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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** |

August 24, 2018

Docket No. R-2018-3003558

Utility Code 210104

Anthony C. DeCusatis Esquire

Morgan lewis and bockius llp

1701 market street

philadelphia pa 19103-2921

RE: Aqua Pennsylvania, Inc. Tariff Water–PA P.U.C. No. 2 at Docket No. R-2018-3003558

Dear Attorney DeCusatis,

On August 17, 2018, Aqua Pennsylvania, Inc. (Aqua) filed the above-captioned tariff with the Public Utility Commission. For the Commission to complete its analysis of the filing, responses are required for the attached data requests. Please forward the requested information to the Commission within 10 working days of the date of this letter.

Please send all responses to the Secretary of the Commission at the following address:

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| Secretary, Pennsylvania Public Utility Commission400 North Street, 2nd FloorHarrisburg, Pennsylvania 17120 |

All documents requiring notary stamps must have original signatures. Some responses may be e-filed at <http://www.puc.pa.gov/efiling/default.aspx>. A list of allowable e-filing document types is available at <http://www.puc.pa.gov/efiling/DocTypes.aspx>.

**Please note that your answers must be verified per 52 Pa Code § 1.36.** Accordingly, you must provide the following statement with your responses:

*I, \_* [print name of appropriate company representative], *hereby state that the facts above set forth 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 herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).*

Signature \_\_\_\_\_\_\_\_

Title \_\_\_\_\_\_\_\_\_\_\_\_

Date \_\_\_\_\_\_\_\_\_\_\_\_

*I, \_* [print name of appropriate company representative], *hereby state that the facts above set forth 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 herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).*

Signature \_\_\_\_\_\_\_\_

Title \_\_\_\_\_\_\_\_\_\_\_\_

Please contact the below staff person if any problems should arise that prevent a full response within ten working days or if any clarification of these data requests is needed. Please mark the materials “CONFIDENTIAL” in bold or highlighted manner if any of the requested information is deemed to be of a confidential nature.

In addition, to expedite completion of the application, please send a copy of the information to Paul Zander via e-mail at**pzander@pa.gov** or by fax at (717) 787-4750. Questions may be directed to Paul Zander in the Bureau of Technical Utility Services, Water/Wastewater Division at telephone number (717) 783-1372. Thank you in advance for your cooperation.

Sincerely,

Rosemary Chiavetta

Secretary

Enclosure

cc: Tanya McCloskey, Office of Consumer Advocate (w/enclosure)

John Evans, Office of Small Business Advocate (w/enclosure)

Richard Kanaskie, PUC Bureau of Investigation and Enforcement (w/enclosure)

Note: Please 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.

1. Please explain why Aqua’s press release does not contain the following information required pursuant to 52 Pa. Code § 53.45(b)(3) and state if Aqua will correct these apparent deficiencies:
	1. The percentage increase to the company’s annual revenues;
	2. The dollar increase to a typical commercial and industrial customer’s total bill; and
	3. A statement that customers may contact the company at a toll free telephone number to get further information or to find out what actions they may take.
2. Please explain why Aqua’s customer notices do not contain the following information required pursuant to 52 Pa. Code § 53.45(b)(1)(i) and state if Aqua will correct these apparent deficiencies:
	1. The percentage increase applicable to each customer class;
	2. A statement that explains the Public Utility Commission can prevent existing rates from changing until it investigates and/or holds hearings on the request;
	3. A statement that explains the Public Utility Commission may change the amount of the rate increase or decrease requested by the utility for each customer class; and
	4. The three paragraphs identifying the actions a customer can take are significantly altered from the specified sequence and language and are not clear.
3. Several customer notices, including the Bristol customer notice, contain mathematical errors in the calculations for the increase for a typical customer. For example, the Bristol customer notice indicates, “Residential customers with a 5/8” meter using 4,080 gallons a month would increase from $55.80 to $69.07 per month.” However, the proposed tariff indicates that a Bristol customer with these metrics would pay $38.90 per month. The commercial and industrial examples shown also appear to be miscalculated according to the proposed tariff. Please state if Aqua will correct these apparent errors in the customer notices.
4. Provide statements pursuant to 52 Pa. Code § 53.52(a), *et seq*, for each change in the terms and conditions of service rendered or to be rendered that will result from the proposed tariff. This response should include, but not be limited to, statements addressing the following apparent changes reflected in Tariff Water-PA P.U.C. No. 2:
	1. Original Page 26 adds a DSIC exemption for future customers with negotiated contracts for which a reduction or exemption is shown to be reasonably necessary.
	2. Original Page 27 adds “rates or” to the last sentence of the “New Base Rates” section.
	3. Original Page 32 adds an additional sentence concerning hydrant location to the “Qualified Private Fire Protection Service” section.
	4. Original Page 38 adds “no gross-up” language to Rule 8 and a new “Creditworthiness” rule.
	5. Original Page 39 adds new language in the final sentence of rule 16 after “credit card”.
	6. Original Page 40 adds new language in the final sentence of Rule 17.
	7. Original Page 42 changes the minimum depth for service lines, adds a bedding requirement, and provides for using other industry-approved materials. The first sentence also contains an apparent error.
	8. Original Page 45 raises a pressure requirement from 80 to 100 psi.
	9. Original Page 47 adds two new sentences to the end of Rules 39 and 40.
	10. Original Page 50 adds three new sentences to the end of Rule 48 and modifies flow testing requirements in Rule 50.
	11. Original Page 52 raises a $5 fee to $10.50 in Rule 55.
	12. Original Page 53 adds one new sentence to the end of Rule 56.
	13. Original Page 54 adds Rule 59, which appears to conflict, and is partially duplicative of, Rule 17 on Original Page No. 40.
	14. Original Page 58 contains several apparent errors in Rule 62.1, making it unclear whether a change is proposed.
	15. Original Page 65 contains three new rules.
5. Attachment 3 to AP Statement No. 2 identifies several acquisitions for which Aqua is requesting an acquisition adjustment. However, although each acquisition states 66 Pa. C.S. § 1327(a)(3) and (4) have been satisfied, no additional information is provided as to how each acquisition satisfies the requirements. Please supplement Attachment 3 to AP Statement No. 2 to include explanations as to how each acquisition satisfies 66 Pa. C.S. § 1327(a)(3) and (4).
6. Exhibit 3-A reflects asset service lives that, in certain cases, vary widely from asset service lives calculated through depreciation studies. Please explain how Aqua reconciles service lives calculated through original cost studies with depreciation studies and, if the two are not fully reconcilable, if Aqua calculates any “true-up” of the difference between the calculated values when provided with acquisition adjustments.

