



Elizabeth Rose Triscari
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Pennsylvania-American Water Company
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July 24, 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: Application and Related filings of Pennsylvania-American Water Company under Sections 507, 1102(a), and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. §§507, 1102(a), 1329, for approval of its acquisition of the wastewater system assets of Royersford Borough, related to wastewater service rights, fair market valuation, ratemaking treatment, collection of distribution system improvement charge, deferral of the post-acquisition improvement costs and claim for transaction and closing costs
Docket No. A-2020-3019634, et al.**

Dear Secretary Chiavetta:

On July 14, 2020, Pennsylvania-American Water Company ("PAWC") filed an Application at the above-referenced docket. Due to a typographical error, the docket number was listed incorrectly on the following documents:

- **Application (cover page)**
- **Appendix A-1 - Cover Letter**
- **Appendix A-2 – Verification of Bernard Grundusky, Jr.,**
- **Appendix A-3 – Certificate of Service**
- **Appendix A-4.1 – Standard Data Request Responses (Attachment 1 to Standard Data Request Response No. 1)**
- **Appendix A-12 – Pro forma Tariff Supplement (Revised Page 2)**
- **Appendix A-13-a – Seller Testimony (cover page)**
- **Appendix A-13-b – Seller UVE Testimony (cover page)**
- **Appendix A-14-a – Buyer Testimony (cover pages and Exhibit RPN-1)**

- **Appendix A-14-b – Buyer UVE Testimony (cover page)**
- **Appendix A-18-d – Notice to Customers**

We have attached replacement pages correcting the docket number and respectfully request that they be substituted for the above-mentioned pages.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,



Elizabeth Rose Triscari

jrh

enclosures

cc: Attached Certificate of Service (*via electronic mail*)
Sean Donnelly, Bureau of Technical Utility Service (*via electronic mail*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company :
under Section 1102(a) of the Pennsylvania Public Utility Code, 66 :
Pa C.S. § 1102(a), for approval of (1) the transfer, by sale, of :
substantially all of the Royersford Borough assets, properties and :
rights related to its wastewater collection and treatment system to : Docket No. A-2020-3019634
Pennsylvania-American Water Company, and (2) the rights of :
Pennsylvania-American Water Company to begin to offer or :
furnish wastewater service to the public in the Royersford :
Borough, and portions of Upper Providence Township, :
Montgomery County, Pennsylvania. :

In re: Application of Pennsylvania-American Water Company :
under Section 1329 of the Pennsylvania Public Utility Code, 66 : Docket No. A-2020-_____
Pa. C.S. § 1329, for approval of the use for ratemaking purposes :
of the lesser of the fair market value or the negotiated purchase :
price of the Royersford Borough assets related to its wastewater :
collection and treatment system. :

Petition of Pennsylvania-American Water Company, related to its :
acquisition of the Royersford Borough wastewater collection and :
treatment system, for approval under Section 1329 of the :
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Construction for post-acquisition improvements not recovered :
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and ratemaking purposes, defer depreciation related to post- :
acquisition improvements not recovered through the distribution :
system improvement charge, and (iv) include, in its next base rate :
case, a claim for transaction and closing costs. :

In re: Filing by Pennsylvania-American Water Company under : Docket No U-2020-_____
Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. :
§ 507, of the Asset Purchase Agreement Between Pennsylvania- :
American Water Company and the Royersford Borough :
:

CERTIFICATE OF SERVICE

I hereby certify that I have this 24rd day of July served a true copy of the foregoing letter upon the parties, listed below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

VIA ELECTRONIC MAIL

Sharon Webb, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, First Floor
Harrisburg, PA 17101-1923

Thomas Wyatt, Esquire
Obermayer Rebmann Maxwell &
Hippel LLP
1313 South 11th Street
Philadelphia, PA 19147

Christine Hoover, Senior Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, Fifth Floor
Harrisburg, PA 17101-1923

Ericka L. McClain, Prosecutor
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street, F West
Harrisburg, PA 17120

