

SUPERIOR WATER COMPANY, INC.
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN PORTIONS OF
DOUGLASS, NEW HANOVER, LOWER POTTS GROVE,
UPPER FREDERICK, UPPER POTTS GROVE, AND WORCESTER TOWNSHIPS,
MONTGOMERY COUNTY

NORTH COVENTRY TOWNSHIP, CHESTER COUNTY

WASHINGTON TOWNSHIP, BERKS COUNTY

ISSUED: November 18, 2016

EFFECTIVE: December 1, 2016

By:
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President, Aqua Pennsylvania, Inc.
Superior Water Company, Inc.
762 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010

NOTICE

**THIS TARIFF DECREASES THE DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
SEE PAGE NO. 40**

LIST OF CHANGES MADE BY THIS TARIFF

Supplement No. 3 to Tariff Water – Pa. P.U.C. No. 5 updates the Distribution System Improvement Charge to 1.98% effective on December 1, 2016.

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PART I: DEFINITIONS

Unless the context clearly indicates otherwise, the following words and phrases shall have the meanings assigned below whenever they are used throughout this tariff:

1. **Applicant**: A person who applies to become a customer of the Company in accordance with Part II, Section A and H of this tariff. For residential customers, this definition also includes any natural adult occupant of a premise to be served whose name appears on the mortgage, deed, or lease of the property for which the residential service is sought.
2. **Company**: Superior Water Company, Inc.
3. **Company service line**: The connection from the distribution facilities or pipeline extensions of the Company which connects any main with the inlet connection of the customer service line at the hypothetical or actual curb line or the actual property line, including the control valve and valve box. The control valve and box determine the terminal point for the Company's responsibility for the street service connection.
4. **Construction costs**: All direct and indirect costs attributable to the engineering, material and installation of a subject main extension, the service line and appurtenances, and/or removal of existing Company facilities (including the net book value of property replaced or retired) incurred by the Company. Construction costs also include (a) the costs of obtaining a certificate of public convenience, if the Company must extend its existing service territory to accommodate the request for service, as well as any other permitting costs; and (b) any costs associated with the analysis or review of domestic or commercial sprinkler certifications.
5. **Cross-connection**: A cross-connection is any pipe, valve, other physical connection, or other arrangement or device connecting the pipelines or facilities of the Company, to and with pipes and fixtures by which any contamination might be admitted or drawn into the distribution system of the Company from lines other than the Company's lines.

6. Customer: a person who is an owner or occupant and who (a) contracts with the Company for water service, or (b) takes or receives water service without a contract. For residential service, a customer is any natural person in whose name a residential account is listed in his Application for service and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed, or lease of the property for which the residential utility service is requested.
7. Customer service line: the service line extending from the end of the company service line or connection to the point of consumption, or the customer's premise.
8. DEP: The Department of Environmental Protection.
9. Developer: Any person(s) requesting an extension to provide service to an existing lot or group of lots, either existing or to be subdivided, where service is to be provided to something other than a preexisting residential structure; namely, to newly-constructed structures, structures to be constructed in the future, or a preexisting non-residential structure.
10. Formal Complaint: A complaint filed before the Pennsylvania Public Utility Commission requesting a legal proceeding before a Pennsylvania Public Utility Commission Administrative Law Judge or a mediation under the management of a Pennsylvania Public Utility Commission Administrative Law Judge.
11. Household Income: The combined gross income of all adults in a residential household who benefit from the public utility service.
12. Informal Complaint: A complaint filed with the Pennsylvania Public Utility Commission by a customer that does not involve a legal proceeding before a Pennsylvania Public Utility Commission Administrative Law Judge or mediation under the management of a Pennsylvania Public Utility Commission Administrative Law Judge.

13. Meter: any device used by the Company for the purpose of measuring water consumption.
14. Meter Box/Vault: A structure which is owned and maintained by the Customer, having been installed for the Customer, in accordance with Company specifications, for the purpose of housing the meter outside of the Customer's building, at an underground location.
15. Nonresidential service: Water service supplied to a commercial or industrial facility, including a hotel or motel, or to a master-metered mobile home or multi-tenant apartment building, or to any customer who purchases water from the Company for the purpose of resale.
16. Payment Agreement: An agreement whereby a customer who admits liability for billed service is permitted to amortize or pay the unpaid balance of the account in one or more payments.
17. Person: any natural or fictitious person, including, but no limited to, associations, partnerships, corporations, municipalities, authorities, counties, and the state and federal governments.
18. Private fire protection service: water service provided exclusively for the purpose of fire protection that is available to particular customers only and not to all customers or the general public, and that is provided through automated sprinkler systems, fire hydrants, or similar mechanisms.
19. Private hydrant: A fire hydrant furnished, installed, and owned by the Company that has been requested by an Applicant and approved by the municipality, but where the municipality has refused to accept the applicable public hydrant rate as set forth in the Company's rate schedule or for which a non-municipal Customer has agreed to pay private fire protection service rates to the Company.

20. Property: a residence, commercial establishment, or other facility, or lot or other parcel of land to which water is provided or for which the Company has installed a company service line.
21. Public fire protection service: Water service provided exclusively to a political subdivision(s) for the purpose of community fire protection.
22. Public hydrant: A fire hydrant furnished, installed, owned and maintained by the Company that has been requested by the municipality, or requested by an Applicant and approved by the municipality, where the municipality has accepted responsibility for payment of the applicable public hydrant rate as set forth in the Company's rate schedule.
23. Public notification: Notification of a defined outage or other event made pursuant to the rules or regulations of the Commission or the Pennsylvania Department of Environmental Protection.
24. Residential service: Utility service supplied to a dwelling, including service provided to a commercial establishment if concurrent service is provided to a residential dwelling attached thereto. Neither utility service provided to a hotel or motel, nor service to a property leased for a period of six (6) months or less will be considered for residential service.
25. Special devices: Devices that are owned and maintained by the Customer on the Customer's plumbing system at the requirement of the Company. Special Devices include, but are not limited to, the following:
- Backflow preventer -- a device designed to prevent a potential backflow of contaminants from the Customer's activities or property into the Company's distribution system.
 - Check valve -- a device designed to stop the flow of water only in one direction.
 - Control valve -- a device designed to stop the flow of water when the valve is closed.
 - Pressure reducing valve -- a device designed to reduce the water pressure within the Customer's building below that which exists on the Company's distribution system.
 - Pressure relief valve -- a device designed to relieve pressure on the internal plumbing system of the Customer's property.

26. Special purpose dual meter service: service where residential customer service line splits into two with two similar size meters for combined domestic and fire sprinkler protection service.
27. Tariff: the tariff issued by the Company, and any supplements or revisions subsequently issued by the Company and approved by the Pennsylvania Public Utility Commission.

