

COMMONWEALTH OF PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF THE:  
TOWNSHIP OF ROBINSON,

Complainant - Petitioner,

vs.

PENNSYLVANIA AMERICAN WATER  
COMPANY,

Respondent.

No. C-20030092

TRANSCRIPT OF DIRECT TESTIMONY OF ANTHONY THOMAS LENZE,  
taken in the above-entitled matter, stenographically taken by  
William Schock, Court Reporter, at 2:00 p.m., Thursday,  
October 9, 2003, at the law offices of Yukevich, Marchetti,  
Liekar & Zangrilli, 11 Stanwix Street, Suite 1024,  
Pittsburgh, Pennsylvania 15222.

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APPEARANCES:

ALBERT J. ZANGRILLI, ESQ., Yukevich,  
Marchetti, Liekar & Zangrilli, 11 Stanwix Street, Suite 1024,  
Pittsburgh, Pennsylvania 15222, appearing on behalf of the  
Complainant-Petitioner.

- - -

1 ANTHONY THOMAS LENZE

2 DIRECT TESTIMONY

3 - - -

4 BY MR. ZANGRILLI:

5 Q. Would you state your full name, please?

6 A. Anthony Thomas Lenze.

7 Q. Mr. Lenze, are you employed?

8 A. Yes, I am.

9 Q. And by whom are you employed?

10 A. The Municipal Authority of the Township of Robinson.

11 Q. And in what capacity are you so employed?

12 A. I'm the Authority's Executive Director.

13 Q. When did you commence your employment with The  
14 Municipal Authority of the Township of Robinson?

15 A. November 15th, 2000.

16 Q. Mr. Lenze, in this examination I'm going to refer to  
17 The Municipal Authority of the Township of Robinson  
18 as MATR.

19 Would you please describe your duties as Executive  
20 Director of MATR?

21 A. I assure that MATR provides excellent customer  
22 service. I negotiate contracts, administer  
23 agreements, obtain permits, supervise personnel,  
24 submit governmental reports, analyze data and author  
25 communications.

- 1 Q. Do you oversee, as part of your duties, the  
2 preparation and execution of Developer Agreements?
- 3 A. I actually develop the Developer Agreements at the  
4 Authority based on form documents that have been  
5 given to me by the Authority's Solicitor and  
6 administer those agreements.
- 7 Q. In your capacity as Executive Director of MATR are  
8 you the custodian of MATR's books and records?
- 9 A. Yes, I am.
- 10 Q. Would you please state your educational background?
- 11 A. I'm a 1970 graduate of Munhall High School. I  
12 graduated from Indiana University of Pennsylvania  
13 with a Bachelor of Science Degree in Regional  
14 Planning in 1974, where I also took credits towards a  
15 Master of Business Administration; however, I did not  
16 complete that program.
- 17 Q. After you graduated from college where were you first  
18 employed in the municipal sector?
- 19 A. Well, my first job was with the Pennsylvania  
20 Department of Community Affairs.
- 21 Q. And for how long were you employed there?
- 22 A. About six months.
- 23 Q. And what was your job description or, alternatively,  
24 your duties?
- 25 A. I was a Planning Analyst for the Department, and I

1 reviewed zoning ordinances for whether or not there  
2 would be exclusionary zoning practices. I also  
3 administered the National Flood Insurance Program in  
4 a nine-county area out of the Pittsburgh Regional  
5 Office.

6 Q. And what nine counties would those be?

7 A. Allegheny, Armstrong, Washington, Beaver, Butler,  
8 Westmoreland, Fayette, Greene and Indiana.

9 Q. After that employment where were you employed?

10 A. I was employed by the Indiana County Planning  
11 Commission.

12 Q. And for how long did you serve in that capacity?

13 A. I was there for three years.

14 Q. And what were your duties there?

15 A. I was the County Subdivision and Zoning Officer, and  
16 I would conduct special studies for the Planning  
17 Commission on transportation issues. I also  
18 administered the County's sewage enforcement agency,  
19 and for a period of time I served as the County  
20 Planning Director.

21 Q. And for how long would you have served as the County  
22 Planning Director?

23 A. For approximately nine months.

24 Q. After that employment where were you employed?

25 A. I was employed as the Borough Manager of The Borough

1 of Homer City in Indiana County.

2 Q. And can you tell us what your duties were as Borough  
3 Manager of Homer City?

4 A. I supervised the daily operations of the Central  
5 Indiana County Water Authority, which was a leaseback  
6 Authority to the Borough of Homer City. I also acted  
7 as the Zoning Officer, Public Works Director, and  
8 Building Officer. We had a small staff and, so, it  
9 was a multi-task environment.

10 Q. Which municipality created the Central Indiana County  
11 Water Authority?

12 A. The Borough of Homer City.

13 Q. And was that a water distribution and production  
14 Authority?

15 A. Yes, it was.

16 Q. What was the source of the water that was treated and  
17 then distributed?

18 A. Yellow Creek.

19 Q. And did the Central Indiana County Water Authority  
20 bill the end customers of the Authority?

21 A. No, the Authority owned the facilities and leased  
22 back the operation to the Borough to operate. So,  
23 the Borough actually billed the customers.

24 Q. Did the Central Indiana County Water Authority have  
25 any bulk water sale customers?



1 Cranberry Township, and it was a very fast-growing  
2 municipality. I started there in 1988, and we  
3 averaged around 350 residential units a year that  
4 were being built through the twelve years I was  
5 there.

6 Q. Mr. Lenze, let's refer to the Municipal Sewer and  
7 Water Authority of Cranberry Township simply as the  
8 Cranberry Authority.

9 A. That's fine.

10 Q. And when were you first employed by the Cranberry  
11 Authority?

12 A. In 1988.

13 Q. Were you the first Manager?

14 A. No.

15 Q. And for how long did you work for the Cranberry  
16 Authority?

17 A. Twelve years.

18 Q. Were your duties for the Cranberry Authority similar  
19 to or different from your duties as Executive  
20 Director of MATR?

21 A. Similar to.

22 Q. Okay. Were there any major differences in your job  
23 duties between the two authorities?

24 A. No.

25 Q. Did the Cranberry Authority distribute water to end

1 users?

2 A. Yes.

3 Q. Did the Cranberry Authority have any contracts for  
4 the bulk sale of water to other bulk consumers of  
5 water?

6 A. No.

7 Q. Now, how did the Cranberry Authority obtain its  
8 water?

9 A. All of the water supplied to the Authority and the  
10 Cranberry Township obviously was supplied by The  
11 Municipal Authority of the Borough of West View.

12 Q. Was that relationship between the Cranberry Authority  
13 and what I will call the West View Authority governed  
14 by a written contract?

15 A. Yes, it was.

16 Q. Do you know the duration of that contract?

17 A. During my twelve years there the contract came up for  
18 renewal one time in 1997.

19 Q. Did you negotiate the terms and conditions of the  
20 renewal on behalf of the Cranberry Authority?

21 A. Yes, I did.

22 Q. And I assume that an agreement was subsequently  
23 negotiated and executed by the two authorities?

24 A. That's correct.

25 Q. What was the term of the agreement that was



1 I'm going to refer hereafter as WACMA, does MATR have  
2 any bulk sales contracts with any other  
3 municipalities of authorities?

4 A. Yes.

5 Q. Which authorities or municipalities?

6 A. An actual every-day Bulk Sale Agreement, we have one  
7 of those, and that would be with the Findlay Township  
8 Water Authority.

9 Q. How much water is MATR obligated to sell to the  
10 Findlay Authority pursuant to your contract with  
11 Findlay?

12 A. We agree to furnish and sell the Findlay Township  
13 Water Authority and they agree to accept and purchase  
14 85 percent of their total needs.

15 - - -

16 (Whereupon, Exhibit Lenze-1  
17 was marked for  
18 identification.)

19 - - -

20 BY MR. ZANGRILLI:

21 Q. I'm going to show you, Mr. Lenze, what we have marked  
22 as Exhibit Lenze-1 and ask if you can identify this  
23 document?

24 A. Yes, I can. This is the October 20, 1983 agreement  
25 that was executed between The Municipal Authority of

1 the Township of Robinson and the Western Allegheny  
2 County Municipal Authority.

3 Q. And as part of your duties as Executive Director of  
4 MATR, are you responsible for administering that  
5 contract?

6 A. Yes, I am.

7 Q. And pursuant to that agreement how much of WACMA's  
8 water needs was MATR to supply? And if you could  
9 read the applicable paragraph, I would appreciate it.

10 A. "MATR shall furnish water to Western Allegheny in  
11 such quantities as Western Allegheny shall require  
12 but not exceeding the gallons per month (30 days) nor  
13 the time limitations as set herein. Western  
14 Allegheny agrees to purchase a minimum of 85 percent  
15 of its total water needs in any given year from The  
16 Municipal Authority of the Township of Robinson under  
17 the terms and conditions of this Agreement and until  
18 the expiration of this Agreement."

19 Q. I asked you to prepare a schedule of the quantities  
20 of water sold by MATR to WACMA from the year 1988  
21 through the year 2002.

22 Did you prepare that schedule?

23 A. Yes, I did.

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(Whereupon, Exhibit Lenze-2

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BY MR. ZANGRILLI:

Q. I want to show you what has been marked as Exhibit  
Lenze-2 and ask you if this exhibit is that schedule?

A. Yes, it is.

Q. From what documents was this schedule prepared?

A. This schedule was prepared from the Annual Water  
Supply Reports of WACMA filed with the Department of  
Environmental Protection and from MATR's prevailing  
Rate Schedules.

Q. Does that schedule show the gross revenues derived  
from MATR's sale of water to WACMA for those years?

A. Yes, it does.

Q. And how did you compute the gross revenues derived?

A. Simply by taking the annual purchases as shown in the  
Annual Water Supply Reports and multiplying those  
purchases by the effective rate during each of the 15  
years as taken from MATR's Rate Schedules.

- - -

(Whereupon, Exhibit Lenze-3  
was marked for  
identification.)

- - -

FORM 100-1000

1 BY MR. ZANGRILLI:

2 Q. I want to show you what has been marked collectively  
3 as Exhibit Lenze-3, and are these the MATR rate  
4 schedules applicable to the years 1988 through 2002?

5 A. Yes, they are.

6 Q. Going back to Lenze Exhibit 1, which is the Agreement  
7 between WACMA and MATR, when does that Agreement  
8 expire?

9 A. October the 20th, 2003.

10 Q. So, it was a 20-year agreement?

11 A. Yes, it was.

12 Q. Did there come a point in time when MATR and WACMA  
13 commenced negotiations with respect to either an  
14 extension of the 1983 Agreement or the execution of a  
15 new Water Supply Agreement by and between MATR and  
16 WACMA?

17 A. Yes.

18 Q. Do you recall when you first personally became  
19 involved in these negotiations?

20 A. Shortly after my employment in November of 2000.

21 Q. Mr. Lenze, I asked you to bring with you certain  
22 documents pertaining to those negotiations.

23 Did you bring those documents with you today?

24 A. Yes.

25

1 (Whereupon, Exhibit Lenze-4  
2 was marked for  
3 identification.)  
4 - - -

5 BY MR. ZANGRILLI:

6 Q. I want to show you what has been marked as Lenze  
7 Exhibit 4 and ask if you can tell us what that  
8 document is?

9 A. This is a document of a predecessor of mine by the  
10 name of David M. Golebiewski to Mr. Robert Owens.  
11 It's a letter dated May 4th, 1998.

12 Q. Was this letter in the files of MATR that I asked you  
13 to review?

14 A. Yes.

15 Q. And who was Mr. Owens?

16 A. Mr. Owens was the Manager of WACMA.

17 Q. Have you read this letter?

18 A. Yes, I have.

19 Q. Does this letter constitute the first letter in  
20 MATR's files that sets forth the proposed terms and  
21 conditions with respect to a new Water Supply  
22 Agreement between MATR and WACMA?

23 A. To the best of my knowledge, it does.

24 Q. All right. Is there any discussion in that letter  
25 about the quantities of water that MATR was expecting

1 WACMA to take?

2 A. It states that one of the items for consideration  
3 between the two authorities would be some form of  
4 minimum quantity.

5 Q. Okay. Could you read what Mr. Golebiewski wrote with  
6 respect to that issue?

7 A. Sure. On Page 2 he writes: "The percentage of  
8 WACMA's water needs which MATR is expected to provide  
9 or will provide as a minimum quantity."

10 Q. Is there any minimum quantity suggested in Mr.  
11 Golebiewski's letter?

12 A. No, there is not.

13 Q. Now, Mr. Lenze, can you state with fair approximation  
14 the date on which the last discussions or  
15 negotiations between WACMA and MATR took place  
16 pertaining to a new Water Supply Agreement between  
17 MATR and WACMA?

18 A. There were ongoing face-to-face negotiations as well  
19 as negotiations via letter from the date of Mr.  
20 Golebiewski's letter up until approximately  
21 mid-February of 2003. Of course, these negotiations  
22 would have been back and forth over that period of  
23 time.

24 Q. Mr. Lenze, did I ask you to review all of the  
25 correspondence and notes pertaining to discussions

1           between the MATR and WACMA with respect to the new  
2           Water Supply Agreement?

3       A.       Yes, you did.

4       Q.       During any of these discussions or correspondence,  
5           did MATR at any time demand that it supply WACMA with  
6           all of WACMA's water needs?

7       A.       No, it never did.

8       Q.       At any time during these negotiations did MATR ever  
9           request of WACMA that WACMA purchase in excess of 85  
10          percent of WACMA's total water needs from MATR?

11      A.       No.

12      Q.       Would it be accurate to say that the range or the  
13          percentage of purchase of water that MATR was  
14          requesting of WACMA ranged between 75 and 85 percent  
15          of WACMA's total water needs?

16      A.       Yes.

17      Q.       Was the MATR Board prepared to agree to 75 percent of  
18          WACMA's needs if that was all that WACMA was willing  
19          to purchase?

20      A.       Yes.

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(Whereupon, Exhibit Lenze-5

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was marked for

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identification.)

