



**PENNSYLVANIA**  
**AMERICAN WATER**

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October 26, 2016

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

Dear Secretary Chiavetta,

Attached please find revisions to Supplement No. 16 to Tariff Wastewater-Pa P.U.C. No. 15 for Pennsylvania American Water, which bears the issue date of October 26, 2016. This tariff supplement makes changes to the original supplement filing as requested by the Bureau of Technical Service. Please refer to Docket No. R-2016-2571162.

Sincerely,

Rod Nevirauskas  
Director of Rates and Regulations

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

**PENNSYLVANIA-AMERICAN WATER COMPANY**

on April 1 of each year, or in the next quarter if permitted by the Commission. 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. **The utility is not permitted to accrue interest on under collections. (C)**

**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. **The utility shall file a tariff supplement implementing the reset to zero due to overearning on one-days' notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Utility has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed cost. (C)**

**Residual E-Factor Recovery Upon Reset to Zero:** The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any over collection to customers and is entitled to recover any under collections as set forth in Section 3 - Audit Reconciliation. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, The 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 supplement. (C)