



June 9, 2023

VIA E-FILING

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

Re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, in Butler County, Pennsylvania; Docket Nos. A-2022-3037047 et al.

Petition of Pennsylvania-American Water Company for Leave to File Supplemental Direct Testimony

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") is the above-referenced Petition. Copies are being served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. Please contact me if you have any question or concern.

Sincerely,
COZEN O'CONNOR

By: David P. Zambito
Counsel for *Pennsylvania-American Water Company*

Enclosure

cc: Administrative Law Judge Marta Guhl
Per Certificate of Service
Elizabeth Rose Triscari, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, approval of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, of : Docket No. A-2022-3037047 *et al.*
substantially all of the assets, properties and rights :
related to the wastewater collection and treatment :
system owned by the Butler Area Sewer Authority, (2) :
the rights of Pennsylvania-American Water Company to :
begin to offer or furnish wastewater service to the public :
in the City of Butler, and portions of the Borough of East :
Butler, and portions of the Townships of Butler, Center, :
Connoquenessing, Oakland, and Summit, in Butler :
County, Pennsylvania :

CERTIFICATE OF SERVICE

I hereby certify that I have this 9th day of June, 2023 served a true copy of the foregoing **Petition of Pennsylvania-American Water Company for Leave to File Supplemental Direct Testimony** upon the parties, listed below and in the manner described below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

VIA E-MAIL AND FIRST CLASS MAIL

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VIA FIRST CLASS MAIL ONLY

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Respectfully submitted,



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Counsel for
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) :
and 1329, approval of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, of substantially : Docket No. A-2022-3037047, *et al.*
all of the assets, properties and rights related to the :
wastewater collection and treatment system owned by the :
Butler Area Sewer Authority, (2) the rights of :
Pennsylvania-American Water Company to begin to offer :
or furnish wastewater service to the public in the City of :
Butler, and portions of the Borough of East Butler, and :
portions of the Townships of Butler, Center, :
Connoquenessing, Oakland, and Summit, in Butler County, :
Pennsylvania :

NOTICE TO PLEAD

Pursuant to 52 Pa. Code § 5.61(a)(1), you are hereby notified that you have twenty (20) days from the service of the enclosed Petition of Pennsylvania-American Water Company (“PAWC”) for Leave to File Supplemental Direct Testimony. Your failure to answer will allow the Pennsylvania Public Utility Commission (“Commission”) to rule on the Petition without a response from you, thereby requiring no other proof. All pleadings, such as an Answer, must be filed with the Secretary of the Commission, with a copy served on counsel for PAWC, and where applicable the Administrative Law Judge presiding over the case.

File with:

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

With a copy to:

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Attorneys for *Pennsylvania-American Water Company*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

ADMINISTRATIVE LAW JUDGE MARTA GUHL

Application of Pennsylvania-American Water Company :
under Sections 1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa. C.S. §§ 1102(a) and 1329, :
for approval of (1) the transfer, by sale, to Pennsylvania- :
American Water Company, of substantially all of the : Docket Nos. A-2022-3037047
assets, properties and rights related to the wastewater : *et al.*
collection and treatment system owned by the Butler :
Area Sewer Authority, (2) the rights of Pennsylvania- :
American Water Company to begin to offer or furnish :
wastewater service to the public in the City of Butler, :
portions of the Borough of East Butler, and portions of :
the Townships of Butler, Center, Connoquenessing, :
Oakland and Summit, in Butler County, Pennsylvania :

**PETITION OF PENNSYLVANIA-AMERICAN WATER COMPANY
FOR LEAVE TO FILE SUPPLEMENTAL DIRECT TESTIMONY**

AND NOW COMES Pennsylvania-American Water Company (“PAWC”), pursuant to 52 Pa. Code § 5.41 to request that Administrative Law Judge Marta Guhl (the “ALJ”) permit PAWC to file Supplemental Direct Testimony. For the convenience of the ALJ and the parties, the proposed Supplemental Direct Testimony is enclosed.

In support whereof, PAWC avers as follows:

1. On February 14, 2023, PAWC filed an application (the “Application”), pursuant to 66 Pa. C.S. §§ 1102(a) and 1329 seeking Pennsylvania Public Utility Commission (“Commission”) approval of PAWC’s acquisition of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority (“BASA”).

2. *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Final Supplemental Implementation Order entered Feb. 28, 2019) at 14 (the “FSIO”) requires all direct testimony of the buyer and seller to be filed concurrent with the application.

Specifically, the FSIO states:

Moreover, in the [Tentative Supplemental Implementation Order], we stated that, absent a showing of extenuating and extraordinary hardship, late-filed direct testimony will not be accepted or considered. Also, a request to submit late-filed direct testimony shall be considered a request to extend the six-month consideration period to provide for appropriate due process. These provisions of the TSIO remain intact.

Id. at 17.

3. In compliance with the FSIO, PAWC included direct testimony in its Application, including direct testimony from Ms. Ashley E. Everette, PAWC Statement No. 3 and from Daniel J. Hufton, P.E., PAWC Statement No. 2.

4. By this Petition, PAWC requests leave to file Supplemental Direct Testimony from Ms. Everette and Mr. Hufton addressing events that occurred after PAWC filed the Application. Specifically, PAWC modified the *pro forma* tariff in its Application in response to letters from the Bureau of Technical Utility Services (“TUS”) during TUS’s review of the Application for completeness. Despite objection by PAWC, TUS directed that -- in order for TUS to accept the Application for filing -- PAWC had to file a *pro forma* tariff supplement that contains \$0 Industrial Pretreatment Program (“IPP”) fees for certain industrial customers.

5. PAWC served its responses to TUS’s letters, as well as its *pro forma* tariff supplement, on counsel for the Commission’s Bureau of Investigation & Enforcement (“I&E”), the Office of Small Business Advocate (“OSBA”), the Office of Consumer Advocate (“OCA”).

6. PAWC disagrees with the legal position of TUS and intends to contest the \$0 IPP fee issue in the context of the litigated application proceeding.

7. The Supplemental Direct Testimony explains PAWC's position regarding the modified *pro forma* tariff.

8. For the convenience of the ALJ and the Parties, and to prevent any delay in these proceedings, the proposed Supplemental Direct Testimony is attached to this Petition.

9. Counsel for PAWC has discussed this Petition with counsel for I&E and OCA, as well as counsel for BASA, the City of Butler, and the Township of Butler, and can represent that they have no objection to this submission, provided that they have an adequate opportunity to respond to it in their direct testimony or their rebuttal testimony. Counsel for PAWC also attempted to discuss this Petition with counsel for OSBA. The attorneys exchanged several phone messages, but were unable to speak with each other. As a result, it is unknown whether OSBA will oppose this Petition.

10. On May 10, 2023, PAWC provided notice to potentially-affected customers that PAWC's IPP fees could be implemented as a result of the proceeding. These customers have until July 10, 2023 to file a Protest or Petition to Intervene in this proceeding.

11. No party is prejudiced by the filing of the enclosed Supplemental Direct Testimony. The direct testimony of the other parties will not be due any earlier than July 11, 2023 (*i.e.*, the date of the prehearing conference). Moreover, the enclosed Supplemental Direct Testimony is very brief and limited in nature – focusing exclusively on the \$0 IPP fee issue.

12. The FSIO's comments, quoted above, regarding late-filed direct testimony contemplated an applicant's failure to file any direct testimony with the application. This case, in contrast, involves a request to supplement the direct testimony filed with the application to address subsequent events that resulted in changes to the application, as it was filed with the Commission.

13. PAWC has voluntarily engaged in early discovery with the parties (despite having no legal obligation to do so) and has clearly stated its position on the \$0 IPP fees in certain discovery responses.

14. PAWC could not have introduced direct testimony regarding this issue at the time the Application was filed. Consequently, extenuating circumstances are present for allowing the filing of the Supplemental Direct Testimony at this early stage of the proceeding, without extending the six-month consideration period.

WHEREFORE, for all of the above reasons, PAWC respectfully requests that the ALJ:

- (1) Grant this Petition, and
- (2) Permit PAWC to submit the enclosed Supplemental Direct Testimony of Daniel J. Hufton, P.E., PAWC Statement No. 2-S and the enclosed Supplemental Direct Testimony of Ashley E. Everette, PAWC Statement No. 3-S, without extending the six-month consideration period.

Respectfully submitted,



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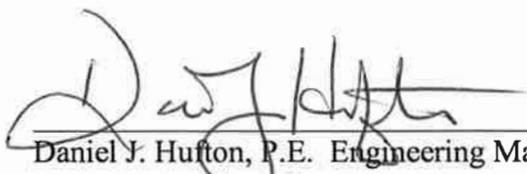
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Attorneys for
Pennsylvania-American Water Company

Date: June 9, 2023

VERIFICATION

I, Daniel J. Hufton hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Daniel J. Hufton, P.E. Engineering Manager
Pennsylvania-American Water Company

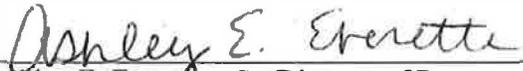
Dated: June 8, 2023

VERIFICATION

I, Ashley E. Everette, hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

June 8, 2023

Date



Ashley E. Everette, Sr. Director of Rates and
Regulatory
American Water Works Service Company

**SUPPLEMENTAL
DIRECT TESTIMONY OF
DANIEL J. HUFTON**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) and :
1329, for approval of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, of substantially all :
of the assets, properties and rights related to the wastewater :
collection and treatment system owned by the Butler Area :
Sewer Authority, (2) the rights of Pennsylvania-American :
Water Company to begin to offer or furnish wastewater :
service to the public in the City of Butler, portions of the :
Borough of East Butler, and portions of the Townships of :
Butler, Center, Connoquenessing, Oakland and Summit, in :
Butler County, Pennsylvania :

Docket Nos. A-2022-3037047,
et al.