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1 BY MR. ZANGRILLI:

2 Q. I want to show you what we'll mark as Lenze Exhibit 5  
3 and ask if you can identify this exhibit?

4 A. Yes. This is a letter that I wrote to the Chairman  
5 of WACMA dated August 16th, 2002.

6 Q. And is this letter a part of that series of verbal  
7 and written negotiations that you just described to  
8 us a minute ago, Mr. Lenze?

9 A. Yes, it is.

10 Q. I want to direct your attention to the last paragraph  
11 on Page 1, and I would ask you to read that paragraph  
12 for the record.

13 A. "The Authority Board has advised me that it is  
14 amenable to a 20-year term which you have suggested  
15 for the new Water Supply Agreement. Additionally,  
16 the Board agrees in principal with your request for a  
17 75 percent minimum purchase requirement of WACMA's  
18 total water needs, contingent upon WACMA furnishing  
19 information pertaining to its current and future  
20 average and peak day water usage. This information  
21 is sought in order that the Authority can evaluate  
22 its timetable for expanding its water production and  
23 transmission facilities over the term of the new  
24 agreement and to determine the extent to which the  
25 Authority may be required to purchase water from time

1 to time from its standby service providers."

2 Q. Why was the proviso in this letter, Mr. Lenze, that  
3 reads "contingent upon WACMA furnishing information  
4 pertaining to its current and future average and peak  
5 day water usage"?

6 A. In order to plan for the expansion of MATR's water  
7 supply facilities to serve WACMA, MATR needed to know  
8 what the 75 percent would represent over a projected  
9 20-year term.

10 WACMA is a very fast-growing service area, and MATR  
11 did not have good data concerning WACMA's total water  
12 use at that time nor what WACMA's projected demand  
13 would be during the term of the new agreement.

14 Q. Mr. Lenze, did you know the quantities of water MATR  
15 was selling to WACMA on a monthly and annual basis?

16 A. Absolutely.

17 Q. Do you know for a fact whether there are other  
18 suppliers of water to WACMA?

19 A. Yes, it is my understanding that Western Allegheny  
20 County Municipal Authority draws water daily from the  
21 Moon Authority, the Pennsylvania American Water  
22 Company and has an interconnect with the Findlay  
23 Township Water Authority.

24 Q. And did you know, prior to the commencement of this  
25 litigation, how much water WACMA was purchasing from

1           these other providers?

2       A.       No, I did not.

3       Q.       Did WACMA provide you with a copy of its Annual Water  
4           Supply Report that it filed with the Pennsylvania  
5           Department of Environmental Protection?

6       A.       No, they did not.

7       Q.       And it was only after this litigation began that you  
8           obtained copies of those Annual Water Supply Reports?

9       A.       That is correct.

10

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11

(Whereupon, Exhibit Lenze-6

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was marked for

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identification.)

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15       BY MR. ZANGRILLI:

16       Q.       I want to show you what has been marked as Exhibit  
17           Lenze 6 and ask you if you can identify that  
18           document?

19       A.       This is a January 29th, 2003 letter written by the  
20           Chairman of WACMA, Philip W. Morris, Sr., to Ed  
21           Brandon, Chairman of MATR.

22       Q.       And I want to direct your attention to the second  
23           paragraph where Mr. Morris states "However, the new  
24           issues raised by MATR's representatives at the  
25           December 19 meeting were not anticipated by WACMA and

1 required us to relay the status of negotiations to  
2 our entire Board. These renewed issues included a  
3 proposal by MATR to extend the term of a new Service  
4 Agreement to a period of thirty (30) years and  
5 increase the minimum purchase obligation of WACMA  
6 from a seventy-five percent (75%) level to an  
7 eighty-five percent (85%) level to be implemented at  
8 some point shortly after the new service agreement  
9 would take effect."

10 Do you see that paragraph, Mr. Lenze?

11 A. Yes, I do.

12 Q. Did, in fact, MATR request that WACMA purchase a  
13 minimum of 85 percent in accordance with what Mr.  
14 Morris states?

15 A. It was the subject of a discussion with WACMA during  
16 that meeting.

17 Q. Was it ever an absolute uncategorical demand?

18 A. No, it was not. There were discussions concerning  
19 what the current level of purchase requirement was,  
20 which was 85 percent pursuant to the 1983 Agreement,  
21 being Exhibit Lenze-1, and the fact that MATR was at  
22 some point going to be spending substantial sums of  
23 money on its treatment and transmission facilities to  
24 continue to serve WACMA's growing needs and that in  
25 order to do that, MATR was desirous of obtaining a

1 greater percentage of WACMA's total needs; that is,  
2 serving a greater portion of WACMA's total needs.

3 Q. And was that 85 percent number ever acceptable to  
4 WACMA?

5 A. It was not.

6 - - -

7 (Whereupon, Exhibit Lenze-7  
8 was marked for  
9 identification.)

10 - - -

11 BY MR. ZANGRILLI:

12 Q. I want to show you now what we'll mark as Exhibit  
13 Lenze 7 and ask if you can identify this document?

14 A. Yes, this is a February 12th, 2003 letter written by  
15 Ed Brandon, MATR's Chairman, to the Chairman of  
16 WACMA, Mr. Philip Morris.

17 Q. Now, Mr. Lenze, does this letter discuss at all the  
18 percentage of water issue that MATR was negotiating  
19 for WACMA to purchase?

20 A. Yes, it does.

21 Q. And would you read that?

22 A. Yes. This letter states on Page 2 that: "With  
23 respect to the minimum purchase amount that has been  
24 discussed (75-85%), MATR believes that an agreement  
25 can be reached on this issue and discussion regarding





1 had to expand its transmission capabilities from a  
2 16-inch diameter pipeline to a 24 inch and 30-inch  
3 diameter pipeline.

4 During the summer of 2002 one of the pieces of that  
5 larger diameter pipe was constructed in the Groveton  
6 area. From that point, the EPA grant would be  
7 utilized to construct the next phase of the  
8 transmission main, and the two projects combined  
9 would roughly cost in the neighborhood of \$4 million,  
10 not including engineering and legal costs.

11 Q. Will the loss of WACMA as a customer of MATR have a  
12 financial impact on MATR?

13 A. Most certainly.

14 Q. As a result of the loss of WACMA as a customer, will  
15 MATR be required to raise its rates to its remaining  
16 customers?

17 A. Yes.

18 Q. Have you caused to be calculated a percentage rate  
19 increase that will be required if WACMA is lost as a  
20 customer?

21 A. Yes, I have.

22 Q. And do you know what that percentage increase will  
23 be?

24 A. Yes, I do.

25 Q. And what is it?

1 A. Approximately a 30 percent increase in water rates to  
2 our customers.

3 Q. Are you familiar with the Agreement between  
4 Pennsylvania American Water Company, which I'm going  
5 to refer to as PAWC, and WACMA pertaining to the sale  
6 of water by PAWC to WACMA commencing after the  
7 expiration of MATR's agreement with WACMA?

8 A. Yes, I am.

9 Q. And have you read that document?

10 A. Yes, I have.

11 Q. When did you first become aware that this Agreement  
12 had been entered into by WACMA?

13 A. It was sometime in the latter portion of March of  
14 2003.

15 Q. Did you immediately request a copy of this Agreement  
16 from WACMA?

17 A. Yes, I did.

18 Q. Did WACMA provide you with a copy of this Agreement?

19 A. No, they did not.

20 - - -

21 (Whereupon, Exhibit Lenze-8  
22 was marked for  
23 identification.)

24 - - -

25 BY MR. ZANGRILLI:

RECORDED & INDEXED

1 Q. I want to show you has been marked as Exhibit Lenze 8  
2 and ask if you can identify this document?

3 A. This is an April 11, 2003 letter written by myself to  
4 the Chairman of WACMA and Ms. Deborah P. Lippert of  
5 the Pennsylvania American Water Company.

6 Q. And what is the purpose of that letter?

7 A. In this letter I'm telling them that it is my  
8 understanding that an agreement has been reached  
9 between WACMA and the Pennsylvania American Water  
10 Company for a period of 15 years, and I am stating  
11 that I have attempted, without success, to obtain a  
12 copy of the agreement and to inform them that MATR  
13 made a written request for a copy through WACMA's  
14 Solicitor pursuant to the Pennsylvania Right to Know  
15 Act.

16 Q. And do you know whether the request was made of WACMA  
17 pursuant to the Right to Know Act?

18 A. Yes, I do know.

19 Q. And pursuant to that request, was the agreement  
20 ultimately delivered to MATR?

21 A. That's correct.

22 Q. Approximately when did you receive that agreement,  
23 Mr. Lenze?

24 A. May 14, 2003.  
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(Whereupon, Exhibit Lenze-9  
was marked for  
identification.)

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BY MR. ZANGRILLI:

Q. And I want to show you what has been marked as Lenze Exhibit 9 and ask you if this is substantially the agreement that you received in mid-May of 2003 from WACMA?

A. This is substantially the agreement. This is not exactly what I received. I believe the one that I received had CONFIDENTIAL stamped on it, but it's certainly substantially that document.

- - -

(Whereupon, at 3:00 p.m., the direct testimony of Anthony Thomas Lenze was concluded.)

- - -

DOCUMENT  
FOLDER

A G R E E M E N T

THIS AGREEMENT made and entered into this 20th day of October, 1983, by and between THE MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON, County of Allegheny and Commonwealth of Pennsylvania, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, hereinafter known as "MATR", Party of the First Part,

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OCT 23 2003

THE WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY, County of Allegheny, Commonwealth of Pennsylvania, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, hereinafter referred to as "WESTERN ALLEGHENY", Party of the Second Part.

W I T N E S S E T H

WHEREAS, MATR is engaged in the supplying of water to customers within its service territory, as well as supplying water to WESTERN ALLEGHENY; and

WHEREAS, WESTERN ALLEGHENY also purchases of water from other sources of supply, and has no independent source of supply in and of itself; and

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EXHIBIT  
LENZE - 1

OCT 1 2003

PA PUBLIC UTILITY COMMISSION  
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WHEREAS, MATR is agreeable to selling a certain quantity and supply of water under certain stipulated conditions and WESTERN ALLEGHENY is agreeable to purchasing water upon those terms and conditions; and

WHEREAS, the parties hereto desire to reduce the terms of all understandings and covenants between MATR and WESTERN ALLEGHENY to writing;

NOW, THEREFORE, the parties hereto, for and in consideration of the charges, rates, covenants and conditions contained herein hereby agree as follows.

SECTION 1. MATR shall furnish water to WESTERN ALLEGHENY in such quantities as WESTERN ALLEGHENY shall require but not exceeding the gallons per month (30 days) nor the time limitations as set forth herein. WESTERN ALLEGHENY agrees to purchase a minimum of eighty-five percent (85%) of its total water needs in any given year from the MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON under the terms and conditions of this Agreement, and until the expiration of this Agreement. In any event, MATR shall not supply nor shall WESTERN ALLEGHENY request in excess of 30,000,000 gallons per month (30 days) without the written acceptance and approval of MATR. Any modification of the amounts of water to be supplied or purchased in excess of the amounts contained herein shall be subject to review and modification by the parties, and only agreed to in writing by both of the parties hereto.

SECTION 2. Standard Rate Considerations. On the basis of current usage, as well as past usage, MATR agrees to supply WESTERN ALLEGHENY an amount not to exceed 30,000,000 per month at the MATR schedule of rates, subject to the special rate considerations set forth in Section 3 below. It is hereby understood and agreed, that WESTERN ALLEGHENY shall be deemed to be a customer insofar as the rate schedule is concerned on the basis of receiving water service through a four inch (4") meter. The rate schedule referenced herein shall be construed to mean the regularly published schedule of rates duly adopted by the Board of Directors of The Municipal Authority of the Township of Robinson, at any given time.

SECTION 3. Special Rate Considerations. Consistent with Section 2 herein, MATR agrees to supply WESTERN ALLEGHENY up to 30,000,000 gallons per month on the basis of the MATR schedule of rates as defined herein. However, the parties further covenant and agree from time to time because of MATR's plant capacity, it becomes necessary for MATR to use Western Pennsylvania Water Company as an additional source of water in order to meet the demands not only of the service territory of MATR but also the service territory of WESTERN ALLEGHENY. When said use is effected, MATR becomes obligated to pay the rates of the Western Pennsylvania Water Company as well as pumping charges in order to purchase and then distribute Western Pennsylvania water into the water systems.

In that regard, and in order to more properly distribute the costs of obtaining Western Pennsylvania Water Company water, the parties have agreed to the following method of recovering said cost. So long as the rate from the Western Pennsylvania Water Company is in excess of the rate charged by MATR, the following calculations shall take place. MATR and WESTERN ALLEGHENY shall make a determination as to the total amount of water used in any particular year by MATR for its service territory and by WESTERN ALLEGHENY received from MATR. The total amount of water used shall then be calculated on a percentage or ratio basis as to the total amount of water used by MATR in its total system and the total amount of water received by WESTERN ALLEGHENY from MATR. Total water shall mean the total gallonage billed by MATR to all customers for its water, and in regard to WESTERN ALLEGHENY shall constitute water received through the meter from MATR. Based upon this ratio or percentage, each party shall pay its proportional percentage or ratio share based upon total water usage of the additional costs of Western Pennsylvania Water Company water as well as the costs associated in electrical charges for pumping said water into the MATR and WESTERN ALLEGHENY systems. Said calculation shall take place at the end of the year, and both the electric bills for pumpage charges as well as Western Pennsylvania Water Company bills shall be made available to WESTERN ALLEGHENY for its review.

MATR shall bill WESTERN ALLEGHENY the amount deemed to be due and owing along with sufficient data to enable WESTERN ALLEGHENY to make a calculation as to the reasonableness and accuracy of said bill.

SECTION 4. WESTERN ALLEGHENY hereby covenants and agrees that MATR shall supply eighty-five (85%) all of said WESTERN ALLEGHENY water needs. In that regard, and consistent with the exceptions herein stated, this Agreement shall remain in full force and effect for a period of twenty (20) years following the execution of said document.

SECTION 5. The parties covenant and agree that as far as the determination of rates is concerned, and based upon WESTERN ALLEGHENY being billed on the basis of the published rate schedule for a four inch (4") meter, with the exceptions herein stated above, MATR shall uniformly apply any and all rate increases to all water customers as is provided by law, including the WESTERN ALLEGHENY AUTHORITY. MATR shall not effect a rate schedule change that would cause WESTERN ALLEGHENY to be treated or classified any differently than any other MATR customer in application of rates or minimum usages so long as said treatment is reasonable and uniform and it complies with the laws of the Commonwealth of Pennsylvania. MATR shall notify WESTERN ALLEGHENY as to the basis for any modification of rates.