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID 306921)
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jnase@cozen.com

Attorneys for
Pennsylvania-American Water Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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elizabeth.triscari@amwater.com

July 14, 2020

CONTAINS CONFIDENTIAL APPENDICES

VIA ELECTRONIC FILING (Cover Letter and Certificate of Service only)

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

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Docket No. A-2020-3019634, et al.**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission (“Commission”) are the above-referenced application and related filings of Pennsylvania-American Water Company (“PAWC”) for its acquisition of the Royersford Borough (“Borough”) assets, properties and rights related to the Borough’s wastewater collection and treatment system (“System”). This filing is made pursuant to Sections 507 (related to filing of contracts with municipal corporations), 1102 (related to certificates of public convenience), and 1329 (determination of fair market value for ratemaking purposes) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. §§507, 1102, 1329.

Copies of the Application have been served upon the public advocates in accordance with the attached Certificate of Service and in accordance with the Commission’s *Final Supplemental Implementation Order* entered February 28, 2019 at Docket No. M-2016-2543193. Due to the

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Pennsylvania American W.
Acquisition of Wastewater Assets of the Royersford Borough
Docket No A-2020-3019634

Royersford Borough Wastewater Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at Royersford Borough Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,458 gal/month	\$30.00	\$41.49	\$11.49 or 38.3%
Commercial	23,692 gal/month	\$133.03	\$183.98	\$50.95 or 38.3%
Industrial	404,500 gal/month	\$2,271.27	\$3,141.17	\$869.90 or 38.3%

PAWC Current Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,458 gal/month	\$71.97	\$72.62	\$0.65 or 0.9%
Commercial	23,692 gal/month	\$335.50	\$338.52	\$3.02 or 0.9%
Industrial	404,500 gal/month	\$5,286.00	\$5,333.57	\$47.57 or 0.9%

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,458 gal/month	\$65.91	\$65.98	\$0.07 or 0.1%
Commercial	23,692 gal/month	\$345.03	\$345.38	\$0.35 or 0.1%
Industrial	404,500 gal/month	\$4,190.58	\$4,194.77	\$4.19 or 0.1%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634

Royersford - Wastewater

PAWC - Wastewater

PAWC - Water

Residential		
	Minimum Charge	\$30.00
34.58	0.5615	19.42
		\$30.00

Zone 1 - Residential		
	Service Charge	\$11.00
34.58	1.7631	60.97
		\$71.97

Zone 1 - Residential		
5/8"	Service Charge	\$18.00
34.58	1.3854	47.91
		\$65.91

Rate Impact 38.3%
 \$11.49
 Total \$41.49

Rate Impact 0.9%
 \$0.65
 Total \$72.62

Rate Impact 0.1%
 \$0.07
 Total \$65.98

Commercial		
	Service Charge	\$30.00
236.92	0.5615	133.03
		\$133.03

Zone 1 - Commercial		
	Service Charge	\$27.50
236.92	1.3000	308.00
		\$335.50

Zone 1 - Commercial		
1"	Service Charge	\$45.40
160.00	1.3854	221.66
76.92	1.0136	77.97
220.00		
		\$345.03

Rate Impact 38.3%
 \$50.95
 Total \$183.98

Rate Impact 0.9%
 \$3.02
 Total \$338.52

Rate Impact 0.1%
 \$0.35
 Total \$345.38

Industrial		
	Service Charge	
4,045.00	0.5615	2,271.27
		\$2,271.27

Zone 1 - Industrial		
	Service Charge	\$27.50
4,045.00	1.3000	5,258.50
		5,286.00

Zone 1 - Industrial		
2"	Service Charge	\$203.40
160.00	1.2796	204.74
3,885.00	0.9736	3,782.44
4,045.00		
		4,190.58

Rate Impact 38.3%
 \$869.90
 Total \$3,141.17

Rate Impact 0.9%
 \$47.57
 Total \$5,333.57

Rate Impact 0.1%
 \$4.19
 Total \$4,194.77

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634

Estimated Rate Increase

Revenue Requirement Increase (Attachment page 2)	\$ 1,207,000
Act 11 Percentage (R-2020-3019369 Exhibit No. 3-A)	73%
Amount of increase allocated to water through Act 11	881,110
Amount of increase allocated to wastewater customers	\$ 325,890

