



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

IN REPLY PLEASE
REFER TO OUR FILE

MARCH 7, 2005

A-212285F0115; A-230073F0008
U-00035002; U-00035003

JEFFREY A FRANKLIN ESQUIRE
CARL J ENGLEMAN ESQUIRE
RYAN RUSSELL OGDEN & SELTZER LLP
1105 BERKSHIRE BLVD SUITE 330
WYOMISSING PA 19610-1222

DOCKETED
MAY 18 2005

Application of Pennsylvania-American Water Company for approval of the transfer, by sale, of public water system, within the Township of East Fallowfield, Chester County, Pennsylvania; the transfer of the wastewater system of the Township of East Fallowfield, Chester County, Pennsylvania, to Pennsylvania-American Water Company; the right of Pennsylvania-American Water Company to begin to offer and furnish water and wastewater service, to the Public, in additional areas of the Township of East Fallowfield, Chester County, Pennsylvania; and, the water and wastewater service and asset purchase agreement between the Township of East Fallowfield, Chester County, Pennsylvania and Pennsylvania and Pennsylvania-American Water Company

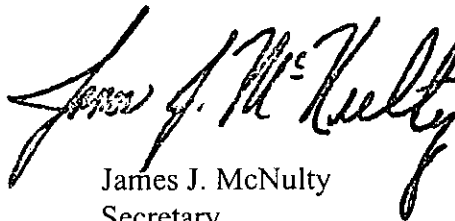
**DOCUMENT
FOLDER**

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on March 3, 2005 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,



James J. McNulty
Secretary

fg
encls
cert. mail

See Attached Listing for Additional Parties of Record.

KJR

JEFFREY A FRANKLIN ESQUIRE O
CARL J ENGLEMAN ESQUIRE
RYAN RUSSELL OGDEN & SELTZER LLP
1105 BERKSHIRE BLVD SUITE 330
WYOMISSING PA 19610-1222

VELMA A REDMOND ESQUIRE O
PENNSYLVANIA AMERICAN WATER
800 WEST HERSHEY PARK DRIVE
HERSHEY PA 17033

VINCENT M POMPO ESQUIRE O
LAMB WINDLE & MCERLANE PC
24 EAST MARKET ST
PO BOX 565
WEST CHESTER PA 19381-0565

CHRISTOPHER P LUNING ESQUIRE O
FRANCES P ORTH ESQUIRE
AQUA PENNSYLVANIA F/K/A
PENNSYLVANIA SUBURBAN WATER
762 WEST LANCASTER AVENUE
BRYN MAWR PA 19010-3489

WILLIAM H FULTON O
GOVERNMENT SERVICES CENTER SUITE
270
601 WESTTOWN ROAD
PO BOX 2747
WEST CHESTER PA 19380-0990

THOMAS T NIESEN ESQUIRE O
THOMAS THOMAS
ARMSTRONG & NIESEN
212 LOCUST STREET
PO BOX 9500
HARRISBURG PA 17108-9500

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held March 3, 2005

Commissioners Present:

Wendell F. Holland, Chairman, Recusing
Robert K. Bloom, Vice Chairman
Kim Pizzingrilli

DOCKETED
MAY 18 2005

Application of Pennsylvania-American Water Company for approval of (1) the transfer, by sale, of public water system within the Township of East Fallowfield, Chester County, Pennsylvania; (2) the transfer of the wastewater system of the Township of East Fallowfield, Chester County, Pennsylvania, to Pennsylvania-American Water Company; (3) the right of Pennsylvania-American Water Company to begin to offer and furnish water and wastewater service to the public in additional areas of the Township of East Fallowfield, Chester County, Pennsylvania; and (4) the Water and Wastewater Service and Asset Purchase Agreement between the Township of East Fallowfield, Chester County, Pennsylvania and Pennsylvania-American Water Company.

Docket Numbers
A-212285F0115
A-230073F0008
U-00035002
U-00035003

**DOCUMENT
FOLDER**

ORDER

BY THE COMMISSION:

History of the Proceeding

On November 24, 2003, Pennsylvania-American Water Company (PAWC) filed an application with the Pennsylvania Public Utility Commission (Commission)

seeking the Commission's approval of (1) the transfer, by sale, of a public water system within the Township of East Fallowfield, Chester County; (2) the transfer of the wastewater system of the Township of East Fallowfield, Chester County; (3) the right of PAWC to begin to offer and furnish water and wastewater service to the public in additional areas of East Fallowfield Township, Chester County; and (4) the Water and Wastewater Service and Asset Purchase Agreement between the Township of East Fallowfield and PAWC.