SECTION 6. MATR hereby covenants and agrees to furnish water to WESTERN ALLEGHENY subject to the current pressures available from its existing facilities which are known to the WESTERN ALLEGHENY and WESTERN ALLEGHENY agrees that said pressure shall meet and discharge all obligations of MATR under this Agreement in regard to said pressures. WESTERN ALLEGHENY shall make its best efforts to give MATR information regarding sufficient changes in projected water use as WESTERN ALLEGHENY becomes aware of same.

SECTION 7. MATR hereby covenants and agrees that the supply of water shall not be shut off except in cases of actual emergency. In the event that MATR shall find it necessary to shut off the supply of water to WESTERN ALLEGHENY for the purpose of making replacements or repairs, or for any reason, and no actual emergency exists, MATR shall notify WESTERN ALLEGHENY of its intent to do so, and such notice shall state the times and duration of such interruption of water service. MATR shall endeavor in all circumstances to give sufficient notice to WESTERN ALLEGHENY regarding shutting off of service. In that regard, and in order to facilitate said notice WESTERN ALLEGHENY shall supply from time to time a name, address and phone number of an individual that MATR shall be able to contact on a twenty-four (24) hour basis.

WESTERN ALLEGHENY hereby agrees that in the event the supply of water must be restricted to any of the customers of the MATR then and in that event, WESTERN ALLEGHENY hereby agrees to immediately impose similar restrictions on all customers using MATR water in its system provided WESTERN ALLEGHENY is using the MATR water.

SECTION 8. MATR covenants and agrees that it will use all reasonable diligence in providing a consistent uninterrupted supply of water for WESTERN ALLEGHENY, but MATR shall not be liable to WESTERN ALLEGHENY hereunder by reason of failure of WESTERN ALLEGHENY to receive water nor shall WESTERN ALLEGHENY be liable to take water, as a result of fire, strike, riot, explosion, flood, accident,

breakdown, acts of God or the public enemy, or other acts beyond the control of the party affected, it being the intention of each of the parties to relieve the other of the obligation to supply water or to receive water and pay for the water when as a result of the above-mentioned causes either party may be unable to deliver or use, in whole, or in part, the water hereunder agreed to be delivered or received. The parties hereto covenant and agree that they and each of them shall be prompt and diligent in removing and overcoming the causes of such interruptions, but nothing herein contained shall be construed as permitting MATR to refuse to deliver and WESTERN ALLEGHENY to refuse to receive water after the cause of interruption has been removed. In the event of impaired or defective service, MATR shall immediately give notice to the office of WESTERN ALLEGHENY by telephone or otherwise, confirming such notice in writing as soon as thereafter practicable.

Should MATR recover damages from some third party for any actions which may require termination or interruption of water service, it shall before commencing such a demand or an action contact WESTERN ALLEGHENY regarding any damages it may have had with regard to said incidents. On that basis, MATR shall attempt to recover those costs for WESTERN ALLEGHENY on an actual or pro rata basis depending upon the nature of the settlement or judgment received.

SECTION 9. All notices which, under the terms and conditions of this Agreement are required or authorized to be given to WESTERN ALLEGHENY shall be given to WESTERN ALLEGHENY at its principal office in North Fayette Township, or as otherwise officially

indicated. All notices which, under the terms and conditions of this Agreement are required or authorized to be given to MATR shall be given to MATR at its principal office located in the Township of Robinson, or as otherwise officially indicated. All notices required or authorized to be given under this Agreement shall be mailed in the ordinary course of business to the parties as set forth above.

SECTION 10. The parties hereto mutually covenant and agree that should the parties hereto be unable to agree for a period in excess of sixty (60) days as to the interpretation of any item in this Agreement, then, upon written demand of either party, the matter shall be submitted to arbitration in the following manner pursuant to the following provisions:

- (a). Notice of a claim of a party, stating the nature thereof and requesting negotiations with regard thereto, shall be given to the other party as is set forth in this agreement;
- (b). Any time after the expiration of sixty (60) days from the date of giving such notice, submission of the dispute to arbitration may be demanded by either party. Such a demand shall be in writing, as is set forth herein;
- (c). Within fifteen (15) days from the date of such demand, each party shall strike from the list provided by the American Arbitration Association as is provided by said association in its selection procedure.
- (d). In the event that either party fails to select the arbitrator within fifteen (15) days of the demand for arbitration, either party may apply to the judge of the Court of Common Pleas of Allegheny County when presiding in the Assignment Room for the appointment of an arbitrator, in default. The appointment of such arbitrator shall be final and binding on the parties hereto and upon any arbitrator appointed by same.

(e). The arbitrator as selected by the parties or appointed by the Court shall hear the matter in dispute and shall file written findings and a decision within sixty (60) days of the submission of the dispute to them unless such time is extended by mutual consent of the parties in writing. The decision of the arbitrator shall final and binding upon the parties hereto, their successors and assigns;

SECTION 11. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective successors or assigns. This Agreement shall be for an initial term set forth, and may be extended for such additional periods as the parties hereto shall agree to in writing, it being the understanding of the parties hereto that this Agreement encompasses the entire understanding between the parties hereto and that any modifications or changes therein shall be in writing approved and signed by the parties hereto. Further, each party hereto represents that its appropriate Board has by resolution authorized the proper officers of each Authority to execute this Agreement.

IN WITNESS whereof the parties have set their hands and seals this 20~~th~~ day of October, 1983.

ATTEST:

Frank Lockwood  
Secretary

THE MUNICIPAL AUTHORITY OF  
THE TOWNSHIP OF ROBINSON

BY John C. [unclear]

ATTEST:

Therese [unclear]  
Secretary

THE WESTERN ALLEGHENY COUNTY  
MUNICIPAL AUTHORITY

BY \_\_\_\_\_

WACMA'S ANNUAL PURCHASES AND REVENUES 1988-2002

YEAR	ANNUAL PURCHASES	GROSS REVENUES
1988	187,678,985	\$262,750.58
1989	198,718,045	\$278,205.26
1990	199,444,030	\$293,182.72
1991	220,189,900	\$323,679.15
1992	231,593,595	\$363,601.94
1993	267,454,845	\$462,696.88
1994	285,258,085	\$493,496.49
1995	267,317,970	\$462,460.09
1996	273,384,270	\$516,696.27
1997	288,450,010	\$562,477.52
1998	271,120,175	\$566,641.17
1999	300,188,045	\$627,393.01
2000	323,025,000	\$704,194.50
2001	310,615,000	\$677,140.70
2002	392,347,990	\$855,318.62

RECEIVED

OCT 13 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

EXHIBIT  
LENZE - 2  
C-70030092

WATER RATES

Customer Charges

<u>Meter Size</u>	<u>Monthly Charge</u>
3/4"	\$ 3.50
1"	\$10.50
1-1/2"	\$21.00
2"	\$34.00
3"	\$64.00
4"	\$106.00

First 100,000 gals. per month @\$2.10 per 1,000 gals.  
 Next 900,000 gals. per month @ \$2.00 per 1,000 gals.  
 Over 1,000,000 gals. per month @ \$1.40 per 1,000 gals.

<u>Meter Size</u>	<u>Quarterly Charge</u>
3/4"	\$10.50

First 300,000 gals. per quarter @ \$2.10 per 1,000 gals.

SEWER RATES

Customer Charges

Monthly Charge

<u>Meter Size</u>	<u>Monthly Charge</u>
3/4"	\$ 3.50
1"	\$10.50
1-1/2"	\$21.00
2"	\$34.00
3"	\$64.00
4"	\$106.00

First 40,000 gals. per month @ \$3.00 per 1,000 gals.  
 Over 40,000 gals. per month @ \$2.30 per 1,000 gals.

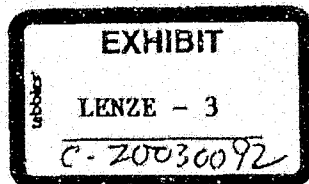
<u>Meter Size</u>	<u>Quarterly Charge</u>
3/4"	10.50

First 120,000 gals. per quarter @ \$3.00 per 1,000 gals.

RECEIVED

OCT 20 2003

PA PUBLIC UTILITY COMMISSION  
 SECRETARY'S BUREAU



**M  
A  
T  
R**

**The Municipal Authority of the Township of Robinson**

P.O. Box 15539 • Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

WATER RATES EFFECTIVE JULY 1, 1990

CUSTOMER CHARGES

METER SIZE MONTHLY CHARGE

5/8"	\$ 3.68
*3/4"	7.36
1"	11.04
1-1/2"	22.05
2"	35.70
3"	67.20
4"	111.30

First 100,000 gallons per month @ \$2.21 per 1,000 gallons  
Next 900,000 gallons per month @ \$2.10 per 1,000 gallons  
Over 1,000,000 gallons per month @ \$1.47 per 1,000 gallons

METER SIZE

QUARTERLY CHARGE

5/8"	\$11.04
------	---------

First 300,000 gallons per quarter @ \$2.21 per 1,000 gallons

SEWER RATES EFFECTIVE JULY 1, 1990

CUSTOMER CHARGES

METER SIZE

MONTHLY CHARGES

5/8"	\$ 3.68
*3/4"	7.36
1"	11.04
1-1/2"	22.05
2"	35.70
3"	67.20
4"	111.30

First 40,000 gallons per month @ \$3.15 per 1,000 gallons  
Over 40,000 gallons per month @ \$2.42 per 1,000 gallons

METER SIZE

QUARTERLY CHARGE

5/8"	11.04
------	-------

First 120,000 gallons per quarter @ \$3.15 per 1,000 gallons

\*RATES EFFECTIVE SEPTEMBER 11, 1991

**M  
A  
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**The Municipal Authority of the Township of Robinson**

P.O. Box 15539 • Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

WATER RATES EFFECTIVE JULY 1, 1992

Customer Charges

Monthly Charge

Meter Size

5/8"	\$ 4.60
3/4"	9.20
1"	13.80
1-1/2"	27.56
2"	44.63 ✓
3"	84.00
4"	139.13

First 100,000 gallons per month @ \$2.36 per 1,000 gallons.  
 Next 900,000 gallons per month @ \$2.25 per 1,000 gallons.  
 Over 1,000,000 gallons per month @ \$1.57 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 13.80
3/4"	27.60

First 300,000 gallons per quarter @ \$2.36 per 1,000 gallons.

SEWER RATES EFFECTIVE JULY 1, 1992

Customer Charges

Monthly Charge

Meter Size

5/8"	\$ 4.60
3/4"	9.20
1"	13.80
1-1/2"	27.56
2"	44.63 ✓
3"	84.00
4"	139.13

First 40,000 gallons per month @ \$3.75 per 1,000 gallons.  
 Over 40,000 gallons per month @ \$2.88 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 13.80
3/4"	27.60

First 120,000 gallons per quarter @ \$3.75 per 1,000 gallons.

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244 0539  
 Phone: (412) 923 2411 • Fax: (412) 923 2347

## WATER RATES EFFECTIVE JULY 1, 1995

### Customer Charges

### Monthly Charge

#### Meter Size

5/8"	\$ 4.95
3/4"	9.89
1"	14.84
1-1/2"	29.63
2"	47.98
3"	90.30
4"	149.56
6"	269.16
8"	441.56

First 100,000 gallons per month @ \$2.60 per 1,000 gallons.  
 Next 900,000 gallons per month @ \$2.48 per 1,000 gallons.  
 Over 1,000,000 gallons per month @ \$1.73 per 1,000 gallons.

#### Meter Size

### Quarterly Charge

5/8"	\$ 14.85
3/4"	29.67

First 300,000 gallons per quarter @ \$2.60 per 1,000 gallons.

## SEWER RATES EFFECTIVE JULY 1, 1995

### Customer Charges

### Monthly Charge

#### Meter Size

5/8"	\$ 4.95
3/4"	9.89
1"	14.84
1-1/2"	29.63
2"	47.98
3"	90.30
4"	149.56
6"	269.16
8"	441.56

First 40,000 gallons per month @ \$3.94 per 1,000 gallons.  
 Over 40,000 gallons per month @ \$3.02 per 1,000 gallons.

#### Meter Size

### Quarterly Charge

5/8"	\$ 14.85 ✓
3/4"	29.67

First 120,000 gallons per quarter @ \$3.94 per 1,000 gallons.

