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May 20, 2019

VIA eFiling

Rosemary Chiavetta, Secretary
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RECEIVED

MAY 23 2019

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

In Re: Pennsylvania Public Utility Commission Bureau of Investigation and
Enforcement v. Winola Water Company
Docket Nos. C-2018-2644592, P-2018-3006216 and I-2018-3006498

Dear Secretary Chiavetta:

On November 29, 2018, Commissioner Norman J. Kennard issued an Ex Parte Emergency Order, at Docket Nos. P-2018-3006216 and C-2018-2644592, later ratified by the Pennsylvania Public Utility Commission ("Commission") on December 6, 2018 ("Emergency Order"), wherein it was directed that Pennsylvania-American Water Company ("PAWC") act as receiver for the Winola Water Company ("Winola") and an investigation be instituted into whether the Commission should order a capable public utility to acquire Winola pursuant to Section 529 of the Public Utility Code. Such investigation was referred to the Office of Administrative Law Judge at Docket No. I-2018-3006498.

In Appendix A of the Emergency Order, specifically Paragraph 1.o., PAWC is directed to submit a quarterly status report. PAWC's first status report was submitted on February 7, 2019. Enclosed is PAWC's quarterly status report to the Commission on its receivership of Winola with updates since the last report was filed.

If you have any questions, please do not hesitate to contact me.

Respectfully,

Elizabeth Rose Triscari

cc: Deputy Chief Administrative Law Judge Joel H. Cheskis (via E-Mail, w/Enc.)
List of Parties

In Re: Pennsylvania Public Utility Commission Bureau of Investigation and
Enforcement v. Winola Water Company
Docket Nos. C-2018-2644592 and P-2018-3006216
Quarterly Status Report dated May 20, 2019, of the Winola Water Company submitted
by PAWC

List of Parties

Scott B. Granger, Esq. (via E-Mail, w/Enc.)
Michael L. Swindler, Esq. (via E-Mail, w/Enc.)
John R. Evans (via E-Mail, w/Enc.)
Crystal Mickalowski (via E-Mail, w/Enc.)
Christine M. Hoover, Esq. (via E-Mail, w/Enc.)
Christy M. Appleby, Esq. (via E-Mail, w/Enc.)
Ralph Scartelli (via E-Mail, w/Enc.)
John D. Hollenbach (via E-Mail, w/Enc.)
Thomas T. Niesen, Esq. (via E-Mail, w/Enc.)
Frances P. Orth, Esq. (via E-Mail, w/Enc.)
David P. Zambito, Esq. (via E-Mail, w/Enc.)
Jonathan P. Nase, Esq. (via E-Mail, w/Enc.)
Overfield Township (via UPS Overnight Delivery, w/Enc.)



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MAY 23 2019

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**QUARTERLY STATUS REPORT TO THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
OF THE
WINOLA WATER COMPANY
DATED MAY 20, 2019**

BY PENNSYLVANIA-AMERICAN WATER COMPANY, AS RECEIVER

DOCKET NOS. C-2018-2644592, P-2018-3006216, I-2018-3006498

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A. BACKGROUND

On November 29, 2018, Commissioner Norman J. Kennard issued an Ex Parte Emergency Order, at Docket Nos. P-2018-3006216 and C-2018-2644592, later ratified by the Pennsylvania Public Utility Commission (“Commission”) on December 6, 2018 (“Emergency Order”), wherein it was directed that Pennsylvania-American Water Company (“PAWC”) act as receiver for the Winola Water Company (“Winola”) and an investigation be instituted into whether the Commission should order a capable public utility to acquire Winola pursuant to Section 529 of the Public Utility Code. Such investigation was referred to the Office of Administrative Law Judge at Docket No. I-2018-3006498.

The initial status report on the Winola system and PAWC’s receivership was made to the Commission on February 7, 2019. This document summarizes PAWC’s updated status report on the improvements and operations of Winola that have been conducted since the initial status report.

B. QUARTERLY STATUS REPORT

1. Operations Update

PAWC continues to operate the Winola water system as receiver. Staff from PAWC visit the site daily. Chlorine residuals are monitored and chemicals maintained. The “Do Not Consume” order issued by the Pennsylvania Department of Environmental Protection (“DEP”) continues to be in effect. Monthly public notifications of the “Do Not Consume” status are made to all customers of Winola and will continue to be mailed monthly until the system modifications are completed to meet DEP Ground Water Rule requirements.