The following Data Requests (R-7 through R-15) pertain to Aqua’s proposed Tariff Water – Pa. P.U.C. No. 2:

1. Several additional territories are added in Original Pages 7 and 8 which do not currently appear in the list of territories served by Aqua, including Thornbury Township, Delaware County and the City of Shamokin, Mercer County. Please verify Aqua holds a Certificate of Public Convenience authorizing it to offer, render, furnish or supply service in these territories.
2. Original Page 12.1 states it applies to all customer classes unless otherwise specifically identified on the tariff page. Please confirm that rates on Page No. 12.1 do not apply to public or private fire protection customers.
3. Original Pages 12.2, 12.3 and 12.4 do not adequately identify a default water consumption billing period for areas with rates that vary by consumption (i.e., does “up to 2,000 gallons” mean per month, per quarter, etc.). Please identify the default water consumption billing period for these areas.
4. Original Page 12.6 states the consumption charge will be billed at the residential metered water rates. Please clarify the applicable residential metered water rate(s) (i.e., Is it the residential water consumption rate for the rate zone or division the hydrant is in?).
5. Original Page 12.7 indicates a public fire service exception for Chalfont. Please state if this exception applies to Chalfont, Bucks County of Rate Zone 1, the Chalfont Division of Rate Zone 2, or both areas.
6. Please explain why Aqua is not proposing to change the “Next Gallons” rates identified in Original Pages 14 and 17.
7. Original Page 53 contains Rule 56 which references an “Attachment A”. Please identify the location of Attachment A in Aqua’s tariff and provide a copy of Attachment A if it is not located in Aqua’s tariff. Also, please explain Aqua’s reason for including this language and confirm if Aqua intends to terminate water service for non-payment of sewer charges for sewer utilities other than those identified in municipal agreements filed with the Commission (i.e., Would this language permit Aqua to terminate water service for non-payment of Aqua Pennsylvania Wastewater, Inc. charges?).
8. Rule 59 on Original Page 54 indicates, in part, that after termination of service, service will not be reconnected until all amounts due have been paid. Please explain how this rule complies with 66 Pa. C.S. § 1407 (c)(2), which provides for extended payback periods for customers meeting certain qualifications.
9. Please explain why Rule 67 is a part of the tariff’s main extension rules.

The following Data Requests (R-16 through R-24) pertain to Aqua’s indicated intent to adopt a “no gross-up” methodology for income taxes on contributions and advances, as reflected in Aqua’s proposed tariff:

1. Please demonstrate how Aqua’s proposed tariff complies with the Commission’s Order entered June 14, 1989 at Docket No. I-880083 (the 1989 Order).
2. Please identify which CIAC/CAC Method number, as identified in the 1989 Order, Aqua is proposing to use.
3. Please compare Aqua’s proposed tariff with CIAC Method No. 2, CIAC Modified Method No. 2, and CIAC Method No. 5 identified in the 1989 Order for the following:
	1. Please calculate the net present value of the effect on ratepayers from an average year’s contributions and advances; and
	2. Please explain the immediate and long-term impact on the amount of Aqua’s required contribution for line extensions for bona fide applicants.
4. Please explain how Aqua intends to account for income taxes on each of the following types of deposits, advances, and/or contributions, and if each item will be included in a deferred account:
	1. Temporary service and temporary service lines;
	2. Special utility service, as defined in 52 Pa. Code Chapter 65;
	3. Deviations from standard construction practices (i.e., main oversizing, atypical construction materials, special routing of mains, etc.);
	4. Additional facilities required to serve large bulk water customers;
	5. Standby service; and
	6. Hydrant and main relocation.
5. Aqua’s tariff contains various provisions where customers are responsible for certain costs. For example, Rule 49 on Original Page 50 of Tariff Water-PA P.U.C. No. 2 specifies when a municipality desires a change in the location of a hydrant, Aqua will make such change at the expense of the municipality. Please explain how Aqua will treat income taxes on contributions and advances for which Aqua’s tariff otherwise requires a specific party to be financially responsible.
6. Please explain how Aqua has been accounting for income taxes on contributions and advances since contributions and advances became taxable and state if this treatment has impacted Aqua’s rate filing. If so, please quantify the impact of this treatment.
7. Please state whether Aqua intends to collect additional amounts from depositors/contributors for carrying costs associated with deposits, advances, and contributions.
8. Please state if Aqua’s proposed treatment of income taxes on contributions will have a material impact on Aqua’s cash flows, credit ratings, access to financing, and/or its statutory obligations. If so, please quantify and explain this material impact.
9. Please state if Aqua’s proposed treatment of income taxes on contributions will impact Aqua’s current Long Term Infrastructure Improvement Plan.