PART II: RULES AND REGULATIONS**Section A – Applications for Service**

1. General Rule: All applications for service must be in the form provided by the Company and signed by the owner or owners of the property to which water service can or will be provided; except that, where a lessee of property occupies or uses the property under a lease having a fixed term of more than six (6) months, a lessee may make an application for service in his, her, or its name. The Company may also, at its sole discretion, require that a separate contract for service be signed by the applicant.

Application may request both a telephone number(s) and an e-mail address from the Applicant for purposes of public notification in accordance with the Commission's or DEP's regulations. At any time after the Applicant completes or should have completed the Application, that Applicant/Customer has a duty to keep all information on the Application current and the Company has no responsibility to do so.

The Company may require a separate application for private or public sprinkler system.

2. Change in ownership or tenancy: A new application must be made to the Company upon any change in ownership where the owner of the property is the customer, or upon any change in the identity of a lessee where a lessee of the property is the customer. The Company shall have the right to discontinue water service, upon three (3) days' notice, if a new application has not been made and approved for the new customer.
3. Acceptance of application: An application for service shall be considered accepted by the Company only upon oral or written approval by the Company. The Company may provide service to the applicant pending review and acceptance of the application.
4. Application Forms: Application forms can be obtained at the Company's office, presently at 762 W. Lancaster Avenue Bryn Mawr, PA 19010.

5. Water used for construction purposes: A builder or developer shall apply for water required for construction purposes. Once construction water service is provided, construction water rates shall apply until such time as a meter is set in the premise.
6. Temporary service: In the case of temporary service for short-term use, a public utility may require the customer to pay all costs of making the service connection and removing the material after the service has been discontinued, or to pay a fixed amount in advance to cover such expenses. However, if the material is removed, the customer shall be credited with the reasonable salvage which the public utility will receive on discontinuance of service.

Section B – Construction and Maintenance of Facilities

1. Customer service line; meter box/vault: The Company reserves the right to determine the size, kind, and depth of customer service lines. The customer service line shall be furnished, installed, maintained, and/or replaced, when necessary, by and at the customer's sole expense. Likewise, the Customer who has a meter box/vault is responsible for installing, maintaining and replacing, when necessary, the meter box/vault and lid at the Customer's sole expense.
2. Separate trench: The customer service line shall not be laid in the same trench with drain or sewer pipe, the facilities of any other public utility or of any municipality or municipal authority that provides a public utility service, or within three (3) feet of any open excavation or walk, unless a written exception is granted by the Company.
3. Customer's responsibilities: All service lines, connections, fixtures and domestic fire protection systems furnished by the customer shall be maintained by the customer in good working order. The customer shall provide suitable space for all valves, meters and appliances furnished by the Company required to be on the customer's premise at the customer's sole expense; the customer shall protect the Company' property in the customer's premise. All leaks in the customer service line or any pipe or fixture, in or upon the property supplied, must be repaired immediately by the customer.

4. **Right to Reject:** The Company may refuse to connect with any piping system or furnish water through a service already connected if such system/service is not properly installed or maintained. The Company may also refuse to connect if lead-based materials, as defined in the Safe Drinking Water Act, have been used in any plumbing beyond the Company’s curb control valve. It shall be the customer’s responsibility to provide the Company with any such certification which may be required to verify the absence or removal of such materials.

5. **Water Use Standards for Certain Plumbing Fixtures:** By Commission action, this rule recommends maximum water use or certain plumbing fixtures installed in all new construction or renovation. Such standards have been implemented to achieve maximum efficiency of water use which the Commission has determined is technologically feasible and economically justified.

Plumbing Fixture	Maximum Water Usage
Showerhead	3.0 gallons/minute
Lavatory faucet	3.0 gallons/minute
Kitchen faucets	3.0 gallons/minute
Water closets	1.6 gallons/minute
Urinals	1.5 gallons/minute

Reevaluation of Water Use Standards: Upon the order or recommendation of the Commission, the Delaware River Basin Commission, or other state instrumentality with requisite authority, Superior may, at any appropriate time, amend any of the water use standards listed above. Amendments will apply only to new construction and renovation.

Exemptions: Superior may exempt particular customers, or classes of customers, when it is determined that the water use standards for plumbing fixtures listed above are unreasonable, inappropriate, or cannot be accommodated by existing technology.

6. **Valves Required:** A control valve shall be placed by the Customer on the service line on the inlet and outlet sides of the meter. When required, a suitable check valve should be placed by the Customer

between the meter and the control valve on the outlet side of the meter. When a check valve, a backflow preventer or pressure reducing valve is installed, the Customer shall install a pressure relief valve or thermal expansion tank (to be sized and designed by the Customer or his agent) at some convenient point on the house piping to relieve pressure fluctuations and/or excess pressure due to heating water. In accordance with the specifications of the Company, the Customer shall install a pressure reducing valve, to be set at a pressure not to exceed the applicable limits, as follows: (1) on the domestic service line when the pressure on the Company's distribution system exceeds 100 pounds per square inch (psi); (2) on the residential fire service line when the pressure exceeds 100 psi; (3) on the commercial fire service line when the pressure exceeds 150 psi; or (4) when required in the Company's discretion where it is believed that the pressure may exceed either limit. The Customer or his authorized agent shall check with the Company to determine whether a pressure reducing valve is required prior to finalizing the design of the internal plumbing system. In all cases, the pressure reducing valve must be installed at a location after the inlet control valve and before the meter, but in the case of the domestic service line an additional control valve must be installed between the pressure reducing valve and the meter.

7. Cross-connections: No cross-connection shall be installed or continued. A cross-connection may be considered to be eliminated if the method of backflow prevention is approved by the Company in writing.

Section C – Discontinuance, Termination, and Restoration of Service

1. Discontinuance by customer: A customer who wishes to have service discontinued shall give at least three (3) days' notice to the Company, specifying the date on which service is to be discontinued. In the absence of proper notice, the customer shall be responsible for all service rendered until the time that the Company shall have notice of the customer's intent to discontinue service. The customer shall not turn water on or off at any curb stop, or disconnect or remove the meter or permit its disconnection or removal without the prior written consent of the Company. A customer discontinuing service retains his status as a former customer for purposes of paying restoration fees pursuant to Rule 3 of this Section for a period of nine (9) months.

