



Brian Ardire

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March 22, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility
Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company-Wastewater
Division for approval to acquire nutrient credits from Dover Township
Sewer Authority and Dover Township at Docket No. A-2018-2645573

Dear Secretary Chiavetta:

In response to your letter dated March 5, 2018, attached for filing is Pennsylvania-American Water Company's answers to the data requests regarding the above referenced docket number.

Sincerely,

Brian Ardire

blg

Enclosure

ec: C. McKinley

Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1

Application of Pennsylvania-American Water Company-Wastewater Division for approval to acquire nutrient credits from Dover Township Sewer Authority and Dover Township at Docket No. A-2018-2645573

Note: Restate the data request prior to providing a response. In addition, provide the name and title of the person(s) providing the response and/or information for each data request.

A-1. As part of Pennsylvania-American Water Company-Wastewater Division's (PAWC-WD's) approved acquisition of Fairview Township's wastewater assets filed at Docket No. A-2015-2486532, PAWC-WD assumed an agreement, dated April 10, 2008, with the Red Barn Trading Company (Red Barn) for the purchase of nitrogen credits for a period of 15 years beginning in 2010 and ending in 2024. Please explain why the proposed Application's nutrient credits were not purchased from Red Barn for PAWC-WD's Fairview South Wastewater Treatment Plant (WWTP).

Response: The Red Barn agreement was terminated in April 2017 because it was not in the best interest of PAWC and its customers to remain obligated to Red Barn. Under the terms of the agreement, the Company was obligated to purchase and pay for 20,000 credits per year whether they were needed or not. In addition, the price per credit increased incrementally per year until the end of the contract in 2024.

Responsible Witness: David D. Boore, Operations Supervisor

A-2. Please state if PAWC-WD purchased any nutrient credits from Red Barn in 2016 and 2017. If so, please quantify the number of credits purchased in each year and identify the PAWC-WD WWTP that acquired the credits.

Response: Nutrient credits were purchase from Red Barn as follows:
2016 – South Plant permit# PA0082589. 3125 credits
2016 – North Plant permit# PA0081868. 4459 credits.

Responsible Witness: David D. Boore, Operations Supervisor

A-3. If PAWC-WD does not purchase its pre-allocated nutrient credits from Red Barn, please estimate PAWC-WD's resulting net annual gains or losses.

Response: Under the terms of the 2008 Agreement with Red Barn, for the year 2017 PAWC would have been obligated to pay \$6.15 per credit. Since PAWC had to purchase 20,000 under the terms of the Red Barn Agreement PAWC would have paid \$110,487.39 (\$122,987.39 - \$12,500 refundable deposit). Under the terms of the Agreement between Dover Township and Dover Township Sewer Authority, PAWC paid \$1.50 per credit, for a total of \$5,485.50 for only the 3,657 credits the Company needed. Thereby saving the Company \$105,001.89 for the year 2017.

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Responsible Witness: David D. Boore, Operations Supervisor

A-4. Please quantify the rate impact to customers if PAWC-WD does not purchase its pre-allocated nutrient credits from Red Barn.

Response: The annual savings, as shown in the Company's response to A-3, will mitigate future base rate increases by lowering the Company's requirement. The per customer savings is approximately \$4.23 per year (\$105,002 Expense Reduction / 24,823 #of customers = \$4.23 per year).

*24,823 Number of Customers Excludes Scranton and McKeesport Operations

Response Witness: John R. Cox, Director of Rates and Regulations

A-5. Please state how PAWC-WD is financing the Application's purchase.

Response: No additional capital will be required by the Applicant for the purpose of financing the matters and things involved in this Application.

Responsible Witness: David D. Boore, Operations Supervisor

A-6. Please state whether there is any affiliation between the Application's buyer and seller.

Response: There is no affiliation between the Application's buyer and seller.

Responsible Witness: David D. Boore, Operations Supervisor

A-7. Please state whether the negotiations for the Application's agreement were conducted at arm's length.

Response: The negotiations for the Application's agreement were conducted at arm's length.

Responsible Witness: David D. Boore, Operations Supervisor

A-8. Please explain how approval of the Application will benefit PAWC-WD customers.

Response: Approval of the application gives the Company the ability to purchase nutrient credits at a negotiated price with savings as described in A-3.

Responsible Witness: David D. Boore, Operations Supervisor

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A-9. Please explain how the Application is in the public interest.

Response: It is in the public interest for Pennsylvania American Water to provide
wastewater service that is in compliance with Pennsylvania Department of
Environmental Protection rules and regulations.

Responsible Witness: David D. Boore, Operations Supervisor

VERIFICATION

I JOHN R. COX, Director of Rates and Regulations for Pennsylvania-American Water Company hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

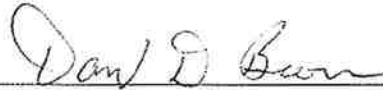


John R. Cox
Director of Rates and Regulations

Dated: 3-19-18

VERIFICATION

I, DAVID D. BOORE, hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



David D. Boore
Operations Supervisor

Dated: 3/20/2018