**SUPPLEMENTAL DIRECT TESTIMONY OF
DANIEL J. HUFTON, P.E. ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 9, 2023

PAWC Statement No. 2-S

**SUPPLEMENTAL DIRECT TESTIMONY OF
DANIEL J. HUFTON**

INTRODUCTION

1 **Q. WHAT IS YOUR NAME AND ADDRESS?**

2 **A.** My name is Daniel J. Hufton, P.E. and my business address is 60 Elrama Avenue, Elrama,
3 PA 15038.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Pennsylvania-American Water Company (“PAWC” or the “Company”)
7 as an Engineering Manager.

8

9 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I provided direct testimony filed with the application filed on February 14, 2023.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

13 **A.** The purpose of my supplemental testimony is to clarify PAWC’s position regarding fees
14 for an Industrial Pretreatment Program (“IPP”) and why they are necessary and important
15 for the public interest.

16

17 **IMPORTANCE OF IPP FEES**

18 **Q. WHY ARE IPP FEES IMPORTANT WHEN IMPLEMENTING AN IPP?**

19 **A.** Industrial discharges can severely interfere with the operation of sewage treatment plants
20 (“STPs”), leading to the discharge of untreated or inadequately treated wastewater into
21 receiving waters. An industrial discharge that causes interference or inhibition at the STP

1 may cause a violation of the plant’s NPDES permit. Some pollutants are not amenable to
2 biological wastewater treatment at STPs and can pass through the treatment plant
3 untreated. This pass-through of pollutants affects the receiving water and might cause fish
4 kills or other deleterious effects. Even when an STP has the capability to remove toxic
5 pollutants from wastewater, the pollutants can end up in the sewage sludge, thereby
6 limiting sludge disposal options or increasing the cost of disposal.

7 An effective IPP requires industrial and commercial dischargers, called industrial
8 users (“IUs”), to obtain permits to discharge wastewater to the STP. The permits specify
9 the effluent quality that must be met for discharges to the sewer system. The effluent limits
10 typically contain a combination of prohibited discharges, categorical pretreatment
11 standards¹ if applicable, and local limits. Local limits are developed for pollutants that
12 could cause interference, pass-through, sludge contamination, or worker health and safety
13 problems if discharged in excess of the STP’s capabilities or receiving water quality
14 standards. The permitted effluent limits are enforceable under the IPP. In some cases, the
15 IU will need to pretreat or otherwise control pollutants in its wastewater to meet its
16 permitted effluent limits before discharging it to the STP.

17 In addition to these permitted effluent limits, IPPs typically contain fees designed
18 to recover the cost to the STP owner/operator to treat industrial wastewaters that have
19 discharge concentrations above defined values, typically above domestic sewage. The fees
20 are developed by assessing the total cost of treatment at the STP and then apportioning the
21 costs to the unit processes that are used to treat conventional sewage pollutants, such as
22 biochemical oxygen demand (“BOD”), total suspended solids (“TSS”), ammonia nitrogen,

¹ As published by the United States Environmental Protection Agency.

1 phosphorus and possibly others. The fees are calculated on a per unit weight basis
2 (typically pounds) for each pollutant. The fees are then incorporated into the IPP and apply
3 equally to all IUs in the system. To the extent that an IU's discharge contains levels of
4 these conventional pollutants above that of domestic sewage, the IU will be assessed a fee
5 for the excess amount of pollutants it actually contributes to the STP. In this manner, the
6 IU is appropriately charged for the additional costs incurred by the STP to treat its higher
7 strength wastewater, and those additional costs are not borne by the other users of the
8 system.

9
10 **Q. IN YOUR OPINION, IS IT INAPPROPRIATE FOR IUs TO AVOID IPP FEES?**

11 **A.** Yes. In my opinion, it is inappropriate for IUs to avoid IPP fees. Fees are intended to
12 recover actual industrial wastewater treatment costs. The IUs are the cost causers of the
13 treatment costs and should be required to pay for the treatment. Otherwise, the costs fall
14 upon the STP owner/operator and eventually other ratepayers who receive service from
15 the STP (but who do not necessarily contribute pollutants). Industrial treatment costs are
16 easily identifiable and should be paid by the IUs who have caused them and failed to
17 properly treat their industrial wastewater. If there are no IPP fees, the IUs would have
18 little to no incentive to pretreat their wastewater discharges because there would be no
19 financial penalty and the IUs could shift costs to others – thereby essentially having their
20 operations subsidized.

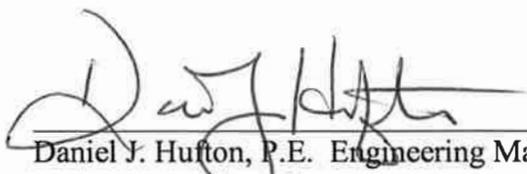
21
22 **CONCLUSION**

23 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

1 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues and
2 facts arise during the course of the proceeding. Thank you.

VERIFICATION

I, Daniel J. Hufton hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Daniel J. Hufton, P.E. Engineering Manager
Pennsylvania-American Water Company

Dated: June 8, 2023

**STATEMENT NO. 3
SUPPLEMENTAL
DIRECT TESTIMONY OF
ASHLEY EVERETTE**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water :
Company under Sections 1102(a) and 1329 of the :
Pennsylvania Public Utility Code, 66 Pa C.S. §§ 1102(a) :
and 1329, for approval of (1) the transfer, by sale, to :
Pennsylvania-American Water Company, of substantially : Docket Nos. A-2022-3037047,
all of the assets, properties and rights related to the : *et al.*
wastewater collection and treatment system owned by the :
Butler Area Sewer Authority, (2) the rights of :
Pennsylvania-American Water Company to begin to offer :
or furnish wastewater service to the public in the City of :
Butler, portions of the Borough of East Butler, and portions :
of the Townships of Butler, Center, Connoquenessing, :
Oakland and Summit, in Butler County, Pennsylvania :

**SUPPLEMENTAL DIRECT TESTIMONY OF
ASHLEY E. EVERETTE ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY**

Date: June 8, 2023

PAWC Statement No. 3-S

**SUPPLEMENTAL DIRECT TESTIMONY OF
ASHLEY E. EVERETTE**

Introduction

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Q. What is your name and address?

A. My name is Ashley E. Everette, and my business address is 852 Wesley Drive, Mechanicsburg, Pennsylvania 17055.

Q. By whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company (the “Service Company”) as the Senior Director of Rates and Regulatory. I work in the Mechanicsburg office of Pennsylvania-American Water Company (“PAWC” or “the Company”).

Q. Have you previously provided testimony in this proceeding?

A. Yes. I provided direct testimony included with the application filed on February 14, 2023.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to clarify PAWC’s position regarding its pro forma tariff for the BASA system, specifically, to exclude the modifications to page 90 of Tariff Wastewater PA P.U.C. No. 16 from the proposed pro forma tariff in this proceeding.

Q. Please define “IPP fees” and identify PAWC’s tariffed rules, regulations and fees associated with providing IPP service.

A. Industrial Pretreatment Program fees (“IPP fees”) are miscellaneous fees and charges intended to recover actual costs incurred by PAWC in treating industrial wastewater

1 through its IPP. PAWC Statement No. 2-S, the Supplemental Direct Testimony of Daniel
2 J. Hufton, provides a detailed explanation of why it is critical that PAWC be able to charge
3 IPP fees. Section T of PAWC’s current wastewater tariff outlines the rules, regulations and
4 fees associated with providing IPP service.

5 **Background**

6 **Q. Please describe BASA’s current IPP fees.**

7 A. Section 100-11.01 of BASA’s Sewer Code states that fees for abnormal industrial waste
8 shall be charged. Sections 100-11.04 and 100-11.05 describe how such fees for BOD5 and
9 suspended solids, respectively, shall be calculated, using a BOD5 surcharge rate and
10 suspended solids surcharge rate per the Schedule of Rates. However, BASA has never
11 established in its Schedule of Rates a BOD5 surcharge rate or suspended solids surcharge
12 rate. BASA currently only charges IPP fees to PAWC. BASA charges a suspended solids
13 surcharge to PAWC in quarters where PAWC discharges more than 100,000 gallons per
14 quarter, consistent with Section 100-11.01, using a suspended solids surcharge rate set by
15 letter notification to PAWC. See Application Amended Appendix A-18-b for BASA’s
16 Sewer Code and June 14, 1991 letter notification to PAWC.

17 **Q. Did PAWC reflect \$0 IPP fees in its initial filing?**

18 A. No, PAWC proposed that BASA customers be subject to the IPP charges in PAWC’s
19 prevailing wastewater tariff on file with the Commission.

20 **Q. Please discuss the March 7, 2023 Application Completeness Review and PAWC’s**
21 **March 13, 2023 response.**

22 A. On March 7, 2023, the Commission’s Bureau of Technical Utility Services (“TUS”) issued
23 its first set of requests for missing information in PAWC’s application. Item number 3

1 directed PAWC to revise Appendix A-12 (the pro forma tariff) to reflect BASA’s limited
2 application of IPP fees. Item number 7 directed PAWC to provide copies of “resolutions,
3 tariffs, agreements and/or contracts establishing BASA’s BOD5 and SS surcharge rates.”

4 On March 13, 2023, PAWC responded explaining that pretreatment fees are
5 miscellaneous fees and charges and are not “existing rates” for purposes of Section 1329
6 that must be adopted at closing of the transaction. PAWC further explained as follows:

7 After closing, PAWC’s Industrial Pretreatment Program (“IPP”) and any associated
8 pretreatment fees pursuant to the Commission-approved rules and regulations in
9 PAWC’s tariff will apply to BASA customers. IPP is a form of rules and
10 regulations, which PAWC is permitted to apply to BASA customers after closing
11 the transaction. PAWC is not required to adopt or implement BASA’s IPP. Second,
12 even if BOD5 and SS surcharges were properly considered to be “existing rates”
13 for the purposes of Section 1329, BASA has never established them in its Schedule
14 of Rates.

15
16 See PAWC Exhibit AEE-3 (certain Application amended appendices omitted).

17
18 **Q. Please discuss the March 16, 2023 Application Completeness Review and PAWC’s**
19 **March 27, 2023 response.**

20 A. On March 16, 2023, TUS issued its second set of requests for missing information in
21 PAWC’s application. Item number 12 referenced the information provided above by
22 PAWC and directed the Company to revise its tariff to reflect “a \$0.00 BOD5 surcharge, a
23 \$0.00 SS surcharge for all customers except PAWC, and a \$0.315/lb. SS surcharge for
24 PAWC for quarters where PAWC discharges more than 100,000 gallons per quarter and
25 where average pollutant concentrations for that period are more than 350 mg/L SS.”

