4. Submit, in a footnote, an explanation of amounts included in columns (c) and/or (d), line 45 for lowering or changing the location of mains.

Line No.	Account (a)	Balance Begin of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Balance End of Year (f)
1	I. INTANGIBLE PLANT	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
2	301 Organization	230,987	0	0	0	230,987
3	302 Franchises and consents	234,273	318,509	0	0	550,782
4	303 Miscellaneous intangible plant	56,181	1,372,978	0	0	1,429,159
5	Total intangible plant	521,441	1,689,487	0	0	2,210,928
6	II. TANGIBLE PLANT	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
7	311 Land and Land Rights	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
8	311.1 Source of supply land and water rights	0	0	0	0	0
9	311.11 Water rights	291,470	0	0	0	291,470
10	311.12 Reservoir land	202,415	0	0	0	202,415
11	311.13 Other source of supply land	406,213	27,263	7,975	0	425,501
12	311.2 Power and pumping land	574,274	65,053	41,496	0	597,831
13	311.3 Purification land	1,060,909	81,415	0	0	1,142,324
14	311.4 Transm. & dist. land and rights of way	3,391,935	115,945	863	0	3,507,017
15	311.5 Distribution res. and standpipe land	601,930	37,086	0	0	639,016
16	311.6 General land	0	0	0	0	0
17	311.61 Office land	1,293,572	0	3,161	0	1,290,411
18	311.62 Stores, shop and garage land	423,983	0	0	0	423,983
19	311.63 Miscellaneous land	0	0	0	0	0
20	Total Land and Land Rights	8,246,701	326,762	53,495	0	8,519,968
21	312 Structures and improvements	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
22	312.1 Source of supply structures	0	0	0	0	0
23	312.11 Collecting and impounding reservoirs	5,531,922	1,890,756	15,551	0	7,407,127
24	312.12 Lake, river and other intakes	3,965,878	1,968,446	6,427	0	5,927,897
25	312.13 Wells and springs	2,525,880	203,814	14,702	0	2,714,992
26	312.14 Infiltration galleries and tunnels	0	0	0	0	0
27	312.15 Other water source structures	703,230	137,132	14	0	840,348
28	312.2 Power and pumping structures	11,022,066	2,232,079	63,881	0	13,190,264
29	312.3 Purification buildings	40,090,785	2,681,956	417,728	0	42,355,013
30	312.5 Distribution reservoirs and standpipes	25,907,204	1,063,958	172,178	0	26,798,986
31	312.6 General structures and improvements	0	0	0	0	0
32	312.61 Office Buildings	12,875,857	259,365	97,179	0	13,038,043
33	312.62 Stores, shop and garage buildings	7,237,084	35,413	12,929	0	7,259,568
34	312.63 Misc. structures and improvements	125,674	0	0	0	125,674
35	Total Structures and Improvements	109,985,580	10,472,919	800,587	0	119,657,912

800. WATER PLANT IN SERVICE (Account 100.1) (Continued)

Line No.	Account (a)	Balance Begin of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Balance End of Year (f)
36	313 Boiler plant equipment	0	0	0	0	0
37	314 Other power production equipment	257,096	0	0	0	257,096
38	315 Steam pumping equipment	0	0	0	0	0
39	316 Electric pumping equipment	22,336,670	3,236,983	352,305	0	25,221,348
40	317 Oil engine pumping equipment	320,682	922	1,795	0	319,809
41	318 Hydraulic pumping equipment	0	0	0	0	0
42	319 Other power pumping equipment	14,855	0	0	0	14,855
43	320 Purification system	99,147,364	9,185,442	1,311,743	0	107,021,063
44	321 Laboratory equipment	1,774,997	269,613	29,312	0	2,015,298
45	322 Mains and accessories	330,909,706	43,102,098	491,515	0	373,520,289
46	323 Services	77,396,760	10,976,493	329,444	0	88,043,809
47	324 Meters	34,164,070	3,781,384	489,273	0	37,456,181
48	325 Fire hydrants	13,804,212	1,263,219	46,201	0	15,021,230
49	326 Other fire protection plant	0	0	0	0	0
50	327 Fountains and basins	0	0	0	0	0
51	328 Office furniture and equipment	12,365,096	1,074,728	78,707	0	13,361,117
52	329 Transportation equipment	98,446	120,439	259	0	218,626
53	330 Stores equipment	222,389	0	1,104	0	221,285
54	331 Shop equipment	0	0	0	0	0
55	332 Tools and work equipment	4,033,670	354,179	42,209	0	4,345,660
56	333 Communication equipment	847,820	617,302	21,801	0	1,443,321
57	334 Miscellaneous equipment	2,527,807	247,920	27,058	0	2,748,669
58	335 Other tangible property	0	0	0	0	0
59	Total Tangible Plant	718,453,921	85,030,403	4,076,888	0	799,407,435
60	Total Water Plant in Service	718,975,362	86,719,890	4,076,888	0	801,618,363

D



Pennsylvania-American Water Company

800 West Hershey Park Drive • P.O. Box 088 • Hershey, PA 17033-0088

(717) 533-5000

March 22, 1996

RECEIVED

MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

HAND DELIVERED

John Alford, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room B-18
P.O. Box 3265
Harrisburg, PA 17120

Re: Petition of Pennsylvania-American Water Company
For Approval To Implement A Tariff Supplement
Establishing A Distribution System Improvement Charge

Dear Secretary Alford:

Pennsylvania-American Water Company filed the above mentioned petition on March 15, 1996. Exhibit A contained one page of the Company's tariff concerning the Distribution System Improvement Charge. After discussion with Commission personnel, it was recommended that an entire tariff supplement accompany the petition. Enclosed please find Exhibit A (Revised) to be included in the Company's original petition.

If you have any questions, please let me know.

Sincerely,

Robert L. Robowski
Director of Rates & Revenue

RLR/ptd

Attachments

cc: Certificate of Service



BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PETITION OF PENNSYLVANIA-AMERICAN :
WATER COMPANY FOR APPROVAL TO :
IMPLEMENT A TARIFF SUPPLEMENT : Docket No. _____
ESTABLISHING A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

CERTIFICATE OF SERVICE

I hereby certify that I have, this 22nd day of March, 1996, served a true and correct copy of the aforementioned Exhibit A (Revised) in the manner indicated below:

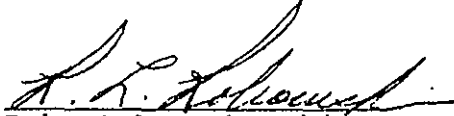
BY HAND DELIVERY

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Bernard A. Ryan, Esq.
Small Business Advocate
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17120

DATED: March 22, 1996


Robert L. Robowski
Director of Rates
and Revenues

DRAFT

Supplement No. to
Tariff Water-PA P.U.C. No. 4

PENNSYLVANIA-AMERICAN WATER COMPANY
(Hereinafter referred to as the "Company")

RATES AND RULES

GOVERNING THE DISTRIBUTION AND SALE OF WATER
IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED
THERE TO IN ALLEGHENY, ARMSTRONG, BEAVER, BUCKS, BUTLER,
CENTRE, CLARION, CLEARFIELD, COLUMBIA, CUMBERLAND,
DAUPHIN, FAYETTE, INDIANA, JEFFERSON, LACKAWANNA,
LAWRENCE, LEBANON, LUZERNE, MCKEAN, MONROE, MONTGOMERY,
NORTHAMPTON, NORTHUMBERLAND, PIKE, SCHUYLKILL, SUSQUEHANNA,
UNION, WASHINGTON, WARREN, WAYNE, AND YORK COUNTIES.

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

This Tariff establishes a Distribution System Improvement Charge in accordance with Section 1307(a) of the Pennsylvania Public Utility Code.

Issued:

Effective:

BY: R. M. Ross, President
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff establishes a Distribution System Improvement Charge.

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

Issued:

Effective:

PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

Supplement No. to
Tariff Water Pa. P.U.C. No. 4
Second Revised Page No. 12B
Canceling First Revised Page No. 12B

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

EXCEPT PUBLIC FIRE PROTECTION

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to all service rendered under Rate Zone 1, through Rate Zone 5 and Rate Zone S.

The above charge will be recomputed, using the elements prescribed by the Commission in its order dated _____ at Docket No. _____.

The Company will submit, with such recomputations a Tariff or Supplement to reflect such recomputed charge, the effective date of which shall be 10 days after filing.

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PENNSYLVANIA-AMERICAN WATER COMPANY

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

1. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service between base rate cases and to provide the Company the resources to accelerate the replacement of aging water distribution infrastructure, comply with evolving regulatory requirements imposed by the Safe Drinking Water Act, develop and implement solutions to regional water supply problems and participate in the costs of extending facilities to serve new customers.

Effective: The DSIC will become effective for bills rendered on and after July 1, 1996.

Calculation: The initial charge will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between August 1, 1995 and May 31, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date To Which DSIC-Eligible Plant Additions Reflected</u>
July 1	May 31
October 1	August 31
January 1	November 30
April 1	February 28/29

The fixed costs of distribution system improvement projects will consist of depreciation and pre-tax return. The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded. The pre-tax return will be calculated using the state and federal income tax rates and authorized return rates approved by the Commission's final order in PAWC's most recent fully litigated rate case unless, on a pro forma basis, PAWC's capital costs were less than that amount. The pro forma determination will be made using the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC. The cost of equity will be the equity return rate approved in the Company's last fully-litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate approved by the Commission in a final order entered at the conclusion of the most recent fully litigated proceeding for an investor-owned water utility having annual revenues in excess of \$10.0 million.

Issued:

Effective:

PENNSYLVANIA-AMERICAN WATER COMPANY

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

(C)

The fixed costs of Company-funded main extensions to be recovered under the DSIC will consist solely of a pre-tax preferred stock and equity return. Thus, the Company will not seek to recover through the DSIC either depreciation or a return on the debt component of its investment in Company-funded main extensions.

The charge will be expressed as a percentage and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service.

2. Formula

$$\frac{[(DSI \times PTRR) + Dep] + (CFME \times PTRR) + e}{PQR}$$

Where:

- DSI = the original cost of eligible distribution system improvements projects.
- PTRR = The pre-tax return rate applicable to eligible distribution system improvements projects.
- Dep = Depreciation expense related to eligible distribution system improvement projects.
- CFME = The Company's investment in Company-funded main extensions.
- PTRR[~] = The pre-tax return rate applicable to Company-funded main extensions.
- e = The amount calculated under the annual reconciliation feature as described in Section 3, below.
- PQR = Projected quarterly revenue

Supporting Data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

PENNSYLVANIA-AMERICAN WATER COMPANY

3. Safeguards

Cap: The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the 12 months ending March 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one year period commencing on July 1. Overcollections will be refunded with interest.

New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions would be reflected in the quarterly updates of the DSIC.

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Reports show that the Company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC.