2. Termination by Company:
 - (a) Grounds for Termination: Service to the customer may be terminated for good cause, including, but not limited to, the following:
 - (i) for making an application for service that contains material misrepresentations;
 - (ii) for willful or negligent waste of water through improper or imperfect pipes or fixtures, or for willful or negligent failure to repair leaks in pipes or fixtures;
 - (iii) for tampering with any service line, curb stop, meter, or meter setting, or installing or maintaining cross-connections;
 - (iv) for theft of service, which shall include taking service without having made a proper application for service under Part II, Section A;
 - (v) for failure to pay, when due, any charges accruing under this tariff, including payments to be received pursuant to a payment arrangement;
 - (vi) for refusal of reasonable access to the property for purposes of installing, inspecting, reading, maintaining, or removing meters;
 - (vii) for receipt by the Company of an order or notice from the Pennsylvania Department of Environmental Resources, health authorities, plumbing inspectors, or another similar agency to discontinue service to premises on the grounds of violation of any federal, state or local law, or local ordinance, or upon notice to the Company from any such agency that it has ordered an existing violation on the premises to be discontinued and that such order has not been complied with;

- (viii) for violation of any of the provisions of this tariff not specified above.
 - (ix) for failure to comply with the material terms of a payment agreement; or
 - (x) for failure to complete payment of a deposit, provide a guarantee of payment or establish credit.
 - (xi) for failure to pay a sewer bill of any municipal entity or municipal authority with which the Company has an agreement, pursuant to the Water Services Act.
- (b) Notice: Notice of termination shall be given in such manner as may be specified in the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 101 et seq. or any other controlling statute.
- (c) Timing:
- (i) Superior may terminate service without notice for violations of Section C.2.(a)(i), (iii), and (iv).
 - (ii) With proper notice, Superior may terminate water service from Monday through Friday.

3. Restoration of service:

- (a) Conditions of Restoration: Whenever service is discontinued or terminated pursuant to Sections C.1. or C.2. of this Part, respectively, service shall be restored only upon the payment by the customer of a restoration charge of \$45.00 and the curing of the problem that gave rise to the termination if under Section C.2. In the event the Company terminated service due to non-payment, payments to restore residential service will be controlled by the provisions of Chapter 14 of the Pennsylvania Public Utility Code and any regulations promulgated thereunder.

- (b) Timing: When service to a dwelling has been terminated and, provided the applicant has met all applicable conditions, the public utility shall reconnect service as follows:
- (i) Within 24 hours for erroneous terminations or upon receipt by the public utility of a valid medical certification.
 - (ii) Within 24 hours for terminations occurring after November 30 and before April 1.
 - (iii) After November 30 and before April 1, within three days for erroneous terminations requiring street or sidewalk digging.
 - (iv) Within three days from April 1 to November 30 for proper terminations.
 - (v) From April 1 to November 30, within seven days for proper terminations requiring street or sidewalk digging.

Section D – Meters

1. **Generally:** All service provided by the Company shall be metered, except for public and private fire protection.

2. **Location of meters:** The meter will be set within the structure to be served, at a location approved by the Company, after the Customer has had the plumbing arranged (including the installation of special devices if required by the Company) to receive the meter at a convenient point inspected and approved by the Company so as to control the entire supply of water to the property. In cases where it is not practical to place the meter within a building or where other good reason exists, a concrete vault, with a suitable iron cover, or other approved meter box, shall be located inside the property line by the Customer. The size and dimensions of the vault or box shall be approved by the Company, give adequate access to the meter, and permit its installation or removal. When a concrete vault is used, a 10 foot wide (min.) paved surface from the road to the vault, including curb depression, must be provided and maintained for vehicle access. A meter vault will also be required in all cases determined by the Company, including where:
 - (a) the Customer's service line crosses a stream, swale, retention basin or similar structure;
 - (b) the Customer's service line is over 100 feet in length;
 - (c) the Customer's service line is not or cannot be installed at a right angle to the curb within the building limits of the structure to be served, or is not or cannot be installed within a specified area along the side wall (that is, a wall adjacent to a front wall) of the building to be served up to the point-of-entry of the service line into the side of the building, said area being specified as an area no closer than 5 feet and no further than 10 feet from the sidewalk; unless otherwise approved by the Company;
 - (d) the Customer's structure does not contain a basement or is not a permanently fixed structure, unless otherwise approved by the Company; or
 - (e) there is no suitable location to protect the meter from freezing or other damage, or to provide access for reading.

3. Access for automated meter reading devices: The customer shall permit Superior access and space for the purpose of installing and utilizing an automated meter reading device upon reasonable notice to the customer. The customer must provide the Company with the telephone number of the line to which the equipment will be connected and immediately advise the Company of any changes in the telephone number.
4. Damages to meters: Meters shall be maintained by the Company so far as ordinary wear and tear are concerned, but damage to meters caused by freezing, hot water or other negligent or willful acts of the customer shall be paid by the customer, including the actual cost of removing, replacing, repairing or testing damaged meters.
5. Notification to Company of non-working or damaged meter: The customer shall notify the Company of a non-working or damaged meter as soon as the customer has actual or constructive notice of either such condition.
6. Fees for Meter Tests: The schedule of fees for testing meters is as follows:
 - (a) For each water meter having an outlet not exceeding one inch - \$5.00
 - (b) For each water meter having an outlet not exceeding two inches - \$10.00
 - (c) These amounts may vary without revision of this tariff to be consistent with 52 Pa. Code §65.8(h).

Section E - Billing and Collections

1. **Frequency**: The Company will bill each customer within fifteen (15) days of the last day of each billing period.
2. **Billing Due Date**: The due date for payment of a bill for other than residential service shall be no less than fifteen (15) days from the date of transmittal. The due date for payment of a bill for residential service shall be no less than twenty (20) days from the date of transmittal. If the last day for payment should fall on a Saturday, Sunday or bank holiday when the offices of the utility are not open to the general public, the due date shall be extended to the next business day. For remittance of a bill for residential service by mail, the payment shall be deemed to have been made on the date of the postmark, or the company may grant a five (5) day grace period for receipt after the due date.
3. **Late payment charge**: All amounts not paid when due shall accrue interest at the rate of 1.25% per month, not to exceed 15% simple interest per year.
4. **Change in billing address**: Where the customer changes his, her, or its billing address and fails to notify the Company, the customer shall remain liable to remit payment by the payment date.
5. **Estimated bills, billing history**: Bills based on estimated water use may be made when necessary, but shall be subject to review upon the Customer's request and submission by the Customer of information as to unusual water use. In all other cases, billing shall be made as soon as practicable after the reading of respective meters. A Customer may obtain from the Company, at no charge to the Customer, the billing history for up to five (5) accounts per year in the name of the Customer, provided that the Customer submits a written request for such information directly to the Company. Additional requests will be processed subject to the Company's right to charge the Customer its incremental costs of providing such billing histories.

6. Separate Checks: Payment made by check to the Company shall not include any payments to other affiliated corporations. Failure to provide a separate check will result in the return of the check to the customer as if no payment had been made.
7. Returned Check Charges: The customer will be responsible for the payment of a charge of \$40.00 per incident where a check which has been presented to the water company for payment of any bill is returned by the bank for any reason including but not limited to nonsufficient funds, account closed, payment stopped, two signatures required, post-dated, stale date, account garnished or unauthorized signature. This charge is in addition to any and all charges assessed by the bank.
8. Disputed Bills: In the event of a dispute between the customer and the Company respecting any bill, the Company promptly will make such investigation as may be required by the particular case and report the result to the customer. When the Company has made such a report to the customer sustaining the bill as rendered, the customer shall have fifteen (15) days from the date of such report in which to pay the bill. If the Company determines that the bill originally rendered is incorrect, the Company will issue a corrected bill with a new due date for payment. Any amounts received by the Company in excess of the amount disclosed to be due by the Company's investigation of the dispute shall be returned to the customer.

