



**Elizabeth Rose Triscari**  
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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*)

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

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

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.

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

13. Checklist Item No. 22.a. – Item Number 9 of the Application Completeness Review requested that the Application demonstrate compliance with the Department of Environmental Protection (DEP) approved Act 537 Official Sewage Facilities Plans for the affected municipalities including the extent of the requested service territory. In response, PAWC-WD indicated that there have been several Sewage Facilities Planning Modules (SFPMs) approved by DEP after the August 27, 2009, approval of the Act 537 Plan Update that expanded BASA’s service territory. SFPMs are minor amendments to the Act 537 Plans, and a copy of the SFPMs are necessary to demonstrate compliance with BASA’s Act 537 Plans. As such, please provide the following:
- a. Copy of the SFPM(s) referenced in PAWC-WD’s response to Item Number 9 of the Application Completeness Review; and
  - b. Copy of the SFPM(s) approving development on Butler County Tax Map Parcel Number 052-66-1-0000, the parcels surrounding Grundman Drive in Connoquenessing Township, and Butler County Tax Map Parcel Number 060-2F104-19H-0000 along Mercer Road in Center Township as these areas do not appear to be in the DEP-approved Act 537 Plans submitted for the Application and do not appear to contain BASA Wastewater System assets.

**Response:**

- a. Please see **Amended Appendix A-22-a** for the Sewage Facility Planning Modules (SFPMs) referenced in PAWC-WD’s response to Item Number 9 of the Application Completeness Review. After further review of the SFPM for the Duffy Highlands Subdivision (attachment 13.a.7 Duffy Highlands), we identified an area of the proposed franchise territory map that needs to be revised. A portion of the proposed subdivision and the existing 8 homes that are referenced in the SFPM were not originally included in the proposed franchise territory mapping. Please see **Second Amended Appendix A-16-a through f** for the revised mapping.
- b. Please see **Second Amended Appendix A-22-a** for the Sewage Facility Planning Modules (SFPMs) approving development on Butler County Tax Map Parcel Number 052-66-1-0000, the parcels surrounding Grundman Drive in Connoquenessing Township, and Butler County Tax Map Parcel Number 060-2F104-19H-0000 along Mercer Road in Center Township. These parcels are served by BASA however, the facilities located on the parcels are privately owned.

**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 27<sup>th</sup> 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  
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Kevin C. Higgins  
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Respectfully submitted,



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**Attorneys for**  
***Pennsylvania-American Water Company***



July 5, 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.**

**Supplemental Direct Testimony of Pennsylvania-American Water Company**

Dear Secretary Chiavetta:

Pursuant to Interim Order #1 in the above-referenced matter, enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") is the following Supplemental Direct Testimony, which should be added to the Application in this matter at **Appendix A-14-a**.

- Supplemental Direct Testimony of Daniel J. Hufton, P.E., PAWC Statement No. 2-S; and
- Supplemental Direct Testimony of Ashley E. Everette, PAWC Statement No. 3-S.

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 5<sup>th</sup> day of July, 2023 served a true copy of the foregoing **Supplemental Direct Testimony of Pennsylvania-American Water Company** 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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Counsel for *Center Township and Summit Township*

**VIA FIRST CLASS MAIL ONLY**

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Respectfully submitted,



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Jonathan P. Nase, Esquire (PA ID #44003)  
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Counsel for  
*Pennsylvania-American Water 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.*

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

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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 standards<sup>1</sup> 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,

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<sup>1</sup> 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.

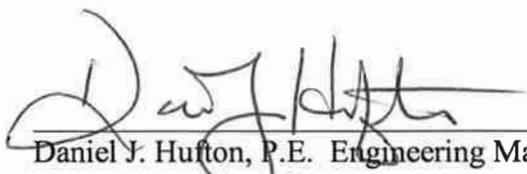
21  
22 **CONCLUSION**

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



July 5, 2023

**VIA E-FILING**

**David P. Zambito**

Direct Phone 717-703-5892  
Direct Fax 215-989-4216  
dzambito@cozen.com

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.**

**Supplemental Direct Testimony of Pennsylvania-American Water Company**

Dear Secretary Chiavetta:

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- Supplemental Direct Testimony of Ashley E. Everette, PAWC Statement No. 3-S.

Copies are being served in accordance with the attached Certificate of Service.

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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**

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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 5<sup>th</sup> day of July, 2023 served a true copy of the foregoing **Supplemental Direct Testimony of Pennsylvania-American Water Company** 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**

Mackenzie C. Battle, Esq.  
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**VIA FIRST CLASS MAIL ONLY**

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Respectfully submitted,



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**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.

**Application of IPP Fees**

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**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?**

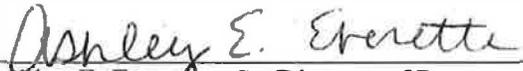
10 **A.** Yes. However, I reserve the right to supplement my testimony as additional issues and  
11 facts arise during the course of the proceeding. Thank you.

**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  
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Phone: 717-550-1574 | Fax: 717-550-1255  
[elizabeth.triscari@amwater.com](mailto: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 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 13<sup>th</sup> 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**

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Respectfully submitted,



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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](mailto: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 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 27<sup>th</sup> 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  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Steven Gray, Esquire  
Nakea S. Hurdle, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> 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  
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(717) 703-5892  
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jnase@cozen.com

**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**

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**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**

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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>
<b>Pollutant Removal Costs:</b>		
<b>BOD5 Removal Cost =</b>	<b>\$0.00/lb.</b>	<b>\$0.00/lb.</b>
<b>NH3-N Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TN Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TP Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TSS Removal Cost (applies to (&gt;350 mg/L only) =</b>	<b>\$0.315/lb.</b>	<b>\$0.00/lb.</b>

**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 6<sup>th</sup> 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  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Steven Gray, Esquire  
Nakea S. Hurdle, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> 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  
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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

Harrisburg, PA 17101  
(717) 703-5892  
dzambito@cozen.com  
jnase@cozen.com

**Attorneys for**  
***Pennsylvania-American Water Company***

**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**

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## 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.

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Issued:

Effective Date:

PAWC EXHIBIT AEE-5

**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**

**(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.

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

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McKean County. Kane Borough and portions of Wetmore Township.

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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.

(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
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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.

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(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.

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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.

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- 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>
<b>Pollutant Removal Costs:</b>		
<b>BOD5 Removal Cost =</b>	<b>\$0.00/lb.</b>	<b>\$0.00/lb.</b>
<b>NH3-N Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TN Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TP Removal Cost =</b>	<b>N/A</b>	<b>N/A</b>
<b>TSS Removal Cost (applies to (&gt;350 mg/L only) =</b>	<b>\$0.315/lb.</b>	<b>\$0.00/lb.</b>

**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**

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**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**

**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**

**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-6

**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 5<sup>th</sup> day of July, 2023 served a true copy of the foregoing **Supplemental Direct Testimony of Pennsylvania-American Water Company** 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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Respectfully submitted,



---

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Counsel for  
*Pennsylvania-American Water Company*

**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 :

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

---

Date: July 18, 2023

PAWC Statement No. 2-R

**REBUTTAL TESTIMONY OF  
DANIEL J. HUFTON**

**INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

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 SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 2 on February 14, 2023,  
11 Amended Direct Testimony on March 8, 2023, Amended PAWC Statement No. 2, and  
12 Supplemental Direct Testimony, PAWC Statement No. 2-S on July 5, 2023.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 **A.** I will respond to portions of the Direct Testimony of Wilfred Adams on behalf of Summit  
16 Township (“Summit”), and Morgan DeAngelo on behalf of the Office of Consumer  
17 Advocate (“OCA”).

18

19 **TECHNICAL FITNESS OF BASA**

20 **Q. IN HIS DIRECT TESTIMONY, PAGES 11-12, MR. ADAMS STATES THAT HE**  
21 **BELIEVES THAT THE BUTLER AREA SEWER AUTHORITY (“BASA”) HAS**

1           **THE PERSONNEL AND EQUIPMENT TO COMPLETE THE \$75.8 MILLION**  
2           **CAPITAL IMPROVEMENTS PROPOSED BY PAWC IN THE FIRST 5 YEARS**  
3           **AFTER ACQUISITION. LIKEWISE, IN HER DIRECT TESTIMONY, PAGE 19,**  
4           **MS. DEANGELO STATES THAT BASA IS TECHNICALLY FIT, AS IS PAWC,**  
5           **TO RUN THE SYSTEM. PLEASE RESPOND.**

6   **A.**    In Mr. Adams’s testimony, he cites the 60-year history of BASA as evidence that they  
7           should have the wherewithal to do what is required. However, this trust in BASA’s ability  
8           to improve the System runs counter to his testimony on page 7. Here, Mr. Adams states  
9           that BASA should have been making necessary improvements and keeping up with things  
10          as problems arose, and that BASA has “been deficient in keeping up with the system.” Mr.  
11          Adams’s dissatisfaction with the operation of BASA is consistent with that of Donald  
12          Pringle, Supervisor of Center Township. On pages 5-6 of Mr. Pringle’s testimony, he states  
13          that BASA has been mismanaged and that the funds from the sale would be “a reward for  
14          a job not well done.” It is clear from these statements that these two township officials do  
15          not agree with how BASA has been managed and operated. To now believe that this same  
16          Authority would have the financial and technical capabilities to deliver a capital  
17          improvement program the likes of which PAWC has proposed for this acquisition, simply  
18          because the Authority has been around for a long time, seems inconsistent.

19                 Ms. DeAngelo asserts that BASA is technically fit to run the System in the same  
20                 capacity as PAWC. She offers as evidence, on page 12, the fact that “there is no  
21                 information that indicates BASA is not able to hire additional employees or pursue other  
22                 options for operation and maintenance of its system” and that BASA “seems to be  
23                 complying with Corrective Action Plan (CAP) guidelines.” While I agree with the facts in

1 these two statements, I contend that Ms. DeAngelo is setting a rather low bar for the  
2 definition of a technically fit utility by offering this evidence. In my Direct Testimony, I  
3 spoke extensively about BASA's long history of environmental compliance issues related  
4 to sanitary sewer overflows ("SSOs") caused by the high level of infiltration and inflow  
5 ("I/I") from defects and aging infrastructure in the collection system. For most of the past  
6 22 years dating back to 2001, BASA has been under regulatory orders (Consent Orders and  
7 Agreements, or Corrective Active Plans) from the Pennsylvania Department of  
8 Environmental Protection ("PADEP") to resolve hydraulic overloading conditions in its  
9 collection system. This reflects a reactive approach to sewer system management, not a  
10 proactive program of regular infrastructure renewal and replacement by a technically fit  
11 utility.

12 Both witnesses seem to be underestimating the magnitude of the asset renewal  
13 challenge that lies ahead for BASA, given their current level of investment into the System.  
14 In my Direct Testimony I stated that, should the transaction not occur, BASA would  
15 probably be able to deliver only the projects required by the 2019 CAP due to their large  
16 investment of time, resources, and funding, leaving little left over to address the numerous  
17 other issues in the System. This is borne out by BASA's capital delivery performance over  
18 the last three years. For the last three fiscal years 2020, 2021 and 2022, BASA has made  
19 capital investments totaling \$1.9 million, while also funding the preliminary design and  
20 engineering of the CAP projects. Large vehicle purchases accounted for \$600,000 of the  
21 \$1.9 million investment, leaving approximately \$1.3 million in fixed asset improvements.  
22 This translates to an annual average fixed asset replacement investment of about \$430,000  
23 per year. The 5-year capital improvement plan proposed by PAWC includes \$74.8 million

1 in fixed asset replacements, or approximately \$15 million per year. This needed level of  
2 investment is *35 times* the level of investment that BASA has averaged in the previous  
3 three years. In my Direct Testimony, I shared that PAWC has funded in excess of \$1  
4 billion in capital construction over the past five years with expenditures expected to total  
5 \$470 million to \$600 million per year for the next five years. As a large, technically fit  
6 utility, I believe that PAWC has the experience, resources and capital needed to deliver the  
7 level of investment required, and BASA does not.

8  
9 **ENVIRONMENTAL FACTORS**

10 **Q. IN THEIR DIRECT TESTIMONY, DO MR. PRINGLE, MR. ADAMS, OR MS.**  
11 **DEANGELO DISCUSS THE ENVIRONMENTAL BENEFITS OF THE**  
12 **TRANSACTION?**

13 **A.** No.

14 **Q. IS IT YOUR UNDERSTANDING THAT THE COMMISSION MUST CONSIDER**  
15 **THE ENVIRONMENTAL IMPACTS OF ITS DECISIONS?**

16 **A.** Yes. I am advised by counsel that the Commission must consider environmental impacts  
17 when issuing a decision.

18  
19 **Q. DOES YOUR DIRECT TESTIMONY ADDRESS THE ENVIRONMENTAL**  
20 **IMPACTS ASSOCIATED WITH BASA'S CURRENT OPERATIONS?**

21 **A.** Yes. In my Direct Testimony I cited BASA's history of SSOs (dating back to 2001) caused  
22 by the high level of I/I from defects and aging infrastructure in the collection system. I

1 further stated that from 2018 through November 10, 2022, BASA received forty-six notices  
2 of violations from PADEP for illegal SSO discharges. Each of these SSO discharges  
3 resulted in raw sewage being discharged into the environment where it can come into  
4 contact with humans, pets, and wildlife, or be detrimental to aquatic life. Raw sewage can  
5 contain bacteria, viruses and parasites that are a direct threat to human health and the  
6 environment.

7 In my Direct Testimony, I also stated why I believe that PAWC will more effectively  
8 manage environmental compliance of the System in the future, as the owner of the System,  
9 if the transaction is approved.

10  
11 **Q. WILL CENTER AND SUMMIT TOWNSHIPS BENEFIT FROM PAWC'S**  
12 **PROPOSED CAPITAL INVESTMENT PROGRAM?**

13 **A.** Yes, both Townships will benefit. In Center Township, the \$7 million improvements to  
14 the Fisher Heights Lift Station, Brewster Lift Station, and Brewster Booster Lift Station  
15 (collectively the "FBB project") will eliminate the pervasive SSO's and restore capacity to  
16 this portion of the collection system. In both townships, PAWC's planned system-wide  
17 \$3.9 million investment in closed circuit television (CCTV) sewer main inspection,  
18 manhole inspection and I/I study will identify defects and repairs needed in those  
19 townships. The results of that work will inform the planned \$10.35 million in system-wide  
20 sewer main rehabilitation that will be critically important in reducing I/I and restoring  
21 collection system capacity in the long term. To the extent that the sewers in these  
22 townships are defective and contributing to the high I/I in the system, they will be  
23 rehabilitated through this system-wide work. Finally, customers in both townships would

1 potentially benefit from the Customer-Owned Damaged Wastewater Service Laterals Pilot  
2 program discussed in my Direct Testimony.

3  
4 **CUSTOMER SERVICE CALLS**

5 **Q. IN HER DIRECT TESTIMONY, PAGE 19, MS. DEANGELO CLAIMS THAT**  
6 **PAWC'S CUSTOMER SERVICE CENTER MAY PROVIDE A MINIMAL**  
7 **BENEFIT TO BASA CUSTOMERS. PLEASE RESPOND.**

8 **A.** In her testimony, Ms. DeAngelo relies upon testimony from BASA witness Duane McKee  
9 that focuses on routine customer interactions. I agree with those facts, but I believe Ms.  
10 DeAngelo's testimony understates the customer service benefits that BASA customers will  
11 experience from the acquisition. For example, Ms. DeAngelo does not acknowledge facts  
12 in my Direct Testimony that provide details on emergency service calls. I will reiterate the  
13 benefits of PAWC's customer service program below, with a focus on emergency service  
14 calls.

15 PAWC's 24/7/365 customer service call center is available for routine customer  
16 interactions from 7:00 a.m. to 7:00 p.m., Monday through Friday, and at all other times for  
17 customer emergencies. When a customer calls the call center in an emergency situation,  
18 they can speak with a representative 24/7/365. In the Butler water district, PAWC's field  
19 service crews are available for normal non-emergency customer service work from 7:30  
20 a.m. to 3:30 p.m. on Monday and Saturday, and 7:30 a.m. to 4:00 p.m. on Tuesday through  
21 Friday. Field service crews are on-call and available for emergency fieldwork (main  
22 breaks, emergency shut-offs, and emergency turn-ons) 24/7/365 outside of the normal work  
23 hours.

1 In contrast, BASA's regular business hours for customer interactions are only from  
2 8 a.m. to 4 p.m. and only on Monday through Friday. Most calls are answered within four  
3 rings. If they are not answered within six rings, the call is routed to voicemail, which is  
4 monitored during business hours. Weekend and after-hours emergency service calls utilize  
5 an automated phone system, not a direct call to a customer service representative like  
6 PAWC. Customers calling after hours can leave a message for a sewer backup or any other  
7 type of sewage related emergency, or they can leave a non-emergency message in a general  
8 voice mailbox. Emergency messages are directed to the Superintendent's cell phone. If it  
9 is not retrieved within fifteen minutes, the message cascades to the next person in a chain.

10 In summary, PAWC offers longer hours for routine customer interactions, as Ms.  
11 DeAngelo has testified, but more importantly, customers can reach a live person 24/7/365  
12 at PAWC to help them out in the event of an emergency situation, as opposed to BASA  
13 where they have to leave a voice mail message and wait an undefined period for a return  
14 call.

15  
16 **BILL PAYMENT OPTIONS OF BASA AND PAWC**

17 **Q. IN HER DIRECT TESTIMONY, PAGE 20, MS. DEANGELO ASSERTS THAT**  
18 **PAWC'S BILL PAYMENT PROGRAM DOES NOT PROVIDE ANY**  
19 **ADVANTAGES OVER BASA'S CURRENT OPTIONS. PLEASE RESPOND.**

20 **A.** I agree with Ms. DeAngelo that PAWC's bill payment options cover all of the same options  
21 that BASA currently provides. However, she fails to recognize other benefits that are  
22 summarized in my Direct Testimony, including (1) PAWC accepts payments by telephone  
23 using a credit or debit card and BASA does not; and (2) PAWC will accept drop-off

1 payments at three Walmart store locations in the local area whereas BASA has only one  
2 drop-off payment location (at its office facility).

3  
4 **OCA'S PROPOSED CONDITION REGARDING**  
5 **PAWC'S LOW INCOME ASSISTANCE PROGRAM**

6 **Q. IN HER DIRECT TESTIMONY, PAGE 21, MS. DEANGELO RECOMMENDS**  
7 **THAT, IF THE COMMISSION APPROVES THE TRANSACTION, PAWC**  
8 **SHOULD PROVIDE A LETTER TO CUSTOMERS WITHIN 30 DAYS AFTER**  
9 **CLOSING THAT PROVIDES INFORMATION REGARDING ITS LOW-**  
10 **INCOME PROGRAM, INCLUDING A DESCRIPTION OF THE AVAILABLE**  
11 **PROGRAMS, ELIGIBILITY AND REQUIREMENTS, AND PAWC'S CONTACT**  
12 **INFORMATION. PLEASE RESPOND.**

13 **A.** PAWC encourages all of its eligible low income customers across the Commonwealth to  
14 register for the low income assistance program, and Ms. DeAngelo's recommendation to  
15 provide such a welcome letter to all BASA customers within 30 days of the transaction  
16 closing is consistent with PAWC's current practice. PAWC accepts this recommendation.

17  
18 **Q. MS. DEANGELO FURTHER RECOMMENDS THAT, IF THE COMMISSION**  
19 **APPROVES THE TRANSACTION, PAWC SHOULD PROVIDE THE SAME**  
20 **INFORMATION REGARDING ITS LOW-INCOME PROGRAM IN BILLS SENT**  
21 **TO BASA CUSTOMERS WITHIN 90 DAYS OF CLOSING. PLEASE RESPOND.**

22 **A.** PAWC accepts this recommendation.

**CONCLUSION**

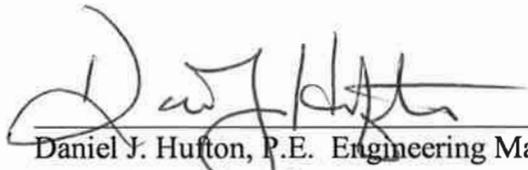
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3  
4

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

**A.** Yes. However, I reserve the right to supplement my testimony as additional issues and 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: July 18, 2023

**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 :

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

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Date: July 18, 2023

PAWC Statement No. 3-R

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS FOR THE RECORD**

2 **A.** My name is Ashley E. Everette and my business address is 852 Wesley Drive,  
3 Mechanicsburg, PA 17055.

4  
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by the Service Company<sup>1</sup> as the Senior Director of Rates and Regulatory.  
7 I work in the Mechanicsburg office of PAWC.

8  
9 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 3, on February 14, 2023 and  
11 Supplemental Direct Testimony, PAWC Statement No. 3-S on July 5, 2023.

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

14 **A.** I will respond to portions of the Direct Testimony of Bureau of Investigation and  
15 Enforcement (“I&E”) witness Ethan Cline, Office of Consumer Advocate (“OCA”)  
16 witness Morgan DeAngelo, Office of Small Business Advocate (“OSBA”) witness Kevin  
17 Higgins and Summit Township witness Wilfred Adams. Specifically, my testimony will  
18 respond to testimony regarding certain rate provisions of the APA, transaction and closing  
19 costs, a separate cost of service study for the System in the Company’s next base rate case,  
20 recommendations regarding the customer notice, and the proposed contribution to the  
21 Company’s hardship fund.