E



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

MAR 08 1999

IN REPLY PLEASE
REFER TO OUR FILE

March 5, 1999

MR ROBERT W FREESTON
VP - COMPTROLLER
PENNSYLVANIA AMERICAN WATER COMPANY
800 WEST HERSHEY PARK DRIVE
HERSHEY, PA 17033

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MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKET NO. D-97S023

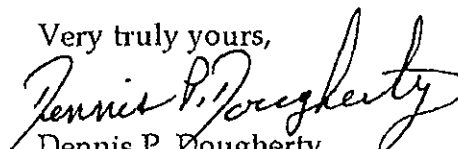
Dear Mr. Freeston:

We have completed our examination of Pennsylvania American Water Company's Distribution System Improvement Charge (DSIC) activity for the year ended December 31, 1997. Our examination was conducted pursuant to Title 66 Pennsylvania Consolidated Statutes (66 Pa. C.S.) § 506 and the provisions of the Commission approved DSIC tariff.

It is the policy of the Public Utility Commission, Bureau of Audits, to conduct an audit review conference with appropriate personnel of entities which have been examined by our representatives prior to issuance of our report. The purpose of our conference is to review with you and appropriate members of your staff our findings and recommendations and also to eliminate any misunderstandings that may arise.

We are enclosing a copy of the draft report for your review prior to the exit conference. The draft report is to be returned to the PUC staff members at the conclusion of the exit conference. After you review the report, please contact John Crawford of this office at (717) 772-0302 within two weeks so that an exit conference can be arranged.

Very truly yours,


Dennis P. Dougherty
Audit Supervisor

DPD/js

Enclosure

cc: J. T. Crawford
J. G Malloy
C. Gilbert

PA-AMERICAN WATER COMPANY

A REPORT ON THE DISTRIBUTION SYSTEM
IMPROVEMENT CHARGE

FOR THE YEAR ENDED DECEMBER 31, 1997

Prepared For The Public Utility Commission

By The Bureau of Audits

PA-AMERICAN WATER COMPANY

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FINANCIAL REVIEW



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

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AUDITOR'S REPORT

To The Public Utility Commission

We have audited the Statement of Distribution System Improvement Charge (DSIC) Eligible Project Additions of the PA-American Water Company for the year ended December 31, 1997, and the Statement of Over/Under Collections (Section 1307(e)) for the year ended December 31, 1997. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements referred to above. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statements were presented for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the accompanying statements of PA-American Water Company present fairly, in all material respects, the cost of DSIC-eligible property additions and the over/under collection resulting from its application of the DSIC in accordance with the provisions of its Schedule of Rates approved by the Pennsylvania Public Utility Commission.

Glenn W. Bartron, CPA
Director of Audits

Harrisburg, Pennsylvania

PA-AMERICAN WATER COMPANY

Statement of Distribution System Improvement Charge (DSIC)
Eligible Property and Related DSIC Billed (Note 1)
For The Year Ended December 31, 1997

	DSIC Eligible Property <u>(Note 2)</u>	DSIC Billed <u>(Note 3)</u>
September 1996	\$ 984,010	0.00%
October	1,147,754	0.00%
November	664,971	0.00%
December	2,684,492	0.00%
January 1997	643,695	0.22%
February	493,923	0.22%
March	320,884	0.22%
April	794,983	0.55%
May	728,181	0.55%
June	740,819	0.55%
July	1,091,997	0.64%
August	629,387	0.64%
September	0	0.64%
October	0	0.85%
November	0	0.85%
December	<u>0</u>	0.85%
Total	<u>\$ 10,925,096</u>	

Components of DSIC Eligible Property

Mains	\$7,151,376
Services	2,142,966
Meters	1,109,580
Hydrants	<u>521,174</u>
Total	<u>\$10,925,096</u>

Notes to the Financial Statements are an integral part of this report.

PA-AMERICAN WATER COMPANY

Statement of Over/Under Collections (Section 1307(e))
For The Year Ended December 31, 1997

<u>Month</u>	DSIC Revenue Collected <u>Note 4</u>	Capital Costs & Depreciation Expense Authorized <u>(Note 5)</u>	Over/ (Under) Collections <u>(Note 6)</u>
January 1997	\$ 31,825	\$ 31,542	\$ 283
February	31,803	31,542	261
March	30,532	31,543	(1,011)
April	78,130	82,182	(4,052)
May	78,996	82,182	(3,186)
June	84,734	82,183	2,551
July	104,103	105,505	(1,402)
August	107,189	105,505	1,684
September	98,512	105,505	(6,993)
October	14,733	12,751	1,982
November	0	0	0
December	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 660,557</u>	<u>\$670,440</u>	<u>\$ (9,883)</u>

Notes to the Financial Statements are an integral part of this report.

PA-AMERICAN WATER COMPANY

Notes To The Financial Statements

1 - Distribution System Improvement Charge

On August 26, 1996, the Commission, at Docket No. P-00961036 approved PA-American Water Company's request for a Distribution System Improvement Charge Rate (DSIC). The purpose of the DSIC Surcharge is to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in individual accounts between base rate cases. The intent is to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act, and to develop and implement solutions to regional water supply problems. Depreciation expense is calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded. Pre-tax return is calculated using the state and federal income tax rates, the Company's actual capital structure, and actual cost rates for long-term debt and preferred stock as of the last day of the three month period ending one month prior to the effective date of the DSIC and updates. The cost of equity is the equity return rate approved in the Company's last fully litigated base rate case. The Quarterly DSIC rate became effective January 1, 1997 and applies to all service excluding public fire hydrants. During 1997, the DSIC was not applicable to the customers of the former Pennsylvania Gas and Water Company.

2 - Distribution System Improvement Charge Eligible Property

The DSIC-eligible property consists of the following:

- a. Services (Account 323), meters (Account 324) and hydrants (Account 325) installed as in-kind replacements for customers;
- b. Mains and valves (Account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- c. Main extensions (Account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or the acquired company;
- d. Main cleaning and relining (Account 322) projects;

- e. Unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations (Account 322).

Any Company projects receiving PENNVEST funding are not DSIC-eligible property.

The amounts shown on this statement are as reported by the Company in the DSIC filing.

3 - Distribution System Improvement Charge Billed

The DSIC is to be expressed as a percentage carried to two decimal places and is applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To reflect subsequent capital expenditures, the Company is permitted to request approval from the Commission for quarterly DSIC rate adjustments. The DSIC is to be capped at 5% of the amount billed to customers under otherwise applicable rates and charges. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC is divided by the Company's projected applicable revenue for sales of water for the quarterly period during which the charge is in effect. The DSIC is to be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that theretofore had been recovered under the DSIC. Thereafter, only fixed costs of new eligible plant additions not previously reflected in the Company's rate base will be reflected in the quarterly DSIC updates.

A summary of the Company's Quarterly DSIC filings include the following:

DSIC Effective 1-1-97	.22%
DSIC Effective 4-1-97	.55%
DSIC Effective 7-1-97	.64%
DSIC Effective 10-1-97	.85%
DSIC Effective 10-3-97 (10-3-97 Rate Settlement)	0.00%

4 - Distribution System Improvement Charge Revenue Collected

Distribution System Improvement Charge revenue is derived by multiplying the respective quarterly DSIC rate by the applicable portion of the total amount billed to each customer (excluding public fire protection service customers) exclusive of any STAS in effect.

5 - DSIC Eligible Project Capital Costs and Depreciation Expense Authorized

DSIC Eligible Project Capital Costs and Depreciation Expense Authorized are the total recoverable capital costs and depreciation expenses (Note 2) in excess of the amounts recoverable by the company through base rates included in its approved tariff.

6 - Over/Under Collections

Over/Under Collections are the difference between the DSIC revenues and the DSIC eligible project capital costs and depreciation expenditures authorized. The resulting amount represents the portion of capital costs and depreciation expenditures that are either refundable, with interest, or recoverable by the Company. Over/(Under) collections for the twelve months ending December 31 of each year are reported to the Commission on Statement 1307(e) and are included in subsequent DSIC computations over a one year period commencing on April 1 of each year.

The statement included in this report is the 1307(e) statement filed by the Company and approved by the Commission, and does not include any audit adjustments.

OPERATIONAL REVIEW

BACKGROUND

The background information was developed substantially from information and documentation made available by Pennsylvania American Water Company and is provided solely for informational purposes.

Pennsylvania-American Water Company (PAWC) is the largest regulated water utility in the state. It is a wholly-owned subsidiary of American Water Works Company, Inc., the largest investor owned water business in the United States. The name Pennsylvania-American Water Company was established in 1989 through the merger of the following former entities: Western Pennsylvania Water Company, Keystone Water Company and Riverton Consolidated Water Company. Previous to the name change, these predecessor companies were also owned by American Water Works Company, Inc. On February 17, 1996, PAWC purchased the regulated water operations of Pennsylvania Gas and Water Company (PGAW) which served an estimated population of about 400,000 people in the Scranton and Wilkes-Barre area.

The Company provides water service to more than 532,000 customers or a population of over 2 million people. Wastewater service is provided to over 4,500 customers or a population of approximately 12,000 people. These customers live in 290 municipalities encompassing 31 of the state's 67 counties.

Following are certain operating statistics of PA-American Water Company:

<u>Revenue From Water Sales Billed</u>	<u>As of December 31, 1997</u>	
	<u>(000,s)</u>	<u>% of Total</u>
Residential	\$ 162,332	64.1
Commercial	48,368	19.1
Industrial	19,460	7.7
Other	<u>22,935</u>	<u>9.1</u>
Total Revenue	<u>\$253,095</u>	<u>100.0</u>

<u>Water Customers Served:</u>	<u>Number</u>	<u>% of Total</u>
Residential	487,745	91.7
Commercial	38,564	7.2
Industrial	811	.2
Public and Other	<u>4,977</u>	<u>.9</u>
Total Customers	<u>532,097</u>	<u>100.0</u>

1997 AUDIT FINDINGS

Finding No. 1 - PA-American Water Company's Distribution System Improvement Charge (DSIC) Tariff Requires A Revision.

The Company's DSIC Tariff provides a formula for the calculation of the DSIC Surcharge. Included in the formula are definitions identifying the components of the DSIC. The "DSI" component is defined as "the original cost of eligible distribution system improvement projects." The quarterly DSIC calculations state: Applicable Additions Less Accumulated Depreciation equals Net Rate Base Includable in the Respective quarterly DSIC calculation. When compared to the Company's DSIC Tariff, no mention of the accumulated depreciation exists. This was simply an oversight on the part of the Company when the DSIC tariff was formulated.

RECOMMENDATION:

We recommend that the Company add wording to the DSIC Tariff revising the "DSI" definition to read: "The original cost of eligible distribution system improvement projects net of accrued depreciation." (Auditor emphasis).

The Company agrees with this recommendation.

Finding No. 2 - PA-American Water Company's Distribution System Improvement Charge (DSIC) Quarterly Filings Require Revisions Reflecting DSIC Application On A "Bills Rendered" Basis.