PAWC continues to supply potable water to Winola customers via water coolers or bottled water. As seasonal residents move in, PAWC provides bottled water and will provide a water cooler if requested.

A seasonal start-up plan was submitted to DEP to turn on water to Winola’s seasonal customers that were shut off in September 2019, pursuant to Winola’s tariff. That plan was approved by DEP on May 2, 2019. PAWC implemented the approved seasonal start-up plan, which included testing for coliform bacteria and certified to DEP on May 15, 2019, that the plan had been followed and all samples were negative for bacteria. The seasonal sections of the Winola water system were turned on the same day on May 15, 2019.

2. System Improvements Progress Update

a. Immediate Improvements

1. **Initial Observation:** There is inadequate lighting outside of both well houses. Big Oaks Well house has no interior lighting. Additionally, the electrical facilities are antiquated and not properly identified/labeled related to arc flash, grounding, panel clearances, etc.

Improvement Progress Update: Contractor is currently installing the outside site lighting and upgrades to the electrical panel and components inside both well houses. Coordination with PPL Electric for services is ongoing for the project.

2. **Initial Observation:** Mold is highly visible and strongly detectable through inhalation in both treatment buildings.

Improvement Progress Update: Initial removal of mold and other debris has been completed in both well houses. Proper PPE (respirators, etc.) have been provided and are worn at all times when inside the treatment buildings until final remediation can be completed.

3. **Initial Observation:** There is no water meter on the finished water line at the entry point.

Improvement Progress Update: A new entry point for Middle Oaks is currently a part of a minor permit amendment improvements to the existing DEP Public Water Supply Permit for WCC. The permit amendment was issued on March 5, 2019 and construction for the approved improvements is scheduled to begin May 2019.

4. **Initial Observation:** No entry point sampling location exists at EP 101.

Improvement Progress Update: Taps will be installed before the entry points into the distribution system for monitoring purposes as part of the DEP approved improvements that are scheduled to begin May 2019.

5. **Initial Observation:** The system does not meet the requirements for Groundwater rule. It was discovered the application submitted by the previous owner was inaccurate.

Improvement Progress Update: A minor permit amendment application to correct the inaccuracies of the current approved DEP Public Water Supply Permit was approved by DEP on March 5, 2019. Construction for the DEP approved improvements is scheduled to begin May 2019.

6. **Initial Observation:** Historical water quality sampling indicates that high levels of cadmium and lead are present in the distribution system.

Improvement Progress Update: Implement chemical sequestration/corrosion inhibitor treatment in order to coat the distribution mains and customer service lines to prevent corrosion and subsequently reduce cadmium and lead levels in the distribution system. This will require a Public Water Supply permit issued by DEP which is currently being prepared by PAWC staff.

7. **Initial Observation:** The driveway and parking area to the Big Oaks Well facility is unsafe due to ruts, potholes, and poor drainage.

Improvement Progress Update: PAWC has hired a contractor to grade and stone the existing driveway and parking area to the Big Oaks Well facility to improve access and safety. These areas will be upgraded after the DEP minor permit amendment improvements are completed.

8. **Initial Observation:** Existing chlorine feed pumps are antiquated and under-sized with no reliable backup/stand-by pumps available for either treatment facility

Improvement Progress Update: New chemical disinfection feed pumps and backups will be installed/stored on site as a part of the minor permit amendment to the existing DEP Public Water Supply Permit for WCC. The permit amendment was issued on March 5, 2019 and construction for the approved improvements is scheduled to begin May 2019.

9. **Miscellaneous Operational Improvements:** PAWC has been collecting the monthly distribution Bac-T samples and submitting monthly compliance report to DEP. PAWC continues to do the Public Notification notice every 30 days as required by DEP for exceedance of Lead and Cadmium in the system.

b. Short-Term Suggested Improvements

1. **Suggested Improvement:** Rehabilitation of both chemical treatment facilities to remediate the presence of mold and provide proper HVAC to eliminate future growth.

Improvement Progress Update: Initial removal of mold and other debris has been completed in both well houses. Proper PPE (respirators, etc.) have been provided and are worn at all times when inside the treatment buildings until final remediation can be completed.

2. **Suggested Improvement:** Replace/rehabilitate/install adequate chemical feed and water quality analyzer/monitoring equipment.

