



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

P 717-531-3208
F 717-531-3399
E susan.marsh@amwater.com
I www.amwater.com

January 4, 2016

e-File

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 - Wastewater Division (PAWC-WD) for approval of (1) the transfer, by sale, of substantially all of the wastewater system assets and rights of Fairview Township to PAWC-WD, and (2) the right of PAWC-WD to furnish wastewater service to the public in a portion of Fairview Township, York County, Pennsylvania

Docket No.: A-2015-2486532

Dear Secretary Chiavetta:

Pursuant to Paragraph 8 of the Order entered on December 17, 2015, with respect to the above-referenced Application, Pennsylvania-American Water Company ("PAWC") provides the following response:

PAWC has been advised by Fairview Township that there are no separate "Prepaid Tapping Fee Agreements." Rather, the process and procedures for the prepayment of tapping fees were established pursuant to Resolution No. 06-1 of the Fairview Township Authority. A copy of Resolution No. 06-1 has been enclosed.

Pursuant to Resolution No. 06-1 a number of property owners and developers prepaid the tapping fee for the provision of wastewater service to their properties. The property owners and developers who prepaid the tapping fees sent checks to the Fairview Township Authority and a credit balance was established for each such party. Over time, the outstanding balance of the prepaid tapping fees has been reduced as the properties were added to the wastewater system. The balance of the prepaid tapping fees as of the closing on December 22, 2015 is set forth on the enclosed spreadsheet. PAWC received a credit against the purchase price for the Fairview Township wastewater system in the aggregate amount of the tapping fees.

Ms. Rosemary Chiavetta, Secretary
January 4, 2016
Page 2

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

Sincerely,

A handwritten signature in cursive script that reads "Susan Simms Marsh".

Susan Simms Marsh

eth

Enclosures

cc: P. Diskin, Bureau of Technical Utility Services w/Encs.

**RESOLUTION
FAIRVIEW TOWNSHIP AUTHORITY**

RESOLUTION NO. 06-1

RESOLUTION

**OF THE BOARD OF FAIRVIEW TOWNSHIP AUTHORITY
IMPOSING A RESERVATION OF CAPACITY FEE;
PROVIDING FOR THE CALCULATION AND PAYMENT OF
THE RESERVATION OF CAPACITY FEE AND
PROVIDING FOR THE ENFORCEMENT OF THE PAYMENT OF SUCH FEES
AND REPEALING RESOLUTION NO. 05-2**

WHEREAS, Fairview Township Authority ("Authority") is a body corporate and politic organized and existing under the provisions of the Municipality Authorities Act of 1945 ("Act"), as amended, 53 P.S. §§ 301 *et. seq.*; and

WHEREAS, the Act was amended by the Act of December 30, 2003, P. L. 404, No. 57, § 1, 53 P.S. § 5607 ("Act 57"), in order to, *inter alia*, prescribe the method for calculating a Reservation of Capacity Fee; and

WHEREAS, Authority, pursuant to authority vested in it by law and pursuant to the request and consent of Fairview Township, York County, Pennsylvania (the "Township") has constructed or caused to be constructed a sanitary sewage collection system, transportation, treatment and disposal system, including all related and necessary facilities (referred to herein collectively as the "Sewer System"), to provide sanitary sewage services for portions of Fairview Township; and

WHEREAS, Authority is authorized by the Act, as amended by Act 57, to charge a Reservation of Capacity Fee (as defined herein), provided the Reservation of Capacity Fee is based on debt and fixed operating expenses and may not exceed sixty (60%) percent of the average sanitary sewer bill for residential customers within Fairview Township for the same billing period; and

WHEREAS, Authority has previously adopted Resolution No. 05-2, dated October 18, 2005, imposing a Reservation of Capacity Fee effective January 1, 2006, and Authority now desires, pursuant to this Resolution to repeal Resolution No. 05-2 in its entirety; and

WHEREAS, Authority pursuant to this Resolution, now desires to impose the Reservation of Capacity Fee in accordance with the provisions of the Act, as amended by Act 57, which said Reservation of Capacity Fee will be effective as of October 1, 2006; and

WHEREAS, Authority desires to repeal Resolution No. 05-2; and

WHEREAS, Authority now desires, in accordance with the Act and Act 57, to fix and impose the Reservation of Capacity Fee applicable to Fairview Township.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Fairview Township Authority as follows:

Section 1. Definitions. The following terms and phrases as used in this Resolution shall have the meanings ascribed as follows unless the context clearly otherwise requires:

A. "Approved Plan" shall mean any approved preliminary subdivision plan, approved preliminary land development or approved preliminary subdivision/land development plan, as well as, any approved and recorded final subdivision plan, approved and recorded final land development plan or approved and recorded subdivision/land development plan approved or recorded on or before October 1, 2006.