The Company's quarterly filings had wording which had the DSIC charge to be applied on a "service rendered" basis. The Commission approved DSIC was on a "bills rendered" basis. Subsequent testing verified that the DSIC was in fact applied as properly approved and that the wording on all of the quarterly filings was incorrect.

RECOMMENDATION:

We recommend that the Company's future quarterly filings have the proper wording reflecting DSIC application on a bills rendered basis.

The Company agrees with this recommendation.

Finding No. 3 - Additions Applicable to the Distribution System Improvement Charge (DSIC) Were Overstated for the 4 Quarters Ending With the DSIC Effective 10-1-97.

Additions included in the DSIC filings for each of the first 4 quarters were overstated. The cumulative total of the overstatement included in the filing effective at 10/1/97 was \$129,795. The net effect of the error was a \$7,965 reduction to the current under collection of the DSIC.

When the accounting transfers of mains and hydrants were entered into a computer software format for analysis and inclusion to the DSIC filing by the rate department, certain formulas were erroneous. This resulted in several transfers being included twice, for a total of \$64,971. In addition, acquisition costs of Services and Meters totaling \$64,824 were posted in September of 1996. The rate department was not aware of this posting which was included with the total additions used for the DSIC filing.

Rate personnel determined that a comparison of total transfers included in the DSIC filing to total transfers per accounting will assure that possible formula errors will be detected in the future. Also, the rate department has determined that total capital work order transfers to plant in service must be verified to assure that non applicable journal entry postings are not included in the filing.

RECOMMENDATION:

We recommend that the Company implement the internal control checks noted above to assure the detection of formula errors and elimination of duplicate entries to the DSIC calculation.

We also recommend that the Company refund \$7,965 plus appropriate interest of \$744 through the "E" factor in its DSIC calculation for the rate effective April 1, 1999.

The Company agrees with these recommendations.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the officers and staff of Pennsylvania American Water Company for the cooperation and assistance given us during the course of our examination. The audit was conducted by Daniel L. Hawkins assisted by William S. Pierce.

F



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

IN REPLY PLEASE
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AUDITORS REPORT

To The Public Utility Commission

We have audited the Statements of Distribution System Improvement Charge (DSIC) Eligible Property and Related DSIC Billed of the Pennsylvania-American Water Company for the twelve months ended August 31, 1999, and 1998, and the Statements of Over/Under Collections (Section 1307 (e)) for the years ended December 31, 1999, and 1998. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements referred to above. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were presented for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the accompanying statements of Pennsylvania-American Water Company present fairly, in all material respects, the cost of DSIC-eligible property additions and the over/under collection resulting from its application of the DSIC in accordance with the provisions of its Schedule of Rates approved by the Pennsylvania Public Utility Commission.

Thomas E. Sheets, CPA
Director
Bureau of Audits

Harrisburg, Pennsylvania

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MAY 24 2013

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SECRETARY'S BUREAU

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement of Distribution System Improvement Charge (DSIC)
Eligible Property and Related DSIC Billed (Note 1)
For The Twelve Months Ended August 31, 1999

<u>Additions</u> <u>Month</u>	DSIC-Eligible Property <u>(Note 2)</u>	<u>Billing</u> <u>Month</u>	DSIC Billed <u>(Note 3)</u>
September 1998	\$2,802,529	January 1999	1.82%
October	3,632,968	February	1.82%
November	8,778,390	March	1.82%
December	3,871,744	April	2.14%
January 1999	482,340	May	2.14%
February	1,952,064	June	2.14%
March	2,637,013	July	2.40%
April	3,750,071	August	2.40%
May	3,685,758	September	2.40%
June	3,084,463	October	3.08%
July	2,671,021	November	3.08%
August	<u>2,737,261</u>	December	3.08%
Total	<u>\$40,085,622</u>		

Components of DSIC-eligible Property

Mains	\$22,887,101
Services	7,545,581
Meters	8,965,901
Hydrants	<u>687,039</u>
Total	<u>\$40,085,622</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement of Distribution System Improvement Charge (DSIC)
Eligible Property and Related DSIC Billed (Note 1)
For The Twelve Months Ended August 31, 1998

<u>Additions</u> <u>Month</u>	<u>DSIC-Eligible</u> <u>Property</u> <u>(Note 2)</u>	<u>Billing</u> <u>Month</u>	<u>DSIC Billed</u> <u>(Note 3)</u>
September 1997	\$0	January 1998	0.00%
October	0	February	0.00%
November	0	March	0.00%
December	0	April	0.08%
January 1998	579,322	May	0.08%
February	627,132	June	0.08%
March	1,559,636	July	0.40%
April	2,273,484	August	0.40%
May	2,188,519	September	0.40%
June	2,586,686	October	0.95%
July	3,369,996	November	0.95%
August	<u>2,207,948</u>	December	0.95%
Total	<u>\$15,392,723</u>		

Components of DSIC-eligible Property

Mains	\$6,914,453
Services	3,375,074
Meters	4,741,878
Hydrants	<u>361,318</u>
Total	<u>\$15,392,723</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement of Over/Under Collections (Section 1307(e))
For The Year Ended December 31, 1999

<u>Month</u>	<u>DSIC Revenue Collected (Note 4)</u>	<u>Capital Costs & Depreciation Expense Authorized (Note 5)</u>	<u>Over/ (Under) Collections (Note 6)</u>
January 1999	\$381,024	\$395,036	\$(14,012)
February	392,562	395,036	(2,474)
March	399,778	395,036	4,742
April	452,124	473,891	(21,767)
May	489,268	473,891	15,377
June	502,679	473,891	28,788
July	628,987	591,825	37,162
August	564,126	591,825	(27,699)
September	588,571	591,825	(3,254)
October	611,310	690,278	(78,968)
November	667,513	690,278	(22,765)
December	486,010	460,185	25,825
Total	<u>\$6,163,952</u>	<u>\$6,222,997</u>	<u>\$(59,045)</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement of Over/Under Collections (Section 1307(e))
For The Year Ended December 31, 1998

<u>Month</u>	<u>DSIC Revenue Collected (Note 4)</u>	<u>Capital Costs & Depreciation Expense Authorized (Note 5)</u>	<u>Over/ (Under) Collections (Note 6)</u>
January 1998	\$0	\$0	\$0
February	0	0	0
March	0	0	0
April	15,557	16,290	(733)
May	16,804	16,290	514
June	17,091	16,290	801
July	95,123	99,688	(4,565)
August	96,522	99,688	(3,166)
September	100,558	99,689	869
October	200,049	207,096	(7,047)
November	216,473	207,096	9,377
December	<u>201,495</u>	<u>207,096</u>	<u>(5,601)</u>
	<u>\$959,672</u>	<u>\$969,223</u>	<u>\$(9,551)</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Notes To The Financial Statements

1 – Distribution System Improvement Charge (DSIC)

On August 26, 1996, the Commission, at Docket No. P-00961036, approved Pennsylvania-American Water Company's (PAWC, PA-American or Company) request for a Distribution System Improvement Charge Rate (DSIC). The purpose of the DSIC Surcharge is to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and to be recorded in individual accounts between base rate cases. The intent is to provide the company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act, and to develop and implement solutions to regional water supply problems.

Depreciation expense is calculated by applying, to the original cost of DSIC eligible property, the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded. Pre-tax return is calculated using the state and federal income tax rates, the Company's actual capital structure, and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC, and updates. The cost of equity is the equity return rate approved in the Company's last fully litigated base rate case.

The Quarterly DSIC rate became effective January 1, 1997 and applies to all service excluding public fire hydrants. The DSIC was not applicable to the customers of the former Pennsylvania Gas and Water Company until April 1998.

2 – Distribution System Improvement Charge Eligible Property

The DSIC-eligible property, according to currently effective tariff wording, consists of the following:

- a. Services (Account 323), meters (Account 324), and hydrants (Account 325) installed as in-kind replacements for customers;
- b. Mains and valves (Account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- c. Main extensions (Account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a

significant health and safety concern for customers currently receiving service from the Company or the acquired company;

- d. Main cleaning and relining (Account 322) projects;
- e. Unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations (Account 322).

Any Company projects receiving PENNVEST funding are not DSIC-eligible property.

The amounts shown on this statement are as reported by the Company in the DSIC filings. The company uses eligible plant additions placed into service during the three-month period ending one month prior to each DSIC effective date. For example, the filing effective January 1, 1999 includes DSIC-eligible plant additions placed in service through November 30, 1998.

3 – Distribution System Improvement Charge Billed

The DSIC is expressed as a percentage carried to two decimal places and is applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To reflect subsequent capital expenditures, the Company is permitted to request approval from the Commission for quarterly DSIC rate adjustments. The DSIC is to be capped at 5% of the amount billed to customers under otherwise applicable rates and charges. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC is divided by the Company's projected applicable revenue for sales of water for the quarterly period during which the charge is in effect.

The DSIC is to be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that theretofore had been recovered under the DSIC. Thereafter, only fixed costs of new eligible plant additions not previously reflected in the Company's rate base are to be reflected in the quarterly DSIC updates. The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent annual or quarterly earnings reports shows that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC.

4 – Distribution System Improvement Charge Revenue Collected

Distribution System Improvement Charge revenue is derived by multiplying the respective quarterly DSIC rate by the applicable portion of the total amount billed to each customer (excluding public fire protection service customers), exclusive of any STAS in effect.

5 – DSIC-Eligible Project Capital Costs and Depreciation Expense Authorized

DSIC-Eligible Project Capital Costs and Depreciation Expense Authorized are the total recoverable capital costs and depreciation expenses (Note 2) in excess of the amounts recoverable by the Company through base rates included in its approved tariff.

6 – Over/Under Collections

Over/Under Collections are the difference between the DSIC revenues and the DSIC-eligible project capital costs and depreciation expenditures that are either refundable, with interest, or recoverable by the Company. Over/Under collections for the twelve months ending December 31 of each year are reported to the Commission on Statement 1307(e) and are included in subsequent DSIC computations over a one-year period commencing on April 1 of each year.

The statements included in this report are the 1307(e) statements filed by the Company and approved by the Commission, and do not include any audit adjustments.

OPERATIONAL REVIEW

BACKGROUND

The background information was developed substantially from information and documentation made available by Pennsylvania-American Water Company and is provided solely for informational purposes.

Pennsylvania-American Water Company (PAWC, PA-American, or Company) is the largest regulated water utility in the state. It is a wholly-owned subsidiary of American Water Works Company, Inc., the largest investor-owned water business in the United States. The name Pennsylvania-American Water Company was established in 1989 through the merger of the following former entities: Western Pennsylvania Water Company, Keystone Water Company, and Riverton Consolidated Water Company. Previous to the name change, these predecessor companies were also owned by American Water Works Company, Inc. On February 17, 1996, PAWC purchased the regulated water operations of Pennsylvania Gas and Water Company (PGAW) which served an estimated population of about 400,000 people in the Scranton and Wilkes-Barre area.

The Company provides water service to more than 543,300 customers or a population of over 2 million people. Wastewater service is provided to over 4,800 customers or a population of approximately 12,000 people. These customers live in 297 municipalities encompassing 31 of the state's 67 counties.