Section F - Deposits

1. In accordance with Chapter 56 of Title 52 of the Pennsylvania Code, the Company may require an existing ratepayer to post a deposit to reestablish credit under the following circumstances:
 - (a) Delinquent accounts: whenever a ratepayer has been delinquent in payment of two or more bills within the preceding twelve months;
 - (b) As a condition to the reconnection of service following a termination; or
 - (c) Whenever a customer fails to comply with a material term or condition of settlement or payment agreement, whether or not service has been terminated.
2. The Company may require any applicant for temporary service to post a deposit.

Section G – Water Main Extensions**1. Definitions**

For purposes of Section G, the following definitions (in addition to those in Part I) apply:

Annual Line Extension Cost: The sum of a Company's additional annual operating and maintenance costs, debt costs and depreciation charges associated with the construction, operation, and maintenance of the line extension.

Annual Revenue: The Company's expected additional annual revenue from the line extension based on the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the bona fide service applicant.

Bona Fide Service Applicant: A person or entity applying for General Metered Service to an existing or proposed structure or facility within the Company's certificated service territory, and which is either: (1) the primary residence of the Applicant; (2) a place of business; or (3) a public school, building, library, park or playground which is owned by a governmental unit or school district which has the power of taxation. An Applicant shall not be deemed a Bona Fide Service Applicant if: (1) such Applicant is requesting water service to a building lot, subdivision or a secondary residence; (2) the request for water service is part of a plan for the development of a residential dwelling or subdivision; (3) the request is for service other than the main water supply for the primary residence, such as service for external landscaping or agricultural purposes only; or (4) the Applicant is requesting Special Utility Service. To become an Applicant, a person or entity must file a signed application to connect the qualifying structure or facility with the Company's distribution system and request water service to begin immediately following such connection.

Company Contribution: That portion of the main extension costs which generate annual line extension costs equal to annual revenue from the line extension and that the Company will fund based upon the following formula, where X equals the Company Contribution attributed to each Bona Fide Applicant:

$$X = \frac{AR - O\&M}{(P * I) + D}$$

Whereby:

AR = the expected annual revenue from the Bona Fide Service Applicant based upon the Company's currently effective tariff rates and on the average annual usage of customers similar in nature and size to the Bona Fide Service Applicant.

O&M = the average annual operating and maintenance expenses associated with serving an additional customer, including customer accounting, billing and collection, water purchased, power purchased, chemicals, and other variable costs based on the current total company level of such costs, as well as any costs particular to the specific needs of the Bona Fide Service Applicant.

I = the Company's current debt ratio multiplied by its weighted cost of long-term debt; and

D = the Company's depreciation accrual rate for Account No. 322 (Mains and Accessories).

Customer Advance: shall mean (1) the Estimated Cost of the water main extension less (2) the Company Contribution.

Line extensions to bona fide service applicants shall be funded without customer advance where the annual revenue from the line extension will equal or exceed the utility's annual line extension costs.

If the annual revenue from the line extension will not equal or exceed the utility's annual line extension costs, a bona fide service applicant may be required to provide a customer advance to the utility's cost of construction for the line extension.

Where a customer advance is required, and the applicant is unable to advance the entire amount due, the company, at its option, must either (1) allow the applicant to pay the advance ratably over a period of not less than three years or (2) assist the applicant in obtaining the necessary financing from an appropriate lending institution so that the applicant can deposit the entire amount due. If the Company chooses option (1), it may require that up to one-third of the total advance be deposited prior to extending its facilities and may recover from the applicant, over the payment term selected, its costs of financing the construction by applying to the amount outstanding interest charges calculated at the then-prevailing residential mortgage lending rate specified by the Secretary of Banking in accordance with the act of January 30, 1974 (P.L. 13, No. 6), known as the Loan Interest and Protection Law.

Debt Costs: The Company's additional annual cost of debt associated with financing the line extension investment based on the current debt ratio and weighted long-term debt cost rate for that utility or that of a comparable jurisdictional water utility.

Depreciation Charges: The utility’s additional annual depreciation charges associated with the specific line extension investment to be made based on the current depreciation accrual rates for that Company or that of a comparable jurisdictional water Company.

Line Extension: An addition to the Company’s main line which is necessary to serve the premises of a customer.

Operating and Maintenance costs: The utility’s average annual operating and maintenance costs associated with service an additional customer, including customer accounting, billing, collections, purchased water, power, chemicals, and other variable costs based on the current total Company level of such costs, as well as costs particular to the specific needs of that customer, such as line flushing.

Public Utility: Persons or corporations owning or operating equipment or facilities in this Commonwealth for diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.

Short-term Supply Shortage: An emergency which causes the total water supply of a Company to be inadequate to meet maximum system demand.

Special Utility Service: Residential or business service which exceeds that required for ordinary residential purposes. By way of illustration and not limitation, Special Utility Service shall include: the installation of facilities such as oversized mains, booster pumps and storage tanks as necessary to provide adequate flows or to meet specific pressure criteria, or service to large water consuming commercial and industrial facilities. An otherwise Bona Fide applicant requesting service which includes a “special utility service” component is entitled to a Bona Fide applicant status, including the corresponding Company contribution toward the costs of the line extension which do not meet the special utility service criteria.

2. **Main Extensions to Existing Residential Structures**

Where an adequate water distribution main does not abut a prospective Customer's property such that a service connection cannot be made to serve such property in accordance with these Rules and Regulations, the prospective Customer (or an authorized agent for the prospective Customer) must apply to the Company for a main extension.

Any required or requested main extension to serve a prospective Customer at a preexisting structure will be paid for by the Depositor in accordance with the provisions of the subsections below:

- (a) When an extension to serve a prospective Customer is required or requested, such extension will be made under the terms of an "Extension Deposit Agreement". The Company shall have the exclusive right to determine the type, the material, the size, the routing and the location of mains to be installed and the other facilities required to render adequate service. No main(s) smaller than 6" in diameter shall be installed.
- (b) If the annual revenue from the line extension will not equal or exceed the Company's annual line extension costs, a bona fide service applicant may be required to provide a customer advance to fund the utility's cost of construction for the line extension. The utility's investment for the line extension shall be the portion of the total construction costs which generate annual line extension costs equal to annual revenue from the line extension. The customer advance amount shall be determined by subtracting the utility's investment for the line extension from the total construction costs.
- (c) The Company reserves the right to require the Depositor to pay for the extension of the main beyond the last building in a street in order to connect to an existing main which would provide more adequate and reliable service.
- (d) The prospective Customer must have complied with all other conditions of service provided elsewhere in these Rules and Regulations in order to receive water service from the main extension.