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1 For ease of reference, capitalized terms and abbreviations used here are defined as set forth in my Direct Testimony, PAWC Statement No. 3.

ASSET PURCHASE AGREEMENT

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**Q. PLEASE SUMMARIZE THE RATE FREEZE PROVISION OF THE APA AND THE TESTIMONY RESPONDING TO THIS PROVISION.**

**A.** As stated in Section 7.04(a) of the APA, PAWC “shall not propose to increase Seller Base Rates until the later to occur of (i) the first anniversary of Closing, or (ii) January 1, 2025.”

**Q. PLEASE SUMMARIZE I&E’S TESTIMONY REGARDING THIS RATE PROVISION.**

**A.** I&E witness Cline states that I&E does not oppose the rate freeze, provided that PAWC calculates its rate case proof of revenues as if BASA rates were increased without any delay in the effective date, in order to ensure that the rate freeze does not impact other PAWC customers. I&E St. No. 1, pages 5-6.

**Q. HOW DO YOU RESPOND TO I&E’S RECOMMENDATION?**

**A.** I&E’s recommendation appears to be consistent with how PAWC has previously proposed to incorporate systems into a base rate case while a rate freeze was in effect. If PAWC files a rate case that will be effective prior to the later of the first anniversary of Closing or January 1, 2025, PAWC anticipates that it will propose an increase for BASA customers that will become effective on the later of the first anniversary of Closing or January 1, 2025, and will calculate its proof of revenues as if the increase to BASA revenues were not delayed.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 **Q. PLEASE SUMMARIZE OCA’S TESTIMONY REGARDING THIS RATE**  
2 **PROVISION.**

3 **A.** On page 16 of OCA Statement 1, OCA witness DeAngelo claims that the rate freeze will  
4 adversely affect other PAWC customers:

5           If PAWC files a base rate case with new rates effective before the end of this one-  
6           year rate freeze, the entire revenue deficiency associated with the BASA acquisition  
7           would be paid by existing wastewater customers and, possibly, by existing PAWC  
8           water customers.  
9

10 **Q. IS MS. DEANGELO CORRECT?**

11 **A.** No. As discussed above, if PAWC files a rate case that will be effective prior to the later  
12 of the first anniversary of Closing or January 1, 2025, PAWC anticipates that it will propose  
13 an increase for BASA customers that will become effective on the later of the first  
14 anniversary of Closing or January 1, 2025, and will calculate its proof of revenues as if the  
15 increase to BASA revenues were not delayed.

16           PAWC filed a base rate case in 2022 while several recently-acquired systems were  
17 under rate freezes. PAWC included these systems in its 2022 rate case and reflected  
18 revenue increases to each of the systems, but with a delayed effective date in order to honor  
19 commitments on the timing of rate increases. Because PAWC reflected the proposed rates  
20 in the proof of revenues without adjustment for the delayed effective date, these rate freezes  
21 had no impact on other PAWC customers. As discussed in my testimony above, PAWC  
22 anticipates that if it files a base rate case that will be effective prior to the end of the rate  
23 freeze, PAWC would utilize the same treatment for the BASA system.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1   **Q.    OCA WITNESS DEANGELO CLAIMS THAT THE RATE FREEZE DESCRIBED**  
2       **ABOVE IS A RATE STABILIZATION PLAN.  OCA ST. 1, PAGE 17.  HOW DO**  
3       **YOU RESPOND?**

4   **A.**   As explained in my Direct Testimony, PAWC St. No. 3 pages 9-10, the rate freeze is not a  
5       rate stabilization plan.  While the APA contractually restricts PAWC from proposing an  
6       increase in base rates until the later of the first anniversary of Closing or January 1, 2025,  
7       I am advised by counsel that nothing in the APA purports to restrict the Commission’s  
8       authority to set rates that it considers to be “just and reasonable” in the context of a base  
9       rate proceeding or otherwise.  PAWC is not asking the Commission in this Application  
10      proceeding to maintain rates for a period of time beyond the next base rate case.  If PAWC’s  
11      next base rate case would become effective prior to the end of the rate freeze period, PAWC  
12      will maintain BASA’s base rates until the end of the rate freeze, subject to Commission  
13      approval.  Consequently, the APA does not include a rate stabilization plan.

14  
15   **Q.    PLEASE SUMMARIZE THE APA PROVISION REGARDING THE DSIC AND**  
16       **THE OCA TESTIMONY RESPONDING TO THIS PROVISION.**

17   **A.**   Section 7.04(a) of the APA states that PAWC may apply a DSIC to BASA customers.  My  
18       direct testimony states that PAWC is seeking approval to include BASA in its DSIC filing  
19       prior to the first base rate case that includes BASA, subject to inclusion in an amended  
20       LTIP:

21               PAWC is requesting authority from the Commission to approve collection of a  
22               distribution system improvement charge (“DSIC”) related to the System in the  
23               future, prior to the first base rate case in which the System plant-in-service is  
24               incorporated into rate base.  PAWC would not begin charging a DSIC until the  
25               eligible System plant is approved by the Commission in an amendment to PAWC’s  
26               Long Term Infrastructure Improvement Plan for wastewater.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 On June 15, 2023, the Commission approved an amended wastewater LTIIP at Docket No.  
2 P-2023-3038874 that includes the BASA system.

3 OCA witness DeAngelo states that she “has a concern” with PAWC’s proposal;  
4 however, her recommendation appears to be consistent with the APA and my testimony as  
5 described above. PAWC agrees that BASA customers should be included in the first  
6 quarterly DSIC filing made after acquisition.

7

8 **Q. PLEASE SUMMARIZE THE CURRENT AGREEMENT WITH THE VA**  
9 **HOSPITAL.**

10 **A.** Currently, BASA has an agreement with the VA Hospital that it provides service to the VA  
11 Hospital but does not charge the hospital for service. PAWC is taking assignment of this  
12 agreement.

13

14 **Q. PLEASE SUMMARIZE I&E’S TESTIMONY ON THIS ISSUE.**

15 **A.** I&E witness Cline recommends that this agreement be addressed in the first rate case which  
16 includes the BASA system.

17

18 **Q. WHAT IS PAWC’S RESPONSE TO MR. CLINE’S RECOMMENDATION?**

19 **A.** PAWC agrees that the rate case is the appropriate time to address any ratemaking issues,  
20 including any rates to be charged to the VA Hospital.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 **Q. PLEASE SUMMARIZE OCA’S TESTIMONY ON THIS ISSUE.**

2 **A.** OCA witness DeAngelo recommends that PAWC begin charging the VA Hospital for  
3 service immediately upon acquisition. Ms. DeAngelo argues that free service is not  
4 permitted under the Public Utility Code. Ms. DeAngelo further argues that “If free service  
5 is permitted for other entities acquired in Section 1329 acquisitions it will have a  
6 cumulative impact on existing customers between base rate cases” (OCA St. 1 at page 24).

7  
8 **Q. PLEASE DISCUSS MS. DEANGELO’S CLAIM THAT FREE SERVICE IS NOT**  
9 **PERMITTED UNDER THE PUBLIC UTILITY CODE.**

10 **A.** Section 1329(d)(v) requires that PAWC take on the existing rates of the selling utility. The  
11 existing rate for the VA Hospital is \$0; as such, PAWC must adopt a \$0 base rate. I am  
12 advised by counsel that the Commission’s recent decision at Docket No. A-2022-3034143,  
13 the application of Aqua Pennsylvania for the acquisition of the water assets of the Borough  
14 of Shenandoah and the Municipal Authority of the Borough of Shenandoah under Section  
15 1329, the Commission ruled that Section 1304 (relating to free service) and Section 1329  
16 should be read together and that a temporary \$0 rate to comply with Section 1329(d)(v) is  
17 reasonable and permissible. The allowance of a transition period in a Section 1329  
18 acquisition is not unreasonable discrimination in rates.

19  
20 **Q. PLEASE DISCUSS MS. DEANGELO’S CLAIM THAT FREE SERVICE “WILL**  
21 **HAVE A CUMULATIVE IMPACT ON EXISTING CUSTOMERS BETWEEN**  
22 **BASE RATE CASES.”**

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1   **A.**   PAWC disagrees with this claim. PAWC is not proposing changes to either existing or  
2           acquired customers' rates as part of this application. PAWC proposes to change base rates  
3           in the context of base rate cases, in accordance with Pennsylvania law.

4  
5   **Q.**   **PLEASE SUMMARIZE MS. DEANGELO'S RECOMMENDATION ON THE**  
6           **COMPANY'S PROPOSED APPLICATION OF IPP FEES.**

7   **A.**   Ms. DeAngelo states on page 25 of her direct testimony that the OCA supports the  
8           Company's proposal to apply IPP fees to BASA customers. As explained in my  
9           supplemental direct testimony, the IPP fees are cost-based and intended to incent industrial  
10          customers to pretreat their industrial waste in order to protect the environment and the  
11          treatment facilities. It would be unreasonable to allow industrial customers to avoid these  
12          important obligations, even for a short period of time.

13  
14   **Q.**   **SUMMIT TOWNSHIP WITNESS ADAMS STATED IN HIS DIRECT**  
15          **TESTIMONY THAT SOME CUSTOMERS ARE CURRENTLY BILLED A**  
16          **METERED RATE AND HE BELIEVES THAT THE PROPOSED TARIFF**  
17          **CONVERTS THEM TO A FLAT RATE. IS PAWC ADOPTING THE EXISTING**  
18          **RATES OF THE SYSTEM AS THEY WILL BE IN EFFECT AT CLOSING?**

19   **A.**   Yes. BASA's current rates include a flat rate per EDU. As referenced in Exhibit AEE-2,  
20          provided with my direct testimony, BASA defines an EDU as including 4,000 gallons. For  
21          those customers that BASA billed a variable amount that was based on their usage, PAWC  
22          will continue this methodology, using the definition of 4,000 gallons per EDU.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 **Q. MR. ADAMS FURTHER STATES THAT PAWC’S PROPOSED BILLING**  
2 **WOULD RESULT IN A REDUCTION IN REVENUE AND THEREFORE WOULD**  
3 **RESULT IN OTHER CUSTOMERS HAVING INCREASED RATES. DO YOU**  
4 **AGREE WITH MR. ADAMS’ CONCLUSION?**

5 **A.** No. As explained above, PAWC is adopting BASA’s existing rates. Furthermore, PAWC  
6 will not change rates until approved to do so in the next rate case. In the next rate case,  
7 PAWC will propose metered rates and anticipates converting customers with water meters  
8 to usage-based billing.

9

10 **TRANSACTION AND CLOSING COSTS**

11 **Q. ON PAGE 5 OF OCA ST. 1, MS. DEANGELO RECOMMENDS A SPECIFIC**  
12 **FORMAT FOR HOW PAWC SHOULD PRESENT ITS CLAIM FOR**  
13 **TRANSACTION AND CLOSING COSTS IN ITS NEXT BASE RATE CASE. DO**  
14 **YOU AGREE WITH THIS RECOMMENDATION?**

15 **A.** No. As discussed in my direct testimony, PAWC has the burden to support its claim for  
16 transaction and closing costs when it requests recovery of those costs in a base rate case.  
17 PAWC typically provides a significant level of detail to support its claims for acquisition  
18 transaction and closing costs. For example, refer to Exhibit No. 3-C at Docket No. R-2022-  
19 3031673. To the extent that more information is needed by the OCA to review the  
20 Company’s claim for transaction and closing costs after the OCA reviews information  
21 provided by the Company, a data request in that proceeding would be the appropriate way  
22 to request further information.

**COST OF SERVICE STUDY**

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**Q. PLEASE SUMMARIZE THE TESTIMONY RECOMMENDING THAT THE COMPANY BE REQUIRED TO PROVIDE A SEPARATE COST OF SERVICE STUDY (“COSS”) FOR THE SYSTEM IN THE COMPANY’S NEXT BASE RATE CASE.**

**A.** On pages 7-9 of I&E St. No. 1, Mr. Cline recommends that PAWC provide in its next base rate case a separate cost of service study (“COSS”) for the System, similar to the separate COSSs filed by PAWC in its last base rate case for other recently-acquired systems. On pages 27-28 of OCA St. 1, Ms. DeAngelo makes a similar recommendation.

On page 9, Mr. Cline further recommends that the VA Hospital be included as a separate rate class “so that costs can be properly allocated and a reasonable rate can be determined.”

**Q. HOW DO YOU RESPOND TO THE RECOMMENDATION THAT PAWC INCLUDE A SEPARATE COST OF SERVICE STUDY FOR BASA IN ITS NEXT BASE RATE CASE?**

**A.** Consistent with the Commission’s policy supporting single tariff pricing, PAWC’s goal is to move all customers toward system-wide average rates over time. In this instance, given the size of the System, the Company does not object to providing a separate COSS for the System in the Company’s next base rate case. If directed to do so by the Commission, the Company will provide in the next base rate case a separate COSS for the System in a similar manner to the separate COSSs provided in the Company’s last base rate case for certain recently-acquired systems.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

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**Q. HOW DO YOU RESPOND TO I&E’S REQUEST THAT THE VA HOSPITAL BE INCLUDED AS A SEPARATE RATE CLASS IN THE COSS?**

**A.** PAWC classifies public hospitals as “Municipal” customers and the VA Hospital would be properly included as part of the Municipal class cost of service study. I am not aware of any information that suggests that a separate cost-based rate would be appropriate for this customer. As such, PAWC does not agree with I&E’s recommendation on this issue.

**CUSTOMER NOTICE**

**Q. ON PAGES 8-9 OF OCA ST. 1, OCA WITNESS DEANGELO MAKES SEVERAL RECOMMENDATIONS REGARDING PAWC’S CUSTOMER NOTICE. PLEASE SUMMARIZE AND RESPOND TO HER RECOMMENDATION REGARDING THE CALCULATION OF THE POST-ACQUISITION REVENUE REQUIREMENT.**

**A.** Ms. DeAngelo recommends that PAWC include in its customer notice calculation the cost of post-acquisition improvements. Her rationale for this recommendation is: that it is how Aqua calculates its notices.

I disagree that PAWC’s notices need to conform to the methodology utilized by Aqua. The Company uses a methodology that was agreed-to by multiple parties, including the OCA, and was approved by the Commission in 2019.<sup>2</sup> Additionally, when the Notice of Proposed Rate Base Addition is sent to the Company’s current and future customers,

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<sup>2</sup>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) (“Steelton Order”).

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 PAWC is noticing customers for the estimated revenue requirement upon acquisition  
2 utilizing the proposed ratemaking rate base. The Company is not seeking pre-approval of  
3 the cost of future, post-acquisition investments, nor does the Company anticipate that the  
4 Commission would provide such pre-approval. In contrast, the Company is seeking  
5 approval of the ratemaking rate base, in accordance with Section 1329.

6 Requiring the Company to notice customers for the revenue requirement associated  
7 with future, incremental capital investment is not necessary when providing notice of the  
8 acquisition.

9  
10 **Q. MS. DEANGELO ALSO RECOMMENDS THAT THE COMPANY INCLUDE A**  
11 **“RANGE OF USAGE” IN THE BILL IMPACTS SECTION OF THE CUSTOMER**  
12 **NOTICE. HOW DO YOU RESPOND?**

13 **A.** PAWC disagrees with this recommendation. The OCA is requesting information that goes  
14 beyond what the Commission regulations require for rate case notices, where companies  
15 are actually proposing changes to base rates. In these notices, the Company is providing  
16 an estimated impact of the acquisition, which is calculated as a percentage of customer  
17 bills. The percentage shown provides adequate information for customers to estimate the  
18 potential impact to their own bills.

19  
20 **Q. PLEASE SUMMARIZE THE OSBA TESTIMONY REGARDING THE**  
21 **CUSTOMER NOTICES AND RELATED RATE IMPACTS.**

22 **A.** Mr. Higgins characterizes PAWC’s acquisition notices as “proposals” and suggests  
23 throughout his testimony that the amounts in the notices are what PAWC is proposing as

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 rate changes for the BASA customers. Mr. Higgins discusses his concerns with the rate  
2 impacts in the customer notices.

3

4 **Q. IS MR. HIGGINS CORRECT?**

5 **A.** No. First, the amounts included in the customer notices are not proposed rates. Any future  
6 rate changes for the BASA customers will be proposed in the context of a base rate case  
7 and will be subject to review by the Commission, as well as other interested parties. PAWC  
8 is not proposing any changes to BASA’s rates in this proceeding.

9 Second, as explained in my direct testimony, the customer notices were prepared  
10 in accordance with the *Steelton Order*. This Order approved a Settlement in which PAWC  
11 agreed to the form and calculation of the notices for future Section 1329 acquisition  
12 proceedings (“Settlement”).

13 In the Settlement, the Joint Petitioners (PAWC, I&E, OCA, OSBA and the Borough  
14 of Steelton) agreed to the form of the notices to be sent to existing PAWC water and  
15 wastewater customers and the notice to be sent to the customers of the system being  
16 acquired. The forms of the notices were attached to the Settlement as Appendix E and  
17 Appendix F.

18

19 **HARDSHIP FUND CONTRIBUTION**

20 **Q. ON PAGE 22 OF OCA ST. 1, OCA WITNESS DEANGELO RECOMMENDS THAT**  
21 **THE APPLICATION BE “CONDITIONED ON” THE COMMISSION**  
22 **REQUIRING PAWC TO MAKE A \$500,000 ANNUAL DONATION TO ITS**

1       **HARDSHIP FUND FOR LOW-INCOME CUSTOMERS FOR A PERIOD OF FIVE**  
2       **YEARS. HOW DO YOU RESPOND?**

3       **A.**     The Company disagrees with this recommendation. Conditioning approval of the  
4       acquisition on an involuntary, non-recoverable charitable donation is inappropriate. The  
5       Company currently voluntarily contributes \$750,000 annually to its hardship fund to assist  
6       its low income water and wastewater customers. To my knowledge, that voluntary  
7       contribution is significantly more than any other water utility in Pennsylvania contributes  
8       to a similar fund. The Commission should not require a charitable donation as a condition  
9       for approval of an acquisition.

10             I am advised by counsel that Section 319 of the Pennsylvania Public Utility Code,  
11       66 Pa. C.S. § 319 (regarding “Code of ethics”), expressly prohibits Administrative Law  
12       Judges and Commissioners from soliciting charitable contributions. I am further advised  
13       by counsel that if they cannot solicit charitable contributions, they also cannot order  
14       involuntary, unrecoverable contributions. Such an order would violate the “regulatory  
15       compact” under which the Company is entitled to recover its expenses in providing service  
16       to the public.

17             Additionally, Ms. DeAngelo does not provide support for her recommended  
18       \$500,000 annual contribution for a period of five years. A footnote at the bottom of page  
19       22 of OCA St. 1 states that it is a percentage of the \$231.5 million purchase price, but does  
20       not explain the basis for the percentage or why a percentage of the rate base would be an  
21       appropriate metric.

REBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

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CONCLUSION

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?**

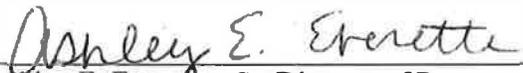
**A.** Yes, it does. However, I reserve the right to supplement my testimony as additional issues and facts arise during the course of the proceeding.

**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.

July 18, 2023

\_\_\_\_\_  
Date

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

**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 :

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

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Date: July 18, 2023

PAWC Statement No. 4-R

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Jerome C. Weinert. My business address is 8555 West Forest Home Avenue,  
3 Suite 201, Greenfield, WI 53228.

4  
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am a Principal and Owner of WAD Consultants.<sup>1</sup> This testimony was prepared by me.

7  
8 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

9 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 4, on February 14, 2023.

10  
11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 **A.** I will respond to portions of the Direct Testimony of Ralph C. Smith, on behalf of the  
13 Office of Consumer Advocate (“OCA”).

14  
15 **REBUTTAL OF RALPH C. SMITH**

16 **QUALIFICATIONS OF MR. SMITH TO CONDUCT AN APPRAISAL**

17 **Q. PLEASE COMMENT UPON MR. SMITH’S QUALIFICATIONS TO CRITIQUE**  
18 **YOUR APPRAISAL IN THIS MATTER.**

19 **A.** Mr. Smith, in his consulting for the OCA, is acting as a Review Appraiser, a designation  
20 recognized by the American Society of Appraisers. Mr. Smith has not testified that he  
21 possesses such a Review Appraiser designation, nor does his testimony suggest he has any

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<sup>1</sup> For ease of reference, capitalized terms and abbreviations used here have the same definitions as set forth in my Direct Testimony.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 appraisal designation. Therefore, it is difficult to understand how he is qualified to make  
2 any such recommended changes to the UVEs' appraisals.