B. "Authority" means Fairview Township Authority.

C. "Developer" means any Person (hereinafter defined) (which may include an Owner [as hereinafter defined]) who submits a preliminary subdivision plan or preliminary land development plan to improve property from which improvement Sanitary Sewage (hereinafter defined) shall be or may be discharged.

D. "Date of Approval/Future Approved Plan" means the date after October 1, 2006 upon which Fairview Township Board of Supervisors approves a Future Approved Plan (hereinafter defined).

E. "Equivalent Dwelling Unit" ("EDU") means (i) a measure of volume of flow or expected flow of Sanitary Sewage (hereinafter defined) or industrial waste from an Improved Property (hereinafter defined) as determined by the consulting engineer to Authority or

Township, as applicable, in accordance with sound engineering practices; each such Equivalent Dwelling Unit being deemed equal to 233 gallons per day pursuant to the guidelines set forth in Act 57 or (ii) an Improved Property (as hereinafter defined) shown or depicted on an Approved Plan or on a future Approved Plan (hereinafter defined).

F. "Future Approved Plan" shall mean any approved preliminary subdivision plan, approved preliminary land development plan, approved preliminary subdivision/land development plan, approved final subdivision plan, approved land development plan or approved final subdivision/land development plan, approved after October 1, 2006.

G. "Improved Property" means any property within the Township upon which there is erected a dwelling, building or structure intended for continuous or periodic habitation, occupancy or use by human beings or animals or from which dwelling, building or structure Sanitary Sewage (hereinafter defined) shall be or may be discharged.

H. "Owner" means any Person (hereinafter defined) vested with ownership, legal or equitable, sole or partial, of any Improved Property or other property from which Sanitary Sewage may be discharged.

I. "Person" means an individual, partnership, company, association, society, trust, corporation or other group or entity.

J. "Reservation of Capacity Fee" means the fee imposed by Authority pursuant to this Resolution when an Owner or Developer has requested Authority to reserve sanitary sewer capacity for an Equivalent Dwelling Unit or Equivalent Dwelling Units in connection with an Approved Plan or Future Approved Plan, which said fee shall be based upon debt and fixed operating expenses in connection with the Sewer System (hereinafter defined).

K. "Sanitary Sewage" means normal water carried household and toilet wastes from any Improved Property, exclusive of Industrial Waste.

L. "Sewer System" means all facilities, as of any particular time, for the collecting, transporting, treatment and disposal of Sanitary Sewage and industrial waste, including all related and necessary facilities, owned or to be owned by Authority or to which Authority has the right to utilize such facilities for the purpose of providing public sanitary sewer service.

M. "Tapping Fee" means the tapping fee imposed by Authority pursuant to Resolution No. 05-1, dated June 24, 2005, as amended from time to time.

N. "Township" means Fairview Township, York County, Pennsylvania.

Section 2. Reservation of Capacity Fee. Authority hereby fixes and imposes a Reservation of Capacity Fee, effective as of October 1, 2006, upon the Owner or Developer, for sewer capacity for an Equivalent Dwelling Unit shown or depicted on an Approved Plan or Future Approved Plan and Owner of Improved Property from which Sanitary Sewage may be discharged, which Reservation of Capacity Fee shall be collected in accordance with the terms of this Resolution.

Section 3. Amount of Reservation of Capacity Fee. The amount of the Reservation of Capacity Fee payable with respect to capacity reserved by Authority for each Equivalent Dwelling Unit to be connected to the Sanitary Sewer System shall be determined in accordance with the following:

A. Background. Act 57 requires the Reservation of Capacity Fee to be based upon debt and fixed operating expenses of the Sewer System and further provides that the Reservation of Capacity Fee shall not exceed sixty (60%) percent of the average sanitary sewer bill for a residential customer within Township for the same period. Accordingly, the Reservation of Capacity Fee is calculated on the following components:

(1) **Operating Expenses.** The fixed operating expenses for the Sewer System for calendar year 2005 were One Million Six Hundred Sixty-Six Thousand Three Hundred Fifty-Five (\$1,666,355) Dollars.