Any required or requested main extension to serve a lot or lots that do not contain an existing residential structure shall be installed by the Builder in accordance with the provisions of Section G.6.

3. **Main Extensions for Bona Fide Service Applicants**

Where an adequate water distribution main does not abut a Bona Fide Service Applicant's property such that a service connection cannot be made to serve such property in accordance with these Rules and Regulations, the Bona Fide Service Applicant (or an authorized agent for the Bona Fide Service Applicant) must apply to the Company for a main extension. Such extension will be made under and pursuant to the terms of an Extension Deposit Agreement for the Bona Fide Service Applicant and subject to the applicable provisions of these Rules and Regulations. The construction of facilities to serve such Bona Fide Service Applicant will not commence until an Extension Deposit Agreement for Bona Fide Service Applicant has been executed and all applicable terms and conditions therein have been satisfied by the Applicant.

In conjunction with executing an Extension Deposit Agreement, a Bona Fide Service Applicant shall deposit with the Company an amount totaling \$1,000, representing a Service Line Deposit. Such amount shall be refunded to the Applicant within 90 days after the Applicant's requesting and receiving water service from the Company, provided, however, that if the Applicant does not request connection to the Company's main extension within six months of the completion of the main extension, the Service Line Deposit shall become non-refundable.

Where a proposed main extension is capable of serving multiple structures or facilities and at least 80% of the potential customers who could receive service from the main extension become Bona Fide service Applicants and satisfy all applicable terms and conditions of the foregoing provisions, the Customer Advance, if any, required of each Bona Fide Service Applicant shall be calculated as if 100% of such potential customers had become Bona Fide Service Applicants.

For a period of ten (10) years following completion of the main extension, the Company shall refund to each Bona Fide Service Applicant his/her pro rata share of an amount equal to the Company Contribution for each additional customer who attaches a service line to the main extension and requests service. No refunds shall be made, however, in those situations where at least 80%, but less than 100%, of the potential customers who could receive service from the main extension become Bona Fide Service Applicants and their Customer Advances are calculated as if 100% of such potential customers had participated in the initial funding of the project. In addition, the total amount refunded shall not exceed the amount of the Customer Advance paid by the Bona Fide Service Applicant.

The Company shall have the exclusive right to determine the type, the material, the size, the routing and the location of mains to be installed and the other facilities required to render adequate service. No main(s) smaller than 6" in diameter shall be installed.

The terminal point of the required extension shall be a point in the curb line equidistant from the side building lines of the last building or dwelling to be served. As a further condition of extending the existing distribution mains, the Company shall be provided with, at no cost to the Company, any rights of way, temporary construction easements or permanent construction easements necessary to complete the extension of the distribution mains, Company service line(s), appurtenances and other facilities, or to provide future access for repair, maintenance, replacement, or for other related reasons.

The Bona Fide Service Applicant must have complied with all other conditions of service provided elsewhere in these Rules and Regulations in order to receive water service from the main extension.

Any required or requested main extension to serve an Applicant other than a Bona Fide Service Applicant shall be installed in accordance with the provisions of Section G.6.

4. **Economic Development Main Extension Policy**

The Company may negotiate and enter into customized Extension Deposit Agreements for the purpose of promoting economic development or enhancing the efficiency and operation of the waterworks system. These Agreements may include special provisions that differ from the standard terms of the "Extension Deposit Agreement.

5. **Main Extensions with Governmental Bodies**

The Company may negotiate and enter into customized Extension Deposit Agreements with Governmental Agencies where the main extension is for a public purpose, and is funded entirely with public funds. These Agreements may include a waiver of the tax requirements of the "Extension Deposit Agreement," and in such event, the Company will not refund any portion of the cost of the main extension.

6. **Main Extensions with Service by Builder**

In the event any main extension is requested or required to provide service to newly constructed structure(s) to be constructed in the future on existing or subdivided lots, or to preexisting non-residential structures except as provided below, the Builder shall be required to install the water main and service lines through a pre-qualified Contractor retained by the builder and to pay all costs related thereto. At the sole discretion of the Company, the Company may undertake construction of facilities otherwise subject to this Rule, in which event, the "Extension Deposit Agreement", referred to in the provisions of subsections 2 and 3 pertaining to construction of facilities to serve existing residential structures, shall be applicable except that the builder will retain financial responsibility for the installation of service lines and appurtenances as specified herein.

Under the provisions of this Section G.6, prior to construction, the Builder must enter into an Agreement, in a form acceptable to the Company, detailing the terms and conditions under which the Company will accept, and provide service through, facilities constructed by Builder. All construction costs, whether initially incurred by the Company or the Builder, related to the main extension shall be the responsibility of the Builder. The Agreement shall contain, at a minimum, the following terms and conditions:

- (a) Main and service line installation work shall be performed in accordance with the specifications and conditions of the Company.
- (b) All costs of material and installation required to serve Builder's lots shall be the responsibility of Builder. Builder shall contract directly with a pre-qualified contractor, recognized and approved by the Company, for all main and service line installation work, and all appurtenances (including fire hydrants) required to serve the project.
- (c) Any specialty material required to interconnect with the Company's existing facilities shall be provided by the Company.
- (d) Any construction involving preexisting facilities of the Company, including but not limited to relocation of existing facilities and connections of mains or services with existing facilities, shall be performed only by the Company.
- (e) Builder's estimate of the cost of construction must be acceptable to the Company. Estimates which appear to be understated may be rejected.
- (f) Builder shall obtain all necessary permits from federal, state and local authorities. If any of these authorities require the Company to obtain such permits, the Company shall apply for the permits.
- (g) All construction shall be subject to inspection by Company personnel. No trenches shall be backfilled prior to approval from Company inspectors.

7. **Water System Connection Loan Program**

An applicant for a new single-family residential service connection under Section A or for a main extension under Section G.2 for single-family residential service, may apply for a loan from the Company to cover Eligible Costs (as defined herein). Any such loan shall be subject to the terms and conditions set forth in this Rule.