3  
4 **Q. DOES IT APPEAR THAT MR. SMITH FOLLOWED USPAP IN CRITIQUING**  
5 **YOUR APPRAISAL? IF NOT, PLEASE EXPLAIN WHY NOT.**

6 **A.** No. As stated above, Mr. Smith is performing a Review Appraisal. USPAP states:

7 Standards Rule 3-3 Appraisal Review Method

8  
9 c. When the assignment includes the reviewer developing his or her own  
10 opinion of value or review opinion the following apply:

11 (i) The requirements of STANDARDS 1, 5, 7, or 9 apply to the  
12 reviewer's opinion of value for the property is the subject to the appraisal  
13 review assignment.  
14

15  
16 Standards 1 (which applies to real property), 5 (which applies to mass property), 7 (which  
17 applies to personal property) and 9 (which applies to business appraisals) are standards  
18 which define the development of those types of appraisals. In the case of BASA, Standard  
19 7 (Personal Property Appraisal Development) is the standard in question. This also makes  
20 Standard 8 (Personal Property Appraisal Reporting) applicable. Mr. Smith's testimony  
21 constitutes a report which should conform to the requirements of Standards 7 and 8, which  
22 I do not believe it does. USPAP Standard 7 and 8 requires a review appraiser to state the  
23 scope of work used to develop the opinions in the review appraisal similar to the WAD  
24 Consultants UVE Verification attached to the Application as **Appendix A-9.1**, which I do  
25 not believe is part of Mr. Smith's testimony and exhibits.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 **Q. DID YOU FOLLOW USPAP AS REQUIRED BY 66 PA. C.S. § 1329?**

2 A. Yes, I followed USPAP Standard 7 (Personal Property Appraisal Development) in  
3 preparing my appraisal of BASA’s wastewater system and my appraisal report satisfied  
4 Standard 8 (Personal Property Appraisal Reporting). Mr. Smith relied on WAD  
5 Consultants’ certification that the appraisal report was prepared in conformity with  
6 USPAP. **Application Appendix A-9.1.** Section 1329(a)(3) requires that “[e]ach utility  
7 valuation expert shall determine fair market value in compliance with the Uniform  
8 Standards of Professional Appraisal Practice, employing the cost, market and income  
9 approaches.” It does not appear that Mr. Smith is contesting that I complied with this  
10 statutory obligation. Under these circumstances, I believe that the Commission should give  
11 greater weight to my professional judgment as an accredited appraiser and not make any  
12 of Mr. Smith’s proposed adjustments to my appraisal.

13  
14 **Q. WHAT IS YOUR OVERALL OPINION ON WHY MR. SMITH PROPOSES THE**  
15 **ADJUSTMENTS THAT HE HAS?**

16 A. In terms of the UVE appraisal portion of Mr. Smith’s testimony, consulting in a paid  
17 capacity for the OCA, the adjustments he made were to reduce the appraised value in order  
18 to lower the resultant ratemaking rate base to which PAWC is entitled. Pursuant to Section  
19 1329, 66 Pa. C.S. § 1329, the ratemaking rate base is the lower of the purchase price or the  
20 average of the two UVEs’ appraisals. Mr. Smith is cherry-picking adjustments in an  
21 attempt to drive the ratemaking rate base as low as he can.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1    **COST APPROACH**

2    **Q.    PLEASE DESCRIBE MR. SMITH’S ADJUSTMENT TO WAD CONSULTANTS’**  
3       **COST APPROACH.**

4    **A.**    In arriving at his adjustments to the WAD Consultants’ Cost Approach, Mr. Smith revised  
5       the depreciation lives of three classes of assets as follows:

6

<b>Account</b>	<b>Description</b>	<b>WAD Consultants</b>	<b>OCA</b>
360.21	Collection Sewers -Force Mains	75- R3.0	60 - R3.0
361.21	Collection Sewers -Gravity Mains	80 - R2.5	60 - R2.5
361.23	Collection Sewers -Manholes	80 - R2.5	60 – R2.5

7

8    **Q.    PLEASE EXPLAIN THE REASON WAD CONSULTANTS USED AN 80-YEAR**  
9       **USEFUL LIFE FOR WASTEWATER GRAVITY COLLECTION MAINS AND**  
10       **ASSOCIATED MANHOLES.**

11   **A.**    In arriving at the 80-year service life, which I used in developing the depreciation  
12       associated with BASA’s gravity collection mains and manholes in preparing our appraisal,  
13       WAD Consultants reviewed the depreciation studies prepared by Aqua Pennsylvania, Inc.  
14       (“Aqua PA”) and PAWC which are presented in the Depreciation and Obsolescence  
15       section of my appraisal report **PAWC Exhibit Appendix A-5.1** pages 1 of 60 for their  
16       most recent rate cases.<sup>2</sup> The following table represents the depreciation parameter data  
17       extracted from those studies with the information related to the gravity mains highlighted:

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<sup>2</sup> *Pa. Pub. Util. Comm’n v. Aqua Pa.*, Docket Nos. R-2018-3003561, R-2018-3003558 *et al.* (water and wastewater); *Pa. Pub. Util. Comm’n v. Aqua Pa.*, Docket Nos. R-2021-3027385 and R-2021-3027386 *et al.* (water and wastewater); *Pa. Pub. Util. Comm’n v/PAWC*, Docket Nos. R-2017-2595853 *et al.* (water and wastewater); *Pa. Pub. Util. Comm’n*

REBUTTAL TESTIMONY OF JEROME C. WEINERT

Summary of PAWC Depreciation Studies Prepared for Rate Case					
Account	Account Description	Iowa Curves		Service Life	
		12/31/2016	12/31/2019	12/31/2016	12/31/2019
				years	years
354.20	STRUCTURES AND IMPROVEMENTS - COLLECTION	R3	R3	45	45
354.30	STRUCTURES AND IMPROVEMENTS - SPP	R2.5	S0	50	55
354.40	STRUCTURES AND IMPROVEMENTS - TDP	R2	S0	65	55
354.70	STRUCTURES AND IMPROVEMENTS - GENERAL	S1	S1	35	35
355.00	POWER GENERATION EQUIPMENT	R2.5	S0.5	35	35
360.10	COLLECTION SEWERS - FORCE MAINS	S2	R3	70	75
361.10	COLLECTION SEWERS - GRAVITY MAINS	R2.5	R2.5	70	80
361.20	MANHOLES	S1.5	S2.5	50	50
363.00	SERVICES	R3	R3	38	47
364.00	FLOW MEASURING DEVICES	L3	L2.5	20	15
365.00	FLOW MEASURING INSTALLATIONS	S1.5	S2	30	25
370.00	RECEIVING WELLS	R3	R3	50	50
371.00	PUMPING EQUIPMENT	S0	S0.5	40	30
380.00	TREATMENT EQUIPMENT	5-R2	S1.5	45	35
381.00	PLANT SEWERS	R3	R3	50	50
382.00	OUTFALL SEWER LINES	R3	R3	50	50
389.10	OTHER PLANT AND MISCELLANEOUS EQUIPMENT - IN	S2.5	S2.5	20	20
389.60	OTHER PLANT AND MISCELLANEOUS EQUIPMENT - CI	SQ	SQ	20	5
390.00	OFFICE FURNITURE AND EQUIPMENT	L4	SQ	15	20
391.00	TRANSPORTATION EQUIPMENT	SQ	L4	25	14
392.00	STORES EQUIPMENT	SQ	SQ	20	25
393.00	TOOLS, SHOP AND GARAGE EQUIPMENT	SQ	SQ	15	20
394.00	LABORATORY EQUIPMENT	L2.5	SQ	16	15
395.00	POWER OPERATED EQUIPMENT	SQ	R2	15	22
396.00	COMMUNICATION EQUIPMENT	SQ	SQ	15	15
397.00	MISCELLANEOUS EQUIPMENT		SQ		15
398.00	OTHER TANGIBLE PLANT		SQ		25

1

2 As the above table demonstrates, a service life in the range of 75 to 80 years is supported

3 by the companies’ depreciation studies, which were filed in support of the requested

4 depreciation expense in the aforementioned general rate cases. In each case, the

5 depreciation studies were performed by Mr. John Spanos of Gannett Fleming, an individual

6 recognized in the field of Depreciation Analysis and Consulting. It should be noted that

7 the depreciation parameters determined in the companies’ depreciation studies were the

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v. PAWC, Docket Nos. R-2020-3019369 and R-2020-3019371 *et al.* (water and wastewater); and *Pa. Pub. Util. Comm’n v. PAWC*, Docket Nos. R-2022-3031672 and R-2022-2022-3031673 *et al.* (water and wastewater).

REBUTTAL TESTIMONY OF JEROME C. WEINERT

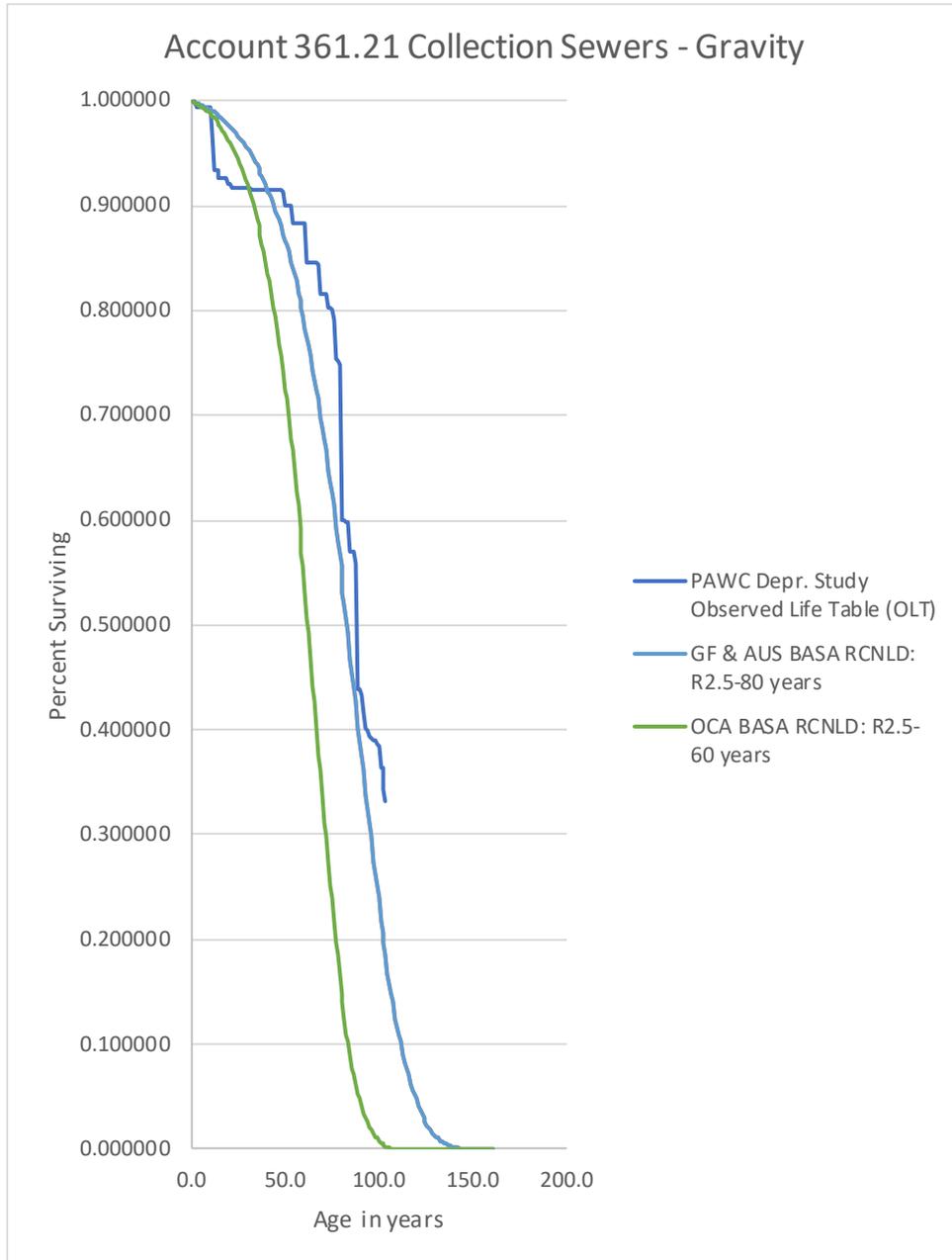
1 result of analysis of the companies’ historical survival and retirement experience over a  
 2 wide span of years, thus representing actual service life experience of wastewater plant as  
 3 demonstrated in the following table:

Account	Account Description	Depreciation Parameters Recommendation	Investment		Life	Age=Life-RL	Remaining Life (RL)	Placement Band		Experience Band	
			Year Ending	Investment				Year Period	Exposures	Year Period	Retirements
<b>PAWC Rate Case R-2017-2595853</b>		Full Depreciation Study i.e., Life Analysis and Depreciation Life Calculations									
361.1	Collection Mains - Gravity	R2.5 - 70 years	2016	74,842,231	70.0	13.1	56.9	1915-2016	411,819,765	2001-2016	773,032
<b>PAWC Rate Case R-2020-3019371</b>		Full Depreciation Study i.e., Life Analysis and Depreciation Life Calculations									
361.1	Collection Mains - Gravity	R2.5 - 80 years	2020	106,666,375	80.0	40.6	39.4	1915-2019	1,679,425,134	2001-2019	3,846,092
<b>AQUA Rate Case R-2018--3003561</b>		Full Depreciation Study i.e., Life Analysis and Depreciation Life Calculations									
360.1 / 361.1 / 361.2	Collection Mains - Force, Gravity, & Manholes	R2.5 - 75 years	2017	55,735,077	75.0	25.9	49.1	1943-2017	235,963,466	2010-2017	744,790
<b>AQUA Rate Case R-2021-3027386</b>		Used results of 2018 Depreciation Study to perform the Depreciation Life Calculations									
360.1 / 361.1 / 361.2	Collection Mains - Force, Gravity, & Manholes	R2.5 - 75 years	2020		75.0	26.4	48.6	1943-2017	235,963,466	2010-2017	744,790
<b>WVAWC Depreciation Study 2021 21-0368-WS-D</b>		Full Depreciation Study i.e., Life Analysis and Depreciation Life Calculations									
361	Collection Mains - Gravity	R2.5 - 50 years	2020	1,272,255	50.0	15.2	34.8	1948-2020	31,341,352	1996-2020	281,479
<b>York City AUS Consultnts' Cost Approach</b>											
361	Collection System - Gravity Mains	R2.5 - 80 years	4/6/2021	26,712,768	80.0	25.4	54.60				
4 361.7	Collection System - Gravity Manholes	S2.0 - 75 years	4/6/2021	5,351,534	75.0	30.6	44.40				

5 The above table details the accounting experience analyzed in the companies’ depreciation  
 6 studies. In the case of PAWC’s 2020 depreciation study (its most recent),<sup>3</sup> the life analysis  
 7 of the gravity mains entailed plant placed over the period 1915 through 2019, and included  
 8 \$1,679,425,134 of plant exposures to survival and potential retirement. It also included  
 9 plant retirement experience over the period 2001 through 2019 wherein \$3,846,092 of  
 10 plant retirements were experienced. When studying the plant accounting experience, the  
 11 following survival and retirement pattern was experienced:

<sup>3</sup> The depreciation study filed by PAWC in its most recent general rate case at Docket No. R-2022-3031673 did not modify the service life analysis and thus the 2020 depreciation study remains appropriate to use for the cost approach.

REBUTTAL TESTIMONY OF JEROME C. WEINERT



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As the above graph shows, the Gannett Fleming fitted R2.5 Iowa-type survivor curve with an 80-year service life is the basis for WAD Consultants' survivor curve and service life utilized in our Cost Approach. **PAWC Exhibit JCW-2** provides the supporting data for the above graph.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1           OCA Witness Smith, in his testimony and associated adjustment to the WAD  
2           Consultants' Cost Approach, recommended a R2.5 Iowa-type Survivor curve with a 60-  
3           year service life. As the above graph demonstrates, the R2.5 60-year depreciation life  
4           clearly understates the actual experience of PAWC for gravity mains constructed and  
5           serving Pennsylvania customers. The BASA force mains of \$4.5 million, gravity mains of  
6           \$31.4 million and manholes of \$7.3 million of original investment placed over the period  
7           of time from 1928 through 2022 – nearly the identical period as the plant placement  
8           experience (1915-2019) covered by the PAWC depreciation analysis.

9  
10 **Q. MR. WEINERT, WAS THE DEPRECIATION STUDY INFORMATION YOU**  
11 **JUST DESCRIBED PROVIDED IN YOUR APPRAISAL REPORT AND WORK**  
12 **PAPERS?**

13 **A.** Yes, it is included (a) in the narrative report, in the discussion of depreciation, and (b) in  
14 the workpapers, where the depreciation determinations were explained, and the results  
15 portion of the above-described depreciation studies were provided.

16  
17 **Q. IN YOUR REVIEW OF THE DEPRECIATION STUDY RESULTS INCLUDED IN**  
18 **PAWC'S 2020 RATE CASE, DID YOU REVIEW THE DIRECT TESTIMONY OF**  
19 **THE OCA IN THAT CASE REGARDING DEPRECIATION?**

20 **A.** Yes. The OCA witness was Mr. Smith, and his direct testimony was limited to the date of  
21 the plant investment used to calculate PAWC depreciation expense. I could find no  
22 testimony where Mr. Smith raised an issue with the use of an R2.5 Iowa-type survivor  
23 curve and an 80-year service life in the determination of the annual depreciation expense.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

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**Q. DO YOU FIND THAT POSITION INCONSISTENT FOR MR. SMITH, CONSIDERING HIS RECOMMENDATION OF AN R2.5 IOWA-TYPE SURVIVOR CURVE WITH A 60-YEAR LIFE IN THIS CASE?**

**A.** Yes. This is another indication that Mr. Smith advocates adjustments to reduce the appraised value in order to lower the resultant ratemaking rate base to which PAWC is entitled. In a base rate case, a longer life decreases the depreciation expenses and hence the revenue requirement. In this acquisition proceeding, however, the shorter 60-year service life reduces the cost of replacement less depreciation (“CORLD”) and potentially the ratemaking rate base (which reduces future rate case revenue requirements).

**Q. MR. WEINERT, DID OCA WITNESS SMITH PROVIDE SUPPORT FOR HIS RECOMMENDATION OF A 60-YEAR SERVICE LIFE?**

**A.** No.

**Q. MR. WEINERT, IS THERE AN ADDITIONAL REASON WHY YOUR 80-YEAR SERVICE LIFE IS MORE LIKELY TO OCCUR THAN MR. SMITH’S 60-YEAR SERVICE LIFE?**

**A.** Yes. A practice introduced in recent years is relining gravity collection mains and manholes with cure-in-place plastic (“CIPP”) linings, which are generally warranted for fifty years. This practice has the effect of extending the useful life of the relined mains and manholes (including vitrified clay pipes and brick pipes) by another fifty years, pushing their useful life into the hundreds of years. This is the reason why the PAWC service life

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 statistics increase from one study to the next (*i.e.*, from 70 years in 2016 to 80 years in  
2 2019). It can be anticipated that this increasing service life will continue as more mains  
3 and manholes are relined. Relining is cost effective because the original costs of  
4 installation (*i.e.*, excavation, main and manhole placement, fill and site restoration (often  
5 times requiring repaving roads)) remain in service, thus extending the life of the original  
6 investment.

7  
8 **Q. MR. WEINERT, HOW DOES MR. SMITH'S USE OF A 60-YEAR SERVICE LIFE**  
9 **AFFECT THE APPRAISAL RESULTS?**

10 **A.** The use of a shortened service life results in excess depreciation in both the original cost  
11 less depreciation ("OCLD") and the CORLD, which understates the value determination  
12 of the Cost Approach. Also, since the Market Approach statistics consider the OCLD and  
13 the CORLD, the use of a shortened service life also reduces the Market Approach's value  
14 conclusion. Finally, since the depreciation lives and the age at the appraisal date are used  
15 to determine the depreciation expenses and capital expenditures for plant renewal, the  
16 shortened service life increases expenses and capital expenditures, thus reducing the  
17 Income Approach's value determination.

18  
19 **Q. MR. WEINERT, WHAT IS YOUR RECOMMENDATION CONCERNING MR.**  
20 **SMITH'S ADJUSTMENT TO THE COST APPROACH RELATED TO THE**  
21 **GRAVITY MAINS' SERVICE LIFE?**

22 **A.** As demonstrated above, the Force Mains service life of 75 years, Gravity Mains service  
23 life of 80 years and the Manholes service life of 75 years in my appraisal are reasonable

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 and well supported by both Aqua PA and PAWC's depreciation analysis. In my opinion,  
2 the 75-year and 80-year service lives should be retained, and Mr. Smith's proposed 60-year  
3 service life should be rejected.

4  
5 **MARKET APPROACH**

6 **Q. PLEASE DESCRIBE THE METHODOLOGY THAT WAD CONSULTANTS**  
7 **USED TO APPRAISE THE BASA SYSTEM USING THE MARKET APPROACH.**

8 **A.** In performing our market analysis, WAD Consultants considered twelve market sales of  
9 wastewater collection and treatment systems under Section 1329. The market analysis  
10 reviewed the transactions based on the following criteria:

- 11 Purchase Price to Original Cost Depreciated
- 12 Purchase Price to Replacement Cost Depreciated
- 13 Purchase Price to Customers
- 14 Purchase Price to Average Cash Flow ("EBITDA") periods 1-5
- 15 Purchase Price to Average Cash Flow ("EBITDA") periods 1-13
- 16 Purchase Price to Financials (Value Line Water Industry financial)

17 Within each of these various ratios, WAD Consultants estimated the central tendency of  
18 each analysis using a simple and weighted mean and median.

