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August 10, 2015

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PA PUBLIC UTILITY COMMISSION
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Ms. Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Application of the Pennsylvania-American Water Company ("PAWC")
for approval of: (1) the transfer, by sale, of the water works property
and rights of the Abbey Woods Homeowners Association to PAWC,
and (2) the right of PAWC to furnish water service to the public in an
additional portion of Jackson Township, Butler County, Pennsylvania;
A-2015-2470483

Dear Secretary Chiavetta:

As directed in Paragraph 5 of the Commission's Order entered June 11, 2015, enclosed
please find the Original Cost Study of the water distribution system assets acquired from
the Abbey Woods Homeowners Association. Also pursuant to that Order, a copy is
being provided to the Bureau of Technical Utility Services.

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

Sincerely,

Andrew L. Swope

bnh

cc: Bureau of Technical Utility Services w/Enc.

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PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of the Abbey Woods HOA's Water System

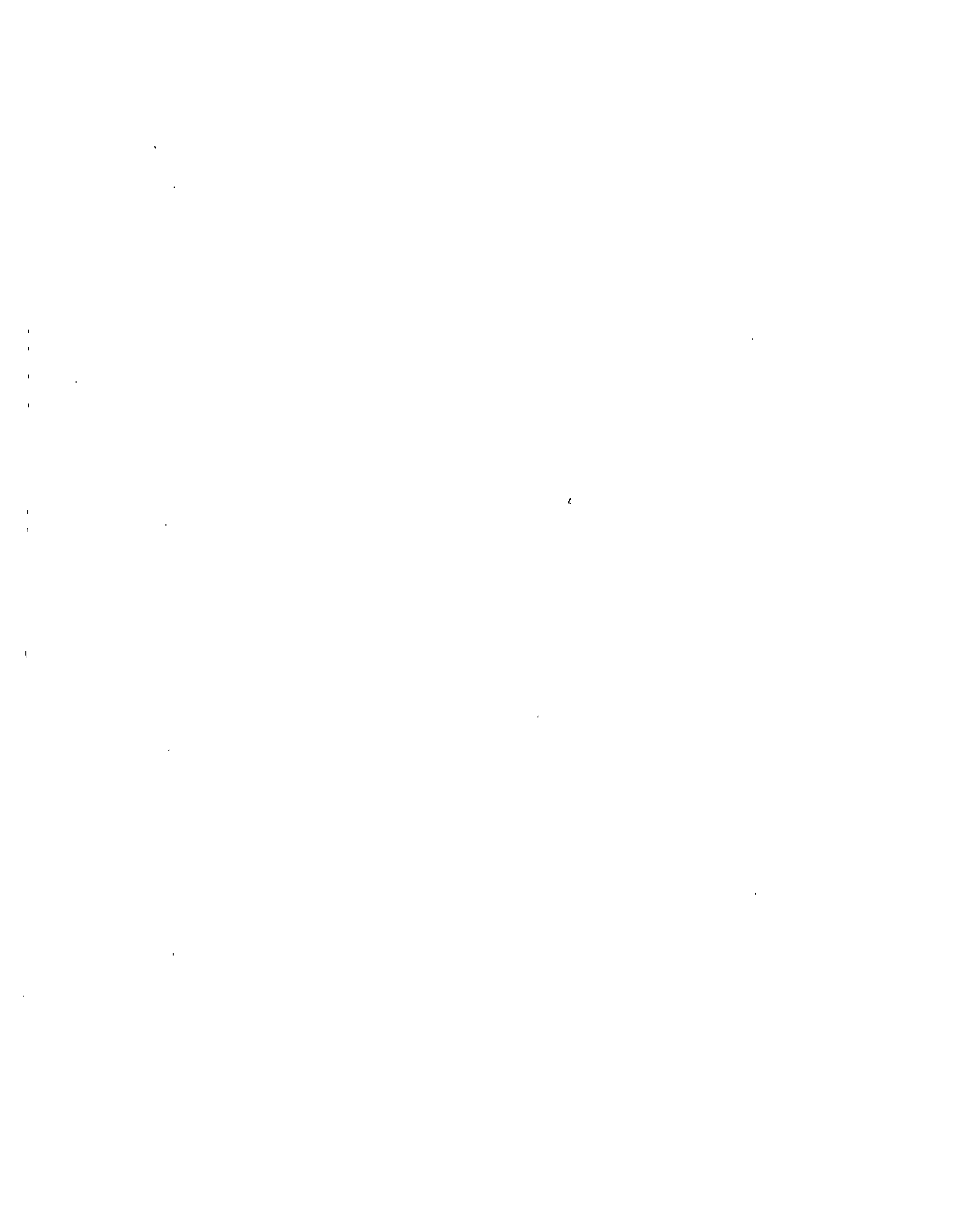
Original Cost of Water Utility Plant
And Depreciation Reserve Calculations
at July 14, 2015

By

Scott D. Fogelsanger
Senior Manager - Business Development

Pennsylvania-American Water Company, Inc.
852 Wesley Drive
Mechanicsburg, PA 17055

July 2015



PENNSYLVANIA-AMERICAN WATER COMPANY, INC.
Acquisition of the Abbey Woods HOA's Water System

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Section 1

PENNSYLVANIA-AMERICAN WATER COMPANY, INC.