Following are certain operating statistics of PA-American Water Company:

	<u>As of December 31, 1999</u>		<u>As of December 31, 1998</u>	
<u>Revenue from Water Sales Billed</u>	<u>(000's)</u>	<u>% of Total</u>	<u>(000's)</u>	<u>% of Total</u>
Residential	\$183,706	64.2	\$175,535	63.6
Commercial	56,261	19.7	53,621	19.4
Industrial	20,696	7.2	21,749	7.9
Public and Other	<u>25,513</u>	<u>8.9</u>	<u>25,205</u>	<u>9.1</u>
Total Revenue	<u>\$286,176</u>	<u>100.0</u>	<u>\$276,110</u>	<u>100.0</u>
<u>Water Customers Served</u>	<u>Number</u>	<u>% Of Total</u>		
Residential	498,628	91.8		
Commercial	38,957	7.2		
Industrial	811	.1		
Public and Other	<u>4,992</u>	<u>.9</u>		
Total Customers	<u>543,388</u>	<u>100.0</u>		

PENNSYLVANIA AMERICAN WATER COMPANY

Disposition of Prior Year's Audit Findings

The prior audit for the year ended December 31, 1997 disclosed the following findings:

Finding No. 1 - PA-American Water Company's Distribution System Improvement Charge (DSIC) Tariff Defining the DSI Requires A Revision.

Recommendation:

We recommended that the Company add wording to the DSIC Tariff revising the "DSI" definition to read: "The original cost of eligible distribution system improvement projects net of accrued depreciation." (Auditor emphasis)

Disposition:

The Company agreed with this recommendation and added the appropriate wording to the definition of DSI in its tariff effective April 1, 2001.

Finding No. 2 - PA-American Water Company's DSIC Quarterly Filings Require Revisions Reflecting DSIC Application On A "Bills Rendered" Basis.

Recommendation:

We recommended that the Company's future quarterly filings have the proper wording reflecting the DSIC application on a bills rendered basis.

Disposition:

The Company agreed with this recommendation and changed the wording to reflect DSIC application on a bills rendered basis, starting with its quarterly filing effective July 1, 1999.

Finding No. 3 - Additions Applicable To The DSIC Were Overstated For The 4 Quarters Ending With The DSIC Effective 10-1-97.

Recommendation:

We recommended that the Company implement the internal control checks noted in the finding to assure the detection of formula errors and elimination of duplicate entries to the DSIC calculation.

We also recommended that the Company refund \$7,965 through the "E" factor in its DSIC calculation.

Disposition:

The Company agreed with this recommendation and included the \$7,965 adjustment in the "E" factor of the DSIC rate calculation in its quarterly filing effective January 1, 1999.

PENNSYLVANIA-AMERICAN WATER COMPANY

Current Findings

Finding No. 1 - Distribution System Improvement Charge (DSIC) Eligible Property Was Overstated By \$2,038,143 For The Twenty-Four Months Ended August 31, 1999.

The purpose of the DSIC is to allow the Company to recover the fixed costs (depreciation and pre-tax return) of DSIC-eligible property completed and placed in service between base rate cases. Various errors by the Company resulted in an overstatement of \$2,038,143 in DSIC-eligible property reported to the Commission for the two-year period ended August 31, 1999. This overstatement of DSIC-eligible property resulted from the following types of errors:

- (1) Excess AFUDC capitalized on DSIC-eligible work orders
- (2) Incorrect formulas used in computer files
- (3) Overstatement of the number of DSIC-eligible services replacements
- (4) Rights-Of-Way costs included with mains DSIC-eligible property (See Finding No. 2)
- (5) Acquisition costs included in DSIC-eligible property
- (6) PENNVEST funded project included in DSIC-eligible property
- (7) Costs of DSIC-eligible work orders included twice
- (8) Monthly net credit balances on DSIC-eligible work orders not included in DSIC filings amounts

The above types of errors were isolated incidents, except for numbers 4 and 8 which relate to Company policy (number 4 is discussed in Finding No. 2). The Company has a policy of not including monthly net credit balances on DSIC-eligible work orders in the costs of those work orders in the DSIC filings (number 8 above). When PA-American's DSIC started in 1997, the Company did not want to include in DSIC filing amounts the work order credits that related to prior period additions which were not applicable to DSIC. Also, the Company set a policy of not including work order monthly net balances less than \$200 due to immateriality. These policies did not appear to present a problem until the Company switched to a new work order system starting in 1999. Of the total \$2,038,143 overstatement in DSIC-eligible property, approximately \$1,250,000 is due to the credit balances not being included.

DSIC-eligible property totals are used in the calculation of the DSIC rate. The \$2,038,143 overstatement of DSIC-eligible property resulted in overstated DSIC rates which resulted in an overcollection of \$166,234 through the application of those rates for the two-year period ending December 31, 1999. The Company's DSIC tariff provides for calculation of interest on overcollections, to be refunded to customers, in accordance with Section 1307(e) of Title 66. Interest on the adjusted amounts, pro-rated to the mid-point of the April 2001 DSIC application period, totals \$15,751.

Recommendations:

We recommend that PA-American refund \$166,234 plus interest of \$15,751 to its customers through adjustment to the "E" factor in its next quarterly DSIC filing.

We also recommend that the Company adopt a procedure to begin including monthly net credit balances of DSIC-eligible work order additions in its quarterly DSIC filings.

The Company agrees with these recommendations.

NOTE: After being notified of the overstatement errors during the audit field work, and prior to issuance of this report, the Company included the \$166,234 adjustment in the "E" factor of the DSIC rate calculation for the quarter beginning April 1, 2001. However the related \$15,751 in interest had not been determined or included in that adjustment. It should be included as an "E" factor component in the next quarterly DSIC calculation.

With regard to the recommended procedure adoption, the Company intended to start including monthly net credit balances in the April 2001 filing, starting with December 2000 DSIC-eligible additions.

Finding No. 2 - Pennsylvania-American Is Including Rights-Of-Way Costs In Its DSIC-Eligible Property.

PA-American's Tariff states:

"Eligible Property: The DSIC-eligible property will consist of the following:

- services (account 323), meters (account 324), and hydrants (account 325) installed as in-kind replacements for customers;
- mains and valves (account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;
- main extensions (account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting significant health and safety concern for customers currently receiving service from the Company or the acquired Company;
- main cleaning and relining (account 322) projects and;
- unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations."

Although the tariff wording quoted refers to account numbers under the expired Pennsylvania Public Utility Commission "Uniform System of Accounts for Water Utilities" of January 1, 1948, the Company's accounting system has been converted to the National Association of Regulatory Utility Commissioners (NARUC) system prescribed by Section 65.16 of Title 52 "Public Utilities" of the Pennsylvania Code. Under that system, the relevant mains account under discussion is 331 "Transmission and Distribution Mains," and the relevant rights-of-way account is 303 "Land and Land Rights". To simplify discussion for this finding, the account number 322 for mains referred to in the tariff wording, and the corresponding rights-of-way account 311.4, will be used.

When the Company incurs expenses in the acquisition of a rights-of-way related to a DSIC-eligible main installation, it properly books those costs to A/C 311.4 "Transmission and Distribution Land and Rights-Of-Way." However, the Company includes these costs with the Mains (A/C 322) DSIC-eligible property costs in its DSIC quarterly filings. Technically, the Company is not in compliance with its tariff as it is recovering non-DSIC-eligible costs through its DSIC. The current audit disclosed \$71,862 of rights-of-way costs included in mains (A/C 322) DSIC-eligible property. Absent an approved tariff revision to include rights-of-way relevant to DSIC-qualified mains additions as eligible property, continuation of this practice will constitute an ongoing tariff violation.

Recommendations:

We recommend that PA-American discontinue the practice of including rights-of-way (A/C 311.4) costs in with mains (A/C 322) DSIC-eligible property costs so as to be in compliance with its tariff.

We further recommend a revision to the DSIC tariff wording to include the NARUC account numbers now being used.

Finally, we recommend that the Company include the above \$71,862 as a reduction to authorized capital costs in order to calculate an adjustment to the "E" factor in its next quarterly DSIC filing.

The Company agrees with these recommendations.

NOTE: The Company included \$71,862 as a reduction to authorized capital costs in determining the total adjustment amount calculated in Finding No. 1 of this report.

Finding No. 3 - Pennsylvania-American Is Not Billing Its DSIC Surcharge In Accordance With Its Tariff

PA-American's tariff states that its DSIC will become effective for bills rendered on and after a specific date. Our audit testing disclosed that the Company is not totally applying its DSIC on a "bills rendered" basis.

When the Company began its DSIC surcharge in 1997, it had a customer billing system which allowed it to begin or stop billing the DSIC based on the date of the bill. A new billing system, which was implemented in 1998, does not have that function or ability. The "current read date" determines when a new DSIC surcharge is put on the bill. For example, when a new surcharge went into effect on December 18, 1999, a bill rendered with a bill date of December 18, 1999 (but current read date prior to December 18th) did not include the new DSIC rate. Only when the current reading date was on or after December 18th was the new DSIC rate billed.

The Company, however, is not totally applying its DSIC on a "service rendered" basis either. Specifically, the Company does not prorate its bills when the DSIC rate changes.

Recommendations:

We recommend that PA-American revise its tariff to change the wording from "bills rendered" to wording which describes how the company is actually billing its DSIC surcharge.

The Company agrees with this recommendation.

Finding No. 4 - Pennsylvania-American Is Not In Full Compliance With Title 52,
Chapter 56.15-Billing Information

Title 52, Chapter 56.15-"Billing Information", lists thirteen items which shall be stated clearly on a bill rendered by a utility for metered residential utility service. PA-American bills do not include item No. 4: "A Class A utility shall include a statement of the dollar amount of the total state taxes included in the current billing period charge." The Company was not aware of this billing requirement and is looking into feasible system revisions to provide for full compliance with Title 52, Chapter 56.15, item No. 4.

Recommendations:

We recommend that PA-American state the above tax item on its bill so as to be in full compliance with Title 52, Chapter 56.15-Billing Information.

The Company agrees with this recommendation.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the officers and staff of Pennsylvania-American Water Company for the cooperation and assistance given to us during the course of our examination. The audit was conducted by Wendy J. Nicholas, CPA.

G



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

IN REPLY PLEASE
REFER TO OUR FILE

MR PAUL DISKIN
DIRECTOR OF RATES AND PLANNING
PENNSYLVANIA-AMERICAN WATER COMPANY
800 WEST HERSHEY PARK DRIVE
HERSHEY PA 17033

September 18, 2003

RECEIVED

MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKET NO. D-01DSC009

Dear Mr. Diskin:

Enclosed is a copy of the Bureau of Audits' report on the Distribution System Improvement Charge of Pennsylvania-American Water Company for the two years ended December 31, 2001. This report was approved for release by the Commission at its Public Meeting of September 18, 2003. No other formal action was taken.