19 In arriving at our Market Approach conclusion of \$220,195,730, we considered the  
20 results of each of the above-described parameters as detailed in the following table:

REBUTTAL TESTIMONY OF JEROME C. WEINERT

<b>Summary of Market Analyses</b>		
<b>Indicators</b>		
OCLD		162,091,011
CORLD		205,628,176
Customers		238,398,093
Cash Flows		
EBITDA Periods 1-5		285,929,876
EBITDA Periods 1-13		264,979,858
Value Line		164,147,363
<b>Mean</b>		220,195,730
<b>Median</b>		222,013,135
<b>Conclusion</b>		<b>220,195,730</b>

1

2

As the table clearly shows, the WAD Consultants’ conclusion of \$220,195,730 is within the range of all of these market indications.

3

4

5 **Q. DID OCA WITNESS SMITH MAKE ADJUSTMENTS TO WAD CONSULTANTS’**  
6 **MARKET ANALYSIS AND CONCLUSION?**

7 **A.** Yes. Mr. Smith also utilized wastewater collection and treatment systems similar to WAD  
8 Consultants; however, he eliminated two transactions (Willistown Township and Delaware  
9 County Regional Water Quality Authority (“DELCORA”)) which he states have not been  
10 completed which is reasonable. Mr. Smith also relies on the simple average of the market  
11 comparable statistics; whereas, I generally rely on the weighted average of the market  
12 comparable statistics which I believe better factors in the size of the transaction.

13

14 The above difference between WAD Consultants and OCA witness Smith are minor. Mr.  
15 Smith, however also adjusted the market multiple analysis associated with the purchase  
16 price to OCLD and CORLD by substituting his previously described adjustments to  
17 BASA’s OCLD and CORLD for the revisions in the service lives for force mains, gravity

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 mains and manholes. As my testimony regarding Mr. Smith’s adjustment to WAD  
 2 Consultants’ states, we do not agree with those adjusted service lives. If Mr. Smith is going  
 3 to use those adjusted OCLD and CORLD values for BASA in the Market Sale Approach,  
 4 the market sales ratios of the comparable sales must have their OCLD and CORLD’s  
 5 adjusted to reflect those same services lives. Otherwise, there is a mismatch between the  
 6 market comparable statistic of purchase price (“PP”) to OCLD and PP to CORLD. This  
 7 would be inconsistent with the BASA OCLD and CORLD resulting in a “apples to orange”  
 8 comparison. For instance, the Section 1329 application associated with the City of York  
 9 wastewater collection and treatment system was revised as follows:

The York City Sewer Authority Wastewater System					
Wastewater Collection & Treatment System					
Investor-Owned Utility					
As of April 6, 2021					
	Column Reference in OCLD & RCNLD	Original Appraisal Lives	Original Appraisal Amount in \$s	Revised Lives	Adjusted Amount in \$s
Purchase Price			235,000,000		235,000,000
<b>Depreciated Replacement Cost (RCNLD)</b>					
Original Cost (OC)	(9)		155,875,776		155,875,776
Replacement Cost New (RCN)	(16)		474,152,569		474,152,569
Replacement Cost New less Depreciation (RCNLD)	(31)	Force Mains 75 yrs Gravity Mains 80 yrs Manholes 75 yrs	218,366,227	OCA Lives 60 years	207,752,920
Purchase Price to CORLD			1.0762		1.1312
<b>Depreciated Original Cost (OCLD)</b>					
Original Cost (OC)	(46)		155,875,776		155,875,776
Original Cost less Depreciation (OCLD)	(57)	Same as above	97,106,105	Same as above	94,242,535
Purchase Price to CORLD			2.4200		2.4936

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**Q. MR WEINERT, HAVE YOU PERFORMED THE NECESSARY SERVICE LIFE ADJUSTMENTS TO THE HISTORICAL SECTION 1329 TRANSACTIONS SIMILAR TO THAT WHICH YOU DESCRIBE FOR THE CITY OF YORK TRANSACTION?**

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 **A.** Yes. The following table reflects OCA witness Smith’s Exhibit RCS 3 revision to WAD  
 2 Consultants market comparison analysis and the revision of the market analysis  
 3 recognizing adjusted OCLD and CORLD for OCA proposed service lives:

Pennsylvania-American Water Company		OCA Exhibit RCS-3			PAWC Exhibit JCW-4	
Acquisition of Butler Area Sewer Authority		Docket No. A-2022-3037047				
OCA Adjustments to WAD Consultants Market Approach		Page 1 of 3			Page 1 of 3	
Line No.	Description	Per WAD Consultants (A)	Per OCA (B)	Adjustment (C) = (B) - (A)	Revised OCA	Revisions to OCA Proposal
<b>Indicators</b>						
1	OCLD	\$ 162,091,011	\$ 161,068,506	\$ (1,022,505)	\$ 166,397,256	\$ 5,328,749
2	CORLD	\$ 205,628,176	\$ 194,361,367	\$ (11,266,809)	\$ 201,532,654	\$ 7,171,287
3	Customers Cash Flows	\$ 238,398,093	\$ 238,398,093	\$ -	\$ 238,398,093	
4	EBITDA Periods 1-5	\$ 285,929,876	\$ 285,929,876	\$ -	\$ 285,929,876	
5	EBITDA Periods 1-13	\$ 264,979,858	\$ 264,979,858	\$ -	\$ 264,979,858	
6	Value Line	\$ 164,147,363	\$ 164,147,363	\$ -	\$ 164,147,363	
7	Mean	\$ 220,195,730	\$ 218,147,511	\$ (2,048,219)	\$ 220,230,850	
8	Median	\$ 222,013,135	\$ 216,379,730	\$ (5,633,404)	\$ 219,965,374	
9	Conclusion	\$ 220,195,730	\$ 218,147,511	\$ (2,048,219)	\$ 220,230,850	

4  
 5 As the above table demonstrates when the OCLDs and CORLDs for the market  
 6 comparable statistics are put on the same basis as OCA witness Smith’s adjustment to  
 7 WAD Consultants to the BASA OCLD and CORLD the mean of the revised Market  
 8 Conclusion of \$220,230,850, a figure similar to WAD Consultants original Market  
 9 Approach conclusion of \$220,195,730. The development of the adjustments can be  
 10 found in **PAWC JCW-3**.

11  
 12 **INCOME APPROACH**

13 **Q. PLEASE DESCRIBE WAD CONSULTANTS’ INCOME APPROACH**  
 14 **METHODOLOGY.**

15 **A.** WAD Consultants’ Income Approach is based on discounting BASA’s cash flows (“DCF”)  
 16 for future periods at a discount rate of 7.84%. This figure reflects water and wastewater  
 17 operations in the Commonwealth of Pennsylvania, using a cost of equity of 9.75% (based  
 18 on the Commission’s TUS Report on Quarterly Earnings as of June 30, 2022). The results

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 of BASA’s operations were developed based on a review of the Authority’s Annual  
2 Financial Reports over the period 2015 through 2022, and its budgets for 2021-2022 and  
3 2022-2023. Depreciation expense (tax and book) as well as future capital expenditures  
4 were based on the anticipated plant investment to be booked by PAWC resulting from  
5 closing on the acquisition. The DCF analysis was prepared over a 20-year period and a  
6 60-year period which can be found in the Income Approach section of my appraisal report  
7 PAWC Exhibit SDF-2, Appendix A-5.1. The following table summarizes these results:

<b>Pennsylvania American Water Company</b>	
<b>Butler Area Sewer Authority (BASA)</b>	
<b>Wastewater System</b>	
<b>Potential Purchaser: Investor-Owned Utility</b>	
<b>As of October 11, 2022</b>	
<b>Discounted Cash Flow Analysis</b>	
DCF Analysis	Indicated Value
<b>DCF 20-year period</b>	
<b>DCF Periods 1-19</b>	145,391,949
<b>Terminal Forecast Period 20</b>	113,885,730
<b>Total DCF</b>	259,277,679
<b>DCF 60-year period</b>	
<b>DCF periods 1-19</b>	145,391,949
<b>DCF periods 20-59</b>	170,114,958
<b>Terminal Forecast Period 60</b>	19,736,974
	335,243,881

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10 **Q. IS THIS THE SAME METHODOLOGY WAD CONSULTANTS USED IN**  
11 **PREVIOUS CASES INVOLVING AN ACQUISITION PURSUANT TO SECTION**  
12 **1329?**

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1   **A.**    Yes, as to the 20-year period DCF.  However, in the last several appraisals, I added the  
2            additional 60-year period to address the direct capitalization of the terminal period which  
3            has been questioned by various OCA witnesses.

4  
5   **Q.**    **DID MR. SMITH ADJUST WAD CONSULTANTS’ TERMINAL VALUE AFTER**  
6            **HE RAISED HIS OBJECTIONS TO YOUR TERMINAL VALUE?**

7   **A.**    No, he instead adjusted WAD Consultants’ revenue projections over the periods 6 through  
8            18 as follows:

Period	WAD	OCA 1
1	0%	0%
2	65%	65%
3	0%	0%
4	50%	50%
5	0%	0%
6	30%	15%
7	0%	0%
8	20%	10%
9	0%	0%
10	10%	5%
11	0%	0%
12	6%	3%
13	0%	0%
14	6%	3%
15	0%	0%
16	6%	3%
17	0%	0%
18	6%	3%
19	0%	0%
20		

10  
11   **Q.**    **PLEASE DESCRIBE WHY MR. SMITH’S PROPOSED ADJUSTMENTS TO WAD**  
12            **CONSULTANTS’ REVENUE FORECAST FOR BASA’S OPERATIONS**  
13            **UNDERSTATES THE VALUE?**

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1    **A.**    Mr. Smith’s model reflects the required revenue in periods 2 and 4 necessary for the BASA  
2            operation becoming a rate regulated tax paying utility.  However, by reducing all future  
3            revenue increases to one half of the WAD Consultants’ estimate, the future revenues are  
4            not keeping pace, as was projected in the WAD Consultants’ model.  Thus, Mr. Smith’s  
5            model results in the decrease in value of \$51.7 million which Mr. Smith states in his  
6            testimony.

7  
8            This mismatch between revenue growth and expense growth renders Mr. Smith’s Income  
9            Approach adjustment to the WAD Consultants’ Income Approach unreliable and the  
10           Commission should disregard Mr. Smith’s proposed adjustments.

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13    **WEIGHTING OF THE COST, INCOME AND MARKET APPROACHES**

14    **Q.**    **MR. SMITH DOES NOT AGREE WITH WAD CONSULTANTS’ WEIGHTING**  
15            **OF THE COST, INCOME AND MARKET APPROACHES.  DID WAD**  
16            **CONSULTANTS USE THIS WEIGHTING OF THE COST, INCOME AND**  
17            **MARKET APPROACHES IN PRIOR ACQUISITION CASES FILED PURSUANT**  
18            **TO SECTION 1329?**

19    **A.**    Yes, WAD Consultants has used the following weighting in each of its UVE appraisals (a  
20            total of 17 appraisals), (with the exception of the acquisition of the New Garden system by  
21            Aqua PA -- the first Section 1329 case before the Commission -- where I assigned no  
22            specific weighting to the three approaches):

REBUTTAL TESTIMONY OF JEROME C. WEINERT

Appraisal Approach	Weight
Cost	50%
Income	40%
Market	10%

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**Q. DO YOU SEE ANYTHING UNUSUAL IN THE INSTANT TRANSACTION THAT WOULD MERIT A CHANGE IN WAD CONSULTANTS' WEIGHTING OF THE COST, INCOME AND MARKET APPROACHES?**

**A.** No.

**Q. DO YOU AGREE WITH MR. SMITH'S REVISION TO WAD CONSULTANTS' WEIGHTINGS OF THE COST, INCOME AND MARKET APPROACHES?**

**A.** No. In each case since the New Garden case, I have consistently stated in either my Direct Testimony or in answering Interrogatories the following basis for my selected weights:

For the cost approach I chose a weighting of 50%. It is my opinion that this weighting is appropriate for the cost approach because the major purpose of this appraisal is to be an input to the Commission's establishment of cost for future ratemaking and the cost approach conclusion is directly reflective of the property cost.

For the market approach, I chose a weighting of 10%. It is my opinion that this weighting is appropriate for the market approach because while the market approach provides some information as to the value of the property, establishing comparability between the individual sales to the subject property is difficult and uncertain therefore requiring less weight of the market approach and the 10% weight accomplishes that objective.

For the income approach, I chose a weighting of 40%. It is my opinion that this weighting is appropriate for the income approach because the income approach reflects the value of the property's return to the property's owner. The 40% weight accomplishes that objective.

In preparing my appraisal conclusion in this fashion, I am following USPAP Standards Rule 7.6, Reconciliation, which states:

In developing a personal property appraisal, an appraiser must:

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 (a) Reconcile the quality and quantity of the data available and analyzed within  
2 the approach or approaches used; and  
3

4 (b) Reconcile the applicability and relevance of the approach or approaches,  
5 methods and techniques used to arrive at the value conclusion(s).  
6

7 **Q. DID YOUR APPRAISAL COMPLY WITH THE TENTATIVE SUPPLEMENTAL**  
8 **IMPLEMENTATION ORDER IN IMPLEMENTATION OF SECTION 1329 OF**  
9 **THE PUBLIC UTILITY CODE, DOCKET NO. M-2016-2543193 (ORDER**  
10 **ENTERED SEPTEMBER 20, 2018)?**

11 **A.** On pages 22-23 of that Order, the Commission stated that a UVE’s direct testimony should  
12 explain the weightings applied to each valuation approach and the reasons for those  
13 weightings. “To the extent that any single approach is weighted in excess of 50%, we  
14 expect a strong and reasoned justification in the direct testimony to accord such significant  
15 weight to a single valuation approach.” I believe this means a UVE is not required to use  
16 equal weightings, but must explain the basis for whatever weighting he uses. I also note  
17 that I have not weighted any single approach in excess of 50% and, as such, considerable  
18 weight should be given to my professional judgment as a licensed appraiser.  
19

20 **Q. DID MR. SMITH PROPOSE A “COMPELLING” BASIS FOR PROPOSING AN**  
21 **EQUAL WEIGHTING OF THE COST, INCOME AND MARKET APPROACHES?**

22 **A.** No, further there is nothing in USPAP Standards Rule 7.6 that suggests an equal weighting  
23 of the approaches is the proper weighting.  
24

25 **Q. PLEASE RESPOND TO MR. SMITH’S PROPOSED WEIGHTING OF THE**  
26 **COST, INCOME AND MARKET APPROACHES.**

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1    **A.**    Mr. Smith’s use of equal weighting without an explanation as to how he arrived at equal  
2           weighting is inappropriate in this case and suggests that Mr. Smith ignored USPAP  
3           Standards Rule 7.6, Reconciliation. I can only assume that he proposes the use of equal  
4           weighting for the purpose of artificially lowering the ratemaking rate base that PAWC must  
5           adopt.

6

7    **SUMMARY**

8    **Q.    DO YOU BELIEVE WAD CONSULTANT’S APPRAISAL SHOULD BE**  
9           **ADJUSTED AT ALL, BASED ON MR. SMITH’S DIRECT TESTIMONY?**

10   **A.**    No. Based on this testimony, I believe Mr. Smith’s adjustment to each of the three  
11           approaches developed in the WAD Consultants’ appraisal was inappropriate and  
12           unwarranted. Mr. Smith does not contend that my appraisal failed to comply with USPAP.

13                As I pointed out, Mr. Smith’s selective adjustments would revise the WAD  
14           Consultants’ value conclusion of \$246,178,265 – which is consistent with the market  
15           evidence produced by the bidding process. He inappropriately proposes adjustments to the  
16           WAD Consultants’ appraisal to lower it to \$214,104,542 – which is clearly much less than  
17           the market value that the bidding process produced.

18

19   **Q.    DO YOU HAVE ANY ADDITIONAL COMMENTS ABOUT MR SMITH’S**  
20           **ADJUSTMENTS TO THE UVES’ APPRAISALS, BASED ON MR. SMITH’S**  
21           **DIRECT TESTIMONY AND RECOMMENDATIONS?**

22   **A.**    Yes. Attached is a table summarizing the Buyer and Seller UVE Appraisal results and the  
23           OCA Appraisal results:

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1

Pennsylvania American Water Company							
Wastewater Collection and Treatment System							
Wastewater System							
As of Investor-Owned Utility							
Fair Market Value Appraisal							
	WAD Consultants				OCA		
	Value	Weight	Wtd Value	Adjustment	Value	Weight	Wtd Value
Cost Approach	240,895,235	50%	120,447,618	(24,240,049)	216,655,186	33.33%	72,211,173
Income Approach	259,277,679	40%	103,711,072	(51,702,515)	207,575,164	33.33%	69,184,802
Marker approach	220,195,730	10%	22,019,573	(2,048,219)	218,147,511	33.33%	72,708,565
			246,178,263				214,104,540
	GF Consultants			OCA			
	Value	Weight	Wtd Value	Adjustment	Value	Weight	Wtd Value
Cost Approach	254,729,392	33.33%	84,901,306	-	254,729,392	33.33%	84,901,306
Income Approach	264,469,312	33.33%	88,147,622	(1,928,820)	262,540,492	33.33%	87,504,746
Marker approach	178,105,462	33.33%	59,362,550	-	178,105,462	33.33%	59,362,550
			232,411,478				231,768,602

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Mr. Smith’s adjustments to the UVE appraisal’s values do not seem logical, nor do they produce resulting values that are consistent. In the Cost Approach WAD Consultants’ appraisal value is \$240,895,235 (yellow highlighted in the above table) which is relatively close to Gannett Fleming’s initial appraisal value of \$254,277,392 (the appraisals are within 5% of each other). Mr. Smith felt it necessary to adjust WAD Consultants’ value by a negative \$24,240,049 resulting in an OCA adjusted value for WAD Consultants of \$216,655,186 (now 15% less than Gannett Fleming’s initial and final Cost Approach valuations). OCA did not adjust Gannett Fleming’s initial Cost Approach value of \$254,729,392, thus resulting in the situation where Mr. Smith is telling the Commission he believes the value of BASA facilities is both \$216,655,186 and \$254,729,392 -- which are different by 15%. This is outside what appraisers feel is a reasonable difference of 5%. The question is: What is OCA’s determination of the value of the BASA system using the Cost Approach? Mr. Smith twice values the same property but produces valuations that are \$38.1 million apart. His suggestion is clearly inconsistent and illogical in this respect.

REBUTTAL TESTIMONY OF JEROME C. WEINERT

1 It highlights the fact that he was simply cherry-picking adjustments with the thinly veiled  
2 goal of lowering PAWC's fair market value rate base for the acquisition.

3 Similarly, Mr. Smith's adjustments to the UVE Appraisal's values in the Income  
4 Approach do not seem logical, nor do they produce resulting values that are consistent. In  
5 the Income Approach, WAD Consultants' appraisal value is \$259,277,679 (green  
6 highlighted in the above table) relatively close to Gannett Fleming's initial appraisal value  
7 of \$264,469,312 (within 2% of each other). Mr Smith felt it necessary to adjust WAD  
8 Consultants' value by a negative \$51,702,515, resulting in a OCA adjusted value for WAD  
9 Consultants of \$207,575,164 (now 27% less than Gannett Fleming's initial Income  
10 Approach valuation). OCA did adjust Gannett Fleming's initial Cost Approach value by a  
11 negative \$1,928,820 for a OCA adjusted Gannett Fleming Income Approach of  
12 \$262,540,492. This results in the situation where Mr Smith is telling the Commission he  
13 believes the value of BASA facilities based on its income generating capacity is both  
14 \$207,575,164 and \$262,540,492 (which are different by 26% -- which is outside what  
15 appraisers feel is a reasonable difference of 5%).

16 Overall, Mr. Smith adjusted the UVEs' Appraisals as follows: The OCA-adjusted  
17 WAD Consultants' Appraisal is \$214,104,540 while the OCA-adjusted Gannett Fleming  
18 Appraisal is \$231,768,602. The question is: What is the OCA's determination of the fair  
19 market value of the BASA system? Mr. Smith twice values the same property, but  
20 produces valuations that are \$17.7 million apart.

21 These differences result in a lack of credibility in the result. Accordingly, his  
22 selective adjustments should be disregarded.

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**CONCLUSION**

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

**A.** It does. However, by filing this rebuttal testimony, I understand that I may have the opportunity to submit additional testimony responsive to challenges to my appraisal.