26 In its March 27, 2023 response, PAWC again explained that pretreatment fees are
27 miscellaneous fees and charges associated with PAWC’s IPP and are intended to recover
28 actual costs incurred by PAWC in treating industrial wastewater (when such treatment is
29 necessary for the protection of the system). See PAWC Exhibit AEE-4. The supplemental

1 testimony of Company witness Hufton further explains the necessity of having IPP fees for
2 the protection of the system.

3 As part of this response, PAWC provided revised pro forma tariff at Appendix A-
4 12.1 to reflect the changes requested by TUS. PAWC noted that it filed this tariff without
5 conceding or waiving PAWC's legal position and with a full reservation of rights with
6 respect to the issue of whether IPP pretreatment fees are existing rates for the purposes of
7 Section 1329.

8 **Q. Please discuss the April 6, 2023 letter from TUS and PAWC's April 6, 2023 response.**

9 A. In response to PAWC's filing of **Appendix A-12.1** which reflected the changes required
10 by TUS but did not supersede PAWC's original filing, TUS issued a letter on April 6, 2023
11 requiring PAWC to withdraw its originally-filed tariff at Appendix A-12 and replace it
12 with the tariff reflecting TUS' position on the IPP fees, which had been previously provided
13 as Appendix A-12.1.

14 On April 6, 2023, PAWC filed a letter in response to the TUS letter. PAWC's letter
15 included the Second Amended Appendix A-12, which replaced the originally filed pro
16 forma tariff with the version that was previously provided as Appendix A-12.1 on March
17 27, 2023. In this letter, PAWC provided the following context for this filing:

18 PAWC submits the Second Amended Appendix A-12, which reflects the changes
19 that TUS has directed PAWC to make, despite those changes being contrary to
20 PAWC's stated legal position on a substantive legal issue in this proceeding.
21 PAWC submits this amended pro forma tariff, and hereby withdraws its prior
22 versions of the pro forma tariff, as directed by TUS, solely to comply with TUS's
23 demands necessary for TUS to find the Application to be administratively
24 complete. PAWC does so without conceding or waiving PAWC's legal positions
25 and with a full reservation of its rights.

26 See PAWC Exhibit AEE-5.
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Application of IPP Fees

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23

Q. Please summarize the requirement that PAWC adopt existing rates at the time of acquisition.

A. Section 1329(d)(1)(v) states that PAWC must provide for approval “A tariff containing a rate equal to the existing rates of the selling utility at the time of the acquisition.” Section 1329(d)(4) states that these rates shall remain in effect until such time as new rates are approved for the acquiring public utility as the result of a base rate case proceeding before the commission.”

Q. Are IPP fees “rates” as referred to in Section 1329?

A. No. PAWC’s wastewater tariff, “Tariff Wastewater PA P.U.C. No. 16” includes rates schedules for each of its rate zones. The proposed tariff in this Application includes a rates schedule of BASA’s existing rates that will be applicable to BASA customers. PAWC’s tariff also includes miscellaneous fees and charges as well as rules and regulations. IPP fees, or “pollutant removal costs” are part of the Company’s IPP, which in turn is part of the rules and regulations. IPP fees are not base rates; rather, they are fees for the enforcement of the Company’s IPP.

Q. Please summarize PAWC’s position on the appropriate application of IPP fees.

A. Pretreatment fees are miscellaneous fees and charges associated with PAWC’s Industrial Pretreatment Program (“IPP”) and are intended to recover actual costs incurred by PAWC in treating industrial waste. For purposes of Section 1329, BASA’s pretreatment fees (BOD5 and suspended solids surcharges) are not “existing rates” that must be adopted by PAWC at Closing of the Transaction. IPP is a form of rules and regulations, which PAWC is permitted to apply to BASA customers after Closing on the Transaction. PAWC is not

1 required to adopt or implement BASA's IPP or any associated pretreatment fees. Thus,
2 BASA's pretreatment fees were properly not included in the pro forma tariff filed with the
3 Application.

4 PAWC requests approval as part of this Application of originally-filed Appendix
5 A-12, attached hereto as PAWC Exhibit AEE-6. Under this tariff, after Closing, PAWC's
6 IPP and any associated pretreatment fees pursuant to the Commission-approved rules and
7 regulations in PAWC's tariff will apply to BASA customers (see Supplement No. 43 to
8 Tariff Wastewater PA P.U.C. No. 16, Section U, 8. All Other Areas, at page 90).

9 **Q. Does this conclude your supplemental direct testimony?**

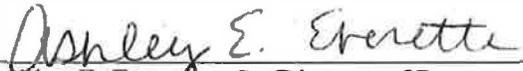
10 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues and
11 facts arise during the course of the proceeding. Thank you.

VERIFICATION

I, Ashley E. Everette, hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

June 8, 2023

Date



Ashley E. Everette, Sr. Director of Rates and
Regulatory
American Water Works Service Company

PAWC EXHIBIT AEE-3
3.13.23 DEFICIENCY RESPONSE



Elizabeth Rose Triscari
Director, Corporate Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1574 | Fax: 717-550-1255
elizabeth.triscari@amwater.com

March 13, 2023

VIA PUC SHAREPOINT SITE

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, the Borough of East Butler, and the Townships of Butler, Center, Connoquenessing, Oakland and Summit, in Butler County, Pennsylvania

Docket No: A-2022-3037047

Dear Secretary Chiavetta:

Enclosed for filing are the Responses of Pennsylvania-American Water Company to the 66 Pa. C.S. Section 1329 Application Completeness Review of Pennsylvania-American Water Company – Wastewater Division Acquisition of the Butler Area Sewer Authority System Assets at Docket No. A-2022-3037047 Missing Application Information, dated March 7, 2023. Please note some responses are **CONFIDENTIAL** and should be treated as such.

Copies are being served upon the statutory 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.

PAWC Exhibit AEE-3

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

Sincerely,



Elizabeth Rose Triscari

cc: All Parties on the Attached Certificate of Service (*via OneDrive Link*)
Sean Donnelly (*via OneDrive Link*)

PAWC Exhibit AEE-3

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1102(a) and 1329, approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

Docket No. A-2022-3037047

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 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 assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket No. A-2023

In re: Petition of Pennsylvania-American Water Company, related to is acquisition of the wastewater collection and treatment system owned by the Butler Area Sewer Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book 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.

Docket No. P-2023

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement By and Among Butler Area Sewer Authority and Pennsylvania-American Water Company, and (ii) three agreements with municipal corporations to be assumed by Pennsylvania-American Water Company upon closing of its acquisition of substantially all of the assets related to the wastewater collection

Docket Nos. U-2023-_____, *et al.*

and treatment system owned by the Butler Area Sewer Authority

CERTIFICATE OF SERVICE

I hereby certify that I have this 13th day of March served a true copy of the foregoing Responses of Pennsylvania-American Water Company regarding the acquisition of the Butler Area Sewer Authority's wastewater treatment, transportation, and distribution facilities upon the parties, listed below and in the manner below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

VIA ELECTRONIC MAIL (ONE DRIVE LINK) ON MARCH 13, 2023

Patrick Cicero, Consumer Advocate
Erin Gannon, Esquire
Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Steven Gray, Esquire
Nakea S. Hurdle, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101

Erica McLain, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street, F West
Harrisburg, PA 17120

Kevin C. Higgins
Energy Strategies
111 East Broadway, Suite 1200
Salt Lake City, Utah 84111

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)
Erin K. Fure, Esquire (PA ID #312245)
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
(717) 550-1574
elizabeth.triscari@amwater.com
erin.fure@amwater.com

David P. Zambito, Esquire (PA ID #80017)
Jonathan P. Nase, Esquire (PA ID #44003)
Cozen O'Connor
17 North Second Street, Suite 1410

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

1. Checklist Item Nos. 1, 12, 16.a., 21, and 22.a.-c. – The map provided in the Application’s Appendix A-16-a-e appears to depict a portion of Penn Township between Map Points 294 and 300 as being included within the boundaries of the requested service territory. However, the caption provided in the Application does not identify a request for Commission approval of the right of Pennsylvania-American Water Company – Wastewater Division (PAWC-WD) to begin to offer or furnish wastewater service to the public in a portion of Penn Township, Butler County, Pennsylvania, and Application appendices do not address information requirements for PAWC-WD’s provision of wastewater service in Penn Township. Please either amend the Application’s Appendix A-16-a through f to exclude areas in Penn Township from PAWC-WD’s requested service territory or revise the captioning and all effected aspects of the Application and Appendices (i.e., PAWC-WD’s pro forma tariff supplement, requested territory map, affected persons, etc.) to reflect a portion of Penn Township is being included in the requested service territory.

Response: Please see **Amended Appendix A-16-a through f**. There are no customers served by BASA in Penn Township. Portions of Penn Township are not part of the requested service territory.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

2. Checklist Item No. 4. – The Application’s Appendix A included a copy of a 66 Pa.C.S. § 1329 Application Filing Checklist (Application Checklist) that indicated responses to Checklist Item No. 4., Section 1329 Application Standard Data Requests were included in the Application’s Appendices A-4.1, A-4.2, and A-4.3, respectively. However, Appendices A-4.1 and A-4.3 were not included in the Application. Please provide copies of the Application’s Appendices A-4.1 and A-4.3.

Response: The hard and electronic copy filed with the Pennsylvania-Public Utility Commission did include Appendices A-4.1 and Appendix A-4.3. For your convenience, please find attached **Appendix A-4.1 and Appendix A-4.3**. Please note **Appendix A-4.1** (Attachment 14) **Appendix A-4.3** (Gannett Fleming Workpapers) are **CONFIDENTIAL** and should be treated as such.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

3. Checklist Item No. 12 - The Application's Appendix A-12 consisted of a pro forma tariff supplement showing the rates, proposed rules, and conditions of service. However, the rates identified in the pro forma tariff supplement do not match the rates identified in Sections 100-11.03 and 100-11.04 of Butler Area Sewer Authority's (BASA's) rates, rules, and regulations, provided in the Application as Appendix A-18-b. Specifically, BASA's pollutant loading rates only apply to customers that discharge more than 100,000 gallons per quarter, where average pollutant concentrations for that period are more than 300 mg/L five-day biochemical oxygen demand (BOD5) and 350 mg/L suspended solids (SS), and include rates established by BASA per pound of BOD5 or SS. Please revise the Application's Appendix A-12 to include a pro forma tariff supplement containing rates equal to the existing rates of the selling utility at the time of the acquisition.

