

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17120**

Public Meeting held August 3, 2023

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
Stephen M. DeFrank, Vice Chairman
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

Application of Pennsylvania-American Water Company – Wastewater Division for approval of the right to offer, render, furnish and supply wastewater service to the public in an additional portion of Sadsbury Township, Chester County

Docket No.
A-2023-3039812

ORDER

BY THE COMMISSION:

By the application (Application) filed on April 11, 2023, Pennsylvania-American Water Company - Wastewater Division (PAWC-WD), Utility Code 230073, 852 Wesley Drive, Mechanicsburg, Pennsylvania 17055, seeks a certificate of public convenience pursuant to Section 1102(a)(1)(i) of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1102(a)(1)(i), evidencing Pennsylvania Public Utility Commission (Commission) approval of PAWC-WD's right to offer, render, furnish and supply wastewater service to the public in an additional portion of Sadsbury Township, Chester County.

I. AFFECTED ENTITIES AND BACKGROUND

PAWC-WD is a regulated public utility company, duly organized and existing under the laws of the Commonwealth with its offices located at 852 Wesley Drive, Mechanicsburg, Pennsylvania 17055. As of March 31, 2023, PAWC-WD provided wastewater service to approximately 97,562 customers throughout Pennsylvania,

including portions of Sadsbury Township, Chester County. Additionally, PAWC-WD is a division of Pennsylvania-American Water Company (PAWC), Utility Code 212285. PAWC provides water service in many counties throughout Pennsylvania and is a subsidiary of American Water Works Company, Inc.

In the Application, PAWC-WD indicated that it received a request to provide wastewater service to a residential structure located at 1143 Octorara Trail, Parkesburg, Pennsylvania 19365 (Octorara Trail Property). A copy of a letter from the Octorara Trail Property owner (Property Owner) to PAWC-WD was provided in Exhibit D of the Application. In the letter, the Property Owner indicated the Octorara Trail Property currently uses an on-lot septic system that they believe was constructed in the 1950s. The Property Owner indicated that they reviewed the options to upgrade the system and that connection to public sewer would be the better option to accommodate future building plans. The letter also indicated the Octorara Trail Property uses an on-lot well for water service. The Application does not propose a change in water service.

PAWC-WD submitted proofs of publication and service to the appropriate entities. Notice of the Application was published in the *Pennsylvania Bulletin*, 53 Pa.B. 2279, on April 22, 2023. The protest period ended May 8, 2023. No protests were filed, and no hearings were held.

II. LOCATION AND DESCRIPTION OF PROPOSED TERRITORY

The requested service territory is located in the southwestern portion of Sadsbury Township and encompasses only the Octorara Trail Property. The Octorara Trail Property, identified as Chester County Tax Parcel UPI 37-3-20, is a single residential lot with an area of approximately 0.78 acres. A map of the requested wastewater service territory was included in the Application as Exhibit B-1 and a description of the requested service territory by bearing angles and distances was included in the Application as Exhibit B-2. PAWC-WD's requested service territory is situated between its existing certificated service territory that includes West Sadsbury Township and Sadsbury

Township to the north and its existing certificated service territory in Parkesburg Borough to the south, but it is not contiguous with any certificated service territories.¹ In supplemental information filed with the Commission, PAWC-WD provided an expanded map as Attachment A-4 that depicted larger portions of its two nearby existing service territories in relation to the requested service territory to provide more clarity of how the requested territory will be served.

III. DESCRIPTION OF FACILITIES FOR FURNISHING SERVICE

PAWC-WD indicated that it would install a 20-foot section of one-and-a-half-inch (1½-inch) diameter polyvinyl chloride (PVC) service lateral, a 1½-inch corporation stop, a 1½-inch curb stop, and one curb box to connect the requested service territory to its existing wastewater force main (Octorara Force Main) located within an easement along the western portion of the requested service territory. PAWC-WD estimated that it will incur a cost of \$6,519 to install these facilities.² The Property Owner will be responsible for the costs to install ejector pumps, a backflow preventer, and piping to pump wastewater from the home to the property line. PAWC-WD averred that the Property Owner will also be entirely responsible for the abandonment of the existing on-lot septic system and that it anticipates the requested service territory would be connected to PAWC-WD's wastewater system within six months of approval of the Application.

In supplemental information filed with the Commission, PAWC-WD clarified that the Octorara Force Main was constructed to provide wastewater service to a shopping center being constructed by Sadsbury Commons, L.P. in PAWC-WD's existing service territory in Sadsbury Township and consists of 4,450 linear feet of six-inch diameter DR-18 high density polyethylene pipe, placed in service on April 1, 2023. An executed copy of a sewer main extension agreement, dated January 24, 2020, between PAWC-WD and

¹ Previous Commission-approved service territory expansions related to the general area of the instant service territory expansion request may be found at Docket Nos. A-230073F0011, A-2008-2032091, and A-2018-3002437.