- (a) To be eligible for a loan, an applicant must (a) own a single-family residence which will take water service from the Company; (b) demonstrate an intent to be the continuing customer of the Company at the residence; and (c) enter into a financing agreement.
- (b) For purposes of this Rule, Eligible Costs include actual costs for (a) a water main extension in accordance with Section G.2; (b) the Customer Service Line; (c) a meter box or vault; (d) shut-off valves and/or back flow devices required under these Rules; (e) alterations of or additions to plumbing within the customer's residence which are necessary to permit the customer to take service from the Company; or (f) any other facilities necessary to permit the customer to take water service from the Company. The maximum principal balance of or a loan made under this Rule will be \$8,000.
- (c) Any such loan shall be subject to the following terms and conditions.
- (i.) The existence of a loan made under this Rule does not alter the responsibility of the customer for maintenance or replacement of the Customer Service Line or any other facilities as determined by the applicable provisions of the Company's Rule(s).
- (ii.) The initial principal balance of the loan shall be the amount of Eligible Costs which the customer elects to borrow from the Company. The principal balance of the loan plus interest will be repaid to the Company through a fixed surcharge added to the customer's regular monthly bill for water service. The surcharge will be reflected as a separate service type for the customer's account.
- (iii.) The customer will enter into a financing agreement with the Company which specifies, inter alia, the initial principal balance of the loan, the applicable interest rate determined in accordance with subsection (c)(v.) of this Rule, the term of the loan and the amount of the monthly surcharge. The Company in its sole discretion will determine whether a financing agreement should be established for a loan related to facilities owned and maintained by the customer under the applicable provisions of the Company's Rules. The customer will agree to repay the loan over a term selected by the customer, which is no less than three years (36 months) nor greater than 8 years (96 months).

- (iv.) Through the surcharge, the customer will make equal monthly installments over the loan term to pay the principal amount of the loan together with daily simple interest on the unpaid balance of the principal amount from time to time outstanding at the applicable rate of interest determined in accordance with subsection (c)(v.) of this Rule. The customer's payment schedule will amortize the unpaid balance over the loan term. Daily simple interest means that interest is charged each day after applying any payment the customer has made. All payments will be first applied to interest that is due and then to principal and other charges. Prepayment of the loan will be permitted without penalty.
- (v.) The interest rate will be fixed for the term of a loan, at the weighted cost of long term debt.
- (vi.) Notwithstanding the provisions of subsection (c)(v.), the interest rate shall not exceed 8% per annum. In the event that the Posted Short-Term Debt Rate as calculated pursuant to subsection (c)(v.) would, except for the provisions of this subsection (c)(vi.), exceed 8% per annum, the Company shall have the option to suspend the making of loans under this Rule.
- (vii.) A customer account which includes a loan payment surcharge will not be transferred to any tenant or non-owner occupant of the residence for which a loan is made. During the loan term, the owner of the residence will remain the customer in whose name the bill for water service will be issued. If the residence is sold, a new owner who demonstrates an intent to be the continuing customer of the Company at the residence may elect in writing on a form provided by the Company to assume responsibility for the loan payments, subject to the terms of the financing agreement. A copy of the election form will be returned to the Company prior to sale of the residence. If the new owner does not elect in writing on a form provided by the Company to assume responsibility for the loan payments or does not demonstrate an intent to be the continuing customer at the residence, the loan and accrued interest shall become immediately due and payable upon sale of the premises.

- (viii) The loan surcharge reflected on customer bills will be collected by the Company, subject to all provisions of Section E and Section B.4 regarding billing for water service, terms of payment, late-payment charges and discontinuance of water service for non-payment. A partial payment of a bill for water service shall be first applied to cover the customer's obligation under the loan and then to charges for other water service.

For accounting purposes, the Company will establish subaccounts in which loan payments shall be recorded. In one subaccount, the Company will record amounts applied to principal and interest for the portion of the loan, if any, which relates to facilities owned and maintained by the Company under the applicable Rules. In another subaccount, the Company will record amounts applied to principal and interest for the portion of the loan, if any, which relates to facilities owned and maintained by the customer under the applicable Rules. Loan payments shall be allocated between the two subaccounts based upon the relative initial cost of the facilities covered by that subaccount as compared to the total amount of the loan. For each subaccount, amounts received as loan payments will be first applied to interest that is due and then to principal and other charges.

If a loan becomes uncollectible, the unpaid principal balance of the portion of the loan, if any, which relates to facilities owned and maintained by the Company will be recorded as a debit to Contributions-In-Aid-Of-Construction, and as a credit to Accounts Receivable. The unpaid balance of interest with respect to such portion of the loan (as of the time of the debit) shall be recorded as an uncollectible account. The unpaid balance of principal and interest for the portion of a loan, if any, which relates to facilities owned and maintained by the customer shall be recorded as a non-utility expense.

The Company's capital structure used for rate-making purposes will not include short-term debt issued by the Company to finance loans under this Rule.

8. **Pro-ration of Base Rates on Customers' Bills**

During a period of changes to base rates, billing of base rates for metered customers involves proration of the different base rates based on days of invoice. The consumption for the entire period is divided by the number of service days to develop an average consumption per day for purposes of bifurcating the consumptions at the old rate and consumption at the new rate.

Section H – Public Hydrant Service

1. Applicability: Public fire protection will be available when hydrants are installed and operational. At that time, the political subdivision in which the service will be provided must fill out an application for such service and become a customer.
2. Conditions: Water from fire hydrants shall not be used for purposes other than firefighting without the Company's permission in writing. Water taken with such permission will be limited to the filling of tank trucks, for use by the public. The water so used shall be subject to charges at existing rates.

The Company reserves the right to meter any fire line when evidence indicates that water is being taken from the line for purposes other than firefighting or as otherwise permitted by agreement, and such metered service shall then be billed in accordance with the regular Schedule of Meter Rates in addition to the above rates, with proper allowance for water consumed in firefighting or other authorized use.

3. Ownership and Maintenance: All public fire hydrants shall be inspected and maintained by the Company.
4. Use Restricted: The use of fire hydrants, whether owned by the Company or by the Customer, will be restricted to the taking of water for the extinguishing of above-ground fires. Water shall not be taken from any fire hydrant for construction purposes, extinguishing underground fires, sprinkling streets, flushing sewers or gutters or for any particular time and occasion. If the Company grants permission to use fire hydrants for purposes other than the extinguishment of fires, such use will be applied only if an approved backflow prevention device is attached to the hydrant. Said device shall be furnished by the Customer. Rates shall be charged pursuant to Rule H.2., above.
5. Use of Hydrants. The fire hydrants in Superior's Winding Creek System may be used to fill tank trucks, for firefighting purposes or otherwise, only after the individual or entity taking the water obtains written permission from Superior (which permission will indicate where the water may be taken) and agrees to take water using a gauge to measure volumes purchased. Hydrants in other sections of Superior's system may be used for firefighting purposes only. During drought emergencies, as announced by the Governor, the hydrants located throughout Superior's system may not be used, or authorized by Superior for use, for any purpose other than firefighting.