(2) **Debt.** The principal portion of the debt outstanding pursuant to the Guaranteed Sewer Revenue Bonds – Series 2001 ("2001 Bonds") reduced by the amount of the principal portion of outstanding debt pursuant to Guaranteed Sewer Revenue Bonds – Series 1988 ("1988 Bonds") paid during calendar year 2005 was Five Hundred Seven Thousand Three Hundred Seventy-Five (\$507,375) Dollars. The interest paid on account of the 2001 Bonds during calendar year 2005 was Five Hundred Eighteen Thousand Three Hundred Twenty-Two (\$518,322) Dollars. The total debt (principal and interest) paid during

calendar year 2005 on account of the 2001 Bonds (reduced by the current portion of the debt for the 1988 Bonds) was One Million Twenty Five Thousand Six Hundred Ninety-Seven (\$1,025,697) Dollars.

(3) Total Fixed Operating Expenses and Debt. The total fixed operating expenses and debt for calendar year 2005 was Two Million Six Hundred Ninety-Two Thousand Fifty-Two (\$2,692,052) Dollars.

(4) Sewer System Capacity. The Sewer System (including capacity in the Lower Allen Wastewater Treatment Plant) is 1,626,000 gallons per day. The total capacity, expressed by the number of Equivalent Dwelling Units, is 6,979 EDUs ($1,626,000 \text{ mgd} \div 233 \text{ gallons per day [EDU]}$).

(5) Calculation of Maximum Reservation of Capacity Fee. The maximum Reservation of Capacity Fee is Three Hundred Eighty-Five Dollars and Seventy-Two Cents (\$385.72) ($\$2,691,952 \text{ [total fixed operating expenses and debt]} \div 6,979 \text{ EDUs}$). As set forth above, the maximum Reservation of Capacity Fee may not exceed sixty (60%) percent of the average sanitary sewer bill for residential customers within the Township for the same billing period. Accordingly, the maximum Reservation of Capacity Fee that can be imposed by Authority is Three Hundred Thirty-One Dollars and Twenty Cents (\$331.20) ($\$552 \text{ [annual sewer bill for residential customers]} \times 0.60$).

Section 4. Amount of Reservation of Capacity Fee. Authority hereby fixes and imposes a Reservation of Capacity Fee, effective October 1, 2006, in the amount of Three Hundred (\$300.00) Dollars per year payable, in advance, in the amount of Seventy-Five (\$75.00) Dollars per calendar quarter during each calendar year.

Section 5. Collection of Reservation of Capacity Fee. On and after October 1, 2006, the Reservation of Capacity Fee shall be payable by an Owner or Developer with respect to each Equivalent Dwelling Unit as shown on an Approved Plan or Future Approved Plan.

Section 6. Term of Reservation of Capacity.

A. Reservation of Capacity/EDU (Approved Plan). For any EDU shown or depicted upon an Approved Plan, payment of the applicable Reservation of Capacity Fee for such EDU shall reserve sanitary sewer capacity within the Sewer System through September 30, 2013 provided that the Owner or Developer, as applicable, has paid the applicable Reservation of Capacity Fee, in full, and has paid the applicable Tapping Fee for such EDU, in full, on or before September 30, 2013.

B. Tapping Fee (Approved Plan). With respect to Tapping Fee paid for any EDU shown or depicted on an Approved Plan for which the Owner or Developer has paid the Tapping Fee in full, then the sanitary sewer capacity reserved in the Sewer System on account of such EDU shall be effective through September 30, 2016. With respect to any Tapping Fee paid for an EDU on an Approved Plan and if the Owner or Developer, as applicable, does not utilize the sanitary sewer capacity reserved in the Sewer System, then, in that event, Owner or Developer, as applicable, may request that the Authority repurchase said capacity under terms and conditions mutually agreeable to the Owner or Developer, as applicable, and Authority, provided, however, that Authority shall not be obligated, under any circumstances to pay to the Owner or Developer, as applicable, any amount for such EDU in excess of the Tapping Fee actually paid by the Owner or Developer, as applicable, for such EDU. Authority shall have the right, in Authority's sole discretion, to determine whether Authority desires to enter into such agreement with the Owner or Developer, as applicable, with respect to repurchase of the sanitary sewer capacity. Authority shall have the right, in Authority's sole discretion, to agree to repurchase the sewer capacity for such EDU and to pay to the Owner or Developer, as applicable, the amount of the Tapping Fee (or such other amount as the Authority may agree) conditioned upon the re-allocation or reservation of the sewer capacity by Authority to a third party.

C. Reservation of Capacity Fee (Future Approved Plan). With respect to any EDU show or depicted upon a Future Approved Plan, the Reservation of Capacity Fee for such EDU shall be due and payable as of the Date of Approval/Future Approved Plan. On payment of the Reservation of Capacity Fee for any EDU shown or depicted on a Future Approved Plan, the sanitary sewer capacity reserved in the Sewer System shall be and remain in effect for a period of seven (7) years from the Date of Approval/Future Approved Plan.