Acquisition of the Abbey Woods HOA's Water System

BACKGROUND

Abbey Woods Homeowners Association (the "AW HOA") makes water service available to approximately fifty five (55) customers located within The Abbey Woods Development, Jackson Township, Butler County.

Pennsylvania-American Water Company, Inc. ("PAWC") and the AW HOA have filed a joint application requesting the Commission to approve the sale of the water system, grant PAWC the right to furnish service in the AW HOA's service territory, and authorize the AW HOA to abandon service.

OVERVIEW OF THE AW HOA'S FACILITIES FOR WATER DISTRIBUTION

The AW HOA's assets to be acquired consist of facilities for distribution of water to its customers. The distribution system consists of approximately 6,920 linear feet of ductile iron and plastic pipe. Customer service lines, which run from the AW HOA's mains to the curb line, consist of pipe, curb stops, and curb boxes. There are fifty four (54) residential customers that are metered and one (1) commercial customer that is not metered. The water system does provide fire protection service.

OVERVIEW OF THE STUDY

The study of the original cost of the AW HOA's assets was conducted in two (2) phases. *First, a comprehensive utility plant inventory was conducted to ascertain and confirm the kind and quantity of property owned and operated by the AW HOA.*

Second, the original cost of the inventoried property was determined based on a review of the AW HOA's books of account, construction records, and other sources. For the most part, the AW HOA's records provided reasonable data as to the original cost of its plant in service. In addition, theoretical accrued depreciation calculations were prepared based upon the results of the original cost study to reflect the theoretical capital recovery of the plant in service at July 14, 2015.

A complete discussion of the methodologies employed in the original cost study is set forth in the following sections of this report.

EXPLANATION OF THE STUDY

UTILITY PLANT INVENTORY

A comprehensive inventory of the AW HOA's plant in service as of July 14, 2015 was prepared. One of the principal source documents for the inventory was the "as built" maps of the AW HOA's system. The maps were particularly helpful in locating and documenting the sizes, types, and lengths of the pipelines and locations of valves and fire hydrants. Significant components of the inventory are discussed below.

Mass Property

For purposes of this study, "mass" property consists of utility plant recorded in Account 331 (Transmission & Distribution Mains), Account 333 (Services), Account 334 (Meters) and Account 335 (Hydrants).

For Accounts 331, footages of pipe (by size and type) were determined by reviewing the "as-built" maps and were verified by a physical check of the system in place. This same procedure was utilized for valves and hydrants.

Based upon data obtained from AW HOA's records, the customer service lines (Account 333) were installed when the distribution lines were installed.

Detailed results of the plant inventory are set forth in Section 2 of this report by the fixed capital accounts prescribed by the National Association of Regulatory Utility Commissioners. The original cost of all inventoried property units is properly recorded in the following accounts:

Acct.
No. Account Title

Non-Depreciable Plant:
303.4 Land & Land Rights - Transmission & Distribution

Depreciable Plant:
331 Transmission & Distribution Mains
333 Services
334 Meters
325 Hydrants

ORIGINAL COST ANALYSIS

The goal of the original cost analysis was to ascertain the original cost of the AW HOA's plant in service by fixed capital account and, within each account, to determine the original costs by size and type (for mass property) and by vintage year. Reasonably good data exists to establish the original cost of the AW HOA's property by account. The original cost determinations for Account 331 (Transmission & Distribution Mains), Account 333 (Services), Account 334 (Meters) and Account 335 (Hydrants) as follows:

Account 331, Account 333, Account 334 and Account 335

An original cost of mains and accessories was determinable from available records for the AW HOA's distribution system and other source documents. As previously

explained, the physical inventory established the total footage of pipe by size and type and the total number of units of accessories. The original cost values at June 30, 2015 for the AW HOA's transmission and distribution mains, services, meters, and hydrants as established by the original cost study total \$332,768; \$26,397; \$5,896; and \$7,883, respectively.

SUMMARY OF ORIGINAL COST

The results of this study established that the original cost of the Township's utility plant in service is not less than \$372,945 as summarized by plant account in Section 2 (p. 2-1).

CONTRIBUTIONS IN AID OF CONSTRUCTION

An extensive research of records was performed to determine if any contributions in aid of construction existed. The record research included all Company documents that were available. Based on this record research, the Company did not receive any contributions in aid of construction.

