



**PENNSYLVANIA**  
**AMERICAN WATER**

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**Seth A. Mendelsohn**  
**Corporate Counsel**

October 10, 2014

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility  
Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

**In re: Application of Pennsylvania-American Water Company for Approval of (1) the transfer, by sale, of substantially all of Shippenville Borough, properties and rights related to its wastewater system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in Shippenville Borough and a portion of Elk Township, Clarion County, Pennsylvania. Docket No. A-2014-2441953**

Dear Ms. Chiavetta:

In response to Jani Tuzinski's letter dated October 24, 2014, attached please find Pennsylvania-American Water Company's answers to the data requests regarding the above referenced docket number.

Respectfully,

Seth A. Mendelsohn

blg  
Enclosure

cc: J. Tuzinski  
S. Donnelly

Bureau of Technical Utility Services  
Water/Wastewater Division

Data Request 1

Application of Pennsylvania-American Water Company (PAWC)  
at Docket No. A-2014-2441953

October 24, 2014

Note: Restate the data request prior to providing a response. In addition, provide the name of the person(s) providing the response and/or information for each data response.

A-1. The Application and its Purchase Agreement contain many conflicting references to the seller, Shippenville Borough (Shippenville), as being both a municipal authority and a municipality. Please clarify whether PAWC is purchasing the water system from a municipal authority or a municipality.

**R-1. PAWC is purchasing the wastewater system of Shippenville Borough (“Shippenville). Shippenville is a municipality.**

A-2. Section 7 of the Application states that PAWC furnished wastewater service to 16,676 customers as of July 31, 2014. In a recent PAWC application Docketed at A-2013-2395998, PAWC stated it furnished wastewater service to 18,076 customers as of September 30, 2013. Please provide an explanation as to why the total number of customers PAWC furnishes wastewater service to has decreased even though PAWC continues to acquire more wastewater systems.

**R-2. The 18,076 customers as of September 30, 2013 included 1,462 “availability customers” in the Pocono operations who were billed a monthly availability charge by the Company. Availability customers are customers who have a vacant lot, where wastewater service is available, and no connection to the collection system has been made.**

**In the Company’s 2013 rate case Docketed at R-2013-2355276 the availability charge was eliminated effective January 1, 2014 and the Company no longer includes them in the customer counts.**

A-3. Section 13 of the Application states the consideration for the transfer of the wastewater system is as outlined in Paragraph 2.2 of the Application’s Purchase Agreement while the

subject Purchase Agreement does not contain a Paragraph 2.2. Please state the consideration for the transfer of the Shippenville Borough wastewater system.

**R-3. Paragraph 13 of PAWC's Application should have referred to Paragraph 2.1 of Article 2 of the Purchase Agreement as it is titled "Purchase Price for the Acquired Assets" and references the "total purchase price for the Acquired Assets shall be Six-Hundred Ninety Thousand (\$690,000) Dollars."**

A-4. PAWC recently acquired a wastewater treatment plant located in Paint Township that is referred to in the subject Application. Please provide evidence the Paint Township Board of Supervisors and its Planning Commission were served with a copy of the subject Application.

**R-4. PAWC's Proof of Service filed on September 12, 2014, outlined those parties notified to satisfy the requirements of 52 Pa. Code §3.61 and §3.62 and 1 Pa. Code §33.36, which PAWC respectfully suggests satisfied the PUC's requirements. Paint Township was not included; however, attached are copies of notices that have been sent to Paint Township Board of Supervisors and the Paint Township Planning Commission.**

A-5. Schedule 4.8 Real Estate in the Application's Purchase Agreement states the "Wastewater Treatment Plant Site, Parcel Numbers: 144 & 144-1 comprised of approximately 14.93 (M/L)." Please clarify the meaning of this statement.

**R-5. The site whereon the wastewater treatment plant is situated is comprised of the two parcels noted that combined equal 14.93 acres more or less.**

A-6. Schedule 4.9 List of Easements, Licenses and Rights-of-Way in the Application's Purchase Agreement identifies the Shippenville Borough Authority and Shippenville Borough as the grantee in four of the five listed rights-of-way. Please explain how joint land interests will be transferred from the Shippenville Borough Authority to PAWC-WD when the authority is not a party to the Application's Purchase Agreement.