WATER RATES EFFECTIVE AUGUST 15, 1996

Residential Customer Charges

<u>Meter Size</u>	<u>Quarterly Meter Charge</u>
5/8"	\$16.20
3/4"	\$32.34

Consumption Charges

First 300,000 gallons per quarter per 1,000 gallons	\$2.84
Next 2,700,000 gallons per quarter per 1,000 gallons	\$2.71

Commercial Customer Charges

<u>Meter Size</u>	<u>Monthly Meter Charge</u>
5/8"	\$5.40
3/4"	\$10.78
1"	\$16.18
1 1/2"	\$32.30
2"	\$52.30
3"	\$98.43
4"	\$163.02
6"	\$293.38
8"	\$481.30

Consumption Charges

First 100,000 gallons per month per 1,000 gallons	\$2.84
Next 900,000 gallons per month per 1,000 gallons	\$2.71
Over 1,000,000 gallons per month per 1,000 gallons	\$1.89

SEWER RATES EFFECTIVE AUGUST 15, 1996

Residential Customer Charges

<u>Meter Size</u>	<u>Quarterly Meter Charge</u>
5/8"	\$16.20
3/4"	\$32.34

Consumption Charges

First 120,000 gallons per quarter per 1,000 gallons	\$4.30
All additional flow per quarter per 1,000 gallons	\$3.30

Commercial Customer Charges

<u>Meter Size</u>	<u>Monthly Meter Charge</u>
5/8"	\$5.40
3/4"	\$10.78
1"	\$16.18
1 1/2"	\$32.30
2"	\$52.30
3"	\$98.43
4"	\$163.02
6"	\$293.38
8"	\$481.30

Consumption Charges

First 40,000 gallons per month per 1,000 gallons	\$4.30
Over 40,000 gallons per month per 1,000 gallons	\$3.30

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539  
 Phone: (412) 923-2411 • Fax: (412) 923-2347

Meter/Service Charges SIZE	Water		Sewer		Quarterly	
	Monthly Charge	Monthly Charge	Monthly Charge	Water	Sewer	
5/8"	\$ 5.65	\$ 5.65	\$ 5.65	\$16.95	\$16.95	
3/4"	\$ 11.00	\$ 11.00	\$ 11.00	33.00	33.00	
1"	\$ 17.00	\$ 17.00	\$ 17.00			
1 1/2"	\$ 33.00	\$ 33.00	\$ 33.00			
2"	\$ 55.00	\$ 55.00	\$ 55.00			
3"	\$ 100.00	\$ 100.00	\$ 100.00			
4"	\$ 165.00	\$ 165.00	\$ 165.00			
6"	\$ 300.00	\$ 300.00	\$ 300.00			
8"	\$ 500.00	\$ 500.00	\$ 500.00			

Water Rates	Residential	Commercial
	per 1000 gallons	
First 100,000 gal./month	---	\$ 2.90
First 300,000 gal./quarter	\$ 2.90 ✓	---
100,000 to 1,000,000 gal./month	---	\$ 2.77
300,000 to 3,000,000 gal./quarter	\$ 2.77	---
Over 1,000,000 gal./month	---	\$ 1.95
Over 3,000,000 gal./quarter	\$ 1.95	---

Sewer Rates	Residential	Commercial
	per 1000 gallons	
First 70,000 gal./month	---	\$ 4.27
First 210,000 gal./quarter	\$ 4.27 ✓	---
Over 70,000 gal./month	---	\$ 3.20
Over 210,000 gal./quarter	\$ 3.20	---

### Miscellaneous Charges

Public Fire Hydrant	\$ 185.00
Private Fire Hydrant	\$ 185.00
Building Fire Service	\$ 185.00
Building Fire Standpipe	\$ 185.00
Lien Letter Fee	\$ 25.00
Drainage Dye Testing	\$ 35.00
Water Turn Off/On Charge	\$ 40.00
Returned Check Charge (NSF)	\$ 25.00
Temporary Service Set-up Fee	\$ 25.00
Hydrant Meter Deposit	\$ 1,000.00
Non Payment Penalty	5% of bill first month 1% of bill each month after the first month

The Municipal Authority of the  
 Township of Robinson  
 P.O. Box 15539, Pittsburgh Pennsylvania 15244  
 Telephone #412/923-2411 - Telefax #412/923-2347

Water/Sewer Rates Effective July 1, 1998  
 (Wholesale customer rates effective August 1, 1998)

Meter Size	Monthly Charge (water)	Quarterly Charge (water)	Monthly Charge (sewer)	Quarterly Charge (sewer)
5/8"	\$5.90	\$17.70	\$6.02	\$18.06
3/4"	\$11.50	\$34.50	\$11.73	\$35.19
1"	\$17.77		\$18.12	
1-1/2"	\$34.49		\$35.18	
2"	\$57.48		\$58.63	
3"	\$104.50		\$106.60	
4"	\$172.43		\$175.89	
6"	\$313.50		\$319.80	
8"	\$522.50		\$533.00	

<u>Water Rates</u>	<u>Residential</u>	<u>Commercial</u>
First 100,000/month		\$3.03
First 300,000/month	\$3.03	
Over 100,000/month		\$2.89
Over 300,000/month	\$2.89	
Wholesale customers (all water usage)		\$2.09

<u>Sewer Rates</u>	<u>Residential</u>	<u>Commercial</u>
First 70,000/month		\$4.55
First 210,000/month	\$4.55	
Over 70,000/month		\$3.41
Over 210,000/month	\$3.41	

Example: 10,000 gallons usage - 3 month bill:

Water: 10,000 x \$3.03	\$30.30
customer charge	\$17.70
Sewer: 10,000 x \$4.55	\$45.50
customer charge	\$18.06
Total:	\$111.56

Deduct Meter Example: 10,000 gallons used on main meter  
 3,000 gallons used on deduct meter

Water: 10,000 x \$3.03	\$30.30
customer charge	\$17.70
Sewer: 7,000 x \$4.55	\$31.85
customer charge	\$18.06
Total:	\$97.91
Savings:	\$13.65

**The Municipal Authority of the Township of Robinson**  
**New Rate Schedule, effective 01/01/00**

Meter Charge	Water Monthly Charge	Water Quarterly Charge	Sewer Monthly Charge	Sewer Quarterly Charge
5/8"	\$ 6.15	\$18.45	\$ 6.28	\$18.84
3/4"	\$ 11.99	\$35.97	\$ 12.23	\$36.69
1"	\$ 13.53	\$55.59	\$ 18.90	\$56.70
1-1/2"	\$ 35.97		\$ 36.69	
2"	\$ 59.95		\$ 61.15	
3"	\$108.99		\$111.18	
4"	\$179.84		\$183.45	
6"	\$326.98		\$333.55	
8"	\$544.97		\$555.92	

<u>Water Rates (4.3%)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale</u>
First 100,000 gallons/month	---	\$3.16	
Over 100,000 gallons/month	---	\$3.01	
First 300,000 gallons/ quarter	\$3.16	---	---
Over 300,000 gallons/quarter	\$3.01	---	---
All water purchased	---	---	\$2.18

<u>Sewer Rates (4.3%)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale</u>
First 70,000 gallons/month	---	\$4.75	
Over 70,000 gallons/month	---	\$3.56	
First 210,000 gallons/quarter	\$4.75	---	
Over 210,000 gallons/quarter	\$3.56	---	

**Miscellaneous Charges:**

Public Fire Hydrant	\$193.00
Private Fire Hydrant	\$193.00
Building Fire Service	\$193.00
Building Fire Standpipe	\$193.00
Lien Letter Fee	\$ 25.00
Dye Test	\$ 35.00
Water Turn-On Fee	\$ 40.00
Water Turn-off Fee	\$ 40.00
Returned Check Fee	\$ 25.00
Temp. service set up fee	\$ 25.00
Hydrant Meter Deposit	\$1000.00
Non-Payment Penalty	5% of the current bill

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 Fax: (412) 923-2347

## New Rate Schedule Effective January 1, 2000

Service Charges based on meter size

Meter	WATER		SEWER	
	Monthly Charge	Quarterly Charge	Monthly Charge	Quarterly Charge
5/8"	\$6.15	\$18.45	\$6.28	\$18.84
3/4"	\$11.99	\$35.97	\$12.23	\$36.69
1"	\$18.53	\$55.59	\$18.90	\$56.70
1 1/2"	\$35.97		\$36.69	
2"	\$59.95		\$61.15	
3"	\$108.99		\$111.18	
4"	\$179.84		\$183.45	
6"	\$326.98		\$333.55	
8"	\$544.97		\$555.92	

Rates based per thousand gallons

Water Rates	Residential	Commercial	Whole Sale
First 100,000 gallons/month	n/a	\$3.16	n/a
Over 100,000 gallons/month	n/a	\$3.01	n/a
First 300,000 gallons/quarter	\$3.16	n/a	n/a
Over 300,000 gallons/quarter	\$3.01	n/a	n/a
All water purchased	n/a	n/a	\$2.18

Sewer Rates	Residential	Commercial	Whole Sale
First 70,000 gallons/month	n/a	\$4.75	n/a
Over 70,000 gallons/month	n/a	\$3.56	n/a
First 210,000 gallons/quarter	\$4.75	n/a	n/a
Over: 210,000 gallons/quarter	\$3.56	n/a	n/a

### Miscellaneous Charges:

Public Fire Hydrant	\$268.00
Private Fire Hydrant	\$268.00
Building Fire Service	\$193.00
Building Fire Standpipe	\$193.00
Lien Letter Fee	\$25.00
Dye Test	\$35.00
Water Turn-On Fee	\$40.00
Water Turn-Off Fee	\$40.00
Returned Check Fee	\$25.00
Temporary Service Set Up Fee	\$25.00
Hydrant Meter Deposit	\$1,000.00
Non-Payment Penalty	10% of Current Bill

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539  
Phone: (412) 923-2411 • Fax: (412) 923-2347

May 4, 1998

Mr. Robert Owen, Manager  
Western Allegheny County Municipal Authority  
403 Virginia Avenue  
Oakdale, Pa. 15071

Re: Bulk Water Sale Contract

RECEIVED MATR

RECEIVED

OCT 10 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. Owen.

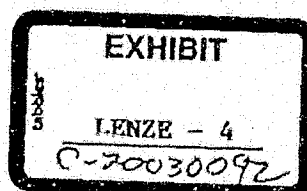
I had previously reported to the MATR Directors the main points of our discussions earlier this year regarding the substantial growth being experienced in North Fayette. The Board expressed an interest at that time in following up with the concept of early discussions relating to the Bulk Water Sale Contract between MATR and WACMA.

As you indicated in our general discussion, you have experienced substantial growth in the recent past and expect further growth in the near future. You also indicated that WACMA was taking some actions to ensure your ability to be able to draw sufficient water from MATR to meet the needs of your customers.

As I noted to you, MATR considers the continuation of our contractual relationship an important matter which should have a high priority. MATR has ensured that a 12" water line will be constructed on Park Manor Drive from Montour Run Road to the Route 60 ramp to the Robinson Town Centre and The Pointe. With this line in close proximity to water lines owned by WACMA in that area, it could provide for a second, much needed, connection between the two systems. I also noted that the Directors were reviewing and considering various items in a proposed Capital Improvements Plan. Several of the items in that plan directly relate to the needs for additional quantities of water which you may require in the future and methods to ensure the reliability of our supply and service.

An obvious consideration in the review process of these capital projects is the matter of an ongoing contract with WACMA beyond the expiration of the current contract in October, 2003. Since some of the projects under consideration could be scaled down, delayed, or possibly even eliminated, the Board wishes to determine the level of service, quantities of water expected to be purchased, and a committed time frame for a new or amended contract between the two organizations. To ensure clarity in the terms and conditions of a contract, I would suggest that a new agreement be developed with language covering all of the needs of both Authorities as we currently perceive them to be for the future.

I would suggest that the items listed below should be considered for inclusion in any new contract which is to be developed. Please note that the MATR Directors have not set any specific guidelines at this time and any "near" final document would be subject to review and possible revision by the MATR solicitor and specific requirements as determined by the MATR Board. I am sure that you would have the same requirements. Even knowing that, however, I



believe that we could develop a base document to cover the important aspects of a contract, especially as it pertains to technical matters.

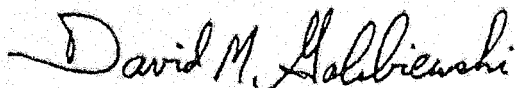
CONTRACTUAL ITEMS FOR CONSIDERATION

1. Term of the contract. I would suggest that 20 to 30 years is appropriate.
2. Maximum quantity of water WACMA will purchase from MATR in any given period (day, month, year). This could be set up so that the amounts increase over time as the need arises with proper notification.
3. The percentage of WACMA's water needs which MATR is expected to provide or will provide as a minimum quantity.
4. Rate(s) to be charged WACMA as a "bulk customer" by MATR. A flat rate for all quantities would be a possibility rather than using the multiple block rate schedule used for the retail customers.
5. A clear understanding of how rate adjustments would be made by MATR and how these would affect WACMA.
6. The need or possibility for another connection between the two Authorities. Size of connection, location of connection, and who would pay for what items related to such an additional connection could be included.
7. Notifications related to rate changes, unusual cost items, changes in projected usage, ongoing development, emergency situations, etc.
8. Methodology to resolve any differences in interpretation of the agreement.

Please feel free to add any additional items which you believe should be incorporated into a new contract. We could meet at your convenience to begin discussing these contractual clauses or a draft of a written document could be prepared so that we and the members of both Boards could review and provide comments as needed. Of course, some MATR Board members could meet with some WACMA Board members if that is determined to be necessary.

Please advise me of your preferences at your earliest convenience. I believe that it would be in the best interests of both Authorities to reach an agreement as early as possible so that future plans and programs may be developed and implemented.

Sincerely,  
The MUNICIPAL AUTHORITY of  
the TOWNSHIP of ROBINSON



David M. Golebiewski  
Executive Director

cc: MATR Directors  
A. Zangnili, Esq.  
R. Antonelli

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539  
Phone: (412) 923-2411 • Fax: (412) 923-2347  
E-mail: watermatr@aol.com

August 16, 2002

Mr Phillip Morris, Chairman  
Western Allegheny County Municipal Authority  
403 Virginia Drive  
Oakdale, PA 15071-9105

Re: Bulk Water Rate for New Water Supply Agreement

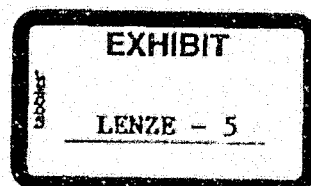
Dear Mr. Morris:

In response to your letter dated July 18, 2002, enclosed is the Computation of the Bulk Rates to WACMA based on the actual costs for the Authority's Fiscal Year ending June 30, 2002. The previous cost figures that were forwarded with our February 14, 2002 letter were based on the Authority's Budget for the same (July 1, 2001 to June 30, 2002) period.

You will note in the enclosed example that no costs are indicated under the cost category of "Water Storage Facilities." These costs are not shown because during the 2001/2002 fiscal year, the Authority did not segregate these costs. While no costs are indicated, I would like to point out that, at this time, I do not anticipate that these costs would affect the bulk rate calculation by more than one (1) or two (2) cents per 1,000 gallons.

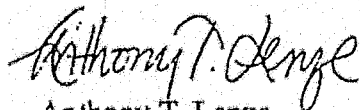
The cost per thousand gallons has been computed on the total gallons of water delivered to our water system during the period of July 1, 2001 to June 30, 2002 (1,413,907,000 gallons), the same period for which the actual cost figures are shown.