Response: The pro forma tariff supplement filed as **Appendix A-12** contains rates equal to the existing rates of the selling utility at the time of the acquisition and does not require revision. First, the pretreatment fees referenced above are miscellaneous fees and charges. They are not "existing rates" for the purposes of Section 1329 that must be adopted at closing of the transaction. After closing, PAWC's Industrial Pretreatment Program ("IPP") and any associated pretreatment fees pursuant to the Commission-approved rules and regulations in PAWC's tariff will apply to BASA customers. IPP is a form of rules and regulations, which PAWC is permitted to apply to BASA customers after closing the transaction. PAWC is not required to adopt or implement BASA's IPP. Second, even if BOD5 and SS surcharges were properly considered to be "existing rates" for the purposes of Section 1329, BASA has never established them in its Schedule of Rates. Please refer to the Response to No. 7.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

4. Checklist Item No. 12 –The Application’s Appendix A-12 consisted of a pro forma tariff supplement showing the rates, proposed rules, and conditions of service. However, the rates identified in the pro forma tariff supplement do not match the rates identified on Schedule 7.04(a)-2 Seller Closing Rates, of the Asset Purchase Agreement provided in the Application as Appendix A-24-a. Specifically, the pro forma tariff supplement does not include the rates identified for Oak Hills Area, Dutchtown Opt 2 and Oak Hills Area, Dutchtown Opt 3. Please revise the Application’s Appendix A-12 to include a pro forma tariff supplement containing rates equal to the existing rates of the selling utility at the time of the acquisition.

Response: Please see **Amended Appendix A-24-a (revising APA Schedule 7.04(a)-2 Seller Closing Rates)**, which is consistent with the pro forma tariff filed as **Appendix A-12**.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

5. Checklist Item No. 14. – The Application’s Appendix A-14-a, PAWC Statement No. 2, included a copy of the direct testimony from Daniel J. Hufton that referenced an Exhibit DJH-3 on Page 21. However, a copy of Exhibit DJH-3 was not included in Appendix-14-a. Please amend Appendix A-14-a, PAWC Statement No. 2, to include a copy of Exhibit DJH3.

Response: Please see **Amended Appendix A-14-a**, PAWC Statement No. 2, Direct Testimony of Daniel J. Hufton, which includes PAWC Exhibit DJH-3.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

6. Checklist Item No. 17.a. – The Application’s Appendix A-17-a indicated 908 future connections to the wastewater system are projected for the years 2023 through 2026. However, Checklist Item No. 17.a, requires a projection of future connections anticipated for the next five years. Please revise Appendix A-17-a to state the number of anticipated connections to the wastewater system for the next five years.

Response: Please see **Amended Appendix A-17-a** and **Amended Appendix A-20-c**. These revised documents reflect BASA’s latest projections of future connections in their 2022 Chapter 94 Report, which are lower than those in the previous year’s report. BASA adjusts their future connection estimates each year by calculating the observed growth/contraction within the existing service area averaged over the prior 5 years and then adding on the potential new EDUs from approved planning modules.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

7. Checklist Item No. 18.a. – The Application’s Appendix A-18-b included a copy of BASA’s rates, rules and regulations. Sections 100-11.03 and 100-11.04 of BASA’s rates, rules and regulations indicated that BOD5 and SS surcharge rates are in BASA’s Schedule of Rates. However, the Application’s Appendix A-18-a does not identify BASA’s BOD5 and SS rates. Please amend the Application’s Appendix A-18-a to include copies of BASA resolutions, tariffs, agreements and/or contracts establishing BASA’s BOD5 and SS surcharge rates.

Response: As explained in response to No. 3, the pretreatment fees referenced above are miscellaneous charges and thus are not part of BASA’s existing rates for the purposes of Section 1329 and will not be applicable post-closing. Furthermore, BASA has never established in its Schedule of Rates either a BOD5 surcharge rate or SS surcharge rate. No customers are charged a BOD5 surcharge and the only customer being charged a SS surcharge is PAWC in the amount of \$0.315/lb pursuant to the attached June 14, 1991 letter. Please see **Amended Appendix A-18-b**, adding the June 14, 1991 letter.

**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

Docket No. A-2022-3037047

18. Rates.
- b. Provide a copy of the seller’s current rules and regulations for service.

AMENDED RESPONSE:

- b. See attached BASA’s current rules and regulations governing the provision of wastewater service marked as **Amended Appendix A-18-b**.

Amended Appendix A-18-b

PAWC Exhibit AEE-3

COPY

BUTLER AREA SEWER AUTHORITY

125 PITTSBURGH RD. • BUTLER, PA 16001

412/282-1978

JOHN M. HEIM
CHAIRMAN

LEO K. O'NEIL
VICE CHAIRMAN

RONALD OLSEN
SECRETARY

LEWIS C. MARRA
TREASURER

RALPH R. GRAHAM
ASSISTANT SECRETARY
AND TREASURER

DILLON McCANDLESS AND KING
SOLICITOR

THE CHESTER ENGINEERS
ENGINEER CONSULTANT

WILLIAM D. RICE
MANAGER

June 14, 1991

Mr. Robert A. Croker
Director - Water Quality
Pennsylvania-American Water Company
800 West Hersheypark Drive
P. O. Box 888
Hershey, Pennsylvania 17033-0888

Dear Mr. Croker:

Re: Oneida Valley Water Treatment Plant
Suspended Solids Surcharge Rate

Per the Pennsylvania-American Water Company's request, the Authority has determined and established the suspended solids surcharge rate applicable to the sludge and filter backwash wastewater discharges from the Oneida Valley Water Treatment Plant to the Authority's sewerage system. Effective July 1, 1991, the Authority's 1991/1992 suspended solids surcharge rate is \$0.315 per pound of suspended solids in excess of the maximum 350 mg/L suspended solids concentration allowed under the Authority's Sewer Use Rules and Regulations.

Please be advised that the Authority will commence billing Pennsylvania-American Water Company (PAWC) for this suspended solids surcharge cost on a monthly basis beginning July 1, 1991. The suspended solids surcharge cost will be assessed in addition to the normal sewage service charges currently paid by PAWC. In accordance with the Authority's Rules and Regulations, the surcharge cost will be determined based upon the actual monthly wastewater discharge flows and discharge sampling and analyses reported by PAWC or monitoring and analyses conducted by the Authority. Utilizing the April 1991 discharge monitoring data submitted by PAWC as an example, the suspended solids surcharge cost will be determined as shown in Table 1 attached hereto.

The actual amount of the monthly suspended solids surcharge will vary depending upon the actual characteristics and volume of the PAWC's wastewater discharges to the Authority's sewer system. The extreme variability of the wastewater discharge characteristics based on PAWC's analyses will make it difficult for PAWC to budget for the suspended solids surcharge cost. The extreme variability also reemphasizes the need and permit requirement for the PAWC to equalize the wastewater discharges to the Authority's sewer system, including the filter backwash discharges.

Table 2 summarizes the available suspended solids analyses of PAWC's wastewater discharges and calculation of the estimated annual surcharge cost based on the average discharge concentrations. Based on the average discharge concentration using a limited number of samples,

the estimated annual suspended solids surcharge cost would be about \$55,900 per year. However, the annual suspended solids surcharge cost could vary from \$4,000 to \$134,000 per year based on the minimum and maximum discharge concentrations reported by PAWC.

If you should have any questions regarding the calculation of the suspended solids surcharge cost, please call me at (412) 282-1978.

Very truly yours,

BUTLER AREA SEWER AUTHORITY

William D. Rice, Manager

cc: J. A. Orlando, PAWC
A. L. Reeder, PAWC
A. R. Shouey, PAWC

TABLE 1

**EXAMPLE SUSPENDED SOLIDS SURCHARGE CALCULATION
BASED ON APRIL 1991 PAWC DISCHARGE MONITORING REPORT**

APRIL 1991 SUSPENDED SOLIDS (SS) SURCHARGE**A: SLUDGE BLOWDOWN DISCHARGE**

Total Discharge Flow = 6,350 gal/day X 30 days = 190,500 gals = 0.1905 mil gal

Suspended Solids Concentration:

4/4 PAWC Composite Sample	=	450	mg/L SS
4/15 PAWC Composite Sample	=	1,810	mg/L SS
Average	=	1,130	mg/L SS

Excess lbs SS = 0.1905 mil gal X 8.34 X (1,130 mg/L SS - 350 mg/L SS)
= 1,239 lbs SS Excess

B: FILTER BACKWASH DISCHARGE

Total Discharge Flow = 8 batches X 40,000 gal/batch = 320,000 gals = 0.320 mil gal

Suspended Solids Concentration:

4/12 PAWC Composite Sample	=	5,900	mg/L SS
4/15 PAWC Composite Sample	=	1,860	mg/L SS
Average	=	3,880	mg/L SS

Excess lbs SS = 0.320 mil gal X 8.34 X (3,880 mg/L SS - 350 mg/L SS)
= 9,421 lbs SS Excess

C. SUSPENDED SOLIDS SURCHARGE

SS Surcharge Rate = \$0.315/lb Excess SS

Total Excess lbs SS = 1,239 + 9,421 = 10,659 lbs SS Excess

Monthly SS Surcharge Cost = 10,659 lbs SS Excess X \$0.315/lbs SS Excess = \$3,3576.58

TABLE 2

**ESTIMATED ANNUAL SUSPENDED SOLIDS SURCHARGE
BASED ON AVAILABLE DISCHARGE MONITORING DATA**

ESTIMATED ANNUAL SUSPENDED SOLIDS (SS) SURCHARGE

A: SLUDGE BLOWDOWN DISCHARGE

Total Discharge Flow = 6,350 gal/day X 365 days = 2,318,000 gals = 2.318 mil gal

Suspended Solids Concentration:

10/3/90 BASA Composite Sample	=	4,900	mg/L SS
12/31/90 BASA Composite Sample	=	3,500	mg/L SS
9/27/90 PAWC Composite Sample	=	6,980	mg/L SS
2/25/91 PAWC Composite Sample	=	980	mg/L SS
3/12/91 PAWC Composite Sample	=	3,240	mg/L SS
3/19/91 PAWC Composite Sample	=	2,640	mg/L SS
4/4/91 PAWC Composite Sample	=	450	mg/L SS
4/15/91 PAWC Composite Sample	=	1,810	mg/L SS
Average	=	3,063	mg/L SS

Excess lbs SS = 2.318 mil gal X 8.34 X (3,063 mg/L SS - 350 mg/L SS)
= 52,450 lbs SS Excess

B: FILTER BACKWASH DISCHARGE

Total Discharge Flow = 120 batches* X 40,000 gal/batch = 4,800,000 gals = 4.80 mil gal

* Assumes 10 batches per month.