6. Penalty for unauthorized use of Hydrants: In the event an individual or entity takes or uses water from any fire hydrants located within Superior's service territory, for any purpose other than firefighting, without express, written authorization from Superior, such individual or entity will be required to pay a monetary penalty to Superior in the amount of \$2,000.00 for each violation.
7. Change in Location: Whenever a change in location of a fire hydrant is ordered by a municipality, such change will be made at the expense of the municipality.
8. Charge for Public Hydrants: a NONREFUNDABLE charge of \$1,800 per hydrant (along with any applicable state and federal tax liabilities, plus any local permit/occupancy fees) shall be charged if the hydrant is installed after the main is constructed. Superior will charge any developer the same per hydrant charge (\$1,800) less any savings owing to construction of other facilities. This charge is in addition to charges set forth in Section 6 of this Section.

Section I – Private Fire Protection

1. Applicability: Private fire protection will be available only if facilities needed for such are provided by the customer.
2. Conditions: Water from private fire protection facilities shall not be used for purposes other than fire protection without the Company's permission in writing. The presumption is that such permission will not be granted except for extraordinary cause shown.
3. Inspections: A customer using any type of private fire protection must have his private fire protection facilities inspected and tested once a year. The customer must send the Company the inspection/test report, executed by a person properly certified to conduct the tests. The Company is not responsible for performing inspections and tests of private fire protection facilities.

Section J – Service Continuity

1. **Regularity of Service:** The Company may, at any time, shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes or for other reasons, and may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it. The Company will, so far as circumstances permit, notify customers to be affected by any interruptions in the water service.

Section K – Liability for Damages

1. The COMPANY’S liability for any loss or damage from any excess or deficiency in the pressure, volume, or supply of water, due to any cause other than willful misconduct by the COMPANY, its agents, or employees, shall be limited to an amount equivalent to the customer charge for the period in question. Liability to third parties shall likewise be limited to the customer charge for the quarter in question. The COMPANY will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in service, but it cannot and does not guarantee that such will not occur. See Section J, Paragraph 1, above. Likewise, the COMPANY has limited liability for a service termination performed at the request of a municipality or municipality authority conducted pursuant to the Water Services Act or any agreement executed thereunder; all such requests shall be deemed reasonable and proper by the COMPANY without further inquiry. If Superior is found liable for any damages caused by terminating service pursuant to an agreement executed under the Water Services Act, liability shall be limited to the customer charge for the period in question.

In any legal action where a court does not recognize, or is being asked to interfere with or hamper, the jurisdiction of the Commission to authorize limitations of liability or to exclusively determine whether the service and facilities of a public utility are in conformity with the regulations and Orders of the Commission, the public utility may certify to the Commission the question of the appropriateness of such court action by filing a petition for declaratory judgment with the Commission. Furthermore, the COMPANY shall not be liable in any action where the loss or damage involves an act of God or does not involve a duty of the COMPANY, including breaks or leaks on facilities that are not owned by the COMPANY, such as breaks, leaks, defects or conditions in the Customer’s own service line, meter vault, pressure reducing valve, back flow preventer, check valve, pressure relief

- valve, or any other control valve, internal plumbing or fixture, or due to the materials out of which those facilities are made. For example, with respect to private sprinkler systems, the COMPANY is not responsible for the design of such systems nor for any verification of the efficacy of the design of such systems. Therefore, in addition to any other limitation of liability, it shall not be held responsible should the fire protection system be deficient in design or operation. In the case of a stand-alone or multi-purpose domestic sprinkler system, should water service be properly terminated by the COMPANY or discontinued by the customer, the COMPANY shall not be liable for the cessation of fire protection service. Further, the COMPANY shall not be liable in any action where the loss or damage does not involve a breach of a duty of the COMPANY, including where the COMPANY does not receive actual notice, either written or oral, that a COMPANY facility (located within the public right-of-way, in a sidewalk or on a Customer's property) is in need of repair, such as the condition or elevation of a curb box or valve box that is not proven to have been in that condition at the time of installation or that is caused by a plumber, developer, or the person or event.
2. The Company shall in no event be liable for any loss or damage caused by reason of any break, leak or other defect in a customer's own service pipe, line, fixtures or other installations.
 3. The Company shall not be required to assume ownership, control, or maintenance responsibility for any mains or other pipes which were not installed by it and/or which are not built to the standards set forth in 52 Pa. Code §§65.18 and 65.27, unless it has acted to approve the installation of the facilities for the use and benefit of the utility.

Section L - Waivers

The Company may, in its sole discretion, waive any of the Rules or Regulations contained here, that operate for the benefit of the Company, provided that no such waiver will be valid unless in writing and signed by the Company, and provided that no waiver will be allowed where the waiver would constitute a violation of the Public Utility Code, the regulations of the Public Utility Commission, or any other applicable statute, law, or regulation.

Section M – Amendment of Tariff

Whenever Title 52 of the Pennsylvania Code is amended in such a way as would produce a difference between it and this tariff, this tariff is deemed to be amended to be consistent with the amendments to Title 52, except that, if application of the amendment to Title 52 is discretionary, the tariff will remain unchanged.

PART III: RATES

A. Metered Residential/Non-Residential Rate – Applicable to all residential/non-residential water service (excluding fire protection service)

	<u>Meter Size</u>	<u>Monthly Rate</u>
1. Customer Charge:	5/8" and 3/4"	\$16.80
	1"	\$26.25
	2"	\$35.00
	3"	\$43.75
	4"	\$105.00
	6"	\$157.50
	8"	\$402.50
	3/4" Dual Meter	\$22.98
2. Commodity Charge: (per 1,000 gallons)		\$9.5276

B. Fire Protection Service

<u>Public</u>	
Hydrant	\$23.75
 <u>Private</u>	
Hydrants	\$80.00
Sprinklers	
1"	\$15.25
4"	\$57.81
6"	\$80.00
8"	\$80.00

C. Water Use for Construction (Temporary)

The following rate is for the use of water for building purposes and construction in connection therewith, and the water shall not be used for any other purpose.

Single Family Dwelling	\$70.00
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All other construction shall receive building water through metered service connections, and payment shall be made in accordance with the schedule of rates for metered service.

D. Economic Development and Load Stabilization Rate (Rate EDLS)

APPLICATION OF SCHEDULE

This schedule is available to all industrial Customers or Applicants for the Company's service who have multiple water options, but only where the applicability of this schedule will enable the Company to retain load that otherwise would not be retained by the Company or to supply load that otherwise would not be supplied by the Company. The Company may offer Rate EDLS only if it receives documentation that establishes, to Superior's satisfaction, the existence of a competitive alternative. The Company may accept as documentation an affidavit by an officer or owner of the applicant or customer.

RATE

The rate shall be negotiated between the Company and the Applicant or Customer. The rate shall not be less than the Company's: (1) production cost of finished water ("production cost" being defined as the variable cost the Company incurs to produce additional treated water, consisting of electric power, chemicals and/or purchased water expenses); (2) fixed costs (depreciation and pretax return) associated with any new facilities necessary to serve the Customer or Applicant; and (3) some portion of the fixed costs of the Company's other facilities. The rate may be no more than the tariffed rate that would otherwise apply without Rate EDLS.