The findings included in this report are as follows:

Finding No. 1 – Distribution System Improvement Charge (DSIC) Eligible Property Was Overstated By \$954,305 For The Twenty-Four Months Ended August 31, 2001.

Finding No. 2 – Pennsylvania-American's DSIC Tariff Should Be Revised To Coordinate DSIC Application With Base Rate Changes.

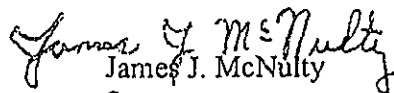
Finding No. 3 – The Cost Rates And Balances For Long-Term Debt And Preferred Stock, And The Balances For Common Equity Used In Calculating The Quarterly DSIC Rates Do Not Comply With The DSIC Tariff Criteria.

The report also includes the following area of concern:

Revenue Deferrals Relevant To New Competitive Rate Customers Include DSIC Revenues.

Since the Company agrees with the audit report, it is directed to implement the recommendations in the consensus findings. The Commission appreciates the cooperation of your officers and employees in conjunction with this audit.

Very truly yours,


James J. McNulty
Secretary

JJM/bc

Enclosure

Contact Person: Wendy J. Nicholas
(717) 772-0304

cc: Office of Trial Staff

PENNSYLVANIA-AMERICAN WATER COMPANY

**A REPORT ON THE DISTRIBUTION
SYSTEM IMPROVEMENT CHARGE**

FOR THE TWO YEARS ENDED DECEMBER 31, 2001

Prepared For The Public Utility Commission

By The Bureau Of Audits

September 9, 2003

PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

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FINANCIAL REVIEW



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

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AUDITORS REPORT

To The Public Utility Commission

We have audited the Statements of Distribution System Improvement Charge (DSIC) Eligible Property and Related DSIC Billed of the Pennsylvania-American Water Company for the Twelve Months Ended August 31, 2001 and 2000, and the Statements of Over/Under Collections (Section 1307 (e)) for the Years Ended December 31, 2001, and 2000. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements referred to above. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were presented for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the accompanying statements of Pennsylvania-American Water Company present fairly, in all material respects, the cost of DSIC-eligible property additions and the over/under collections resulting from the Company's application of the DSIC in accordance with the provisions of its Schedule of Rates approved by the Pennsylvania Public Utility Commission.

Thomas E. Sheets, CPA
Director
Bureau of Audits

Harrisburg, Pennsylvania

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement Of Distribution System Improvement Charge (DSIC)
Eligible Property And Related DSIC Billed (Note 1)
For The Twelve Months Ended August 31, 2001

<u>Additions</u> <u>Month</u>	<u>DSIC-Eligible</u> <u>Property</u> <u>(Note 2)</u>	<u>Billing</u> <u>Month</u>	<u>DSIC</u> <u>Billed</u> <u>(Note 3)</u>
September 2000	\$ 2,536,409	January 2001	1.49%
October	2,047,118	February	1.49%
November	4,386,702	March	1.49%
December	2,996,107	April	1.44%
January 2001	943,512	May	1.44%
February	1,063,884	June	1.44%
March	515,572	July	1.76%
April	1,274,176	August	1.76%
May	3,655,851	September	1.76%
June	6,596,435	October	2.55%
July	3,355,828	November	2.55%
August	<u>3,670,293</u>	December	2.55%
Total	<u>\$ 33,041,887</u>		

Components Of DSIC-Eligible Property

Mains	\$ 22,218,615
Services	7,036,922
Meters	2,765,508
Hydrants	<u>1,020,842</u>
Total	<u>\$ 33,041,887</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement Of Distribution System Improvement Charge (DSIC)
Eligible Property And Related DSIC Billed (Note 1)
For The Twelve Months Ended August 31, 2000

<u>Additions</u> <u>Month</u>	<u>DSIC-Eligible</u> <u>Property</u> <u>(Note 2)</u>	<u>Billing</u> <u>Month</u>	<u>DSIC</u> <u>Billed</u> <u>(Note 3)</u>
September 1999	\$ 0	January 2000	0.00%
October	0	February	0.00%
November	0	March	0.00%
December	0	April	0.12%
January 2000	716,127	May	0.12%
February	1,236,413	June	0.12%
March	1,358,292	July	0.39%
April	1,194,313	August	0.39%
May	3,935,588	September	0.39%
June	3,776,550	October	1.01%
July	2,138,982	November	1.01%
August	<u>6,150,416</u>	December	1.01%
Total	<u>\$ 20,506,681</u>		

Components Of DSIC-Eligible Property

Mains	\$ 12,489,430
Services	5,381,733
Meters	2,174,777
Hydrants	<u>460,741</u>
Total	<u>\$ 20,506,681</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement Of Over/Under Collections (Section 1307(e))
For The Year Ended December 31, 2001

<u>Month</u>	<u>DSIC Revenues (Note 4)</u>	<u>Capital Costs & Depreciation Expense Authorized (Note 5)</u>	<u>Over/ (Under) Collections (Note 6)</u>
January 2001	\$ 337,684	\$ 349,124	\$ (11,440)
February	340,977	349,124	(8,147)
March	333,669	349,124	(15,455)
April	383,792	407,091	(23,299)
May	397,984	407,091	(9,107)
June	413,828	407,091	6,737
July	433,921	462,139	(28,218)
August	463,687	462,139	1,548
September	452,162	462,139	(9,977)
October	622,332	614,589	7,743
November	584,859	614,589	(29,730)
December	<u>583,016</u>	<u>614,589</u>	<u>(31,573)</u>
Total	<u>\$ 5,347,911</u>	<u>\$ 5,498,829</u>	<u>\$ (150,918)</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Statement Of Over/Under Collections (Section 1307(e))
For The Year Ended December 31, 2000

<u>Month</u>	<u>DSIC</u> <u>Revenues</u> <u>(Note 4)</u>	<u>Capital Costs</u> <u>& Depreciation</u> <u>Expense</u> <u>Authorized</u> <u>(Note 5)</u>	<u>Over/</u> <u>(Under)</u> <u>Collections</u> <u>(Note 6)</u>
January 2000	\$ 0	\$ 0	\$ 0
February	0	0	0
March	0	0	0
April	16,258	23,425	(7,167)
May	24,505	23,425	1,080
June	26,323	23,425	2,898
July	86,080	99,380	(13,300)
August	89,533	99,380	(9,847)
September	97,153	99,380	(2,227)
October	217,912	240,046	(22,134)
November	229,879	240,046	(10,167)
December	<u>236,060</u>	<u>240,046</u>	<u>(3,986)</u>
	<u>\$ 1,023,703</u>	<u>\$ 1,088,553</u>	<u>\$ (64,850)</u>

Notes to the Financial Statements are an integral part of this report.

PENNSYLVANIA-AMERICAN WATER COMPANY

Notes To The Financial Statements

1 - Distribution System Improvement Charge (DSIC)

On August 26, 1996, the Commission, at Docket No. P-00961036, approved Pennsylvania-American Water Company's (PAWC, PA-American or Company) request for a Distribution System Improvement Charge (DSIC). The purpose of the DSIC is to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service and recorded in individual accounts between base rate cases. The intent is to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to facilitate compliance with evolving regulatory requirements imposed by the Safe Drinking Water Act, and to develop and implement solutions to regional water supply problems. The rate applies to all services except public fire protection.

Depreciation expense is calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded. Pre-tax return is calculated using the state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the three-month period ending one month prior to the effective date of the DSIC and updates. The cost of equity is the equity return rate approved in the Company's last fully-litigated base rate case.

2 - DSIC-Eligible Property

The DSIC-eligible property, according to currently effective tariff wording, consists of the following:

- a. Services (Account 333000), meters (Account 334100), and hydrants (Account 335000) installed as in-kind replacements for customers;
- b. Mains and valves (Account 331800) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;

PENNSYLVANIA-AMERICAN WATER COMPANY

Notes To The Financial Statements (Continued)

- c. Main extensions (Account 331800) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the Company or the acquired company;
- d. Main cleaning and relining (Account 331800) projects;
- e. Unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

Any Company projects receiving PENNVEST funding are not DSIC-eligible property.

The amounts shown on this statement are as reported by the Company in the DSIC filings. The Company uses eligible plant additions placed into service during the three-month period ending one month prior to each DSIC effective date. For example, the filing effective January 1, 2001 includes DSIC-eligible plant additions placed in service through November 30, 2000.

3 - DSIC Billed

The DSIC is expressed as a percentage carried to two decimal places and is applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To reflect subsequent capital expenditures, the Company is permitted to request approval from the Commission for quarterly DSIC rate adjustments. The DSIC is to be capped at 5% of the amount billed to customers under otherwise applicable rates and charges. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC is divided by the Company's projected applicable revenue from sales of water for the quarterly period during which the charge is in effect. The rate is also adjusted to reflect prior period over or under collections.

The DSIC is to be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that theretofore had been recovered under the DSIC. Thereafter, only fixed costs of new eligible plant additions not previously reflected in the Company's rate base will be included in the quarterly DSIC updates. The DSIC will also be reset at zero if, in any quarter, data filed with

PENNSYLVANIA-AMERICAN WATER COMPANY

Notes To The Financial Statements (Continued)

the Commission in the Company's then most recent Annual or Quarterly Earnings reports shows that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC.

4 - DSIC Revenues

DSIC Revenues are derived by multiplying the respective quarterly DSIC rate by the applicable portion of the total amount billed to each customer (excluding public fire protection service customers), exclusive of any STAS in effect.

5 - Capital Costs and Depreciation Expense Authorized

Capital Costs and Depreciation Expense Authorized are the total recoverable capital costs and depreciation expenses (Note 2) in excess of the amounts recoverable by the Company through base rates included in its approved tariffs.

6 - Over/Under Collections

Over/Under Collections are the differences between the DSIC revenues and the DSIC-eligible project capital costs and depreciation expenditures that are either refundable, with interest, or recoverable by the Company. Over/Under collections for the twelve months ending December 31 of each year are reported to the Commission on Statement 1307(e) and are included in subsequent DSIC computations over a one-year period commencing on April 1 of each year.

The 1307(e) Statements included in this report are filed by the Company and approved by the Commission, and do not include any audit adjustments.

OPERATIONAL REVIEW

BACKGROUND

This background was developed substantially from data and documentation made available by Pennsylvania-American Water Company and is provided solely for informational purposes.

Pennsylvania-American Water Company (PAWC, PA-American, or Company) is the largest regulated water utility in the state. It is a wholly-owned subsidiary of American Water Works Company, Inc. (American Water Works), which is the largest publicly-traded U.S. corporation devoted exclusively to the business of water. The name Pennsylvania-American Water Company was established in 1989 through the merger of the following former entities: Western Pennsylvania Water Company, Keystone Water Company, and Riverton Consolidated Water Company. These companies were also owned by American Water Works. In 2003, American Water Works became a wholly-owned subsidiary of Thames Water Aqua Holdings GmbH (Thames), the water division of RWE, the world's largest water company.