Full COS - 100% of increase applied to Royersford Borough Wastewater Customers	
Revenue Requirement Increase - After Act 11	\$ 325,890
Current Borough of Royersford wastewater revenues	852,000
Estimated Increase to wastewater customers	38.3%

Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:	
Revenue Requirement Increase	\$ 325,890
Current Borough of Royersford wastewater revenues	852,000
PAWC wastewater SSS cust. rev. (R-2020-3019369 Exh. 3-A Excl. Sadsbury, Exeter & OWR)	35,662,065
Estimated Increase to wastewater customers	0.9%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 881,110
PAWC proposed water cust. rev. (R-2020-3019369 Exh. 3-A Excludes Steelton, OWR & Contract Sales)	708,199,052
Estimated Increase to Water Customers	0.1%

Pennsylvania American Water Company			
R-2020-3019369 Proposed			
Act 11 Allocation			
	Total Water Operations	Total Combined Wastewater	Total Company
Additional Annual Operating Revenue Before Act 11	\$ 47,286,412	\$ 45,170,904	\$ 92,457,316
ACT 11 Allocation - WW COS Recovered from Water	32,851,567	(32,851,567) 73%	\$ -
Additional Annual Operating Revenue	80,137,979	12,319,337 27%	92,457,316

**Pennsylvania American Water Company
 Acquisition of Wastewater Assets of the Royersford Borough
 Docket No. A-2020-3019634**

Revenue Requirement Increase

Rate Base	\$	13,000,000	Appendix A-11
Rate of Return %		7.46%	See Calculations
Rate of Return		<u>970,000</u>	
O&M		373,000	Appendix K
Taxes Other		31,000	Appendix K
Depreciation		398,000	Appendix K
Taxes		287,000	See Calculations
Revenue Requirement		2,059,000	
Royersford Year-1 Revenues		852,000	Appendix K
Revenue Requirement Increase		1,207,000	

**Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634**

Summary

<u>Revenue Requirement</u>	
Rate Base	\$ 13,000,000
Pretax ROR %	9.67%
Pretax ROR	1,257,000
Plus: O&M Expense	373,000
Taxes Other	31,000
Depreciation	398,000
Total Revenue Requirement	<u>2,059,000</u>

<u>Income Tax Calculation</u>	
Revenues	\$ 2,059,000
Less: O&M Expense	373,000
Taxes Other	31,000
Depreciation	398,000
Interest	263,000
SIT Taxable Income	994,000
State Income Tax Rate	9.99%
State Income Tax	99,000
FIT Taxable Income	895,000
Federal Income Tax Rate	21.00%
Federal Income Tax	188,000
Total Income Taxes	<u>287,000</u>

<u>Interest</u>	
Rate Base	\$ 13,000,000
Weighted Cost of Debt (1.85% + 0.99%)	2.02%
	<u>\$ 263,000</u>

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	39.44%	4.47%	1.76%		1.76%
Wastewater Financing	10.14%	2.55%	0.26%		0.26%
Preferred Stock	0.05%	8.80%	0.00%	1.40631	0.00%
Common Equity	50.37%	10.80%	5.44%	1.40631	7.65%
			<u>7.46%</u>		<u>9.67%</u>

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.95% M-2020-3019868
Capital Structure based on PAWC current wastewater base rate case R-2020-3019369 PAWC Statement No. 13, Exhibit No. 13-A, Schedule 9.

<u>Revenue Multiplier</u>	
Statutory State Tax Rate	0.0999
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9001
Fed Rate Times (1-State Tax Rate)	0.189021
Effective Tax Rate	0.288921
1-Eff Tax Rate	0.711079
Reciprocal	1.40631

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This tariff supplement authorizes Pennsylvania American Water Company – Wastewater Division, to begin to offer or furnish wastewater service to the public in the Royersford Borough and portions of Upper Providence Township, Montgomery County as ordered by the Pennsylvania Public Utility Commission at Docket No. A-2020-3019634 entered xxxxxx xx, xxxx.