**JCW-2**

PAWC Exhibit JCW-2

Depreciation Lives Gravity Mains

Comparison graph and Life Tables between:

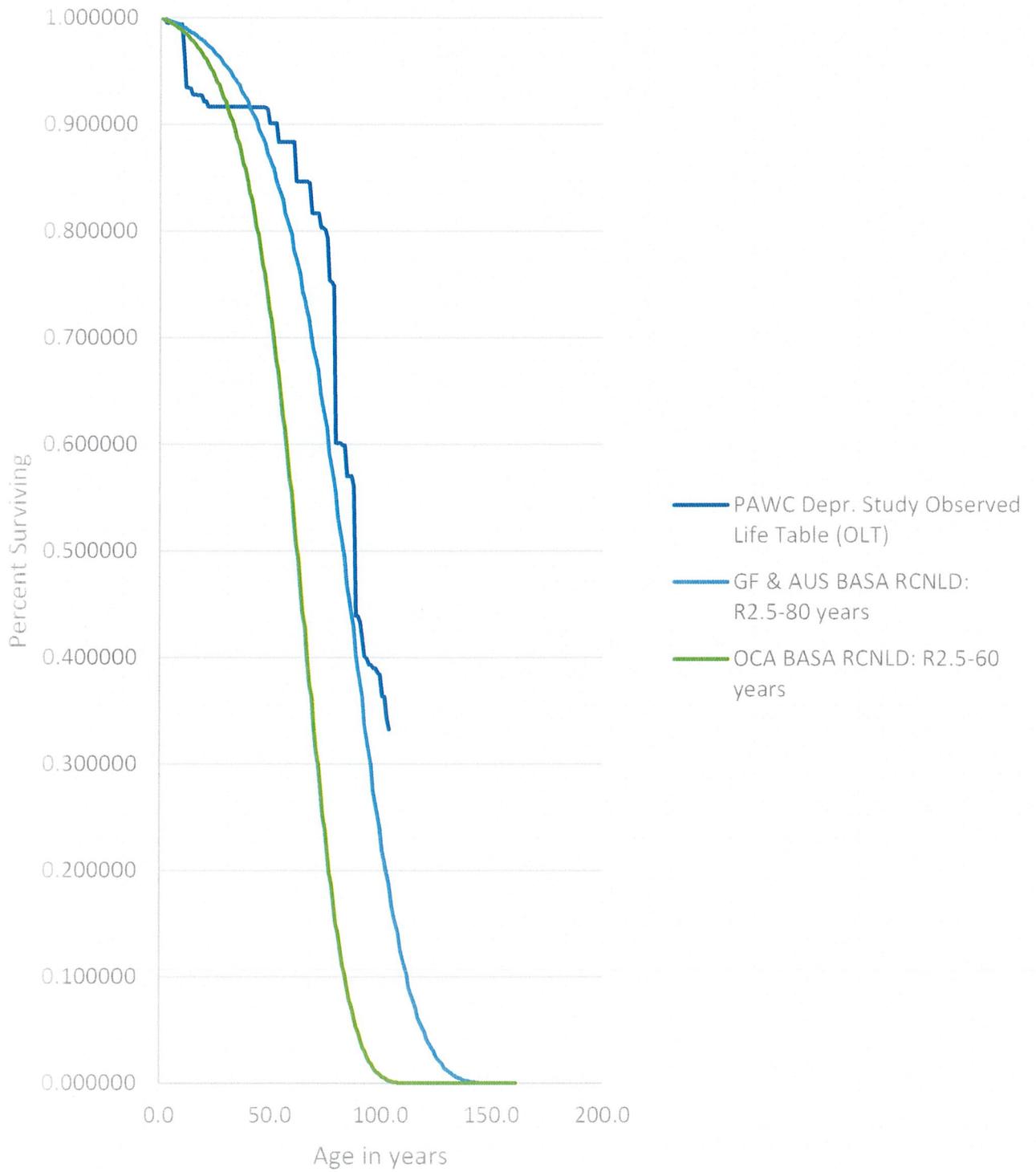
AUS R2.5 80 years

OCA R2.5 60 years

PAWC Actual Experience OLT

Gannett Fleming Depreciation Study R2.5 80 year

# Account 361.21 Collection Sewers - Gravity



Account Gravity  
 Description: Mains Gravity Collection Mains

Service Life Curve Fitting: 361.21-Gravity Collection Mains

Gannett Fleming  
 Wastewater  
 PAWC Gannett Fleming Depreciation Study  
 Depreciation PAWC Wastewater & AUS Consultants  
 Study Depreciation Study BASA RCNLD Study  
 Observed Life (GF PAWC Depr. (GF & AUS BASA OCA RCNLD Study  
 Age Table (OLT) Study) RCNLD) (OCA BASA RCNLD)  
 Iowa Curve R2.5 R2.5 R2.5  
 Life 80 80 60

Age	PAWC Depr. Study Observed Life Table (OLT)	GF PAWC Depr. Study: R2.5-80 years	GF & AUS BASA RCNLD: R2.5-80 years	OCA BASA RCNLD: R2.5-60 years
0.0	1.000000	1	1	1
0.5	0.999988	0.999448471	0.999448471	0.999448471
1.5	0.999966	0.998873749	0.998873749	0.998274994
2.5	0.995070	0.998274994	0.998274994	0.997651138
3.5	0.995070	0.997651138	0.997651138	0.996324539
4.5	0.995070	0.996324539	0.996324539	0.994885635
5.5	0.994473	0.995619659	0.995619659	0.994121399
6.5	0.994155	0.994885635	0.994885635	0.992497406
7.5	0.993866	0.994121399	0.994121399	0.99073822
8.5	0.993866	0.992497406	0.992497406	0.989804764
9.5	0.993567	0.991635361	0.991635361	0.987823334
10.5	0.966029	0.99073822	0.99073822	0.985680008
11.5	0.934602	0.989804764	0.989804764	0.984543991
12.5	0.934193	0.987823334	0.987823334	0.98213562
13.5	0.933402	0.986772614	0.986772614	0.979534836
14.5	0.927565	0.985680008	0.985680008	0.978158188
15.5	0.927548	0.984543991	0.984543991	0.975243912
16.5	0.927506	0.98213562	0.98213562	0.972102966
17.5	0.927390	0.980860062	0.980860062	0.970442963
18.5	0.927390	0.979534836	0.979534836	0.966934204
19.5	0.921404	0.978158188	0.978158188	0.963160858
20.5	0.921404	0.975243912	0.975243912	0.961169891
21.5	0.916419	0.973702698	0.973702698	0.956968994
22.5	0.916419	0.972102966	0.972102966	0.952461929
23.5	0.916419	0.970442963	0.970442963	0.950088043
24.5	0.916419	0.966934204	0.966934204	0.945088348
25.5	0.916419	0.965081635	0.965081635	0.939737396
26.5	0.916419	0.963160858	0.963160858	0.936924286
27.5	0.916419	0.961169891	0.961169891	0.931010666
28.5	0.916419	0.956968994	0.956968994	0.924697266
29.5	0.916419	0.954754791	0.954754791	0.921384354
30.5	0.916419	0.952461929	0.952461929	0.914432831
31.5	0.916324	0.950088043	0.950088043	0.907029343
32.5	0.916322	0.945088348	0.945088348	0.903151245
33.5	0.916322	0.942457962	0.942457962	0.895028305
34.5	0.916322	0.939737396	0.939737396	0.88639679
35.5	0.916322	0.936924286	0.936924286	0.881882858
36.5	0.916322	0.931010666	0.931010666	0.872443237
37.5	0.916322	0.927905197	0.927905197	0.862433395
38.5	0.916322	0.924697266	0.924697266	0.857206497
39.5	0.916322	0.921384354	0.921384354	0.846291656

Age Iowa Curve Life	Gannett Fleming Wastewater			
	PAWC Depreciation Study	Gannett Fleming PAWC Wastewater Depreciation Study	Deprecition Study & AUS Consultants BASA RCNLD Study	OCA RCNLD Study (OCA BASA RCNLD)
	Observed Life Table (OLT)	(GF PAWC Depr. Study)	(GF & AUS BASA RCNLD)	
		R2.5 80	R2.5 80	R2.5 60
40.5	0.916322	0.914432831	0.914432831	0.834739227
41.5	0.916202	0.910788956	0.910788956	0.828715057
42.5	0.916200	0.907029343	0.907029343	0.816152802
43.5	0.916200	0.903151245	0.903151245	0.802881012
44.5	0.916200	0.895028305	0.895028305	0.795969925
45.5	0.915958	0.890777588	0.890777588	0.781579285
46.5	0.915958	0.88639679	0.88639679	0.766407242
47.5	0.915870	0.881882858	0.881882858	0.758519821
48.5	0.914106	0.872443237	0.872443237	0.742126617
49.5	0.901059	0.867511215	0.867511215	0.724890442
50.5	0.900889	0.862433395	0.862433395	0.715950317
51.5	0.900889	0.857206497	0.857206497	0.697417297
52.5	0.900889	0.846291656	0.846291656	0.67800705
53.5	0.883194	0.840596924	0.840596924	0.66797226
54.5	0.883194	0.834739227	0.834739227	0.647247162
55.5	0.883194	0.828715057	0.828715057	0.625660896
56.5	0.883194	0.816152802	0.816152802	0.614552612
57.5	0.883194	0.809607391	0.809607391	0.591728439
58.5	0.883194	0.802881012	0.802881012	0.568135223
59.5	0.883186	0.795969925	0.795969925	0.55606926
60.5	0.883175	0.781579285	0.781579285	0.531445503
61.5	0.846166	0.774092636	0.774092636	0.506240311
62.5	0.846166	0.766407242	0.766407242	0.493451385
63.5	0.846163	0.758519821	0.758519821	0.467572784
64.5	0.846152	0.742126617	0.742126617	0.441399498
65.5	0.846152	0.733615112	0.733615112	0.428245277
66.5	0.846152	0.724890442	0.724890442	0.401893387
67.5	0.844868	0.715950317	0.715950317	0.375611725
68.5	0.816358	0.697417297	0.697417297	0.362546539
69.5	0.816358	0.687822113	0.687822113	0.336666946
70.5	0.816358	0.67800705	0.67800705	0.311253185
71.5	0.816216	0.66797226	0.66797226	0.298769035
72.5	0.803298	0.647247162	0.647247162	0.274337311
73.5	0.802532	0.636560326	0.636560326	0.250733204
74.5	0.800791	0.625660896	0.625660896	0.239280224
75.5	0.791990	0.614552612	0.614552612	0.217139492
76.5	0.753582	0.591728439	0.591728439	0.196094093
77.5	0.752047	0.580024414	0.580024414	0.186005306
78.5	0.748110	0.568135223	0.568135223	0.166730156
79.5	0.601185	0.55606926	0.55606926	0.148688679
80.5	0.601042	0.531445503	0.531445503	0.140137281
81.5	0.601042	0.518909492	0.518909492	0.123976231
82.5	0.598853	0.506240311	0.506240311	0.109063148
83.5	0.598853	0.493451385	0.493451385	0.102068386

Age Iowa Curve Life	Gannett Fleming Wastewater			
	PAWC Depreciation Study Observed Life Table (OLT)	Gannett Fleming PAWC Wastewater Depreciation Study (GF PAWC Depr. Study) R2.5 80	Deprecition Study & AUS Consultants BASA RCNLD Study (GF & AUS BASA RCNLD) R2.5 80	OCA RCNLD Study (OCA BASA RCNLD) R2.5 60
84.5	0.570010	0.467572784	0.467572784	0.088983831
85.5	0.570000	0.45451458	0.45451458	0.077074528
86.5	0.570000	0.441399498	0.441399498	0.071547322
87.5	0.559366	0.428245277	0.428245277	0.061318512
88.5	0.438702	0.401893387	0.401893387	0.05214901
89.5	0.438494	0.388733978	0.388733978	0.047945251
90.5	0.432694	0.375611725	0.375611725	0.04026597
91.5	0.416758	0.362546539	0.362546539	0.033510611
92.5	0.401026	0.336666946	0.336666946	0.03046103
93.5	0.399227	0.323892136	0.323892136	0.02497931
94.5	0.393057	0.311253185	0.311253185	0.020266249
95.5	0.392744	0.298769035	0.298769035	0.01817651
96.5	0.389965	0.274337311	0.274337311	0.014485561
97.5	0.389905	0.262423935	0.262423935	0.01138387
98.5	0.385508	0.250733204	0.250733204	0.0100304
99.5	0.383962	0.239280224	0.239280224	0.00767163
100.5	0.363604	0.217139492	0.217139492	0.00571864
101.5	0.362966	0.206474915	0.206474915	0.0048749
102.5	0.343512	0.196094093	0.196094093	0.00342593
103.5	0.332341	0.186005306	0.186005306	0.00227604
104.5		0.166730156	0.166730156	0.00180615
105.5		0.157553549	0.157553549	0.00105991
106.5		0.148688679	0.148688679	0.00054588
107.5		0.140137281	0.140137281	0.00036472
108.5		0.123976231	0.123976231	0.00012981
109.5		0.116364727	0.116364727	2.542E-05
110.5		0.109063148	0.109063148	6.41E-06
111.5		0.102068386	0.102068386	0
112.5		0.088983831	0.088983831	0
113.5		0.082884846	0.082884846	0
114.5		0.077074528	0.077074528	0
115.5		0.071547322	0.071547322	0
116.5		0.061318512	0.061318512	0
117.5		0.056604538	0.056604538	0
118.5		0.05214901	0.05214901	0
119.5		0.047945251	0.047945251	0
120.5		0.04026597	0.04026597	0
121.5		0.036776421	0.036776421	0
122.5		0.033510611	0.033510611	0
123.5		0.03046103	0.03046103	0
124.5		0.02497931	0.02497931	0
125.5		0.02253093	0.02253093	0
126.5		0.020266249	0.020266249	0
127.5		0.01817651	0.01817651	0

Age Iowa Curve Life	PAWC Depreciation Study Observed Life Table (OLT)	Gannett Fleming Wastewater Depreciation Study & AUS Consultants BASA RCNLD Study		
		Gannett Fleming PAWC Wastewater Depreciation Study (GF PAWC Depr. Study) R2.5 80	BASA RCNLD Study (GF & AUS BASA RCNLD) R2.5 80	OCA RCNLD Study (OCA BASA RCNLD) R2.5 60
128.5		0.014485561	0.014485561	0
129.5		0.01286577	0.01286577	0
130.5		0.01138387	0.01138387	0
131.5		0.0100304	0.0100304	0
132.5		0.00767163	0.00767163	0
133.5		0.00664853	0.00664853	0
134.5		0.00571864	0.00571864	0
135.5		0.0048749	0.0048749	0
136.5		0.00342593	0.00342593	0
137.5		0.00281496	0.00281496	0
138.5		0.00227604	0.00227604	0
139.5		0.00180615	0.00180615	0
140.5		0.00105991	0.00105991	0
141.5		0.00077598	0.00077598	0
142.5		0.00054588	0.00054588	0
143.5		0.00036472	0.00036472	0
144.5		0.00012981	0.00012981	0
145.5		6.435E-05	6.435E-05	0
146.5		2.542E-05	2.542E-05	0
147.5		6.41E-06	6.41E-06	0
148.5		0	0	0
149.5		0	0	0
150.5		0	0	0
151.5		0	0	0
152.5		0	0	0
153.5		0	0	0
154.5		0	0	0
155.5		0	0	0
156.5		0	0	0
157.5		0	0	0
158.5		0	0	0
159.5		0	0	0
160.5		0	0	0

S:\water industry\Water Industry Depreciation\Service Life Curve Fitting

AGE AT BEGIN OF BEGINNING OF AGE INTERVAL	EXPOSURES AT BEGIN OF BEGINNING OF INTERVAL AGE INTERVAL	Experience Band RETIREMENTS DURING AGE INTERVAL	RETIREMENT Rate	SURVIVL RATE	PCT SURV BEGIN OF INTERVAL
0.0	123,698,865	1,489	0.0000	1.0000	100.00
0.5	80,968,134	1,744	0.0000	1.0000	100.00
1.5	71,427,735	349,743	0.0049	0.9951	100.00
2.5	61,491,291		0.0000	1.0000	99.51
3.5	47,985,505		0.0000	1.0000	99.51
4.5	43,496,282	26,093	0.0006	0.9994	99.51
5.5	34,622,702	11,064	0.0003	0.9997	99.45
6.5	36,236,717	10,556	0.0003	0.9997	99.42
7.5	44,473,440	-	0.0000	1.0000	99.39
8.5	44,403,805	13,334	0.0003	0.9997	99.39
9.5	42,579,956	1,180,167	0.0277	0.9723	99.36
10.5	27,257,562	886,763	0.0325	0.9675	96.61
11.5	23,041,413	10,064	0.0004	0.9996	93.47
12.5	15,696,984	13,300	0.0008	0.9992	93.43
13.5	13,197,516	82,522	0.0063	0.9937	93.36
14.5	9,898,866	187	0.0000	1.0000	92.77
15.5	8,175,329	367	0.0000	1.0000	92.77
16.5	11,005,722	1,374	0.0001	0.9999	92.77
17.5	22,668,123		0.0000	1.0000	92.76
18.5	22,367,436	144,378	0.0065	0.9935	92.76
19.5	21,841,271		0.0000	1.0000	92.16
20.5	10,429,000	56,430	0.0054	0.9946	92.16
21.5	13,494,984		0.0000	1.0000	91.66
22.5	12,095,717		0.0000	1.0000	91.66
23.5	13,846,891		0.0000	1.0000	91.66
24.5	14,182,481		0.0000	1.0000	91.66
25.5	19,071,002		0.0000	1.0000	91.66
26.5	16,170,692		0.0000	1.0000	91.66
27.5	36,060,280		0.0000	1.0000	91.66
28.5	35,923,542		0.0000	1.0000	91.66
29.5	33,683,971		0.0000	1.0000	91.66
30.5	8,391,683	866	0.0001	0.9999	91.66
31.5	8,167,272	21	0.0000	1.0000	91.65
32.5	8,027,418		0.0000	1.0000	91.65
33.5	7,266,714		0.0000	1.0000	91.65
34.5	5,540,059		0.0000	1.0000	91.65
35.5	3,406,034		0.0000	1.0000	91.65
36.5	3,951,146		0.0000	1.0000	91.65
37.5	4,287,296		0.0000	1.0000	91.65
38.5	4,273,219		0.0000	1.0000	91.65
39.5	4,243,666		0.0000	1.0000	91.65
40.5	41,503,891	5,447	0.0001	0.9999	91.65
41.5	41,043,016	49	0.0000	1.0000	91.64
42.5	41,341,828		0.0000	1.0000	91.64
43.5	20,516,395		0.0000	1.0000	91.64
44.5	17,262,745	4,573	0.0003	0.9997	91.64
45.5	17,447,879		0.0000	1.0000	91.61
46.5	16,922,111	1,617	0.0001	0.9999	91.61
47.5	1,493,981	2,878	0.0019	0.9981	91.60
48.5	1,491,103	21,283	0.0143	0.9857	91.43

S:\water industry\Water Industry Depreciation\Service Life Curve Fitting

AGE AT BEGIN OF BEGINNING OF AGE INTERVAL	EXPOSURES AT BEGIN OF BEGINNING OF INTERVAL	Experience Band RETIREMENTS DURING AGE INTERVAL	RETIREMENT Rate	SURVIVL RATE	PCT SURV BEGIN OF INTERVAL
49.5	995,707	187	0.0002	0.9998	90.12
50.5	1,249,631		0.0000	1.0000	90.10
51.5	<b>1,214,773</b>		0.0000	1.0000	90.10
52.5	1,253,366	<b>24,618</b>	0.0196	0.9804	90.10
53.5	28,374,663		0.0000	1.0000	88.34
54.5	38,998,170		0.0000	1.0000	88.34
55.5	39,986,553		0.0000	1.0000	88.34
56.5	13,005,874		0.0000	1.0000	88.34
57.5	59,432,346		0.0000	1.0000	88.34
58.5	60,820,282	<b>557</b>	0.0000	1.0000	88.34
59.5	59,761,303	<b>747</b>	0.0000	1.0000	88.34
60.5	2,094,297	<b>87,761</b>	0.0419	0.9581	88.34
61.5	22,663,762	8	0.0000	1.0000	84.64
62.5	21,213,491	61	0.0000	1.0000	84.64
63.5	21,215,934	289	0.0000	1.0000	84.64
64.5	46,353		0.0000	1.0000	84.64
65.5	1,102,303		0.0000	1.0000	84.64
66.5	1,102,303	<b>1,673</b>	0.0015	0.9985	84.64
67.5	1,100,630	<b>37,140</b>	0.0337	0.9663	84.51
68.5	1,259,440		0.0000	1.0000	81.66
69.5	290,689		0.0000	1.0000	81.66
70.5	962,463	168	0.0002	0.9998	81.66
71.5	962,295	15,230	0.0158	0.9842	81.65
72.5	1,042,298	993	0.0010	0.9990	80.36
73.5	946,072	2,053	0.0022	0.9978	80.28
74.5	683,176	7,508	0.0110	0.9890	80.10
75.5	675,668	32,767	0.0485	0.9515	79.22
76.5	642,901	1,310	0.0020	0.9980	75.38
77.5	1,531,686	8,017	0.0052	0.9948	75.22
78.5	1,523,669	299,242	0.1964	0.8036	74.83
79.5	1,224,427	291	0.0002	0.9998	60.14
80.5	1,522,508		0.0000	1.0000	60.12
81.5	632,413	2,303	0.0036	0.9964	60.12
82.5	648,868		0.0000	1.0000	59.91
83.5	648,868	31,252	0.0482	0.9518	59.91
84.5	601,981	10	0.0000	1.0000	57.02
85.5	722,814		0.0000	1.0000	57.02
86.5	722,814	13,485	0.0187	0.9813	57.02
87.5	709,329	153,014	0.2157	0.7843	55.95
88.5	556,315	264	0.0005	0.9995	43.88
89.5	329,027	4,352	0.0132	0.9868	43.86
90.5	306,175	11,276	0.0368	0.9632	43.28
91.5	294,898	11,132	0.0377	0.9623	41.69
92.5	283,767	1,273	0.0045	0.9955	40.12