Suspended Solids Concentration:

10/3/90 PAWC Composite Sample	=	1,740	mg/L SS
2/25/91 PAWC Composite Sample	=	642	mg/L SS
3/14/91 PAWC Composite Sample	=	7,760	mg/L SS
3/20/91 PAWC Composite Sample	=	2,910	mg/L SS
4/12/91 PAWC Composite Sample	=	5,900	mg/L SS
4/15/91 PAWC Composite Sample	=	1,860	mg/L SS
Average	=	3,470	mg/L SS

Excess lbs SS = 4.80 mil gal X 8.34 X (3,470 mg/L SS - 350 mg/L SS)
= 124,900 lbs SS Excess

C. SUSPENDED SOLIDS SURCHARGE

SS Surcharge Rate = \$0.315/lb Excess SS

Total Excess lbs SS = 52,450 + 124,900 = 177,350 lbs SS Excess

Annual SS Surcharge Cost = 177,350 lbs SS Excess X \$0.315/lbs SS Excess = \$55,865

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

8. Checklist Item No. 20.b. – The Application’s Appendix A-20-b included a list of water quality management (WQM) and National Pollutant Discharge Elimination System (NPDES) permits for the utility plant and copies of the associated permits. The list of permits identified WQM Permit No. 364S24-T1, dated 5/2/1973, for the Transfer of Sewer Extension for Meadowood Plan, South Butler Township Sewer System Authority. However, Appendix A-20-b did not include a copy of this permit. Please provide a copy of WQM Permit No. 364S24-T1.

Response: Please see **Amended Appendix A-20-b** which includes WQM Permit No. 364S24-T-1 dated 5/2/1973.

9. Checklist Item No. 22.a. – The Act 537 Sewage Facilities Planning Study Update (Act 537 Plan Update) provided as the Application’s Appendix A-22-b included a map depicting BASA’s service area boundaries (BASA Service Area) as Figure II-2. However, the boundaries of the requested service territory, depicted on the map included in the Application’s Appendix A-16-a, do not match, and appear to extend beyond, the boundaries of the BASA Service Area depicted in the Act 537 Plan Update. Additionally, the Application at Page 13 indicated the BASA’s Act 537 Official Sewage Facilities Plan (Act 537 Plan) will be updated to be consistent with the requested service territory and will be adopted by all the effected municipalities and approved by Department of Environmental Protection (DEP) prior to closing. It is not clear that the areas in the requested service territory that extend beyond the boundaries of the BASA Service Area are consistent with the Act 537 Plan Update or any Sewage Facilities Planning Modules or Special Studies completed by the affected municipalities that may have been completed after the DEP approval of the Act 537 Plan Update. Please demonstrate compliance with the DEP approved Act 537 Official Sewage Facilities Plans for the affected municipalities (including the extent of the requested service territory).

Response: Through this transaction, PAWC will adopt BASA’s physical service area which is depicted on the requested service territory map included in **Amended Appendix A-16-a through f**. PAWC is not proposing to expand service in any way beyond the area currently being served by BASA. The requested service territory map differs from the 2009 Act 537 Plan Update map for two reasons. First, the service area boundary shown in the Act 537 Plan did not accurately reflect the physical extent of BASA’s service area at the time. In several locations, BASA was serving customers with existing assets that were not included within the Act 537 service boundary. These areas have been incorporated into PAWC’s requested service territory. Second, there have been several Sewage Facilities Planning Modules approved by PADEP after the August 27, 2009 approval of the Act 537 Plan Update that expanded BASA’s service territory. These areas have also been incorporated into PAWC’s requested service territory. As stated in the Application at Page 13, BASA’s Act 537 Plan will be updated to be consistent with the area BASA currently serves and consistent with the requested service territory, and will be adopted by all the affected municipalities and approved by PADEP prior to closing of the transaction.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

10. Checklist Item No. 22.b. – Page IV-1 of the Act 537 Plan Update provided as the Application’s Appendix A-22-b, indicated that as part of the October 13, 2006, Consent Order and Agreement with the DEP, the communities served by the BASA were required to revise their official sewage facilities plans. However, copies of the DEP-approved Act 537 Official Sewage Facilities Plans for the affected municipalities were not provided in the Application. Please provide copies of the DEP-approved Act 537 Official Sewage Facilities Plans for the Borough of East Butler, and Butler, Center, Connoquenessing, Oakland, and Summit Townships.

Response: Please see **Amended Appendix A-22-b** for the Act 537 Plans for the Borough of East Butler and Butler, Center, Connoquenessing, Oakland and Summit Townships.

66 Pa. C.S. Section 1329 Application Completeness Review Pennsylvania-American Water Company – Wastewater Division Acquisition of Butler Area Sewer Authority Wastewater System Assets at Docket No. A-2022-3037047

11. Checklist Item No. 22.e. – The Application Checklist indicated the response to Checklist Item No. 22.e. was provided in the Application’s Appendix A-21-e. However, a copy of Appendix A-21-e was not filed with the Commission. Please provide evidence the filing is consistent with the affected municipality and county comprehensive plans.

Response: The Application Checklist incorrectly indicated that the response to Checklist Item No. 22.e was provided in **Appendix A-21-e**. It should have been provided at **Appendix A-22-e**. Please see **Appendix A-22-e**. Pennsylvania-American Water Company is not providing evidence the filing is consistent with the affected municipality and county comprehensive plans because the filing does not propose to expand the wastewater service beyond the existing BASA System wastewater footprint. Please see the **Amended Appendix A Checklist**.

**PAWC EXHIBIT AEE-4
3.27.23 DEFICIENCY RESPONSE**



Elizabeth Rose Triscari
Director, Corporate Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1574 | Fax: 717-550-1255
elizabeth.triscari@amwater.com

March 27, 2023

VIA PUC SHAREPOINT SITE

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, the Borough of East Butler, and the Townships of Butler, Center, Connoquenessing, Oakland and Summit, in Butler County, Pennsylvania

Docket No: A-2022-3037047

Dear Secretary Chiavetta:

Enclosed for filing are the Responses of Pennsylvania-American Water Company ("PAWC") to the 66 Pa. C.S. Section 1329 Application Completeness Review of Pennsylvania-American Water Company – Wastewater Division Acquisition of the Butler Area Sewer Authority System Assets at Docket No. A-2022-3037047 Missing Application Information, dated March 16, 2023. Please note some responses are **CONFIDENTIAL** and should be treated as such.

Copies are being served upon the statutory 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.

PAWC respectfully requests that the Secretarial Letter conditionally accepting the Application for filing provide a due date for protests and notices of intervention, which is required on the form of notice approved by the Commission in *Application of Pennsylvania-American Water Company Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority*, Docket No. A-2019-3006880 (Opinion and Order entered Oct. 3, 2019) and found at Application Appendix A-18-d.

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

Sincerely,



Elizabeth Rose Triscari

cc: All Parties on the Attached Certificate of Service (*via OneDrive Link*)
Sean Donnelly (*via OneDrive Link*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1102(a) and 1329, approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

Docket No. A-2022-3037047

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 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 assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket No. A-2023

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the wastewater collection and treatment system owned by the Butler Area Sewer Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book 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.

Docket No. P-2023

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement By and Among Butler Area Sewer Authority and Pennsylvania-American Water Company, and (ii) three agreements with municipal corporations to be assumed by Pennsylvania-American Water Company upon closing of its acquisition of substantially all of the assets related to the wastewater collection

Docket Nos. U-2023-_____, *et al.*

and treatment system owned by the Butler Area Sewer Authority

CERTIFICATE OF SERVICE

I hereby certify that I have this 27th day of March served a true copy of the foregoing Responses of Pennsylvania-American Water Company regarding the acquisition of the Butler Area Sewer Authority's wastewater treatment, transportation, and distribution facilities upon the parties, listed below and in the manner below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

VIA ELECTRONIC MAIL (ONE DRIVE LINK) ON MARCH 27, 2023

Patrick Cicero, Consumer Advocate
Erin Gannon, Esquire
Christine Maloni Hoover, Esquire
Office of Consumer Advocate
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5th Floor, Forum Place
Harrisburg, PA 17101-1923

Steven Gray, Esquire
Nakea S. Hurdle, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101

Erica McLain, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street, F West
Harrisburg, PA 17120

Kevin C. Higgins
Energy Strategies
111 East Broadway, Suite 1200
Salt Lake City, Utah 84111

Respectfully submitted,



Elizabeth Rose Triscari, Esquire (PA ID #306921)
Erin K. Fure, Esquire (PA ID #312245)
Pennsylvania-American Water Company
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Attorneys for
Pennsylvania-American Water Company

12. Checklist Item No. 12 – In response to Item Number 7 of the Application Completeness Review that requested that PAWC-WD amend the Application’s Appendix A-18-a to include copies of BASA resolutions, tariffs, agreements and/or contracts establishing BASA’s BOD5 and SS surcharge rates, PAWC-WD indicated that BASA never established in its Schedule of Rates either a BOD5 surcharge rate or SS surcharge rate, that no BASA customers are charged a BOD5 surcharge, and that the only BASA customer being charged a SS surcharge is Pennsylvania-American Water Company (PAWC) in the amount of \$0.315/lb. Also, Item Number 3 of the Application Completeness Review requested that PAWC-WD revise the Application’s Appendix A-12 to include a pro forma tariff supplement containing rates equal to the existing rates of the selling utility at the time of acquisition. In response, PAWC-WD indicated that the pro forma tariff supplement contains rates equal to the existing rates of the selling utility at the time of acquisition. However, PAWC-WD’s pro forma tariff supplement does not adopt BASA’s existing pollutant loading rates, including BASA’s BOD5 and SS surcharge rates. Please revise the Application’s Appendix A-12 to include a pro forma tariff supplement containing rates equal to the existing rates of the selling utility at the time of acquisition that includes a \$0.00 BOD5 surcharge, a \$0.00 SS surcharge for all customers except PAWC, and a \$0.315/lb. SS surcharge for PAWC for quarters where PAWC discharges more than 100,000 gallons per quarter and where average pollutant concentrations for that period are more than 350 mg/L SS.