OTHER TERMS

Filing with the Pennsylvania Public Utility Commission/Confidentiality: The Company shall file service Agreements entered into between the Company and qualifying customers under Rate EDLS with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code §1.74. The Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

E. Distribution System Improvement Charge (“DSIC”)

In addition to the net charges provided for in this Tariff, a surcharge of 1.98% will apply to all bills issued, (I) excluding public fire hydrants, on or after December 1, 2016. (C)

1. GENERAL DESCRIPTION

- (a) Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in-service and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the needed replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act, to enhance fire protection, and to develop and implement solutions to regional water supply problems. PENNVEST funded distribution projects, if any are not DSIC eligible.
- (b) Eligible Property: The DSIC-eligible property will consist of the following
 - (1) Services (account 3330), meters (account 3340) and hydrants (account 3350) installed as in-kind replacements for customers;
 - (2) Mains and valves (account 3310) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or are required to be upgraded to meet Chapter 65 regulations of Title 52 (relating to water service);
 - (3) Main extensions (account 3310) installed to eliminate dead ends and to implement solutions to regional water supply problems that present a significant health and safety concern for customers currently receiving service from the Company;
 - (4) Main cleaning and relining (account 3310) projects;
 - (5) Unreimbursed costs related to highway relocation projects where a water utility must relocate its facilities; and
 - (6) Other related capitalized costs.
- (c) Effective Date: The DSIC will become effective for bills rendered on and after June 1, 2012.

2. COMPUTATION OF DSIC

- (a) Calculation: The initial charge, effective June 1, 2012, will be calculated to recover the fixed costs of eligible plant additions that have not been previously reflected in the utility's rates or rate base and will have been placed in service between the February 1, 2012 and April 30, 2012. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date Of Change</u>	<u>Date To Which DSIC Eligible Plant Additions Reflected</u>
March 1	January 31
June 1	April 30
September 1	July 31
December 1	October 31

- (b) The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:
- (1) Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
 - (2) Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.
 - (3) DSIC Surcharge Amount: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recover under the DSIC will be divided by the Company's projected applicable revenue for sales of water (including all applicable clauses and riders) for the quarterly period during which the charge will be effective, exclusive of revenues from public fire protection service and the STAS.

(4) Formula: The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{(\text{DSI} \times \text{PTRR}) + \text{Dep}}{\text{PQR}} + \frac{e}{\text{PQR}}$$

Where:

- DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- Dep = Depreciation expense related to DSIC eligible property.
- e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit, as described below.
- PQR = Projected quarterly revenues for service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period, will be based on the applicable three-month period, including any revenue from acquired companies that are now being charged the rates of the acquiring company.

3. **QUARTERLY UPDATES:** Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

4. **CUSTOMER SAFEGUARDS**

- (a) **Cap:** The DSIC is capped at 5.0% of the amount billed to customers for service (including all applicable clauses and riders) as determined on an annualized basis.
- (b) **Audit/Reconciliation:** The DSIC will be subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, et seq., shall be credited to customer accounts. It will also be subject to an annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the utility may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections and credits will be calculated at the residential mortgage-lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.) and will be refunded in the same manner as an overcollection. The utility is not permitted to accrue interest on under collections.

- (c) **New Rate Base:** The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
- (d) **Customer Notice:** Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.
- (e) **All Customer Classes:** The DSIC shall be applied equally to all customer classes.
- (f) **Earning Reports:** The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings Report (Schedule D-2, line 14) show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section. The utility shall file a tariff supplement implementing the reset to zero due to overearnings on one-days' notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the utility has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs.
- (g) **Residual E-Factor Recovery Upon Reset To Zero:** The utility shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The utility can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The utility shall refund any overcollection to customers and is entitled to recover any undercollections as set forth in Section 4.(b) Customer Safeguards – Audits/Reconciliations. Once the utility determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the utility shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.
- (h) **Public Fire Protection:** The DSIC of a water utility will not apply to public fire protection customers.

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PART IV**WATER CONSERVATION CONTINGENCY PLAN**

- A. If the Company is experiencing a short term supply shortage, the Company may request general conservation of inside water uses and may impose mandatory conservation measures to reduce or eliminate nonessential uses of water.
- B. A list of all nonessential uses of water includes, at a minimum, those contained in 52 Pa. Code §65.11, as listed below:
1. The use of hoses, sprinklers, or other means for sprinkling or watering of shrubbery, trees, lawns, grass, plants, vines, gardens, vegetables, flowers, or any other vegetation.
 2. The use of water for washing automobiles, trucks, trailers, trailer houses, or any other type of mobile equipment.
 3. The washing of streets, driveways, parking lots, service station aprons, office building, exteriors of homes, sidewalks, apartments, or other outdoor surfaces.
 4. The operation of any ornamental fountain or other structures making a similar use of water.
 5. The use of water for filling swimming or wading pools.
 6. The operation of any water-cooled comfort air conditioning which does not have water conserving equipment.
 7. The use of water from fire hydrants for construction purposes or fire drills.
 8. The use of water to flush a sewer line or sewer manhole.
 9. The use of water for commercial farms and nurseries other than a bare minimum to preserve plants, crops, and livestock.

- C. Notice of the implementation of the conservation plan shall be sent to all customers or be provided by local radio, television, or newspaper advertisements. The Company shall at first request voluntary customer cooperation.
- D. If voluntary cooperation does not achieve satisfactory results, mandatory compliance will be imposed. If any customer refuses to comply with such mandatory measures, the Company may either adjust the outside water valve connection in a manner which will restrict water flow by up to one-half, or otherwise restrict flow such as by the insertion of a plug device.
- Note:** Prior to such valve adjustment or other flow restriction being imposed, the Company must make a bona fide attempt to deliver notice of the valve adjustment or other flow restriction to a responsible person at the affected premises and fully explain the reason for the proposed flow for such flow restriction. Less restrictive means may be imposed to secure such compliance.
- E. These conservation measures shall be terminated at such time as the supply shortage is eliminated.
- F. Complete service termination may be imposed by an Administrative Law Judge or other presiding officer after an expedited hearing has been held to provide the affected customer with an opportunity to be heard.
- G. In addition to the provisions as set forth above, the Pennsylvania Emergency Management Council is authorized to promulgate, adopt and enforce a Water Rationing Plan by virtue of the Emergency Management Services Code, 35 Pa. C.S. §§1701 et seq. as implemented by the Drought Emergency Proclamation dated November 6, 1980.
- H. In the event of a drought emergency as defined by a Basin Commission and by a proclamation or executive order issued by the Governor, the Company is authorized to collect fines and or excess use charges set forth in its Local Water Rationing Plan as filed with and approved by the Pennsylvania Emergency Management Agency.