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AGE AT BEGIN OF BEGINNING OF AGE INTERVAL	EXPOSURES AT BEGIN OF BEGINNING OF AGE INTERVAL	Experience BandRETIREMENTS DURING AGE INTERVAL	RETIREMENT Rate	SURVIVL RATE	PCT SURV BEGIN OF INTERVAL
93.5	282,484	4,366	0.0155	0.9845	39.94
94.5	278,128	221	0.0008	0.9992	39.32
95.5	277,906	1,967	0.0071	0.9929	39.29
96.5	275,939	42	0.0002	0.9998	39.01
97.5	3,804,626	42,906	0.0113	0.9887	39.00
98.5	3,761,720	15,091	0.0040	0.9960	38.56
99.5	3,616,599	191,754	0.0530	0.9470	38.41
100.5	3,424,846	6,012	0.0018	0.9982	36.37
101.5	<b>96,405</b>	<b>5,167</b>	0.0536	0.9464	36.31
102.5	<b>91,238</b>	<b>2,967</b>	0.0325	0.9675	34.36
103.5	<b>88,271</b>	<b>309</b>	0.0035	0.9965	33.24
104.5			0.0000	1.0000	33.13
105.5			0.0000	1.0000	33.13
106.5			0.0000	1.0000	33.13
107.5			0.0000	1.0000	33.13
108.5			0.0000	1.0000	33.13
109.5			0.0000	1.0000	33.13
110.5			0.0000	1.0000	33.13
111.5			0.0000	1.0000	33.13
112.5			0.0000	1.0000	33.13
113.5			0.0000	1.0000	33.13
114.5			0.0000	1.0000	33.13
115.5			0.0000	1.0000	33.13
116.5			0.0000	1.0000	33.13
117.5			0.0000	1.0000	33.13
118.5			0.0000	1.0000	33.13
119.5			0.0000	1.0000	33.13
120.5			0.0000	1.0000	33.13
121.5			0.0000	1.0000	33.13
122.5			0.0000	1.0000	33.13
123.5			0.0000	1.0000	33.13
124.5			0.0000	1.0000	33.13
125.5			0.0000	1.0000	33.13
126.5			0.0000	1.0000	33.13
127.5			0.0000	1.0000	33.13
128.5			0.0000	1.0000	33.13
129.5			0.0000	1.0000	33.13
130.5			0.0000	1.0000	33.13
131.5			0.0000	1.0000	33.13
132.5			0.0000	1.0000	33.13
133.5			0.0000	1.0000	33.13
134.5			0.0000	1.0000	33.13
135.5			0.0000	1.0000	33.13
136.5			0.0000	1.0000	33.13

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AGE AT BEGIN OF BEGINNING OF AGE INTERVAL	EXPOSURES AT BEGIN OF BEGINNING OF INTERVAL AGE INTERVAL	Experience Band RETIREMENTS DURING AGE INTERVAL	RETIREMENT Rate	SURVIVL RATE	PCT SURV BEGIN OF INTERVAL
137.5			0.0000	1.0000	33.13
138.5			0.0000	1.0000	33.13
139.5			0.0000	1.0000	33.13
140.5			0.0000	1.0000	33.13
141.5			0.0000	1.0000	33.13
142.5			0.0000	1.0000	33.13
143.5			0.0000	1.0000	33.13
144.5			0.0000	1.0000	33.13
145.5			0.0000	1.0000	33.13
146.5			0.0000	1.0000	33.13
147.5			0.0000	1.0000	33.13
148.5			0.0000	1.0000	33.13
149.5			0.0000	1.0000	33.13
150.5			0.0000	1.0000	33.13
151.5			0.0000	1.0000	33.13
152.5			0.0000	1.0000	33.13
153.5			0.0000	1.0000	33.13
154.5			0.0000	1.0000	33.13
155.5			0.0000	1.0000	33.13
156.5			0.0000	1.0000	33.13
157.5			0.0000	1.0000	33.13
158.5			0.0000	1.0000	33.13
159.5			0.0000	1.0000	33.13
160.5			0.0000	1.0000	33.13
<b>Total</b>	<b>1,679,425,134</b>	<b>3,846,092</b>			

**JCW-3**

PAWC Exhibit JCW-3

Revised Market Comparable Analysis

Revision of prior 1329 Acquisitions' OCLDs and CORLDs for OCA Service Life Revisions

Line No.	Description	Per WAD Consultants (A)	Per OCA (B)	Adjustment (C) = (B) - (A)	Revised OCA	Revisions to OCA Proposal
<b>Indicators</b>						
1	OCLD	\$ 162,091,011	\$ 161,068,506	\$ (1,022,505)	\$ 166,397,256	\$ 5,328,749
2	CORLD	\$ 205,628,176	\$ 194,361,367	\$ (11,266,809)	\$ 201,532,654	\$ 7,171,287
3	Customers	\$ 238,398,093	\$ 238,398,093	\$ -	\$ 238,398,093	
Cash Flows						
4	EBITDA Periods 1-5	\$ 285,929,876	\$ 285,929,876	\$ -	\$ 285,929,876	
5	EBITDA Periods 1-13	\$ 264,979,858	\$ 264,979,858	\$ -	\$ 264,979,858	
6	Value Line	\$ 164,147,363	\$ 164,147,363	\$ -	\$ 164,147,363	
7	Mean	\$ 220,195,730	\$ 218,147,511	\$ (2,048,219)	\$ 220,230,850	
8	Median	\$ 222,013,135	\$ 216,379,730	\$ (5,633,404)	\$ 219,965,374	
9	Conclusion	\$ 220,195,730	\$ 218,147,511	\$ (2,048,219)	\$ 220,230,850	

Notes and Source:

Col. A and Col. B, Lines 3-6: Appendix-A-4.2-WAD-EXCEL-Spreadsheets, "Market Approach Summary New For" tab

Col. B, Line 1: See OCA Exhibit RCS-3, page 2

Col. B: Line 2: See OCA Exhibit RCS-3, page 3

Adjustment to OCLD Indicator

WAD Consultants Revision to OCLD for OCA Proposed Service Lives

Line No.	PPOCLD	Type of System and Attributes	Per WAD Consultants			Per OCA		Adjustment (F) = (E) - (D)	Original Service Live	Original CORLD	Original PP/CORL D	OCA Proposed Lives	Revised CORLD for OCA Lives	Revised PP/CORLD
			Purchase Price (PP) (A)	Proportion of Purchase Price to Total (B)	Depreciated Original Cost (OCLD) (AUS Coasultants Determination) (C)	Purchase Price to (PP/OCLD) (D) = (A) / (C)	Purchase Price to CORLD (E)							
1	New Garden Twp. SA	Wastewater Collection and Paid for and Owned Treatment	\$ 29,500,000	3%	\$ 18,567,728	1.5888	1.5888			1.5888			1.5888	
2	East Bradford Township	Wastewater Collection and paid for treatment Capacity	\$ 5,000,000	0%	\$ 5,383,591	0.9287	0.9287			0.9287			0.9287	
3	East Whiteland Township	Wastewater Collection and Purchased Treatment Capacity	\$ 54,930,000	5%	\$ 33,403,972	1.6444	1.6444	R3.0 80, R2.5 80, R2.5 80	\$ 33,403,972	1.6444	R3.0 60, R2.5 60, R2.5 60	30,830,260	1.7817	
4	Lower Makefield	Wastewater Collection and Purchased Treatment Capacity	\$ 53,000,000	5%	\$ 20,644,920	2.5672	2.5672	R3.0 75 R2.5 80	\$ 20,644,920	2.5672	R3.0 60, R2.5 60, R2.5 60	18,582,576	2.8521	
5	Willistown Township	Wastewater Collection and Treatment	\$ 17,500,000	2%	\$ 13,524,101	1.294								
6	Delaware County Regional Water Quality Authority (DELCORA)	Wastewater Collection and Treatment	\$ 276,500,000	24%	\$ 191,774,486	1.4418								
7	Kane	Wastewater Collection and Treatment	\$ 17,560,000	2%	\$ 12,070,455	1.4548	1.4548	R3.0 60, R3.0 75	\$ 12,070,455	1.4548	R3.0 60, R2.5 60	11,671,418	1.5045	
8	City of McKeesport	Wastewater Collection and Treatment	\$ 159,000,000	14%	\$ 80,085,602	1.9854	1.9854			1.9854			1.9854	
9	Exeter	Wastewater Collection and Treatment	\$ 93,500,000	8%	\$ 40,057,634	2.3341	2.3341	R3.0 60, R3.0 80, R3.0 80	\$ 40,057,634	2.3341	R3.0 60, R2.5 60, R2.5 60	38,765,969	2.4119	
10	City of York	Wastewater Collection and Treatment	\$ 235,000,000	20%	\$ 97,106,105	2.42	2.42	R3.0 75, R2.5 80, R2.5 75	\$ 97,106,105	2.42	R3.0 60, R2.5 60, R2.5 60	94,242,535	2.4936	
11	Royersford	Wastewater Collection and Treatment	\$ 13,000,000	1%	\$ 5,173,559	2.5128	2.5128			2.5128			2.5128	
12	Limerick Township	Wastewater Collection and Treatment System	\$ 64,373,378	6%	\$ 46,153,867	1.3948	1.3948			1.3948			1.3948	
13	Mean					1.7972	1.8831			1.8831			1.9454	
14	Butler Area Sewer Authority (BASA) OCLD					\$ 90,190,859	\$ 85,533,698						\$ 85,533,698	
15	Market Value Indication					\$ 162,091,011	\$ 161,068,506	\$ (1,022,505)					\$ 166,397,256 #####	

Notes and Source:  
 Lines 1-13: Appendix-A-4.2-WAD-EXCEL-Spreadsheets, "Market Approach Sale New Format" and "Market Approach Summary New For" tabs  
 Line 14: See OCA Exhibit RCS-2

Adjustment to CORLD Indicator

WAD Consultants Revision to CORLD for OCA Proposed Service Lives

Line No.	Property Acquired	Type of System and Attributes	Per WAD Consultants			Per OCA		Adjustment (F) = (E) - (D)	Original Service Live	Original OCLD	Original PP/OCLD	OCA Proposed Lives	Revised OCLD for OCA Lives	Revised PP/OCLD
			Purchase Price (PP) (A)	Proportion of Purchase Price to Total (B)	Replacement Cost New less Depreciation (CORLD) (C)	Purchase Price to CORLD (D) = (A) / (C)	Purchase Price to CORLD (E)							
1	New Garden Twp. SA	Wastewater Collection and Paid for and Owned Treatment	\$ 29,500,000	3%	\$ 30,615,410	0.9636	0.9636		\$ 30,615,410	0.9636				0.9636
2	East Bradford Township	Wastewater Collection and paid for treatment Capacity	\$ 5,000,000	0%	\$ 9,236,581	0.5413	0.5413		\$ 9,236,581	0.5413				0.5413
3	East Whiteland Township	Wastewater Collection and Purchased Treatment Capacity	\$ 54,930,000	5%	\$ 58,078,339	0.9458	0.9458	R3.0 80, R2.5 80, R2.5 80	\$ 58,078,339	0.9458	R3.0 60, R2.5 60, R2.5 60	52,533,339		1.0456
4	Lower Makefield	Wastewater Collection and Purchased Treatment Capacity	\$ 53,000,000	5%	\$ 51,414,555	1.0308	1.0308	R3.0 75, R2.5 80	\$ 51,414,555	1.0308	R3.0 60, R2.5 60, R2.5 60	44,085,307		1.2022
5	Willistown Township	Wastewater Collection and Treatment	\$ 17,500,000	2%	\$ 30,113,231	0.5811								
6	Kane Delaware County Regional Water Quality Authority (DELCORA)	Wastewater Collection and Treatment	\$ 17,560,000	2%	\$ 29,015,055	0.6052	0.6052	R3.0 60, R3 75	\$ 29,015,055	0.6052	R3.0 60, R2.5 60	27,611,594		0.6360
7		Wastewater Collection and Treatment	\$276,500,000	24%	\$ 399,664,111	0.6918								
8	Limerick Township	Wastewater Collection and Treatment	\$ 64,373,378	6%	\$ 73,068,377	0.881	0.881			0.881				0.881
9	Exeter	Wastewater Collection and Treatment	\$ 93,500,000	8%	\$ 99,589,819	0.9389	0.9389	R3.0 60, R3.0 80, R3.0 80	\$ 99,589,819	0.9389	R3.0 60, R2.5 60, R2.5 60	96,528,643		0.9686
10	Royersford	Wastewater Collection and Treatment	\$ 13,000,000	1%	\$ 13,376,109	0.9719	0.9719			0.9719				0.9719
11	City of McKeesport	Wastewater Collection and Treatment	\$159,000,000	14%	\$ 156,524,909	1.0158	1.0158			1.0158				1.0158
12	City of York	Wastewater Collection and Treatment	\$235,000,000	20%	\$ 218,366,227	1.0762	1.0762	R3.0 75, R2.5 80, R2.5 75	\$ 218,366,227	1.0762	R3.0 60, R2.5 60, R2.5 60	207,752,920		1.0762
13	Mean					0.8536	0.8971			0.8971				0.9302
14	Butler Area Sewer Authority (BASA) CORLD				\$ 240,895,239	\$ 216,655,186								#####
15	Market Value Indication				\$ 205,628,176	\$ 194,361,367	\$ (11,266,809)							#####

Notes and Source:  
 Lines 1-13: Appendix A-4.2-WAD-EXCEL-Spreadsheets, "Market Approach Sale New Format" and "Market Approach Summary New For" tabs  
 Line 14: See OCA Exhibit RCS-2

## VERIFICATION

I, Jerome C. Weinert, P.E. hereby states 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.

  
\_\_\_\_\_  
Jerome C. Weinert, P.E., Principal and Director  
WAB Consultants

Dated: July 18, 2023

**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, Penn and Summit, in Butler County, Pennsylvania:

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**SURREBUTTAL TESTIMONY OF  
SCOTT D. FOGELSANGER ON BEHALF OF  
PENNSYLVANIA-AMERICAN WATER COMPANY**

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Date: July 21, 2023

PAWC Statement No. 1-SR

**SURREBUTTAL TESTIMONY OF  
SCOTT D. FOGELSANGER**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 **A.** My name is Scott D. Fogelsanger, and my business address is 852 Wesley Drive,  
3 Mechanicsburg, PA 17011.

4

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

6 **A.** I am employed as Director of Valuation Strategies with American Water Works Service  
7 Company.

8

9 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 1 on February 14, 2023, and  
11 Rebuttal Testimony, PAWC Statement No. 1-R on July 18, 2023.

12

13 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

14 **A.** I will respond to some of the testimony given at the Public Input Hearings held on July 18  
15 and July 19, 2023.

16

17 **SURREBUTTAL OF PUBLIC INPUT HEARING TESTIMONY**

18 **Q. DID YOU ATTEND AND LISTEN TO THE TELEPHONIC PUBLIC HEARINGS**  
19 **HELD ON JULY 18 AND 19, 2023?**

20 **A.** Yes.

1 **Q. PLEASE PROVIDE YOUR OVERALL IMPRESSION OF THOSE PUBLIC INPUT**  
2 **HEARINGS.**

3 **A.** The Commission, PAWC and BASA each provided the public with notice of the hearings.  
4 We have not yet received the transcript of the hearings, but according to my notes, less  
5 than thirty people testified. To put this figure in perspective, in my Direct Testimony, at  
6 page 16, I said that as of January 31, 2023, PAWC had approximately 97,305 residential,  
7 commercial, industrial, municipal and bulk wastewater customers in Pennsylvania. As of  
8 January 31, 2023, PAWC furnished water service to approximately 679,777 customers in  
9 Pennsylvania. I also said that, as of December 31, 2022, BASA furnished wastewater  
10 service to approximately 14,792 customers.

11 I found it interesting that most of the people who testified against the proposal were  
12 not from the BASA area. I think that is a credit to the efforts of BASA, the City and the  
13 Township, who have taken great pains to inform the public about the Transaction. I  
14 discussed these efforts in my Direct Testimony, and the witnesses for BASA, the City and  
15 the Township discussed these efforts in their Direct Testimony. Based on their extensive  
16 knowledge of the proposal, and their familiarity with the situation faced by BASA, the vast  
17 majority of the people most affected by the Transaction did not see the need to come to the  
18 public input hearing to voice concerns.

19 Of the witnesses who were from the BASA area, two opponents of the Transaction  
20 have appeared in this case as witnesses for Center and Summit Townships. They oppose  
21 the Transaction primarily because their Townships want some of the proceeds of the sale.  
22 One additional opponent of the Transaction who testified at the Public Input Hearings was  
23 the spouse of one of these witnesses. Of the remaining witnesses from the BASA area,

1 several supported the Transaction and several opposed it. No proposal receives unanimous  
2 support. Out of 14,792 BASA customers, the Commission should expect that a few will  
3 oppose the Transaction for one reason or another.

4 Of the witnesses who were not from the BASA area, several were not customers of  
5 either BASA or PAWC. At least one witness, and possibly one or two others, said that  
6 they believe the Commission should deny all Section 1329 applications. The Commission  
7 should give that testimony little weight. The Legislature enacted Section 1329 for a reason.  
8 The Commission should make decisions based on the facts presented in the case before it;  
9 the Commission should not deny all applications – nor should it grant all applications –  
10 regardless of the facts presented.

11 Some existing water and/or wastewater customers of PAWC, from outside the  
12 BASA area, testified against the Transaction primarily because they believe the  
13 Transaction will increase their rates. Most of these customers were from the Exeter area.  
14 My colleagues, Mr. Daniel J. Hufton, P.E. and Ms. Ashley E. Everette, will discuss the  
15 specific circumstances of that acquisition in their surrebuttal testimony. In my opinion,  
16 Mr. Hufton’s testimony illustrates why the Commission should not decide Section 1329  
17 applications based solely on the rate impacts of the acquisition. Instead, the Commission  
18 should weigh all of the costs and benefits of the acquisition to determine if it is in the public  
19 interest.

20 I would also reiterate the point I previously made, that no proposal receives unanimous  
21 support. Out of 97,305 PAWC wastewater customers, and 679,777 PAWC water  
22 customers, the Commission should not be surprised that a few of PAWC’s existing  
23 customers oppose the Transaction.

**CONCLUSION**

1  
2  
3  
4

**Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

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

## VERIFICATION

I, Scott D. Fogelsanger 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.



\_\_\_\_\_  
Scott D. Fogelsanger, Director – Valuation Services  
American Water Works Service Company

Dated: 7/21/2023

**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 :

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

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Date: July 21, 2023

PAWC Statement No. 2-SR

**SURREBUTTAL TESTIMONY OF  
DANIEL J. HUFTON**

**INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

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 SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 2 on February 14, 2023,  
11 Amended Direct Testimony on March 8, 2023, Amended PAWC Statement No. 2,  
12 Supplemental Direct Testimony, PAWC Statement No. 2-S on July 5, 2023, and Rebuttal  
13 Testimony, PAWC Statement No. 2-R on July 18, 2023.

14

15 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

16 **A.** I will respond to portions of the Rebuttal Testimony of Donald Pringle on behalf of Center  
17 Township (“Center”), Wilfred Adams on behalf of Summit Township (“Summit”), and I  
18 will also respond to some of the testimony given at the Public Input Hearings held on July  
19 18 and July 19, 2023.

1 **REBUTTAL OF DONALD PRINGLE**

2 **Q. ON PAGES 4-5 OF MR. PRINGLE’S REBUTTAL TESTIMONY, ON THE TOPIC**  
3 **OF WHETHER PAWC EMPLOYEES WOULD BE BETTER SITUATED TO**  
4 **RESOLVE ISSUES THAN BASA WORKERS, HE STATES THAT HE HAS HAD**  
5 **NO ISSUES WITH BASA’S SERVICE TO CENTER TOWNSHIP. PLEASE**  
6 **RESPOND.**

7 **A.** As evidence, Mr. Pringle cites an example where BASA workers were helpful in bringing  
8 in equipment to clear drainage ways and explore solutions with the township, free of  
9 charge. I am pleased to hear this example of BASA employees working cooperatively with  
10 their municipal counterparts, as these BASA employees will be the same employees who  
11 will be providing similar services under PAWC ownership. As stated by my colleague  
12 Scott D. Fogelsanger in his Direct Testimony, PAWC has committed to offer employment  
13 to all eligible BASA employees following the Closing of the Transaction.

14 In contrast to his satisfaction with the services provided directly by BASA workers,  
15 Mr. Pringle testified on pages 5-6 of his Direct Testimony that he believes that the  
16 Authority has been mismanaged and that the funds from the sale would be “a reward for a  
17 job not well done.” I contend that this higher level of operational management is exactly  
18 where PAWC can provide immediate resources and benefits to the communities and  
19 customers served by the Authority. In our Direct Testimony, Mr. Fogelsanger and I  
20 provided extensive details on the legal, financial and technical fitness of PAWC and how  
21 those capabilities will result in better management and rehabilitation of the System,  
22 opportunities for economic growth and development, improved customer service, and  
23 improved environmental compliance.