² In supplemental information filed with the Commission, PAWC-WD clarified that the Application incorrectly identified an expense for paving that should have been attributed to the estimated cost for restoration of the property and the easement.

Sadsbury Commons, L.P. (Sadsbury Commons Agreement), was provided in supplemental information filed with the Commission as Attachment A-8-a. The Sadsbury Commons Agreement required Sadsbury Commons, L.P. to design, construct, and install at its cost, the wastewater facilities required to provide wastewater service to its proposed shopping center and included copies of all necessary easement agreements for the construction and operation of the Octorara Force Main. Exhibit B of the Sadsbury Commons Agreement estimated the construction cost for wastewater facilities to be approximately \$1,754,114; PAWC-WD inspection, administration, engineering, legal, and as-built costs to be \$87,700; and PAWC-WD's cost for oversizing facilities to be approximately \$447,200. PAWC-WD also provided a copy of a letter from PAWC-WD to Sadsbury Commons, L.P., dated February 13, 2023, as Attachment A-8-b, which indicated that PAWC-WD accepted dedication of a pump station and associated facilities, including the Octorara Force Main, from Sadsbury Commons, L.P. A breakdown of the original cost of the assets constructed to provide wastewater service to Sadsbury Commons, L.P. was provided as Attachment A-8-c. PAWC-WD indicated that a total amount of \$904,687 in assets were booked on November 28, 2022, with \$379,674 attributed to eight-inch main, \$359,143 for six-inch main, \$160,370 for manholes, and \$5,500 for an air release chamber. By this Order, and pursuant to Section 505 of the Public Utility Code, 66 Pa.C.S. § 505 (relating to duty to furnish information to commission; cooperation in valuing property), PAWC-WD will be directed to identify the transaction with Sadsbury Commons, L.P. for individual review in the context of PAWC-WD's next general rate case that proposes to include the value of the assets in rate base.³

The requested service territory is estimated to produce a wastewater flow of 225 gallons per day, which will ultimately be conveyed to PAWC-WD's Coatesville Wastewater Treatment Plant (Coatesville WWTP). PAWC-WD further averred that its Coatesville WWTP has adequate treatment and flow capacity to meet the present and

³ See Ordering Paragraph No. 4.

future needs of the requested service territory. In supplemental information filed with the Commission, PAWC-WD provided a copy of the Coatesville WWTP Annual Wasteload Management Report dated March 2023, which indicated that the Coatesville WWTP's 2022 annual average hydraulic loading was approximately 3.7 million gallons per day (MGD) of the permitted annual average flow rate of 7.0 MGD, and that its 2022 annual average organic loading was 9,659 pounds per day (lbs./day) of its permitted 19,557 lbs./day.

IV. ADDITIONAL CAPITAL REQUIREMENTS

In the Application, PAWC-WD provided a breakdown of the approximately \$6,519 cost it will incur to install the wastewater service lateral. In supplemental information filed with the Commission, PAWC-WD indicated that it intends to meter the water consumption within the requested service territory by installing a PAWC-WD-owned meter on the privately-owned well at the Octorara Trail Property. PAWC-WD indicated the initial cost of the meter was \$115, to be recorded under PAWC-WD's Account No. 246706, and that the cost to install the meter on a privately-owned well varies due to internal plumbing configurations. PAWC-WD indicated that these costs will initially be funded by short-term debt that will later be replaced by a combination of equity and long-term debt.

V. PROPOSED RATES

PAWC-WD stated that it will charge its existing Rate Zone 1 metered charges for wastewater service in the requested service territory as set forth in its effective wastewater tariff. As noted above in Section IV above, PAWC-WD indicated that it will install a meter on the privately-owned well at the Octorara Trail Property to issue wastewater bills based metered water consumption. In Exhibit I of the Application, PAWC-WD estimated annual revenue to be \$2,500 and annual expenses to be \$529, resulting in an estimated annual net income of approximately \$1,971 for providing wastewater service within the requested service territory.

VI. PERMITS, EASEMENTS, AND RIGHTS-OF-WAY REQUIRED

In the Application, PAWC-WD averred that it will not be required to obtain any easements to serve the requested service territory because it already has an easement in place that abuts the requested service territory. A copy of the referenced easement agreement was provided in the Application as Exhibit E. PAWC-WD also indicated that no inspections or permits are needed to complete the project. As described in Section III above, PAWC-WD also provided a copy of the executed sewer main extension agreement with Sadsbury Commons, L.P. The sewer main extension agreement included copies of the required easement agreements and provided for the transfer of said easements to PAWC-WD upon PAWC-WD's acceptance of the associated assets.