On February 6, 2004, Aqua Pennsylvania, Inc. (Aqua) filed a protest to the application. On February 23, 2004, the Township of East Fallowfield (Township) filed a petition to intervene. On March 18, 2004, the Application was assigned to the Office of Administrative Law Judge.

By letter dated October 12, 2004, PAWC submitted a Settlement Agreement and Restrictive Amendment to the presiding Administrative Law Judge. The Settlement Agreement was executed by PAWC and Aqua and provided in pertinent part that PAWC amend its Application with the Commission to request approval to render service in the areas identified in the Restrictive Amendment, which was filed separately with the Commission coincident with the filing of the Settlement Agreement. As part of the Settlement Agreement, Aqua agreed to withdraw its protest with prejudice and desired to remain a party of record so as to receive copies of any orders issued by the Commission in the proceeding.

The Restrictive Amendment states that PAWC amends its Application solely with respect to the proposed additional territory described in Exhibits B-1 and B-2 of the Application and Paragraphs 7 and 16 of the Application. The amended service territory restricts the requested additional service territory to defined areas in and around the Scott Farm Development and Beagle Club Development for wastewater service, and

defined areas in and around the Scott Farm Development, Beagle Club Development and Mendenhall Development for water service. By Interim Order of the Administrative Law Judge, dated October 20, 2004, the Application was transferred to the Commission's Bureau of Fixed Utility Services for its review, consideration and recommendation to the Commission.

Discussion

PAWC is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of collecting, treating, storing, supplying, distributing and selling water to the public and collecting, treating, transporting and disposing of wastewater and sewage for the public. PAWC furnishes water service to the public in a service territory that includes a combined population of over two (2) million people. PAWC furnishes wastewater service to the public in a service territory that includes over fourteen (14) thousand people.

On November 24, 2003, PAWC filed with the Commission an Application to transfer, by sale, the water system and wastewater system (systems) of the Township to PAWC. PAWC submitted proofs of service and publication. The Application was served on the appropriate township and county officials and planning offices.

PAWC has leased the systems from the Township since March 22, 2001. The transfer of ownership of the systems will allow for the termination of the existing lease agreements which were originally executed between the City of Coatesville Authority and the Township. The Township held legal title to the systems, acquired legal title to any extensions, and leased said systems back to PAWC (as successor in interest to the City of Coatesville Authority). Approval of the Application would rescind the Water

and Wastewater Service Agreements at Docket Nos. U-00004561, U-00004562, U-00014637, U-00014638 and U-00014669.

The asset purchase agreement (agreement) states that, upon approval by the Commission, ownership of the systems will transfer to PAWC for the sum of One Dollar (\$1.00). The One Dollar (\$1.00) purchase price was determined at arms length by agreement between PAWC and the Township, based upon the negotiations of the mutual covenants agreed to by PAWC and the Township. The agreement also states that PAWC will refund to the Township One Thousand Dollars (\$1,000) for each new residential customer who takes both water and wastewater service from the PAWC. The aggregate dollar amount that can be refunded to the Township under the agreement is limited to One Million Dollars (\$1,000,000). PAWC has provided staff with a summary of an original cost study which it asserts supports the purchase price.

The proposed transfer will have no detrimental effect on the service provided to PAWC's current customers, including customers currently served by the systems. Since PAWC currently operates both systems under lease agreements with the Township, the customers served by the systems are already customers of PAWC.

The Application also requests the Commission to approve PAWC's right to begin to offer and furnish water and wastewater service to the public in additional areas of the Township. On September 30, 2003, the Township submitted a letter which states that it supports the request for PAWC to provide water and wastewater service in the additional areas of the Township.

On December 23, 2003, the Chester County Planning Commission (Planning Commission) provided comments to the Application. Specifically, the Planning Commission had concerns regarding the Application's inconsistency with the

Chester County Comprehensive Policy Plan Element known as *Landscapes* and the Application's inconsistency with the East Fallowfield Draft Act 537 Sewage Facilities Plan dated October 2003. The Settlement Agreement and Restrictive Amendment, filed on October 12, 2004, satisfy the Planning Commission's concerns.