1 **Q. ON PAGE 5 OF MR. PRINGLE’S REBUTTAL TESTIMONY, HE STATES THAT**  
2 **NO RESIDENTS OF CENTER TOWNSHIP HAVE BEEN DENIED SERVICE BY**  
3 **BASA DUE TO ISSUES WITH PUMP STATIONS. PLEASE RESPOND.**

4 **A.** I have no reason to dispute Mr. Pringle’s statement, but I contend that it only tells part of  
5 the story. In my Direct Testimony I go into great detail explaining the current  
6 environmental compliance challenges facing BASA, and in particular, the 2019 Corrective  
7 Action Plan (“CAP”) that addresses hydraulic overloading and sanitary sewer overflows  
8 (“SSO”s) in two portions of its collection system. One of those areas lies squarely in Center  
9 Township.

10 As part of the CAP, BASA was required to prohibit new service connections to the  
11 sewer systems in these areas. In order to prevent economic hardships for any existing  
12 property owner that may have been planning to build on a vacant lot within these areas or  
13 for an existing developer that has already invested significant financial resources for their  
14 development, BASA was allowed to request a limited number of new sewer connections  
15 be permitted within these sewer service areas upon the Pennsylvania Department of  
16 Environmental Protection’s (“PADEP’s”) approval of the CAP. BASA has applied for and  
17 received PADEP approval of a limited number of taps each year that it has been under the  
18 CAP.

19 Fortunately for Center Township, the portion of its sewer system under the CAP  
20 only serves residential properties and there has been very little development and relatively  
21 few new sewer connections within these areas in recent years. However, it is important to  
22 note that, if there had been plans for significant new growth and development in these areas  
23 of the township, those plans might have been thwarted by the lack of capacity and poor

1 condition of the sewer system assets. This is an example where the lack of a proactive  
2 asset management strategy by a sewer utility can hamper economic growth and  
3 development of a community.

4  
5 **Q. ON PAGES 5-7 OF MR. PRINGLE’S REBUTTAL TESTIMONY, HE INFERS**  
6 **THAT BASA HAS BEEN UNDER THE REGULATION OF THE UNITED STATES**  
7 **ENVIRONMENTAL PROTECTION AGENCY (“USEPA”) SINCE THE 1970’S**  
8 **AND THAT PAWC, AS A FOR-PROFIT ENTITY, WOULD ONLY BE**  
9 **REGULATED BY PADEP. PLEASE RESPOND.**

10 **A.** These statements are incorrect and misleading. I can only presume that they are a  
11 misinterpretation of my Direct Testimony regarding PAWC’s implementation of BASA’s  
12 Industrial Pretreatment Program (“IPP”). Let me completely explain the regulatory  
13 situation so that there are no misunderstandings.

14 First, the USEPA has granted PADEP primacy under the federal Clean Water Act and the  
15 National Pollutant Discharge Elimination System (“NPDES”) regulations thereunder to  
16 regulate all sanitary sewage systems in the Commonwealth, whether they are municipally  
17 or privately owned. As part of this primacy, the state regulator takes the lead, and the  
18 USEPA is able to step in and review certain actions by the state regulator, including review  
19 of NPDES permits prior to issuance and other enforcement actions by the state regulator.  
20 All sanitary sewage systems in the Commonwealth, whether municipally or privately  
21 owned, benefit from this dual level of regulatory oversight.

22 BASA’s operations have been and, absent the Transaction, will continue to be  
23 directly regulated by PADEP. BASA’s NPDES Permit and all other associated permits for

1 system construction/operation (called Water Quality Management Permits) were issued by  
2 PADEP. System inspections and any resulting enforcement actions are done by PADEP.  
3 Upon Closing of the Transaction, PAWC would step right into the shoes of BASA from a  
4 PADEP regulatory standpoint. PAWC will file permit transfer applications to PADEP and  
5 all pertinent NPDES, construction and operations permits currently issued by PADEP in  
6 BASA's name will be reissued by PADEP in PAWC's name.

7 The only aspect of BASA's current operation that is regulated directly by USEPA  
8 rather than PADEP is the IPP program. PADEP does not have primacy from the USEPA  
9 for the federal IPP regulations, therefore USEPA regulates such programs for municipally  
10 owned sewage systems in the Commonwealth and the PADEP has no oversight over them.  
11 There is no dual level of oversight of BASA's current IPP; it is regulated only by USEPA.  
12 Upon transfer to a privately owned utility, the USEPA will no longer regulate the IPP, but  
13 instead transfers its regulatory oversight to the PADEP through mandatory language  
14 inserted into the transferred NPDES Permit. This language ensures that the IPP program  
15 now being carried out by the private utility and regulated by PADEP meets the exact same  
16 standards in the federal regulations enforced by USEPA. In the end, there is no meaningful  
17 difference in the content, requirements, and environmental protection provided in the IPP  
18 program from one regulatory agency's oversight to another.

19  
20 **Q. AT PAGE 6 OF HIS REBUTTAL TESTIMONY, MR. PRINGLE OPPOSES THE**  
21 **TRANSACTION ON THE GROUNDS THAT, IF THE TRANSACTION IS**  
22 **APPROVED, PAWC WILL PROVIDE BOTH WATER AND WASTEWATER**  
23 **SERVICE TO MOST BASA CUSTOMERS. PLEASE RESPOND.**

1 A. Mr. Pringle’s testimony mixes several concepts together. Let me try to parse them out  
2 separately. Mr. Pringle argues that having a single water and wastewater provider creates  
3 a monopoly. This is an exaggeration. Currently, PAWC has exclusive service rights as a  
4 water provider in its service territory. This is why PAWC is regulated by the Commission.  
5 I am advised by counsel that the Commission has no jurisdiction to regulate BASA, even  
6 though BASA is currently the exclusive wastewater provider in its service territory. Since  
7 the service here is provided by a municipal corporation, the theory is that the political  
8 process will help keep rates low and quality of service high.

9 My point is that, if the Transaction is approved, no new monopoly is created. The  
10 only thing that changes is that PAWC will be both the water and the wastewater provider  
11 in the same area.

12 Most people consider the provision of water and wastewater service by the same  
13 entity as a public benefit. I do not understand why Mr. Pringle argues that it is contrary to  
14 the public interest. It is easier for customers to pay one bill rather than two. It is easier for  
15 customers to call for service if they only need to call one company for all of their water  
16 and sewer needs, rather than having to determine which company they need to call for a  
17 particular issue. If one entity provides both water and wastewater service, it can coordinate  
18 water and wastewater projects, minimizing road cuts and other disruptions for the public  
19 and reducing costs for the provider. Finally, the provision of both water and wastewater  
20 service by a single entity promotes economies of scale because the same equipment and  
21 personnel can be shared. It is not unusual in Pennsylvania for a single public utility to  
22 provide both water and wastewater service in a particular area.

1 Mr. Pringle's testimony goes on to suggest that having a single entity provide both  
2 water and wastewater service in an area is not in the public interest because that entity can  
3 now get rate increases at-will from the Commission. That is simply not true. The  
4 Commission closely reviews all proposed rate increases, whether the regulated utility  
5 provides water service, wastewater service, or both.

6 Significantly, Mr. Pringle fails to acknowledge that BASA is not regulated by the  
7 Commission. If the Transaction is disapproved, the Commission will not have jurisdiction  
8 over the rates or quality of wastewater service provided in the area. For example, if BASA  
9 has to increase rates to pay for the \$75 million in upcoming projects, the Commission will  
10 not have jurisdiction to ensure that the new rates are just and reasonable. The OCA, the  
11 OSBA and I&E will not be able to litigate the issue on behalf of customers. Customers  
12 (including municipalities like Center) will need to pay their own attorneys to represent  
13 them in civil court proceedings challenging the new rates.

14  
15 **REBUTTAL OF WILFRED ADAMS**

16 **Q. ON PAGE 2 OF MR. ADAMS' REBUTTAL TESTIMONY, HE STATES THAT NO**  
17 **RESIDENTS OF SUMMIT TOWNSHIP HAVE BEEN DENIED SERVICE BY**  
18 **BASA DUE TO ISSUES WITH PUMP STATIONS. PLEASE RESPOND.**

19 **A.** Similar to my surrebuttal above to Mr. Pringle's testimony on the same matter, I have no  
20 reason to dispute the claims by Mr. Adams. In fact, neither of the two sewer system areas  
21 subject to the CAP are located in Summit Township. However, for the same reasons  
22 discussed in my surrebuttal to Mr. Pringle, I contend that the fact that any areas of the  
23 BASA service territory are under new connection restrictions by PADEP because of the

1 lack of capacity, poor sewer system condition and continuing release of raw sewage to the  
2 environment through SSOs, is reason for concern about the long-term viability of the  
3 System and the economic growth of the area.

4  
5 **Q. ON PAGE 5 OF MR. ADAMS' REBUTTAL TESTIMONY, ON THE TOPIC OF**  
6 **WHETHER PAWC EMPLOYEES WOULD BE BETTER SITUATED TO**  
7 **RESOLVE ISSUES THAN BASA WORKERS, HE STATES THAT HE OR HIS**  
8 **RESIDENTS HAVE NEVER HAD ANY ISSUES WITH BASA'S WORKERS.**  
9 **PLEASE RESPOND.**

10 **A.** Again, I was pleased to hear Mr. Adams' positive feedback on the BASA workers because,  
11 as I responded above to Mr. Pringle's rebuttal testimony, those same workers will be  
12 providing the same services to Summit Township customers under PAWC ownership.

13  
14 **Q. ON PAGE 5 OF MR. ADAMS' REBUTTAL TESTIMONY HE STATES THAT HE**  
15 **HAS NO REASON TO QUESTION THE "SERVICEABILITY" OF BASA.**  
16 **PLEASE RESPOND.**

17 **A.** Mr. Adams' statement in his rebuttal testimony is contradictory to that at page 6 of his  
18 Direct Testimony, where he stated that BASA should have been making necessary  
19 improvements and keeping up with things as problems arose, and that BASA has "been  
20 deficient in keeping up with the system."

21  
22 **Q. ON PAGES 5-7 OF MR. ADAMS' REBUTTAL TESTIMONY, HE INFERS THAT**  
23 **BASA HAS BEEN UNDER THE REGULATION OF THE USEPA SINCE THE**

1           **1970'S AND THAT PAWC WOULD ONLY BE REGULATED BY PADEP.**  
2           **PLEASE RESPOND.**

3   **A.**     For the reasons discussed above, in my surrebuttal to Mr. Pringle's testimony, this  
4           argument should be rejected.

5  
6   **Q.**     **AT PAGE 7 OF HIS REBUTTAL TESTIMONY, MR ADAMS TRIES TO REBUT**  
7           **THE TESTIMONY OF MAYOR DANDROY. THE MAYOR TESTIFIED THAT**  
8           **ONE PUBLIC BENEFIT OF THE TRANSACTION IS THAT PAWC HAS A LOW-**  
9           **INCOME CUSTOMER ASSISTANCE PROGRAM BUT BASA DOES NOT. MR.**  
10          **ADAMS ARGUES THAT THIS IS NOT A PUBLIC BENEFIT OF THE**  
11          **TRANSACTION BECAUSE BASA COULD CREATE A LOW-INCOME**  
12          **CUSTOMER ASSISTANCE PROGRAM. PLEASE COMMENT.**

13   **A.**     The issue before the Commission is whether to approve the Transaction, based on the facts  
14           and the law. The facts are that BASA does not currently have a low-income customer  
15           assistance program, but PAWC does. If the Transaction is approved, BASA's low-income  
16           wastewater customers will have access to PAWC's low-income customer assistance  
17           program immediately. If the Transaction is disapproved, BASA's low-income wastewater  
18           customers will continue to lack access to any low-income customer assistance program.

19           I am advised by counsel that the law is that the Commission has no jurisdiction over  
20           BASA. Therefore, the Commission cannot disapprove the Transaction and direct BASA  
21           to create a low-income customer assistance program. The availability of PAWC's low-  
22           income customer assistance program is a public benefit of the Transaction, and is one more  
23           reason why the Commission should approve the Transaction.

1 **Q. ON PAGE 7 OF HIS REBUTTAL TESTIMONY, MR ADAMS STATES THAT**  
2 **BASA IS REQUIRED TO BID PROJECTS AND PAY PREVAILING WAGES**  
3 **OVER A CERTAIN DOLLAR AMOUNT, WHEREAS PAWC DOES NOT, AND**  
4 **THIS IS BETTER FOR BASA RATE PAYERS . PLEASE COMMENT.**

5 **A.** PAWC is not required to bid projects by law or regulation; however this does not prevent  
6 PAWC from doing so in order to receive competitive bids and obtain the lowest possible  
7 cost. In fact, PAWC’s internal policy requires competitive bidding of construction projects  
8 exceeding \$250,000 in value. In practice, many projects even below this threshold are  
9 competitively bid by PAWC to achieve the lowest possible cost.

10 I disagree with Mr. Adams’ assertion that BASA’s requirement to pay prevailing  
11 wages is a benefit to BASA rate payers. As a private company, PAWC is exempt from  
12 paying prevailing wages unless the project is funded in whole or part by state funds such  
13 as PENNVEST. Prevailing wages are generally higher than non-prevailing wages and  
14 would result in higher construction costs that must be borne by the customers.

15  
16 **Q. ON PAGE 8 OF HIS REBUTTAL TESTIMONY, MR ADAMS STATES THAT HE**  
17 **BELIEVES THAT BASA IS FULLY CAPABLE OF CARRYING ON A CAPITAL**  
18 **CONSTRUCTION PROJECT BECAUSE THEY HAVE BEEN IN BUSINESS FOR**  
19 **60 YEARS. PLEASE RESPOND.**

20 **A.** Mr. Adams’ statement in his Rebuttal Testimony is very similar to his original Direct  
21 Testimony; however, again it completely misses the point. I do not question BASA’s  
22 capability to carry on a capital project, they clearly have done that in the past. However,  
23 as I discussed in my rebuttal to Mr. Adams’ Direct Testimony, BASA has not shown the



1 remedy a long list of deficiencies in their system and their operational procedures. To be  
2 specific, from January 2015 through March 2019, PADEP cited Exeter for the following  
3 violations:

- 4 • six (6) NPDES permit final effluent violations;
- 5 • twenty-six (26) discrete SSOs to the surface of the ground and to waters of  
6 the Commonwealth;
- 7 • one (1) unpermitted discharge of an estimated five (5) million gallons of  
8 raw sewage from manholes on the wastewater treatment plant's influent  
9 line to Heisters Creek, a tributary to the Schuylkill River and a water of  
10 the Commonwealth;
- 11 • five (5) unpermitted discharges of raw sewage from the wastewater  
12 treatment plant's treatment units to the surface of the ground and the  
13 plant's stormwater collection and conveyance system due to operational  
14 and maintenance issues;
- 15 • two (2) unpermitted discharges of sewage to the surface of the ground and  
16 to waters of the Commonwealth, due to power/equipment failure at  
17 sewage pumping stations;
- 18 • one (1) spill of hauled-in sewage sludge to the wastewater treatment  
19 plant's stormwater collection and conveyance system;
- 20 • one (1) incident where the wastewater treatment plant failed to disinfect  
21 effluent discharge flow to the Schuylkill River, a water of the  
22 Commonwealth, for an estimated 24 hours;

- one (1) incident where a contractor with prior Pennsylvania One Call approval excavated and struck a section of the 30-inch main raw influent interceptor to the wastewater treatment plant causing sewage to back up into the excavation; and
- evidence of hydraulic loading in the collection system that necessitated a CAP under the Chapter 94 Municipal Wasteload Management program.

Concurrent with the Closing of the Transaction, PAWC entered into a Consent Order and Agreement (“COA”) with PADEP on October 23, 2019 to resolve the deficiencies and bring the system back into compliance. Since acquiring the system, PAWC has been working diligently on the remedial actions identified in the COA and has met every deadline established by PADEP. Since the date of Closing of the Transaction, PAWC has invested approximately \$20 million in capital improvements to the collection system and wastewater treatment plant.

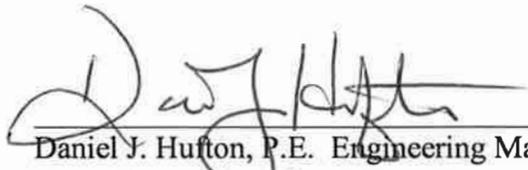
**CONCLUSION**

**Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

**A.** Yes. However, I reserve the right to supplement my testimony as additional issues and 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.



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

Dated: July 21, 2023

**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 :

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

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Date: July 21, 2023

PAWC Statement No. 3-SR

SURREBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS FOR THE RECORD**

2 **A.** My name is Ashley E. Everette and my business address is 852 Wesley Drive,  
3 Mechanicsburg, PA 17055.

4  
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by the Service Company<sup>1</sup> as the Senior Director of Rates and Regulatory.  
7 I work in the Mechanicsburg office of PAWC.

8  
9 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

10 **A.** Yes. I submitted Direct Testimony, PAWC Statement No. 3, on February 14, 2023,  
11 Supplemental Direct Testimony, PAWC Statement No. 3-S on July 5, 2023 and Rebuttal  
12 Testimony, PAWC Statement No. 3-R on July 18, 2023.

13  
14 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

15 **A.** The purpose of my surrebuttal testimony is to respond to portions of testimony provided  
16 at the Public Input Hearings on July 18-19, 2023 by current and prospective PAWC  
17 customers. Specifically, I will respond to testimony on PAWC's current rates, recent rate  
18 increases and billing cycles. Additionally, I will provide information on PAWC's low-  
19 income programs and will address the exhibits provided by William Ferguson.

20  
21 **Q. DID YOU ATTEND THE JULY 18-19, 2023 PUBLIC INPUT HEARINGS IN**  
22 **THIS MATTER?**

---

<sup>1</sup> For ease of reference, capitalized terms and abbreviations used here are defined as set forth in my Direct Testimony, PAWC Statement No. 3.

SURREBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1    **A.**    Yes, I attended both of the telephonic Public Input Hearings.

2

3    **Q.    YOUR TESTIMONY BELOW PROVIDES INFORMATION ON THE RATES**  
4    **APPLICABLE TO THE EXETER SYSTEM. PLEASE EXPLAIN WHY YOU ARE**  
5    **PROVIDING THIS INFORMATION IN YOUR SURREBUTTAL TESTIMONY.**

6    **A.**    Several participants in the Public Input Hearing stated they are current PAWC water and  
7    wastewater customers in the Exeter Township service area. These customers provided  
8    comments on their rates from several years ago compared to their rates now. Among  
9    other things, these customers argued that the Commission should disapprove the  
10   Transaction so that customers of BASA do not experience the same rate increases that the  
11   customers of Exeter experienced after that acquisition. My surrebuttal testimony below  
12   is responsive to these comments.

13            In addition, in his Surrebuttal Testimony, my colleague, Mr. Daniel J. Hufton,  
14   P.E., will provide additional information about the environmental challenges that Exeter  
15   faced, and the steps that PAWC has taken to address those challenges.

16

17   **Q.    SEVERAL CUSTOMERS FROM THE EXETER AREA TESTIFIED**  
18   **REGARDING THE INCREASE IN THEIR BILLS FROM PRIOR TO THE**  
19   **EXETER ACQUISITION AND NOW. HOW DO YOU RESPOND?**

20   **A.**    In 2018, PAWC provided only water service in the Exeter area. Since the acquisition of  
21   the wastewater system in 2019 pursuant to Docket No. A-2018-3004933, PAWC has  
22   provided both water and wastewater service to customers in Exeter Township. If a  
23   customer takes both water and wastewater service from PAWC, as is the case for many

SURREBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1 customers in the Exeter service area and the future customers in the BASA service area,  
2 water and wastewater charges will appear on the same bill. Based on the testimony, it  
3 was not clear whether some customers were comparing pre-acquisition water-only bills to  
4 current combined water and wastewater bills.

5 Rates for customers in the Exeter area have increased since the acquisition in  
6 2019. As of January 28, 2023, Exeter-area customers' rates are consolidated with the  
7 Company's Zone 1 rates. Current Zone 1 rates for residential customers are as shown  
8 below:

	<u>Water</u>	<u>Wastewater</u>
9 Service Charge	\$17.50	\$14.30
10 Usage Charge per 100 Gallons	\$1.6108	\$2.8750

11  
12  
13 **Q. SOME WITNESSES CLAIMED THAT PAWC INCREASES RATES ALMOST**  
14 **EVERY YEAR. PLEASE PROVIDE A SUMMARY OF RECENT WATER AND**  
15 **WASTEWATER RATE INCREASES.**

16 **A.** PAWC filed base rate cases in 2020 and in 2022. As part of the Company's 2020 base  
17 rate case, the Company was authorized to implement a two-step rate increase with rates  
18 effective January 28, 2021 and January 1, 2022. As part of the Company's 2022 base rate  
19 case, the Company was authorized to implement a rate increase effective January 28,  
20 2023.

21  
22 **Q. SEVERAL CUSTOMERS AT THE PUBLIC INPUT HEARING TESTIFIED**  
23 **REGARDING THE DOLLAR AMOUNT OF THEIR BILLS AND THEIR**  
24 **USAGE. DO YOU HAVE ANY COMMENTS?**

SURREBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

1   **A.**   PAWC bills Commission-authorized rates in accordance with its water and wastewater  
2           tariffs. Customers throughout the Public Input Hearing referenced bills as high as \$600  
3           per month. To provide context for this amount, for a Zone 1 residential customer who  
4           takes both water and wastewater service from PAWC, a monthly bill of \$600 indicates  
5           usage of approximately 12,700 gallons per month. Usage of 12,700 gallons per month is  
6           nearly four times the usage of an average residential customer.