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of (1) the transfer, by sale, of substantially all of the :
Royersford Borough assets, properties and rights related : Docket No. A-2020-3019634, et al
to its wastewater collection and treatment system to :
Pennsylvania-American Water Company, and (2) the :
rights of Pennsylvania-American Water Company to :
begin to offer or furnish wastewater service to the :
public in the Royersford Borough and a portion of :
Upper Providence Township, Montgomery County, :
Pennsylvania :

**BOROUGH OF ROYERSFORD
STATEMENT NO. 1**

DIRECT TESTIMONY OF

MICHAEL A. LEONARD

BOROUGH MANAGER

BOROUGH OF ROYERSFORD

With Regard To

A General Overview of the Transaction

Royersford's Wastewater Collection and Treatment System and Operations

Benefits of the Proposed Transaction

Royersford's Rates

July 14, 2020

**BEFORE THE
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Royersford Borough's assets, properties and rights :
related to its wastewater treatment, transportation and :
collection system facilities to Pennsylvania-American :
Water Company, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in Royersford Borough :
and a portion of the Township of Upper Providence, :
Montgomery County, Pennsylvania. :

Docket No. A-2020-3019634, *et al.*

BOROUGH OF ROYERSFORD

STATEMENT NO. 2.0

DIRECT TESTIMONY

OF

HAROLD WALKER, III

FAIR MARKET VALUE APPRAISAL

July 2020

Prepared by:

GANNETT FLEMING
VALUATION AND RATE CONSULTANTS, LLC



Valley Forge, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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and a portion of the Township of Upper Providence, :
Montgomery County, Pennsylvania. :

**DIRECT TESTIMONY OF
MICHAEL SALVO ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: July 14, 2020

PAWC Statement No. 1

**BEFORE THE
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and a portion of the Township of Upper Providence, :
Montgomery County, Pennsylvania. :

**DIRECT TESTIMONY OF
MICHAEL J GUNTRUM, P.E. ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: July 14, 2020

PAWC Statement No. 2

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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rights of Pennsylvania-American Water Company to :
begin to offer or furnish wastewater service to the public :
in the Royersford Borough and a portion of Upper :
Providence Township, Montgomery County, :
Pennsylvania :

**DIRECT TESTIMONY OF
ROD P. NEVIRASKAS ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: July 14, 2020

PAWC Statement No. 3

Pennsylvania American W .
 Acquisition of Wastewater Assets of the Royersford Borough
 Docket No. A-2020-3019634

Royersford Borough Wastewater Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at Royersford Borough Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$30.00	\$50.94	\$20.94 or 69.8%
Commercial	22,000 gal/month	\$123.53	\$209.75	\$86.22 or 69.8%
Industrial	476,000 gal/month	\$2,672.74	\$4,538.31	\$1,865.57 or 69.8%

PAWC Current Customers

Wastewater

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$64.93	\$66.36	\$1.43 or 2.2%
Commercial	22,000 gal/month	\$280.22	\$286.38	\$6.16 or 2.2%
Industrial	476,000 gal/month	\$5,547.08	\$5,669.12	\$122.04 or 2.2%

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$60.85	\$60.91	\$0.06 or 0.1%
Commercial	22,000 gal/month	\$291.80	\$292.09	\$0.29 or 0.1%
Industrial	476,000 gal/month	\$4,530.44	\$4,534.97	\$4.53 or 0.1%

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634

Royersford - Wastewater

Residential		
	Minimum Charge	\$30.00
36.30	0.5615	20.38
		\$30.00

Rate Impact 69.8%
 \$20.94
 Total \$50.94

PAWC - Wastewater

Zone 1 - Residential		
	Service Charge	\$10.00
36.30	1.5132	54.93
		\$64.93

Rate Impact 2.2%
 \$1.43
 Total \$66.36

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	\$16.50
36.30	1.2217	44.35
		\$60.85

