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August 8, 2019

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

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AUG - 8 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:

In response to the November 29, 2018, Ex Parte Emergency Order, at Docket Nos. P-2018-3006216 and C-2018-2644592, later ratified by the Pennsylvania Public Utility Commission on December 6, 2018, Pennsylvania-American Water Company, as Receiver for the Winola Water Company, is filing an original and two (2) copies of the enclosed Quarterly Status Report dated August 8, 2019.

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 August 8, 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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AUG - 8 2019
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**QUARTERLY STATUS REPORT TO THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
OF THE
WINOLA WATER COMPANY
DATED AUGUST 8, 2019**

BY PENNSYLVANIA-AMERICAN WATER COMPANY, AS RECEIVER

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

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. A quarterly status report was filed on May 20, 2019. This document summarizes PAWC’s updated status report on the improvements and operations of Winola that have been conducted since the May 20, 2019 quarterly status report.

B. QUARTERLY STATUS REPORT

1. Operations Update

PAWC continues to operate the Winola water system as receiver with no significant operational changes to report. 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 Groundwater Rule requirements.

PAWC continues to supply potable water to Winola customers via water coolers or bottled water.

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: A contractor is currently installing the outside site lighting. Upgrades to the electrical panel and components inside both well houses have been completed.

- 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 as a part of the long-term suggested improvements.

- 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 is currently underway.

- 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 currently underway.

- 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 currently underway.

- 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. The DEP minor permit amendment improvements are currently underway.

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 currently underway.

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 currently underway.

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 currently underway.

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 while the DEP's Do Not Consume Order is still in place has been explicitly granted by the Commission, or once that order has been lifted, whichever comes first.

PAWC continues to work with the American Water Corporate Risk Management group to make sure the system and property is properly insured.

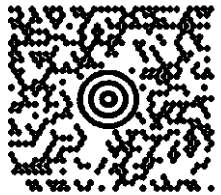

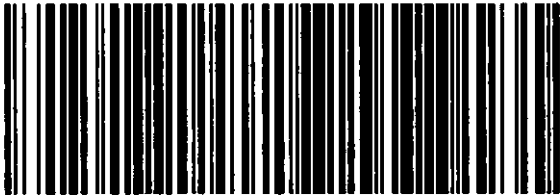
PAWC continues to track the costs of receivership through internal project numbers. Currently, operational costs total \$72,086.20 and capital expenditures total \$77,224.70.

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 ("Petition"), 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. 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. The Commission issued an Order on July 11, 2019 denying PAWC's Petition for Reconsideration and reaffirming referral of the issues raised by PAWC in the Petition to the Section 529 proceeding. A new procedural schedule for that proceeding was agreed to by the parties and proposed in a status report filed on August 6, 2019.

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. Despite not having certainty on the issues raised in its Petition, PAWC has begun the DEP Minor Permit Construction project, making the capital improvements necessary for the DEP's Do No Consume Order to be lifted. That project is expected to be completed by the end of September 2019. PAWC will provide a quarterly update to this status report, as directed by the Commission, in November 2019.

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