PAWC purchased the Strattanville Borough Water System, the water system of the Municipal Authority of Franklin Township, and the water system of Elk Forest Estates in 2000. In 2001, PAWC purchased the T.O.W. Associated Water System, the Fox Knoll Water Company, the Butler Township Authority, and the Coatsville Authority Water System. PAWC provided water service to 563,081 customers and wastewater service to 9,283 customers at December 31, 2001. These services were provided to an estimated population of 2 million people in communities located in 33 of the 67 counties in Pennsylvania.

Following are certain operating statistics of PA-American Water Company for the two years covered by this audit:

	<u>As of December 31, 2001</u>		<u>As of December 31, 2000</u>	
<u>Revenue From Water Sales Billed</u>	<u>(000's)</u>	<u>% of Total</u>	<u>(000's)</u>	<u>% of Total</u>
Residential	\$202,005	65.5	\$192,830	64.7
Commercial	61,845	20.0	60,045	20.1
Industrial	21,126	6.8	21,175	7.1
Public and Other	<u>23,641</u>	<u>7.7</u>	<u>24,277</u>	<u>8.1</u>
Total Revenue	<u>\$308,617</u>	<u>100.0</u>	<u>\$298,327</u>	<u>100.0</u>
<u>Water Customers Served</u>	<u>Number</u>	<u>% Of Total</u>		
Residential	516,558	91.7		
Commercial	40,590	7.2		
Industrial	852	.2		
Public and Other	<u>5,081</u>	<u>.9</u>		
Total Customers	<u>563,081</u>	<u>100.0</u>		

PENNSYLVANIA AMERICAN WATER COMPANY

Disposition Of Prior Years' Audit Findings

The prior audit for the two years ended December 31, 1999 disclosed the following findings:

Finding No. 1 - Distribution System Improvement Charge (DSIC) Eligible Property Was Overstated By \$2,038,143 For The Twenty-Four Months Ended August 31, 1999.

Recommendations:

We recommended that PA-American refund \$166,234 plus interest of \$15,751 to its customers through an adjustment to the "E" factor in its quarterly DSIC filing.

We also recommended that the Company adopt a procedure to begin including monthly net credit balances of DSIC-eligible work order additions in its quarterly DSIC filings.

Disposition:

The Company agreed with these recommendations and included the \$166,234 adjustment in the "E" factor of the DSIC rate effective April 1, 2001. However, the related \$15,751 in interest had not been refunded. After being notified of this during the current audit, the Company included the \$15,751 adjustment in the "E" factor of the DSIC rate effective April 1, 2003.

With regard to the recommended procedure adoption, the Company started including monthly net credit balances in the April 2001 filing, starting with December 2000 DSIC-eligible additions.

Finding No. 2 - PA-American Is Including Rights-Of-Way Costs In Its DSIC-Eligible Property.

Recommendations:

We recommended that PA-American discontinue the practice of including rights-of-way (A/C 311.4) costs in with the mains (A/C 331800) DSIC-eligible property costs so as to be in compliance with its tariff.

PENNSYLVANIA AMERICAN WATER COMPANY

Disposition Of Prior Years' Audit Findings (Continued)

We further recommended a revision to the DSIC tariff wording to include the NARUC account numbers now being used.

Finally, we recommended that the Company include \$71,862 as a reduction to authorized capital costs in order to calculate an adjustment to the "E" factor in its quarterly DSIC filing.

Disposition:

The Company agreed with these recommendations. The Company revised its DSIC tariff wording to include the NARUC account numbers now being used, effective April 1, 2003. Also, the Company included \$71,862 as a reduction to authorized capital costs in determining the total adjustment amount calculated in Finding No. 1, which was included in the "E" factor of the DSIC rate effective April 1, 2001.

Finding No. 3 - PA-American Is Not Billing Its DSIC Surcharge In Accordance With Its Tariff.

Recommendation:

We recommended that PA-American revise its tariff to change the wording from "bills rendered" to wording which describes how the company is actually billing its DSIC surcharge.

Disposition:

The Company agreed with this recommendation and revised its tariff to read "bills rendered with an ending read date equal to or greater than the effective date of the tariff supplement". This tariff revision was effective April 1, 2003.

PENNSYLVANIA AMERICAN WATER COMPANY

Disposition Of Prior Year's Audit Findings (Continued)

Finding No. 4 - PA-American Is Not In Full Compliance With Title 52, Chapter 56.15-Billing Information.

Recommendation:

We recommended that PA-American include on its bill a statement of the dollar amount of the total state taxes included in the current billing period charge, so as to be in full compliance with Title 52, Chapter 56.15-Billing Information.

Disposition:

The Company agreed with this recommendation; however, it still does not have the programming in place to achieve compliance. The Company has indicated that it is working with its software vendor in an attempt to comply, and is also considering a total revision of the billing form.

PENNSYLVANIA-AMERICAN WATER COMPANY

Current Findings

Finding No. 1 - Distribution System Improvement Charge (DSIC) Eligible Property
Was Overstated By \$954,305 For The Twenty-Four Months Ended
August 31, 2001.

The purpose of the DSIC is to allow the Company to recover the fixed costs (depreciation and pre-tax return) of DSIC-eligible property completed and placed in service between base rate cases. Various errors by the Company resulted in a net overstatement of \$954,305 in DSIC-eligible property reported to the Commission for the twenty-four months ended August 31, 2001. This overstatement of DSIC-eligible property resulted from the following errors:

(1)	Monthly net credit balances on DSIC-eligible work orders not included in DSIC filings amounts (related to Finding No.1 in the prior audit report)	\$ 512,636
(2)	Costs of DSIC-eligible work orders included twice	1,864,454
(3)	Costs of projects not meeting the tariff definition of "DSIC-eligible property" included in DSIC	659,190
(4)	Costs of eligible plant additions that had previously been reflected in rate base	436,779
(5)	Costs from various errors (i.e. typographical, incorrect work order numbers, incorrect file formulas, missed adjustments, incorrect adjustments, etc.)	126,490
(6)	Costs for three DSIC-eligible Investment Projects not included in the DSIC effective July 1, 2001.	<u>(2,645,244)</u>
		<u>\$ 954,305</u>

In addition to the above errors, there were numerous account misclassifications (e.g. hydrants included in the mains account and mains included in the hydrants account). While these misclassifications do not affect the amount of total DSIC-eligible property,

they do have an impact on the calculation of the DSIC because of the different depreciation rates among the accounts involved.

The errors described above had a variety of causes. Company personnel received lists of "new" and "replaced" projects and had to manually read through these lists to pick up the DSIC-eligible costs based on project descriptions. Sometimes the incorrect project description of "replaced" was typed instead of "new"; thus the related project costs were improperly included in DSIC. In 2002, Company personnel started receiving lists of DSIC-eligible replacements only, which should reduce errors. Also, the procedure used to determine current monthly DSIC activity for a work order, using the cumulative total and then deducting amounts included in prior DSIC filings, led to numerous errors. During 2002, the procedure was changed to pick up the current month's activity only. In addition, many personnel changes contributed to the errors. Since 2001, the same personnel have been working on the DSIC filings and, as a result, the incidence of errors has decreased since then.

DSIC-eligible property totals are used in the calculation of the DSIC rate. The \$954,305 overstatement of DSIC-eligible property resulted in overstated DSIC rates which in turn resulted in an overcollection of \$83,663 through the application of those rates for the two-year period ending December 31, 2001. The Company's DSIC tariff provides for calculation of interest on overcollections, to be refunded to customers, in accordance with Section 1307(e) of Title 66.

Recommendation:

We recommend that PA-American refund \$83,663, plus applicable interest, to its customers through an adjustment to the "E" factor in its next quarterly DSIC filing.

The Company agrees with this recommendation.

Finding No. 3 - The Cost Rates And Balances For Long-Term Debt And Preferred Stock, And The Balances For Common Equity Used In Calculating The Quarterly DSIC Rates Do Not Comply With The DSIC Tariff Criteria.

The DSIC tariff describes the components for calculating the pre-tax return rate used to calculate the DSIC rate. The tariff states that "...the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the 1st day for the three-month period ending one month prior to the effective date of the DSIC..." (auditor emphasis) will be used.

The audit staff reviewed details for the calculation of the DSIC rates effective October 1, 2000 and April 1, 2001. In both cases, the dates used for determining the amounts of long-term debt, preferred stock and common equity, and the rates for debt and preferred stock used in the calculation, deviated from tariff-prescribed time frames, as illustrated below:

	<u>Date of DSIC</u>	<u>Date of Plant Additions</u>	<u>Date of Equity \$</u>	<u>Date of Debt and Preferred \$</u>	<u>Date of Debt and Preferred Rates*</u>
DSIC Filing	10/1/00	8/31/00	8/31/00	8/31/00	7/1/00
Tariff	10/1/00	8/31/00	6/1/00	6/1/00	6/1/00
DSIC Filing	4/1/01	2/28/01	2/28/01	2/28/01	10/1/00
Tariff	4/1/01	2/28/01	12/1/00	12/1/00	12/1/00

* Equity rate was 10.2% per approved tariff.

In calculating the DSIC rate, the Company has been using capital structure trial balance totals (long-term debt, preferred stock, common equity) at the end of the month which coincides with the most recent month's plant additions included in the filing. For debt and preferred rates, the Company uses the most recent quarterly financial report, which is filed with the Commission in compliance with the Pennsylvania Code Title 52, Chapter 71. Since the filing requirement for these reports is waived during the period of a general rate case proceeding, there is not always a consistent time differential between the date of DSIC application and the debt and preferred rates used. For example, the October 2000 DSIC used July 1, 2000 rates (3 month lag); while the April 2001 DSIC, in the midst of a rate case, used October 2000 rates (6 month lag).

These discrepancies were discussed with a representative of the Company who indicated that debt and preferred rates are not normally calculated for each month, but are available for calendar year quarters because of the requirement to file quarterly financial reports with the Commission. In addition, the Company believes that the trial balance capital structure which correlates to the most recent month's DSIC additions is more appropriate for calculating the DSIC. The Company agrees that its DSIC calculation does not comply with tariff provisions, and will request Commission approval of a tariff revision.

In further discussions regarding the draft audit report provided for the exit conference, Company representatives indicated that they intend to request use of debt and preferred rates which correlate with the corresponding dollars used in the calculation. In the example used in this Finding, debt and preferred rates for the October DSIC would be the rates at August 31.

Recommendation

We recommend that the Company request Commission approval to revise its DSIC tariff to reflect the debt and preferred rates, and the debt, preferred and common equity dollars, actually used in the DSIC calculation. This request can be coordinated with the revision recommended in Finding No. 2.

The Company agrees with this recommendation.

rates for the same consumption over the same time period. DSIC revenue of approximately \$10,000 was imputed for that customer in the normal tariff revenue calculation and comprised a portion of the net deferred revenues.