The Authority Board has advised me that it is amenable to the twenty (20) year term, which you have suggested, for the new Water Supply Agreement. Additionally, the Board agrees in principle with your request for a 75% minimum purchase requirement of WACMA's total water needs, contingent upon WACMA furnishing information pertaining to its current and future average and peak day water usage. This information is sought in order that the Authority can evaluate its timetable for expanding its water production and transmission facilities over the term of the new agreement and to determine the extent to which the Authority may be required to purchase water from time to time from its standby service providers.



We trust that this information is sufficient for your immediate needs and look forward to meeting with you under the format that you have suggested in the very near future.

Very truly yours,

A handwritten signature in cursive script that reads "Anthony T. Lenze". The signature is written in dark ink and is positioned above the printed name and title.

Anthony T. Lenze  
Executive Director

cc: Authority Board  
Raymond H. Antonelli, Sr., P.E.  
Albert J. Zangrilli  
David G. Nichols, P.E.

**COMPUTATION OF BULK WATER RATES TO WACMA**  
Based on Actual Costs for Fiscal Year Ending 6-30-02

	ACTUAL COST FISCAL YR. 2001/2002	COST PER 1,000 GAL.	COST PER 1,000 GAL. WACMA	WACMA PERCENT OF COST
<b>Standby Service (Including Power)</b>	\$47,493	0.03359	0.03359	100%
<b>Water Treatment Plant</b>				
Operating Labor	244,624	0.17301	0.17301	100%
Sludge Disposal Labor				100%
Electrical Power, Filtration Plant	303,790	0.21486	0.21486	100%
Raw Water Pump Station (Power)	38,608	0.02731	0.02731	100%
Heating (Raw Water P.S., Filtration Plant)	7,154	0.00506	0.00506	100%
Chemicals	127,694	0.09031	0.09031	100%
Supplies	3,230	0.00228	0.00228	100%
Laboratory	20,222	0.01430	0.01430	100%
General Maintenance	15,208	0.01076	0.01076	100%
Maintenance (Carbon Filters)	2,236	0.00158	0.00158	100%
Sludge Truck Operations and Lease (8,125 + 6,012)	14,135	0.01000	0.01000	100%
Sludge Disposal Costs (ALCOSAN)	33,864	0.02395	0.02395	100%
Miscellaneous	-----	-----	-----	
Sub-Total	\$810,765	0.57342	0.57342	100%
<b>Water Storage Facilities</b>				
COST CENTERS WERE NOT AVAILABLE FOR THESE ITEMS				
Route 60 Storage Tanks Maintenance				100%
Route 60 Pump Station				100%
1. Power Including Heating				100%
2. Maintenance (Labor and Materials)				100%
Bayer Road Storage Tank Maintenance				
1. Power Including Heating				100%
2. Maintenance				100%
SCADA Operating Cost and Maintenance				100%
Transmission Lines O&M				100%
Sub-Total				
<b>Water Distribution System</b>				
Operating Labor	189,262	0.13386	-----	-----
Vehicle Expenses	17,400	0.01231	-----	-----
Equipment and Supplies	57,869	0.04093	-----	-----
Meter Reading / Repairs / Replace / Labor	40,585	0.02870	-----	-----
Materials (Sand, Gravel, Topsoil, etc )	19,072	0.01349	-----	-----
Miscellaneous Meals, Mileage, etc.	5,044	0.00357	-----	-----
Vehicle Payments (Backhoe)	13,366	0.00945	-----	-----
Sub-Total	\$342,598	0.24231	-----	-----

**COMPUTATION OF BULK WATER RATES TO WACMA**  
Based on Actual Costs for Fiscal Year Ending 6-30-02

	ACTUAL COST FISCAL YR. 2001/2002	COST PER 1,000 GAL.	COST PER 1,000 GAL. WACMA	WACMA PERCENT OF COST
<b>General and Administrative</b>				
Trustee Fees Water System	13,710	0.00970	0.00873	90%
Directors Fees	4,106	0.00290	----	0%
Directors Expenses	1,085	0.00077	----	0%
Administrative Salaries	64,463	0.04559	0.01368	30%
Clerical Labor	47,598	0.03366	0.01010	30%
Professional Fees - Legal	15,520	0.01098	----	0%
Professional Fees - Engineering	14,801	0.01047	----	0%
Professional Fees - Audit	22,230	0.01572	----	0%
Retirement	54,564	0.03859	0.01858	**48.156
Employee Benefits (Hosp., Life Ins., Dis., etc.)	131,151	0.09276	0.04467	**48.156
Insurance	32,557	0.02303	0.02303	80%
Social Security Taxes	49,115	0.03474	0.01673	**48.156
Unemployment Compensation Taxes	1,716	0.00121	0.00058	**48.156
Office Supplies	33,429	0.02364	----	0%
Telephone	22,146	0.01566	0.00470	30%
Electric - Power	4,861	0.00344	0.00103	30%
Miscellaneous	96	0.00007	----	0%
Merchandise & Jobbing	30,993	0.02192	----	0%
Conferences, Training, Memberships, etc.	236	0.00017	----	0%
<b>Total General and Administrative</b>	<b>\$544,377.00</b>	<b>0.38502</b>	<b>0.14183</b>	
<b>Debt Service (Incl. Cover)</b>	<b>\$2,029,925.00</b>	<b>1.43568</b>	<b>1.29212</b>	<b>90% of Water D.S.</b>
<b>Non-Bond Debt</b>				
<b>Capital Improvement Projects (Related to Water Treatment, Storage, &amp; Transmission)</b>	<b>\$91,914.00</b>	<b>0.06501</b>	<b>0.06501</b>	<b>100%</b>
<b>Total Cost/1,000 Gal.</b>			<b>2.10597</b>	

Total Debt Service \$2,153,460 x 1.10 = \$2,368,806

Water System = 85.694% of Total

Treatment, Storage and Transmission is 90% of Water System D.S.

# Western Allegheny County Municipal Authority

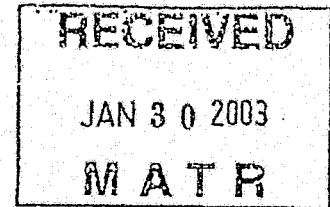
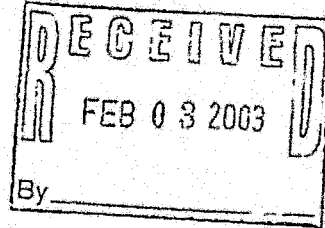
403 VIRGINIA DRIVE  
OAKDALE, PA 15071-9105  
PHONE: 788-4337  
FAX: 788-0788

## AUTHORITY BOARD

PHILIP W. MORRIS SR., CHAIRMAN  
JUDY A. DEWEY, VICE-CHAIRMAN  
PATRICK J. FLECK JR., SECRETARY  
JOHN MCGROGAN, TREASURER  
TOM MEYERS, SECRETARY-TREASURER

GROGAN, GRAFFAM, MCGINLEY  
SOLICITOR  
NICHOLS & SLAGLE ENGR., INC.  
CONSULTING ENGINEERS

January 29, 2003



Mr. Edward Brandon  
Chairman  
Municipal Authority of Township of Robinson  
P. O. Box 15539  
Pittsburgh, PA 15244-0539

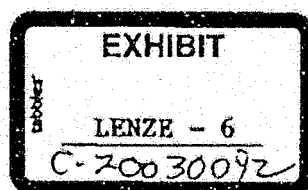
Re: Negotiations Concerning Water Supply Agreement with Western Allegheny County  
Municipal Authority

Dear Mr. Brandon:

The entire Board of Directors of the Western Allegheny County Municipal Authority, together with its professionals, has discussed the issues raised at our last joint negotiating session held on December 19, 2002. As you know, prior to the December 19 meeting, WACMA'S representatives had anticipated that the December 19 meeting would be held for the purposes of confirming agreement by the parties on the key provisions of a new service agreement and the finalization of various provisions of the draft agreement discussed at our prior meeting held on September 26, 2002.

However, the new issues raised by MATR's representatives at the December 19 meeting were not anticipated by WACMA and required us to relay the status of negotiations to our entire Board. These renewed issues included a proposal by MATR to extend the term of a new service agreement to a period of thirty (30) years and increase the minimum purchase obligation of WACMA from a seventy-five percent (75%) level to an eighty-five percent (85%) level to be implemented at some point shortly after the new service agreement would take effect.

For several compelling reasons, WACMA has determined that it is not amenable to the December, 2002 proposals of MATR. First, the recent proposals submitted by MATR run counter to its written confirmation to WACMA that MATR was willing to accept a twenty-year term and agreed in principal with a seventy-five percent minimum purchase obligation, as written in MATR's August 16, 2002 letter.



RECEIVED

OCT 10 2003

PA PUBLIC UTILITIES COMMISSION  
SECRETARY'S OFFICE

Further, there are sound policy reasons for WACMA's desire to see a twenty-year term and a seventy-five percent minimum purchase obligation. The present agreement is a twenty-year agreement and the uncertainty of future developments makes a term longer than twenty years unadvisable. WACMA believes that a twenty-year term is sufficient for MATR to support long-term financing for required capital improvements.

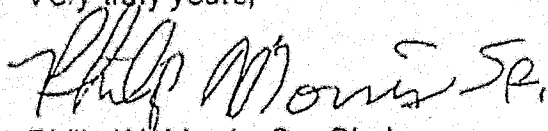
As to the seventy-five percent minimum purchase requirement, WACMA and MATR have discussed previously the mutual incentives in WACMA's purchase of as high a percentage as possible from MATR provided it can deliver a sufficient supply of water at a relatively reasonable price given the economies of scale afforded by the proposed supply of bulk water to a large customer such as WACMA. These mutual incentives, supported by the rate adjustment language we believe both parties have tentative agreement upon, would more than likely result in higher percentage purchases by WACMA than seventy-five percent. However, if MATR's cost of delivering bulk water to WACMA escalates significantly, WACMA wants the modest protection afforded by having the option to purchase up to twenty-five percent of its total water needs from other sources. The extensive area served by WACMA necessitates a twenty-five percent carve-out from MATR and reliance on other sources to meet isolated demands of new development until the distribution system can be reinforced in an economical fashion. Based upon past history, it may be necessary for WACMA to use other available sources up to twenty-five percent to meet seasonal demands that are currently unforeseen until MATR can expand its delivery capabilities.

Accordingly, WACMA is prepared to proceed toward finalization of a new supply agreement with MATR, but only upon the basis of a twenty-year term and a seventy-five percent minimum purchase obligation on WACMA's part. To keep these negotiations on an active schedule, we would request that MATR relay to WACMA whether it is prepared to finalize negotiations based upon a twenty-year term and a seventy-five percent minimum purchase obligation by no later than February 14, 2003.

If the parties can resume negotiations based on a twenty-year term and a seventy-five percent minimum purchase obligation, WACMA is hopeful that these negotiations can be finalized in the very near future. However, if MATR is not amenable to the twenty-year term and seventy-five percent minimum purchase obligation, WACMA must also, in the interest of its customers, explore the prospects of other long-term supply sources for WACMA's future water needs in addition to the discussions with MATR.

Please feel free to contact me with your response to this letter.

Very truly yours,

A handwritten signature in cursive script that reads "Philip W. Morris Sr." The signature is written in dark ink and is positioned above the printed name.

Philip W. Morris, Sr., Chairman  
Western Allegheny County Municipal Authority

cc: WACMA Board  
Ronald J. Brown, Esquire, Solicitor  
David G. Nichols, P. E., Consulting Engineer

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

E-mail: watermatr@aol.com

February 12, 2003

Mr. Phillip Morris, Chairman  
Western Allegheny County Municipal Authority  
403 Virginia Drive  
Oakdale, PA 15071-9105

Re: New Water Supply Agreement

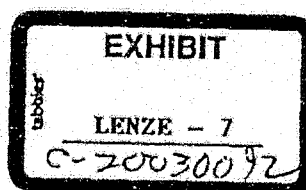
Dear Mr. Morris:

This is in response to your letter dated January 29, 2003 concerning the issues raised at our last meeting held on December 19, 2003. The Board of The Municipal Authority of the Township of Robinson ("MATR") is willing to consider a twenty (20) year term for the new Water Supply Agreement if our respective Authorities can reach an agreement with respect to the following concept:

It is anticipated by MATR that in approximately 2010, MATR will need to undertake an expansion of its water treatment plant and complete the second phase of the 30" diameter transmission main to its Route 60 storage facilities, hereinafter referred to as the "Project". The Project is required in order for MATR to be capable of meeting its water supply obligations pursuant to the new Water Supply Agreement currently under negotiation. At the time the Project is undertaken, MATR agrees to limit the term of its financing to a maximum of twenty-five (25) years. MATR and WACMA agree that concurrent with the date MATR closes on the aforementioned financing (evidence of same to be promptly provided by MATR to WACMA), this Agreement will automatically be extended by the number of years resulting from the following calculation:

Subtract the years remaining on the present 20-year Agreement from the length of the financing. The remainder resulting from said subtraction will be the number of years automatically added to the term of this Agreement.

Example: Year of financing = 2010  
Years remaining under original 2003 Agreement = 13  
Length of financing = 20 years



Remainder = 20 years minus 13 or 7 years that would be added to the remaining term of the Agreement.

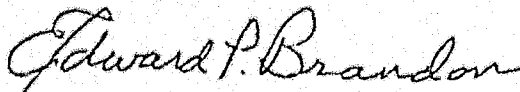
Should MATR not undertake the Project described herein, the Agreement shall expire at the end of the Agreement's twenty (20) year term.

Of course, in the event we are able to agree on the foregoing concept, our understandings must be reduced to a written Agreement and approved by our respective Solicitors and Boards.

With respect to the minimum purchase amount that has been discussed (75% - 85%), MATR believes that agreement can be reached on this issue and discussion regarding same will be far more productive at our next meeting.

We are hopeful that a meeting can be held between the representatives of our respective Authorities before the end of this month. Please notify me as soon as possible regarding WACMA's acceptance of the foregoing concept and its willingness to resume negotiations in order that a meeting can be arranged.