Rate Impact 0.1%
 \$0.06
 Total \$60.91

Commercial		
	Service Charge	\$30.00
220.00	0.5615	123.53
		\$123.53

Rate Impact 69.8%
 \$86.22
 Total \$209.75

Zone 1 - Commercial		
	Service Charge	\$25.00
220.00	1.1601	255.22
		\$280.22

Rate Impact 2.2%
 \$6.16
 Total \$286.38

Zone 1 - Commercial		
1"	Service Charge	\$41.60
160.00	1.2205	195.28
60.00	0.9153	54.92
220.00		
		\$291.80

Rate Impact 0.1%
 \$0.29
 Total \$292.09

Industrial		
	Service Charge	
4,760.00	0.5615	2,672.74
		\$2,672.74

Rate Impact 69.8%
 \$1,865.57
 Total \$4,538.31

Zone 1 - Industrial		
	Service Charge	\$25.00
4,760.00	1.1601	5,522.08
		5,547.08

Rate Impact 2.2%
 \$122.04
 Total \$5,669.12

Zone 1 - Industrial		
2"	Service Charge	\$196.35
160.00	1.1843	189.49
4,600.00	0.9010	4,144.60
4,760.00		
		4,530.44

Rate Impact 0.1%
 \$4.53
 Total \$4,534.97

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634

Estimated Rate Increase

Revenue Requirement Increase (Attachment page 2)	\$ 1,102,000
Act 11 Percentage (R-2017-2595853 Proof of Revenues)	46%
Amount of increase allocated to water through Act 11	506,920
Amount of increase allocated to wastewater customers	\$ 595,080

Full COS - 100% of Increase applied to Royersford Borough Wastewater Customers	
Revenue Requirement Increase - After Act 11	\$ 595,080
Current Borough of Royersford wastewater revenues	852,000
Estimated Increase to wastewater customers	69.8%

Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:	
Revenue Requirement Increase	\$ 595,080
Current Borough of Royersford wastewater revenues	852,000
PAWC wastewater customers-excl. Scranton rev. (R-2017-2595853 Proof of Revenues excl. OWR)	26,162,360
	27,014,360
Estimated Increase to wastewater customers	2.2%

Amount of increase allocated to water customers:	
Revenue Requirement Increase	\$ 506,920
PAWC water cust. rev. (R-2017-2595853 Proof of Revenues Excludes OWR & Contract Sales)	650,769,554
Estimated Increase to Water Customers	0.1%

Pennsylvania American Water Company									
R-2017-2595853 - Proof of Revenues									
Act 11 Allocation									
	Water	Wastewater		Scranton		Combined		Total	
	Operations	Excluding		Wastewater		Wastewater		Company	
	\$	\$		\$		\$		\$	
Additional Annual Operating Revenue Before Act 11	51,581,090	5,290,300		4,977,893		10,268,193		61,849,283	
ACT 11 Allocation - WW COS Recovered from Water	4,700,000	(2,383,000)	45%	(2,317,000)	47%	(4,700,000)	46%	-	
Additional Annual Operating Revenue	56,281,090	2,907,300	55%	2,660,893	53%	5,568,193	54%	61,849,283	

**Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634**

Revenue Requirement Increase

Rate Base	\$	13,000,000	Appendix A-11
Rate of Return %		7.12%	See Calculations
Rate of Return		<u>926,000</u>	
O&M		373,000	Appendix K
Taxes Other		31,000	Appendix K
Depreciation		398,000	Appendix K
Taxes		226,000	See Calculations
Revenue Requirement		<u>1,954,000</u>	
Royersford Year-1 Revenues		852,000	Appendix K
Revenue Requirement Increase		1,102,000	

Pennsylvania American Water Company
Acquisition of Wastewater Assets of the Royersford Borough
Docket No. A-2020-3019634