The DSIC rates used in the calculation of deferred revenues are designed "to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in service...between base rate cases..." (DSIC-eligible costs). The DSIC tariff provides for yearly reconciliation of revenue received under the DSIC with the DSIC-eligible costs. The tariff requires that "the difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1, of each year." Our audit disclosed that no revenue was imputed for the new competitive rate customer on this reconciliation, although deferred revenue, including DSIC revenue, was included in the base rate request. Since DSIC-eligible costs will normally be fully recovered from system customers through the reconciliation process, any amount included in base rates is effectively duplicate recovery of the same costs.

When the competitive rate tariffs were approved in 1996, there was no DSIC rider in effect, and, therefore, its unique features, including reconciliation of all DSIC-eligible costs with revenues collected, were not addressed in the tariff terms and Commission Order approving them. The deferral of revenue to be addressed in subsequent base rate proceedings is a requirement of the Commission Order establishing the special rate tariffs. However, future base rate filings should clearly address the impact of the DSIC reconciliation process in deriving deferred revenues for consideration of recovery.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the officers and staff of Pennsylvania-American Water Company for the cooperation and assistance given to us during the course of our examination. The audit was conducted by Wendy J. Nicholas, CPA, assisted by William C. Sommer, Jr.

H

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

C. LESLIE PETTKO, on behalf of himself)
and all others similarly situated,)

Complainant,)

v.)

PENNSYLVANIA AMERICAN WATER)
COMPANY,)

Respondent.)

Docket No. C-2011-2226096

RECEIVED

MAY 24 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DIRECT TESTIMONY OF
FRANK W. RADIGAN
ON BEHALF OF COMPLAINANT
STATEMENT NO.1

1 **INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR FULL NAME, OCCUPATION AND**
3 **BUSINESS ADDRESS.**

4 A. My name is Frank W. Radigan. I am a principal in the Hudson River Energy Group, a
5 consulting firm providing services regarding utility industries and specializing in the
6 fields of rates, planning and utility economics. My office address is 237 Schoolhouse
7 Road, Albany, New York 12203.

8
9 **Q. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATION AND BUSINESS**
10 **EXPERIENCE?**

11 A. I received a Bachelor of Science degree in Chemical Engineering from Clarkson College
12 of Technology in Potsdam, New York (now Clarkson University) in 1981. I received a
13 Certificate in Regulatory Economics from the State University of New York at Albany in
14 1990. From 1981 through February 1997, I served on the Staff of the Department of
15 Public Service, the staff arm of the New York State Public Service Commission. I served
16 in the Rates and System Planning sections of the Power Division and in the Rates Section
17 of the Energy and Water Division. My responsibilities included resource planning and the
18 analysis of rates, depreciation rates and tariffs of electric, gas, water and steam utilities in
19 the State and encompassed rate design and performing embedded and marginal cost of
20 service studies, as well as depreciation studies.

21
22 Before leaving the Commission, I was responsible for directing all engineering staff
23 during major proceedings, including those relating to rates, integrated resource planning

1 and environmental impact studies. In February 1997, I left the Commission and joined
2 the firm of Louis Berger & Associates as a Senior Energy Consultant. In December 1998,
3 I formed my own company.

4
5 *In my 30 years of experience, I have testified as an expert witness in utility rate*
6 *proceedings on more than 100 occasions before various utility regulatory bodies,*
7 *including the Arizona Corporation Commission, the Connecticut Public Utilities*
8 *Regulatory Authority, the Delaware Public Service Commission, the Illinois Commerce*
9 *Commission, the Maryland Public Service Commission, the Massachusetts Department of*
10 *Telecommunications and Energy, the Michigan Public Service Commission, the New*
11 *York State Public Service Commission, the New York State Department of Taxation and*
12 *Finance, the Nevada Public Utilities Commission, the North Carolina Utilities*
13 *Commission, the Public Service Commission of the District of Columbia, the Public*
14 *Utilities Commission of Ohio, the Rhode Island Public Utilities Commission, the*
15 *Vermont Public Service Board and the Federal Energy Regulatory Commission.*

16
17 I currently advise a variety of regulatory commissions, consumer advocates, municipal
18 utilities and industrial customers concerning rate matters, including wholesale electricity
19 rates and electric transmission rates. I am frequently called upon to perform analysis of
20 rate adequacy, rate unbundling, cost-of-service studies, rate design, rate structure and
21 multi-year rate agreements. A summary of my qualifications and experience is included
22 as Pettko Exhibit B.

23

1 Q: **DO YOU BELONG TO ANY PROFESSIONAL ORGANIZATIONS?**

2 A: I am a member of the Municipal Electric Utility Association, Northeast Public Power
3 Association and New York State ISO.

4
5 Q: **HAVE YOU WRITTEN ON ANY AREAS EFFECTING WATER UTILITIES?**

6 A: I recently authored a paper that discusses the issues and problems associated with
7 existing and potential new small water systems and proposes a menu of regulatory,
8 legislative, local government and other stakeholder options and tools to begin to address
9 those problems. The paper presents, at a practical level and with a recognition of the
10 commission resources available, a series of processes, techniques and tools for state
11 regulatory commissions directed toward the types of problems, issues, and special needs
12 of small water systems, which go well beyond setting rates and protecting ratepayers.

13
14 Q: **WHAT IS THE SCOPE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A: In this preceding the Complainant, C. Leslie Pettko, is challenging how Pennsylvania
16 American Water Company ("Penn American") is charging the Distribution System
17 Improvement Charge ("DSIC") and the State Tax Adjustment Surcharge ("STAS") to its
18 customers. Specifically, Mr. Pettko, whose water billing cycle runs from the middle of
19 each month, contends that Penn American failed to pro-rate increases in the DSIC and
20 STAS to the portion of the bill following the effective date of the increase—the effective
21 date which was approved by the Commission and represented to customers. Mr. Pettko
22 further contends that by failing to pro-rate he is being overcharged and is overpaying on

1 his water bill. I have been asked to review the means by which Penn American is billing
2 Mr. Pettko and render my opinion on the reasonableness of its actions.
3

4 **Q: COULD YOU PLEASE SUMMARIZE YOUR FINDINGS?**

5 A: Yes. Mr. Pettko is correct that he is being overcharged and is subsidizing other
6 customers. The failure to pro-rate constitutes charges in violation of the Tariff and PUC
7 regulations and is unlawful, in that Penn American is collecting the increased rate for
8 portions of Mr. Pettko's billing periods which occur before that increased rate is
9 permitted.
10

11 **Q: COULD WE BEGIN WITH AN EXPLANATION OF WHAT THE**
12 **PENNSYLVANIA DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**
13 **("DSIC") IS?**

14 A: Yes, infrastructure improvement charges are commonplace in the utilities industry. The
15 DSIC at issue in this case is used for infrastructure improvements to water and sewer
16 delivery systems and to fund the replacement of water distribution facilities. The Public
17 Utilities Commission has authorized the water utilities to apply a DSIC to all customer
18 bills based on usage, so as to spread the cost of infrastructure improvements among all
19 customers. The total amount of annual revenue that can be collected by Penn American
20 from the DSIC, as well as the appropriate DSIC rate to achieve that amount, is approved
21 by the Commission based upon intricate accounting calculations.
22
23

1 Q: EXPLAIN HOW THE DSIC IS CALCULATED.

2 A: Under the terms of the tariff, the total amount of the DSIC surcharge is derived from a
3 formula which takes into account various factors, including: the original cost of eligible
4 distribution system improvement projects net of accrued depreciation; the pre-tax return
5 rate applicable; depreciation expenses; the amount calculated under an annual
6 reconciliation and projected quarterly revenues.

7

8 The DSIC surcharge is, under the tariff, expressed as a percentage carried to two decimal
9 places and applied to the applicable portions of each customer's water bill. The charge is
10 usage based, meaning that it is not a set dollar amount that is charged to each customer.
11 Rather, the DSIC surcharge is applied against each individual customer's water usage or
12 service.

13

14 Q: EXPLAIN HOW THE DSIC RATE CHANGES.

15 A: The rate is updated quarterly based upon data from the prior three month period. Data to
16 support a quarterly DSIC rate increase must be provided by Penn American and served
17 on the Commission at least 10 days prior to any quarterly change. Under Section 2 of
18 Penn American's tariff entitled "Computation of the DSIC" it states:

19

20 *... the DSIC will be updated on a quarterly basis to reflect eligible plant addition*
21 *placed in service during the three-month periods ending one month prior to the*
22 *effective date of each DSIC update. Thus, changes in the DSIC rate will occur as*
23 *follows:*

24

25 Effective Date of Change:

26 *April 1*

27 *July 1*

1 *October 1*
2 *January 1*

3
4
5 Under the standard and accepted way that rates can appropriately be adjusted, the rate
6 change can only occur on the “effective date.” Under the tariff, those dates are the
7 specific quarterly dates identified.

8
9 **Q. PLEASE EXPLAIN HOW THE DSIC IS APPLIED?**

10 A. The calculation of the rate and the application of that rate to individual customer’s usage
11 is very precise. Distribution improvement charges can only be increased as of a specific
12 date approved by the Commission. The Tariff governing Penn American’s billings
13 specifically states that increases in the DSIC charged to its customers have a definite
14 effective date. Specifically, the Tariff states that the DSIC is to be updated quarterly with
15 an “*Effective Date of Change*” set at April 1, July 1, October 1, and January 1. Penn
16 American specifically advertised DSIC rate increases in the bills that it sends to its
17 customers. For example, the bill immediately following the July 1, 2009 DSIC increase
18 stated: “*Effective July 1, 2009, the Distribution System Improvement Charge (DSIC)*
19 *increased...*” Penn American could have used language indicating that the increased
20 DSIC charge applied to all dates represented in the billing cycle (i.e., on the entire billing
21 cycle), it did not do so because it was not so authorized by its Tariff. In fact, the notice
22 language regarding the increase is consistent with the Tariff language and the concept of
23 a usage-based charge. Penn American just fails to perform its DSIC calculation
24 consistent with its Tariff.

1 **Q. IS THERE A MECHANISM IN PLACE TO ENSURE THAT THE UTILITY**
2 **ONLY COLLECTS THE MONEY ALLOWED FOR BY THE COMMISSION?**

3 A. Yes, there is an annual reconciliation of allowed versus collected monies under the DSIC.
4 The reconciliation only reviews whether the utility over or under collected the DSIC in
5 the aggregate. It does not review whether the utility over-charged individual customers.
6 Also, in the event that the utility is found to have over-collected the approved
7 infrastructure improvement revenue from the DSIC, the amount of the over-collection is
8 not refunded to individual customers. Rather, the amount of the over-collection is
9 factored into the DSIC rate calculation through an adjustment to the "E" factor of the
10 DSIC formula set forth in the tariff.