Response:

As stated in PAWC’s initial response, pretreatment fees are miscellaneous fees and charges associated with PAWC’s Industrial Pretreatment Program (“IPP”) and are intended to recover actual costs incurred by PAWC in treating industrial wastewater (when such treatment is necessary for the protection of the system). Without such fees, industrial customers would have no meaningful incentive to pretreat their wastewater and PAWC would not be able to enforce its IPP. For purposes of Section 1329, BASA’s pretreatment fees (BOD5 and SS surcharges) are not “existing rates” that must be adopted by PAWC at Closing of the Transaction. After Closing, PAWC’s IPP and any associated pretreatment fees pursuant to the Commission-approved rules and regulations in PAWC’s tariff will apply to BASA customers (see Supplement No. 43 to Tariff Wastewater PA P.U.C. No. 16, Section U, 8. All Other Areas, at page 90). IPP is a form of rules and regulations, which PAWC is permitted to apply to BASA customers after Closing on the Transaction. PAWC is not required to adopt or implement BASA’s IPP or any associated pretreatment fees. Thus, BASA’s pretreatment fees were properly not included in the pro forma tariff filed with the Application.

PAWC infers from No. 12 above that TUS disagrees with PAWC’s substantive legal interpretation of Section 1329. However, pursuant to *Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-2543193 (Tentative Supplemental Implementation Order entered September 20, 2018) at 15, TUS “does not review the veracity or substantive quality of

information that an applicant submits to fulfill the threshold requirements of the Application Checklist.” TUS’s role is limited “to evaluate only whether the Application Checklist is complete and responsive to the data requested. It shall not refuse to perfect an application on the basis that the Bureau is not satisfied with the quality of the items submitted in response or whether additional information may later be required.”

It is not appropriate for TUS to make a substantive legal determination on what is and is not an existing rate for the purposes of Section 1329 at this preliminary stage of the proceeding, namely review of the Application for administrative completeness. Rather, such a substantive legal determination is properly made once the Application has been perfected and referred to the Office of Administrative Law Judge to develop the record and hold hearings. To the extent that any other party to the proceeding objects to PAWC’s interpretation of Section 1329, they and PAWC will have a full and fair opportunity to litigate the issue in the proceeding.

In addition, even if BASA’s pretreatment fees could properly be considered existing rates for the purposes of Section 1329, it is not correct to conclude that the BOD5 and SS fees are locked in at \$0 for everyone except PAWC under the Authority’s current rules. The Authority’s current rules state that BOD5 and SS fees may be charged (*i.e.*, the Authority has discretion whether and when to charge). PAWC should have the same discretion that currently exists. The Authority has historically set the fee via letter notification (as indicated by the PAWC letter). Requiring that pretreatment fees be set to \$0 for all BASA industrial customers is not only incorrect, but also bad policy, which discriminates against other customers and removes any incentive for industrial customers to pretreat their wastewater or comply with PAWC’s IPP.

For all of the reasons stated above, PAWC requests that TUS conditionally accept the Application with the pro forma tariff as initially filed as **Appendix A-12** and permit the legal issue of whether IPP pretreatment fees are “existing rates” under Section 1329 be decided by the Commission in the course of the proceeding. However, in order to avoid the risk of TUS rejecting the Application as not administratively complete and to avoid further delay, enclosed is a revised pro forma tariff at **Appendix A-12.1**, which reflects the changes that TUS has directed PAWC to make, despite those changes being contrary to its stated legal position. PAWC submits this amended pro forma tariff under protest solely to comply with TUS’s demands necessary for it to find the Application to be administratively complete, without conceding or waiving PAWC’s legal position and with a full reservation of rights with respect to the issue of whether IPP pretreatment fees are existing rates for the purposes of Section 1329. PAWC will raise this issue in the course of the proceeding to be properly determined by the Commission after the development of an evidentiary record and the opportunity for hearings.

**PENNSYLVANIA-AMERICAN WATER COMPANYS
Wastewater Division
(hereinafter referred to as the “Company”)
D/B/A
Pennsylvania American Water**

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHINGS OF

WASTEWATER COLLECTION AND DISPOSAL SERVICE

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED IN:

ADAMS COUNTY, ALLEGHENY COUNTY, BEAVER COUNTY, BERKS COUNTY,
BUTLER COUNTY, CHESTER COUNTY, CLARION COUNTY, CUMBERLAND COUNTY, (C)
LACKAWANNA COUNTY, LUZERNE COUNTY, MCKEAN COUNTY,
MONROE COUNTY, MONTGOMERY COUNTY, NORTHUMBERLAND COUNTY,
PIKE COUNTY, WASHINGTON COUNTY AND YORK COUNTY
ALL IN THE COMMONWEALTH OF PENNSYLVANIA

Issued:

Effective:

Issued by:
Justin Ladner, President
Pennsylvania American Water
852 Wesley Drive
Mechanicsburg, PA 17055

<https://www.amwater.com/paaw/>

NOTICE

**This Tariff authorizes Pennsylvania American Water Company to furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania.
(Refer to pages 2, 4, 7, 9, 11.12, 18.1, 90.)**

PAWC Exhibit AEE-4

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff supplement authorizes Pennsylvania American Water Company – Wastewater Division to begin to offer or furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania, as ordered by the Pennsylvania Public Utility Commission at Docket No. A-2022-3037047 entered XXXXXX.

PENNSYLVANIA-AMERICAN WATER COMPANY

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(C) means Change

PENNSYLVANIA-AMERICAN WATER COMPANY

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(C) means Change

PENNSYLVANIA-AMERICAN WATER COMPANY**TERRITORIES SERVED (CONT'D)****(By State Region and Company Wastewater System District)
(All territories are subject to Rate Zone 1 unless otherwise noted)****Southeastern Pennsylvania****Coatesville District**

Chester County. The City of Coatesville, the Borough of Parkesburg and portions of the Borough of South Coatesville and portions of the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley (portions – Rate Zone 5), West Caln and West Sadsbury.

Exeter Sewer District

Berks County. Portions of the Townships of Exeter, Alsace and Lower Alsace (and related points of bulk service interconnection).

Royersford District – Rate Zone 9

Montgomery County. Royersford Borough and portions of Upper Providence Township.

Upper Pottsgrove District

Montgomery County. Portions of Upper Pottsgrove Township.
Berks County. A portion of Douglass Township.

Western Pennsylvania**Butler District – Rate Zone XX**

Butler County. City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit. **(C)**

Clarion District

Clarion County. Clarion Borough and portions of the Townships of Clarion and Monroe.

Claysville District

Washington County. Claysville Borough and portions of the Townships of Donegal.

Kane District – Rate Zone 4

McKean County. Kane Borough and portions of Wetmore Township.

Koppel District

Beaver County. Koppel Borough.

McKeesport District – Rate Zone 6

Allegheny County. The City of McKeesport, the City of Duquesne, Port Vue Borough, the Borough of Dravosburg, and a portion of West Mifflin Borough (and related points of bulk service interconnection).

Paint-Elk District

Clarion County. Shippenville Borough and portions of the Townships of Elk and Paint.

(C) means Change

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE XX – METERED AND UNMETERED

(C)

APPLICABILITY

The rates as set forth below will apply in the service territory formerly served by the Butler Area Sewer Authority served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to all customers classes.

UNMETERED CHARGES

This charge is a flat rate fee for customers previously billed a flat rate by the Butler Area Sewer Authority.

Flat rate per month, per EDU: \$45.50

<u>Special Rate for Multi-Family Dwelling Units</u>	<u>Flat Rate per month, per EDU</u>
For the first 25 Units or any part thereof	\$45.50
For the next 25 Units or any part thereof	\$44.60
For the next 25 Units or any part thereof	\$43.70
For the next 25 Units or any part thereof	\$42.80
For the next 25 Units or any part thereof	\$41.90
For the next 25 Units or any part thereof	\$41.00
For all Units over 150 or any part thereof	\$40.10

<u>Special Rate for VA Hospital</u>	<u>Flat Rate per month, per EDU</u>
	\$0.00

(C) means Change

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to bills rendered on or after the Effective Date shown on the bottom of this page.

This Charge will be applicable to:

All Rate Zones except Rate Zone 1 customers in the Sadsbury, Exeter and Upper Pottsgrove service areas; Rate Zone 4 – Kane; Rate; Zone 5 – Valley; Rate Zone 7 – York; Rate Zone 9 – Royersford and **Rate Zone XX – Butler**.

(C)

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 18.2,18.3 and 18.4 of this tariff.

(C) means Change

Issued:

Effective Date:

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section U- Industrial Pretreatment Program - Pollutant Removal Costs (cont'd)

7 York Area

This Section applies to industrial and commercial customers served under Rate Zone 7 of this tariff and by the York treatment plant.

Pollutant Removal Costs:

- BOD5 Removal Cost = \$0.26/lb.
- NH3-N Removal Cost = \$0.78/lb.
- TN Removal Cost = N/A
- TP Removal Cost = \$2.61/lb.
- TSS Removal Cost = \$0.43/lb.

