



Susan Simms Marsh  
Corporate Counsel  
800 West Hersheypark Drive  
Hershey, PA 17033

P 717-531-3208  
F 717-531-3399  
E [susan.marsh@amwater.com](mailto:susan.marsh@amwater.com)  
I [www.amwater.com](http://www.amwater.com)

February 13, 2015

**e-File**

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

Re: Petition of Pennsylvania American Water Company Wastewater  
Operations for Approval of Long Term Infrastructure Improvement Plan  
and Approval to Establish and Implement a Distribution System  
Improvement Charge - P-2014-2431005

Office of Consumer Advocate v. Pennsylvania-American Water Wastewater  
Operations - C-2014-2433700

Dear Secretary Chiavetta:

I am filing a Joint Stipulation relative to the above-referenced cases that has been executed by Pennsylvania-American Water Company, the Office of Consumer Advocate and the Office of Small Business Advocate. This document is permitted to be filed electronically.

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

Respectfully submitted,

Susan Simms Marsh

Enclosure

cc: E.R. Triscari, Esq via eMail  
Erin L. Gannon, Esq. via eMail  
Christine M. Hoover, Esq. via eMail

M.J. Stigliano, Esq. via eMail  
J.A. Watson, ALJ via eMail

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pennsylvania American Water	:	P-2014-2431005
Company Wastewater Operations for	:	
Approval of Long Term Infrastructure	:	
Improvement Plan and Approval to	:	
Establish and Implement a Distribution	:	
System Improvement Charge	:	
	:	
Office of Consumer Advocate	:	C-2014-2433700
	:	
	:	
v.	:	
	:	
Pennsylvania-American Water	:	
Wastewater Operations	:	

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**JOINT STIPULATION**

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This Joint Stipulation is made and entered into by, between and among the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and Pennsylvania-American Water Company (“PAWC” or “Company”) (hereafter sometimes referred to collectively as the “Parties”) in the above-captioned proceedings. The Parties request that Administrative Law Judge Jeffrey Watson and the Pennsylvania Public Utility Commission approve this Joint Stipulation.

I. **Background**

1. PAWC – a wholly owned subsidiary of American Water Works Company, Inc. – is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. The Company is in the business of furnishing water and sewer service to retail customers within the Commonwealth, and is therefore a “public utility” within the meaning of Section 102 of the

Public Utility Code, 66 Pa. C.S. §§ 102, subject to the regulatory jurisdiction of the Commission.

2. PAWC provides wastewater service to approximately 16,800 customers through its nine wastewater collection systems located in seven counties across the state. PAWC provides this wastewater service through approximately 267 miles of mains, 3,814 manholes, and 47 lift stations that it owns, operates and maintains.

3. On July 3, 2014, the Company filed Pennsylvania-American Water Company Wastewater Operations Petition for Approval of Long Term Infrastructure Improvement Plan (“LTIIP”) and Approval of a Distribution System Improvement Charge (“DSIC”). PAWC’s DSIC Petition included Supplement No. 4 to Tariff Wastewater--PA.P.U.C. No. 15 to introduce the DSIC Rider into the Company’s tariff with an effective date of January 1, 2015.

4. On July 23, 2014, the OCA filed Comments to the LTIIP but did not initially request hearings. Additionally, on July 23, 2014, the OCA filed a Public Statement, a Formal Complaint (Docket No. C-2014-2433700), and an Answer to PAWC’s DSIC Petition wherein the OCA stated the Commission should deny PAWC’s Petition as filed, suspend the proposed Supplement No. 4 to Tariff Wastewater – Pa. P.U.C. No. 15, and refer the matter to the Commission’s Office of Administrative Law Judge (“OALJ”) for a full hearing and investigation pursuant to the OCA’s complaint.

5. On July 23, 2014, the OSBA filed an Answer, Notice of Intervention and Public Statement. The OSBA requested hearings and such relief as may be necessary or appropriate, but did not allege that any particular provision or relief requested by PAWC should be denied.

6. On July 11, 2014, Mary Jane Stigliano filed a Formal Complaint.

7. On December 4, 2014, the Commission entered an Opinion and Order approving the Company’s LTIIP and DSIC Petition. The Commission referred the matter regarding the

applicability of the DSIC to the Franklin and Koppel systems to the OALJ for evidentiary hearings and preparation of a recommended decision.