The applied-for service territory includes three proposed developments: the *Scott Farm Development* with seventy-five (75) customers, the *Beagle Club Development* with two hundred fourteen (214) customers, and the *Mendenhall Development* with seventy-four (74) customers. Wastewater service will be provided to both the *Scott Farm Development* and the *Beagle Club Development* while water service will be provided to all three (3) developments. As part of the agreement, PAWC also committed to constructing a wastewater line extension along *Cardinal Drive* and a water line extension along *Strasburg Road*.

Wastewater line extensions shall consist of the following approximate sewer main lengths: *Cardinal Drive Area* – 8,000 feet, *Scott Farm Development* – 9,100 feet and *Beagle Club Development* – 10,600 feet. Sewer laterals, manholes and related appurtenances will be installed for all wastewater line extensions.

Water line extensions shall consist of the following approximate water main lengths: *Strasburg Road* – 7,000 feet, *Scott Farm Development* -7,300 feet, *Beagle Club Development* – 10,600 feet and *Mendenhall Development* – 8,300 feet. Service lines, meters, hydrants, valves and related appurtenances will be installed for all water line extensions.

No additional capital will be required by PAWC for the purpose of financing the extensions. All main extensions will be completed under the PAWC's tariff rules regarding main extensions.

PAWC will apply its existing rates for Rate Zone 1 for water service in the proposed additional water service territory and will charge its existing Wastewater Tariff rates applicable to customers in municipalities and territories located in Chester County in the proposed additional wastewater service territory. A typical residential customer, using 60,000 gallons of water per year will experience an annual water bill of \$482.16 and an annual wastewater bill of \$203.56.

The Chester County Health Department and the Department of Environmental Protection were contacted regarding this Application and have reported that there are no pending actions or outstanding complaints against PAWC. No other corporation, partnership or individual is now furnishing water service or wastewater service to the public in the area involved in this Application.

Upon full consideration of these factors, we conclude that the record provides substantial evidence of affirmative public benefit sufficient to warrant approval of the proposed transaction under *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825 (1972); **THEREFORE,**

IT IS ORDERED:

1. That the Application of Pennsylvania-American Water Company at Docket No. A-212285F0015 and Docket No. A-230073F0008 is hereby approved.
2. That the Asset Purchase Agreement between Pennsylvania-American Water Company and the Township of Fallowfield at Docket No. U-00035002 and Docket No. U-00035003 is hereby approved.

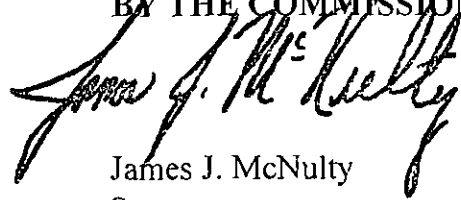
3. That upon verification of closing, the Secretary's Bureau shall issue a Certificate of Public Convenience pursuant to Public Utility Code, 66 Pa. C.S.A. §1102(a)(1)(i), authorizing Pennsylvania-American Water Company to begin providing water and wastewater service to the public in the additional areas of the Township of Fallowfield, Chester County, as designated in Exhibits A-1 and A-2 of the Restrictive Amendment, attached to the Settlement Agreement.

4. That Pennsylvania-American Water Company shall provide a copy of the completed original cost study to the Bureau of Audits and the Bureau of Fixed Utility Services, including depreciation and contributions-in-aid of construction, for the water and wastewater systems of the Township of East Fallowfield Township within thirty (30) days of the entry date of this Order.

5. That the Water and Wastewater Service Agreements at Docket Nos. U-00004561, U-00004562, U-00014637, U-00014638 and U-00014669 be terminated and cancelled and the Dockets Numbers associated with these Agreements be marked closed by the Secretary's Bureau.

6. That upon completion of Ordering Paragraph No. 3 and 4, all records with respect to Pennsylvania-American Water Company at Docket Nos. A-212285F0115, A-230073F0008, U-00035002 and U-00035003 be marked closed by the Secretary's Bureau.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: March 3, 2005

ORDER ENTERED: **MAR 07 2005**