8 Butler Area

(C)

This Section applies to industrial and commercial customers served under Rate Zone XX of this tariff and by the Butler treatment plant.

	<u>Company Only (applies only in quarters where PAWC discharges more than 100,000 gall/quarter)</u>	<u>All Other Customers</u>
Pollutant Removal Costs:		
BOD5 Removal Cost =	\$0.00/lb.	\$0.00/lb.
NH3-N Removal Cost =	N/A	N/A
TN Removal Cost =	N/A	N/A
TP Removal Cost =	N/A	N/A
TSS Removal Cost (applies to (>350 mg/L only) =	\$0.315/lb.	\$0.00/lb.

9 All Other Areas

(C)

This Section applies to industrial and commercial customers in areas not addressed by subsections 1 - 8 of this Section U, above. In any such area, the pollutant removal costs below shall apply, based on the type of treatment provided, pending completion of a cost evaluation specific to the treatment plant serving the subject area and amendment of this Section U to establish system-specific pollutant removal costs for such area. **(C)**

Pollutant removal costs for treatment plants with advanced nutrient removal:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = N/A
- TN Removal Cost = \$1.25/lb.
- TP Removal Cost = \$3.25/lb.
- TSS Removal Cost = \$0.30/lb.

Pollutant removal costs for treatment plants with nitrification:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = \$1.25/lb.
- TN Removal Cost = N/A
- TP Removal Cost = N/A
- TSS Removal Cost = \$0.30/lb.

Pollutant removal costs for treatment plants with secondary treatment:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = N/A
- TN Removal Cost = N/A
- TP Removal Cost = N/A
- TSS Removal Cost = \$0.30/lb.

(C) means Change

**PAWC EXHIBIT AEE-5
4.6.23 DEFICIENCY RESPONSE**



Elizabeth Rose Triscari
Director, Corporate Counsel
852 Wesley Drive | Mechanicsburg, PA 17055
Phone: 717-550-1574 | Fax: 717-550-1255
elizabeth.triscari@amwater.com

April 6, 2023

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § § 1102(a) and 1329, for approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, the Borough of East Butler, and the Townships of Butler, Center, Connoquenessing, Oakland and Summit, in Butler County, Pennsylvania

Docket No: A-2022-3037047

Dear Secretary Chiavetta:

Enclosed for filing is the Response of Pennsylvania-American Water Company ("PAWC") to the April 6, 2023 letter of Paul T. Diskin, Director of the Bureau of Technical Utility Services ("TUS"), regarding the 66 Pa. C.S. Section 1329 Application Completeness Review of Pennsylvania-American Water Company – Wastewater Division Acquisition of the Butler Area Sewer Authority System Assets at Docket No. A-2022-3037047.

PAWC submits the **Second Amended Appendix A-12**, which reflects the changes that TUS has directed PAWC to make, despite those changes being contrary to PAWC's stated legal position on a substantive legal issue in this proceeding. PAWC submits this amended *pro forma* tariff, and hereby withdraws its prior versions of the *pro forma* tariff, as directed by TUS, solely to comply with TUS's demands necessary for TUS to find the Application to be administratively

complete. PAWC does so without conceding or waiving PAWC's legal positions and with a full reservation of its rights.

Copies are being served upon the statutory 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.

PAWC respectfully requests that the Application be promptly conditionally accepted without further delay and that the Secretarial Letter conditionally accepting the Application for filing provide a due date for protests and notices of intervention, which is required on the form of notice approved by the Commission in *Application of Pennsylvania-American Water Company Pursuant to Sections 1102 and 1329 of the Public Utility Code for Approval of its Acquisition of the Water System Assets of the Steelton Borough Authority*, Docket No. A-2019-3006880 (Opinion and Order entered Oct. 3, 2019) and found at Application Appendix A-18-d. Assuming the Application is conditionally accepted without delay, PAWC anticipates that it will provide notice to customers in their bills starting on April 17, 2023 and concluding May 22, 2023.

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

Sincerely,



Elizabeth Rose Triscari

cc: All Parties on the Attached Certificate of Service *(via electronic mail)*
Paul Diskin, Director *(via electronic mail)*
Sean Donnelly *(via electronic mail)*
David Screven, Acting Chief Counsel *(via electronic mail)*
Thomas Wyatt, Esquire *(via electronic mail)*
Chairman Gladys Brown Dutrieuille *(via electronic mail)*
Vice Chairman Stephen M. DeFrank *(via electronic mail)*
Commissioner Ralph V. Yanora *(via electronic mail)*
Commissioner Kathryn L. Zerfuss *(via electronic mail)*
Commissioner John F. Coleman *(via electronic mail)*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In re: Application of Pennsylvania-American Water Company under Sections 1102(a) and 1329 of the Pennsylvania Public Utility Code, 66 Pa C.S. § 1102(a) and 1329, approval of (1) the transfer, by sale, to Pennsylvania-American Water Company, of substantially all of the assets, properties and rights related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority, (2) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in the City of Butler, and portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland, and Summit, in Butler County, Pennsylvania

Docket No. A-2022-3037047

In re: Application of Pennsylvania-American Water Company under Section 1329 of the Pennsylvania Public Utility Code, 66 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 assets related to the wastewater collection and treatment system owned by the Butler Area Sewer Authority

Docket No. A-2023

In re: Petition of Pennsylvania-American Water Company, related to its acquisition of the wastewater collection and treatment system owned by the Butler Area Sewer Authority, for approval under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, to (i) collect a distribution system improvement charge, (ii) for book and ratemaking purposes, accrue Allowance for Funds Used During Construction for post-acquisition improvements not recovered through the distribution system improvement charge, (iii) for book 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.

Docket No. P-2023

In re: Filing by Pennsylvania-American Water Company under Section 507 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 507, of (i) the Asset Purchase Agreement By and Among Butler Area Sewer Authority and Pennsylvania-American Water Company, and (ii) three agreements with municipal corporations to be assumed by Pennsylvania-American Water Company upon closing of its acquisition of substantially all of the assets related to the wastewater collection

Docket Nos. U-2023-_____, *et al.*

and treatment system owned by the Butler Area Sewer Authority

CERTIFICATE OF SERVICE

I hereby certify that I have this 6th day of April served a true copy of the foregoing Responses of Pennsylvania-American Water Company regarding the acquisition of the Butler Area Sewer Authority's wastewater treatment, transportation, and distribution facilities upon the parties, listed below and in the manner below in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a party).

VIA ELECTRONIC MAIL ON APRIL 6, 2023

Patrick Cicero, Consumer Advocate
Erin Gannon, Esquire
Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

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**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

Docket No. A-2022-3037047

12. Provide a proposed tariff containing a rate equal to the existing rates of the seller at the time of the acquisition and a rate stabilization plan, if applicable to the acquisition.

SECOND AMENDED RESPONSE:

See enclosed **Second Amended Appendix A-12** *pro forma* Tariff Supplement No. XX to Tariff Wastewater PA P.U.C. No. 16 of PAWC, Wastewater Division, as directed by the Bureau of Technical Utility Services.

The APA provides that base rates shall not be proposed to be increased until the later of the first anniversary of the Closing Date or January 1, 2025 as set forth in Section 7.04 of the APA which is attached as **Appendix A-24-a**. The Company does not anticipate that the BASA’s rates will be held constant after the next rate base rate case and therefore does not technically fall within the definition of a “rate stabilization plan” as defined in 66 Pa C.S. §1329. See Direct Testimony of Ashley E. Everette, PAWC St. No. 3, pp. 9-10, enclosed as **Appendix A-14-a**.

**PENNSYLVANIA-AMERICAN WATER COMPANYS
Wastewater Division
(hereinafter referred to as the “Company”)
D/B/A
Pennsylvania American Water**

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHINGS OF

WASTEWATER COLLECTION AND DISPOSAL SERVICE

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED IN:

ADAMS COUNTY, ALLEGHENY COUNTY, BEAVER COUNTY, BERKS COUNTY,
BUTLER COUNTY, CHESTER COUNTY, CLARION COUNTY, CUMBERLAND COUNTY, (C)
LACKAWANNA COUNTY, LUZERNE COUNTY, MCKEAN COUNTY,
MONROE COUNTY, MONTGOMERY COUNTY, NORTHUMBERLAND COUNTY,
PIKE COUNTY, WASHINGTON COUNTY AND YORK COUNTY

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

Issued:

Effective:

Issued by:
Justin Ladner, President
Pennsylvania American Water
852 Wesley Drive
Mechanicsburg, PA 17055

<https://www.amwater.com/paaw/>

NOTICE

**This Tariff authorizes Pennsylvania American Water Company to furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania.
(Refer to pages 2, 4, 7, 9, 11.12, 18.1, 90.)**

PAWC EXHIBIT AEE-5

Second Amended Appendix A-12

Supplement No. XX to
Tariff Wastewater PA P.U.C. No. 16
XXXXXX Revised Page 2
Canceling XXXXX Revised Page 2

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff supplement authorizes Pennsylvania American Water Company – Wastewater Division to begin to offer or furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania, as ordered by the Pennsylvania Public Utility Commission at Docket No. A-2022-3037047 entered XXXXXX.

Issued:

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PAWC EXHIBIT AEE-5

PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED (CONT'D)

**(By State Region and Company Wastewater System District)
(All territories are subject to Rate Zone 1 unless otherwise noted)**

Southeastern Pennsylvania

Coatesville District

Chester County. The City of Coatesville, the Borough of Parkesburg and portions of the Borough of South Coatesville and portions of the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley (portions – Rate Zone 5), West Caln and West Sadsbury.

Exeter Sewer District

Berks County. Portions of the Townships of Exeter, Alsace and Lower Alsace (and related points of bulk service interconnection).

Royersford District – Rate Zone 9

Montgomery County. Royersford Borough and portions of Upper Providence Township.

Upper Pottsgrove District

Montgomery County. Portions of Upper Pottsgrove Township.
Berks County. A portion of Douglass Township.

Western Pennsylvania

Butler District – Rate Zone XX

(C)

Butler County. City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit.

Clarion District

Clarion County. Clarion Borough and portions of the Townships of Clarion and Monroe.