8. The Commission, in its December 4, 2014 Opinion and Order, noted it previously addressed the issues regarding ADIT and the calculation of the state income tax in the Columbia Gas DSIC proceeding. *See Petition of Columbia Gas of Pennsylvania, Inc. for Approval of a Distribution System Improvement Charge*, Docket No. P-2012-2338282 (Order entered May 22, 2014) (*May 22<sup>nd</sup> Order*). The Commission further noted that the OCA has a pending appeal in Commonwealth Court against the May 22<sup>nd</sup> Order, and the OCA preserved the issues related to the impact of ADIT associated with DSIC investments and the calculation of the state income tax component of the DSIC revenue requirement. The Commission concluded the ADIT issue is now a legal issue, pending at the Commonwealth Court in the OCA's appeal the May 22<sup>nd</sup> Order. Moreover, since there are no additional and non-tax fact issues raised in the OCA's current protest against the PAWC DSIC filing, the Commission concluded it will abide by previous determinations set forth in the May 22<sup>nd</sup> Order and did not refer the ADIT issue or the calculation of the state tax component of the DSIC revenue requirement to the OALJ for disposition.

9. On December 15, 2014, PAWC filed a compliance tariff which specifies that the DSIC is applicable to the Coatesville, Claysville, Clean Treatment, Clarion, Pocono, Lehman Pike, Winona Lakes and Blue Mountain wastewater systems. Supp. 6 to Tariff-Wastewater Pa. P.U.C. No. 15 at 5G. The compliance tariff was approved by Secretarial Letter issued on December 22, 2014.

10. The January 12, 2015 hearing notice scheduled a prehearing conference on January 28, 2015 and said prehearing conference occurred as scheduled. The OCA, OSBA and PAWC participated in the prehearing conference.

II. **Stipulated Terms**

11. PAWC wastewater DSIC is not applicable to the Company's Franklin and Koppel wastewater systems.

12. The Company's compliance tariff, Supp. 6 to Tariff-Wastewater Pa. P.U.C. No. 15 at 5G, filed on December 15, 2014 resolved the issue remanded to the OALJ.

13. In addition, in future DSIC filings, PAWC will not include revenue from acquired customers in projected quarterly revenue and will not apply the DSIC to those customers until their rates have been established by a base rate case of the acquiring utility. Implementation of Act 11 of 2012, 299 PUR 4th 367 (Pa. PUC 2012). The projects affecting service to such customers are not eligible for DSIC treatment until it has been rolled into the acquiring utility's base rates.

III. **Conditions of Stipulation**

14. The Joint Stipulation is conditioned upon the Commission's approval of the terms and conditions in this Joint Stipulation without modification. If the Commission modifies the Joint Stipulation, any Party may elect to withdraw from the Joint Stipulation and proceed with litigation on the stipulated issue; and in such event, this Joint Stipulation shall be void. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Parties within five (5) business days after the entry of an Opinion and Order modifying the Stipulation.

15. The Joint Stipulation is proposed by the Parties to settle the single issue referred by the Commission to the OALJ in the December 4, 2014 Opinion and Order.

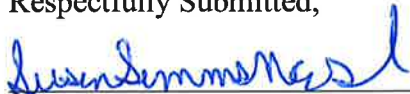
16. If Administrative Law Judge Watson adopts the Joint Stipulation without modification, the Parties waive their rights to file Exceptions with respect to such adoption.

17. The OCA also raised issues in this proceeding regarding the recognition of accumulated deferred income taxes (ADIT) and actual state income tax expense in the DSIC calculation. The Commission recognized that the OCA has preserved these issues and stated that it “will abide by previous resolution of the May 22<sup>nd</sup> Order and not refer the ADIT issue or the calculation of the state tax component of the DSIC revenue requirement to the OALJ for disposition.” Petition of PAWC – Wastewater for Approval of a Distribution System Improvement Charge, Order at 35-36 (Dec. 4, 2014). As such, those issues are not before the Presiding Officer for disposition.

IV. **Conclusion**

WHEREFORE, the Parties, by their respective counsel, respectfully request that Administrative Law Judge Jeffrey Watson and the Pennsylvania Public Utility Commission approve this Joint Stipulation addressing the one issue including all terms and conditions thereof and enter an Opinion and Order consistent with this Joint Stipulation.

Respectfully Submitted,



Susan Simms Marsh  
PA Attorney I.D. No. 44689  
Pennsylvania-American Water Company  
800 West Hersheypark Drive  
Hershey, PA 17033

Elizabeth Rose Triscari  
PA Attorney I.D. No. 306921  
Office of Small Business Advocate  
300 North Second Street Suite 202  
Harrisburg, PA 17101

Erin L. Gannon  
PA Attorney I.D. No. 83487  
Christine Maloni Hoover  
Office of Consumer Advocate  
5th Floor, Forum Place  
555 Walnut Street  
Harrisburg, Pa. 17101-1923

Date: February 13, 2015

(SIGNATURES CONTINUED ON THE NEXT PAGE)

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