7

8   **Q.**    **SEVERAL CUSTOMERS TESTIFIED REGARDING A HARDSHIP PAYING**  
9           **THEIR WATER AND/OR WASTEWATER BILLS. DOES THE COMPANY**  
10          **HAVE PROGRAMS AVAILABLE TO ASSIST LOW-INCOME CUSTOMERS?**

11   **A.**    Yes. PAWC has a low-income tariff rider that provides discounts to fixed and volumetric  
12          charges, which I discussed in more detail in my direct testimony in this proceeding.  
13          PAWC also has a Hardship Fund, H2O Help to Others, which is funded by \$750,000 of  
14          shareholder contributions annually. The H2O Help to Others program provides grants to  
15          low-income water and wastewater customers. PAWC also has a proceeding pending  
16          before the Commission in which the Company has proposed an arrearage management  
17          plan in order to assist low-income customers with past-due balances.

18

19   **Q.**    **SEVERAL WITNESSES AT THE PUBLIC INPUT HEARINGS STATED THAT**  
20          **BILLING CYCLES ARE NOT ALWAYS THE SAME LENGTH. PLEASE**  
21          **DISCUSS WHETHER PAWC’S BILLING CYCLE IS COMPLIANT WITH THE**  
22          **COMMISSION’S REGULATIONS.**

23   **A.**    As required by 52 Pa. Code § 56.252, PAWC’s billing cycle is between 26 and 35 days.  
24          The number of days in a billing cycle may vary within this window.

SURREBUTTAL TESTIMONY OF ASHLEY E. EVERETTE

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**Q. DID YOU REVIEW THE EXHIBITS SUBMITTED BY WILLIAM FERGUSON?**

**A.** Yes, I did.

**Q. MR. FERGUSON’S EXHIBIT 1 PROVIDES HIS CALCULATIONS REGARDING THE COST OF OWNERSHIP OF PAWC COMPARED TO BASA. PLEASE DISCUSS THIS EXHIBIT.**

**A.** Mr. Ferguson’s Exhibit A provides a calculation of a revenue requirement, statement of BASA’s revenues, and a calculation of net income. The “revenue requirement” Mr. Ferguson calculates is approximately \$5.5 million, or 18% higher than the estimated revenue requirement I calculated in Exhibit AEE-1. Mr. Ferguson’s calculated revenue requirement is also significantly higher than the modified revenue requirements that I provided in response to data requests by the OCA which included post-acquisition capital. See OCA-III-01, Attachments 1 and 2, attached as **PAWC Exhibit AEE-7**. As a result, the rate increase calculated by Mr. Ferguson significantly overstates the required revenue increase that I have estimated based on currently-available information. Mr. Ferguson’s Exhibits B and C appear to present similar information in graphical form.

In his Exhibit D, Mr. Ferguson provides his calculation of the revenue requirement associated with capital investment. This exhibit appears to show the Company’s cost of equity, federal income taxes and state income taxes as one component of the revenue requirement referred to as “pretax profit,” as well as his assumptions about cost of debt and annual depreciation expense. His depreciation expense appears to assume a depreciable life of about 27 years. The basis for this assumption is not clear.



# **EXHIBIT AEE-7**

Pennsylvania American Water Company  
 Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
 Docket No. A-2022-3037047

### Butler Area Sewer Authority Wastewater Customers

**Wastewater**

Rate Class	Average Usage	Average Monthly Bill at Butler Area Sewer Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,212 gal/month	\$45.50	\$91.86	\$46.36 or 101.9%
Commercial	22,561 gal/month	\$273.00	\$551.19	\$278.19 or 101.9%
Industrial	528,207 gal/month	\$6,006.00	\$12,126.11	\$6,120.11 or 101.9%

### PAWC Current Customers

**Wastewater**

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$106.65	\$114.65	\$8.00 or 7.5%
Commercial	22,561 gal/month	\$509.46	\$547.67	\$38.21 or 7.5%
Industrial	528,207 gal/month	\$11,143.19	\$11,978.93	\$835.74 or 7.5%

**Water**

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$69.24	\$69.79	\$0.55 or 0.8%
Commercial	22,561 gal/month	\$371.82	\$374.79	\$2.97 or 0.8%
Industrial	528,207 gal/month	\$5,985.08	\$6,032.96	\$47.88 or 0.8%

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
Docket No. A-2022-3037047**

Butler Area Sewer Authority Wastewater

Residential		
	Flat Rate	\$45.50
32.12	0.0000	0.00
		\$45.50

Rate Impact 101.9%  
\$46.36  
Total \$91.86

PAWC - Wastewater

Zone 1 - Residential		
	Service Charge	\$14.30
32.12	2.8750	92.35
		\$106.65

Rate Impact 7.5%  
\$8.00  
Total \$114.65

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	\$17.50
32.12	1.6108	51.74
		\$69.24

Rate Impact 0.8%  
\$0.55  
Total \$69.79

Commercial		
	Rate per EDU	\$45.50
225.61	0.0000	273.00
		\$273.00
1 EDU = 4,000 gallons		

Rate Impact 101.9%  
\$278.19  
Total \$551.19

Zone 1 - Commercial		
	Service Charge	\$35.00
225.61	2.1030	474.46
		\$509.46

Rate Impact 7.5%  
\$38.21  
Total \$547.67

Zone 1 - Commercial		
1"	Service Charge	\$46.60
160.00	1.5613	249.81
65.61	1.1493	75.41
225.61		
		\$371.82

Rate Impact 0.8%  
\$2.97  
Total \$374.79

Industrial		
	Rate per EDU	\$45.50
5,282.07	0.0000	6,006.00
		\$6,006.00
1 EDU = 4,000 gallons		

Rate Impact 101.9%  
\$6,120.11  
Total \$12,126.11

Zone 1 - Industrial		
	Service Charge	\$35.00
5,282.07	2.1030	11,108.19
		11,143.19

Rate Impact 7.5%  
\$835.74  
Total \$11,978.93

Zone 1 - Industrial		
2"	Service Charge	\$224.00
160.00	1.4200	227.20
5,122.07	1.0804	5,533.88
5,282.07		
		5,985.08

Rate Impact 0.8%  
\$47.88  
Total \$6,032.96

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
Docket No. A-2022-3037047**

**Estimated Rate Increase**

Revenue Requirement Increase (Attachment page 2)	\$ 19,312,000
Act 11 Percentage (R-2022-3031672 Summary Proof of Revenues)	33%
Amount of increase allocated to water through Act 11	<u>6,372,960</u>
Amount of increase allocated to wastewater customers	\$ 12,939,040

<b>Increase applied to Butler Area Sewer Authority Wastewater Customers</b>	
Revenue Requirement Increase - After Act 11	\$ 12,939,040
Current Butler Area Sewer Authority Wastewater revenues	12,698,000
<b>Estimated Increase to wastewater customers</b>	<b>101.9%</b>

<b>Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:</b>	
Revenue Requirement Increase	\$ 12,939,040
Current Butler Area Sewer Authority Wastewater revenues	12,698,000
PAWC Wastewater Revenues (R-2022-3031673 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	<u>159,681,891</u>
	172,379,891
<b>Estimated Increase to wastewater customers</b>	<b>7.5%</b>

<b>Amount of increase allocated to water customers:</b>	
Revenue Requirement Increase	\$ 6,372,960
PAWC Water Revenues (R-2022-3031672 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	781,722,135
<b>Estimated Increase to Water Customers</b>	<b>0.8%</b>

<b>Pennsylvania American Water Company R-2022-3031672 Summary Proof of Revenues Act 11 Allocation</b>									
	Water Operations	Wastewater SSS General Operations	Royersford Wastewater Operations	Pottsgrove Wastewater Operations	York Wastewater Operations	CSS Wastewater Operations	Total Wastewater		Total Company
Additional Annual Operating Revenue Before Act 11	\$ 56,408,658	\$ 21,348,733	\$ 1,946,621	\$ 1,347,477	\$ 19,505,813	\$ 37,442,700	\$ 81,591,344		\$ 138,000,002
Act 11 Allocation - WW COS Recovered from Water	26,961,881	(3,598,461)	(1,328,921)	(496,449)	(\$12,512,409)	(9,025,641)	(26,961,881)	33%	\$ -
Additional Annual Operating Revenue	83,370,539	17,750,272	617,700	851,028	6,993,404	28,417,059	54,629,463	67%	138,000,002

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the Butler Area Sewer Authority**  
**Docket No. A-2022-3037047**

**OCA-III-02\_Attachment 1**

**Revenue Requirement Increase**

Rate Base	\$	231,500,000	Appendix A-11
One-fifth of capital investment from 2024-2028	\$	15,163,000	APA Schedule 7.11
Rate of Return %		7.10%	See Calculations
Rate of Return		<u>17,513,000</u>	
O&M		4,384,000	Appendix K
Taxes Other		735,000	Appendix K
Depreciation on purchase price		4,527,000	Appendix K
Depreciation on post-acquisition capital investment		341,000	[1]
Taxes		4,510,000	See Calculations
Revenue Requirement		<span style="border: 1px solid black; padding: 2px;">32,010,000</span>	
Butler Area Sewer Authority Wastewater Year-1 Revenues		12,698,000	Appendix K
Revenue Requirement Increase		19,312,000	

Summary

<b>Revenue Requirement</b>	
Rate Base	\$ 231,500,000
Pretax ROR %	9.05%
Pretax ROR	20,951,000
Plus: O&M Expense	4,384,000
Taxes Other	735,000
Depreciation	4,527,000
Total Revenue Requirement	30,597,000

<b>Income Tax Calculation</b>	
Revenues	\$ 30,597,000
Less: O&M Expense	4,384,000
Taxes Other	735,000
Depreciation	4,527,000
Interest	4,676,000
SIT Taxable Income	16,275,000
State Income Tax Rate	8.49%
State Income Tax	1,382,000
FIT Taxable Income	14,893,000
Federal Income Tax Rate	21.00%
Federal Income Tax	3,128,000
Total Income Taxes	4,510,000

<b>Interest</b>	
Rate Base	\$ 231,500,000
Weighted Cost of Debt (1.87% + 0.15%)	2.02%
	\$ 4,676,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.26%	4.43%	1.87%		1.87%
Wastewater Financing	5.65%	2.57%	0.15%		0.15%
Preferred Stock	0.01%	9.70%	0.00%	1.38326	0.00%
Common Equity	52.08%	9.75%	5.08%	1.38326	7.03%
			7.10%		9.05%

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.75% M-2022-3035196

Capital Structure based on PAWC's last wastewater base rate case R-2022-3031673 PAWC Statement No. 13-R, Exhibit AEB-13-R, Schedule 13.

State Income Tax Rate of 8.49% in effect 1/1/2024

**Revenue Multiplier**

Statutory State Tax Rate	0.0849
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9151
Fed Rate Times (1-State Tax Rate)	0.192171
Effective Tax Rate	0.277071
1-Eff Tax Rate	0.722929
Reciprocal	1.38326

Seller's Wastewater Customer Notice - Proposed impact Calculated

Determine:

Full Cost of Service (COS)
Seller's Current Rates vs. Full Cost of Service Rates
Increase % calculated based on :
<u>100% of COS acquisition revenue deficiency after ACT 11 allocation to water</u>
Year One Revenues of Acquired System

Note: For purposes of calculating rate impact for wastewater customer notices, the term "Buyer's applicable wastewater revenue" means \$26,935,197, which is the revenue approved in the settlement of PAWC's most recent (2017) wastewater base rate case. This amount specifically excludes revenues from the Scranton system and any systems acquired under Section 1329 that were not reflected in the 2017 base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Note: No notice requirement for customers in wastewater systems already acquired under Section 1329 that were not reflected in the most recent (2017) wastewater base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

Pennsylvania American Water Company  
 Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
 Docket No. A-2022-3037047

### Butler Area Sewer Authority Wastewater Customers

**Wastewater**

Rate Class	Average Usage	Average Monthly Bill at Butler Area Sewer Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,212 gal/month	\$45.50	\$90.41	\$44.91 or 98.7%
Commercial	22,561 gal/month	\$273.00	\$542.45	\$269.45 or 98.7%
Industrial	528,207 gal/month	\$6,006.00	\$11,933.92	\$5,927.92 or 98.7%

### PAWC Current Customers

**Wastewater**

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$106.65	\$114.44	\$7.79 or 7.3%
Commercial	22,561 gal/month	\$509.46	\$546.65	\$37.19 or 7.3%
Industrial	528,207 gal/month	\$11,143.19	\$11,956.64	\$813.45 or 7.3%

**Water**

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 2022 Rates	Average Monthly Bill at PAWC Zone 1 2022 Rate Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3,212 gal/month	\$69.24	\$69.79	\$0.55 or 0.8%
Commercial	22,561 gal/month	\$371.82	\$374.79	\$2.97 or 0.8%
Industrial	528,207 gal/month	\$5,985.08	\$6,032.96	\$47.88 or 0.8%

Pennsylvania American Water Company  
 Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
 Docket No. A-2022-3037047

Butler Area Sewer Authority Wastewater

Residential		
	Flat Rate	\$45.50
32.12	0.0000	0.00
		\$45.50

Rate Impact 98.7%  
 \$44.91  
 Total \$90.41

PAWC - Wastewater

Zone 1 - Residential		
	Service Charge	\$14.30
32.12	2.8750	92.35
		\$106.65

Rate Impact 7.3%  
 \$7.79  
 Total \$114.44

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	\$17.50
32.12	1.6108	51.74
		\$69.24

Rate Impact 0.8%  
 \$0.55  
 Total \$69.79

Commercial		
	Rate per EDU	\$45.50
225.61	0.0000	273.00
		\$273.00
1 EDU = 4,000 gallons		

Rate Impact 98.7%  
 \$269.45  
 Total \$542.45

Zone 1 - Commercial		
	Service Charge	\$35.00
225.61	2.1030	474.46
		\$509.46

Rate Impact 7.3%  
 \$37.19  
 Total \$546.65

Zone 1 - Commercial		
1"	Service Charge	\$46.60
160.00	1.5613	249.81
65.61	1.1493	75.41
225.61		
		\$371.82

Rate Impact 0.8%  
 \$2.97  
 Total \$374.79

Industrial		
	Rate per EDU	\$45.50
5,282.07	0.0000	6,006.00
		\$6,006.00
1 EDU = 4,000 gallons		

Rate Impact 98.7%  
 \$5,927.92  
 Total \$11,933.92

Zone 1 - Industrial		
	Service Charge	\$35.00
5,282.07	2.1030	11,108.19
		11,143.19

Rate Impact 7.3%  
 \$813.45  
 Total \$11,956.64

Zone 1 - Industrial		
2"	Service Charge	\$224.00
160.00	1.4200	227.20
5,122.07	1.0804	5,533.88
5,282.07		
		5,985.08

Rate Impact 0.8%  
 \$47.88  
 Total \$6,032.96

**Pennsylvania American Water Company  
Acquisition of Wastewater Assets of the Butler Area Sewer Authority  
Docket No. A-2022-3037047**

**Estimated Rate Increase**

Revenue Requirement Increase (Attachment page 2)	\$ 18,697,000
Act 11 Percentage (R-2022-3031672 Summary Proof of Revenues)	33%
Amount of increase allocated to water through Act 11	<u>6,170,010</u>
Amount of increase allocated to wastewater customers	\$ 12,526,990

<b>Increase applied to Butler Area Sewer Authority Wastewater Customers</b>	
Revenue Requirement Increase - After Act 11	\$ 12,526,990
Current Butler Area Sewer Authority Wastewater revenues	12,698,000
<b>Estimated Increase to wastewater customers</b>	<b>98.7%</b>

<b>Amount of increase allocated to wastewater customers and applied to the combined revenues of all PAWC wastewater customers and acquired customers:</b>	
Revenue Requirement Increase	\$ 12,526,990
Current Butler Area Sewer Authority Wastewater revenues	12,698,000
PAWC Wastewater Revenues (R-2022-3031673 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	<u>159,681,891</u>
	172,379,891
<b>Estimated Increase to wastewater customers</b>	<b>7.3%</b>

<b>Amount of increase allocated to water customers:</b>	
Revenue Requirement Increase	\$ 6,170,010
PAWC Water Revenues (R-2022-3031672 Proof of Revenues excl. Other Operating Revenues & Contract Sales)	781,722,135
<b>Estimated Increase to Water Customers</b>	<b>0.8%</b>

<b>Pennsylvania American Water Company R-2022-3031672 Summary Proof of Revenues Act 11 Allocation</b>									
	Water Operations	Wastewater SSS General Operations	Royersford Wastewater Operations	Pottsgrove Wastewater Operations	York Wastewater Operations	CSS Wastewater Operations	Total Wastewater		Total Company
Additional Annual Operating Revenue Before Act 11	\$ 56,408,658	\$ 21,348,733	\$ 1,946,621	\$ 1,347,477	\$ 19,505,813	\$ 37,442,700	\$ 81,591,344		\$ 138,000,002
Act 11 Allocation - WW COS Recovered from Water	26,961,881	(3,598,461)	(1,328,921)	(496,449)	(\$12,512,409)	(9,025,641)	(26,961,881)	33%	\$ -
Additional Annual Operating Revenue	83,370,539	17,750,272	617,700	851,028	6,993,404	28,417,059	54,629,463	67%	138,000,002

**Pennsylvania American Water Company**  
**Acquisition of Wastewater Assets of the Butler Area Sewer Authority**  
**Docket No. A-2022-3037047**

**OCA-III-01\_Attachment 2**

**Revenue Requirement Increase**

Rate Base	\$ 231,500,000	Appendix A-11
2024 Projected Capital Investment	\$ 8,590,000	APA Schedule 7.11
Rate of Return %	7.10%	See Calculations
Rate of Return	<u>17,046,000</u>	
O&M	4,384,000	Appendix K
Taxes Other	735,000	Appendix K
Depreciation on purchase price	4,527,000	Appendix K
Depreciation on post-acquisition capital investment	193,000	[1]
Taxes	4,510,000	See Calculations
Revenue Requirement	<span style="border: 1px solid black; padding: 2px;">31,395,000</span>	
Butler Area Sewer Authority Wastewater Year-1 Revenues	12,698,000	Appendix K
Revenue Requirement Increase	18,697,000	

Summary

<b>Revenue Requirement</b>	
Rate Base	\$ 231,500,000
Pretax ROR %	9.05%
Pretax ROR	20,951,000
Plus: O&M Expense	4,384,000
Taxes Other	735,000
Depreciation	4,527,000
Total Revenue Requirement	30,597,000

<b>Income Tax Calculation</b>	
Revenues	\$ 30,597,000
Less: O&M Expense	4,384,000
Taxes Other	735,000
Depreciation	4,527,000
Interest	4,676,000
SIT Taxable Income	16,275,000
State Income Tax Rate	8.49%
State Income Tax	1,382,000
FIT Taxable Income	14,893,000
Federal Income Tax Rate	21.00%
Federal Income Tax	3,128,000
Total Income Taxes	4,510,000

<b>Interest</b>	
Rate Base	\$ 231,500,000
Weighted Cost of Debt (1.87% + 0.15%)	2.02%
	\$ 4,676,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	42.26%	4.43%	1.87%		1.87%
Wastewater Financing	5.65%	2.57%	0.15%		0.15%
Preferred Stock	0.01%	9.70%	0.00%	1.38326	0.00%
Common Equity	52.08%	9.75%	5.08%	1.38326	7.03%
			7.10%		9.05%

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.75% M-2022-3035196

Capital Structure based on PAWC's last wastewater base rate case R-2022-3031673 PAWC Statement No. 13-R, Exhibit AEB-13-R, Schedule 13.

State Income Tax Rate of 8.49% in effect 1/1/2024

**Revenue Multiplier**

Statutory State Tax Rate	0.0849
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9151
Fed Rate Times (1-State Tax Rate)	0.192171
Effective Tax Rate	0.277071
1-Eff Tax Rate	0.722929
Reciprocal	1.38326

Seller's Wastewater Customer Notice - Proposed impact Calculated

Determine:

Full Cost of Service (COS)
Seller's Current Rates vs. Full Cost of Service Rates
Increase % calculated based on :
<u>100% of COS acquisition revenue deficiency after ACT 11 allocation to water</u>
Year One Revenues of Acquired System

Note: For purposes of calculating rate impact for wastewater customer notices, the term "Buyer's applicable wastewater revenue" means \$26,935,197, which is the revenue approved in the settlement of PAWC's most recent (2017) wastewater base rate case. This amount specifically excludes revenues from the Scranton system and any systems acquired under Section 1329 that were not reflected in the 2017 base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

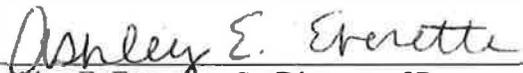
Note: No notice requirement for customers in wastewater systems already acquired under Section 1329 that were not reflected in the most recent (2017) wastewater base rate case. This issue will be revisited by the parties after the conclusion of the next base rate case or as part of a settlement between PAWC and the OCA in that proceeding.

**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.

July 21, 2023

\_\_\_\_\_  
Date

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