**R-6. Those easements identified on Schedule 4.9 of the Purchase Agreement represent, to the best of Shippenville's knowledge, information and belief at the time of the signing of the agreement, a "complete and accurate list of all easements and rights of ways over the real property of others in the operation of the [w]astewater [s]ystem." This schedule will be revised in preparation of Closing to reflect the efforts of the parties so as to ensure completeness of the easements and rights-of-ways to be assigned (where easements or rights-of-way exist) and/or granted (where**

easements or rights-of-way do not exist) to PAWC at Closing. To the extent that Shippenville Borough Municipal Authority continues to have any ownership interest, it will be Shippenville's responsibility, as the Seller, pursuant to the terms of the Purchase Agreement, to secure any necessary easements prior to Closing. Further, by way of background, the wastewater system was owned by the Shippenville Borough Municipal Authority and was conveyed to Shippenville in the early 2000's.

A-7. Please provide a detailed list of the assets being acquired by major plant category that follows the NARUC system of accounts.

**R-7. A detailed list of the assets being acquired by plant category that follows the NARUC system of accounts is not available. PAWC will undertake an original cost study to determine the original cost and accumulated depreciation of Shippenville's wastewater utility plant in service. This study will be completed and the assets will be categorized to conform to the NARUC system of accounts and submitted after the Closing on the acquisition of the Shippenville wastewater system.**

A-8. Please provide a copy of a map that depicts the Shippenville Borough wastewater collection and conveyance system.

**R-8. Attached is a copy of a map depicting the wastewater system of Shippenville.**

A-9. Please provide a separate breakdown of the Shippenville customers by class in both Shippenville Borough and Elk Township.

**R-9. The following schedule provides for a breakdown of the Shippenville customers listed at Paragraph 6 of the Application.**

<b>Customer Class</b>	<b>Total</b>	<b>Shippenville Borough</b>	<b>Elk Township</b>
<b>Residential</b>	226	222	4
<b>Commercial</b>	17	17	0
<b>Municipal</b>	2	1	1

A-10. Please provide calculations comparing the current wastewater rates of Shippenville and PAWC for typical metered and unmetered customers by class in both Shippenville Borough and Elk Township.

R-10. See table below. There are no known “unmetered customers” and Shippenville’s rates do not distinguish between customer classes.

RATES	PAWC Zone 2	Shippenville
Customer Charge	\$ 7.50	\$ 42.00
Allowance (Gallons)		2,000
Volumetric	\$ 10.135	\$ 6.50

**MONTHLY BILL COMPARISON (ASSUME 5/8" Residential)**

Consumption	PAWC Zone 2	Shippenville
0	\$ 7.50	\$ 42.00
1,000	\$ 17.64	\$ 42.00
2,000	\$ 27.77	\$ 42.00
3,000	\$ 37.91	\$ 48.50
4,000	\$ 48.04	\$ 55.00
5,000	\$ 58.18	\$ 61.50

A-11. Please provide a copy of the calculations that the estimated revenues and expenses are based on in the Application’s Exhibit N.

R-11. **The revenues of \$136,513 found on Exhibit N are based upon the rates set-forth on Schedule 6.2.2 and tie into Shippenville’s 2013 revenues of \$135,339 (See Exhibit D). The expenses of \$43,577 found on Exhibit N included the following estimated values: \$21,383 for labor and related expenses; \$7,200 for treatment and related expenses; \$4,800 for maintenance, testing and related expenses; and \$10,194 for miscellaneous expenses.**

A-12. Schedule 8.1.7 Certification of Financial Information in the Application’s Purchase Agreement identifies the Clarion Area Authority as the seller of the Shippenville wastewater system. However, the certification is signed by the Shippenville Borough President. Please clarify the entity that owns the subject wastewater system.

R-12. **Use of the “Clarion Area Authority” was a typographical error and should have read “Shippenville Borough”. The wastewater system is owned by Shippenville.**

A-13. Please explain the relationship between Shippenville Borough, the Shippenville Municipal Authority and the Clarion Area Authority as it pertains to the wastewater system.