Very truly yours,



Edward P. Brandon  
Chairman

cc: Authority Board  
Raymond H. Antonelli, Sr., P.E.  
Albert J. Zangrilli

# The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539  
Phone: (412) 923-2411 • Fax: (412) 923-2347  
E-mail: watermatr@aol.com

April 11, 2003

Certified Mail 7002 3150 0005 3070 4487

Certified Mail 7002 3150 0005 3070 4494

Mr. Phillip Morris, Chairman  
Western Allegheny County Municipal  
Authority  
403 Virginia Drive  
Oakdale, PA 15071-9105

Ms. Deborah P. Lippert  
Pennsylvania American Water Company  
410 Cooke Lane  
Pittsburgh, Pennsylvania 15234

Re: Water Supply Agreement between Western Allegheny County  
Municipal Authority ("WACMA") and Pennsylvania American Water  
Company ("PAWC")

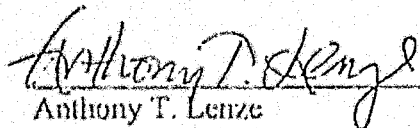
Dear Mr. Morris and Ms. Lippert:

We understand that WACMA and PAWC have entered into an agreement whereby PAWC will supply water for the WACMA system for a fifteen year period. We have attempted, without success, to obtain a copy of the agreement, and yesterday our solicitor made a written request for such a copy to WACMA's solicitor, pursuant to Pennsylvania's Right to Know Act.

Please be advised that we have concerns regarding whether the agreement is consistent with PAWC's tariff. We cannot fully analyze these concerns until we receive a copy of the agreement. Moreover, in the event the agreement is not authorized by PAWC's tariff or is otherwise improper, we intend to pursue any available legal remedies.

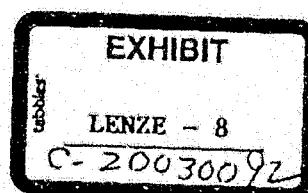
Very truly yours,

The Municipal Authority of the Township of Robinson



Anthony T. Lenze  
Executive Director

cc: Authority Board  
Raymond H. Antonelli, Sr., P.E.  
Albert J. Zangrilli



WATER SALES AGREEMENT

between

PENNSYLVANIA-AMERICAN WATER COMPANY

and

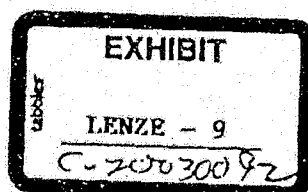
THE WESTERN ALLEGHENY COUNTY MUNICIPAL  
AUTHORITY

RECEIVED

OCT 1 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S OFFICE

WA-348



### Table of Contents

SECTION	PAGE
Background .....	3
1. Definitions.....	3-5
2. Supply of Water.....	5-6
3. Term.....	6
4. Conditions Precedent.....	6-7
5. Meter Connections & Meters .....	7
6. Risk of Loss.....	7-8
7. Water Quality Standards.....	8
8. Water Payments-Total Monthly Charges.....	8-9
9. Water Payments - Annual Reconciliation.....	9-10
10. Fixed Annual Average Day Demand.....	10
11. Maximum Day Demand.....	10-11
12. Maximum Hourly Demand .....	11
13. Changes in Water Demand.....	11-12
14. Planned Outages and Emergencies.....	12
15. Water Company's Notice to Curtail Demand.....	12
16. Service Interruptions.....	12
17. Force Majeure.....	12
18. Right of Entry .....	13
19. Fire Service.....	13
20. Western Allegheny's Default.....	13-14
21. Water Company's Failure to Supply Water or Default.....	14
22. Termination Not for Cause .....	14-15
23. First Right of Refusal.....	15
24. Representations and Warranties.....	15
25. Binding Agreement.....	16
26. Notices.....	16
27. Whole Agreement - Alteration or Amendment.....	16
28. Laws .....	16
29. Counterparts.....	17

### Schedules

Appendix No. 1 DRS Tariff.....	18
Appendix No. 2 Total Monthly Charges-First Contract Year.....	19
Appendix No. 3 Consumers Price Index.....	20
Appendix No. 4 Alternative Dispute Resolution Process.....	21-23

CONFIDENTIAL

## WATER SALES AGREEMENT

THIS AGREEMENT is entered into this 5th day of May 2003, by and between PENNSYLVANIA-AMERICAN WATER COMPANY, (the "Water Company" or "PAWC"), a Pennsylvania corporation with offices located at 800 W. Hersheypark Drive Hershey, PA 17033 and the Western Allegheny County Municipal Authority ("Western Allegheny"), a Pennsylvania municipal authority with offices at 403 Virginia Drive, Oakdale, Pennsylvania 15071.

### Background

A. Western Allegheny currently purchases a portion of its water supply from the Water Company for resale to its customers, and has an alternative to significantly reduce, or perhaps eliminate, its purchases from PAWC.

B. PAWC remains capable of meeting Western Allegheny's water demand, and desires to retain Western Allegheny as a customer.

C. Western Allegheny and the Water Company recognize that utilizing the Water Company's existing facilities present an opportunity to structure an arrangement whereby Western Allegheny would retain a cost effective supply of water and the Water Company's customers would benefit from a consistent revenue source over a sustained period of time to pay a portion of the fixed costs of the Water Company.

D. Western Allegheny desires to purchase water from the Water Company on a monthly basis based on expected average and maximum water demands. Payments would be intended to reimburse the Water Company not only for the cost of the supplied water but also for the portion of the facilities required to meet Western Allegheny's water demand and include a payment above those costs to the general revenue requirement of other Water Company customers.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, do hereby covenant and agree as follows:

#### 1. Definitions.

"Agreement" shall mean this Agreement.

"Commodity Charge" represents a charge intended to cover the Water Company's variable production cost of supplying water to Western Allegheny

"Consumer Price Index" shall mean the national Consumer Price Index for all urban consumers as published by the Bureau of Labor Statistics of the United States Department of Labor. For this sub-category, the period 1982-1984 is equal to 100 on the index. An example of the index is set forth in Appendix No. 3 to this Agreement.

"Contract Year" shall mean a period of twelve months during the Term as defined in the Agreement.

"Demand Based Resale (DRS) Tariff" shall have the meaning set forth in the Water Company's approved tariff.

"DEP" shall mean the Pennsylvania Department of Environmental Protection.

"Effective Date" shall mean the date upon which the conditions precedent set forth in Section 4 hereof shall have been satisfied.

"Emergency Situation" shall be a fire or main break within Western Allegheny's service area.

"Escalation Factor" shall mean, for a given Contract Year, the annual increase in the national Consumer Price Index (CPI) expressed as a decimal less than one, plus one. For example, an increase in the CPI of 3.0% would produce an escalation factor of 1.03% for that year.

"First Contract Year" shall be the period from the Effective Date to the end of the period twelve (12) months from that date.

"Fixed Annual Average Day Demand" represents Western Allegheny's expected daily water demand in gallons averaged over a one year period.

"Fixed Annual Average Day Demand Charge" represents a charge for the water expected to be supplied on average by the Water Company to Western Allegheny for a given Contract Year.

"Fixed Annual Average Day Demand Charge Rate" shall be a rate per 1,000 gallons of Fixed Average Day Demand.

"Maximum Day Demand" shall mean the maximum daily volume of water in gallons that the Water Company is obligated to supply to Western Allegheny.

"Maximum Day Demand Charge" represents a charge intended to cover a portion of the Water Company's costs associated with meeting maximum day demands of the Water Company's system and the Maximum Day Demand required by Western Allegheny.

"Maximum Day Demand Charge Rate" shall be a rate per 1,000 gallons of Maximum Day Demand.

"Maximum Hourly Demand" shall mean the maximum hourly volume of water in gallons that the Water Company is obligated to supply to Western Allegheny.

"Maximum Hourly Demand Charge" represents a charge intended to cover a portion of the Water Company's costs associated with meeting maximum hourly demands of the Water Company's system and the Maximum Hourly Demand required by Western Allegheny.

"Maximum Hourly Demand Charge Rate" shall be a rate per 1,000 gallons of Maximum Hourly Demand.

"Monthly Customer Charge" shall be a charge intended to cover the Water Company's fixed costs related to meter reading, accounting and billing.

"PA PUC" shall mean the Pennsylvania Public Utility Commission.

"Total Monthly Charges" shall be the monthly charges for water purchased by Western Allegheny from the Water Company as calculated by multiplying the quantity of water delivered by the Water Company to Western Allegheny during the month by the current rate per 1,000 gallons of water.

## 2. Supply of Water

2.1 From and after the Effective Date of this Agreement, the Water Company shall deliver potable water to Western Allegheny. During the Term, the water will be delivered at such rates of flow and in such quantities as are requested by Western Allegheny. The Water Company's obligation to deliver potable water shall be subject to such interruptions and fluctuations in service as may from time to time occur as a result or arising out of the operation and maintenance of the water supply and distribution system of the Water Company on the terms and conditions provided in this Agreement. Provided, however, Authority agrees to purchase during any twelve-month period the greater of i.) the minimum annual gallon amount of water at a load factor of not less than 0.75 or ii.) not less than 90% of Western Allegheny's total water system usage at a daily load factor of not less than 0.75. During the First Contract Year the minimum annual gallon amount shall be 438,000,000 gallons.

2.2 The Water Company shall be the primary supplier of water for public water service to Western Allegheny, and Western Allegheny shall purchase the majority of its total requirements for water from the Water Company. Western Allegheny shall be limited to the amount of water it purchases from suppliers other than the Water Company to an amount no greater 7,600,000 gallons per month pursuant to this Agreement; provided, however, that this provision shall be waived if, and to the extent that, (a) Western Allegheny requires an additional volume of water in excess of the maximum quantities available from the Water Company to serve its customers, and the Water Company is unable to deliver such additional quantities within one year of the time such quantities are required, or (b) Western Allegheny has an emergency situation such as a fire or main break, during which its water demand increases for short period, or (c) during high demand periods when the Water Company requires Western Allegheny to curtail its usage to the Maximum Day Demand or the Maximum Hourly Demand as set forth in this Agreement.

2.3 Western Allegheny agrees to cooperate with the Water Company in Western Allegheny's management and operation of its system in order to maximize the utilization of the Water Company's water supply.

2.4 Western Allegheny agrees to permit the Water Company to install, maintain, repair or replace transmitters, data circuits and such other facilities in Western Allegheny's system in order to control and monitor the transfer of the water supply from PAWC's system to the Western Allegheny system.

### 3. Term.

The "Term" of this Agreement shall run from the Effective Date of this Agreement until fifteen (15) years from the Effective Date unless terminated prior thereto under the provisions of this Agreement. Thereafter, the Term shall automatically extend for additional one-year extension periods unless and until this Agreement is terminated by written notice by either party to the other delivered at least six (6) months before the expiration of the term, or the then current Extension period. The components of the Total Monthly Charges shall be subject to changes as hereinafter described in this Agreement, and the Water Company shall be satisfied regarding the alternative options of Western Allegheny and its ability to meet the demand criteria as set forth in the Water Company's DRS Tariffs.

### 4. Conditions Precedent

4.1 The Water Company shall be satisfied regarding the alternative options of Western Allegheny, and its ability to meet the demand criteria set forth in the DRS Tariffs including how Western Allegheny intends to comply with the daily load factor contained in the Company's tariffs as of the date of execution of this Agreement. A copy of the Water Company's DRS tariff is attached as Appendix No. 1.

4.2 Western Allegheny shall fully cooperate with such efforts of the Water Company including providing copies of such non-proprietary technical and economic documentation as is required in satisfying such conditions.

4.3 PAWC shall obtain property for the installation of the Company's metering and pumping stations.

4.4 The Water Company shall have installed and constructed all facilities necessary to make the required quantities of water available to Western Allegheny, including, but not limited to the installation of three metering, two pumping stations and approximately 19,000 feet of waterline. Said facilities shall be owned by the Water Company.

4.5 The Company shall begin the necessary capital improvements after execution of the Agreement.

4.6 The parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PA PUC to the extent such approval is required.

4.7 The parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PAWC Board of Directors.

4.8 The parties recognize and expressly agree that the consummation of the transaction is conditioned upon receiving all necessary permits and approvals from the Pennsylvania Department of Environmental Protection.

4.9 Western Allegheny shall begin purchasing water from the Water Company no later than October 21, 2003.

## 5. Meter Connections & Meters

The Water Company shall make potable water available to Western Allegheny in accordance with this Agreement at a meter connection located near the intersection of Mill Street, Short Street and School Street proximate the municipal boundary line between South Fayette Township and North Fayette Township, a meter connection along Pinkerton Run Road proximate to the municipal boundary line between North Fayette Township and Collier Township and a meter connection near the intersection of Old Steubenville Pike (a.k.a. Old U.S. 22 & 30) and George's Lane proximate to the municipal boundary line between Robinson Township, Washington County and North Fayette Township. The Water Company shall, at its own cost and expense, own and maintain the meter(s) used to supply water to Western Allegheny. The meter(s) will be capable of measuring instantaneous demand use, and the data will be made available for review by Western Allegheny. The Water Company will perform calibration tests on the meters on at least a twelve (12) month basis in order to maintain the accuracy tolerance then currently approved by the PA PUC (for example, at the time of execution of this Agreement, the approved accuracy tolerance was two (2%) percent). The Water Company shall (i) notify Western Allegheny at least forty-eight (48) hours in advance of the time any test is to be made to permit Western Allegheny to observe such tests and (ii) furnish Western Allegheny with a copy of the results of all checks and calibration tests performed on such meter. If any tests or calibration checks show a condition of inaccuracy, adjustments shall be made immediately to such meter and to all charges and other calculations made under this Agreement from the date of the last calibration that were based on such meter readings. Western Allegheny shall have the right to independently check such meter, at its expense, at any time upon notification to the Water Company or its authorized representative.

## 6 Risk of Loss.

Title, possession and control of water shall remain with the Water Company to the metering point(s) where title, possession and control of water delivered under this Agreement shall pass from the Water Company to Western Allegheny. As between the parties hereto, the Water Company shall be in exclusive control and possession of the water deliverable hereunder and solely responsible for any damage or injury caused thereby until the same shall have been deliv-

ered to Western Allegheny after which Western Allegheny shall be in exclusive control and possession thereof and solely responsible for any injury or damage caused thereby (except to the extent such injury or damage is caused by contamination of the water delivery to Western Allegheny), and claims, demands and causes of action which may arise from the respective ownership and control of such water. The provisions of this Section 6 shall survive any termination of this Agreement.