CUSTOMER ADVANCES FOR CONSTRUCTION

An extensive research of records was performed to determine if any customer advances for construction existed. The record research included all Company documents that were available. Based on this record research, the Company did not have any customer advances for construction.

DEPRECIATION RESERVE

A theoretical calculated depreciation reserve of the utility plant in service at July 14, 2015 was prepared. The calculated accrued depreciation reserve amounts to \$83,299.

The calculations were based upon the Straight Line Methodology utilizing appropriate service lives for the specific fixed capital assets by category and condition of the plant at the study date. The results of those calculations and detailed supporting documentation are included in Section 3 of this report.

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Section 2

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015

Acct. No.	Account Title	Original Cost
303.4	Land & Land Rights - Transmission & Distribution	\$1.00
331	Transmission & Distribution Mains	332,768.40
333	Services	26,396.72
334	Meters	5,896.26
335	Hydrants	7,882.92
	Total Original Cost	<u>\$372,945.30</u> =====

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015

Account 303.4 - Land & Land Rights - Transmission & Distribution

<u>Detail</u>	<u>Year Installed</u>	<u>----- Quantity ----- Unit</u>	<u>----- No.</u>	<u>Original Cost</u>
<u>Land Rights:</u>				
Mains	1993	Ea.	1	\$1.00
Total Account 303.4				----- \$1.00 =====

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015
Account 331 - Transmission & Distribution Mains

<u>Item</u>	<u>Year</u> <u>Installed</u>	<u>----- Quantity -----</u> <u>Unit</u>	<u>No.</u>	<u>Original</u> <u>Cost</u>
<u>Mains:</u>				
DI Mains, 6"	1993	LF	1,090	\$56,560.10
DI Mains, 8"	1993	LF	4,880	253,223.20
Plastic Mains, 2"	1993	LF	950	14,107.50
			-----	-----
Total Mains			6,920	\$323,890.80
<u>Valves:</u>				
Valves, 6"	1993	EA	1	\$571.98
Valves, 8"	1993	EA	9	5,315.22
Blow Off Valves	1993	EA	5	2,990.40
			-----	-----
Total Valves			15	\$8,877.60

Total Account 331				\$332,768.40
				=====

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015
Account 333 - Services

<u>Item</u>	<u>Year Installed</u>	<u>----- Quantity ----- Unit</u>	<u>No.</u>	<u>Original Cost</u>
Services	1993	EA	56	\$26,396.72
Total Account 333				<u>\$26,396.72</u> =====

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015

Account 334 - Meters

<u>Item</u>	<u>Year Installed</u>	<u>----- Quantity ----- Unit</u>	<u>No.</u>	<u>Original Cost</u>
5/8" Meters	1993	EA	54	\$5,896.26
Total Account 334				----- \$5,896.26 =====

Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Original Cost at July 14, 2015
Account 335 - Hydrants

<u>Item</u>	<u>Year Installed</u>	<u>----- Quantity ----- Unit</u>	<u>----- No.</u>	<u>Original Cost</u>
Hydrants	1993	EA	6	\$7,882.92
Total Account 335				----- \$7,882.92 =====

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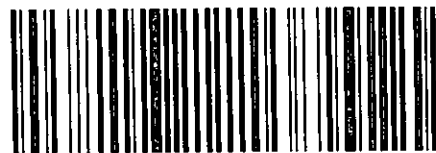
Pennsylvania-American Water Company, Inc.

Acquisition of the Abbey Woods HOA's Water System

Summary of Original Cost, Calculated Depreciation Reserve
and Depreciated Original Cost as of July 14, 2015
Based Upon Straight Line Depreciation

Acct. No.	Description	Year Installed	Original Cost at 7/14/15	Service Life	Calculated Depreciation Reserve 7/14/15	Depreciated Original Cost at 7/14/15
<u>Non-Depreciable Plant:</u>						
303.4	Land & Land Rights - Transmission & Distribution	1993	\$1.00			\$1.00
	Total Non-Depreciable Plant		\$1.00		\$0.00	\$1.00
<u>Depreciable Plant:</u>						
331	Mains & Accessories	1993	\$332,768.40	110	\$66,678.01	\$266,090.39
333	Services	1993	26,396.72	70	8,311.61	18,085.1
334	Meters & Meter Installations	1993	5,896.26	19	5,896.26	0.0
335	Hydrants	1993	7,882.92	72	2,413.17	5,469.8
	Total Depreciable Plant		\$372,944.30		\$83,299.05	\$289,645.25
	Total Plant in Service		\$372,945.30		\$83,299.05	\$289,646.25

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800 W Hershey Park Dr
Hershey Pa 17033

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