



PENNSYLVANIA
AMERICAN WATER

800 West Hershey Park Drive
Hershey, Pa 17033

P 717-531-3261
F 717-531-3255

December 15, 2014

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg PA 17105-3265

Dear Secretary Chiavetta,

Attached please find Supplement No. 6 to Tariff Wastewater-Pa P.U.C. No. 15 for Pennsylvania American Water, which bears the issue of December 15, 2014, filed in accordance with P-2014-2431005, entered December 4, 2014.

As part of this compliance filing, the Commission directed the Company to provide an estimate of anticipated new jobs to be created for wastewater DSIC-eligible projects. PAW preliminarily anticipates the following jobs will be sustained or created annually during the term of its Long-Term Infrastructure Improvement Plan ("LTIIP"): approximately 3 pipeline contractor crews estimated to employ 15 employees depending upon the time of year; and up to 3 pipeline restoration contractor crews at the peak of the construction season estimated to employ up to 9 employees depending on the time of year. These totals do not include indirect jobs created by the incremental work under the LTIIP. For example, the increased purchasing of pipe and related materials will generate additional jobs.

Sincerely,

John Cox
Manager of Rates and Regulations

cc. Office of Consumer Advocate
Bureau of Investigation and Enforcement
Office of Small Business Advocate
Marie Intriери
Bureau of Audits (DSIC Filings Only)
Bureau of Technical Utility Services (Acquisitions Only)

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

D/B/A

Pennsylvania American Water
RATES, RULES AND REGULATIONS
GOVERNING THE FURNISHINGS OF
WASTEWATER COLLECTION AND DISPOSAL SERVICE
IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED
IN ADAMS COUNTY, BEAVER COUNTY, CHESTER COUNTY, CLARION COUNTY,
MONROE COUNTY, PIKE COUNTY AND WASHINGTON COUNTY. (C)

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

Filed in Compliance with Commission Order P-2014-2431005,
Entered December 4, 2014.

Issued: December 15, 2014

Effective: January 1, 2015

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

LIST OF CHANGES

Changes

This tariff supplement includes the addition of a Wastewater Distribution System Improvement Charge (DSIC) with a DSIC rate of 0.0%, calculations, definitions, and rules to the existing tariff pursuant to Act No. 11 (Amending Title 66 - Public Utilities), for the recovery of the cost of the distribution system improvement projects as approved by Commission Order P-2014-2431005, adopted December 4, 2014.

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

Issued: December 15, 2014

Effective: January 1, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
Title Page	1
List of Changes	2 5th Revised
Table of Contents	3 5th Revised
	3A 2nd Revised
Territories Served	3B 3rd Revised
 Part I - Rates	
Metered and Unmetered Charges Rate Zone 1	4 1 st Revised
Metered and Unmetered Charges Rate Zone 1	4.1 1 st Revised
Metered and Unmetered Charges Rate Zone 2	4.2
Metered and Unmetered Charges Rate Zone 3	4.3
Metered and Unmetered Charges Rate Zone 4	4.4
Unmetered Charges Rate Zone 5	4.5
Metered and Unmetered Charges Rate Zone 6	4.6
Unmetered Charges Rate Zone 7	4.7
Schedule of Miscellaneous Fees and Charges	4A 1 st Revised
Schedule of Miscellaneous Fees and Charges	4B 1 st Revised
Schedule of Miscellaneous Fees and Charges	4C 1 st Revised
Schedule of Miscellaneous Fees and Charges	4D 1 st Revised
Schedule of Miscellaneous Fees and Charges	4E 1 st Revised
Low Income Tariff	4F 1 st Revised
State Tax Adjustment Surcharge	5 1 st Revised
Customer Growth and Capacity Reservation Fee Credit Adjustment (Coatesville)	5A 2nd Revised
Customer Growth and Capacity Reservation Fee Credit Adjustment (Coatesville)	5B-5F 1 st Revised
Distribution System Improvement Charge	5G-5K
 Part II - Definitions	 6-6C 1 st Revised
 Part III - Rules and Regulations	
Section A - Applications for Service	7 1 st Revised
Section B - Construction and Maintenance of Facilities	8 1 st Revised 9 1 st Revised
Section C - Discontinuance, Termination and Restoration of Service	10 1 st Revised 11 1 st Revised
Section D - Billing and Collection	12 1 st Revised
Section E - Deposits	13 1 st Revised 14 1 st Revised

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply consistent with the Commission Order dated December 4, 2014 at Docket No. P-2014-2431005, approving the DSIC.

This Charge will be applicable to:

Rate Zone 1 - Coatesville, Claysville and Clean Treatment

Rate Zone 2 - Clarion and Pocono

Rate Zone 3 - Lehman Pike, Winona Lakes and Blue Mountain

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

1. General Description

Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Utility with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional wastewater problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Utility projects receiving PENNVEST funding or using PENNVEST surcharges are not DSIC eligible property to the extent of the PENNVEST funding or surcharge.

Eligible Property: The DSIC-eligible property will consist of the following:

- Collection sewers, collecting mains and service laterals, including sewer taps, curb stops and lateral cleanouts installed as in-kind replacements for customers; Accounts (360, 361 and 363)
- Collection mains and valves for gravity and pressure systems and related facilities such as manholes, grinder pumps, air and vacuum release chambers, cleanouts, main line flow meters, valve vaults and lift stations installed as replacements or upgrades for existing facilities that have worn out, are in deteriorated condition or are required to be upgraded by law, regulation or order; Accounts (360, 361, 364 and 365)
- Collection main extensions installed to implement solutions to wastewater problems that present a significant health and safety concern for customers currently receiving service from the wastewater utility; Accounts (360, 361 and 363)
- Collection main rehabilitation including inflow and infiltration projects; Accounts (360, 361 and 363)
- Unreimbursed costs related to highway relocation projects where a wastewater utility must relocate its facilities; and
- Other related capitalized costs.

Effective Date: The DSIC will become effective for bills rendered on or after January 1, 2015.

2. Computation of the DSIC

Calculation: The initial non-zero DSIC, effective April 1, 2015, shall be calculated to recover the fixed costs of eligible plant additions

that have not previously been reflected in the Company's rates or rate base and will have been placed in service between January 1, 2015 through February 28, 2015. 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
July 1	May 31
October 1	August 31
January 1	November 30

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

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

Pre-tax return: The pre-tax return shall be calculated using the statutory 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 for 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 in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for 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 wastewater revenue (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of revenues from the STAS.

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

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

Where:

- DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- Dep = Depreciation expense related to DSIC-eligible property.
- e = Amount calculated under the annual reconciliation feature or Commission Audit, as described below.
- PQR = Projected quarterly revenues for wastewater service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost 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 Commission's Bureau of Investigation and Enforcement, Commission's Bureau of Audits, 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.

3. Customer Safeguards

Cap: The DSIC is capped at 5% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.

Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to 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 over-collections will be refunded with interest. Interest on the over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection.

New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously 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 rates or rate base will be reflected in the quarterly updates of the DSIC.

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.

All customer classes: The DSIC shall be applied equally to all customer classes.

Earning Reports: 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 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.