#### 7. Water Quality Standards

The Water Company shall comply with all Federal and Pennsylvania regulations concerning safe drinking water standards for water provided to the meter connection(s), during the term of this Agreement.

#### 8. Water Payments-Total Monthly Charges

8.1 The Water Company shall bill Western Allegheny on or after twenty (20) days after each calendar month during the term for the water service provided by the Water Company in accordance with the Agreement. The bills shall contain a statement showing the quantities of water delivered by the Water Company to Western Allegheny during the month being billed and the calculation of the applicable Total Monthly Charges. For purposes of this Agreement, rates per 1,000 gallons and monthly charges shall be rounded to the nearest penny, volumes shall be rounded to the nearest 100 gallons, and Escalation Factors shall be rounded to two (2) places.

8.1.1 In the event of a dispute between Western Allegheny and the Water Company respecting any bill, the Water Company will forthwith make such investigation as may be necessary by the particular case and report the result thereof to Western Allegheny. When the Water Company has made such a report to Western Allegheny indicating the bill is correct as rendered, Western Allegheny shall have fifteen (15) days from the date of such report in which to pay the bill. If the Water Company determines that the bill originally rendered is incorrect, it will issue a corrected bill with a new date for payment. In the event of a corrected bill, any amounts received by the Water Company in excess of the disputed amount shall be returned to Western Allegheny for the period in dispute. Western Allegheny may escrow the amount of the bill that is in dispute and must pay all past and future undisputed bills during the dispute period. If Western Allegheny elects to escrow the amount of the disputed bill, Western Allegheny must provide the Water Company within five (5) business days written notification that it has taken such action, the amount in escrow and the location of the escrow account. Upon determination of the party entitled to the disputed amount, Western Allegheny shall withdraw such amount from escrow and shall pay to the entitled party.

8.2 From the Effective Date, Western Allegheny shall pay to the Water Company each month, in consideration for the water service provided by the Water Company, under the terms and conditions of this Agreement, the rate per 1,000 gallons of water used as set forth on Appendix No. 2 to this Agreement. The monthly customer charges will not be separately shown on the bill, since they were included in the determination of the rate per 1,000 gallons.

8.3 After the First Contract Year, the percentage increase from the calculation of the Escalation Factor shall be applied to the rate per 1,000 gallons of the previous Contract Year to determine the rate per 1,000 gallons for the following Contract Year. The new rate per 1,000 gallons shall be rounded to two decimal places and shall take effect on the first anniversary of the Effective Date. If the resulting new rate per 1,000 gallons should be less than the previous Contract Year rate per 1,000 gallons, no reduction will be made to the previous Contract Year rate per 1,000 gallons to be used during the Contract year.

8.4 During any Extension Period of this Agreement the procedure set forth in Section 8.3 will be used to determine the escalation factor, and the resulting percentage increase applied to the then current rate per 1,000 gallons.

## 9. Water Payments-Annual Reconciliation

9.1 At the conclusion of the second Contract Year, Western Allegheny and PAWC will perform a calculation to determine that Western Allegheny purchased the minimum amount of water pursuant to the terms of the Agreement. On or before the third month following the previous Contract Year, PAWC and Western Allegheny shall make a determination as to the total amount of water used by Western Allegheny during the previous Contract Year. Western Allegheny shall provide to PAWC on or before the third month following the previous Contract Year a schedule detailing the total amount of water used by Western Allegheny for the previous Contract Year. Said schedule will show by month the amount of water received by Western Allegheny from each separate water source during the previous Contract Year. Total water used shall mean the total gallons of water received by Western Allegheny from all water sources, including, but not limited to, connections to PAWC, other water suppliers and water produced by Western Allegheny. The total amount of water used shall then be calculated to determine on a percentage or ratio basis the total amount of water received by Western Allegheny from PAWC compared to the total amount of water used by Western Allegheny. Total water received from PAWC shall mean the total gallons of water received by Western Allegheny as measured by the PAWC water meters.

9.2 The Water Company shall perform a calculation to determine the minimum amount of water required to be purchased by Western Allegheny from the Water Company during the previous Contract Year. The minimum amount of water Western Allegheny shall be required to purchase from the Water Company shall be the greater of the minimum annual gallon amount or 90% of Western Allegheny's total water usage during the previous Contract Year.

9.2.1 The minimum annual gallon amount shall be the Fixed Annual Average Day Demand of the previous Contract Year multiplied by the number of days in the previous Contract Year.

9.2.2 To determine the amount of water equal to 90% of Western Allegheny's total water usage during the previous Contract Year, Water Company will multiply Western Allegheny's total water usage from the previous Contract Year as calculated in Section 9.1 by a factor of 0.90.

9.3 Water Company will compare the total amount of water purchased by Western Allegheny from the Water Company during the previous Contract Year to the minimum purchase amount calculated in Section 9.2. If the amount of water purchased from PAWC during the previous Contract Year is greater than the minimum purchase amount calculated in Section 9.2, no additional bill shall be rendered to Western Allegheny. If the amount of water purchased from PAWC during the previous Contract Year is less than the minimum purchase amount calculated in Section 9.2, PAWC shall bill and Western Allegheny shall pay an amount equal to the difference between the minimum purchase amount and the actual amount of water purchased multiplied by the rate per 1,000 gallons of the previous Contract Year. Water Company shall receive said payment no later than the fourth month following the end of the previous Contract Year.

9.4 Water Company shall waive the Annual Reconciliation of the minimum purchase requirement during any Contract Year in which Western Allegheny purchased no less than ninety nine percent (99%) of its water for the previous Contract Year from the Water Company. However under no circumstances shall the annual amount of water purchased from the Water Company be less than 328,500,000 gallons of water.

#### 10. Fixed Annual Average Day Demand

10.1 During the First Contract Year, the Fixed Annual Average Day Demand shall be 1,200,000 gallons.

10.2 At the beginning of the second Contract Year, the Fixed Annual Average Day Demand shall be reset to the daily average of the actual volume of water supplied by the Water Company to Western Allegheny during the First Contract Year.

10.3 At the beginning of each Contract Year after second Contract Year, the Fixed Annual Average Day Demand for the previous Contract Year shall remain the same except as it may be reset by Section 11.3.4.

#### 11. Maximum Day Demand

The Maximum Day Demand shall be adjusted pursuant to this Section 11 at the beginning of each Contract Year and, except as otherwise provided in this Agreement, shall remain constant for the remainder of such Contract Year.

11.1 During the First Contract Year, the Maximum Day Demand shall be 1,600,000 gallons.

11.2 During the second Contract Year, the Maximum Day Demand shall be reset to an amount that produces a daily load factor of 0.75 based on the Fixed Annual Average Day Demand calculated pursuant to Section 10.2. By way of example only, if Western Allegheny's Fixed Annual Average Day Demand for the First Contract Year was determined to be 1,250,000 gallons of water per day, the Maximum Day Demand for the following Contract Year would be reset to 1,666,666 gallons of water per day ( $1,250,000 \text{ gallons} \times 0.75 \text{ load factor} = 1,666,666 \text{ gallons}$ ).

11.3 At the beginning of each Contract Year after the second Contract Year, the Maximum Day Demand shall remain the same except as it may be adjusted by Section 11.3.3.

11.3.3 If, for more than forty-five (45) days in a given Contract Year, Western Allegheny's daily demand exceeds the Maximum Day Demand then in effect, then the fourth-sixth (46) highest day demand in such Contract Year shall become the new contracted Maximum Day Demand as of the beginning of the next Contract Year.

11.3.4 At the beginning of each Contract Year which the Maximum Day Demand shall be reset pursuant to Section 11.3.3, Water Company will reset the Fixed Annual Average Day Demand to an amount that produces a daily load factor of 0.75. By way of example only, if Western Allegheny's Maximum Day Demand during the previous Contract Year resulted in a new Maximum Day Demand for the following Contract Year (pursuant to Section 11.3.3) of 1,700,000 gallons of water per day, the Fixed Annual Average Day Demand for the following Contract Year would be reset to 1,275,000 gallons of water per day ( $1,700,000 \text{ gallons} * 0.75 \text{ load factor} = 1,275,000 \text{ gallons}$ ).

11.4 Western Allegheny's daily demand in excess of the Maximum Day Demand shall always be limited by the Water Company's ability to meet that demand for an extended period with existing facilities and shall always be subject to the Water Company's right to curtailment under Section 15 hereof. Western Allegheny shall not be permitted to exceed the Maximum Day Demand for more than seven consecutive days without notifying the Water Company by telephone.

## 12. Maximum Hourly Demand

Western Allegheny's hourly demand in excess of the Maximum Hourly Demand shall always be limited by the Water Company's ability to meet that demand for an extended period with existing facilities and shall always be subject to the Water Company's right to curtailment under Section 15 hereof.

## 13. Changes in Water Demand.

13.1 When Western Allegheny's long-term water demand materially increases or decreases or it expects its long-term water demand to materially increase or decrease, the parties will, in good faith, discuss and negotiate revised contract terms with the intent of amending this Agreement to address Western Allegheny's actual or expected long-term water demand from the Water Company to arrive at a price competitive with alternatives available to Western Allegheny.

13.2 For purposes of this section, a material increase or decrease shall be an increase or decrease in excess of 7%. However, the rate per 1,000 gallons of water shall continue to be determined as outlined in Section 8 of the agreement.

13.3 Authority acknowledges that the Water Company will only be able to provide up to 20 million gallons of water per day ("mgd") at the Pinkerton Run Road meter connection, 2.0

mgd at the Old Steubenville Pike meter connection and 0.4 mgd at the Mill and School Street meter connection, based on the facilities described under Section 4 of this Agreement.

14. Planned Outages and Emergencies.

When Western Allegheny has planned outages or emergency situations, such as fires or main breaks, during which its water demand increases for short periods, Western Allegheny and the Water Company will cooperate in mitigating the impact of those circumstances.

15. Water Company's Notice to Curtail Demand.

The Water Company shall have the right during high demand periods to curtail Western Allegheny's usage to the Maximum Day Demand or the Maximum Hourly Demand set forth in this Agreement. Western Allegheny shall immediately reduce its usage to the Maximum Day Demand or Maximum Hourly Demand upon notice (oral or written) from the Water Company to do so.

16. Service Interruptions.

16.1 The Water Company shall have the right to shut off all or any part of its plant and discontinue or otherwise limit service when deemed necessary by the Water Company for the purpose of making any repairs, alterations or additions. The Water Company will provide Western Allegheny with advance notice of any planned service interruption.

16.2 The obligation of the Water Company hereunder to supply water to Western Allegheny is further limited by the understanding and agreement that the Water Company shall use only such reasonable care and diligence to prevent and avoid interruptions and fluctuations in its service to Western Allegheny as it does in its own operation; and that it does not guarantee that interruptions and fluctuations in its service to Western Allegheny will not occur because of emergencies due to breaks, leaks, defects, necessary repairs in its facilities, or those events described in Section 17 hereof, provided however, that in the event the Water Company fails, because of system breaks or any other cause, to supply the quantity of water demanded by Western Allegheny, the Water Company shall use its best efforts to immediately remedy such failure.

17. Force Majeure.

Neither party shall be in default under this Agreement if such party's performance is delayed or prevented by or due to war, riot, terrorist acts, unusually severe weather conditions (such as weather conditions triggering the imposition of drought emergency restrictions) acts of God and other similar causes (but not including labor shortages, lock-outs or strikes) beyond the control of such party, and the time within which such party must comply with any of the terms, covenants and conditions of this Agreement shall be extended by a period of time equal to the period of time that performance by such party is delayed or prevented by the causes specified above provided that such party shall have immediately notified the other party of the existence of the causes of delay.

18. Right of Entry.

Subject to Western Allegheny's reasonable regulations, the Water Company and its representatives shall have the right to enter the premises and facilities of Western Allegheny for the purpose of installing, maintaining, testing, repairing and replacing transmitters, data circuits and such other facilities in Western Allegheny's system in order to control and monitor the transfer of the water supply from PAWC's system to the Western Allegheny system.

19. Fire Service.

The Water Company is not hereby offering fire protection service to Western Allegheny, although Western Allegheny may elect to use water supplied to it by the Water Company for fire protection. Western Allegheny also agrees that the Water Company shall not in any way be considered an insurer of property or persons or as having undertaken to supply sufficient water or water pressure to extinguish fires or to protect any person or any property against loss or damage by fire or otherwise.

20. Western Allegheny's Default.

20.1 The Water Company shall have the right to terminate this Agreement after thirty (30) days notice in writing for failure to pay any bill for water purchased. In the event of termination by the Water Company, Western Allegheny shall pay to the Water Company as liquidated damages, the actual damages being difficult to ascertain, the arrearages for all previous bills not paid through the date of termination, the Total Monthly Charges to be paid from the date of termination hereunder through three years after the date of termination and the actual cost to the Water Company of all capital improvements installed or constructed by or on behalf of the Water Company and specifically required to make the required quantities of water available to Western Allegheny, including, but not limited to the installation of three metering stations, two pumping stations and the installation of approximately 19,000 feet of waterline. Liquidated damages, with the exception of arrearages for previous bills not paid through termination which shall be paid in full, shall be paid according to the following percentages; 100% if termination occurs between the beginning of the first Contract Year and the end of the fifth Contract Year, 67% if termination occurs between the beginning of the sixth Contract Year and the end of the tenth Contract Year and 33% if termination occurs between the beginning of the eleventh Contract Year and the end of the fifteenth Contract Year.

20.2 The Water Company shall have the right to terminate this Agreement for any violation of the rules and regulations of the Water Company as provided for in its tariff. Said termination and the Water Company's remedies in the event of such termination will be in accordance with the Water Company's tariff, the Pennsylvania Public Utility Commission regulations or by Pennsylvania Public Utility Commission order, unless otherwise provided for within the Agreement.

20.3 Water Company and Western Allegheny agree and consent that all other claimed violations or defaults by Western Allegheny alleged under the terms of this Agreement shall be

subject to the Alternative Dispute Resolution (ADR) Process of the Pennsylvania Public Utility Commission as set forth in Appendix 4, hereof, as amended from time to time, by the Pennsylvania Public Utility Commission.