Improvement Progress Update: New chemical disinfection feed pumps and backups will be installed/stored on site as a part of the minor permit amendment to the existing DEP Public Water Supply Permit for WCC. The permit amendment was issued on March 5, 2019 and construction for the approved improvements is scheduled to begin May 2019.

3. **Suggested Improvement:** Installation of communications/alarm notification system (SCADA, auto-dialer or similar) to alert operators of alarm conditions.

Improvement Progress Update: This improvement is to be done as a portion of the future suggested improvement of treatment facilities upgrades.

4. **Suggested Improvement:** Select distribution main replacement (exposed lines, leaks, etc.)

Improvement Progress Update: On March 15, 2019, PAWC and DEP staff walked a portion of the distribution system to identify areas of exposed lines and leaks. PAWC will continue to locate and repair areas of immediate concern within the existing distribution system as they are discovered.

5. **Suggested Improvement:** Implement improvements to the system to provide Groundwater Rule Compliance.

Improvement Progress Update: A minor permit amendment application to correct the inaccuracies of the current approved DEP Public Water Supply Permit was approved by DEP on March 5, 2019. Construction for the DEP approved improvements is scheduled to begin May 2019.

c. Future Suggested Improvements

Note: *No future suggested improvements have been completed at this time.*

1. Full distribution system main replacement.
2. Customer service line replacement (extent to be dictated by PUC rules and regulations).
3. Installation of customer meters.
4. Well, treatment facilities, and storage improvements as dictated by operation experience and regulatory requirements.

3. Finance

PAWC continues working to update the Winola customer list it received and confirm all customer contact information, both full-time and seasonal in preparation for billing customers once approval to begin billing has been granted by the Commission. PAWC received copies of Winola's bank statements for the years 2014-2019 on April 18, 2019. Review of the statements evidenced little activity and did not show any significant items, except for many NSF notices.

PAWC also learned that the Winola water system was uninsured and has been working with the American Water Corporate Risk Management group to make sure the system and property is properly insured. In addition, PAWC has set up internal project numbers and is tracking costs of the receivership. Currently, operational costs total \$29,653.11 and capital expenditures total \$7,627.83. The capital expenditures are expected to increase significantly once the recommended improvements described above are made.

4. Requested Changes/Clarifications to Ex Parte Emergency Order

On April 19, 2019, PAWC filed a Petition for Amendment of the Ex Parte Emergency Order, seeking explicit Commission approval to make the necessary capital improvements to lift the DEP's Do Not Consume Order, to bill Winola's customers for the period when the Do Not Consume Order is still in place, and to ensure that PAWC will have the right to seek recovery in rates of any unreimbursed costs PAWC incurs as receiver. The Commission's Bureau of Investigation and Enforcement and the Office of Consumer Advocate both opposed PAWC's Petition for Amendment. By Secretarial Letter dated May 8, 2019, PAWC's Petition was referred to the OALJ for disposition according to the procedural schedule in place for the 529 investigation into whether a capable public utility should be directed to acquire Winola. PAWC filed a Petition for Reconsideration of Staff Action on May 17, 2019, citing the need for a more expedient decision on its Petition for Amendment. As explained above, PAWC has received the necessary DEP permits and bid the construction projects to make improvements to lift the "Do Not Consumer Order." Construction is scheduled to begin this month, but at this time PAWC lacks explicit Commission authority to make these improvements and be assured of cost recovery.

C. CONCLUSION

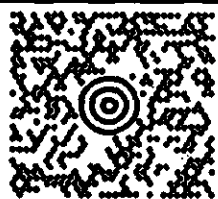
PAWC will continue to operate the Winola system as receiver during the pendency of the 529 Investigation within the bounds of the authority currently granted by the Ex Parte Emergency Order, until such time as that order may be amended and/or clarified. PAWC will provide a quarterly update to this status report, as directed by the Commission, in August 2019.

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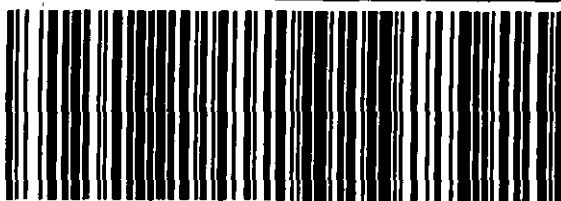


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