D. Tapping Fee (Future Approved Plan). With respect to any EDU shown or depicted upon a Future Approved Plan, the sanitary sewer capacity reserved upon payment of the Tapping Fee for such EDU shall be effective for a period of ten (10) years from the Date of Approval/Future Approved Plan. If the Owner or Developer, as applicable, does not utilize the sanitary sewer capacity reserved with respect to such EDU, then Owner or Developer, as applicable, shall have the right to submit a request to Authority with respect to repurchase of said sanitary sewer capacity as set forth in Section 6-B of this Resolution.

Section 7. Reservation Agreement. With respect to an Approved Plan, Owner or Developer, as applicable, and Authority shall, prior to September 15, 2006, enter into a Reservation Agreement which said Reservation Agreement shall, among other things, set forth the sanitary sewer capacity reserved (expressed as EDUs) in the Sewer System. Authority's obligation to reserve sanitary sewer capacity within the Sewer System for the benefit of Owner or Developer, as applicable, shall be conditioned upon Authority and Owner or Developer, as applicable, executing a Reservation Agreement on or before September 15, 2006 with respect to an Approved Plan or on or before Date of Approval/Future Approved Plan with regard to a Future Approved Plan, in accordance with the provisions of this Resolution.

Section 8. Payment of Tapping Fee. In accordance with Act 57, if Owner or Developer has paid or pays the Tapping Fee for an Equivalent Dwelling Unit then, in that event, the Owner or Developer shall not be obligated to pay the Reservation of Capacity Fee with respect to such Equivalent Dwelling Unit. Owner or Developer may, at Owner's or Developer's option, pay the Tapping Fee for an Equivalent Dwelling Unit shown on an Approved Plan or Future Approved Plan subject to the provisions of Section 6-B and Section 6-D, respectively.

Section 9. Failure to Pay Reservation of Capacity Fee. If an Owner or Developer, as applicable, fails to pay the Reservation of Capacity Fee for each EDU depicted on an Approved Plan or Future Approved Plan, as applicable, then Authority will not reserve capacity in the Sewer System for the benefit of the EDUs depicted upon said Approved Plan or Future Approved Plan and the Owner or Developer, as applicable, shall be at risk as to whether sewer capacity in the Sewer System will be available. If the Owner or Developer, as applicable, shall not pay the applicable Reservation of Capacity Fee and shall, thereafter, request sanitary sewer capacity within the Sewer

System the Authority shall, if such capacity is then available, reserve or allocate said sewer capacity to the Owner or Developer for one (1) or more of the EDUs depicted or shown on an Approved Plan or Future Approved Plan provided, however, that such Owner or Developer shall be obligated to pay, in full, in addition to the applicable Tapping Fee, the amount of the Reservation of Capacity Fee which should have been paid by such Owner or Developer in accordance with this Resolution, together with interest at the rate of six (6%) percent per annum. With respect to Future Approved Plans Authority will not reserve capacity in the Sewer System with respect to any EDU depicted upon such Future Approved Plans unless the Owner or Developer, as applicable, has entered into a Reservation Agreement or a reimbursement agreement, or both.

Section 10. Calculations. Attached to this Resolution, marked Schedule A, made part hereof, are itemizations of the fixed operating expenses and debt.

Section 11. Modification of Reservation of Capacity Fee. Authority reserves the right, from time to time, in accordance with the Act and Act 57, to increase or decrease the Reservation of Capacity Fee imposed by this Resolution.

Section 12. Effective Date/Reservation of Capacity Fee. As set forth in Section 2, the Reservation of Capacity Fee fixed and imposed pursuant to this Resolution shall be effective October 1, 2006.

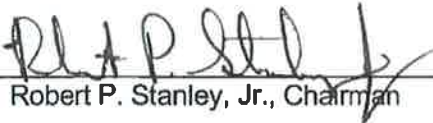
Section 13. Enforcement. Payment of the Reservation of Capacity Fee imposed by Authority pursuant to this Resolution shall be enforced by Authority in any manner appropriate under law at the time then in effect.

Section 14. Severability. In the event any provision, section, sentence, clause or part of this Resolution shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Resolution, it being the intent of this Authority that such remainder shall be and shall remain in full force and effect.

Section 15. Repeal/Resolution No. 05-2. Resolution No. 05-2, dated October 18, 2005, is repealed, in its entirety, as of the date of this Resolution.

DULY ADOPTED, by the Board of Fairview Township Authority in lawful session, duly assembled, this 18th day of July, 2006.