## 21. Water Company's Failure to Supply Water or Default.

21.1 The Water Company shall orally inform Western Allegheny within six (6) hours of the time that the Water Company learns that it cannot, or reasonably believes it would not be able to, meet the Maximum Day Demand or Maximum Hourly Demand. The Water Company shall follow such oral notification with written confirmation within three (3) business days.

21.2 Unless the Water Company is rightfully exercising its remedies against Western Allegheny pursuant to Section 20 hereof, in the event that during any period of time the Water Company fails to meet the water demand of Western Allegheny, at the metering point(s) or could not have met the Maximum Day Demand or Maximum Hourly Demand if so demanded by Western Allegheny (any such period being a "Reduced Supply Period"), for whatever reason, including, without limitation, the Water Company's action under Section 16 or 17 hereof, then the following shall apply:

21.2.1 During any Reduced Supply Period in which no water is delivered to the metering point(s), the Charges applicable to such Reduced Supply Period (which shall be calculated by prorating the time within such Reduced Supply Period against the time within the month) shall be totally abated.

21.2.2 During any Reduced Supply Period in which some water is delivered to the metering point(s) (i) the Monthly Charge applicable to such Reduced Supply Period (which shall be calculated by prorating the time within such Reduced Supply Period against the time within the month) shall instead be calculated by multiplying the Contract Year rate per 1,000 gallon to the actual volume of water supplied during such Reduced Supply Period (in gallons).

21.2.3 In addition to those remedies set forth in Section 21.2 hereof, Western Allegheny also shall have the right to terminate this Agreement after sixty (60) days' notice if the Water Company fails to meet Western Allegheny's water demand, for whatever reason, and the Water Company shall not have remedied such failure or default during such sixty (60) day period. Water Company and Western Allegheny agree and consent that all other claimed violations or defaults by Western Allegheny alleged under the terms of this Agreement shall be subject to the Alternative Dispute Resolution (ADR) Process of the Pennsylvania Public Utility Commission as set forth in Appendix 4, hereof, as amended from time to time, by the Pennsylvania Public Utility Commission.

## 22. Termination Not for Cause.

Upon Western Allegheny's termination of this Agreement, whether Western Allegheny is then in default or not, Western Allegheny shall pay to the Water Company as liquidated damages,

the actual damages being difficult to ascertain, the arrearages for all previous bills not paid through the date of termination, the Total Monthly Charges to be paid from the date of termination hereunder through three years after the date of termination and the actual cost to the Water Company of all capital improvements installed or constructed by or on behalf of the Water Company and specifically required to make the required quantities of water available to Western Allegheny, including, but not limited to the installation of three metering stations, two pumping stations and the installation of approximately 19,000 feet of waterline. Liquidated damages, with the exception of arrearages for previous bills not paid through termination which shall be paid in full, shall be paid according to the following percentages: 100% if termination occurs between the beginning of the first Contract Year and the end of the fifth Contract Year, 67% if termination occurs between the beginning of the sixth Contract Year and the end of the tenth Contract Year and 33% if termination occurs between the beginning of the eleventh Contract Year and the end of the fifteenth Contract Year.

In the event Western Allegheny is in default, the liquidated damages provision in the other Section 20 shall supersede the liquidated damages provision of this section.

### 23. First Right of Refusal

In the event that Western Allegheny should desire to sell its water system or a portion thereof, including an offer to purchase the water system or a portion thereof by a third party, Water Company shall have the right of first refusal to purchase the assets of Western Allegheny's water system or a portion thereof, and where such offer is made by a third party, on terms no less attractive to Western Allegheny than the terms of the offer to purchase made by the third party.

Water Company's decision to purchase the assets of the water system or a portion thereof, or its decision to refuse to make such purchase shall be made in writing to Western Allegheny within sixty (60) days of receipt of written notice by Water Company of Western Allegheny's proposal to sell the water system or a portion thereof.

### 24. Representations and Warranties.

24.1 The Water Company represents and warrants that the execution, delivery and performance of this Agreement are within the Water Company's corporate power and will not contravene any provision of law or its articles of incorporation or constitute a default under any agreement binding upon it provided, however, that this Agreement shall be filed with the Pennsylvania Public Utility Commission (PUC) and is subject to review by the PUC.

24.2 Western Allegheny represents and warrants that the execution, delivery and performance of this Agreement are within Western Allegheny's power and had been duly authorized, will not contravene any provision of law or constitute a default under any agreement binding upon it, and do not require the consent or approval of or registration with any governmental body or agency.

25. Binding Agreement.

All terms, conditions, rights and obligations of the parties hereto shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns. This agreement shall not be assigned by Western Allegheny without the express written consent of the Water Company.

26. Notices.

All notices, demands, requests, and approvals which may be or are required to be given by any party hereto to the other party shall be in writing (unless otherwise specified in this Agreement) and shall be deemed to have been sufficiently given if deposited in the United States mail, certified or registered, with registration and postal charges prepaid, to the address of the party stated below or to such changed address as such party may have fixed by notice:

To the Water Company:

Pennsylvania-American Water Company  
300 West Hersheypark Drive  
Hershey, PA 17033  
Attn: Susan Simms Marsh  
Associate Corporate Counsel

To Western Allegheny:

Western Allegheny County Municipal Authority  
403 Virginia Drive  
Oakdale, PA 15071

provided, however, that any notice of change of address shall be effective only upon receipt.

27. Whole Agreement - Alterations or Amendment.

The whole agreement by the parties hereto is herein written and the parties are not bound by any agreement, understanding, or conditions otherwise than are expressly set forth and stipulated herein. No change, alteration, amendment, modification, or waiver of any of the terms or provisions hereof shall be effective unless the change be in writing and signed by the parties.

28. Laws

The parties recognize and expressly agree that the Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

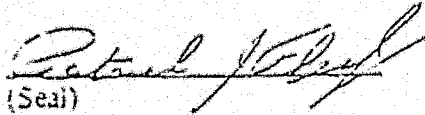
WA-363

29 Counterparts.

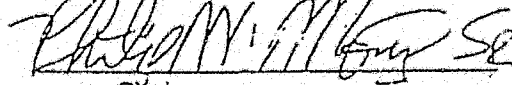
This Agreement may be executed in one or more counterparts and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Western Allegheny and the Water Company have caused this Agreement to be executed by their respective duly authorized officers under their respective seals, as of the day and year first above written.

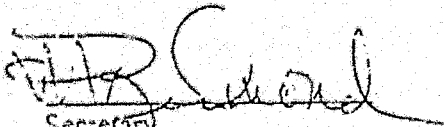
ATTEST:

  
(Seal)

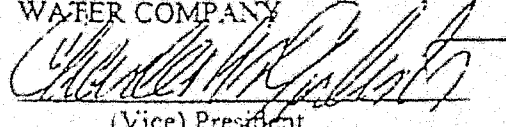
WESTERN ALLEGHENY COUNTY  
MUNICIPAL AUTHORITY

  
Chairman

ATTEST:

  
Secretary  
(Seal)

PENNSYLVANIA-AMERICAN  
WATER COMPANY

  
(Vice) President

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling First Revised Page 9E

RIDER DRS - DEMAND-BASED RESALE SERVICE

applicability.

Throughout the territory served under this tariff.

availability.

This rider is available to a customer that:

- (1) purchases water from the Company for resale;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to maintain a daily load factor of not less than 0.75; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

rate.

(C)

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

**Maximum Rate:** The Maximum Rate shall be the charges specified in the company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

**Minimum Rate:** The Minimum Rate shall be sufficient to recover: (1) the production cost of water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the production cost of water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

**Escalation Clause:** The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

**Filing With The Pennsylvania Public Utility Commission/Confidentiality:** Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code § 74 and the Commission's Order entered June 5, 1996 at Docket No. P-0943211. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate "OCA" contemporaneously with their filing with the Commission, subject to the OCA's

execution of a Confidentiality Agreement.

POOR ORIGINAL

APPENDIX NO. 2

The rate per 1,000 gallons for the First Contract Year of this Agreement shall be determined as follows:

	<u>Gallons</u>	<u>Rate per 1,000 Gallons (1)</u>	<u>Total Monthly Charge</u>
Monthly Customer Charge (1-6" & 2-8" meters)			\$ 2,667
Maximum Day Demand	1,600,000	\$ 9.299	\$14,878
Maximum Hour Demand	70,000	\$118.511	\$ 8,296
Fixed Annual Average Day Demand	1,200,000	\$25.064	\$ 30,077
Commodity Charge	36,500,000	\$ 0.368	<u>\$ 13,432</u>
<b>TOTAL MONTHLY CHARGES</b>			<u>\$ 69,350</u>
Rate Per 1,000 gallons ( $\$69,350 / 36,500,000 * 1,000$ )			<u>\$ 1.90</u>

(1) Expressed in rates per 1,000 gallons for purposes of the Agreement. Rates in the Water Company's tariff are expressed in rates per 100 gallons.



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**Consumer Price Index - All Urban Consumers**

Series Id: CUUR0000SA0, CUUS0000SA0  
Not Seasonally Adjusted  
Area: U.S. city average  
Item: All items  
Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HA
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	14
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	148.2	14
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	15
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	15
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	15
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	16
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	16
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	17
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	17
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	17
2003	181.7													

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WA-367

**CONSTRUCTION WORK IN PROGRESS****§ 69.371. Rate-making treatment of construction work in progress (CWIP).**

(a) When exercising its discretion to include in a utility's rate base the utility's investment in CWIP not completed and placed in public service as of the date new rate rates become effective, the Commission will consider whether the CWIP projects are the following:

- (1) Reasonably identifiable as nonrevenue producing.
- (2) Reasonably identifiable as nonexpense reacting.
- (3) Reasonably shown to be necessary to improve environmental conditions or safety of existing facilities, or required to convert facilities to the utilization of coal.
- (4) Reasonably certain to be completed within the first 6 months the new rate rates will be in effect.

(b) A CWIP project qualifies as nonrevenue producing and nonexpense reacting if any revenue generated by, or reduction in expenses resulting from, the CWIP project is passed through to customers on a current basis.

**Source**

The provisions of this § 69.371 adopted May 19, 1993, effective May 20, 1993, 24 P.U.B. 967.

**ALTERNATIVE DISPUTE RESOLUTION (ADR) PROCESS****§ 69.391. General.**

The Commission's policy and regulations encourage parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation. To further promote the goal of obtaining negotiated settlements in the public interest, the Commission has adopted guidelines that will offer the parties in certain contested proceedings the option of an ADR process before an experienced mediator.

**Source**

The provisions of this § 69.391 adopted March 4, 1994, effective March 15, 1994, 24 P.U.B. 1105.

**§ 69.392. Availability of mediation process.**

(a) *Mediation.* Mediation is available to parties in all contested proceedings, or proceedings which could be contested, when the proceeding qualifies for mediation. A proceeding qualifies for mediation when mediation is deemed appropriate by the Office of Administrative Law Judge (OALJ).

**(b) Requesting mediation.**

(1) Parties may request mediation, prior to the commencement of a proceeding, by sending a letter request to the Mediation Coordinator of OALJ and a copy of the request to the Secretary of the Commission.

69-72

(2012) 10, 100 Jan 00

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(2) Parties may request mediation in their pleadings.

(3) Parties may request mediation during the course of a proceeding.

(c) *Consent to use mediation process.* The OALJ may notify the parties in a proceeding that mediation may be appropriate and ask whether the parties consent to use the mediation process.

(d) *Party with the burden of proof.*

(1) Except as otherwise directed by the Commission, there can be no mediation unless the party with the burden of proof consents to mediate.

(2) When the party with the burden of proof consents to mediation in proceedings subject to a statutory deadline for adjudication, that party must also agree, in writing, to extend the statutory deadline by at least 60 days.

(e) *Assignment by Commission.* The Commission may assign a case to the OALJ for mediation.

#### Source

The provisions of this § 69.392 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended May 19, 1995, effective May 30, 1995, 25 Pa.B. 1966; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial pages (24)1224) to (24)1225).

#### § 69.393. Assignment and role of mediator.

If the Commission assigns a case for mediation, or OALJ determines that a case should go forward with mediation, OALJ will assign a mediator to the proceeding. The mediator's role will be to facilitate settlement of the contested issues between, or among, the parties, as opposed to rendering a decision.

#### Source

The provisions of this § 69.393 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page (24)1225).

#### § 69.394. Notice.

(a) If the Commission assigns a case for mediation, or the Office of Administrative Law Judge (OALJ) determines that a proceeding should go forward with mediation, the parties will be notified of the time, date, and place of the mediation session, as well as the name, address, and telephone number of the mediator.

(b) If the OALJ determines that the proceeding should not be set for mediation, the parties will be notified of this as well as the procedure to be used in lieu of mediation.

#### Source

The provisions of this § 69.394 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page (24)1225).

69-73

(26)1217, No. 502 Jan. 97

## § 69.395. Rules.

(a) For cases in which hearings must be commenced within 60 days, a party's request for mediation shall be construed as a waiver of that requirement.

(b) The participants in a mediation proceeding must agree to abide by mediation rules and procedures established by the Office of Administrative Law Judge. Failure to abide by these rules and procedures, following commencement of mediation, could lead to the termination of the mediation.

## Source

The provisions of this § 69.395 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1295, amended October 21, 1999, effective October 20, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page (241325).

## § 69.396. Conclusion of mediation.

(a) When an agreement is reached in a formal complaint proceeding, the complaint may be withdrawn, unless otherwise provided for by law or regulation.

(b) When appropriate, the mediator should submit a report to an administrative law judge, or the Commission. The report will describe only the procedural background and the result of the mediation.

## Source

The provisions of this § 69.396 adopted October 20, 1999, effective October 20, 1999, 29 Pa.B. 5616.

## § 69.397. Flexibility.

To ensure maximum flexibility, the rules and procedures used in mediation are subject to modification as deemed appropriate to facilitate a resolution of a dispute.

## Source

The provisions of this § 69.397 adopted October 20, 1999, effective October 20, 1999, 29 Pa.B. 5616.

### SETTLEMENT GUIDELINES AND PROCEDURES FOR MAJOR RATE CASES—STATEMENT OF POLICY

## § 69.401. General.

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402-69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1508(d) general rate increase cases.

69-12

29(218) No. 102 Jan. 00

COMMISSION STATE UTILITIES &amp; TRANSPORTATION

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WA-370