Claysville District

Washington County. Claysville Borough and portions of the Townships of Donegal.

Kane District – Rate Zone 4

McKean County. Kane Borough and portions of Wetmore Township.

Koppel District

Beaver County. Koppel Borough.

McKeesport District – Rate Zone 6

Allegheny County. The City of McKeesport, the City of Duquesne, Port Vue Borough, the Borough of Dravosburg, and a portion of West Mifflin Borough (and related points of bulk service interconnection).

Paint-Elk District

Clarion County. Shippenville Borough and portions of the Townships of Elk and Paint.

(C) means Change

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

RATE ZONE XX – METERED AND UNMETERED

(C)

APPLICABILITY

The rates as set forth below will apply in the service territory formerly served by the Butler Area Sewer Authority served under this tariff for service rendered on and after the Effective Date shown at the bottom of this page.

AVAILABILITY

The rates under this schedule are available to all customers classes.

UNMETERED CHARGES

This charge is a flat rate fee for customers previously billed a flat rate by the Butler Area Sewer Authority.

Flat rate per month, per EDU: \$45.50

<u>Special Rate for Multi-Family Dwelling Units</u>	<u>Flat Rate per month, per EDU</u>
For the first 25 Units or any part thereof	\$45.50
For the next 25 Units or any part thereof	\$44.60
For the next 25 Units or any part thereof	\$43.70
For the next 25 Units or any part thereof	\$42.80
For the next 25 Units or any part thereof	\$41.90
For the next 25 Units or any part thereof	\$41.00
For all Units over 150 or any part thereof	\$40.10

<u>Special Rate for VA Hospital</u>	<u>Flat Rate per month, per EDU</u>
	\$0.00

(C) means Change

Second Amended Appendix A-12

Supplement No. XX to
Tariff Wastewater PA P.U.C. No. 16
XXXXX Revised Page 18.1
Canceling XXXXX Revised Page 18.1

PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to bills rendered on or after the Effective Date shown on the bottom of this page.

This Charge will be applicable to:

All Rate Zones except Rate Zone 1 customers in the Sadsbury, Exeter and Upper Pottsgrove service areas; Rate Zone 4 – Kane; Rate; Zone 5 – Valley; Rate Zone 7 – York; Rate Zone 9 – Royersford and **Rate Zone XX – Butler**.

(C)

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 18.2,18.3 and 18.4 of this tariff.

(C) means Change

Issued:

Effective Date:

PAWC EXHIBIT AEE-5

PENNSYLVANIA-AMERICAN WATER COMPANY

RULES AND REGULATIONS

Section U- Industrial Pretreatment Program - Pollutant Removal Costs (cont'd)

7 York Area

This Section applies to industrial and commercial customers served under Rate Zone 7 of this tariff and by the York treatment plant.

Pollutant Removal Costs:

- BOD5 Removal Cost = \$0.26/lb.
- NH3-N Removal Cost = \$0.78/lb.
- TN Removal Cost = N/A
- TP Removal Cost = \$2.61/lb.
- TSS Removal Cost = \$0.43/lb.

8 Butler Area

(C)

This Section applies to industrial and commercial customers served under Rate Zone XX of this tariff and by the Butler treatment plant.

	<u>Company Only (applies only in quarters where PAWC discharges more than 100,000 gall/quarter)</u>	<u>All Other Customers</u>
Pollutant Removal Costs:		
BOD5 Removal Cost =	\$0.00/lb.	\$0.00/lb.
NH3-N Removal Cost =	N/A	N/A
TN Removal Cost =	N/A	N/A
TP Removal Cost =	N/A	N/A
TSS Removal Cost (applies to (>350 mg/L only) =	\$0.315/lb.	\$0.00/lb.

9 All Other Areas

(C)

This Section applies to industrial and commercial customers in areas not addressed by subsections 1 - 8 of this Section U, above. In any such area, the pollutant removal costs below shall apply, based on the type of treatment provided, pending completion of a cost evaluation specific to the treatment plant serving the subject area and amendment of this Section U to establish system-specific pollutant removal costs for such area. (C)

Pollutant removal costs for treatment plants with advanced nutrient removal:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = N/A
- TN Removal Cost = \$1.25/lb.
- TP Removal Cost = \$3.25/lb.
- TSS Removal Cost = \$0.30/lb.

Pollutant removal costs for treatment plants with nitrification:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = \$1.25/lb.
- TN Removal Cost = N/A
- TP Removal Cost = N/A
- TSS Removal Cost = \$0.30/lb.

Pollutant removal costs for treatment plants with secondary treatment:

- BOD5 Removal Cost = \$0.30/lb.
- NH3-N Removal Cost = N/A
- TN Removal Cost = N/A
- TP Removal Cost = N/A
- TSS Removal Cost = \$0.30/lb.

(C) means Change

**PAWC EXHIBIT AEE-6
DEFICIENCY RESPONSE
Appendix A-12**

**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of Butler Area Sewer Authority (“BASA”)**

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

Docket No. A-2022-3037047

12. Provide a proposed tariff containing a rate equal to the existing rates of the seller at the time of the acquisition and a rate stabilization plan, if applicable to the acquisition.

RESPONSE: See enclosed **Appendix A-12**, *pro forma* Tariff Supplement No. XX to Tariff Wastewater PA P.U.C. No. 16 of PAWC, Wastewater Division, containing an initial base rate equal to the existing rates of Butler Area Sewer Authority at the time of the acquisition, which are set forth in Schedule 7.04(a)-2 of the APA which is attached as **Appendix A-24-a**.

The APA provides that base rates shall not be proposed to be increased until the later of the first anniversary of the Closing Date or January 1, 2025 as set forth in Section 7.04 of the APA which is attached as **Appendix A-24-a**. The Company does not anticipate that the BASA’s rates will be held constant after the next rate base rate case and therefore does not technically fall within the definition of a “rate stabilization plan” as defined in 66 Pa C.S. §1329. See Direct Testimony of Ashley E. Everette, PAWC St. No. 3, pp. 9-10, enclosed as **Appendix A-14-a**.

**PENNSYLVANIA-AMERICAN WATER COMPANYS
Wastewater Division
(hereinafter referred to as the “Company”)
D/B/A
Pennsylvania American Water**

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHINGS OF

WASTEWATER COLLECTION AND DISPOSAL SERVICE

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED IN:

ADAMS COUNTY, ALLEGHENY COUNTY, BEAVER COUNTY, BERKS COUNTY,
BUTLER COUNTY, CHESTER COUNTY, CLARION COUNTY, CUMBERLAND COUNTY, (C)
LACKAWANNA COUNTY, LUZERNE COUNTY, MCKEAN COUNTY,
MONROE COUNTY, MONTGOMERY COUNTY, NORTHUMBERLAND COUNTY,
PIKE COUNTY, WASHINGTON COUNTY AND YORK COUNTY
ALL IN THE COMMONWEALTH OF PENNSYLVANIA

Issued:

Effective:

Issued by:
Justin Ladner, President
Pennsylvania American Water
852 Wesley Drive
Mechanicsburg, PA 17055

<https://www.amwater.com/paaw/>

NOTICE

**This Tariff authorizes Pennsylvania American Water Company to furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania.
(Refer to pages 2, 4, 9, 11.12, 18.1.)**

PENNSYLVANIA-AMERICAN WATER COMPANY

LIST OF CHANGES

This Tariff supplement authorizes Pennsylvania American Water Company – Wastewater Division to begin to offer or furnish wastewater services to the public in the City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit, all in Butler County, Pennsylvania, as ordered by the Pennsylvania Public Utility Commission at Docket No. A-2022- 3037047 entered XXXXXX.

PENNSYLVANIA-AMERICAN WATER COMPANY

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PENNSYLVANIA-AMERICAN WATER COMPANY

TERRITORIES SERVED (CONT'D)
(By State Region and Company Wastewater System District)
(All territories are subject to Rate Zone 1 unless otherwise noted)

Southeastern Pennsylvania

Coatesville District

Chester County. The City of Coatesville, the Borough of Parkesburg and portions of the Borough of South Coatesville and portions of the Townships of Caln, East Fallowfield, Highland, Sadsbury, Valley (portions – Rate Zone 5), West Caln and West Sadsbury.

Exeter Sewer District

Berks County. Portions of the Townships of Exeter, Alsace and Lower Alsace (and related points of bulk service interconnection).

Royersford District – Rate Zone 9

Montgomery County. Royersford Borough and portions of Upper Providence Township.

Upper Pottsgrove District

Montgomery County. Portions of Upper Pottsgrove Township.
Berks County. A portion of Douglass Township.

Western Pennsylvania

Butler District – Rate Zone XX

(C)

Butler County. City of Butler, portions of the Borough of East Butler, and portions of the Townships of Butler, Center, Connoquenessing, Oakland and Summit.

Clarion District

Clarion County. Clarion Borough and portions of the Townships of Clarion and Monroe.

Claysville District

Washington County. Claysville Borough and portions of the Townships of Donegal.

Kane District – Rate Zone 4

McKean County. Kane Borough and portions of Wetmore Township.

Koppel District

Beaver County. Koppel Borough.

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Allegheny County. The City of McKeesport, the City of Duquesne, Port Vue Borough, the Borough of Dravosburg, and a portion of West Mifflin Borough (and related points of bulk service interconnection).

Paint-Elk District

Clarion County. Shippenville Borough and portions of the Townships of Elk and Paint.

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PENNSYLVANIA-AMERICAN WATER COMPANY

SCHEDULE OF RATES

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to bills rendered on or after the Effective Date shown on the bottom of this page.

This Charge will be applicable to:

All Rate Zones except Rate Zone 1 customers in the Sadsbury, Exeter and Upper Pottsgrove service areas; Rate Zone 4 – Kane; Rate; Zone 5 – Valley; Rate Zone 7 – York; Rate Zone 9 – Royersford and **Rate Zone XX – Butler**.

(C)

The above charge will be recomputed quarterly using the elements prescribed by the Commission as shown on pages 18.2,18.3 and 18.4 of this tariff.

(C) means Change

Issued:

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PAWC Exhibit AEE-6