VII. ACT 537 OFFICIAL SEWAGE FACILITIES PLAN AND LAND USE PLANNING COMPLIANCE

A copy of a letter dated June 9, 2022, from the Pennsylvania Department of Environmental Protection (DEP) to the Property Owner indicated that the project does not meet the definition of a subdivision and therefore, no sewage facilities planning modules are required. A copy of this DEP letter was provided in the Application as Exhibit L.

Exhibit J of the Application consisted of a copy of a response letter from the Chester County Planning Commission dated December 21, 2022, that indicated the project is consistent with the Chester County Comprehensive Plan. PAWC-WD also provided a copy of a letter from the Sadsbury Township Engineer dated July 29, 2022, as Exhibit K of the Application, which indicated that Sadsbury Township does not object to the connection of the requested service territory, conditioned on the following: the service lateral having a backflow preventor installed; the existing septic system being filled, in accordance with Chester County Health Department Regulations; and that the

Property Owner be cognizant of the location of a proposed shed, so as not to interfere with future maintenance of utility connections.

VIII. OTHER CONSIDERATIONS

In supplemental information filed with the Commission, PAWC-WD averred that the new customer will benefit from enhanced customer service in several areas, such as additional bill payment options, extended customer service and call center hours, customer information and education programs, and a customer assistance program. Furthermore, PAWC-WD averred that it is in the best interest of the public, including existing customers, to have an old septic system removed and the Octorara Trail Property connected to public sewer because it decreases the potential for contamination of neighboring wells. In the Application, PAWC-WD noted that to the best of its knowledge, no corporation or entity is currently furnishing wastewater service in the requested territory and no competitive condition will be created. PAWC-WD is current with Commission reporting requirements, and through Commission correspondence with DEP's Southeast Regional Office, it was determined that DEP does not have any pending actions or outstanding complaints against PAWC-WD's wastewater system.

IX. CONCLUSION

Based upon the facts that there is a need to make public wastewater service available within the requested territory; that PAWC-WD will expand its service territory to a new customer in compliance with Commission regulations; that PAWC-WD will be meeting the needs of a new customer without any detriment to its existing customers; and that PAWC-WD is fit to provide service, the Commission finds that granting approval of PAWC-WD's Application for an extension of service territory is necessary or proper for the service, accommodation, convenience or safety of the public and is in the public interest; **THEREFORE,**


IT IS ORDERED:

1. That the Application of Pennsylvania-American Water Company – Wastewater Division at Docket No. A-2023-3039812, is hereby approved.
2. That a Certificate of Public Convenience shall be issued pursuant to Section 1102(a)(1)(i) of the Public Utility Code, 66 Pa.C.S. § 1102(a)(1)(i), authorizing Pennsylvania-American Water Company – Wastewater Division to begin to offer, render, furnish, and supply wastewater service to the public in an additional portion of Sadsbury Township, Chester County, consistent with Exhibits B-1 and B-2 of the Application.
3. That nothing herein shall be construed as an approval or determination of costs or expenses for the purposes of just or reasonable rates or to exempt Pennsylvania-American Water Company – Wastewater Division from obtaining all necessary permits, licenses, and approvals from other federal, state, and local government agencies having jurisdiction.
4. That, pursuant to Section 505 of the Public Utility Code, 66 Pa.C.S. § 505, at the time of filing its next base rate case which proposes to include in rate base the assets constructed under Pennsylvania-American Water Company – Wastewater Division’s main extension agreement with Sadsbury Commons, L.P. as identified in Section III of this Order, Pennsylvania-American Water Company – Wastewater Division shall provide testimony that specifically references Docket No. A-2023-3039812, and that justifies any amount claimed in rate base, in order to evaluate the reasonableness of the original cost, contributions, and accumulated depreciation claims.
5. That a copy of this Order be served upon Pennsylvania-American Water Company – Wastewater Division, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Sadsbury Township Board of Supervisors, the Sadsbury Township Planning Commission, the Chester County Board of Commissioners, the Chester County Planning

Commission and the Department of Environmental Protection – Southeast Regional Office and its Bureau of Regulatory Counsel.

6. That the proceeding at Docket No. A-2023-3039812 be closed upon the Commission's issuance of a Certificate of Public Convenience in accordance with Ordering Paragraph 2.

Rosemary Chiavetta

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Secretary

(SEAL)

ORDER ADOPTED: August 3, 2023

ORDER ENTERED: August 3, 2023