FAIRVIEW TOWNSHIP AUTHORITY

By:  (SEAL)
Robert P. Stanley, Jr., Chairman

ATTEST:


Donna Nissel, Secretary

:276685

Schedule A

2005 FIXED OPERATING EXPENSES FOR FAIRVIEW TOWNSHIP SANITARY SEWER SYSTEM

Fixed Operating Expenses 2005 ACTUAL
(Rounded)

Operator salaries	\$	235,564
Highway personnel salaries	\$	11,989
I & I salaries	\$	7,556
Administrative salaries	\$	116,501
Mechanic salaries	\$	2,487
Mowing salaries	\$	3,412
Salaries – part-time	\$	1,711
Long term disability insurance	\$	2,156
Short term disability insurance	\$	1,119
Life insurance	\$	1,166
Post retirement medical	\$	59,800
Health insurance	\$	59,160
Pension	\$	77,465
Social Security insurance	\$	23,392
Unemployment compensation	\$	1,419
Medicare benefit	\$	5,471
Medical reimbursement	\$	2,403
Leave salaries	\$	40,431
Administrative supplies	\$	5,890
Operating supplies	\$	8,823
Chemical supplies	\$	54,779
Lab supplies	\$	5,767
Gasoline	\$	5,397
Diesel fuel	\$	2,065
Uniforms/shoes, etc.	\$	3,834
Highway maintenance supplies	\$	841
Vehicle maintenance	\$	2,884
Tools & equipment	\$	1,094
Bank services	\$	0
Professional services	\$	7,246
Audit	\$	7,047
Engineer fees	\$	87,103
Legal fees	\$	27,320
Safety & medical services	\$	2,829
Communications	\$	10,108
Phone services	\$	27,346
Tires	\$	733
Advertising	\$	3,303
Vehicle insurance	\$	4,093
Crime insurance	\$	38
Property insurance	\$	15,719
Errors & omissions insurance	\$	6,858
Bond insurance	\$	5,757

Schedule A

<u>Fixed Operating Expenses</u>	<u>2005 ACTUAL</u>	
<u>(Rounded)</u>		
Workers compensation insurance	\$	16,466
Utilities	\$	170,982
Maintenance & repairs	\$	137,592
Computer system	\$	21,007
Contracted services	\$	192,069
Lower Allen expense	\$	172,565
Township Authority expense	\$	<u>5,598</u>
TOTAL OPERATING EXPENSES	\$	1,666,355
<u>Debt</u>	<u>2005 ACTUAL (Rounded)</u>	
<u>(Rounded)</u>		
Principal bond	\$	507,375
Interest bond	\$	<u>518,322</u>
TOTAL DEBT	\$	<u>1,025,697</u>
TOTAL FIXED OPERATING EXPENSES AND DEBT	\$	<u><u>2,692,052</u></u>

PREPAID TAPPING FEES

DATE	SUBDIVISION NAME	ORIG		TOTAL
		EDU	EACH	
03/07/06	Briarcliff, Phase 1 & 2	72	\$ 3,015	\$ 217,080
09/18/06	Old Orchard, Phase 3	88	\$ 4,440	\$ 390,720
09/20/06	Woods @ Deer Run	16	\$ 4,440	\$ 71,040
09/28/06	Woodbridge, Ph.6 - Mann.	3	\$ 4,440	\$ 13,320
09/29/06	Woodbridge, Ph.6 - S&A	7	\$ 4,440	\$ 31,080
			Total 2006	\$ 723,240
02/21/07	Pelleschi	2	\$ 4,440	\$ 8,880
06/22/07	Pleasant View PRD, Ph.1	13	\$ 4,440	\$ 57,720
06/27/07	Beinhower	2	\$ 4,440	\$ 8,880
06/28/07	Hughes	1	\$ 4,440	\$ 4,440
06/28/07	Koellner	1	\$ 4,440	\$ 4,440
06/28/07	Woodbridge, Ph. 7 - S&A	27	\$ 4,440	\$ 119,880
06/29/07	Fairview Ridge	2	\$ 4,440	\$ 8,880
			Total 2007	\$ 213,120
08/13/10	Fairview Ridge	1	\$ 7,500	\$ 7,500
08/13/10	Weatherstone	4	\$ 3,042	\$ 12,168
			Total 2010	\$ 19,668
07/29/13	Woodbridge 8-11	59	\$ 8,130	\$ 479,670
10/01/13	Weatherstone	37	\$ 4,010	\$ 148,370
			Total 2013	\$ 628,040
	TOTAL DEPOSITS	335		\$ 1,584,068
	TOTAL TRANSFERRED	228		\$ 1,062,143
	BALANCE	107		\$ 521,925