Summary

Revenue Requirement

Rate Base	\$	13,000,000
Pretax ROR %		8.86%
Pretax ROR		1,152,000
Plus: O&M Expense		373,000
Taxes Other		31,000
Depreciation		398,000
Total Revenue Requirement		<u>1,954,000</u>

Income Tax Calculation

Revenues	\$	1,954,000
Less: O&M Expense		373,000
Taxes Other		31,000
Depreciation		398,000
Interest		369,000
SIT Taxable Income		783,000
State Income Tax Rate		9.99%
State Income Tax		78,000
FIT Taxable Income		705,000
Federal Income Tax Rate		21.00%
Federal Income Tax		148,000
Total Income Taxes		<u>226,000</u>

Interest

Rate Base	\$	13,000,000
Weighted Cost of Debt (1.85% + 0.99%)		2.84%
	\$	369,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	35.24%	5.25%	1.85%		1.85%
Wastewater Financing	21.51%	4.59%	0.99%		0.99%
Preferred Stock	0.13%	8.66%	0.01%	1.40631	0.01%
Common Equity	43.12%	9.90%	4.27%	1.40631	6.00%
			<u>7.12%</u>		<u>8.86%</u>

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.95% M-2020-3019868

Capital Structure based on PAWC last wastewater base rate case R-2017-2595853 PAWC Statement No. 13, Exhibit No. 13-A, Schedule 12.

Revenue Multiplier

Statutory State Tax Rate	0.0999
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9001
Fed Rate Times (1-State Tax Rate)	0.189021
Effective Tax Rate	0.288921
1-Eff Tax Rate	0.711079
Reciprocal	1.40631

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Section 1102(a) of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § 1102(a), for approval :
of (1) the transfer, by sale, of substantially all of the :
Royersford Borough's assets, properties and rights :
related to its wastewater treatment, transportation and :
collection system facilities to Pennsylvania-American : Docket No. A-2020-3019634, *et al.*
Water Company, and (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in Royersford :
Borough and a portion of the Township of Upper :
Providence, Montgomery County, Pennsylvania. :

**DIRECT TESTIMONY OF
JEROME C. WEINERT, PE, ASA, CDP
UTILITY VALUATION EXPERT
SELECTED BY
PENNSYLVANIA-AMERICAN WATER COMPANY**

NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION

(Docket No. A-2020-3019634)



Dear Customer:

Appendix A-18-d - Customer Notice

On _____, the Pennsylvania Public Utility Commission (“PUC”) conditionally accepted for filing the application of Pennsylvania-American Water Co. (“Pennsylvania-American”) for approval to acquire the Royersford Borough (“Royersford”) wastewater system assets. Royersford serves approximately 1,600 customers in Montgomery County. Pennsylvania-American’s application also requests that the PUC authorize an addition of \$13 million to Pennsylvania-American’s rate base pursuant to 66 Pa. C.S. § 1329. A utility’s rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including the Royersford wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current rates will not change as a result of this acquisition until the conclusion of Pennsylvania-American’s first base rate case, filed after closing on the acquisition, where Pennsylvania-American requests and receives PUC approval to increase its rates. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential rate impact could be as follows:

PAWC WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$64.93	\$66.36	\$1.43 or 2.2%
Commercial	22,000 gal/month	\$280.22	\$286.38	\$6.16 or 2.2%
Industrial	476,000 gal/month	\$5,547.08	\$5,669.12	\$122.04 or 2.2%

PAWC WATER				
Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Monthly Bill at PAWC Zone 1 Current Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,630 gal/month	\$60.85	\$60.91	\$0.06 or 0.1%
Commercial	22,000 gal/month	\$291.80	\$292.09	\$0.29 or 0.1%
Industrial	476,000 gal/month	\$4,530.44	\$4,534.97	\$4.53 or 0.1%

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers. For Pennsylvania-American customers in a rate zone other than Rate Zone 1, the potential rate impact could vary from the chart above.

PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

ACTIONS YOU CAN TAKE

You can support or challenge Pennsylvania-American’s request by:

- 1. Sending a letter to the PUC.** You can tell the PUC why you support or object to the application in your letter. This information can be helpful when the PUC investigates the application. Send your letter to the Pennsylvania Public Utility Commission, Post Office Box 3265, Harrisburg, PA 17105-3265.
- 2. Attending or presenting testimony at a PUC public input hearing.** You can attend or be a witness at a PUC public input hearing. The PUC holds public input hearings if it opens an investigation of Pennsylvania-American’s transaction and if there is enough interest in the case. At these hearings, you can present your views in person to the PUC judge and to company

representatives. Testimony under oath becomes part of the application case record. The PUC holds these hearings in the service area of the company. For more information, call the PUC at 1-800-692-7380.

- 3. Filing a protest or a petition to intervene.** If you want to be a party to the case, you must file a protest or a petition to intervene. You then have an opportunity to take part in all the hearings about the proposed acquisition. You can receive copies of all materials distributed by the other parties. Protests and petitions to intervene must be filed in accordance with 52 Pa. Code (relating to public utilities) on or before _____. Filings must be made with the Secretary of the Pennsylvania Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265, with a copy served on Pennsylvania-American’s counsel at:

David P Zambito, Esq., Cozen O-Connor
17 North Second Street, Suite 1400
Harrisburg, PA 17101

The documents filed in support of the application are available on the PUC’s website at www.puc.pa.gov, and for inspection and copying at the Office of the Secretary of the PUC between 8 a.m. and 4:30 p.m., Monday through Friday, and at Pennsylvania-American’s offices at 852 Wesley Drive, Mechanicsburg, PA 17055. Inspection times may vary based on the COVID-19 state of emergency. The PUC docket number is A-2020-3019634. For more information, you may contact the PUC’s Bureau of Consumer Services at 1-800-692-7380.

NOTICE OF PROPOSED WASTEWATER ACQUISITION AND RATE BASE ADDITION (Docket No. A-2020-3019634)



Appendix A-18-d- Customer Notice (Royersford)

Dear Royersford Borough Customer:

On _____, the Pennsylvania Public Utility Commission (“PUC”) conditionally accepted for filing the application of Pennsylvania-American Water Co. (“Pennsylvania-American”) for approval to acquire the Royersford Borough (“Royersford”) wastewater system assets. Royersford serves approximately 1,600 customers in Montgomery County. Pennsylvania-American’s application also requests that the PUC authorize an addition of \$13 million to Pennsylvania-American’s rate base pursuant to 66 Pa. C.S. § 1329. A utility’s rate base is the value of property used by the utility to provide service to its customers and is one of many components used to establish customer rates.

This acquisition will not immediately, but may in the future, affect water and/or wastewater bills of Pennsylvania-American customers, including the Royersford wastewater customers. Pennsylvania-American is not requesting a rate increase as part of the acquisition. Your current wastewater rates will not change until the conclusion of Pennsylvania-American’s first base rate case, filed after closing on the acquisition, where Pennsylvania-American requests and receives PUC approval to increase its rates. Based on a non-binding estimate of the potential rate impacts, Pennsylvania-American anticipates that the potential wastewater rate impact could be as follows:

WASTEWATER				
Rate Class	Average Usage	Average Monthly Bill at Royersford Borough Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$30.00	\$50.94	\$20.94 or 69.8%
Commercial	22,000 gal/month	\$123.53	\$209.75	\$86.22 or 69.8%
Industrial	476,000 gal/month	\$2,672.74	\$4,538.31	\$1,865.57 or 69.8 %

These amounts could change and will depend on how the PUC chooses to apportion any increase among different types of utility service, rate zones and classes of customers and the period of time over which such rate increases could occur.

PUC ROLE

The state agency that approves acquisitions and rates for regulated public utilities is the PUC. The PUC will review and investigate the proposed acquisition. After examining the evidence, the PUC may approve, modify or deny the acquisition and may approve, modify or deny the requested addition to rate base.

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David P. Zambito, Esq.
Cozen O’Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

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