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February 13, 2020

VIA ELECTRONIC 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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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 February 13, 2020

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, August 8, 2019, and November 8, 2019. This document summarizes PAWC’s status report on the improvements and operations of Winola that have been conducted since the November 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 continue to service the production facilities daily. Chlorine residuals are monitored and chemicals maintained. PAWC collects monthly distribution Bac-T samples and submits a monthly compliance report to the Pennsylvania Department of Environmental Protection (“DEP”). As previously reported, the seasonal areas of the water system were isolated and drained and taken out of service on November 5, 2019 and will start again in late April or early May 2020 consistent with the directives and regulations of DEP.

As reported in the last quarterly status report, 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 DEP was lifted and a public notification made. Action level exceedances for lead and copper currently remain and so customers are still receiving 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. PAWC is working toward addressing this issue, including implementing a corrosion inhibitor. PAWC has ceased providing water coolers and bottled water now that Winola customers have potable water.

PAWC is working to prepare Annual Water Supply Reports due to DEP by March 31, 2020. In addition, Winola received a Notice of Violation (“NOV”) from DEP due to required annual Available Operator Reports from past years (prior to PAWC’s

receivership) not being submitted to DEP with the applicable fees. PAWC rectified this violation by completing the necessary reports and submitting the past due fees. PAWC will continue to timely submit Available Operator Reports to DEP annually.

2. System Improvements Update

As noted in the last quarterly status report, construction has been completed to lift the DEP's Do Not Consume order.

PAWC is currently working towards implementing a corrosion inhibitor to reduce lead and copper levels below action level exceedances. Samples for the necessary DEP corrosion control permit are being taken this week for inclusion in the permit. Once the sampling is completed, PAWC will coordinate with vendors to commence determination of the proper corrosion inhibitor. Once the proper corrosion inhibitor is determined, the permit application can be submitted to DEP for approval.

PAWC continues to locate and repair areas of immediate concern within the existing distribution system as they are discovered.

Future suggested improvements have not been completed at this time and would commence only in the event that PAWC acquires the assets of Winola. They include, but are not limited to:

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. Installation of communications/alarm notification system (SCADA, auto-dialer or similar)
3. Customer service line replacement (extent to be dictated by PUC rules and regulations).
4. Installation of customer meters.
5. Well, treatment facilities, and storage improvements as dictated by operation experience and regulatory requirements.

3. Finance Update

Once the DEP's Do Not Consume Order was lifted, PAWC resumed billing Winola customers. Full-time customers received a pro-rated bill for November 2019 and December 2019 in early November 2019 and a bill for the year 2020 in January 2020, consistent with Winola's tariff. \$2,458.90 has been invoiced and collected.

PAWC continues to track the costs of receivership through internal project numbers. Currently, operational costs total \$132,678.04 and capital expenditures total \$238,356.40.

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. Currently, PAWC and Winola are negotiating the APA.

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 May 2020.