- R-13. As noted in R-12, reference to Clarion Area Authority is a typographical error. The wastewater system was owned by the Shippenville Borough Municipal Authority and was conveyed to Shippenville Borough in the early 2000's.**
- A-14. Schedule 8.1.7 Certification of Financial Information in the Application's Purchase Agreement identifies \$326,118.37 as long term debt or notes related to Shippenville wastewater system. Please clarify who holds this debt as well as its purpose.
- R-14. Pursuant to the information provided by Shippenville, Shippenville holds the debt. The purpose of this debt was to pay off the prior debt of the Shippenville Borough Municipal Authority.**
- A-15. Please provide a copy of the instruments that will be used to convey the land interests (i.e., fee simple and permanent easements) of the Shippenville wastewater system to PAWC.
- R-15. The instruments that will be used to convey the land interests of the Shippenville wastewater system to PAWC have not been prepared. They will be prepared prior to closing for the transaction.**
- A-16. Please identify the staff, staff qualifications (i.e., valid certified operator license) and the PAWC district or division that will operate and manage the Shippenville wastewater system after the planned acquisition.
- R-16. Shippenville will be operated and managed out of the Clarion Wastewater System District. James DeSantis will supervise and oversee the operation and maintenance of the Shippenville sewage facilities to comply with all regulatory permits and requirements. Mr. DeSantis' Client ID is 195012 and he possesses a Class A, E with Subclass 1-4 license that expires on June 20, 2015. Pending Closing, PAW plans to offer an employment opportunity to the current Shippenville Operator, who along with the Clarion Wastewater System District's four full-time employees will support the Shippenville operations on a full time basis. PAW will also have professional support from other PAW departments, including engineering, environmental, security, loss control and safety, as well as administrative support.**
- A-17. Please state how the proposed acquisition will fit into the current operations of PAWC.
- R-17. Shippenville is 1.2 miles from PAW's Paint-Elk wastewater system. After Closing, PAWC's intention is to interconnect the Shippenville collection system to the recently acquired Paint-Elk wastewater system. Once interconnected, PAWC will**

**decommission the Shippenville wastewater treatment plant and operate both as a regional waterwater provider utilizing the Paint-Elk wastewater treatment plant to treat the combined flows.**

A-18. Please state the value of the Shippenville wastewater system as well as how the value was determined.

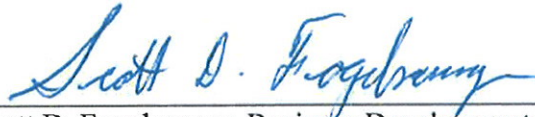
**R-18. PAWC and Shippenville negotiated a purchase price of \$690,000 for the wastewater system. The purchase price was reached at arms-length negotiations.**

A-19. Please state any physical, operational or managerial changes that are planned after the acquisition along with an associated timeframe and cost.

**R-19. PAWC's intention is to interconnect the Shippenville collection system to the recently acquired Paint-Elk wastewater system. The estimated timeframe to complete the interconnection is approximately 18 months from the date of Closing the transaction. The estimated cost of the interconnection is \$1,505,000.  
See also R-17.**

## VERIFICATION

SCOTT D. FOGELSANGER, subject to the penalties of 18 Pa. Cons. Stat. § 4904 relating to unsworn falsification to authorities, hereby avers that he is Business Development Manager, for PENNSYLVANIA-AMERICAN WATER COMPANY, that as such he is authorized to sign this Verification its behalf; and that the facts set forth in the foregoing Responses to Data Requests are true and correct to the best of his knowledge, information or belief.



\_\_\_\_\_  
Scott D. Fogelsanger, Business Development Manager

Dated: 11-10-14



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**Seth A. Mendelsohn**  
Corporate Counsel

November 7, 2014

Paint Township  
Board of Supervisors  
22139 Route 66  
Shippenville, PA 16254-8942

**In re: Application of Pennsylvania-American Water Company for Approval of (1) the transfer, by sale, of substantially all of Shippenville Borough, properties and rights related to its wastewater system to Pennsylvania-American Water Company, and (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in Shippenville Borough and a portion of Elk Township, Clarion County, Pennsylvania. Docket No. A-2014-2441953**

Ladies and Gentlemen:

Attached is a copy of the Application filed by Pennsylvania-American Water Company in the above-referenced matter.

Sincerely,

Seth A. Mendelsohn

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Attachment



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PAID  
BY THE  
POST



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