11

12 **Q: PLEASE EXPLAN HOW THE UTILITY BILLS ITS CUSTOMERS.**

13 A: Penn American advertises that it has in excess of two million customers, but it has only a
14 limited number of personnel who go out and read the meters and record the customer's
15 consumption. These meter readers work every day reading meters. Thus, if the meter
16 reader is working on the first of the month, the usage recorded is for consumption of all
17 30 or 31 days of the previous month. If the meter reader is reading meters on the 15th of
18 the month, then the usage recorded is for half of the month in question and one half of the
19 previous month. Finally, if the meter reader is reading meters on the 30th of the month,
20 then all usage recorded is for usage in the current month. By reading meters once a
21 month, the utility has a mix of meter cycles where usage is a mix of the current month
22 and previous months. The utility takes all the meter readings and bills customers its
23 effective tariff rate and this is the heart of the problem.

1

2 **Q. PLEASE EXPLAIN.**

3 A. The plain language of both the governing *Tariff* and Penn American's billing statements
4 demonstrate that there is a specific effective date of the rate increases. Penn American's
5 billing practices, however, applied the increased rate even to those portions of a
6 customer's bill which occurred before the approved effective date. Depending on the
7 billing cycle of the customer, it is possible that the majority (or nearly all) of the billing
8 period occurred prior to effective date of increase. Penn American nevertheless charges
9 the customer the increased rate for the entire period.

10

11 Under Penn American's position, the *effective date of change* set forth in the governing
12 *Tariff* is rendered meaningless. In actual practice, Penn American begins charging the
13 increased amount for some of its customers nearly a month *before* the effective date
14 which was approved by the Commission. By disregarding the effective date, Penn
15 American's billing practices create an inherently inequitable system whereby some
16 customers will *always* bear the increased rates more than others.

17

18 **Q. WHAT IS PENN AMERICAN'S REASON FOR DOING THIS?**

19 A. Penn-American claims that it is permitted to charge the increased rate for portions of a
20 customer's bill which occur prior to the effective date because they assert that the DSIC
21 is permitted on a so-called "bills rendered" rather than "services rendered" basis. Penn
22 American asserts that, under this theory, they are allowed to retroactively apply a DSIC

1 rate increase to an entire billing period even though the new rate is not effective until a
2 specific date, so long as the bill is sent out following the effective date.

3
4 **Q: DO YOU AGREE?**

5 A: No. There is no support for this reasoning and it is a twisted interpretation of a
6 fundamental principle of how utility rates are charged. First, as noted, the plain language
7 of the tariff means what it says. "Effective date" in the context of utility rate adjustments
8 means that any rate adjustment is only effective as of that particular date. Penn
9 American's interpretation would emasculate the meaning of "effective date" set forth in
10 the computation of the DSIC language in the tariff. The common practice applied to all
11 usage based charges, in addition to the plain language of both the governing tariff and
12 Penn American's billing statements, demonstrates that there is a specific effective date of
13 the rate increases. This would be expected given that it is a usage based charge. Penn
14 American, however, applies the increased rate even to those portions of a customer's bill
15 which predate the approved effective date.

16
17 Penn American's argument ignores that the DSIC charge is calculated by multiplying the
18 authorized DSIC surcharge rate *by the amount of water used by each customer*. This
19 demonstrates that the DSIC is a usage-based charge that is based on the type of service
20 rendered to its customers, i.e., water supply and delivery. Moreover, it is usage-based to
21 ensure that customers pay their proportional share of the infrastructure charge based on
22 how much they "participate" (i.e., use water) in the use of the infrastructure. This is the

1 typical approach that utilities are to charge for an infrastructure charge in my
2 experience.

3
4 Penn American's position—that it is permitted to bill customers increased DSIC rates for
5 their entire billing cycle, including those portions of the cycle which occurred prior to the
6 effective date of the rate increase—creates a system where some customers will *always*
7 bear the burden of the rate increase to a greater degree than other customers. This is
8 contrary to standard rate making practice. Additionally, such an application violates
9 Section 1304 of the Public Utility Code states, in relevant part:

10 *No public utility shall, as to rates, make or grant any unreasonable*
11 *preference or advantage to any person, corporation, or municipal*
12 *corporation, or subject any person, corporation, or municipal corporation*
13 *to any unreasonable prejudice or disadvantage. 66 Pa.C.S.A. §1304.*
14

15 Penn American's billing practices violate the provisions of this section in that they accrue
16 to the disadvantage of some customers over others—determined only on the basis of the
17 running dates of the customer's billing cycle. There is a presumption that in interpreting
18 a tariff it should be read in favor of the customer, not the utility. In addition, tariffs are
19 not to be read so as to be contrary to legal principles and so as to not have a
20 discriminatory result. In this case, the only interpretation of Penn American's tariff that
21 favors the customer, that is consistent with standard rate calculation practice, and that
22 does not result in discriminatory rates is that the DSIC must be prorated. Conversely,
23 reading the tariff in the manner suggested by Penn American results in discriminatory
24 rates being charged to customers based upon the random billing cycles. That is why a
25 usage based fee has a very specific effective date so all customers are billed consistently.

1 The PUC could not have intended such a clearly improper and inequitable practice.
2 Indeed, all other states that I am familiar with that have infrastructure improvement
3 charges that are usage based, like the DSIC, prorate the charge on customer bills.
4

5 **Q. CAN YOU SHOW HOW MR. PETTKO IS HARMED BY PENN-AMERICAN'S**
6 **BILLING PRACTICE?**

7 A. Yes. By way of illustration, Mr. Pettko's billing cycle for June of 2009 ran from June 18
8 to July 16, 2009. Therefore, even though the effective date of the DSIC increase was
9 July 1, Mr. Pettko, and all others with his billing cycle, was over billed and forced to pay
10 the increased rate for the portion of his bill encompassing twelve days in June—more
11 than one-third of the month. For customers who have billing cycles which begin and end
12 in the first week of the month, those customers were forced to pay the increased rate for
13 nearly an entire month prior to its effective date. Contrast this with the customer whose
14 billing cycle runs from the first of the month or immediately before, who will pay the
15 increased rate for only days, if at all, before the effective date. Because of the regularity
16 of billing periods, the same customers will always end up paying proportionally more
17 each time the DSIC rate is increased—based only on when their billing period falls in the
18 month. This is inherently inequitable and is in violation of Section 1304 of the Public
19 Utility Code.

20
21 The error of Penn American's position is also demonstrated by the fact that because Penn
22 American does not pro-rate upon the increase of the DSIC, it ends up collecting *more*
23 than twelve months of the DSIC fee because it is charging certain customers the

1 increased fee prior to the effective date up to four times per year. This "over-collection"
2 may be accounted for in the annual reconciliation, but it is never returned to the
3 customers who paid it because the reconciliation process does not involve the actual
4 payment of refunds to those who paid the increased fee prior to the authorized effective
5 date.

6
7 **Q: DO YOU HAVE AN OPINION WITH RESPECT TO HOW PENN AMERICAN**
8 **APPLIES THE STAS CHARGE TO CUSTOMER BILLS?**

9 A: From time to time, Penn American has been (and is) authorized to charge a State Tax
10 Adjustment Surcharge ("STAS") in accordance with its approved Tariff. The Penn
11 American tariff states on page 12:

12 *In addition to the net charges provided for in this tariff, a surcharge of*
13 *[percentage] will apply to all services rendered.*

14 For the same reasons previously discussed with respect to the DSIC, the application of a
15 usage based charge to individual customers can only be effective as of the specific
16 effective date that was authorized. As with the DSIC, the STAS must be pro-rated based
17 upon its very nature.

18
19 Moreover, the very argument proffered by Penn American to support its practices under
20 the DSIC—that increased rates may be collected on the entire billing period under Penn
21 American's interpretation of a "bills rendered" rather than "services rendered" system—
22 undermines Penn American's position as to the STAS rate increases. Specifically, even
23 taking for granted Penn American's strained interpretation of the respective terms, the

1 Tariff documents specifically state that the STAS is to be applied in a “services rendered”
2 *manner. Indeed, from a review of Penn American’s legal pleadings, it admits that a*
3 charge that is billed on “services rendered” must be pro-rated (*See Penn American’s*
4 Application for Reargument before the Pennsylvania Commonwealth Court, dated
5 January 27, 2012).

6
7 Effective January 1, 2010, Penn American was authorized under its Tariff to charge a
8 STAS of .45% (an increase from 0.0%) on services rendered effective January 1, 2010.
9 Penn American failed to pro-rate the STAS charge of .45% to reflect the effective date of
10 January 1, 2010 for those customers whose billing cycles straddled the effective date of
11 January 1, 2010. Penn American’s failure to pro-rate, as it admits it must, the STAS for
12 that month is a violation of its Tariff regarding the STAS.

13
14 Q: **ARE ALL OF THE OPINIONS THAT YOU HAVE TESTIFIED TO IN THIS**
15 **PROCEEDING BEEN OFFERED WITHIN A REASONABLE DEGREE OF**
16 **PROFESSIONAL CERTAINTY?**

17 A: Yes.

18
19 Q: **DOES THIS CONCLUDE YOUR INITIAL TESTIMONY?**

20 A: Yes.

21
22

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 24th day of May, 2013, a true and correct copy of the foregoing *Appendix of Exhibits to Complainant's Opposition to Respondent's Motion for Summary Judgment* was served on the following by Federal Express Overnight:

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17101

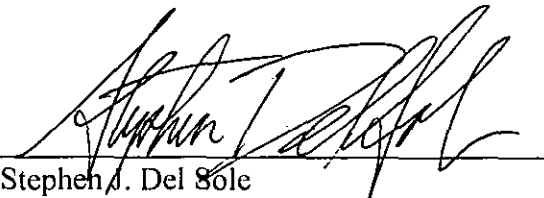
Honorable Conrad A. Johnson
Administrative Law Judge
301 Fifth Avenue
Suite 220, Piatt Place
Pittsburgh, PA 15222

Christopher T. Wright, Esquire
Post & Schell, PC
17 North Second Street
12th Floor
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Counsel for Respondent

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU


Stephen J. Del Sole

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Stephen Del Sole, Esquire
DEL SOLE CAVANAUGH STROYD LLC
The Waterfront Building
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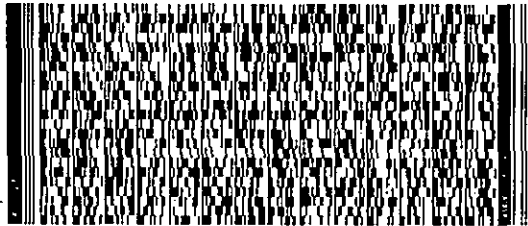


SHIP TO: (717) 772-7777 **BILL SENDER**
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Pennsylvania Public Utility Commiss
400 NORTH ST
2ND FLOOR NORTH
HARRISBURG, PA 17120

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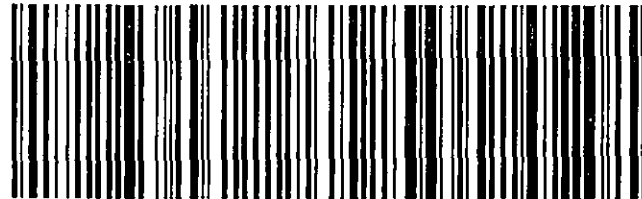
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