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

August 24, 2018

Docket No. R-2018-3003561

Utility Code 230240

Anthony C. DeCusatis Esquire

Morgan lewis and bockius llp

1701 market street

philadelphia pa 19103-2921

RE: Aqua Pennsylvania Wastewater, Inc. Tariff Sewer–PA P.U.C. No. 2 at Docket No. R-2018-3003561

Dear Attorney DeCusatis,

On August 17, 2018, Aqua Pennsylvania Wastewater, Inc. 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 Commission  400 North Street, 2nd Floor  Harrisburg, 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**](mailto: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 Pennsylvania Wastewater, Inc.’s (APW’s) press release does not contain the following information required pursuant to 52 Pa. Code § 53.45(b)(3) and state if APW 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 APW’s customer notices do not contain the following information required pursuant to 52 Pa. Code § 53.45(b)(1)(i) and state if APW 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. 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 Sewer-PA P.U.C. No. 2:
   1. Original Page 8.6 removes the “residential” qualifier from the unmetered charges and contains an apparent error in how volumetric rates are calculated in gallons.
   2. Original Page 21 adds a new “Service Line Inspection Fee” section and new Rules 2, 3 and 4.
   3. Original Page 22 adds new Rule 5.
   4. Original Page 23 adds new Rule 7.
   5. Original Page 28 adds “no gross-up” language to Rule 8.
   6. Original Pages 29 and 30 contain new rules.
   7. Original Pages 31 and 32 contain modifications and additions to prohibited discharges.
   8. Original Page 33 adds two new sentences to the end of section 3 and adds new sections 4 and 5.
4. Attachment 3 to AP Statement No. 2 identifies several acquisitions for which APW 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).
5. Exhibit 3-B reflects asset service lives that, in certain cases, vary widely from asset service lives calculated through depreciation studies. For example, Page 3-1 of the original cost study for Kidder Township in Exhibit 3-B indicates Account No. 363, with an original cost of $2,612,251, was assigned an Iowa curve of 40-R3. However, Page I-3 of Exhibit 6-B, Part 1 indicates Account No. 363, with an original cost of $9,981,122, is assigned an Iowa curve of 70-R4. Please explain how APW reconciles service lives calculated through original cost studies with depreciation studies and, if the two are not fully reconcilable, state whether APW calculates any “true-up” of the difference between the calculated values when provided with acquisition adjustments.
6. APW’s previous rate case at Docket No R-2010-2207853 contained Ordering Paragraph #10, which states that as part of APW’s next base rate filing, APW shall submit a report of its odor remediation activities at the Little Washington and Twin Hills Divisions. Please provide evidence that APW complied with this Ordering Paragraph.

The following Data Requests (R-7 through R-8) pertain to APW’s proposed Tariff Sewer – Pa. P.U.C. No. 2:

1. Original Page 8.1 identifies a consumption charge for all divisions. All service territories on the tariff page include the term “division” except for Rate Zone 1. Please confirm “all divisions” includes Rate Zone 1.
2. The restoration of service rule on Original Page 24 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.

The following Data Requests (R-9 through R-17) pertain to APW’s intent to adopt a “no gross-up” methodology for income taxes on contributions and advances, as noted in APW’s proposed tariff:

1. Please demonstrate how APW’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, APW is proposing to use.
3. Please compare APW’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 APW’s required contribution for line extensions for bona fide applicants.
4. Please explain how APW 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.); and
   4. Additional facilities required to serve large bulk wastewater customers.
5. APW’s tariff contains various provisions where customers are responsible for certain costs. Please explain how APW will treat income taxes on contributions and advances for which APW’s tariff otherwise requires a specific party to be financially responsible.
6. Please explain how APW has been accounting for income taxes on contributions and advances since contributions and advances became taxable and state if this treatment has impacted APW’s rate filing. If so, please quantify the impact of this treatment.
7. Please state whether APW intends to collect additional amounts from depositors/contributors for carrying costs associated with deposits, advances, and contributions.
8. Please state if APW’s proposed treatment of income taxes on contributions will have a material impact on APW’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 APW’s proposed treatment of income taxes on contributions will impact APW’s current Long Term Infrastructure Improvement Plan.