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November 8, 2019

VIA E-FILING

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

**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. Enclosed is PAWC's quarterly status report to the Commission on its receivership of Winola with updates since the last report was filed.

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Docket Nos C-2018-2644592, P-2018-3006216 and I-2018-3006498

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

Sincerely,



Elizabeth Rose Triscari

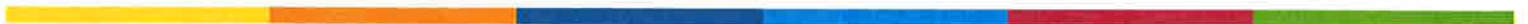
cc: Deputy Chief Administrative Law Judge Joel H. Cheskis (*via electronic mail*)
Scott B. Granger, Esquire (*via electronic mail*)
John R. Evans (*via electronic mail*)
Crystal Mickalowski (*via electronic mail*)
Christine M Hoover, Esquire (*via electronic mail*)
Christy M. Appleby, Esquire (*via electronic mail*)
Ralph Scartelli (*via electronic mail*)
John D. Hollenbach (*via electronic mail*)
Thomas T. Niesen, Esquire (*via electronic mail*)
Frances P. Orth, Esquire (*via electronic mail*)
David P. Zambito, Esquire (*via electronic mail*)
Jonathan P. Nase, Esquire (*via electronic mail*)
Overfield Township (*via overnight mail*)



**QUARTERLY STATUS REPORT TO THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
OF THE
WINOLA WATER COMPANY
DATED November 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 and August 8, 2019. This document summarizes PAWC’s updated status report on the improvements and operations of Winola that have been conducted since the August 8, 2019 quarterly 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 seasonal section of the water system was taken out of service on November 5, 2019 and will start again in May 2020.

Newly constructed facilities are on-line and have resolved the unsanitary conditions and cadmium levels in the water system. As a result, the “Do Not Consume” order issued by the Pennsylvania Department of Environmental Protection (“DEP”) has been lifted and a public notification made. Action level exceedances for lead and copper currently remain and so customers will still receive public notifications and education materials regarding lead and copper instructing them to run their taps for 15 to 30 seconds before using water for drinking or cooking. Pennsylvania American Water will address this issue in the next phase of improvements to the system, including implementing a corrosion inhibitor. Now that the customers of Winola have potable water, PAWC will cease providing water coolers and 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: Lighting upgrades have been made to both sites. Upgrades to the electrical panel and components inside both well houses have been completed.

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 as a part of the long-term suggested improvements.

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

Improvement Progress Update: A water meter has been installed as a part of the minor permit amendment improvements to the existing DEP Public Water Supply Permit for Winola.

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

Improvement Progress Update: Taps have been installed before the entry points into the distribution system for monitoring purposes as part of the DEP approved improvements.

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: System improvements have been completed and the system now meets the requirements for DEP's Groundwater Rule.

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 coordinated with PAWC staff and DEP.

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 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 improvements have been 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 are installed/stored on site as a part of the completed minor permit amendment improvements to the existing DEP Public Water Supply Permit for WCC.

9. Miscellaneous Operational Improvements: PAWC has been collecting the monthly distribution Bac-T samples and submitting monthly compliance report to DEP.

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 are installed/stored on site as a part of the completed minor permit amendment improvements to the existing DEP Public Water Supply Permit for Winola.

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 part 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. Improvements to bring the system into compliance have been completed.

c. Future Suggested Improvements

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

1. Full distribution system main replacement and upgrades as dictated by operations to improve system reliability and availability of year-round service for all residents.
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 now that the DEP's Do Not Consume Order has been lifted. Full-time customers will receive a pro-rated bill for November and December in early November and a bill for 2020 in January 2020, consistent with Winola's tariff.

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 \$107,328.88 and capital expenditures total

\$189,567.64, plus an additional approximately \$69,000 of capital expenditures that has not yet been booked.

4. Status of the Section 529 Proceeding

On October 9, 2019, the parties notified Deputy Chief Administrative Law Judge (“ALJ”) Joel H. Cheskis that PAWC, the Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) had reached an agreement-in-principle resolving this matter whereby PAWC would acquire Winola conditioned on, among other things, negotiation of an acceptable asset purchase agreement (“APA”) between PAWC and Winola. ALJ Cheskis issued an order on October 17, 2019, suspending the procedural schedule as requested by the parties so that PAWC and Winola can negotiate a satisfactory APA and following execution of the APA, submit a joint petition for settlement. The parties are directed to provide a status report every 60 days from the date of the Order.

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, and consistent with the agreement-in-principle between PAWC, I&E and OCA. PAWC will provide a quarterly update to this status report, as directed by the Commission, in February 2020.